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CONTENT

SPRING MESSAGE	2
PAPERS	
ESBA Welcoming Address at the 4th ERENET Annual Meeting	3
Tina Sommer	
Financing SMEs in Serbia	6
Svetislav Paunovic – Maja Paunovic	
The Need for Enlarge Sources of Financing SMEs	13
Eric Dejan	
The SME Promotion Policy and Practice in Romania	22
Lucian Chiriac – Zsuzsanna Szabó	
SMEs in Time of Economic Crises □ Case Study on Slovakia	29
Marián Gál	
Effect of the Economic Crises on SMEs in Bulgaria	36
Desislava Yordanova	
The Effect of the Economic Crises on SMEs in Ukraine	37
Oksana Dougert	
CIP □ EU Financial Instrument for SMEs	43
Elena Baranenko – Ana Jelača	
CONFERENCE PAPERS	
• Federation of Small Business Annual Conference & AGM Aberdeen	49
• Workshop on Hungarian SME Policy - Győr	55
INSITUTIONAL PROFILE	
• Strengthening the Educational and Scientific Cooperation within V4 Countries and SEE	59
Josef Glova	
• Biomedical Engineering Knowledge Centre Budapest	61
CALLS □ EVENTS □ NEWS	
• The Role of Policy in Difficult Time – EC, Brussels	62
• MFC Annual Conference – Astana, Kazakhstan	63
• 2nd National Forum on SMEs - Budapest	65
• 8th International Conference on Management, Enterprise and Benchmarking - Budapest	66
• 13th McGill International Conference on Entrepreneurship - Montreal	67
• European Entrepreneurship - Borovets	70
• EC Step-by-step-Guide for SMEs	72
PUBLICATION	
• Good Small Business Guide 2010	74
• Exploring the Dynamics of Entrepreneurship	75
• The Future International Manager	76

SPRING MESSAGE OF THE SCIENTIFIC DIRECTOR

Dear Readers, Distinguished Friends,

Spring is in the air! Lajos Áprily (born in 1887 in Brassó – now Romanian Braşov - died in 1967 in Budapest), a brilliant lyric, Transylvanian-Hungarian poet and translator of literature caught this time of the year perfectly. He wrote in his poem on the Weeping Willow,

□The winter still hides in brown bushes.
The crow caws and hunts in the wind and another,
Our robin still lives off parish fare,
But see: the creek willow comes into golden life.□

Despite the signs of rebirth, recently “Major General Winter” attacked once again.. He brought snow and ice to Barcelona, Geneva, Venice and the whole of Central-Europe. My gentle and fragile yellow crocuses shivered with the unwelcome cold in a blanket of snow arriving virtually out of its normal season.

The year ahead is still going to be difficult for small firms which are doing all they can to get themselves and the economy back in equilibrium. While commercial banks have been recovering, many small businesses are particularly disadvantaged, because they have just started to feel the impact of governmental restrictions imposed because of the ongoing economic crisis.



Photo by Dr. Antal Szabó ©

The Hungarian Branch of the ERENET hold its **National Workshop on □Hungarian National Policy □ Evaluation and Possible Future Developments□** on March 27th 2010 at the Széchenyi István University in Győr just two weeks prior the forthcoming Parliamentary elections.. Interest in this event is very high. ERENET Members from 14 indigenous universities, the Hungarian Academy of Sciences, the Hungarian Enterprise Development Network Consortia and many experts participated. It is a great moral success that the Participants elaborated suggestions for the new Government about to be elected and discussion to be irrespective of political party interest and affiliation. This so called Győr Declaration will be forwarded to the press, all Political Parties and following its formulation also to the new Hungarian Government.

It is also important to observe that the European Union Lisbon strategy seems to have moderated with the passing of the actual Treaty. In my capacity as UNECE Regional Adviser, I had the privilege of speaking with President Barroso at the European Parliament My comment was that the strategic intentions outlined in the proposed Treaty were too ambitious. They reminded me of “slogans from the socialist brigade movement”, and that I thought individual member States could not fulfil such grand objectives. In the first instance, EU Member States must safeguard the welfare of their own populations rather than making community aims and solidarity across the European Union their prime concern. Recent history has justified my reservations.

However, early in March this year, the European Commission launched the **Europe 2020 Strategy** as a means to recover from the ongoing financial crisis and prepare EU economy for the next decade. The Commission identified **three key drivers for growth**, to be implemented through concrete actions at both the EU and national levels: (i) **smart growth** (fostering knowledge, innovation, education and digital society), (ii) **sustainable growth** (making our production more resource efficient while boosting our competitiveness) and (iii) **inclusive growth** (raising participation in the labour market, the acquisition of skills in the fight against poverty).

This programme seems to be more attainable. However, it will not be easy to achieve the much publicised and headlined EU-level targets, which Member States have been asked to translate into national targets. In the language of success on the sports, field it will only happen to first class high-jumpers. There is a great deal of effective policy work to be done both within the European Union and nationally within member states.

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ESBA WELCOME ADDRESS AT THE 4th ERENET ANNUAL MEETING ¹

I am honoured to be with you a second time. As President of a Pan-European business organisation and representative of the largest British business organisation I see it as my role to inform policy makers and policy influencers such as yourselves of what small business is experiencing in their day to day lives.

The financial crisis and relating SME policy have dominated my workload in the last 12 months. This afternoon I will tell you about an extensive report by the Commission who has summaries the policy measures taken in all EU Member States to combat the financial crisis. I will tell you also about the outcome of an OECD meeting I attended in Turin end of March this year. But most importantly I will tell you what the small business community makes of all this and what they would really like to see.

As always a crisis impacts differently in various countries, differently in various industries and differently in various companies. A crisis such as we are going through now, shows who has been innovative, financially savvy and informed. It also shows where skills in business owners are lacking, financial responsibilities are dismissed and where greed has taken over.

The one area I will not talk about is how the financial industry should be regulated, although I do hope that action is being taken to avoid a repeat of this situation. Knowing human nature I have to admit that I am not too optimistic.

Where I am optimistic is the ability of micro and small companies to fight back, stand up again and keep European economies going.

In July this year, the Directorate General for Economic and Financial Affairs published an overview of Member States Recovery Measures. It looked at the effect the financial crisis has on the different countries and what measures were taken by individual governments to limit the damage.

The worst affected countries are the Baltic States of Estonia, Latvia and Lithuania, followed closely by Romania, Ireland, Sweden, Hungary and Germany. The remaining countries are affected in similar measures with Malta and the Czech Republic reporting the least impact.

The Commissions main concerns are with labour market effects and social protection. The report lists Do's and Don'ts for Governments when considering policy measures. They should keep people in employment, provide adequate income support, invest in re-training and skills upgrading, mitigate the direct impact of the financial crisis on individuals, ensure free movement of workers within the Single Market, lower non-wage costs for low-skilled workers and tackle youth unemployment through education and training.

What should not be provided is indiscriminate tax-funded support for jobs in declining industries or regions, direct job-schemes in the public sector, early retirement schemes and revising employment protection legislation without integrating the flexicurity approach.

By and large Member States do follow these principles i.e. 23 Member States are improving job placements and invest in re-training, 18 Member States are supporting household purchasing power and 17 Member States support employment by cutting labour cost.

Most Member States take measures supporting investment in physical infrastructure, energy efficiency and R&D investment.

In terms of business support 66% of all Member States are easing financial constraints on companies, 12% provide sector-specific demand, and 11% offer non-financial measures supporting business.

In March this year I was invited to take part in a Round Table event organised by the OECD, which had the purpose to get Governments, Banks and SMEs together to discuss suitable solutions to the financial crisis. The resulting paper and recommendations were the basis for the G20 meeting beginning of April in London to inform Heads of Governments how to go forward.

Reports from the participating countries clearly showed that Credit Guarantee Schemes in various forms were the favoured means of assistance.

¹ Held on 25 September 2005 in Belgrade, Republic of Serbia

The situation around the world for small business was pretty much the same. The only exception reporting differently was the US, where 8,000 local, small banks are holding up the finance for SMEs and their major problem is reduced demand as a consequence of the Wall Street Banking problems. Where a country has numerous small banks or partially state owned banks, the situation was much better for SMEs, as firstly their losses won't have been as high and their volumes of lending is geared towards smaller amounts thus spreading the risks.

Sweden reported another anomaly where the State' owned bank ALMI does lend to SMEs, but is now overwhelmed by the Swedish large companies asking for funding, as they cannot obtain their credit from world markets anymore. Given that the Swedish economy is very dependent on its large companies, the small business sector is losing out, as reports from ESBA's Swedish member organisation confirmed.

Nikolaos Tritaris, Managing Director of the Credit Guarantee Fund for Small and Very Small Enterprises gave his example how their Guarantee Fund was made to work in Greece.

The biggest problem their SMEs have is working capital. To help, they set up a fund for companies under 50 employees to access an 80% guarantee for up to 350,000 Euros provided the company was in profit for the last 3 years. They even subsidise the interest rate, which had to be fixed. Previous experience told them that if the interest rate is not fixed, the banks charge higher interest rates knowing that the state is paying for some of it. The rate was fixed to the LIBOR rate plus 2.5%. No collateral to be demanded from the SME.

37 banks came to negotiate and 36 of them accepted the terms. However, after that the banks would not promote the scheme and when customers asked they did not offer the agreed conditions. Their argument was that the interest rate was too low.

Greece still has 2 state owned banks and they did offer the scheme. 2 million flyers were distributed via newspapers. Over 10,000 SMEs approached the 2 banks, which in turn increased their market share considerably. Competition kicked in and the other banks then started to phone small companies offering the same scheme to retain their customer base.

A total of 20,000 loans have been granted so far and although they are aware that some companies may default or should not have applied, they argue that thousands of jobs were saved, as the loan is linked with the demand not to make employees redundant for the duration of the credit.

In general the response from Banks was, as expected, not convincing. It is quite clear that as commercial enterprises, banks are not interested in guarantee schemes, unless they make a profit.

A terrible practice in Spain was reported called the inter-company lending scheme. Large companies delay their payment to suppliers, and then offer them credit to pay for the materials to continue producing at inflated interest rates. This practice is adding insult to injury and should be made unlawful.

I am pleased to report that two of my recommendations on micro finance and the resurrection of relationship banking were accepted by the OECD and later also by the G20 participants in London.

The perspective from the small business community is not always in line with the measures taken by EU Member States. The single most problematic aspect is that many measures simply do not reach the micro and small business community. They are either too complex to comply with or simply not known of. The result is that many small companies still feel let down and continue to go bankrupt, often losing the roof over their head.

ESBA members and especially the Federation of Small Businesses in the UK have undertaken regular polls on the impact of the financial crisis. Quite clearly different industries are affected to various degrees.

Some companies even report an increase in turn over whereas others simply cannot get credit at all.

Credit Guarantee Schemes are often limited to certain banks. The applicant has to pass the credit rating first before public funds can be accessed. This can be a major stumbling bloc, as banks now tend to be overly careful and even regard profitable small companies as high risk.

Belgium has overcome this problem by giving firms the option to apply for the guarantee scheme first and then with up to 50% of the required funds being guaranteed applying for a bank loan. This way, the amount is reduced and the success rate is higher.

On the micro level, which affects 91% of all businesses in the EU, bank loans and overdrafts are the lifeblood. The FSB compiled a list of measures that would make a substantial difference at this level:

- The cost of loans and overdrafts should be fixed
- Base rate cuts should be passed on in full
- All banks should take part in the European Investment Bank credit schemes

- Written explanations must be given, if credit is refused.
- There should be penalties for banks for refusing to lend without good reason. This should especially apply to banks that had substantial injections of taxpayer's money
- Relationship banking has to be reinstated. Modern banking systems have no provision to have one person looking after a business, as it used to be. That person knew the company and was able to make credit decisions. The lack of this facility has created massive disillusionment with business owners, who now often simply try to cover their financial requirements with personal loans.

During a visit to Croatia in April this year I was introduced to a bank that offered just such a service. In fact they are even going further by actively supporting their customer firms with advice and support. Their business has increased manifold by gaining companies as customers who had nowhere else to go before.

Not only has it helped the businesses and the bank, but also the region these companies operate in. Job creation and tax revenue have increased showing how such a simple measure can make a big difference on the micro level.

- Belgium and France have installed credit mediators. These are government officials who can be contacted by phone to help with negotiations with banks. They aim to get the best conditions for small companies and at the same time keep track on the banks that they do not obstruct applications. France so far had 8,000 applications, retained around 60,000 jobs and their website records 1,000 visits a day. Clearly the success of this scheme shows that small firms need a hands-on approach.

What small firms really need is easy and simply access to Micro Finance. It is relatively small amounts that make the difference in micro companies. A positive conversation with a representative of the European Investment Bank is giving me hope that such a facility may be available widely one day.

With regards to late payment, the European Commission has put forward a proposal for the Late Payment Directive. This proposal includes the requirement for public bodies to pay suppliers within 30 days. This is a good start. However, we are insisting that these terms have to be feed down the supply chain. Public procurement is still rarely accessed by micro and small businesses. It is mainly larger firms that tender and gain the business. If those get paid within 30 days, then they should also be obliged to do the same.

This is not the case. A study by Intrum Justitia clearly shows that credit taken by larger companies has dramatically increased over the last year. I know from my own customers that especially large corporations take up to 120 days to pay. This is unsustainable for small business.

Although the Late Payment Directive does give more rights to the supplier, very rarely are small firms prepared to take their customer to court. This would spell the end of the business relationship. Small businesses find itself between a rock and a hard place when it comes to enforcing payment.

Again, the FSB is suggesting getting Company Registers to publicise creditor days of large companies. The method of naming and shaming seems to be the most suitable way at present to show the extent of the problem.

An attempt in France since January this year to legislate 30 days for all private contracts is starting to fall apart with more and more exemptions given for various industries where 30 days simply cannot be maintained.

In terms of social protection there are a number of measures that are making a difference and could be expanded. These are:

- Payroll tax cuts
- Promotion of part-time work through tax exemptions
- Simplifying and promoting apprenticeships
- Short-time work subsidies

The small business community is still suffering despite all these efforts. Thousands are going bankrupt every week. They are lost to communities, the tax collector and most importantly the job seekers. No-one reports on the total no of jobs lost in that area. Headlines are only made by large corporations.

To each small company disappearing there is a human tragedy attached. A family will lose what they worked for, a house will be auctioned, and a new start will have to be made.

We should remember that picture when we talk about policies.

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FINANCING SMEs IN SERBIA

Abstract

The paper elaborates current situation and existing problems regarding financing SMEs in Serbia. It also provides a review of various government initiatives and programs, international loans as well as commercial bank loans.

SME sector became the key driver of Serbian economy having in mind the latest figures on employment, turnover, profit, foreign trade balance. Global financial crisis significantly hit SME sector in Serbia, reduced liquidity and solvency of the enterprises, reduced the amount of available funding and loans for SMEs, increased cost of capital and generally made existing financing problems even more difficult.

One of the major barriers to rapid development of the SMEs is a shortage of both debt and equity financing. Regarding debt financing, interest rate as well as collateral requirements are still high. SMEs are also disadvantaged having in mind that investors (who provide risk capital in return for a share in the company) are generally focused on large companies. The financial legislation in Serbia does not regulate the existence of other financial institutions which could provide to SME sector micro credit lines, local guarantee schemes, local guarantee funds and informal venture capital investments. In order to compensate the relatively low level of bank lending, promotion of new non-banking financial instruments within appropriate legal and regulatory environment is needed.

Key words: SME, entrepreneur, bank, loan

1. THE GENERAL OVERVIEW OF THE SME SECTOR

The dynamic analysis of the level of development of SME sector in Serbia over the period 2004-2008 indicated that this sector became very important factor of revitalization, transformation and development of overall business activity. It is estimated that in 2008 SMEs accounted for about 35% of GDP of the Republic and 43.2% of overall employment. In the period 2004-2008 overall employment in Serbia went up by 1.7% primarily due to dynamic growth of new jobs in the SME sector (24.9%). In 2008 in the SME sector 303,449 economic entities (99.8%) operated with 940,159 employees (67.2%), generated 66.6% of turnover and 59.1% of gross value added. Through foreign trade activity of SMEs in 2008, 45.5% of exports and 59.3% of imports of economy of Serbia was generated. The share of the SME sector in total deficit of Serbian trade balance is 74.2% [2, p.16-39].

Regarding main areas of operations, Serbian SME sector is largely concentrated, since 73.9% of the number of enterprises, 78.6% of employees, 85.3% of turnover, and 80.1% of GVA of the SMEs was generated by four sectors: Trade, Manufacturing industry, Real estate activities and renting and Construction. Highly technologically developed sectors (medium-high-tech and high-tech) accounted for 17.9% of employees, 24.2% of turnover, 24.2% of GVA, 24.1% of exports and 36.6% of imports of SMEs overall.

2. GLOBAL FINANCIAL CRISIS AND EFFECTS ON SMES IN SERBIA

The first effects of global financial crisis were recognized at the end of 2008 basically through decreased inflow of foreign capital and increased withdrawal of foreign currency saving deposits. These two factors could have seriously affected the stability of the financial system and liquidity of banks due to decrease of deposit potential of the banks and reduction of their credit activities. Reduced level of foreign investments and domestic demand had impact on the decrease of total growth of economic activities in the 4Q of 2008.

GDP growth in the last quarter was only 2.8%, in comparison to 4.9% in the third, 6% in the second and 8.5% in the first quarter [2, p.73]. According to forecasts made by the MAP expert team of the Institute of Economic Sciences, GDP in 3Q 2009 compared to 3Q 2008 dropped down by 2.3% [1, p.17]. The effects of the crisis on SMEs were demonstrated in several key segments:

1. the liquidity/solvency of the enterprises, caused by the deferral of liabilities by large chains of department stores
2. reduced amount of available funding and loans for SMEs and increased cost of capital
3. reduced export/import activities caused by global recession and fluctuations of foreign exchange rate
4. reduced level of employment due to reduced level of business activities.

The negative effects of the global economic crisis were more reflected on the SMEE sector especially in the last quarter of 2008 and at the beginning of 2009 when an increased number of enterprises with blocked accounts were recognized (SME sector including entrepreneurs accounted for 78.6%, whereas entrepreneurs account for 55%).

The Government adopted in February 2009, a set of policy measures in order to minimize the negative impact of the global financial crisis. *Program for stimulation of production, export and liquidity of the economy* was launched with following Government's set of measures: subsidized loans for maintaining the liquidity and financing durable current assets, loans provided by the Serbian Development Fund (Fund provides 30% of each loan and banks make placement of 70% of each separate loan, with 75% of banks' placement guaranteed by the Guarantee fund) and subsidized consumer loans and financial leasing for purchase of domestic products.

As the results of the lower liquidity the banks have been experiencing, the NBS reduced the reserve requirement on external borrowing. The key interest rate was also reduced during 2009 and in 2010 (currently 9.5%) [7]. The Government has increased the amount of guaranteed deposits (citizens, entrepreneurs and SMEs) from 3.000 € to 50.000 €. Lower inflows of foreign currencies and withdrawals of foreign currency savings caused the depreciation of RSD in 4Q 2008 and 1Q 2009. Having in mind predominant foreign currency exposure of SMEs in Serbia, it severely hit SMEs who borrowed in Euros especially during 2009, due to increased annuities re-payments in RSD.

3. CURRENT STATUS OF THE SME FINANCING

Financing SMEs in Serbia is being realized through the government programs (subsidies and favourable loans), international financial support (loans) and bank (commercial) loans.

Serbian government still plays an important role in supporting the SME sector particularly because of existing market failure that inhibits the provision of appropriate financing suitable for the SMEs. Existing financial infrastructure at the national level that directly or indirectly provides *financial support to SMEs and entrepreneurs from government sources* consists of several institutions:

	Institution	Types of support
1.	Ministry of Economy and Regional Development	<ul style="list-style-type: none"> • Subsidies for quality certification, cluster development, entrepreneurship development and innovations (in cooperation with the Republic SME Agency) • Subsidies within Program for stimulating investment in innovations in Serbian companies • Loans for development of enterprises and entrepreneurship in under developed municipalities • Loans for improvement of the quality of tourist products in SMEs • Low interest rate loans for start-ups (in cooperation with the Republic SME Agency, Network of Regional Agencies and Development Fund of Serbia).
2.	Ministry of Science and Technological Development	<ul style="list-style-type: none"> • Subsidies for innovation projects

3.	Ministry of Agriculture	<ul style="list-style-type: none"> Financial support to entrepreneurs and NGOs in the field of agriculture for developing safety and quality systems for agro products in 2009 as well as for providing consultancy work.
4.	Development Fund of Serbia	<ul style="list-style-type: none"> Low interest rate loans in order to facilitate SME start up and development (including investments in new programs/innovations, reconstruction and modernizing, and in working capital)
5.	Development Fund of Vojvodina	<ul style="list-style-type: none"> Long term and short term loans for SME development and export finance
6.	Guarantee Fund of the Republic of Serbia	<ul style="list-style-type: none"> Approves and guarantees for company loans parts approved by the banks and other financial institutions. Guarantee Fund approves 30% and the banks 70% of the loan.
7.	Guarantee Fund of Vojvodina	<ul style="list-style-type: none"> Issuance of guarantees to banks as the collateral of regular bank loans repayment by individual farmers, private entrepreneurs, small and medium enterprises
8.	Republic SME Agency	<ul style="list-style-type: none"> Low interest rate loans for start ups (as implementing institution within the government program) Subsidies for quality certification, entrepreneurship development and innovations (as implementing institution within the government program)
9.	Export Credit and Insurance Agency of Serbia (AOFI)	<ul style="list-style-type: none"> Short –term financing, export credit insurance, factoring, foreign buyer financing, refinancing of a foreign buyer via commercial bank and financing from other sources.
10.	Serbia Investment and Export Promotion Agency (SIEPA)	<ul style="list-style-type: none"> Subsidies for the participation of Serbian companies at international fairs, creation of business linkages as well as organization of trade missions for the foreign companies interested in doing business with Serbian companies
11.	National Employment Service (NES).	<ul style="list-style-type: none"> Subsidies for job creation – mostly for the ones listed in the NES's database as unemployed and other incentives for job creation.

The following programs of financial support to SMEs were implemented in 2008 [2, p. 70]:

Support for SMEs from government sources in Serbia in RSD

	Institution	2008
1.	Start-up loans	3,270,973,000.00
2.	Loans for the development of enterprises and entrepreneurship in under developed municipalities	2,060,500,000.00
3.	Loans for improvement of the quality of tourist products (catering, hotel services) in Serbian SMEs	393,520,000.00
4.	Subsidies for Cluster and Business incubator Program	69,931,145.80
5.	Subsidies for self-employment - Active measures of employment policy - implemented by National Employment Service	2,501,966,247.94
6.	Subsidies for Introducing the quality systems in SMEs project and Business improvement project – implemented by Republic Agency for the Development of Small and Medium-sized Enterprises	136,343,003.94
7.	Loans for exporting SMEs, export insurance and factoring - Export Credit and Insurance Agency	2,660,570,316.00
8.	Subsidies for export promotion support implemented by Serbian Investment and Export Promotion Agency	54,380,774.52
9.	TOTAL (from the budget) (1+2+3+...+8)	11,148,184,488.20
10.	National Development Fund	8,342,550,000.00
11.	TOTAL (9+10)	19,490,734,488.20

The total support provided to SMEs amounted to 19.5 billion RSD (app.240 mil €). About 11.2 billion RSD were disbursed from the Budget of the Republic of Serbia in 2008, while National Development Fund provided additional loans to SMEs and entrepreneurs in the amount of 8.3 billion RSD. Based on some preliminary information, the same level of government support was allocated and realized in 2009.

As far as financial support coming from the *foreign sources* is concerned, the SME sector had considerable funds in 2008 as elaborated in the table [2, p.72]

Overview of realized and available funds by creditors in 2008 (in €)

	REALIZED FUNDS	I-XII 2008
1.	Revolving Credit Fund of the Republic of Serbia	7,739,307.20
2.	European Investment Bank -Apex global loans	9,850,000.00
3.	Loan of the Government of the Republic of Italy	12,331,107.17
4.	Funds placed from revolving	3,627,390.85
5.	TOTAL	29,920,414.37
	AVAILABLE FUNDS	XII 2008
7.	Revolving Credit Fund of the Republic of Serbia	3,506,992.62
8.	European Investment Bank -Apex global loans	15,672,119.61
9.	Loan of the Government of the Republic of Italy	59,880.04
10.	TOTAL	19,238,992.27

The European Investment Bank (EIB) has launched in Serbia a program for 2009 aimed at combating the financial crisis and bringing the country closer to EU. A first loan worth 250 million € for SMEs that will be realized via the National Bank of Serbia and will be on-lent by Serbian commercial banks, is the first part in a series of operations worth 1.4 billion € aimed to support the recovery of Serbian economy [8]. EIB loans may cover up to 100% of the cost of each project. Additionally, the EIB signed two loans in January 2010 worth 45 million € with different local financial institutions in support of projects of small and medium-sized enterprises [6].

