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**Office of the Co-ordinator for OSCE Economic
and Environmental Activities**

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CONSOLIDATED SUMMARY

**FIRST PREPARATORY SEMINAR FOR THE TWELFTH OSCE ECONOMIC FORUM:
SUPPORTING THE DEVELOPMENT OF SMEs**

YEREVAN, ARMENIA, 17-18 NOVEMBER 2003

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EXECUTIVE SUMMARY

Introduction

The First Preparatory Seminar for the OSCE's 12th Economic Forum was held on 17-18 November in Yerevan, Armenia. The topic of the seminar was "Supporting the Development of SMEs".

This seminar was the first of a series of three preparatory seminars for the next year's Economic Forum ("New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation", Prague, 31 May – 4 June 2004). The following two seminars will focus on stimulating investments (Dublin, 16-17 February 2004) and development of human resources (Bishkek, March 2004).

The event was organized by the Office of the Co-ordinator of OSCE Economic and Environmental Activities (OCEEA) in close co-operation with the incoming Bulgarian Chairmanship and in co-ordination with the Netherlands Chairmanship, as well as in collaboration with the Ministry of Foreign Affairs of the Republic of Armenia and the OSCE Office in Yerevan. The Netherlands OSCE Chairmanship provided additional financial support for the organization of the seminar.

The seminar was opened by H.E. Karen Chshmaritian, Minister of Trade and Economic Development of the Republic of Armenia.

H.E. Ruben Shugarian, Deputy Minister of Foreign Affairs of the Republic of Armenia, Ambassador Vladimir Pryakhin, Head of the OSCE Office in Yerevan, Ambassador Ivan Naydenov, Director of the "OSCE Chairmanship" Directorate, Ministry of Foreign Affairs of Bulgaria, representing the incoming OSCE Chairmanship and Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force, Ministry of Foreign Affairs of the Netherlands, representing the OSCE Chairmanship, also addressed the seminar during the opening session. Their interventions are included in the Consolidated Summary.

Within the frame of the preparatory seminar an Exhibition on "SME Support – Policies and Programmes" has been organized by OCEEA and the OSCE Office in Yerevan jointly with the Ministry of Trade and Economic Development of the Republic of Armenia and the Small and Medium Entrepreneurship Development National Center of Armenia.

Over 150 representatives from 27 OSCE participating States, over 25 International and Non-Governmental Organizations, 12 OSCE Field Offices, as well as academic and business community representatives participated in the seminar and engaged in productive discussions.

25 experts, keynote speakers and speakers, from OSCE participating States, OCEEA and Field Presences, International Organizations and NGOs, business and academic community, presented their inside knowledge and their views thereby stimulating the discussion. Throughout the deliberations all the participants freely expressed their views and contributed to formulating concrete suggestions for further consideration by the next year's OSCE Economic Forum in Prague.

Numerous documents and presentations have been circulated. A list of this documents is included as an annex in the Consolidated Summary. These documents are available upon request from the OCEEA.

Structure of the Seminar.

The seminar consisted of both plenary sessions and parallel sessions of the working groups.

During the opening plenary session the topic of the seminar was introduced by keynote speakers: Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Mr. David Smallbone, Head of Center for Enterprise and Economic Development Research, Middlesex University Business School, and Mr. Marcin Świącicki, Co-ordinator of OSCE Economic and Environmental Activities. The keynote speeches are included in the Consolidated Summary.

The two parallel working groups were dedicated to the establishment of an appropriate legislative and institutional framework for SME sector development (Working Group A) and to the direct assistance targeting SME development (Working Group B).

In addition, a plenary session on “The role of the OSCE in supporting the development of SMEs” was held in the second day of the event.

The overview of the discussions and the recommendations were presented by the rapporteurs in the closing plenary session. Rapporteurs’ Reports are included in the Consolidated Summary.

Objectives of the Seminar

The seminar tried to provide answers to a number of questions such as:

- how to create the necessary conditions for SME development ?
- what is the role of national legislation, regulatory framework and policies and how should they be developed ?
- how to improve entrepreneurial education ?
- how to enhance the financial and technical assistance for entrepreneurs ?
- how to support business associations and entrepreneurs in lobbying for their rights ?
- what is the role of business support institutions and how can they adequately play their role ?
- what is the role of the OSCE in supporting the development of SMEs ?

Recommendations

This seminar has accomplished its main goal of fostering the OSCE’s proactive course towards upgrading and promoting SME sector. Many useful recommendations were put forward and can provide valuable input for further discussion and consideration by OSCE Participating States in the Economic and Environmental Sub-Committee and in the Economic Forum in 2004.

The Executive Summary includes a list of recommendations for the OSCE participating States and the OSCE/OCEEA, summarizing those from the Rapporteurs’ Reports and tentatively catalogued in several categories.

It is envisaged that the Economic and Environmental Sub-Committee discusses the suggestions included in the Consolidated Summary, in order to streamline the preparatory process for the Forum.

I. Recommendations for OSCE participating States

1. Participating States should improve the operating environment for SMEs, by:

- clearly defining SMEs;
- simplifying legislative rules governing the SME sector;
- simplifying business registration procedures;
- simplifying statistical and financial reporting rules for SMEs;
- reducing the number of inspections and inspection bodies and streamlining inspection procedures;
- adopting and implementing anti-corruption legislation;
- developing an institutional infrastructure to support SMEs;
- encouraging the development of judicial and arbitration mechanisms for businesses disputes resolution;
- improving access to finance for SMEs; if bank lending cannot be made more accessible, other efforts are needed to provide SMEs with start up capital at reasonable rates.

2. Participating States should recognize the role and competence of independent business associations and Chambers of Commerce, facilitate their establishment and development and co-operate with them as valuable partners.

3. Participating States should co-operate and share information and better utilize existing international settings and organizations providing frameworks for economic co-operation and dialogue, in order to:

- encourage SMEs to expand their export markets and take better advantage of regional economic arrangements;
 - encourage the co-operation among SMEs from different countries.
4. Participating States should adopt measures to develop the human capital, by:
- supporting the improvement of managerial skills and capacities, techniques and methods, both within the public and the private sector;
 - facilitating the inclusion of entrepreneurial education into standard school curriculum;
 - promoting the use of IT as a tool to lower the costs of collecting information from SMEs and providing information for SMEs.

II. Recommendations for further OSCE involvement

1. OSCE should intensify its work with government authorities and policy makers and:
- promote appropriate SME policies and practices conducive to general economic development;
 - promote good governance measures and best practices facilitating SME business development;
 - provide assistance, in co-operation with partner organizations, in legislation drafting, implementation, institutional development and capacity building in areas such as: transparency, property rights, taxation, business registration and inspection procedures, mediation and arbitration mechanisms, as well as in those legislation areas instrumental for the accession to WTO.
2. OSCE should provide support to SMEs and entrepreneurs and play a role in institutional capacity building in the private sector, by:
- supporting the development of strong, all-economy rather than branch focused, and independent business associations and chambers of commerce, as well as advocating the recognition of these independent business organizations by governments as valuable partners;
 - supporting institutional development of existing or new local business associations and support entities, strengthening their bargaining power towards governments and their capacity in promoting good governance and SME development;
 - facilitating information sharing for SMEs on existing opportunities, resources and assistance available and disseminating information through various networks provided by the EU, OECD and particularly INSME;
 - promoting, jointly with other donors, business development services for SMEs (consulting, business training, information support, awareness campaigns), particularly in those countries or regions where such services are not developed;
 - supporting the development of business incubators;
 - supporting the development of micro-credit institutional capacity, conducting joint training programs for credit officers and borrowers, etc..
3. OSCE should facilitate training for entrepreneurs and SMEs, by:
- conducting training programs in entrepreneurship activities and skills (such as YES - Young Entrepreneurship Seminars);
 - promoting programs to educate businesses about rules and regulations that affect them;
 - providing additional linkages with the private sector, international organizations and local government agencies to facilitate the spread of the business support services provided by those organizations;
 - encouraging private sector companies to provide internship opportunities for training participants;
 - advocating the inclusion of entrepreneurial education and related training material into school curricula of participating States;
 - lobbying for government support for entrepreneurial education, particularly for women and other vulnerable population groups.
4. OSCE should focus on promoting public-private dialogue and partnership and:
- convene national and international meetings, seminars, round tables to facilitate dialogue and information exchange;

- bring together stakeholders (business, government, NGOs, etc.) to identify obstacles to business development, develop a strategy for removing or mitigating them and co-operate to implement this strategy;
5. OSCE should better use the concept of the Platform for Co-operative Security and:
- address the lack of co-ordination among donors and facilitate joint efforts to promote consolidated actions taking into account local needs, including by monitoring the implementation of different project to identify overlapping and gaps and suggest remedies to the donor community;
 - facilitate contacts between governments and IFOs;
 - be of assistance in introducing local SMEs as subcontractors for major investors;
 - the OSCE missions should develop a network for SME development on the local level, involving local and international partners active in the country; this networking should also be co-ordinated at HQ level.
6. OSCE should focus on groups and regions having specific needs and:
- direct its assistance to SMEs (for example entrepreneurial training, business skills development initiatives, promotion of business development services, disseminating information) to target vulnerable population groups, such as those at risk of falling into trafficking out of economic need, internally displaced persons, refugees, ethnic minorities, women, youth, farmers, etc.. This approach would promote social cohesion particularly among minority and vulnerable groups.
 - focus its programs on underdeveloped areas where widespread unemployment or lack of economic opportunities could be destabilizing and in areas of potential conflict, such as border regions This approach would be in line with the OSCE goal of promoting security and stability.
 - encourage such programs through business associations and employers unions which have close contact and good networks throughout OSCE participating States.
 - provide advise to the international donor community in identifying these target groups and areas at risk and partner with other IOs to direct or outsource expertise, resources, and capacity to those vulnerable groups or regions.
7. OSCE should consider environmental aspects when promoting SME sector development and should reach out to international organization that can provide support in these area.

Annexes

A number of annexes has been attached to complete your picture of the First Preparatory Seminar. For further reading, please note that background documents from this seminar can be found on the OSCE web site under www.osce.org/eea. Background documents and presentations can be provided upon request by the Office of the Co-ordinator of OSCE Economic and Environmental Activities (gabriel.leonte@osce.org or andrea.gredler@osce.org).

OPENING PLENARY SESSION

Chairman: Mr. Marcin Świącicki, Co-ordinator of OSCE Economic and Environmental Activities

Your Excellencies,
Distinguished colleagues and guests,

I would like to welcome all of you, official representatives of OSCE participating States, members of OSCE Field Missions and Institutions, representatives of partner International Organizations, business representatives, NGOs and Academics, to the first preparatory seminar for the 12th OSCE Economic Forum. It is a privilege for me as Co-ordinator of OSCE economic and environmental activities to chair this very important event.

I would like to thank the Government of the Armenia for hosting this important event and for the assistance in organizing the seminar. We are honored by the presence here of H.E. Karen Chshmaritian, Minister of Trade and Economic Development of the Republic of Armenia.

(Speech follows)

Special thanks also go to H.E. Ruben Shugarian, Deputy Minister of Foreign Affairs of the Republic Armenia and the team from the Ministry of Foreign Affairs as well as the delegation in Vienna for their contribution to the organization of this event.

(Speech follows)

I want to thank the Netherlands Chairmanship, represented here by Mr. Frank van Beuningen, Policy Co-ordinator in the OSCE Task Force, representing the Netherlands, OSCE Chairmanship, for the outstanding leadership provided over the year and for the constant support to the Economic and Environmental Dimension of the OSCE.

(Speech follows)

It is a great pleasure to welcome Ambassador Ivan Naydenov, Director of the "OSCE Chairmanship" Directorate of the Ministry of Foreign Affairs, representing Bulgaria, incoming OSCE Chairmanship. Mr. Ambassador, let me assure you of my Office's support for your Chairmanship in the year to come.

(Speech follows)

The organization of this seminar would have not been possible without the invaluable support of the OSCE Office in Yerevan. I want to thank Ambassador Vladimir Pryakhin, Head of the OSCE Office in Yerevan, and his staff for their contribution. In particular, I want to thank Ms. Larissa Neufeld, Economic and Environmental Officer, for her excellent work and dedication.

(Speech follows)

I want to draw your attention to the Exhibition on "SME Support – Policies and Programmes" organized within the frame of this event. The exhibition has been jointly organized with the Ministry of Trade and Economic Development of the Republic of Armenia and the Small and Medium Entrepreneurship Development National Center of Armenia.

WELCOMING ADDRESS

by H.E. Karen Chshmaritian
Minister of Trade and Economic Development of the Republic of Armenia

Dear guests,
Ladies and Gentlemen,

Let me take this opportunity to greet the participants of the seminar on “Support for the Development of Small and Medium Entrepreneurship” and extend my gratitude for the initiative of the Organization on Security and Co-operation in Europe. We are particularly happy that it happens in Armenia where stable economic growth has been recorded over the last years with the substantial contribution of SME sector. We welcome the idea that in its mission the OSCE gives primary importance to the economic development of member states, and particularly to SME sector.

To achieve these goals likewise meetings are of utmost importance, which enable to bring into discussion the experience of different countries and share the best possible solutions with joint efforts.

I would like to pinpoint the fact that while passing decisions on SME sector, we often refer to the international practice and benefit from similar meetings and discussions.

Given the significant role and strategic meaning of SME sector in the economic development of the country, creation of new jobs, enhancement of living standards and formation of the middle class as well as in ensuring social and political stability in the country, the Government of Armenia has identified this sphere as a priority in economic upheaval and takes continual steps to improve it. We have made substantial achievements in this regard.

At present in Armenia the corresponding legal framework is already in effect, which is required for undertaking entrepreneurial activity in any country in transition to a market economy.

Since 2001 annual SME state support programs have been developed and implemented targeted to carry out major state support directions prescribed by the Law on “State Support of Small and Medium Entrepreneurship”. These programs are implemented with annual budget allocations.

Within the framework of the state support program 2002 the Small and Medium Entrepreneurship Development National Center of Armenia was established under the Government decree, which is the basic national structure for developing and implementing SME state programs in Armenia.

Due to the implemented measures Small and Medium Entrepreneurship in Armenia became a dynamically developing direction for the last few years. The number of SME units increases from year to year creating many new jobs.

Small and Medium Entrepreneurship plays a decisive role in the country’s GDP. In comparison to 2000 the overall contribution of SME sphere to the country’s GDP has increased by 12 % and now accounts for 38%. At the same time this figures tend to increase also and continual steps are underway to promote them to the level of developed countries.

We are confident that SME development targeted policy and broader international co-operation will ensure prosperity of the sphere and country’s economy with integration into the world economy. In this respect I am very delighted to see representatives from countries with significant achievements in this sphere who will introduce their experience during discussions, thus making the seminar more efficient.

Simultaneously I would like to welcome the organization of a likewise meeting in Armenia because it will give us new opportunities for co-operation.

Let me once more welcome you and wish a productive and effective work that will have a considerable input in making decisions next year at the 12th OSCE Economic Forum in Prague.

Thank you for your attention.

