

<p style="text-align: center;"><b>TURKEY REPRESENTATION KONRAD ADENAUER FOUNDATION</b></p>	<p style="text-align: center;"><b>ORGANIZATION OF THE BLACK SEA ECONOMIC COOPERATION</b></p>	<p style="text-align: center;"><b>ENTREPRENEURSHIP RESEARCH AND EDUCATION NETWORK</b></p>
		

**ENTREPRENEURSHIP AND SME POLICY  
DEVELOPMENT IN THE BSEC REGION  
IN THE TIME OF EMERGING  
FROM THE ECONOMIC CRISES**

**Objective:** Strengthening the private SME sector and contribution to economic growth based on sustainable entrepreneurship in the economies of the Organization of the Black Sea Economic Cooperation

**Outputs:** Review the existing national SME policies and elaboration of Strategies for the development of entrepreneurship and the SME sector in the Black Sea Economic Cooperation Region

**Target beneficiaries/concerned parties:** National governmental SME policy makers, representatives of business support institutions and associations, interested national and international donor organizations.

**Estimated duration:** Nine months (January – September 2011)

**Beneficiary countries:** BSEC Member Countries

**Executive agencies:** Turkish Representative of the Konrad Adenauer Foundation and ERENET Entrepreneurship Research and Education Network among the Universities of Central and Eastern Europe

Ankara and Budapest  
2011

## INTRODUCTION

Since the launch of the initiative of the Black Sea Economic Cooperation (BSEC) in 1992, it has evolved into a full-fledged regional organization in 1999 with the Permanent International Secretariat (PERMIS) based in Istanbul in 1994 and the adaptation of its Charter in 1999, supported by the Black Sea Trade and Development Bank based in Thessalonica. Now it has 12 members - Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Ukraine and Turkey.

The core element of the political and economic transformation of any country in transition is the creation of a sound private sector and further development of SME & entrepreneurship. These are considered as the principal driving forces in economic development. SMEs promote private ownership, stimulate innovations and develop entrepreneurial

**The adoption in Istanbul on 27 September 2001 of the document entitled “Declaration on Small and Medium-sized Enterprises at the Dawn of the 21st Century” by the Ministers in charge of SMEs as well as the subsequent establishment of the Working Group on SMEs (WG on SMEs) on 16-17 May 2002, have been timely steps in the right direction. Today SMEs rank high in the priority list of BSEC.** The WG on SMEs is composed of representatives of the government officials from the BSEC Member States in charge of development the national SME policies and supportive programs, the national SME support organizations and institutions, the Chambers of Commerce and Industry and the business associations representing interests of SMEs.

BSEC PERMIS by means of collaborative and cooperative efforts particularly with the Representation of the Konrad Adenauer Stiftung (KAS) has engaged in a campaign to raise public awareness in the BSEC region of the importance of SMEs. The United Nations Economic Commission for Europe (UNECE) and the National Institutions of some of the BSEC Member States responsible for SMEs has also contributed to those joint endeavours. Since 2006, the Entrepreneurship Research and Education Network among the Universities of Central and Easter-Europe (ERENET) headed by the former UNECE Regional Adviser on Entrepreneurship and SMEs supports the activities organized by KAS and PERMIS BSEC. Through a series of 41 Workshops that have been organized, it has been possible to address various issues involved in the development of SMEs and reach guiding conclusions.

During its first meeting the BSEC WG on SMEs agreed on the mission of this group as following:

- to help in creating an enabling business environment;
- to foster entrepreneurship; and
- to promote co-operation among SMEs in the BSEC region.

The BSEC WG on SMEs until July 2010 convened seven meetings. The existing Action Plan is coordinated by the Hellenic Republic, Hellenic Ministry of Foreign Affairs, Hellenic Organisation for Small and Medium Sized Enterprises and Handicrafts (EOMMEX) for the period November 2007 – 31 December 2011. The Plan of Action for 2007-2009 focuses on High Technology, Innovation and SMEs, Technology Parks and Incubators Guided by the provisions of the Declaration on SMEs of the Joint Ministerial Statement of the BSEC (Istanbul 2001) innovation and the development of new services should be promoted by all relevant means including increased investment in technology. In spite of the importance

of the subject, the achievement of the WG on SMEs is modest due to frequently changing national representatives from individual BSEC countries.

