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COMMITTEE**

**REPORT\***

**“Development and Support of the Small Business Enterprises in the BSEC Member States”**

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## **I. INTRODUCTION**

1. In recent decades, small business has become one of the most important sectors of the modern economy. Today small business enterprises play big role in the economy of every country and are the “locomotive” of many economic processes, the basis for sustainable development and the key to solving the most important socio-economic problems.
2. The main advantage of small business is its fast adaptation to changing market conditions due to its short technological cycle and a simplified management structure that ensures prompt decision-making and savings on overhead costs.
3. The world experience shows that development of small business enterprises influences economic growth, accelerates scientific and technological progress, saturates the market with goods of the required quality, creates new jobs, i.e. it solves many topical socio-economic and other problems.
4. The experience of the leading countries shows the necessity of the existence of a highly developed and effective small business sector in the national economy.
5. In recent years, in view of the global economic crisis the topic of support and development of small business enterprises has become important and significant also in the BSEC Member States, recognizing the special role of small enterprises in achieving the goals of economic growth, combating poverty and unemployment, developing innovation and technologies, increasing international trade.
6. In this respect, the Fiftieth Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee held in Bucharest on 28-29 March 2018 decided to take up “Development and Support of Small Business Enterprises in the BSEC Member States” at the Fifty First Meeting of the Committee as the main subject.
7. The present report reflects the information received from the national delegations of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Serbia, Turkey and Ukraine, as well as from the relevant Internet resources.

## **II. DEVELOPMENT AND SUPPORT OF SMALL BUSINESS ENTERPRISES IN THE BSEC MEMBER STATES**

8. Small business is an entrepreneurial activity in a relatively small scale, formally not included in any association. A broader definition of this concept can be given as follows: “small business is a system of economically independent small and medium sized enterprises oriented to the market that form the structure and volume of production according to the consumer demand for goods and services and are not administratively dependent on state or any other institutions”.
9. In spite of the fact that the large enterprises are the “face” of any developed state, the true basis for the countries with a market economy is small enterprises, since they represent the most massive, dynamic and flexible form of business life. It is in the small business sector that creates and uses the bulk national resource potential, which, therefore, nurtures the big business. The small business also is the basis for the formation of the middle class, the existence and size of which determines the level of the economic development of a state.
10. In the modern world, a significant part of small businesses are family businesses. The social and economic advantages of this form of business organization ensure high efficiency of its subjects, their long existence and dynamic growth trend. Thus, family entrepreneurship not only ensures a stable socio-economic environment in the society, it also establishes a positive business-oriented climate.
11. The following advantages of small enterprises could be pointed out: relatively low need for initial capital; flexibility and mobility, allowing to quickly react to market demands, quickly adapt to

changing or local conditions; greater independence of action; relatively low costs in carrying out the activities, especially in the management; fast, high alertness to innovation; relatively higher own capital turnover. Owners of small businesses also have a high level of personal motivation in achieving success.

12. Small business in the system of economic and social relations in most states has important function. It implies: introduction of new products and services; meeting the needs of large enterprises; innovation, maintaining a normal competitive environment, creating new jobs, counteracting monopolism, as well as expanding consumer demand and increasing professional proactiveness.
13. In global viewpoint, small and medium sized enterprises are the main drivers of economic activity in most developing and developed economies. The criteria for small and medium sized enterprises differ in various countries. A World Bank study has shown that SMEs play an important role in most economies, especially in developing countries. The contribution of SMEs to the world economy is impressive: 33% of the gross domestic product (GDP) in developing economies with 45% of the total number of the employed.
14. According to the Study by the McKinsey and Company there are almost 365 to 445 million micro, small and medium enterprises operate in emerging markets, of which 25 to 30 million are formally classified as SMEs and employ 5 to 250 employees. In developed countries, approximately 100 million small and medium sized enterprises are registered. A significant support of the economies of developed countries is the sector of small and medium sized businesses, which, for example, in the United States is about 45%, in the EU countries about 60% of the total GDP.
15. In the world practice the general criteria based on which the enterprises are considered small are: the number of employees, the size of the authorized capital stock, the amount of assets, the volume of turnover (profit, income). The International Finance Corporation defines small and medium businesses as registered businesses with less than 300 employees and with annual sales and assets up to 15 million USD. The Organization for Economic Cooperation and Development (OECD) defines enterprises with up to 19 employees as “very small”, up to 99 employees as “small”, from 100 to 499 as “medium” and over 500 as “large”. The definition by the EU is widely used, according to which SMEs are having less than 250 persons employed and an annual turnover of up to 50 million euros or a balance sheet total of no more than 43 million euros (according to the European Commission).
16. In many BSEC Member States a combined approach is used to classify businesses as a small enterprise taking into account not only quantitative characteristics (such as the number of employees) but also qualitative characteristics of the financial and economic activities of the enterprises.
17. Small enterprises in the BSEC Member States are mainly functioning in such sectors as trade, construction, automobile service, and other services. At the same time, a diversification policy of small businesses is actively implemented in new areas of production: mechanical and energy engineering, chemical industry, instrument engineering, transport and communications, telecommunications, information technology, and other knowledge-intensive high technology industries.
18. In today’s world, small businesses contribute to the creation of new jobs, usually to a much greater extent compared to big enterprises. A study of the World Bank Group including about 47,000 companies showed that enterprises employing 5 to 250 people, on average, account for 67% of total employment in the formal sector, while the contribution of small businesses to total employment by regions and groups of countries varies significantly according to the income levels.

