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**THE FIFTEENTH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY
ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL
AFFAIRS COMMITTEE**

REPORT

ON

**"PROMOTION OF SMALL AND MEDIUM ENTERPRISES IN THE
BLACK SEA REGION"**

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I. INTRODUCTION

1. The PABSEC has been paying particular attention to enhancing cooperation among Small and Medium Enterprises (SMEs) in the Black Sea region taking into consideration their role as the backbone of a healthy and vigorous economy as well as their growing contribution to multilateral economic cooperation. Relevant proposals were made in the Recommendations passed by the PABSEC General Assembly. Moreover, a special seminar on "Fostering Cooperation on Small and Medium Enterprises and its Legal Framework in the Black Sea" was held in Bucharest on 23 June 1998.

2. The SMEs have been a priority concern for BSEC which took up the matter in the form of nine Workshops during 1996-1999 jointly organised with Konrad Adenauer Foundation and the UN/ECE. The BSEC SME program for 2000 envisages three Workshops in this sector.

3. For the drafting of the Report the International Secretariat used as a basis the contributions of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Russia and Turkey. The Rapporteur is grateful for the contributions of the BSEC Business Council, the Balkan Centre for SMEs as well as to the International Secretariat for information obtained from the EU, the EBRD, the UN/ECE, the OECD and their official web sites.

II. SMEs: DRIVING FORCE OF ECONOMIC DEVELOPMENT

4. Small and medium-sized enterprises (SMEs) are one of the principal driving forces of economic development. The transition to the market economy has a strong correlation with the development of the private sector, and in particular with SMEs which play a key role in the reform process.

5. The characteristics of SMEs that make them important for economic growth are: they produce more and offer a more diversified range of products with less investment; they create employment with lower investment costs; they are affected by economic fluctuations less, due to their structure; they are more flexible in adapting to changes in and diversification of demand; they are more prepared to adopt technological innovation; they contribute to inter-regional development; they mitigate effects of a skewed income distribution pattern; they encourage, channel and mobilise individual savings; they are an indispensable support and are complementary of large industrial enterprises; they are an element of balance and stability in political and social systems; they are one of the guarantees of democratic society and liberal economy.

6. The EU defines a SME as an enterprise employing less than 250 workers, having a turnover of less than 40 million Euro per year and having less than 25% of its capital or voting rights held by a large enterprise or a group. In the countries of the European Union, government policies are focused on supporting SMEs and stimulating their competitiveness and growth. Almost all (99.9 per cent) of the 15.7 million businesses in the private non-primary sector of the European Union are SMEs. They provide more than 60 % of the jobs and make a significant contribution to the prosperity of Western Europe. In the United States small business employ 53 % of the private work force, contribute 47% of all sales in the country and are responsible for 50% of the GDP. In Asia Pacific region SMEs account for 90% of enterprises, from 32 to 40% of employment and from 60 to 80% of gross domestic product in individual Asia Pacific Economies.

7. The enlargement of the EU and the accession negotiation process with some of the Black Sea countries, following the Helsinki European Council, will be influenced by the overall economic performance of the respective countries, the state of the SME sector

and the degree of meeting the requirements of the EU *Acquis Communautaire*. SMEs have a significant role to play in the establishment of an EU-BSEC economic area as it is envisaged in the "Platform for Cooperation between the BSEC and the EU".

III. THE SMEs IN THE BLACK SEA REGION - NATIONAL DELEGATION CONTRIBUTIONS

8. Following the transition to market economy, the private sector has emerged at an impressive speed in all transition economies and the number of SMEs is growing in importance. In most of the Black Sea countries private enterprises appeared in the official statistics for the first time in the 1990s when the right to private property was recognised and the first legislative and normative bases were formed. These countries have been facing the challenge of both restoring civil liberties and dismantling state-controlled corporations. They have had to foster the survival of small enterprises in a difficult economic environment in which resources are scarce.

