

**REPORT AND RECOMMENDATIONS
OF THE WORKSHOP ON
“ENHANCING THE COMPETITIVENESS OF SMALL AND MEDIUM SIZED
ENTERPRISES IN THE OIC MEMBER STATES”
(Ankara-Republic of Turkey, 12-14 June 2012)**

1. In accordance with the resolution of the 27th Session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC), the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and the Islamic Development Bank Group (IDBG) organized, in collaboration with the Small and Medium Enterprises Development Organization of Turkey (KOSGEB) and SME Corporation Malaysia (SME Corp Malaysia), a workshop on 12-14 June 2012 in Ankara, Republic of Turkey as a preparatory event for the Ministerial Exchange of Views Session on the theme “Enhancing the Competitiveness of Small and Medium Sized Enterprises in the OIC Member States” during the 28th Session of the COMCEC, to be held on 8-11 October 2012.

2. Representatives of national agencies responsible for policy making related to SMEs in the following Member States attended the Workshop:

1. Republic of Azerbaijan
2. Kingdom of Bahrain
3. People’s Republic of Bangladesh
4. Republic of Cameroon
5. Republic of Djibouti
6. Arab Republic of Egypt
7. Republic of Gabon
8. Republic of The Gambia
9. Republic of Indonesia
10. Republic of Iraq
11. Islamic Republic of Iran
12. Hashemite Kingdom of Jordan
13. Republic of Kazakhstan
14. State of Kuwait
15. Malaysia
16. Kingdom of Morocco
17. Federal Republic of Nigeria

18. Sultanate of Oman
19. Islamic Republic of Pakistan
20. Kingdom of Saudi Arabia
21. Republic of Senegal
22. Republic of Tunisia
23. Republic of Turkey
24. Republic of Uganda
25. Republic of Yemen

3. In addition, representatives of the OIC General Secretariat, COMCEC Coordination Office, Islamic Development Bank Group (IDBG), Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and Islamic Centre for the Development of Trade (ICDT) attended the Workshop.

4. The Workshop was also attended by experts from the Organisation for Economic Cooperation and Development (OECD), United Nations Development Programme (UNDP), Martin J. Whitman School of Syracuse University, USA, Economic Policy Research Foundation of Turkey (TEPAV), Albaraka Turk Participation Bank and Halk Bank of Turkey.

Opening Session:

5. Following the recitation from the Holy Qur'an, the message of H.E. Prof. Ekmeleddin İHSANOĞLU was read by Mr. Naghi JABBAROV, Professional Officer at the Economic Affairs Department of the OIC General Secretariat. Opening statements and addresses have been also made by Mr. M. Metin EKER, Director General of COMCEC Coordination Office, Mr. Mustafa KAPLAN, President of Small and Medium Enterprises Development Organization of Turkey (KOSGEB), and Dr. Savaş ALPAY, Director General of the SESRIC.

6. In their opening statements, the speakers emphasized the importance of the workshop to identify the main common obstacles and challenges facing the SMEs in the OIC Member Countries, particularly for enhancing the competitiveness of these important economic establishments. They emphasized the significant role of SMEs in the economies of the member countries and expressed the need for enhancing cooperation among the member countries in this important area through, inter alia, sharing knowledge and exchanging experience and best practice.

7. The workshop adopted the agenda and work programme.

Working Sessions

8. The workshop included five working sessions where representatives of national agencies responsible for policy making related to SMEs and representatives of international institutions made presentations on various aspects related to enhancing the competitiveness of SMEs under the following three main challenges facing SMEs in the member countries: (1) access to markets; (2) access to finance; and (3) access to Technology and Innovation. The last working session was designated to discuss some country practices and SME experiences.

Session I: Access to Markets

9. In this session, Mr. Antonio Fanelli, Deputy Head, Private Sector Development Division, Directorate for Enterprise and Financial Affairs, OECD, made a presentation on issues and challenges facing SMEs in exporting and the range, features and good practices related to government export promotion programmes for SMEs.

10. Mr. Mohd. Rithauden Makip, Head of International Cooperation Secretariat at SME Corp Malaysia made a presentation on the issue of leveraging on e-commerce in promoting access to market and highlighted the possible implications of the developments in e-commerce industry for OIC SMEs.

11. Dr. Kenan Bagci, Researcher at SESRIC presented a paper entitled “Economic Integration and Export Behaviour of SMEs” and discussed the importance of different levels of economic integration on the export behaviour of SMEs.

Session II: Access to Technology and Innovation

12. Mr. Tolga Yakar, Project Manager, UNDP Turkey made a presentation on issues and challenges facing SMEs in the area of technology and innovation, in which he highlighted some innovative alternatives for SMEs in light of RIO +20.