19. Many factors have impact upon the development of small businesses, such as overall economic conditions of development of a country or a region, the level of entrepreneurship culture, historical experience, and education. The combination of such factors not only has an impact on entrepreneurial activity, but also provides an opportunity to assess the entrepreneurial potential of the country.
20. Ratings of international economic agencies examine many factors affecting the development of small business, such as the perception of entrepreneurship, education of entrepreneurs, investment of time and resources, administrative processes and barriers. The ratings serve as effective tool for improving the business environment in different countries.
21. There are many different ratings that estimate competitiveness, entrepreneurial activity and the level of competitive environment of a country. One of them is the **“Doing Business” organised by the World Bank and the International Finance Corporation**. According to this rating, the BSEC Member States are ranked as follows: Georgia-9, Russia-35, Serbia-43, Moldova-44, Romania-45, Armenia-47, Bulgaria-50, Azerbaijan-57, Turkey-60, Albania-65, Greece-67, Ukraine-76.
22. In the BSEC countries the small enterprises bring significant contribution to ensuring new jobs, increasing GDP and exports, decreasing the poverty level. There are direct and indirect relationships between the development of small entrepreneurship and GDP growth. The direct impact implies expansion of existing activities and the creation of new small enterprises that contribute to an increase in the production of goods and services; as for the indirect impact – the small enterprises react quickly to new market requirements offering new solutions to the market. Consequently, the development of the small enterprises always contributes to the diversification of the structure of the economy and enhancement of the sustainability of economic development.
23. At the same time, subjects of small entrepreneurship within the framework of modern economic systems face impediments in their activities. Among the main obstacles are limited access to market-based financial mechanisms and, as a consequence, the tough budget constraints; the burden of administrative and bureaucratic barriers; as well as the imperfection of the system of protection of intellectual property rights, which decreases the incentives for innovation.
24. State policy and concrete measures of state support to the small entrepreneurship play an important role in mitigating the consequences of these barriers. The state support instruments for the small businesses may be divided into two categories: mainly directed towards solving the problem of financing and, particularly, the fiscal policy measures and setting up of transparent regulatory norms and comfortable environment for doing business.
25. At the same time, the task of a state is not only to provide small enterprises with financial, technical, informational and other resources, but also to ensure legal and economic conditions for their further survival, growth and development in an existing market environment.
26. Given the global economic crisis and the governments’ interest in searching for the new sources of economic growth, enhancement of small business enterprises is viewed as one of the most important tasks in the BSEC Member States. At the national level the BSEC Member States take steps to provide state support to the small enterprises. First of all, these steps include the improvement of the legal and regulatory framework, the elaboration and implementation of development programs for concrete enterprises, information and advisory services, favourable crediting, grants, tax advantages, ensuring an attractive investment climate, removing administrative barriers, increasing the competitiveness of the national economy - everything that ensures more favourable environment for the development of small business, withdrawal of business out of the shadow economy and increase of the tax base.
27. The nature of taxation has a strong influence on the development of small business. For the development of the state's economy, it is of great importance how taxation is carried out: high

taxes and complex schemes reduce the attractiveness of entrepreneurship, forcing small firms to retreat "into the shadows", and some even stop their activities. The main task is to prevent this, but, on the contrary, to stimulate the development of small business entities by improving taxation.

28. Ensuring the flexible tax system for small businesses and granting them special advantages in tax regime play an important role in supporting the development of the small entrepreneurship thus reducing the financial burden on small businesses and increasing its competitiveness.
29. In many BSEC Member States, the state establishes specific structures to support the subjects of the small entrepreneurship and to develop various supporting instruments, including financial ones.
30. At present the state financial support mechanisms for small businesses are applied in many BSEC Member States. The main forms of financial support for the subjects of the small businesses are the provision of interest-free loans and loan guarantees, as well as the participation of the small enterprises in special state development programs. Special attention is attributed in some BSEC countries to the establishment of conditions for venture financing of small and medium-sized businesses projects with a high level of risk, especially in the scientific and technological development and innovation field, as well as provision of financial support to the export activities of the small enterprises opening up the opportunities for them to enter international markets.
31. The issues like the development of small business and the creation of a favourable business climate, increasing investment attractiveness and overall economic competitiveness are among the key areas of the economic policy of the BSEC.
32. The BSEC Economic Agenda towards an Enhanced BSEC Partnership, which provides a roadmap for joint action that is needed to give new impetus to economic regeneration in the region, attributes special importance to the support for the sustainable development of the small and medium enterprises sector in the BSEC region. The Goal 9 of the Agenda calls for: 1. Increasing the competitiveness of the SMEs by creating fair conditions at both national and regional levels and undertaking regular surveys on SMEs' needs, priorities and problems in the BSEC Region; 2. Developing BSEC programs aimed at promoting favourable conditions for local businesses and foreign investments; facilitating networking, exchange of experiences and know-how; organizing training for young entrepreneurs; 3. Promoting and supporting access to finance to SMEs which produce green products and services; 4. Improving the access of SMEs from the BSEC Member States to other markets, in particular by stimulating the export capacity of SMEs and promoting crossborder cooperation and business partnership with neighbouring countries. 5. Focusing on high technology, innovation, clusters, industrial-technology and software parks and business incubators as concrete instruments to facilitate SME start-ups in the Member States and to encourage entrepreneurship, competitiveness and cooperation with large companies in the BSEC Region. 6. Developing a support system for innovation and technology at BSEC region, with the view to promoting cooperation among SMEs and the university environment, or research and development institutions; 7. Promoting the ebusiness system in the BSEC Region and the use of the BSEC Innovation Data Bank, to be updated under the coordination of the BSEC PERMIS; 8. Aggregating an information network of regional and Member States financial resources available to SMEs, accessible through the BSEC Innovation Data Bank. 9. Promoting business to business contacts through "BSEC SME Expert Exchange" program. 10. Finalizing the establishment of the BSEC Quality Award for SMEs.
33. The mission of the BSEC Working Group on Small and Medium-sized Enterprises (SMEs), established in 2001, is to promote an enabling business environment, promote entrepreneurship and facilitate cooperation between SMEs in the region.

