CONTENTS

EASTERN MESSAGE 2

PAPERS

Microcredit in the World 3
Szabó Antal
Savings and Retain Banks 12
Maksinen Kristina
Financing SME’s Activities in Romania 18
Stefanescu Daniela
Financing SMEs in Sloval Republic 22
Kristína Vincova
Factoring and Forfaiting as an alternative of financing SMEs 26
Nicoleta Puchá
Széchenyi Credit Card Construction 29
Krisán László and Szép Zoltán
Financing SMEs in Montenegro 33
Ljiljana Belada
Development of Entrepreneurship Skill in Serbia 42
Eric Dejan
Academic Spin-off Ventures and Corporate Spin-off Firms at the High-tech Industry 51
Ráday Gábor

CONFERENCE PAPERS

- Berlin Declaration 59
- BSEC Workshop on SMEs in Tourism 60
- The Key to Energy Security 65
- Conference on Entrepreneurial Education and Business Incubation – EU Day in Belgrade 66

INSITUTIONAL PROFILE

- Academic Training Association 70
- EOMMEX S.A. 72

CALLS – EVENTS – NEWS

- Business Forum in Kazakhstan 73
- YES EXCOM Meeting 75
- UNECE Conference on Reducing Barriers to Entrepreneurship and Encouraging Enterprise Development 77
- Rector of the Petru Maior University invite ERENET to implement a Project on Benchmarking of Entrepreneurship Education 78
On the eve of Easter ERENET celebrated its second anniversary and convened its Annual Meeting at the Economic Faculty of the Technical University in Kosice, the second largest city and the center of Eastern Slovakia. It is pity that only participants from a few countries took part in this event. However, those who joined us, have the feeling what ERENET means and how it is important to share experiences and join forced in order to solve common problems. We are all grateful for the hospitality of our Slovak Friends for making this gathering not only helpful but also pleasant.

The 2nd ERENET Annual Meeting took place just a few days later after the celebration of the 50th Anniversary of the birth of the European Union. Signed on 25 March 1957 the Treaty at the Palazzo dei Conservatori, situated at the top of one of Rome's seven hills, aimed at establishing the European Economic Community. Signatories of the Treaty -Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands – after the signing were all received in private audience by the Pope. This was obvious, because those charismatic statesmen, like Robert Schumann, Konrad Adenauer, Alcide de Gasperi and Jean Monet, were dreaming of a unified, secure and welfare Europe following the devastation and moral nihilism caused by the Word War II. The remedy again a new war could be only a unified Europe based on the Christian set of values and principles. No-one could foresee in 1957 the furore that would erupt 50 years later, and the astonishment of Pope Benedict and hundred millions of European, when the formal written constitution of the New Europe would omit any reference to Europe's Christian roots.

Today's Europe snaps his finders at these values. Our politicians consider Europe only as an economic community guaranteeing the free movement of goods, money and service, but not the most important assets of free movement of their citizens. The old European countries need my market, but no me. We do not have any charismatic policymaker, rather than grey careerists being in the service of globalization and building their own future instead of building the future of our continent. This is the reason why the empty slogans during the occasion of fiftieth anniversary of the signature of the Treaty of Rome held in Berlin have nothing to say. It is not surprise that at the domestic celebration the meaning less Berlin Declaration was signed instead of the 27 statesmen only by the current German EU President, President of the European Commission and the President of the European Parliament. While they avoid the word "constitution" itself, the Declaration only says: "We are united in our aim of placing the European Union on a renewed common basis" by 2009. It is not to much. In the meantime the British sugar factory owner shutting down its equipment in Central-Europe in order keeping the new sugar-beet quota, but maintaining its production in UK. In a short time majority of the population in CEE is not in a possession of the advantages of changing the political and economic transformation. However, we acknowledge, that slowly not only the tainted meat, but also the waste is reaching Easter-Europe from the old Europe. Quo Vadis Europe?

Dr. Szabó Antal
Scientific Director of ERENET
MICROCREDITING IN THE WORLD

PREFACE

When the fanfares ring during the announcement of the Nobel Peace Prize in Oslo in 2006, the audience gave a grunt getting to know that the Nobel Peace Prize for 2006 is divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create a new form of economic and social development from below. “Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights.”

In Hungary, 2.7 millions are living below the poverty line. It is sad that yearly 100 people become frozen and the number of homeless exceeds an other 100 thousand. Nearly a half of million pf the population is undernourished including 300 thousand children. At the end of 2006, the number of unemployed amounted at 312 thousand and the unemployment rate is 7.5%, in absolute terms 16,000 more than a year ago.

While the non-commercial type of microcrediting is introduced in more that 100 countries – recently also in a much more reach country: Austria -, the Hungarian financial elite believes, that the microcredit initiative created by Muhammad Yunus has no reason for existence in Hungary. This is not just a mistake rather a serious fault. In case of reintegrating only 100 thousand unemployment into the labour market and these would contribute to growth of the GDP and would pay social benefit, the Government could take less burden. And let consider that a new group of citizens would leave between better human circumstances. This is task for the political elite. Unfortunately poverty was not a subject of the political debate among the two prime minister candidates!

INTRODUCTION

The performance and economic growth of the 27 transition economies within the framework of the UN Economic Commission for Europe is rather heterogeneous. Ten former centrally planned economies have been successfully transformed their economies to a market one, and as emerging market economies become a full member of the European Union. Discussions about the accession are running between the European Commission on Croatia as well as Turkey. In spite of the fact that in 2002 the EU granted to Russia the status of a full-fledged market economy, it is long way to go, that in everyday life the citizen would feel as living in a market economy.

At the end of 2005 the unemployment in the UNECE region amounted at 20 million. The UN Agenda 21 Program is dealing with the tasks of the sustainable development. Among the social indexes poverty is the most important factor. According to the World Bank the poverty rank in the transition economies between 10 and 85% of the population. This figure amounts at 25-30% in Hungary!

In Hungary the economic and political elite is the captive of his own interest. This created a society with double speed, in one hand where the major features of the globalized capitalism has been spreading away, and while on the other majority of the population had no time and possibilities to build an adjustment strategy. The changes in the economic life are quicker that the adaptability capability of the society. In this environment the political bipolarization of the nation is less alarming that widening the scissors between the riches and the poor, and this raises the mutual responsibility of the ruling and opposition parties. The institutions aiming at redistribution of the governmental welfare are at the edge of collapse, especially during the last five years. From economic point of views it is obvious that lot of subsidies have to be eliminated in order to yield the equilibrium. However, the modalities and moral of these changes we may well ask and query, especially when the multinationals are surfeited with high capital export.
In this field micro and small enterprises play a significant role, because they produce products and provide services on spot, by doing so, they create jobs, pay taxes; those generate growth where in full or part-time.

Financing SMEs especially in Countries in Transition (CITs) is one of the major burdens of entrepreneurship development. Among the major problems for SMEs in CITs is securing the initial capital necessary for access to initial credit so that potential entrepreneurs can start their operations. In general, European SMEs are heavily reliant on bank credit as external finance Small enterprises often face difficulties when they approach finance providers for both investment and working capital as banks often perceive microcredit as a high risk and low return activity and the high handling cost for micro-loans. Access to finance is more business constrain for micro and small firms – and especially in self-employment category - rather than medium-sized enterprises. A Microcredit Programme requesting 150-200 % collateral as guarantee of the requested credit will not help to start-up entrepreneurs to start their business. The Budapest Entrepreneurship Foundation in its offer for 2006 requires “only” 100% guarantee, however it is still too much. It would be better to link this form of crediting with a credit guarantee scheme.

Micro finance in CEECs in usually does not belong among the primary tools of Government support in promoting SMEs yet. Micro-crediting schemes are provided in 70-80 % rather through NGOs or specially created micro finance institutions. Those schemes are operating well, when loan applications and processing are simplified and demand for collateral is minimised or eliminated. Commercial banks do not like micro credits because of the high transaction costs and lack of expertise.

No matter which SME financing support system, the prerequisite is to create an adequate and transparent legal system both concerning governmental SME policy as well as financial intermediaries and fiscal policies. On the other hand we have to realise the fact that there is a need to create and operate effective alternative financial schemes above all microcrediting and credit guarantee systems.

The term microcredit was unknown before 1970s. According to Oxford Analytical microcrediting is the “most celebrated development policy” during the last 30 years. Today it is widely used from agricultural credits through rural development until consumption and cooperative credits. However, the term microcredit means different things for a Kyrgyz chicken farmer, and Indonesian rice farmer, an indigenous American native or immigrant Worker or a Russian entrepreneur

The vicinity of the client provides benefit in contrast with capital allocation of small amount but with high administrative costs by conventional financial institution. At the same time the high administrative burdens render more difficult for the majority of the microfinance institutions to access to basic capital allocation necessity for their operation. It is a failure if governmental authorities consider the microfinance institutions as commercial minibanks and make these unviable through massive central regulations and conditions stipulated for commercial banks.

THE BEGINNING OF THE MICROCREDIT

The ancestor of the microcrediting is the GRAMEEN BANK. The Grameen Bank Project (Grameen means rural area/village) was born in the village of Jobra, Bangladesh in 1976 by Professor Muhammad Yunus, current president of the bank. In 1983, the project has been converted into a real bank with 93% own property, while 7% of the ownership belong to Bangladesh. Today it is owned by the poor borrowers of the bank who are mostly women. It works exclusively for them. Borrowers of Grameen Bank at

---

1 http://www.bvk.hu/index.php?m=5668
present own 94 per cent of the total equity of the bank. Remaining 6 percent is owned by the government. The Bank does not request any collateral, because in accordance to the philosophy of Yunus he does not want to bring anybody to court if the person does not repay the loan.

In accordance with the rule of procedures the borrowers have to create a so called solidarity group. Each borrower must belong to a five-member group; the group is not required to give any guarantee for a loan to its member. In the first stage, only two borrowers are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to the rules of the bank. Only if the first two borrowers begin to repay the principal plus interest over a period of six weeks, do the other members of the group become eligible themselves for a loan. Repayment responsibility solely rests on the individual borrower, while the group and the centre oversee that everyone behaves in a responsible way and none gets into repayment problem. There is no form of joint liability, i.e. group members are not responsible to pay on behalf of a defaulting member.

As of March, 2007, it has 7.06 million borrowers, 97 percent of whom are women. With 2399 branches, GB provides services in 76,848 villages, covering more than 91 percent of the total villages in Bangladesh. The average credit amounts at EURO 150 only. However, the efficiency of repayment is very high, it amounts at 99%.

Grameen Bank branches are located in the rural areas, unlike the branches of conventional banks which try to locate themselves as close as possible to the business districts and urban centres. First principle of Grameen banking is that the clients should not go to the bank; it is the bank which should go to the people instead. Grameen Bank's 22,169 staff meets 7.06 million borrowers at their door-step in 76,848 villages spread out all over Bangladesh, every week, and deliver bank's service. Repayment of Grameen loans is also made very easy by splitting the loan amount in tiny weekly instalments.

I would like to call the attention of the policymakers to the special product offered by the Grameen Bank, and this is the Grameencredit. This credit facility is based on the premise that the poor have skills which remain unutilised or under-utilised. Muhammad Yunus believes, that “it is definitely not the lack of skills which make poor people poor. Grameen believes that the poverty is not created by the poor, it is created by the institutions and policies which surround them. In order to eliminate poverty all we need to do is to make appropriate changes in the institutions and policies, and/or create new ones. Grameen believes that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.”

The Grameen model was adapted in many countries both in advanced and developing ones. In 1987, Bill Clinton as the Governor of Arkansas, requested Professor Yunus to replicate its model in the USA. The capital was provided by an American Bank. Today, there are 20 Grameen Bank replication programmes in the USA working to eradicate the urban poverty. Through various acts of the Congress, funds and legislative support have been provided to allow the Grameen Bank concept to function in this richest country in the world. The Grameen Bank has the support of the Democrats and the Republicans, as well as the US administration.

Following the Microcredit Summit in 1997, the First Lady Hillary Clinton raise found of US$ 100 million for financing entrepreneurial start-ups of poor and minorities. And last but not least, after the Nobel-prize ceremony the Chinese Government invited Muhammad Yunus to elaborate a Chinese model for poverty alleviation to be implementing in a rural area and following this pilot stage to be use in other regions of China too.

Consultative Group to Assist the Poorest – CGAP

The new emphasis on micro finances was started in the 1990s through programmes and activities such as - the Consultative Group to Assist the Poorest (CGAP), set up by the World Bank and several donors in 1995 which resulted in significant help being promised by donors in the form of micro credits to

---

4 http://www.grameen-info.org/bank/GBdifferent.htm
5 http://www.grameen-info.org/bank/Whatismicrocredit.htm
organisations engaged in distributing such financial services. CGAP is a microfinance programme, which is a multi-donor effort to reduce poverty by increasing access to financial services for very poor households through financially sustainable institutions.  

CGAP is a consortium of 33 public and private development agencies working together to expand access to financial services for the poor in developing countries. CGAP’s unique membership structure and network of worldwide partners make it a potent convening platform to generate global consensus on standards and norms. As such, CGAP is a resource center for the entire microfinance industry, where it incubates and supports new ideas, innovative products, cutting-edge technology, novel mechanisms for delivering financial services, and concrete solutions to the challenges of expanding microfinance. It is important to emphasize that financial services are delivered by many complementary institutions, such as NGOs, banks, and cooperatives, in many different ways. Finance for the poor will include savings, cash transfers, insurance, and loans, each tailored to the different needs of poor people in a given country.

MICROCREDIT SUMMIT AND DEVELOPMENT PROGRAMME BY THE UNITED NATIONS

The Microcredit Summit held on 2-4 February 1997 in Washington D.C., was the first step of a decade-long campaign which aimed at "Working to ensure that 100 million of the World's poorest families, especially the women of those families, are receiving credit for self-employment and other financial business services by the year 2005." 2,900 heads of Governments and high-level government officials, experts, representatives of NGOs attended this Summit.

The situation of the countries in transition (CITs) was presented by Dr. Antal Szabo, Regional Adviser of the UNECE, highlighting than the number of poor is also increasing in the 27 CITs of ECE region, where the registered 19 million unemployed in 1999 are living below the poverty level. Sofia, HM The Queen of Spain, and Hillary Clinton, former First Lady of the United States heard first time about the problems of the region.  

The Microcredit Summit reached its goals. As of 31 December 2005, 3,133 microcredit institutions have reported reaching 113,261,390 clients, 81,949,036 of whom were among the poorest when they took their first loan. Of these poorest clients, 84.2 percent, or 68,993,027 million, are women. Eight hundred forty-seven of these institutions submitted an Institutional Action Plan in 2006. Together these 847 institutions account for 88 percent of the poorest clients reported. Assuming five persons per family, the 81.9 million poorest clients reached by the end of 2005 affected some 410 million family members.  

The Global Microcredit Summit 2006 held on 12-15 November 12-15 2006 in Halifax, Nova Scotia, Canada reviewed the achievement and set new tasks for the future. The second phase of the Campaign with two new goals. Those goals are:

1. Working to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015; and

2. Working to ensure that 100 million families rise above the US$1 a day threshold adjusted for purchasing power parity (PPP), between 1990 and 2015.  

The Global Microcredit Summit hardly criticized the behaviour of the World Bank. While 1.2 billion people out of the total population of 6.5 billion leave below the US$1 a day threshold of poverty and nearly 850 million people go hungry every night., the World Bank spent only 1% of its total capital allocation for

---


9 http://www.microcreditsummit.org/summit/previous.htm
alleviate the poverty. It demonstrates the cynical behaviour of the financial oligarchy in solving the world problems.

The **United Nations Development Programme (UNDP)** simultaneously with the Microcredit Summit has been launched its **MicroStart programme**. MicroStart is to develop the capacity of local microfinance institutions so that they can sustainably provide microentrepreneurs with access to finance, technical training and institutional support. Each MicroStart project provided with US$ 1 million for each country. It is designed to build the capacity of five to 10 new or small local microfinance organizations-NGOs, banks, start-ups-in each country by providing them with funds to capitalize their loan funds with US$ 250,000 capital. Half of the grant should be devoted for training from international experienced practitioners - organizations such as Grameen, ACCION, SEWA, and BRAC - and consultancy for establishment of the microcrediting facilities. By the end of 2005, MicroStart programmes were introduced in 25 countries out of 135 country offices. At time being the programme is continuing. It is envisaged to expand the MicroStart programme from a pilot of 25 to 50 to 70 countries in the future. Please note, that MicroStart: “A Guide for Planning, Starting and Managing a Microfinance Programme “is a valuable tool for helping the community of microfinance organizations reach its goals.