SME sector has become an important segment of interest of *banking sector* and an increasingly attractive customer group. The banking sector in Serbia comprises of 35 banks with network of 2.630 organizational units. National bank of Serbia (NBS) survey shows that banks have provided a similar range of banking products/services. Banks became more aware of the importance of the SME sector in Serbia and majority of them have separate departments dealing with SMEs. Almost all banks have developed an explicit policy for SME target group taking the particular requirements and needs into consideration and developing special financial products and appropriate credit management systems. But, banks in Serbia have been traditionally cautious with lending to SMEs because of high risks associated with the sector. Some banks are implementing institutions for revolving credit lines.

Some indicators of Serbian banking sector [5, p.247] are given in the following table.

EBRD indicators of the banking sector in Serbia 2005-2008

	2005	2006	2007	2008
Real growth in credit to the private sector (%)	28.5	10.3	24.3	16.5
Domestic credit to private sector to GDP (%)	29.7	29.8	34.9	37.5
Bank lending to enterprises, share in GDP (%)	N/A	N/A	N/A	N/A
Bank lending to household, share in GDP (%)	7.6	10.1	12.6	N/A
Average capital ratio of all banks (capital/total assets) (%)	16.2	18.5	21.0	N/A
Asset share of foreign-owned banks (%)	66.0	78.7	75.5	N/A

Serbian banking system operates under very strict and tight legislations and regulations. Bank lending conditions have significantly tightened with the crisis in the global financial sector. That is the reason why the growth rate of the credits issued to the private sector fell down to 16.5% in 2008 compared to 24.3% in 2007.

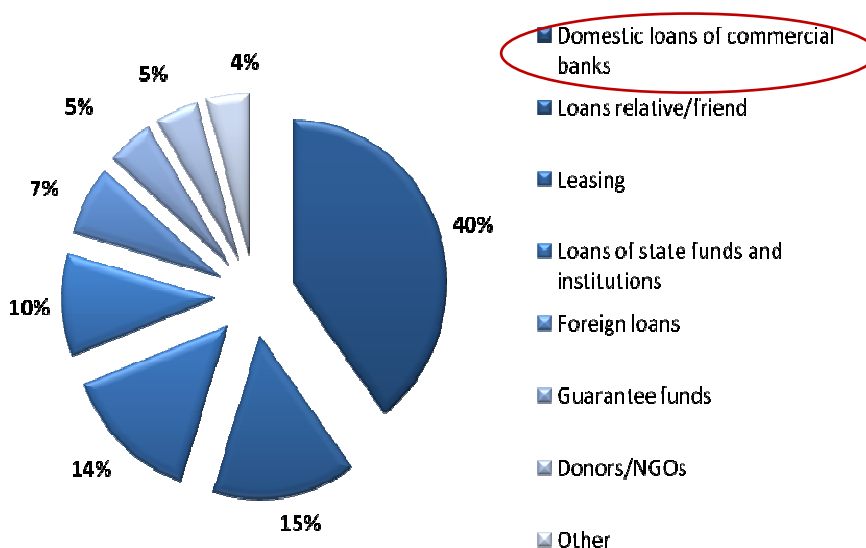
The share of loans issued to private sector in Serbian GDP has increased steadily and the average capital ratio (capital/total assets) of all banks in Serbia rose up to 21% in 2007.

In order to provide referent inputs to SME policy makers in different areas, very indicative *Survey on current situation, problems, and needs of the SMEE sector* was conducted in 2009 as a joint project of the Ministry of Economy and Regional Development, Republic Agency for SMEE Development and the Serbian Statistics Office. The objective of the research, conducted on a sample of 3,000 enterprises and referred to 2008, was to get insight into the existing situation and problems encountered by the SMEE sector. Policy makers recognized “findings from SME perspectives” very useful in providing efficient support to its future growth and development.

Based on referent indicators, the SMEE sector in Serbia mostly relies on own sources of finance, which considerably hampers the possibilities of intensive growth and development. Considering investments in fixed assets, self funding (inside equity) is being used by 54.6% while external sources of finance are being used by 30.6% of examined SMEs. In the case of current assets, self funding (inside equity) is being used by 71.8% while external sources of finance are being used by 21.7% examined SMEs [3, p. 40].

Preliminary results from the *Business Environment and Enterprise Performance Survey* run by the EBRD in 2008 clearly showed increased reliance of SMEs in Serbia on bank borrowing as compared to the findings of the same survey run in 2005. Bank loans are the most important external source of financing SMEs (40%), whereas significantly less important sources are loans from friends, relatives or partners, leasing, government funds, foreign loans, guarantees and donors’ support [3, p. 40].

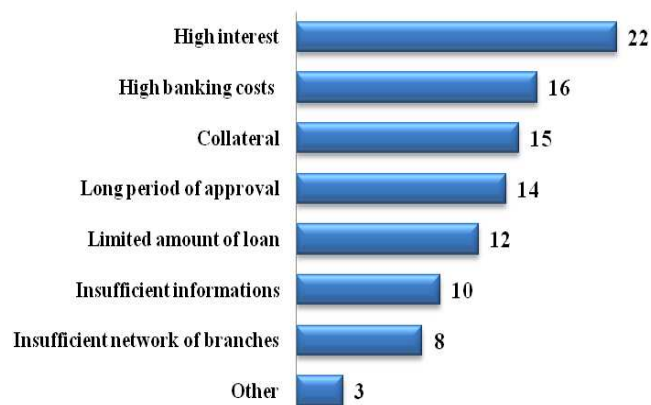
External sources of financing operations



4. EXISTING PROBLEMS IN FINANCING SMES

Already mentioned *Survey on current situation, problems, and needs of the SMEE sector* has confirmed the existence of a very limited possibilities and poor assortment of sources of finance for SMEE on the domestic financial market. Commercial banks’ offer is still not stimulatory enough and unreachable for the majority of SMEs. High interest rates are the main problem regarding loan arrangements of small enterprises, banking costs as well as collateral required are still high, the procedures of obtaining guarantees and approving loans are complicated and too long, and loan amounts limited [3, p. 41].

The most common problems of using credit (%)



Banks frequently try to avoid providing loans to certain types of SMEs particularly start ups and very young firms without track records that typically lack sufficient collateral, or firms whose activities offer the possibility of high returns but at a substantial risk of loss [4, p.3]. Having in mind that SMEs survival rate is lower than for larger companies, they are at a particularly severe disadvantage when trying to obtain financing compare with more established firms. The *cost of capital* available to SME sector is a key problem for them. In this context, although available, bank loans are not accessible to SMEs in Serbia. However, due to the growth of banking sector as well as greater competition among banks, increased reliance on bank borrowing has arisen.

Collateral requirements for bank loans to enterprises are still high. Serbian Business Registration Agency and the Serbian Development Fund have a fully operative system for the registration of movable assets allowing firms to use movable assets as collateral in their efforts to access bank finance. Additionally, it is important to stress that some opportunities for reduction of collateral requirements through credit guarantee schemes exist in Serbia. The Serbian Guarantee Fund and Vojvodina Guarantee Fund issue guarantees for SMEs, entrepreneurs, start-ups and agricultural producers. Export credit and Insurance Agency is focusing its assistance on export oriented sectors and provides credit guarantee schemes. There is a room for improvement in credit guarantee schemes having in mind that such improvements would make it easier for SMEs to access finance. In this context, it is recommended that credit guarantee schemes should be privately managed in order to achieve efficient allocation of resources through the incentive schemes.

Despite the importance of *innovative SMEs*, they face particular problems when attempting to access financing having in mind that they represent higher risk than traditional SMEs or large firms. So, they are disadvantaged regarding traditional bank loans. On the other hand, SMEs are also disadvantaged having in mind that investors (provide risk capital in return for a share in the company) are generally focused on large companies. Financing innovative SMEs is additionally complicated by the fact that these firms require different financing at different stages of their development. "Business angels", as private investors and the vital link (they bring not only capital but also their experience) in the financing chain at the early stage, are missing. Law on Innovation Activity (2005) envisaged the establishment of an Innovation Fund in Serbia which may offer appropriate financing mechanisms for enterprises involved in technology and product development.

Financial markets in Serbia are generally underdeveloped and there are limits for SMEs to use other financial instruments coming from the capital market and corresponding financial organizations. The Law on Investment Funds (2006) was a first step towards allowing the establishment of private equity funds in Serbia. There are currently 16 investment funds registered in Serbia but they still do not provide funding to SME sector. Existing Law on Investment Fund does not impact substantially on innovative SMEs nor venture capital companies investing in them. The financial legislation in Serbia does not regulate the existence of other financial institutions which could provide to SME sector micro credit lines, local guarantee schemes, local guarantee funds and informal venture capital investments.

5. CONCLUSION

Existing scope of financial support to SME sector in Serbia, although significantly improved compared to the previous period, is not enough to contribute to faster growth and development of SMEs and entrepreneurship. *Development of new financial instruments*, which will support innovative SMEs and provide access to equity-based investments, was envisaged as the priority of SME policy in the area of financing SMEs in Serbia by the Strategy for Development of Competitive and Innovative SMEs 2008-2013. In this context, it is necessary to promote the equity financing, develop regulatory and funding mechanisms for encouragement of formal and informal venture capital investment in SMEs, establish the network of informal venture capital investors and develop partnership with financial intermediaries. Investment readiness programs will be an excellent opportunity to eliminate some misunderstandings and to clarify business angels' expectations and entrepreneurs' perception of investors' requirements. Besides providing direct financial support to SME sector, it is also necessary, in the conditions of a financial crisis, to work more actively on *improving the knowledge* of SME owners and entrepreneurs in the field of availability of funding, information on how to access these sources, new financing instruments, as well as financial management.

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**THE NEED TO ENLARGE SOURCES OF FINANCING OF SMALL AND MEDIUM
SIZED ENTERPRISES UNDER THE CONDITIONS OF GLOBAL CRISIS**
Case of Serbia²

Abstract

In this paper we have tried to emphasize the need to enlarge sources of financing of small and medium-sized enterprises in transition countries as one of the necessary preconditions in their survival, faster growth and development. Less developed financial systems, with less number of financial institutions and instruments influence limited offer of finances and capital for financing of economy as a whole. In transition countries, such as Serbia and some other neighboring countries of the South-Eastern European region, underdevelopment of financial systems affects all economic subjects, and above all the SMEs sector. Conditions of global economic crisis have worsened the conditions of financing and made them more difficult, thus this issue becomes even more important, especially if you have in mind that a great number of entrepreneurs and SMEs owners have been fighting to survive. This paper consists of three parts. In the introduction a range of alternative sources of financing SMEs sector in developed countries has been given in brief. In the second part there is a brief overview of the most important results of research which was made in Serbia in mid 2009 in terms of conditions and problems of financing of the SMEs sector. The third part is dedicated to the analysis of the development of some alternative sources of financing of SMEs sector in Serbia. Finally, in the conclusion, the need for further development of financial institutions and markets has been pointed out, so as to create richer institutional ambience suitable for SMEs financing and their faster development.

Key words: *Small and Medium Sized Enterprises, Financing of SMEs, Banking, Financial System, Venture Capital, Private Equity*

1. INTRODUCTION

Seeking adequate combination of the sources of financing in any country represents one of the key issues of successful business of any business entity. If entrepreneurs or managers of the company succeed in finding sources under the lowest possible costs of capital, then they are able to accept investment projects with relatively lower return rates, which automatically increases the range of investments possibilities and creates opportunities for growth and development, achievement of profitability and creation of values for the owners as one of the main business and strategic goals. For the developing countries or countries in transition, building up of financial institutions and market as important elements of the developed financial system, is a very sensitive question. If a financial system is developed, with more opportunities for indirect financing, then the flow of finances is easier from the so-called savings to investment units (*Misklin 2006, Erić 2003*), which allows more successful function of allocated efficiency of financial markets. Such systems on the macro level may result in achievement of better economic performances of the whole national economy.

Developed financial systems with greater number of financial institutions and instruments offer more alternative sources of financing for all sectors of economy. It has to be pointed out that the sector of small and medium-sized enterprises (SMEs) due to a relatively small size of the economic entity is not so interesting to big institutional bankers. Many transition countries do not have developed investment banking mechanisms of financial markets, so the economic entities have a relatively narrow source of alternatives for financing. In this paper we have tried, on the example of a relatively small country of the SE European region (Serbia), to research possible sources of financing of the SMEs sector and which "alternative" sources could be developed in future.

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According to some authors, the range of alternative sources of financing of the SMEs sector is very wide. R. Smith and J.K. Smith (*R. Smith & J.K. Smith, 2004, p. 508-509*) point out that this sector has 25 (!) financing alternatives in the US. These are as follows:

- Assets-Based Lending
- Business Angels
- Capital Leasing (Venture Leasing)
- Commercial Banking Lending (various forms)
- Corporate Entrepreneurship
- Customer Financing
- Direct Public Offering
- Economic Development Program Financing
- Employee Provided Financing
- Equity Private Placement
- Export/Import Bank Financing
- Factoring
- Franchising
- Friends and Family
- Public Dept Issue
- Registered Initial Public Offering
- Research and Development Limited Partnerships
- Relational Investing or Strategic Partnering
- Royalty Financing
- Self (bootstrap)
- Small Business Administration Financing
- Small Business Investment Company Financing
- Term Loan
- Vendor Financing
- Venture Capital.

Within this division, many reserves can be expressed and it can be concluded that it is not precise, especially from the point of view of the financial management. Yet, it can serve as good starting basis to prove the main idea of this paper. To remind, it is connected with the fact that developed financial systems offer greater number of alternatives for financing of small and medium-sized business. All mentioned sources may be roughly grouped into the following:

I – **Self-financing** by the owner, his/her relatives, employees or from his/her own business which may include: Self - Corporate Entrepreneurship, Friends and Family, Employee Provided Financing, Customer Financing, Factoring, Franchising, Assets-Based Lending, Royalty Financing, etc.

II – **Bank loans** – which may have very different forms, such as: Commercial Banking Lending, Export/Import Bank Financing, Capital Leasing (Venture Leasing), Term Loan, etc.

III – **State subsidy patterns**, such as:

- Economic Development Program Financing
- Small Business Administration Financing
- Research and Development Limited Partnerships
- Relational Investing or Strategic Partnering
- Great number of different programs created by each government depending on the needs and abilities.

IV – **Through developed financial system and financial institutions**, such as:

- Direct Public Offering

- Public Dept Issue
- Registered Initial Public Offering
- Small Business Investment Company Financing
- Vendor Financing
- Business Angels
- Venture Capital, etc.

Further in this paper we have tried to find out which of these sources of financing can be found in the Republic of Serbia, as one of the countries of the SE European region, a potential candidate for the membership with the EU. We would like to point out that some neighboring countries, a bit smaller, such as Bosnia and Herzegovina, Montenegro, Albania, FYR of Macedonia, encounter more or less similar problems. Results of the research conducted in Serbia have wider importance and generally, they can be applied in the whole region.

2. BRIEF REVIEW OF THE CURRENT SITUATION OF SMEs SECTOR FINANCING IN SERBIA

In mid 2009 the Republic Agency for the Development of Small and Medium Enterprises and Entrepreneurship (RADSMEE) in cooperation with the Institute for Statistics conducted a very elaborate survey on the conditions, needs and problems in small and medium-sized enterprises and entrepreneurship in Serbia. The survey was conducted in the period May-June 2009 and entailed the sample of 2,963 enterprises which were grouped into 4 categories, as follows:

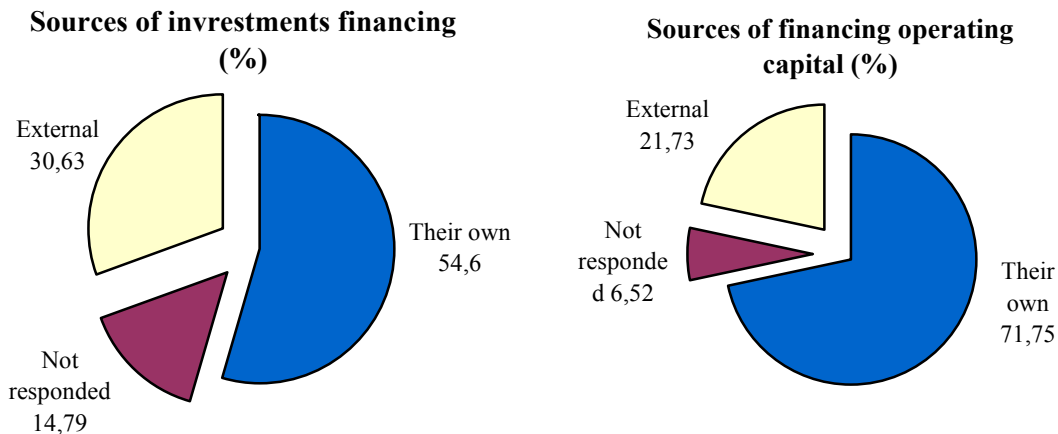
- Micro enterprises – which employ up to 10 employees – the number of the surveyed – 953
- Small enterprises – in which the maximum number of employees was 49- 753 surveyed
- Middle-sized enterprises – where the number of employees ranges from 50 to 249 — 427 surveyed and
- Shops – which were treated as entrepreneurs and their number in the sample amounted to 830.

The sample is representative since it entails SMEs from various parts and regions of Serbia, as well as from various branches of economy. Within the sample, manufacturing SMEs are predominant (35.34% of the sample), retail trade (14.85%), wholesale trade (9.31%), etc. Selected structure of the sample responds to the structure of the SMEs sector in Serbia, according to the field of economic activity.

The scope of this paper does not allow detailed analysis of all mentioned aspects of the survey. Thus, special attention would be focused on those parts referring to the current situation and problems of the SMEs sector financing in Serbia. Results of the survey undoubtedly show that in their business, SMEs in Serbia rely on their own sources of financing (more than 50%, precisely 54.6%). In financing operating capital, that percentage is even higher and amounts to 71.75%. External sources in financing investments are below 31% and 21.73% in financing operating capital. These data are presented in the Chart 1.

Implications can be very different without insight in a broader picture of institutional ambience in which SMEs are doing business in Serbia. On the one hand, it means relatively healthy approach in doing business where entrepreneurs and small and medium business owners are very careful and highly responsible towards business. On the other hand, it can be the consequence of relatively modest possibilities which they have on their disposal in financing their own business. In order to understand which of these two attitudes is more grounded in reality we would go deeper in the structure of external sources of financing SMEs sector.

Results of the research made by the Agency in terms of structure of the external sources of financing are presented in Table 3.1 as follows:

Chart 1 Sources of financing investments and operating capital in the SMEs sector in Serbia

Source: RADSMEE, 2009, p. 40

40% out of 3,000 surveyed entrepreneurs and small and medium business owners pointed out that the most important external sources of financing are actually domestic loans (in dinars) provided by the commercial banks; 15% of the surveyed opted for borrowing from friends and family, while 14% chose leasing. 17% of the surveyed referred to various sources from the broad scope of state support (this time we summed up all sources that are connected with different mechanisms of state support). All stated above can be seen in Chart 2.

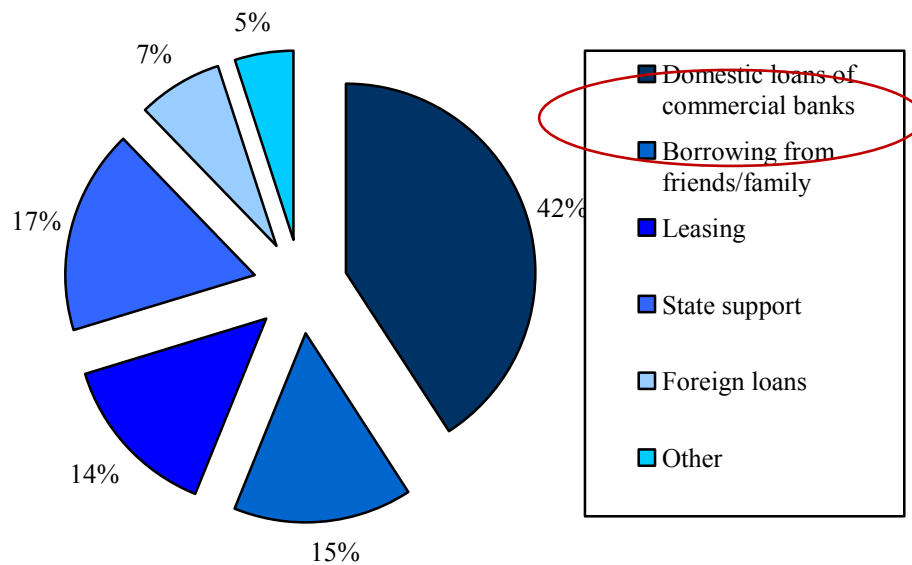
Research completely proved hypothesis on a very narrow choice of alternatives for financing SMEs sector in Serbia. Commercial banks are dominant, but small and medium business owners and entrepreneurs have lots of problems in using bank loans. Research tried to point out some of them. Namely, the following problems have been identified: high interest rates, high bank costs, difficulties in providing guarantees or collaterals, other complicated procedures in issuing loans, etc. Chart. 3 shows the most frequent problems (in per cent) in terms of using bank loans by the SMEs sector in Serbia.

Table 1. External sources of financing of business of SMEs sector in Serbia

Type of source	Per cent of the enterprises surveyed
Domestic loans of commercial banks	40%
Borrowing from family/friends	15%
Leasing	14%
Foreign loans	10%
Loans by state institutions and funds	7%
Domestic NGOs	5%
Guarantee funds	5%
Other	4%

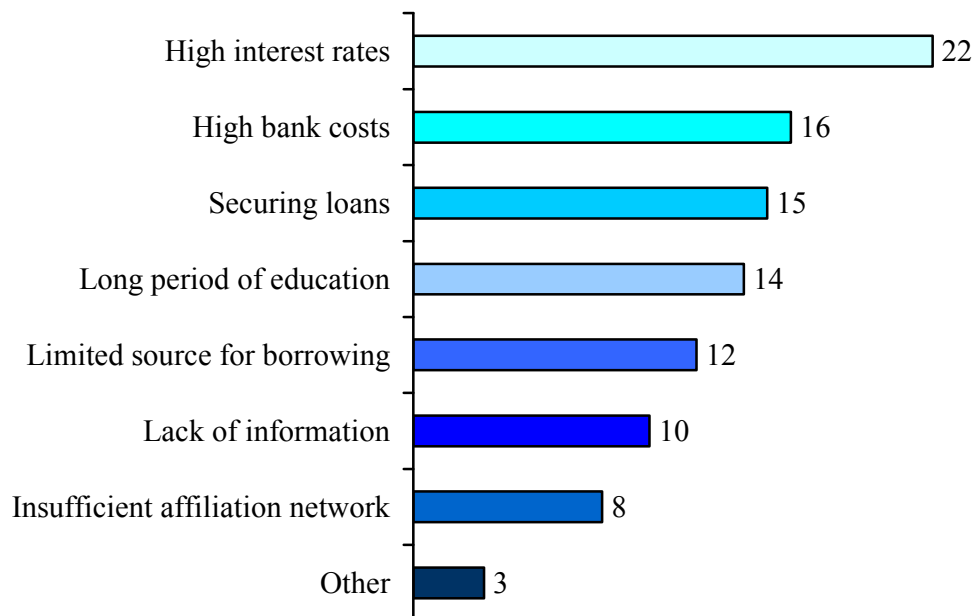
Source: RASMEE, Belgrade, 2009, pp. 40-1

Chart 2. □ Structure of external sources of financing SMEs sector in Serbia



Source: RADSMEE, 2009, p. 40-2

Chart 3. □ The most frequent problems in using bank loans as the external factor of financing SMEs sector in Serbia



Source: RADSMEE, 2009, p. 42

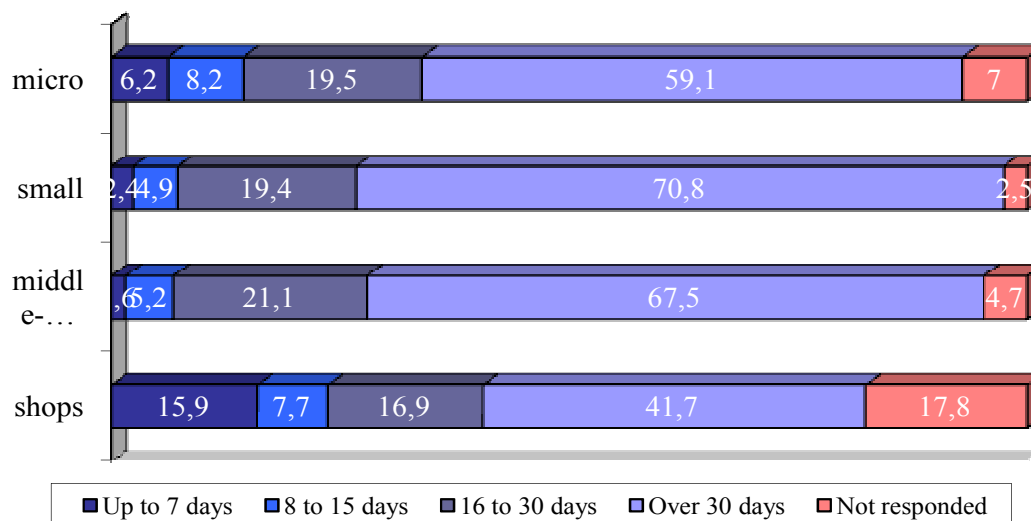
The problem of high interest rates which the surveyed pointed out totally coincides with some other results of the survey of the banking system in Serbia. So, as for the example, according to the analysis of Mr. Vlastimir Vuković, the researcher at the Institute of Economic Science, in 2008 the range between active and passive interest rates in Serbia was 10.79% (average active interest rate was 18.11% while the passive one was 7.32%, V. Vuković, 2009, p. 79), which is far above the European average. Active interest rate can in this case be observed as the average price of the loan, in both the economic sector and retail sector. In 2009 situation got

worse, and according to the analysis provided by the Institute, the average price (cost) of the loan for economy in Serbia was around 21%!

