

THE BOLOGNA CHARTER ON SME POLICIES

(adopted 15 June 2000)

Ministers and Representatives of governments¹ of Algeria, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Morocco, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States, and Vietnam, **participating in the Bologna Conference:**

RECOGNISING the increasing importance of small and medium-sized enterprises (SMEs) in economic growth, job creation, regional and local development, and social cohesion, also through the role played by women and young entrepreneurs;

RECOGNISING that entrepreneurship and a dynamic SME sector are important for restructuring economies and for combating poverty;

RECOGNISING that globalisation, the acceleration of technological change and innovation create opportunities for SMEs but also involve transition costs and new challenges, and that globalisation should lead to higher living standards for all and that its benefits should be accessible to all on an equitable basis;

RECOGNISING that SME policies need to be tailored to the circumstances and priorities of individual countries and sectors, while contributing to sustainable development and social progress;

WELCOMED the work on SMEs by the OECD and other international institutions and encouraged continued multilateral exchange of experience and best practice policies with a view to strengthening partnership and co-operation among SMEs in OECD and non-OECD countries. In this perspective, **this first Conference of Ministers responsible for SMEs and Industry Ministers, jointly organised by the OECD and Italy**, is a major opportunity to identify public and private sector actions to help SMEs develop their local strengths while capturing the benefits of globalisation and trade liberalisation.

ACKNOWLEDGED that SME competitiveness would benefit from:

- A regulatory environment which does not impose undue burdens on SMEs and is conducive to entrepreneurship, innovation and growth through, *inter alia*: promoting good governance and greater accountability in public administration; pursuing a fair and transparent competition policy, and implementing effective anti-corruption measures; and fostering the implementation of transparent, stable and non-discriminatory tax regimes;
- Education and human resource management policies that: foster an innovative and entrepreneurial culture, including continuous training and lifelong learning; encourage mobility of human resources; and reduce skill disparities by improving the match between education and labour market demand;

¹ Including the European Community.

- Effective access to financial services, particularly to seed, working and development capital, including innovative financial instruments to reduce the risks and transaction costs of lending to SMEs;
- An environment that supports the development and diffusion of new technologies for and by SMEs to take advantage of the knowledge-based economy;
- Strengthening public-private partnerships and political and social dialogue involving territorial and institutional actors as a tool for exchange of information, utilisation of knowledge and elaboration of policy;
- Ensuring the cost-effectiveness of SME policies and their consistency with other national policies, as well as with existing international programmes.

RECOGNISING the vital contribution of innovation to SME competitiveness, the central role played by SMEs in national innovation systems, and the importance of improved access to information, financing and networking in facilitating the innovation process, RECOMMENDED that in developing SME policies, the following be considered:

- SMEs' ability to manage innovation be improved by: facilitating the hiring and training of qualified personnel; diffusing an innovation culture; disseminating technological and market information and providing related assistance (*e.g.* through improvements in relevant labour market mechanisms, and linkages between enterprises and education systems, and between industry and public and university research);
- Financial barriers to innovation in SMEs be reduced by: *i)* facilitating the development of market mechanisms for equity financing, and related services, especially for innovative start-ups; *ii)* promoting risk-sharing programmes and measures, including financial support and tax incentives to R&D and innovation; and *iii)* supporting initiatives which facilitate “partnerships for innovation” between entrepreneurs, public agencies and financiers;
- SME access to national and global innovation networks be facilitated and their participation in public R&D programmes and procurement contracts encouraged.

RECOGNISING that, in a number of countries, clusters² and networking can stimulate innovative and competitive SMEs, RECOMMENDED that in developing SME policies, the following be considered:

- Partnerships involving private actors, NGOs and different levels and sectors of public administration in local cluster and networking development strategies be facilitated;
- The private sector lead cluster initiatives, with the public sector playing a catalytic role according to national and local priorities (*e.g.*, *inter alia*, facilitating private investment with public incentives, facilitating seed funding and monitoring the results of network initiatives);

2. **Clusters** can be characterised as production networks of strongly interdependent firms (including specialised suppliers) linked to each other in value-adding production chain. In some cases, clusters also encompass alliances with universities, research institutes, knowledge-intensive business services, bridging institutions (brokers, consultants) and customers. [OECD (1999), *Boosting Innovation: The Cluster Approach*]

- Public and private sector bodies foster the growth of clusters (existing and embryonic) by: improving their access to accommodation and efficient communications and transport infrastructures; facilitating local specialisation in university/industry linkages; disseminating targeted information, including on locational advantages and investment attractiveness; promoting suppliers' networks, technical support services, learning circles and other collaborative undertakings.