WELCOMING REMARKS

**by Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force,
Ministry of Foreign Affairs, the Netherlands, OSCE Chairmanship**

Thank you very much, Mr. Chairman,
Mr. Minister, ladies and gentlemen,

It is a pleasure for me to be here in Yerevan and a great honour to address you all gathered here for the Seminar „Supporting Development of SME’s‘. The structure of national economies – not only here in the Caucasus, but also in other parts of the OSCE community – the transformation from a centrally planned economy to a free market economy, has been a dominant factor in developments over the last decade. A lot of state enterprises have been privatized, sometimes through the stock markets, in other cases in a less transparent fashion. Space was also created for the development of Small and Medium Sized Enterprises as an important tool for economic development, creation of employment opportunities and providing income opportunity for a substantial part of the labor force.

But before going more into details on the subject of this seminar here in Yerevan, allow me to first and foremost to share with you some thoughts on the OSCE in general and on the added value of the OSCE’s Economic and Environmental Dimension, particularly in view of our experience in this year with our OSCE Chairmanship. The OSCE is first and foremost an organization that deals with security, comprehensive security that is. Security is more than arms control, the combat against terrorism or the alleviation of political tensions. Security is also a matter of democratization, rule of law and respect for human rights. In short, the shaping of institutions that help foster stability, without which no economic development can take place.

The search for the OSCE’s niche in SME development in the OSCE region will be on the agenda in the coming two days. Naturally the OSCE has already experience in the field, but is constantly and obviously struggling with the core question of the relation with other relevant actors in the field (from the perspective of the so-called platform for comprehensive security), as well as the question of the link to security.

Which brings me to question of the Economic and Environmental Dimension of the OSCE and the added value in contribution to conflict prevention and security and stability in the OSCE region. In all three OSCE dimensions, the OSCE has a strong position in the various countries, particularly in those with an OSCE field presence. In the field of the Economic and Environmental Dimension, the OSCE should team up with other international organizations. They have expertise available, they have financial means and they are involved in activities on the ground. And this is a very healthy and sound situation, leading me to the conclusion that OSCE’s added value should be solely focused on those economic areas that have a link to security, a link to the prevention of conflicts and to post-conflict rehabilitation. The OSCE should avoid overlap with the work being done by other organizations. The OSCE could look for its own niche and use the field missions to the maximum, because these are involved in creating security, in conflict prevention and rehabilitation after conflicts and situations of severe political tensions.

Please allow me to take the liberty to shortly divert to the discussions on the development of the New Strategy Document for the Economic and Environmental Dimension currently taking place among the OSCE participating States in Vienna. One of the prime areas of focus there is the attention for good governance, capacity building and institutional strengthening. All important means to contribute to the various challenges and threats to security. This can be as broad as support to relevant legislation or support to setting up institutional structures for co-operation among SMEs. SME development can benefit greatly from the presence of institutional structures, where entrepreneurs can learn from each other, receive concrete technical assistance, disseminate information, training in basic skills like bookkeeping and marketing, and share experiences among themselves. A strong presence of for instance a Chamber of Commerce or an equivalent institution can be very beneficial for SME development.

In the Economic and Environmental Dimension the OSCE can help to bring relevant actors together, on a national level and on the level of international organizations, such as the EBRD or the EU which have large scale programs and financial support for SME development. It can support the process and effectiveness of the large scale programs implemented by other organizations, by focusing on strengthening a supportive and facilitating environment; thus contribution in certain countries and areas to a more stable environment in which conflict can be prevented and post conflict rehabilitation can be supported.

Ladies and gentlemen, Mr. Minister, Mr. Chairman,

The OSCE does not make money. It does not create jobs either, at least not in the economic sense of the word. Companies, small and medium enterprises do. I hope our discussions today and tomorrow will focus on how the OSCE, in co-operation with other international organizations and financial institutions, can contribute to SME development as part of strategies of conflict prevention and post-conflict rehabilitation. I look forward to the views of representatives of the OSCE and its missions, of the participating States, of international organizations, of experts, in the unique opportunity that we are all gathered here in Yerevan.

Furthermore, and with this I will conclude, I wish my colleagues from the Bulgarian incoming Chairmanship all the best in carrying forward, in co-operation with Economic Co-ordinator, the torch of the OSCE's Economic and Environmental Dimension.

Thank you for your attention.

WELCOMING REMARKS

by Ambassador Vladimir Pryakhin, Head of the OSCE Office in Yerevan

Thank you, Mr. Chairman,

I am very happy to welcome in Yerevan numerous representatives of delegations of OSCE participating States, international organizations, non-governmental organizations, as well as business representatives and experts. We are very grateful to the guests and seminar participants for showing such an interest to our seminar and its subject of consideration, which, indeed, has the most direct relation to the issues of security strengthening and development of co-operation.

I would like to express special thanks for their big support in the work for the organization of the seminar to the representatives of the Government of the Republic of Armenia:

Mr. Karen Chshmaritian, Minister of Trade,
Mr. Ruben Shugaryan, Deputy Minister of Foreign Affairs,
Mr. Jivan Tabibian, Ambassador, Head of Armenian Delegation to the OSCE.

As well as I would like to welcome:

Mr. Frank van Beuningen, representative of the Netherlands OSCE Chairmanship,
Mr. Ivan Naydenov, Ambassador, representative of the incoming Bulgarian Chairmanship of the OSCE,
Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities.

It is a high honor for the OSCE Office in Yerevan to provide support in organization and conducting of one of the biggest events of the OSCE for the recent year. The subject of the current event, in the best, reflects the objectives and tasks of the OSCE in this regard. Nothing can support the strengthening of democracy and guarantee the ensuring of human rights more than the development of small and medium business. The establishment of small enterprises assists in formation of a strong middle class, which, in turn, is a considerably firm social guarantee for democracy and ensuring of human rights.

In post-conflict situation or in the territories of frequent conflict occurrence, which are often characterized by extreme reduction of the level of economic activity, high level of poverty and unemployment among the population, inter-ethnic disagreement, etc., the development of a sector of small and medium enterprises is considered to be one of the most comprehensive methods for economic revival. In the territories with low probable attraction of big investments, the development of small and medium enterprises may not only assist in reducing the level of poverty, but is considered to be a reasonable alternative to conflict or illegal activities, like contraband, trade of prohibited goods and organized crime, as well.

We would like to declare with great satisfaction that the Republic of Armenia, for recent years, has achieved considerable success in the economic development.

The growth of Gross Domestic Product for the first nine months of the current year was 15, 2 %, which is one of the highest indices in the world. Along with this, the international organizations and the OSCE are often preoccupied that such rapid temps of economic development do not always match with the increase of the living standards among groups of population, in terms of overcoming the poverty and development of social programs.

The strengthening of the position of small and medium business in the country is to assist in overcoming misbalance in economy and ensuring more social orientation to its development.

All the above mentioned aspects of economic development are topical for Armenia, as a host country of the current seminar. However, they are of considerable significance for all the countries with transition economy within OSCE coverage.

We hope that in the course of the seminar more important aspects related to the assistance in the development of small and medium business in the highest professional level will be considered:

- macroeconomic stability and healthy tax policy;
- realistic and reliable currency exchange rates;
- liberalization of conditions leading to foreign markets;
- problems of leadership and effective management;
- involvement of banks and financial institutions in the process of assisting the development of small and medium businesses;
- required professional training and staff formation for small business.

I would like to draw your attention, in particular, to the last aspects pertaining to the establishment of a favorable investment environment in the Republic of Armenia. This is one of the fundamental tasks of the OSCE Office in Yerevan. In this regard, we consider of principal significance the elaboration and further implementation of anti-corruption strategy, the main points of which are described in the recommendations developed through the assistance of the OSCE Office.

Finally, I would like to wish good luck to the guests and the participants in our seminar in terms of solving the tasks they are confronted with.

INTRODUCTORY SPEECH

**by Ambassador Ivan Naydenov,
Director of the “OSCE Chairmanship” Directorate,
Ministry of Foreign Affairs of Bulgaria, incoming OSCE Chairmanship**

Thank you very much, Mr. Chairman,

It is an honour and a pleasure to address such a distinguished audience. I would like to express our warmest gratitude to the Government of the Republic of Armenia for hosting this event. I wish to note with appreciation the presence of Mr. Karen Chshmaritian, Minister of Trade and Economic Development of the Republic of Armenia and Mr. Ruben Shugarian, Deputy Minister of Foreign Affairs of the Republic of Armenia at the Opening plenary session. Allow me to thank the Dutch Chairmanship of OSCE, the OSCE Office of the Co-ordinator for Economic and Environmental Activities and the OSCE Office in Yerevan for their valuable contribution to the preparation of the seminar.

The economic and environmental dimension has always been of key importance in the OSCE comprehensive concept of security and co-operation. Based on that premises the OSCE Economic Fora and their Preparatory Seminars have traditionally focused on vital problems, pertaining to the transition to free-market economies, sustaining and improving the overall economic performance.

The Twelfth Meeting of the OSCE Economic Forum to be held next year in Prague will consider such an important theme as building up institutional and human capacity for economic development and co-operation. Bulgaria, as the incoming Chairmanship of the OSCE, chose to promote this theme for next year's OSCE Economic Forum because we understand that sound economic development and co-operation require viable market economy institutions and adequate human resources. We also believe that work is still needed to strengthen established national institutions and increase and develop human capacity across the OSCE region.

This Seminar is the first in a series of three seminars leading up to the Twelfth Meeting of the OSCE Economic Forum which will focus on “New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation”. The development of SMEs is part of the theme of the forthcoming Economic Forum. With a view of the growing significance of SMEs in modern market economies the facilitation of SME sector necessitates prompt creation of fully fledged economic institutions and appropriately trained human resources. One of our main tasks during the Seminar is to make recommendations that could be then further elaborated and transformed into concrete follow-up measures tailored to address the needs of governments, local authorities and business community.

Mr. Chairman,

Small and medium-sized companies are the backbone of modern market economies. They generate entrepreneurship, employment, innovation, incomes and tax revenues. SMEs are instrumental for preserving macroeconomic stability and achieving economic growth. Small and medium-sized companies facilitate better interaction between the business community and civil society. A vibrant SME sector not only has an impact on the economy itself but substantially contributes to the transformation of the society as a whole. Promoting entrepreneurship means converting the mentality of people to competitiveness, efficiency and self-sustainability.

The OSCE recognizes the important role of small and medium-sized enterprises. By promoting sustainable economic growth, employment and poverty reduction, the SME sector contributes to internal security and stability. It is a factor which contributes to decreasing the risks of illegal activities and threats, such as organized crime, trafficking of people, drugs and arms, ethnic and religious conflicts, terrorism, etc. The accelerated development of SME sector is particularly relevant for the economies in transition as well as for the countries in post conflict situation and conflict prone sub-regions of the OSCE area. The 1990 Bonn Document established commitments of the participating States to create competitive business environment conducive to the development of SMEs. Taking into account the

major changes and developments during last decade, the Draft OSCE Strategy Document on Economic and Environmental Dimension, which is now under discussions in Vienna and is scheduled for adoption in December at the Maastricht Ministerial Meeting of the Organization, provides for further commitments of the participating States to encourage and facilitate SMEs.

Over the years the Organization has accumulated a valuable experience in promoting SME sector, both at the Headquarters and in the field. The OSCE has successfully initiated project activities that contribute to the development of SMEs in South East Europe, Caucasus and Central Asia. Holding this seminar in Armenia reflects the OSCE desire to be more involved in facilitating SMEs in the Caucasus. The Organization is also encouraging co-operation between the business community and government agencies to address various obstacles to the development of SMEs, enhancing exchange of business experiences between enterprises in different counties, etc. I avail myself of this opportunity to commend the Office of the Co-ordinator of Economic and Environmental Activities for its continuous efforts to support the development of SME sector in the OSCE area.

The European Union, the United Nations Economic Commission for Europe, and the sub-regional intergovernmental organizations in the OSCE area regard the promotion of SMEs as an issue of highest priority. At the Feira European Council in June 2000, EU Member States endorsed the European Charter for Small Enterprises, which has become a cornerstone of the European Commission's enterprise policy and proved to be a useful tool to assist Member States, Acceding and Associated States to improve their SMEs performance. The UN/ECE held numerous conferences and meetings on small and medium-sized enterprises, the latest among them was the Forum on the Best Practice in the Development of Entrepreneurships and SMEs in Countries in Transitions: The Croatian and Slovenian experiences, held on 19 March 2003 in Geneva. The Ministerial Meeting of the Black Sea Economic Co-operation on 26-27 September 2003 in Istanbul focused on the promotion of small and medium-sized enterprises too.

Alongside partner international organizations and taking into account its mandate and expertise OSCE can contribute to developing the potential of the SME sector by promoting good business practices, providing policy and legislative advice, cultivating public/private dialogue, providing training to entrepreneurs, supporting the establishment and the work of business associations, targeting disadvantaged social groups or areas posing specific security risks/concerns, etc. One of the domains where the OSCE has a role to play is raising public awareness at local, national and international level. The OSCE can also facilitate identifying the needs of the SME sector and bringing them to the attention of the responsible factors at national level or to the attention of other international organizations that could provide assistance.

The OSCE, as a security organization is in a position to draw attention to the consequences of lack of will, lack of action or inappropriate actions and call on local authorities, national governments or international organizations to intervene where and when needed. The Organization can also stimulate regular contacts and dialogue between civil society, business sector and public administration. The OSCE can support governmental and private efforts to improve the business environment through the dissemination of information on best practice. The Organization has the capacity to bring together international donors and recipients. With its strong field presence, OSCE can accurately target assistance and be instrumental in mobilizing resources to under served and potential conflict areas.

Mr. Chairman,

I would like to assure you that during its 2004 Chairmanship Bulgaria will be committed to further strengthening and streamlining of the OSCE activities in the economic and environmental dimension.

The theme of the Seminar, the high level participation and the admirable facilities, offered by the Armenian Government, provide for an extensive consideration of the items included. Let me wish to all of us fruitful discussions and success.

Thank you, Mr. Chairman.

KEYNOTE SPEECH: “CONDITIONS FOR SME DEVELOPMENT AND THE ROLE OF THE OSCE”

**by Mr. Marcin Świącicki,
Co-ordinator of OSCE Economic and Environmental Activities**

Your Excellencies,
Distinguished colleagues and guests,

Please allow me to share with you some considerations regarding the conditions for SME development and the role of the OSCE.

The theme of the 12th OSCE Economic Forum - “New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation” - is of utmost importance for the OSCE participating States. We have to provide appropriate answers to a number of old and new challenges, to prevent new divisions in the OSCE region, to fully develop the existing potential for economic growth and co-operation, for the benefit of our citizens.

The development of a healthy SME sector plays an important role in transition as well as in developed market economies. SMEs play an essential role in contributing to the long term growth of a country by ensuring flexibility and competitiveness of economy. SME sector additionally plays an important role in the economies in transformation by absorbing labor laid off from restructured state companies and filling the gaps in the service sector, underdeveloped during the command economy.

But how can the necessary conditions for SME development be promoted ? This is the question we will have to answer. During the seminar we will analyze the role of national legislation and the regulatory framework with regard to creating an enabling environment for SME development. Inappropriate legislation and red tape too often hamper SME growth and encourage informal economy to flourish.

However, the development of SMEs is not only a question of legislation. SME development depends above all on people who have business ideas and who are also willing to take the initiative to realize them. Decades of Communist rule have suffocated entrepreneurial skills and capacities. For this reason, this seminar will also focus on how to improve entrepreneurial education.

