

**BLACK SEA
ECONOMIC
COOPERATION**

**KONRAD
ADENAUER
STIFTUNG**

**UN ECONOMIC
COMMISSION
FOR EUROPE**

**WORKSHOP ON
“DEVELOPING SUSTAINABLE SMES – VISION AND REALITY”**

Bucharest, 9-11 June 2005

Summary Proceedings

1. The Workshop entitled “Developing Sustainable SMEs – Vision and Reality” was held in Bucharest on 9-11 June 2005. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Representation of the Konrad-Adenauer-Stiftung (KAS), Turkey, in cooperation with the Chamber of Commerce and Industry of Romania and Bucharest and the United Nations Economic Commission for Europe (UNECE).

2. Welcoming statements were delivered by Ambassador Tugay ULUÇEVİK, First Deputy Secretary General of BSEC PERMIS; Dr. Günter DILL, Resident Representative of KAS in Bucharest; Mr. Nicolae VASILE, Vice-President of the Chamber of Commerce and Industry of Romania and Bucharest; and Mr. Bujor Bogdan TEODORIU, State Advisor at the Presidential Administration. The words of greetings were delivered by Mr. George CRISTODORESCU, German Technical Corporation-GTZ, Romania; Ms. Cristina MANESCU, SME Task Manager, EU Delegation to Romania; and Mr. Thore HANSEN, UN Resident Representative a.i., UNDP, Romania.

Ambassador T. ULUÇEVİK welcomed the participants of the Workshop on “Developing Sustainable SMEs – Vision and Reality”. He highlighted the world-wide broad agreement that SMEs are the backbone of modern market economies. More than 3 million SMEs in 12 BSEC Member States employ over 21 million employees in total, while the number of unemployed amounts to 10 million. Pointing to the role of SMEs in the economic, social and political development of the Member States of BSEC, particularly those of in transition, recalled that BSEC PERMIS had engaged in a campaign to raise the public awareness in the BSEC region of the importance of SMEs. He expressed thanks to KAS as well as to UNECE for their cooperation in this effort. He emphasized the significance of the Workshop and stated that its main theme related to present day realities and needs and also embraced future challenges.

Citing one of the known definitions of sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” he said that the essential components of sustainable development were health,

quality of life, equity and integration of environmental and social/cultural considerations into our economically driven world. Therefore, in his view, it was possible to define “sustainable SMEs” as the ones which met the requirements of the components of sustainable development in a given society and were capable of integrating sustainable development into their day-to-day business practices.

2.2. Dr. G. DILL welcomed the Participants of the Workshop on behalf of KAS and drew attention that both big corporations as well as SMEs may emerge as a result of activities oriented sustainability.

2.3. Mr. N. VASILE and Mr. B. TEODORIU, welcomed the Participants of the Workshop on behalf of their administrations.

2.4. Mr. G. CRISTODORESCU mentioned that GTZ would like to offer the best practices for all countries. GTZ supported the initiative on participation of Romanian SMEs in the fairs as well as in the implementation of social responsibility projects.

2.5. Ms. C. MANESCU explained the importance of SMEs in creation of growth and jobs. She emphasized the EU enterprise policy and the achievements so far in Romania. She drew attention that 2 SMEs out of 5 are dying in EU, but if favorable economic environment exist in a country, 2-3 other SMEs might be established.

2.6. Mr. T. HANSEN gave information on the project implemented by the UNDP like creation of 5 incubators.

3. The welcoming statements were followed by presentations on the subject of the “monetary policy” which were delivered by Ms. Mirela ROMAN, National Bank of Romania; Ms. Florentina IONESCU, Deputy Director of National Agency of SMEs and Cooperatives; and Mr. Valentin CRISTEA, Vice-President, National Council of Small and Medium Sized Private Enterprises in Romania.

3.1. Ms. M. ROMAN on behalf of the Governor of the National Bank of Romania explained the difficulties in financing SMEs.

