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SPRING MESSAGE OF THE SCIENTIFIC DIRECTOR

Distinguished Readers and Friends,

It is with great pleasure to share with you that the recent interruption in ERENET communication has ended. New Sponsors have come forward to support the Server needed. They are the Hungarian Youth Enterprise Support Society (YESS) (see http://vallalkozaselenkites.hu/ - E-mail vallalkozaselenkites.hu) This Society was created by the Small Business Development Centre (SBDC) at Budapest Corvinus University by Dr. Peter Szirmai. Sadly, Dr. Szirmai passed from this life on August 23rd, 2013 following a serious illness.

The mission pursued by YESS is to promote the entrepreneurial activities of the younger generation. This calls for information dissemination, a heightened business culture through promoting start-ups to become effective enterprise. It calls for creating multi disciplinary forums to catalyse efforts across diverse disciplines to cooperate and support successful new thinking. It is students, not only those with technical knowledge, but also with a sense of economics, marketing and social development that will contribute the synergy needed to make the future. This objective is directly in line with the United Nations Sustainable Development Goals as agreed unanimously by the General Assembly in 2013.

Currently, YESS activities are organised in the following framework

- Spin off Programmes
- Consultancy
- Organising study tours with a specific purpose
- Monitoring relevant educational programmes
- Participating in the development of projects launched by the Hungarian Government and the European Commission

We look forward to the future and developing cooperation between YESS and ERENET to offer specialist workshops, conference opportunities and the use of ERENET’s international expertise to heighten creativity and business development.

Dr. Gábor Számuel
Vice-President for International Relations

Dr. Antal Szabó
Scientific Director of ERENET
OPENING STATEMENT OF THE BSEC DEPUTY SECRETARY GENERAL
AT THE BSEC-KAS WORKSHOP ON SME CLUSTERING

ABSTRACT

This paper is the Opening Statement of H.E. Ambassador Traian Chebeleu, Deputy Secretary General of the Organization of the BSEC Permanent International Secretary at the BSEC-KAS Workshop organized in cooperation with ERENET on “SME Clustering: How to find the right business partners and Improving the business environmenta for SMEs held on 8-9 October 2015 in Crete (Greece).

Keywords: cluster, cluster policy, SMEs, BSEC

JEL Classification: C38, F15

Dear Dr. Dürkop,

Dear Dr. Szabó,

Distinguished Participants,

It is both an honor and a privilege to open this Workshop on “SME Clustering” and to welcome you, on behalf of the Permanent International Secretariat of the Black Sea Economic Cooperation Organization.

From the very beginning I would like, in this framework too, to express our thanks and high appreciation to the Konrad Adenauer Stiftung (KAS) for the long-standing support to our Organization, dating back to 1997, in its endeavors to encourage and support the development of SMEs in the BSEC Region.

At the same time, I would like to express our thanks to Dr. Antal SZABÓ, Scientific Director of the prestigious network ERENET, who participated in a great number of BSEC-KAS Workshops and Seminars and shared with the participants his comprehensive and outstanding professional knowledge regarding ways and means to support the SME sector in the BSEC Member States.

Today’s Workshop is focusing on a specific topic – SME Clustering – with the purpose of highlighting some guidelines on how SMEs can find right business partners. Indeed, clusters are important economic policy tools, which can help enterprises, particularly SMEs, to stay competitive in an increasing global competition. The clusters have a significant potential for technology transfer, dissemination of innovations, resource sharing and market expansion, which makes them a useful instrument for raising the entrepreneurship in the economies of the BSEC Member States.

It is known, for instance, that the European Union has developed strategies and programs in order to assist its Member States in developing more world-class clusters, in both traditional and emerging industries, by strengthening cluster management, promoting cluster cooperation and providing a sound statistical analysis.

1 The following papers by Antal Szabó, Eden Mamut, Aber Demeti with others were presented at the BSEC-KAS Workshop on Clustering held in Crete in 2015.
That is why our Organization envisages paying increased attention to this policy instrument in the BSEC framework, with the view to encouraging and supporting formation of clusters in the BSEC Member States. In fact, one way to boost the development of a competitive private sector and to contribute to poverty reduction consists of building sustainable linkages between small-size enterprises, their larger scale business partners and support institutions.

Linkages enhance enterprise competitiveness through the realization of economies of scale and are a source of sustainability, as they increase the capacity of the economic actors to collectively react to crisis and to other difficult economic situations.

More generally speaking, the support for the sustainable development of the SME sector in the BSEC Member States is one of the goals set by the strategic document guiding the activities of our Organization - the BSEC Economic Agenda 2012. The priority actions for achieving this goal envisage, inter alia:

- increasing the competitiveness of the SMEs by creating fair conditions at both national and regional levels; and
- developing BSEC programs aimed at promoting favorable conditions for local businesses and foreign investments; facilitating networking; exchange of experiences and know-how; organizing training for young entrepreneurs.

This is why we see this Workshop as an important support and an incentive, at the same time, for the activities of BSEC in this particular area.

In concluding my opening remarks, I wish to underline that BSEC will continue to promote SMEs in its Member States. In this process, we will maintain our traditional cooperation with Konrad Adenauer Stiftung, and at the same time will develop cooperation with other regional organizations and initiatives as well as with international organizations and institutions.

I look forward to listening to evaluations and visions of the experts and scientists attending this Workshop on lines of conduct and action to be taken in the BSEC Member States in improving the business environment and in supporting SMEs, which is essential for their economic growth.

I wish all of us fruitful discussions, leading to conclusions and recommendations which will be adopted by the participants, to be submitted to the governmental authorities of the BSEC Member States for further consideration and action.
CLUSTERING FOR COMPETITIVENESS  
Competitiveness in the Black Sea Economic Cooperation Region

ABSTRACT

The Author interpreted the concept of competitiveness. Definition of competitiveness is vary from ability of nations to provide favourable environment to firms to prosper and develop, the author define Competitiveness is the ability of a company or institution to deliver better value to customers that the competitors. Based on the World Economic Forum Global Competitiveness Index analyses he presented the GCI for the 12 BSEC countries.

Clusters are systems of interconnection between private and public sector entities (firms, institutions). It usually comprises a group of companies, suppliers, service providers, associated institutions like testing and quality standard institutions, education institutions, vocational training schools, trade companies/distributors/associations in a particular field, linked by externalities and complementarities. In our economy competitiveness depends on productivity. Productivity means how the firms compete on a particular fields. Companies can be highly productive in their industrial branch if they use sophisticated technology, production methods, and offer unique products and services. As Porter presented, clusters affect the competition by increasing competitiveness of companies acting in their area.

Finally the European Union Cluster policy is presented, which includes elaboration of The Cluster Policy Guide, design and plan cluster policy support initiatives, establishment of an European Cluster Observatory, design model demonstrator regions pilot projects, elaboration of a cluster stress test tool.

Keywords: competitiveness, cluster, cluster policy, emerging industries, European Cluster Observatory, SMEs

JEL Classification: C38, L26, L52, L53, M13, O25

PREFACE

SMEs are deeply affected by the globalization of the markets, which is forcing all firms to act and think more globally. The world economy, the liberalization, the increasing globalization, the internal market of the EU, e-commerce, and other institutional changes are gradually shifting the behavioural pattern of the SMEs.

As far as the SME sector is concern, there is a logo for the 3rd Millennium: Think global - Act local. The majority of the SMEs are working within the framework of a local environment. Their consumers are their neighbours and in the vicinity of their village/city/county/region. This is their strength and opportunity. However, they have to act taking into consideration the influence and external factors of the globalization, the particular stage of internationalisation including challenges of the competitive market players, environment concerns, sustainable economic growth, international standards, and information technology.

With the global marketplace changing so quickly, there is always a need to be one step ahead of the competition and to have that important competitive advantage. This has created new paradigms of competition and competitiveness all over the world. Organizations now use strategies and resources to
strengthen their competitiveness. Competitiveness Review has established itself as being the leading resource on competitiveness for all those associated with business.

Internationalization of SMEs means no longer focus on export/import activities, it also engaged with business activity encompassing cooperation as well as subcontracting. SMEs may be engaged in cross-border partnerships and foreign investments to capitalize on new opportunities.

Undertaking/enterprising is necessary, it is a must in our globalized world today. Professor János Vecsenyi, Full Professor of Entrepreneurship at Budapest Corvinus University, Small Business Development Center, during the Round Table on How to Become Successful and Social Responsible Entrepreneur held in Budapest (2006) summarized the following: “Talking about how to teach entrepreneurship one question is relevant whether a professor can teach entrepreneurship. It is similar to the question whether an ornithologist can fly? However, if somebody can teach how the bird flies, perhaps somebody getting knowledge on enterprise and entrepreneurship can try to be an entrepreneur.” [1]

Entrepreneurship has a dual character: enterprising in practice means ART, while the organized knowledge used in the practice may be referred to as SCIENCE. In this context science and art are not mutually exclusive but are complementary.

The essential feature of any science is the application of the scientific methods to the development of knowledge. Thus, we speak of a science as having clear concepts, theory, and other accumulated knowledge developed from hypotheses, experimentation and analysis. The Entrepreneurship Curricula is a rather new phenomenon in the majority of the CEE universities. As practice indicated, former teachers of macroeconomic sciences according to the former Marxism and Leninism are on the process of retraining from the science of the centrally-panned economics to the market-oriented one. It is rather difficult to imagine that a standard bearer of the public ownership will be a leading one of the private ownership and market-economy. How could one explain the sophistication and delicacy of customer satisfaction not having to sell a simple T-shirt on the street? This is why entrepreneurship should be trained by people being in business, not university professors.

As the participants of the above-mentioned Round Table Discussion emphasized the major steps improving sharing experiences and transferring the knowledge and skills from entrepreneurs to students as following:

- Organizing mentoring programmes for students;
- Organizing livehood discussions between entrepreneurs and students like the Budapest Round Table;
- Fostering cooperation among SMEs to exchange their experiences;
- Put into practice the experiences of US entrepreneurs realizing their dreams, boosting changes and learning from own failours;
- Set up business incubators for start-ups.

1. Characteristics of SMEs

In spite of the fact, that Governments recognizing the importance of the entrepreneurship and SME-sector elaborate their national SME policies and support programmes, it is evident that SMEs still face many problems. Some of these problems are inherent and deeply rooted into the essence of the small business, others are direct outcome of the ever-changing business, economic and political environment.

While working at the UNECE an integrated approach to SME development was elaborated being employed in more and more of the transition economies as well as the new CEE EU countries. During the last decade sufficient experience has been gained to allow analysis and to draw lessons from both best practices as well as failures. SME support organizations are playing today very important role and they constantly adapt their services in accordance with the changing conditions of the national and international economy.
The main problems faced by SMEs, that were identified by the UNECE in early 2000s are still valid. [2] Specific potential constrains and barriers to internationalisation ranked in descending order of importance from the point of view of the author, based on government SME reports as well as discussions with entrepreneurs is shown in Figure 1.

The main constrains faced by SMEs is lack of entrepreneurial, management and marketing skills. While most owner-managers and start-up entrepreneurs are experts in their product and service, but often lack of wider managerial skills hinder their long-term success. Strategic planning, medium-term vision, marketing, finding customers, patient “not to get rich overnight”, management of innovation, commitment to quality and knowledge of quality systems, knowledge of foreign languages, cash-flow management, information technology – just to mention a few – which are all critical elements of management required to meet challenges of the market economy, especially in the international market environment.

SMEs in many transition economies suffer most from bureaucracy and red tape and need maximum freedom from unnecessary regulatory burdens if they will survive and flourish. Special constrains are in connection with regulation on establishment of a company, licensing, taxation, control of central and local government authorities. This issue is of primary importance event for the countries of the European Commission.

Lack of accessibility to information and knowledge. Majority of business information and advisory services in CITs is set up on the example of the European Commission. These centres are based providing information to SMEs with a well-developed market economic infrastructure. Small enterprise need a wide range of information from issues like how to establish own small company, laws and regulations, taxation, custom regulations, business advisory services, training opportunities, financing sources, local and central tenders, and many others. In many cases only part of this information needed by entrepreneurs are available in an orderly form, and access to this information is difficult and expensive.

Financial intermediaries still feel that SMEs represent a high credit risks and SMEs are requested to provide collaterals which value sometimes is higher that the requested amount of credit. As a consequence, SMEs generally pay a higher rate of interest than larger enterprises. After ten year in the road to market economies still many BSEC countries have no start-up capital and credit guarantee institutions.

Non-conformity of standardization, underdeveloped testing facilities, poor national certification and quality counselling infrastructure and poor quality commitment of SMEs hinder the entrance of these companies to internationalization. Standards lower the barrier for entering a market. In the case of SMEs could be the only way to enter a market. Governments should pay an active role in creation of an appropriate environment in they field and they also are encouraged to create their national quality award scheme to raise awareness towards quality and enhance competitiveness of SMEs.

2. GLOBAL COMPETITIVENESS OF THE WORLD ECONOMY

The concept of competitiveness has numerous interpretations of its core issues. Definition of competitiveness is vary from ability of nations to provide favourable environment to firms to prosper and develop, economies to achieve GDP providing high level standards to population, maintain sustainable economic growth, ability of regions, companies and institution to safeguard the environment with lowest level of ecology footprint. The box below contains various definitions regarding competitiveness.
Figure 1. Ranking the barriers to internationalization of SMEs.

<table>
<thead>
<tr>
<th>BARRIERS TO INTERNATIONALIZATION</th>
<th>MOST IMPORTANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of entrepreneurial, managerial and marketing skills</td>
<td>▼</td>
</tr>
<tr>
<td>Bureaucracy and red tape</td>
<td>▼</td>
</tr>
<tr>
<td>Lack of accessibility to information and knowledge</td>
<td>▼</td>
</tr>
<tr>
<td>Difficulties to access financial resources/Lack of capital</td>
<td>▼</td>
</tr>
<tr>
<td>Lack of accessibility to investment (technology equipment and know-how)</td>
<td>▼</td>
</tr>
<tr>
<td>Non-conformity of standardization, lack of quality awareness and lack of mutual recognition schemes</td>
<td>▼</td>
</tr>
<tr>
<td>Product and service range and usage differences</td>
<td>▼</td>
</tr>
<tr>
<td>Language barriers and cultural differences</td>
<td>▼</td>
</tr>
<tr>
<td>Risks in selling abroad</td>
<td>▼</td>
</tr>
<tr>
<td>Competition of indigenous SMEs in foreign markets</td>
<td>▼</td>
</tr>
<tr>
<td>Inadequate behaviours of multinational companies against domestic SMEs/Lack of government supply supporting programmes</td>
<td>▼</td>
</tr>
<tr>
<td>Complexity of trade documentation including packaging and labelling</td>
<td>▼</td>
</tr>
<tr>
<td>Lack of government incentives for internationalization of SMEs</td>
<td>▼</td>
</tr>
<tr>
<td>Inadequate intellectual property protection</td>
<td>LEAST IMPORTANT</td>
</tr>
</tbody>
</table>


DEFINITION OF COMPETITIVENESS

Competitiveness is the ability of a nation or a firm to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them.

Global competitiveness is The existence of competing organizations that serve international customers. Access to global customers has increased through enhanced communications, improved shipping channels, reduction of barriers, and centralized finance authorities.

BusinessDictionary.com
http://www.businessdictionary.com/definition/competitiveness.html

The competitiveness analyzes how nations and enterprises manage the totality of their competencies to achieve prosperity or profit.”

World Competitiveness Yearbook

The competitiveness “… analyzes the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people.”

Academic definition highlighted by the IMD World Competitive Center
In recent years, the concept of competitiveness has emerged as a new paradigm in economic development. Competitiveness captures the awareness of both the limitations and challenges posed by global competition, at a time when effective government action is constrained by budgetary constraints and the private sector faces significant barriers to competing in domestic and international markets. The Global Competitiveness Report of the World Economic Forum defines competitiveness as "the set of institutions, policies, and factors that determine the level of productivity of a country".

For more than three decades, the World Economic Forum’s annual Global Competitiveness Report has studied and benchmarked the many factors underpinning national competitiveness. From the onset, the goal has been to provide insight and stimulate discussion among all stakeholders about the best strategies and policies to help countries to overcome the obstacles to improving competitiveness. In the current economic context, this work is a critical reminder of the importance of sound structural economic fundamentals for sustained growth. Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness.

The concept of competitiveness includes static and dynamic components. Many factors influence and drive productivity and competitiveness. Investment in physical capital and infrastructure alone is not sufficient today. In more recent years the good governance, macroeconomic stability, education and training, R&D become as important as the capital and infrastructure investment.

The World Economic Forum takes into consideration 12 component – called pillars - while calculates GCI. The Index includes a weighted average of many different components, each measuring a different aspect of competitiveness. The 12 pillars are organized into three subindexes, each critical to a particular stage of development. These subindexes are the following:

The basic requirements subindex groups those pillars most critical for countries in the factor-driven stage.

- Institutions
- Infrastructure
- Macroeconomic Stability
- Health and Primary Education

The efficiency enhancers subindex includes those pillars critical for countries in the efficiency-driven stage.

- Higher Education and Training
- Goods Market Efficiency
- Labour Market Efficiency
- Financial Market Sophistication
- Technological Readiness
Market Size

The innovation and sophistication factors subindex includes the pillars critical to countries in the innovation-driven stage.

- Business Sophistication
- Innovation

The components are expressed and presented on a 1-7 scale (higher average score means higher degree of competitiveness). The three subindexes are shown in Figure 2 below.

The World Economic Forum analyses 144 economies and determines their GCI. Generally it states that there is insufficient progress in adopting and implementing structural reforms necessary for long-term economic growth. Innovation, talent development and institutional strength continue to play a defining role in determining world’s most competitive economies. The GCI uses statistical data such as enrollment rates, government debt, budget deficit, and life expectancy. These data are obtained from internationally recognized agencies, like the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Monetary Fund (IMF), and the World Health Organization (WHO).

Switzerland remains on top of the report’s Global Competitiveness Index rankings; the US and Japan move up in the rankings for a second year in a row. The Table below summarises the GCI of the BSEC countries in 2014-2015 and their comparison with the previous years.

