

**WORKSHOP ON
COOPERATION OF UNIVERSITIES AND RESEARCH CENTERS WITH SMEs**

Baky, 26-27 February 2004

Summary Proceedings

1. The Workshop entitled “Cooperation of Universities and Research Centers with SMEs” was held in Baky, the Republic of Azerbaijan, on 26-27 February 2004. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Representation of the Konrad Adenauer Foundation (KAF) to Turkey, in cooperation with the National Confederation of Entrepreneurs Organizations of the Republic of Azerbaijan (ASK).

2. Welcoming statements were delivered by Dr. Wulf SCHÖNBOHM, Representative of the KAF to Turkey; Ambassador Tugay ULUÇEVİK, First Deputy Secretary General of the BSEC PERMIS; Prof.Dr. Shahlar G. ASGAROV, Chairman of the Educational Committee of the Parliament; H.E. Mr. Elmar QASIMOV, Deputy Minister of Education; Mr. Altai EFENDIEV, Head of Department for Economic Cooperation and Development, Ministry of Foreign Affairs; and Prof.Dr. Alakbar MAMMADOV, President of the National Confederation of Entrepreneurs Organizations of the Republic of Azerbaijan

2.1. Dr. W. SCHÖNBOHM welcomed the Participants of the Workshop on behalf of the KAF. He pointed out that this Workshop is the 29th of its kind on SMEs organized by KAF. He also provided information on activities of the KAF in the field of SMEs.

2.2. Ambassador T. ULUÇEVİK emphasized the significance of the Workshop and stated that its main theme related to present day realities and needs and also embraced future challenges.

In his view the holding of the Workshop in the Capital City of the Member State which is the current Chairman-in-Office of the BSEC Organization, pointed to the high priority given to policies aimed at strengthening of SMEs in the BSEC region. He said that SMEs were the backbone of the modern market economies. They generated market entrepreneurship, employment, innovation, incomes and tax revenues and thus contributed to the long term growth of a country. SMEs were also important in the democratization and decentralization process in transition countries.

Ambassador T. ULUÇEVİK underlined that in the era of knowledge-based economy supported by ICTs and coupled by a widening process of globalization, knowledge had become the driving force of economic growth, social development and employment. Knowledge was the primary source for innovation which was an indispensable factor in enhancing competitiveness, particularly that of SMEs, in the world markets. He maintained that SMEs must become learning organizations able to keep abreast of the latest developments affecting their sector. In his view that was an arduous process the success of which depended on the degree of public support for basic education, financial assistance for SME training, and for promoting greater cooperation and exchanges of the Universities and research centers with SMEs.

Ambassador T. ULUÇEVİK suggested that SMEs must be made aware of the benefits which they could derive from close cooperation with universities and research centers. He expressed the wish that the Workshop would be successful in promoting useful cooperation of Universities and research centers with SMEs.

2.3. Prof.Dr. S.G. ASGAROV, welcoming the Participants in the Workshop, underlined that the Government of the Republic of Azerbaijan attached great importance to the role of SMEs in economic development of the country and pointed to the significance of cooperation of universities and research centers with SMEs.

2.4. H.E. Mr. E. QASIMOV expressed the wish for a successful Workshop which would produce fruitful results. He stressed the importance of organizing the Workshop in Azerbaijan which would make possible an exchange of experiences between the SMEs in Azerbaijan and those of other countries in the BSEC region. He stated that there were a number of business universities, business agencies, and universities connected with economic development. Those universities have already gained considerable experience on SMEs development. He put special emphasis on SMEs and the role to be played by universities and research centers in cooperating with SMEs. He also expressed appreciation for the activities and events organized by the Organization of BSEC and KAF in this regard which constituted an important opportunity for development of SMEs in the BSEC region.