9. All the countries of the Black Sea have acknowledged that SMEs are crucial for industrial restructuring and have taken the first steps to formulate national SME policies, programmes and enterprise development policies, though not all transition economies approach the promotion of SMEs in the same way.

10. In most of the Black Sea countries there is no official definition of SMEs while the statistical base describing the SME sector is poor and includes only the formal part of the SME sector failing at the same time to identify inactive enterprises. The lack of clear definition of SMEs and the poor quality of statistical information on SMEs, makes it difficult to classify SMEs according to their characteristics and consequently to formulate a coherent national policy and strategy for SME support.

Constraints facing the SME sector

11. Notwithstanding their significance for economic development, as the reports from the National Delegations of the PABSEC member states mentioned, SMEs are overwhelmed with a lot of internal and external constraints which require proper resolution. The constraints typically relate among others, to the following:

i. *Legislation*. Inadequate legislation covering the economic environment in which SMEs operate and lack of small business Acts are among the most common problems. The lack of official definition of SMEs creates various complications in the implementation of support programs. The adoption of the EU definition for the SMEs is a functional approach to the issue that could be embraced by more Black Sea countries. Enacting of legislation on overall economic environment is highly required especially on registration of companies, bankruptcy law, dispute resolution, trade, competition (anti-trust), (un)employment regulation and taxation.

ii. *Registration and reporting*. The process of business registration in most of the Black Sea countries is complex and non-transparent while the reporting procedures are duplicitous and onerous. Small businessmen often face the same reporting requirements as large enterprises.

iii. *Finance and Banking*. The financial sector is still far from meeting the needs of a market economy and this creates special problems for SMEs. Banks are not yet prepared to give long term loans and even financially sound companies find it difficult to obtain loans to finance investments. Due to limited reserve of personal savings, inadequacy of the capital market and lack of venture companies, it is very difficult for

SMEs to find investment capitals. SMEs are in need of long term credits, however the main factor that restricts utilisation of such credits is their high cost. Another problem concerns the securities. Since most of the SMEs do not maintain regular financial records, the commercial banks are not eager to submit guarantee letters for them. In general, state incentives and credit system have been designed for large industrial rather than small industries. SMEs predominantly depend on their own capitals.

iv. *Taxation.* Value Added Tax, social security contributions, comprehensive accounting requirements, compulsory statutory audits and income tax seem to be great burdens on SMEs both in financial and administrative terms. The consequence is that in order to survive many small enterprises have either gone underground or have never bothered to register. Creating an environment that encourages SME growth will also promote the move from the shadow economy to the formal sector, which leads to additional benefits to the state in the form of increased revenues from greater tax compliance.

v. *Infrastructure.* No effective SME support structures exist in the Black Sea region while many entrepreneurs seem unaware of the potential support of existing Business Centres. There are no effective bodies with broad membership among SMEs which can represent the interests of the SMEs to the Governments.

vi. *Skill deficiencies.* Due to the legacy of the centrally planned economy there is a general deficiency of technical and appropriate business skills in the countries in transition.

vii. *Corruption.* The complicated bureaucratic procedures which the SMEs have to cope with opens numerous possibilities for corrupt practices to develop and it appears to be quite normal that a "fee" has to be paid in order to get things done.

viii. *Economic environment.* Unstable macroeconomic indicators, especially inflation imposes a heavy burden on SMEs and impairs their development and even their survival.

12. Albania

i. In Albania there is no official legal definition of SMEs. The Government generally refers to the EU definition. In the period 1991-1999, the number of SMEs gradually increased. At the end of 1999, there were 27.000 active.

ii. To promote the SME sector, a credit management system was established by the National Credit Panel in 1992, based on PHARE assistance. In 1993 a SME Foundation was established as an independent legal entity which provides technical support to SMEs and channels donors' technical assistance. Seven Regional Business Agencies have been established as one-stop offices to assist SMEs in the field of procurement and aftercare services. Significant support is provided by a US\$ 8.1 million World Bank project for private enterprise development.