34. The BSEC Working Group on SMEs is currently working on a draft Electronic Booklet on Experiences, which summarizes the best practices of the BSEC Member States in enhancing energy efficiency in the SMEs sector.
35. In order to promote business incubators as specific instruments to facilitate start-ups in SMEs in the BSEC Member States, the BSEC Permanent International Secretariat conducted a research project on the BSEC model to create business incubators for starting small and medium-sized business.
36. The BSEC also works closely with the International Network for SMEs (INSME), which is a BSEC Sectoral Dialogue Partner since 2006.
37. Since 1997, more than 30 joint seminars on the development of SMEs have been organized jointly with the Konrad-Adenauer-Stiftung (Foundation) (KAS) in Turkey. Many publications were prepared on the basis of the presentations and conclusions of these seminars. The results of the seminars are recommended to be taken into account when implementing the state policy on SMEs in the BSEC Member States.
38. With the aim to implement the Goal 9 of the BSEC Economic Agenda the BSEC Working Group on SMEs at its meeting on 24-25 November 2015 identified the following three priorities for its activities planned for the second medium-term plan in 2016-2018: elaboration of the BSEC programs, aimed at creating favourable conditions for local enterprises and foreign investors; the promotion of networking and the sharing of experiences and knowledge; training of young entrepreneurs; maintenance of access to financing of small and medium-sized enterprises that produce environmentally friendly products and provide services in this area; finalizing the establishment of the BSEC Quality Award for SMEs.
39. On 3 May 2018, the BSEC Permanent International Secretariat together with the Small and Medium Enterprises Development Organization (KOSGEB) of the Republic of Turkey organized a Seminar on “Promoting the Green Economy in SMEs in the BSEC region”. The main attention was paid to strengthening cooperation between the BSEC Member States with the aim to pay more attention to the priority problem of climate change in national and regional programs, by facilitating investments in the green economy that will lead to positive changes in socio-economic development.
40. Given the fact that the Decisions of the Council of Ministers of Foreign Affairs of 2008 and 2009 concerning the BSEC Quality Award for SMEs in the BSEC Member States have not yet been implemented, due to the absence of a jointly agreed approach to the problem, in conformity with the Action Plan of the BSEC Working Group on SMEs, on 3 May 2018, the BSEC Permanent International Secretariat jointly with the country coordinator of the Working Group (the Republic of Turkey) organized the Seminar “BSEC Quality Award for SMEs in the BSEC Member States”. The participants decided to continue cooperation on this issue and asked the BSEC PERMIS to develop a draft proposal on the concept and experimental version of the BSEC Quality Award.
41. In the modern world, electronic commerce plays an important role in the development of small business. The BSEC Working Group on SMEs recognizes the electronic commerce as an effective tool for enhancing the competitiveness of the small enterprises in the Black Sea region. The issues of the impact of electronic commerce on the development of small enterprises are also considered at the meetings of the Working Group.
42. Today, e-commerce helps to significantly reduce the costs of conducting trade operations, solve problems of enterprises associated with not advantageous geographic location and create the conditions for establishing direct contractual relations between sellers and buyers, and also encourages the emergence of new participants in increasing markets. In this context micro, small and medium-sized enterprises are able to compete successfully both within their own country and in international markets.