In order to assist to analyse the SME sector development in the BSEC region, especially in the transition economies as well as in the new or associated EU countries, the PERMIS BSEC and Konrad Adenauer Stiftung decided to organize a high-level policy meeting on achievement and task in the entrepreneurship and SME development policies to be held at the end of 2007 at the BSEC Headquarters in Istanbul. The document elaborated by the ERENET members for the Istanbul meeting and discussed at the Workshop with participation of high-level policy makers is a unique guideline summarizing the main characteristics of the SME development in the BSEC countries, it present the strengths and weaknesses of the SME sector and sets the task for further improvement from country to country. The document is well received by BSEC Governments as a guiding document.

The world-wide financial and economic crises started from the mid-2000s affected all European economies. The impact is different in every country and even within the regions. The emerging global crises left most transition economies unaffected until mid-2008, but after this hit hard as commodity prices collapsed, export contracted and capital inflow stopped. The economic output and the production sharply declined in the whole CEE from the Baltic States though the Danube basin up to the Black Sea, while the unemployment jumped into the sky. During 2009, the national currencies in Central- and Eastern-Europe eroded by 20-40 percent as compared to EUR and USD. In April 2009, 11 countries requested financial help from the International Monetary Fund, including Romania, Serbia and Ukraine from the BSEC region. Since 2008, the Russian Federation has also suffering in a deep economic crisis. In the European Union Greece has been shackled and mad vulnerable the existence of the EUR system. In spite of the fact, that at the end of 2010, the economic crises seems to be over, the majority of the CIS countries in the BSEC will continue to feel longer the impact of the economic crises than other industrialized nations due to their rigid economy burdened with overwhelming and bureaucratic state role in the economy.

## JUSTIFICATION

**There is a need to assist the BSEC Working Group on SMEs and BSEC Governments in reviewing and analysing the current status and condition of the economic and political environment of entrepreneurship and SME sector in the BSEC Region especially in consequence of the economic crises in order to elaborate strategy for overcome the impact of the crises and accelerate the development of the SME private sector in all BSEC countries.**

## PROJECT OUTLINE

The Project is oriented towards the Development of Entrepreneurship and SME Sector Policies in the BSEC Region and by elaborating a background and discussion paper supporting a High-level Meeting of the National SME Focal Points and representatives of invited national donor institutions and international organizations for reviewing the impact of the economic crises since 2005 and setting the direction and tasks for entrepreneurship policies for all BSEC countries serving as guideline for development of national entrepreneurship and SME policies for the next period 2011-2015.

International experts from Armenia, Azerbaijan, Russia, Serbia and Turkey and the former UNECE Regional Adviser on Entrepreneurship and SMEs, Scientific Director of the ERENET Network prepared a **Discussion Paper on “Strategies of the Development of Entrepreneurship and SME Sector in the Black Sea Economic Cooperation Region”**, which served as a background paper for a High-level Meeting held in November 2007 at the Headquarters of the PERMIS BSEC in Istanbul. The international experts have academical degree and are independent from any political parties and Governments. Other experts from ERENET Network as well as from national SME support institutions were contacted in order to get support for collecting the best possible information. The discussion paper was outlined at a high-level meeting organized by the Organization of the BSEC and the Konrad Adenauer Stiftung. The event was held on 22-24 November 2007 in Istanbul. Following the meeting the final document was prepared. The document was published in form a book by the KAS. The full document is available at the ERENET web-site at <http://www.erenet.org/country/country.htm>.

The aim of the current project is to review the situation and changes from 2007 during the world financial crises. It is envisaged that the ERENET Secretariat will prepare the methodology for preparation of national country studies on the SME sector. ERENET will involve also the BSEC Coordination Center for the Exchange of Statistical Data and Economic Information, operating within the State Institute of Statistics of Turkey (SIS) as well as the National SME Focal Points through PERMIS BSEC to provide basic statistical information for this work.

Preliminary content of the Discussion and Background Paper on “Emerging of the SME Sectors and Strategies for the Development of Entrepreneurship and SME Sector in the Black Sea Economic Cooperation Region for the term 2011-2015” include the following:

**“EMERGING OUT THE ECONOMIC CRISES AND STRATEGIES OF  
ENTREPRENEURSHIP IMPROVEMENT AND SME SECTOR DEVELOPMENT  
IN THE BLACK SEA ECONOMIC COOPERATION REGION”**

## **INTRODUCTION**

- 1. MAJOR ACHIEVEMENT IN SME SECTOR POLICY DEVELOPMENT FROM 2005 TO DATE**
  - 1.1 BSEC Meetings and Workshops**
  - 1.2 Ranking of Doing Business in the BSEC countries**
  - 1.3 Competitiveness of the BSEC countries**
  - 1.4 Achievement in transition toward the market economy**
- 2. SME SECTOR DEVELOPMENT IN THE BSEC COUNTRIES**
  - 2.1 Economic development via struggling out the economic crises in Greece**
  - 2.2 On the road toward EU integration in Turkey**
  - 2.3 Integration challenge of Moldova, Russian and Ukraine**
    - Moldova in the nutcracker’s jaw**
    - Russian Federation the country of peace balance and energy source**
    - Ukraine on the road of hesitation**

## 2.4 The Caucasian dilemma and economic growth

- Armenia – sweeping reform to build an SME-leading economy
- Azerbaijan – will it be developed into a welfare economy though its oil industry?
- Georgia – is it really the best economic environment of doing business?

