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# REGIONAL FORUM



on Industrial Cooperation and Partnership  
in Central and Eastern Europe and NIS

22513

REPORT

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**Regional Forum on Industrial Cooperation and Partnership in Central and Eastern  
Europe and the Newly Independent States**

organized by

**United Nations Industrial Development Organization (UNIDO)**

in cooperation with

**Ministry of Economic Affairs of Hungary**

and the

**Foundation for Small Enterprise Economic Development (SEED)**

**Budapest, Hungary, 11-12 October 2000**

**R E P O R T**



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION  
Vienna, 2000

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# INAUGURAL ADDRESSES

## Inaugural Address by Mr. Péter Hónig, Under Secretary of State, Ministry of Economic Affairs, Hungary

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*Dear Guests and Participants,  
Mr. Magariños,  
Mrs. Hübner*

On behalf of the Hungarian Government allow me to welcome you on the occasion of the opening of the Regional Forum.

It is a great honor to our country that UNIDO has chosen Budapest for the venue of the Regional Forum.

I trust that at the end of the Forum, you all will shape a picture about this event that underpins the correctness of the UNIDO's decision. Both the Ministry of Economic Affairs and the Foundation for Small Enterprises Economic Development (SEED), as well as organizations involved in the local organizational tasks tried to do their best to ensure that you would pleasantly and fruitfully spend these two days and return to your home country with useful experiences.

Allow me to shortly inform you regarding the major objectives of the Hungarian economy.

Due to the openness of the Hungarian economy, our objectives related to the integration will play an accentuated role in our economic policy. We are planning to ensure the conditions for the permanent and balanced growth and for improvement of micro and macro level competitiveness on the one hand by joining to the process of the European integration, and on the other hand by widening our international relations through the globalization.

During the year 2000, the Hungarian Government has made significant steps toward the realization of economic policy objectives envisaged for the next two to three years. These steps were based on the assumption that the economic growth is accelerating, by the year 2003 it can even exceed 6 per cent; this is also backed by the increasing volume of foreign investments, which is due to the stable investment environment. Within the objective system of the budgetary policy, the improvement of revenue generating positions of the enterprise sphere will be given an emphasis larger than it has been before.

Beyond the improvement of the enterprise environment, the Hungarian Government helps enterprises also by providing different subventions. Economic development, SME (small and medium size enterprises) and tourism related targets serve the purpose of improving the competitiveness of the enterprises, efficient entrance to international markets and creation of competitive product bases and services. The technical development target will support research and development with the aim to improve competitiveness. Through the agricultural targets and other subventions, as well as expansion of regional and rural development targets, the





implementation of objectives aiming at job creation and development of infrastructure will accelerate and the opportunity to launch new types of EU-compliant development programs will become possible. Our programs of national development objectives are currently under elaboration, these are the Széchenyi Plan, the agricultural and rural development and the development of human resources for the knowledge-based society. The introduction of the regional target system as of 2001 would encourage the implementation of development programs included in the Széchenyi Plan, the implementation of innovation and regionally balanced development.

The support structure of the European Union necessitates the establishment of a clear, transparent and appraisable system. Within the structure of the system, the regional principle will come to the fore, while individual industrial interests will be given less significance. The regional principle will be enforced through the different regional institutions.

A multi-stage process has started in Hungary to establish an administrative system corresponding with the European trends. The first major step of this process was the establishment of the municipality system, the next one the foundation of councils of regional development, which made the elaboration and implementation of county and small region level programs possible. This process was helped by the decentralization, which means that based on the regional principles – due to the shared resources – also regional development projects could have been launched.

The establishment of the regions became inevitable with the regional problems coming into the fore also within the European Union. In theory, the regions are new “medium size” territorial units on the European scale that may overpass conventional administrative or even country borders.

In every case, the state plays an important role in the regional level administration, so the development of Hungarian regional institutions is also controlled by the Government, which is also backed by subventions provided by the European Union.

In Hungary, where the differences between the regions in terms of advancement are relatively large – larger than the average of the European Union –, the issue of narrowing the gaps between regions has been risen strongly during the recent years.

Similarly to the support system of the European Union, regional means of economic development have more and more been coming to the fore in Hungary as well. By now, it has become clear that the competitiveness of the country can be efficiently improved by ensuring the economic and social cohesion between the regions together with the regionally balanced development. Thus, while taking steps toward the enforcement of national objectives, we also keep in mind the implementation of the regionally balanced development policy by providing larger support for the underprivileged regions.

At present, there is a change of the economic development model in Hungary, which is required to maintain the economic growth:

The economic development model of the second half of the nineties can be characterized by the triangle of the inexpensive labor force, the foreign capital inflow and the economic growth. However, with the approaching new millennium,

resources of this model have run out:

- On the one hand, in the most dynamically developing regions of the country – in Budapest and the regions west of the Danube –, the labor force cheap and fit for training has practically run short. Although this labor force base is still available in East-Hungary, it can be mobilized only with difficulty.
- On the other hand – since the Hungarian privatization has practically been completed – the foreign capital turns toward other countries of the Central and Eastern European region, particularly toward those where the last waves of privatization are currently taking place.

Sustainability of the economic growth in Hungary can be ensured by a new model of the economic development controlled by innovation. The innovation-controlled model of the economic development is built on the three components skilled labor force, innovation and economic growth. In this concept, the innovation is a pre-requisite of the growth, while the skilled labor force is a pre-requisite of innovation.

The shift of the economic development model to the one controlled by innovation favorably coincides with the change of strategy of multinational companies which moved to Hungary:

- On the one hand, these multinational companies are increasingly replacing their conventional suppliers with Hungarian suppliers,
- On the other hand, multinational companies already located in Hungary are transferring higher and higher phases of the value chain (distribution, marketing, research, etc.) into the country.

At the same time, the model change implies the challenge for Hungary to be transformed from a country competing with its low wages into one remaining competitive also with high wages.

- Considering that the more skilled labor force has also a higher market price than the unskilled, the change to the innovation-controlled economic development model is the change of the social policy model as well.
- This transformation is, of course, a rather time-consuming process, which took decades also in the rapidly developing countries of the European Union. However, due to the specific terms of the Central and Eastern European region, this process is expected to be faster than it was in the referred countries of the Union.