13. Mr. Ozan Acar, Expert at Economic Policy Research Foundation of Turkey (TEPAV) made a presentation on the issue of promoting innovation and use of technology, in which he presented some key issues for Turkey’s innovation eco-system.

14. Mr. Omer Oz, SME Expert, KOSGEB made a presentation titled “Overview of Business Incubators” and focused on the incentives given to tenants in Turkish technology incubators.

Session III: Access to Finance I

15. Ms. Damla Ozdemir, Expert at Economic Policy Research Foundation of

Turkey (TEPAV) made a presentation on private sector alternatives to SME financing for the case of Turkey.

16. Mr. Mohd. Rithauden Makip, Head of International Cooperation Secretariat at SME Corp Malaysia made a presentation titled “Challenges and obstacles in access to financing” and focused on the initiatives of Malaysia for SMEs in access to financing.

17. Mr. Ayhan Aydin, Head of SME Marketing Department at Halk Bank, Turkey, made a presentation on the experience of the commercial banks in providing bankable projects and loans for SMEs.

18. Mr. Bayu Fajar Nugroho, Head of International Cooperation, Directorate General of Small and Medium Industry, Ministry of Industry of Indonesia made a presentation titled “Micro Financing: Peoples Entrepreneurs Credit (KUR) of Small and Medium Enterprises in Indonesia” and provided lessons from the experience of Indonesia in micro-financing for SMEs.

Session IV: Access to Finance II

19. Ms. Ufuk Acar, SME Expert, KOSGEB made a presentation on financial support programmes of KOSGEB for SMEs provided a detailed discussion of various programmes initiated by KOSGEB for SME financing.

20. Mr. Talal Althefery, SME Program Manager, Advisory Services and Asset Management Department, Islamic Corporation for the Development of the Private Sector (ICD) made a presentation on advisory services on access to financing and debt resolution mechanism for SMEs.

21. Dr. Yildiray Yildirim, Associate Professor of Finance, Martin J. Whitman School at Syracuse University, USA made a presentation on the issues of challenges and practices in trade financing for SMEs, provided some proposed solutions and discussed the credit risk model for SMEs.

22. Mr. Murat Oktay, Branch Manager, Albaraka Turk Participation Bank, made a presentation concerning the experiences of Albaraka in the field of SME banking.

Session V: Country Practices and SME Experiences

23. Ms. Zeynep Mangaloglu, Advisor, KOSGEB made a presentation on the Turkish Entrepreneurship Support Model and provided some information on establishing 3 business incubators and project of developing network among incubators in Turkey.

24. Mr. Ahamad Shuhiamy Mohd. Hashim, Director of Strategic Transformation at

SME Corp Malaysia made a presentation on the experience and best practices of Malaysia in SME development.

25. Mr. Bayu Fajar Nugroho, Directorate General of Small and Medium Industry, Ministry of Industry of Indonesia presented the Indonesian experience in SME development policies and details on the four pillars of SME development in Indonesia.

26. Representative of the SESRIC made a presentation on behalf of Islamic Chamber of Commerce, Industry and Agriculture (ICCIA) on the outcome of the meetings of the OIC Task Force on SMEs.

Outcome of the Workshop

A. Challenges, Obstacles and Problems

27. During the general discussions and deliberations, the participants highlighted the following challenges, obstacles and problems facing the SMEs in the OIC member countries in their efforts to enhance their competitiveness:

I. Access to Market

- Obtaining reliable foreign representation and maintaining control over foreign middlemen
- Identifying foreign business opportunities
- Limited information to locate/analyse markets
- Inability to contact potential overseas customers
- Keen competition in overseas markets
- Lack of home government assistance
- Offering satisfactory prices to customers
- Accessing export distribution channels
- Difficulties in enforcing contracts
- Lack of knowledge on foreign market requirements
- Limited business development services, marketing and branding
- Excessive transportation / insurance costs

II. Access to Technology and Innovation

- Lack of ICT adoption
- Lack of R&D capabilities
- Low level of innovation, know-how and modern technology
- Poor connection between industry and universities
- Low level of knowledge transfer between member countries

- Weak patent registration process, ISO standards, certification, and intellectual property rights (IPR) for SMEs
- Weak infrastructure of technology business incubation and cluster development centre

III. Access to Finance

- Lack of sustainable microfinance programmes
- Insufficient information dissemination and transparency
- Lack of knowledge concerning Islamic and conventional financial instruments
- Lack of policy and strategy of commercial banks to deal with SMEs
- Lack of banking capability to deal with SME peculiarities
- Lack of access to the structural financial products (non-traditional financial products)
- Lack of credit guarantee schemes for SMEs
- Lack of stock exchange markets for SMEs
- Inadequate implementation of coherent fiscal policies for SMEs