Figure 2. The Structure of the Global Competitiveness Index
## GLOBAL COMPETITIVENESS INDEX OF THE BSEC COUNTRIES

### 2014-2015 ranking and 2013-2014 as well as 2012-2013 comparisons

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>38, 39</td>
<td>4.53, 4.51</td>
<td>38, 39</td>
<td>39, 46</td>
</tr>
<tr>
<td>Turkey</td>
<td>45, 44</td>
<td>4.46, 4.45</td>
<td>45, 44</td>
<td>44, 43</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>53, 64</td>
<td>4.37, 4.25</td>
<td>53, 64</td>
<td>64, 67</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>54, 57</td>
<td>4.37, 4.31</td>
<td>54, 57</td>
<td>57, 62</td>
</tr>
<tr>
<td>Romania</td>
<td>59, 76</td>
<td>4.30, 4.13</td>
<td>59, 76</td>
<td>76, 78</td>
</tr>
<tr>
<td>Georgia</td>
<td>69, 72</td>
<td>4.22, 4.15</td>
<td>69, 72</td>
<td>72, 77</td>
</tr>
<tr>
<td>Ukraine</td>
<td>76, 84</td>
<td>4.14, 4.05</td>
<td>76, 84</td>
<td>84, 73</td>
</tr>
<tr>
<td>Greece</td>
<td>81, 91</td>
<td>4.04, 3.93</td>
<td>81, 89</td>
<td>91, 96</td>
</tr>
<tr>
<td>Moldova</td>
<td>82, 89</td>
<td>4.03, 3.94</td>
<td>82, 87</td>
<td>89, 87</td>
</tr>
<tr>
<td>Armenia</td>
<td>85, 79</td>
<td>4.01, 4.10</td>
<td>85, 79</td>
<td>79, 82</td>
</tr>
<tr>
<td>Serbia</td>
<td>94, 101</td>
<td>3.90, 3.77</td>
<td>93, 99</td>
<td>101, 95</td>
</tr>
<tr>
<td>Albania</td>
<td>97, 95</td>
<td>3.84, 3.85</td>
<td>96, 93</td>
<td>95, 89</td>
</tr>
</tbody>
</table>


**Remark:** * This column shows the rank of each economy based on last year’s sample of 144 economies. The first figure relates to the year of 2013 while the second one – to year 2014.
3. CLUSTERS FOR COMPETITIVENESS

3.1 DEFINITION OF CLUSTERS

The cluster-based approach is a new way of organizing and dividing the economy. There is no real adequate definition on what a cluster is. The two famous examples of cluster are the US Silicon Valley with high-tech electronics an the Italian Emilia Romagna industrial district specialised in light industry (textile, shoes, machine tools etc). Both clusters differs in nature, orientation, markets, members.

A cluster is a system of interconnection between private and public sector entities (firms, institutions). It usually comprises a group of companies, suppliers, service providers, associated institutions like testing and quality standard institutions, education institutions, vocational training schools, trade companies/distributors/associations in a particular field, linked by externalities and complementarities. Often include financial intitutions and various government entities.

Industrial cluster is an agglomeration of companies, suppliers, service providers, and associated institutions in a particular field.

Looking at the cluster literature and carrying out discussion with practitioners clusters have the following main characteristic marks:

- Geographically concentration of the interconnected firms. These entities are linked by externalities and complementarities of different types and are usually located near each other. Although location remains fundamental for clusters, its role today is different from a generation ago. An example would be a country’s auto industry, with its manufacturers and all their supporting services, such as parts and equipment suppliers, transportation companies, retail distributors, educational institutions and R&D firms, public relations and advertising agencies, etc.

- Critical mass of members both resources as well as competences. Members of the clusters need to have considerable capabilities to achieve the overall goal and resounding success.

- There is a need and capability to have existing interaction and cooperation among the firms.

In our economy competitiveness depends on productivity. Productivity means how the firms compete on a particular fields. Companies can be highly productive in their industrial brach if they use sophisticated technology, production methods, and offer unique products and services.

According to Michael Porter clusters affect competition in three ways: [3]

1. First, by increasing the competitiveness of companies based in the area;
2. Second, by driving the direction and pace of innovation, which underpins future productivity growth and
3. Third, by stimulating the formation of new businesses, which expands and strengthen the cluster itself.

Being part of a cluster companies could operate more productive in obtaining information, learning and obtaining technology, in accession to sourcing inputs. This include the following options:

- Better access to employees and suppliers;
- Access to specialized information;
- Creation of complementarities;
- Access to institutions and public goods;
- Better motivation and measurement.
CLUSTERS DO NOT BORN OVERNIGHT. THEY CAN DEVELOP SLOWLY OVER TIME!

3.2 THE WORLD BANK EXPORT COMPETITIVENESS INITIATIVE

The World Bank Group’s Export Competitiveness Initiative aims to develop synergies among practitioners working on economic growth, trade and private sector development, has underscored several of the above issues. It draws on a myriad of policy tools and approaches. economic policy, customs and logistics, and direct enterprise support. The policy agenda that typically emerges from a competitiveness analysis relates to three core areas, and collectively they offer a platform on which necessary policy dialogues can be developed:

- **Macro fundamentals** (e.g., economic biases due to tariff and nontariff trade barriers, real exchange rate misalignment, tax distortions, overall fiscal health of the economy)

- **Hard and soft infrastructure** (e.g., infrastructure, customs and trade logistics, the costs of doing business)

- **Supply-side measures** (e.g., technology creation and adaptation, product standards and certification, export promotion, human resource development) [4]

The figure below is a model of an agribusiness cluster. The entities of the cluster geographically are near to each other and their activities are interlinked, those the cluster members enjoy economic benefit and synergies. Such benefits include access to specified human resources, marketing tools, suppliers and subcontractors, R&D resources, quality and testing services. It creates both national and international economic power with strong competitiveness in all markets. Clusters can foster commercialization of new products, startups and spinoff companies.

*Source: World Bank Groups Export Competitiveness Initiative, 2009*
3.3. CLUSTER DEVELOPMENT IN HUNGARY

3.3.1. PANNON AUTOMOTIVE CLUSTER

The Pannon Automotive Cluster is an innovative network co-operation of the enterprises and organizations holding stake in the automotive industry. It is based on mutual advantages and is organised on a voluntary basis. The Pannon Automotive Cluster PANAC was established in December 2000 on the initiative of the West-Transdanubian Regional Development Council with the support of the largest (multinational and Hungarian) automotive companies in Hungary, in order to promote the improvement of the domestic automotive industry’s international competitiveness through the provision of industry-specific services.

Professional founders:
- Audi Hungaria Motor Ltd.,
- Hungarian Suzuki Co. (currently: Hungarian Suzuki Private Co.),
- Opel Hungary Vehicle Manufacturing Ltd. (currently: General Motors Powertrain – Hungary Ltd.),
- LuK Savaria Ltd. and Rába Holding Co. (currently: Rába Holding Plc.)

Service-provider founders:
- Citibank Co. (currently: Citibank Private Co.),
- Industrial Research and Consulting Ltd.,
- West-Transdanubian Regional Development Council

The Ministry of Economy also joined the initiative as an active supporter. [5]

The overall strategic aims of Pannon Automotive Cluster is to reinforce the international competitiveness of the Pannon region, to improve the region’s ability to renew and to contribute to the region’s development (automotive start-up and spin-off firms, creation of jobs). Other goals are:
- to increase the efficiency of long-term network co-operation among the enterprises operating in the field of automotive industry
- to facilitate the elaboration of new automotive supply relations
- to promote the creation and settlement of new automotive enterprises
- to commonly exploit the infrastructures, technologies, capacities already existing in the automotive industry and to commonly purchase and operate new ones
- to enhance the creation of an expert base educated in conformity with the requirements of the automotive industry (transmitting educational needs); (from skilled worker- to engineering education, other skills: teamwork, knowledge of languages, practical orientation)
- to dissolve mistrust among the automotive enterprises, to ensure opportunities of informal communications and efficient information flow
- to reinforce out-of-network relations (with similar networks, aiming at co-operation and technology transfer)
- to increase value added in corporate activities
3.3.2. PANNON WOOD- AND FURNITURE INDUSTRY CLUSTER – PANFA [11]

Forest coverage in Hungary is nearly 21% which provides a good input and basic raw material for wood-processing and furniture industries. In the West Transdanubian region one-fifth of the Hungarian living tree stock located here. Moreover, nearly one thousand forestry-, wood- and furniture industry business enterprises operate in the region.

The PANFA was founded in 2001 as the second such organization in Hungary with 15 founding members. The cooperation started in Zalaegerszeg supported by Zala County Business Development Foundation as work organization. The public could meet the PANFA Cluster in many exhibitions and fairs as exhibitors of supporters. An outstanding cluster project is the PANNON DESIGN Furniture-, Interior- and Living Exhibition and Fair which was realized by the cooperation of furniture producing cluster members for four years.

The cluster has been reorganized since 2011 with the active participation of EFFIX-Marketing Ltd, and the process includes the visiting of members and gathering their requirements together. As a result, the cluster has been freshened up. Although the number of members have decreased but it still has an active base.

2013 was an important milestone in the life of the cluster since it was the first cluster to win the Accredited Innovation Cluster title (according to the Hungarian cluster quality system) in the West Transdanubian Region and within the traditional sector.

PANFA is is the first cluster in the Western Transdanubian Region which in 2013 win the title “Accredited Innovation Cluster”. The aim of the tender issued by the Hungarian Economic Development Center is consistent with the strategic and economic guidelines of the New Széchenyi Plan. One of the impacts of the accreditation process of innovative, export-orientated clusters with significant employment effects and a high number of small- and medium-sized business enterprises as members is that setting a high quality level as requirement becomes possible.

The characteristics of the Hungarian wood and furniture industry can be summarized as following:

- The entire supply-chain is present in Hungary (from rawmaterial to final product)
- Most of the companies are in Hungarian ownership
- Lot more homogenous companies in size
- Local sourcing decisions, product development and related R&D is done in Hungary
- Localized markets are much more typical to the furniture industry
- Global competition is mainly present at the raw-material and final product level, but not on the mediate levels of the valuechain
- Regional marketplaces are present

3.4 EUROPEAN CLUSTER PANORAMA

With scarce natural and energy resources and ambitious social and environmental goals, EU companies cannot compete on low price and low quality products. They must turn to innovation, productivity, resource-efficiency and high value-added to compete in global markets. Europe’s comparative advantage in the world economy will continue to lie in high value-added goods and services, the effective management of value chains and access to markets throughout the world. Thus, innovation and technological advancement will remain the main source of competitiveness for EU industry. For this reason, further efforts are needed to achieve the Europe 2020 target of spending 3% of GDP on research and development (R&D). [6]
The European Commission has launched a range of initiatives to foster innovation and growth, and to strengthen the underlying competitiveness of the European economy. A key area of interest is the development of emerging industries and their role in driving economic dynamism. One of the new driving forces in entrepreneurship development is the cluster policy. SMEs working together could be more innovative, create more jobs and register more international trademarks and patents than they would alone. The EU Cluster Portal provides tools and information on key European initiatives, actions and events for clusters and their SMEs with the aim of creating more world-class clusters across the EU.

Clusters today operate basically in regional markets. 38% of European jobs are based in such regional strongholds and SME participation in clusters leads to more innovation and growth. There are about 2000 statistical clusters in Europe, of which 150 are considered to be world-class in terms of employment, size, focus and specialisation.

Why the EU elaborated a cluster policy? The 2014 Communication on “For a European Industrial Renaissance” [7] highlighted clusters as being able to facilitate cross-sectoral and cross-border collaboration, helping SMEs to grow and internationalise. The Commission is launching several initiatives under COSME and Horizon 2020 to support SME innovation and growth through clusters.

COSME is the EU programme for the Competitiveness of Enterprises and SMEs, running from 2014 to 2020, with a budget of €2.3 billion. COSME will support SMEs in the following areas:

- Facilitating access to finance
- Supporting internationalisation and access to markets
- Creating an environment favourable to competitiveness
- Encouraging an entrepreneurial culture [8]

COSME promotes the development of world class clusters in the EU, fostering cluster excellence and internationalisation with an emphasis on cross-sectoral cooperation, notably in support of emerging industries. The programme also aims at accelerating the digitalisation of the business community and promoting e-skills and e-leadership.

Horizon 2020 is the biggest EU Research and Innovation Programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020). [9]

One of the key areas of interest is the development of emerging industries and their role in driving economic dynamism. Emerging industries can be understood as “the establishment of an entirely new industrial value chain, or the radical reconfiguration of an existing one, driven by a disruptive idea (or convergence of ideas), leading to turning these ideas/opportunities into new products/services with higher added value”. Therefore, emerging industries can but must not always be completely “new” industrial sectors.

**CLUSTER IN EMERGING INDUSTRIES**

The EU Cluster policy includes elaboration of The Cluster Policy Guide, design and plan cluster policy support initiatives, establishment of an European Cluster Observatory, design model demonstrator regions pilot projects, elaboration of a cluster stress test tool.

The European Commission has launched a range of initiatives to foster innovation and growth, and to strengthen the underlying competitiveness of the European economy. A key area of interest is the development of emerging industries and their role in driving economic transformations and growth.

Emerging industries can be understood as the establishment of an entirely new industrial value chain, or the radical reconfiguration of an existing one, driven by a disruptive idea (or convergence of ideas), leading to turning these ideas/opportunities into new products/services with higher added value.

Therefore, emerging industries can but must not always be “completely new industrial sectors”. They are new combinations of narrowly defined activities that can also comprise existing industrial sectors that are
evolving into emerging industries in response to new technologies, market demands, and value chain configurations. [10]

The following fields were selected as Emerging industries:

- **Advanced Packaging** is an increasingly important input to many other activities, from food processing to automotive supply chains.
- **Biopharmaceuticals** form the scientific basis of the Life Science industries and employ some of the most educated and productive employees.
- **Blue Growth Industries** has been the focus of European policy in the last several years and is an area where interesting new islands of activity might emerge.
- **Creative Industries** is the key sector in future European economy and has been growing faster than any emerging industry in the past two decades.
- **Digital Industries** cover the key parts of the ICT economy: computer hardware, software, e-commerce and wireless services.
- **Environmental Industries** cut through all sectors of the economy as the need for more sustainable operations is realised increasingly more and thus have a high growth potential.
- **Experience Industries** cover creation and consumption of “experiences” and are composed of millions of SMEs at the intersection of arts and business.
- **Logistical Services** are a key service sector in the modern economy and are among the leaders in job creation.
- **Medical Devices** are another core part of the Life Sciences industry and are also connected to large and growing employment in local health care services.
- **Mobility Technologies** are a core part of the European manufacturing industry and despite suffering during the recent crisis they are a clear focus for Europe’s strategy to re-industrialize.

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THE PROCESS OF CLUSTERING SMALL AND MEDIUM ENTREPRISES IN KNOWLEDGE INNOVATION COMMUNITIES IN SOUTH-EAST EUROPE FROM A UNIVERSITY PERSPECTIVE

ABSTRACT

The process of clustering on SMEs has a long history with important achievements over the years. The paper is including an analysis of the context of promoting the clustering process in the EU and in special in SE Europe.

There are evaluated the main components of the “Innovation Union” strategy of the EU with an emphasis on the European Technology Platforms and the associated PPPs called Joint Undertakings and the European Institute of Innovation and Technology – EIT.

Based on this analysis, there are identified the fundamental factors that might be used in the process of structuring an innovative cluster.

As a case study, it is presented the MEDGreen Cluster that is specialized on ecotechnologies and alternative energy sources. The results of the analysis are used for defining a reference set of recommendations to the Universities in order to play an active role in patterning appropriate innovative clusters.

Keywords: ecoinnovation, clustering of SMEs, university-industry partnership.

JEL Classification: L14

1 BACKGROUND

According to the literature [1],[2], a business cluster, (also known as an industry cluster, or a competitive cluster), is a geographic concentration of interconnected businesses, suppliers, and associated institutions acting in a particular field, having the purpose of enhancing the competitive advantages of the participating companies by increasing the productivity of the companies in the cluster, by driving innovation in the field, and by stimulating new businesses in the field.

The Cluster Portal of the European Union [3] is using the following definition: “Clusters are groups of specialized enterprises – often SMEs – and other related supporting actors that cooperate closely together in a particular location. In working together SMEs can be more innovative, create more jobs and register more international trademarks and patents than they would alone.”

From a University perspective [4], the cooperation models with the business sector may be traced for many centuries back in time but, the most relevant models have the origins in the Humboldtian University model, that was initiated in early 19th century in Europe, and the Land Grant University model in the USA which has been launched in late 19th century.

The contacts between the Universities and industry have been accelerated during the World War II, and have continued further. In the USA, the MIT and Stanford University as research mission universities, have contributed to the initiation of institutional models for such collaborations. A milestone might be considered the establishment of the Stanford Industrial Park in 1951 and further the entrepreneurial initiatives and developments in the legal framework prepared the ground for the future Silicon Valley phenomenon.
Located in Northern California, the Silicon Valley is considered at present, as a leading platform and startup ecosystem for high-tech innovation and development, and it is estimated that is accounting for one-third of all of the venture capital investment in the USA.

In parallel, with specific conditions for development, following or just experiencing similar phases of evolution, the cooperation models between the universities and industry have covered the global geography from Japan to Israel, from Canada and Sweden to Australia and South Africa.

2 THE UNIVERSITY PERSPECTIVE

For the purpose of this study, it shall not be developed a detailed evaluation of the governance and corporate models of the Universities from SE Europe and in particular in the Black Sea Region. Such a study would lead to a much broader research activity. In an initial approximation, we shall consider that the Universities from the different countries from the region, are following the same model of governance based on the main values of the European University as the securing of the freedom of expression, University autonomy and accountability. The situation might be slightly different from one country to another and sometimes even within the same country under the same regulatory, political and socio-economic conditions. But, the trend is in the same direction and this is a consequence of the integration in the so called European Higher Education Area – EHEA, the development of the European Union and its neighboring policies.

The main thesis of the author in the present study is that for a University, the involvement in cluster related activities is a crucial need for strengthening and consolidation of the main values of the European model for the following arguments:

- **Secured freedom of expression** – this is a fundamental value of the Universities and over the centuries, there were huge debates and confrontations for preserving it. It is unanimously considered that this contribution of the European scholars shaped the general values of the humanity. But, the freedom of expression could not be expressed between the closed doors of the University, it has to be promoted by involvement and positioning in the many chains of value exchange in the society, proposing new ideas, new solutions and following their implementation in the real life.

- **University autonomy** – the generation of new knowledge or new ideas is a very sophisticated process that requires consistency, persuasion, courage and dedication for very long periods of time. Such processes could not be distorted from the outside of the University and to prevent it there is a need of strong and autonomous governance. The experience of the last centuries demonstrated that the autonomy of the universities could not be defended without significant incomes from different sources. By the involvement in cluster related activities, the Universities are able to generate additional incomes by transferring knowledge and expertise in competitive products or services. There many examples where such incomes could be very robust.

- **Accountability** – is in principle, the expression of the responsibility of the University management for assuring the expectations of the students, of the parents, of the tax payers or of other stakeholders by appropriate allocation of the resources that are offered to the University. By the involvement of the Universities in the cluster related activities the exercise of transparency and traceability of the expenditures are much more enhanced and the various partners and stakeholders of the University have a much broader view on the return of their contributions.