The change of the economic development model to the one controlled by innovation also implies a change in the regional-level economical development:

In the nineties, the economic development in Hungary was not connected to large institutions of central development. The Hungarian “economic miracle” was mostly supported by the activity of more than three thousand municipalities in the area of economic development (since major components of the model, - the cheap labor force and the foreign capital investment – could be organized also on this level.)

In turn, the innovation as a key element of the new model can not be organized on

the level of municipalities only, a higher level – as far as possible, the regional level – should be involved.

In terms of time, joining the European Union and the concurrently related support from its Structural Funds can speed up this change of model.

The regional economic development program is basically a network building program. Due to this, the regional economic building program is not connected to a specific region, it equally covers other territories, including regions extending over country borders, planning-statistical regions, counties and small regions.

In the innovation-controlled model of the economic development model, competitiveness can most efficiently be ensured by combining resources, such as innovation, information and skilled labor force. Compared to the rather local – settlement-based – orientation of the earlier model, this alternative of the economic development offers a network-based development of the economy.

Taking also their place occupied in the regional chain into consideration, the following main groups of the regional innovation infrastructure will be established:

- "resource centers" – which are the sources of the regional knowledge, technology, the human resource supply of the region and the local financing institutions. (Consequently, typical resource centers are the institutions of tertiary education, the corporate research and development centers – "incubation centres" – and other, publicly financed R & D organizations, banks, risk capital companies, different consultant organizations of the region).
- "bridging organizations" – which serve the purpose of speeding up the innovation, including the technology transfer centers, professional organizations, chambers, incubators of technology and development agencies.
- "innovation supporting programs" – which are based on the utilization of financial schemes or supporting means adequate for the given objective.

The establishment of regional innovation institutions has been outlined in the Széchenyi Plan, according to which, supporting the innovative abilities of the tertiary education and establishing the network of institutions of regional innovation development – which would serve the purpose of creating the basis for the knowledge-based economy – is necessary to improve the intellectual base of the country and the regions. The knowledge transfer between the research and development area and the enterprise sector can mainly be accelerated by technologic transfer centers, innovation centers, industrial parks and their networks supported by the intellectual base of the tertiary education. Hungary can not neglect the application of so-called generic technologies – particularly information and communications technologies – that are widely used and spreading. This necessitates that Hungary – similarly to other countries – would specifically support the development and spreading of these technologies, as well as speeding up the related general and applied research.

The establishment of innovation and information centers, foundation of institutions serving the purpose of spreading innovation and development of existing institutions can significantly improve the innovative abilities and so the competitiveness of the enterprise sector. In order to increase receptive and

innovative abilities of small and medium size enterprises that need the support most, spreading of successful methodologies of technical consultation, the so-called technological maps and the innovation management should be widened.

*Dear guests and participants!*

After introducing the development objectives of the Hungarian economy, allow me to wish you a successful discussion on behalf of the Government of the Republic of Hungary, and to express my trust that during your stay you will be given the opportunity to know our country better and to enjoy the traditional Hungarian hospitality. Once more, I wish a pleasant work to all participants of this Forum.

# Inaugural Address by Mr. Carlos Magariños Director-General United Nations Industrial Development Organization (UNIDO)

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*Good Morning Ladies and Gentlemen,  
Distinguished Delegates,*

I am very happy and honoured being able this morning to welcome you to this Regional Forum on Industrial Partnership and Cooperation in the Central and Eastern European countries and Newly Independent States.

My first words should be to express our deep gratitude to the Government of Hungary for the strong support they gave us. This was indeed a joint initiative we developed along the recent years and it was possible thanks to their deep commitment and involvement in the organization of this Forum.

Secondly, I have to express my appreciation and admiration by the work done by my colleagues at UNIDO, particularly at the Regional Bureau, and also in the substantive divisions in organizing such a good agenda.

I was going through the papers prepared for that meeting and I am sure that those papers will provide excellent grounds for substantive discussions.

Let me explain which is the purpose of this series of Regional Fora that we are organizing at the Agency during the last years.

In 1997 we implemented a complete set of reforms to transform and adjust UNIDO's activities. In 1997, a new business plan was approved for the Agency giving UNIDO a number of priorities and areas of concentration in which we wanted to stress and improve the relevance of the Agency in providing technical cooperation services all around the world. Particularly in this region we wanted to update, reformulate and reshape completely the agenda of programmes for technical cooperation which we were following during the last 30 years.

After a period with rich experience in fostering and promoting industrial integration and the cooperation of the systems of knowledge of the different countries, we wanted to reshape our activities and concentrate much more in helping and reinforcing the efforts done by the Governments throughout the region to transit the difficult way from a centrally planned economy to a market orientated one.



This series of Regional Fora is aimed at identifying the best ways in which we can improve the formulation and the design and the implementation of a technical cooperation programmes of UNIDO.

The discussions we are going to have during these two days are the basis on which we are going to adjust and formulate technical cooperation activities in the coming biennium.

These reforms in UNIDO came at a proper moment and I think that for the first time maybe in 30 years we have a common understanding regarding what could be considered a development agenda.

Throughout the world we can say safely that we all agree on two fundamental policy dimensions that should be addressed to promote and achieve development.

These two fundamental policy dimensions refer basically to the need of having macro-economic stability on one hand and the need of having a process of institutional development on the other hand.

I think there is no doubt nowadays of the important contribution of these two elements in generating productivity improvements and, in general, in driving the process of economic growth and reduction of poverty.

However, these two fundamental policy dimensions, macro-economic stability and institutional development, do not easily operate directly in the real economy. These fundamental policy dimensions, work through two growth channels: free trade flows and free capital flows.

The main actor of this development agenda, obviously, is the private sector. If you allow me to present a development agenda in this brief manner without entering into details, that would take us the two days duration of this Forum, I would say that very good results were achieved during the last decade in the implementation of these fundamental policy dimensions and in giving the leading role of economic growth to the private sector in this process.

The developing world got used to average levels of inflation and increased its shares in manufacturing exports. Particularly in the case of industrial production we could safely say that by this year the share of developing countries in the world output will be well above 25%. That was a goal established 25 years ago in the Lima Declaration of UNIDO.

Certainly, the technological evolution, the reduction in the transaction and transportation costs, and the technological improvements brought about a significant improvement in the performance of the developing countries. However, this process of growth and improvement of the general economic conditions was, and this is widely recognized, completely uneven. Both at the national levels and the international levels; both between countries and within countries the process of growth, we could say, by nature is uneven. The gap of the inequalities during those last ten or fifteen years was widening.

