

**BLACK SEA  
ECONOMIC  
COOPERATION**

**KONRAD  
ADENAUER  
FOUNDATION**

**WORKSHOP ON  
POVERTY ALLEVIATION THROUGH MICROCREDITING AND  
FAMILY-BASED ENTREPRENEURSHIP DEVELOPMENT**

**Tirana, 8 - 9 November 2001**

**Summary Proceedings**

1. The Workshop titled “Poverty Alleviation through Microcrediting and Family-Based Entrepreneurship Development” was held in Tirana, Albania, on 8-9 November 2001. It was organized by the Organization of the Black Sea Economic Cooperation (BSEC) and the Representation of the Konrad Adenauer Foundation (KAF) to Turkey, in cooperation with the Albanian Center for Economic Research in Tirana.

2. Welcoming statements were delivered by Prof.Dr. Vjollca IBRO, Deputy Minister of Agriculture and Food of the Republic of Albania; Mr. Dirk TRÖNDLE, Deputy Representative of the KAF to Turkey; Ambassador Tanşuğ BLEDA, First Deputy Secretary General of the BSEC Permanent International Secretariat; and Dr. Costas MASMANNIDIS, Secretary General of the BSEC Business Council.

2.1. Prof.Dr. V. IBRO welcomed the participants of the Workshop on behalf of the Republic of Albania. The Deputy Minister pointed out that the main challenge of the Albanian economy during the last ten years is transition to free market economy and stressed the fact that although some concrete improvements are realized, the poverty level still remains high; especially in rural areas. The SMEs are considered as one of the major priorities of all economic reforms realized in Albania since 1990. Prof. IBRO also underlined that training of new entrepreneurs, improvement of SME crediting systems, promotion of adequate policies to develop SMEs in poor areas, as well as of entrepreneurial activities in the private sector to increase employment are considered as the main priorities of the authorities.

2.2. Mr. D. TRÖNDLE presented information on the activities of the Konrad Adenauer Foundation (KAF) to Turkey and stressed the fact that the lack of capital is one of the main problems of SMEs and their microcrediting play an important role for the development of SMEs and consequently leading to the alleviation of poverty.

2.3. Ambassador T. BLEDA drew attention of the participants to the role played by SMEs on the creation of new jobs and through this for the alleviation of poverty and referring to the Declaration adopted by the Ministers of the BSEC Member States Responsible for SMEs on 27 September 2001 and to the relevant resolution of the Fifth Meeting of Council of Ministers of Foreign Affairs held in Antalya on 26 October 2001, declared that BSEC Organization and its Related Bodies will be more and more involved in the development of SMEs sector and entrepreneurship in the BSEC Member States.

2.4. Dr. MASMANIDIS pointed out that development of SMEs in the Black Sea region should be realized at four levels: (i) the diffusion of an entrepreneurial spirit and market mentality among the population; (ii) providing SMEs with information, technical support and training geared to their specific needs; (iii) making available to SMEs crediting and financing at competitive rates and in a user-friendly manner; (iv) the most important prerequisite to the success of the private sector in the region is the creation of a business-friendly environment. This can only be attained by reforms aiming at the elimination of all disincentives and barriers to business such as bureaucracy, lack of transparency, legal instability, corruption, etc. This is the idea behind the Black Sea Investment Initiative that the BSEC Business Council has been promoting in partnership with the OECD.

3. The Workshop was co-chaired in rotation by Messrs. TRÖNDLE, PRECI, BLEDA and MASMANIDIS.

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

Republic of Albania  
Republic of Armenia  
Republic of Azerbaijan  
Republic of Bulgaria  
Hellenic Republic  
Romania  
Russian Federation  
Republic of Turkey  
Ukraine

5. The representative of the BSEC Business Council (BC) also attended the Workshop as a BSEC Related Body.

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

6. Mr. Ilir REMBECI, Executive Director of Regional Development Agency (SMEs) Foundation of Albania; Dr. Anila TANKU, Senior Expert, Department of Business for Export Promotion, Ministry of Economic Cooperation and Trade of Albania; Prof.Dr. Natasha HODAJ, General Director of Social Aid Administration, Ministry of Labor and Emigration of Albania; Dr. Zana KONINI, Director of Rural Development Fund of Albania; and Mr. Andreas WOLF, Head of Division, Ministry of Economy, State of Brandenburg (Potsdam, Germany) addressed the Workshop as lead speakers.