The current study is synthesizing the experience that was accumulated in the last decade of activities within the Black Sea Universities Network – BSUN [5]. This is an Ad-hoc International organization that was founded in 1998 for the purpose of developing scientific, cultural and educational cooperation and exchanges among the Universities of the Black Sea Economic Cooperation (BSEC) Participating States and other institutions with similar concern for the sustainable development of the Black Sea Region. At present, it includes 120 member Universities from the BSEC member states as it might be seen in figure 1. More information about the activities of the BSUN may be found at www.bsun.org.
According to the studies that have been carried out under the BSUN, the mechanisms of cooperation between Universities and industry require several macroeconomic characteristics as following:

- **Existence of a business climate based on principles, transparency and trust** – the cooperation between the Universities and the business sector may lead to very dangerous developments if the business environment is corrupted or having many layers of underground economy;

- **A functional market economy** – is a fundamental need for an economic activity where there are involved knowledge commodities, financial assets, human resources or the operational costs for a sustainable scientific research activity. There are many markets that are involved in cluster related activities and for this reason have to be harmonized and regulated for appropriate functioning;

- **A society struggling for competition, performance and involvement in value added activities** – the interest for addressing the knowledge and creativity resources from the universities may come in a continuous and sustainable manner only from a community aiming to perform by creating competitive products and services;

- **Existence of a mentality and of a market for collaborative services** (i.e. innovation services) – there is a fundamental need for a mature business community conscious of the needs for performing in business and valuating the support of different experts;

- **A culture for long lasting business collaboration partnerships** – the innovation projects have usually longer business cycles and may offer mutual satisfaction in long lasting partnerships.

![Figure 1. The geographic distribution of the member Universities of the Black Sea Universities Network - BSUN](image-url)
From the point of view of the regulatory framework, the basic needs have been identified are as following:

- **Contract Law in setting up of a new company** – the legal framework for establishing and closing a company has to be as simple as possible with minimal consuming of time and resources;

- **IPR protection and patenting** – has to be harmonized with the international legal framework in the field;

- **Legal environment for securing the enforcing of contracts, access to credits, licenses and public procurement** – may be considered as the backbone for any kind of businesses or economic activities but, in the case of the sophisticated transactions associated to cluster related activities the existence and functionality of such a framework is fundamental;

- **Clear state aid rules** – the innovation activities and also expansion activities or knowledge transfer transactions are ranked with high risk factors and in a large proportion to secure them there is the need for transparent and well define rules for state aid;

- **Stable employment Law** – the human factor is a crucial factor in the innovation projects and other cluster related activities. In most of the cases, a large share of the investments are dedicated to the development of new knowledge, skills and attitudes of the employees and as a consequence, the employment relation have to be appropriate regulated and to be stable for reasonable periods of time;

- **Predictable taxation framework in terms of substantial and procedural aspects** – that is also extremely important for any kind of business or economic activity but it is much more relevant in the case of business with high risk and long periods for revenues.

Although the exploration of the relations and cooperation models between Universities and Industry have been initiated since 2000, under the Chairmanship of Turkish Universities to the BSUN, the study dedicated to the Clustering process from the University perspective has been facilitated mainly by the process of coordination of the UNAI Global Sustainability Hub. On November 18th, 2010, it has been formally launched the UN Academic Impact Initiative by United Nations Secretary-General Ban Ki-moon at UN Headquarters in New York: “The Academic Impact aims to generate a global movement of minds to promote a new culture of intellectual social responsibility. It is animated by a commitment to certain bedrock principles. Among them: freedom of inquiry, opinion and speech; educational opportunity for all; global citizenship; sustainability; and dialogue.”

The Black Sea Universities Network is a founding member of UNAI and in 2011, it has been nominated as the UNAI Global Hub for sustainable development being responsible to establish and administrate the portal [www.unai-sustainability.org](http://www.unai-sustainability.org). The portal has been launched by HE Mr. Kiyotaka Akasaka, the UN Undersecretary General on the occasion of the International Conference on: “Education and Governance for Sustainable Development” on March 17th 2011 in Constanta, Romania. On the same occasion, there were defined the priorities in the field of education for sustainable development in the Black Sea Region.

Under the frame of the UNAI activities dedicated to the promotion of sustainable development projects on October 24th 2011 it has been organized the Seminar on “Technologies for Biomass and Biogas Processing for Sustainable Energy Solutions” and during the works of the event it has been proposed the initiation of a pilot project for establishing a model for a collaborative structure between universities, research organizations, local authorities and innovative companies aiming to promote the principles of green economy.

In the following period, there were developed evaluation activities, debates and exchange of best practices, dedicated to define the concept and structure of such a collaborative frame by exploring three main paths as the models of Knowledge Innovation Communities, Innovation Clusters and Competitiveness Poles.

In 2013, based on the decision of the partners, it has been decided to register the Cluster MEDGreen as an Association under the Romanian Law for the organization of Foundations and Associations. The BSUN
did the initiation and coordination of the entire process of clustering, but, it is not a member of the cluster. The main interest is to have inside access to information for supporting the member universities in the replication process of such experiences.

3 THE “INNOVATION UNION” STRATEGY OF THE EU

For the economy of the entire South-East Europe and particularly for the Black Sea Region, the European Union is playing the patterning role. Grouping a population of 500 mil people, with very advanced economies in the world, the EU is the largest economic platform connecting the neighboring countries. But, the global economic context is changing rapidly. By 2050, it is estimated that Europe’s share of world GDP is likely to be half of today’s 29%. So far, Europe has been able to keep its share of world exports (20%), and in that respect its performance is better than that of other advanced economies. But China, India and Brazil have started to catch up with the EU by improving their economic performance faster than the EU has, year-on-year, over the last five years.

Addressing such a strong competition, the EU is putting in a central position the topic of innovation. In Figure 2, it is presented the evolution process of innovative products and services from an idea to commercialization.

![Figure 2](image)

Figure 2. The correlation between the development stage of a new idea of product or service, the funding requirements and the possible funding sources.

As it might be see in the Figure 2, the innovation process requires significant support from different types of donors. In such a context, aggregating the contributions of the 28 EU Member States and of other Associated Partners, the EU is deploying an extremely important support by Research and Technology Development (RTD) programs in the early phases of the innovation process up to the stage of introduction of the product or service to the market. In the figure 2 there are presented the positioning of National Research Funds (NRF), Corporate Research & Development activities, Universities, National Laboratories, Business Angels, Venture Capitals and large Corporations.

The current philosophy of the EU [6] is to promote innovation in the most relevant sectors of the society as:

- In the private sector: Companies placing design at the heart of their practices
In the public sector: Online public services saving people time and money

In the third sector: Quality care for the elderly by social innovators

Based on this philosophy, it has been conceived the so called “Innovation Union” Strategy of the EU which has the following strategic objectives:

- make Europe a world-class performer in science;
- revolutionize the way the public and private sectors work together, notably through Innovation Partnerships;
- remove bottlenecks – create an internal market for skills, patents, venture capital, innovation procurement and standard setting to foster ideas being quickly implemented on the market.

One of its ground-breaking initiative under the above mentioned strategy is the Innovation Partnerships which aim to tackle the major challenges facing our society. It is envisaged that the Partnerships will also help Europe reach its innovation potential more quickly.

The main 3 areas of the EU strategy “Innovation Union” are respectively:

- European technology platforms (including the Public – Private- Partnerships - PPPs and the Joint Undertakings)
- European Institute of Innovation and Technology (EIT)
- RTDI program called HORIZON 2020.

The Black Sea Economic Cooperation, include 3 EU Member States (Romania, Bulgaria and Greece), three EU Candidate countries (Albania, Turkey and Serbia) and 6 EU neighboring countries (Moldova, Ukraine, Georgia, Russia, Armenia and Azerbaijan). Five of the non-EU countries are fully associated with the H2020 (Albania, Moldova, Turkey, Serbia and Ukraine)

In relation to the objectives of EU Strategy 'Innovation Union', these states have similar problems (although there are some specific differences) that led to mediocre performances in promoting innovation as driver for the economic development.

On November 30th 2015, it has been organized by BSUN, at the European Parliament in Brussels, the Int. Seminar on: “EU Innovation Strategy and the Black Sea Region - effective results and expectations of the members of the innovation ecosystem from EU MS and neighboring countries from the Black Sea Region concerning the EU strategy “Innovation Union”

The event gathered participants from Albania, Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Ukraine, Turkey, Austria, Germany, Czech Republic, Belgium and representatives of different organizations residents in Brussels.

In the presence of the top representatives of European Parliament as Mr. Marian Jean Marinescu, MEP, EPP Vice-President, Mr. Vassilis Maragos, Acting Director C Neighborhood East, DG NEAR and Mr. Carlos MOEDAS, Commissioner for Science and Innovation there were addressed the following topics:

- Joint Undertakings: assessing the possibility of launching calls for projects addressing topics of interest for the Black Sea region and thus supporting the participation of institutions and enterprises from this region;
- The European Institute of Innovation and Technology - EIT: Initiating a process of expanding the Knowledge Innovation Communities - KICs towards the Black Sea region;
- H2020 program: Increase the budget for calls dedicated to the cooperation on innovation issues in the Black Sea neighborhood;
• Developing a top-down approach for supporting Innovative Clusters in the Black Sea region with the advice and assistance from the European Commission;

• Developing a top-down approach for supporting innovation-based competitiveness poles in the Black Sea region.

On this occasion, Mr. Carlos MOEDAS, Commissioner for Science and Innovation, presented the important role of the Black Sea Region for the EU Neighborhood Policy and has expressed the interest of the European Commission for developing dedicated programs or as components of large EU initiatives. In this context, it has been underlined the need for reliable information on Good Environmental Status of the sea waters and coastal areas, on the available resources and on the influence of different factors to the sustainable development of the Region. At the same time, Commissioner Moedas underlined the importance of the approaches that are centered on the effective needs of the main actors in the field of innovation as the scientific research organizations, universities, inventors and innovative companies. In this context, Commissioner Moedas presented some new initiatives as the Seal of Excellence that is aiming to certify the value of different project proposals by the joint contribution of the Commissioner for Science and Innovation and of the Commissioner for Regional Development and having such a seal, the project proposals might be considered for other funding resources. It has been mentioned the commitment for harmonizing the actions of the Commission in order to promote innovation and in this respect it was announced the intent for the establishment of a European Council for Innovation.

On the same occasion, Mr. Vasilis MARAGOS, presented a synthesis on the activities that are carried out in cooperation with the organizations from the Black Sea Region. It was mentioned that a central role for the cooperation between the countries from the region is played by the Black Sea Cross Boarder Cooperation Program that is aiming the period 2016-2020, and at present is following the approval procedures. The program has been improved based on the experience accumulated in the previous one with a higher budget and shall be focused on problems related to the environment protection, digital agenda, promoting of renewable energy technologies, blue growth and innovation. Mr. Maragos put an emphasis on the principle of developing bottom-up approaches combined with top-down initiatives. As examples, there were presented the activities related to the interconnectivity of data transfer networks and the promotion of the Digital Agenda in the Black Sea Region.

4 THE EUROPEAN TECHNOLOGY PLATFORMS

European Technology Platforms (ETPs) are industry-led stakeholder fora recognized by the European Commission as key actors in driving innovation, knowledge transfer and European competitiveness.

ETPs develop research and innovation agendas and roadmaps for action at EU and national level to be supported by both private and public funding. They mobilize stakeholders to deliver on agreed priorities and share information across the EU. By working effectively together, they also help deliver solutions to major challenges of key concern to citizens such as the ageing society, environment, food and energy security.

ETPs are independent and self-financing entities. They conduct their activities in a transparent manner and are open to new members. In order to be recognized by the European Commission, the ETPs have to have a strategy, mobilization and dissemination function.

In order to fulfil their role, the main activities of ETPs encompass:

• developing industry-focused strategic research and innovation agendas including technology roadmaps and implementation plans;

• encouraging industry participation in Horizon 2020, the EU’s framework program for research and innovation, and cooperating with networks in Member States;

• fostering networking opportunities with other ETPs and other partners along the value chain to address cross-sectoral challenges and promote the move towards more open models of innovation;
identifying opportunities for international cooperation;
acting as one of the channels of external advice for the programming and implementation of Horizon 2020;

ETPs have been a key driving force behind the launch of high profile public-private partnerships called Joint Undertakings. The structure of such a PPP is presented in figure 3. It has been taken as an example the case of the Fuel Cells & Hydrogen Joint Undertaking - FCH2JU, a very successful partnership promoting the fuel cells and hydrogen technologies towards market implementation and securing a leadership role for the European players in the field.

5 THE MODEL OF KNOWLEDGE INNOVATION COMMUNITIES

The European Institute of Innovation and Technology – EIT, is an independent body within EU that achieves its mission by fully integrating all three sides of the ‘knowledge triangle’, i.e. higher education, research and business, in Knowledge and Innovation Communities (KICs). By bringing together leading players from all these dimensions to cooperate within the KICs, the EIT is able to promote innovation in Europe. The EIT has been established in 2008 with the Headquarter in Budapest

The EIT seeks to stand out as a world-class innovation Institute, inspiring and driving change in existing European universities, research institutions and businesses, both new and established, from SMEs to large multinationals. Conceived with a clear market-driven focus, the EIT acts as a catalyst for sustainable economic growth and job creation throughout the Union by generating new skills, products, services and business, responding to public demand and to the needs of the knowledge economy.

The EIT initiative has been launched by former President of the European Commission, Mr. Manuel Barroso, at the Conference of the European Universities held in Glasgow in 2005. In the next period, it has been developed an extensive consultation process and there were defined the models of KICs. Each KIC has a number of Collocation Centers – CLCs that are geographically distributed across Europe grouping the regional players of the knowledge triangle in a specific field.
Figure 4. The activities and the basic role of the EIT Raw Materials

As an example, in figure 4, there are presented the generic activities and the basic role of the EIT Raw Materials that has been established recently for boosting competitiveness, growth and attractiveness of the European raw materials sector via radical innovation and entrepreneurship. As it might be seen in the figure 4, the EIT activities cover education, research and innovation and entrepreneurship. An important aspect is that the EIT is involving in the process of bridging the research and development activities with the market implementation of the innovative products and services.

Some of the generic opportunities may be summarized as following:

- In the EIT system, there are so called up scaling projects that are supporting the market uptake process. So, a project that has been developed under H2020 call up to a demonstration level, might be further developed as an EIT up scaling project.
- For basic research activities, the EIT system is supporting the PhD research activities under the frame of several thematic networks.
- The Education activities have a large share within EIT for Master of Science - MSc programs and even as short certificate courses but, with a strong emphasis on promoting entrepreneurship.

As BSUN, it has been an involvement in the process from the initial launch in 2005, with the participation to the pilot projects dedicated to the conceiving of cooperation and governance models and in close collaboration with some of the already established KICs.

6 THE MEDGREEN CLUSTER

For defining the concept of the MEDGreen Cluster, there were studied the experience on clustering the SMEs in the EU, USA, Israel and in different countries from the Black Sea Region as Russia, Turkey and Azerbaijan. Between 2011 and 2013 there were carried-out extensive research on the business environment in Romania.
Figure 5. Concept development for the MEDGreen Cluster

As starting point, it has been used the existing experience from the Institute for Nanotechnologies and Alternative Sources of Energy (INSAE) of the “Ovidius” University of Constanta. Within this organization, there were significant activities in the field technology assessment as part of the master and doctoral programs.

For the technology demonstration and development, there were conceived the two structures addressing different challenges as the COSMOMAR Centre for Space Research and the MEDGreen Cluster.

COSMOMAR Centre is addressing highly ambitious demonstration projects in collaboration with the Romanian Space Agency and European Space Agency.

The MEDGreen Cluster has been defined as cluster structure that carries out a whole range of activities, covering the entire innovation chain – including training and education programmes, reinforcing the journey from research to the market, innovation projects and business incubators. The Cluster is able to react in an effective and flexible way to new challenges and changing environments.

The main principles that were followed in the establishment of the Cluster may be synthesized as following:

- A combined bottom-up and top-down approach – an iterative process of evaluation of the needs of the companies and of other stakeholders and matching with the policies and strategies at the national and regional levels;
- Participatory approach to vision building – the main players from the business sector and academia, have participated directly to the process of defining the vision for the future cluster;
- Capability-building actions based on shared targets – after defining the needs for reaching the commonly agreed targets, there were identified the required capabilities and have been defined plans for building them;
- Sustainability of the cluster development process – the crucial phase was to draw a roadmap for reaching the sustainability of the cluster activities.

As the vision for the future Cluster, it has been selected the promotion of the principles of green economy by ecoinnovative solutions. The term environmental innovation, or shortly “eco-innovation”, relates to innovations aiming at a decreased negative influence of innovations on the natural environment.
Eco-innovation is “the creation of novel and competitively priced goods, processes, systems, services, and procedures designed to satisfy human needs and provide a better quality of life for everyone with a life-cycle minimal use of natural resources (materials including energy and surface area) per unit output, and a minimal release of toxic substances” [7].

According to UNEP definition [8], the green economy may be defined as improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive.

Practically speaking, a green economy is one whose growth in income and employment is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.

Figure 6. The services that are offered by the MEDGreen Cluster

In 2014, the Cluster has been granted with the financial support for the implementation of the project with the title: “The development of solutions for innovative products and services that will enhance the competitive advantages of companies associated in the cluster MEDGreen”.

By the implementation of this grant there were developed the services that are presented in figure 6, there were prototyped, innovation activities aiming to obtain products and services to enhance the competitive advantages of the companies associated to the Cluster. In parallel, there were carried out activities dedicated to the selection of personnel, infrastructure development and institutional consolidation.

The sustainability of the Cluster has been assured from the following sources:

- Contracting of the services provided by the Cluster;
- Projects funded by National programs and the EU funded programs;
- Membership fees and donations.

The present portfolio of new projects of the Cluster is exceeding 5 mil. Euros for the next 5 years.

The experience accumulated in the process of developing the MEDGreen Cluster is extremely important for the BSUN. There were documented the actions that have been carried out, there were critically evaluated and the entire package of procedures are now ready for being replicated in other BSEC member countries with the assistance of the team that was involved in Romania.
CONCLUSIONS

The Black Sea Region is very complex and the developments that started in 2013 are leading to a very difficult economic and business environment that shall threaten the development of the SMEs but also of the other sectors as the higher education sector. This shall have a negative impact on the welfare of the region with direct consequences on the socioeconomic processes and the weakening of democracy.

For the higher education sector, the scarcity of funding resources could lead to the degradation of the quality of education but, also to a much bolder involvement of the state corrupting the basic values of freedom of expression, university autonomy and accountability.

As a first conclusion, the general development of the Black Sea Region is depending fundamentally on the understanding, learning and implementing the basic principles of the process of clustering the SMEs with Universities and other stakeholders for building competitive advantages.

In the present study there are presented the outcomes of the process of conceiving and implementing a model of a cluster centered on ecoinnovation as a fundamental principle of corporate culture and in such a way to be able to cope with the complexity of the factors connected to sustainable development and green economy.

It has been demonstrated that the Universities could be reliable partners with high potential to contribute to the development and consolidation of the innovation capacity of the highly competitive suppliers of products and services from the region.