43. One of the solutions to increase the awareness of the small entrepreneurship about the existing opportunities for foreign economic cooperation is the introduction of innovative linguistic technologies in the field of electronic commerce, which enable economic entities to obtain all necessary information about the current situation on world markets in their native language and to conduct a direct search for new business partners. The development and implementation of such solutions are quite successfully implemented in electronic commerce in some BSEC countries.
44. In **Albania**, small and medium enterprises represent 99.6 % of all registered business entities. In 2008, the SME sector provided 72.9 % of the GDP and employed 71.4 percent of all active work forces. A distinctive characteristic of the development of SMEs in Albania is that services and trades sectors are dominated by micro-enterprises, while industry and construction sectors are dominated by medium-sized enterprises. According to the information published by the Statistical Institute of Albania, the number of active enterprises in the end of 2014 was 112,537. SMEs are mostly dominated by enterprises with one to four employees, which constitutes about 90% of the total number of enterprises. Most of them (69%) have only one self-employer / employee. Large enterprises with 50 and more employees represent 1.3% of the total number of active enterprises. From the sectoral perspective, producers of services constitute 84.9% (trade, transport, information and communication and other services) and only 15.1% are represented by producers of goods.
45. The development of SMEs is one of the main directions of the economic policy of the Government of the **Republic of Armenia**, within which the government takes steps to develop this sphere, simplify regulatory framework, enhance cooperation with international structures, develop dialogue between the government and the private sector, etc.
46. On 5 December 2000, the National Assembly of the Republic of Armenia adopted the Law of the Republic of Armenia “On State Support to Small and Medium Enterprises”, which for the first time has established the criteria for small and medium sized businesses in the Republic of Armenia and the main directions of state support to small and medium-sized entrepreneurship.
47. Since 2001, annual SME assistance programs have been developed and implemented aiming at achieving the progress in the following areas: preservation and strengthening of infrastructures to assist SMEs, educational business training (development of skills), business information and consulting assistance to SMEs, financial and investment assistance, local economic development, promotion of sectoral business, promotion of women entrepreneurship, promotion of export of local products and expansion international cooperation among SMEs, elaboration and implementation of the joint programs (within co-financing) designed for development of SMEs together with international and foreign donor organizations. Since 2016 the “Strategy for the Development of Small and Medium Entrepreneurship in 2016-2018” is being realised, which was adopted by the Government of the Republic of Armenia in 2015. Its main goal is to fully use the potential of the small and medium business sector and to enhance its role in the economic, social and political development of the Republic of Armenia.
48. The main objective of the policy in SME development for the coming years is to ensure the operation of SMEs that are competitive both at home and international markets through the development and dissemination of entrepreneurial knowledge, availability of financial resources, simplification of the tax system and improvement of the mechanisms for dialogue with the private sector, as well as by means of promotion of innovation and sustainable development.
49. The Law No 405 On Entrepreneurial Activity was adopted in the **Republic of Azerbaijan** on 15 December 1992. It stipulates the principles of entrepreneurship in the Republic of Azerbaijan, the rights and obligations of business actors, the forms and ways of their protection and assessment by the state, as well as the interaction of entrepreneurs with state bodies and relevant structures set up by the executive authorities. The Strategic Roadmap for the Production of Consumer Goods at the Level of Small Medium Entrepreneurship in the Republic of Azerbaijan contains

the analysis of the small and medium enterprises (SMEs) in the country and provides detailed information on the existing statistics in this sphere, as well as the implemented reforms and special measures.

50. The Road Map consists of the strategic vision for 2020, the long-term vision for 2025, and the target vision for the post 2025 period. In order to fulfill the tasks envisaged by these visions, the Road Map sets the 5 strategic targets that include improvement of the business climate and regulatory framework, ensuring efficient and cost-effective access of SMEs to financial resources, internationalization of their activities and increase access to international markets, etc. The Plan of Action for achieving the strategic goals were also approved. With the aim to simplify the process of achieving each of these goals the priorities were identified and future activities have been planned.
51. The State Program for the Development of Small and Medium Enterprises in Azerbaijan for 2002-2005 played an important role in ensuring the systematic implementation of government measures in this area and served as a serious incentive for the development of entrepreneurship in the country. On 28 October 2016 the Law on Credit Bureaus of the Republic of Azerbaijan. The purpose of the Law is to improve access to financial services by individuals and legal entities by creating a long-term database containing the information on the performance of their financial obligations, financial responsibility in relation to debt obligations and support of financial stability, to strengthen financial discipline in the debt relations and support to ensure the stability of the financial system. In accordance with the Law, a credit bureau is the commercial legal entities registered by the state and carries out the activities prescribed by the Law. The Law stipulates such provisions as forming of credit histories, requirements for the formation and use of credits, the rights of entities, and also envisaged the provisions for the creation of the credit bureaus, their reorganization, liquidation, activities and regulation. The first credit bureau has already been set up in the country.
52. The policy to support small and medium sized enterprises in the **Republic of Bulgaria** is implemented by the Ministry of Economy in accordance with both the requirements of the Law on Small and Medium Enterprises and the National Strategy for Small and Medium Enterprises 2014-2020. In this work the Ministry is assisted by the Department for Economic Policy and the General Directorate for European Funds for Competitiveness, as well as the Executive Agency for Promotion of Small and Medium sized Enterprises (EASME). The Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria EAD are also among the institutions, which are specially established for this purpose. The programs and initiatives implemented in Bulgaria in support of small and medium enterprises include the National Innovation Fund (NIF), set up by the Decision of the Council of Ministers on the adoption of the Innovative Strategy of the Republic of Bulgaria and the measures for its implementation. The main objective of the Foundation is to stimulate the research and design activities of enterprises and promote cooperation between science and business in Bulgaria. The Fund' primary goals are: to increase product development; to improve the quality of products, services and processes, to use fewer resources, to increase investment in more productive enterprises.
53. The Executive Agency for Promotion of Small and Medium sized Enterprises is responsible for administering the coherent activities of the National Innovation Fund (NIF). Within the framework of the Eighth Project Competition Session of the NIF 17 project proposals were funded. In accordance with national statistics, the total number of micro, small and medium enterprises in the country exceeds 400,000, and their share in the total number of enterprises in the country is 99.8%. Among them 91.9% are micro enterprises, 6.7% are small enterprises, and 1.3% are medium enterprises. The number of employees in the sector of small and medium enterprises reached 1.5 million, representing 75.4% of the total number of employees in the country.