13. Armenia

i. In the Republic of Armenia, an increase of small sized enterprises is registered but their economic activity remains low (30.9% are active) while 1/3 of them operates with losses. In the small enterprise sector, the prevalent organisational type of enterprise is companies with limited liabilities (LTD) and production co-operatives. According to statistics, 74.7 % of active small business deals with industry related activities, 15.7%

with trade, 1.4% with construction and 8.2% with other types of activity. A trend of progress in economic growth in the small business sector is also noticed. In the first half

of 1998 (compared to the same period in 1997) the volume of sales increased by 23.9%. The decrease of foreign trade activities poses serious problems to the SMEs.

ii. The only state institution in Armenia responsible for elaborating SME development policy is the Ministry of Industry and Trade (SMEs Development and Support Division). Though several private trade and consultation bodies operate. Special loans by state - owned and private banks to SMEs are not available in Armenia and the legislation on enterprises treats all types of enterprises equally. The SMEs are without a legal framework of its own and are currently regulated by the Law on Enterprises and Entrepreneurial Activity adopted in 1992 while two Laws on small entrepreneurship and SME support are currently under discussion.

iii. Apart from legal and financial difficulties that SMEs are confronted with, serious obstacles for entrepreneurship result from transport blockades.

14. Azerbaijan

i. In Azerbaijan the role of non state sector has been accelerating. Nowadays more than 40% of the foreign trade falls upon the non state sector. Currently, the number of employees in the non government sector is 2,45 million (almost 32% of the total population). Non state sector contributes a lot to the state budget. In 1996, 13% of the tax profits came from the private sector, while at present this figure is higher than 50%.

ii. Fundamental laws that cover entrepreneurship activities in Azerbaijan include: the 'Law on Privatisation', "Law on farmers", "Law on state aid to small and medium size enterprises", "Law on commodity exchange", "Law on bonds", "Law on unfair competition". The "State aid programme to small and medium enterprises in the Republic of Azerbaijan" (1997-2000) has strongly encouraged SME development.

iii. Entrepreneurship structures in Azerbaijan include among others the National Aid Fund to the Entrepreneurship, a Business Information Bank, training courses, workshops and special advisory services. Advisory services were provided for more than 2000 SMEs and in 1994-1999 about 1600 business proposal were prepared by the agency of SMEs development.

15. Bulgaria

i. In September 1999 the Parliament adopted a Law of SMEs which regulates the social relations resulting from state policies aiming at the stimulation, creation and development of SMEs and classifies enterprises into micro, small and medium. Following that Law, an Agency of SMEs was established which represents and defines the interests of the SMEs. The Agency is helped by the Advice Council on SMEs in which representatives of the Ministry, the municipality and the SMEs participate. The SMEs Agency functions as an intermediate among the SMEs as well as between the SMEs and investors.

ii. Some of the support measures of the SMEs provided by the state are: guarantee for credits, access to state projects, creation of necessary infrastructure, information and consulting services. Laws on competition, tendering procedures and regulations regarding the taxation provide the regulatory framework in which SMEs operate. There are no tax benefits for SMEs. Exemption is the 50% discount for SMEs on fees for registration, innovation, and industrial samples.

iii. The significance of the SMEs in the economy can be seen from the following: SMEs represent 96.1% of the total number of enterprises, 45% of the value added tax comes from the SMEs and 40% of the working force is employed in the SME sector. SMEs are

the basic employer in Bulgaria and their significance is going to augment in the future. Today, 71.5% of the SMEs employ up to 10 persons, 18.0% has 11-50 employees, 6.6% has 51 - 150 employees, 1.8% has 151-250, 1.8% and 2.1% employ more than 250 persons.

16. Georgia

i. In Georgia the SME sector is growing (34% in output during 1997), but still accounts for only 14% of the GDP. A small business is defined as having up to ten employees, and annual sales of less than 40,000 lari (US\$ 18,200). Over 24,000 such small enterprises are registered with the government. By contrast, only 61 private companies have more than 500 employees.

ii. In addition to the registered small businesses, there is an active informal sector of self-employed quasi-entrepreneurs scrambling to survive the disintegration of public sector enterprises. While the public sector economy remains largely stagnant, much of the economic activity in recent years has come from small and micro enterprises in the informal services sector.

