



CONTENTS: 13 - 19 June 2004

▶ [OECD Ministerial Conference commits to SMEs in developing countries](#)

▶ [COMING SOON](#)

▶ [OTHER INDUSTRY NEWSLETTERS](#)

▶ [Current Feature](#)

▶ [PRINT-FRIENDLY VERSIONS of UNIDOScope](#)

PAST ISSUES

[this month](#)

[6 - 12 June](#)

past months

[May-2004](#)

[Apr-2004](#)

[Mar-2004](#)

[Feb-2004](#)

[Dec-2003](#)

[Nov-2003](#)

OECD Ministerial Conference commits to SMEs in developing countries

Istanbul Turkey, 3 - 5 June, 2004



[Organisation for Economic Co-operation and Development SME Conference in Turkey](#)

"Recognising and building on SMEs' role as engine for growth, employment and poverty alleviation, particularly in developing countries" is among the commitments listed in *The Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs*, issued at the conclusion of the [Second OECD Ministerial Conference on Small and Medium Enterprises](#), held in Istanbul 3 - 5 June, 2004. The Declaration was signed by 73 countries plus the European Community ([view declaration containing list of adherents](#)). The Conference was hosted by the [Turkish Ministry of Industry and Trade](#).

UNIDO Director-General Carlos Magariños led a delegation to the Conference, participating as Chair of Workshop Four, *Promoting SMEs for Development* ([view or download background paper](#)). UNIDO was also prominently present in the *First OECD Ministerial Conference on SMEs* that took place four years ago in Bologna, with a delegation led by the Director-General, who also on that occasion chaired a ministerial panel.

In addition to the workshop devoted particularly to developing country issues, the Istanbul Conference held workshops on three other themes (Fostering Entrepreneurship and Firm Creation as a driver of growth in a global economy; Fostering SMEs' access to Innovation and Technology, through access to Financing, Clusters, Networks and Partnerships; and Promoting ICT use and e-business adoption by SMEs). Two cross-cutting issues (SME Statistics; and Evaluation of SME Policies and Programmes) were also addressed. A single publication of executive summaries of all background papers prepared for the Conference is available for [viewing or download from the OECD site](#). A special report on [SMEs in Turkey: Issues and Policies](#) was also prepared by the OECD as part of its evaluation of SME policies and programmes.

The Bologna SME Conference in 2000, was the beginning of the Bologna Process, whereby the OECD is

engaging with non-member countries on SME issues as part of a general process of enhancing dialogue with non-member countries. Forty-eight countries adopted the Bologna Charter on SME Policies ([view charter](#)). Under an Italian government initiative the Charter also established the International Network for SMEs ([INSME](#)); now an association of more than 40 countries, to promote innovation and technology transfer among small businesses. The Bologna Process has been a very intense one, reflected in the increase in participation to some 50 non-member countries in the Istanbul Conference.

UNIDO could be seen to have a particularly important role to play in the Bologna Process as the Specialised UN Agency with the mandate to assist developing and transition economies increase the competitiveness of their small and medium-sized industries. UNIDO's participation in the Bologna Process also complements its role as [a Core Agency of the Global Compact](#) with special responsibility for SMEs.



Keynote speaker at Workshop Four, Bernd Eisenblätter (Managing Director, GTZ, Germany) photo courtesy of INSME

In his report to the Plenary Session of the Conference on the conclusions of Workshop Four, UNIDO Director-General Magariños said that the two panels of the *Promoting SMEs for Development Workshop: SMEs and competitiveness* and *SMEs and poverty reduction*, were two sides of the same coin; on the one side, no lasting poverty reduction is possible without SME-led economic growth and on the other side of the coin, economic growth will not take place without enhancing the productivity of SME's to make them competitive.

The deliberations of the workshop made it clear that the quality and pattern of the growth process are critically important. A strong reliance on the SME sector tends to generate better income distribution and thus, higher

impact on bringing poverty levels down. It also emphasised that the comprehensive reduction in poverty called for by the Millennium Development Goals (MDGs) cannot be achieved without a strong lead by the private sector. A dynamic private sector is necessary to bring domestic savings and investment and foreign investment providing critical technology, to a threshold where developing countries can begin to compete globally.

Economic linkages were also considered a key success factor for SMEs. SMEs are often constrained, not by their size but by their isolation. Two essential types of linkages were considered to be: horizontal, in terms of SME networks and clusters that generate what is called "collective efficiency"; and vertical, in terms of SMEs acting as suppliers to large corporations, within global value chains.

While trade was seen as the key vehicle to generate productive and competitive jobs in SMEs, it is clear that trade agreements and free markets are not enough to enable the developing country SME to trade. To achieve the quality and pattern of the growth process necessary, supply side constraints have to be identified and addressed.

For this to happen, two big issues to be resolved are: the role of government; and the role of development agencies.

The foremost role of Governments was deemed to be to ensure a conducive enabling environment. That is: sound and stable laws and policies; functioning property rights, including intellectual property rights (crucial for a knowledge-based economy); and appropriate infrastructure (transport, energy, communication) at an affordable cost. In particular, there was a need for simplified regulatory frameworks that can be instrumental in stimulating the transition of micro-enterprises from the informal to the formal sector. This is a key factor in LDCs.

Developing good managerial and technical support services was also considered an area for government attention, however, only in a catalyst role. Ultimately, markets for effective support services should be developed in the private sector. When there is a good enabling environment, a healthy public-private partnership will exist for this catalysing function to come from the private sector. On this front, business associations should be both advocacy and lobbyists for SMEs and service providers to SMEs.