But even skilled and well-educated entrepreneurs tend to fail if they don't have access to finance and information, and if there are no business support institutions facilitating their endeavors and lobbying for their rights. Hence, we will also have to examine how to enhance the financial and technical assistance for entrepreneurs who want to start or to expand a business. In this regard, the seminar will also focus on the role of public and private business support institutions and business associations.

In addition to this, I hope that the seminar will also contribute to further defining the OSCE's role in supporting SME development.

Having briefly outlined the main questions to be addressed during these two days, I would now like to turn your attention to some conditions which are crucial for enabling SME growth and development.

An important prerequisite for any entrepreneurial activity is trust. In any country, businessmen and prospective entrepreneurs need assurance that there is a high degree of continuity, that the regulatory framework is stable and will not change overnight, that property is not easily stolen or seized and that an independent judicial system enforces the law efficiently.

Trust originates mainly from what we call good governance. Good governance requires strong democratic institutions. Based on the rule of law and the respect for human rights, good governance delivers security and stability for the state and safety for the individual. These are crucial conditions for

the creation of a climate of confidence which is necessary to encourage entrepreneurial activities and investment.

Good governance also requires an ongoing and responsive dialogue with those affected by decision-making. Therefore, representatives of SME associations should be involved as early as possible in the legislative drafting process when they are concerned. Governments should think about institutionalizing consultations with private sector associations. Consequences of changes in tax law should be simulated and assessed carefully before implementation.

Active participation of the business community also requires transparency in public affairs. Transparency is a vital condition for the accountability and the predictability of a government which in turn increase entrepreneurs' and investors' trust.

Furthermore, promoting transparency also contributes to combating corruption. Where corruption is endemic, it deters investment, hampers private business development and eventually undermines the legitimacy of a state.

A poor regulatory environment also constitutes a major impediment to SME development. Gaps and lack of clarity in the legislation on one hand, excessive and inappropriate regulations on the other hand as well as contradicting regulations and frequent changes in legislation increase the costs of starting and running a business.

Bureaucratic burdens are particularly damaging SMEs because relative costs of compliance per employee or per unit of production are much higher than in the case of large companies. In the Netherlands it was estimated that complying with administrative requirements costs an SME six times more per employee than a large company. Regulation for smaller companies regarding labor rules, taxation, safety rules, statistical and financial reporting should be simple, transparent, easily available, relatively stable. Let us not forget that in Silicon Valley many breakthrough inventions were conceived and many companies originated in garages.

Special attention should be given to inspections. It was found in one of the countries that there are over 30 inspections that can close the shop on the spot. Such threat invites to corruption. That is why in some countries streamlining inspection regime has begun. All inspections must be registered, time and number of inspections be limited, only written reports be accepted as valid, reasonable time for improvement must be offered, appeal procedures must be assured, and finally penalty fees must be commensurable to the gravity of law infringement.

Under such circumstances many entrepreneurs prefer to operate in the gray economy, with all the negative consequences this situation might have for their business and for the whole economy, such as disincentives for firms to grow (as it is more difficult for a larger, expanding business to hide its activities from authorities), less revenues from taxes, unfair competition vis-a-vis those who pay taxes.

A large-scale study of business start-up regulations covering 75 countries, of which a large number are transition countries, found considerable evidence that increased regulation is not associated with higher quality or better environmental standards, but rather with higher corruption and large informal economy. The conclusion is that the regulatory system should be simple and clear and transparent. It is of utmost importance to reform the regulatory environment along these lines in order to facilitate starting and running a business and to reduce the administrative and financial burdens on SMEs. Such reforms should be based on estimates of the costs of compliance for SMEs.

Various registration and licensing regulations, often involving different authorities, can be simplified and pooled by introducing 'one-stop-shops'. In Peru, following the establishment of a simplified single-registry concept in 1990, the number of new enterprises has skyrocketed. It is estimated that this concept has resulted in the creation of more than 350.000 new, formally registered enterprises.

In country poorly endowed in capital, land is the main easily available asset. This asset can be used efficiently if land ownership is protected, land registers do function, if land can be used as collateral

against loans. Privatization of land used for business as well as privatization of other real estate assets leads to more efficient allocation of assets.

The structure of the tax system also influences the ability of firms to grow and to expand. The complexity of the tax system itself represents an administrative and financial burden for entrepreneurs. The more complex the tax system, the more time and resources an entrepreneur must spend for calculation and compliance. If the rules of taxation are continuously changing, then SMEs incur additional costs in learning and complying with the new systems. Changing rules and lack of information also favor discretionary application. High tax rates, complex rules combined with weak enforcement, lead to significant tax avoidance and also encourage informality.

We will debate about various forms of support for SMEs. Support usually is costly. But let us not forget that even very poor governments can offer the most important incentive encouraging SMEs to flourish, that is to remove obstacles, hurdles, bureaucratic burdens.

Ladies and gentlemen,

As we all know, poverty is one of the major threats to security and stability in the OSCE region. Since the collapse of the Soviet Union poverty and inequality have risen sharply in the countries of the former Soviet Union but also in South Eastern Europe. Economic disparities within and among countries can contribute to migration pressures, crime and corruption, and environmental degradation. Poverty and inequalities can also fuel religious and ethnic tension, fanaticism and terrorism.

Against this background, the OSCE – committed to a comprehensive approach to security – supports the development of SMEs as means to alleviating poverty, promoting market principles and strengthening civil society and democracy in order to contribute to conflict prevention and post-conflict rehabilitation. The OSCE plays a very important catalytic role with regard to SME development:

- through raising awareness of the importance of SMEs and of appropriate policies and institutions to support SME development among the participating States;
- through establishing recommendations and commitments among OSCE participating States with regard to the SME sector;
- and through creating synergies among the relevant international, national and non-governmental actors in order to help the participating States to promote SME growth and development.

On a field presence level, OSCE supports small catalytic project activities with the threefold goal to stimulate local entrepreneurship, empower the individuals and address the root causes of conflict. Therefore OSCE's SME project activities are designed to contribute to:

- increasing the awareness on appropriate policies and institutions among public authorities;
- fostering dialogue and co-operation between public authorities, the private sector and NGOs;
- boosting existing community structures and business associations;
- creating and expanding small domestic industries among vulnerable groups or in conflict prone and disinvested regions.

I wish you to spend two highly stimulating days together, contributing to better understanding ways and means that simulate SME development and the role of the different actors in this endeavor.

Thank you very much for your attention.

Now, I am honored to introduce the keynote speakers: Professor David Smallbone, Head of Center for Enterprise and Economic Development Research, Middlesex University Business School, UK, and Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria. I want to thank them for accepting to be with us today.

KEYNOTE SPEECH: “PROMOTING ENTREPRENEURSHIP AND SME DEVELOPMENT IN TRANSITION COUNTRIES”

**by Mr. David Smallbone,
Professor of Small and Medium Enterprises,
Head of Center for Enterprise and Economic Development Research,
Middlesex University Business School, UK**

DEVELOPMENT OF ENTREPRENEURSHIP IN COUNTRIES IN TRANSITION

- Countries making rapid progress e.g. accession countries;
- Countries at intermediate stage: includes Russia, Uzbekistan, Bulgaria, Romania;
- Countries making slow progress, with less commitment from government e.g. Bosnia;
- Serbia, Macedonia & most NIS.

Source: A. Szabo (UNECE)

POTENTIAL ROLES OF SMEs IN PROCESS OF TRANSFORMATION

- Generating employment;
- New enterprises contributing to sectoral restructuring and development of services;
- Contributing to increase in competition;
- Contributing to development of more flexible economic structure;
- Contributing to development of a supply base;
- Contributing to greater social inclusion/cohesion and thus to greater security.

ROLE OF GOVERNMENT IN RELATION TO SME DEVELOPMENT

- Although setting up, operating and developing businesses results from the creativity, drive & commitment of individuals, government can be a major enabling/constraining influence;
- Government policies and actions can influence both the number of private enterprises and their qualitative characteristics and thus their contribution to economic and social development.

ENTREPRENEURSHIP AND SOCIAL INCLUSION

- Increased poverty in many CIT during 1990s associated with falling output & greater inequality in income distribution (World Bank 2002);
- Entrepreneurship can:
 - unlock personal potential and a means of self fulfillment;
 - include women, ethnic minorities, young people, although groups often have distinctive support needs;
 - offers a means of regenerating disadvantaged areas/communities.

THE CASE OF WOMEN ENTREPRENEURS IN TRANSITION

- Evidence from Ukraine, Uzbekistan and Moldova shows women entrepreneurs to be involved in trade, services and manufacturing activities;
- Reasons for start-up focused mainly on the desire for autonomy and a need to increase household incomes;
- Although ‘necessity’ contributed significantly to reasons for business start-up among women entrepreneurs, case studies show how individuals learn over time to create and exploit opportunities.

EDUCATION AND ENTREPRENEURSHIP

- Entrepreneurship education at secondary and tertiary level can contribute to potentially productive opportunities for young people;
- Education creates the human capital needed to build a business and also a supply of skilled employees;
- Entrepreneurship encourages young people to do things for themselves;
- Increasingly recognised in mature market economies that the education system is a key element in building an entrepreneurial society, particularly with regard to influencing attitudes.

PROMOTING ENTREPRENEURSHIP AT THE REGIONAL/LOCAL LEVELS

- Necessary because in most countries the level of SME development varies spatially;
- Role for local/regional authorities with respect to SME support policies;
- Practical measures can include:
 - promotion of linkages between large and small enterprises;
 - increase access to public procurement contracts;
 - business incubators;
 - public-private partnerships;
 - cross-border co-operation, where appropriate.

SMEs AS SUPPLIERS

- Adequacy of the local supply base influences the potential spread effects of inward investment;
- FDI represents a potential market opportunity for local SMEs as suppliers, as well as offering scope for technology and knowledge transfer;
- Need to build supply capacity of local SMEs through training and other business support programmes.

POLICIES TO ENCOURAGE ENTREPRENEURSHIP

- Minimise the administrative & legislative burden on new and small enterprises;
- Develop a stable and transparent tax regime;
- Develop institutions that behave in a market-oriented fashion;
- Take steps to raise the value placed on entrepreneurship in society;
- Provide access to entrepreneurship education, particularly for young people;
- Selective direct intervention where market failure exists.

KEYNOTE SPEECH: “THE ROLE OF SMEs IN CONFLICT PREVENTION AND POST- CONFLICT SITUATIONS”

**by Mr. Maximilian Burger-Scheidlin,
Executive Director, International Chamber of Commerce, Austria**

Introduction:

Let me start with some basic facts, many well known to you:

Small and medium sized enterprises are the backbone in any economy, rich or poor, in Germany as in Bangladesh. Some 90 - 98% of all companies in most economies are SMEs and they employ some 65% of the population in countries without a large nationalised sector. The second largest employer is usually the government, e.g. 11% in Switzerland, 21% in Austria and much higher ratios - depending how many nationalised industries there are.

Large industries can only function properly, if there are thousands of highly qualified SMEs around to service it, e.g. I give seminars on the topic "Why does the local electrician have to be internationally competitive". With the exception of the oil and natural resource industries foreign investment is only considering to come into a country, provided there is already a well functioning and vibrant SME sector.

SMEs, with the enterprising spirit of their owner, are very quick to adjust to new situations, speedily bringing exactly those products on to any market, which this market requires. In conflict situations they are the last to go and the first to sprout !

However what SMEs need to flourish is a relatively stable environment, the rule of law and preferably no-intervention from the government. The most important basis for business is predictability and trust within a given framework. As long as predictability and trust are given, business will flourish in any environment.

Mostly businessmen have no interest in a conflict and war. Their main motive is profit and in a conflict situation most will loose.

Governments on the other side want to stay in power and will often listen to the voice of the most noisy and most outspoken lobby-group (not necessarily the majority) and often will heed to their demands. These lobby-groups often consist of idealists, or frustrated, frequently with a radical touch and with rather short term views. Politicians wanting to stay in power might give in to unreasonable demands, even if it will mean to impoverish one group of citizens or to alienate an others. and the basis of a conflict is born.

The role of SMEs and governments in conflict prevention

Every society has its basic disagreements and conflicts. Take World War I, which is said to have started with the murder of the Austrian Crown Prince in Sarajevo. How-ever few people realise, that short sighted governments had already started to unfairly mangle in their economies and their international framework 20 years earlier by increasing customs duties to "protect" their fledgling industries, devaluing their currency to gain competitive advantage etc.. All this brought short-term gain, but long-term uncertainties and disruptions harming business, SMEs and all countries concerned seriously. The murder in Sarajevo was only the last spark to put all the evolving misery and discontent into flames.

And like this many hot conflicts within or between nations start with micro- and macroeconomic mismanagement by the government (partly on behalf of some influential local "strongmen"). I cannot

recall a single hot conflict which started in a situation of positive business development for SMEs and good job prospects etc.

And of course the root of economic mismanagement often indirectly lies with business itself. There are many instances, where business (often big one's, but also associations of SMEs) call on the government to protect it from this or that local or international competitor. Governments should not heed to these requests ! After protection is granted, for a short time business becomes easier. The newly protected can slack and can increase profit margins, often the quality of their products become shoddier.... In the medium term however virtually all protected enterprises become incompetent by world market standards. Like a muscle, which has not been trained for a few month, will fail us.

In more authoritarian regimes, friends of the powerful want their business perhaps not only protected, but even made into a monopoly. From the point of view of true competitiveness the same negative spiral sets in. Many of these monopolies give a nice income to their owners and political mentors, but they ensure that the country stays poor, purchasing power stays low and that through poverty hot conflicts brew. SMEs as a consequence often is somewhat frustrated to play its potential as the biggest job-creation machine in the economy. As the profitability of SMEs is reduced and workers laid off, also the profits of the "monopolies" are reduced. Seen over a longer period, these protected businessmen and their political mentors stay poorer this way, than if they would free the economy and introduce a stable framework for business and the rule of law. With open economic policies the economy would start to grow and everybody would be better off as the economy grows.

The Russian economy has the same size as the economy of Portugal, and the Portuguese economy only started to grow in 1975 once it introduced open policies.

Take Myanmar: the richest Asian country at the end of World War II, taken over by an authoritarian regime which nationalised all business in 1952, now bankrupt, with high unemployment, absolute poverty everywhere, high internal tensions, hot internal conflicts along all its borders. Compare this the South Korea, the poorest Asian country after World War II, today flourishing because of its pro-business minded government and export orientation.

To sum it up: the best prevention of hot conflicts is to implement a stable pro-business governmental policy with especial emphasis on positive frameworks for SMEs. But that does not mean to cuddle business with subsidies and protection !

What governments are supposed to do is:

- to provide business with a stable legal framework, only a few truly necessary laws (not like the EU wanting to regulate even the names of jam or marmalade) aiming at long-term sustainable business (environment, social responsibility etc.);
- functioning, truly impartial, objective, speedy courts of law;
- no trade barriers across borders;
- a good infrastructure - roads, electricity, telecommunication;
- a strong police force;
- a small, well paid , not corrupt bureaucracy;
- provide business with a stable long-term framework and free access to international business;
- often a derogation of laws (not deemed to be absolutely necessary) works wonders to enhance the activities of SMEs.