In the domain of the SMEs sector financing, the results of the survey showed the problem of enforcement of claims. By the way, this problem does not affect all SMEs equally, but depends on their size. Namely, small entities, in a lamer negotiating position are in a less favorable situation. Almost 60% of the entrepreneurs pointed out that their maturity date for payments is more than 30 days, and not rarely even 60 and much more days (sometimes more than 120 days). On the other hand, more than 60% of their liabilities mature in less than 30 days, so there is a huge gap in harmonizing cash flow in this group of economic entities.

From the point of view of financial management, such findings of the Agency's survey point out that the owners of SMEs encounter huge problems in harmonizing dynamics of accounts payable and accounts receivable. Hence, the problem of providing operating capital becomes a burning issue for many small and medium-sized enterprise owners. Chart 4 shows average maturity periods depending on the size of the enterprise, by which it is evident that it is especially long in the sector of micro, small and medium-sized enterprises.

Chart 4. □ Maturity dates according to the size of enterprise



Source: RADSMEE, 2009, pp. 42

From the mid 2009 the negative effects of the global economic crises worsened and made general conditions for doing business even more difficult. Maturity dates have been extended, available credit sources decreased and interest rates increased. Under such conditions illiquidity of all participants of the economic and social life has increased (Serbian Government encountered special problems during the talks with the International Monetary Fund on being granted loans for budget liquidity and increase of deficit). Such consequences struck the owners of small and medium-sized business most. To make the situation even worse, financial system in Serbia has not developed mechanisms and systems of micro-financing. There are neither micro credits nor real micro credit institutions which offer fast and favorable loans for the SMEs sector.

3. ANALYSIS OF THE DEVELOPMENT OF THE □ALTERNATIVE□ SOURCES OF FINANCING OF THE SMES SECTOR

According to the results of the RADSMEE research which was based on the survey of the sample of about 3.000 SMEs in Serbia, it is possible to draw certain conclusions in terms of participation of some sources of financing. They could be grouped in the following way:

I – **Self-financing** by the owner, or his/her relatives, employees, from their own business, etc – research showed that when Serbian entrepreneurs are concerned there are all stated sources from this group. To some

smaller extent there is Factoring, Franchising and Royalty Financing. Self-financing provides majority of finances. Special problem is the limited scope of this source, which makes future growth and development less possible.

II – **Bank loans** – almost 40% of the surveyed in Serbia pointed out that they represent the dominant source of financing. Research showed that there are many problems in using this group of sources, starting from the interest rate and complicated procedures, to more difficult conditions for loan approval. Also, this source of finance is limited in two dimensions. Namely, many SMEs owners cannot get bigger amounts of money due to strict conditions of credit analysis which are based on the estimation of financial performances contained in financial reports. On the other hand, under the conditions of global economic crisis many banks in Serbia reduced the scope of credit activity towards economy, which narrowed the scope of this source even more.

Special problem in Serbia is the lack of micro credits. They are tightly connected with the issue of micro financing, which can be defined as *'provision of financial services such as credit, savings, cash transfers and insurance to poor and low-income people'* (J. Randsma & D. Burjorjee, 2004, p. 7). Some of the basic characteristics of these services are the following: focus on entrepreneurs and above all on the poorer ones, borrowings adjusted to the abilities of the customer and significantly less requirements in terms of loan approving, etc.

Some opponents of the idea of micro credits point out that such loans are very expensive as a source of financing. According to some, the interest rate in micro credits is influenced by the four groups of factors: administrative expense rate (% of average loan portfolio), loan loss rate (% of average loan portfolio), cost of funds rate (% of average loan portfolio) and income from investment rate (% of average loan portfolio, M. Elin, 2006, p. 41). If all four mentioned factors are high, it is logical that the price of micro credits should be high, especially if there is no competition. Currently, there are no cheap micro credits in Serbia, since there is neither legal framework, nor real micro credit institution. There are certain elements, but first of all as a package offered by some commercial banks.

III – **State subsidy and supporting schemes** – There are such mechanisms in Serbia, as well as in many other transition countries. Results of the RADSMEE research showed that these sources do not participate much in total sources of financing, which could be expected according to state authority representatives. Namely, only 17% of the entrepreneurs in the survey claimed that they use some source of financing from this group. This source of financing includes three groups of loans – state funds and institutions (7%), domestic non-government organizations (5%) and guarantee funds (5%). The general characteristic of these sources is that they are more favorable in comparison with classical loans provided by commercial banks, but more severe conditions are required as well as co-financing, which is often unsurpassable obstacle for many SMEs.

Some criticize many government patterns or approaches of financing of non-governmental organization through loans under favorable conditions. Instead of such financing Malcolm Harper suggest that the system of state support should be divided through the system of micro credits and micro financing (M. Harper, 2003, p. 12). He calls it 'a new paradigm', emphasizing that by using such mechanism, financial resources of various state or donor programs could be more effectively distributed to a wider range of entrepreneurs or SMEs owners. Apart from that argument, there is a whole range of other arguments, such as: help of micro credits in eliminating poverty, considerably lower interest rates in relation to banks and other micro credit institutions, amounts could be higher in comparison with other forms of micro credits, longer repayment dates (up to 3 years), no requirements in terms of deposits or down payment, loans can be given even for productive spending, governments manage micro loans through their administrative systems, etc.

IV – **Through mechanisms of financial markets** – according to the RADSMEE research results this source does not almost exist as an alternative source of financing of SMEs sector in Serbia. This is the element which makes Serbia and other countries of the South-East European region much different in comparison with the developed countries. There are no:

- Public issuing of securities
- Public issuing of shares, especially initial public offering (IPO)
- Financing by Venture Capital Firms, Private Equity Funds
- Business Angels, etc.

The need to enlarge potential sources of financing including some of the stipulated above has been

recognized in scientific circles. Certain number of papers has been written so far (D. Eric, S. Stefanovic and A. Bradic-Martinovic, 2008, 2009) and there is consensus of both scientific circles and entrepreneurs that it is necessary. However, financial system in Serbia has not been developed yet and it would take time to develop some of the stipulated mechanisms. It has to be taken into consideration that banks have the key role in financial system of the country, similar to other neighboring countries. In bank-centric systems, with less developed capital markets, banks have no interest in developing alternative sources of financing. This is an extremely complex issue, which will not be elaborated here. The existence of gap is being pointed out here.

On the other hand, apart from underdevelopment of the financial system, entrepreneurs themselves have not enough knowledge or information on 'alternative' sources of financing. Here 'alternative' mean regular sources of financing, which exist in the developed countries. However, there are no such sources in led developed countries and transition countries, and they are the alternative to the sources which are dominant – bank loans and state subsidy and supporting schemes.

The problems of non-existence of such sources, combined with the lack of knowledge, bring about limitations and prevent entrepreneurs from thinking about exit strategies by which they can sell their businesses or to give it to someone else to manage. Some authors call these strategies 'harvesting' (R. Smith & J.K. Smith, 2004, p 546). There may be many strategies, such as:

- Going public – when a company which was a limited liability publicly issues shares and grows into an open joint stock company whose shares it starts trading publicly on the stock exchange. Founders or initial owners may stay in the form of majority, minority owner, or without the owner. New company has to respect disclosure standards and publicly publish its financial statements.
- Mergers, Acquisition or Simple Sale – It can be in a form of a merger – the company merges with some other company and the owners get shares of the bigger company which are tradable on the stock exchange. Transaction can be in the form of acquisition or simple sale – where money is given directly for the ownership over the company which the owner created himself. The essence of this strategy is to form bigger company which enjoys a whole range of advantages of the size, such as bigger market share, economy of scope and scale, lower costs, better approach to distribution channels or a whole range of other strategic or financial effects.
- Management buy-out – The condition is that the entrepreneur achieved higher stage, that he/she became a manager and created his/her managerial team. In time, managers can takeover ownership over the company they manage, and the entrepreneur has effective strategy of harvesting. If managers have no means, they can use credit sources. In that case this situation is called leverage buy-out.
- Employee buy-out, Employee Stock Ownership Plan – This strategy requires developed infrastructure of financial system and a huge number of intermediaries.
- Roll-up IPO – company is too small to go to real IPO, and can try to join others so as to create bigger entity capable to go on IPO.

4. CONCLUSION

During the course of 2009 due to the effects of the global economic crisis, conditions got worse in terms of financing in almost all countries all over the world. Own resources were difficult to provide, and by their nature they are very limited. Also, there are fewer bank loans, which became very expensive particularly in Serbia, in spite of the trend of falling interest rates on the European and global interbank markets. Finally, the offer has reduced from our group III – sources which derive from the state subsidy and supporting schemes. All stated above brought about huge problems in financing SMEs sector. On the other hand, there are no mechanisms of micro financing. Also, capital market has not been developed enough, in which investment banks would participate and not commercial banks. The lack of 'alternative' sources of financing turned to be a great disadvantage of the financial system of Serbia. It resulted in great fall of economic activities and all macroeconomic parameters, first of all GDP (expected fall is about 4-4.5% by the end of 2009).

Alternative sources of financing of small and medium-sized business through venture capital, BANs, private equity, etc enables easier provision of finances in the SMEs sector, which facilitates financing of favorable investment projects. On the other hand, the owners of small and medium-sized business can get

expertise and consulting and have many exit strategies on their disposal. However, the existence of such mechanisms and sources of financing can not only help the survival but growth and development of the SMEs sector, and the whole national economy of a country.

One of the key directions of reform of financial system and design of changes in this field has to be directed towards attracting and development of institutions which offer additional sources of capital. In that way it contributes to development of domestic capital market, since many SMEs respect the rule of 'local market', that is in collecting capital they turn towards domestic capital market. Bigger offer of capital through greater number of institutions and instruments would certainly result in reduction of costs of capital for entrepreneurs, which many owners of small and medium-sized business would find beneficial. Namely, under such conditions, they would easily decide to undertake new initiatives and projects since they require lower internal rates of return. Total effects have to be positive for all – for SMEs owners, economy, citizens, state, etc. – all participants in economic and social life.

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THE SME PROMOTION POLICY AND PRACTICE IN ROMANIA

INTRODUCTION

At the start of the transition period CEE enterprises tended to be large, inefficient and vertically integrated. There was a clear absence of SMEs. (See Roland 2000)

The subsequent privatization and restructuring of state owned enterprises combined with the introduction of market forces resulted in the emergence of new small firms and the decline of old inefficient ones. (See Hutchinson, Xavier 2006)

A key objective for politicians in transition countries and providers of external aid was the development of SMEs sector as underline different official documents:

"The development of SMEs is important first of all in countries where the SME sector is not yet a deeply-rooted part of the European scene...sector that encourages entrepreneurship and represents an important source of a job creation."
 (EIB president)

"Commit Member States to focus ...on small companies as the main engines for job creation in Europe and to respond specifically to their needs" (Lisbon European Council 2000)

Research studies proved that the SME development is a key to economic growth, innovations and market competition in most advanced western economies. (See Acs and Andretsch, 1990) and presents a crucial source of innovative potential and job creation possibilities. (See Johnson and Loveman, 1995)

Nowadays it's widely recognized that a strong SME sector could provide further employment opportunities and contribute to economic growth as well as the development of a competitive market system.

The transition in Romania started in 1990 and was more difficult than in other Central and Eastern European countries. At the end of the 80's the Romanian economy was near collapse after 40 years of centralized planning which was concentrated only on heavy industry and on big non profitable infrastructural projects.

Research studies, official statistical data show that in Romania the level of development is still significantly lower than the EU average, most of Romania's social indicators lag behind EU ones, the economy is affected by low competitiveness (see C. Zaman, 2007).

In Romania more than 99% from all enterprises is represented by small and medium size enterprise (NIS 2009) but the total number of SMEs is lower than in developed countries. For the first semester in 2008 the number of total enterprises were 469285 and the total number of SMEs were 465594 which for the first time after 1992 shows a decreasing tendency. The number of active SMEs decrease with 17%.

Based on publicly available data can be observed that in 2009 the decreasing tendency became more accentuated suspend the activities 12 times more enterprises than in 2008 in the same period, more than 105 500 enterprises suspend the activities in comparison with 8 200 registered in 2008. (Source Romanian Statistical Yearbook, Romania in Cifre,2008) This phenomena is due to both economic crises and legal regulations.

The density of SMEs on national level, globally (23 SMEs per 1000 inhabitants - 2008) is still low than the EU average which is more than 50 SMEs per 1000 inhabitants can be seen on figure 1.

The SMEs have an important role in Romanian economy. The weight of turnover achieved by active SMEs in the turnover of total enterprises can be seen on figure 2.

The weight of turnover achieved by active SMEs has an increasing tendency, obtained 58, 8% in 2006 and over 60% in 2007. In 2007 the weight of turnover achieved by active SMEs by size class has the following structure: medium size enterprises have a contribution of 36%, the small enterprises 34% and the microenterprises 29%. (see study relised by MIMMCTPL, with NIS the Ministry of Economy and finance coordonated by Jose Cercera-Ferri, Despina Pascal, Jose Vila, Monica Bergamini)

The distribution on economic sectors of the rate of turnover by active SMEs in 2007 was: 67,4%

trade- decrease from 69,2% in 2006, 20,1% industry, energy the same as in 2006 (we have to remark that the food manufacturing has a biggest contribution in industry with 18,5%), the construction increase from 8,7% in 2006 to 10,4% in 2007 and the agriculture, forestry, pisciculture have a contribution 2,1% which increase from 1,9% in 2006.

Data shows that the SME sector has an important role in Romanian economy.

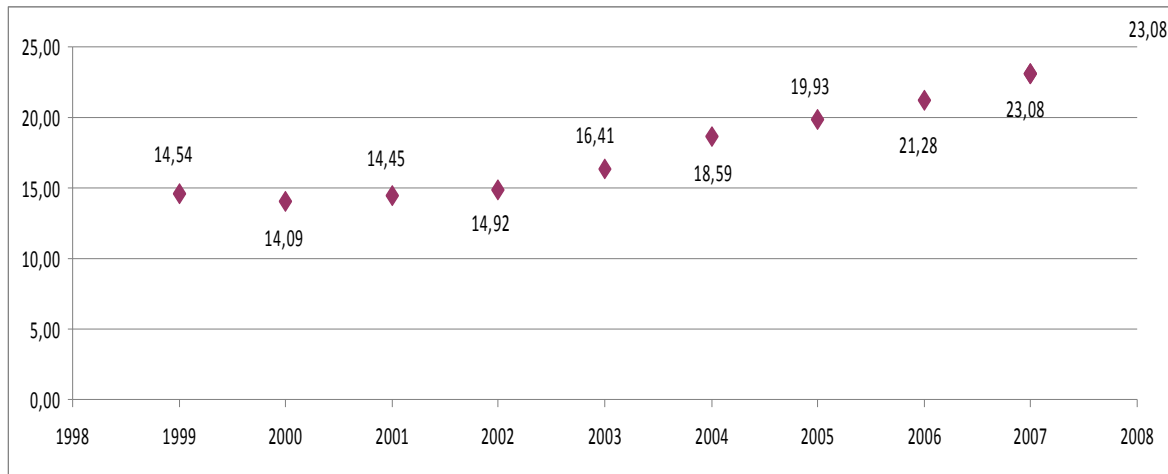


Figure 1

Source Romanian Statistical Yearbook-Enterprise Activity 15, 2008

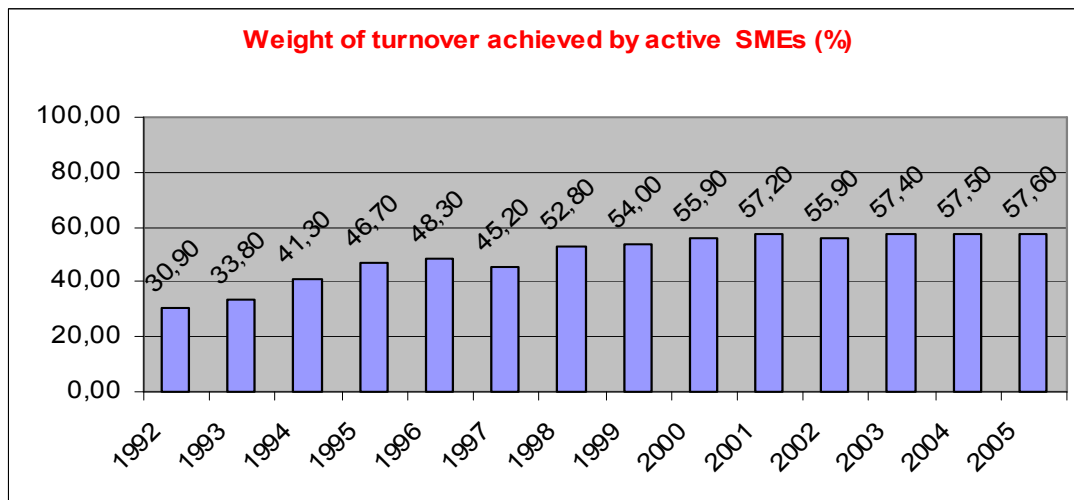


Figure 2

Source Romanian statistical Yearbook-Enterprise Activity 15

EU PROMOTION POLICY

The aim of this paper is not to present the current situation of SMEs in Romania but to study the level of harmonization of the Romanian promotion policies with the EU one. In this respect at first we present an overview on the situation in EU concerning on the SME promotion policy and practice in EU.

By the Article 157 in the Treaty of Establishing the European Communities has been created the necessary legal support for the promotion and development of SMEs in the European business environment

On 13th June 2000 the General Affairs Council adopted the **European Charter for Small Enterprises**, which was approved by the Council of Europe during its reunion in Santa Maria da Feira between 19 and 20 June 2000.

The Charter, a politic document, it obligates the Member and Candidate States to conform to the

European legislation. The Charter established at least **ten major courses of action**: education and training of the entrepreneurs; cheaper and faster start-up; better legislation and regulation; availability of skills; improving on-line access; the taxation system and financial aspects; strengthening the technological capacity of small enterprises; making use of successful e-business models and assuring top-class business small business support; developing stronger, more effective representation of small enterprises' interests at the EU and national level.

Fiscal and legal measures, which were adopted to ensure the implementation of the Community policy regarding SMEs are: the **Recommendation no.94/390/EC** regarding taxation for SMEs (refers to the improvement tax in what concerns the reinvested profit); the **Decision no.94/1069/EC** regarding transfer of SMEs (offered a legislative tax environment favorable for job preservation); the **Decision no.97/761/EC** to approve the support mechanism in view of creation of transnational joint ventures on SME level (by this decision there was launched the project "European Joint Venture – JEV), the **Recommendation no.90/246/EC** regarding the implementation of administrative simplifying policies favorable to SMEs; the **Recommendation no.97/334/EC** regarding the improvement and simplification of the business environment for the establishment of new SMEs.

The **Recommendation no.96/280/CE** later was been completed by **Recommendation no.2003/361/EC** regarding the definition micro, small and medium enterprises.

European Parliament declared its support for the **Small Business Act through the Resolution** issued on 10th March 2009 regarding the Commission Statement concerning *Small Business Act* for Europe (2008/2237/(INI)).

By means of this new document the European Parliament highlights the imperious necessity for the **ten directive principles to be applied both at a European level and national and regional level**, and the Commission and the Council of Europe invite the member states to make the politic commitment for guarantying their application.

THE SME PROMOTION POLICY IN ROMANIA

In Romania it has assimilated as overriding objectives the ten courses of action set by the European Charter for Small Enterprises, the coordination and implementation strategy being entrusted to the National Agency for Small and Medium-Sized Enterprises and Co-operatives.

The state encouraged through the available means (regulation, credits, fiscal facilities etc.), the skills creating profit, employment, innovation and research, reason for which it created the **necessary legal framework** for protecting and developing entrepreneurial initiative, as well as the **necessary bodies** for achieving this goal.

The Romanian law was adapted to the requirements of the European Community law. **Legal and Administrative Environment for Supporting the Development of the SME** were fully treat by L. Chiriac. (*see Chiriac*)

The Romanian law was adapted to the requirements of the European Community law. The set up of an entrepreneurial activity implies establishing the organizing legal types of a business, according to the Romanian legislation.

The Romanian legislation has set up the **main types** according to which the activity of small private companies can be developed: they can be: *individual* – sole proprietorship (natural person – Romanian P.F.)³, *partnerships* (family association – Romanian A.F.⁴, limited liability company – Romanian S.R.L.; *general partnership* – Romanian S.N.C.; *limited partnership* – Romanian S.C.S.; *limited partnership by shares* – Romanian S.N.A.; *joint stock venture* Romanian S.A.⁵; *partnership in agriculture*⁶; *cooperative partnership* in craftsmanship⁷).

³ Decree of Law no. 54/1990 on the organization and development of the individual entrepreneurs and family associations, published in the Official Journal of Romania no. 20 on 6 February 1990

⁴ Law no. 300/2004 on certifying natural persons and family associations that carry out independent activities, published in the Official Journal of Romania on. 576 on 29 June 2004.

⁵ Law no. 31/1990 on companies changed and republished in the Official Journal of Romania no. 1066 on 17 November 2004;

The Memorandum of Association of a company contains the Contract of Association – in case there are more partners – and The Articles of Association.⁸

The current definition of the small and medium-sized enterprises is given in Law no. 346/2004 regarding the stimulation of the set up and development of small and medium-sized enterprises⁹ and was modified by Law no. 175/2006¹⁰ in order to correspond to the definition given in the Recommendation of the European Commission 2003/361/E.C.C. Thus, small and medium-sized enterprises are defined as those enterprises that cumulatively meet the following requirements: they have an annual average number of employees smaller than 250 people, a net annual turnover of up to 50 million euro, the equivalent in lei, or an annual balance sheet total that does not exceed the equivalent in lei of 43 million euro, the capital that an enterprise has which is not classified in the category of SMEs does not represent more than 25% of the capital (or voting rights) of an small and medium-sized company. According to the annual average number of employees and the net annual turnover or the annual balance sheet total that they own, small and medium-sized enterprises are classified in microenterprises¹¹, small enterprises¹² and medium enterprises¹³.

The law excludes banks, insurance and reinsurance companies, management companies of financial investment funds, companies exclusively involved in export, natural or legal persons that have as main activity the purchasing and reselling of products or the leasing of movable or non-movable goods.

Business development intended Romania's alignment with the European legislation, reason for which it has assimilated as overriding objectives the ten courses of action set by the European Charter for Small Enterprises, the coordination and implementation strategy being entrusted to the National Agency for Small and Medium-Sized Enterprises and Co-operatives. Therefore, in Law no. 346/2004 we can find provisions regarding the administrative procedures (the SMEs protection is assured in their relation with the state; the simplifying of administrative procedures), access to public services and assets belonging to autonomous administration, national companies and state-owned companies (unifying the stages of notices and preliminary agreements issue, priority access to the hiring, leasing or purchasing of available assets), priority access to public acquisitions of goods, works and services (they benefit from 50% discount for criteria related to turnover, warranty; they can benefit from technical consultancy, access to information electronic services), information services, assistance and consultancy, stimulation of the research – development and innovation authority, professional training (training programmes supported by the National Agency for Employment, state-owned and private educational institutions), small and medium-sized enterprises transfer (it refers to continuity, job security, the stimulation of economic activities), development programme (facilitating access to financing, non-reimbursable grants, the set up of guarantee funds, promotion of foreign investments, etc.).

The Romanian legislation has been oriented towards education and entrepreneurial training, among others (the National Agency for Partnership between Universities and Economic and Social Environments has been set up), fast and cheap set up of new enterprises (the organization and restructuring

⁶ Law no. 36/1991 on agricultural companies and other forms of partnership in agriculture, published in the Official Journal of Romania no. 97 on 6 May 1991, modified and republished on the bases of the modifying documents published in the Official Journal of Romania the first part, until 23 May 2007;

⁷ Law no. 1/2005 on the organization functioning of the co-operatives, published in the Official Journal of Romania no. 172/28 February 2005;

⁸ Law no. 26/1990 on the Trade Register Office, published in the Official Journal of Romania no. 49 on 4 February 1998, republished including the modifications published in the Official Journal of Romania, the first part, until 30 April 2008;

⁹ Published in the Official Journal of Romania no. 681/29 July 2004, Law no. 346/2004 abrogated Law no. 133 issued in 1999 on the stimulation of private enterprisers for the set up and development of the small and medium-sized enterprises – co-operatives

¹⁰ Published in the Official Journal of Romania no. 438 on 22 May 2006;

¹¹ They have up to 9 employees, net annual turnover or balance sheet total up to 2 million euro, equivalent in lei;

¹² They have between 10 and 49 employees, net annual turnover or balance sheet total up to 10 million euro, equivalent in lei;

¹³ They have between 50 and 249 employees and reach a net annual turnover up to 50 million euro, equivalent in lei or balance sheet total that does not exceed the equivalent in lei of 43 million euro;

of the Unique Office¹⁴; through OGU no. 27/2003 regarding the tacit approval procedure, the measure according to which in case of administrative silence the permit is considered as approved was set up), better laws and regulations (Law no. 300 dated 28th June 2004 regarding the authorization of natural persons and family associations to perform independently economic activities, Law no. 52/2003 concerning decision-making transparency in public administration, Law no. 85 on 5th April 2006 regarding insolvency), fiscal facilities (article 107 in the Fiscal Code sets the taxation quota on the microenterprises income to 3% in 2009; Government Decision no. 166 on 13th February 2003 regarding fiscal facilities for students who wish to set up their own business; the students are not required to pay for the initial costs of getting the authorizations. (for more information see. <http://www.onrc.ro/romana/studenti.php>), Government Decision no. 442 on 10th April 2003 concerning the approval of some measures for attracting, training and settling young people in research).