Loans amounts schemes in developing countries are generally very low – it varies from US$ 50 to US$ 500 - for first credits, for repayment periods of 6 - 12 months, rising in some programmes to loans of US$ 2,000 - 3,000 for repeat borrowers who have successfully repaid smaller loans and whose businesses are considered to be stable and growing.

In CEECs micro credit schemes could reach the desirable impact if they should provide loans for microentrepreneurs to become self-employed in the order of magnitude of between USD 5,000 to 10,500 – in the advanced EU countries EUR 25,000, which should consist of a real financial allocation plus a soft component oriented to training and counselling.

**THE MICROCREDIT PROGRAMME OF THE EUROPEAN UNION**

The European Commission made its first announcement in November 1997, that “to those part of the population - first of all the poor and women – which could not get access to formal credit, has to provide financial assistance by microcredit financial institutions”.10

In March 2003, the European Council urged Member States to pay special attention to microcredit in order to encourage small enterprises to get started and grow. In addition, the importance of this issue was confirmed by national experts and finance practitioners in a high-level final report completed in November 2003 by the Enterprise Directorate General for the Enterprise Policy Group: "Microcredit for small businesses and businesses creation: bridging a market gap”. As a follow-up, the **Microcredit European Conference (MEC)** was organised by the Enterprise Directorate General in partnership with the European Microfinance Network (EMN), the Microfinance Center for CEEC & CIS (MFC) and the Network of European Financial Institutions (NEFI) in Brussels on 21-23 September 2004.

“Microcredit has proved to be an efficient and effective tool for promoting entrepreneurship and is therefore a key catalyst for individuals who are willing to create and develop their own business”, said Enterprise Commissioner Olli Rehn. “We should now focus on how to make microcredit more accessible for companies all across Europe so that this can be used as a real instrument for growth”, added Commissioner Ján Figel. 11

The Conference confirmed the potential of microcredit in fostering entrepreneurship. These microloans are particularly useful to promote self employment and the creation of small businesses in the services sector, where access to credit is often difficult. Looking ahead, the Conference saw the dissemination of good practices, moderate and assessed financial support of public authorities and an appropriate legal and fiscal framework as being necessary to strengthen the dynamism of the sector.

The Commission in order to paving the way to a microcredit industry in Europe highlighted to make step to use microcredit as a more accessible instrument to facilitate Europe growth, competitiveness, job

---

11 European Commission: IP/04/1116 as of 21 September 2004
creation and cohesion. To overcome difficulties in obtaining microcredit, the Commission emphasises to consider the following issues: 12

- To favour SME’s environment by reducing administrative burdens and adapting tax and social insurance packages to their specificities and constraints;
- To improve the legal and regulatory framework for microcredit;
- To promote microcredit in Europe by disseminating the best practices;
- To strengthen networking and cooperation between microcredit organizations and business support services;
- To provide technical assistance and training programmes to the various organizations involved;
- In the case of public support to microfinance institutions, funds should be granted on the basis of a multi-annual rather than yearly agreement to help them achieve the sustainability of their microcredit activities.

The microcredit guarantee facility, under the Multiannual Programme for enterprises and entrepreneurship (MAP), has continually demonstrated its impact and added value and should be pursued in the future.

- To achieve netter synergies between the MAP financial instrument and those of European regional and social development funds.
- To monitor on a regular basis the progress of microcredit activities in the EU.

Danuta Hübner

Danuta Hübner, Member of the European Commission responsible for Regional Policy, outlined the Microcredit strategy for Europe at the EUROFI Conference on Retail Financial Services held on 7 June 2006 at the European Parliament in Brussels. 13 She emphasised, that “first, micro-credit is exactly the kind of instrument we are looking for in Europe to promote growth, jobs, and innovation while reinforcing social cohesion. And secondly, I believe we do need a strategy to fully exploit the potential of micro-credit in Europe – to consolidate and build on what we are already doing, including at EU level.” It is pity, that this message did not reach to the majority of the CEE policy makers!

There are some 23 million of them in the Union, accounting for 99% of all enterprises and providing around 75 million jobs. In some sectors, such as textiles or construction, they contribute up to 80% of employment. Micro-enterprises, which employ fewer than 10 people and whose annual turnover and/or balance sheet is 2 million Euros or less, account for 93% of all SMEs in the EU, and some 25% of employment. And in a European Union where 19 million people are unemployed and a further 70 million live below the poverty threshold, there are further compelling reasons to see micro-credit as part of a strategy for economic and social renewal.

In most Member States, over 35% of new jobs are linked to the creation of new enterprises, mostly very small ones. Some of the entrepreneurs behind these businesses are people who might have chosen a different route – who might have concluded that their skills were insufficient or outdated, allowed what skills and experience they did possess to fade away, and opted instead to rely on some combination of low-paid work and social security. It is also true, that not all unemployed has the ability or willingness to become a self-employed. However, micro-credit - which involves making small loans, usually of around a few thousand euros, and mostly to individuals who have insufficient access to bank credit - is one way to encourage to come out the grey economy and poverty by creation or expansion of micro-enterprises.

Danuta Hübner in her portfolio has been launched a new credit facility. She signed together with Francis Carpenter, CEO of the European Investment Fund, a Memorandum of Understanding on JEREMIE, which is a new joint initiative to promote access to finance for micro- to medium-sized enterprises in European regions. She wants to be in a position to provide step-by-step guidance to Member States on how they can set up micro-credit schemes, from how to draft their regional programmes to how to negotiate contracts with private financial intermediaries.

The initiative, called Joint European Resources for Micro to Medium Enterprises, known by the acronym JEREMIE (Joint European RESources for MIcro-to-Medium Enterprises), will enable European Member States and Regions to use part of their structural funds to obtain a set of financial instruments that

---

12 http://ec.europa.eu/enterprise/events/microcredit/conclusions.pdf
13 European Commission Press Release SPEACH/06/349 as of 7.06.2006.
are specifically designed to support micro and small and medium enterprises. The European Commission's Communication, "Cohesion Policy in support of growth and jobs, Community strategic guidelines 2007-2013", stresses the importance of improving access to finance for the development of SMEs. In particular, it emphasises the need to enhance support on competitive terms for start-ups and micro-enterprises, through technical assistance, grants, as well as non-grant instruments such as loans, equity, venture capital and guarantees.  

In addition to this initiative two other ones gain significant important int he development of the European economy, like the JASPERN - Joint Assistance in Supporting Projects in European Region-, and the JESSICA - Joint European Support for Sustainable Investment in City Areas.  

It is very important, that the Governments in the new EU countries implement and develop such financial intermediation, which provide assistant to the target group set up by the EU, that means the poverty-stricken, unemployed, start-ups. There is no not need support commercial credit institutions, who are insensible towards the problems of the poor and fattening their profit.

MICROCREDITING IN THE COUNTRIES IN TRANSITION

On 1 September 1997, in Warsaw a new institution has been started its operation called The Microfinance Centre for Central and Eastern Europe and the New Independent States (MFC). Today it serves as a network of 111 microfinance institutions. Its mission is to contribute to poverty reduction and human potential development by promoting a socially oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large number of poor families and micro-entrepreneurs.

MFC developed excellent relationship with a number of organizations, like The Consultative Group to Assist the Poor (CGAP), US and international donor institutions – USAID, Open Society Institute, MicroSave, Citygroup Foundation, etc. It was a co-organizer of the Microcredit European Conference held in 2004 in Brussels.

MFC organizes training courses, best practice events, benchmarking project, produce a periodical and facilitate dialogue and exchange of information among its member institution. The organization might be more successful if it would generate debate with Government authorities of the transition economies in order to better understand the problems of the poverty, self-employment and find a right place of microcrediting in the society.

At the early 1990s the concept of microfinancing was unknown in CEE and CIS countries. Although there were cooperative saving banks, however the self-employment and support of microenterprises were missing among the support instruments of the transition economies.

The microcredit industry in CEEs shows a growing lending's activities and we are eyewitness of expanding activities towards the lower segment clients. According to the MFC report the volume of microfinance activities of all types of institution at the end of 2005 reach to US$ 8.3 billion, which doubled in value during the last previous two years.  

There are 5,499 credit union, which handles the largest volume of the credit activities. Credit union predominantly operate in CEE and the Russian Federation and Ukraine in the CIS with total loan portfolio of US$ 4.57 bn. Credit unions are followed by the 17 microfinance banks with half of the size in loan portfolio (about US$ 2 bn). The 47 downscaling banks have a total loan portfolio of US$ 0.98, while 164 NGOs and non-bank financial institutions - NBFIs offered US$ 0.7 bn. Altogether we have 5,727 microfinance institutions in CEE and CIS countries. The total number of active borrowers reach 4 million already. However the average penetration rate among the active population remains very low at the level of around 3 % only. According to my estimation probably 50 million people will request microcredit loan during the next 5 years!

In CEECs micro credit schemes could reach the desirable impact if they should provide loans for microentrepreneurs to become self-employed in the order of magnitude of between EURO 1,500 to 3,500,  

and in the second allotment it might be expanded up to EURO 5,000 to 15,000. At time being the upper limit of the microfinance in the EU is limited to EURO 25,000, which should consist of a real financial allocation plus a soft component oriented to training and counselling.

In Hungary, the Microcredit Programme was established in 1992 by the Hungarian Foundation of Enterprise Promotion founded by the funds from the EU and the Hungarian Government. However, in 2000, a concentration of the local regional resources took place by creating a bureaucratic revolving-type National Microcredit Fund. This system was transformed several times and there were several modification during the recent years. The scheme did not matched the need of microentreprenuers. In autumn 2003, the National Microcredit Committee suggested to review the microcredit’s conditions. The new scheme is still in bad shape and the current Government Development Programme for 2007-2013 raises several question marks. This concept does not aim at decrease of unemployment and putting the entrepreneurs in favourable condition. It rather prefers to provide with benefit to financial considerations. It is very bad, because an entrepreneur taking risks should be not considered as just a factor in an economic equilibrium of the government budget.

Microfinance based on calculation of market interest is a failure, because it support only the non-risky financial undertaking, which costs will be covered by constrained entrepreneurs being under financial pressure. The approach by the Hungarian Government formulated in the Operative Economic development Programme contradicts to the goals of the recommendations of the European Union as well as desirable goals of the JEREMIE initiative.

SUGGESTIONS FOR DEVELOPMENT AND ESTABLISHMENT OF FINANCIAL SCHEMES FOR SMEs IN CITs

In CEECs, as a consequence of industrial and agricultural restructuring during the transition to a market economy, self-employment has increasingly become an employment option for the many unemployed, including millions of people living below the poverty line. These new unemployed have become a new class of poor and economically marginalized people without previous experience or even knowledge of how to enter the market economy. Many unemployed individuals are forced to turn to self-employment as a means to create income for themselves and their families. However, there are difficulties and risks in entering the business world in a weak and hostile environment characterized by economic instability, high and growing inflation, transition bureaucracy, lack of information and credit facilities, and the presence of the grey economy and mafia. To facilitate the transition to a market economy in CITs and help victims of the economic transformation process overcome poverty and start life afresh, there is a need to launch microcredit programmes and credit guarantee schemes in all CITs.

The appropriate infrastructure for financial schemes - micro credit and credit guarantee institutions - has not been developed in response to this requirement.

Micro credit and credit guarantee organizations in CEECs need a combination of capacity-building, funding, policy development and performance-based objectives to develop into professionally managed, permanent and self-sustainable institutions.

While establishing long-term capacity-building programmes, experimentation should be encouraged to develop national models, taking into account thorough strategic and business programming.

Policy changes may be needed to allow an appropriate portion of the European Union's and the banking sources of funding into the CITs. The amount of aid for foreign counselling and advice should be decreased and financial funds should be provided for credit guarantee schemes for start-up entrepreneurs. Micro credit programmes should serve as a policy alternative to unemployment benefits and job training programmes, because they contribute to self-employment and economic self-reliance of poor and low-income families.

---

PRIORITIES FOR THE DEVELOPMENT OF FINANCIAL SCHEMES FOR SMEs IN TRANSITION ECONOMIES ARE:

1. Creation of an enabling legal and regulatory environment for SMEs and business operations;
2. Improvement of capacity-building, development of physical business support infrastructure - especially the establishment of non-financial types of microcredit institutions and micro-credit guarantee schemes -; for fostering the entrepreneurship,
3. Training for staff in lending and fund management, as well as for start-ups and beginners;
4. Providing soft advisory services for entrepreneurs, e.g. through business information centres established by multinational and bilateral aid programme or mentoring schemes; and
5. Collecting good practices and benchmarking in financial policies and practice, as well as on the impact of each governance mechanism on outreach and sustainability.
SAVINGS and retail BANKS – the natural business partners of European SMEs

European savings and retail banks have a tradition of offering financial services to all parts of society and they focus on local presence in the area of retail banking, forming the largest network of retail banks in Europe. This local presence, in combination with the focus on retail banking has strengthened the relationship between savings banks and local businesses and it has over time made the savings banks Europe's largest providers of SME finance.

What is a savings bank?

The identity of savings banks and socially committed retail banks has its roots in several common distinguishing characteristics referred to as the three “Rs”; their concentration on Retail, their Regional focus and their commitment to being Responsible financial institutions. The focus on retail signifies that the essence of the savings banks’ business is based on a close link to, and relation with, private customers and small-and medium sized enterprises. The savings banks are regional banks; their network is broad and decentralised with an emphasis on providing local and regional outreach. Since their creation in the 18th century, the savings banks have become an important part of the social structure of their respective regions. Furthermore, savings banks take a socially responsible approach to business and to bringing a return to the society in which they operate. Community investment is a core value for savings banks and socially committed retail banks, and the long history of the savings banks has proven that being responsible does not exclude them from being profitable.

What is ESBG?

The European Savings Banks Group (ESBG) is a Brussels-based association consisting of 26 member organizations all over Europe representing all in all around 900 individual savings and retail banks. The ESBG shares its offices with the World Savings Banks Institute (WSBI) offering an even larger banking network worldwide. The association was founded under a different name in 1963 and became European Savings Banks Group in 1988. At the start of 2005, total assets of member banks reached almost €4 716 billion, while non-bank deposits stood at around €2 280 billion and non-bank loans to €2 415 billion. Altogether, the banks represented by member organizations have around 83,000 branches and nearly 960,000 employees. The ESBG is governed by a Board of Directors, comprising senior representatives of each member organization, which appoints a President, the Vice Presidents and a Treasurer.

A more general mission of ESBG together with WSBI is to influence positively regulation to the benefit of their member banks and their clients in order to build and maintain well-functioning savings and socially committed retail banking markets.

Another objective of ESBG is to be the representative of savings banks and retail banks who share the values of savings banks, as being locally operating and socially responsible. ESBG plays an important role in communicating its members’ important commitment to social responsibility towards all stakeholders of the banking environment, the academia and policymakers.

In addition to being the common voice of the member banks at European level, the association aims to offer assistance and facilitate value-adding cross-border banking projects across Europe through promoting business cooperation and offering consultancy services.
SMEs

SMEs are often referred to as the drivers of the European economy, serving as main creators of innovation and jobs. At European level, the definition of an SME is an enterprise with fewer than 250 employees, a turnover of up to 50 million euros or a balance sheet of no more than 43 million euros. The SMEs represent a major part of the European economy. It is estimated that the some 23 million SMEs in the EU provide for approximately 75 million jobs. 99% of all enterprises in Europe are SMEs, under the Commission’s definition, and in some industrial sectors SMEs represent almost 80% of the total employment. As growth and jobs are the two main objectives of the Lisbon partnership, SMEs have become a natural priority for the European Commission. The Commission has expressed its concerns about the financing problems that small and medium-sized enterprises face and this has resulted in a number of initiatives at European level. They are summarized in the Guide to SME Policy, updated in June 2006, consisting of different measures taken for improving the business environment of SMEs in areas such as access to finance, entrepreneurship, cross-border expansion and simplification of the regulatory environment for SMEs. As ESBG members are by tradition natural business partners of SMEs, the ESBG is committed to take an active part to, and assist the Commission in its work towards a better business and financial environment for European SMEs.

