



**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 characterised 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, which 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 develop 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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