3.2 Ms. F. IONESCU summarized the recent legislative changes in the Romanian SME development process.

3.3. Mr. V. CRISTEA made a presentation on “Sustainable SMEs: Instruments for a prospering and healthy economy in the Black Sea region”. He emphasized the need that SMEs should be supported to lease land for building hotels, shops, as well as to set up special ports where touristic activities could start. Travel agencies should be established to function in touristic ports, business meetings should be encouraged. This would help SMEs to develop. The cooperation between entrepreneurs in Romania and other countries in the Black Sea region should be strengthened.

4. The Workshop was co-chaired in rotation by Ms. Ioana MOROVAN, Editor of Capital Magazine in Romania; Mr. Frank SPENGLER, Resident Representative of KAS in Turkey; Ambassador Tugay ULUÇEVİK, First Deputy Secretary General of BSEC PERMIS; and Dr. Antal SZABO, Regional Adviser on Entrepreneurship and SMEs, UNECE.

5. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Hellenic Republic
Republic of Moldova
Romania
Russian Federation
Serbia and Montenegro
Republic of Turkey
Ukraine

6. The Guest Speaker in the Workshop was from Germany.

The list of participants is attached as Annex I and the Program of the Workshop is attached as Annex II.

7. On the second day of the Workshop, Mr. Ioan CIUPERCA, Managing Director of the Euro Info Center, Chamber of Commerce and Industry of Romania and Bucharest; Mr. Bogdan VISAN, Director, National Agency for SMEs and Cooperatives; Dr. Klaus RICHTER, Managing Partner, XEOPS Consultants Germany/France; and Dr. Antal SZABO, Regional Adviser on Entrepreneurship and SMEs, UNECE addressed the Workshop as lead speakers.

7.1. Mr. I. CIUPERCA highlighted the EU policy on “Thinking small in an enlarged Europe”. Thinking small first means:

- listening better small businesses;
- learning from other successful practices;
- teaching entrepreneurship; and
- creating an entrepreneurial culture.

It is envisaged that EU will provide 4.2 billion Euro for its “Competitiveness and Innovation Programme” for the period of 2007-2013.

7.2. Mr. B. VISAN provided information on the regulatory and legislative framework of the SMEs operating in Romania.

7.3. Dr. K. RICHTER made a presentation on Public Private Partnership (PPP) as means for regional and local development through sustainable SMEs. He drew attention that SMEs

cannot be developed, they must develop themselves. However, public administration should pave the way for entrepreneurship development and provide support mechanism including PPP. A good starting point for SMEs as partners for public tasks is, when public administration has a clear vision of regional development and invites major stakeholders in local economy for discussion and setting-up regional development plan.

7.4. Dr. A. SZABO presented the best practices in the development of sustainable SMEs in countries in transition (CITs), definition of SMEs, national entrepreneurship support policy, legislation issues, registration and dissolving businesses and good SME governance. After 11 years with UNECE including 10 years of close cooperation with the Permanent International Secretariat of the Organization of BSEC and its Member States, as well as the Konrad Adenauer Stiftung, Dr. SZABO, prior to his retirement, expressed his great honor and satisfaction in working with BSEC as well as his readiness to serve the Working Group on SMEs and the BSEC Member States also in the future in case of further requests.

8. An exchange of experience in the promotion of sustainable SMEs by national representatives/experts from the BSEC Member States took place. Issues addressed included:

- a) creating a business environment favorable to the setting up and sustainable developing of SMEs;
- b) developing competitive capacity of SMEs;
- c) improving SMEs' access to financing;
- d) improving SMEs' access to foreign markets;
- e) promoting the entrepreneurial culture and boosting managerial performance.

Question and answer session was held after each presentation.

9. On the third day of the Workshop, Mr. Gabriel POPESCU provided information on the role of the Chamber of Commerce and Industry of Romania and Bucharest.

10. Later on, the Participants of the Workshop had the opportunity to visit the "Kasta Metal SRL" in Bucharest.

Final Discussions and Conclusions

11. The following points were made in conclusion:

11.1. The Participants of the Workshop acknowledged that the core of the political and economic transformation of any country in transition is the promotion of the private sector, encouraging privatization and creation of favorable environment for the development of entrepreneurship and creation of SMEs.