17. Greece

i. The definition of SMEs in Greece is in accordance with the European Commission Recommendation dated 3/4/1996. It is worth noting that according to that Recommendation nearly 95% of the Greek companies falls into the category of the SMEs. SMEs in Greece represent a high percentage of the Industrial, Commercial and Agricultural sector, being at the same time the key factor for generating employment opportunities and regional/national economic growth. Almost 99% of industrial business activities are performed by SMEs. SMEs exports represent 19% of total exports while SMEs activities contribute up to 12% of GDP. From a total number of 509.000 enterprises (1998): 96,3% employed 0-9 employees, 3,6% had 10-99 employees and only 0,2% had more than 100 employees.

ii. The Greek legislation related to companies' activities does not include special regulations for the SMEs, This is due, among other reasons, to the commitments of Greece deriving from the participation of the country in the European Union. In Greece there is no provision for state special loans for the SMEs. However, the SMEs may enjoy special credit/financing support by institutions such as venture capital, Mutual Guarantee Funds which are under development, and the Counter-Guarantee Fund which will undertake part of the Guarantee risk of the Mutual Guarantee Funds.

iii. Among other activities, the Ministry for Development organizes, special training activities (for employees in Greek SMEs), concerning various aspects of the function of the SME sector. As far as it concerns the BSEC member -countries, the Hellenic Organization on SMEs and Handicraft has organized several programs (40 programs since 1997). The SMEs are mainly supported by the Hellenic Organization on SMEs and Handicraft. Apart from local intermediate agencies in seven cities other supporting agencies are the Business Information Centers, offering information on SMEs programs, and the Euro-Info Centers offering information on community actions on the SMEs.

18. Moldova

i. Entrepreneurship has been fast growing in the Republic of Moldova. According to state statistical data, agents of small business represent now 91% from the general number of working enterprises. Small and micro-enterprises employ 19% of the working population and their production volume constitutes about 44%. The total volume of production of the small enterprises for 1998 constituted an average of 74,300 lei per

worker. At the same time, for other enterprises this figure was only 22,400 lei. The financial situation of SMEs became worse. In 1998 only 31.2% of SMEs gained profit.

ii. It is observed though that the number of new – registered enterprises is decreasing while the number of cancelled economic agents increases. In 1993-1997 the average annual increase of registered enterprises in the State Commercial Register was 30.0 thousand, and in 1998 it was 20.4 thousand.

iii. Regarding the legal framework, the degree of President of the Republic of Moldova adopted in 1993 "On sustaining and preserving entrepreneurship by the state" is of a great importance to the small business. Following that degree, "The law on sustaining and preserving small business" (1994), the "State Fund of sustaining of entrepreneurship and developing of small business", and the first "State program for sustaining the entrepreneurship and small business for 1994-1997" were adopted. The State Program of small business support for 1999 -2000, foresees return to granting credit for small and micro business for 3 years and decrease of tax on revenue.

19. Romania

i. In Romania the issue of developing the SME sector is even more urgent as it signed the European Agreement and undertook measures specific to the pre-accession stage to the EU. Until now the support for the SME sector focused both on financial and non-financial measures. In 1998, Romania set up the National Agency for Small and Medium Enterprises which supports the SMEs at legal, financial, institutional level and international cooperation and carries out Programs with foreign support especially with the support of the PHARE programme. The Chamber of Commerce and Industry of Romania and Bucharest Municipality hosts the Euro Info Centre, that provides SMEs with information on legislation and Single European Market, facilitates partnerships with EU SMEs and attracts financing for them. The Parliament of Romania has adopted the Law no. 133/1999 on stimulation of private entrepreneurs by simplifying setting up and developing Small and Medium Enterprises, also called the SMEs Law, which is an important improvement of the legislation on SMEs.

