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**FORUM ON ENTREPRENEURSHIP IN THE UNECE REGION:
THE KEY BUILDING BLOCKS, CHALLENGES AND OPPORTUNITIES**

Geneva, 10 February 2005

Information Notice No.1 by the UNECE secretariat*

Introduction

1. The key mission of the United Nations Economic Commission for Europe (UNECE) is fostering economic cooperation in its region. The UNECE region consists of 55 countries and covers the North America, the whole Europe, the Commonwealth Independent States, Turkey and Israel. Relatively recent and considerable changes in the structure of national economies and sources of economic growth, driven by global competition, sharp decline in transport cost, collapse of trade and non-trade barriers for trade and the rapid advances and diffusion of

* New accreditation procedures have been introduced for all delegates attending meetings held at the Palais des Nations. Delegates are therefore requested to complete the attached registration form also available from the Internet Web site of the UNECE Industrial Restructuring, Energy and Enterprise Development Division (<http://www.unece.org/ie>) and to transmit it to the UNECE secretariat, at the latest two weeks prior to the Forum, either by fax (+41-22-917-0178) or by e-mail (marina.dolgova@unece.org). Prior to the session, delegates are requested to present themselves at the Pass and Identification Unit of the UNOG Security and Safety Section, located at the Villa Les Feuillantines, 13, Avenue de la Paix (a map is attached) for the issuance of an identification badge. In case of difficulty, please contact by telephone the UNECE secretariat (internal extension 71964).

information and communication technologies, have also reshaped the prerequisites and nature of such an economic cooperation. It has become clear that the globalized world economy has created numerous challenges but also opportunities in terms of economic growth, productivity, innovations and employment for countries from the UNECE region. Despite the fact that, in general, market developed economies has adjusted satisfactory to the globalization trend, several key challenges continue to disturb relatively favourable economic developments and remain to be addressed. Creating favourable conditions for sufficiently strong economic growth and employment growth with adequate salaries and wages are among those challenges. Furthermore, despite the fact that they are being currently hotly debated, little consensus has emerged on how to handle them. However, one conclusion seems to emerge: expected rates of economic growth coupled with permanent corporate restructuring in search of lowest-cost production locations will not be sufficient to absorb available labour force in developed market economies. This inadequate employment creation would concern almost equally unskilled and highly skilled workers in particular in those activities where information and communication technologies would play the key role.

2. It has been estimated that the economic growth prospects in emerging market economies would be even less adequate to address the pressing employment issue in those countries in next two to three decades. In this respect they seem to be victims of several contradictory trends including the need to increase total factor and labour productivity, opening of new large countries for international product and factor competition, such as China, India and Brazil, and accelerated economic policy convergence with developed market economies in particular the European Union. With the desire to stabilize their economies, reduce inflation and attract so much need foreign direct and portfolio investment, many of those countries had to give up two key flexibility instruments. Firstly, as a rule, exchange rates have been pegged to Euro or a basket of international currencies, which has removed the exchange rate policy as the economic adjustment instrument. Secondly, the strict budget discipline is in place in many of emerging market economies. While it is certainly favourable for the long-term economic prospects, in short and medium-term, it does not allow any freedom in fiscal matters including stimulating domestic production or sectoral market adjustments. Given the strong globalization pressures from countries with unlimited supply of labour and young population not accustomed to certain level of social protection and provision of social services, wage flexibility as the only remaining key adjustment instrument has also greatly lost its importance. Therefore, in many instances emerging market economies have lost the ability to influence their international competitiveness, foster economic growth and employment creation and shield their industries and jobs often based on falsely-perceived low wages. Resulting decline of job offerings and general economic insecurity has provoked considerable emigration flows from those countries and intensified immigration pressures to developed economies in the UNECE region. It should be underlined, those immigration flows are only additional to immigration coming from Africa, Asia and South America.

3. “Denationalization” of not long time ago celebrated major national industrial, service and financial corporations through globalization of their shareholder structure and their increasing focus on purely financial quarterly and annual results seem not to bode necessarily well for buoyant economic growth and employment growth in the UNECE region. Ever increasing size of companies to reduce costs, operate globally but also to suppress competition in some instances, outsourcing of production and services as well as fiscal concessions provided by many

governments in third countries could act as a further drag on prosperity and employment in the UNECE region.

4. The above-described framework has not been conducive both to vigorous economic growth and employment creation in the last decade both in developed market economies and in emerging market economies. In addition to not contributing to economic prospects, it could in long-term threaten also political and social stability in the region possibly causing considerable damage in economic and social sphere.