11.2. There are big regional disparities in the economic development in the region. There is no unique way of elaborating national SME policies; they clearly depend on a number of factors such as national endowment of a country, the degree to which entrepreneurship play in the economy, the existence of entrepreneurial skills while defining supporting instruments for SME development, the economic disparities have to be taken into consideration.

11.3. SMEs face three major obstacles:

- lack of access to finance;
- difficulties in accessing the market, especially in public procurements, export, cross-border contact, global sourcing; and
- red tape (administrative burden).

11.4. Through creation of new jobs, SMEs could successfully contribute to alleviation of poverty and increase of entrepreneurial activity in economically disadvantaged or rural regions and crisis affected areas of the BSEC region.

11.5. Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In general terms the main components of sustainable development are health, quality of life, equity, integration of environmental and social/cultural considerations into our economically driven world. Developing “sustainable SMEs” requires well-balanced economic, social and environmental aspects and dimensions in development.

11.6. Sustainability remains the global challenge for SMEs in the BSEC region. Sustainable management means an enterprise policy which balances out the business management success, the impact on the environment, as well as the relations of the enterprise with its social environment for a long-term sustainability.

11.7. The model of a sustainable SME is based on an enterprise strategy oriented and focused on:

- sustainability;
- innovative power; and
- competitiveness.

Recommendations

12. The following recommendations were made:

12.1. The main task of the Governments in the BSEC transition economies is to accelerate their political and economic transformation towards the market economies. It requires full-scale implementation of the economic reforms, development of entrepreneurship, formulation of business-friendly government policies and SME support programmes.

12.2. Legislation should be oriented on creation of suitable laws on company creation, acceptable taxation, social security, compliance with the labor and environment

requirements. Government policies should be predictable, coherent, consistent and transparent. Governments should take a holistic approach and focus on enterprise promotion as an integral part of the general economic policy.

12.3. Governments/public administrations have to:

- provide administrative support, reduce bureaucracy;
- develop SME support infrastructure;
- develop support in the field of innovation;
- develop institution in obtaining entrepreneurial curricula and skills; and
- include SMEs in delivery of public tasks.

12.4. Corporate social and responsible entrepreneurship becomes one of the most important issues also for SMEs. The Governments of the BSEC region are encouraged to put this issue on the agenda of the economic development.

12.5. Governments are encouraged to develop and promote Public Private Partnership (PPP) by:

- refining its objective;
- testing PPP as one of the several solutions;
- using the best suitable approach in form of cost, handling complexity, own resources;
- thinking of PPP as part of the local and regional development plan.

12.6. BSEC National SME Development Authorities are requested to prepare national reports on the implementation of the BSEC Declaration on “SMEs at the Dawn of the 21st Century” in accordance with the Questionnaire of UNECE sent to the Member States by BSEC PERMIS. The Participants of the Workshop were recommended to review the impact of this Declaration at the next meeting of the BSEC Working Group on SMEs.

12.7. The Participants of the Workshop commend the Representation of the Konrad Adenauer Stiftung in Turkey for its active role in development of the entrepreneurship in the BSEC region and ask to continue support in realization of workshops also in the future. As one of the problems in the development of entrepreneurship is financing SMEs and access to credit, this particular subject should be discussed at the next BSEC-KAS Workshop on SMEs.

13. The concluding remarks were made by Ambassador Tugay ULUÇEVİK, First Deputy Secretary General of BSEC PERMIS who, inter alia, highlighting the project-oriented feature of BSEC said that BSEC had its own Economic Agenda and a project generating mechanism in the form of the Project Development Fund (PDF). He gave information on PDF and the criteria established therein according to which project proposals would be evaluated by BSEC. He encouraged the participants both from the public and private sectors to elaborate and promote projects in the field of SMEs which could duly be presented by the BSEC Member States for evaluation within the mechanism of PDF.