54. The possibilities for reducing the administrative and regulatory burdens have been identified in 2018. It is envisaged to alternate 60% of the services provided by the Ministry of Economy and secondary managers of budgetary funds. These changes include: the elimination of services, the decrease in the number of required documents, the reduction of fees, the shortening of time, the provision of official information. To fulfil these goals, the Ministry of Economy envisages making the changes in more than 20 regulatory acts, some of which have already been enforced. For example, in the Tariffs for the Bulgarian Institute of Metrology, the Tariffs for the Patent Office of the Republic of Bulgaria, the Regulations for the Application of the Law on the Encouraging Investments, etc.
55. This year the Ministry of Economy plans to launch a new project fully funded by the Structural Reform Support Service, which identifies the provision of administrative services for SMEs in clear and assessable format and information to entrepreneurs on regulatory requirements in specific spheres of business as the most complicated.
56. In recent years, **Georgia** has been implementing comprehensive reforms, including the economic reforms addressing every aspect of lives of the population. The main objective of these reforms is to create favourable conditions for doing business and promote foreign direct investment (FDI) by liberalizing the economy, reducing administrative barriers and tax burdens, optimizing public services, fighting corruption, etc. Thanks to these reforms, Georgia has achieved high economic growth rates and significant inflows of FDI. The economic policy of Georgia is positively evaluated by various rating agencies and international financial institutions (IFIs) reflecting various indicators and ratings measuring economic freedom and policies. One of the main objectives of the economic policy of the Government of Georgia is the support for the development of the private sector in general and especially for the promotion of SMEs.
57. Georgia is confidently going up in the international ratings in ease of doing business. The ease of registration of companies, low tax rates, little state involvement in the economy and absence of corruption made Georgia one of the most attractive countries for doing business.
58. The Law on Entrepreneurs is in force in Georgia, according to which all the rules for opening and running business equally apply to both Georgian and foreign citizens. The companies are registered in the National Agency of Public Registry under the Ministry of Justice of Georgia, where the data and documents on companies including the statutes are stored and are available to public. This means that every individual can easily get the information about the activities and members of the companies. The state and tax registration of the companies are made at the same time in the Houses of Justice with the principle of a “single window”. Only for the registration for VAT and the receipt of the electronic payer status it is necessary to apply to the Revenue Office, which controls taxation in Georgia. Some business activities also need state permits or licenses. First of all, these are the spheres related to human, state and environmental safety and security (healthcare, construction, communications, energy, gambling business, etc.). The full list of these spheres is included in the Law on Licenses and Permits. Foreign and Georgian businessmen can both equally apply for the respective business permits and licenses.
59. Small and medium enterprises constitute the backbone of the economy in Europe and in particular in **Greece** they account for 99.9% of all enterprises and offer 87.3% of total jobs. Therefore, the impact of entrepreneurship and especially of SMEs on the economy is crucial. As a result, Greece participates in all relevant European Programs and Forums for the support of small and medium sized enterprises. In this respect, SMEs are a key driver for economic growth, create new jobs, promote internationalization - extroversion, and contribute to the development of business innovation and the creation of appropriate conditions for social cohesion. Towards the strengthening of bilateral cooperation on SMEs between Greece and other countries, the Ministry of Economy and Development promotes the signing of corresponding Memorandum of Understanding (MOU) via the diplomatic channels of the Ministry of Foreign Affairs.