5. There is considerable evidence to believe that renewed focus on entrepreneurship could be a key in addressing successfully pressing economic growth and employment issues in the UNECE region with almost no country being the exception. If appropriately treated by governments, including favourable legal, regulatory and tax framework, entrepreneurship could bring along a spur in inventions and innovations, create new wealth, provide new jobs in particular for highly skilled workers and strengthen democratic trends. In addition, it could be an important outlet for middle-skilled and low-skilled labour force pursuing “the necessity path” in entrepreneurship. Finally, it could be a driving force not only in the structural changes but also in opening new growth avenues and in supporting desirable rates of economic growth, productivity and employment in the UNECE region.

6. The potential entrepreneurship impact on democracy could be of utmost importance for the UNECE region.¹ While mature enterprises are mostly interested in stability and protection of market share, in a way maintaining status quo, with ambivalent consequences for democracy, entrepreneurs starting new enterprises seek a level playing field. Those entrepreneurs expect also the society to reward taking entrepreneurial risk and not to penalize failure. Thus, it is the freedom of thought and action of entrepreneurs who are not satisfied with current state of technology or with prevailing business models, which is closely aligned with democracy. Entrepreneurs have many characteristics that encourage “out-of-the box” thinking and expression. These characteristics help encourage freedom of expression, one of the basic tenets of democracy. Following this line of reasoning, fostering entrepreneurship supports not only economic growth, productivity and employment but also strengthen the political and social system in market economies.

7. A broader reliance on entrepreneurship, therefore, could become a cornerstone of economic growth both in developed market economies and emerging market economies. The lessons abound from the two last decades characterised by considerable, and sometimes revolutionary, technological advances in new technologies for computing, telecommunication and related industries, with subsequent profound changes in economy and society with the emergence of the knowledge-based economy. Entrepreneurship contribution was critical to the rise of key information and communication technologies leading to the introduction and subsequently dramatic rise in the use of Internet and fast development of software industry accompanied by rapid development in the processing capacity of personal computers. There is solid evidence that entrepreneurship effort in a suitable environment led to the considerable advances in the information and communication technologies, which have in turn contributed

¹ This paragraph has relied heavily on Mario Cardullo, “Entrepreneurs, Capital and Democracy”, Unpublished note, p. 1-2, Washington DC, 2004

decisively to productivity growth and economic growth as a whole, in particular in the advanced economies.

8. Successful entrepreneurship through the creation of new products and improvement of existing business models also leads to increasing consumer satisfaction, enhanced competition, downward pressure on prices and removal of barriers of entry in many industries. In addition, in some industries, selected inventions and their rapid adoption has led to changes in the minimum optimal size of firm. Those pressures resulting from successful entrepreneurship have brought protracted corporate restructuring as well as a spectre of attractive business opportunities and have influenced economic activity across-the-board. It is clear that a flourishing entrepreneurship in selected segments of the economy could be a reliable indicator of potential rewards and benefits associated with entrepreneurship both on the macro and micro levels.

9. However setting the right framework for entrepreneurship seems to be very challenging even in the most developed market economies in the UNECE region. While related debates often focus on taxation, cost of opening business, bankruptcy procedures and other tangible issues of importance for entrepreneurship, in fact a broader fairly complex framework should be first set in place. While setting right taxation, cost of opening business and bankruptcy procedures might give some comfort to would-be entrepreneurs; those policies and actions would not motivate them much. Obstacles for entrepreneurship are often embedded in the nature of society and economy including education, structure of society, and income distribution as well as in the lack of financial markets.

10. Obstacles to successful entrepreneurship are in particular difficult to remove in emerging market economies. First of all, their political reforms coincided with a difficult transition process characterised by output decline, increasing unemployment, sometimes collapse of the key industrial enterprises and a rapid deterioration of economic activity in provincial areas. Democracies are not yet very strong and quest for stability is often on the top of political agendas. In this framework, it is understandable that the recently-admitted new EU8 countries (Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia and Slovenia) are in incomparably more difficult position to focus on entrepreneurship when compared to the core EU15 countries. Other emerging market economies, including central Asia and the Caucasus as well as some countries in southeast Europe are far from having the minimum required conditions in place for genuinely fostering entrepreneurship. Paradoxically, entrepreneurship is one among few available alternatives for the emerging market economies to re-launch their economic activity and provide true employment opportunities.