## 2.4 Western Balkan

- Albania
- Bulgaria
- Romania
- Republic of Serbia

## 3. NATIONAL ECONOMY AND THE SME SECTOR

How did the development of the national economy in the author's country come along in the last decade, and especially in the last five year? Which are those main developmental tendencies or even deficiencies that characterized the economy in the last decade and characterize it currently? Did the economic policies correspond to the features of the certain region or country?

The previously enumerated questions go for the examined global national economy as a general rule. We kindly request the examination of these questions (converted according to the specialties of the SME sector) in case of the SME sector from the authors of the studies, too. Considering that the official statistics normally follow the real-processes with one or two year lags, we know that not every statement can be supported by longitudinal periods or other statistics. So we kindly ask the participants of the research to use the latest data as possible, even if these data are based only on estimation.

## 4. INDUSTRIES, BRANCHES, REGIONS, CLUSTERS

It is generally known that many groups or segments, affected unlike by the world economy crisis or which react on it distinctly, can be defined within a national economy. There are segments in which the human or even the financial resources are mobilized thank to the positive effects of the crisis, and there are other segments in which the crisis – as the final step – meant the preceding deficits of the certain region, branch or holding.

Several types of partitioning are usually available at the same time within a national economy. Some of these may be felicitous, because they open the door to international comparison (for example the classification of economic activities by the European nomenclature NACE (NACE stands for **Nomenclature** statistique des **Activités** économiques), but some others may be easily defined only in case of that certain economy. In this case both items are important: 1) the correct argumentation and 2) the description of the reason why the author thinks that certain group is homogenous or specific.

**We would kindly ask the authors to draw the relevant conclusions while making up the final study.**

## 5. THE EFFECT OF THE INTERNATIONAL FINANCIAL AND ECONOMIC CRISES

The effect of the international financial and economic crisis on the analysed target group, region and segment is an evidently important question of the research. **In my opinion**

this is the *input* approach of the survey. In practise it means the examination of the incoming effects in the past, in the present and in the future.

## **6. GOVERNMENT MEASURES TO COPE WITH THE IMPACT OF THE ECONOMIC CRISES**

We kindly ask the authors to present those government policies and actions implemented by the Government in order to smooth the impact of the economic crises on increase of unemployment, safeguarding jobs, stimulate the consumption and support the export.

## **7. SWOT ANALYSES OF THE SME SECTOR**

## **8. TASKS FOR IMPROVEMENT AND FURTHER DEVELOPMENT OF THE NATIONAL SME SECTORS IN THE BSEC REGION**

### **WORKSHOP**

on

**“Entrepreneurship and SME Policy Development in the BSEC Region  
in the time of Emerging from the Economic Crises”**

organised by:

**ORGANIZATION OF THE BLACK SEA ECONOMIC COOPERATION (BSEC) and  
KONRAD-ADENAUER-STIFTUNG (KAS)**

**21. - 22. July 2011  
in Istanbul (Turkey)**

### **CONTACT PERSONS OF THE PROJECT**

#### ***Mr. Jan Senkyr***

Resident Representative of the Konrad Adenauer Stiftung for Turkey  
Ahmed Rasim Sokak No: 27  
06550 Çankaya/Ankara, TURKEY  
Tel: ++ 90 312 440 5826 or ++ 90 312 440 080  
Fax: ++ 90 312 440 3248 or ++ 90 312 2782  
E-mail: [kas@konrad.org.tr](mailto:kas@konrad.org.tr)

#### ***Dr. Antal Szabó* as Team Leader**

UNECE retired Regional Adviser on Entrepreneurship and SMEs  
Scientific Director of ERENET  
Budapest Corvinus University SBDC, Room 331  
H-1093 Budapest F•vámvár 8, HUNGARY  
Tel: ++ 36 309 704131  
Fax: ++361 482 5408  
E-mail: [erenet.hu@gmail.com](mailto:erenet.hu@gmail.com)