ii. The following data refers to SMEs which are defined as: having less than 250 employees, a turnover of less than 8 million EURO in 1998, not having a shareholder or associate legal person who cumulatively has more than 250 employees and holding over 25% of the social capital.

iii. In 1998, there were 393.796 active small and medium enterprises in Romania, representing 99,4% from the total active enterprises. According to the form of property of the capital, in 1998, out of the total active SMEs, 98,9% were private-owned, 0,3% were state-owned and 0,8% had mixed-capital. The analysis of the distribution of enterprises according to the form of property points out that larger enterprises are generally state-owned or have mixed capital. As data points out, 30,2% were active in the industrial field while in the case of medium enterprises the percentage in 1998 was 36.3%.

iv. Although the number of SMEs has risen in the period 1996–1998, the number of enterprises which obtained profit has significantly diminished. After the year 1996, 70,7% of the SMEs obtained profit while at the end of 1998 only 47,4% had finished the financial year with a profit. In the financial year 1998, the total value of the turnover in the SME field was of 285.836,4 billion lei. The changes on the structure of the turnover over the years indicate a shift from the class of micro-enterprises to the category of small enterprises.

v. In terms of export activities of the SMEs, in 1998, 2,1% of the total number of SMEs represented had exporting activities. The revenues from exports obtained by firms that

completed the balance sheet in 1998 rose to 66.536,9 billion lei. The weight of the SMEs sector was of 26,9%.

20. Russian Federation

i. In the Russian Federation a major step for the promotion of the SMEs was the establishment of the State Committee for the Development of Entrepreneurship in 1995. The First Russian Congress of Representatives of Small Businesses was held in the Kremlin in February 1996.

ii. The number of small enterprises grew by 2,5% within 1999. Small Enterprises constitute 44,9% of the food sector, 15,2% of the industry sector, 15,2% of the construction sector, 4,1% of the commercial sector and the scientific sector. Regarding employment, in total 7471,5 thousand people were employed in small enterprises in 1999 where there was an increase of 1.1% (compared to 1998).

iii. Small business production also grew in 1999 and reached 297,7 billion rubles. Demand has been increasing on local production of SMEs. It should be noted that, in general, demand for SME products is at low levels. Small business, in general, face a more difficult financial and economic environment compared to medium and large enterprises. Investments contacted by small enterprises in 1999 reached 11,5 billion rubles. The small volume of investments is explained by financial difficulties faced by small enterprises, lack of their own financial means and difficulties in accessing credit.

iv. Small enterprises are unequally distributed throughout the Russian regions with 70% established in the European side. In Moscow region, 20% of the small business is established while 13% is established in St. Petersburg.

v. The number of small enterprises per 1000 inhabitants, which is indicative of economic development, in Russia is 6 per 1000 inhabitants while in the EU the number is 25-30.

21. Turkey

i. A general nation-wide evaluation shows that in Turkey small and medium enterprises occupy an important place in the economic and social sphere in terms of three important indicators: the number of enterprises, the number of employees and value added. According to the 1994 Census of Industry and Business Establishments, the total number of industrial establishments is 198.264 and the small and medium industrial establishments comprise 197.297 of them. SMEs account for 99.5% of overall manufacturing industry and 61.4% of total employees. When the people who are not affiliated with social security organisations are taken into account this ratio is evidently higher. As regards to the value added created, the share of small and medium industry enterprises is 27.3%. SMEs' share within total exports is about 7-8% while they realise about 40% of the total production of the country. Small industrial enterprises (1-9 workers) constitute 27.6% of the textile sector, 23.9% of the fabricated material products sector, 22.2% of wood products sector, 10.3% of the food and tobacco sectors.

ii. The Undersecretariat for Foreign Trade (UFT) has set rules in favour of SMEs. Among other measures, there are State Aids for Investment to SMEs which cover a) fund - based credits to be distributed through Halk Bankasi and b) exemptions from VAT, customs taxes, stamp and duties and investment allowances (tax holidays). There are also State Aids for Trade for the SMEs and State Aid for Encouraging Employment in SMEs.