2.5. Mr. A. EFENDIEV, on behalf of the BSEC Chairman-in-Office, welcomed the Participants of the Workshop and expressed his wishes for a fruitful and productive session. He thanked KAF for putting financial assistance to organize this Workshop; BSEC for providing organizational support and guidance in arranging this event in Baky, and “ASK” for providing logical assistance to the participants.

Mr. A. EFENDIEV underlined that the SME sector is receiving more and more substantial support in Azerbaijan and gaining leadership with regard to their important task in diversifying economy. He pointed out that the SMEs development and education constituted a priority issue for Azerbaijan. He stated that the matters relating to SMEs were one of the top priorities of BSEC and the BSEC Economic Agenda and referred to the BSEC Project Development Fund as a new instrument to support SMEs. He also underlined the importance of the activities of the BSEC Business Council which helped improve investment climate in the BSEC region.

Pointing to the enlargement process of EU Mr. EFENDIEV thought that that process brought additional value to the Workshops. He concluded that the Azerbaijani Chairmanship of BSEC was looking forward to the outcome of the Workshop in order to contribute to the implementation of its conclusions.

2.6. Prof. Dr. A. MAMMADOV welcomed the Participants and emphasized the significance of the event.

3. The Workshop was co-chaired in rotation by Dr. SCHÖNBOHM; Prof.Dr. Ragib GULIEV, Chairman of International Agency for Economic Research and Development, Chairman of the Azerbaijan Technical University; and Prof.Dr. MAMMADOV.

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

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

5. The Guest Speaker in the Workshop was from Germany.

The list of participants is attached as Annex I and the Program of the Workshop is attached as Annex II.

6. Prof.Dr. A. MAMMADOV; Prof.Dr. Ruslan SADIRKHANOV, Director for Academic Programs, Odlar Yurdu University, Chairman of the Board Association of Venture Projects; Mr. Fuad RASULOV, Director of Economic and Business Research Centre, Khazar University; Dr. Franz SCHLUDE, Former Director of the DLR- Research Center, Oberpfaffenhofen (Germany); and Mr. Arif Hakan ERDEN, General Manager of the Turkish Foundation for Small and Medium Business (TOSYÖV) addressed the Workshop as lead speakers.

6.1. Prof.Dr. A. MAMMADOV explained that following democratic state building, Republic of Azerbaijan had entered the 21st Century with serious consequences in the process of market economy formation. The laws and legal acts providing systemization of legal base for entrepreneurship development and regulating entrepreneurial activity, had been worked out and adopted , and were being applied at the present time.

He informed that the technical assistance to SMEs and development of human factor were taken up in the State Programs on SMEs Development covering the period of 2002-2005 on the creation of educational center of SMEs, establishment of base for SMEs education, preparation of scientific and training program, publication of textbooks on SMEs education,

preparation of proposals on organization of trainings devoted to learning the principles of entrepreneurship activity.

6.2. Prof.Dr. R. SADIRKHANOV and Mr. F. RASULOV delivered presentations on the university programs for the support of SMEs in Azerbaijan.

6.3. Dr. F. SCHLUDE made a presentation on cooperation of Universities and Research Centers with SMEs in Germany. He provided a description of the situation in Germany. He gave a short summary of how research is organized and described the steps of the transfer process in general as well as the details of the support given to start-ups by universities and research centers.

In conclusion of his presentation, Dr. SCHLUDE stated that a good combination of applied (engineering) research and small and medium enterprises could generate new business and jobs. The research organizations or the universities had to spend money till market or venture capital would father support the built-up of the new companies. In the case of DLR Oberpfaffenhofen the concept of an Application center in the next neighborhood of the research center had proven an effective way. Of great importance was the teaming of all parties involved in the economic development of a region. The situation in Germany could not easily be transferred in other parts of the world. Nevertheless this presentation should have provided inputs for decisions on the built-up of similar transfer structures.

6.4. Mr. A.H. ERDEN in his presentation stated that the mission of the Turkish Foundation for Small and Medium Business (TOSYÖV) was aiming at increasing the competitiveness of SMEs through activating the potentials of SMEs and Partners. He explained that universities and SMEs they themselves were the two main actors in the cooperation between universities and SMEs.