6.1. Mr. I. REMBECI stressed the importance of SME sector for Albanian national economy and explained the Government policy, the activities of the institutions supporting SMEs, the existing financial instruments and their effectiveness, and the general access of SMEs to the financing. In the conclusion of his presentation Mr. REMBECI made various recommendations for developing SMEs: (i) SME Loan Guarantee Fund; (ii) implementation of business incubators scheme; (iii) relevant changes to be made in current policies, legislation and procedures.

6.2. Dr. A. TANKU provided information on the problems that SMEs face in Albania and the necessary measures to be undertaken in view to create a positive business development climate for sustainable SME growth.

6.3. Prof.Dr. N. HODAJ explained the Rural Poverty Alleviation Project of the World Bank in Albania. Having emphasized that poverty is a multidimensional phenomenon, she focused on the dimensions of poverty by showing how it is expanded in Albania and pointed out to the connection between poverty and social exclusion. Prof. HODAJ also presented the State strategy for economic development and reduction of poverty, especially in rural areas.

6.4. Dr. Z. KONINI informed the participants on the results of experiences of Village Credit Committees in Albania and indicated that the land privatization process created a large number of small village farms and activities. As a result of that the banks could not meet the new financial demands of these low-income communities; therefore the best solution was to create microfinance institutions and help them to achieve their sustainability.

6.5. Mr. A. WOLF emphasized that the German experience in the transformation process is the same as in all socialist countries and yet unique due to the parallel unification process and the integration in the European Union. Furthermore the German Democratic Republic was a highly industrialized State. While the legal and institutional framework was established in the course of the unification the restructuring of the economy depended on access to credits and public aid, training and coaching for the new entrepreneurs, and support in developing new innovative products. In addition to the privatization of the formerly State-owned companies new investors had to be attracted and start-ups had to be stimulated. The process of reconstruction of the economy was accompanied by a direction towards a high-tech industry. In order to assist the SMEs the State has established proper institutions. East Germany has progressed well ahead in the

process of transformation. However, the economy is still weaker than the West German economy, has higher unemployment and less productive companies. There is still need for support and new models as the microcredit scheme or the business incubator especially in the area of dealing with unemployment and stimulating women to start business.

7. Presentations by National Experts were delivered on the item “Exchange of Experiences in the field of Poverty Alleviation through Microcrediting and Family-Based Entrepreneurship Development”. Issues addressed included: i) Legal and administrative environment enabling development of entrepreneurship; ii) Institutional framework, policy instruments; iii) Effects of microfinance on social and human development; iv) Entrepreneurial activity of the poor in the country; v) Women – microfinance – poverty alleviation; vi) Pilot projects; vii) Situation of family-based enterprises; viii) Integration of the poor into the entrepreneurial activities.

Question and answer session was held after each presentation.

8. On the second day of the Workshop, the Representative of the International Labour Organization (ILO) in Albania presented information on the programmes of the ILO implemented in the country.

The main target of its action is to assist Albania on the drafting process of labour legislation and to strengthen the social partners. In this framework special attention has been given to the development of SMEs, offering them instead of loans and credits, expertise and know-how. The so-called “Social Dimension of Finance” program applied by the ILO has three main objectives:

- to integrate financial and social policies;
- to create employment;
- to reduce the vulnerability of the poor.

9. To sum up the above-mentioned presentations and discussions, the following conclusions could be made:

- The BSEC Member States in transition have undergone at the last decade dramatic changes in their economies which have some negative effects on disadvantaged groups. Thus the main objective is to develop effective and efficient instruments to alleviate poverty and social inequality. In this regard the income generating opportunities for the poor and functioning of the microfinance institutions in the BSEC Member States are analysed.

- On the other hand, it is noted that there is still a lot to be done to alleviate poverty, mainly in rural areas. General issues to be considered in this framework are:

- (i) improvement of the access to capital and financing;

- (ii) improvement of business environment;
- (iii) setting up supportive structures for SMEs;
- (iv) and finally the technical support to SMEs in the form of training which is equally important than direct financing.

10. Later on the participants had the opportunity to visit the Birra Tirana Factory.

11. The Participants expressed their sincere appreciation and thanks to the Albanian Center for Economic Research for the excellent organization and arrangements made for the Workshop in Tirana.