The Romanian legislation, aiming to achieve the objectives set by the European Charter for Small Enterprises, went so far as to ban any activity or acts having as object or that might have as result the discrimination of small and medium-sized enterprises or the new set up enterprises on the size and seniority criteria¹⁵. (see Chiriac 2009)

Adoption and implementation of the Romanian Fiscal Code by Law no.571/2003 (It took effect on 1st January, 2004) constituted a meritorious work in trying to reclaim the past, expressed by normative inconsistency and in trying to harmonize the Romanian legislation with European law, with the principles of EC Treaty and the jurisprudence European Court of Justice (See C.F. *Importanța jurisprudenței Curții de Justiție a Comunităților Europene în materie fiscală*, The Romanian Journal of Fiscality no.1/2007 pp.43-49).

CONCLUSION

SME policy is part of the overall economic policy. In order to support and develop the activity of SMEs, also by law, bodies, public and private institutions, non-governmental organizations and business and consulting centres have been created: the National Agency for Small and Medium-Sized Enterprises and Cooperatives subordinated to the Government; the Chamber of Commerce and Industry of Romania, a non-governmental organization with subsidiaries in all country's counties; National Confederations and Patronage Associations that gather enterprisers from different professional categories aiming to protect their members' interests.

The Government through the Ministry of SMEs, Commerce, Tourism and Liberal Profession continuous to improve: the access of SMEs to financing, financial support of investments in equipment, new technologies and products, ensuring the access to the results of research and development activities, facilitating cross-border co-operation, promoting Romanian products to export, developing an appropriate business infrastructure.

To encourage the activities of SMEs was created a legal framework - regarding the authorization of natural persons and family associations to perform independently economic activities, to increase decision-making transparency in public administration, insolvency, concerning fiscal facilities (article 107 in the Fiscal Code sets the taxation quota on the micro-enterprises income to 3% in 2009; regarding fiscal facilities for students who wish to set up their own business; concerning the approval of some measures for attracting, training and settling young people in research.

Concerning on the access of SMEs financing, the "White Charta of Romanian SMEs" (2009), remark that more than 60% of SMEs finance their economic activities from their own sources; 51, 05% of enterprises apply for bank credits for financing their activities; 9, 57% of SMEs use leasing. Higher levels of self-financing are recorded in the enterprises which are less than 5 years old (65, 82%) and in the industry enterprises (70, 61%). Higher degree of applying for bank credits financing is to be found in SMEs of 10-15 years old, in enterprises involved in tourism sector (64%) and in units of superior overall performances (55, 77%).

The OECD noted that high taxes, complicated regulations, lengthy and costly registration procedures are the main obstacles in business registration. In the World Bank's Doing Business 2009 Romania was

¹⁴ Law no. 359/2004 on the formalities simplification when registering at the Trade Register Office of natural persons, family associations and legal persons, their fiscal registration as well as when authorizing the functioning of legal persons, modified by Government Emergency Ordinance no. 75 on 30 September 2004.

¹⁵ Article 10 of Law no. 346/2004

situated well between transition countries in terms of easy of starting business, access to credit but poorly in the employment of workers and paying taxes.(see Transition Report 2008).

Defining SMEs meant its settlement in the framework of European and national fiscal policy, this one being also found in the Romanian legislation (Law no.364 of July 14th, 2004 on stimulating the establishment and development of SMEs, as amended by Law no.175 of 2006), including the Romanian Fiscal Code (See tax exemption scheme for small businesses, article 152 of the Fiscal Code adopted by Law no.571 of 2003).

Because of the missing of research departments in SMEs and in order to encourage the innovation in Center region was created in 2009 a *network BISNet Transylvania*, financed by the EC (PC7 framework) which offer consultancy and information for SMEs. (see <http://www.fonduri-structurale.ro/>)

For promotion policies it is necessary to have a general overview about the SMEs in Romania, to know the real situation on national level. Comparative analysis between the development regions show big differences, gaps between different regions. (enterprise number; turnover of active enterprises; the number of SMEs/1000 inhabitant in each development region; unemployment rate; university degree population share in the total occupied population).

Research papers analyzed the competitiveness-region differences.To help the introduction of useful policies to reduce differences at first must be determined criteria to measure these differences. Dorin Jula, Nicoleta Jula(2004) proposed to measure the differences between the regions thorough: the structure of economy activity (represented by the distribution of employee in sectors), the extent of the innovative activity, regional accessibility, the skills of the work force.

The rank of the development regions we presents in table 1. (*Source: The state of romanian labour Force regional market, G., C., Bănică, M. Dimian, C. Pârlog,Academy of Economic StudiesBucharest*)

Table 1 RANKING OF DEVELOPMENT REGION

DEVELOPMENT REGION	RANK
Bucharest-Ilfov	1
West	2
Centre	3
North-West	4
South-East	5
South-West	6
North-East	7
South	8

Causes of differences between regions are: the situation on regional labour markets is the result of the economy restructuring process and the employment opportunities offered by SMEs from different regions; SW, NE, S, SE regions' dependency on agricultural activities is still very high; high unemployment rates are focused in the regions characterised by traditional underdevelopment and by economical restructuring, especially mono industrial regions: South-East, Centre, South; the relative reduced weight of university degree persons in regional employment (except Bucharest-Ilfov region) causes a higher risk for the employed persons to become and remain unemployed and, as a consequence, makes it more difficult to conceive and implement human resources training; most of the Romanian regions (except the capital) record a high rate of employment in primary sector, and not in superior added value generating activities.

In underdeveloped regions the entrepreneurial activity missing, no persons who can recognize opportunities.. The entrepreneurial intensity by regions can be seen in Table 2.

The regional policies concern the following main areas: development of enterprises, the labor market, attracting investments, development of the SME sector, improvement of infrastructure, the quality of the environment, rural development, health, education, culture.

About cluster development we can obtain more information from country report: Romania which has been elaborated as a part of the Europe INNOVA Cluster Mapping Project (2007) and on www.clusterobservatory.eu , www.oxfordresearch.eu , www.ensr-net.com . In Romania there is no purposely enforced legislation for clusters.Clusters are part of all the national, regional and sectorial strategies, policies and plans. Are used two terms :- „entities from the innovation and technological transfer infrastructure”- defined in GO 406/2003 (see pp.3) and – „clusters”-GO 918 from 19 July 2006.

Table 2 ENTREPRENEURIAL INTENSITY BY REGIONS

DEVELOPMENT REGION	2001	2007	Dynamics 2007/2001 (%)
Bucharest-Ilfov	12.4	18.03	145.4
West	18.4	25.24	137.2
Centre	13.5	19.65	145.6
North-West	15.3	20.09	131.3
South-East	17.3	30.45	176
South-West	19.5	32.35	165.9
North-East	18.5	30.25	163.5
South	35.5	64.28	181.1

Source: White Charta of Romanian SMEs, 2009

Organizations, departments responsible for the implementation of cluster policy on national level are: Ministry of Economy and Trade, National Agency for SMEs and Cooperation, National Authority for Scientific Research, Ministry of Education, Research and Youth, Ministry of Communications and Information Technology. Regional programmes for cluster development aren't in Romania. Successful cluster programmes are in West region: the automotive industry, agribusiness (USAID), CLOE-City Hall of Timisoara cluster activity (<http://www.clusterforum.org/>). The interest of the companies to develop clusters will increase.

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SMALL AND MEDIUM ENTERPRISES IN TIMES OF THE ECONOMIC CRISIS: CASE STUDY OF SLOVAKIA

1. INTRODUCTION

Trading in small and medium enterprises (SMEs) is specific in the conditions of the Slovak Republic due to its flexibility and opportunity of fast adaptation on turbulent market environment. Small and medium businesses are characterised by transparent organisational structure, they allow direct management and information flow without the influence of negative aspects. SMEs have significant potential for the Slovak national economy development.

Dynamic development of small and medium enterprises has thus become one of the key assumptions of healthy Slovak economic development. SMEs comprise a significant part of the Slovak economy nowadays. Their activities make almost half of the gross domestic product. They have become a stabilising force in the economic system of Slovakia, since they create labour opportunities for more than 70% of workers. On the other hand, small and medium entrepreneurs dispose with restrictive amount of capital and thus they are more sensitive to non-market barriers within the business comparing to large companies. Slovak entrepreneurs perceive negatively complicated and often changing legislation. The administration load of trading, high taxation and levy payments, weak law enforcement, the level of regulated prices and corruption are the most often mentioned negative impacts on entrepreneurs' trading activities. They point out to lack support of domestic small and medium businesses comparing to the support of foreign investors.

The typical sign of the Slovak SMEs is that they are mostly owned by domestic subjects. They usually represent local capital bringing positive influences in the regional development. At the end of 2008, Bratislava region was dominating one with the most of active SMEs in Slovakia. Both juridical (32%) and natural persons (17%) have dominant position in this region. The similar conclusions can be pointed out when we compare the number of SMEs on 1000 economically active citizens within the region. There are over 180 natural persons and over 80 juridical ones in Bratislava region per 1000 economically active citizens. Slovakia is characterised by the regional disparities amongst the regions with dominant position of Bratislava region in terms of number of SMEs, employment of workers, GDP creation, wage level, and other economic indicators.

At the end of 2008, there were almost half million of SMEs in Slovakia, which accounts almost 99% of all registered firms. The micro enterprises represent the most significant part in the structure of all enterprises in Slovakia. By the end of 2008, their number reached almost 400 thousand (80% of all companies). Their amount rose by 43% comparing the year 2000, when number of micro enterprises was almost 280 thousand. The small enterprises accounted almost 100 thousand at the end of 2008 and medium ones more than 3 and half thousand pieces. Small enterprises grew by 65% comparing the year 2000 while medium ones by 25% from 2000 to 2008.

In Slovakia, natural persons are concentrated mainly in the sector of tradesmen with almost 400 thousand pieces. The number of tradesmen has a constant growth rate since the year 2000. The other two forms of natural persons – professional freelancers and self-employed farmers are not involved in that big numbers. While the number of freelancers slightly grows from 11 thousand in 2000 up to 20 thousand in 2008, the number of self-farmers constantly decreases from over 20 thousand in 2000 to less than 9 thousand in 2008. There also exist 1460 active co-operatives employing almost 53 thousand people. About 74 thousand enterprises are run by women.

At the beginning of the year 2000, the development of small and medium enterprises was affected by the entrance of foreign investors into food-processing industry and car industry. From the view point of food-processing, the enterprises with Italian (17.5%) and German (15.3%) capital had the biggest share of purchased raw milk. In connection with the development of car industry, the cluster policy for the development of small and medium enterprises had been applied in PSA Peugeot Citroen in Tmava, Volkswagen in Bratislava, Samsung in Galanta as well as Kia Motors in Žilina.

Further and sustainable development of the SME sector requires acceleration of innovation activities

and their support. One of the most significant barriers is the access to funds for their implementation and use. The offer of bank loans was sufficient by the end of 2008, but in times of financial crisis, the banks are unaware to borrow capital in the same volumes and under same conditions as they were in the year 2008. Innovation projects are considered very risky for the banks.

The main economic sector, in which SMEs perform, is industry, mainly industrial production. They employed more than 530 thousand workers in 2008. This number decreased due to the economic crises to 430 thousand by the end of 2009. The other important sectors where SMEs provide their activities in Slovakia are construction with average employment rate over 180 thousand workers in 2009, retail trade with over 160 thousand workers, and wholesale with over 130 thousand workers. The lowest number of workers employed by SMEs perform in sectors such as sale and repair of motor vehicles (about 25 thousand workers), restaurants (over 30 thousand workers), accommodation and hotel services (10 thousand workers), and industries such as mining, electricity, gas and water supply (in average from 8 thousand to 20 thousand workers).

2. UNDERSTANDING OF STRESSES ON SMES IN THE CONTEXT OF SLOVAK REPUBLIC

The year 2009 was more difficult for doing business than previous ones. Firms not only in Slovakia but also around the world had to cope with the effects of financial crisis that started in rich economies and quickly spread out to the whole world. Demand for many products fell in Slovakia. As seen from provided statistical figures in upper text, decline in demand caused decline in employment in SMEs.

Policy makers and governments face therefore big challenges – from stabilising the financial sector and restoring confidence and trust to lower unemployment and to increase necessary safety nets. On the other hand, all this occurs in the face of rising public debt as fiscal stimulus packages collided with tightening fiscal revenues. Slovak government implemented various regulatory reforms in order to return demand back and to stop rising the unemployment rate. Though, it did not succeed at all. Reforms were aimed to make easier to start and operate business, to strengthen property rights. Slovak republic is ranked 35th on the ease of doing business within whole world. Due to rising employment, still high taxation and levy loads, lost opportunities for new businesses during the economic crisis, it is expected that Slovakia will drop to 42nd position.

Starting a business is one of the key tasks to be solved in times of the economic crisis. Reform provided by the Slovak government meant that from year 2010 it would be lower minimum capital necessary for starting a business (% of income per capita). It decreased from 34.1% in 2008 to expected 23.8% in 2010. SMEs' highest costs occur in legal services fees (over €500) and for registering a company after opening a bank account (over €2500 for all shareholders). Number of days to settle a business dropped from 25 in 2008 to 16 in 2010 because of fewer procedures to be made. While in 2008 SMEs had to pass 9 procedures, in 2010 there will be only 6 procedures to start business. Registration has become easier, since it can be done electronically and is provided by court clerks.

Since SMEs are registered, they have to seek for several permits for providing business. As far as construction industry is mostly represented by Slovak SMEs we analyse dealing with permits for trading in this sector. SMEs are under constant pressure from government institutions to comply with inspections, licensing and safety regulations. They are also under pressure from customers to be quick and cost-effective. In Slovakia, it takes 13 procedures for SMEs to obtain all necessary permits. Due to the economic crisis they had to cope with costs. They succeed to lower them from 14.9% of income per capita in 2008 to 13.1% in 2009. It takes over 1500 € for SMEs to pay for all important permissions. One of the most expensive permission is the one from electricity and telecommunication provider and from municipality authorities.

Slovak SMEs are under even more regulations. One of them is regulation of employing workers. Slovak government together with Labour unions try to regulate the Slovak labour market the tightest as possible. Increases in minimum wage level led to several closings of businesses within the SME sector mainly in sectors as agriculture, textile industry, hotels and accommodation, and retail trade. Redundancy costs (weeks of salary) are supposed to be too high for SMEs. More flexibility in employing of workers is desired. Notification of third party when terminating redundant workers is the greatest administration problem for SMEs in employing.

When SMEs start business they register their property. More efficient property registration is expected to reduce transactional costs and to formalise property titles in Slovakia in 2010. Property right

security and less corruption are perceived by Slovak SMEs as very important tasks to be discussed and solved in up-coming years. Reform in this area is expected, since only rich entrepreneurs can afford to invest huge sums into security systems. Though it is quite easy to register property – it takes only 3 procedures and about 17 days, reform in security services should be provided.

The access to finance will always be at the top of priorities for every entrepreneur. Slovak SMEs consider access to finances as the major barrier in providing their trading activities. Especially, since 2009 when impacts of financial crisis started to influence very negatively business in Slovakia, banks restricted an aid to enterprises or they tighten the conditions and requirements for obtaining a loan. Thus these finances became rather inaccessible for SMEs. Although interest rate is rather low, there are not many SMEs which can afford to borrow money. Even banks have become more strict and careful. There are many SMEs suffering from decreased demand both domestic and foreign, they are losing their customers, orders, they must terminate redundant workers and therefore they do not have enough capital to repay principal together with interest to banks when they become due. Given the rapidly worsening external environment the outlook for Slovakia has deteriorated significantly in the second half of 2008 and the economy is likely to contract in 2009. While the banking system has so far suffered limited impact from the global financial crisis, current indicators are that the next strategy period sees a substantial contraction in the availability of finance for households, SMEs and municipalities. It is expected that attention from financial institutions will be paid to local investments in the context of cross-border expansion and support of innovative products to provide financing for SMEs. Focus will be delivered to private equity funds to support start-ups in order to grant SMEs credit and share risk with them. Attracting private investors to such funds will be challenging in the present circumstances.

SMEs in Slovakia have also other chances to obtain necessary capital. Raising capital is provided not only through the bank loans but also by attracting equity investors. Selling shares is one of the opportunities how to avoid repayment of collateral or bank loans. However, financial crisis brought several doubts to investors and they worry about their money more than ever. They look for laws to protect them. It is obvious in Slovak SMEs that only managing directors decide about the capital transfer and transaction. Accounting statements and taxation documents are usually matter of secret and investors are not always permitted to check them before an investment. What is more, small shareholders are also not allowed to control these economic statements. Investors, mainly those of venture and equity capital, ask for more protection from state in a form of legislation.

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. The Slovak SMEs use to argue that courts are not efficient. Therefore, they undertake fewer investments and business transactions. Trust in justice has decreased dramatically in Slovakia in recent years. It takes even 565 days to end up case. Costs as % of claim increase to 30% in 2010 compared to 25% in 2009. Poor enforcement of contracts is perceived to be big obstacle for Slovak SMEs in providing business activities.

Not only protection of investors but also taxation system influencing both SMEs and investors are key issues these days in the economy. Total tax rate in Slovakia is almost half of income. According to the steps of present Slovak government, it is not expected that this rate would decrease. Financial crisis allows only few decreases in taxation rates since public revenues have noticed dramatic drop. In Slovakia, income taxation rate for both corporations and natural persons is 19%. This rate is considered to be low and attractive for investors and domestic SMEs. On the other hand, the other payments to taxation offices and several state institutions make taxation load too high and complicated for Slovak entrepreneurs. For SMEs it is vital to decrease and simplify levy payments. Not only they are too high but there are many transfers that entrepreneurs must do in a favour of Social Insurance Company or Health-care insurance companies.

The economic crisis raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganise viable companies and close down unviable ones. Closing down of companies allows reallocating of assets and human capital to more productive sectors. Although further increase of costs to close business is not expected, the other thing that could help Slovak entrepreneurs in the economic crisis would be lowering of the costs and recovery rate. They reach level of 18% of estate. Recovery rate expressed in cents on the dollar will rise from 45 in 2008 to 46 in 2010.

The majority of companies agree that the general economic outlook had deteriorated since the beginning of 2009. Turnover and profits had fallen. SMEs are usually those companies that report such decreases, while large companies tend to keep relatively good financial position. Innovative companies noticed

either unchanged financial position or even better than those 'non-innovative' firms.

SMEs in Slovakia find difficulties in finding new customers. Because of higher unemployment and thus lower disposable incomes, demand in almost all sectors had dramatically fallen. What is more, in the first half of 2009, when local currencies noticed significant depreciation against Euro currency, goods and services in neighbor countries became much cheaper for Slovaks. Not only lower wages of Slovak citizens but also strong Euro were the reasons of dramatic drop in SME revenues. Slovaks preferred to buy food products and beverages, drugstores and electronics in neighbor countries. Prices in neighbor countries were much lower (sometimes even by 30 percent). The competition from neighbour countries increased 'fight' for customers also in Slovakia. SMEs performing mainly in retail sectors, construction and energy had to decrease their prices in order to maintain the highest demand as possible and keep customers on their relevant market. Due to low profits, access to finances became much harder than before the crisis. Many bankruptcies occurred due to inability to repay borrowed money or due to inability to raise additional vital funds. The most popular debt instruments from banks became overdrafts or credit lines; less popular are long-term bank loans. Companies in Slovakia declare the need of immediate capital for shorter period. Not only banks lowered the amount of loans, also leasing companies noticed significant drop in using of their services. The lowest interest remained in equity capital, since it is riskier investment and requires higher capital and longer evaluation. The Slovak SMEs noticed increased demand for their goods and higher spendings of customers not only on products of daily consumption but also on products for longer consumption such as electronics at the end of 2009. Due to the scrap program of the Slovak and other European governments, automotive industry did not notice big breakdowns. So did not their small and medium sized suppliers. Demand for new cars was even bigger than the one in 2008 what was really surprising fact due to price level of new cars in Slovakia. The idea of scraping programme and its success within the automotive industry motivated other SMEs in retail sector, producers of black and white electronics, and producers of furniture to offer 'scrap premium' for customers if they bring the old TV sets, computers, refrigerators or old parts of furniture and buy the new ones. SMEs thus tried to lure more customers by these premiums and lowered prices. Comparing figures at national level (raise of profit, number of goods sold, slowing down of unemployment rate growth, etc.) from the first half of 2009 to those from the year-end of 2009, we can argue that SMEs succeeded in fight for customers with foreign companies. Customers are much less motivated to travel to neighbour countries since price level decreased in almost all sectors in Slovakia comparing the level from the beginning of 2009.

3. INSTITUTIONAL ACTORS AND THEIR STRATEGIES, POLICIES AND INITIATIVES

Support to SMEs in Slovakia is provided from several sources either on state or private level. Central pillar of State economic policy for support of small and medium enterprises is the Ministry of Economy which, through the National Agency for the Development of Small and Medium Enterprise (NADSME), endeavours to strengthen the competitiveness of the sector within the framework of the EU single market and in third country markets through the application of four basic priorities:

- stimulation of growth in the sector,
- enhancing its competitiveness,
- internationalisation – penetration of new markets,
- provision of simplified access for small and medium enterprises to capital resources.

Several pan-European networks and services have also been created with the aim of providing active support in particular to SMEs. In the majority of cases, contact points such as NADSME, which is part of the Enterprise Europe Network, have been established in the Slovak Republic as part of these networks. The following centers operate within this network:

- [Business and Innovation Centre](#),
- [Regional Advisory and Information Centre Prešov](#),
- [Slovak Chamber of Commerce and Industry](#),
- [EURES System](#).

The mission of Business and Innovation Centre is business and innovation consulting, transnational

technology transfer, financial consulting regional development, support in the EU Framework Programmes for research, technology development and innovation, project management and investment consulting. Centre is a co-ordinator of the Enterprise Europe Network representation in Slovakia, one of the co-founders of the Science Parks and Innovation Centre Expert Group and of the Slovak Association of BICs and RAICs.

[Regional Advisory and Information Centre Prešov](#) is a business support centre providing services for entrepreneurs and participating in various regional, national and international projects. The Technology Incubation Centre develops its activities within RAIC Prešov.

Slovak Chamber of Commerce and Industry is an independent representative of the market economy protecting the interests of entrepreneurial subjects, supports their development and expansion in the national European and global dimension, mainly through influencing of creation the entrepreneurial environment.

EURES system aims to ease the freedom of movement of workers within the countries of the European Economic Area. It provides information on employment opportunities; it assists employers who are trying to find workers from other countries and provides special advice for employers and workers in border regions. EURES is coordinated by the European Commission and, in the Slovak Republic, EURES services are provided through Offices for Employment, Social Affairs and the Family.

The European Consumer Centre Network provides advice and assistance in mediations, consumer advice and support when resolving consumer complaints. It helps to resolve out-of-court disputes and recommends particular bodies to consumers in order to resolve their complaints. It provides information on European and national consumer rights legislation. European Consumer Centre □ Slovakia is a specialist subsidiary office of the Ministry of Economy of the Slovak Republic. It works in tandem with the European Commission and European consumers when supporting the most effective use of the internal market and helps in cross-border disputes.

The National Union of Employers is the largest employers' organisation in the Slovak Republic and is an associate member of Business Europe. Its aim is to protect common employers' interests, business rights and the freedom of citizens, and also to play an active role in the creation and implementation of legal regulations relating to employers' fundamental common interests.

The Slovak Trades Association is the recognised representative and protector of the interests of sole traders and small and medium enterprises. It is a full member of the Federation of Employers' Associations of the Slovak Republic. The aim of the association is to ensure that sole traders are in equal partnership in social dialogue situations and to prepare favourable conditions for their development. The Slovak Trade Association is a part of the European Association of Craft, Small and Medium-sized Enterprises.

The Federation of Employers' Associations of the Slovak Republic is the leading employers' organisation in the Slovak Republic, and its aim is to create conditions for the dynamic development of enterprise in the Slovak Republic as well as the protection and assertion of the common employers', entrepreneurial and business interests of its members, especially at tripartite consultations at the Economic and Social Council of the Slovak Republic with central Governmental bodies and trade unions in issues of economic and social policy. It is a member of the International Organisation of Employers, the International Labour Organisation and the International Congress of Industrialists and Entrepreneurs.