60. Also, by acknowledging the significance of “start-ups” as a driver for economic development, the General Secretariat for Industry has developed a digital platform which provides targeted support to the Greek start-ups in the form of information, networking and collaboration opportunities for the promotion of entrepreneurship, competitiveness and business innovation. It also facilitates the interconnection of “start-ups” ecosystems and the creation of synergies.
61. Having a significant impact on the SMEs, the current development of the world economy and financial markets determines the Government of the **Republic of Moldova** to promote, in the context of the accession to the European Union, the most adequate measures to support SMEs, on a short and medium term, by adhering to the European policy framework „Small Business Act” adopted by the European Commission, which main objective is to implement irreversibly the principle of thinking small first with respect to general policies and in all regulations meant to foster SMEs at the national level.
62. In accordance with Law no. 179/2016, through Government Decision no. 93 of 22 February 2017, a Consultative Council on small and medium enterprises was created within the Ministry of Economy and Infrastructure, its main task being to analyse the competitiveness of the SMEs sector, to develop entrepreneurial abilities and spirit as well as to make recommendations for the improvement of the development environment of small and medium enterprises.
63. In order to ensure the implementation of the 2012-2020 Strategy for the development of SMEs, and Action plan was approved in May 2018, comprising the most important actions to be taken by all specialised state authorities, including: a) developing innovative mechanisms for financing SMEs; b) making remittance transfer more efficient ;c) attracting long term credit lines from international financial institutions; d) developing the guarantee system for SMEs credits; e) facilitating SMEs access to public procurement; f) developing women’s entrepreneurship; g) developing green economy for SMEs.
64. State policies regarding SMEs are implemented through the following programmes:1. Encouraging migrants to open businesses in the Republic of Moldova, 2. Development of women’s and social entrepreneurship, 3. Supporting young entrepreneurs to launch businesses in the country. The programme “START for YOUNG people: a sustainable business at home” is being drawn up and will be put forward for Government’s approval (until 2017, the national programme for the Economic Empowerment of Youth had been implemented).
65. One of the main priority of the Ministry of Business Environment, Commerce and Entrepreneurship of **Romania** is to support the SMEs (small & medium enterprises) sector and to ensure the fulfilment of its role as a specialized body of the central public administration and the Governance Program in the fields of SMEs, the business environment, trade, entrepreneurship and foreign investments in line with the requirements of the market economy and to stimulate the initiative of the economic operators. The Ministry activities and policies are disseminated and promoted both nationally and regionally through its 9 SMEs agencies for investment attraction and export promotion, set up in 2017. The necessity of the ministry dedicated to SMEs, as well as of the SMEs agencies for investment attraction and export promotion, results from the fact that in Romania are about 680,000 SMEs, accounting for about 99.7% of the total number of companies, according to statistics provided by the National Trade Register Office.
66. Being a real backbone of the Romanian economy, SMEs contribute with approx. 60% of national GDP, providing about 66% of all jobs and producing almost 50% of total gross value added in the economy, according to the Institutional Strategic Plan, made with the support of the World Bank.
67. Regarding the medium and long term strategy of the Ministry to stimulate entrepreneurial initiatives, the main public policy documents are as follows: Governmental strategy for the development of the SMEs sector and improving the business environment in Romania - Horizon 2020 approved by Government Decision no. 859/2014 sets out 5 lines of action comprising 31

measures: Supporting and promoting entrepreneurship; SMEs' access to an appropriate financing; Innovative SMEs; Market access and internationalization of SMEs; Reactivity of public administration to the SMEs needs; National export strategy which includes the following programs: Export Promotion Program (PPE); Program for the Internationalization of Romanian Economic Operators (PINT); The Swiss-Romanian Cooperation Program (PCER).

68. All these programs are intended to support Romanian exporters, with partial subsidies from the state budget, by promoting products and companies with Romanian capital on EU and non-EU markets, according to the National Export Strategy (SNE). By participating in international events, companies with Romanian capital got a real international exposure, came into contact with international market trends, increasing the competitiveness of Romanian goods. In 2017, almost 600 Romanian exporting companies were the beneficiary of the international exposure and for 2018 are allocated additional funds for an estimated 1.000 beneficiary firms.
69. In conformity with the Concept of Long-Term Socio-Economic Development of the **Russian Federation**, elaborated by the Ministry of Economic Development of the Russian Federation, it is predicted that by 2020 the small business enterprises will achieve the following indicators that correspond to the innovative economic development in Russia: the share of small business in total GDP is 30% (the share of small and medium business in total GDP is 50%); the increase in the share of small business in the total number of operating business entities is 80% (the share of small and medium business is 90%); the increase in the share of employees in the sphere of small and medium business is 60% of the population of the Russian Federation and 30% of the total employed population (the share of small and medium business is 50%); the change in the sectoral composition of small and medium enterprises, also including decrease of relative share of small enterprises engaged in trade - up to 20% (by 2.5 times compared with 2007), without changing the total number; the increase in the number of enterprises engaged in healthcare, housing and utilities, information services, science is up to 50% (by 12 times compared with 2007); the growth of companies engaged in construction and manufacturing by 4-5 times (from 130 thousand to 500 thousand companies). Such guidelines aim at ensuring by 2020 development of small and medium sized businesses to average European level, which implies stimulating the growth of the total number of business entities up to 6 million.
70. These indicators of socio-economic development are to be achieved through the following priorities of state action regarding small and medium entrepreneurship: support to the creation of infrastructure facilities for small business aimed at helping newly created small business entities; implementation of special assistance programs to competitive and export-oriented SMEs; support to microfinance institutions and the creation of favourable conditions for their development; formation of institutional conditions for the development of business loans by banking institutions; further development of the system of business incubators for start-up entrepreneurs and innovative SMEs, as well as increasing the efficiency of business incubators taking into account related areas (sectors), for example, the consumer market; improvement of the legal framework to reduce administrative restrictions and barriers to business enterprises; implementation of the norms of legislation that determine the participation of small business entities in state and municipal procurements; ensure the possibility of real access of small business entities to state and municipal real estate.
71. Since 2005 the Ministry of Economic Development of Russia is implementing a special program to provide subsidies from the federal budget to the budgets of the constituent entities of the Russian Federation to provide state support to small and medium businesses at the regional level. At the end of 2016, a new version of the regulations for granting and distributing these subsidies were approved. Today, within the framework of this program, priority is given to the activities related to the reformatting of the networks of support to infrastructure organizations by service model implementation.