Mandate

11. The WPIED and the Committee on Trade, Industry and Enterprise Development (CTIED) have requested the UNECE secretariat to refocus the UNECE entrepreneurship programme on its key generic elements leading to its impact on economic growth, productivity and employments in the UNECE region as a whole with a particular attention to emerging market economies. Having in mind that entrepreneurship and enterprise development proved to be the precondition for the continuation of the strong economic growth and jobs creation in the whole UNECE region, UNECE member-countries have requested the UNECE to explore ways in fostering of entrepreneurship and its impact on economic growth in the region. In response, in cooperation

with the key governments the UNECE, new structure of the UNECE entrepreneurship programme has been unveiled at and adopted by the WP.8 Bureau on October 1 in Geneva. Representatives of the France, United States of America, United Kingdom, Russian Federation, Hungary, Turkey and Switzerland have actively participated in the Bureau's work.

Expected Achievements

12. The Working Party on Industry and Enterprise Development (WPIED) aims to achieve the following three key goals during the Forum:

- Assessment of capacity and gaps in fostering entrepreneurship for economic growth and development in the UNECE region and its key member-countries
- Elaboration of the key building blocks for successful entrepreneurship in the UNECE region both for developed market economic and emerging market economies
- Identification of policies and measures on entrepreneurship currently in place and of those policies and measures, which would be conducive to the enhanced entrepreneurship for economic development.

13. In executing its Entrepreneurship Programme, the WPIED intends to use educational seminars; research and assessment of the state of entrepreneurship for individual UNECE countries, in particular of economies in transition; develop best entrepreneurship practices for the UNECE governments; focus on related standards, norms and methodologies, and if the conditions would allow to facilitate and execute related projects to demonstrate these best practices and attract required financial support for entrepreneurship development. Based on the described range of activities, policy considerations, recommendations and guidelines on entrepreneurship for economic development in the UNECE region would be developed. Those recommendations and guidelines would address both the key entrepreneurship broad issues as well as its key building blocks in as many details as possible.

Purpose and scope of the Forum

14. In the framework of its above-mentioned entrepreneurship programme of work and the underlying importance of entrepreneurship in its generic sense for the economic prosperity in the UNECE region, the Working Party on Industry and Enterprise Development (Working Party 8) has organized a Forum on Entrepreneurship in the UNECE Region: The Key Building Blocks, Challenges and Opportunities, to be held on 10 February 2005 at the Palais des Nations, Geneva, Switzerland. The event will be divided into four sessions: Capital Formation, Cultural Awareness and Preparation through Education, Role of Innovation and Legal and Regulatory Structure.

15. The main purpose of the Forum in Geneva is to identify and review the most important entrepreneurship issues in the UNECE region. The identification and assessment of those issues will serve as the focal point for the further development, refinement and implementation of the WPIED generic entrepreneurship programme of work with a tangible impact on economic growth, productivity and employment in the UNECE member-countries. It could also serve as the reflection and evaluation point for the governments involved in improving the entrepreneurship policy and regulatory settings in this key economic activity. At the same time,

the event will be structured in such a way that an effective interface could emerge among policy makers in the UNECE governments, entrepreneurship experts, successful entrepreneurs, financial institutions and other interested parties. The Forum is expected to provide a productive and objective platform for the exchange of knowledge, experience, and ideas among the key government and entrepreneurship players in the region.

16. During the Forum some consideration will be given to potential policy and corporate responses with regard to the promotion of entrepreneurship emerging market economies. Several key issues in this challenging area will be addressed such as the creation of a more favourable investment climate, involvement of the domestic financial sector in the industry, respect of the rule of law and intellectual property rights.

Participation

17. Targeted participants for this Forum are the leading entrepreneurship experts, high government officials, representatives of venture capital and private equity, successful entrepreneurs, entrepreneurship-related foundations and other interested senior officials from the governments of the UNECE member-countries as well as senior executives of leading financial and non-financial companies from the UNECE region. Invitations will be also extended to selected international organisations such as the European Union and appropriate individual experts and major international entrepreneurship players located outside of the UNECE area, such as in Japan and China. A participation of approximately 120 experts and officials is envisaged.

