



## AGENDA OF CONFERENCE

# “Transfer of Know-How for Small and Mid-Size Businesses in Georgia, Moldova and Ukraine”

*The Project is funded by the International Visegrad Fund supported by the United States Agency for International Development*

**Tbilisi, October 28, 2013**

**Venue: International School of Economics at Tbilisi State University**

<b><u>09:45-10:00</u></b>	Arrival of participants
<b><u>10:00-10:15</u></b>	Janusz Szyrmer, CASE Poland: Opening remarks
<b><u>10:15-10:30</u></b>	Lasha Labadze, CASE Georgia; and Alena Zemplerova, CEVRO Institute: Transfer of know-how for SMEs between the Czech Republic and Georgia
<b><u>10:30-10:45</u></b>	Petru Veverita, CASE MD; Renata Anna Jaksa and Magdolna Sass, ICEG European Center: Transfer of know-how for SMEs between Hungary and Moldova
<b><u>10:45-11:00</u></b>	Vladimir Dubrovskiy, CASE Ukraine and Kiev School of Economics; and Jozef Simuth, School of Management / City University of Seattle: Transfer of know-how for SMEs between Slovakia and Ukraine
<b><u>11:00-11:15</u></b>	Coffee break
<b><u>11:15-12:30</u></b>	Open discussion
<b><u>12:30-12:45</u></b>	Janusz Szyrmer, CASE Poland: Closing remarks
<b><u>12:45-13:30</u></b>	End of meeting – small reception

## **Presentations and discussions**

### **Ukraine-Slovakia Team**

#### Introduction:

- The current situation of SMEs in Ukraine
- The main issues of SMEs in Ukraine as revealed at the meeting:
  - Administrative issues – property rights, red tape
  - Selective justice - ineffective court system, etc.
  - Infighting among the SME organizations
- Information issues and advocacy – EU regulations

#### Key facts on the SME sector in Ukraine

There are no reliable data on the share of SMEs in the country's GDP. There are 34.7 SMEs (small enterprises and individual entrepreneurs – sole proprietors) per 1000 of population – this number has dropped from 66.1 in 2009. The share of small businesses in total employment was 21.3% in 2012, dropped from 31.6% in 2009. If the mid-size enterprises, the corresponding figures do not change significantly, but the one on employment would be, respectively, 36.7% for 2012 and 45.7% for 2009. At the same time, the share of taxes paid by the SMEs (including mid-size business) is as high as 54% in 2012, increased from 47% in 2009. However, the lion's share of these taxes are paid by mid-size businesses: without them, the number drops to 16-18% for all years from 2008 to 2012.

#### Brief information on SMEs in Slovakia

Based on the information from the National Office of Statistics, in 2012, most of the SMEs (89.77%) were in size of 1-9 employees. The SMEs produce 55.6% of GDP in Slovakia.

#### Examples of success stories that could be used for knowhow transfer to Ukraine:

An SME turns into a corporation (ESET)

- Started in 1992 as a 3 people antivirus company
- In 2013, 800 employees (USA, Argentina, Singapore, Brazil, and Czech Republic)

SMEs in the agricultural sector (e.g., wine producers)

Transition from low quality collective farms to effective and successful SMEs, which produce high quality wines rewarded internationally. Ninety percent of the production is exported. The factors supported the transition were:

- Creating of wine producers portal
- Establishing an association supporting all wine makers
- Creation of Slovak national collection of wine

The main aspects that helped the SME development in SK:

- Entrepreneurial mindset – turn WHY into HOW?
- Importance of networking and information sharing among SME owners to jointly tackle administrative challenges and to seek support opportunities
  - Information portals for SMEs (SK and EU legal issues, knowhow, and problems sharing)
  - Creating international clusters
  - Using EU / State support
  - Enterprise Europe network, Ministry of Foreign Affairs and state agencies

#### Draft of project action plan

Based on the preliminary analysis, the team agreed on a draft of action plan for the know-how transfer from Slovakia to Ukraine in SME development. As the most necessary, the following steps were identified:

- Sharing the success and failure stories
- Creating information and communication web portal for SME owners, SME organizations, and chambers of commerce

#### Issues that need further attention and analysis in the project progress

Several issues to be tackled in the progress of the project development were identified. Attention should be paid to:

- Needs analysis instruments
- Portal leadership
- Promotion
- Language barrier

#### **Moldova-Hungary Team**

The three representatives of the team presented the results of the initial discussions.