This is not to demerit the potential that the development agenda brought about on the major policies that should be implemented in emerging economies or developing countries, but this is to recognize that if we want to keep in place this consensus which we reached on the importance of having macro-economic stability, institutional development, free trade flows, free capital flows, and the

importance of having the private sector as the main player in the economic process, we have to look carefully at what happened the last ten or fifteen years, and how we can improve the popular support towards this development agenda.

I made this introduction to explain, which is the basic stand of UNIDO today in the development debate and in the economic discussion, and which is a role we have assigned

to industry in this process. That role - and the UNIDO approach - on this topic is basically that of taking care and fostering productivity improvements. We deeply believe that the lack of connectivity between the global economy and significant parts of the national economies both in the developed and developing countries is due to this lack of attention to the productivity sources and the productivity behaviour in the different sectors of the real economy. For that reason, we designed all our programmes during the last years to address this particular topic of productivity as a linkage between popular support and the development agenda.

I was Minister myself in my home country Argentina in the beginning of the 90s when we had to implement, as you did here in Hungary and in many other countries of the region, a set of macro-economic stabilization policies. Immediately after the implementation of the economic reform package we got lots of popular support obviously from the wealth effects derived from the elimination of the inflation tax, from the reappearance of credits and from the utilization of the previously unutilized capacities of production in the different industrial sectors. After a while these productivity improvements, these wealth effects were somehow consumed and the popular support towards the development agenda or towards these policies was certainly lower than the support we had before.

This is an obvious consequence of the structure of the economic system, the morphology of the private sector, and the capacity of the economic reform programmes to generate productivity improvements.

Therefore, we are dedicated and our next World Industrial Report which is driven by one of the panelist that we are going to have in this seminar, Mr. Frederic Richard, Director of our Industrial Policies and Research Branch, will certainly try to address next year this topic and will try to provide a score board with comparisons among the performance of the different policies and the results obtained by the countries.

This is the main topic and the main purpose of organizing regional meetings like this one. As was rightly said by Mr. Peter Honig, we want to compare and to do some bench-marking analysis what was better in one sector or in one country than in another, and how we can draw conclusions and general ideas that would be useful to foster and strengthen the capacity of the reform programmes to bring about improvements in the conditions of life of the people, because ultimately all this policies should be aimed to reduce poverty and produce economic growth.

If we look at this region during the last ten years you have a great number of successes, but you had also a great number of problems. 93 million people more are living today under the poverty line of 2 US\$ per day, compared ten years ago. Average productivity of industrial factors here in the Central and Eastern Europe countries is still 1/3 of that of the OECD countries. Per capita investment in research and development is still very low as compared to OECD countries.

We certainly worry because we believe, and this was discussed at the last General Conference of UNIDO, that innovation is at the head of the growth process.

Mr. Honig repeated several times the importance of innovation and the knowledge system in the current path of growth. I think this is certainly critical to generate productivity improvements. A recent work done by the University of Stanford and the University of Berkley published by Profs. Mowery and Rosenberg demonstrates the centrality of a process of innovation in the process of growth of the American economy in the last 30 years, for example.

We can see similar research works done for the European economies for a similar period, and for that reason this is at the top of UNIDO's agenda for the region of Central and Eastern Europe countries.

We have presented for the region several initiatives that I outlined at the last policy making organ meeting of UNIDO in Vienna. I would like to mention two at this opening ceremony that I believe are very much in line with my comments of today.

Since our interest is in fostering productivity through sustainable industrial production, the major initiatives that we are promoting for this region are linked strictly with that concern.

The first one which was discussed last week in Poland with the authorities in Warsaw is a regional programme of productivity and quality. This programme will focus on addressing practical topics. We are not going to discuss productivity in general terms, but we would like to focus on analyzing topics related to energy efficiency, that is to say on topics that will allow us to increase resource productivity. We will focus on aspects related to statistics and the measurement of the performance of the productive factors. We will try to share from this programme by Poland our rich experience in quality standardization, metrology and accreditation. UNIDO is becoming now the world auditory body on accreditation at the request of ISO, an international accreditation forum. Finally, this programme of productivity and quality will address the problems of subcontracting and industrial partnerships.

This initiative, I hope, will be ready to start to work in the coming three months after our discussions with the Polish authorities and other players in the region

The second initiative is related with the Technology Foresight Programme, which is very much linked with the problem of innovation, and the impact of innovation on the productivity system. It will be launched with the Hungarian authorities and will be developed from Budapest.

Technology foresight is a well developed mechanism widely utilized during the last 30 years in Japan and the majority of western European countries. It is not an exercise of forecast or prediction; it is a construction of a number of potential scenarios, that the national economists will have to confront in the coming years in order to assess, which are the best sets of policies one can articulate between the private and public sector to better utilize the national resources, with the aim to achieve a better competitive position in the coming years addressing the coming economic scenarios.

We have chosen Hungary because it is the only country in the region that did already this exercise. I would like to express my gratitude to the authors of the paper that we present here on "Foresight: A Tool for Pre-accession Countries to Face the Challenges of Globalization and Integration". During this morning session you have the opportunity to talk and to listen to the reflection of the Chairman of



the Steering Committee of the Hungarian Technology Foresight Programme.

With these two practical initiatives we will address a number of topics that will certainly be in line with the interest of UNIDO in promoting productivity improvements as the way to link or to re-establish the connection between the population at large and the global economy.

Certainly, all these challenges should be addressed taking into account the environmental dimension. In that area we are also extremely active and I see in the agenda an important room given to the analysis of these topics. We are very keen in promoting and advocating the idea that sustainable development could only be achieved by taking our resources into account.

One hundred and fifty years ago we had abundance of resources and scarcity of labour; that's why labour productivity increased 20fold in the last 150 years. Now the challenge is to do it the other way around - increase resource productivity as we have abundance of labour resources and scarcity of natural resources.

Having said that, I would like to express my gratitude to all of you that made time in your busy agendas to participate in this Forum and share with us your experiences and I am particularly grateful to the representatives of Permanent Missions in Vienna that made time in their agendas to participate in this Forum. Both countries from the region and from major donor countries accepted the invitation by UNIDO to participate in this Forum and to have some reflections together on how to improve the conditions of living of the people in order to keep the support for the development agenda and the consensus we have achieved during the recent years for promoting wealth, economic growth and reducing poverty. I will be listening carefully to your reflections and I can assure you that this will not only be an intellectual exercise but an exercise that will certainly guide our future activities and works in the region.