However, he underlined that because of the different priorities of both sides, it was necessary to have intermediaries in the cooperation. TOSYÖV acted as an intermediary and had concrete projects for SMEs and universities. He underlined that the strategic partnership between governmental organizations and NGOs was fundamental for the success of the cooperation.

7. An exchange of experiences on the subject of cooperation of universities with SMEs took place. Issues addressed included: i) State policy for the cooperation of universities with SMEs (government support programs); ii) R&D programs involving SMEs; iii) Networking between universities and SMEs; iv) Training programs of the universities for SMEs and training of students for the entrepreneurship; v) Transfer of best practice, etc.

8. The following presentations regarding the Cooperation of Universities and Research Centers with SMEs were made:

a) The representative of the Business and Innovation Centre (BIC) of the **Republic of Bulgaria** explained that the BIC was established in 2003 as an NGO with participation of three universities, three research institutions, NGOs from the region of Veliko Tarnovo,

SMEs and with assistance of German partners BICs of Frankfurt / Oder and Zwickau. The main tasks of BCI are assisting SMEs, start-ups and innovative companies from the region of Central Northern Bulgaria. The BIC is able to offer good premises, financial support, planning, project preparation and participation in European programs. The German technology expertise is transferred by the establishment of long-term relations between innovative SMEs from both countries and regions.

The BIC in Bulgaria is able to prepare projects on a basis of mutual teams with partners from Germany and to diversify the results over hundreds of SMEs in Bulgaria. The successful implementation of the project is a good base for disseminating the best practices in other regions of the country.

He added that the intermediary functions of BIC stimulated creation of joint researcher teams of specialists from universities and research institutions at Bulgarian Academy of Sciences.

b) The representative of the Center for Small and Medium Enterprise Development and Assistance (CSMEDA) of Georgia explained that SMEs constituted the main part and active power of entrepreneurship in Georgia. However, SME sector faced many problems particularly due to lack of business education. This created many problems concerning establishment of new companies, getting financial assistance and new technologies. The cooperation between universities and research centers were not matching modern requirements.

She stated that at universities there was not a unified training program for SMEs. The students received training in entrepreneurship according to special programs designed by the universities or business schools themselves. She explained that the Center for Small and Medium Enterprise Development and Assistance of Georgia (CSMEDA) operated according to “Small and Medium Enterprise State Support Program for 2002-2004.” She presented information about a special project designed for the training of start-ups and the training provided by CSMEDA.

She underlined that the purpose of the program was to prepare highly-skilled staff. According to the education and training program all category of population should be under training: start-up entrepreneurs, SME staff, unemployed persons and other special groups of population which might be potential small enterprises employees. The program would be implemented by CSMEDA in the form of business training. Special training sub-program had been created for regions under the Small and Medium Enterprise State Support Program for 2002-2004. This program more or less solved two problems: those were business education in general and then established new SMES in regions which further stimulated regional development. There were two types of sub-program: basic business training and special training. After training, entrepreneur would be able to find interesting information about foreign companies and markets, modern technologies, purchasing forms of them. They learned selecting partners and contract signing procedures, etc. This program was permanent. After implementation of the sub-program businesspersons would be commercial bank’s clients. In addition the entrepreneurs, mostly start-ups who were unable to get commercial bank requirements would be able to get non-banking small loan from CSMEDA.

c) The representative of the **Republic of Moldova** stated that the development of SMEs was one of the important factors which had determined either success or failure of economic reforms carried out in Moldova. She stated that in 1996, the law on advantages for SMEs which were involved in production activity in the territory of Gagauzia had been adopted by the autonomous administration in order to encourage production activities in non-state enterprises and to support SMEs dealing in priority areas of activity. She explained that the State institution, namely “KOMRAT” played an important role in the realm of preparing professionals for small business and a retraining center of entrepreneurship had also been established. The Chamber of Trade and Commerce was functioning as well.