Savings banks are the natural partners of SMEs

As decentralised financial institutions with local and regional ties, savings banks have a long-standing relationship as partners of SMEs and micro enterprises. Because of a locally rooted network, these proximity banks are able to provide the whole range of financial products to SMEs at local level, giving access to loans, guarantees, micro credits as well as to the equity and capital markets. This local presence explains why the savings banks are the main providers of finance to SMEs in many European countries. In Germany, for example, three out of four businesses are customers of the Sparkassen-Finanzgruppe. They can claim a general market share of 40% rising to even 70% of SMEs with an annual turnover of under EUR 0.5 million (small and micro enterprises). Similar impressive figures are produced by, for example, the Spanish savings banks, which account for 45% of the market in SME lending and the Swedish savings banks reaching a share of approximately 35% in their home market.

At local level

The services offered to small enterprises form part of the core business of savings banks and they are a component of their regular business activity. Several targeted projects are yet carried out to enhance and promote the partnership between savings banks and their SME clients in areas such as microcredit and information on how to improve the SMEs’ corporate social responsibility.

Microcredit and small business loans

There is no formal definition of the term “microcredit” although the European Commission has suggested loans not exceeding EUR 25,000 as being microcredits. A more general provision of the term is that offering microcredit means extending smaller loans to the poor. The savings banks’ activity in credits to small and micro enterprises comes naturally due to their mandate to contribute to society. Small business loans programmes are carried out by the savings banks throughout Europe – Bulgaria’s Post Bank, for example, distributes loans ranging from EUR 7,700-128,000 to companies that have been in business for at least 6 months, providing flexible maturities and appropriate interest rates under various credit schemes. In France EUR 50M in micro loans have been paid out between 2001 and 2004 creating 5,500 jobs. A recently conducted research exposed the remarkable success of this programme, as it was shown that 75% of the supported micro enterprises and start-ups were still in business after three years. This is particularly impressive

---

18 The Sparkassen Finanzgruppe compromises the 474 savings banks, 11 Landesbanken, 11 Landesbausparkassen and 12 public insurance companies.
as EU statistics show that 30% of new businesses do not survive the first three years and 50% close down after 5 years. A similar approach in Spain led to the distribution of 6,000 micro credits (2001-2006) totalling a volume of EUR 55M. 65% of these were given out to women. The example of Caixa Catalunya, that granted EUR 1.9M in 2003 at an average credit volume of EUR 7,900, is another encouraging case where 550 new jobs were created, illustrating how the savings banks across Europe live up to their commitment to contribute to society.

When facilitating access to finance for SMEs or start-ups, the European savings banks believe an integrated approach uniting all local actors is the most effective way. Hence, credits for start-ups, for example, are not just merely paid out, but accompanied by tailor-made support services: Austria’s “Go!Gründeroffensive” supports start-ups giving them access to a network of experienced advisers and entrepreneurs as well as tailor-made business tools which is mirrored by the German Sparkassen-Finanzgruppe’s approach to assign Business Angels to newly founded companies.

**Promoting CSR amongst SMEs**

Considering the importance given to social responsibility within their own organizations, savings banks take every opportunity to assist their SME clients to improve and promote their respective work carried out in the field of social responsibility. As an example, El Monte Savings Bank collaborated with the Spanish not-for-profit organization “Corporate Social Responsibility Watcher” (Observatorio de RSC) in the elaboration of “CSR for SMEs’ Guide” (Guía RSC para PYMEs). This document was totally financed by the Spanish savings banks. The idea of this project came time ago when the European Commission in its Communication of July 2002, expressed the necessity of the creation of tools helping SMEs in the implementation of CSR practices. The general idea was that SMEs should approach CSR as a competitive advantage, an important element that enables them to create value for the company and their surrounding society. The objective of this guide is to provide some basic orientations in order to integrate good practices in day-by-day activities of small and medium sized businesses as a first step in the field of CSR. Moreover, it offers some mechanisms to facilitate the integration of CSR in the SMEs’ management model and the publication also exposes how relevant the application of CSR practices is for SMEs due to the social impact they have on their communities. “CSR for SMEs’ guide” was presented for the first time in Seville the 7th of November 2005. After this presentation, many other political and economic institutions have shown their interest in the guide.

**At international level**

The ESBG plays an important role in the debate at European level and it functions as a discussion forum for members all over Europe. Representatives from different savings banks working with SME finance in their respective organizations are offered a platform where they are able to exchange information, views and best practices on issues related to SMEs and SME policy.

**5th Roundtable**

In 1993, the first European Commission Roundtable between banks and SMEs was set up as a response to the Commission’s concern about the problems SMEs face when trying to access finance. Representatives from financial institutions together with representatives of SME organizations met to discuss possible solutions to the financial problems that were specific to SMEs. After the Roundtable discussions were completed, a report was published to offer interested parties a possibility to share the views agreed upon during the discussions. Following the success of the first Roundtable, a 2nd, 3rd and 4th Roundtable took place, debating different issues concerning SMEs in general, always keeping SMEs’ access to finance as the underlying foundation of the debate. The currently ongoing 5th Roundtable brings up three particular topics for discussion.

*Transparency in the rating procedure:* In the light of the new Capital Requirements Directive, rating of SME clients within banks has become part of the daily work of bankers as well as an important determinant in the credit decision process. Considering the great importance attached to the rating results, the lack of
knowledge regarding rating procedures was a source of concern to SME clients in general. For banks, on the other hand, information regarding their SME clients has become an important tool in order to offer the right conditions when delivering a credit. Against this background, one of the topics discussed is transparency between banks and SMEs, in particular when it comes to information about ratings.

**Mezzanine finance.** A second topic of the Roundtable is mezzanine finance as a tool to enhance SMEs’ access to finance. Mezzanine finance, a hybrid between pure equity and pure debt, can in certain cases serve as a substitute to traditional loans, in particular for SMEs without sufficient collateral. The use of mezzanine finance is growing although discussions have shown that an SME eligible for this kind of finance needs to have a relatively good rating, sound track records and be transparent towards its investor.

**Securitization.** Thirdly, the possibility of securitization of SME loans is debated at the Roundtable meetings. Securitization of mortgage loans is already carried out on a larger scale in some European countries as a means of transferring the risks of lending from the bank’s balance sheet to an external entity. Discussions within the Roundtable have shown that the heterogeneity of SME loans slightly complicates a direct translation of the process into the area of SME lending making it a fairly expensive tool.

The reports of the 5th Roundtable will be presented at a high-level meeting of the Roundtable in May 2007 and they will be made available at the website of DG Enterprise of the European Commission shortly thereafter.

**JEREMIE**

As SMEs play a crucial role in the European economy, the EU has realised that more concrete efforts need to be made in order to improve SMEs’ access to finance. Therefore, the European Commission, European Investment Bank (EIB) and European Investment Fund (EIF) have launched a new initiative named JEREMIE.

The purpose of the initiative is to improve SMEs’ access to finance and financial engineering products in the framework of the European Regions and to give the European Member States and Regions the choice to use part of their structural funds (ERDF) in the form of market-driven financial instruments that are specifically designed to support micro enterprises and SMEs in general. The difference to existing programmes lies on the one hand in its move away from grants to other forms of financial support, and on the other hand in the aim to leverage additional funding from other sources such as international financial institutions, investment funds, private banks, etc.

If the Regions/Member States decide to participate in JEREMIE, financial intermediaries will be selected to implement the provision of the financial instruments on the basis of their local and regional presence and their proximity to the SME sector. As retail and decentralised credit institutions, the European savings banks have a longstanding relationship with small businesses and are thus in an optimal position to deliver what is needed. ESBG and its members will therefore make every effort to support the JEREMIE initiative and become involved as financial intermediaries.

**Business Cooperation**

The European Savings Banks Group does not only represent the savings banks’ interests and promote their work in improving SMEs access to finance. Considerable work is being done to provide SMEs with the tools to expand internationally, to cooperate across borders and, as mentioned earlier; to offer platforms for members’ exchange of experience and best practices.

The willingness to cooperate across borders has been the cornerstone of the international savings banks movement since the first international association was set up almost a century ago. This tradition of business cooperation has manifested itself in various forms and contexts over the intervening decades and it has been endorsed recently, once again, as a strategic priority for the ESBG.

Renewed efforts are in the making to capitalise on the local strengths, similar business approach and global outreach represented by the 900 savings and retail banks with outlets spanning the whole of Europe. The objective is to create a truly international alliance that can meet the personal and business needs of their customers in their day to day lives and businesses, both at home and abroad.
The European savings banks maintain international support services for their SME clients, such as the German EuropaService, for example, which is specialised in providing support and information to enterprises searching potential business partners or who are already conducting business across Europe.

Next to already existing cooperation projects, a new service has been recently launched: the International Business Network (IBN). The IBN is designed to support SME customers in their business abroad with a trans-national service offer. It is based on an intranet platform to which the SME account managers of the participating banks are granted access. The main focus of the IBN is to provide quick and easy access to reliable and useful information on account opening conditions; the timeframe required to open an account as well as access to a network of contact persons who can provide a tailor-made service for account opening and the establishment of related banking services.

This unique end-to-end quality service can generate considerable savings in terms of time and money for the SME customer and furthermore an introduction from the home bank will improve the perception of the SME’s financial standing in the eyes of the host bank and ensure a friendly tailor-made service. SME clients of participating banks are also introduced to other banking as well as para-banking services in order to facilitate the transfer to their new business environment.

An initial testing phase of the IBN SME business support service has been completed successfully with participating banks from France, Germany, Italy, Spain and Sweden. The service has now entered its operational phase and the next step is to expand the service to include additional participating banks and countries.

**EURO-SOFAC**

Exports have become increasingly important for the growth of both small and large European enterprises. In order to succeed in export and potential international expansion, SMEs need ever more understanding of foreign markets. Specifically, knowledge about national administrative requirements, such as tax regulations, as well as a specific strategy is needed. With the purpose of facilitating cross-border activity and expansion for European SMEs, the business support service EURO-SOFAC was established in 1984. This subsidiary of ESBG and a number of national savings banks associations has two general aims; to offer **administrative support** to SMEs and to **organize and facilitate visits** for SME clients in order for them to meet with business partners on prospective new markets.

In terms of administrative support, EURO-SOFAC serves to promote SME exports and facilitate SME transactions abroad; the services offered range from reclaiming of VAT, fiscal representation, invoicing and bookkeeping to market research and commercial and financial information. As regards contacts in new markets; partner and sales agent search is offered, in particular through organized visits to possible future markets.

The objective is to increase SME competitiveness at international level and to help SMEs develop their international activities at the lowest possible cost. In line with that, EURO-SOFAC provides free access to market information via its online search engine (http://www.euro-sofac.com) ranging from market reports, articles on market trends, professional trade fairs and shows, etc. regarding some 80 countries.

By providing consultancy and technical assistance services, EURO-SOFAC assists SMEs in every phase of their business expansion. SMEs are enabled to give full priority to their core activities and their commercial operations leaving the transitional administrative procedures in the hands of experts. By using the services of EURO-SOFAC the SME customer can rely on a high degree of security thanks to the savings banks network drawing on nearly 20 years of experience in the field.

**Important partners of SMEs- now and in the future**

SMEs are without a doubt to be considered the backbone of the European economy and a particularly important source of jobs, innovation and creation of wealth. As a result of the SMEs’ significant importance to society, they play a central role in achieving the Lisbon goals of the European Union to become the most competitive and dynamic knowledge based economy in the world. The Commission is dedicated to improve the business environment for SMEs in general and the simplification of the regulatory environment for European companies has been mentioned as one of the Commission’s priorities for the future. Savings banks welcome the initiatives launched by the Member States and the Commission in order to improve the
environment for SME but recognize that there is still work to be done in the area of better regulation for SMEs. Coordinating different EU policies in this area is one of the most important tasks of the European Commission in order to avoid excessive administrative burden for European SMEs.

As retail and decentralized financial institutions, European savings banks are dedicated to strengthening their already well-established cooperation with SMEs. Bank loans continue to be the main source of finance for small enterprises and savings banks remain profitable while keeping a focus on SME lending business. In addition, savings banks facilitate small businesses access to other financing instruments such as venture capital and business angels.

European savings and retail banks are already Europe’s largest providers of SME finance. As SME clients constitute a major part of the savings banks’ business activity, improving their financial environment, is naturally of fundamental importance to savings and retail banks across Europe. The savings banks, represented by the ESBG at European level, have participated in different initiatives undertaken by the European Commission oriented at facilitating contacts between small businesses and credit institutions. The European savings and retail banks welcome these attempts, considering the dialogue between banks and SMEs to be crucial in order to increase mutual understanding and thus maintain a fruitful relationship. The European savings banks, represented at European level by ESBG, are committed to continue being a partner of SMEs in finance and additional services, as well as being a partner of the European Institutions in the context of improving SMEs access to finance.
FINANCING SME’S ACTIVITIES IN ROMANIA

In Romania, the SME category includes the enterprises active in goods and services production whose annual number of employees, according with new Law of SME no. 346/2004, are the following:

- Up to 9 employees: micro-enterprise;
- Between 10-49 employees: small enterprises;
- Between 50-249 employees: medium sized enterprises, which carry out an annual turnover up to 8 million €.[1,pp.40]

The SME’s from our country could approach different types of financing their activities. Recently, in Romania was adopted the Law on Micro-financing Commercial Companies No. o/2oo5. Based on this law, it was created the possibility to set up a company especially in order to help the small and medium size enterprises and to offering founds to the SME’s , as micro-credits. A micro-credit is a loan conferred to natural independent persons and to legal persons, in lei, an amount equivalent with 25 thou Euro. The period to repayment is maximum 60 months. The founds obtains from micro-finance commercial companies are meant to the projects development, economic activities, sustaining economic development projects, local communities initiatives and social programs, and also in order to improve de standard life level of local communities.

The solicitor of a loan from micro-finance commercial companies, it could be a natural or legal person, which presents an application, along with o proposal for initiating and developing a bringing incomes activity.

The user of the loan, it is called the natural or legal person to whom the micro-credit company offered the loan, based on the law No. 250/2005.

The main types of sources to found the SME’s activities are:

- Self-financing;
- Bank credit;
- Leasing;
- Unrepaid funds;
- Loans from financing specialized institutions;
- National Credit Guarantee Fund for Small and Medium Sized Enterprises (NCGFSME);
- Factoring;
- Share issue.

In the last years, in Romania, the SME’s have used all the financing types, mentioned above. The National Agency for Small and Medium Sized Enterprises and Co-operatives (NASMEC) studied the main ways of activities financing and according to their results it is shown that the most popular way of financing was the self-financing. Generally, on the entire SME’s sector, the study shows that on the first place are situated the self-financing and the baking credits, as it could be seen on the chart no.1. In the same time, it could be seen that the percentage regarding the financing from specialized institutions is very low, only 2%. The explanation is based on the difficult condition of financing existed in Romania, till 2005, including high level of loan interest, high bank guarantees, many and difficult formalities to obtain a loan. It must be mentioned also the possibilities of some firms to finance by its self their activity.
The same tendency could be revealed if we take into consideration the size of SME's. In the table No.1, it could be noticed the differences of financing along the SME’s, depending on their size.