iii. There are no policies established to protect and favour SMEs in state contracts through price tolerances, security exemption, prior notice giving etc. The amendment of the law on apprenticeship and vocational training and the establishment of KOSGEB (Small and Medium Industry Development Organisation) training centres are important steps managing trained manpower problem of SMEs in Turkey. No common definition of the SMEs exists among the relevant bodies. KOSGEB has undertaken an important mission to enhance subcontracting linkages and to integrate SMEs with large industries.

iv. The Turk Eximbank has taken an active role in short term credit activities and tries to ensure credits to make available to SMEs, which may experience difficulties getting credits from commercial banks.

22. Ukraine

i. According to official figures, only about 10% of the labour force in Ukraine is employed by SMEs (in Eastern Europe is between 45% and 50%). A large part of SME activity in Ukraine currently exists in the informal economy, so the actual figures for SME employment are probably higher than the official figures.

ii. The President Decree on the State support to small entrepreneurship No. 456/98 of 12 May 1998 determines the criteria of small enterprises as following: "Registered entrepreneurs without juridical personality or incorporated enterprises with juridical personality with employees less than 50 and with annual turnover of production (goods or services) less than Given 100,000". No definition exists for medium-sized enterprises.

iii. Eight Business Support Centres have been established (under the USAID programme) in Lviv, Kharkiv, Odesa, Donetsk, Zaporizhia, Rivne, Mykolaiv and Kherson. Financial support for entrepreneurial activities, including small businesses, is provided through the Ukrainian Fund for the Support of Entrepreneurship and the Ukrainian State Fund for the Support of Peasant (Farmer) Entities. In addition to financial incentives there are special programmes promoting entrepreneurship. Among the non-financial incentives, the Government is providing consulting, technical and legal advisory services for small-scale entrepreneurs.

23. The BSEC Related Bodies

i. The *BSEC Business Council* (BSEC BC) which represents the private sector, takes a special interest in the state of SMEs and it is in the process of establishing a business information network. The BSEC BC could gear itself to provide SMEs consultation service on market surveys, new markets and financial-human resources, partners for joint ventures etc. It can also function as a lobby group for SMEs by bringing their concerns and requirements to the attention of governments at international meetings and assisting SMEs to obtain financing from capital markets serving as an intermediary.

ii. The *Black Sea Trade and Development Bank* as the financial body of the BSEC is becoming increasingly important as a facilitator of regional trade and finance projects. The SMEs can benefit from the BSTDB's financing programmes that include loans, equity Investments and guarantees.

iii. The *International Centre for Black Sea Studies* is functioning among others as a bridge between the research and business communities in the Black Sea. In this respect, its proposals on setting up a BSEC Innovation Centre, on organising a Business Management School and workshops on technology can boost

entrepreneurship in the Black Sea and enhance cooperation among business especially in the fields of training, technology and innovation.

iv. Important for sub-regional cooperation in the field of business information is the *Association of Black Sea Zone Chambers of Commerce and Industry* whose main objective has been the BLACK SEA - NET project regarding the establishing of permanent business information exchange system for the BSEC members.

v. *The Balkan Centre for Cooperation among SMEs (BC-SMEs)* has been systematically encouraging the development of small and medium sized enterprises in the Black Sea area. The Balkan Centre has also the significant task to establish a unified business information network, to enlarge direct contacts among companies and firms, to facilitate the free movement of business people and to ensure the conditions for investments, capital flows and various forms of intra-regional cooperation.

IV. THE INTERNATIONAL SUPPORT FRAMEWORK

24. With regard to SMEs, the EU promotes the establishment of Joint Ventures and direct investment (JOP programme under PHARE) as well as the development of SME support institutions and networks. Through the JOP programme, ECU 117.5 million have been allocated so far to assist the creation of joint ventures between the EU and the CEECs. Within the PHARE the Commission has set up SME National Programmes by providing assistance to countries in transition (among them to Albania, Bulgaria, Romania). In addition to JOP, the COOPME programme supports the extension of EU networks (BC-NET, Euro-Info-Centres, Business Support Centres etc.). EU assistance through the TACIS includes SME support for building - up intermediary agencies, a senior expert service and partnership events. Within TACIS, ECU 51 million were allocated to SME support for 1992-1994 and ECU 31 million for 1995-1996.

