

ORGANIZATION OF BSEC	KONRAD ADENAUER FOUNDATION	UN ECONOMIC COMMISSION FOR EUROPE
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**WORKSHOP ON
ENVIRONMENTAL PROTECTION AND SMEs
(Baku, 30-31 March 2000)**

Summary Proceedings

1. The Workshop titled “Environmental Protection and the SMEs” was held in Baku (Azerbaijan) on 30-31 March 2000. It was realized by the Organization of the Black Sea Economic Cooperation (BSEC) and the Konrad Adenauer Foundation (KAF) in cooperation with the State Committee on Antimonopoly Policy and Support for Entrepreneurship of the Azerbaijan Republic. The United Nations Economic Commission for Europe (UN/ECE) provided expertise and technical support to the Workshop.
2. The opening address was made by H.E. Mr. Abid SHARIFOV, Deputy Prime Minister of the Government of Azerbaijan Republic who also welcomed the participating delegations on behalf of the host country. Presenting a brief overview of the economy of Azerbaijan, H.E. SHARIFOV touched on the economic reforms in the country which also aim the removal of barriers to the growth of SMEs. Referring to environment and enterprise creation as among top priority areas within the Government’s economic policy, His Excellency drew the correlation between the two and added that the Government endeavored to settle economic problems while taking into account the growing environmental issues as well.
3. Ambassador Nurver NUREŞ, First Deputy Secretary General representing the BSEC PERMIS, delivered his statement titled “Environment, Friend or Foe to Growth of SMEs” the text of which is attached as Annex I. This was followed by Dr. Wulf SCHÖNBOHM, KAF Representative to Turkey, who talked on the conduct and the purposes of the Workshop and in that frame elaborated on the significance of developing integrated concept towards the link between environment and economic activity. Thereafter Dr. Antal SZABO, Regional Adviser on Entrepreneurship and SMEs from the UN/ECE spoke on the “Role and Place of the SMEs in the Environment Protection Industry”.
4. The Workshop was attended also by guest speakers Dr. Hans Jurgen REICHARDT, Chamber of Commerce and Industry from Stuttgart (Germany) and Mr. Andrzej JAGUSIEWICZ, Representative of Environment and Human Settlements Division from UN/ECE giving statements titled “Germany at the Threshold of the 21st Century - Environment Policy and SMEs” and “Institutional Framework for the Environment Protection - Role of the UN/ECE”, respectively. These were followed by brief discussions.
5. The Workshop was co-chaired in rotation by Messrs. NUREŞ, SCHÖNBOHM, SZABO and JAGUSIEWICZ.

6. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Albania
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Republic of Moldova
Romania
Russian Federation
Republic of Turkey
Ukraine

7. A representative from the Arab Republic of Egypt attended the Workshop as observer.

The list of participants, including the guest speakers is attached together with their visiting cards as Annex II and the Program of the Workshop as Annex III.

8. On the side of the Republic of Azerbaijan Prof.Dr. Ragib GULIYEV, Chairman of the State Committee on Antimonopoly Policy and Support for Entrepreneurship delivered a substantive statement on “Azerbaijan State Policy for SME Support”; elaborated at length the progress achieved in legislative and institutional infrastructure supportive to SMEs; explained in this context, Azerbaijan’s two-stage support program since 1993 for these enterprises which are valued as a strong driving force for economic growth; and indicated the establishment of the National Fund for Support of Entrepreneurship and the SME Development Agency (KOSIA-SMEDA). Referring to environment and the SMEs as equally important issues with interactive correlation in between, he pointed to the need for close cooperation between the Government and the SMEs and in this frame underscored the removal of bureaucratic barriers and the need of developing entrepreneurship and its easy access to the central authorities. Emphasizing the importance of exchanges related to both environment and the SMEs on the international plane, he underlined export orientation and in this connection cooperation with trans-national corporations.

Mr. Ogtay JAFAROV, Head of Department of Science and Natural Resources Protection of the Committee of Ecology spoke on “The Ecological Concept of the Azerbaijan Republic” and gave information on the general state of ecology in the country inherited from the past and the damages caused during the transition to market economy. He stated that in order to cope with these problems new environment laws were enacted, various international conventions were ratified. Further emphasizing that the Government should be more proactive, he added that environment performance review and the concept of the environment auditing should be introduced to help improve the situation.

In his address Mr. Afig HUSSEYNOV, Director of the KOSIA-SMEDA, informed the participants on the experiences of this Agency in educating/training of local experts and SMEs for economic initiatives and ecological activities.