Thank you for your attention.

# Inaugural Address by Ms. Danuta Hübner Executive Secretary United Nations Economic Commission for Europe (UNECE)

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*Ladies and Gentlemen,  
Distinguished Delegates,*

I would like to start very traditionally by saying thank you very much to both UNIDO and the Hungarian authorities for inviting the representative of the United Nations Economic Commission for Europe to participate in this Regional Forum.

This certainly allows me to better understand how UNIDO is contributing to the developments of Europe, and I am convinced that after this Forum we will discover new ways, means and instruments for the cooperation of the two United Nations institutions that want to contribute to the development of Europe.

All of us here - those coming from Budapest and those who come to Budapest from time to time - know how good, indeed, it is to come to Budapest. But to come to Budapest to participate in a meeting like this Regional Forum that discusses issues of utmost importance for Europe, is a particular pleasure.

I also believe that, even though you focus, or you „pretend” to focus, on discussing only the problems of Central and Eastern European countries and of Newly Independent States, in reality what we are going to talk today about, is how to create conditions for sustained growth of Europe as a whole. We are going to talk today about a shared goal of converting towards one European economy and this is also what the work of my own institution is about: an integrated Europe.

We meet to discuss problems of a region, which for the last 10 years has been going through massive restructuring. It has not happened in a vacuum. We have been going through this massive change in a global environment characterized by revolutionary changes, which you are going to discuss and which are so well describe in you papers.

These changes around us in Europe are extremely important for European development because they have made us all increasingly dependent on each other, these changes have made in fact everything increasingly depending on everything else, not only in Europe.

What is also important for your debate, for our debate of today, is that Europe in reality is a small continent. Sometimes we tend to forget that in Europe everything is happening just around the corner. I think it was one of the former ministers of foreign affairs of Belgium, who many years ago said that Europe consists of two types of countries: “Those who are small and those who are small and do not realize they are small”.



It is important because it makes us in a way condemned to cooperate. There is no other way today to have peace and stability in Europe but through international cooperation. We cannot keep today stability and peace in Europe through well-protected borders and cannot do it through balance of powers. We must cooperate and integrate and that is the only way to be happy in Europe.

What matters, however, and that I can see also in your papers, is that Europe continues to be a highly diversified region. There is a long history of divide in Europe, but it is also important to realize that we have been recently adding to this diversity. After ten years of socially painful changes in Central and Eastern Europe we continue to have sharp disparities in advancement of reforms, in economic performance and also in the outlook for the future.

This coming decade will bring the completion of transition only to a small group of countries. Most of countries with economies in transition will continue to go through those difficult changes.

These European diversities are very often bad and sad, but in these diversities there is also a potential and an excellent opportunity for sharing lessons, for sharing experience, for using the complementarities for cooperation, and these diversities in fact give us an excellent instrument for cooperation, a good basis to work jointly for Europe.

Let me also make one more general remark, which I think is important for our discussions today. Over the last ten years, in most debates we had on Europe, we usually focused on changing Europe, on enlarging Europe, on the Economic and Monetary Union (EMU), on all sorts of macro-economic changes, but we did not have enough discussions on structural change, on structural consequences of enlargement, on structural consequences of the EMU, on new international division of labour, which has been emerging in Europe over the last ten years, on productivity, on competitiveness.

Important about this seminar is that it gives us a chance to look more carefully into those relatively neglected issues in our discussion on Europe. I said a minute ago that we in Europe are condemned to cooperate, but it is extremely important that the cooperation and partnership which we find in the title of the Forum are seen as a major instrument for the countries in transition, for those who need it, and most of us need it, to accelerate growth, reforms and regional structural and social changes, and also to better use opportunities that are brought by globalization.

The partnership and cooperation you have in the title of the Forum, is not only the cooperation between governments of the countries in Europe, but it is also the cooperation between the governments and business community. We all have noticed that recently governments, also in Europe, reach out to the business community much more frequently than in the past, and these governments do not reach to private business community only for investment money that they need especially for infrastructure. You cannot do it without the public private partnership. Governments reach out to the private sector also for ideas, very often for people, and also recently to share social responsibilities.

You might have noticed that around the world we have more and more business advisory councils – nearly for every major initiative, like for the Stability Pact in Europe there is a business advisory council. There was also in July this year the Global Compact launched by the UN Secretary-General reflecting the search for collaborative arrangements with the business sector. There are also many events

that UNECE organizes in Geneva, like the ECE Intergovernmental Conference on Financing for Development preceded by the Forum on Public Private Partnership for Infrastructure to be held this coming December. It is obvious also from your papers that to use new technological revolution for the development we cannot make it without this partnership between governments and private sector.

There is also the need for cooperation and partnership between and with the international organizations. There is a tremendous role to be played by the international community in Europe. The role of the international community is not only to provide a stable international environment, to convince governments that it pays to embark on reforms, and to assist in those reforms. The role of the international community is also to see the consequences of their policies, to ensure access to markets, also financial ones, for those in need. It is important that we see the proper role of the international community, sometimes even a very modest role is crucial, for example that we are here to provide a forum getting people together to speak and to share their experiences and lessons.

I want to say also a few words on industrial change in Europe. I think it took us some time - probably too much time - to realize that we need also industrial integration of countries with economies in transition into the broader European economy, which of course must be seen in the light of the fundamental new phenomena in the international market economy, which you are going also to discuss. We must admit that the transition has created in Europe a new regional economic heterogeneity, which opens new production possibilities, which opens also the opportunity of a significant production reorganization that creates and sustains growth and make firms in the region competitive.

Much of Europe's competitiveness will depend upon the extent, speed and nature of catching-up processes in countries with economies in transition, in the course of which companies must find their competitive positions in Europe and countries must find their comparative advantages within a new market. There is already a great variety in the patterns of eastern entanglement with the western trade, production structures and alliances. There is no doubt that eastern producers have already started to participate in this ongoing reorganization of production in Europe and in the global world

The real debate today should be about the ways and means to accelerate this process, which has already started as it provides possibilities for a continued development.

This is in fact what UNIDO has been doing and this is important, because there are countries that do better but there are also countries that need much more assistance than we have been able to provide so far.