Table 1: The differences of financing along the SME’s, depending on their size

<table>
<thead>
<tr>
<th>No.</th>
<th>Financing types</th>
<th>micro-enterprise</th>
<th>small enterprises</th>
<th>medium sized enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Self-financing</td>
<td>83.31%</td>
<td>76.31%</td>
<td>76.29%</td>
</tr>
<tr>
<td>2</td>
<td>Banking credit</td>
<td>31.31%</td>
<td>50.12%</td>
<td>65.46%</td>
</tr>
<tr>
<td>3</td>
<td>Leasing</td>
<td>20.18%</td>
<td>46.17%</td>
<td>51.55%</td>
</tr>
<tr>
<td>4</td>
<td>Share issue on the capital market</td>
<td>0.13%</td>
<td>0.23%</td>
<td>0.52%</td>
</tr>
<tr>
<td>5</td>
<td>Unrepaid funds</td>
<td>0.91%</td>
<td>2.55%</td>
<td>6.70%</td>
</tr>
<tr>
<td>6</td>
<td>Loans from financing specialized institutions</td>
<td>2.20%</td>
<td>1.16%</td>
<td>3.09%</td>
</tr>
<tr>
<td>7</td>
<td>Factoring</td>
<td>0.26%</td>
<td>0.23%</td>
<td>2.06%</td>
</tr>
<tr>
<td>8</td>
<td>NCGFSME</td>
<td>0.52%</td>
<td>0.23%</td>
<td>1.55%</td>
</tr>
<tr>
<td>9</td>
<td>Others types</td>
<td>1.03%</td>
<td>0.46%</td>
<td>0.52%</td>
</tr>
</tbody>
</table>

Taking into consideration the SME’s age, the study reveals that the SME’s under five years of existing have obtained the highest percentage of loans from financing specialized institutions, but it is only 2.2%. The SME’s of 10-15 year's existence hold the highest percentage of accessing unrepaid funds (3.54%), they also used leasing (37.17%) and the factoring (0.88%). In the same time, these type of SME’s registered the lower level of self-financing (77.88%) and also regarding the access of the National Credit Guarantee Fund for Small and Medium Sized Enterprises (0.18%). The SME’s over 15 years existence registered the more important proportion of self-finance (82.35%), they also used bank credit (52.94%) and also accessed the National Credit.
Guarantee Fund for Small and Medium Sized Enterprises (5.88%). The main important data regarding the different SME’s types of financing are shown in the table no.2.

Table 2: The differences of financing along the SME’s, depending on their age

<table>
<thead>
<tr>
<th>No.</th>
<th>Financing types</th>
<th>The age of SME</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Under 5 years</td>
</tr>
<tr>
<td>1</td>
<td>Self-financing</td>
<td>82.20%</td>
</tr>
<tr>
<td>2</td>
<td>Banking credit</td>
<td>32.40%</td>
</tr>
<tr>
<td>3</td>
<td>Leasing</td>
<td>27.40%</td>
</tr>
<tr>
<td>4</td>
<td>Share issue on the capital market</td>
<td>0.00%</td>
</tr>
<tr>
<td>5</td>
<td>Unrepaid funds</td>
<td>0.80%</td>
</tr>
<tr>
<td>6</td>
<td>Loans from financing specialized institutions</td>
<td>2.20%</td>
</tr>
<tr>
<td>7</td>
<td>Factoring</td>
<td>0.00%</td>
</tr>
<tr>
<td>8</td>
<td>NCGFSME</td>
<td>0.60%</td>
</tr>
<tr>
<td>9</td>
<td>Others types</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

Source: The White Charter of SME’s in Romania in 2005, p. 293

Based on the table no.2 data it could be notice that the number of firms, which used bank credit, is rising on direct connection with the growth of their age.

Another interesting aspect regarding the different way of choosing the source of finance could be analyzed, depending on the legal organizational forms. The joint-stock companies hold the highest percentage from SME’s which accessed bank credits (54.69%), leasing (36.72%), share issue on the capital market (0.78%), unrepaid funds (5.47%) and factoring (2.34%). In the case of the limited liability companies, the highest percentage is represented by self-financing (80.72%), but comparing with the situation of the joint-stock companies, all the others types of financing registered lower figures. On the table no. 3 are presented the data of the SME’s distribution, depending on the legal organizational forms, especially for the two types described above.

Table 3: The differences of financing along the SME’s, depending on their legal organizational forms

<table>
<thead>
<tr>
<th>No.</th>
<th>Financing types</th>
<th>The SME’s legal organizational forms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>The joint-stock companies</td>
</tr>
<tr>
<td>1</td>
<td>Self-financing</td>
<td>79.69%</td>
</tr>
<tr>
<td>2</td>
<td>Banking credit</td>
<td>54.69%</td>
</tr>
<tr>
<td>3</td>
<td>Leasing</td>
<td>36.72%</td>
</tr>
<tr>
<td>4</td>
<td>Share issue on the capital market</td>
<td>0.78%</td>
</tr>
<tr>
<td>5</td>
<td>Unrepaid funds</td>
<td>5.47%</td>
</tr>
<tr>
<td>6</td>
<td>Loans from financing specialized institutions</td>
<td>3.13%</td>
</tr>
<tr>
<td>7</td>
<td>Factoring</td>
<td>2.34%</td>
</tr>
<tr>
<td>8</td>
<td>NCGFSME</td>
<td>0.78%</td>
</tr>
<tr>
<td>9</td>
<td>Others types</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: The White Charter of SME’s in Romania in 2005, p. 296

Comparing the SME’s, based on the economics activity field, it could be noticed that the percentage of self-financing is higher for the firms from tourism (88.24%) and the lower level was registered by the
transport firms. The bank credits were more used by the industrial firms (48.12%), almost equal percentage for the firms from trade and construction, around 40% and the lowest level was registered by the firms from services sector. The firms from construction sector also used on the major proportion the leasing (44.86%). In the same time, they borrowed loans from specialized financial institutions (2.80%) and its accessed the National Credit Guarantee Fund for Small and Medium Sized Enterprises (1.87%). The firms from trade and services sector are the only two types of SME’s which realized share issue on the capital market, but the percentage is very low, less than 1%. The SME’s from tourism registered the fewest financial ways, missing the loans from specialized financial institutions, the factoring, and loans from the National Credit Guarantee Fund for Small and Medium Sized Enterprises. The data regarding the distribution of SME’s based on their economical sector are presented in the table no.4.

Table 4: The differences of financing along the SME’s, depending on their economical sector

<table>
<thead>
<tr>
<th>No.</th>
<th>Financing types</th>
<th>The SME’s economical sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>industry</td>
</tr>
<tr>
<td>1</td>
<td>Self-financing</td>
<td>82.01%</td>
</tr>
<tr>
<td>2</td>
<td>Banking credit</td>
<td>48.12%</td>
</tr>
<tr>
<td>3</td>
<td>Leasing</td>
<td>34.73%</td>
</tr>
<tr>
<td>4</td>
<td>Share issue on the capital market</td>
<td>0.00%</td>
</tr>
<tr>
<td>5</td>
<td>Unrepaid funds</td>
<td>3.77%</td>
</tr>
<tr>
<td>6</td>
<td>Loans from financing specialized institutions</td>
<td>1.26%</td>
</tr>
<tr>
<td>7</td>
<td>Factoring</td>
<td>0.84%</td>
</tr>
<tr>
<td>8</td>
<td>NCGFSME</td>
<td>1.26%</td>
</tr>
<tr>
<td>9</td>
<td>Others types</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: The White Charter of SME’s in Romania in 2005, p. 297

From the figures shown on the tables and chart above, it can be conclude that the firms are not well aware yet of the numerous available ways for financing their activity, in the majority relying on their self resources. The economical and financial environment in Romania, in the last years, was not enough permissive, opened and sufficient attractive for the SMEs. The low level of accessing the financial sources from specialized institutions or from the National Credit Guarantee Fund sustains the idea that it must be made more efforts, at national level, in order to attract and convince the SME’s to use all the financing types available.

References
2. Law on Microfinancing Commercial Companies No. 240/2005
3. Romanian Statistical Yearbook, 2005
FINANCING SMALL AND MEDIUM ENTERPRISES IN SLOVAK REPUBLIC

There is necessary to have sufficiency amount of financial resources for performance of enterprises activity. These financial resources could be obtained from internal or external resources. In the condition of Slovak market, the main internal resource is achieved net profit of enterprises, and the main external resources are the bank loans.

Self-employed persons are one of the economic subjects in the Slovak market. The aim of this article is to appreciate the development of financing in this segment. The reason for this segment selection is, that self-employed persons are one of the economic subjects with stabile place in the Slovak economic since 1991 (Graph 1), and with stabile share on gross production (Graph 2).

Graph 1 Number of self-employed persons in Slovakia 1990 – 2005

Source: State of small and medium enterprises in the Slovak Republic, 2005

Graph 2 Shares of SMEs on revenues in selected sectors, 2005

Source: State of small and medium enterprises in the Slovak Republic, 2005

There exist two ways of enterprises financing, external and internal financing. The main way of internal financing is achieved profit. For approximation of self-employed persons profit we can use the indicator of gross mixed income. The gross mixed income involves net mixed income and amortization. The net mixed income is the profit from enterprising, but also the owner reward, which can’t be divided from entrepreneur’s profit.

In 2005 and in 2006 too, the entrepreneurial sphere creates good conditions for internal financing of its activities. The increase of self-employed persons profit achieved the double figure value. In 2005 the profit

---

19 The report was created within the frame of grant VEGA n. 1/3815/06 solution
measured by gross mixed income increases from 289,0 mld. Sk to 332,1 mld. Sk, it means the 14,9 % increase. In 2006 the increase of profit was 16,2 %.

The increasing value of profit is positive signal for self-employed persons, because it means higher possibility of internal financing. Despite this fact there are necessary the other ways of financing too. These financial resources are necessary condition how to stay in the increasing competitive environment of global economic. Through the internal and external financial resources the enterprises can financing the expansion of their activities, or ensure the increasing quality of produced goods and services. Expansion and higher quality can help them to satisfy the increasing consumption, which is accompaniment feature of economic with great economic development. The Slovak republic is one of the countries with the high rate of economic development in the last years.

Graph 3 Trend of GDP, gross fixed capital and final consumption

Source: www.statistics.sk

In Graph 3 we can see, that there exist some correlation between the increase of GDP, investment (measured by creation of gross fixed capital) and final consumption. The creation of gross fixed capital involves producer’s (residents) purchase minus property outflows – in the given period, plus some increase in value of non-produced assets realised by production activity of producer or institutional unit. The fixed assets are tangible and intangible assets, which were produced as a production in the process of manufacture and which will be used frequently or non-stop in the process of manufacture more than one year. In Graph 3 we can see, when the final consumption increases, the investment increase too.

The main external financial resources are bank loans. With the development of Slovak economy the necessity of financing by this way increase too. The aim of this article is to analyze the development of bank loans in the segment of self-employed persons. We will monitor, which way of external financing were used by this segment. In Graph 4 we can see, that the volume of bank loans in 2005 in 2006 increase.

Graph 4 The volume of bank loans in Skk and foreign currencies

Source: www.nbs.sk
The self-employed persons drawdown loans in: Slovak currency (SKK), EUR, and other foreign currencies (OCM). In the Graph 4 we can see, that the Slovak bank loans have the highest share on the total volume of bank loans. The volume of drawdown loans have increasing tendency. In the last months we can see higher movement in the volume of bank loans in EUR.

Graph 5 The share of short-term (kd), middle-term (sd) and long-term (dd) bank loans on the total volume of bank loans

Source: www.nbs.sk

When we analyze the volume of drawdown loans from the time point of view, we can see, that the highest volume of bank loans was short-term bank loans. The share of short-term bank loans on the total volume of bank loans was 50 %. The other 50 % was divided between middle-term bank loans (loans with maturity from 1 to 5 years) and long-term bank loans (loans with maturity over 5 years). In the Graph 5 we can see, that the share of long-term bank loans increase in the last month of the observed period.

The volume of drawdown bank loans in the sector of self-employed person depends on the level of interest rate too. As the interest from the bank loan represents the costs for the self-employed person, its level affects the level of achieved profit too.

However the bank loans aren’t the only way of external financing. The alternative form of external financing for enterprisers in the last year is factoring. The increasing importance of this way of financing can be seen by increasing amount of accepted receivables incl. VAT (26,34 %) and by increasing number of clients (37,59 %) in 2004 and 2005.

Conclusion

In the global market it is necessary to increase competitiveness of the enterprises. The increasing competitiveness can be secured by innovation of firm activities. For financing of innovation can be used internal or external financial resources. The main way of internal financing is achieved profit. The external way of financing is bank loans. The selection of banking institution by which the bank loan will be drowning down depends on the several factors. One of these factors can be the effectiveness of banking institution. When the banking institution is effective, for enterprises it mentions stabile business partner. Therefore it is for banking institution necessary to measure their efficiency. Further it is necessary to publish this information to public. This way can the enterprises choose the bank, which fulfils their requirements the best way.
References
Toptrend in Finance, Trend 24/2006 www.statistics.sk
In the world of business there must be clear rules for all joint parties. It means that the seller (if it is maker, importer or exporter) must get paid for the sold goods the right amount and get paid on time. On the other hand buyer (importer) must get the right goods and fill in the contract on time. These rules are contained in the agreements in which they both sign between each other (business partners). In this time the sellers are pushed to give prolonged time of payment buyers, because of the reason of competition. There is a risk that the buyer will not pay on time. Given loan is that it binds the seller’s financial resources and it can slow down his turnover.

One of the possibilities of eliminating the risk from the relationship of supplier-buyer is the use of alternatives of financing concrete factoring and forfaiting. Alternative forms of financing offer the supplier “without loan financing” and in this way it proves that it can eliminate the risks of payment of the insolence of the debtor (buyer).

Factoring, as an alternative of financial and business operations

Factoring shows a contract in which it is agreed upon about all the operations and relationships between producer and factoring company. Producer on the basis of steps cession does business of the selling of short-term receivables, which result from short-term result of the selling or export of goods and a new owner of receivables specialized company (factoring company) who buys and looks after receivables on the basis of factoring agreement.

Steps of factoring transaction:
1. Supplier turns to factoring company with the request of cooperation.
2. In case of positive stand of factoring company towards the concrete supplier both sides sign the factoring agreement in which is given the loan limit.
3. Supplier gives the goods or requested service and makes an invoice, which has the stamp of cession.
5. After the selling of cession factoring society executes advance payment in the range of 80-95%.
6. In time of payment buyer has to pay their obligation to the account of the factoring company.
7. Next factoring company pays out supplementary payment to supplier. Factoring company takes provisions and interest.

Factoring in business and financial relationship

Factoring agreement in general contains the following activities.
1. Financing
After the cession factoring company pays out 80-95% of the value of the cession in the benefit of the account of seller.
2. Collection
Collection activities include the control of payment given for cession and their collection and their recovery of debts.
3. Guarantee
Factoring company takes over "delcredere risk"21 in the amount of confirmed "delcredere limit" without responsibility to the owner of receivables.

20 The report was created within the frame of grant VEGA n. 1/3815/06 solution
21 payment insolvency
4. Informative

Factoring company offers information’s about financial situation of debtor, consultation and administrative work.

The next contents of factoring agreement is the assignment of laws and duties for the client and factoring company – the precise specification of the type of goods, buyers and territory of the business. On the basis of factoring agreement it is mostly established by long-term relationship of both sides.

**Financing of small and medium enterprises with the help of forfaiting**

The basis of forfaiting is the selling of medium-term and long-term receivables, which were established from the seller-buyer relationship in relation to the forfaiting institution. Forfaiting is used in financing machine, equipment and big investing units, where the time of period of payment is more than one year. Forfeiter takes over all the risks, which are connected with all the agreements in question. Forfaiting has potential risk of non-payment in general. Forfaiting companies require insurance of receivables third parties (guarantors).

Forfaiting is based on forfaiting agreement where the contracting sides are supplier as well as seller, buyers of receivables and specialized financial institution, as the buyers of receivables. Guarantee of receivables is general bill of exchange with co accept the draft of first class bank, bank acceptance, co accept the draft with documentary credit or bank guarantee. Forfeiter must be certain that the debtor or guarantor will pay the obligation without any objection. The right of objection stays in relation to supplier and buyer, but can’t influence his payment towards the new owner of receivables – Forfaiting Company. This company designates maximum payment of receivables from the risk of buyer, supplier and receivables.

**Steps of forfaiting transaction**

1. Request of forfaiting.
2. Payment of bill of exchange, which is guaranteed after the delivery of goods.
3. Agreement between Forfaiting Company and seller.
5. Forfaiting Company pays out the forfaiting transaction.
6. Cession (secondary market)
7. Buyer pays out obligation in benefit of the forfaiting company.

**Forfaiting and factoring in new business environment**

In the past all transaction to do with supplier-buyer relationship and their financing with financial institution were realized in paper form (for example invoice, agreement). In present time there is the trend of doing everything electronically. Business companies operate in the environment of computers and Internet business by which companies substitute paper to electronic documents.

Electronic data interchange with help of information technology helps business partners not only to do an automatic transfer with business data and document, but also with realization of prompt and reliable financial compensation from one computer system to second. Participants of electronic exchange of data are quick and always informed about the state of financial requirements, financial transactions as well as all-important events.