Let us analyse some of these points:

- If I advocate "no trade barriers across borders", many politicians and local businessmen object: we cannot afford this, our business is not yet up to international standards, we will go bankrupt etc. This I have heard in the past in Austria and Canada and I am hearing it in India and Syria. Of course you cannot open all borders from today to tomorrow (and re-value the currency by 7 fold as West-Germany did it with East-Germany). Then surely most business goes bankrupt. But what you can do, is keep you currency stable to your main trading partners and implement a program

to eliminate all trade barriers e.g. over ten years. This gives business enough time to adjust, at the same time it gives enough hope for new SMEs to start their investment.

➤ "a small, well paid , not corrupt bureaucracy": Corruption strongly damages the predictability to do business and has a severe negative impact on the business environment especially for SMEs. The true problem is not the "volume of money to be paid", but the uncertainty of the outcome, and the time wasted to "negotiate" a bribe. Many governments argue, that their country simply cannot afford to pay higher wages. However if you include:

- the bribes requested by officials and paid by SMEs today,
- the hours spent in negotiating the "facilitation payment" ,
- the time and productivity lost because of non-implementation of a business deal,
- calculate the values or products SMEs could have created during the delays,
- financial costs + interest of keeping higher stocks until the new goods arrive,

than most national governments already de facto pay very high salaries today (in lost productivity).

If business knows, that e.g. on all imports it has to pay a 1% "facilitation surcharge", but gets its goods customs cleared within one hour - everything is fine. Governments should consider to formulate this "1% surcharge" as a rule and use this money to pay adequate salaries to its customs officers (because with present low salaries in many countries customs officers are virtually "forced to steal" in order to feed their families. (Indonesia - SGS).

Study Singapore, which, coming from a totally corrupt environment, has nurtured its SMEs successfully through a highly educated, very well paid bureaucracy. Putin has strongly increased government revenues through lowering taxes to 13%. A first step in the right direction. I hope that over time the EU will follow the Russian example.

To sum this up: the development of SMEs, as the main creators of employment in any nation, is an important indicator of health in a society. If governments provide a very healthy business environment - as outlined above - business will flourish, unemployment will be negligible, all individuals will have realistic hopes and dreams for their families and society will not provide a fertile ground for political and religious extremists which exist in every society.

I do not know a single nation, where hot conflicts erupted in a fair and just pro-business environment. The best conflict prevention is positive, sustainable business development !

The role of SMEs in a post conflict situation

SMEs are quick, nimble and creative and will partly flourish even in conflict situations - some might call this distribution and smuggling. Few however will produce products and create lasting values during this periods.

SMEs are the key players when it comes to a de-facto psychological de-escalation of a conflict. Already a slight reduction in the intensity of a conflict will see the first businessmen check possibilities for new business opportunities.

They will be the first to cross old borders, shake hands with old adversaries and seek new business opportunities. ... and once business flows across old lines of conflict, people will follow, and they will realise, that only a few radicals have been behind the conflict "on the other side", not the population at large.

After a conflict reduces its intensity SMEs will be the first to check possibilities to create lasting values. However production needs first investment (machines, purchase of raw materials etc.)and as money is a rather "shy animal", business will only invest provided it has at least some confidence not to be ripped off tomorrow either by the government, its officials, parties to the old conflict or crime which flourishes in such situations.

The challenge for governments and foreign aid organisations is less to stimulate SMEs to revive its activities, but to create a stable and predictable business environment.

➤ Cameroon has one of the most modern foreign investment laws, however nobody invests because its unpredictable business environment.

➤ Syria provides numerous incentives for investment, but nobody invests. "Friends of the Government" have "frustrated and disrupted" some larger foreign investments and then taken over these investments "on the cheap" (Mercedes, Lufthansa, 4 Seasons Hotel, Mobile Telecom). They made some million dollars personal gain. However this has frustrated local SMEs and many preferred to rather put their money into a Swiss account. Furthermore it has curtailed the inflow of foreign investment, reducing business opportunities not only for these "Friends of the Government", but for the whole Syrian economy. So SMEs are stagnant, unemployment is rising and it is only a question of time before the regime implodes. Long-term you call this "penny-wise and pound-stupid".

➤ Singapore provides no incentives, just a stable environment !and has a vibrant, internationally well connected SME sector.

If people have again the possibility to gain an income, their minds will slowly focus more on how to improve the lives of their families, than on revenge for old atrocities committed. The radicals will still exist, but they will find less and less fertile ground within society.

WORKING GROUP A - LEGISLATIVE AND INSTITUTIONAL FRAMEWORK FOR SME DEVELOPMENT

SESSIONS 1 AND 2 - Developing national legislation and business friendly policies in key areas

Rapporteur: Ms. Katherine Brucker, Political Officer, United States Mission to the OSCE

Overview of SME Operating Environment:

The clear message in this session is that gaps in the national operating environment, particularly regulation, law and order, political stability, constant economic policy, and simplified taxes and accounting rules, poses the biggest obstacle to SME development. Access to financing remains a problem for many, but no longer is the biggest obstacle to SME development.

It was also clear from the presentations, that even though we have focussed on “small and medium” sized enterprises, the overwhelming majority of “SMEs” in the OSCE space – at least in terms of number of people employed – are micro enterprises. For example, in transition countries and Southeast Europe, some 90% of enterprises are micro; in Albania, 87% of registered enterprises employ no more than 2 workers; and the average size of an EU SME is 6 workers.

Despite their small size, these micro enterprises (along with small and medium ones) make important contributions to national economies and national welfare. SMEs account for 38% of GDP in Armenia (2002), and 70% of GDP in Albania. While their productivity and competitiveness are often not very high, SMEs offer high social value added, as they provide enough income to keep employees off of social welfare rolls. Moreover, SMEs are often primary employers of (and can offer more opportunities to) women, ethnic minorities and youth. SME development efforts can be targeted at disadvantaged geographic areas, vulnerable segments of society, and sectors in decline.

Because of their small size, SMEs are disproportionately affected by government regulatory, registration and reporting requirements. Compliance costs for SMEs are as high as 10-12%, with business registration costing progressively more in poorer countries.

All of this adds up to the difficult scenario where the enterprises that are “engines of growth” in many countries, can keep the population employed and off of welfare rolls in others, and that offer employment for those most at risk in society, face enormous obstacles in getting started and staying afloat, are ill-prepared to deal with bureaucracy, and because of their small size lack any real political voice to influence the regulatory process.

Areas Where SMEs Require Assistance:

SMEs need government assistance in improving the operating environment and in creating an environment conducive to business development. Lithuania undertook an active effort in the late 1990s, albeit not entirely successful, to harmonize national regulations relating to SMEs, identify overlap in regulations and reporting requirements, to streamline business registration procedures and to simplify financial reporting rules. Armenia has also worked to develop a package of documents to support SMEs and entrepreneurial development, seeking in particular to reject state interference in business, to improve access to finance, and to develop an infrastructure to support SMEs. Many countries also need to develop judicial and arbitration mechanisms for businesses, and to implement these fully and correctly, including educating business and the judiciary about the use and authority of mediation and arbitration courts.

On finance, SMEs face great difficulty, and more than 60% are forced to rely on internal funding. As small, unproved enterprises, often with no credit history, SMEs are seen as high risk and are therefore less attractive to banks. High rates and collateral requirements make bank borrowing difficult, if not impossible, for most SMEs. If bank lending cannot be made more accessible, other efforts are needed to provide SMEs with start up capital at reasonable rates.

What the OSCE Can Do:

It was noted that the OSCE's core work: promoting democracy, good governance, transparency, market economies, judicial independence and media freedom is essential to developing conditions conducive to SME development.

In this context, it might be useful for the OSCE to intensify its work with government officials to explain and demonstrate how government policies and practices are at odds with stated goals to develop the economy.

In keeping with its aim of promoting security and stability, the OSCE could focus its direct assistance to SMEs (entrepreneurial training, for example) on vulnerable populations, such as those at risk of falling into trafficking out of economic need, or in areas where widespread unemployment or lack of economic opportunities could be destabilizing.

The OSCE can also work to educate businesses about rules and regulations that affect them.

Similarly, judicial education and training would reinforce existing, but little understood mechanisms, such as mediation and arbitration, that exist to resolve business disputes.

Using its platform concept, the OSCE could bring together stakeholders (business, government, NGOs, etc.) to identify obstacles to business development, develop a strategy for removing or mitigating these obstacles, and work together to implement this strategy.

SESSION 3 - Existing international guidelines and practises

Rapporteur: Ms. Wendy Hadwen, Adviser, Delegation of Canada to the OSCE

Overview of presentations:

Under moderation from Prof. David Smallbone of Middlesex University Business School, the session heard two introductory papers: information on the European Union's support for SMEs presented by Mr. Eero Vuohula of the European Commission, and a description of the International Network for SMEs (INSME) by Mr. Mariano G. Cordone of the INSME Secretariat, hosted by the Italian Institute for Industrial Promotion (IPI).

The principal framework for European action in support of SMEs is the European Charter for Entrepreneurship and the 2003 Green Paper on Entrepreneurship in Europe. An extensive, transparent consultation process on the Green Paper took place and comments from a range of stakeholders are available on the internet as a useful reference point for European SMEs. The European Commission has a range of programs to provide direct support to SMEs in the EU, acceding countries as well as in other regions. Indirect support is also provided through programs to improve the climate for SMEs including regulations, exports and taxes.

INSME responds to the Bologna Charter on SME Policies from the 2000 OECD Ministerial Conference on SMEs. A multi-stakeholder community provides guidance for the development of INSME, including 41 countries, 18 International Organizations and NGOs, and several networks and intermediaries acting in the field of innovation and technology transfer to SMEs. INSME is also an on-line resource (www.insme.info) to stimulate access by SMEs to innovation and technology transfer services through

intermediaries and their networks. The resource facilitates contacts and is a catalyst to encourage cooperation and political dialogue.

The discussion touched on the following points:

- Social cohesion and the role SMEs can play in the social stability of nations, also in a regional context and in border areas, is a critical point for policy makers to consider. Minority groups, women and youth particularly in underdeveloped areas should be the focus of targeted programs and outreach.
- In the context of internationalization pressures and the integration of market economies (EU and NAFTA) there is a clear need to support SMEs by facilitating information exchange. INSME responds to this need by promoting contacts between policy makers and SMEs directly.
- Assistance programs, like those offered by the EU, have an important role in promoting SMEs both directly and indirectly by encouraging appropriate macro-economic, judicial, and regulatory conditions for growth.
- The policy approaches to SMEs, whether they are relatively large or micro enterprises or family owned businesses are more or less the same, and the opportunities for success given the proper conditions for growth will be felt by SMEs regardless of size.
- There remain challenges in responding to the needs of SMEs, principally the need to find better ways of encourage SMEs to expand their export markets.

Action for the OSCE:

- Target SME programs to promote social cohesion particularly among minority groups and in underdeveloped areas and areas of potential conflict, such as border regions.
- Encourage SMEs to expand their export markets and take better advantage of regional economic arrangements, through awareness raising and information sharing
- Disseminate information on resources and assistance available through the EU, OECD and particularly INSME.

SESSION 4 - The role of (State) Support Institutions

**Rapporteur: Mr. Dusan Vasiljevic, Head of the Economic and Environmental Department,
OSCE Mission to Serbia and Montenegro**

The session started with a presentation on “South Eastern Europe: from Reconstruction to Development – Public Private Initiatives”, with the aim to use this experience as possible model for the countries in other regions. SEE has a total population of 145 million and a total GDP of approximately \$500billion. Most of the countries in SEE have to manage transition: from centrally planned to open market economies providing political democratization, stability and peace.

One of the key characteristics of the region is related with large variations in size and economic dynamics of each country – for instance, GDP per capita in 2000 in Greece was about \$12.000, while only \$400 in Moldova, while unemployment rates ranged between 3.5% in Slovenia to 38.8% in Moldova. Serbia and Montenegro or Bosnia-Herzegovina still struggle with constitutional rigidities and remnants of unrest. The presence of the international community and NGOs is still considerable in the region and provides critical support to economic reconstruction and recovery from ethnic conflicts. As a result of low productivity, ineffective management methods and fragmented infrastructure and communication networks which prevent regional integration, FDI levels in the region are low.

Human resources, however, is a reason why investors are attracted to the region. Low labor cost is one of the advantages, especially when it is combined with skilled labor and a well educated population. According to the World Bank, literacy levels in all countries of the region are well over 95%, which makes it a well qualified pool for the development of business endeavors which involve quality human resources inputs. However, due to the transition impact and the lack of previous experiences with open

market mechanisms, there is a noted gap in managing capacities, both within the public and the private sector. This involves not only productivity and quality of output, but also managerial skills, techniques and methods, as well as relations with Ibis and the effective implementation of reforms.

From 1999-2001 overall assistance to SEE was over 6 Billion \$ out of which over 4 Bill\$ were allocated to economic reconstruction. By sectors, the highest trend was in IT, construction and banking. Infrastructure projects in the Region are currently focused on transport, energy, water and environment and cross border trade facilitation.

Business Advisory Council for SEE has been linked with the Stability Pact and the activities coordinated. The BICC web portal (<http://www.biccgr.org>) can be defined as a knowledge management tool developed to highlight investment opportunities on a national and regional level, which can act as a catalyst for strategic development and effective program execution. Processed information is disseminated through the web-portal, access to which is free of charge and entails registration of users at no cost. Within 45 minutes, information may be retrieved on:

- Overviews by country, sector (agribusiness, construction/infrastructure, telecommunications and IT, energy/environment, etc) and region, including executive reports and strategic analyses from major international and regional databases;
- International procurements and tenders, privatization announcements, and calls for project proposals, including regional and local networks (energy, telecommunications, transport, human resources);
- Funding resources and co-financing opportunities by international and regional financial institutions and mechanisms;
- News from the region, calendar of events, various publications.

Another presentation referred to the case of the National Agency for Small and Medium Sized Enterprises and Cooperatives in Romania. NASMEC has been formed in the process of Government reorganization and reducing the number of ministries and is subordinated to the Government and directly co-ordinated by the Prime Minister. NASMEC has activities and responsibilities such as:

- elaboration of strategy and policies for stimulation the SMEs development;
- elaboration, implementation and monitoring the programme for SMEs sector;
- elaboration of the specific legislation, representing the state in this domain, based on the mandates given by the Government. .

The goals and the operation of NASMEC are aimed at developing the SME policy and strategy in Romania, elaboration of legislation in the field of SMEs, elaboration, implementation and monitoring of programmes for SMEs, assistance to improve services to, and performance of SMEs, assistance to improve access to financing, stimulation of international collaboration, harmonization with the EU in the field of SME development. The long term prospective for development of SME sector should be seen in:

- Consolidation of a dynamic sector that would be able to sustain competitive forces and institutional competition;
- Removing of the bureaucratic barriers;
- Integration of the SME sector in the economic domain of the EU;
- Creation of new jobs and the active involvement of young generation;
- Improvement of business culture;
- Development of business infrastructure;
- Opening of new markets;
- Promotion of start- ups.

The first step towards implementation of such complex policy has been taken by introducing the regulation on bankruptcy.