We all know that even though in Central and Eastern Europe most of the countries share much of their experience of transition, there are nonetheless particular national choices which are centred around sequencing and character of liberalization, stabilization, privatization, institution building, transition strategies and policies. These particular national choices generate implicit development strategies. These specific choices have in a natural way generated different mixes of firms and engagements with global and European producers in individual countries. So there is a lot of experience already to share in our efforts to assist countries that need assistance.

To conclude, let me tell you that most successful countries from among those that

go through transition, that go through those difficult changes, are the countries which actively shape competitive advantages through education, research and development, institution building, stable regulatory framework, through effective mobilization of financial resources, through developing a framework for an effective public private partnership, and using the bottom-up approach for development. The successful countries are also those, which have first succeeded in learning what is the new pattern of competition in Europe and in the world.

We all know today that competitiveness is man-made. You can develop competitiveness; it is no longer based on inherited factors and endowment. However, to really make it happen there is no doubt that we must work together. That is why I am so grateful for bringing me here. There will be more of us to work in Europe and for Europe.

Thank you very much.

## **SUMMARY OF FORUM**

## **Introduction: Marginalization vs. Prosperity**

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Together with the Hungarian Ministry of Economic Affairs and Foundation for Small Enterprise Economic Development, UNIDO organized on 11 and 12 October 2000 a Regional Forum on Industrial Cooperation and Partnership in Central and Eastern Europe and the Newly Independent States in Budapest.

The purpose of the Forum was to produce recommendations to governments and industry in the countries of Central and Eastern Europe and the NIS on how to address the problems encountered during the process of transition to a market economy. Discussions at the Forum also highlighted how UNIDO, as a multilateral technical assistance organization, could serve as a partner in efforts to advance sustainable industrial development in the region through providing technical assistance, promoting investment and other forms of industrial cooperation, assisting to mobilize financial resources, and carrying out global forum activities.

As such, the Forum was part of a series of UNIDO global forum activities designed to address the question of how to improve the creation and distribution of the gains brought by the process of globalization, and to ensure that the outcome of the process of globalization was prosperity rather than marginalization of the countries of the region. It was understood that this would only happen if the real economy - and particularly industry - was at the center of this development process. Moreover, the growth process, as it resumes in all the countries of the region, would only be meaningful if the growth led to sustainable development, and if this transition process encompassed the employment generation, social, and poverty reduction dimensions of development.

In order to address these and other considerations, the UNIDO Regional Forum addressed three specific themes: Globalization and the Integration of Industries in the Region; Environmental Management, Climate Change, and Industrial Energy Efficiency; and Support to the Private Sector and Partnership Development. In the sessions devoted to each of these themes, leading international experts outlined some of the major challenges facing the countries of the region in each of these areas, and in the discussions the participants addressed each of these themes, particularly as they relate to their countries. UNIDO staff will then examine the potential role of multilateral organizations in supporting the efforts of the countries of the region in responding to each of these challenges.

## Session I: Globalization and Integration of Industries in the Region

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The starting point for the discussions in Session I was the realization that globalization was one of the most demanding challenge for the contemporary world and entailed the qualitative changes in the behaviors of individuals, nations and the governments. Social and economic life was affected by globalization in many ways. It also had a tremendous impact on technological change, which in turn was the major driving force for the emergence of globalization. These technological changes also had a direct impact on the sustainable development of the manufacturing sector, on production culture, on managerial behavior, and on the quality of industrial goods. Thus, globalization brought about qualitative changes in the manufacturing sector and posed many challenges to enterprises, regardless of the size of the enterprises, and led to changes in traditional cross-sectoral linkages and transnational ties.

UNIDO, with its mandate in the field of industrial development in general, could not ignore the fact that it was just this globalization which was a driving force of change in manufacturing industries, including those in Central Europe and NIS region.

The discussions in the Forum highlighted the fact that it was some ten years since the centrally planned economy system fell apart in this region. This happened in parallel with disintegration of the former Soviet Union and of former Yugoslavia, as well as with a shift of political alliances and dismantling of the former economic integration in the region. All the countries of the region had started to cope not only with the new challenges posed by systemic economic transformation, but also with the new phenomenon of globalization. The traditional political ties had ceased to exist and new ones had emerged. The region as a whole had become increasingly heterogeneous, and the individual countries had started to try alone or in small groups to develop their new identity within the prevailing circumstances. This applied also to their efforts to rebuild their manufacturing strength and regional economic ties.

Against this background UNIDO's Forum had the objective of creating a regional platform for exchange of experiences and lessons learned in the course of economic transformation and its impact on the manufacturing sector. The first session aimed at presenting the phenomenon of globalization, analyzed the real impact of globalization on the manufacturing sector in the region as a whole as well as in its individual countries, and presented an overview of the technological challenges facing EU pre-accession countries.

In this way the Forum identified those opportunities for cooperation along the line of UNIDO's mandate and Service Modules where UNIDO's services could be useful to enable the member countries to benefit optimally from globalization. The Forum also contributed to strengthening regional economic relations, the traditional pattern of which had been transformed over the last decade.



## Session II: Environmental Management, Climate Change, and Energy Efficiency

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A new geography of social and natural processes has taken shape as a result of globalization and the world-wide shifts in economic and political activities. The consequences of this have been manifold, ranging from social conflict to environmental degradation. A key issue was the impact of that development on the materials cycle - the flow of materials from nature to society, and the growing problems of waste and pollution that this brings. This challenge raised a number of policy issues that UNIDO wished to address in this session.

Background pollution in significant rivers such as the Danube is acknowledged to be a source of serious concern requiring a shift in thinking from dealing with problems on an ad hoc basis to one based on ecosystems. Rather than simply ignoring this, managers and policy-makers need to understand the sources of uncertainty and the risks that this poses, and make efforts to communicate these to society at large.

Presentations at the Forum argued that the effective management of industrial processes requires that the true environmental costs of pollution were taken into account. In the Danube River Basin there were a variety of sources of pollution which were of concern. In moving towards a legislative regime in which the concept of polluter-pays is embedded, many industries would now need to re-examine their cost-effectiveness in terms of their environmental liabilities. Without a strong legal and social framework for the environment, social exclusion would increase. A regulatory ladder tied closely to industrial development and economic policies must reflect the public goods that the environment provided. To ensure that this was the case, the role of international bodies such as UNIDO was vital.