25. The European Investment Bank doubled the volume of its global loans to promote the comprehensiveness of SMEs between 1993 and 1996, and the number of SMEs benefiting has also doubled.

26. The EBRD has been supporting SMEs since its inception through small business programmes, equity investments in banks, credit lines to banks, trade facilitation mechanisms and a considerable network of private equity funds. Through its own Direct Investment Facility, it provides equity and limited debt finance for SMEs. In April 1999 a new EU-EBRD SME Finance Facility was launched for the ten accession countries. At the regional level, the EBRD has also established a Black Sea Fund which invests primarily in medium - sized enterprises in the Black Sea region.

27. To better understand the role of SMEs in the market economy and help countries in transition to set up appropriate SME policy and support institutions, one of the goals of the UN/ECE advisory services is aimed at giving advice to government institutions and agencies on how to develop national SME promotion policies and how to create an appropriate mix of promotion instruments and proactive approaches. The UN/ECE has also created a database for the BSEC countries, the "Network of National Focal Points"

28. Extensive initiatives have been undertaken by the international community to support the SME sector in the Black Sea countries. The UNDP and ILO have provided assistance in the field of training of staff of SME support agencies, and of

entrepreneurs. The World Bank, the IMF and the USAID (United States Agency for International Development) have been also involved in the SME development.

V. CONCLUSIONS - A STRATEGY FOR THE DEVELOPMENT OF THE SME SECTOR

29. Given the enduring nature of SMEs in all economies, the creation of an enabling legal and economic environment suitable for the creation and promotion of SMEs is a major task of the parliaments and the governments in the Black Sea. Assistance to small and medium-sized business development is an integral part of overall economic reform together with enterprise restructuring and ownership reform, investment promotion and financial reform.

30. The objective of a national SME policy and programmes should be the establishment of a favourable legal and entrepreneurial environment capable to secure: return on investments, adoption of innovation and new technologies, improvement of infrastructures, access to financial and credit institutions, access to international markets.

31. In this framework, an enabling legislative framework and a coherent SME policy have still to be developed in many countries of the Black Sea region. Cooperation among SMEs is the driving force of regional economic development. The BSEC countries should embrace a *Plan of Action* which aims to respond to the priority questions participating states face in the process of SME development.

32. SMEs development requires an integrated approach addressed at three levels:

i. At the *strategic - legislative* level the parliaments and governments should undertake the modernisation and implementation of a necessary legislative framework, including a basic law on state support for SMEs, legislation covering the legal character of enterprises and definition of which business entities are SMEs. Additionally, there is a need for legislation concerning registration of companies, bankruptcy laws, dispute resolution, domestic and international trade, anti-trust legislation, labour regulation, accounting requirements, taxation and consumer protection, representation of SMEs interests and company status. A national SME program should be formulated in line with the basic law on state support for SME.

ii. At the *structural* level entrepreneurs should be actively involved in the preparation of national policies, programmes and strategies for SMEs development. This relationship should be institutionalised.

iii. At the *enterprise* level manager training programmes and vocational training programmes should be initialised or expanded. Networking between SMEs country – wide and its internationalisation is also a cost effective initiative for access to national and global information markets and wide business opportunities.

33. Especially the role of business information must increase in the region by joint activities organised by Chambers of Commerce, SMEs and professional associations making the governmental structures aware of their role in disseminating the information. A systematic effort should be made to include more BSEC countries into the international and regional networks that some of the BSEC countries are already part of.

34. A series of measures that could be addressed directly to parliaments and governments, local and regional authorities as well as to the European Union and other international organisations are specified in the Recommendation 42/2000.