Further on, the case of Kazakhstan was presented. Kazakhstan is the 9th biggest country of the world, regarding its mineral resources. After dissolution of the Soviet Union, bad infrastructure and huge number of emigrants to other countries were huge burden for the new governments. After 1998, extensive

privatization of almost 100% has been performed, which brought substantial revenues to a state budget. That was a tremendous benefit, despite some doubts whether it has been done in fully regular way and with “clean” money. New investment cycle has started and several hundred millions of US Dollars are invested into the infrastructure. More than 25000 new jobs were created and business started to flourish providing revenues from taxes to government. However, there is still huge ineffective public sector that has to be restructured, particularly in the area of inspectorates. Government delivered a number of laws to fight corruption: Taxation Code, Administrative Code, etc, in all, 56 Laws. At the same time, access of the SMEs to financial sources and credit lines are still very difficult as the interest rate is up to 16-18% per year, despite rather favorable conditions of EBRD, for example, that are only 5% interest rate/year. However, the intermediate banks and the state raises the cost of investment three times.

Conclusions and recommendations:

The human resources has to be expanded. IT is a tool to be used to collect and provide information on different activities.

Promotion of the Public Private Partnership would contribute to better understanding and good governance practice.

It has been drawn to the attention that OSCE could have a role in addressing the lack of coordination of donors and facilitate joint efforts and to promote consolidated needs from the beneficiary side.

IFIs should identify gaps between foreign investors and local needs and help introducing local SMEs as subcontractors. IFIs should consider local needs and avoid a generalized approach. OSCE and its field presences could be instrumental in these areas.

OSCE should facilitate contacts between governments, business community and IFOs.

OSCE could help in monitoring the implementation of different project in order to suggest donor community on activities, potential overlapping and gaps.

There is still grey economy and evasion of taxes. In this respect OSCE should help legislation and implementation of the laws, also in order to facilitate accession to WTO.

OSCE could provide training for entrepreneurs and SMEs in order to enable democratic development

OSCE should play a role in building democratic institutions and to help SMEs to participate in public debate processes in legislation drafting and can help capacity building on the governmental and institutional side

OSCE could help strengthening the voice of the SMEs towards governments and improve bargaining power of business associations (collective power) or on individual basis.

The OSCE role should be to support dialogue between governments and business associations on bilateral basis or through international meetings and seminars in order to provide information exchange and skill share.

OSCE could assist governments and chambers of commerce to monitor economic court cases.

OSCE could act, to some extent, as ombudsman in different contexts. OSCE has the capacity to try to identify relation between stakeholders and to act as international bargaining(negotiation) power

WORKING GROUP B - DIRECT ASSISTANCE FACILITATING SME DEVELOPMENT

SESSION 1 – Entrepreneurship education

**Rapporteur: Mr. David Swalley, Economic and Environmental Officer,
OSCE Office in Baku**

Session One of Working Group B was devoted to Entrepreneurship Education including the professional formation of managers, the rights and obligations of entrepreneurs, and specific training programs for SME development, specifically targeting vulnerable population groups including youth and women.

Working Group B highlighted three examples of entrepreneurial education currently ongoing in OSCE Participating States:

- Gabriella Danza of the OSCE Mission to BiH presented the Youth Entrepreneurship Spirit Program which has provided 31 one-day seminars to over 700 youth with the goal of introducing basic elements of entrepreneurial thinking for youth. This program has recently been implemented in several other OSCE Participating States.
- Diana Avetyan of the USAID Mission in Armenia provided information on several ongoing training programs to improve both the capacity of SMEs and the general business environment in which they operate. Several of these programs have particular relevance for the OSCE commitments in the training of women entrepreneurs and provision of micro-credits and other business services to women entrepreneurs.
- Severine Deboos from ILO provided background on a number of training initiatives leveraging their relationships with employers organizations throughout the ILO network targeting small and medium entrepreneurs and specifically women.

SME training for potential entrepreneurs and SME training for vulnerable population groups in particular have great relevance for the OSCE in its commitments of conflict resolution and regional security. In transition countries facing persistent high poverty and unemployment rates, bureaucratic environments unfavorable to business, and lack of market traditions, entrepreneurial education provides awareness on entrepreneurial opportunities, provides information on how to overcome obstacles to business development, counters potential brain-drain in OSCE Participating States.

Some observations:

- When properly targeted, training programs can lead to a long-term improvement of the business environment by acting as a catalyst to encourage informal businesses to move into the formal economy.
- In response to a question, it was observed that training programs also have an additional benefit of bringing together national minorities and building cooperation between these national minorities on issues of shared economic cooperation.
- One participant questioned the value of one-day training seminars. However, it was noted repeatedly from other participants working in the field that these training opportunities target population groups who do not have any possibility of training in the regions where they live.
- Entrepreneurship Training can also carry highly symbolic value in encouraging entrepreneurship activity among population groups who are not encouraged to engage in entrepreneurial activity in their own societies, eg. women.
- Training courses also can have the added benefit of providing additional information on additional business development support services including micro-finance services, loan guarantees, internship opportunities, business consultant services, and marketing support.
- Several examples were provided of companies that increased their effectiveness and profitability by providing ongoing training to their employees and passing the notion of ownership and responsibility to all members of companies.

Some recommendations:

- When conducting training programs in entrepreneurship activities/skills, further value would be added by creating additional linkages with the private sector, international organizations, and local government agencies. The OSCE and other international organizations should encourage private sector companies to provide internship opportunities for training participants.
- The OSCE should engage with other international organizations during entrepreneurship training programs in order to facilitate the spread of their business support services.
- OSCE training programs in entrepreneurship would be most effective in carrying a multi-faceted approach combining education, internship possibilities, and other business support services.
- Entrepreneurial education could be further developed and implemented into standard school curriculum. OSCE here could play a role in facilitating the acceptance of this training material into school curriculum of Participating States.
- Training programs should also be encouraged among existing firms.
- Entrepreneurial training and support services to women and youth should also be encouraged through business associations and employers unions which have close contact and good networks throughout OSCE Participating States.
- Since state support is a crucial pre-requisite for SME support services, the OSCE can play an important role in lobbying for government support for entrepreneurial education for women and other vulnerable population groups.

SESSIONS 2 AND 3 - Financial and Technical Assistance for Start-ups and Developing Business

**Rapporteur: Dr. Yaroslav Yurtsaba, SME Development Advisor,
OSCE Project Co-ordinator in Ukraine**

Summary of discussions:

The discussion revolved around three major themes: financing for SMEs, business skills needed by SMEs to survive, compete and grow in the market place, and some overarching topic that could be termed “Lessons learned from TA”. The below bullets represent major points made by speakers and discussants.

- CIT countries share similar features with regard to SME sector financing: inadequate legal environment, red tape, and lack of proper business procedures. As a result, SMEs turn out to be disadvantaged group. Banking sector does not regard SMEs as their preferred clients;
- There is an express need to provide assistance to banking institutions (training, technical assistance to credit officers to better serve their clients);
- There are various models used to make lending more accessible to SMEs (downscaling approach, upscaling, micro-bank approach). These models or modifications thereof could be used to make lending to SMEs possible;
- SME lending is possible even under unfavorable conditions, such as inauspicious legal framework provided that incentives are set right, there is credit facility institutional building effort going on, and due diligence monitoring is in place;
- OSCE should use its core competence in public-private policy dialogue and focus on guarantees of property rights, improvements of taxation systems, simplification of business registration procedures, fighting against corruption;
- Business skills are indispensable for survival in competitive environment. SME do not yet fully appreciate the value of business development services. One of the ways to promote business development services is to partially subsidize BDS;
- There was another view on the subsidy issue that was upheld by a number of speakers. Excessive subsidies might distort the market by favoring some service providers at the expense

of others. The solution proposed was to play by the rules of the market relations and minimize possible distortions;

- As a rule, SMEs by virtue of their disadvantaged position vis-à-vis large enterprises are not able to meet requirements of lending institutions. There are various schemes to ensure financing for SMEs. Loan guarantees represent some possible schemes that make lending to SMEs possible;
- Development Credit Authority (DCA) provides USAID Missions worldwide with SME financing tools;
- DCA products include (loan guarantees – financial institutions receive up to 50% coverage on the net principal loss of defaulted loans; portable guarantees – a letter of commitment allows a borrower to seek best terms from lenders; direct loans – when private sector financing is not available; bond guarantees – protects investors from bond issuer’s inability to meet its obligations; portfolio guarantees: financial institutions receive up to 50% coverage on the principal amount of a portfolio of loans);
- Loan guarantees are not panacea. It should not be imposed on faulty structures inasmuch as it might cause potentially more harm than bring good. Before doing any loan guarantee scheme, there should be some training in lending procedures for credit officers;
- Micro-financing is a social service. Commercial banks are interested in profits and are not the best vehicle to deliver financing for SMEs. The suggestion was made to largely use NGOs (non-banking institution such as credit union?) versed in micro-crediting to fulfill this social function. To this comment there was an answer that portable guarantee could be used to ensure micro-credits to start-ups.
- Micro-finance project are possible everywhere. That is the question of political will and determination to carry out micro-crediting schemes. However, initiative should come first from the future beneficiary and not from donor institution;
- There should a training program developed for both credit officers and borrowers;
- Eurasia Foundation introduced successful SME lending technology. The program is called SBLP;
- Leasing is an important tool to develop but only if there is enough purchasing power from SMEs and legal framework that allows leasing as an economic activity;
- Business incubators are an excellent development tool. The attention must be paid to a good management, however, to ensure their success;
- Business advisory and consulting services should be used to assist start-ups and SME in obtaining loans;
- SME managers do not always realize their needs in BDS; there is a challenge to change their mindset and make them susceptible to BDS;
- Subsidized BDS services are not supposed to be a continuous activity. Whenever donor exercises subsidized activity there should an exit strategy. For example, services that already are on demand should be taken out from the list of subsidized services;
- Subsidized credits were criticized as market-distorting tool based on Azeri lending program;
- There was also a view that subsidized credits might be used successfully if properly implemented;
- Donors should not influence BSPs behavior artificially by imposing pricing policy, etc. However, any subsidizing activity should be accompanied by close monitoring;
- TA efforts are dispersed and not concentrated; there is a lack of coordination between donors, and sometimes duplication of efforts;
- Various examples were cited of coordination bodies that are meant to avoid unnecessary duplication of efforts. The good way to do so is data base creation with inclusion of all donor activities. Donors coordination meetings are useful as well;
- Donors sometimes create business support networks that perish right after donors are gone. There should a concerted effort on the part of donors to streamline their policies and choose those implementers of their programs that are fit for the job;
- SME sector is the right focus on. OSCE should promote triangle: business-authorities-civic society partnership;
- Distance learning as a business development tool was offered as means of solving educational needs of businesses in the region. It was said that there is a strong demand and not enough supply. There was also a comment that state-run institutions are not the best place to introduce this rather costly concept of e-learning: as opposed to privately-run institutions. To do e-learning

programs in one country is very expensive inasmuch as initial investment is huge: there might a possibility to do some regional cooperation;

- HR development is crucial to match developments in other spheres.

Recommendations commonly agreed on:

1. OSCE should not be involved in micro crediting schemes inasmuch as big development players such as IFC, World Bank, EBRD are already involved in this activity. At the same time, micro-credit institution capacity development could be a focal point for OSCE (joint training for credit officers and borrowers, technical assistance to micro-credit institutions, etc.).
2. OSCE should capitalize on its successful public-private dialogue initiatives and make it its focus. Such initiatives could include but not be limited to round tables between business community and governmental officials, public hearings, seminars for public officials to make their activities more transparent and accountable, etc.
3. Business skills development initiatives for start-ups in economically depressed regions has been upheld by discussants as an activity worth pursuing. OSCE should closely consult with other international donors, though, to avoid unnecessary duplication of efforts. OSCE should be careful about use of various subsidized schemes inasmuch as they might bring about market distortions.
4. OSCE might promote an idea of business development services - *BDS* - for SMEs, especially start-ups (consulting, business training, information support). In those countries where BDS is not developed at all, it would be advisable to jointly with other donors conduct awareness campaigns and introduce basic business development services to underserved population.
5. OSCE is advised to piggy-back on existing business support institutions while venturing into SME support; however, OSCE should also look into opportunities to support institutional development of new business support entities if they prove viable in the market place.
6. Business incubators should be viewed by OSCE as a promising investment as this is a rather effective business development tool.

SESSION 4 - The Role of Business Associations

**Rapporteur: Mr. David Swalley, Economic and Environmental Officer,
OSCE Office in Baku**

Session 4 of Working Group B was devoted to the role of business associations including the importance of business associations and chambers of commerce, promoting networking between business associations at national and regional levels, the support role of business associations, and the role of business associations in promoting good governance.

Working Group B highlighted two examples of business associations currently active in OSCE Participating States:

- Dragutin Zagorac, President of the Union of Employers of Serbia and Montenegro described the role of the Union of Employers in supporting the development of SME in order to improve employment, regional development, and international commercial cooperation with Serbia and Montenegro.
- Victor Yambayev, President of the Almaty Association of Entrepreneurs, highlighted the interaction of entrepreneurs' associations with government agencies in the development of SME environment in Kazakhstan.
- Mr. Maxilian Burger-Scheidlin of the International Chamber of Commerce who moderated the session also offered his insights into the international experience of chambers of commerce throughout the world.

Business associations and chambers of commerce are often viewed by governments in post-Soviet countries as potential opponents. However, strong and independent business associations can actually increase the ability of states to create economic stability and advise the government on business

legislation and thereby increasing the global competitiveness of domestic industry. While the largest businesses often have direct access to government officials creating economic policy, business associations represent the more disconnected and disparate SME community, the back-bone of a healthy and dynamic economy. These business associations are closely linked to their constituent SME members. Recognition of the role and competency of business associations by the government will provide these states with insights and knowledge when developing business legislation.

Strong business associations and chambers of commerce can also act as one concrete mechanism to close the “implementation gap” cited at the beginning of this Seminar between written legislative acts on the one hand and incomplete implementation on the other by State structures. Effective business associations can increase information sharing, defend constituent members against over-regulation and interference by the state, and lobby the government to develop effective business legislation. This assistance of business associations is critical to assist OSCE participating states to create employment, attract investment, and compete in a highly competitive global economy.

Some Observations:

- Chambers of Commerce and Business Associations have several vital roles to play in the development of SME development: resolving diverging interests in the business community, lobbying the government on behalf of businesses, promoting corporate social responsibility and sustainable development, providing capacity building and training for their constituents, promoting best business practices, and facilitating the connection of local and international companies.
- Employers’ Associations further contribute to decreasing unemployment and improving the business environment by retraining unemployed workers, building the capacity of SMEs through constant training, establishing business incubators, and promoting an overall understanding of the role of SME in economic modernization.
- Post-Soviet economic development over the past ten years has clearly shown that when strong business associations are not developed or do not have a voice in the development of business legislation, there is an increase in government regulation and resultantly a decrease in the level of business activity.
- It is absolutely imperative that business associations and chambers of commerce take a long term view of sustainable economic development rather than less strategic short-term considerations as are often favored by elected government officials. Governments have a tendency to consider short-term gain while chambers of commerce and business associations look to create long-term conditions for stability, increase in investment, and the improvement of their constituencies business activity and interests.
- It is equally important that governments resist the temptation of controlling, dividing or weakening the role and influence of business associations. Strong, unified chambers of commerce and business associations insure that the business community’s interests are heard by governments. Governments will then be in a better position to develop an appropriate legislative framework to allow the country to compete in a highly competitive global economy.
- Business associations comprised of the SME community can also offer great assistance in building good governance in OSCE participating states.