But, for the promotion of clustering there is a fundamental need of a business framework based on principles, transparency and trust and many other aspects related to a functional market economy and rule of law.

The results of the study and the accumulated experience shall be used by the Black Sea Universities Network for the promotion of the principles of agglomeration economies and of the clustering process in the region.

REFERENCES

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ALBANIA'S COMPETITIVENESS AND SME CLUSTER POLICY

ABSTRACT

Strength of competitiveness has significant importance for a sustainable economic growth. In such regard the identification of obstacles to increasing competitiveness of the Albanian economy takes a substantial relevance, especially in terms of regional and EU integration. In this article will be described the competitiveness performance of Albanian economy and the relationship between cluster development and increase of competitiveness. The analysis will be extended to the cluster policy in Albania mainly focusing on SMEs.

For the purpose of this study are analyzed Global Competitiveness indicators and Global Innovation Index. Furthermore it is generated Albania's competitiveness performance evaluation indicator and then it is assessed the gap of Albania's competitive position compared to the EU27 average. In addition in this article will be presented several obstacles for joining in clusters in Albania, since it seems that businesses consider each other more as competitors rather than collaborators.

From this analysis it results that Albanian economy performs poorly in terms of competitiveness. Only a few clusters have been established in Albania during the last 11 years with the support of different donors, but they were not sustainable and existed as long as they were supported by donors.

Keywords: competitiveness, cluster, innovation

JEL Classification: C38, L26, L52, O31

1. INTRODUCTION

Albanian economy has registered a steady economic growth since 1992. During years 2000-2008 such growth recorded levels between 6-8% resulting as the highest among countries of Central and Eastern Europe. During 2009-2010 such economic growth is reduced to 3.5%, although faced with global economic crisis. During 2011-2014, the economic growth has slowed down further to less than 2% influenced not only by sluggish domestic demand, but also due to continuous deterioration of external environment related to the Greek crises. Strength of competitiveness has significant importance for a sustainable economic growth. In this regard the identification of obstacles to increasing competitiveness of the Albanian economy takes a substantial relevance, especially in terms of regional and EU integration. In this article will be described the linkage between cluster development and increase of competitiveness in Albania. The analysis will be extended to the cluster policy in Albania mainly focusing on SMEs.

According to the Global Competitiveness Report 2014-2015, of the World Economic Forum, Albania is ranked 97 out of 144 countries, declining by 19 places compared to the year 2011 ranked 78 out of 142 participating countries. Albania is ranked among last countries in the SEE region, leaving behind only Bosnia & Herzegovina. Among the countries in the region, Macedonia is ranked in the 63rd place, followed by Montenegro ranked 67th, Croatia ranked 77th and Serbia ranked 94th. One of the pillars for assessing
competitiveness in Global Competitiveness Report is Business Sophistication which is linked with cluster development and business networks. Under this pillar Albania is performing poorly and it is ranked at 104 out of 144 countries by the Global Competitiveness Report 2014–2015.

Securing high rates of economic growth in the upcoming years is a challenge for all world economies and for Albania too. Furthermore taking into account the regional and EU integration with the implementation of free trade agreements, such task will be much more difficult to achieve. During the integration process Albania will absolutely face the difficult challenge of growing competitiveness of other countries. In this point of view it is very important to increase competitiveness through innovation and cluster cooperation. A few clusters have been established in Albania several years ago with the support of donors, but they were not sustainable and existed as long as they were supported by donors. It is still running only the cluster of tourism and ICT to be described later on in this article. It will also be listed several difficulties to join in clusters the Albanian businesses, which consider each other as competitors rather than collaborators.

2. OVERVIEW

The SME sector contributes substantially to the economic growth and employment with more than 66% of the total value added of the economy, 41% in total export and more than 81% in employment in the non-agricultural private sector (INSTAT, 2015a). The number of active enterprises by end of year 2014 amounted to 112,537 with birth-rate by 15.4%. More than 99% of businesses are SMEs. SMEs are clearly dominated by micro enterprises (with one to nine employees), which constitute around 95% of the total number of active enterprises. SMEs are mostly involved in the services sector composing almost 78% of total active enterprises, such as trading and accommodation (INSTAT, 2015b).

Albania has experienced high economic growth at the turn of the decade. Before the crises, 2000-2007, real GDP grew on average by 6.0%. Economic growth was driven by a boost in domestic consumption and by productivity gains, which both were supported by a rapid and robust expansion of the financial sector. The crises weighted down in the economic growth, which has slowdown to 2.4% on average. Headwinds from the EU, high uncertainty and worsened confidence, weak credit and falling remittances put a drag on domestic demand in the post crisis years.

Albania is a small open-economy which has operated consistently under a trade deficit and as a result a relatively high current account. In the last years, the trade deficit has narrowed reflecting mostly the increase of export and the decline in imports of goods and service. For 2015 the current account deficit accounts almost to 9% of GDP. Albania has constantly run a budget deficit, which in the last 10 years averaged 4.4% of GDP. In this regard, the debt stock has followed an increasing path, accelerating its growth in the last four years, stands at 70.2% of GDP as of the end of 2014. The current account deficit and the fiscal position remain the main vulnerabilities for the country.

The financial system in Albania has experienced substantial changes in the last 10 years. Financial intermediation has deepened and more innovative financial instruments have been introduced. The banking system represents the most important segment of the financial system. There are 16 commercial banks operating in Albania; 14 of which are foreign owned. The international banks have enhanced competitiveness and efficiency in the market. The ratio of banks’ assets to GDP has increased at 93% as of June 2015. The banking system is characterized by high ratio of liquidity and capitalization, which have helped withstand shocks to the system (Bank of Albania, 2015a). The ratio of credit to GDP after picking up to 40% in 2012 has been declining since then, stabilizing to close 37%, in the middle of 2015. For the last 2 years, the growth rate of credit to the private sector has been subdued, remaining close to 2%. The decline in demand has factorized the performance of the economy under potential and the high risk perceived from the business.

During the transition period, Albania has been characterized by low level of inflation of consumer price index. Especially after the global financial crises inflation remained low as the economy operated below its potential. Average annual CPI inflation rate in 2015 has been close to 2%, remaining as such lower than 3% target of the central bank. In this environment the monetary policy has been loosen. The key interest rate was lowered progressively from mid-2011 to the actual level of 1.75% (Bank of Albania, 2015b). The cost of lending to the private and public sector fell to their historic minimum levels. However the lending activity has
been sluggish reflecting a weak credit demand and a conservative lending, especially for SME. Access to finance remains one of the main obstacles of SME business in Albania.

3. ALBANIA COMPETITIVENESS PERFORMANCE

Albania has recorded a rapid growth in the number of enterprises, which indicates a breadth of entrepreneurial desire in the country. However, it continues to lag behind other countries in terms of innovation. This endangers its competitiveness and the sustainability of economic and employment growth.

3.1 Definition of competitiveness

The competitiveness is defined as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. (WEF, 2014, pp. 4)

3.2 Albanian economy’s performance according 12 pillars of global competitiveness

The competitiveness of Albania has been most thoroughly assessed in the Global Competitiveness Reports. Starting from 2008 (WEF 2008) Albania was included in the group of countries which are in the second stage of competitiveness development (also called “efficiency-driven” stage of the economies) Figure 1. In this development stage the most important factors for competitiveness enhancement are higher education and training, efficiency of markets (of goods and services, labour, and finance), technological readiness and the size of the market.

Figure 1. Albanian stage of development according 12 pillars
According to Global Competitiveness Report 2014-2015, Albania is ranked 97/144, decreasing by 2 positions as compared to previous year and by 19 positions as compared to year 2011-2012, which is the year when Albania has its best ranking position regarding competitiveness. The main factor that has contributed to this result is the deteriorated performance in the macroeconomic stability pillar which has decreased from 4.4 points in previous year to 3.8 points currently. Some of its sub-indicators that have also deteriorated are: Government budget balance, % GDP: from -3.1 to -6.2; Gross national savings, % GDP: from 13.9 to 15.2; General government debt, % GDP from: 60.6 to 70.5 (Figure 2).

An analysis of the performance of Albanian economy through 12 pillars is presented below (see table 1):

*Albania has recorded improvement in the following pillars:*

First Pillar: Institutions. Albanian economy’s performance on institutional components is assessed with score 3.4, recording an improvement by 0.1 points compared to the previous year, but it has deteriorated compared to year 2011 time when it was assessed with score 4.

Second Pillar: Infrastructure. Albanian economy’s performance on infrastructure components is assessed with score 3.5, recording an improvement by 0.2 points compared to the previous year, but it has deteriorated with 0.4 points compared to year 2011.

Fifth pillar: Higher education and training. Albania is assessed with score 4.5, recording an improvement by 0.3 points compared to the previous year and 0.5 points compared to year 2011.

Sixth pillar: Goods market efficiency. Albania is assessed with score 4.2, recording an improvement by 0.1 points compared to the previous year, but it has deteriorated with 0.3 points compared to year 2011.

Eighth pillar: Financial market development. Albania is assessed with score 3.4, recording an improvement by 0.1 points compared to the previous years, but it has deteriorated compared to year 2011, time when was assessed with score 3.6.

Eleventh pillar: Business sophistication. Albania is assessed with score 3.6, recording an improvement by 0.2 points compared to the previous year, but it has deteriorated with 0.2 points compared to year 2011.
Albania has remained in the same level as one year before in the following pillars:

Ninth pillar: Technological readiness. Albania is assessed with score 3.3, remaining in the same level as the previous year, but it has deteriorated compared to year 2011, time it was assessed with score 3.8.

Tenth pillar: Market size. Albania is assessed with score 2.9, remaining in the same level as the previous year, as well as in the year 2011.

Table 1: Albanian competitiveness indicators yearly

<table>
<thead>
<tr>
<th>WEF - Global Competitiveness Index (GCI)</th>
<th>ALBANIA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
</tr>
<tr>
<td>GCI - Total</td>
<td>997</td>
</tr>
<tr>
<td>Basic requirements (40%)</td>
<td>997</td>
</tr>
<tr>
<td>Institutions</td>
<td>110</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>990</td>
</tr>
<tr>
<td>Macroeconomic environment</td>
<td>1122</td>
</tr>
<tr>
<td>Health and primary education</td>
<td>662</td>
</tr>
<tr>
<td>Efficiency enhancers (50.0%)</td>
<td>995</td>
</tr>
<tr>
<td>Higher education and training</td>
<td>660</td>
</tr>
<tr>
<td>Goods market efficiency</td>
<td>993</td>
</tr>
<tr>
<td>Labor market efficiency</td>
<td>993</td>
</tr>
<tr>
<td>Financial market development</td>
<td>1114</td>
</tr>
<tr>
<td>Technological readiness</td>
<td>991</td>
</tr>
<tr>
<td>Market size</td>
<td>1106</td>
</tr>
<tr>
<td>Innovation and sophistication factors</td>
<td>1114</td>
</tr>
<tr>
<td>Business sophistication</td>
<td>1104</td>
</tr>
<tr>
<td>Innovation</td>
<td>1120</td>
</tr>
</tbody>
</table>

Albania has recorded deterioration in the following indicators:

Pillar three: Macroeconomic stability. Albania is assessed with score 3.8, recording a deterioration by 0.6 points compared to the previous year and by 0.7 compared to year 2011.

Fourth pillar: Health and primary education. Albania is assessed with score 5.8, recording a deterioration by 0.1 points compared to the previous year, but has improved by 0.1 points compared to year 2011.

Seventh pillar: Labour market efficiency. Albania is assessed with score 4, recording a deterioration by 0.3 points compared to the previous year and by 0.6 points compared to year 2011.
Twelfth pillar: Innovation. Albania is estimated with score 2.7, recording a deterioration by 0.1 points compared to the previous year, but it has improved by 0.1 points compared to year 2011.

4. **ALBANIA INNOVATION PERFORMANCE**

Innovation is important for driving economic progress and competitiveness, both for developed and developing economies. Many countries are setting innovation at the center of their growth strategies. Innovation is more general and horizontal in nature, and includes social innovations and business model innovations as well as technical ones. Recognizing and celebrating innovation in emerging markets is seen as critical for inspiring people, especially the next generation of entrepreneurs and innovators (Cornell University et al 2015).

4.1 **Definition of innovation**

An innovation is the implementation of a new or significantly improved product (good or service), a new process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations (OECD, 2005).

4.2 **Albania Innovation assessment**

According to the Global Innovation Index 2015 (Cornell University et al 2015) Albania 2015, was assessed by score 30.74 (out 100 max) and ranked 87th (out of 141), improving by 7 positions as compared to year 2014, but underperforming regarding GDP. Albania ranks in the last position as compared to 39 European countries, as well as compared to other countries in the SEE region.

If compared to year 2012, Albania has improved with 3 ranks regarding GII recording a score of 30.74 in 2015 vs. 30.4 in 2012. However, innovation efficiency in 2015 is assessed with score 0.5 vs. score 0.62 in year 2012. By breaking down this indicator it can be analyzed its components such as Innovation input and Innovation output. Innovation input in Albania is assessed with score 41.22 score, improving by almost 4 points as compared to year 2012. On the other side the innovation output has deteriorated by 3 points as compared to year 2012 (Table 2).

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>score</td>
<td>rank (out of 141)</td>
<td>score</td>
<td>rank (out of 142)</td>
</tr>
<tr>
<td>GII total</td>
<td>330.4</td>
<td>90</td>
<td>330.83</td>
<td>93</td>
</tr>
<tr>
<td>Innovation efficiency</td>
<td>00.62</td>
<td>112</td>
<td>00.58</td>
<td>129</td>
</tr>
<tr>
<td>Innovation input</td>
<td>337.4</td>
<td>82</td>
<td>339.05</td>
<td>77</td>
</tr>
<tr>
<td>Innovation output</td>
<td>223.3</td>
<td>98</td>
<td>222.66</td>
<td>118</td>
</tr>
</tbody>
</table>

According GII 2015 Albania is assessed poorly in knowledge & technology outputs pillar recording a score of 18.5; in human capital & research pillar with a score of 21.8; in creative outputs as well as in business sophistication with a score of 22; in institution with a score of 60.1 and in market sophistication with a score of 59.1 (see figure 3).
4.3 The most problematic factors of doing business in Albania

The results point out that Albanian economy is still fragile and its competitiveness is still based on cheap labour force, lower productivity reflected in lower wages, while the public institutions are still weak. The most problematic factors for doing business in Albania are: corruption, access to finance, inefficient government bureaucracy, tax rate, tax regulation, ethics in labour, inadequate educated workforce, crime & theft, policy instability etc. (Figure 4).

Corruption is still the most problematic factor in 2014, which is reduced by 4.3 points as compared to the previous year, but it has deteriorated by 10.3 points as compared to year 2011.

Access to finance is the second most problematic factor for doing business in Albania in year 2014 which has deteriorated by 0.1 points as compared to the previous year and by 1 point as compared to year 2011. Especially the start-up loan for banks almost not exists. Before the global financial crises the structure of business lending portfolio has been balanced within the business size, prevailing by the SME financing which represents 60% of the business lending. In the period after the crises due to the credit supply restriction and the increase of uncertainty for the economic development, the banking financing shift toward corporate business, which in the middle of 2015 represents close to 63% of business credit (Suljoti and Manjani 2015). Only lately there are introduced some scheme with the support of international institution, such as USAID, Italian government and EBRD, that provide credit guarantee scheme to SME business in special sector of the economy. However the amount provided is low and it is still in the early stage to evaluate the impact that they already have in the economy (Demeti et.al 2015).

Inefficient government bureaucracy is the third most problematic factor, which has deteriorated by 1.1 points as compared to the previous year and by 5.1 points as compared to year 2011.

In year 2014, tax rates and tax regulation appeared, for the first time, among the 5 most problematic factors for doing business in Albania.

According to GCI Report 2014-2015 (WEF, 2014), still significant competitive disadvantages of Albanian industry remain in the area of availability and affordability of financial services, soundness of banks, state of cluster development, local supplier quality and quantity, value chain breadth, quality of scientific
research institutions, capacity for innovation, university-industry collaboration in R&D, availability of scientists and engineers.

4.4 Albania competitiveness compared EU27 Benchmarking

Since Albania is an EU potential candidate country, EU benchmark is extremely important from competitiveness aspect. An attempt has been made to determine a list of indicators which help explaining the existing level of Albania’s development/competitiveness. The sets of explanatory variables which were used are: The WEF Global Competitiveness Index, WEF’s basic requirements, efficiency enhancers and innovation & sophistication factors. These indicators explain where Albania’s competitiveness ranks as far as individual sets of competitiveness’ determinants are concerned.

Albania into the EU27 perspective along with all the above indicators helps explaining which are Albania’s strengths and weaknesses, where is it more or less close to EU27 benchmark and where the country lags far behind EU27 benchmark. This approach may ultimately serve as marker for the creation of the policies.

In terms of WEF GCI, Albania's competitiveness performance is at 82% of EU27 average in 2013-2014. Compared to EU27, Albania records its best position in “basic requirements” (81% of EU27), less successful regarding the “efficiency enhancers” (79% of EU27) and even less regarding the “innovation & sophistication factors” (71% of EU27).

Thus, the more we go from basic requirements to more sophisticated factors of competitiveness, the more the country lags behind the EU27. The lag is the most considerable in terms of technological readiness (62.6%), infrastructure (64.3%), market size (67.1%), innovation (67.5%), institutions (72.7%), business sophistication (73.8%) and financial market (75.2%). Beside the market size, where one cannot do much about it, all other areas require a lot of investments; human resource development and well defined and implemented policies. (See table 3).

4.5 Albania’s Competitiveness Performance Index over EU 27
The calculation of Albania’s Competitiveness Performance Index over EU 27 is based on the methodology described earlier in this material. At first it is calculated the average assessment in each pillar of Global Competitiveness Index (GCI) for all EU27 countries and then is calculated their aggregated value. After that it is calculated the ratio between Albania’s assessment over average EU 27 assessment in percentage for each of the 12 pillars of GCI and for the aggregated value. All results are reflected in table 3.