System EDI makes it possible for transformation of paper exchange of data into electronic exchange of structural facts. The most used standard is the norm UN/EDIFACT (United Nations/Electronic Data Interchange for Administration, Commerce). This standard is multinational and used in all economic sectors. The norm is based on the simple but also quite flexible international norm convenient by need of government and in the private sector. With the help of standardized commands for example INVOICE, ROCENCO (financial agreement) by this standard commands we can create electronic alternatives of financing of business operations.

Alternative financing is interconnected with information technology, which offers the clients the following benefits. For example:

- Reliable and quick transfer of financial information,
Saving of time,
Saving of operating expenses,
The simplicity, reduction of payment and quick communication between partners in Slovakia and abroad,
Saving of costs of the formation processing and archiving of documents,
Elimination and quick correction of mistakes in business agenda,
The ability of operative solution of business problems,
Automatic process factoring transaction,
Increase of security and installation of electronic signature,
Bigger transparency and availability of documents,
Ecological view point (saving of paper and petrol)

Conclusion

Financing of receivables is generally based on simple documentation transaction mostly in the form of buying agreement, invoice, and order. Agreement and invoice guarantees the right of owner of receivables to show in the future real establishment of receivables. The order is important from the point of view of the owner of receivables for the proof of identity that the debtor has really ordered the goods which he in the future could deny. In receivables there is possibilities the control of both the seller and buyer and in the way that, what the supplier recordings should be shown in financial accounts of buyer. Business receivables of supplier after factoring operation goes out from account of supplier, it changes its character into money on account. It quickens turnover of firm and forces buyers to pay on time, because financial companies can put the debtors on international “black list” of non-payers. By this that the buyer will be in the database of informational office in the group of non payers, the ending result can also be that these unpunctual buyers will lose their present suppliers and also the suppliers in different countries, or the banks will cancel their loan because they have become risk clients. Joint alternatives financing with information technology offers the written and other benefits for all parties concerned consequential from electronic communication.

References

8. Editel, ČR.: EDI a electronic market, Unis publishing, s.r.o., 1996,
ISSUE Vol. II, No. 2  
May 2007

László Krisán  
General Director  
Zoltán Szép  
Director of Development  
KA-VOSZ ZRt  
E-mail: szep@kavosz.hu

SZÉCHENYI CREDIT CARD CONSTRUCTION

„Mission is possible”

KA-VOSZ Plc. Financial Services Trading Close Co., is a joint corporation of the National Organization of Entrepreneurs and Employers (NAEE, in hungarian: VOSZ) and the Hungarian Chamber of Commerce and Industry (HCCI, in hungarian: MKIK). In 2002 VOSZ and MKIK decided to work out a system providing their members and those of their partner organisations with credit-card based, low-interest loans for micro-, small- and medium enterprises at Hungarian credit institutions. The system was named Széchenyi Card by the initiators. In order to consolidate small enterprises, the Government pioneered the initiative and provided state guarantee through Creditguarantee Co.(Hitelgarancia ZRt), thus participating in the successful realisation. On 4 March 2002 VOSZ and MKIK founded KA-VOSZ Close Co. to perform pragmatic tasks.

Main elements of KA-VOSZ Plc’s activities: forming, harmonising and modifying product conditions, accepting Széchenyi Card applications as an agent of banks; training, qualifying; operating and developing the network; Help-desk;, dataproviding according to the law in fully electronic way; checking all subsidy accounting; continuous checking of the portfolio; planning and operating marketing campaigns, etc.

- Based on the basic principles of the European Union, and understood the problems of micro-, small-, and medium enterprises (lack of capital, difficult approach to financial sources etc) a special financial tool called Széchenyi Credit Card was formed to help and assist the SME sector.

- Available for a wide range of SMEs’, in extremely short time (two weeks), at the lowest interest rate and costs level of the credit market, distributed by door-to-door servicing (can be applied in all major cities in offices of trustful organisations of National Associations of Entrepreneurs and Employers (NAEE) and Chamber of Commerce and Industry) the Széchenyi Card is optimal credit facility to the SMEs’,

- Easy understanding and the 1-year expiry (prolongable for more years) formed to meet the needs of individual enterprises,

- The Széchenyi card with its’ special co-operation system accepts and considers all the aspects and interests of the participant institutes (Economical Government, NAEE and Chamber of Commerce, Commercial Banks and Saving Banks and Credit Guarantee Institutes).
THE CONTINUOUSLY RENEWING SZÉCHENYI CARD

Széchenyi Card is state interest-supported, advantageous interesting construction developed for micro-, small- and medium enterprises
With it’s help enterprises functioning for at least a year long can have access to a free usable credit in a simplified method.

The secret of the success is in the easy application and the automatic credit-scoring which allows quick access to the credit. Furthermore Széchenyi Card offers alternative credit amounts – up to 25 Million HUF / 100.000 Euro – acting upon the needs of the individual enterprise.

The credit frame with the guarantee taking by Credit Guaranty Plc. and without real estate escort during a whole year can be used without any regulation in case of shopping with credit card, bank transfer or cash withdrawal.

Széchenyi Card is one of the cheapest product with less than 1 % monthly credit fee due to the Ministry of Economy and Transportation’s credit – and guarantee fee support.

In the Széchenyi Card construction at the moment 5 credit institution are taking part: MKB Bank, OTP Bank, Erste Bank, Volksbank and the Savings Cooperatives – with all together 1400 branches and in the near future more credit associatons joining is expected in circulating of Széchenyi Card. The application can be passed in at 177 offices of the National Association of Enterpreneurs and Employers and the Hungarian Chamber of Commerce.

DETAILED INTRODUCTION OF THE SZÉCHENYI CREDIT CARD CONSTRUCTION

The Széchenyi Credit Card

The Széchenyi Credit Card scheme was introduced in the fall of 2002 based on a government decision and its success has since year-to-year exceeded expectations. Today, out of all Hungarian state-subsidized credit schemes, the Széchenyi Card reaches the most small- and medium-sized enterprises, and is the market leader in simplified liquidity managing loan.

The Széchenyi Card is a state-subsidized credit construction with discounted interest rates, created for micro, small-, and medium-sized enterprises, through which those enterprises can receive freely usable loans and lines of credit. The credit serves to help solve the temporary, daily liquidity problems of enterprises.

When the idea for this product surfaced, Hungarian small enterprises were characterized by a lack of capital and resources. To bridge these problems of liquidation the enterprises were compelled to bring in outside partners. Further, the ascension to the European Union placed significant pressure on these enterprises to adhere to expectations and meet new market demands.

The spread of unsecured loans for small enterprises, besides the usual market problems experienced in developed countries (informational asymmetry, uneconomical scale), was hindered in Hungary (and in other transitional economies) by the lack of familiarity and overly cautious nature of both banks and small enterprises. This was particularly the case with micro enterprises, whose unfavourable financial data (which was not necessarily reflective of their true nature) and lack of credit history placed them outside of banks’ target groups. The existing subsidized loan schemes and the loans offered to small enterprises by commercial banks offered only investment loans which required mortgaging. These schemes did not offer actual resource growing possibilities to the significant portion of these enterprises, due to their characteristic lack of mortgage collateral.

Therefore, the financing demands of small enterprises, because they were not economically viable (not bankable) from the viewpoints of banks and credit institutions, led to an unsatisfied market demand, which served as a typical area for government intervention. Only the government, as a not profit-driven party, could counter the high risk and costs, and therefore open up the possibility for more efficient operation between enterprises and banks.

The simplified terms and conditions of the Széchenyi Card made it possible to reach a wide circle of micro and small enterprises. The added risk could be pre-filtered by the participating associations, and the relatively high interest rates could be reduced by state subsidy and countered by a guarantee structure aided by a government guarantee. The governmental subsidy was declared from the beginning to continually decrease,
with the intent that once the credit construction became economically viable for the banks and the risks could be calculated, the scheme would remain competitive on the market. The governmental interest subsidy has been reduced from an initial 5% to 2% today, and subsidy will totally disappear by 2008. because it deemed the market conditions able to properly handle the risks.

Creative solutions – what made the Széchenyi Card a novelty?

Credit Guarantee

Before 2002 non-mortgaged financing was unusual within the small- and medium-sized enterprises (SME) sector. Only 10% of SME’s utilized loans or credit before 2002, in part due to the lack of adequate property or assets that debtors could use to cover their credit.

One possible solution of the problem is for the guarantee institutions – working together with governmental guarantees – to play a larger role in the securing of credit for SME’s. Hence, one of the main pillars of the Széchenyi Card’s credit construction became the Hitelgarancia Plc. (Credit Guarantee Corp.), which guarantees 80% of the loan. Therefore the largest obstacle in securing credit for micro and small enterprises was obviated, thus the worries of banks were eliminated.

Government support

The government gave further support to the construction, because it believed that further effective advocacy was needed to strengthen the SME sector. The provided funding lists as follows: the initial cost of the configuration, fee subsidy for guarantee fee and the interest subsidy given to the debtors. The state subsidies both are rated as de minimis aid according to the EU regulations.

Mass distribution through an agency network of associations

The Széchenyi Card is the only business loan product, which was envisioned from the onset to be sold at mass scales. It is at this point where an agency network enters the picture, in order to help the banks distribute the product and acquire clients. The National Association of Entrepreneurs and Employers (NAEE) office network and the country and regional chambers of commerce and industry could alleviate numerous tasks from the traditional bank’s duties. The banks therefore outsourced the customer relations, scoring and data entry duties to this network.

IT background

The information system enters the application data into the registration office network and filters the applications, which through the KA-VOSZ Plc. central system connects to the banks’ systems. Data sharing between the banks and Hitelgarancia Plc. (Credit Guarantee Corp.) allows for guarantee applications to be applied for electronically. The registration, settlement, and payment of the government subsidy are also done through KA-VOSZ Plc.’s central system on behalf of the Hungarian Treasury.

Figures

Over the four and a half years since the inception of the Széchenyi Card almost 100,000 applications were entered by businesses, and in March of 2006 the 73,000th Széchenyi Card was issued. To date, the Széchenyi Card construction has granted 350 billion Forint (1.3 billion Euro) of credit. Over 2000 applications are entering into the system in every month. The SME sector’s market share of business loans has grown from 19.3% in 1999 to 53% by the end of 2005, mainly due to the Széchenyi Card and the competition it created on the market. 20% of the Hungarian full SMEs’sector (abt 400,000) have applied for the Széchenyi Card.
Creation of competition

The popularity and distribution of the Széchenyi Credit Card provided an opportunity to the participating credit institutions to more correctly assess the risks related to a before largely unfamiliar business circle (the SME sector), and also offered them experience with a standardized, simplified credit product.

Nothing illustrates the success of the Széchenyi credit scheme better than the marked change in the attitude of Hungarian credit institutions, from a cautious passivity to an ever-greater interest in joining and partaking in the distribution of the new credit construction. This led, in 2004, to the first round of bank expansion. Today there is an ever-greater pressure applied by interested parties and credit institutions to the administration and KA-VOSZ Plc. for the construction to be once again expanded to include further parties. The non-participating banks have come to the market one after the other with credit products similar to the Széchenyi Card, and have continuously adjusted their prices and conditions to the market leading credit construction.

Long-term, indirect positive effects

Above and beyond the scheme’s positive effects, such as providing SME’s quick access to a credit line and helping economically prepare them for EU competition, and playing a significant role in the development of the domestic credit market, other indirect positive effects developed, due to the credit product’s demand and market leading position. A long-term indirect effect of the Széchenyi Card is that it has helped spread and popularize the credit card as a modern, non-cash payment method and “clear up” the economy, by turning SME’s toward the transparent operation. Széchenyi Card highly recourse the enterprises of backward regions, subserve the development of these areas.

Future plans

In the last few years the Széchenyi Card has experienced unprecedented growth and the construction’s success has won unequivocal trust. The aim of KA-VOSZ Plc. and the other participating associations in the construction is now no longer growth, but security and the formation of a credit-worthy enterprise market. Further plans of KA-VOSZ Plc. include the offering of further credit types and services to the SME market. Also KA-VOSZ Plc. will strive to further increase knowledge of the Széchenyi Card construction through maximizing publicity and gaining recognition in international forums. The scheme made its international debut in 2005 as part of the EuroCommerce “Best Practice” program.

WHY SZECHENYI?

Széchenyi Card was named after Count István Széchenyi 
(born in Vienna, 21 September 1791 and died in Döbling, 7 April 1860).

Being the most significant landlord in the country, Széchenyi was the initiator of the patrician liberal movements in the first half of the 19th century. He devoted his whole life to the notions of progress; he fought for the Hungarian citizenry and the economic development. He acted as Minister of Employment and Transport in the First Hungarian Government in 1848. As a statesman and political writer, his works Hitel (Credit – 1830), Világ (Light – 1831) and Stádium (Status – 1833) are among the most remarkable pieces of Hungarian political literature. His programme discovered the lack of capital needed to develop the technologies required by the noblemen interested in increasing production. Besides, he claimed the improvement of the credit situation in Hungary.

To hasten Hungary’s economic development, he established factories, organised the building of Chain Bridge and the regulation of the Danube, and founded the Hungarian Academy of Sciences. From 1830, he managed several enterprises, such as the Danube Steamboat Corporation in 1831, the Mill in Pest in 1837 and participated in the opening of the Hungarian Commercial Bank in 1841.
FINANCING SMEs IN MONTENEGRO

1. System Environment

**Legal and administrative aspects of business operation**

The business environment in Montenegro has significantly improved over the past few years. Ninety-one laws have been adopted which have been harmonized with the EU standards in their greatest part and which have created a solid institutional set-up for encouraging investments and implementing the economic policy embodied in the strategic document of the Government of the Republic of Montenegro – Economic Reform Agenda. The most notable laws adopted in the past period are: the Law on Business Organizations, Lien Law, Law on Business Organization Insolvency, Law on Fiduciary Transfer of Property Right, Law on Value Added Tax, Law on Accounting, Foreign Trade Law, Customs Law, Law on Free Zones, Competition Protection Law etc.

Also, over the past few years Montenegro has implemented substantial institutional reform in the key sectors such as: the fiscal system, financial sectors, payment system, pension system, privatization, restructuring of enterprises, etc.

**Fiscal reform**

Fiscal reform in Montenegro commenced in 2001. A larger number of laws were adopted aimed at contributing to a more transparent and efficient collection of budget revenues (Excise Tax Law, Law on Tax on Profits of Legal Entities, Real Estate Tax Law, Law on Value Added Tax, Law on Withholding Tax of Natural Persons, Law on Local Government Financing, etc).

In mid-2004, in the fiscal area, within the program “Legalization of the existing and opening of new working positions”, the Law on Withholding Tax of Natural Persons underwent modifications (Official Gazette of the Republic of Montenegro, No. 37/04) whereby the rates of the withholding tax were reduced. The reduction was carried out in two stages (from 1 July to 1 December 2004 by 5% and from 1 December onwards by 10%). For entrepreneurs engaging in independent activity additional tax relieves were introduced for investments (the calculated tax may be reduced by 50% of the investments made and up to 70% of the calculated tax) and employment of new workers.

Subsequent to the research done in the area of informal work in Montenegro, indicating that nearly 60,000 persons were involved in the sector of unprotected work, the Government of Montenegro adopted within this program the Decree on Tax Relief for the Unemployed. The Decree confirmed the research results, i.e. the existence of the grey economy on the labor market. The adopted Decree has formally “increased” the number of the employed persons in Montenegro by nearly 40,000. However, there is still a difference of 20,000 workers who are still assumed to be employed in the hidden labor market. It is important to point out that, despite the impressive data on the rise in the number of workers, an adequate increase in tax revenues by virtue of the income of the newly employed, has failed to occur.

Towards the end of 2004 the changes and amendments to the Law on Tax on Profits of Legal Entities were adopted (Official Gazette of MN No. 80/04), which included the reduction in the tax rate from 20% to 9% and extended the possibility of using tax relief by virtue of investment in securities and employment of new workers.
Towards the end of 2005 the Law on Value Added Tax underwent modifications (Official Gazette of MN No. 76/05), whereby in addition to the general rate of 17% a reduced VAT rate of 7% was introduced for accommodation services in tourism.

Financial Sector Reforms

The most significant reform in the financial sector has been the introduction of Euro, which resulted in inflation stabilization.

In the course of 2002 and 2003 a set of bylaws were adopted which enabled the enforcement of the laws in practice. All the adopted laws and bylaws have been harmonized with EU legislation and internationally accepted standards.