Some recommendations:

- The OSCE can play an important role when interacting with national and local government officials to stress the importance of strong, unified, and independent business associations and chambers of commerce:
 - lobbying national and local authorities during the formulation of business legislation.

- ensuring the access of business associations to information regulating the activity of entrepreneurship
 - developing effective mechanisms to consider complains originating from the business community in regards to government over-regulation and corruption.
 - participating in the development of regulation procedures of government agencies in regards to entrepreneurial
- The OSCE can interact with business associations and chambers of commerce as an instrument of good governance in support of SME development. Strong business associations and chambers of commerce can act as one concrete mechanism to close the “implementation gap” and can be utilized to address the instances of over-regulation and corruption that effectively block the development of SME and economic stability in the economies of OSCE participating states.

PLENARY SESSION: “THE OSCE ROLE IN SUPPORTING THE DEVELOPMENT OF SMEs”

Rapporteur: Kimberley Bulkley, Good Governance Expert

The plenary session was devoted to discussion on the role of the OSCE in SME development. We heard reports from Armenia, Albania, Tajikistan, the Secretariat and the High Commissioner on National Minorities.

Based on those presentations the following recommendations were made:

- The OSCE should continue its role as facilitator between government, business and NGO communities.
- One way in which the OSCE can do this is by raising awareness on good governance issues with the authorities and policy makers that would facilitate better SME business development, such as improving the bureaucratic red tape that citizens encounter when trying to set up small businesses and encouraging transparent regulations and appropriate legislative reform.
- The OSCE should draw upon best practices in good governance and SME development from the region when making their recommendations.
- The OSCE must continue to be the organization that focuses its attention on the needs of the vulnerable populations that are often left behind, but if empowered have much to contribute the stability and general welfare of communities. These vulnerable groups: internally displaced persons, refugees, minorities, potential victims of trafficking, farmers, and youth all represent untapped potential. This potential must be captured and cultivated to develop human capacity in regions that if otherwise left alone will disintegrate and present future security risks.
- The OSCE can provide a service to the international donor community in identifying these target groups and areas. By partnering with other international organizations the OSCE can direct or outsource expertise, resources, and capacity to those less sophisticated groups who might otherwise be overlooked because the amount of credit financing they need is nominal.
- The OSCE missions should develop a network for SME development on the local level and should then report back to Vienna with suggested mechanisms that could be developed so that delegations and participating states could take note of these reports. In this same vein the OSCE should support the culture of debate over SME business development in the former Soviet Union.
- The OSCE should not forget to include environmental and educational aspects when considering their role in developing SMEs, but only if they have the capacity and expertise to do this. The OSCE should reach out to international organization that can provide partnership support in these areas.

CONCLUDING REMARKS

**by Ambassador Ivan Naydenov,
Director of the “OSCE Chairmanship” Directorate,
Ministry of Foreign Affairs of Bulgaria, incoming OSCE Chairmanship**

Thank you very much, Mr. Chairman,

I believe that the findings and recommendations of Rapporteurs of the Working Groups allow us to more accurately understand the major issues affecting the development of SMEs in the OSCE area. I do not wish to be repetitive or to create impression of drawing extensive conclusions.

Let me share some general remarks.

The seminar reiterated the key role of SME sector in the transition process as well in developed market economies. It emphasized the relevance of developing SMEs for long term conflict prevention and post conflict rehabilitation. The debates underlined that the SME sector contributes to better social inclusion of women, ethnic minorities, young people, disadvantaged groups and also offers a means of reintegrating disadvantaged areas.

Linked to the main theme of next year's Economic Forum, it was generally understood that entrepreneurial education of individuals, enterprises, specific sectors and the general public represents a core issue for upgrading the SME sector.

The seminar has also shown that the OSCE, as an organization committed to the comprehensive security concept, has accumulated at its Headquarters and in the field a valuable experience in promoting SME sector. Capitalizing on its comparative advantages, the OSCE needs to further widen its niche of activities that facilitate the development of SMEs such as programs aimed at institutional capacity building in the field of SME sector, promotion of public-private partnership, facilitation of access to expertise and advise on legislation, policies and implementation related to SMEs, programs focused on depressed and socially vulnerable areas, support micro credit schemes in disadvantaged areas, encouragement of international agreements promoting regional co-operation, etc. In the process of implementing its Platform for Co-operative Security, the OSCE needs to further develop synergy at various levels and enhance established co-operation with other international organizations and institutions involved in promotion of the SME sector such as the European Union, OECD, UN/ECE, UNDP, ILO, EBRD, CEI, Stability Pact for South East Europe, the Black Sea Economic Co-operation and others.

Mr. Chairman,

This seminar has accomplished its main goal of fostering the OSCE proactive course towards upgrading and promoting SME sector. I think we had a fruitful discussion with extensive information shared. Valuable ideas were put forwards aimed at supporting the development of SMEs. It is my understanding that the large majority of recommendations have a direct bearing to the future discussions during the next year's Economic Forum. Yesterday's and today's deliberations would be examined more carefully in each capital once the Office of the Co-ordinator for Economic and Environmental Activities releases the written Report of the seminar. But even today I might conclude that the present seminar served its role by generating concrete proposals and requests for strengthening the institutional and human capacity building in the economic dimension. In several instances a possible role for the OSCE was underscored. Both such results were sought by the incoming Chairmanship in proposing the theme of the Economic Forum and its Preparatory Seminars.

May I express the feelings of all foreign participants that we are particularly grateful to the Armenian Government for its warm hospitality and the exceptional care during our stay in the wonderful

city of Yerevan. I wish to commend the excellent conference facilities in Hotel “Armenia-Marriott”. Furthermore, allow me to express highest appreciation of the tireless efforts of the Dutch Chairmanship of the OSCE, the Office of the Co-ordinator for Economic and Environmental Activities of the OSCE and the OSCE Office in Yerevan for the thorough preparation, perfect organization and swift proceedings of the event. I would also like to extend my profound gratitude to the moderators, rapporteurs, key-note speakers and other participants for their contribution. And last but not least my special words of thanks go to the organizers, the translators, the members of the logistic team who so admirably performed during these two days.

Finally, let me invite you to subsequent Preparatory Seminars and to the Economic Forum in order to push forward a process that has been set in motion during these two days.

I believe that all foreign participants will leave Yerevan with unforgettable impressions. I strongly hope that some of us will be fortunate to come again to beautiful Armenia.

Thank you, Mr. Chairman.

CONCLUDING REMARKS

by Mr. Marcin Świącicki,
Co-ordinator of OSCE Economic and Environmental Activities

Excellencies,
Ladies and Gentlemen,
Dear Participants,

I would like to welcome you all to the Closing Plenary Session. Over the last two days we have heard several interesting presentations on a wide range of issues related to the development of SME sector and we had fruitful debates.

I have the pleasure to start this session by giving the floor to the rapporteurs of the working groups. They will summarize the discussions and concentrate on the suggestions formulated during the seminar.

The report on Working Group A, sessions 1 and 2 – “Developing national legislation and business friendly policies in key areas” will be presented by Ms. Katherine Brucker, from the US Delegation in Vienna.

The report on Working Group A, session 3 – “Existing international guidelines and practises” will be presented by Ms. Wendy Hadwen, from the Canadian Delegation in Vienna.

The report on Working Group A, session 4 – “The role of (State) Support Institutions” will be presented by Mr. Dusan Vasiljevic, Head of Economic and Environmental Department, OSCE Mission to Serbia and Montenegro.

The report on Working Group B, session 1 – “Entrepreneurship education”, and session 4 – “The role of business associations” will be presented by Mr. David Swalley, EEO in OSCE Office in Baku.

The report on Working Group B, sessions 2 and 3 – “Financial and technical assistance for starting-up and developing businesses” will be presented by Mr. Yaroslav Yurtsaba, SME Advisoe, OSCE Project Co-ordinator in Ukraine.

The report on the Plenary session - “The OSCE Role in Supporting the Development of SMEs” will be presented by Ms. Kimberly Bulkley, Good governance expert.

(Rapporteurs' presentations follow)

I would like to thank the rapporteurs for their excellent work.

I am honored to give now the floor to Ambassador Ivan Naydenov, Director of the "OSCE Chairmanship" Directorate of the Ministry of Foreign Affairs, representing Bulgaria, incoming OSCE Chairmanship, for his summarizing remarks.

(Speech follows)

I have the pleasure to give the floor to Ambassador Jivan Tabibian, Head of Armenian Delegation to the OSCE.

(Speech follows)

I am honored to give the floor to Mr. Frank van Beuningen, representing the Netherlands OSCE Chairmanship.

(Speech follows)

I will also try to draw some conclusions myself. We have heard quite comprehensive reports about what happened during our seminar. This allows me to focus only on a very few issues. It is not easy

to summarize everything that has been said these days, but we heard many different views and good proposals. These prove the added value of this seminar, held at the right time and in the right place.

We have had this seminar in the country that for centuries, even millenniums was known for its entrepreneurial skills in small business, operating and exporting these skills abroad. We are happy to learn that the SME sector is regaining its place in the Armenian economy at an express speed over the recent few years.

The seminar did confirm the great role SMEs can play in creating jobs, developing economies, providing opportunity for personal self-fulfillment, building favorable environment for big business, including foreign investors. SME sector constitutes a foundation for civil society.

I am particularly happy that so many business chambers and other business organizations participated in the seminar and in the accompanying exhibition. We have learned a lot about your activities and your problems. The situation of your organizations is differentiated across countries. It was stressed how important it is to have business organizations genuinely independent of state administration. True partnership allowing for independent opinions and criticism is the most productive in advising on the legislation and SME policy issues. We discussed how to strengthen the role of business organization in legislative consultations. We discussed international co-operation of chambers of commerce and in particular how to bring expertise of well established and affluent chambers to newly born organizations.

The OSCE Economic Forum in 2001 was devoted to good governance. My Office is preparing a Booklet on the best practices in combating corruption that will soon be ready. Throughout the year, participating States have been working on developing a new OSCE Strategy Document enhancing the OSCE economic and environmental dimension. A substantial part of the document is devoted to good governance as a key for investment and economic development. If the document is hopefully approved by the Maastricht Ministerial Council next month we will devote even more time and energy to good governance issues. I learned during this seminar that we have got a very dedicated ally in the war against corruption. I have in mind small businesses and their organizations, that are particularly harassed by petty bureaucrats operating at local level. Welcome on board !

OSCE can promote successful models of partnership between business organizations and executive and legislative branches of government and facilitate international contacts.

We discussed forms of institutional and financial support for SMEs. I would like to highlight two observations. It is desirable that international donors build local capacities in consulting services, banking sector, business development services. Secondly, business incubators can be a good idea provided appropriate location and appropriate selection of admitted companies.

We also debated on education for business. The OSCE role might be to work with young people especially with vulnerable groups in risk areas. The idea of bringing entrepreneurial education to high schools curricula was also raised. We will have an opportunity to return to more detailed debate on education for business during the last preparatory seminar, in Bishkek, in Spring next year.

Time and again we were warned not to duplicate in OSCE what others are doing. The seminar provided a good occasion to learn what others are doing and will help us better co-ordinate our future activities with EU, EBRD, USAID, GTZ and others. A number of OSCE officers from my Office and field presences presented their activities as well. Those are usually small catalytic projects concerning training, legislative advise, micro loans. Let me also recall the Bern Seminar on SME organized by OSCE Parliamentary Assembly in co-operation with my Office for parliamentarians last summer.

Good information about who is doing what is the minimal prerequisite of any co-ordination. I am happy to inform that with a new project support unit in my Office we will soon be able to provide comprehensive information on ongoing and implemented projects in economic and environmental areas, conducted by my Office and all OSCE field presences. For this purpose the existing CPC database will be enlarged.

Ladies and Gentlemen,

The Consolidated Summary of the Seminar will be soon made available to the Delegations in Vienna and to the participants. It will also be available to you all on our web site. At the 12th Economic Forum we will debate the suggestions regarding follow up actions by the OSCE, participating States and my Office.

Before closing I once again would like to express gratitude to our Armenian hosts, H.E. Ruben Shugarian, Deputy Minister of Foreign Affairs, and his colleagues, in particular Ms. Salpi Ghazarian.

I would also like to thank the Netherlands OSCE Chairmanship, represented by Mr. Frank van Beuningen, and the incoming Bulgarian Chairmanship, represented by Ambassador Ivan Naydenov.

Special words of thanks also go to all the moderators, the stimulating speakers and rapporteurs.

Our deliberations would of course not have been possible without all the participants in the event, and I would like to thank you all for your support and contributions. All the OSCE Delegations taking part, the many Field Missions and institutions, the International Organizations, business representatives, NGOs and Academics, thank you very much.

Special words of thanks go to the interpreters and the Armenian logistic team and as well as to the team from our OSCE Office in Yerevan - Ambassador Vladimir Pryakhin, Ms. Larissa Neufeld and Ms. Seda Baghdasarian.

In addition I want to mention all the efforts made by the staff of my office, Ms. Andrea Gredler and Mr. Gabriel Leonte, Ms. Helen Santiago Fink and Mr. Sebastian Baumeister. They all did an excellent work.

One final announcement refers to the side meeting – briefing on the implementation of the joint NATO-OSCE Project on River Monitoring that will start at 16.00. Interested Delegations are invited to attend.

Excellencies, ladies and gentlemen, it was an honor and a great pleasure to be with all of you and I am looking forward to our continuing co-operation.

Thank you and I wish all of you a safe journey to your home country.



Organization for Security and Co-operation in Europe

The Secretariat

Office of the Co-ordinator of OSCE Economic and
Environmental Activities

Vienna, 16 September 2003

First Preparatory Seminar for the Twelfth OSCE Economic Forum “Supporting the Development of SMEs” Yerevan, 17-18 November 2003

Introductory Note

According to the OSCE Permanent Council Decision No. 558, the theme of the Twelfth Meeting of the Economic Forum, that will take place in Prague from 31 May to 4 June 2004, will be “New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation”.

First in a series of three preparatory seminars leading up to the Economic Forum, the seminar in Yerevan (17-18 November 2003) will focus on **supporting the development of SMEs**.

Both economic theory and practice recognize the importance of SMEs. The SME sector is often described as the backbone of market economies. It can contribute up to 60% of GDP and exports, it is the most important source of job creation. The flexibility of this sector is essential for the competitiveness of the economy. Furthermore, it is a cradle for the middle-class, the main social force of democratic regimes.

Countries with economies in transition are confronted with the challenge of restructuring their economic systems and replacing big and inefficient factories with more dynamic and market oriented entities. In that case the development of the SME sector is particularly relevant. SMEs can play an important role in developing the service sector, often neglected in the planned economies, and provide employment alternatives for workers laid off during the restructuring process.

In post conflict situations or in conflict prone areas which are also often characterized by a very reduced level of economic activities, extreme poverty and high unemployment, ethnic tensions, etc. the development of the SME sector appears as the easiest way to reinvigorate the economy. In those areas where it is unlikely to attract major investments development of SMEs would not only contribute to poverty alleviation but could represent an alternative to conflict or to the flourishing of illegal activities such as smuggling, trafficking or organized crime.