What is the role of development agencies? In his summing up, the Director-General emphasised the need for strong, and indeed better coordination, both within the UN System and between multilateral and bilateral donors. This is a subject that the Director-General brought to the attention of UNIDO's Member States at the recent meeting of the Industrial Development Board ([see UNIDOScope 30 May - 5 June 2004](#)) in a paper entitled *The Future of Multilateralism - A Way Forward in the Economic Development Field* ([view or download paper](#)).

Other important areas cited for development agency attention were: the need to intensify the exchange of experiences, to undertake comparative assessments of policy approaches and identify best practices; the need to promote public / private partnerships in policy formulation; the need to stimulate international partnerships for joint learning, (an idea born at the Bologna Conference in the field of SME cluster development, where UNIDO is supporting the twinning of clusters in Italy and India, was given as an example); the need to link financial support schemes for SMEs with business (just providing capital is not enough. It has to go hand in hand with skill and technology upgrading and with capacity building for market access).

The keynote speaker in Workshop Four was German Cooperation Agency (GTZ) Managing Director, [Bernd Eisenblätter](#). Speakers on Panel One: *Enhancing SME Competitiveness* were: Chairman of the SME Support Committee, Kazakhstan, Aydar Kalimatayevic Kazibayev; Thailand's Vice-Minister of Industry, Vachara Phanchet; Tunisia's Vice-Minister of Industry and Energy, Fethi Merdassi; and Assistant Administrator, Director for the Bureau of Resources and Strategic Partnerships, UNDP, Bruce Jenks. The Discussant for Panel One was First Vice President, European Bank for Reconstruction and Development (EBRD), Noreen Doyle. Speakers on Panel Two: *SMEs and Poverty Reduction* were: Minister of Economic Development, Azerbaijan, Farhad Aliyev; Minister for Social Development, Senegal, Maimouna Sourang Ndir; and Assistant Administrator for Economic Growth, Agriculture and Trade, USAID, United States, Emmy B. Simmons. The Discussant on Panel Two was Director, Private Sector Operations, African Development Bank, Luciano Borin.

UNIDO distributed a paper to the Workshop on lessons and policy recommendations from the UNIDO cluster programme in India, entitled *Supporting Underperforming Clusters in Developing Countries* ([view or download paper](#)).

The background paper to Workshop four, *Enhancing the Role of SMEs for Development*, ([view or download paper](#)), gave the following four Key Policy Recommendations:

- Embed strategies toward the private sector and SMEs in countries' broader national development and poverty reduction programmes. Encourage and help SME associations to participate effectively in national dialogues that help set the strategic frameworks for development, so that the contribution and the policy and support needs of SMEs are fully recognised as central to growth, employment and poverty reduction.

- Strengthen SME capacities to improve their competitiveness in domestic, regional and global markets. Encourage and support private sector associations and enterprises able to provide information on markets and standards, advice on strategies, and access to technology and innovation coupled with appropriate financing packages. Promote tools, such as value chain analysis, which enable entrepreneurs to see what problems and challenges they need to address within and beyond their own borders and what kind of partners they need to help them.

- Promote policy coherence at regional, national and international level. Work to support whole of government approaches so that trade and investment policies and standard setting are aligned with development co-operation objectives and policies. Support completion of the Doha Round of multilateral trade negotiations, including a reduction of barriers to trade in manufacturing and agricultural sectors with major benefits and opportunities for developing countries.
- Maximise the spillover of management skills and knowledge from multi-national enterprises to local SMEs. Spillovers of knowledge and management skills to local firms are one of most critical benefits of foreign direct investment for host countries. Support policy frameworks and multi-national enterprise behaviour that facilitate such spillovers and better document real-world cases to increase public understanding of the contribution of foreign direct investment in progression of development.

A Business Forum, organized by the Turkish authorities, comprising a Business Symposium and a Global Market Place, was held along with the Conference.

The Business Symposium, on *SMEs Competing in a Knowledge Economy* was held 3 June. As in Bologna it was back-to-back with the Ministerial meeting. The Symposium offered business organisations and individual firms (both small and large) the opportunity to strengthen their co-operation at international level and to influence government policies and the international agenda for SMEs. The conclusions of the Business Symposium were brought forward as recommendations to Ministers at the first Plenary Session of the Ministerial Meeting on the morning of 4 June.

At the Global Market Place (2-6 June) small and large enterprises, business associations and technical centres displayed their activities and products and participated in pre-arranged Business-to-Business (B-to-B) meetings ([see INSME photos of Market Place event](#)).

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COMING SOON

Energy

Biotechnology

Nano-
Technology

Materials

Information
Communication
Technology

Aerospace
Industry

Technology Fair of the Future at UNCTAD XI, São Paulo, Brazil, 14 - 18 June 2004. The Technology Fair of the Future is one of a number of events being held at UNCTAD XI which together are expected to attract some 3,000 participants from over 190 countries. Other events are the [EMPRETEC](#) /SEBRAE Business Fair, [WAIPA](#) Investment Forum and Fair Brazil Invest, [ITC](#) Competitiveness Tools Fair and NGOs Solidarity Market Fair. The Technology Fair of the Future will take place at the Anhembi (São Paulo city) Conventions and Exhibition Centre, simultaneously with the FISPAL 20th International Food Fair, the most important fair for food products in Latin America.

Up to 100 participants in the Technology Fair of the Future will be provided with an exhibition area, auditorium, multi-media area and room for business meetings (including video conferencing) free of charge. The successful participants will be selected from "promising new technology" submitted by enterprises, technology parks, research and development institutes, or institutions for innovation in an industrialized or emerging economy.

The Technology Fair highlights selected technology sectors: energy; biotechnology; nano-technology and materials; information and communication; aerospace. Special feature: technologies for low-income and least developed countries (LDCs) - renewable energy, agro-food processing, medicines and building materials.

See the [Fair homepage](#) for more details and the online application form <http://www.unidoforum.org>