9. In his address Dr. SZABO emphasized the interrelation of the SMEs with the environment protection and ecology and made essentially the following points:

Building a sustainable economy, environment protection can contribute to job creation, environmental and employment policies can be made mutually reinforcing and both these policies of common concern should be integrated into wider economic policy making.

The strategy towards sustainability requires a wide range of instruments including:

- (i) legislation to set environmental standards;
- (ii) economic instruments to encourage the production and use of environment-friendly products and processes;
- (iii) horizontal support measures, such as education, Research & Development, information; and
- (iv) financial support measures.

There is also need to improve the existing financial policies in order to have a major long-term environmental benefit.

The Black Sea Trade and Development Bank should take a leading role in improving the flow of environmental information and create special credit lines supporting start-up of small businesses in the field of environment protection. In this respect opportunities lie in cooperation with EBRD.

10. Thereafter presentations made by the participating delegations on experiences and practices in promoting SMEs toward environment protection led to active discussions dealing practically with all the facets of correlation between the environment and the SMEs, the emphasis by the delegations falling on the latter. As a result of these exchanges, the following emerged which would yield productive results if correlation between environment and the SMEs is handled in a more creative manner:

a) While Bulgaria, Romania, Russian Federation and Turkey already acknowledge the interrelation of the SMEs and environment protection issues, in other CITs environment protection measures and development of the SME private sector appear to be different issues and no dialogue has been started among these two important sectors.

b) One delegate of the BSEC countries suggested international cooperation based on (i) internationally financed Research & Development projects; (ii) information exchange among the Research & Development & Technology experts; (iii) production of new monitoring instruments and systems; (iv) organizing production of equipment for environment protection; and (v) exchange of the achievements and practical results.

c) The participating businessmen from environment-oriented SMEs stated that the implementation of their business operations need the following key factors for success:

- (i) creative entrepreneurial behavior and skills of the SME owners/managers;
- (ii) self-commitment of the SMEs towards ecology and environment protection;
- (iii) government support in the form of soft loans, tax holidays, advisory services; and
- (iv) grants by international donors.

d) The representatives of the UN/ECE highlighted the importance of harmonizing the environment policies and approaches of the BSEC countries. In order to achieve this goal UN/ECE is ready to carry out environment performance review (EPR) in the BSEC countries in case of Government request. EPR program intends to harmonize approaches in developing environmental, legal and institutional framework in the region. Following this SMEs will find their room for doing business as a recipient of clean production programs and incubators of progress in the field of environment protection. The cost of any EPR is covered by a special UN/ECE Trust Fund. Such assessment were already carried out or are in progress in Armenia, Moldova, Russia (together with OECD) and Ukraine. Government requests should be addressed directly to the UN/ECE Secretariat or the Secretariat of the BSEC.

11. In conclusion the Workshop recommended:

- Taking into consideration the process of globalization in the world market, the relation of the entrepreneurial activities with the environment is unavoidable and linking these issues in a mutually supportive manner will facilitate integration into the world trading system;
- SME supporting infrastructural institutions, i.e. chambers of commerce and industry, financial intermediaries, etc. should play more active role in assisting SMEs also in the field of environmental protection through *inter alia*; a) preparing and disseminating environmental guidelines for different sectors/activities and b) helping to overcome obstacles on the way ranging from innovation to products and services;
- Promote active and lasting cooperation between the central/local government authorities and the SMEs and similarly between the said authorities and the enterprises operating in environment protection issues keeping in mind also the new job and enterprise creation aspect of environment;
- Continuing development of legislation and harmonizing the legislative framework meet the requirements of international standards and conventions;
- Apply environment performance review (EPR) in all BSEC countries in order to survey the status of national ecology and elaborate environment policies towards sustainable economic development;

- Specifically encourage implementation of quality systems in accordance with ISO 9000 and 14000 Standards and enhance the accessibility to SMEs of third party certification;
- Raise the level of education in order to advance awareness of ecological issues and raise pro-active, informed, environment-conscious citizens;
- Create credit lines including for innovation, know-how and environmental ones for setting up SMEs acting in the field of environment protection;
- Make SMEs' access to medium and long-term finance easier, especially by applying environmentally advanced technologies;
- Encourage the development of industrial and technological parks, in order to make them environmentally oriented through operation within a concerted framework integrating prevention and pollution control while expanding production.