Numerous OSCE documents include references to the importance of SMEs and commitments of the OSCE participating States to support and promote the development of a sound and viable SME sector. The Bonn Document stipulates (Chapter A, Paragraphs 4 and 5):

“The participating States recognize the particular importance of small and medium-sized enterprises in their economic co-operation. These enterprises will benefit particularly from improvements in the business environment and the strengthening of market forces. Participating States will therefore pay special attention to the creation of a competitive business environment conducive to the development of SMEs. To that end they will endeavor to provide the appropriate economic, legal, banking and fiscal conditions that take into account the specific requirements of SMEs. They will strengthen information channels and networks and encourage dialogue and the exchange of expertise between the interested parties, including public authorities, representatives of business and other public and private agencies providing services to business.”

The participating States are prepared, insofar as the appropriate conditions exist, to provide support for the SME sector by promoting: business co-operation networks, which facilitate the search for business partners; access to information services, including publications and databanks; management and expert training and information on availability of technical know-how and innovations.”

Provisions related to SMEs are also under consideration in the framework of the ongoing discussions on the New OSCE Strategy Document in Economic and Environmental Dimension.

Topics related to SME development have also been discussed in other frameworks than the OSCE and the OSCE participating States expressed their commitments in the field in other international or regional settings. A number of international organizations (governmental and non-governmental) are also active in this area.

Despite constant efforts undertaken by national and international actors progress is still needed in terms of legislation and institutions, financial and technical assistance, access to information, entrepreneurship education, etc. Commitments and actions in the OSCE region have not yet developed the full potential of the SME sector, which would be beneficial for all the stakeholders involved. In the field of supporting the development of SMEs the OSCE participating States are confronted, in various degrees, with old and new challenges.

Given the context described above, the seminar aims, *inter alia*, to:

- Discuss and review the achievements and shortcomings pertaining to the development of SMEs in the OSCE region, promote a comprehensive understanding of the matter and identify ways of action aimed at improving activities (by governments, international organizations and the private sector itself) related to the promotion of SMEs;
- Facilitate a dialogue between different stakeholders involved, at the local, national and regional levels, promote measures that could enhance the capacity of governments to respond better to the demands of the business sector;
- Provide the opportunity to discuss practical ways of sharing different national experiences, best practices and lessons learned, promote twinning relationships between countries, governmental institutions or business associations;
- Complement the work being done by others and put forward recommendations for further OSCE involvement that would bring added value, including activities that can be implemented together with other partner organizations.

Given its mandate and expertise, through its programmatic initiatives, OSCE can contribute by raising awareness of the importance of SMEs, promoting good business practices, providing policy and legislative advice to governments, contributing to institutional development, cultivating public private dialogue, providing training to entrepreneurs and public officials, supporting the establishment and the work of business associations, empowering local communities, targeting disadvantaged social groups or areas posing specific security risks/concerns etc.

The seminar will consist of both plenary sessions and parallel sessions of the working groups. During the opening plenary session the topic of the seminar will be introduced by keynote speakers. The two parallel working groups will be dedicated to the establishment of an appropriate legislative and institutional framework for SMEs' development (Working Group A) and to the direct assistance targeting SMEs' development (Working Group B). Specific case studies and lessons learned from various countries and regions will be presented.

Discussions in WG A are intended to build upon existing international guidelines in the field of SMEs related policies and practices and then focus on identifying possible solutions in key areas such as registration, business establishment, licensing, specific tax policies for SMEs, statistical reporting, controlling procedure, inspections, arbitration and dispute resolution systems. Unclear national legislation and a lack of transparency in governmental activities, lack of efficiency in tackling corruption are hampering the SMEs, reducing the opportunities for economic development and growth. Often the best way to spur SME development and economic growth is not to create incentives but to remove the disincentives. As legislation itself is not enough if not properly implemented or if adequate institutions

are not in place, WG A will also address the role of (state) support institutions (ministries, central banks, agencies or joint public-private institutions focusing on SMEs) in areas such as providing information on national regulations, advisory services, information on domestic and external markets, export promotion, co-operation between governments and business sector.

WG B will discuss various policies, measures and actions that have a direct impact on SMEs, creating incentives and encouraging entrepreneurship, that could be taken by governments, national or local authorities as well as international organizations and NGOs active in the field. WG B will focus on topics such as entrepreneurship education, financial and technical assistance for starting up or developing business, access to credit, credit guarantee schemes, the role of business incubators. Furthermore, business people and entrepreneurs can be more effective in promoting their interests and have a stronger voice by pooling their expertise and establishing business associations. The role of business associations and chamber of commerce, as well as the importance of contacts between such organizations from various countries will be analyzed. Business association can developed into an effective tool that not only addresses the business concerns of its members but also concentrates on good governance and anti-corruption activities.

A plenary session scheduled for the second day of the seminar will capitalize on the debates in the working groups and focus specifically on the role of the OSCE in supporting the development of SMEs. Ongoing or planned OSCE activities will be presented and participants are encouraged to contribute to the development of a strategic/programmatic approach of the OSCE.

During the closing sessions the reports and recommendations/suggestions of the seminar will be presented, including preliminary follow-up options to be further elaborated in the OSCE framework.

The seminar will gather representatives of governments and state institutions, international organizations, business sector, civil society and academic community. A substantial contribution from representatives of the business sector would be highly appreciated.

To this aim, the OSCE participating States are strongly encouraged to include in their respective national delegations representatives of the private sector.

OSCE field presences will also have an important contribution to the discussions.

All participants are expected to present concrete proposals on how the OSCE/OCEEA could be instrumental in contributing to the efforts to support the development of SMEs. Recommendations and suggestions emerging from the seminar will be further discussed in the Economic and Environmental Sub-Committee of the Permanent Council.

Please find attached a draft agenda and the organizational modalities of the seminar.

Further updates of the agenda and organizational modalities will be circulated to the delegations and participants in due time.

Information on the seminar – including registration forms, a regularly-updated program and organizational modalities – are also available on the OSCE web site at <http://www.osce.org/eea>

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Organization for Security and Co-operation in Europe

The Secretariat

Office of the Co-ordinator of OSCE Economic and
Environmental Activities

Yerevan, 16 November 2003

Twelfth OSCE Economic Forum
“New Challenges for Building up Institutional and Human Capacity for Economic Development
and Co-operation”

First Preparatory Seminar: Supporting the Development of SMEs
Yerevan, Armenia, 17-18 November 2003
Venue: Hotel Armenia-Marriott

AGENDA

Sunday, 16 November 2003

17.00-19.00 **Pre-registration of participants** (Conference Venue – Hotel Armenia)

19.30 **Welcoming Reception hosted by the Co-ordinator of OSCE**
Economic and Environmental Activities (Hotel Armenia)

Monday, 17 November 2003

08.00 **Registration of participants**

09.30 -11.00 **Opening Plenary Session** (open to Press)

Welcoming address: H.E. Karen Chshmaritian, Minister of Trade and Economic Development of
the Republic of Armenia

H.E. Ruben Shugarian, Deputy Minister of Foreign Affairs of the Republic of
Armenia

Welcoming remarks: Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force, Ministry
of Foreign Affairs of the Netherlands, OSCE Chairmanship

Welcoming remarks: Ambassador Vladimir Pryakhin, Head of the OSCE Office in Yerevan.

Introductory speech: Ambassador Ivan Naydenov, Director of the " OSCE Chairmanship"
Directorate, Ministry of Foreign Affairs of Bulgaria, incoming OSCE
Chairmanship

Keynote Addresses: “Conditions for SME development and the role of the OSCE”
by Marcin Świącicki, Co-ordinator of OSCE Economic and
Environmental Activities

“Promoting entrepreneurship and SME development in transition countries”
by Mr. David Smallbone, Head of Center for Enterprise and Economic
Development Research, Middlesex University Business School, UK

“The role of SMEs in conflict prevention and post-conflict situations”
by Mr. Maximilian Burger-Scheidlin, Executive Director, International
Chamber of Commerce, Austria

Discussion

11.00 – 11.30 Coffee Break / Opening of the Exhibition “SME Support – Policies and Programmes”

11.30 - WG A and WG B sessions will meet in parallel

- Working Group A - Legislative and institutional framework for SME development
- Working Group B - Direct assistance facilitating SME development

11.30 -13.00 Session 1 of Working Groups A and B

Working Group A - Developing national legislation and business friendly policies in key areas

Suggested topics: registration, business establishment, licensing of SMEs, specific tax policies for SMEs, statistical reporting, controlling procedure, inspections, arbitration and dispute resolution systems.

Moderator: Mr. Krassen Stanchev, Executive Director, Institute for Market Economy, Sofia, Bulgaria

Rapporteur: Ms. Katherine Brucker, Political Officer, United States Mission to the OSCE

Speakers:

- Mr. Krassen Stanchev, Executive Director, Institute for Market Economy, Sofia, Bulgaria
- Mr. Ugnius Trumpa, President, Lithuanian Free Market Institute
- Ms. Anita Taci, Economist, Office of the Chief Economist, EBRD

Working Group B - Entrepreneurship education

Suggested Topics: professional formation of managers, specific training programs in various areas, rights and obligations of entrepreneurs, promoting youth and women entrepreneurship.

Moderator: Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria

Rapporteur: Mr. David Swalley, Economic and Environmental Officer, OSCE Office in Baku

Speakers:

- Ms. Gabriella Danza, Deputy Director of Democratisation Office, OSCE Mission to Bosnia and Herzegovina
- Ms. Diana Avetyan, Program Management Specialist, USAID/Armenia
- Ms. Severine Deboos, Programme Officer, Employment Sector, Subregional Office for Eastern Europe and Central Asia, ILO

13.00 - 15.00 Lunch

15.00 -16.30 Session 2 of Working Groups A and B

Working Group A - Continuation of session 1

Moderator: Mr. Krassen Stanchev, Executive Director, Institute for Market Economy, Sofia, Bulgaria

Rapporteur: Ms. Katherine Brucker, Political Officer, United States Mission to the OSCE

Speakers:

- Mr. Rshtun Martirosyan, Executive Director, Small & Medium Entrepreneurship Development National Center of Armenia
- Mr. Ilir Rembeci, Director, Regional Development Agency, Chairperson of the Network of RDAs, Albania
- Mr. Temirbek O. Kenenbaev, Chairman of the International Court of Arbitration in Affiliation with the Chamber of Commerce and Industry of the Kyrgyz Republic

Working Group B - Financial and technical assistance for starting-up and developing business

Suggested topics: micro credits, credit guarantee schemes, land as collateral for loans, the role of business incubators, the role of banks, technical assistance for development, the role of international donors and assistance agencies, the impact of assistance programs on local and national levels

Moderator: Mr. Chrys Miliaras, Chief of Party, Chemonics, Micro Enterprise Development Initiative (MEDI/USAID), Armenia

Rapporteur: Mr. Yaroslav Yurtsaba, SME Development Advisor, OSCE Project Co-ordinator in Ukraine

Speakers:

- Mr. Michael Jainzik, Project Manager, Division for Private and Financial Sector Development, KfW, Germany
- Mr. Tigran Aghabekyan, National Director, EU BAS Programme in Armenia
- Mr. John L. Caracciolo, Micro, Small and Medium Enterprise Advisor, USAID/Armenia

16.30 -17.00 Coffee Break

17.00 -18.30 Session 3 of Working Groups A and B

Working Group A - Existing international guidelines and practises

Suggested topics: relevance of international and regional commitments and documents referring to SMEs, examples of practices from various OSCE regions, importance of policy harmonization and regional co-operation.

Moderator: Mr. David Smallbone, Head of Center for Enterprise and Economic Development Research, Middlesex University Business School, UK

Rapporteur: Ms. Wendy Hadwen, Adviser, Delegation of Canada to the OSCE

Speakers:

- Mr. Eero Vuohula, Adviser, European Commission
- Mr. Mariano G. Cordone, Deputy Head, INSME Secretariat, Institute for Industrial Promotion, Italy

Working Group B - Continuation of session 2

Moderator: Mr. Chrys Miliaras, Chief of Party, Chemonics, Micro Enterprise Development Initiative (MEDI/USAID), Armenia

Rapporteur: Mr. Yaroslav Yurtsaba, SME Development Advisor, OSCE Project Co-ordinator in Ukraine

Speakers:

- Mr. Leonid Kistersky, Professor, Institute for International Business Development, Ukraine

- Mr. Fakhridin Uzbekov, Deputy Mayor, Head of the Information-Analytical Department, Surkhandarya Province, Uzbekistan
- Mr. Konstantin Zhgenti, Deputy Director of SMEDA-Tbilisi, President of The Association of Business Consulting Organizations of Georgia

**19.30 Reception hosted by the Ministry of Foreign Affairs of the Republic of Armenia
(Venue: Ministry of Foreign Affairs of the Republic of Armenia)**

Tuesday, 18 November 2003

09.00-10.30 Session 4 of Working Groups A and B

Working Group A - The role of (State) Support Institutions

Suggested topics: role of ministries, national agencies or public-private institutions for SMEs, role of central banks, access to information on national regulations, advisory services, export promotion, information on domestic and external markets, co-operation between governments and business sector

Moderator: Mr. David Smallbone, Head of Center for Enterprise and Economic Development Research, Middlesex University Business School, UK

Rapporteur: Mr. Dusan Vasiljevic, Head of the Economic and Environmental Department, OSCE Mission to Serbia and Montenegro

Speakers:

- Ms. Tatiana Hadjiemmanuel, General manager, Business Information and Clearing Center (Stability Pact / SECI -BICC), Thessaloniki, Greece
- Ms. Irina Constantinescu, Expert, SME Strategy and Policies, National Agency for SMEs and Co-operatives, Romania
- Mr. Serik Turzhanov, Director of the Department on small business, Almaty City Administration Office, Kazakhstan

Working Group B - The role of business associations

Suggested topics: Importance of business associations and chambers of commerce, promoting networking between business associations at national and regional levels, the support role of business associations, role of business associations in promoting good governance

Moderator: Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria

Rapporteur: Mr. David Swalley, Economic and Environmental Officer, OSCE Office in Baku

Speakers:

- Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria
- Mr. Dragutin Zagorac, President of the Union of Employers of Serbia and Montenegro
- Mr. Viktor Yambayev, President of the Almaty Association of Entrepreneurs, Kazakhstan

10.30-11.00 Coffee Break

11.00-13.00 Plenary session - "The OSCE Role in Supporting the Development of SMEs"

Suggested topics: Case studies from the OSCE regions, examples of OSCE involvement, activities of Field Presences, perception of other international

organizations and of the OSCE participating States, developing an OSCE Strategy on supporting SMEs

Moderator: Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force, Ministry of Foreign Affairs, the Netherlands, OSCE Chairmanship

Rapporteur: Ms. Kimberly Bulkley, Good Governance Expert, USA

Speakers:

- Ms. Helen Santiago Fink, Senior Economic Affairs Officer, OCEEA
- Ms. Ledia Muco, Economic and Environmental Advisor, OSCE Presence in Albania
- Ms. Larissa Neufeld, Economic and environmental Officer, OSCE Office in Yerevan
- Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe
- Mr. Alan Phillips, Independent Expert (*Invited by the OSCE HCNM*)