**Table 3. Albania’s Competitiveness Performance Index over EU 27**

<table>
<thead>
<tr>
<th></th>
<th>Result current year 2013</th>
<th>Result previous year 2012</th>
<th>Index, ** Ratio of 2 years</th>
<th>Index Alb/EU27 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP per capita, USD</strong>*</td>
<td>10,596</td>
<td>10,291</td>
<td>103%</td>
<td>30%***</td>
</tr>
<tr>
<td>A. GCI - Total</td>
<td>3.85</td>
<td>3.91</td>
<td>98.5%</td>
<td>4.72</td>
</tr>
<tr>
<td></td>
<td><strong>Basic Requirements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Pilar 1: Institutions</td>
<td>3.3</td>
<td>3.6</td>
<td>91.7%</td>
</tr>
<tr>
<td>22</td>
<td>Pilar 2: Infrastructure</td>
<td>3.3</td>
<td>3.5</td>
<td>94.3%</td>
</tr>
<tr>
<td>33</td>
<td>Pilar 3: Macroeconomic Stability</td>
<td>4.4</td>
<td>4.3</td>
<td>102.3%</td>
</tr>
<tr>
<td>44</td>
<td>Pilar 4: Healthcare and Primary Education</td>
<td>5.9</td>
<td>5.6</td>
<td>105.4%</td>
</tr>
<tr>
<td></td>
<td><strong>Efficiency Enhancers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>Pilar 5: High Education and Training</td>
<td>4.2</td>
<td>4.1</td>
<td>102.4%</td>
</tr>
<tr>
<td>66</td>
<td>Pilar 6: Goods’ Market Efficiency</td>
<td>4.1</td>
<td>4.3</td>
<td>95.3%</td>
</tr>
<tr>
<td>77</td>
<td>Pilar 7: Labor Market Efficiency</td>
<td>4.3</td>
<td>4.4</td>
<td>97.7%</td>
</tr>
<tr>
<td>88</td>
<td>Pilar 8: Sophistication of the financial market</td>
<td>3.3</td>
<td>3.4</td>
<td>97.1%</td>
</tr>
<tr>
<td>99</td>
<td>Pilar 9: Technological readiness</td>
<td>3.3</td>
<td>3.7</td>
<td>89.2%</td>
</tr>
<tr>
<td>110</td>
<td>Pilar 10: Size of Market</td>
<td>2.9</td>
<td>2.9</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td><strong>Innovation and sophistication factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>111</td>
<td>Pilar: 11 Business sophistication</td>
<td>3.4</td>
<td>3.6</td>
<td>94.4%</td>
</tr>
<tr>
<td>112</td>
<td>Pilar: 12 Innovation</td>
<td>2.8</td>
<td>2.6</td>
<td>107.7%</td>
</tr>
</tbody>
</table>
Source: WEF (2013), and **authors**’ calculations. It is calculated the simple average of EU 27 assessment for each pillar. *IMF. World Economic Outlook Database, October 2014. ***Eurostat: http://epp.eurostat.ec.europa.eu/

Putting Albania in EU 27 perspective as per the indicators presented in table 3 helps identifying the strengths and weaknesses of Albanian economy. The identification of the distance between Albania's performance and average EU 27 performance in each of the 12 pillars of GCI will contribute as an important factor to initiate and develop new policies to increase Albania’s competitiveness.

An important indicator to assess the stage of development / competitiveness of one country is the GDP per capita. For 2013 Albania achieved a level of GDP per capita in PPP of 30% of EU 27, which is among the lowest ratios in South Eastern Europe together with Bosnia & Herzegovina and Kosovo.

Comparing Albania’s competitive position to the average of EU 27 it results that Albania (3.85 points) counts for 81.6% of the average level of EU 27 (4.72 points), signing a further increase of the gap from EU 27 if compared to 2011 counting for 83%. In the overall ranking, Albania is positioned in 95th place meanwhile EU 27 in 38th place. As it is shown in figure 5, Albania is presented better regarding the basic requirements counting for 81.1% of EU 27; a little bit less successful regarding the efficiency enhancers (78.6% of EU 27); and the largest gap is recorded regarding the innovation and sophistication factors counting for 70.8% of EU 27. So the more we move away from the basic requirements of competitiveness toward the sophisticated ones the more the country remains behind in respect to EU 27. The gap is more evident in areas such as technological readiness (62.6%), infrastructure (64.3%), size of market (67.1%), innovation (67.5%), institutions (72.7%), business sophistication (73.8%), financial market (75.2%) (see figure 5). Besides the size of market (for which it cannot be done much), all other areas were Albania lags behind EU 27 require big investment, development of human resources and implementation of well determined policies.

Burimi: WEF 2013 (GCI) and authors’ calculation

Figure 5. Distance between Albania and EU 27 as per Competitivity Performance Index Albania/EU27 (%)

As per the newly generated index regarding the competitiveness performance, there are also some areas where Albania has recorded progress such as: makroeconomic stability (102.3%), health & primary education (105.4%), high education (102.4%), inovation (107.7%). Regarding the size of market Albania is ranked in the same position as last year and for the other 7 pillars it is assessed with lower performance than previous year. (See figure 6).
5. ALBANIAN CLUSTERS DEVELOPMENT

Definitions:

“Clusters are geographic concentrations of interconnected companies and institutions, in a given field. Clusters comprise a group of related industries and other entities important in terms of competition.” Michael Porter

At EU level, innovative clusters are considered the "engine" of economic development and innovation, they represent a framework for business development, collaboration between companies, universities, research institutions, suppliers, customers and competitors located in the same geographical area (local, regional, national, trans-national).

Cluster development in Albania to date

Clusters in Albania are going to be developed with the support of donor organizations. In the framework of Enterprise Development and Export Market Services Project (EDEM), financed by USAID four clusters have been created since 2004, in tourism, meat processing, medical herbs and leather goods production industry. This programme aims to promote the competitiveness of small and medium enterprises (SMEs) in domestic and foreign markets, and accelerates entering of Albanian agricultural and manufactured exports into global markets through developing inter firm clusters and networks, enhancing the co-operation between small enterprises, spreading best practices and organizing of different seminars and trainings.

Furthermore, GIZ (German International Cooperation) supported the tourism cluster and software cluster. The Albanian Software Cluster (ASC) was established in 2010 with the support of GIZ, and operated with the relevant stakeholders of the sector within the country and also with international counterparts. However, currently none of them are active anymore.

There are several difficulties for cluster’s operating in Albania. Government support for the establishment and operation of clusters is almost absent. The few clusters, established during years in Albania, have had the support of different donors, however as soon as donor’s support was cut off they ceased to exist. Another evident obstacle for business in Albania, to join in clusters, is that it seems that they consider each other more as competitors rather than collaborators.

the other hand, the only 2 clusters that were created with the initiative and financial support of member companies are still active and stable as below presented:
Albanian Textile Cluster: Is a professional association established in 2013 through the engagement of 30 founding companies & institutions, manufacturing, academic institutions, consulting, logistic local & international transport companies with a long tradition in the garments, footwear and leather industry from all over Albania, who have found this path of formalizing the collaboration relationships that had already existed between them.

Albanian Information Technology Association http://aita-al.org/. The Albanian ICT Association was established in 2007 as an initiative of Albanian enterprises working in the IT domain. AITA has over 70 members representing hardware, software and ICT service companies. It is the voice of the Albanian information and communications technologies (ICT) sector as well as a prominent advocate for the expansion of Albania’s innovative capacity and for stronger productivity across all sectors through the strategic use of technology.

Clusters – Tool for recovery at regional level

The global crisis was a catalyst for change, an opportunity to leap forward in a more entrepreneurial and innovative way. The benefits of Cluster development are:

- source of employment creation at regional/national level
- to boost regional competitiveness and regional development
- stimulate innovation, support companies to find resources, knowledge and technology
- facilitate ideas to be turned into business opportunities.

6. STRATEGIC DOCUMENT TO SUPPORT INNOVATION AND COMPETITIVENESS

The most important document for increasing the competitiveness in Albania is the Business Innovation and Technology Strategy 2011-2016 (BITS). The strategy is in compliance with EU policy with the vision to increase the competitiveness of Albanian enterprises within the national, regional and global contexts, by encouraging and effectively supporting firm-based innovation and technological development through financial, technical, informational, infrastructural and other types of support, improving framework conditions, creating a favorable environment to business innovation and strengthening the National Innovation System.

One important pillar of this document is the infrastructure development – which encompasses:

i) The creation of incubators (both in physical space terms as well as in the development of specific support services) with the task of offering a favorable environment to, and fostering potential success of, emerging innovative business initiatives, allowing for the creation of new jobs, business opportunities and value-adding, through the healthy growth of new innovative enterprises.

ii) Business cluster support in key sectors, providing support to collaborative platforms, which may enable and support strategic cooperation between enterprises and other organizations, for development of the breadth of value chains, fostering internationalization, accessing new markets and/or responding to a more sophisticated demand.

Further the main programmes to assist companies in the process of innovation, improvements of technological capacity; creation of an innovation system to increase the inter-action of institutions in support for enterprises are: 1. Innovation Financing; 2. Business Innovation Services; 3. Business Incubators; 4. Business Clusters.

According to Strategy of Business and Investment Development 2014-2020 the creation of industrial clusters is important in order to increase the added value of domestic products. The establishment of industrial clusters will improve cooperation and specialization, will promote regional development and will improve the competitiveness of products, as well as will ensure a close cooperation between industrial companies and supporting institutions to achieve success at national and international level. The aim is that by 2020 there will be 3 industrial clusters established.
Regarding the action plan for the implementation of Albanian Business Innovation & Technology 2011-2016 the establishment of the clusters will go through the process as describe in the figure 7:

![Figure 7. The phases of setting up the clusters](image)

Since 2011 is setting up Business Relay Innovation Center (BRIC) in Albanian Investment Development Agency (AIDA) that is aimed at implementing the Business Innovation and Technology Strategy to assist and stimulate firms to innovate and upgrade technologically through: Training assessment for cluster managers through life cycle of a cluster; market needs or political initiative; first ideas; networking or cluster management; going international; take part on EC initiatives or program; support and training for companies to innovate and establish partnerships; Increased productivity and profitability through better resource allocation, thus new products to market, and increase exports; improved chain value – improved access to financing for new product development activities / innovation financing; assistance and market pointers, as well as identification for certification need.

7. CONCLUSION AND RECOMMENDATION

The Albanian economy performs poorly in terms of competitiveness. A few clusters have been established in Albania during the last 11 years, with the support of donors, but they ceased to exist as long as the support of the donors stopped. Albania is also performing poorly on innovation. There are several strategic documents prepared for supporting innovation and technology development in Albania, but their implementation is still in the beginning phase.

The most important task would be the drafting the **Albanian Cluster Programme** with the purpose to increase the national production of value through the promotion and development of clusters in the areas with higher potential. The programme will stimulate the processes of creation of collaborative chain value, through innovation and internationalization. The programme has to be based on a close cooperation between companies and supporting institutions to achieve success at a national and international level. The following topics are defined in the programme:

- Support regional development;
• Create interest for and engagement in developing clusters with growth potential;
• Better functioning of cooperation and infrastructure;
• Increase innovation capacity;
• Increase internationalization;
• Increase in-cluster competitiveness and joint value-production

Some additional recommendations for increasing competitiveness in Albania are:

• Strengthening the capacity of the BRIC
• Financial support. Awarded grants should help to initiate, establish and develop the clusters.
• Need for better coordination and networking between stakeholders (Events & B2B meetings)
• Objective to organize round tables, conferences to identify clusters and challenges and possibilities to find/reach common solutions
• Raise awareness about the benefits of clustering
• Invite and cooperate with Donors to assist cluster development

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E-mail: eaculai@yandex.com

ANALYSIS AND BARRIERS TO THE SMES DEVELOPMENT
IN THE REPUBLIC OF MOLDOVA

ABSTRACT

The sector of small and medium-sized enterprises (SMEs) has a significant impact on major economic and social processes in the Republic of Moldova. The main elements of the contribution made by SMEs in the economic development of the country, in particular: their impact on the structure of the economy, employment, value creation, investment attraction are calculated and analyzed in this article, based on statistical data. In addition, the main barriers faced by Moldovan enterprises in recent years were identified based on the results of interviews conducted with the participation of the author.

Analysis of the main elements of contribution, along with the identification of the main barriers faced by businesses allows more rationale to develop and implement the policy of entrepreneurship development in the country.

Keywords: small and medium-sized enterprises, enterprises’ contribution to the economic development, barriers to business development, emerging market economies

JEL classification: L26, O11

INTRODUCTION

Research of small and medium-sized enterprises (SMEs) attracted the attention of researchers and practitioners in the last decades. The role of SMEs is due, above all, to the contribution they make in the social and economic development of the region. In particular, in many European countries, SMEs contribute to the development of competition, flexibly responding to rapidly changing demand, providing employment, enabling the self-achievement of citizens and creating conditions for the formation of the middle class. SMEs provide the establishment and development of private property, developing and implementing innovations; they are involved in the export and attract investment.

A significant proportion of companies from the Republic of Moldova are SMEs. One of the objectives of this article is to assess qualitatively the scale of the SMEs sector, to calculate and analyze the main elements of the contribution made by SMEs in the economic development of the country, in particular: their impact on the structure of the economy, employment, value creation, investment attraction. The second aim of the study is to identify the main barriers faced by Moldovan entrepreneurs, based on the results of interviews conducted with the participation of the author.

2. CONTRIBUTION OF THE SMES TO THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF MOLDOVA

1.1. The definition of SMEs in the Republic of Moldova

The legislation of the Republic of Moldova establishes criteria for classifying enterprises to small and medium-sized in the Law On Support of Small And Medium-sized Enterprises Sector, adopted in 2006. The Act provides the following classification of enterprises in the micro, small and medium size:
Micro-enterprise is a managing subject, which corresponds to the following criteria: annual average listed number of employees should be no more than 9 persons, annual sales revenue sum – no more than 3 million lei, total yearly assets cost – no more than MDL 3 million.

Small enterprise is a managing subject, which corresponds to the following criteria: annual average listed number of employees should be no more than 49 persons, annual sales revenue sum – no more than 25 million lei, total yearly assets cost – no more than MDL 25 million, excluding enterprises, which come upon criteria of micro-enterprises.

Medium-sized enterprise is a managing subject, which corresponds to the following criteria: annual average listed number of employees should be no more than 249 persons, annual sales revenue sum – no more than 50 million lei, total yearly assets cost – no more than MDL 50 million, excluding enterprises, which come upon criteria of micro- and small enterprises.

1.2. The impact of the SMEs sector on the structure of economy

Moldovan statistical entities account for 53,700 economic agents, the vast majority of which - 52,300 (97.4%) belong to the SMEs sector (data from 2014). The structure of the SMEs sector in accordance with the legislation includes three groups of companies with different sizes: micro, small and medium. Micro-enterprises dominate in the total number of SMEs. Their share accounts for 77.6%, the share of small enterprises - 19.3%, medium - 3.1% of all SMEs. Throughout the analyzed period, the share of micro and small enterprises is slowly increasing, and the corresponding figure for the medium-sized enterprises is reducing. We view this as a negative trend, as mainly the medium-sized enterprises (as opposed to micro and small ones) have the resources that could potentially allow them to export and serve as a center of SMEs cooperation, especially in small towns and rural areas, being able in general to ensure the economic growth (Figure 1).

Figure 1: The structure of SMEs by the size of enterprises in 2014,%


Realization of economic reforms in the country has greatly contributed to the establishment and development of enterprises based on private ownership. The structure of the SMEs sector by ownership shows that the private companies have the predominant share among them (90.1%). Only 1.9% of all economic agents (1.7% public property and 0.2% mixt property – public and private – without foreign participation) are related to companies, in the capital of which the public property is present. 8.0% of the companies operate wholly or partly based on foreign capital (4.6% foreign property and 3.4% property of mixt companies with foreign capital) (Figure 2).
A steady positive trend of growth of SMEs took place in the analyzed period (2006-2014). (Figure 3). Nevertheless, the index of growth of the number of companies before the crisis from 2008-2010 was significantly higher, reaching 110% in 2007. In 2008-2011, although the SMEs sector as a whole showed a growing number of enterprises, but for individual groups it has been a decline in this indicator. Beginning with 2012, there is observed again an increase in the number of SMEs in all groups, but the growth rate is much lower than before the crisis: 102-104%. During the last year the total number of enterprises increased from 50,900 units in 2013 to 52,300 units in 2014, the annual growth index amounting to 102.7%.

1.3 Participation of the SMEs in providing employment
Moldovan SMEs sector makes a significant contribution in providing employment. In 2014, SMEs employed 291,700 people, representing 56.2% of the total number of employees of the national economy. The distribution of the number of employees in enterprises of various sizes showed that the largest share of workers were employed in small enterprises - 40.9% (119,300); in the medium-sized companies were employed 29.4% (85,900 people.); micro-enterprises - 29.7% (86,600) of the total employment in the SMEs sector (Figure 4).

Figure 4: The number of employees in SMEs in 2014 by types of ownership, x 1,000 people

Analysis of the distribution of workers by ownership shows that the private sector employs 79.0% (230,400 people) employees; companies with public property - 11.3% (10.3% public and 1.0 mixt – public and private – without foreign capital); companies based on foreign capital - 9.8% of all employees of the national economy (Figure 5).

Figure 5: The number of employees in SMEs in 2014 by types of ownership, x 1,000 people

Since 2007 the total number of employees at all enterprises of the Republic of Moldova, including in the SMEs sector, has been annually reducing (exception - 2012). In particular, the number of medium-sized enterprises decreased throughout the period. In the group of small and micro enterprises growth and decline in the number of employees took place in different years. In 2014, the decline of employment in the SMEs...
sector took place due to reducing the number of employees in all groups of companies. Dynamics of the number of employees by groups of SMEs over the period 2006-2014 is presented in Figure 6.

![Figure 6: Average number of employees, thous. people](image)


1.4. **Contribution of the SMEs in the value creation**

Moldovan SMEs are involved in the production of products and services, meeting the demand, mainly in the domestic market. Beginning with 2006 and until 2010 inclusive, this figure declined steadily: from 35% to 28.3%, respectively. In the following period, the specified rate whether increased, then decreased and based on the results of 2013, the share of the SMEs sector amounted to 32.2% (Figure 7).

![Figure 7: Share of SMEs in the GDP during 2006 – 2013, %](image)


1.5. **Participation of the SMEs in attracting and absorption of investments**

In 2013, gross investment in the SMEs sector of the Republic of Moldova amounted to MDL 17.9 billion. Since 2010, this indicator has steadily increased, ranging from MDL 6.2 billion (2010) to MDL 16.2 billion in 2012. The share of SMEs investments in the total amount of investments in 2013 amounted to 60.8% (Table 1).
Table 1: The main indices, characterizing the contribution of SMEs in the attraction of gross investment

<table>
<thead>
<tr>
<th>Years</th>
<th>SMEs gross investment, MDL billion</th>
<th>The share of SMEs investments in the total amount %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>7.1</td>
<td>64.1</td>
</tr>
<tr>
<td>2008</td>
<td>7.5</td>
<td>60.6</td>
</tr>
<tr>
<td>2009</td>
<td>6.8</td>
<td>64.8</td>
</tr>
<tr>
<td>2010</td>
<td>6.2</td>
<td>57.6</td>
</tr>
<tr>
<td>2011</td>
<td>8.6</td>
<td>61.7</td>
</tr>
<tr>
<td>2012</td>
<td>16.2</td>
<td>65.5</td>
</tr>
<tr>
<td>2013</td>
<td>17.9</td>
<td>60.8</td>
</tr>
</tbody>
</table>

Source: Developed by the author, based on National Bureau of Statistics of the Republic of Moldova, 2014

Analysis of the distribution of investments between the different groups of SMEs showed that medium-sized businesses predominantly assimilate the investments (48.9% of all investments of SMEs). Small and micro enterprises attract and involve a total of 52.0% (Table 2).