4. FUTURE ISSUES AND CONCLUSIONS

Slovakia's recent economic success can be attributed to past progress with privatization and improvements in the business climate. However, the current government has taken decision not to proceed with privatizations of strategic enterprises. Improvements in the regulatory environment and labour market attracted foreign direct investments in huge numbers and created favourable trading conditions for Slovak SMEs. Although the economy is dominated by the automotive sector, there have also been important investments in the electronics sector. Except of these two sectors, financial sector has also made great, impressive progress within several past years in catching up the productivity levels of developed EU countries. This highlights the continued need for financing of SMEs and infrastructure reforms. Increased labour market flexibility lowers regional differences and high structural and youth unemployment. The rate of unemployed people decreased to record level of 9% in 2008. Due to the economic crisis and only few radical necessary actions and impacts of the government, the unemployed rate increased back to high level of almost 13% in 2009. In July 2007, the government approved a new labour code that tightens labour protection laws and

increases worker's rights. In 2008, the government also introduced revisions to the retail law which prohibited selling the goods below costs and possibility to step in to intervene in price setting. Real wages increased very slowly at present.

The other chance for SMEs for new businesses is to participate in PPP projects supported by the government and local municipalities. Unfortunately, entrepreneurs have few information how to contribute and in which calls. Noteworthy for private sector is participation in district heating. Limited and rare opportunities for SMEs are in public transport, water and waste management participation. Innovative projects will be from the area of energy projects, since Slovakia has significant geothermal potential.

Great contribution of the government will be paid to construction industry and to heating of blocks of flats. The Slovak government decided to invest more than €71 million from selling the emission quotas for heating. It will increase the employment in the construction industry sector as well as number of orders for these SMEs.

State support is delivered to SMEs also by guarantees of bank loans through Slovak guarantee and development bank. The aim of these guarantees is to support: creation, development and stabilisation of SMEs in Slovakia, to develop Slovak regions, to start-up the environmental projects, to save energy, etc. These guarantees are provided for the loans credited to start-up businesses aimed at development of production, sales, and services, for obtaining tangible property, its reconstruction and modernisation. This bank offers various types of bank guarantees: (1) direct securing: 60% of loan, up to €500 thousand, for 7 years; b) indirect securing: 60%, up to €1 million, for 10 years; (3) for infrastructural or environmental projects with the most significant partners: more than 60% of loan, more than 10 years, up to €6,5 million.

SMEs performing in hotel and accommodation sector, restaurants, and agriculture are expected to bankrupt in big numbers. They have noticed significant drops in revenues due to decreased number of tourists and common Slovak and foreign customers.

Despite of positive trends that are expected not only by Slovak experts but also by European Central Bank, International Monetary Fund and other prestigious economic institutions, it would take longer time before the unemployment rate starts to decrease and even GDP starts to increase at least in the same manner as it did in 2008. It is expected that unemployment rate will increase up to 13.5% in 2010 and only from 2011 it will start to decrease to 12%. The same not very optimistic expectations are dedicated to GDP growth. While GDP grew in 2008 by 6.4 percent, in 2009 it decreased by 6.3% and in 2010 it is expected to rise by only 2.8% and by 3% in 2011.

In summary, well performing sectors despite the crisis maintain construction sector (house-building, high-way constructions, new shopping centres constructions), automotive sector with plenty of SME suppliers, sector of electronics and IT technology with suppliers, and food-processing industry. Bad performing sectors are the ones in travel rush – hotels, restaurants and accommodation facilities, mining, electricity, gas and water supply, agricultural and rural production.

Although industrial and construction sectors were affected worse by the crisis, since the employment decreased by over 100 thousand workers within the sectors and several bankruptcies were noticed, this sector tends to recover the quickest from all. Government contributions were delivered to highway constructions via huge PPP projects. Government also declared contribution to district heating and solar systems. Automotive industry together with its suppliers noticed even higher sales of new cars in volumes comparing to 2008 due to scraping premium in Slovakia (two rounds) and in chosen EU countries. New innovative products maintained profits within this industry. Investments into IT SMEs would have positive impacts on Slovak economy.

The recovery period for the Slovak economy is expected in 2010. Many positive tendencies in market improvement occurred already in the second half of 2009. Comparing the quarter-years of 2009 we find out that the worst situation was noticed in the first one (GDP decreased by 5,7%) while since the second one the economy started to decrease slowly (decrease from 5,5% to 4,5% at the year-end). On the other hand, the unemployment rate increased to 12,8% at the end of 2009, with negative perspective. New direct investments in industrial parks, new value added from foreign companies and further spreading out of automotive industry in Slovakia (production of new low-cost and low-price models) are the main reasons for the economic improvements. The industrial production also noticed improved figures. While in the first half of 2009 it decreased by 20 to 25%, at the end of 2009 we saw only 1 to 5% decrease in the industrial production comparing to 2008 (this is not only due to faster recovery of the construction industry itself, but also due to lower figures obtained in the second half of 2008 when the financial crisis started to influence the Slovak economy at most). Investments into innovative products and government aids to construction industry were

significantly important.

Payment discipline has worsened by 178% in Slovakia, comparing years 2008 and 2009. Except of cash-flow problems, the Slovak SME sector noticed dramatic raise of bankruptcies. The assumption was that tens of percentages of SMEs would declare bankrupt. Payment discipline has worsen due to lower amount of orders, lower prices comparing to year 2008, more difficult access to bank loans and postponing of investments due to lower amount of provided loans.

Prediction: Continuum negative impact of the financial crisis on SME sector in Slovakia will be perceived. Banks had to create more rectifying items compared to 2008 for worsen payment discipline of SMEs what decreased their profits significantly. Though, stable and profitable banking sector, growth of banking loans, stable interest rates, and low exposition against risky assets will positively influence recovery of the Slovak SMEs. Higher sales are expected within the construction sector, automotive industry, IT and innovative corporations. Telecommunication sector also expects growth.

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THE EFFECT OF THE ECONOMIC CRISES ON THE SME SECTOR IN BULGARIA

Most Bulgarian SMEs report that both the general economic situation and their firm-specific outlook with respect to sales and profitability or business plan have deteriorated as a result of the international economic and financial crisis. Most SMEs perceive a decrease in the availability of bank loans and an increase in the level of interest rates and other costs of financing by the banks, which may become a major limiting factor for overcoming the downturn. There is an increase in the number of bankruptcies as well as a decrease in demand of products and services, exports and imports. The most affected sectors include agriculture and forestry, construction, real estate, retail trade, and transport. An alarming signal for the real dimensions of the crisis is the fact that in 2009 insolvencies are reported also in mining industry, wholesale trade with machinery and equipment, media, advertising, and publishing services, tourism and leisure.

Policy measures for supporting the Bulgarian SME sector were predominantly oriented towards improving regulatory and administrative environment for SME development. Adopted policy measures succeeded in improving the environment for doing business in Bulgaria as indicated by the World Bank's reports Doing Business. Bulgaria has moved gradually from 62nd place in 2006 to 44th place for 2010. However, insufficient policy actions have been taken to improve entrepreneurs' capacity to draw successfully money from the EU Structural Funds. Policy actions failed to prepare Bulgarian SMEs to restructure and adapt their production and internal organization to the requirements of the European Union in relation to technical specifications, health and safety, quality of products and services, etc. Although Bulgarian SMEs face a range of obstacles to growth, productivity, innovation, and internationalization, the government's efforts to modernize and diversify Bulgarian SME sector were late, sporadic and limited in scope. In the recent years, several governmental mechanisms for modernizing Bulgarian SMEs were implemented in addition to EU operational and pre-accession programs oriented to increasing innovation, improving energy efficiency, modernization of production and promoting internationalization.

The Feira European Council held in June 2000 approved the European Charter for SMEs. The Charter is a self-commitment from the Member States and the Commission to take action to support and encourage small enterprises in ten key policy areas. In Bulgaria the case of the National Innovation Fund can be considered as a good practice in promoting SMEs.

The National Innovation Fund is a mechanism to support innovative SMEs and large enterprises in the research and development of new products, technologies, services or their substantial improvement. The main objective of the Innovation Fund is to increase the competitiveness of the Bulgarian economy by stimulating R&D in innovative market-oriented products in any sector in Bulgaria. The Business R&D investments are stimulated through subsidizing a percentage of the total R&D investments in certain projects of companies. To stimulate applications by SMEs and to stimulate co-operation between business and science additional subsidies are awarded for these specific situations. SMEs that apply for subsidy can get an additional subsidy on their own costs. Also cooperation between companies and science will be rewarded with an additional subsidy for the whole consortium. The Innovation Fund subsidizes Research and Development projects and feasibility studies. The R&D projects that are eligible for a subsidy should be focused on technological development of new products, processes or services or on substantial improvement of existing products, services or processes that are new in comparison with Bulgarian standards. The goal of a feasibility study is to diminish uncertainties in the field of technological innovations, economic viability and cooperation before starting the R&D project.

Statement by Desislava Yordanova at the Round Table Discussion during the Pre-Conference of Policy Forum on Policies to Promote SMEs held on 18 November 2009 at the Corvinus University of Budapest.

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THE EFFECT OF THE ECONOMIC CRISIS ON SMEs IN UKRAINE

SPECIFIC CHARACTERISTICS OF NATIONAL SMES: LEGISLATION AND REALITY

Small and medium enterprises became an integral part of the Ukrainian entrepreneurship after 1991 when Ukraine gained independence from communism ideology and authoritative command economy.

During the years of national economy's independence in Ukraine, sector of SME was constantly growing, and now almost half of working population is engaged into small and medium business. Introducing streamlined system of taxation, accounting and reporting, some positive reforms in regulatory politics played an important role in positive dynamics of SME sector development. If to compare with 1991, their number has grown almost 12 times. In quantities dimension development of SME in Ukraine practically approached those in EU countries. Small businesses in Ukraine constitute 85.1%, medium 14.7% and big only 0.2% as of 1 January 2009.

However, Ukrainian entrepreneurship has been developing under complicated conditions of transition economy and meets many problems. Big tax pressure, various administrative barriers, limited financial and credit resources, weak technical, financial, managerial and personnel basis, all these factors add to unfavourable situation of the small and medium business and Ukraine.

Implementing of new simplified tax system made the biggest positive effect for growing of number of small companies since 1998. It made a lot of good to the whole Ukrainian society. Since the simplified tax system was introduced for SMEs, the number of businesses registered as payers of a fixed task has increased twelve times; they started paying twenty-nine times more taxes to the state budget. Contrary to the 90th when economic reforms started in Ukraine and majority of SMEs were in retailing, now new SMEs are evolving in the area of transportation, real estate, hotel and restoration, education and health care. With SMEs development Ukraine is building stable civil society with a middle class as a backbone: 19.0% of small and medium entrepreneurs consider themselves as representatives of middle class, and this is 8.6 more than among all Ukrainians.

According to the State Tax Administration of Ukraine more than six million people in Ukraine were employed in small business. The proportion of SMEs in the economy of Ukraine is constantly growing; now this sector makes 70.2 % of realised products volume. According to quantitative criteria, SMEs development in Ukraine corresponds to European figures, the number of SMEs for 10 thousand of Ukrainian population has reached 72. At the same time, according to qualitative criteria, Ukrainian SMEs are behind European standards not only with respect to products quality, but also in their contribution in economy development, labour productivity level, social guarantees etc.

CRISES STRESSES ON SME AND FINDING WAS OUT OF IT

The financial crisis in Ukraine has had the most severe hit on small and medium businesses. Metallurgical and construction companies were hit the most by the crisis. There is a big share of small and medium enterprises in construction field. Banks stopped providing credits, and immediately the cost of a square meter of housing space has dropped, and as a result most of the construction projects were frozen for uncertain period.

On the other end, tourism and recreation businesses possess good perspectives even under crisis – this field is developing and even very quickly. One of the widespread explanations of this phenomenon is that most of the Ukrainians do not believe any more in banking system, and instead of saving money they started to spending them on leisure and travelling.

Since crises started there was observed significant drop in import and export of products. This has been deteriorated by the fact that tax authorities stopped accepting tax bill of exchange at custom clearance, despite that this is provided by the Law of Ukraine „About value added tax“. Such actions of custom

authorities put additional obstacles for business activities of SMEs; deteriorate their financial situation by decreasing working capital. Those businesses, which use imported raw materials and spare parts in their production, suffer the most from the situation.

Tax for land and rent fees are also burdensome for SMEs and create obstacles on the way of entrepreneurship development. Under the crisis this causes consumer prices increase and reduction of purchasing power of citizens.

One cannot say that governmental efforts of supporting SMEs under crisis were effective so far. The State Committee for Regulatory Policy and Entrepreneurship (CRPE) put forward an initiative to increase the income threshold of businesses which are allowed to pay a fixed tax from 500 thousands UAH to one million UAH and is trying in vain for last year to persuade the members of the Ukrainian Parliament to pass the relevant bill.

In order to overcome negative consequences of the world financial crisis and minimize its stress on SME sector, special Draft Law of Ukraine "About introducing changes to some legislative acts for minimization of negative effects of financial crisis for economic agents" was prepared. This draft envisaged changes to a number of legislative of statutory instruments. The researcher tried to investigate what has happened to the draft of such a good legislative piece. She has found out that it was initiated in the end of the last year, passed its second reading in the parliament in April 2009; however, since that time there were no any references about it in the archives of the *Verkhovna Rada of Ukraine*.

Ukrainian business people expect essential decrease of regulatory burden on small and medium business. The government of Ukraine must have more tough approach to unnecessary bureaucracy and find new effective ways to fight it.

Ukrainian entrepreneurs support governmental initiative with respect to introducing of moratorium for increasing taxes at the national and local levels during the crisis. This would prevent local officials of filling the budget gaps on account of small business.

Small and medium business is undergoing especially hard times under the crisis because the dialog with banks became much more complicated since the crisis had started. All of the banks raised dramatically their interest rates for credits. On the top of this, due to Ukrainian currency devaluation, companies are not able to return credits, which they have taken in foreign currency. The signed declaration with the European Commission envisages support to such SMEs.

Ukrainian small and medium business was the first to suffer from the shock of crises. The reason is that it does not have enough reserve resources and insurance mechanisms for independently overcoming the pleasure of crisis. One of the biggest obstacles for SME's activity is a lack of financial resources.

Majority of Ukrainian banks, such as UkrSotsbank, Raiffeisen Bank Aval, Praveks Bank, Prokredytbank etc have frozen providing corporative credits for small and medium business. Only several banks, credit unions and direct investment funds still give credits to SME as they used to do this before the crisis.

In 2009, bank credits for corporative sector became almost 1, 5 times more expensive comparatively to 2007 and beginning of 2008. Now interest rate for credit to big companies is annual 20-25% in local currency (a year ago credit interest was 15-17%). Bank credits to small and medium companies are more expensive than to big businesses: from 30% to 50% annual in UAH. However, those who earn dollars or euro receive more attractive credits: 15-17% in euro or USD.

Today practically all banks give credits for business only with real property as collateral. Upon switching of majority of companies to grey reporting is it practically impossible to evaluate real situation at the enterprise, and banks offer businesses compensate lack of information about company with liquid collateral.

Few credit unions still provide credits for small business. Usually one can borrow only about 10-20 thousands of UAH (about 800 to 1700 euro) and mostly they are given to individual entrepreneurs. Interest rates are higher than in banks, for example, credit union «Narodnyi kredyt» propose credit at 47,6% annual interest rate. In order to borrow money in a credit union entrepreneur must bring warrantees and provide liquid collateral. Without collateral and warrantees credit union can provide at most five thousand UAH or about 450 euro.

There are several foreign funds of direct investments, which actively invest in Ukraine, such as East Capital, Sigma Bleyzer, Horizon Capital, Icon Private Equity. Before crisis this organizations were usually

buying minority package of shares of Ukrainian company, invested money into its development and later were reselling their package 2-3 times more expensive. With the crisis investors' approach practically has not changed. Foundations continue evaluating how perspective is Ukrainian business to grow and be sold in the future.

THE MEASURES TO SUPPORT ENTREPRENEURIAL ACTIVITIES

Providing access of SMEs to financial and credit resources is one of the most important measures for mitigation of financial crisis stress. It is necessary to make credits cheaper for projects of small and medium business, in particular, those which employ people.

Other important step is involving wider circle of SMEs representatives to participate into the programme of partial compensation of credit interest rates provided to small and medium businesses for implementation of innovative projects; development of credit guarantee funds for SME representatives.

Active support from the state and big companies and creating of financial infrastructure, which will address SME needs is strategic direction in support of small and medium companies in Ukraine.

One of the biggest obstacles for SMEs development in Ukraine, which is signalized by practically all business people and experts, is high interest rates for using credits. Relevant legal provisions to solve the problem were made in the bill «About the State budget of Ukraine for 2007», it approved special budget programme «Particulate reimbursement of interest rates on credits to small and medium business agents for implementation of investment projects» with a budget of 27 billion of UAH. Average credit amount eligible to reimbursement in 2008 was 883 770 UAH for one entrepreneurs (in 2007 it was 685 726 UAH). In fact, the average received amount, which was reimbursed during 2008 in calculation for one SME agent was 92 479 UAH (in 2007 it was 55 424 UAH). If to take into account the size of business, than average reimbursement was 14 546 UAH for individuals; 26 398 UAH for small enterprises, and for medium ones it was 142 262 UAH. This figures show growing cost of business comparatively to previous year.

As for the field differences, the majority of SMEs, which received reimbursements, were implementing their investment projects in industry (30.1%); they are followed by the companies working in commerce, car repair, repair of household and personal equipment (23.7%); transport and communication (18%); construction (13.2%), agriculture, hunting and forestry (5.4%).

The programmes for farmers support have been implemented by the Ministry of agrarian politics. State budget for 2007 allocated 63 million UAH for providing financial support in a frame of two programmes: 38 million UAH according budget programme „Financial support to farming enterprises» and 25 million UAH – in a frame of the programme “Providing credits to farming enterprises”. In December 2007, special budget fund provided another 1.25 million UAH. Totally 64.13 million UAH were paid to small farmers. In 2007, 1996 farmers benefited from financial support, including those 1130 farms, which received it irrevocably.

New farms are eligible to irrevocable financial support for purchasing the first tractor, harvesting machine, track and other machinery of local manufactures and for some foreign origin equipment if it is not produced in Ukraine. (The list of the equipment in approved by the governmental decree of 17 April 2008, # 641-p). The cost of a particular machine can be reimbursed up to 30% without cost of VTA but not more than 200 thousand UAH. The aid is provided also at a condition that the machine must be in use for at least three years from its registration and that the farmer has not similar machine.

In 2008, for the financial support to 42.5 thousands of registered Ukrainian farms, the State budget allocated 120 million UAH, almost twice more than in 2007. However, there were a number of shortages and abuses in the process of using this money, in particular those, which were given irrevocable. According to the amendments, which were introduced into the relevant legislative pieces, the irrevocable financial support should be provided to newly founded farms during the budge year only according two designated expenses and for farms with separate estates once in three years. For other farms the financial aid up to 150 thousands UAH can be provided only on competitive and rotation basis. The help to small farmers is provided through Ukrainian State Fund of support to farming enterprises. There are some allocations for farmers help in local budgets as well.

These measures contribute to widening of opportunities of Ukrainian farmers, their technical re-equipment, creating of new jobs and providing conditions of rural areas development. Agriculture was the only branch of Ukrainian economy that demonstrated growth according to the first half of 2009 comparatively

to the same period of the last year. Despite the crisis Ukrainian consumers have not start buying less of the farmers' products!

Summarising the practice of the state financial and credit support to small and medium business it is necessary to stress that the problem of high interest rates is addressed in some way, first of all with implementing the programmes of partial reimbursement. At the same time there is such an acute issue as an absence of pledge for getting a credit in a financial institution. This problem is not getting necessary attention in Ukraine yet.

One of the ways of solving this problem is creating of funds for providing guarantees and pledges. If these funds will be established, it would allow receiving bank credits by those entrepreneurs who just started their own business. Even under crisis it is possible to have a credit in some banks. If the mentioned mechanism for pledges is launched, this would allow creating full cycle: receiving a pledge – obtaining a credit – reimbursement of interest rates.

FUTURE ISSUES

At the present stage of Ukraine's economic development, when it is recognized as a country with market economy, it is necessary to analyze existing problems in entrepreneurship provided that Ukraine has joined the World Trade Organization and is developing new ways of cooperation with the European Union. That is why the problems of institutional and financial support to SMEs are especially important.

According to the Ministry of labour, number of unemployed will grow 2.4 millions of persons before the end of 2009. All of them are potential candidates to be involved into entrepreneurship because unemployment centres are not able any more to accommodate them. As for the 1st January 2009, in Vinnytsia region 39 candidates, Ivano-Frankivsk and Khmelnytsk region 48, Cherkasy region – 77 unemployed were competing for one vacancy (Data of the State Employment Service).

The most pessimistic prognosis says that there is no long-time perspective for majority of the Ukrainian SMEs. Human resources management, marketing approaches, evaluation of perspective investments, – everything has changed or is going to change as a result of the crisis. Thus, the experts predict that only those entrepreneurs have the future, who will quickly understand that their profits depend on loyalty of their geographically closest clients, in clever selection of their own „niche”, in loyalty of employees, which have been grown in the company and not «bought» on the labour market for often an overstated price.

However, successful solution of the SMEs problems under the crisis may change the situation for a more optimistic. If the state will create favourable conditions for functioning of existing SME structures and smooth entry of unemployed into the small business, in this case entrepreneurial potential is able to become a powerful resources in solving, first of all, social problems (overcoming unemployment and lowering social tension) and, secondly, will help filling gaps in budgets of different levels and strengthening of regional economy.

The best economic measures that the state can do for SME development under crisis situation are: lowering of tax pressure; simplification of the procedures to obtain permissions, licensing, certification, other technical regulations; decreasing number of various controlling visits to the companies.

Time of expensive and arrogant managers has gone, argue Ukrainian economists. On the contrary it is believed that the time of petty bourgeois is coming in Ukraine – time for small or medium business, which is managed by a manager-owner, which is ready to hand his risk. This is a model of economics, which is based on small companies that sell their goods or services to a local customer, which they know, see and understand. Till recently, such model was considered impossible in Ukraine – the country with developed machine building and metallurgical complex.

Who can save and develop further the Ukrainian economy? Family owned companies, family farms, small and flexible innovative client-oriented companies, which are able to offer unique product or service to their clients, for which is makes sense for a customer to pay.

One of the ways for perfection of business environment under crisis is implementing „one window” approach for state registration of the business agents. It means that there is only one document confirming registration by state bodies of a new agent of business activities – extract from Unified State Register of

entrepreneurs. This extract will be received from state registrar and will replace numerous certificates from the bodies of tax authorities, statistics, funds of social insurance, which now is necessary to collect for opening a bank account. Implementation of one window system will save a lot of time and efforts needed now for starting own business.

The activity of permitting centers also needs perfection as now it is too complicated for entrepreneurs to get necessary permission. There is also a consensus between the government and SMEs about a need to improve legislation on the work of permitting centres as well as introducing administrative responsibility for delivery of such documents outside the centres. Contrary to the adopted legislation, local authorities continue demanding unnecessary permissions; mostly this concerns SMEs working in commerce and services.

Among other anti-crises measures, which are actively discussed now in public is a need of acceleration in adoption by the Parliament the Law „About introducing changes to some laws of Ukraine”, especially when it comes to state politics in the area of licensing. Such changes have to:

- Shorten the list of business, which need licensing;
- Prevent from unreasonable introduction of new licenses;
- Decreasing of excessive administrative control in the area of licensing.

On the 28 October 2009, VIII Congress of the Union of entrepreneurs of small, medium and private companies of Ukraine, headed by *Viacheslav Bykovets*, was held in Kyiv. The entrepreneurs again raised the issues of the lack of financial resources necessary for business activities. Taxation at a reduced rate, 15%, would be a concrete instrument of state support to SMEs and development of internal market, suggested the activists of the Union. This would allow companies reinvest in production, renewal and modernization of fixed assets and, as a result, increase the Ukrainian SMEs competitiveness in the local and external markets.

Among the other steps to be done for eliminating the stress of crises is increasing amortization norms for each group of fixed assets. Such change would help companies to prevent losses from moral deterioration of their assets, increase investment resources and accelerate renewal of the machinery. Besides, this will influence productivity and profitability growth at the enterprise.

Renewal of the right of presenting tax bills instead of paying VAT during custom clearance would allow improving financial situation of companies and renewing legal rights of business agents.

Small and medium entrepreneurs refer to the world practice of overcoming crisis situation when certain regulated prices are not raised. SMEs organizations demand introducing changes to the Law of Ukraine «About prices and pricing» to prohibit increase of state fixed and regulated prices during the time of overcoming the crises in economy and implementing the actions towards financial and economic situation in the country. If such price rises is absolutely unavoidable, all the mail agents of the market must be informed in advance.

Especially now, when employees are released and material situation of population is deteriorating, small business needs guaranteed tutorage on behalf of the state. Adoption of the Law “On simplified system of taxation, accountability and reporting of the small entrepreneurship agents” could be a real instrument of the state support”.

It is proposed also to cancel number of local taxes. As a matter of fact, their administrative expenses are higher than profits while the conditions of these taxes are extra burden for small business as they demand additional expenses for filling and presenting numerous time consuming reporting forms.