Discussion

13:00-14.30 **Lunch**

14.30-15.30 **Closing Plenary: Reports and Recommendations**

- **Reports by the Rapporteurs of the Working Groups**
- **Discussion**
- **Closing remarks by:**

H.E. Ruben Shugarian, Deputy Minister of Foreign Affairs of the Republic of Armenia

Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force, Ministry of Foreign Affairs, the Netherlands, OSCE Chairmanship

Ambassador Ivan Naydenov, Director of the "OSCE Chairmanship" Directorate, Ministry of Foreign Affairs of Bulgaria, incoming OSCE Chairmanship

Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities



Organization for Security and Co-operation in Europe

The Secretariat

Office of the Co-ordinator of OSCE Economic and
Environmental Activities

Yerevan, 18 November 2003

Twelfth OSCE Economic Forum
First Preparatory Seminar: Supporting the Development of SMEs
Yerevan, Armenia, 17-18 November 2003

LIST OF PARTICIPANTS

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Albania Regional Development SME Agency,
Executive Director

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Bartels, Ambassador Hans-Wulf
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Beissert, Mr. Jörn Ekkehard
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Germany to the OSCE, First Secretary

Jainzik, Mr. Michael
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UNITED STATES OF AMERICA

Kaufmann, Ms. Marlene
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Brucker, Ms. Katherine
US Mission to the OSCE, Political Officer

Gudie, Mr. Travel
US Embassy Yerevan

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Good Governance Expert

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Chshmaritian, H.E. Karen
Minister of Trade and Economic Development

Shugarian, H.E. Ruben
Deputy Minister of Foreign Affairs

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OSCE Delegation of Armenia to the OSCE, Head
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Barseghyan Mr. Gagik
National Assembly of Armenia, Expert at the
Standing Committee on Financial-Credit,
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| Davidyan, Ms. Lilit | Ministry of Foreign Affairs |
| Davtyan, Ms. Olga | Ministry of Foreign Affairs |
| Ghazaryan, Ms. Salpi | Ministry of Foreign Affairs |
| Hajrapetyan, Mr. Armen | Ministry of Finance and Economy, Head of Microeconomic Policy Department |
| Hovhannisyan, Mr. Gevorg | Government of the Republic of Armenia, Chief specialist of the Economic Department of the RA |
| Hovakimyan Mr. Samvel | CCI Armenia, Executive Director |
| Karapetyan, Mr. Ishkhan | Ministry of Trade and Economic Development, Head of SME Development Department |
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| Karapetyan Ms. Naira | SME Development National Center of Armenia, Information/Analytical Department |
| Karayan, Mr. Suren | State Revenue Policy Department, Head |
| Malxasyan, Ms. Narine | Ministry of Foreign Affairs |
| Martirosyan, Mr. Rshtun | SME Development National Center of Armenia, Executive Director |
| Melkonyan, Ms. Stella | Ministry of Foreign Affairs |
| Mezhlumyan, Mr. Hayk | CCI Armenia, Project Coordinator |
| Mikaelyan, Mr. Mikael | State Commission for the Protection of Economic Competition of the RA, Commission Member |
| Minasyan, Ms. Karine | Central Bank of Armenia, Board Member |
| Mkrtchyan, Ms. Liana | Ministry of Foreign Affairs |
| Mkrtoumyan Mr. Valery | International Organizations Department, Director |
| Petrosyan, Ms. Anna | SME Development National Center of Armenia, Leading Specialist |
| Petrosyan, Mr. Gegham | SME Development National Center of Armenia |
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| Shahbazyan, Mr. Tadevos | SME Development National Center of Armenia, Deputy Executive Director of the Fund |

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| Sahakyan, Mr. Hovhannes | Government of the Republic of Armenia, Leading specialist of the Economic Department of the RA |
| Sargsyan Mr. Martin | Chamber of Commerce and Industry, Chairman |
| Sargsyan Mr. Mushegh | Armenian Development Agency, Export Director |
| Ter-Grigoryan, Ms. Adrine | Office of the President, Economic Department, Head Economist |

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| Baldi, Dr. Alessandra | Permanent Mission of Austria to the OSCE, Advisor |
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| Popov, Mr. André | Ministry of Foreign Affairs, OSCE desk, First Secretary |
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BELGIUM

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| Mernier, Ambassador André | Embassy of Belgium in Moscow |
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BULGARIA/ OSCE INCOMING CIO

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| Naydenov, Ambassador Ivan | Incoming OSCE Chairmanship, Ministry of Foreign Affairs of Bulgaria, OSCE Chairmanship Directorate, Director |
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| Dimitrov Mr. Stefan | Embassy of Bulgaria to Armenia, Charge d'Affaire |
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| Lashev, Mr. Rakovski | Incoming OSCE Chairmanship, Ministry of Foreign Affairs, OSCE Chairmanship Department, State Expert |
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| Hadwen, Ms. Wendy | Canadian Delegation to the OSCE , Advisor |
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| Terzian, Mr. Vazken | Canadian-Armenian Business Council of Ontario, Past President |
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| Kaltayian, Mr. Harout | Canadian-Armenian Business Council of Ontario, Member |
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Cuny, Ambassador Henry Embassy of France in Armenia

GREECE

Giannoulis, Mr. Pantelis Greek Embassy in Armenia, Counsellor, Head of Economic&Commercial Office

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| Caracciolo, Mr. John L. | USAID Armenia, Micro&SME Adviser |
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| Gaffarov, Mr. Nasim | Association of Private Agroindustrial Complex of Sughd Area “SughdAgroService”, Tajikistan |
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| Trumpa, Mr. Ugnius | Lithuanian Free Market Institute, President |
| Usvitsky Mr. Vadim | World Vision International/, Special representative for SEF International |
| Yambayev, Mr. Victor | President of the Almaty Association of Entrepreneurs |
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Rampolla, Mr. Gianluca

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Twelfth OSCE Economic Forum
First Preparatory Seminar: Supporting the Development of SMEs
Yerevan, Armenia, 17-18 November 2003

LIST OF DISTRIBUTED DOCUMENTS

Speakers Presentations

Opening Plenary Session

Welcoming address by H.E. Karen Chshmaritian, Minister of Trade and Economic Development of the Republic of Armenia.

Welcoming remarks by Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Task Force, Ministry of Foreign Affairs of the Netherlands, OSCE Chairmanship.

Welcoming remarks by Ambassador Vladimir Pryakhin, Head of the OSCE Office in Yerevan.

Introductory speech by Ambassador Ivan Naydenov, Director of the " OSCE Chairmanship Directorate, Ministry of Foreign Affairs of Bulgaria, incoming OSCE Chairmanship.

Keynote Addresses:

Conditions for SME development and the role of the OSCE, Mr. Marcin Świącicki, Co-ordinator of OSCE Economic and Environmental Activities.

Promoting entrepreneurship and SME development in transition countries, Mr. David Smallbone, Head of Center for Enterprise and Economic Development Research, Middlesex University Business School, UK.

The role of SMEs in conflict prevention and post-conflict situations, Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria.

Working Group A Session 1 - Developing national legislation and business friendly policies in key areas

SME and Regulatory Environment, Mr. Krassen Stanchev, Executive Director, Institute for Market Economy, Sofia, Bulgaria.

Methodology and techniques of deregulation policy for SME development. Lithuanian case, Mr. Ugnius Trumpa, President, Lithuanian Free Market Institute.

Business environment for SME development in transition countries by Ms. Anita Taci, Economist, Office of the Chief Economist, EBRD.

Working Group B Session 1 - Entrepreneurship education

Promoting youth entrepreneurship, Ms Gabriella Danza, Deputy Director of Democratization Office, OSCE Mission to Bosnia and Herzegovina.

The ILO and Entrepreneurship Education, Experiences in the CIS, Ms. Severine Deboos, Programme Officer Employment Sector, Sub-regional Office for Eastern Europe and Central Asia, ILO.

Working Group A – Session 2 Developing national legislation and business friendly policies in key areas

Actual Situation, Strategy and Development Perspectives of SME Sector in Albania, Mr. Ilir Rembeci, Director, Regional Development Agency, Chairperson of the Network of RDAs, Albania.

Development of the national legislation and policy, focusing on the strengthening of business in different areas (in Russian), Mr. Temirbek Kenenbaev, International Court of Arbitration, in Affiliation with the Chamber of Commerce and Industry of the Kyrgyz Republic.

Working Group B Session 2- Financial and technical assistance for starting-up and developing businesses

Fostering of SME in transformation countries through the financial sector. The KfW approach, Mr. Michael Jainzik, Project Manager, Division for Private & Financial Sector Development, KfW, Germany.

EU Business Advisory Services Programme in Armenia (BAS), Mr. Tigran Aghabekyan National Director, EU BAS Programme in Armenia.

Loan and guarantees for SME financing, USAID's Development Credit Authority, Mr. John Caracciolo, Micro, Small and Medium Enterprise Advisor, USAID/Armenia.

Working Group A – Session 3 - Existing international guidelines and practises

EU Policies on SME Development & Programmes in Third Countries.”, Mr. Eero Vuohula, Adviser, European Commission.

Green Paper - Entrepreneurship in Europe, European Commission, European Union, Enterprise publications (COM (2003) 27 final, Brussels, 21.01.2003).

International Network for SMEs.”, Mr Mariano G. Cordone, Deputy Head, INSME Secretariat, Institute for Industrial Promotion, Italy.

Working Group B - Session 3 (Continuation of session 2) Financial and technical assistance for starting-up and developing businesses

Effectiveness of technical help in the area of SMEs: experience of Ukraine (in Russian), Prof. Leonid Kisterskij, Institute for International Business Development, Ukraine

Financial and Technical Assistance for Start-Up and Developing Enterprises, Mr. Konstantin Zgenti, Deputy Director of SMEDA- Tbilisi, President of the Association of Business Consulting Organizations of Georgia

Working Group A – Session 4 The role of (State) Support Institutions

Reconstruction to Development Public Private Initiatives, Business Information & Clearing Center (B.I.C.C.), Ms. Tatiana Hadjiemmanuel General manager, Stability Pact SECI-BICC, Thessaloniki, Greece.

The Role of National Agency for SMEs and Co-operatives, Ms. Irina Constantinescu, Expert, SME Strategy & Policies, National Agency for SMEs and Co-operatives, Romania.

Establishment of favorable conditions for business development (English & Russian), Mr. Serik Turzhanov, Director of the Department on small business, Almaty City Administration Office, Kazakhstan.

Information on the task of the joint expert committees in the control-supervisory board of the city of Almaty (in Russian), Mr. Serik Turzhanov, Director of the Department on small business, Almaty City Administration Office, Kazakhstan.

Working Group B – Session 4 The role of business associations

The Role of Chambers of Commerce and Industry, in Conflict Prevention + Post-Conflict Situations, Mr. Maximilian Burger-Scheidlin, Executive Director, International Chamber of Commerce, Austria.

Presentation of the “Serbian and Montenegrin Employers Association”, Mr. Dragutin Zagorac, President of the Union of Employers of Serbia and Montenegro.

Issues of cooperation of NGOs & entrepreneurs with the state administration (in Russian), Mr. Viktor Yambayev, President of the Almaty Association of Entrepreneurs, Kazakhstan.

Plenary session - The OSCE Role in Supporting the Development of SMEs

Promotion and Development of SMEs, Ms. Helen Santiago Fink, Senior Economic Affairs Officer, OSCE Secretariat, OCEEA.

Young Entrepreneurship Seminars (YES) – *Overview*, Ms. Helen Santiago Fink, Senior Economic Affairs Officer, OSCE/OCEEA.

OSCE Activities and approach in supporting the development of SME sector in Albania, Ms. Ledia Mucó, Economic and Environmental Advisor, OSCE Presence in Albania.

Overview of the OSCE Yerevan Office’s initiatives contributing to SME sector development and investment climate improving in Armenia, Ms. Larissa Neufeld, Economic and Environmental Officer, OSCE Office in Yerevan.

SME development projects in Tajikistan, Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe, Tajikistan.

The Economic Participation of National Minorities, Mr. Alan Phillips, independent expert, on the invitation of the OSCE High Commissioner for National Minorities.

Closing Plenary: Reports and Recommendations

Reports by the Rapporteurs of the Working Groups.

Closing remarks by Ambassador Ivan Naydenov, Director of the " OSCE Chairmanship" Directorate, Ministry of Foreign Affairs of Bulgaria, incoming OSCE Chairmanship.

Closing remarks by Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities.

Other Documents

SME sector development in the EU candidate countries and in non-accession countries, Dr. Antal Szabó, Regional Adviser on Entrepreneurship and SMEs, United Nations Economic Commission for Europe.

The OECD Bologna Charter on SME Policies (adopted on 15 June 2000).

OECD guidelines for SME Development, Ms. Ekaterina Travkina, Consultant, OECD LEED Programme.

OECD LEED Trento Centre for Local Development, Ms. Ekaterina Travkina, Consultant, OECD LEED Programme.

SME and Enlargement, Mr. Stefan Havlacek, Union Européenne de l'Artisanat et de PME (UEAPME).

Entrepreneurship education – missing link in effective transitional processes (case of Croatia) Ms. Slavica Singer, Head of the Graduate Program in Entrepreneurship, J. Strossmayer University of Osijek, Croatia.

Macroeconomic Aspects of the Development of SME in Ukraine (in Russian), Mr. Aleksey Plotnikov, Dr. of Economic Sciences, Professor, Head of the Department of International Currency & Financial Affairs of the Institute of World Economy & International Relations (IWEIR) in the NAS of Ukraine.

Supporting the Development of SMEs in the South of Kyrgyzstan (in Russian), Mr. A. P. Sarybaev, Head of the Chamber of Commerce and Industry of Kyrgyz Republic.

Promotion of Small and Medium Enterprise in Armenia, ProSME powered by GtZ/PME GmbH, Yerevan, Armenia.

Financial and technical support to the young and developing enterprises (in Russian), Mr. Bakur Sulakauri, Bakur Sulakauri Publishing House, Tbilisi, Georgia.

Small and Medium Enterprises Development, Mr. Milorad Mihajlovic, Member of Agency for Economy and SME Development/European Bureau for SME Development, Serbia and Montenegro.

SMEs in Belgium (in French), SPF Economie, PME, Classes Moyennes et Energie, Direction generale Politique des PME, Service des Etudes, BELGIUM, 2003.

OSCE/OCEEA Documents

Introductory Note, the Draft Agenda and the Organizational Modalities of the First Preparatory Seminar for the Twelfth Economic Forum, Yerevan, 7-18 November 2003 (SEC.GAL/162/03, 16 September 2003, OSCE).

Draft updated Agenda; Promotion and development of SMEs; Side meeting information: Briefing on the first annual progress review meeting of the OSCE-NATO project “South Caucasus River Monitoring”, Information on cultural programme (SEC.GAL/194/03, 31 October 2003, OSCE).

Questionnaire on Potential areas of OSCE involvement in SME development, (English, Russian) OCEEA.

Newsletter: OSCE/OCEEA - Recent Events” Summer/Autumn 2003.

OSCE/OCEEA Activity Report June 2002 – May 2003 (English, Russian).