In compliance with the adopted laws the following institutions have been established:

- The Central Bank of Montenegro;
- Securities Commission Montenegro;
- Central Depository Agency of Montenegro;
- 6 privatization investments funds, 4 brokers and 1 dealer;
- 4 micro-credit financial organizations.

Reforms in the Banking Sector

Today the Sector of commercial banks in Montenegro comprises 10 banks. The banks' ownership structure was substantially altered during 2005 and 2006 and today there is not a single bank with the majority interest of the state.

Table – Ownership structure of banks in %

<table>
<thead>
<tr>
<th>Year</th>
<th>The State’s</th>
<th>Private Domestic</th>
<th>Foreign Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>43</td>
<td>41</td>
<td>16</td>
</tr>
<tr>
<td>2002</td>
<td>31</td>
<td>44</td>
<td>25</td>
</tr>
<tr>
<td>2003</td>
<td>23</td>
<td>44</td>
<td>33</td>
</tr>
<tr>
<td>2004</td>
<td>26</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>X 2005</td>
<td>13.81</td>
<td>25.25</td>
<td>60.94</td>
</tr>
</tbody>
</table>

Source: Chief Economist Annual Report 2005, Central Bank of Montenegro

The banking sector is liquid and solvent (all banks fulfil the legally prescribed minimum of solvency coefficient of 8%).

The Central Bank of Montenegro (CBMN) has adopted a Decision on Micro-Credit Financial Institutions and a Decision on Credit Unions.

As a regulatory and supervisory institution in the banking sector, CBMN has focused on the adoption of a full regulatory framework for commercial banks’ operation. The total of 35 bylaws have been adopted which relate to the bank operation supervision as well as another 7, which regulate financial and bank operations. As regards the Basel Core Principles, CBMN has fully harmonized 9 and significantly harmonized 14 basic principles; 4 principles are substantially non-harmonized and 1 is totally non-harmonized, while 2 principles are deemed inapplicable.

The bank ratings are being continually monitored. A software packet for the bank portfolio analysis and commercial bank reporting to the CBMN has been created. With a view to harmonizing the banks with the modern operation standards, rules have been adopted which are related to the interest rates and compulsory reserve rate.

Legally stipulated measures have been applied to unsound banks.
Capital market

Montenegrin experience shows that it is possible to develop a market infrastructure and a regulatory framework in a relatively short period of time, just as the regulations and institutions have been established in line with the needs of the market.

Montenegro Stock Exchange was founded in 1993 and the New Securities Exchange Montenegro with private capital - NEX Montenegro, was established in 2001. One dealer and four broker companies have been granted a license to operate. Trading stock, old foreign currency savings bonds and privatization funds units has been going on freely.

The project of information connection of stock exchanges of South-East Europe has been realized (BTS trading system). The independent web portal www.sem-on.net has been placed, where it is possible, simultaneously and in real time, to follow the fluctuations on the seven stock exchanges: NEX Montenegro - Podgorica, Ljubljana Stock Exchange, Sarajevo Stock Exchange, Banja Luka Stock Exchange, Varaždin Stock Exchange, Skopje Stock Exchange and Belgrade Stock Exchange.

Fully implemented and operating undisturbed are the system of electronic securities exchange and the system of electronic registry, clearing and balancing transactions with securities in the Central Depository Agency, which in the concept of dematerialized securities represents a fundamental part of the infrastructure of the securities market. The Securities Commission has adopted 19 bylaws, and the work on the regulations related to the investment funds, taking over business organizations, elaboration of the concept of conflict of interest (especially in related persons), etc.

2. Barriers to the growth and development of SME

Even though the business environment in Montenegro has significantly improved over the past few years, the environment entrepreneurs are operating in is still a challenging one, given the rather complicated legal and regulatory framework, the large and insufficiently transparent system of public administration and the poor judiciary structure in Montenegro.

Therefore, some of the basic challenges Montenegro is faced with in the creation of an entrepreneurial society are the harmonization of the legal and regulatory framework for business operation, simplification and reform of the procedures in all aspects of business operation, consistent implementation of positive legal solutions and predictable business environment.

Insufficiently regulated legislation for SME

Montenegrin small and medium-sized enterprises and entrepreneurs operate in an environment regulated by a unique legal framework for business operations applicable to other business entities. Thus, with the exception of the laws regulating the status issues related to certain business entities treated as the SME sector, there is not a single systemic regulation referring specifically to SME.

Licensing

A party is generally poorly informed about the licensing procedure and usually it is only after the initiation of the procedure that they learn about the necessary documentation and fees payable for the procedure. The licensing procedure is decentralized, rather complicated and gives significant space for arbitrariness; consents and orders are issued by a large number of bodies and institutions both on the local and on the national level; the costs incurred by providing a license to operate are exceptionally high, even though due to the above-mentioned reasons they may not be precisely calculated in advance, i.e. they vary according to the type of activity and the documentation required for a specific activity; authority is given to numerous inspections by various regulations; finally, legal provisions referring to this area are found in a multitude of laws and bylaws and thus they frequently overlap.
**Fiscal burden**

The number of taxes and other levies is still higher than the optimum. The deficiencies of the current state of affairs are particularly visible in the increasingly insignificant advantage of the low rate of the tax on profits of enterprises (9%), high rates of taxes imposed on the employer and the collection of a wide range of fees and contributions that each business entity is faced with in its regular operation (mainly referring to the services and infrastructure).

The total burden of 1.05 Euro on 1 Euro of pay represents a powerful stimulus to the grey economy. These figures include contributions to the pension and disability insurance (PIO), unemployment and health insurance, compulsory fees paid to the Chamber of Commerce and the Trade Union and the withholding taxes. The employer pays contributions both on his own behalf and on behalf of the employee. There are also some additional payments in line with the provisions of the General Collective Agreement.

**Access to the funds**

Poor accessibility to loans granted by commercial banks substantially effects the development and growth of SME. High interest rates almost completely hinder SME periodical financial injections aimed at advancing business operation. In December 2005 loans granted to the private sector had the nominal interest rate of 10.24% to 12.68%.

In addition to this, the lists of conditions a client of a bank need to fulfill in order to receive a loan are highly demanding and vary from bank to bank. The set of documentation (three documents at the minimum) which is necessary to submit requires much time and money, and particularly demanding in this respect is the preparation of a business plan and loan security, mainly in the form of fiduciary or mortgage.

What poses a special problem is the attitude of banks towards SME issuing from: the lack of loan history (for new and relatively small enterprises), the lack of quality collaterals (banks require collaterals in urban areas and the value ratio 2:1), lack of adequate financial reports – SME balances chronically suffer from a capital deficit.

**3. Financial support analysis**

**3.1. Public sector**

**A) Directorate for the development of small and medium size enterprises**

Financial support to the SME sector provided by the Directorate for the development of small and medium size enterprises in the period 2002 – November 2006, was provided through the development projects:

- “Increasing the competitive capacity of local enterprises”
- “Youth in business”
- “Incentives for entrepreneurship“

The program envisaged the unification of financial support through the banking sector, in cooperation with the Employment Agency, the Directorate for the development of small and medium size enterprises and the Development Fund.

The basic purpose of this Program is to enable the small and medium size enterprises and entrepreneurs to obtain, under more favorable conditions than in commercial banks, the credit funds, in order to be able to operate in a stable manner, increase the pace of their growth and development, employ new workers and thus contribute to the overall economic development of Montenegro.

The credit lines within the mentioned projects were implemented in cooperation with the commercial banks, and they made the final decision when it comes to approval of the funds under favorable credit conditions (average interest rate of 5%, repayment period up to 5 years and grace period of 12-18 months). The total number of supported projects was 138, with the total value of 8,877,900 €. With the implementation of these credit lines, the total number of 533 new jobs were created.
Table: Overview of credit support by the Directorate for the development of SME’s 2002 - November 2006

<table>
<thead>
<tr>
<th>Project</th>
<th>No of projects</th>
<th>No of empl. persons</th>
<th>Project value ( €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing competitive capacity of local enterprises</td>
<td>54</td>
<td>267</td>
<td>6,201,000</td>
</tr>
<tr>
<td>Youth in business</td>
<td>2</td>
<td>2</td>
<td>50,000</td>
</tr>
<tr>
<td>Incentives for entrepreneurship</td>
<td>82</td>
<td>264</td>
<td>2,626,900</td>
</tr>
<tr>
<td><strong>TOTAL</strong>*</td>
<td><strong>138</strong></td>
<td><strong>533</strong></td>
<td><strong>8,877,900</strong>*</td>
</tr>
</tbody>
</table>

Source: Directorate for the development of SME’s
*figure is not final – the project is still ongoing

Energy efficiency for SME’s

The German KfW established a budget for the energy efficiency measures in Montenegro and for that purpose they have provided the amount of 2,5 mil € in the form of credits that will be placed through the Montenegrin commercial bank (Crnogorska komercijalna banka), as well as 500.000 € for technical support. KfW provided some additional funds, as well, in the amount of 10 mil €, at the regional level.

The Diaspora Fund

The project of the Diaspora fund involves preparation of the program of business cooperation with the Montenegrin Diaspora, which will be based on mutual economic interest and creation of favorable conditions for return of the immigrants, and for the economic development of Montenegro through new investments, as well as for the involvement of the Montenegrin Diaspora in the economic activities in Montenegro.

The founders of the Diaspora Fund are the Government of Montenegro – Directorate for the development of small and medium size enterprises and the bank - Crnogorska Komercijalna Banka – with equal participation in the structure of assets of the Fund. Operations of the Fund are planned based on the principle of credit provision, according to the defined pace of creation and placement of funds. The credit line for the implementation of the project has been called for on March 31, 2006.

B) Development Fund

In the period 2002 – November 2006, through the continuous competition of the Development fund, a total of 301 projects of SME’s have been financed, with the pre-calculated value of 118,4 million €, whereas the participation of the Fund was 21,46 million €. With the implementation of these projects there have been 2,254 new jobs created. The credit assets were placed through the commercial banks, at the interest rates of 5-10% annually, repayment period of 4 years and grace period of 12-18 months.
Table: Overview of credit support provided by the Development Fund 2002 - November 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>No of projects</th>
<th>Pre-calculated project value €</th>
<th>Participation of the Development Fund €</th>
<th>No of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002.</td>
<td>34</td>
<td>8,750,000</td>
<td>1,730,000</td>
<td>440</td>
</tr>
<tr>
<td>2003.</td>
<td>72</td>
<td>25,800,000</td>
<td>4,360,000</td>
<td>700</td>
</tr>
<tr>
<td>2004.</td>
<td>37</td>
<td>17,150,000</td>
<td>2,430,000</td>
<td>260</td>
</tr>
<tr>
<td>2005.</td>
<td>37</td>
<td>10,100,000</td>
<td>2,340,000</td>
<td>159</td>
</tr>
<tr>
<td>November 2006</td>
<td>121</td>
<td>56,600,000</td>
<td>10,600,000</td>
<td>695</td>
</tr>
<tr>
<td>TOTAL</td>
<td>301</td>
<td>118,400,000</td>
<td>21,460,000</td>
<td>2,254</td>
</tr>
</tbody>
</table>

Source: Development Fund of Montenegro

C) Employment Agency

The Employment Agency of Montenegro stimulates the development of small and medium size enterprises from the very beginning of the understanding of importance of small and medium size enterprises for the development of the economy, through the following projects:

Self-Employment Program

The program for a continuous encouragement of employment and entrepreneurship in Montenegro, better known as the Self-Employment Program, is implemented through the Employment Agency of Montenegro since February 1999.

Through this Program credit funds are given under favorable conditions (interest rate 3% annually, grace period of one year, repayment period of 3 years for physical entities and 2 years for legal entities, loans repaid in semi-annual installments).

From 2002 until the end of November 2006, there were 7,721 credit applications for the self-employment program, which project the creation of the total number of 12,804 new jobs. The value of these projects is 38,390,960 €.

Program 14 credit lines

The Government of the Republic of Montenegro (on January 28, 2004) signed an Agreement with 6 banks regarding the implementation of projects within the program of 14 credit lines. The value of these credit lines is approximately 13,2 million €. The project was implemented by the Employment Agency. There were 659 projects approved in total, which provided employment for 1,472 workers. The total value of approved credit funds was 10,090,945 €.

Table: Overview of credit support through the Self-Employment Program and the Program 14 credit lines

<table>
<thead>
<tr>
<th>Program</th>
<th>No of projects/applications for credit</th>
<th>Project value</th>
<th>No of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employment Program</td>
<td>7,721</td>
<td>38,390,960</td>
<td>12,804</td>
</tr>
<tr>
<td>Program 14 credit lines</td>
<td>659</td>
<td>10,090,945</td>
<td>1,472</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8,380</td>
<td>48,481,905</td>
<td>14,276</td>
</tr>
</tbody>
</table>

Source: Employment Agency
3.2. Private sector

Commercial banks

Credit approval by the commercial banks in the period 2002 – September 2006 showed an increasing trend. In the period from 2002 until the end of September 2006, the total number of credits approved by the commercial banks to the privately owned enterprises and to the entrepreneurs was worth 898,5 million €. If we look at the figures by years, the amount of approved credits increased from 70,3 million € in 2002 to 338,5 million € in September 2006, which is an increase of as much as 481,5%.

Table: Credits to privately owned enterprises and entrepreneurs 2002 - September 2006 (in 000 €)

<table>
<thead>
<tr>
<th>Credits</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>IX 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately owned enterprises – local ones</td>
<td>70,305</td>
<td>114,148</td>
<td>159,278</td>
<td>206,060</td>
<td>333,464</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>0</td>
<td>5,768</td>
<td>4,386</td>
<td>5,126</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70,305</strong></td>
<td><strong>114,148</strong></td>
<td><strong>165,046</strong></td>
<td><strong>210,446</strong></td>
<td><strong>338,590</strong></td>
</tr>
<tr>
<td>Interest rate changes</td>
<td>2,00-</td>
<td>2,07-</td>
<td>1,5-</td>
<td>10,4%</td>
<td>9,9-</td>
</tr>
<tr>
<td>*active interest rate for long-term credits</td>
<td>39,17%*</td>
<td>32,29%*</td>
<td>36%**</td>
<td>11,11%****</td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistics bulletin of the Central Bank of Montenegro – Monetary statistics - October 2006
*active interest rate for long-term credits
**nominal interest rate for long-term credits annually
*** nominal interest rate
****average pondered nominal interest rate

Micro-credit institutions

Micro-crediting in Montenegro started in 1998, with the adoption of the Decree on the manner of approval of credits by NGO’s to physical and legal persons in Montenegro. Currently, in Montenegro there are four micro-credit institutions: Agroinvest, Alter modus, Ozmont and Montenegro Investment Credit. Micro-financial institutions operate in accordance with the Decision on micro-credit financial institutions (Official Gazette of the Republic of Montenegro no. 01/03).

Credits approved by the MFI go up to 3,000 € to physical persons using the credit for the first time, whereas no further credit can exceed the amount of 8,000 €, while the enterprises and entrepreneurs taking the credit for the first time can get up to 5,000 €, and no further credit can exceed the amount of 20,000 €.

In the period 2002 - June 2006, Agroinvest realized the total number of 32,917 credits, with the total value of 50,271.713 €. Alter Modus realized 18,808 credits, with the total value of 31,897.850 €. Montenegro Credit Investment realized 837,000 € worth of credits in the period April-September 2006. In the same period Ozmont realized 403,000 € worth of credits.

Table: Credits approved by micro-credit institutions

<table>
<thead>
<tr>
<th>Name</th>
<th>2002-IX 2006.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agroinvest *</td>
<td>50,271.713</td>
</tr>
<tr>
<td>Alter Modus**</td>
<td>31,897.850</td>
</tr>
<tr>
<td>Montenegro Credit Investment</td>
<td>837,000**22</td>
</tr>
<tr>
<td>Ozmont</td>
<td>403,000*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83,409,563</strong></td>
</tr>
</tbody>
</table>

*Source: Agroinvest (balance at the end of June 2006)
** Source: Alter Modus (balance at the end of June 2006)

Source: Central Bank of Montenegro – approved credits overview at the end of September 2006
Leasing

Three leasing institutions established in 2005 perform the leasing activities in Montenegro:

NLB Leasing Podgorica d. o. o., Podgorica represents part of the NLB group (Nova Ljubljanska Banka) and provides services of financial, investment and operational leasing.