Table 2: Structure of SMEs gross investments by size of enterprise, %

<table>
<thead>
<tr>
<th>Indices</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Total on SMEs sectors, Of which:</td>
<td>100.0</td>
</tr>
<tr>
<td>Medium</td>
<td>40.1</td>
</tr>
<tr>
<td>Small</td>
<td>33.7</td>
</tr>
<tr>
<td>Micro</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Source: Developed by the author, based on National Bureau of Statistics of the Republic of Moldova, 2014

Enterprises of private ownership (47.2%) assimilate the predominant share of investments. However, a significant proportion of the investment has been realized in enterprises based on public property - 32.0%. In companies based on foreign capital in whole or partly, 20.8% of the investment were attracted and used. (Table 3).

1.6. Evaluation of labor potential of SMEs

In order to assess the staff of SMEs, the indicator of the number of employees in one enterprise can be used. In 2014, the average number of employees in 1 SME was 5.6 people. Thus, 53.7 people on average are employed in a medium-sized company, 11.8 people in a small one, 2.1 people in a micro-sized company.

Over the past few years, from 2006 until 2014 there has been a steady reduction in the number of employees in one SME. In 2014, in comparison with 2006, the number of employees in one SME fell from 9.3 people to 5.6 people. This downward trend in the number of employees was present in all groups of SMEs - micro, small, medium and even large enterprises. Only in 2011-2012 a change in this stable trend was observed: in 2011-2012 there was a very slight increase in the analyzed indicators on the micro and small enterprises. In 2013 the trend of the previous years continued: diminish of the number of people employed in 1 company for all business groups (Figure 8).
### Table 3: Structure of SMEs gross investments by types of ownership, %

<table>
<thead>
<tr>
<th>Types of ownership</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total on SMEs sector, Of which:</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Private property</td>
<td>66.2</td>
<td>65.5</td>
<td>63.2</td>
<td>63.6</td>
<td>70.9</td>
<td>62.9</td>
<td>47.2</td>
</tr>
<tr>
<td>Public property</td>
<td>6.4</td>
<td>3.6</td>
<td>4.3</td>
<td>13.6</td>
<td>11.5</td>
<td>15.0</td>
<td>19.2</td>
</tr>
<tr>
<td>Mixt property (public + private) without foreign capital</td>
<td>0.3</td>
<td>0.3</td>
<td>0.9</td>
<td>1.0</td>
<td>0.5</td>
<td>0.9</td>
<td>12.8</td>
</tr>
<tr>
<td>Foreign property</td>
<td>14.3</td>
<td>8.5</td>
<td>12.2</td>
<td>11.7</td>
<td>8.2</td>
<td>11.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Property of mixt companies (RM + foreign)</td>
<td>12.7</td>
<td>22.1</td>
<td>19.5</td>
<td>10.2</td>
<td>8.9</td>
<td>9.4</td>
<td>9.8</td>
</tr>
</tbody>
</table>

*Source: Developed by the author, based on National Bureau of Statistics of the Republic of Moldova, 2014*

### Figure 8: Number of employees per 1 company during 2006-2013, people

*Source: Developed by the author, based on National Bureau of Statistics of the Republic of Moldova, 2015*

Diminish of the number of employees in 1 SME is seen by us as an unfortunate trend, given the low technological level of production. In such a situation, referring to the difficult access to funding sources, namely human resources would be a key factor in the development of business in the country. However, the entrepreneurs observe some serious and growing problems with the staff, which is a barrier to increasing the contribution of SMEs.

### 2. IDENTIFICATION OF THE MAJOR BARRIER FOR THE MOLDOVAN BUSINESS

SMEs development is hampered by multiple barriers that businesses face at different stages of formation and development. *In order to identify the business problems, the results of the survey of entrepreneurs realized by the author or with the direct participation of the author were used.*
In the scientific literature, the problems of enterprises are usually divided into "internal" and "external", being defined by the business environment. Internal problems include limited access to sources of finance, personnel, information, innovation, raw materials, markets, etc. External challenges include administrative barriers, taxation, corruption, etc. These groups of business problems are experienced in countries with different levels of economic development [European Commission, 2011; Vinogradova N., 2012].

Possible solutions to the problems of SMEs are heavily dependent on the source of their origin. We differentiate four major sources of business problems:

1. The activities of the entrepreneurs themselves (lack of experience, knowledge, mentality, lack of understanding of the need to cooperate and associate);
2. The work of the public administration that develops and implements policies for business development: to which extent it takes into account the problems and needs of SMEs;
3. The factors external to the SMEs sector and its development policy, in particular: the realization of other economic policies (de-monopolization, sectorial and regional policies, etc.); the impact of the political component on the economic development of the country, the narrow domestic market, etc.
4. External to the country factors that affect the development of SMEs: the price of imported energy resources; external shocks associated with the global financial and economic crisis; the activities of international institutions.

Figure 9 schematically presents the problems of SMEs in the Republic of Moldova, depending on their source. If some factor creates a very serious problem for the business, the effect of other factors may offset some of its negative impact. For example, if the SMEs today have very limited resources for development, the public authorities through public policy can enhance their capacity. Measures to support SMEs can be undertaken by international institutions, donors. Conversely, if the state is not pursuing a policy that focuses on improving the business environment, so the consolidated business community can confront this. Even the impact of such a difficult correcting factor, as the narrow domestic market, may be somewhat improved, thanks to the foreign policy of the state, facilitating the access of entrepreneurs to foreign markets. However, the adjustment of the effects of one factor by other is possible only to a limited extent.

![Model developed by the author](image)

**Figure 9: The problems of SMEs in the Republic of Moldova according to their source of origin**

Problems of Moldovan SMEs are investigated in this article from 3 points of view, depending on the sources of these barriers:
• by assessing businesses issues related with the resources (financial, human resources and so on.). In order to improve SMEs' access to resources and their qualitative characteristics, both the enterprises themselves and government institutions may influence;

• through the impact of the public administration on the SMEs activity, which establish procedures to regulate the business (business registration, licensing activities, and others.);

• identifying the impact of other barriers, that as a rule, are not directly dependent on public administration engaged in the development of business (domestic demand, political instability, etc.).

2.1. The problems of SMEs due to resources

A significant part of the barriers that the entrepreneurs face on a daily basis are the problems associated with the resource - their presence / absence, quantitative and qualitative characteristics, as well as easy access of SMEs to them. The vast majority (95.6% of the respondents) reported having such problems.

Assessing the problems of Moldovan SMEs due to resources, the entrepreneurs set on the first three places the following results of the survey: access to funding sources (73.3% of respondents); problems related with staff (45.9%) and the constraints imposed by the equipment / technology (33.3%). A complete list of the SMEs problems related to resources is presented in Table 4.

<table>
<thead>
<tr>
<th>Problems</th>
<th>The share of respondents who reported the problem, %, *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial resources</td>
<td>73.3</td>
</tr>
<tr>
<td>Staff</td>
<td>45.9</td>
</tr>
<tr>
<td>Equipment, technology</td>
<td>33.3</td>
</tr>
<tr>
<td>Raw products, materials</td>
<td>19.3</td>
</tr>
<tr>
<td>Real estate</td>
<td>11.1</td>
</tr>
<tr>
<td>Information</td>
<td>6.7</td>
</tr>
<tr>
<td>Others</td>
<td>3.7</td>
</tr>
<tr>
<td>Absence of problems</td>
<td>4.4</td>
</tr>
</tbody>
</table>

* Respondents had the opportunity to choose any number of problems

Source: outcomes of survey [IEFS, 2012].

Unrealized need of SMEs in financial resources took the first place steadily and by a wide margin among the other problems in all the polls conducted by the author, since 1997. On average, between 70 and 95% of entrepreneurs indicated on the difficulty of access sources of finance (if the respondents have had the opportunity to choose from all the problems). In 2012, 73.3% of the respondents indicated on the significance of the problems of financing. Making an attention on the reasons for difficult access to financial resources, the entrepreneurs most frequently noted a high percentage for the loan and the significant cost of processing the loan (82.8% of respondents); the complexity of the procedure for its obtaining (38.3%); fear of the risk of non-repayment of the loan (33.6%) and the lack of guarantee, inadequate assessment of it (31.3%). The full list of reasons specifying the difficulty of access to finance is presented in Table 5.
Table 5: The main problems of enterprises related to access to financing in the Republic of Moldova

<table>
<thead>
<tr>
<th>Problems</th>
<th>The share of respondents who reported the problem, %, *</th>
</tr>
</thead>
<tbody>
<tr>
<td>High percentage for the loan and the significant cost of processing the loan</td>
<td>82.8</td>
</tr>
<tr>
<td>The complexity of procedures for obtaining a loan</td>
<td>38.3</td>
</tr>
<tr>
<td>Fear of the risk of non-repayment of the loan</td>
<td>33.6</td>
</tr>
<tr>
<td>Lack of guarantee, inadequate assessment of it</td>
<td>31.3</td>
</tr>
<tr>
<td>The absence of hope of success in obtaining the loan or investment</td>
<td>17.9</td>
</tr>
<tr>
<td>Lack of knowledge for business plan development, business development forecast</td>
<td>11.2</td>
</tr>
<tr>
<td>Inability to find and attract investment</td>
<td>10.4</td>
</tr>
<tr>
<td>The work of the enterprise in part in the black economy</td>
<td>2.2</td>
</tr>
<tr>
<td>Absence of problems</td>
<td>3.7</td>
</tr>
</tbody>
</table>

* Respondents had the opportunity to choose any number of problems

Source: outcomes of survey [IEFS, 2012].

A high percentage for the credit and demand for a high liquid guarantee are argued by the default risk of non-returning the credit related to the unstable economic and political situation. At the same time, unrealized need of SMEs in financial resources is largely due to disinterest of commercial banks in working with small customers. The problem of lack of financial institutions, focused on small business is compounded by the low-income of the citizens of the Republic of Moldova. Therefore, many businesses use the funds borrowed from relatives, friends and acquaintances.

Without belittling the importance of financial resources for the development of business, it should be noted that in Moldova, as well as other countries, emerging the market economies, many small business owners believe that their main problems are caused exclusively by lack of financial resources. As the formation of market relations in the country, creation of market infrastructure institutions and experience of doing business, the sharpness of the problem of lack of financial resources may be somewhat reduced.

This is supported by research data of the Enterprise Surveys, carried out by the World Bank and the International Finance Corporation in many countries of the world. For example, in Eastern Europe and Central Asia, the share of enterprises evaluating access to finance as a major obstacle, is ranging from 27.7% in Macedonia to 39.1% in Moldova; in the countries of the Organization for Economic Cooperation and Development, the figure is much lower: 7.4% in Ireland to 23.7% in the Czech Republic [European Commission, 2011; Vinogradova N., 2012].

The second important issue is related to the Moldovan SMEs staff: 45.9% of entrepreneurs indicated on its significance for the business. The importance of this issue in the economy of Moldova has increased in recent years. The increase of the importance of staffing problems reflects in the first place, the negative processes in the labor market of Moldova, demonstrating a decrease of skilled workers; the increasing role of labor in the process of production has also an impact. Companies experiencing various difficulties with the staff, primarily face the lack of professional qualification of employees (57.8% reported having problems), and the complexity of the search for the right people (37.8%). According to entrepreneurs and experts, the complexity of the staffing selection is caused by the outflow of skilled workers and professionals, in general the most active people, outside the country, as in Moldova, they cannot receive jobs with the appropriate working conditions and wages. The full list of reasons specifying the problems associated with the staff are presented in Table 6.
Table 6: The main problems of enterprises related to staff in the Republic of Moldova

<table>
<thead>
<tr>
<th>Problems</th>
<th>The share of respondents who reported the problem, %, *</th>
</tr>
</thead>
<tbody>
<tr>
<td>The absence / lack of professional qualifications</td>
<td>57.8</td>
</tr>
<tr>
<td>The complexity of the search for the necessary staff</td>
<td>37.8</td>
</tr>
<tr>
<td>High costs of staff salaries</td>
<td>34.8</td>
</tr>
<tr>
<td>Low labor motivation</td>
<td>28.1</td>
</tr>
<tr>
<td>Poor discipline</td>
<td>22.2</td>
</tr>
<tr>
<td>The absence / lack of managerial knowledge and experience of the managers</td>
<td>13.3</td>
</tr>
<tr>
<td>The psychological climate</td>
<td>9.6</td>
</tr>
<tr>
<td>Inadequate working conditions</td>
<td>4.4</td>
</tr>
<tr>
<td>Absence of problems</td>
<td>6.7</td>
</tr>
</tbody>
</table>

* Respondents had the opportunity to choose any number of problems

Source: outcomes of survey [IEFS, 2012]

Another reason that contributes to the difficulty of recruiting staff, can serve the lack of infrastructure of the institutions operating on the labor market. However, many Moldovan entrepreneurs, especially smaller ones mainly use informal sources to search and recruit the staff (family, friends, former colleagues), without resorting to the employment centers and recruitment agencies. This greatly limits the ability of SMEs.

The third most important group of problems is associated with equipment and technologies (33.3% of respondents noted). Its main causes were due to the high price of new equipment and technologies (64.9% of respondents); complexity and high cost of obtaining long-term loans (51.1%); problems associated with the maintenance and repair of equipment (38.2%). The full list of reasons specifying the problems associated with the equipment and technology is presented in Table 7.

Table 7: The main problems of enterprises related to equipment and technologies in the Republic of Moldova

<table>
<thead>
<tr>
<th>Problems</th>
<th>The share of respondents who reported the problem, %, *</th>
</tr>
</thead>
<tbody>
<tr>
<td>The high price for new equipment, technology</td>
<td>64.9</td>
</tr>
<tr>
<td>The complexity and high cost of obtaining long-term loans</td>
<td>51.1</td>
</tr>
<tr>
<td>Problems with the maintenance, repair</td>
<td>38.2</td>
</tr>
<tr>
<td>The high level of equipment wear</td>
<td>29.8</td>
</tr>
<tr>
<td>The use of outdated technologies in production and management</td>
<td>17.6</td>
</tr>
<tr>
<td>The absence of an organized secondary equipment market</td>
<td>14.5</td>
</tr>
<tr>
<td>Low capacity of using fixed assets</td>
<td>9.9</td>
</tr>
<tr>
<td>The lack of information about the new necessary equipment, technologies</td>
<td>6.9</td>
</tr>
<tr>
<td>The lack of production capacity</td>
<td>4.6</td>
</tr>
<tr>
<td>Absence of problems</td>
<td>6.9</td>
</tr>
</tbody>
</table>

* Respondents had the opportunity to choose any number of problems

Source: outcomes of survey [IEFS, 2012]

All the above mentioned problems are closely interrelated. Lack of financial resources does not allow introducing new equipment and technology, recruiting qualified personnel. In turn, the lack of staff prevents
the introduction of modern equipment and technologies. Simultaneously, it should be noted the extremely low importance to problems associated with the information. Only 6.7% of respondents mentioned it as important, while abroad the information is regarded as one of the main factors determining the success of a business. We can assume that in Moldova, many entrepreneurs do not realize that access to information and its clever use could to some extent help to attract funds and make more effective the staff recruiting.

2.2. The problems of SMEs, due to the regulation of business and the foreign environment

While conforming to the requirements of the legislation governing the business, the vast majority of employers (91.9%) indicated that they are facing barriers. Noting what regulatory procedures create major problems for them, the largest share of respondents pointed to the taxation of businesses (64.0% of businesses), as well as the inspection / audit of enterprises (58.8% of respondents) [IEFS, 2012].

Entrepreneurs were asked to assess which problems in their activity are created by the business environment. The following problems were noted the most frequently:

- **Bureaucracy and corruption.** 96.8% of respondents indicated that bureaucracy and corruption are problems for their business, including 84.0% considered them significant.

- **The level of demand on the domestic market.** 87.2% of entrepreneurs consider this factor as a problem, including 58.1% - a significant problem.

- **Political instability.** Existence of this issue is marked by 86.8% of respondents; including 68.6% of respondents believe that it has a significant impact on business.

- **The lack of stability and predictability of the tax system** (for 84.7% it represents a problem, including for 49.2% - a significant problem).

- **The total tax burden on the company** (for 83.2% it is a problem, including for 52.1% - a significant problem).

With regard to corruption - the primary external problem for business, we note that many SMEs do not take actions to minimize the risks of bribery or corruption. Such a conclusion was made by the Report on the fight against corruption in the SMEs sector, implemented by the Association of Chartered Certified Accountants with the help of 1 thousand of its members all over the world [Robu M, 2014].

2.3. The specifics of the problems of individual groups of enterprises and entrepreneurs

In the analysis of SMEs and the development of policies, it is important to consider that the SMEs sector brings together various groups of enterprises, problems and needs which may vary. For example, while differentiating the problem of groups of SMEs, it is appropriate to take into account gender differences. In Moldova, the number of men entrepreneurs is 2.6 times higher than the number of women, the proportion of the latter being 27.5%. The above figure is significantly lower than the proportion of women in the economically active population (49.4%) and in the total population of Moldova – 51.9% [Aculai E, 2009].

<table>
<thead>
<tr>
<th>Sex</th>
<th>Entrepreneurs</th>
<th>Economically active population</th>
<th>Total number of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>72.5</td>
<td>50.6</td>
<td>48.1</td>
</tr>
<tr>
<td>Women</td>
<td>27.5</td>
<td>49.4</td>
<td>51.9</td>
</tr>
</tbody>
</table>

*Source: Aculai E, 2009*

Gender differences regarding the problems of SMEs, are related to some extent to the age of entrepreneurs. At a younger age the percentage of women reporting the problem is relatively higher than that of men. In particular, at the age of 15-24, the share of women is 84.4%, while the proportion of men - 72.2%.
This reflects less willingness of young women to start a business. With the involvement of women in the business activity, the situation tends to equalize.

Indicators reflecting the specificity of gender issues are the size of businesses owned by men and women. Thus, enterprises that are owned and run by women, have relatively fewer workers. The percentage of women entrepreneurs who are owners and / or managers of micro-enterprises is 79.4%, while the share of men entrepreneurs in the group of micro-enterprises is 67.8%. The enterprises of different sizes with respect to most entrepreneurs are men. Moreover, the larger the business is, the higher the proportion of men entrepreneurs is:

- For small enterprises the share of men entrepreneurs is 1.4 times higher than for women (the proportion of men - 24.5%, women - 17.2%);
- For medium-sized enterprises, the ratio accounts for 2.3 times (respectively, 6.6% and 2.9%);
- In large enterprises the share of men entrepreneurs is 3 times higher than the proportion of women (respectively 1.2% and 0.4%).

Since the women own / control the relatively smaller size enterprises, which are in need for special state support, the identification of gender differences allows the government to develop more reasoned measures to support women's entrepreneurship.