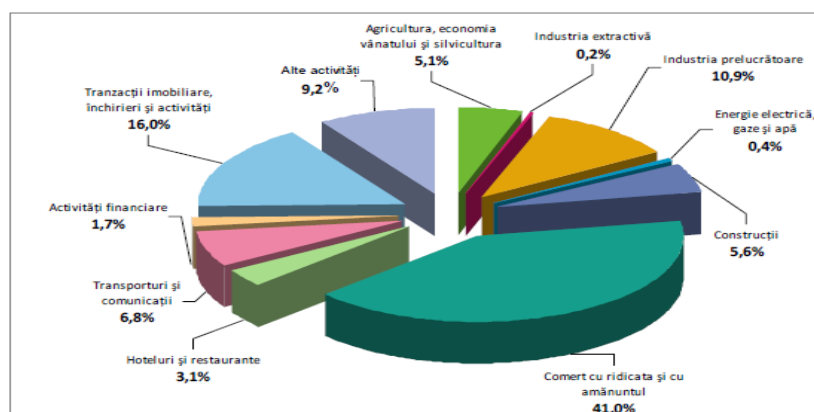
#### Introduction:

- Short presentation of ICEG EC
- Importance of the SMEs in Hungary, as a source of pride (some quickly growing, innovative, quickly and successfully internationalising, even “born global”), and as a source of problems (forced entrepreneurship, stagnation, smallness, and most importantly: not fulfilling their role as employment providers and thus mitigating unemployment and social problems)
- Role of economic policy, institutional background, and at the same time: the significance of SMEs themselves, their self-organisation, business associations, etc.
- Share the Hungarian experience with Moldova: cooperation, and, at the same time, international comparison of the SMEs, SME policy, etc.

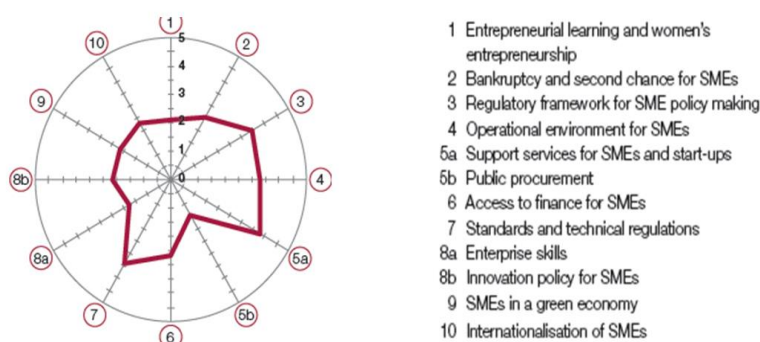
#### Key facts on the SME sector in the Republic of Moldova

- In the past years, the SMEs sector in the Republic of Moldova has improved both quantitatively and qualitatively
- In Moldova, SMEs accounted for 28.3% of GDP (in the EU, for example, the SMEs sector generates 58.4% of GDP while in the USA it accounts for 43.4%, as of 2009).
- SMEs share in business population: 97.7% of active enterprises
- SMEs share in employment: 58.8%
- The largest share of SMEs activity is in trade: more than 40% of the total of small and medium enterprises

#### Share of SMEs by major types of activity



## SBA (Small Business Act) Scores for Republic of Moldova



The Small Business Act for Europe (SBA) provides a framework to assess national SME policies against the ten principles for identifying strong and weak points in policy design and implementation, and provides a list of priority actions for reform in the country.

### Preliminary issues identified for analysis

- Access to finances
- Issue of seed capital and remittances
- Tackling skill drain: VET (vocational education and training) for skilled labour force
- Information and promotion on/of business opportunities and business support
- Support for the SMEs in the agricultural sector
- Reduction of administrative burdens, one stop shops for licences regarding technical regulations on constructions/building permits

### Potential good practices from HU and V4

- Associations of agricultural SMEs: fruit and vegetable POs (producers' organisations) in integrating small producers in the context of selling to large retail chains and exporting
- Vocational education and training measures based on needs and involvement of existing SMEs
- Reduction of administrative burdens, one stop shops
- Various credit schemes (guarantees, etc.)
- Networking activities within the country and with main export partner countries

### **Georgia-Czech Republic Team**

Selected issues and questions have been presented and discussed at the conference such as:

- Why the SMEs matter?
- What are major problems of the SMEs, and how to identify them?
- Transferability of knowhow in the field of SMEs support
- Effects of SMEs support, etc.