Realization of all planned anti-crises measures, improvement of legal grounds for regulation of entrepreneurial activities, introducing of effective, fair and predictable rules, elimination of false, bureaucratic and resource barriers in realization of SME’s initiatives as well as promotion of competition, this is a way for overcoming of the effects of the world financial crises and creating conditions for the ultimate usage of the domestic small business’ potential and for sustainable development of the economy of Ukraine. Last but not the least, financing of the programmes aimed at scientific and technological development for SMEs is considered by the experts as one of the key steps in implementation of anti crises measures as well.

Representatives of Ukrainian small and medium business need introducing of transparent „rules of game”, eliminating the barriers for business activities and encouraging competition. This will be a renewed approach to the development of local SME as an integral element of the Ukrainian economy.

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CIP □ EU FINANCIAL INSTRUMENT FOR SMALL AND MEDIUM SIZE ENTERPRISES

Abstract

This paper presents CIP (Competitiveness and Innovation Programe) as a framework for gurantie facilitiy for SMEs (Small and Medium Sized Enterprises) founded by European Community and European Investment Found. Small and Medium Sized Enterprises constitute the basis of the European economy. They play a remarkable role for regional adjustment to the economic globalisation for innovation, economic growth and employment within the EU. National and regional authorities have to ensure a favourable environment for SMEs, including innovative ones, by developing SMEs support programes and facilitating their access to finance. It can be a great opportunity for financing Serbian Small and Medium sized Companies in the future if the Government established appropriate intermediar institution. In that way Serbian SMEs will increasing their access to finance and risk capital which enables them to tap their growth and innovation potential and achieve competitiveness.

Key words: CIP, SMEs, Competitiveness, Economic Growth

INTRODUCTION

Small and Medium Sized enterprises (SMEs) are the backbone of all economies and are a key source of economic growth, dynamism and flexibility in advanced industrialized countries, as well as in emerging and developing economies.[1] SMEs constitute the dominant form of business organization, accounting for over 95% and up to 99% of enterprises depending on the country. They are responsible for between 60-70% net job creations in OECD countries. Small businesses are particularly important for bringing innovative products or techniques to the market. Fostering the competitiveness of SMEs is a general goal of the CIP. Moreover, SMEs are a particular target group in the entrepreneurship and innovation program which includes high-tech SMEs and traditional micro-and family firms, covering the industrial and services sector. The program consists of two SME related actions: firstly, providing access to finance and secondly encouraging SME cooperation.

1. IMPORTANCE OF FINANCING SMALL AND MEDIUM SIZED ENTERPRISES

SMEs are vital for economic growth and development in both industrialized and developing countries, by playing a key role in creating new jobs. Financing is necessary to help them set up and expand their operations, develop new products, and invest in new staff or production facilities. Many small businesses start out as an idea from one or two people, who invest their own money and probably turn to family and friends for financial help in return for a share in the business. But if they are successful, there comes a time for all developing SMEs when they need new investment to expand or innovate further.

In some OECD countries such as in Belgium, Ireland, Italy, Portugal and the United Kingdom, small manufacturing firms are almost as innovative as large firms. [2] Similarly in services, small firms in some OECD countries, for example in Portugal, Switzerland and the United Kingdom are equally innovative as large firms.

That is where they often run into problems, because they find it much harder than larger businesses to obtain financing from banks, capital markets or other suppliers of credit. This “financing gap” is all the more important in a fast-changing knowledge-based economy because of the speed of innovation. Innovative SMEs with high growth potential, many of them in high-technology sectors,

have played a vital role in raising productivity and maintaining competitiveness in recent years, but innovative products and services, however great their potential, need investment to flourish. If SMEs cannot find the financing they need, brilliant ideas may fall by the wayside and this represents a loss in potential growth for the economy.

In most countries, commercial banks are the main source of finance for SMEs, so if the SME sector is to flourish it must have access to bank credit. The characteristics of the banking system in emerging markets frequently inhibit SME lending. Many banks are state-owned; their credit may be allocated on the basis of government guarantees or in line with government targeting to develop specific sectors. Often banks are subject to ceilings on the interest rates they can charge, which make it difficult to price credit in a way that reflects the risk of lending to SMEs. Many banks may have ownership and other ties to industrial interests and will tend to favor affiliated companies. In a market where banks can earn acceptable returns on other lending, it will not develop the skills needed to deal with SMEs.

2. THE COMPETITIVENESS AND INNOVATION PROGRAM (CIP) AS A CHANCE FOR FINANCING SMES

As alluded to earlier, innovative SMEs find it difficult to obtain access to various sources of financing. However, each growth phase has different financing requirements. The CIP (Competitiveness and Innovation Program) is a bundle of measures to support the Lisbon agenda, with the goals to increased competitiveness and growth.

With a total budget of over € 1.1 billion, the CIP Financial Instruments should enable financial institutions to provide about € 30 billion of new finance for up to 400 000 small businesses in Europe. Predecessor program have benefited more than 360 000 SMEs.

In the table below are represented the major themes of the CIP and their budget. [3]

Table 1: Some major CIP themes and their budgets

Facilitate access to finance for SMEs	€ 1129 million
Support services for enterprises (especially SMEs)	€ 338 million
Promotion of Innovation and particularly eco- innovation	€ 585 million
ICT interoperability and up- take	€ 728 million
Energy issues (e.g. efficiency, renewable)	€ 727 million

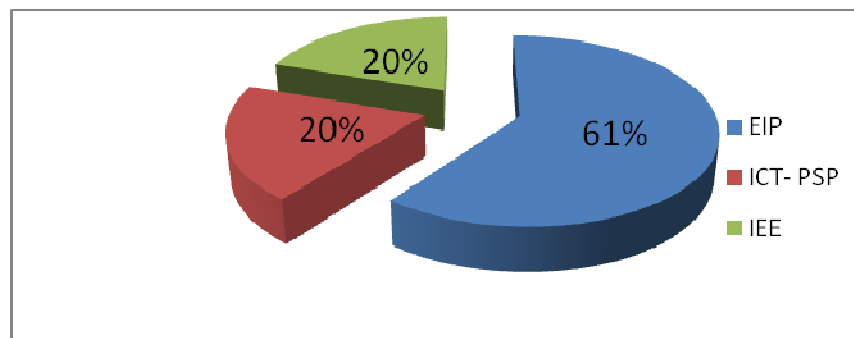
Financial instruments address SMEs' needs for financing at various stages of development. They cover areas of the market where there are few private investors, mainly the seed, start-up, expansion and business transfer phases. These instruments increase the investment volumes of risk capital funds and provide guarantees for lending to SMEs. [5]

The three specific programs in the CIP framework are [4]:

- Entrepreneurship and Innovation Program
- ICT Policy Support Program
- Intelligent Energy-Europe Program

A breakdown of the CIP budget is shown in the figure below:

Figure: Breakdown of the CIP Budget



Source: CIP Fact Sheet

The program consists of two SME related actions: firstly, providing access to finance and secondly encouraging SME co-operation. The financial instruments consist of:

- *The High Growth and Innovative SME Facility (GIF)* contributes to the establishment and financing of SMEs and the reduction of the equity and risk capital market gap
- *The SME Guarantee (SME G) Facility* provides counter- or co-guarantees for guarantee schemes as well as direct guarantees (including debt financing, micro credits etc)
- *The Capacity Building Scheme (CBS)* improves the investment and technology expertise of funds investing in SMEs, enhancing the credit appraisal procedure for SME lending.

Concerning research, the CIP will focus on downstream aspects (closer to market) and the innovation process, promoting innovation support services for technology transfer and use, projects for the implementation and market take-up of technologies, including ICT. One concrete example is the Galileo Project, where innovative SMEs could develop applications for the Galileo satellite positioning system for logistics, transport, safety or security services.

The main difference between CIP and FP7 (The Seventh Framework Program for Research and Development) is presented in table below:

Table 2: The main difference CIP versus FP7 [5]

PROGRAMME	SUB PROGRAMME	SME OPPORTUNITY
FP7	Cooperation	SMEs can participate in projects in 9 area, higher co –financing, simplification of procedures, 15 % of the total budget is reserved for SMEs
	Ideas (basic research)	SMEs can participate in basic research
	People (mobility)	Industry-academia, partnerships
	Capacities (infrastructure, clustering and others)	Funds for SMEs to outsource research
CIP	ICT Policy Support	SME can participate
	Entrepreneurship and Innovation	Funding instruments for SMEs

3. INTERMEDIARIES AND SELECTION PROCESS AS BASIC CONDITIONS FOR CIP

The CIP financial instruments are not directly available to SMEs but implemented by the European Investment Fund (EIF) and selected financial institutions. EIF manages the program on behalf of the

Commission with the aim reaching as many growing SMEs as possible. Small businesses can contact selected national financial institutions to get access to investments or guaranteed lending.

For venture capital, EIF invests in funds focused in early and expansion stage or specialized sectors, particularly eco-innovation. In these cases, EIF is usually a cornerstone investor. For guarantees, the EIF establishes risk-sharing arrangements with intermediaries that provide finance directly to SMEs, such as banks, or with intermediaries that issue guarantees for the benefit of lending institutions.

An intermediary is an originator or any other party undertaking to establish an Additional Portfolio. Intermediaries shall be established and be operating in one or several Participating Countries and will be selected among banks, leasing companies, guarantee schemes, special purpose entities ("SPEs"), micro finance institutions and any other financial institutions committed to SME financing.

Intermediaries shall be selected in conformity with best business and market practices in a fair manner, avoiding any conflict of interest. On the basis of a call for expression of interest proposals will be examined by the EIF, on a continuous basis, using professional analysis and judgment taking into account these Guarantee Policy and Operational Guidelines. Proposals will be considered for approval by the EIF and the Commission, after satisfactory evaluation and pre-selection by the EIF, within the constraints of the available Community budget allocations.

Intermediaries shall be selected having regard to the following selection criteria, in no particular order of priority:

- The financial standing and operational capability of the Intermediary, and its ability to manage risk, service the Securitized Portfolio (as defined below) and to comply with the terms and conditions of the SME Guarantee Facility;
- The Intermediary's willingness and ability to originate the Additional Portfolio;
- The Intermediary's overall commitment to SME financing;
- The extent to which an EU Guarantee would enhance the Intermediary's access to capital markets;
- The extent to which the Additional Portfolio includes SME Financing granted to finance investments, transfer of business, as well as mezzanine financing and/or other quasi-equity instruments;
- The extent to which the Securitized Portfolio and/or the transaction structure contain, especially in the case of experienced Intermediaries, innovative features, such as:
 - i. less customary underlying assets (e.g. mezzanine financing or other equity-related instruments, bonds issued by SMEs, micro-credit instruments, etc.);
 - ii. underlying assets originated in different countries or in countries where the securitization market is considered relatively less developed;
 - iii. Multi-seller origination.
- the extent to which the Securitized Portfolio includes SME obligors;
- the willingness to accept the criteria for Enhanced Access to Finance

The selection of Intermediaries shall be based on market conditions and practices in the relevant country or region, in particular regarding the credit quality and risk diversification of the Securitized Portfolio.

4. IMPLEMENTATION OF CIP

According to the 2008 Implementation Report of the Competitiveness and Innovation Framework Programme (CIP), the budget committed to the EIP- Financial Instruments was 151.18 million €, to the EIP- Competitiveness of SMEs was 137.69 million €, to the ICT- PSP 44.48 € million and to the IEE was 70.22 € million. Therefore, the total budget committed achieved 403.57 million € [3]

In the framework of the EIP, by the end of 2008, following results had been represented:

Improvement of access to finance for the start- up and growth of SMEs, including investment to innovation activities, was provided mainly by the Community financial instruments. In 2008, more than 153 million € were committed and 28 innovative companies with high- growth potential were supported via *The High growth and Innovative SME Facility (GIF)*. Also, 14 transactions with financial intermediaries from 10 countries had been approved.

By the end 2008, 26.269 loans to 24.551 SMEs were supported and 12 deals with financial intermediaries from 9 countries, committing 110 million € for guarantees (or counter-guarantees), had been approved by the *SME Guarantee Facility (SMEG)*. [3]

Third financial instrument the *Capacity Building Scheme (CBS)* had shown no response from the market and the Commissions services currently examining the possibility to re-allocate the budget to technology transfer and eco-innovation.

The official launch of the Enterprise Europe Network, a network of services in support of business and innovation, received high visibility with more than 1000 participants and covered EU 27 countries, the EEA countries, candidate countries, countries of the Western Balkans (Montenegro, Serbia, Bosnia and Herzegovina) and other third countries (Chile, China, Egypt, Israel, Russia, USA etc.). In 2008, nearly 81 million € was committed to the activities of the Enterprise Europe Network.

In area of policy analyses, development and coordination such actions as the SME performance review, entrepreneurship education actions, Corporate Social Responsibility measures etc. were undertaken, with the 6.7 million budget committed.

The ICT- PSP Programme

The ICT- PSP in 2008 was mainly based on two themes: ICT for user-friendly administration, public services and inclusion and ICT for energy efficiency and sustainability in urban areas.

Twenty retained proposals (from 66 received) for budget of € 40 million, provided a very good coverage of the themes and objectives addressed, involving public authorities, private companies and standardization bodies among the participants. Overall, 40% of participants in the selected proposals of the Call were represented by public bodies, almost 25% were represented by SMEs and 15% were large enterprises and the other entities.

The IEE Programme

The Call for proposals 2007, in the framework of the IEE, attracted 97 SAVE proposals (SAVE is action for fostering of energy efficiency and the rational use of energy resources). Eleven of which were selected for funding with 11 million € budget committed. Under ALTENER (which aimed at promoting new and renewable energy sources and to support energy diversification) 95 proposals were submitted with the 17 million € budget allocated. And under STEER (aimed at promoting of energy efficiency and the use of new and renewable energy sources in transport) 6 proposals were selected for funding, representing more than 8 million €.

It can be concluded that during the second year of operation of the CIP most of the instruments and actions had been established. The financial instruments and the European Enterprise Network were fully operational and supporting European SMEs, pilots and thematic networks were selected through a call for proposals involving a large number of public bodies and SMEs. Also, there was a high proportion of SMEs among private beneficiaries and the calls benefited from the active involvement of applicants from all participating countries.

CONCLUSION





Small and Medium Sized Enterprises (SMEs) face considerable difficulties on the financial market due to the reluctance of the investors to finance them. The European Commission strongly encourages the financing of start-up and growing SMEs. The Community programmes like the 7th Research Framework Programme (FP7) and the Competitiveness and Innovation Programme (CIP) offer many financing opportunities for SMEs. The complexity of these European programmes makes it difficult for entrepreneurs and SME support organizations to choose the most suitable funding for SMEs. Each programme has different objectives and establishes its own rules for funding application. Intermediary shall undertake to create an Additional Portfolio by using a significant part of the resources made available as a result of the securitization transaction to fund financing and/or guarantees to SMEs. For Serbian SMEs constitution of Intermediary will be a chance for financing in the future.

One of the problems which can be solved in the future is CIP delivered. CIP is delivered in partnership with a number of different groups of stakeholders and the involvement is comprehensive from the Parliament to the Member States. It is most often the case that stakeholders are able to relate to one part of CIP and not the overall programme. Therefore the creation of the framework programme can be said to have had little impact on the Member State stakeholders who have heard of component parts but rarely understood the concept of CIP as an entity. This was also the case within the European Commission to a certain extent. Where stakeholders do have views, it is usually stated that CIP is confusing. It does not give out one message about what it does and who it is for. Overcoming these problems would create the possibility for the inclusion of as many shareholders and thus for the implementation of CIP.

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PHOTOS FROM THE WORKSHOP ON "HUNGARIAN SME POLICY" HELD IN GYŐR

	
<p>Prof. Habil Dr. László Szerb (right) and Tibor Szegő</p>	<p>Dr. Éva Szalka, Deputy Dean of the Kautz Gyula Faculty of Economics, Győr</p>
	
<p>Németné Andrea Gaál</p>	<p>Gyula Kovács (right) and István Kovács</p>

Photos by Dr. Antal Szabó ©

CONFERENCE PAPERS



Federation of Small Businesses
The UK's Leading Business Organisation



The FSB's 36th annual Conference was held on 18th to 20th of March 2010 at the Aberdeen Exhibition and Conference Centre, Scotland.

John Wright, National Chairman, Federation of Small Businesses, said:

"The year ahead will still be difficult for small firms which are doing all they can to get themselves and the economy back to recovery. As the country gets ready to go to the polls, small businesses will be looking to an incoming Government – of whatever hue – to support this. This debate will be a prime opportunity for all the parties to get the small business community behind them.

"Small businesses will be key to the recovery. They provide vital revenue and employment to the UK economy and will be the job creators in years to come. It is therefore crucial that policy makers hear their views loud and clear. The FSB annual conference provides the ideal setting to do this and to underline just what small businesses can do with the right support."

ISSUES DISCUSSED BY THE CONFERENCE

MOTION 1

This conference calls upon Her Majesty's Government to remedy the present situation whereby the self-employed who lose their income do not qualify for the financial package available to other workers.

Proposer: Dick Herzberg, Lincolnshire

Seconder: Brian Heward, Lincolnshire

Policy Respondee: Mike Cherry FSB Home Affairs Chairman

MOTION 2

This conference calls upon Her Majesty's Government to incentivise the self employed, businesses and employers to opt out of the publicly funded NHS system by making expenditure on health care premiums fully tax deductible and by ceasing to treat such premiums as a benefit in kind to employees.

Proposer: Steve Lodge, Devon

Seconder: Warwick Knowles, Devon

Policy Respondee: Bill Knox FSB Tax & Economic Affairs Chairman

MOTION 3

This conference opposes the deplorable use of secretive 'pre-pack' deals in which disreputable companies and insolvency practitioners profit at the expense of honourable business owners and the Crown. Such pre-pack deals threaten the very viability of individual entrepreneurs and should be banned.

Proposer: Christina Norton, East Anglia

Seconder: Peter Martin, East Anglia

Policy Respondee: Ash Farag FSB Financial Affairs Chairman

MOTION 4

This conference calls upon Her Majesty's Government to instigate a Public Inquiry into the circumstances surrounding maladministration within both The Department for Environment, Food and Rural Affairs (DEFRA) and the Rural Payments Agency (RPA) and to investigate the full and far-reaching detrimental financial effects that the RPA has had on business over the past five years.

Proposer: Doug Balderson, Lincolnshire

Seconder: Rod Handford, Lincolnshire

Policy Respondee: Linda Walton FSB Rural Affairs & Tourism Chairman

MOTION 5

This conference deplores the practice of rollover contracts for business utility services and calls for legislation, so that any contract rollover longer than one month should require the customer to opt in.

Proposer: Terry Taber Essex

Seconder: David Barnes Essex

Policy Respondee: David Caro FSB Environment & Energy Chairman

MOTION 6

This conference calls upon HM Government to ensure that there is only one category of CRB checks recognised by all authorities.

Proposer: Bruce Undy Warwickshire and Coventry

Seconder: Martin Sparrow Warwickshire and Coventry

Policy Respondee: Ben Burgher FSB Employment Law Chairman

1. The FSB is Britain's leading business organisation with over 213,000 members. It exists to protect and promote the interests of the self-employed, and all those who run their own business. More information is available at www.fsb.org.uk

2. The FSB Annual Conference took place between 18 and 20 March 2010 and held at Aberdeen Exhibition and Conference Centre, Aberdeen, Scotland. Exhibitors include Towergate, main supporter Visa, Dell, Co-op, ASC Finance, British Gas, the Department for Business, Innovation and Skills and the Department for Work and Pensions.

3. Lord Mandelson, Secretary of State for Business, Innovation and Skills, the Rt. Hon. Alex Salmond, First Minister of Scotland, and George Osborne, Shadow Chancellor of the Exchequer addressed the conference

file: <http://www.fsb.org.uk/conference-2010/motions> and

<http://www.fsb.org.uk/News.aspx?loc=pressroom&rec=5959>

ERENET Secretariat thanks Tina Sommer, Chairperson European and International Affairs for inviting the Network to this event. ERENET was represented by **Dr. Antal Szabó**, Scientific Director and **Drasko Nolic**, Research Fellow from the Institute of Economics Sciences (Serbia). **Dieter Ibielski**, Honorable ERENET member, Presidential Councillor of UMU also attended this event.

STATEMENT by Dr. ANTAL SZABÓ
at the POLICY SESSION
Chaired by John Walker, FSB UK Policy Chairman

Honorable Chaiman, Ladies and Gentleman,

- On behalf of the Entrepreneurship Research and Education Network among the Universities of central- and Eastern-Europe I welcome the participant of the FSB's annual Conference. ERENET is an open-ended research network at time being with 140 participants from 40 countries. At time being we have seven members from UK too. We are honored that ERENET become a Pan-European Member of the ESBA.

- I thank you for the organizers, first of all Tina Sommer, Chairperson for International Affairs and President of ESBA for inviting me to this Conference. It is second time that I participate in your Conference. I am very impressed by its still and I really have the feeling the Britain is the cradle and practicing field of the entrepreneurship.

- I followed with great attention of the new Enterprise Strategy and the creation and activities of the Department for Business Enterprise and Regulatory Reform. According to the BERR Document on Unlocking the UK's talent as of march 2008 the report stated, that "the UK is now recognized has having one of the best business environments in the world for starting and growing a business." I congratulate you for jumping into the first place in easing of doing business preceding Denmark being the number one so far.

- Today I heard the statement by George Osborne, Shadow Chancellor of Exchequer criticizing the Government for tax increase from 20 to 21%. Ladies and Gentleman! Please be aware, that the majority of entrepreneurs in CEE would be happy to have so low magnificent tax rate! In the new EU countries the tax rates vary between 25 and 50%! In the era of increasing energy prices and growing environment protection requirement you are still lucky having so modest tax obligation.

- I share the thoughts of John Wright, National Chairman of the FSB saying that "The year ahead will still be difficult for small firms which are doing all they can to get themselves and the economy back to recovery. The current economic crisis is an entropic one, which raised from the fact the society loses the sense of being a community. Today the wealth and riches is coming from speculation and not from work. And this is the problems. There is a separation between market and democracy. The first victim of this separation is the human being followed by the environment. More than 1 bn people are suffering from hungry but not because there is no food, but just because they could not buy it. Today the young generation restrains the work to job. When people have no future, they do not take decision.

- The SME sectors in CEE seriously affected by the economic crises. In November 2009, we held an International Round Table Discussion on the effect of the economic crises on SMEs, where we discussed the effects and policies what Governments tried to do in order to smooth the way for surviving and go ahead. One of the conclusions of these discussions was that the World Bank and the leading advanced market economies made a mistake though pumping billions of USD into the financial sectors which is the major agent of the economic crises. As contrary, very little actions were made to save to working placed and avoid the mass bankruptcy of the SMEs. Only in Hungary 100,000 people lost their jobs and the commercials banks have been launched eviction process against owners who could not pay their debt. Is this a justified process of the market economy and the EU?

- An other conclusion was critics on the multinational companies, like Auchan, CORA, Lidl, TESCO, etc. They are getting very big financial support and tax holidays from the indigenous governments. In spite of this their behaviours on the domestic market improper. Instead of supporting the national subcontractors, they abuse their power asking so called "shelf-fee" for displaying the domestic products and practicing in later payment, often paying 90-120 days instead of the contracted 30 ones. TESCO is descending to that level that in 2011 intend to ignore Hungarian food products from their shelves and exporting them from Slovakia in order to gain more profit. Only during 2009 multinational companies repatriated EURO 6.5 billion while the Government introduced restricting measures on the population.

- In April Hungary will face new Parliamentary election. The Hungarian Branch of the ERENET next week will convene a Workshop on the Hungarian SME Policy – New Challenges and Suggestion for the newly forming Government."

- Finally I wish you all good business success and happiness in your personal life.

PHOTOS FROM THE CONFERENCE



John Wright, FSB National Chairman



Alex Salmond, First Minister of Scotland



George Osborne, Shadow Chancellor of the Exchequer



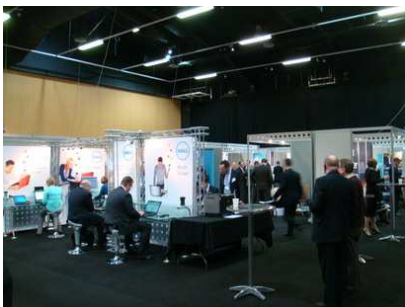
**Lord Mandelson, Secretary of State for Business,
Innovation and Skills**



**John Wright, FSB National Chairman in kilt with
Dr. Antal Szabó**



Dieter Ibielski & Dr. Antal Szabó



Exhibition at the AECC



Ballater & District Pipe Band at the Opening

IMPRESSION by Draško Nikolić, IES Associate

E-mail: drasko.nikolic@ien.bg.ac.rs

Few topics urged my attention. First of all, topics that were presented by the Rt. Hon. Alex Salmond MP MSP, First Minister of Scotland.

The *Small Business Bonus Scheme* gives qualifying small business automatic small business rates relief. The scheme was designed together with the FSB and has been of significant benefit to the small business community and has been vital in keeping the small business sector going, particularly during the recession. Apprenticeships designed specifically for businesses with fewer than ten employers. So far 19,991 apprenticeships have been created. The Scottish Government has a target of paying businesses within ten days. The importance of them paying their sub-contractors within ten days was also highlighted. As a result the ten day payment period for sub-contractors is included in all Scottish Government contracts. Access to finance is still a major barrier to growth and he urged the Government to put more pressure on banks to relax its lending criteria, particularly to the small business sector.