CONCLUSIONS

SMEs make a significant and multidimensional contribution to the social and economic development of the Republic of Moldova. Economic reforms in the country contributed to the emergence and rapid development of small private enterprises. Currently, the total number of SMEs is dominated by micro-enterprises, their share being of 78%. At the same time, the predominant share of SMEs (90%) is based on private property. The SMEs sector generates 32% of GDP and absorbs 61% of all gross investment in the national economy.

The SMEs sector contributes significantly to employment in Moldova. In 2014, more than 290 thousand people, representing 56% of the total number of employees of the national economy were employed in SMEs. The average number of employees in 1 SME is 5.6 persons, the specified index having a trend to reduce. Reduction of this indicator is estimated as a negative trend because considering the difficult access to funding sources, namely the human resources would be a key factor in the development of business in the country.

A more rapid development of SMEs, increase of their competitiveness are hindered by numerous barriers that businesses face at different stages of formation and development. Assessing the problem of Moldovan SMEs due to resources, the entrepreneurs mentioned on the first three places the access to sources of funding (73.3% of respondents); problems with staff (45.9%) and the constraints imposed by the equipment / technology (33.3%). Noting what regulatory procedures create major problems for them, the largest share of respondents pointed to the taxation of businesses (64.0%), as well as the inspection / audit of enterprises (58.8%).

Analysis of the main elements of the contribution, along with the identification of the main barriers faced by businesses, allow more reasonable to develop and implement a policy of entrepreneurship development in the country.

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PEACE AND GOODNESS.
FRANCISCAN VALUES APPLIED TO BUSINESS

ABSTRACT

Cross connection between comprehensive Franciscan spirituality and current business is neither theoretically premeditated nor practically applied. We have to introduce the Franciscan concept of peace and goodness as the base for the next consideration. Our aim is to apply this approach into business. The peace and goodness, two main values we work with, are in Franciscan approach seen as ones from God's gifts given for free. Only inner settlement for accepting and applying them in everyday life can cause an outgoing effect toward Thou. This transformed relation creates fraternity, which is essential element of the Franciscan spirituality. Applying of this strategy into business must necessarily lead to: a) peace oriented person (leader); b) change of the relationship with stakeholders; c) improvement of the workplace; d) transformation of the corporate vision.

Keywords: Peace, goodness, Franciscan spirituality, business, ethics, sustainability

JEL codes: A13, M14, Z12

Blessed are the peacemakers: they shall be recognized as children of God.

And

Love your enemies, do good to those who hate you . . . and you will be children of the Most High, for he himself is kind to the ungrateful and the wicked.

Jesus Christ

Lord makes me an instrument of your peace

Franciscan prayer

1. INTRODUCTION

We can observe a strange trend nowadays - to reign means to be strong but without mercy and to serve is unpopular weakness. In order to obtain power and fame, the tools of evil like destroy and kill are often used. Historical experience shows us that powerful empires are built on the suffering of many souls and are keeping by violence (Johnson 2001). Peace oriented people and those who want goodness for the others could sometimes seem like crazy. Furthermore, this pathological mentality of power can be observed in business. More often accepted model is individualistic and selfish businessman earning money on detriment his neighbors. Postmodern (digital) man could be compared with Jeremy Bentham’s empirical man living in 19th century: is lazy, has aversion to work and loves money (Miedzgová 2008, pp. 308-309). Also in Slovakia can be viewed the consequences of this mentality. Due to past twenty five years of jungle capitalism, managed by relic socialistic structure, the huge gap between few rich and many poor is still arising (The Slovak Spectator 2015).

Although a vicious circle of aggression in business exists, we can sketch hopeful way out. In this situation, we would like to offer Franciscan values - peace and goodness as a potential alternative. Franciscan approach will be presented in the context of personalism and Christian tradition (Tresmontant 1970). It is not sufficient to write or talk about it, but it is necessary to apply this peace and goodness into the real life business. We strongly suppose that than the following fruit will be brought: peace oriented person (leader), changed relations to stakeholders, the improvement of the workplace and transformed corporate vision. We suppose that this change could be not only visible but also measurable. Our ambition is to offer some
theoretical basis for the next steps (data collection etc.). However, we expect that during the process of peaceful transformation in business, many obstacles will appear. In this paper, we will follow the interdisciplinary approach commonly used in applied ethics.

3. BUSINESS AND AGGRESSION

The great civilizations of Antiquity (Egypt, Sumer, Akkad, Canaan, Greece, etc.) were built on theogony, mythology, and theology which claimed that a war belongs to the existence of gods played out before nativity of humankind. The world and human beings are considered as a result of this war. *Polemos* in various forms (conflict, fight, aggression, violence, war etc.) is present throughout the history of humankind. This aggressive human mentality was deeply affected by dialectical Hegelianism and materialism (Marxism) during Industrial Age (Hegel 1976; Marx 1992). The whole 20th century is a constant struggle between the capitalist and socialist understanding of business and way of life (Johnson 2001).

Nowadays, the aggression becomes an integral part of us, our life, business, culture, religion, society, and it often degenerates into the vicious circle of aggression (Figure 1) that is very dangerous mechanism.

**Figure 1** *The vicious circle of aggression*

![Vicious Circle of Aggression Diagram](image)

This process can be explained simplistically by a few steps. The first one: participant 1 is full of inner disorder. In the next step, participant 1 attacks participant 2 with aggression or violence. Then also the inner disorder arises in participant 2. As follows, the participant 2 responds to participant 1 by vengeance that is his reaction to aggression and violence. This circle is closed by retributive action invoking a new violent aggression. In addition, a spiral of aggression becomes larger. Here we can see a great challenge for contemporary neuroscience how to break this mechanism of aggression by understanding the brain, behavior, and environment (Niehoff 2002). Moreover, it could supplement our spiritual view on aggression.

We have to investigate whether some aggression is present in business or what kind of correlation is between business and aggression. If it is true that aggression is present in business, then there is another important question we have to tackle: what are consequences, causes and sources of such aggression. This can be identified from business relationships: employee versus manager, relationships between employees, stakeholders, enterprises, markets, states etc. We can easily observe the mechanism of the vicious circle of aggression in business because the fierce competition, as the form of aggression, infects and systematically destroys every participant (or stakeholder). The following structure can be derived:
When using inductive reasoning, we can move from specific instances to general statement. It means: a) to observe and measure the consequences in business praxis, b) to identify the causes of these consequences, c) to find the paradigms which affects the causes, d) to analyze the foremost source of these paradigms. An opposite direction is deterministically given and simply supposed by deduction. Practically implemented, we can fill the previous abstract structure with instances determined from everyday business:

In our previous work (Bednar 2013) we mentioned the features of current unsustainable economics. Generally, our outcomes are based on current economic reality and experience in business. We can also observe there many negative phenomena which cause conflicts and turmoil. It is impossible to ignore it because it affects millions of people in Slovakia, Europe, and all over the world. For instance, as typical consequences can be mentioned: reduction of people to numerals, manipulation, control, pollution, corruption, exploitation etc. Hence, the resulting cause is an approach present in business, management, and
leadership praxis, which is characterized as an empirical quantification, domination, money at any cost, technocracy, bureaucracy etc. This approach is infected by paradigms significant for mainstream economics. The strong materialistic drive of economics, concentration of power and wealth, and the paradigm of instrumental and utilitarian rationality are dominant in empirical praxis. They could be measured, observed, and verified by quantitative and qualitative tools.

But the most important is not to be focused only on the empirical and visible reality. Such attitude should be deficient and incomplete because the foremost source is transcending us and our sensual world. We assume that well known effort “to be like God” (Gen 3:5) is the inner source for every move in our life and over the world. This could be realized by two very different ways: the first one is the way of evil (sin, death) and the second one is the way of good (grace, life). The “prototype” of the first way is devil (δι άβολ ος), ontological created being characterized by all that is hostile to God and to human, according to Christian tradition and theology (Paul VI 1972). Pride obscures his mind; he declares himself as God (Amorth 2010).

Jesus temptation, described in Bible, shows devil's usual temerity: “then leading him (Jesus) to a height, the devil showed him in a moment of time all the kingdoms of the world and said to him, “I will give you all this power and their splendor, for it has been handed over to me, for me to give it to anyone I choose. Do homage, then, to me, and it shall all be yours.” (Luke 4:5-7). We could see that kingdoms, power, splendor, glory, and money are not the most important things for devil, but he requires worship that belongs to God. Similar happens to people, who are open to evil. The “prototype” of the second way is Jesus Christ as the concentration of peace and goodness (New Testament). He, The Son of God, represents minority and humility of God: “just as the Son of man came not to be served but to serve . . .” (Matthew 20:28). “To be like God” Jesus considers as “to serve others”, “to be creative for doing goodness”, “to use critical thinking”, “to change things peacefully” etc.

There could be found many Christians during history, who were inspired by Jesus and his way of peace and goodness. One of them, very consistent with Jesus, is popular saint Francis of Assisi (1181-1226).

3 CONCEPT OF “PAX ET BONUM”

Spiritual experience of St. Francis of Assisi with God, his conversion and his life “in obedience without anything of our own and in chastity” (The Rule 2015) are basis for Franciscan concept of “Pax et bonum”. Briefly, this way of St. Francis progresses in three simple steps:

1. Personal experience with personal God;
2. Inner conversion (metanoia);
3. Transformed relations – fraternity.

His transformation was systematic and gradual process continuing during his whole life, and the deep source for affirmation “Ubi Deus, ibi pax” (Where the God is, the peace is), which is the expression of Franciscan mystical and contemplative experience. This mentioned direction is also verified by eight hundred years of Franciscan tradition (Rottzeter 2003, pp. 127-146). We would like to introduce the scientific outline (Figure 4) of Franciscan “Pax et bonum” concept. It should be helpful for better understanding and subsequent practical implementation.

The figure shows Franciscan dimension embedded in the context of Christian personalism, which is based on Christian philosophy, theology, and spirituality (Wojtyła 1993; John Paul II 1995). This current thought considers human being as a unique and unrepeatable person existing in personal relations (Gaudium et Spes 1966, para. 24; Benedict XVI 2012, para. 53).
3.1 Relation to God

St. Francis experiences God every single day, and his understanding and vision of God comes from it. For him, God himself is Goodness and Peace. This is clearly evident in his prayers (Prayers of St. Francis 2015): St. Francis prays: “. . . You are three and one, the Lord God of gods; You are the good, all good, the highest good, Lord God living and true.” (The Praises of God and the Blessing). He names God as “. . . Most High, all-powerful, good Lord . . .” (The Canticle of Creatures). God is “. . . supreme God: all good, supreme good, totally good, You Who alone are good . . .” (The Praises To Be Said at All the Hours). St. Francis invites us: “. . . Praise the Lord because He is good . . .” (Exhortation to the Praise of God). He also prays: “. . . Lord, are Supreme Good, the Eternal Good, from Whom all good comes without Whom there is no good.” (A Prayer inspired by Our Father). St. Francis says: “. . . every good is His, and thank Him, from Whom all good comes, for everything” and “. . . All thanks and glory, To Whom all good belongs, He Who alone is good.” (The Invitation to restore all goods to the Lord). St. Francis calls: “. . . the only true God, Who is the fullness of good, all good, every good, the true and supreme good, Who alone is good, . . .” and “. . . Who did and does everything good for us . . .” (Prayer and Thanksgiving).

We can observe the truly passion, contemplation, and constant adoration of God in those words of prayers. “. . . No one is good but God alone” as Jesus said (Luke 18: 19) – this is true, present in each Francis prayer. Deep theology is hidden in Francis words:

1. There is no another origin - God alone is Good;
2. God is the only source of goodness - God is the good, all good, the highest good, supreme good, totally good, Eternal Good, fullness of good, every good;
3. There is no another donor - all good comes from God;
4. God did and does everything good for us – He does only good, no evil (Luke 6: 35);
5. There is no good without God (John 15: 5-6).

Before his death, St. Francis had dictated: “The Lord revealed to me a greeting, as we used to say: May the Lord gives you peace” (The Testament 2015). This greeting was not Francis invention, but God’s revelation. Due to described context of God as Good, we can mention that the peace can be given only by the
one who it really has. This origin one is God himself as The Supreme Peace. This true was clear for Francis - there could not be peace without God.

3.2 Relation to Me (self identity)

Before his conversion (metanoia), Francis lived his life in a sin. He was very rich and prodigal, proud, and vainglorious; he lived in naughty luxury with his companions (Celano 1988, Part I, para. 1-2). But God touched Francis by sickness. Francis was captured during the war between Assisi and Perugia in 1202. He spent a year in captivity, where he became ill. Then a long period of illness and convalescence ensued. In 1205, Francis joined the army of Walter de Brienne. But he returned home after having a vision and message from Lord in Spoleto. It was a beginning of a gradual metanoia period (Chronology 2015; Celano 1988, Part I, para. 3-5).

For Francis, the spiritual meeting with God (Lord Jesus Christ) was deeply corporal as well as a sensible existential experience. He met Christ as King in his vision in Spoleto, received a message from Christ on the Crucifix at San Damiano, recognized Christ as Human in leper man, and discovered Christ in the God’ word when hearing the gospel during the St. Matthias’ feast. His stigmatization at la Verna by Crucified was the culmination of his unification with God. His being and understanding were transcended by these inner and deep meetings. It happened not because of his power, virtue or effort, but because of God’s grace and love. The long term process of Francis conversion was not only a straightforward consequence but also a necessary answer to the spiritual experience with Christ’s love (Celano 1988, Part I). It was a time, when the inner peace and goodness were created. Simply said, during his life he was able to see the Christ in everyone and everything.

Exploring God’s love and goodness together with knowledge of own sinfulness represent the main effort of St. Francis during his transformation. Living without God and being in a sin is a total worry, but repentance and reconciliation with God are sources for a deep inner peace. To restore the relation with God means to restore a relation to inner self. This is not a moral or juridical but an ontological issue. For better understanding I would like to refer to Jesus comparison of man with vine (John 15). God of Peace is the true vine and the human being is a branch. The branch cannot bear fruit (peace) all by itself, unless it remains part of the vine, and if the branch is cut away then withers (it means unrest). God’s love and peace is nutriment keeping the branches green and alive. Hence, repentance and penance, which retain man in God’s love, as branches on the vine, are the main characteristics of Franciscan spirituality and tradition.

3.3 Relation to Thou

The mission of St. Francis was proclamation and dissemination of mentioned repentance and peace. Thomas Celano (1988, Part I, para. 23) writes: “For each sermon rather then he presented the word of God, he begged for everybody peace by the words: May the Lord give you peace. He still proclaimed this peace with great love and heart, to men and women, to all people, which he met on the roads. So, many people, which hated the peace and the salvation before, they embraced by the grace of God with whole heart peace, themselves become people of peace, and were zealous about their eternal salvation.”

Now we can see that peace, following from our reconciliation with God, is a sufficient and also necessary condition for reconciliation among people. We are able to give the peace into all our relationship (to all beings) only if we have inner peace from God’s forgiveness.

3.4 Relation to Us

Human being changed by God peace is opened to another “Thou” and ready to offer peace to all beings. According to Francis, all these attributes are obtained in fraternity, as a mystical reality (Cincialova 2010a). It means relationship with others who transcend their selfishness and the God is in their middle. The most important point is that brothers are not chosen by Francis, but “the Lord gave me brothers”, as he expressed in The Testament. Second typical feature is deep fundamental peace and solidarity with all people and all beings, which come from minority. Continual and tireless effort for peace in fraternity is obvious from
three Franciscan greetings: *Dominus det tibi pacem* (May the Lord give you peace) means that peace is gift from God of Peace (The Testament 2015); *Pax et bonum* (Peace and goodness) signifies existential experience of peace and good (The Legend of the Three Companions 2013, para. 26), and *Pax huic domui* (Peace to this house) wishes peace in family (The Rule 2015).

### 3.5 Relation to Nature

The attitude of fraternity should be applied not only inside the Franciscan community but also outside as the *universal fraternity* - to all people and to whole creation (nature). The typical example of this approach can be found in the contemplative and mystical text of the prayer *The Canticle of the Creatures*, where the whole creation reflects the beauty of Creator. Everybody is overviewed as brother and sister, reconciled with each other and with God. Nobody and nothing are excluded from this fraternal peace; everyone is dragged into it (Allen and Allen 2000).

*The Legend about the wolf of Gubbio* (The Little Flowers of Saint Francis of Assisi 2013, para. 21) is another significant example of Franciscan peaceful effort. Even if the wolf of Gubbio could be a real animal or evil man who terrorized others; this narration explains that engagement for peace is determined with the specific experience with God. Francis put all his confidence in God. He was able to see this dangerous wolf as brother, and he talks to him and mediates him the love of God. It was Francis nonviolence that changed this wolf. It is clear that this is a unique path that leads to peace.

### 3.6 Relation to the World

Franciscan understanding of the world is diametrically opposed to the Christian monastic tradition (*fuga mundi*). St. Francis does not escape from the world. It is not necessary for him to separate himself from the world, because this world does not distract him and does not interfere into his union with God. Contrariwise, our world is good, created for human being as a gift; for Francis it is the path leading to God (Cincialova 2010a, pp. 20-22). St. Francis is characterized by his closeness to our world and by his perceptibility to the created beauty (Bonaventure 2007, chap. 9, 1).

This mentioned view is obvious in the practical instructions how brothers ought to travel the world obtained in the Rule (2015, III): “... when they travel about the world, they should not be quarrelsome, dispute with words, or criticize others, but rather should be gentle, peaceful and unassuming, courteous and humble, speaking respectfully to all as is fitting. ... Whatever house they enter, they are first to say, “Peace to this house” (Luke 10:5).”

Hence, the close correlation exists between the attitude “sine proprio” (without property) and peace. Once, bishop of Assisi said to St. Francis: “Your life seems me very hard and rough, because you do not have any goods.” And Francis responded: “If we had the goods, sir, we would have guns to protect ourselves, because wealth created disputes and quarrels” (Legend of the Three Companions 2013, para. 35). He knew that man, who lives in fear for losing his property cannot live in peace. In this sense, the peace is visible sign of inner detachment from matters and true freedom of the children of God.

### 3.7 Relation to History and Time

*Kairos* is a biblical understanding of time, it means qualitative passing on which history of salvation is built. Biographer Celano (1988, Part II, para. CXX) writes that the every time moment is a gift for St. Francis; and he does let neither one pass uselessly. Every moment is unique, unrepeatable, and predestined of decision for Christ. Resolving for Christ is equal to decision for peace and goodness, which can raise and enlarge in time and hence affects history. However, Jesus Christ said: “Do not suppose that I have come to bring peace to the earth: it is not peace I have come to bring, but a sword” (Matthew 10:34). Therefore, those who live according to His words and form the peace will have to face an aversion, sooner or later. Paradox is that those who are against peace and goodness will destroy themselves, sooner or later.