Hypo Group Alpe Adria-Leasing d.o.o. Podgorica is one of the first companies that occurred in the Montenegrin market with the leasing instrument. The company was established in June 2005 as part of the Hypo Alpe-Adria-Group. Hypo Alpe – Adria - Leasing d.o.o. provides services of financial and operational leasing, that is, finances procurement of any type of movables or real estate through its leasing arrangements.

S-leasing d.o.o. Podgorica was founded in September 2005, as one of the first leasing companies in Montenegro. According to the needs of the clients, it offers financial leasing services and rental, leasing in the country, as well as the cross-border leasing.

4. Strategic goals and measures for period 2007-2010

*Strengthening of the financial support to the SME development*

Despite efforts made by financial institutions and public sector for this gap to be closed, SME continue to face difficulties in providing for finances. Improvement of the access for finances for SME is particularly important to strengthen entrepreneurship, competitiveness, innovation and growth in economy. Activities that should be undertaken are:

⇒ Establishment of the Guarantee Fund

Guarantee Fund would represent favorable option for financing, and would represent significant benefits in terms of easier access to credits, more favorable lending terms and conditions, reduction of risk of banks for fund recovery, reduce requirements for mortgages. Guarantee fund would be a support for financing of the start up of the entrepreneurs and enterprises in the start up phase as well.

The new Law on Banks is currently being developed, which will regulate the issuing of credit guarantees.

⇒ Establishment of public institutions for micro-lending

The network of micro credit institutions would be established with the basic intent to provide interest for low interest loans and to provide micro credits and credits for small business to existing and start up enterprises as well as to individuals with low income which would like to start and expand the business.

⇒ Development of credit line to support entrepreneurship in rural areas, innovation projects, development of special credit lines

Rural areas are particularly important for the establishment of sustainable development and could have a key role to reduce disparity among regions.

Design integral approach for the development of rural areas by merging financial resources of local institutions, commercial banks and international donors and provide favorable loans.

This form of financing would enhance economic development in rural areas, enable creation of sustainable small business in agriculture and tourism and increase employment.

Fund for support to innovation project would enable for favorable financial assets for development of research and innovation, cooperation of small and medium sized business with university with mutual project and would lead to creation of new projects and processes and introduction of new technologies. No doubt, this would lead to the innovation and competitiveness of companies.

- Development of special credit lines to support strategically important activities

Establish support for the special credit lines for agriculture (viticulture), tourism (agro tourism and rural tourism), wood processing and other priority activities.

- Fund for the Diaspora

- Implementation of the credit line for the increase in energy efficiency of SME
The project should enable small and medium sized enterprises to identify, in relatively short timeframe, inefficient and ecologically damaging use of resources, undertake measures for the improvement of energy efficiency and introduction of renewable energy and to reduce cost of business in that way.

⇒ Development of untraditional financial instruments (venture capital, angel investor capital, franchising, leasing)

Venture capital is provided with the aim to support entrepreneurship, financing of start-ups of development of business, from special financial institutions for companies which are not listed on any market. Thereof, the investors are venture capital funds which cover companies that are on special lists. Angel investors as an informal source of venture capital are rich individuals which have significant business experience and a will to invest in start-up capital of company in its early stages of development. Franchising as a business system includes contracted economic relations where parent company provide to small and medium sized enterprises privileges to use the exclusive right of sale of products of the current company and the rights to adopt its business method and a know-how. Leasing as an important source of long term financing is particularly favorable for SMEs that cannot obtain bank loans. The possibilities of development of factoring and leasing for establishment of joint public-private fund should be considered.

⇒ Improve connections with pre accession funds primarily with IPA (Instrument for Pre-accession Assistance) through development of domestic capacities for management of EU funds. With the aim to support necessary reforms which are required by the EU membership, EU financial support has represented and will represent the part of pre-accession strategy.

⇒ Cooperate with foreign partners and international credit institutions that have express intent to open new credit lines in Montenegro.

⇒ Facilitate access to finances for SMEs through legislative measures

• Implement Law on Bill of Exchange further develop implementation of international accounting standards and international financial reporting standards and the quality of audit.
• It is necessary to have a synchronized application of measures for the strengthening of the liquidity of economy and adoption of the Law on Standards of Asset Appraisal which serves as collateral. Encourage rating setting for economic entities and presence of the rating agency of Montenegro, and encourage mergers of related parties in credit unions in the area of agriculture and similar.
• Well-developed program for the insurance of larger deposits will provide safety to depositors in terms of risk reduction. Increase in deposits will create conditions for favorable lending in private sector. Changes to the Law on Deposit Protection should be adopted.

⇒ Financial support

Financial support is planned through grant schemes for cost sharing and insurance of export loans in order to resolve the problem of lack of financing for export enterprises. Grant schemes for cost sharing will have as a basic goal developing incentives for competitiveness at the level of individual company and primarily will relate to the quality management and certification, improvement of productivity and development of products. Insurance of export loans relates to financial benefits for security/insurance of transactions. It will enable enterprises to have access to financing under attractive/competitive terms.
DEVELOPMENT OF ENTERPRENEURSHIP SKILLS IN SERBIA

ABSTRACT – Serbia as one of countries in the Central Eastern European region lags behind other countries in the region in terms of transition flows, achieved level of Small and Medium Enterprises (SME) sector development, as well as overall level of economic development. Huge changes have been taking place in the course of last couple of years, the state has been making a lot of effort to accelerate reform flows and affirm entrepreneurship by institutional mechanisms. Without good quality human resources – entrepreneurs, managers and leaders who own intellectual capital, institutional support will be insufficient for engaging material and physical resources in effective and efficient manner. Aim of this work is to present, very briefly, current situation with regard to development of entrepreneur skills in Serbia. We will, therefore, first give a short general assessment of the achieved level of entrepreneurship development in Serbia, followed by institutional support to development of the SME sector. The second part of this work will deal with a short review of current situation with regard to education of human resources. Finally, we will give a new, alternative approach to possible.

1. Achieved level of entrepreneurship development in Serbia

It is extremely difficult to give precise assessment of the achieved level of entrepreneurship development in Serbia at the beginning of the 21st century, since this picture has been changed almost on daily basis. Entrepreneurship is a dynamic area that has been undergoing quick and dynamic changes in the world and adjustments to new tendencies and requests of modern business. Dynamics of changes has been particularly underscored in Serbia, since the country is still experiencing transition flows and creation of institutional infrastructure of the market economy.

Following up a number of commercial organisations and registered entrepreneurs is one of the certain ways to notice serious changes in terms of development of entrepreneurship and entrepreneurs in Serbia. For example, in 1990 there was around 20,000 SMEs in Serbia, and seven years later (in 1997) this number went up to 190,000 registered units, and the number of shops increased from 146,000 to 184,000. 91% were private SMEs out of the total number. Data from 2000 show that there were 60,552 active enterprises in the Republic of Serbia, the majority of which were small enterprises – 94.1% (56,993), followed by medium enterprises – 4.3% (2,573), and big enterprises only 1.6% (986). Private-owned enterprises make 82.6% of the total number of registered enterprises (50,041) and they are mainly within the SME group.

According to data of the Agency for Commercial Registers of the Republic of Serbia in the end of Year 2006 around 90,000 companies were operating. More than 95% of that number is in the form of limited liability company and partnership, which are the prevailing legal forms for small and medium enterprises. The most recent data show that the SMEs sector share in the total number of business organisations in the Serbian economy has persisted and even increased - almost 99% of all business organization belongs to SMEs. There are certain problems concerning the evaluation of the contribution of SMEs sector to the total GDP. Namely, official statistical data kept in the National Bureau of Statistics are considerably late so we are speculating: during 2003 the SMEs sector share in total GDP was about 40%. Next year it increased to 46%, and projections for 2005 show that the share amounts to 49-50%.

Six years ago, the estimated number of employees working in private sector in the Serbian economy is around 310,000 people, and more than 370,000 people are registered as the owners. It has been estimated that more than 100,000 people are working in private SMEs and shops without legal employment procedure, which means that almost 800,000 people were engaged in the SME group and shops.

Data on employment trend in 2005 indicates the increase of SMEs sector share in the total number of employees in the Serbian industry. That is to say that out of 2,068,364 employed people in 2005, over 1,1 million worked in the SMEs sector, which amounts to 54.6% of all employees. The SMEs sector contributes significantly to decreasing the number of the unemployed. Also, small and medium enterprises realized 52.5% of the total profit, and they showed 44.5% of the total loss.
Besides these facts that show a significant role of SME group in the development of national economy, it is necessary to add the fact that show future movements in the field of socio – economy: the number of unemployed people included in the register of the Republic bureau for employment is over 900,000, and it has been estimated that in public companies that should enter the process of privatization there are at least 700,000 more who are potential economic surplus (without considering the real technologic surplus effected by the old technology in some industrial branches). This means that in the near future, around 1,5 million of people in the economy of the Republic of Serbia could lose their jobs. The aforementioned facts point out huge role of the SME sector and a need for systematic efforts involved in creating, funding SMEs and provision of institutional assistance in survival.

2. Institutional support to development of entrepreneurship and certain open issues

A lot has been done in the area of institutional support to development of SME sector and stimulation of entrepreneurship since 2000, when significant political changes took place (former President Slobodan Milošević was removed from the power) and transition process was intensified in Serbia. New legal regulations have been passed enabling change of commercial environment, as well as further affirmation of SMEs and entrepreneurs’ business. We have to use this opportunity to emphasise setting up of several new institutions, such as the Serbian Agency for Development of Small and Medium-sized Enterprises and Entrepreneurship, Serbian Investment and Export Promotion Agency – SIEPA, Agency for Commercial Registers, Fund for Development, Trust Fund, etc.

Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship was established by the Law of the Agency for Development of Small and Medium-sized Enterprises (Official Gazette 65/2001, November 23, 2001) with the basic aim to support (assist, advise and protect) the development and interest of SME sector, which in long term should contribute to the harmonization of economic structure and faster economic development and of the Serbia. Main goal of Agency is to support the regional economic development and change of the Serbian economic structure in order to:

- Solving unemployment problems more efficiently;
- Substitution of import and intensifying SMEs competitiveness;
- Stimulating various forms of cooperation with big enterprises;
- Introducing modern technologies and enhancing innovations (entrepreneurs incubators, innovative centres...)
- Utilizing business premises and equipment more economically;
- Quality upgrading; automation and computerization etc.

The core activities of the Republic Agency included strengthening of the Republic Network of technical support for SME development (which covering more than 80% of the territory of the Republic of Serbia), Assistance and support in the establishment of new regional agencies and centers as centers for information, consulting and education, Realization of different educational processes for SME sector, Initiating and organizing different events aimed at promoting SME sector, Cooperation with international organizations and institutions and initiating numerous project of importance for SME development and Organizing and providing a wide range of consulting services.

Serbian Investment and Export Promotion Agency – SEIPA must be pointed out as a particularly important body for providing information and consulting services – it provides numerous services to foreign as well as domestic entrepreneurs in considering possibilities of investing in Serbia and opportunities for exporting Serbian products into foreign countries.

Agency for Commercial Registers is particularly important institution formed after the adoption of the new Company Law. Before it was founded, it took more than 50 days on average to set up and register an enterprise, which is now reduced to a maximum of three weeks: one for collection of documentation, one for registration and one week for completion of tax documents and setting up business. Decrease in costs is also an important novelty, together with significantly reduced amount of founding time and simplified procedures. It is possible to found an enterprise with only 50 Euro, i.e. 250 Euro for limited liability company. Finally, there are good database in the Agency, all at one place, about all commercial entities and other relevant information important for their businesses.
The Fund for Development is also a new, very important institution offering a number of services related to financial support to SME sector development. One may primarily, through the Fund, provide very favourable loans and start-up business loans. Conditions are quite favourable, usually with 3-4 years provided for debt servicing and a year of grace period and significantly lower interest rate than the one for commercial bank loans. There is also the Trust Fund that offers various types of guarantee services to SME sector, which enables much more favourable bank funding resources for many entrepreneurs.

There is still a great number of problems and open issues, in spite of all invested efforts in development of entrepreneurship in Serbia. Firstly, if we compare Serbia with other countries in the region, we may notice huge differences in the number of entrepreneurs and SMEs. For example, in Hungary, out of 5 million labour capable inhabitants, there are 1.2 million registered business; in Slovakia, around 340,000 registered business and around 5 million people and in Serbia, only around 90,000 registered business with around 7.5 million labour capable inhabitants or 4.5 million labour capable inhabitants in mid-2006, which may be compared with Slovenia that has almost five times fewer inhabitants. Such simple and rather rough comparisons show that there are still unused capacities and huge potentials for further development of the SME sector in Serbia.

Serious problem in Serbia is caused by resistance to changes and mental blockages present in mindsets of many people, not only entrepreneurs, but citizens as well. The first, more difficult transition phase has been lasting for only a couple of years now. Certain positive results are visible, however, there are still many things that should be done. As for all other countries in the region, transition brings both advantages and disadvantages. Those who don’t understand a need for changes become hostages of old viewpoints and habits. Widespread restructuring of many ‘old’ – huge enterprises, redundancies, reforms in general, have created significant surpluses, almost an army, of unemployed people in Serbia (around 900,000 people were jobless in mid-2006 according to official, and even more than one million according to the unofficial ones). We don’t have great chances in productively employing those surpluses without changes in mental schemes and development of new entrepreneurial culture. High level of unemployment and consequently low standard are a social bomb Serbian society is facing today. Having said this, we should not forget about a separate problem present in the education system, which did not follow up social needs in this area in an adequate manner. In addition, the unemployment issue has completely neglected the importance of human and intellectual capital.

3. Short review of current education of entrepreneurs

Generally speaking, we still don’t pay enough attention to education of entrepreneurs in Serbia as much as we should. We mainly refer here to high and higher system of education, which is wrong. We believe that education of entrepreneurs should start from primary, through secondary schools, all up to universities, and even later, so that the whole system would become a life-long learning philosophy. Unfortunately, current situation in Serbia is far from these wishes and determinations. Unsatisfactory education system causes many problems that occur in practice. Only through overall changes in education area may human capital be fully affirmed in Serbia and be given importance it has in almost all developed countries in the world.

We have to underscore at the beginning that currently one of the biggest problems is this very non-existence of sufficiently developed awareness at all levels of the need for a systematic education of entrepreneurs. Formal education is left to individuals; there is neither strong institutional support nor a certain pressure to acquire new knowledge and skills necessary for contemporary entrepreneurs. Many entrepreneurs in Serbia are still ‘self-taught’, i.e. they found their business philosophy on the ‘attempts and errors’ system. According to certain data of the European Agency for Reconstruction, level of knowledge and capabilities of entrepreneurs in Serbia is significantly lagging behind development needs of competitive, export-orientated and innovative SME sector. These findings perfectly fit into our picture of how much Serbia is behind other countries in the region with regard to total number of entrepreneurs and SMEs.

Education of entrepreneurs may be considered at two levels – education of new human resources – ‘younger’ generation of entrepreneurs just acquiring first knowledge and skills through a formal education system and existing entrepreneurs and human resources who acquired formal education in the course of some previous period. Both levels require certain additional explanation.

I – Younger generations have much more contacts with market economy and consequently more possibilities to acquire adequate knowledge and skills for running a business. Education system of Serbia has gone through significant changes at all levels, particularly at secondary and high education levels. Besides state-
run, private education system sector is becoming increasingly important. Starting from the end of ’90s, dozens of private secondary schools and almost 50 private faculties have been opened in Serbia. Private schools and faculties adjust their syllabi, working methods and offered packages to the needs of contemporary commercial organisations. Naturally, there are certain weaknesses, particularly emphasised in terms of meeting quality standards for lectures and scoring, however it has much improved last couple of years.

There are no precise data on education profile, but it is obvious that many entrepreneurs, as well as small and medium-size enterprises owners have acquired their certain knowledge and skills at universities.

There are currently 6 state-run universities in Serbia (in Belgrade, Novi Sad, Subotica, Kragujevac, Niš and Priština – dislocated for the time being) and a number of private-run (BK, Megatrend, European, Singidunum, Union, Humanitarian Sciences in Novi Pazar). Entrepreneurship as a scientific discipline is taught at full-time studies mainly by economics-orientated state-run universities and by over 40 private business schools. One should point out that there are no true business schools within state faculties in Serbia.