72. Legal entities, in the context of the Law on Accounting and Auditing of the **Republic of Serbia**, are classified into micro, small, medium and large, depending on the average number of employees, operating income and average value of business assets established on the date of generating the regular annual financial report in the financial year.
73. The Small and Medium Enterprises and Entrepreneurs Sector (SMEs) include micro, small and medium sized enterprises (SMEs) and entrepreneurs. Small entities shall be classified as legal entities that exceed the two criteria referred to in Paragraph 2 of this Article, but do not exceed two of the following criteria: 1) the average number of employees 50; 2) operating income of EUR 8,800,000 in RSD counter value; 3) the average value of the business property (calculated as the arithmetic mean of the value at the beginning and at the end of the financial year), EUR 4,400,000 in RSD counter value.
74. The SMEs and entrepreneurs sector represent an extremely important segment of Serbia's economy: it is comprised of 99.9% of total number of active enterprises, employs almost 2/3 of employees in the non-financial sector and participates with 35% of GDP in Serbia. In 2016, 340,112 enterprises operated within the entrepreneurial sector, generating a total of RSD 1,222.5 billion of newly created value and employing 837,532 people.
75. The Republic of Serbia provides financial and non-financial support to the business sector through the programme activities of the Ministry of Economy, the Development Agency of Serbia, the Development Fund of the Republic of Serbia, the Agency for Insurance and Financing of Exports, the Ministry of Youth and Sports, the Ministry of Education, Science and Technological Development, the Ministry of Labour, Social and Veteran issues, the National Employment Service, the Innovation Fund.
76. In order to develop SMEs, the Republic of Serbia cooperates most with the EU through IPA projects and bilateral donors. The most important platform in the Western Balkans region through which the EU is allocating financial support to the development of SMEs is WB EDIF - the Western Balkans Enterprise Development and Innovation Facility. Within the WB EDIF, enterprises can receive funds in the form of investments in the capital of the company from two funds. In addition to these funds, the WB EDIF programme also provides guarantees to banks, as well as various technical support projects to promote the regulatory framework.
77. From the EU pre-accession funds, within the project "EU for Serbia - Financing for SMEs", 20 million euros have been provided for loan guarantees. The aim of the project is to provide favourable credit support for new investments for SMEs over EUR 100 million through the effects of these guarantees. This project is also implemented through the WB EDIF platform - a special window for Serbia.
78. A common SME definition applicable to all enterprises in **Turkey** was introduced through the "Regulation on the Definition, Characteristics, and Categorization of Small- and Medium-Scale Enterprises" which was published on the Official Gazette no. 25997 dated 18 November, 2005, entered into force on 18 May, 2006. With a view to enabling more SMEs to utilize government subsidies, the regulation was subsequently subjected to various amendments. These amendments were introduced through the Council of Ministers Decision no. 2012/3834 dated 10 September, 2012 published in the Official Gazette no. 28457 of 4 November, 2012, and the Council of Ministers Decision no. 2018/11828 of 24 June, 2018 published in the Official Gazette no. 30458 of 24 June, 2018. The most recent data provided in the Enterprise Figures based on Labour Records is based on 2016, and shows that, in this year 3,652,521 enterprises had been operating in Turkey. KOSGEB has been operating for the mission of expanding the SMEs' and entrepreneurs share in economy and social development by providing support and services to enhance their competitive power, and set out 3 strategic objectives and 13 goals for the achievement of such objectives in its Strategic Plan covering the period 2016-2020.

79. One of the strategic objectives laid down in KOSGEB's Strategic Plan for 2016-2020 is "Popularizing the Entrepreneurship Culture, Developing Entrepreneurship, and Ensuring the Sustainability of Enterprises." In this context, "Applied Entrepreneurship Trainings" for special target groups will be maintained in order to improve the success levels of the enterprises to be established by entrepreneurs on the basis of a business plan; a model will be developed for "eco-entrepreneurship"; and implementation principles will be developed. Doing so will help improve the share of women, disabled persons, and young entrepreneurs in the social and economic life. Within the framework of KOSGEB Program for Supporting Entrepreneurship, Applied Entrepreneurship Trainings are organized to provide expertise and skills of starting up and operating a business to entrepreneurs, instilling in an awareness of their roles and responsibilities in this process, and providing the know-how and experience required for developing business plans regarding their business ideas. The target audience of Applied Entrepreneurship Trainings is the natural persons who want to set up their own businesses, and the events can be organized for the general public, as well as specialized target groups such as young entrepreneurs, female entrepreneurs, disabled entrepreneurs, and students.
80. In May 2017, the Government of **Ukraine** adopted the Strategy for the Development of Small and Medium Entrepreneurship in Ukraine for the period until 2020. The Strategy identified priority areas for implementing state policies aimed at the development of small and medium businesses: creating an favourable environment for the development of small and medium businesses; expansion of small and medium business access to financing, simplification of tax administration for small and medium businesses; promotion of entrepreneurial culture and development of entrepreneurial skills; assistance in the export / internationalization of small and medium businesses; increase of competitiveness and innovative potential of small and medium entrepreneurship.
81. At the same time, on 22 February 2017, the Agreement on Ukraine's Participation in the EU COSME Program was ratified (the full title is the Agreement between the Government of Ukraine and the European Union on Ukraine's Participation in the EU Program "Competitiveness of Small and Medium Enterprises" (COSME) for 2014-2020).
82. The implementation of the COSME Program in Ukraine allows addressing the problems in the sphere of small and medium businesses related to the access to financing, access to new markets and growing competitiveness, as well as enhancing the priority areas of the national economy (IT, tourism, industries, etc.).
83. Today, the Ministry of Economic Development and Trade is carrying out a number of measures to increase the participation of small and medium businesses and other organizations in the Program, namely: small and medium enterprises can register in the European Enterprise Network (EEN) and find potential partners and customers for the Ukrainian products on international markets in a simplified procedure that promotes export; an online information service [cosme.me.gov.ua](http://cosme.me.gov.ua) is established that allows the representatives of small and medium businesses and interested organizations to receive updated information about the possibilities of the COSME Program and to participate in its different sections. These measures are not exhaustive, and the work still goes on in the sphere of: business deregulation, improving licensing and permitting procedures, simplifying access to administrative services, etc.
84. During the last 6 years, Ukraine confidently moves upward in the rating from 152 to 76. In overall indicators Doing Business 2018 Ukraine is ranked 76<sup>th</sup> which is 4 positions higher. The best ranking is for "dealing with construction permits" at +105 positions (from 140 to 35), which is the biggest increase among all other countries.