Provisional programme

18. Under the guidance from the Bureau of the Committee on Trade, Industry and Enterprise Development and the Bureau of the Working Party 8. and their Chairpersons, the UNECE secretariat has developed a provisional programme for the forthcoming Forum on Entrepreneurship in the UNECE Region: The Key Building Blocks, Challenges and Opportunities, to be held at the Palais des Nations in Geneva on 10 February 2005. The programme will be refined in due course and individual slots of time will be assigned to qualified speakers, both for the private sector and the UNECE governments.

19. Interested executives, experts and officials are invited to submit their proposal to the UNECE secretariat for presentations on the topic indicated in the programme as well as on the closing morning and afternoon panel discussions. The proposals should be received by 15 December 2004 while a brief outline of the proposed presentation should be sent to the UNECE secretariat at latest by 10 January 2005.

Provisional programme

Wednesday, 9 February 2005

18.00 – 20.00 Reception at the Restaurant at the 8-th Floor of the Palais des Nations

Thursday 10 February 2005

10.00 – 10.15 Welcome and brief introduction, by Mr. George Kowalski, Director, Industrial Restructuring, Energy and Enterprise Development Division, United Nations Economic Commission for Europe

10.15 – 10.40 Key entrepreneurship trends in the UNECE region: Challenges and Opportunities – Keynote speech – by Mr. Christian Poncelet, President, the French Senate (invited)

Session 1. Capital Formation for Entrepreneurship

Chairman: Mr. Mario Cardullo, Counsellor, Technology and Entrepreneurship, Office of the Under Secretary, International Trade Administration, U.S. Department of Commerce, Washington DC, U.S.A.

10.40 – 11.00 Key issues in capital formation for start-ups and SME (technology) enterprises

11.00 – 11.20 Early stage financing for entrepreneurship

11.20 – 11.35 Financing for entrepreneurship at mature stages

Session 2. Cultural Awareness and Preparation through Education

Chairman: Mr. Michael Caslin III, CEO, National Foundation for Teaching Entrepreneurship (NFTE), New York, U.S.A. (invited)

11.35 – 11.55 Entrepreneurship education: Mechanics, Models and Lessons

11.55 – 12.15 Entrepreneurship education models

12.15 – 12.30 Cultural Awareness for Entrepreneurship: Current State and Prospects

12.30 – 13.00 Panel: Identifying and Implementing the Best Policies for Financing and Education in Fostering Entrepreneurship in the UNECE Region, Chairman: to be nominated

13.00 – 13.30 Press Conference for key participants (up to five)

13.00 – 15.00 Lunch Break

Session 3. Role of Innovation in Entrepreneurship

Chairman: Mr. Carl Schramm, President, Kauffman Foundation, Kansas, U.S.A. (invited)

- 15.00 – 15.20 Role of innovation for development of technology enterprises
- 15.20 – 15.40 Obstacles and mechanics in Commercialization of technology in corporate world
- 15.40 – 16.00 Intellectual property issues in entrepreneurship

Session 4. Legal and Regulatory Structure

Chairman: Ms. Elizabeth Wahab, Chief Operating Officer, The Goldman Sachs Foundation, New York, U.S.A. (invited)

- 16.00 – 16.20 Creating of a legal and regulatory framework for entrepreneurship: international perspective
- 16.20 – 16.20 Key legal issues in entrepreneurship
- 16.40 – 17.00 Reforming legal and regulatory framework for entrepreneurship
- 17.00 – 17.30 Panel: State of Entrepreneurship in the UNECE region: what is the role of Education and Legal Systems, Chairman: to be identified
- 17.30 – 18.00 Concluding Remarks and Closure, by Mr. Christian Poncelet, President, French Senate, Mr. Mr. George Kowalski and Mr. Mario Cardullo, Mr. Carl Schramm, Mr. Michael Caslin, Ms. Elizabeth Wahab.

Note: Programme and titles of individual presentations are subject to change and will be refined in due course.

Organisational Matters

The official languages of the meeting will be English, French and Russian. There will be simultaneous translation.

The Forum will take place at the Palace des Nations, Geneva, Switzerland.

To benefit from the preferential UN hotel rates in most of Geneva hotels, the Forum participants are requested to reserve their rooms directly and as early as possible and identify themselves as the participants in the UN organized events.

All participants are expected to cover their travel and lodging cost.

For all visa enquiries for Switzerland, please contact Ms. Marina Dolgova in the UNECE secretariat, Geneva, Switzerland, with her contact details given below.

Interested participants are invited to complete and return the attached registration form, preferably by E-mail to:

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UNITED NATIONS OFFICE AT GENEVA

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Organization or Agency

Participant

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Mrs. _____

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