This is much different than the case of Serbian SME's, when we talk about paying. Paying interval in Serbia is much longer, and Serbian government is the biggest debtor in the country, which leads to liquidity issues in the whole economy of the country. SME's sector has huge difficulties to access the finance funds, although key interest rate was lowered significantly in last period.

Alex Salmond also expressed his opposition to the proposed increase in National Insurance Contributions, as increasing the tax on jobs will be very detrimental when the economic recovery is still fragile. Similar opinion is represented in the Serbian government, although some propositions were made to increase the tax rates.

The First Minister announced also a *new Investment Scheme for small businesses in the East of Scotland*. This will enable small businesses to access a multi-million pound investment fund, for loans of up to £50,000. The scheme will benefit both new and existing businesses and is expected to protect and create up to 1,300 jobs. In Serbia, state support to SME's is conducted mainly through the Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship. Financial support is conducted through favorable start-up loans with very low interest rate. But even so, many of newly formed companies have difficulties to return the loan, and many of them disappear in first couple of years.

My personal impression is that small business sector in the UK is very well organized. UK is at first place regarding the latest doing business report 2010. UK has centralized information website, which provides assistance to everyone, no matter from which country you are from, wanting to start a business in the UK.

Second, FSB members were complaining about banks treatment to small business. They talked about high interest rate margins. Comparing to South Eastern European countries, UK financial system offers much better conditions of financing. It is interesting that some of FSB members, that I have met, were shocked when I told them about interest rates in Serbia and general conditions of conducting and financing the business in Serbia.

Also, I have noticed that majority of FSB members are old people. I was given an explanation that young entrepreneurs have a problem to find the time to commit to the FSB activities, although they could benefit from it the most. FSB members explained to me how process of recruiting the new members is driven.

I attended the Workshop on "Raising the Profile during a General Election Year". I have learned some interesting things about relationship with the media, and about lobbying for the interests of the organisation. How to approach the current and potential MPs and how to represent the ideas for policies regarding small business legislation. Lobbying issues in Serbia are not regulated by the law, so it all leads to corruption, which represents one of the biggest problems in Serbia.

Main impression from FSB conference is the straight that FSB has, and all of the benefits that members could obtain from joining. Although, FSB made tremendous results in the last year, members are always asking for more, and leadership of FSB is there to respond.

Lord Davis CBE, Minister for Small Business of UK (in the middle), Members of Presidency of Turkish and Cyprus Chamber of Commerce & Draško Nikolić, IES Associate (right)



Mr John Walker, FSB UK Policy Chairman & Draško Nikolić



Patrick Gibbels, ESBA, (middle), Mr Michael Ulrich (left) and Draško Nikolić



Patrick Gibbels, ESBA, Draško Nikolić, Victoria Frankenius, Sweden, Vida Kožar, Director of Chamber of Commerce of Slovenia, Andre Groot, Holandia, Norman Mackel, FSB & Ms Mackel



Photos above by Draško Nikolić ©



**ENTREPRENEURSHIP RESEARCH AND EDUCATION
NETWORK OF CENTRAL EUROPEAN UNIVERSITIES**

and



THE SZÉCHENYI ISTVÁN UNIVERSITY

in cooperation with



**THE HUNGARIAN ENTERPRISE DEVELOPMENT NETWORK
CONSORTIUM**

organized

**WORKSHOP ON THE HUNGARIAN SME POLICY -
EVALUATION AND POSSIBLE FUTURE DEVELOPMENT**

on 20th of March 2010
at the Széchenyi István University in Győr



Under the Patronage of**Prof. Dr. Józsa László, Dean**

University Professor, Head of Department
Kautz Gyula Faculty of Economic, Széchenyi István University

Host and Main Organizer**Dr. Szilveszter Farkas**

Associate Professor
Kautz Gyula Faculty of Economic, Széchenyi István University

Program Committee:**Dr. Antal Szabó**

UN retired Regional Adviser
Scientific Director of ERENET

Dr. Szilveszter Farkas

Associate Professor
Kautz Gyula Faculty of Economic, Széchenyi István University

István Kovács

President, Hungarian Enterprise development Network Consortium

Dr. György Kadocsa

College Professor, Keleti Faculty of Economics, Budapest Tech
Director of the Institute for organization and Management

Prof. Habil. Dr. László Szerb

Associate Professor
University of Pécs Faculty of Business and Economics

Dr. Gábor Nahlik

Associate Professor, head of department
Pannon University (University of Veszprém), Department of Applied Economics

Dr. Péter Szirmai

Associate Professor, Corvinus University of Budapest

Dr. Zoltán Bajmócy

Senior Lecturer, Institute of Economics and Economic Development
Division of Economic Development

Némethné, Andrea Gál

Vice-Rector
College for Modern Business Studies, Tatabánya

The Aim of the Workshop



Similar to everywhere in Europe, micro, small and medium-sized enterprises (SMEs) play a determining role in the Hungarian economy. These enterprises during the past two decade of the transition followed the way of the creation of the private sector in the transition economies. The regulatory framework could not followed the requested changes, and the governing elite considered the only possibility of creation of the private sector by mass privatization, while it neglected the establishment and development of the private sector based on sound SME sector. The political elite never used the scientific approach for creation and development of the SME sector.

On 11th of April 2010, Hungary will face Parliamentary election followed by the formulation of a new Government. This process provides a new change to correct the direction of the economic policy, its means, the regulatory framework and within it the creation of a business friendly condition for SMEs. The Hungarian Session of the ERENET Network will review the current national SME policy, its strength and weaknesses and highlights those issues, which could lead to adjustment of the current not effective policy and assist the new Government to adjust its policy for entrepreneurship development.

Main Topics discussed

- National SME policy in the light of the overall economic policy;
- Characteristics of the Hungarian SME sector, international comparison with the countries of the region;
- The situation of the SME support infrastructure, the main direction of its development and government tasks;
- SME financing and requested steps for improvement;
- The necessity of innovation aiming at improvement of the international competitiveness;
- Modernisation and updating of the Hungarian taxation system;
- Challenges in the field of human resource development: task in the field of entrepreneurial vocational training and high/university education
- Experiencing and practicing in domestic entrepreneurial and entrepreneurship education;
- **Accepting a Final Declaration.**

PHOTOS FROM THE WORKSHOP ON "HUNGARIAN SME POLICY" HELD IN GYŐR

	
Dr. Szilveszter Farkas	Dr. József Poór

Photos by Dr. Antal Szabó ©

RECOMMENDATIONS OF THE ERENET HUNGARIAN BRANCH FOR THE ELABORATION OF A NEW SMALL AND MEDIUM-SIZED ENTREPRISE DEVELOPMENT POLICY

GYŐR DEKLARATION

The sector of micro, small and medium-sized enterprises (further as SMEs) is determining factor of the domestic economy. Its main operation characteristics, competitiveness have an effect on the performance of the Hungarian economy and in influences the employment. At present, 99 percent of the domestic firms are provided by this sector, since – in consequences of the changes, started at the beginning of the 1990s - the number of SMEs has been continuously growing. SMEs produce more than 50 percent of the Hungarian GDP, and more than 70 percent of the employees are employed by them in the competitive sector.

The Hungarian Branch of the Central-European Entrepreneurship Research and Education Network – ERENET – consists of the most excellent experts from 14 Hungarian universities and high-schools, the

Hungarian Academy of Sciences and the Consortia of the Hungarian Enterprise Development Network. ERENET has kept an eye on the situation of the indigenous SME-sector, and has compared it from time to time with the CEE and EU countries. On March 27th 2010, the Hungarian Branch of ERENET, within the framework of the Workshop on “The Hungarian National SME Policy – Evaluation and Possible Future Development”, evaluated the current situation, discussed the necessary directions for change. As a suggestion for the new Hungarian Government, being formed after the Parliamentary election held in April 2010, the members of the event at the Széchenyi István University created the following **list of development changes**:

1. In accordance with the requirements of the European Commission the **administrative burden** of SMEs and the relating **red-tape should be decreased at least by 25 percent** by the end of 2012.
2. In order to reduce significantly the burden of labor we suggest **carefully over thought and comprehensive changes in the fields of taxation and contribution system**. The number and the rate of tax and contribution obligations should be decreased, the tax and contribution returns should be merged, and the taxation system should be more calculable.
3. A **new support system** should be elaborated and make operable **for innovative and competitive undertakings**, which can be compensate the disadvantage of SMEs in competition. (The support measure should be accessible, free from unnecessary administration and stable.)
4. The new Government should strive to popularize the entrepreneurial culture and to **strengthen entrepreneurial skills and knowledge**.
5. It is necessary to **guarantee equal chances for all firms**, irrespective of their form of ownership, size, or other features.
6. We suggest **to change the non-market conform elements of the SME financial and supporting system** (e.g. non-refundable grants, support of internationally low comparative branches, etc.).
7. Differently from the present way the **support of micro firms and small enterprises** should be widened relating to the whole lifecycle. Micro crediting and credit guarantee systems and their stock should be strengthened, and supplemented by education and counseling.
8. We consider important the **creation of the entrepreneurial society**. In order to do so it is unavoidable to support more effectively the strengthening of the entrepreneurial culture and the education system of entrepreneurial knowledge in public and higher education. Practice-oriented entrepreneurial education should be promoted and fit in the curricula in all fields of teaching.
9. The Government policy should be transparent, stable, and calculable in the long run. For the harmonization of the far-reaching and numerous SME development infrastructure as well as for the increase of their efficiency, a **National SME Development Agency** should be established similarly to the Visegrad Countries and Slovenia, while at the same time the number of the existing institutions should be decreased dramatically.
10. A **regular social dialogue** among the representatives of the SME sector, economy policymakers and non-economic organizations should be strengthened (e.g. education, NGOs, etc.).

Győr, 27th March 2010

INSTITUTIONAL PROFILE

STRENGTHENING THE EDUCATIONAL AND SCIENTIFIC COLLABORATION WITHIN V4 AND COUNTRIES OF SOUTH EASTERN EUROPE

Strengthening the educational and scientific collaboration among Faculties of Economics within V4 and countries of South Eastern Europe (No. 30810004 - IVF) is a research project realised by an international consortium of partners, co-financed by International Visegrad Fund. Project commenced on the 1st of September 2008 and lasts for 22 months.

Project aims at joining educational institutions of Economics for establishing mutual educational and scientific network of teachers and researchers from corresponding V4 countries and neighbouring countries.

This project reaches the priority "Sharing V4 know-how with neighbouring regions". A network established within this project coordinates the mobility of Faculties' project personnel; prepares workshops on best practices in educational area within Investment, Banking and Business oriented study programmes. Moreover it copes with presentation of new teaching methods and know-how within distance and e-learning educational approaches. V4 practical abilities and skills in project targeting areas are further on spread out to neighbouring regions via workshops and conferences with expert participation from praxis, leading industries and educational institutions besides the Visegrad Countries. Hence the Visual collaboration (videoconferences) between V4 and neighbouring countries is accelerated the exchange of research results, comments and ideas for starting further common project collaboration in near future.

The IVF project brings together a well-balanced mixture of partners, each one bringing into the project a different experiences and a different perspective of emphasis. Consortium members are:



Technical University of Kosice, Faculty of Economics (Coordinator), Slovakia, coordinated by Assoc. Prof. Renáta Vokorokosová, PhD.



University of Economics in Bratislava, Faculty of National Economy (Partner), Slovakia, coordinated by Assoc. Prof. Eva Horvátová, PhD.



Silesian University in Opava, School of Business Administration in Karviná (Partner), Czech Republic, coordinated by Assoc. Prof. Marian Lebieczik, PhD.



Czestochowa University of Technology, Faculty of Management (Partner), Poland, coordinated by prof. PCz. dr. hab. inż. Janusz Grabara



University of Miskolc, Faculty of Economics (Partner), Hungary, coordinated by Assoc. Prof. Sándor Karajz



Union University of Belgrade, Belgrade Banking Academy (Partner), Serbia, coordinated by Prof. Dejan Eric



College of Social and Administrative Affairs, Havířov (Partner), Czech Republic, coordinated by Prof. PhDr. RNDr. Stanislav Polouček, CSc.



University of Pardubice, Faculty of Economics and Administration (Partner), Czech Republic, coordinate by Assoc. Prof. Ilona Obršálová, CSc.

Executed and planned events

1. Meeting of representatives from partner institutions – Bratislava, Slovak Republic: 3.9.2008 – 5.9.2008;
2. Workshop on presentation study programmes and teaching methods – Czestochowa, Poland: 11.3.2009 – 13.3.2009;
3. Workshop on experiences with distance and e-learning educational approaches – Miskolc, Hungary: 17.6.2009 - 19.6.2009;
4. Meeting of group of researchers on the topic of SMEs – Karviná, Czech Republic: 21.10.2009 - 23.10.2009;
5. Workshop devoted to the exchange of knowledge and experiences in science and education area of invited countries – Belgrade, Serbia, planned on 13. – 15. April 2010;
6. Workshop on presenting results from mutual research – Košice, Slovak Republic, planned on June 2010.

Compiled by

Jozef Glova
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 Faculty of Economics, Technical University Kosice
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Biomedical Engineering Knowledge Centre

The Biomedical Engineering Knowledge Centre of the Budapest University of Technology and Economics (BME EMT) was established on 1 July 2007 by the decision of the Senate of the University.

Its founders are:

- Faculty of Electrical Engineering and Informatics, BME,
- Co-operative Research Center for Biomechanics, BME,
- Faculty of Chemical Engineering and Bioengineering, BME,
- Faculty of Economic and Social Sciences, BME.

Its gestor is the Faculty of Electrical Engineering and Informatics of BME. Members of the EMT can be independent organisations or their organisational units, such as faculties, departments, research centres and independent research groups of BME, the research groups at BME of the Hungarian Academy of Sciences, other educational institutes and research units or their organisational units, other public institutions, enterprises, financial organisations, non-profit organisations.

The EMT is a virtual institution: it consists of education and research groups operating more or less independently at the co-operating organisations. An organisation becomes member of EMT when it expresses its intention by the filling out and signing the "Co-operation Declaration", and the Council of Representatives of the EMT accepts it. The nomination and contracting of the researchers who will co-operate with the EMT is the task of the member organisation.

The tasks of EMT in the area of biomedical engineering research and education include:

- joint representation,
- relation building and networking,
- cooperation,
- fund raising,
- awareness activities,
- information dissemination.

The **main research areas** are:

- electrical- and biosensoric
- telediagnostic
- illness prevention
- health monitoring
- medical image processing
- motion analysis
- genomik, bioinformatik
- ambient assisted living
- ergonomics
- innovative interfaces
- mental state analysis
- serious games

Address: [Biomedical Engineering Knowledge Centre of the Budapest University of Technology and Economics](#)

Visiting address: H-1111 Budapest, Magyar tudósok körútja 2. IB.312 Postal address: H-1521 Budapest

E-mail: emt@iit.bme.hu

file: <http://emt.bme.hu/emt/en>

CALLS □ EVENTS □ NEWS



26 April 2010, Brussels

The European economy is greatly affected by the fall-out of the disorderly unwinding of the global financial crisis. Coping with these unexpected shocks comes on top of other well-known challenges, such as accelerating globalisation, the need to decarbonise our economies and to make our energy systems more sustainable, and the demographic challenge. This all calls for an ever faster pace of structural adjustment while at the same time avoiding a long-lasting recession and social hardship. But it also provides an opportunity to position the European economy as a front-runner to meet these challenges.

A fragile economic recovery seems to be gaining ground; however, the underlying structural weaknesses of significant parts of our economies and the unsustainability of public finances have not yet been tackled.

Therefore, the time has come to take a fresh look beyond the immediate economic crisis and set out a “recovery and entry strategy”. This strategy should be designed to ensure that EU industry emerges from the crisis fit to meet the challenges of the next decade. We will have to address the changing needs of society, maintain Europe's competitiveness in the global arena, develop smarter and more efficient infrastructures, commercialise enabling technologies more quickly, and adapt to structural changes.

[p]The conference will be the occasion to discuss the options for such a “recovery and entry strategy”. It will also be the occasion for the Barroso II Commission to share its first ideas on the European Growth Strategy (Europe 2020) and on its approach to competition and industrial policy with stakeholders and policy advisers, and to receive feedback on these ideas and policy visions. European and international policy makers, businessmen, and economists and policy advisers are all invited for a frank exchange of views.



High-level speakers and panellists such as José M. Barroso, Joaquin Almunia, Antonio Tajani, Nick Reilly, Mario Monti, Xavier Sala-i-Martin and Wolfgang Münchau have confirmed their participation. The mix of European Ministers, Commissioners, Members of the European Parliament, business leaders, internationally renowned economists and journalists will ensure a fascinating and highly-relevant dialogue about policy needs and responses. About 400 representatives from the fields of politics, business, academia and the media are expected to participate.

Opening keynote address: President José M. BARROSO (EC)

The opening remarks set the scene, recall the genesis and characteristics of the crisis, sketch policy responses, link the lessons learnt from crisis management with the EU 2020 strategy, and highlight three or four key questions on which this conference should give tentative answers, also in light of the Europe 2020 agenda.

Venue: Charlemagne Building (Room Gasperi)

170 Rue de la Loi (Wetstraat), 1049 Brussels, Belgium

Time: 8:45am – 17:30pm

Contact: ENTR-IND-COMPETITIVENESS@ec.europa.eu

More information: http://ec.europa.eu/enterprise/Ind_Comp_2010

CALL FOR PAPERS



MFC ANNUAL CONFERENCE 26-28 MAY 2010, ASTANA, KAZAKHSTAN

Grzegorz Galusek, the Executive Director of The Microfinance Centre (Warsaw, Poland) cordially invites interested experts to Astana, Kazakhstan's New Futuristic Capital which will host the 2010 MFC Annual Conference, May 26-28th, titled

POST-CRISIS MICROFINANCE: WHAT IS THE RESPONSIBLE WAY FORWARD?.

«МИКРОФИНАНСЫ ПОСЛЕ КРИЗИСА: КАК ПРОДВИГАТЬСЯ ВПЕРЕД, НЕ ТЕРЯЯ ОТВЕТСТВЕННОСТИ?»

For three days, over 500 representatives of microfinance institutions, policy makers, investors, donors and experts will join one of the biggest microfinance events globally. The conference will be co-organized in partnership with the Government of Kazakhstan, represented by the Ministry of Economy and Budget Planning, Association of Microfinance Organizations of Kazakhstan (AMFOK), microfinance institutions: KazMicroFinance, International Finance Corporation (IFC) and Bai-Tushum & Partners as well BlueOrchard and responsAbility Social Investments AG.

Global **financial crisis** continues to dominate the microfinance landscape and was the key topic during the last annual conference in Serbia in 2009. At the Belgrade conference, on the initiative of EBRD, investors and MFIs held an unprecedented meeting to discuss the impact of the financial crisis on MFIs. During the meeting, efforts to decrease some of the burdens on MFIs and consequences of growing **over-indebtedness** among the borrowers were discussed. In this context, the MFIs commitment to **social dimensions** was raised, while MFC reiterated its role in assisting members in their understanding and development of **double-bottom line** systems. We would like to continue discussions on this theme in Astana.

As the MFC annual study on the state of the microfinance sector in Europe and Asia shows, since last year, many MFIs in Eastern Europe and Central Asia have experienced **liquidity problems** and foreign exchange rate losses, while a number of the institutions struggled with worsening client repayments. All these factors contributed to lower profitability and slower growth of the sector. What are the most important risk factors for MFIs in 2010? What are the funding expectations and what type of funding products will be necessary? As the issue of MFI funding is critical for further growth of the sector, we plan to continue the roundtable discussions with investors and MFIs in Astana.

On the global level, leaders of microfinance (including MFC representatives and MFC member Mi-Bospo) gathered to discuss the microfinance client protection issues. The **SMART campaign** is the first global effort of this type to provide practitioners with tools and resources for transparent and prudent provision of services to all clients. At the Astana conference, we will provide the necessary updates and the ways MFC members can engage in client protection.

These and other topics will be presented at the **2010 MFC Conference** workshops and plenary sessions.

Here are just a few **highlights**:

- Financial crisis: status of microfinance in Europe and Central Asia. Lessons learnt and ways forward,
- Challenges and perspectives for the microfinance sector in Central Asia, with particular focus on Kazakhstan;
- European approach to microfinance: more sustainable and more social?
- Why saving money is such a big issue in the Region or is it?
- Protection of microfinance clients: how can you ensure that your MFI services do not harm?
- Towards balanced MFI performance: social performance management and why it is indispensable for further growth of the sector;
- Foreign exchange risk and local currency funding;
- Technology applications in offering new products, with particular focus on mobile banking;
- Promising approaches to financial education,
- Equity investments and MFI valuations

Detailed agenda will be available by mid-March 2010.

As in previous years, MFC members will have a chance to discuss how MFC programs and activities can better contribute to their work. As the terms of two current board members finish in May, the membership meeting will also be an opportunity to elect two new board directors. I would like to welcome your nominations! As MFC board directors you will have a chance to influence the access to finance agenda in the Region.

Additionally, from 24-25 May, MFC together with SEEP Network and ADA, will host **the First Regional Microfinance Association Summit**. Information about this event will be provided to country level associations via separate mailing.

With over 500 practitioners, investors and donors, the conference offers a unique opportunity to make new connections and create partnerships. The MFC conference is already well known for linking funding and investment opportunities. Top economists and microfinance experts from around the world will join us in Astana to share their views on the trends and further perspectives for microfinance development.

As you make your travel plans, I hope that you will consider staying a few extra days before or after the MFC conference to enjoy the beauty of Kazakhstan. Astana is a modern city offering an impressive range of cultural and entertainment activities. The country boasts unparalleled natural beauty and cultural diversity. We will be sending you more information how to take advantage of these opportunities.

How to make travel arrangements for Astana?

Your travel arrangements to Astana should be made well in advance. Astana offers air connections to/from Vienna, Frankfurt, Moscow and other convenient connections. For more details about the flights, go to the travel section on the conference website.

The conference will be held in the Ramada Plaza Hotel. More information about the training venue as well as the hotels available in Astana, you can find in the accommodation section.

Likewise, please find out well in advance if you need a visa to enter Kazakhstan. There is an option for conference participants to obtain a Kazakh visa at Astana airport – for further details of this opportunity go to the visa section.

Registration

To register online please use the conference website: www.mfc.org.pl/conference2010. Should you have any questions, please do not hesitate to contact us at conference@mfc.org.pl.

Register now at www.mfc.org.pl/conference2010



INVITATION AND PROGRAMME

2nd National Forum of SMEs
2 June 2010, Budapest
 (Closing event of the European SME Week in Hungary)

What is European SME Week?

European SME Week 2010, which will take place from 25 May to 1 June, aims to:

- provide information on what the EU and national, regional and local authorities are offering as support to micro, small and medium-sized businesses;
- promote entrepreneurship so that more people, and in particular younger ones, seriously consider becoming an entrepreneur as a career option;
- give recognition to entrepreneurs for their contribution to Europe's welfare, jobs, innovation and competitiveness.

Launched in 2009, the European SME Week is coordinated by the European Commission's Directorate-General for Enterprise and Industry as one of the measures implementing Principle 1 of the [Small Business Act for Europe](#) (SBA), which states that "the EU and Member States should create an environment within which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded".

European SME Week 2010 is a pan-European campaign taking place in 37 participating countries, which is however fully decentralized in order for events and activities to take place as close as possible to the established and potential entrepreneurs themselves. Events will be organised at national, regional or local level by business organisations, business support providers, as well as by national, regional and local authorities in the participating countries. These events should also be an opportunity for existing SMEs to share their experiences and to further develop their businesses.

Some highlights from the series of events: „European opening conference” in Brussels on 25 May 2010, closing event in Madrid between 31 May – 1st June 2010 (during the Spanish EU Presidency), where the winners of the European Entrepreneurs' Prize will be announced. (Last year's Hungarian winner was *László Bódi*, entrepreneur from Miskolc.) For more information, please, visit:

http://ec.europa.eu/enterprise/policies/entrepreneurship/sme-week/about/index_en.htm

Last year the [HUNGARIAN ASSOCIATION OF SMALL, MEDIUM AND AGRARIAN ENTREPRENEURS \(KKAOSZE\)](#) successfully organised the opening forum of the „SME Week 2009”. This year the Hungarian Ministry for National Development and Economy coordinating the campaign at national level has requested the Association to organise the closing event. The „European SME Week” is organised under the auspices of the Ministry for National Development and Economy. The venue is scheduled to be held at the Session Hall of the Upper House of Parliament (already approved by the Speaker of the Parliament)

Preliminary highlights:

- Strengthening cooperation between the National Alliance of Entrepreneurs and Employers (VOSZ) and the small entrepreneurs in order to tackle the economic challenges of the crisis
- Necessary state tools and programmes for encouraging the creation work places
- Competing for consumers
- Legal, economic and institutional means to avoid and fight chain indebtedness
- Contradiction between words and actions in the credit and state subsidy policy
- The importance and procedure of the early introduction of the Euro
- New elements in the European SME policy and strategy; what tasks do these impose on the Hungarian EU Presidency in 2011?