### 4. SOME APPLICATIONS TO BUSINESS

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Our main idea is to apply Franciscan concept of “Pax et bonum” into business and sketch how this process can be done. To summarize our previous consideration, the peace is viewed as rooting in God, touching the core of our own existence, inner satisfaction, and openness in relations. The goodness constitutes concrete corporeal and sensible experience of peace which means material and spiritual goods in everyday life and the absence of physical and moral evil.

The peace and goodness principle for business, we will outline below, are so much universal, that they could be easily applied into real life projects. We will sketch concrete applications of this mentality and strategy in business and suggest some propositions for each one. Everybody can implement and practice them in his business.

4.1 Peace-oriented person (leader)

The first proposition is:

\[ P_1 \quad \text{Person in business before transformation is often aggressive, destructive, selfish, and greedy and wants to govern.} \]

The real world of business is not a peaceful place. We are participants in many differences, contradictions, and conflicts in our workplaces. Many paid trainings are offered as some miraculous recipes how to solve the conflicts. But they do not work very often. St. Francis of Assisi gives us an example how we can transform conflict to a place of peace. The more intensive his contact with mystery of God was the more mighty his inner peace was and his life was more persuasive. Hence, the inner peace glowed from him and touched many people. We are invited by St. Francis not to leave the place of conflict but remain, step in this misery and passionately stand all evil. However, it could seem like masochism, it is not. It is active preparation for peace and manifestation of patience and humility.

Francis remembered the missionary message of Jesus: “I am sending you out like sheep among wolves” (Matthew 10:16) which he accepted and wrote into Franciscan Rule (Regula non bullata 2015, chap. 16, 1). The other rule of St. Francis is more contradictory: “I admonish and exhort the brothers . . . be humble, be patient in persecution and infirmity, and love those persecute, blame or accuse us, for the Lord says, „Love your enemies, pray for those who persecute and accuse you” (Matthew 5:44) . . .” (The Rule 2015, X). Only this is way how the vicious circle of aggression could be traversed and evil will be stopped.

In contrary with previous proposition we offer:

\[ P_2 \quad \text{Person after transformation could become peace-oriented leader, creative, frugal, and wants to serve.} \]

Everybody in business should turn into peace-oriented person (leader) not just manager or owner but also regular employee. Such a person may then become very charismatic, hearts inspiring, and souls touching. In the strict sense, peace-oriented leader is exactly charismatic leader who creates a strong personal bond with followers. His charismatic influence supports the authenticity of person (Caldwell et al. 2012).

Practically, if we have inner peace, our work is done with peace, even if the things are going well or wrong, even if we earn money or not and even if we are successful or not. We should not forget that the aggression in current business world will always resist and will always put obstacles against peace. Everybody who brings peace can be seen as crazy or softy because business mentality refers successful person as strong, severe, and assertive. Widespread paradigm is that powerful is the person who governs and not serves. However, the truth is that destruction and aggression are not power but powerlessness. The ministering and peaceful creationing present the real power. Peace-oriented leader cares not only about personal good but also mainly regards to the good of the others.

4.2 Changed relationship with stakeholders

\[ P_3 \quad \text{Selfishness, money profit, unbalance, and unilateralism are typical characteristics for former relationship with stakeholders.} \]

\[ P_4 \quad \text{Relationship after the peaceful change is oriented to others and it is characterized by balanced development and sustainability.} \]
Peace-oriented mentality is also the way how can be approached to stakeholders. Every stakeholder could be abstractly taken as “thou”. This changed approach is not selfish but prefers the goods for the others (Argandoña 1998). Since we are living in a network of relationship in our everyday life, business and economic space too, we are situated at different levels of relations and roles: owners, employees, investors, clients, rivals, regional activists, public etc. Right here, in this network, we could create peace and goodness. We can let peace to transform our relationships. Then the most important matter will not be money profit but balanced and sustainable development of all. In this point of view we should be able to solve the conflicts among stakeholders peacefully.

4.3 Improvement of the workplace

Workplace before transformation is mostly fixed static mechanism and full of disorder. The mechanistically materialistic and utilitarian theory of economics does not take care about what is the role of the workplace and ecological dimension in business. The roots of such mentality (person (world) works as a machine) come from French enlightenment philosophers (Zigo 2008, pp. 281-301), supported by sociobiological evolutionists and Marxists. Historical experience together with current research shows this view as total failure. The human being is not a machine and does not live in vacuum but we live in the nature, we are placed into some exact environment or business workplace. The world and nature are not strictly determined and fixed static mechanism. Contrariwise, they are variable, uncontrollable, and unpredictable movement with complex network of relations.

Workplace after transformation is variable movement and peaceful environment where the values are creating. Implementation of peace and goodness principles could lead us to a holistic approach to nature because it is not possible to live without water, sun, air, oxygen, soil, wood etc. (Vladykova 2011). It is clear that pollution and exploitation of nature hangs over our existence on earth. It is an ontological and existential question.

In the course of last decade we can observe increasing interest in workplace spirituality. The correlation between the workplace and spirituality engages the attention of many researchers (Saks 2011; Schaeffer and Mattis 2012). Likewise, the theology of work, which also deals with workplace, could not be omitted (Theology of Work 2015). The workplace is formed on the horizon of nature. However, it is our “artificial nature”, where the most of the day is spent. For this reason, it is very important to design this space humanly and ecologically. Improvement of the workplace will be the undisputed consequence of the peace and goodness principle application into praxis. We do not have a machine, which can measure the culture of workplace, but the peaceful workplace brings a plenty of good fruits: pleasant atmosphere, elimination of conflicts, peaceful conflicts solving, amelioration of interpersonal relations, improvement of work ethics etc.

4.4 Transformation of corporate vision

Wealth and money concentration are the central point of the unchanged corporate vision. Transformed corporate vision is switched to peaceful public service for bonum commuinae.

Sense of peace and goodness principles and their implementation in praxis can cause the transformation of corporate vision, which will also affect the strategy of corporation and its politics. Before the change of strategy, the corporation is focused only on the generation of gain for shareholders, gathering of wealth, selling more and more products, getting the biggest market share etc. But after embracing the peaceful and goodness orientation into corporate structure, the corporate vision will be oriented to peaceful public service for bonum commuinae (Sison and Fontrodona 2011). The following features are characteristic for this kind of service: paying taxes, protection of the nature, investment to the education, developing the region, building of the moral standards, respecting the law, promotion of the justice etc. The corporation, changed in such a way, can ethically influence the political and cultural structures of the society.
5 **Obstacles**

It is not surprising that along the path of dissemination and implementation of peace and goodness in business there are many obstacles which limit and inhibit this effort:

5.1 **Inner self**

Our inner self is often full of worry. Relation between moral freedom, choice of good or evil and personal responsibility is a complex structural problem of our existence. We can declare with St. Paul apostle: “. . . for though the will to do what is good is in me, the power to do it is not: the good thing I want to do I never do; the evil thing which I do not want – that is what I do . . . What a wretched man I am! Who will rescue me from this body doomed to death?” (Romans 7:18.19.24).

5.2 **Experience**

We have lots of experience with disorder and evil in business praxis. Very often we are misled, deceived and manipulated by selfish interests of greedy people. Therefore, we are sad, disappointed and disillusioned. Our intrinsic experience blocks us to believe that goodness exists. Then it is difficult to believe that there is some Being, Good himself, who wants nothing else but goodness for us and take care of us in the best way. We miss moral patterns and education for acting the good.

5.3 **Greedy businessmen**

Employees or entrepreneurs are pushed by greedy people and their “law of the jungle” to give strong outputs and to earn money at all costs. The tumbling mantra is: The harder you work, the more money you have. But we can see how obsession with work kills our inner self, relationships with other people, families, nature, economy, states etc. (Pieper 1998). It hides destructive power which destroys goodness and denies the peace. As a result, contrary effect comes: no money, no leisure time, no health, and no relations.

5.4 **Economic system**

We can observe “anonymous forces” behind the “global markets”. A transnational corporation corrodes national state and takes over its functions. The economic “super entity” formatted from powerful transnational corporations build the network of global corporate control (Vitali, Glattfelder and Battiston 2011). We can agree with Gill Deleuze (1992) that the operation of markets is now the instrument of social control and forms the impudent breed of our masters. Pope Francis also criticizes contemporary economic mechanisms promoting inordinate consumption. He characterizes them as the economy of exclusion, the new idolatry of money, the financial system which rules rather than serves and the inequality which spawns violence (Francis 2013, para. 52-60).

5.5 **DEVIL**

We can read in Bible: “. . . but for you, earth and sea, disaster is coming – because the Devil has gone down to you in a rage, knowing that he has little time left . . . (he) went away to make war on the rest of her children, who obey God’s commandments and have in themselves the witness of Jesus” (Revelation 12:12.17). Evil is not only the lack of good, but “. . . the living spiritual being, totally perverse and breathtaking in perversion of others, tremendous reality, mysterious, and terrible” (Paul VI 1972). If we believe or not, if we are Christians or not; this metaphysical intelligent wicked created being hates us and fights against us. Throughout whole human history stretches hard fight against the powers of darkness which started at the very beginning of the world and will continue until the last day (Gaudium et Spes 1966, para. 37). Everyone who wants to persist in good and spread peace verifies this reality.
6 CONCLUSION

We mentioned Franciscan principle “pax et bonum” which is one of the most characteristic features for Franciscan spirituality and its founder St. Francis of Assisi. It seems that situation before eight hundred years was totally different from ours. Someone can dissent that St. Francis has nothing to say for contemporary people living in digital epoch of the 21st century. However, the opposite is true. Franciscan message of peace and goodness is still very actual and much more urgent in those days.

What is the mystery of the attraction of St. Francis peace-oriented message? St. Francis did not punish violence; he did not sophisticate manual of the peace, did not formulate the declaration of human rights and did not write any scientific article about peace. But his message is clear and his method is really simple: to live and to proclaim the evangel of peace, which is joyful message about love and forgiveness. God took his sins away and gave him a grace of conversion. Who meets God of Peace once, will be able to bear the fruit of this meeting for the others – peace and goodness.

St. Francis was not naive, utopian or a dreamer. He knew very well that the world is full of conflicts and violence; and instead of the goodness the evil (sin) operates. He experienced that hungry “wolves” are on the prowl, looking for someone to devour (1 Peter 5:8).

We also know that the business world is full of conflicts and other negative phenomena. Current unsustainable economics and ongoing crisis are the best examples. Consequently, we tried to apply the Franciscan peace and goodness principles to business. We think that it could bring a lot of ethical changes. Peace-oriented leader with deep inner peace can change relationship with other stakeholders. Improvement of the workplace with holistic approach to nature can create more human and ethical space to live in. Transformed corporate vision oriented to public service is necessary for bonum communae.

Of course, this peaceful and goodness oriented transformation in business will not be easy. Many obstructions will resist. This is because mysterium inquitatis (2 Thesalonians 2:7) is present in the world. In this tragic reality, St. Francis is the example that evil (devil) will never win because is terminal and limited as the whole creation. Hence, never pay back evil for evil; and do not be mastered by evil, but master evil with good (Romans 12:14-21). In the Christian and Franciscan tradition, only one God as The Ultimate Good and The Highest Good wins (Ephesians 6:10-18).

Message of St. Francis of Assisi is clear and his method is simple: to live and to proclaim the evangel of peace and goodness in the world. Let famous Franciscan prayer on peace (2015) helps us in this effort:

Lord, make me an instrument of Your peace;
Where there is injury, pardon;
Where there is error, truth;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
And where there is sadness, joy.

O Divine Master, Grant that I may not so much seek
To be consoled as to console;
To be understood as to understand;
To be loved as to love.
For it is in giving that we receive;
It is in pardoning that we are pardoned;
And it is in dying that we are born to eternal life.
Amen.

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NEWS

INVESTMENT PLAN FOR EUROPE: over €1 billion of EIF equity investments for SMEs and start-ups across Europe since January

Brussels, 26 October 2015

European Commission - Press release

The Investment Plan for Europe has financed €1 billion in financing for small businesses across Europe so far in 2015

Since the start of 2015, the European Investment Fund (EIF) and equity funds across Europe have signed investment agreements worth over €1 billion which will provide equity financing for businesses. These 28 transactions benefit from the support of the European Fund for Strategic Investments (EFSI) the heart of the Investment Plan for Europe (see at http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm).

The new agreements enable fund managers to invest in promising start-ups, SMEs and midcaps, benefitting from early-stage to growth capital investments. By mobilising other investors, including funds from the private sector, this is expected to result in overall investments of more than €12 billion across the EU.

Some examples of where these funds have invested so far include a leading player in the Italian ophthalmic industry, a start-up located in Berlin offering on-demand home services through a global online platform, and a start-up with its headquarters in London and an office in Athens providing a hiring software platform, primarily for SMEs, which facilitates and simplifies the recruiting process for employers. Many more are expected to receive similar financing support under EFSI in the coming months.

The resources under the EFSI SME window are being deployed following a significant increase in the EIB Risk Capital Resources (RCR) mandate for equity investments, managed by the EIF.

Speaking at the Brussels event "EFSI boosts innovation", European Commission Vice-President Jyrki Katainen, responsible for Jobs, Growth, Investment and Competitiveness, said: "The investment plan for Europe aims at providing the financial instruments that the market is not providing today so that Europe can invest in its future. This is particularly true for SMEs that are lacking equity financing in Europe, so I welcome the news that the EIF has reached €1 billion in equity financing through EFSI."

European Commissioner Carlos Moedas, responsible for Research, Science and Innovation, said: "Too many start-ups leave our continent because they can't raise the finance to commercialise innovative ideas. That is why it is so encouraging to see the European Fund for Strategic Investments off to such a good start, investing in promising innovative projects and SMEs from biotech to renewable energy. Alongside Horizon 2020, this will give new energy to Europe's innovation ecosystems."

Commenting on results achieved in the equity space, EIB Vice-President Ambroise Fayolle, said: “These are the first EFSI equity transactions signed in Europe. The deals reflect the EIB Group’s commitment to respond swiftly to calls from Member States, the European Commission and the European Parliament for a rapid launch of concrete initiatives under EFSI, accelerating lending capable of boosting jobs and growth in the EU.”

EIF Chief Executive, Pier Luigi Gilibert commented: “The additional EUR 1 billion investment signed under EFSI gives leading venture capital and mid-market funds an opportunity to target more companies in the coming months, helping to meet demands for their current deal flow and boosting the growth economy. Many of these funds have already started investing in companies, including start-ups, in France, Germany, Italy, the UK and Sweden and we expect to see more investments in other countries soon.”

A full list of equity funds under EFSI can be found at http://www.eif.org/what_we_do/efsi/equity-deals.pdf

Background information
Investment Plan for Europe
EIF website, InnovFin
Horizon 2020 website
Centre Innovation and Development (CID) at the University of Economics-Varna (UEV) was established in 2013 with a decision of the Academic Committee of the UEV. The main goal of CID is to support and develop “business-academia” relationship in contemporary fields of knowledge development in the field of economics. The CIS staff has a lot of experience and expertise in developing training programmes and projects aimed at developing innovative and creative skills in various target groups.

The CID main scope of work comprises systematic interdisciplinary research, analyses, consultations and other project activities aimed at business organisations, institutions and public administration. The emphasis of CID efforts is placed on implementation of contemporary research tools and methodologies, incl. ICT, innovative teaching methods, and innovative models for business development. The CID research and consulting priorities are focused on knowledge-based services, chemistry, agribusiness, food industry, high-tech industries, and creative industries.

CID has been developed a Business simulator is developed on the background of REFRAC (Reference Framework of Applied Competences) and mission-based learning. REFRAC is designed as a multi-layered process-based system. The structure of each level is similar and it is divided into several missions (from five to seven) depending on the content of the course. Mission is defined as an assignment which requires a practical completion of a task or a sequence of tasks based on a certain knowledge. Missions must be accompanied by clear instructions and a feedback form. The feedback form is used for validation and it serves as an assessment tool thus providing transparency and creating a competitive environment among students. CID Business simulator provides an opportunities for the students to feel the real market pulse in competitive environment by working in virtual companies. The main objective is to train their business survival skills, entrepreneurship, creative and innovative thinking as well as their abilities for problem solving and conflict resolution in dynamic situations.

CID is managed by Assoc. Prof. Dr. Bistra Vassileva, Director of the Centre at the University of Economics-Varna. She is responsible for the organisation of research and ICT projects with different scope as well as for the implementation of social initiatives in the North Eastern Planning Region. Member of CIM, ESOMAR and EMAC. Dr. Vassileva is a national expert on Reference Budgets for Bulgaria within the pilot project – Developing a common methodology on Reference Budgets in Europe (Contract No VC/2013/0554, Coordinator APPLICA and Herman Deleeck Centre for Social Policy, University of Antwerp, April 2014-2015). She has been working in this field since 2007 particularly focusing on developing food baskets for different types of households.
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IMPACT OF ECONOMIC POLICIES ON ATTAINING RESILIENT GROWTH

Belgrade, 2nd October, 2016.

Institute of Economic Sciences, Belgrade, Serbia

The event will be structured to provide participants with the opportunity to listen to keynote speakers from leading universities, participate in round table discussions, present original research and enjoy great networking opportunities. Scholars and practitioners are invited to submit for consideration works related to topics including but not limited to, the following themes, focusing on the Impact of Economic Policies on Attaining Resilient Growth.

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- Submission of paper title, topic and names of authors: 02.09.2016.
- Information of acceptance: 07.10.2016.
- Conference day: 27.10.2016.

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Papers should be written in English. Book of abstracts will be published as conference output. Only selected papers will be published in international monograph. Paper title, topic and names of authors should be sent to: conference@ien.bg.ac.rs

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BOOK

TOWARD GREEN ECONOMY: OPPORTUNITIES AND OBSTACLES FOR WESTERN BALKAN COUNTRIES
M. Radovic-Markovic; Z. Nikitovic and D. Jovancevic

The green economy represents an important support to economic growth, investments and competitiveness. Therefore, it is considered to be an important alternative in attaining the general wellbeing of the humans, which is seen in the decrease of the risk while preserving the environment and using alternative energy sources. Atmospheric gases, especially carbon dioxide, create the greenhouse effect which influences the climate changes. They are already generating the extreme weather conditions, including powerful hurricanes and floods which have recently affected the Western Balkans. Having this in mind, this book is created with the intention not only to point out to the extent to which the Western Balkan countries have accepted the concept of green growth, but also to see what results are achieved in respect of implementation of this concept with the goal of overcoming the economic and financial crisis and creating the conditions for sustainable growth of this Region. Besides this, the intention was to emphasise the political, economic and legal limitations that are blocking faster development of green economy, as well as the possibilities of their overcoming. This monograph has a very broad topic range, with the goal of comprising the most important aspects and considerations of these issues. As the end result of theoretical and research considerations of the author, in approximately twenty chapters, one gets a clear insight in how the Region has progressed in respect of making the most important sectors "green".

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