Parallel to these developments in international waters was the fact that the danger of major climate change caused by human activity was perhaps the most serious threat the world had ever faced. After the Parties signed the Kyoto Protocol, countries are no longer free to allow unlimited emissions of greenhouse gases. For the first time, specific commitments to limit emissions had been formulated, and in future there would be costs associated with the generation of emissions. All industrial countries would therefore have to alter their production and consumption patterns. A critical examination of energy use, materials use, production processes, waste management and transport had to be made.

The industrialized countries under the Convention were trying to return their greenhouse gas emissions to 1990 levels by the year 2012. They had also accepted emission targets for the period 2008-12. Use of the so-called "flexible mechanisms" was crucial for a successful implementation of the Kyoto Protocol. The Conference of the Parties in Berlin decided to start the work on Joint Implementation with a Pilot Phase until the year 2000. This Pilot Phase was meant to gather experiences with projects concerning climate reductions from all interested countries. The aim was to gain experience with the principle of cost minimization and emission reductions in identified projects.

There was a need to strengthen the incentives for engaging in these activities, especially for the private sector, and to review the potential for this as a result of the Kyoto Protocol. Further, there was a need to pursue measures to lower the transaction costs, which tended to be high in some cases. In this regard, it was noted that the transaction costs were likely to be reduced as a result of experience gained and as a

result of a larger project portfolio. International organizations like UNIDO could play an active and important role through working with industry in their Member States. This involved increasing the awareness of the problems and potential solutions, as well as training and dialog with governmental and industrial decision-makers.

## Session III: Support to Private Sector and Partnership Development

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Unemployment was one of the major problems which the countries of Central and Eastern Europe and the Newly Independent States were confronted with in their transition from a centrally planned to a market economy. It has also a sensitive issue, as the industrial restructuring process that took place during this process caused thousands of people to lose their jobs. Creation of employment was therefore at the centre of governments' attention.

The development of the small- and medium-sized enterprise (SME) sector was generally recognized to be the most effective way in generating jobs. UNIDO wanted to demonstrate in this Session how the Organization was responding to the needs of SMEs in a quickly globalizing market. Aside from job creation the SME sector could help the countries of the region to faster achieve the transition from a planned economy with its vertical subordination to a horizontal interaction among economic partners.

The challenge for UNIDO and the broader development community was to help to establish the appropriate framework and to provide the necessary support services to ensure that SMEs in transition economies were able to realize the greatest possible net benefits from the current internationalization of the world economy. The potential threats that this process implied for SMEs needed to be minimized, and the potential gains that they were able to derive from it maximized.

Transition economies needed to establish a comprehensive, coherent and consistent policy framework governing the operations of the private sector in general, and SMEs in particular. Such a framework should harmonize the policies, procedures, and laws for the regulation and promotion of the private sector. It was essential to provide the stable and predictable business environment in which private enterprise, especially the small and medium scale ones, could thrive. An appropriate institutional support infrastructure provided SMEs with a range of business development services, including training in production processes and management skills, research and development, technology acquisition, and marketing to strengthen their international competitiveness.

UNIDO's experience in technical cooperation, and in particular in the promotion of SME development, enabled the Organization to provide the policy and institutional support needed to bring SMEs in transition economies to the threshold level of efficiency that potential foreign partners were looking for. Similarly, through a variety of investment and technology promotion mechanisms, through subcontracting arrangements, and through the cooperation programme, UNIDO was also able to play a leading role in helping to broker international partnerships for SMEs.

Seeking to intensify its cooperation with the private sector, UNIDO had launched a Partnership Programme as a new approach for providing technical cooperation as a multi-dimensional partnership bringing together actors from government and civil society, from international and domestic industry, and from research institutions. The Programme aimed at creating a constructive, goal-oriented cooperation between UNIDO and the global business community. Catalytic interventions by organizations like UNIDO could help to bring the parties together, to make them understand the mutuality of their interests in such partnerships, and to create the appropriate business climate and support infrastructure in which such partnerships can flourish.

**CONCLUSIONS  
AND  
RECOMMENDATIONS**

## Session I: Globalization and the Integration of Industry in the Region

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### Conclusions

- At the dawn of the 21<sup>st</sup> century the countries of Central and Eastern Europe and the Newly Independent States are confronted with two major challenges: (i) Integrating into the global economy and (ii) achieving economic transformation using the manufacturing sector as a dynamic force in order to benefit from globalization. These two processes are interrelated. In order to benefit from globalization, no alternative way can be indicated but continuation of internal economic transformation. And vice versa: the economic transformation can become effective only under the condition of economic openness and participation in globalization. Thus, globalization has become one of the key determinants of transformation. Countries need to develop the required capabilities that facilitate effective global integration.
- Despite progress made in the sphere of integrating economies into the world economy over the last decade, there have been striking disparities among individual countries of the region as to the pace and depth of their integration. These inequalities result from an unequal start to the process of transformation, different economic strategies adopted to boost the process of reform, different levels of institutional support being established in those countries, geographic location, as well as integration with other countries. Disparities among the countries of Central Europe and Commonwealth of Independent States are seen mainly in the GDP level and pace of economic recovery over the last decade.
- The region is approaching the end of the first phase of transition. The main challenges of the next phase are associated with institutional strengthening and improved governance. At stake are three fundamental issues: achievement of sustainable macroeconomic growth; establishment of an efficient systemic and regulatory framework; and capability building through technological and managerial progress. In particular, the challenges relate to: transformation of the role of state from traditional direct intervention to the regulatory and supportive functions, continuation of structural reform, enterprise sector reform, especially boosting private sector development, enforcing of financial sector reforms, human resources development, improvement of physical infrastructure and reducing poverty and income inequality.
- The central dilemma relates to the choice of industrial policy concept from “no policy” to active government intervention. As intermediate institutional support systems tend to play an increasingly important role in propelling the wheels of rapid industrial transformation, public institutes play a pivotal role. The process is strengthened by interactive policy formulation, implemented and audited by both the governments and stakeholders of industrial development. In this process the priority attention of governments and business communities needs to focus on institutional capability building towards enhancing productivity growth and competitiveness in the skills of manufacturing sectors and export.