d) The representatives of **Romania** presented their views on universities, research/development and innovation support for the SME sector in Romania. They pointed out some economic characteristics about Romania. They presented the macroeconomic evolution; the macroeconomic indicators such as rate of GDP, annual inflation, unemployment rate, etc.; distribution of SMEs by business sectors and size groups; distribution of SMEs by region; evolution of the institutional framework governing the development policy of SMEs in Romania. A brief presentation was delivered about the research, development and universities activities. They concluded with recommendations for a more rapid economical growth:

- The creation of a private fund for the creation of SMEs;
- The decrease of the tax on salaries and gross profit of the companies;
- The adoption of measures and mechanisms intended to stimulate compliance by business owners through the lowering of costs to relative to starting a company;
- The creation of technical assistance and other support programs designed to assist SMEs in the areas where they most need assistance;
- The creation of commune entities, gathering representatives of the sector, RD sector and universities, to develop joint programs, joint network of activities;
- A sustainable activity in the Social Dialogue Commissions of the MERY, involving also SMEs representatives;
- Support for the creation and development of innovative start-ups;
- Support for innovation and technological transfer activities, by development of RD activities.

e) The representative of the All-Russia Association of Privatized and Private Enterprises of the **Russian Federation** submitted a report on Employers Associations and their role in the promotion of cooperation between universities and SMEs. She dwelled on a number of problems which the SMEs were facing, such as lack of specialized technicians, low skills of available specialists, etc. She also mentioned problems faced by the university graduates such as new life conditions without teachers and text books, employers incapable of setting the task and aim, low remuneration.

In conclusion, she mentioned the following points on the role of Employers Association in promoting cooperation between Universities and Enterprises:

- Forming of markets for universities requirements;
- Successful businessmen attraction for the exchange of experience;

- High cadres qualification necessity for the enterprises survival in the competing conditions;
- Ensuring the possibility for the university teachers to have the professional development courses at the real business enterprises;
- Establishment of mutual respect between the employers and hired employees and the creation of social partnership system.

The representative of the Ministry for Antimonopoly Policy and Support to Entrepreneurship of the **Russian Federation** delivered a presentation on the State support of innovation activities of SMEs in Russia. He explained that the State support system of SMEs in Russia was based on the norms of federal legislation and legislation subjects of Russia and it was realized through mechanism of federal and regional programs of entrepreneurship support financed by relevant budgets and activity of infrastructure of special objects of small entrepreneurship support. The President of the Russian Federation, H.E. V. V. PUTIN noted in his statement sent to Federal Meeting of the Russian Federation that the success of the country to a great extent depended on the success of Russian entrepreneurs.

He stated that the Russian Government especially paid attention to the implementation of following measures:

- Preparation of special programs aimed at the elimination of the obstacles hampering the newly established small innovation entrepreneurs in entering into the market;
- Formation of the national innovation system of the powerful territorial production complexes in the territory of Russia;
- Stimulation of participation of Russian industrial companies in international exhibitions and meetings in high technologies sphere and provision of state partnership;
- Establishment of technology and business incubators for small entrepreneurs in high quality technological sphere;
- Staff training for innovation sphere;
- Establishment of special schemes of functioning of credit-guarantee mechanism of realization of highly risked projects related to the application of new technologies on the issue of competitive products.

f) The representative of the Small and Medium-sized Industry Development Organization (KOSGEB) of the **Republic of Turkey** presented information that KOSGEB was a public agency associated with the Ministry of Industry and Trade. She presented information on the definition of SMEs, Institutes offering services to SMEs, KOSGEB's structure and services given to SMEs.

