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Presentation of the project: “Development of Chambers of Commerce and Industry System in Armenia”

”How OSCE can contribute to capacity building for the private sector, support international cooperation and facilitate to the exchange of expertise from well established to newly born organizations”

Despite the attention paid to the restructuring of large enterprises in Armenia, much of the hope for real and rapid economic transformation rests with emerging new small business sector. The majority of Armenia’s small businesses are newly created SMEs. These firms have been at the forefront of the country’s economic transformation. This is true throughout the region: in fact, most of the region’s growth has been attributed to newly created private companies. The restructuring and development of the privately held companies is critical to Armenia’s development. The vast majority of the newly created companies are small or medium sized. Currently, the SMEs produce about 40% of the GDP and count for 60% of the total workforce.

No doubt, SME’s are an important factor of stability and social security.

Appreciating the importance of the SME sector for the Armenian economy, it should be in the center of the foreign assistance to the Republic of Armenia in its transition to market economy. The experience of the previous years in Armenia and in other countries in transition proves that the assistance to individual companies, though very extensive, has only a marginal impact on the development of the national economy. While assistance to business associations and other structures supporting the development of the private sector turned to be very effective. One of such structures that worldwide supports private enterprises and particularly the SMEs are the Chambers of Commerce and Industry.

Chambers can promote SME growth through facilitation or direct provision of selected demand-driven services and through advocacy aimed at creating a better business environment. Chambers are in the position to play this “dual role” because of certain characteristics: they are intermediary, networking, and self-regulative bodies. It is this unique combination of strengths that makes them effective tools to increase the growth of firms in a given country. It is also recognized that Chambers represent an increasingly important form of participatory development in transition countries. They can make a major contribution to the improvement of the environment business generally and SMEs operate in by serving as a vehicle for the expression of their views, taking collective action, delivering core services, and networking among members and other stakeholders

Despite the large attention and assistance provided to SMEs and SME support structures, large foreign assistance providers overlooked the Chambers in the past; only some minor projects were implemented with few relatively advanced regional chambers.

After a “market research” and analysis of the situation in 2003 the Office identified this gap and communicated its findings with our partner organizations who unhesitatingly saluted our intention to run a joint project with the new established Armenian Chambers. Moreover, they pledged their support and readiness to join the efforts. It was agreed that the Office would be coordinating the international assistance “front”.

However, before a full fledged assistance project was developed, it was decided to carry out a comprehensive diagnostic and needs assessment of the Armenian Chamber network. The International Chamber of Commerce was invited by OSCE Office in Yerevan for conducting an independent assessment of the current situation. The diagnostics looked at organizational and functional aspects of the Chamber such as:

1. Internal chamber organizations

- Efficiency of inner structures
- The principles and mechanisms of planning and coordination
- Compliance of the economic laws and the chamber laws with the international standards
- Representation of the interests of the chamber members
- The image of the Republican and the Marz Chamber organizations

2. Services to the chamber members

- Information systems
- Existence of a data base with useful and variable information about the business opportunities
- Consultancy on different issues
- Publications
- Training workshops and seminars

3. Trade and international economic cooperation

- Assistance to the members in trade and investments
- Services to foreign investors
- Facilitation of the access of small and medium-sized enterprises to the world markets

The report did not only assess the general situation with the Chambers but also contained practical recommendations on how to proceed.

As a supporting event the OSCE Office in Yerevan in cooperation with GTZ organized a study tour for representatives of Armenian chambers and other business support organizations to Germany to learn how similar institutions function there.

To analyze the results of the study tour the Office, supported by GTZ-ProSME experts, organized a two-day workshop on the subject: “The Role of the Armenian CCI’s, the Economic System and the Development Strategy”.

The Assessment report submitted by ICC experts was circulated among the Chambers, national authorities as well as international organizations providing assistance to the Chambers. While the Armenian authorities and donors agreed with nearly all findings and recommendations, the prime beneficiaries – some of the Chambers had some reservations, since the report was critical, but nevertheless, in a constructive fashion.

The OSCE Office in Yerevan continues to provide support in implementing the recommendations contained in the report and act as catalyst in the process of clarification of the mission and the vision of the Chambers in Armenia.

In July a round table will take place on the invitation of our distinguished guest, the Vice Minister of Trade and Economic Development, Armen Gevorkyan - a good opportunity to continue dialogue between government and private business based on the professional assessment of international experts provided by OSCE Office.

At the end I would like to refer to the Strategic Document for the Economic and Environmental Dimension. It is common understanding of the members of Armenian participants in the Economic Forum and OSCE Office in Yerevan, that our program for supporting small and medium entrepreneurship and the Chambers of Commerce and Industry network fully meets the tasks and principles of the Strategy and shall be continued in 2005.