- As a condition for enhancement of convergence with the prevailing global trends, the transition economies should base their industrial strategies on a policy package, which include facilitating effective divestiture; liberalizing the trade policy framework; strengthening the infrastructural base for creating an enabling environment for attracting foreign investment. The governments need to cooperate among themselves across a wide range of issues, including the exchange of experience in macroeconomic management and micro economic efficiency.
- One of the most handicapped sectors is R&D. The spending per capita is several times lower than in more advanced economies. The scientific potential, especially of CIS countries, is in a critical state. Thus its role in fueling economic growth through providing high-technologically designed products is declining. The whole scientific complex is affected by declining State budgetary support. No alternative financial scheme is functioning properly. A new comprehensive programme of long-term cooperation is urgently needed.
- Globalization needs to be seen as a driving force for improving the quality of economic reforms. As such, it provides new challenges for economies in transition. These challenges become opportunities for possible intervention by UNIDO within the framework of close cooperation both with the governments and also with the private sector. This necessitates partnership building among States, the private sector and international organizations.

## **Recommendations**

- UNIDO's catalytical role as a neutral broker could be of particular relevance in the provision of public goods for ensuring proper industrial governance. The relevance of UNIDO's interventions would be of special importance in performing the global forum function through creating a regional platform for exchange of experiences and views on industrial development trends in the region. Equally important is assistance in designing proper scenarios and strategies for the development of the manufacturing sector in transforming economies. In this connection the member-states requested UNIDO to enhance its capacity and capabilities in conducting continuous and high quality studies on manufacturing sector development trends, challenges and impact of globalization on the transition economies.
- The member states requested UNIDO to continue the policy advice on improvement of the industrial governance systems, redesigning the role of the state in creating an enabling environment through adequate industrial policy measures, establishing and/or upgrading efficiency of its regulatory functions, promoting institutional capacity building as well as sequencing regional development at the country level. The latter is of particular relevance on the huge territories of selected countries in the NIS region, whereby the regional approach would have economic advantages.
- UNIDO's technical services were requested in promoting measures to boost competitiveness, productivity and quality of products in the manufacturing sector, as advances in productivity lead to more competitive economy and thus open access to foreign markets. The establishment of a Regional Centre for Productivity and Quality could play a positive role in this regard. In parallel, the member states appealed for technical support in integrating the R&D sector with manufacturing industry through, for example, setting up science

parks, designing incentives for innovation and commercialization of new knowledge and achievements in science and technology, new modalities of R&D financing, and building up domestic capability to attract foreign capital.

- **UNIDO was encouraged to focus on the technology foresight programme as an innovative policy instrument for forecasting various scenarios of technological development and thus stimulating advances in science and technology leading to higher competitiveness of enterprises. The objective of this regional initiative would be to raise awareness among countries in the region, to identify demonstration studies for specific sectors or themes, and to contribute to the strengthening of national focal points and to the creation of sub-regional centres of excellence in the foresight process. The programme is to be promoted in the CEE/NIS region, especially among EU membership aspirants, with Hungary playing a lead role. The experience of other regions and international organizations needs to be taken into account, particularly that one promoted in the Latin American region in cooperation with International Centre for Science and Technology in Trieste and IPTS (EC Directorate-General, Joint Research Centre Institute for Prospective Technological Studies) in the European region.**
- **Special attention should be devoted to the countries most handicapped by transitional changes, especially those who are confronted not only with economic transformation but also with the aftermath of civil wars experienced by some of them immediately after gaining independence.**
- **UNIDO as well as the traditional and emerging donor countries and international financial institutions were strongly requested to increase development resources to enlarge the scope and intensity of UNIDO technical cooperation programmes and projects in the economies in transition. They were also strongly urged to become more involved in ongoing large scale programmes implemented in this region under GEF, Montreal Protocol Fund, World Bank, EBRD and ADB.**

## Session II: Environmental Management, Climate Change, and Efficiency Energy

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### Conclusions

- The economic transformation of the manufacturing sector in the countries of Eastern Europe and Newly Independent States has brought with it a range of environmental challenges as varied as the industrial sector and industrial development of the countries of the region themselves. The different aspects of this diversity include: transboundary air and water pollution; environmental compliance related to EU accession; greenhouse gas emission; environmentally degraded industrial areas; and techniques and technologies for cleaner production.
- Several conventions, such as the Convention on Land Based Sources of Marine Pollution, the Convention on Cooperation for Protection and Sustainable Use of the Danube River and the Convention on Transboundary Pollution call for the compliance of industrial activities with environmental norms. Compliance with environmental norms for persistent organic pollutants and nutrients is of particular concern. The process of accession to EU requires that the countries should intensify their effort to comply with EU environmental norms and regulation.
- The Forum felt that the project-based flexibility mechanisms of the Kyoto Protocol (signed in 1997 as an extension of the UNFCCC), namely the Clean Development Mechanism (CDM) and Joint Implementation (JI), offered important opportunities to increase energy-related investment flows into the CEE/NIS region, particularly in terms of improving sustainability and efficiency of the whole energy system as well as reducing environmental impacts.
- Many industries in region fear that they will not be able to respond to social and environmental requirements without losing their competitive edge in international markets. At the same time, they are aware that if they do not meet these requirements, they will not be in a position to get access to new foreign markets or large international buyers who stipulate their own codes of corporate ethics. Thus non-compliers, primarily the largest exporting enterprises are being forced to reconsider environmental and social commitments of their operations.

### Recommendations

- A strong support was provided to incorporating cleaner technologies in the process of re-industrialization. UNIDO's national cleaner production centres and subsector environmental quality management programmes can provide entrepreneurs access to the latest developments in the field of cleaner technologies. The presence of national cleaner production centres in the region should be expanded to other countries that are currently not benefiting from this or similar programmes.