### III. CONCLUSIONS

85. Small business plays a rather important role in the economy of any country. It is an integral part of the country's socio-economic system, ensuring the stability of market relations, involving most of the country's citizens into this system by means of opening their own business, ensuring high production efficiency through deep specialization and purchase of production, which has a favourable impact upon the national economic growth.
86. In most countries, small business accounts for about 50% of the country's GDP and from 50 to 90% of citizens are engaged in this sphere. By supporting small business, the state solves the issue related to increasing the level of welfare of the population and increasing the percentage of middle class in the country. The level of development of small entrepreneurship shows the country's ability to adapt to the changing economic environment, employment and economic growth rates.
87. Small business is an important link in the economy, it is characterized by mobility, flexibility and high efficiency. Small business not only contributes to capacity-building of society and creates a fertile ground for practical realization of the abilities and talents of citizens. Small business creates favourable conditions for the economic recovery since it develops competitive environment, creates new jobs, makes structural adjustment and expands consumer sector. At the same time, the development of small business leads to introducing new products and services into the market, increasing the export potential, and better use of local resources. Small business can be created in any sector of the economy as a response to the needs of the population, which is a distinctive and important feature.
88. As in many countries around the world, small business is one of the driving forces of economic and scientific and technological progress, and the main provider of jobs in economic sectors in the BSEC Member States. That is why the issues of creating an enabling environment for business are given greater priority in the BSEC countries, where the promotion of small business is among the socio-economic policy priorities.
89. The increasing role of small business is a prerequisite for an earlier transition to mature market relations that contribute to solving pressing problems within a state. Therefore, it is necessary to pay attention to establishing the simplified process of setting up and registration of small enterprises and assigning them the status of legal entities.
90. Financial and political crises have a negative impact on the activities of small and medium-sized businesses. Therefore, overcoming crisis situations in the economy requires promotion of regulatory policies, also including tax policy.
91. In the context of financial and political crisis, it is necessary to reduce the tax burden on small enterprises, to ensure the development of production and the organisational growth. It is important to stabilize the existing taxation system. Taxation of small businesses needs to be simplified and to be removed from complex and time-consuming taxation schemes. The simpler are the calculations of taxes, the less are the tax violations. As shown by the historical experience – the state attention to the development of small business enterprises brings positive results.
92. Today the capacity of small entrepreneurship in the BSEC Member States bears great potential for cooperation and economic interaction that is to be enhanced on regular basis.
93. The BSEC Member States have accumulated immense experience in supporting small business, which contributes to building of innovative competitive economies, as well as the development of foreign economic cooperation in this field.
94. At present, the BSEC plays an important role in promoting and strengthening multilateral economic cooperation in the Black Sea region. Within the framework of the Organization there

are also great opportunities for business interaction (joint projects in the field of infrastructure and logistics for creating barrier-free environment, enhancement of flows of funds, goods, labour force, etc.). Small and medium-sized enterprises possessing great economic potential (transit opportunities, joint agricultural market, development of electronic commerce, etc.) can ensure increased interaction among the BSEC countries.

95. To this end, it is necessary to intensify the regional cooperation regarding small business enterprises and public-private partnership, main component of which should be elaboration of the mechanisms for project financing. However, the successful development of small business enterprises within the BSEC framework depends on the strengthening of partnership between large and small companies in the BSEC Member States, as well as attracting investments and increasing the number of joint business projects. It is equally important to use the experience of other countries in providing legislative and financial support to small business enterprises.
96. Taking into account the role played by small business in all economies of the BSEC Member States, the improvement of relevant legislation and the economic environment suitable for the development of small business is the main task of parliaments and governments in the Black Sea region.
97. The improvement of legislation in the sphere of taxation of small businesses should be based on the optimal combination of the interests of the state and small business. Therefore, a transition to an actively-stimulating implementation of the taxation function is necessary. These conditions will contribute to the development of small business, enhance its social importance and stimulate investment activity in the Black Sea region.
98. The efforts of the BSEC Member States to promote strengthening of small business enterprises in the region should be directed towards improvement of business climate in the countries of the region and creation of the necessary conditions for small entrepreneurship so that it develops and fully unlocks its potential. To this end, the implementation of the necessary reforms and programs to promote small business enterprises are vital for the full realization of its potential and enhancement of the efforts towards sustainable economic development.