For further information please contact [László Kovács](#) President of KKAOSZE (Phone: +36309845505, E-mail: laszlo.kovacs@kkozse.hu)

**4-5 June 2010
Budapest, Hungary**

MEB 2010 is an international conference to provide a forum for presentations and discussions of scientific, economic and business areas. This year we would like to focus on the management, development and competitiveness of SMEs.



MEB 2010
**8th International Conference on
Management, Enterprise and Benchmarking**

TOPICS within the scope of the conference will include:

- **Theoretical studies, modelling and adaptive approaches;**
- **Analyzing measure, structure and organizational parameters;**
- **Examining the connection between marketing methods and benchmarking.**

REGISTRATION

Prospective participants are kindly asked to fill in and send back the registration form which can be found on the website.

SUBMISSION OF PAPERS

Authors are asked to submit electronically a full paper by e-mail. After notification please send your camera-ready paper of maximum 10 pages according to the paper format to Tímea Edőcs by e-mail (edocs.timea@kgk.uni-obuda.hu).

PRESENTATION

OHP and data projector will be provided for oral presentation. Authors are asked not to use their own laptop, but bring the presentation on CD or USB.

AUTHOR'S SCHEDULE

Deadline of registration and paper submission..... March 31, 2010
Deadline of notification..... April 15, 2010
Deadline of final paper submission May 1, 2010



**Organized and sponsored by
Keleti Károly Faculty of Economics
Óbuda University (successor of Budapest Tech) Hungary**

Further details see at ***<http://www.kgk.uni-obuda.hu/MEB>***

**McGill**Desautels
Faculty of Management**The Thirteenth McGill International Entrepreneurship Conference on NEW FRONTIERS IN INTERNATIONAL ENTREPRENEURSHIP (IE)****To be held at McGill University, Montreal, 17-20 September 2010****Deadline for Submission of Extended Abstracts: 15 April 2010****Deadline for Submission of Completed Papers for Presentation: 15 August 2010**

International entrepreneurs and entrepreneurially-oriented smaller firms have dominated the growth of the global economy in the last two decades. They are the innovative firms that have become International New Ventures, Born Globals and Rapidly Internationalizing Enterprises, among others, which compete nationally and internationally from their early beginning, some times from inception. This generation of emerging enterprises is deploying internationally competitive strategies and also forcing the older firms to re-examine their past strategies. In the emerging dynamic market place, the large, mature and established companies further leverage their older relations and their proven capabilities to embrace the challenges of the new frontiers, while the young internationally oriented smaller companies creating, or re-engineering, their respective value nets and consolidate their relations with networks of other enterprises. As a result, both types of companies are re-creating themselves while competing in the same markets. These challenges call for a re-assessment of the prevailing competitive strategies and business models of all firms. This research-intensive conference focuses on smaller firms' international strategies for competing in the global market place.

Following the tradition established by the previous conferences from 1998, this conference is designed to bring together leading-edge views of academic scholars, insightful practitioners and policy makers with interests in the fields of international business, international small business, entrepreneurship, internationalization and growth, among others, in order to examine the potent forces and influences, consequent changes and the dominant pattern(s) of emerging developments in international entrepreneurship (IE). In previous plenary sessions, the contributions of prominent scholars, including Zoltan Acs, Howard Aldrich, Paul Beamish, Jan Johanson, Jerome Katz, Benjamin Oviatt, Patricia McDougall, Tage Koed Madsen and Alan Rugman, among many others, played provocative and challenging roles in moving research frontiers forward. The 2010 conference holds a similar promise and will follow that tradition and possibly in three parts:

a) *Research-Intensive Workshop:* An intensive, two-day Research Workshop focuses on the further development and examination of potent concepts, frameworks, theories and potent methodologies for understanding what explains the strategies and behaviours of internationalizing entrepreneurial firms and the new changes and challenges facing them that pose research questions for scholars and practitioners. Following the past conferences, the objectives of the 2010 conference are:

- i) To provide a unique opportunity for scholars to discuss path-breaking concepts, ideas, frameworks and theory essentials in the plenary and competitive paper sessions to examine on-going research and to facilitate the development of new research initiatives with potentials for contributing to advancing the field of International Entrepreneurship, and
- ii) To prepare the collective work of the workshop for cohesive and integrated collections for potential publications. Therefore, only *unpublished* completed, or nearly-completed, papers are invited for presentation and feedback from other scholars and invited practitioners and policy makers. A selected list of these papers will be considered for further publication in scholarly venues, including special issues of scholarly journals and book volumes, including the Journal of International entrepreneurship and McGill International Entrepreneurship Book Series (Elgar publishing). For previous publications resulting from the conference see <http://www.mcgill.ca/mie> .

b) *Business/Professional Workshop:* This will consist of an open session for interaction with and discussion of the key ideas and insights with members of the business and policy communities. The focus will be on a better understanding of actual issues facing entrepreneurial firms in their quest for international growth and policy challenges for creating enabling environments. Executives from internationalizing firms and Policy communities will be invited to Join interact with scholars and share mutual insights on related themes.

c) *Doctoral Colloquium:* This dedicated one-day workshop on the 16th or the 17th of September, 2010, is designed to address the problems and challenges in the rapidly emerging field of International Entrepreneurship for Doctoral Candidates. It will be open to Doctoral Candidates and the new scholars of the field, who are encouraged to participate in the entire conference fully as well. A limited number of competitive scholarships will be awarded to the attending and contributing Doctoral Candidates. A detailed program will be available shortly.

Competitive Paper Tracks: Empirical and theoretical research Papers on any of the following topics and related areas are welcomed. An illustrative list includes, but is not limited to, the following themes:

- Creation and testing of theoretical frameworks in IE with associated methodologies and measurements
- Contributions of upstream (backward) and implicit internationalization to IE
- Contributions to *methodology* for research on small firms in international marketplace
- *Cross-national comparisons* of growth patterns of *internationally oriented and entrepreneurial* firms
- *Entrepreneurial characteristics and challenges* in internationalizing firms
- Ethnic and family entrepreneurship in internal arenas
- *Gender issues* in internationalization and international entrepreneurship
- *E-Commerce-centred activities* and internationalizing SMEs

- Entrepreneurially oriented firms' impact in regional and national economic development
- *Learning- and networked-organizations'* influence on internationalization process of smaller firms
- International *entrepreneurial characteristics* and firm's global growth
- *Patterns of internationalization* in smaller entrepreneurial firms
- *Regional industrial or virtual clusters* and internationalizing SMEs
- *Rapidly internationalizing and high growth firms*
- Other topics of *relevance* to the Conference theme

Publications: Leading-edge contributions from the previous conferences have appeared in prestigious journals and edited books. This conference will follow the same practice. In addition to the Conference Proceedings, intensive effort will be focussed on publishing the papers of the 2010 Conference in cohesive sets of articles in edited volumes and special issues of journals with high impact. For a selected list of publications of past conference papers see <http://www.mcgill.ca/mie>

Proposals: The Conference invites cohesive proposals for: i) sessions covering aspects of Formulation of Theory, Methodological Issues, Formation of Multi-location and Multi period data-bases for testing theory as well as Pedagogical Cases and ii) suggestions for content and delivery of pertinent topics for the Doctoral Colloquium, among other conference-related topics.

Submission Information:

- ***Submission deadline for the Initial Proposals /Extended Abstracts of about 300 words: April 15, 2010*** (but send earlier, if possible).
- ***Completed Papers, working papers, or detailed synopsis of your research (about 5000 words) may be submitted electronically, as a Word attachment. Please send them to: 2010mie.conference@mcgill.ca .***
- ***In case of difficulty with electronic transmissions, hard copies may be sent or faxed to:***
MIE Conference Coordinator
Desautels Faculty of Management
McGill University
1001 Sherbrooke Street West
Montreal, Quebec, Canada H3A 1G5
Fax: (514) 398-3876,
E-Mail: 2010mie.conference@mcgill.ca
- ***Feedback/ Acceptance for presentation will be communicated to authors before 15 July 2010.***
- ***Submission Deadline for Completed Papers Accepted for Conference Presentation: 15 August 2010.***

The home of McGill IE conferences (<http://www.mcgill.ca/mie>) and the **2010 MIE Conference Websites** are currently under re-construction. In the interim period, please feel free to contact the 2010 Conference Chair, Professor Hamid Etemad (hamid.etemad@mcgill.ca) for further information, questions and suggestions.

EUROPEAN ENTREPRENEURSHIP AS AN ENGINE FOR POST-CRISIS DEVELOPMENT – CHALLENGES AND OPPORTUNITIES

International Conference

8-10 September 2010
Borovets, Bulgaria

Mission of the Conference

The Conference's mission is to bring together leading European and world 'players' in the field of entrepreneurship to discuss and share their results and opinions in the context of a United Europe: the place and the role of the European entrepreneurship in crisis and post-crisis development.

Objectives

- To discuss the strengths and the weaknesses of European entrepreneurship in the context of globalisation, knowledge-based economies and multicultural business environment;
- To analyse the role and behaviour of European entrepreneurship in the crisis and in post-crisis development;
- To present recent entrepreneurship research and developments in entrepreneurship training in a united Europe;
- To discuss current and potential projects and develop networks between researchers and teachers, consultants, entrepreneurs and policy makers from Europe and the other regions of the world;
- To observe how European entrepreneurship could contribute to the success of a new European strategy for development until 2020.

Who should attend this conference?

Researchers, Teachers, Consultants, Entrepreneurs, Policy-makers, PhD students

Topics

General (panel) and specific (in sessions) topics will be discussed during the Conference. Among them will be:

- Innovation and Commercialisation
- Youth and Women Entrepreneurship – Aspirations and Motivations/Developing Their Potential
- Family Business Development and Family Entrepreneurship
- Business Succession: Preparation of New Business Leaders
- Modern Entrepreneurship Education and Training
- Entrepreneurship and SMEs Support in the Crisis
- Management and Growth of SMEs after the Crisis
- European Entrepreneurship and Rest of the World
- Social Entrepreneurship
- Cross-border Entrepreneurship and Regional Development
- Management of High-tech Ventures
- SMEs in Global and Multicultural Environment

A round table on post crisis development for entrepreneurs will be organized. The organizers expect to hold also a round table on post-crisis entrepreneurial behaviour of private European universities.

Main Organising Bodies

Bulgarian Association for Management Development and Entrepreneurship (BAMDE). It is a leading organisation in the field of management and entrepreneurship training and development in Bulgaria. BAMDE brings together the most renowned Bulgarian universities, research and training institutions, promotes and safeguards the quality of trainers and training programmes and acts as a national platform for professional management and entrepreneurship development in Bulgaria in relation to international standards and best practice. BAMDE is a holder of best practice in entrepreneurship training recognized by EFMD.

Institute for Entrepreneurship Development (IED) at the University of National and World Economy (UNWE)

The IED is a pioneer in education, consulting and research in the field of entrepreneurship and SMEs in Bulgaria. IED results are used directly in the teaching and training process. The IED is focusing its work on supporting entrepreneurship activity in all of its dimensions – from the idea to start a small business, the management and development of small and medium-sized enterprises, to establishing corporate entrepreneurship in the large-scale, reviving organisations. The IED is striving through its activities to develop as a leading training institution, contributing to the development of the entrepreneurial potential of Bulgaria and to the creation of a new entrepreneurial culture – the driving force in competitive market economy.

Abstracts and papers submissions

One-page abstracts giving a clear indication of the contribution to a sub-topic are expected by 15 April 2010. Feed back from the organisation committee will be notified one week later. Full papers (maximum 15 pages) are expected by 15 July 2010.

Conference Venue

The Conference will be held in a beautiful place located in a famous resort – Borovets close to the city of Sofia. Conference participants will enjoy specially negotiated conditions. The details will be sent with the Second Call.

Conference Fees and Participant Entitlement

Registration Fee	<i>before 15 June 2010</i>	<i>after 15 June 2010</i>
ECSB & ICSB Members	☐ € 300	☐ € 350
Active Participants	☐ € 350	☐ € 400
Passive Participants	☐ € 400	☐ € 450
CEE Participants•	☐ € 250	☐ € 300
Accompanying persons	☐ € 200	☐ € 250

Active participants:

Participants who present a paper, prepare a workshop or organize a poster presentation, which is accepted by the conference host, pay a reduced fee. CEE participants – participants from a Central and Eastern European EU-member countries.

Participants from non-EU countries will pay 20% less.

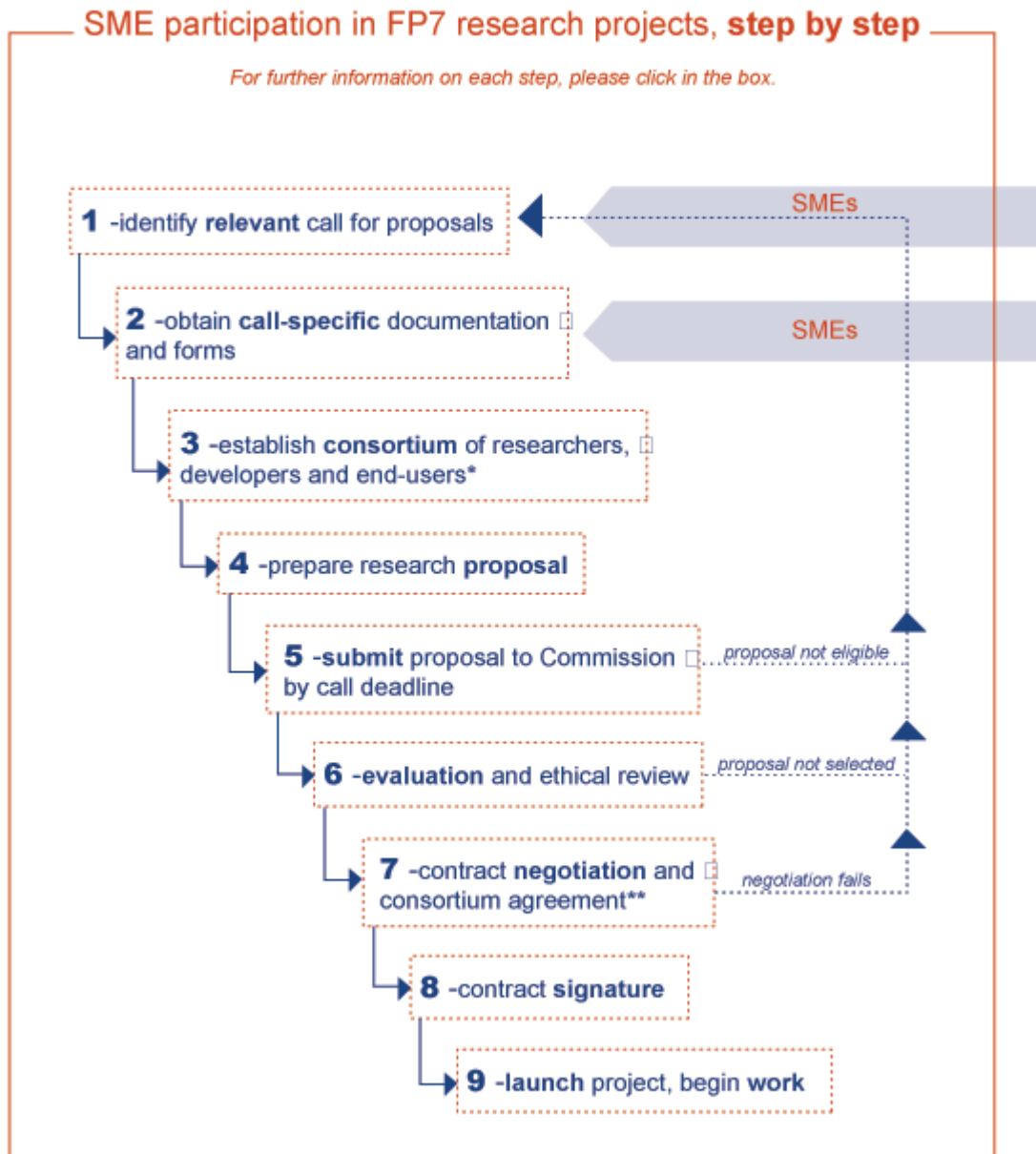
Further information

For general information, coordination, and for questions on contributions please contact **Kostadin Kolarov** or **Yordanka Ivanova**, by e-mail: conference@bamde.org and kkolarov@unwe.acad.bg, respectively

Registration see at

<http://www.icsb.org/assets/pre-registration%20form%20bamde%202010.doc>

STEP-BY-STEP-GUIDE FOR THE EUROPEAN COMMISSION RESEARCH PROGRAM FOR SMEs



Getting involved in FP7

Step 1. Identify relevant calls for proposals – The first task is to identify on CORDIS a call that is relevant to your SME or to an idea you may have for a research project. Find out when a call for proposals will be published and will close. <http://cordis.europa.eu/fp7/dc/index.cfm>

Step 2. Obtain call-specific documentation and forms – The Commission publishes a separate

information package which includes a comprehensive Guide for Proposers that offers practical advice for preparing and submitting proposals under each call.

Step 3. Establish consortium of researchers, developers and end-users – The proposer must recruit partners to form a consortium capable of undertaking all aspects of the intended project. Partners may be identified through established scientific and commercial networks or the Partner Search service on [CORDIS](#)

Step 4. Prepare research proposal – Proposers should use the Commission's Electronic Proposal Submission System (EPSS). This web-based application provides a secure on-line workspace for consortium members to prepare and submit their joint proposal. This application will be available under each call.

Step 5. Submit proposal to Commission by call deadline – Calls have strict deadlines which are clearly stated on the first page of the Guide for Proposers. Submissions received by the Commission after the deadline are ineligible. Assistance with completing the proposal is available from the relevant National Contact Point (NCP). A complete list of NCPs for FP7 can be found on [CORDIS](#)

Step 6. Evaluation and ethical review – All EU-funded research projects are evaluated by a board of experts. They must also comply with a strict ethical code in order to ensure that the Commission is not supporting research which might violate fundamental ethical principles.

Step 7. Contract negotiations and Contract Agreement – The terms and conditions regulating European projects are contained in two documents, the Grant Agreement between the consortium and the European Commission and the Consortium Agreement signed only by the partners. The Consortium Agreement includes the arrangements made for intellectual property rights, valorisation and the dissemination of results.

Step 8. Contract Signature

Step 9. Launch project, begin work!

File: http://ec.europa.eu/research/sme-techweb/index_en.cfm?pg=step_by_step

PUBLICATIONS

GOOD SMALL BUSINESS GUIDE 2010 UPDATED FOURTH EDITION

The Federation of Small Businesses is endorsing the Good Small Business Guide 2010 - a guide for budding entrepreneurs looking to go it alone and for small businesses that want to grow and develop.

A fantastic resource for start-up and expanding firms, this guide is packed with essential information, including how to help business owners develop their entrepreneurial skills and how to cope with the challenges of running a business. It also offers practical advice on a wide variety of essential issues, such as coping with a cash-flow crisis, marketing and business planning.

Packed with essential advice – and completely updated for this new edition – the *Good Small Business Guide 2010* features over 140 easy-to-read articles, even more Viewpoints from people who've been there and done it, an extensive information directory, and a quiz for all budding entrepreneurs. New actionlists include: Pricing in a Downturn, Improving Marketing Performance and Getting Closer to Customers.



The FSB's National Chairman John Wright, who has written a forward to the guide, says:

"Every year, around 500,000 people decide to take the plunge and start a business, setting out on their own to live the dream of being their own boss and begin something new. Even during a recession, we still expect a similar number of entrepreneurs to set off on the big adventure, each of them taking the opportunity to fill a gap in the market. The Federation of Small Businesses wishes each one of them luck and recommends they take all the advice they can – not least that given in the excellent Good Small Business Guide 2010."

UK SMALL BUSINESS STATISTICS

- There are 4.8 million small businesses in the UK
- 97% of firms employ less than 20 people and 95% - less than five people
- Over 500,000 people start up their own businesses every year
- SMEs employ more than 59% of the private sector workforce
- 13.7 million people work in small firms
- Small firms contribute more than 50% of the UK turnover
- 64% of commercial innovations come from SMEs
- Small firms collect and pay Tax, NICs, VAT and other duties which help pay for public services

file:

<http://www.fsb.org.uk/goodsmallbusinessguide>

<http://www.acblack.com/business/Books/Details.aspx?isbn=9781408123706>

ERENET Secretariat express its gratitude and thanks for the FSB Publication Department for providing a copy of the Good Small Business Guide 2010 during the FSB Annual Meeting held in Aberdeen.

EXPLORING THE DYNAMICS OF ENTREPRENEURSHIP

by

Aleksander Surdej and Krzysztof Wach

Wydawnictwo Adam Marszalek

Torun-Kraków 2010

ISBN 978-83-7611-584-9

Contemporary economic development depends on the strength and vitality of private enterprise sector. Entrepreneurship and companies' growth should be analyzed through this function. The paper collected in this book shed light on the question of entrepreneurship and firm organizational growth in different industries and in different societal contexts. They address such crucial questions as innovative and entrepreneurial management; human and social dynamics of entrepreneurship; entrepreneurial education; and discuss the importance of institutional business environment, “entrepreneurial environment” or “environment for entrepreneurship”. The volume contains chapter written by scholars from different countries as Hungary, Poland, Portugal, Turkey and United Kingdom. They all share the conviction that studying innovation and entrepreneurship in modern economies is a key to better public policies and improved societal welfare.

The Co-editors emphasise that “If entrepreneurs in many economies are trapped into a “Survivalist business model”, we should study what factors make this model dominant and what kind of policy changes might include a growth oriented entrepreneurship”.

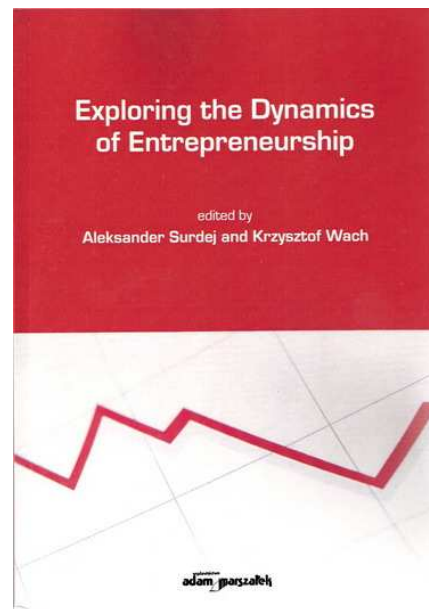
Those who are interested in obtaining copies, you can purchase them on your own in Polish bookstores (32 - 35 PLN) or in German bookstores (13 EUR):

In PLN:

http://merlin.pl/Exploring-the-Dynamics-of-Entrepreneurship_Krzysztof-Wach-Aleksander-Surdej/browse/product/1,759677.html

In EUR:

http://209.85.129.132/search?q=cache:Fip-P7b7Dc8J:www.polbuch.de/osoba,2,1_664376,aleksander_surdej.htm+%22Exploring+the+Dynamics+of+Entrepreneurship%22&cd=20&





THE FUTURE INTERNATIONAL MANAGER **A Vision of the Roles and Duties of Management**

Edited by László Zsolnai & Antonio Tencati
Palgrave, 2009

In the light of the current financial crisis the task of reinventing the management profession seems to be more relevant than even before. The book is a collaborative efforts of 18 professors of different CEMS universities to create a new professional profile for management. We believe that business management should be renewed if business leaders are to uplift the financially collapsing, environmentally degrading and socially disintegrating world of our age.



The **New International Manager** as presented in the book is

- (i) a reflexive practitioner,
- (ii) committed to environmental sustainability,
- (iii) exercises social responsibility,
- (iv) works with sensitivity toward gender and diversity issues,
- (v) harmonizes information communication technologies with processes and organizational culture,
- (vi) applies holistic perspective in problem solving,
- (vii) cooperates with social and political actors, and
- (viii) is engaged in progressive entrepreneurship

Table of Contents

Business as a Profession (Zsolnai László, Corvinus University of Budapest)

The Need for Manager as a Reflexive Practitioner (Sven Junghagen, Copenhagen Business School)

Achieving Environmental Sustainability (Antonio Tencati and Stefano Pogutz, Bocconi University Milan & Carlos Romero, EGADE Mexico)

Developing Social Responsibility (Steen Vallentin, Copenhagen Business School)

Managing Gender and Diversity in Organizations (Marry Ann Danowitz, Edeltraud Hanappi-Egger and Roswitha Hoffmann, Vienna University of Economics and Business Administration)

Reinventing Organizations with Information Communication Technologies (Paola Bielli, Bocconi University Milan & Nemeslaki András, Corvinus University of Budapest)

Holistic Problem Solving (Knut Ims Ims, Norwegian School of Economics and Business Administration – Bergen & Zsolnai Zsolnai, Corvinus University of Budapest)

Cooperating with Social and Political Actors (Boda Zsolt, Corvinus University of Budapest, Eleanor O'Higgins O'Higgins, University College Dublin & Kuno Schedler, University of St. Gallen)

Engaging in Progressive Entrepreneurship (Antonio Tencati Tencati and Francesco Perrini, Bocconi University Milan, Nel Hofstra, Erasmus University Rotterdam & Zsolnai László, Corvinus University of Budapest)

file: <http://laszlo-zsolnai.net/content/future-international-manager-vision-roles-and-duties-management>



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