IV. Other Challenges, Obstacles and Problems

- Weak business angels networks
- Insufficient SME database
- Cumbersome bureaucratic red tape
- Lack of transparency in input prices for SMEs
- Inadequate legal and regulatory framework for supporting SMEs
- Insufficient institutional support
- Lack of bankable projects
- Limited capacity building and training services available to SMEs
- Insufficient public-private partnership
- Lack of managerial capabilities and skills
- Lack of promotion and awareness programs on the importance of SMEs on the national economy

B. Recommendations

28. In the light of the above highlighted challenges, obstacles and problems, the participants made the following policy recommendations, as responsibilities of governments and national institutions dealing with SMEs, to improve the competitiveness of SMEs in OIC countries:

At National Level:

1. A clear national commitment for creating the necessary **enabling environment** that would promote and support SMEs productivity and competitiveness. This should be supported by appropriate national legislations, strategies and institutional mechanisms.
2. To establish a coordination body to harmonize all the stakeholders' efforts to develop SMEs.
3. Efforts should be made by Governments to develop and introduce various **supporting programmes** to facilitate the growth and expansion of SMEs in different sub-sectors with the aim of maximizing the contribution of SMEs to their economies.
4. To review policies, programmes and incentives to exploit the full development potential of SMEs. Additionally, **effective business support systems** are needed to enhance the competitiveness and productivity of SMEs.
5. To review existing legal frameworks from the point of view of encouraging foreign co-operation with domestic SMEs; and take steps to support the development of international networking capacity.
6. To offer specialist advisory and export capacity programmes to help SMEs face the challenges in enhancing their competitiveness through the way of limiting non-tariff barriers and custom taxes for SMEs.
7. To raise awareness among SMEs of the potential benefits offered by business-to-business (B2B), E-commerce partnerships; and to foster B2B contacts by supporting SME participation in appropriate international fairs and creation of B2B platform.
8. To support venture capital and other types of risk financing through, for example, tax incentives, to address the issues of access to long term financing for R&D and innovation.
9. To establish operative information-sharing centre for providing information related to national, regional and international programmes and support for SMEs, including information on sources of finance, laws and regulation, new technologies and know-how, which could best be owned and controlled by SMEs themselves through the creation of SME databases.

10. To provide basic business development services (BDS) and/or financial assistance for capacity building programmes, to SMEs in areas identified through close cooperation with SMEs themselves.
11. To establish and maintain active dialogue between policy-makers and SMEs in order to remain informed about the sector specific needs.
12. To develop appropriate policies to accelerate the convergence between Islamic finance and SME industries. In this context, promote the use of Islamic financial products, which are more linked to the real economic activity, to enable SMEs in the member countries to tap into the rapidly growing pool of sharia-compliant funds.
13. To foster programmes that enhances the entrepreneurship culture particularly amongst youth.

At OIC Cooperation Level

1. To request SESRIC in coordination with relevant OIC and national institutions to develop capacity building programmes including workshops, seminars, expert exchange programmes and training courses for human and institutional development in SME support institutions, especially in the least developed member countries and report to the annual COMCEC sessions.
2. To develop cross-border partnership support programmes; and, to facilitate linkages between support organisations and diaspora communities, that often represent significant social capital in relation to the development of cross-border partnerships.
3. To call upon IDB Group to increase its technical and financial support to SMEs through its various financing facilities and windows with a view to enhancing the competitiveness and contribution of SMEs to the economic development.
4. To consider the establishment of an Islamic SME Credit Guarantee Fund in consortium with OIC member countries' financial institutions.
5. To support the establishment of **e-marketplace** to promote trade among the SMEs of the member states under the auspices of COMCEC.
6. To establish an OIC Network of SME Support Agencies/Institutions to increase coordination and cooperation among them.

7. To activate the role of ICCIA to create Business and Technology Incubation Centres and Database on Angel Investors and Venture Capital Companies in OIC Member States.
8. To organize a short term training programme by KOSGEB for the managers of the technology incubators in the member states with a view to establishing a network for technical cooperation among these incubators; Together with its counterparts in the member countries, KOSGEB will also develop a model for training of technology incubators managers.
9. Organizing workshops, seminars or awareness programmes on “KOSGEB Model, SME Support Models, Technology Development Model, Cluster Development Model, Entrepreneurship Development Model, and Business Development Centre Model” in collaboration with SESRIC and KOSGEB’s counterparts in the member countries.
10. ICCIA is recommended to promote the experience of KOSGEB in organizing business trips for SMEs among the member countries.
11. Proposing the “OIC SME Expert Exchange Project” with the aim of exchanging the experience, knowledge and know-how of the staff of the national SME Development Organizations.
12. To consider and accelerate the implementation of the Strategic Plan for the Promotion and Development of SMEs Sector in OIC Member Countries within an extended time frame, which has been prepared by the OIC Task Force on SMEs.