With reference to cooperation of universities and research centers with SMEs, she gave information on the Technology Development Center (TEKMER) Model in Turkey. TEKMERs supported innovative entrepreneurs and SMEs by providing workspace, material and equipment support, additional consultancy services from universities and training in management by KOSGEB.

g) The representative of **Ukraine** stated that it was necessary to pay attention to the development of activity of public organizations in the sphere of integration processes between States on the basis of SMEs in realization of market demands which were:

- Development of cooperation between business and educational sectors;
- Establishment of the conditions for the development of young entrepreneurship.

He stated that it was evident that these directions of interaction would promote reduction of unemployment level which would decrease social-physiological tension.

h) The representative of the **Republic of Azerbaijan**, Prof.Dr. Magomed N. NURIYEV, Vice-Chancellor, Dean, School of Economics and Management, Khazar University (Baky), made a presentation on the main directions of cooperation which included:

1. Training for business people, development of business programs;
2. Attracting business people for lecturing at the Universities, participation of business people in the programs and curricula development;
3. Joint research activities;
4. Cooperation of several universities and businesses in the same project;
5. Internship.

Question and answer session was held after each presentation.

9. On the second day of the Workshop, presentations were made by Prof.Dr. Ragib GULIEV; Mr. Firdovsi RZAYEV, Director of the Training Department, Centre for Economic Reforms, Ministry of Economic Development of the Republic of Azerbaijan and Expert at Marketing Specialists Society of Azerbaijan; and Mr. Ilkin GARAYEV, Project Manager, Azerbaijan Bank Training Centre, touching upon important aspects of the subject with reference to their experience in Azerbaijan.

Mr. Hilmi DEVELİ, Chairman of the Management Board of Turkish Foundation for Small and Medium Business (TOSYÖV) delivered a speech which included a proposal for creation of a network on internet where the cooperation among SMEs in BSEC Member States could be enhanced through an information center. This project was a two-track project with informative and cooperative objectives. Information center which was the first track of the project simply targeted to train the SMEs of this network on the matters like international standards and markets. It would mainly serve as a consultative body for SMEs. Second track of the project, on the other hand, had a function with cooperation objectives among the SMEs. This web-site would act as a pool for the SMEs in the region and these businesses would hopefully have the chance to get informed about each other so that they could work for the enhancement of trade and electronic trade. Mr. DEVELİ

stated that this project would have a remarkable contribution to the transition of regional economies into sustainable economies that would be competitive enough in international markets.

10. Later on, the Participants of the Workshop had the opportunity to visit a SME cooperating with universities and Universities having programs for SMEs.

Final Discussions and Conclusions

11. The concluding remarks were made by Ambassador Tugay ULUÇEVİK, First Deputy Secretary General of the Permanent International Secretariat of the BSEC. Ambassador ULUÇEVİK made the following points in conclusion:

- The Workshop on “Cooperation of Universities and Research Centers with SMEs” provided a new opportunity to emphasize once again the important role of SMEs in the economic, social and political transformation and development of countries in general, and those of the BSEC Members in particular.
- The exchange of experience on the subject has been very useful. The national presentations were businesslike and enlightening as much as they were inspiring and stimulating.
- Identical views were expressed on the problems that SMEs were facing due to lack of business education as well as on the need to establish, intensify and diversify cooperation between the Universities and SMEs. Several participants also touched upon the problems faced by the university graduates.
- The National Presentations revealed that determined efforts were being exerted in the BSEC Member States to lay the ground and create the legal framework for closer cooperation and interaction between universities and SMEs that would help SMEs to play their proper role.
- Several participants pointed that appropriate training and education programs by the Universities were necessary for innovation and competitiveness of SMEs.
- The need to raise the awareness of SMEs of the benefits they could derive from cooperation with the universities and research centers were also emphasized.
- Concrete projects on SMEs could be evaluated within the BSEC Project Development Fund.

12. The Participants expressed their sincere appreciation and thanks to the National Confederation of Entrepreneurs Organizations of the Republic of Azerbaijan for its assistance in the organization of the Workshop in Baky.