RECOGNISING that electronic commerce creates opportunities and challenges for SMEs, RECOMMENDED that in developing SME policies, the following be considered:

- Full account be taken of SME perspectives in the drafting of guidelines, rules and regulatory initiatives and instruments related to information and communication technologies (ICTs) and electronic commerce, taking into particular consideration the conclusions of the OECD Ministerial Conference on Electronic Commerce held in Ottawa in October 1998;
- Greater awareness among SMEs of the benefits of the Information Society and of integrating Internet use and electronic commerce in their business strategies be fostered by: *i*) encouraging the dissemination of information on opportunities and obstacles related to electronic commerce; *ii*) removing paper-based legal barriers to commercial electronic transactions and administrative impediments to the creation and development of new firms; *iii*) fostering a competitive market for high-quality network infrastructure; and *iv*) making use of the Internet in public administrations' interactions with SMEs and promoting electronic public procurement initiatives that provide equal access to SMEs;
- SMEs' participation in electronic commerce be enhanced by: *i*) fostering an environment conducive to business-led initiatives to promote the use of ICTs and electronic commerce (*e.g.* resource and demonstration centres, training initiatives, pilot projects); *ii*) encouraging the development of effective and user-friendly frameworks for certification, authentication, transaction security systems, privacy, and consumer protection and, more generally, providing an attractive business environment for electronic commerce in areas such as trade, competition, intellectual property rights (IPRs), standards, and taxation; and *iii*) enabling SMEs to work within a clear, consistent and predictable legal framework for electronic commerce, which allows access to "out-of-court" dispute resolution mechanisms, without imposing undue costs or burdens;

With regard to enhancing the competitiveness of SMEs in transition economies and developing countries in the global economy and their partnership with SMEs of OECD countries, RECOMMENDED that in developing SME policies, the following be considered:

- Co-ordination between governments, and regional and international organisations as regards industrial development programmes and initiatives aimed at supporting the growth of SMEs in transition and developing economies be improved;
- Support and financial services, including those carried out by intermediaries (*e.g.* self-help organisations, business associations, technical assistance centres, etc.), be promoted in ways that foster international co-operation and partnership among SMEs and provide improved access to information, financial and technological resources and new markets;
- SME policies in developing and transition economies promote the long-term development of the sector and encourage networking. Policy and institutional mechanisms favouring large, often state-owned enterprises over SMEs, notably in sectors not characterised by economies of scale or other conditions of "natural monopoly", should be removed;

FUTURE ACTIONS

Ministers and Representatives of governments of countries participating in the Bologna Conference:

AGREED to work together and within international organisations to improve the complementarity of bilateral and multilateral initiatives to foster global SME partnerships and enhance the availability of financial and non-financial instruments to promote SME development.

AGREED on the usefulness of benchmarking the effectiveness of SME policies, regulatory environment and performance, based on data and statistics collected at national and sub-national level, including on electronic commerce.

TOOK NOTE, with interest, **of the Italian proposal for an International Network for SMEs (INSME)** and the Italian initiative to promote it. They **WELCOMED** Italy's offer to carry out a feasibility study, including a need assessment, to define its possible design and development, which could also benefit from support by interested countries and private sector inputs. **Ministers and the OECD will be kept informed of the results of the feasibility study** [*see the Conference document entitled: Italian Proposal for an "International Network for SMEs (INSME)"*].

AGREED on the importance of building on the achievements of the Bologna Conference and of pursuing the policy dialogue among OECD Member and non-member countries, and **LOOKED FORWARD** to the possibility of holding a second Conference of Ministers responsible for SMEs and Industry Ministers to assess the impact on SMEs of new developments relating to globalisation.