- UNIDO's special role should be associated with promoting programmes aimed at facilitating compliance with regional environmental norms. Programmes on integrated environmental management are of high importance for identifying geographic areas (hot spot) where reduction in industrial pollution is warranted and cost-effective. UNIDO's programme on the transfer of environmentally sound technology in the Danube River Basin (TEST) can assist in building capacity in industrial support institutions to advise enterprises how to make technology upgrading investments that would bring them into compliance with environmental norms while taking into account the needs to remain competitive and to deal with the social consequences of technology upgrading.
- The Forum welcomed UNIDO's involvement in implementation of three other large-scale environment protection programmes that aim at reducing industrial pollution through different measures and methodologies. The concept of integrated environment management (IEM) will be promoted within the framework of the project on the Strategic Action Programme (SAP) for Dniepr River Basin. Another project on the Tisza River - Environmental Management and Pollution Control - will aim at the identification of persistent industrial environmental pollution control sources. A third project addressing transboundary environmental issues will be promoted in the Caspian Environment Programme.
- The Forum supported UNIDO's involvement in the intergovernmental Kyoto Protocol process. Furthermore, it was felt that UNIDO's assistance could be effectively utilized in building capacities for implementation of CDM/JI projects in the region and for other projects and actions in energy-intensive industry sectors.
- UNIDO's assistance could be effectively used in identifying, formulating and executing GEF-financed climate change projects to support sustainable energy supply and use in CEE/NIS countries in the framework of the GEF's overall operational strategy. In particular, UNIDO could thus be instrumental in the execution of operational programmes in fields such as:
  - Removing barriers to energy efficiency or to the implementation of climate-friendly, commercially viable technologies. Such barriers may include price distortions, regulatory barriers and biases, lack of information, insufficient management capacity, inability to analyze non-traditional projects, higher perceived technology risk of the alternative technology, high transaction costs, high initial costs, poor access to credit, appropriation effects (investment benefits cannot be recovered by the agent that bears the costs);
  - Rural renewable energy projects (such as solar, wind, and biomass energy for lighting, water heating, cooking, and water pumping) and energy efficiency projects (such as those for increasing the efficiency of wood or charcoal burning stoves) that would help reduce unsustainable use of firewood; and
  - Reduction of the long-term costs of low-greenhouse gas-emitting energy technologies.

- Equally important is UNIDO assistance in meeting the social and environmental demands of foreign markets. Most small and medium size enterprises, experience difficulties as to adapting the technical and managerial changes that would enable them to meet emerging environmental and social standards within their technical and managerial resources. The UNIDO "triple bottom line" programme aims to build capacity in institutions to provide a comprehensive set of services to manufacturing enterprises that would assist them in understanding and complying with the environmental and social standards.

## Session III - Private Sector Development and International Partnerships in the European and NIS Region

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### Conclusions

- In the ten years that the transition to a market economy has been underway in the region, the contribution of the private sector to GDP has grown tremendously, although the levels vary from country to country. While privatization of state-owned enterprises has been important, much of this change is due to new businesses created by individuals, once restrictions on entrepreneurial activity were lessened. However, further development of the private sectors in the region is needed, and particular attention needs to be given to development of Small and Medium Enterprises (SMEs).
- SMEs are important for both general economic development and for poverty alleviation. They contribute to a more efficient allocation of resources since they tend to adopt labour-intensive production methods that reflect the resource endowments of the countries of the region. They help to support the building of systemic productive capacities by absorbing productive resources at all levels of the economy and contributing to the establishment of systems in which small and large firms are linked. They can also provide income-generating and job creation opportunities for the poor.
- To enhance the contribution of the SME sector to the economic development of the region, there is a need for further effective measures to promote entrepreneurship and SME development. There are two areas in which activities are especially needed: strengthening of the policy framework for private sector development, and institutional capacity building to upgrade the skills, knowledge, and information that the private sector requires. The policy framework should provide an enabling environment for the private sector, one in which business creation and expansion are encouraged, though not through excessive subsidies or incentives that distort markets. Generally, this requires liberalizing government policies and regulations on business registration, reporting, and taxation. The institutional capacity-building should concentrate on strengthening those institutions, public and private, that provide entrepreneurs and businesses with the information, knowledge, skills, training, and other business development services that contribute to their becoming efficient firms operating in competitive markets.
- Capacity building at the regional and local levels and creating more decentralized networks of support providers are key parameters. Small promotional or advisory agencies catering for a clearly defined target group are closer to their clients and have on average performed better than centralized structures. Furthermore, emphasis should be placed on building up local capabilities both of local authorities dealing with economic development as well as of local business representative organizations.
- The countries of the region are at different stages of their transition process, reflected in the diversity of SME sector structures. For example, concerns of SME sector with advanced level of competitiveness in Hungary are radically different from issues of removing policy and cultural barriers to entrepreneurship development in Central Asian Republics. But, also within the

same country, SME sector is diverse ranging from micro family enterprises on one hand to sophisticated export-oriented medium-size companies on the other. Policies to address the needs of SMEs should therefore take into account the very different needs of the micro-, small- and medium-enterprises in terms of technical support, access to finance, legal and other regulatory demands.

## **Recommendations**

- An SME policy dialogue should be initiated that would allow an exchange of experiences between countries in the region. The creation of an enabling environment for the private sector, and for SMEs in particular, is more advanced in some countries than in others, and a sharing of experience may accelerate the process by enabling some countries to modify and adapt lessons learned to their situation.
- Because the nature of the economic transformation in the region differs from the experience in other regions, best practices for private sector development should be developed that recognize the differences among regions and among countries within the region. For example, business centres are a common development tool in the region, and specific guidelines on their establishment and effective operation could be developed based on the experience to date.
- An integration into global value chains of large transnational corporations (TNCs) can be a very effective means of promoting SMEs. Provided they are able to deliver high-quality products (which can either be final products or components) on competitive terms, they would get access to regional and global markets and could, over time, upgrade their technological and managerial capabilities. Forging such links between TNCs and SMEs can be facilitated through a multi-sectoral approach involving partners also from government, research and civil society. The possibility of launching partnership programmes along the lines of UNIDO's successful experience in India's automotive component industry should be explored with the countries of the region.
- In the context of the above recommendations, UNIDO has a key role to play.

First, by continuing and consolidating its well established SME programmes for the benefit of the region, including

- Policy advice (formulation of SME development strategies and action plans; initiating appropriate institutional arrangements for implementation and monitoring of policy measures and support programmes; facilitating the dialogue between representative business organizations and public bodies on SME policy; enhancing capacities of business representative organizations to actively participate in the policy dialogue);
- Industrial business development services (supporting the design, establishment/strengthening of business service centers operated by a variety of public and private service providers; developing an industrial business incubator model that will help to create modern, industrial

businesses, on a significant scale, in way that responds to the challenges and opportunities emanating from globalization );

Second, by providing a platform for exchange of experience among the countries in the region, in particular for a dialogue on SME policies and programmes with a view to identify best practices and disseminate them for adapting to specific country, regional, local conditions.

Third, by launching innovative programmes specifically tailored to the needs of the region, including partnership programme with TNCs for enhancing SME suppliers' competitiveness; support to emerging SME clusters to achieve collective efficiency; and overall local enterprise development initiatives that pursue growth with equity.

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