In this short assessment of high education in the area of entrepreneurship, we need to underscore that private universities show much higher level of sensitiveness to needs of economy and vitality and flexibility in innovation of their syllabi. We will try to present a short comparative review of syllabi at a few faculties, three state-run and two private, in order to support the aforementioned with relevant facts and have a more detailed insight in the current teaching related to entrepreneurship area at certain university institutions in Serbia:

1) One of the oldest, biggest and still leading among schools of economics is the University of Belgrade - Faculty of Economics, which does not have entrepreneurship course, but only one subject ‘Entrepreneurship and small enterprises management’ within the ’Management’ course. Future entrepreneurs may acquire certain knowledge from certain business economics disciplines, but mainly of theoretical character.

2) Similar situation is at the second University of Belgrade Faculty – Faculty of Organisational Sciences, which also has one subject ‘Leadership and Entrepreneurship’ directly related to entrepreneurship, as well as a number of other disciplines covering specific areas of entrepreneurs activities.

3) There is also only one subject at the University of Kragujevac - Faculty of Economics ‘Innovations and Entrepreneurship’.

4) BK University, one of the oldest private universities in the country has at its several faculties subject called 'Entrepreneurship'. This University even has one of the faculties – Faculty for Entrepreneurial Management, which is among the best ones in this area according to the syllabi. Unfortunately, good syllabi have not been followed up by good quality lectures and professional practice.

5) There is an attractive module at the private European University Faculty for Small and Medium-size Enterprises Management, which comprises a number of subjects covering a wider range of entrepreneurship related sciences, as well as knowledge and skills essential for modern entrepreneurs. However, it also suffers from similar weakness as the BK University.

General characteristic of the current education system for entrepreneurs in Serbia is that, besides a huge number of schools, there is still no systematic, standardised, and constant approach to education of entrepreneurs. It is impossible to find subject Entrepreneurship at full-time studies in all higher business and schools of economics in Serbia. Even if they are incorporated in syllabi, subjects’ programmes are disputable, the way lectures are carried out, teaching materials, and even teachers themselves. Namely, all faculties in Serbia are undergoing the process of accreditation, and therefore they will all have a single standard for preparation, implementation and quality control of teaching process. There has been neither any standardisation so far in this area nor an accreditation body at a level of the Republic, which directly resulted in a huge variety of syllabi, approaches to conducting lectures and inconsistent quality. A particularly important group of issues is related to lecturers, who did not have much entrepreneurship experience, except from their academic background. In addition to this, we may identify the problem of a closed system in many schools that are reluctant to invite eminent entrepreneurs who will be able to share their huge practical experience with students. Comparative analysis of syllabi has discovered another serious problem: many higher education institutions do not have a created development system for skills and organised professional practice.

II – There are also many serious problems related to informal education of ‘elder’ generations. Serbia, as an integral part of the former Socialist Federative Republic of Yugoslavia, was basically a socialist country with all elements of planned economy. Generations of people were educated on the basis of Marxist political economy, entrepreneurial and managerial way of thinking and decision-making. Secured job posts, low level
of dedication to job and responsibility, as well as a low level of innovativeness were direct consequences of socialist mind. Such mental blockage, together with an inadequate education system are huge ‘burden’ for many middle-aged people in Serbia.

Informal education programmes for employees have been carried out by certain state-run institutions – Republic Agency for Development of SMEs, National Employment Service, Chamber of Commerce of Serbia and their relevant networks. There are no precise data referring precise number of people who went through these forms of education, although there are certain assessments ranging from around 35,000 people in the last couple of years, which is relatively low in comparison with averages in European and countries in the region (in Europe, percentage of the employed who attended some form of training is over 35%, this number varies in countries in the region, but it’s always above 10%). The data are quite small, which is also proved by relative percentage in comparison with labour capable population (around 4.5 million) and particularly the number of unemployed (around 900,000 officially). There is no legal framework for mandatory education and resettlement of elder persons, which creates serious problems for the National Employment Service in implementation of training programmes. Many entrepreneurs who started new business were not prepared enough and this led to failures.

4. Need for new approaches in development of entrepreneur skills – case of Institute of Economic Science (IES) and Belgrade Banking Academy (BBA)

A long period of socialist self-government relations, as well as isolation, has left significant marks in the Serb society mindsets. One may quite often find some old mental schemes among today’s business people. There are many misconceptions under such circumstances as a consequence of insufficient level of education, but also because of the lack of information on modern economy flows and in global surrounding. Various misconceptions local business people are prone to are one of the problems. We would like to point out only a couple of usual statements that may still be heard in the Serb commercial organisations:

- ‘I know everything best’ – mental scheme that shows all limits in understanding of modern world and lack of readiness to accept new ideas, suggestions and advice.
- ‘No problem’ – a phrase often used by Serb managers and entrepreneurs; inherited custom from the past implying that problems are approached in a relaxed manner without an honest and true intention to resolve them.
- ‘Don’t trust anyone’ – another misconception that is caused by a low level of trust, lack of teamwork skills and development of mutual respect and loyalty among members of an organisation.
- ‘People are our biggest treasury’ – a phrase from the past that pointed at great importance and role of people, but without sincere intentions to apply it in practice.

Aiming at fighting misconceptions and in line with requirements of new age, one of imperatives in Serbia now is a need for serious changes in education area and training of entrepreneurs and managers. Education plays crucial role, since without adequate, professional and effective human capital, neither material resources nor institutional support will have true effect towards development of the SME sector. Adequate programmes and education and training policy can have a significant positive impact on social and economic performances. One of objectives has to include creation of a continued education system in line with lifelong learning principles.

As one of examples of institutions that make significant effort in Serbia in increasing education standards in education of entrepreneurs, we would like to underscore the Institute of Economic Sciences and Belgrade Banking Academy, where great attention is devoted to balance between theory and practice, knowledge and skills, modern trends and national culture of Serbia. These two institutions have recognised all weaknesses of exiting systems of formal and informal education and tried to act proactively and offer greater number of various education programmes in the market.

Institute offers a number of areas of development and training for entrepreneurs and managers, primarily in terms of practical skills development. These are short courses, ranging from several days to several
weeks, orientated towards meeting the needs of participants for practical skills and knowledge. Some of the Institute’s programmes are the following:

- Leadership and Management Qualifications – development programme for leadership skills, above all – proactive ones, communication, motivation, teamwork, conflict resolving, negotiations, sale, etc.
- Training in the field of Corporate Governance – aiming at increasing corporate governance standards in commercial entities. This programme has been conducted in co-operation with the International Finance Corporation (IFC), part of the World Bank project.
- Basis of financial management and accounting for entrepreneurs – which enables mastering the most important skills of financial business and business books management. This programme is organised in co-operation with the Serbian Chamber of Commerce.

Belgrade Banking Academy (BBA) is a business school specialised in finances, particularly banking, insurance and financial services. There are three levels of education in line with the Bologna Declaration by the system 3 + 2 + 3 (basic - undergraduate, master and PhD studies). We use contemporary teaching materials, interactive systems of lectures and exercises, as well as the most up-to-date reference books (note, more than 50% of books are translations of the world top textbooks). At basic studies, we pay great attention to practical training of students, and every student is obliged to spend a minimum of 3 months in banks and other financial organisations in the course of his/her studies. In addition, students have to pass training on specialised banking software, acquire certain computer skills (ECDL – European Computer Driving Licence programme is included), as well as special practice at the Belgrade Stock Exchange. Moreover, special attention is devoted to communication and presentations skills development. With reference to this, every students needs to pass special training and sit for A/V, audio-visual test at least twice during studies.

Please note that the BBA complete syllabi are in the follow-up.

**BBA - Study Program – Undergraduate**

<table>
<thead>
<tr>
<th>Subject name</th>
<th>Weekly number of lessons</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lecture</td>
<td>Practice</td>
</tr>
<tr>
<td><strong>First year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Macroeconomics</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>2. Microeconomics</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>3. Financial Mathematics</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>4. Business Law</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>5. Financial Accounting</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>6. Financial Statistics</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>7. Principles of Management</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>8. Principles of Marketing</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>9. English Language</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Second year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Banking</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>2. Information Systems</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>3. Monetary Economy</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>4. Public Finance</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>
### BBA Offers a Variety of Master Studies

One of these programmes is specially designed for entrepreneurs. It is called Master Studies – Entrepreneurial finances and offers an opportunity for further
improvement of knowledge to people who run their own business or who lack certain formal knowledge and facts in the field of finances. Master studies syllabus is given in the follow-up.

**BBA – Master Program – Entrepreneurs Finance**

<table>
<thead>
<tr>
<th>Number</th>
<th>Subject</th>
<th>Semester</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Entrepreneurship</td>
<td>I</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Fundamentals of Finance</td>
<td>I</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Skills Development I</td>
<td>I</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>(General skills)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Elective:</td>
<td>II</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>• Financial Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial Markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Elective:</td>
<td>II</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>• Accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial Reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Auditing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Risk Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Skills Development II</td>
<td>II</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>(Financial skills)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Business Law for Entrepreneurs</td>
<td>III</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Business Ethics</td>
<td>III</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>elective:</td>
<td>III</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>• Management or</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Strategic Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Marketing Management</td>
<td>IV</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Elective:</td>
<td>IV</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>• Leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Organisational Behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Human Resource Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Master essay</td>
<td>IV</td>
<td>10</td>
</tr>
</tbody>
</table>

BBA offers PhD studies as well.

5. **Instead of a conclusion**

New time requires new approaches, concepts and policies. The world of modern business has been changing very quickly and dynamically. Human and intellectual capital has become one of the critical factors of the business success without which other organisational resources cannot have the real value. Serbia is a country which lags behind other countries of the Central Eastern European region in transition flows and establishing of market economy. However, significant changes have been taking place in the course of last couple of years. The number of entrepreneurs is being increased, as well as the number of SMEs, although it is still below the average in the region. The state has been making a lot of effort to affirm entrepreneurship by institutional mechanisms and promote entrepreneurial climate. Formal education system has been changing, yet, however, not fast enough. Still one of the biggest problems is this very non-existence of sufficiently developed awareness of the need for a permanent education of entrepreneurs.
based on the principles of life-long learning. Certain steps forward have been made in terms of new education programmes and approaches offered by a great number of institutions. In this work we have tried to present programmes offered by the Institute of Economic Sciences and Belgrade Banking Academy from Belgrade.
ACADEMIC SPIN-OFF VENTURES AND CORPORATE SPIN-OFF FIRMS AT THE HIGH-TECH INDUSTRIES

ABSTRACT

In the 80s and 90s, the accelerated development of technology caused several changes in most of sciences, even in the field of business formations. The classical value chain transformed, the university science centres obtained a bigger focus and the role of research organizations is getting more and more important. New business form emerged and became popular: the academic spin-off firm. However, the spin-off companies are well-known and widely used ventures in the corporate business for a long time, especially at technology-oriented industries. For the time being, there are plenty of literatures and completed survey available regarding both academic and corporate spin-off. Some of them are engaged to reveal the critical success factors of spin-off companies and several models were created. The hypothetical question of this study whether common success factors are existing for both type of spin-off even if they are established in quite different environments. Using the relevant international literature and available public data of academic and corporate spin-off firms, six aspects were investigated: Raison d’etre, management, investment, networking, location and relation to intellectual property. As a result of this study, common success factors of spin-off companies having different origins could be identified.

INTRODUCTION

In the second half of twentieth century, the innovation, the new technologies and the scientifical research and development became as important factor in the economy as never happened in the past. Both business sector and the non-profit society realized that gaining support for R&D departments and training more and more scientists are essential. Several new research organisations were created, universities enlarged their research abilities and the companies started to pour money into new research projects and established special departments. Such kind of environment fostered new venture forms which are more capable to utilize the cutting-edge technologies, to convert the scientifical results into market success. Spin-off firms became well-known phenomenon both in academic life and in the world of corporates. However, the reasons for founding spin-offs, ways of their management and lifecycles show differences.

In 1980, in the USA the Bayh-Dole law gave a permission for governmental funded research organizations to patent their scientific results and technologies which invented and created by using public money (Búzás, 2004). This was an important milestone, since then the number of created spin-offs is multiplied. Massachusetts Institute of Technology is a pioneering organization in this endeavour. It spun off averagely 25 companies each year in the 1980s. In 1996 the equity on sales of spin-off companies spun off from United States universities totaled 25,3 million USD. (Bray, 2000)

The evolution of academic spin-offs took place due to the need for a transformation process. The result of academic research, the evolved knowledge cannot easily put onto the market because its complexity would be an obstacle to be instantly useful for industry. Therefore a special process is needed which called knowledge transfer or technology transfer. The technology based spin-off firms can proceed this transformation through which the scientific knowledge is being converted into technological knowledge (Autio, 1997). Academic spin-off companies can be classified according to their role played in the knowledge transfer. Some firms are really dedicated to help with bringing scientifical result to the market. Another ones are established to improve exploitation of certain technologies or knowledge were already applied to industry but used only to less extent. At last, but not at least, some academic spin-off firms act as real intermediary between industry and universities to identify the market needs and to match possible academic-evolved solutions (Fontes, 2005).
There are more approaches how to define the spin-off companies. Niosi (2003) collected the most widespread definitions: based on the Statistics Canada (2003, p.38), a spin-off can be defined as a company which founded for the following purposes: Type 1: to license the institution’s technology; Type 2: to fund research to at the institution in order to develop technology that will be licensed by the company; Type 3: to provide a service that was originally offered through an institution’s department or unit.” Cooper’s simple approach (2001) is that spin-off firms are specialized to commercialize the technology which owned by the universities or university researchers. Another definition is stressing that university spin-offs have to be characterized by three criteria: 1, company founders have to be university-originated or related; 2, the company has to be based on ideas or technology evolved in university; 3, the knowledge transfer has to happen through direct link between spin-offs and universities, avoiding another intermediary (McQueen, 1982).

As regards the corporate spinning-off, this is a well-known phenomenon for decades. Svenska Kullagerfabriken spun-off from Volvo in the 1920s is known as a prototype of them (Búzás, 2004), (Tóró, 2006).

The literature generally determine the corporate spin-off as a divestiture of a parent firm. Woo (1992) worked out a classification for divestitures providing three sorts of them: 1, the sell-off which „occurs when the divested assets are purchased and become a part of another firm” (Rosenfeld, 1984, p.1437); 2, the leveraged buyout, when a part of the company or a part of assets of company are bought out by investors which generally include the former management; 3, this is the spin-off when the parent company transfers a certain part of its assets or a whole unit to its own stakeholders creating a brand-new legal entity.

Stonham (1997) specified two kinds of divestitures: One is the „sell-off” occurs as a simple selling out some assets or property to a third party and the other is the „spin-off or demerger” when a new firm is being created.

Several authors describe limited success rate of spin-off companies with both origins (Woo, 1992; Clarysse, 2005) and investigate the possible success factors, the fundamentals of better performance and the diligent strategy (Bantel, 1998).

Extant literature poorly provided comparative studies between corporate spin-offs and academic spin-off firms. In this paper I devoted to collect certain factors from both academic and corporate side which can affect the success rate of spin-off companies. I was to analyse which are the similarities and which are the fields where similarities are lacking. I focused on raison d’etre of spin-offs, management, investment/financing, networking, location and intellectual property as investigational fields.

**RAISON D’ETRE**

Differences can be revealed among the main raisons for „birth” of spin-off companies of business and universities.

The main question for a university having devised intellectual property is spinning it off or licensing it out. If the organisation chooses to establish a spin-off it means to take an equity in the newborn firm. Why does taking equity make sense for universities and public research organisations? Firstly, the average value of equity is usually higher that the average yearly revenue generated by licenses. Bray and Lee (2000) presented a survey of 16 american academic spin-off companies whose equity sales were investigated. These firms were public companies. The figures were given from sold stock can be deemed as a good indicator as financial reward of taking equity in public spin-off firms. The comparison of equity sales with the traditional license fees and relating annual royalties shows that equity sales can produce 10 times more annual income than the traditional license-related revenues. Of course, so-called „jackpot-license” is existing. The patented idea would turn into a market blockbuster and royalties can pay off quite well: for instance, Michigan State University earned 80 million USD from two well-known cytostatic drugs (cisplatin and carboplatin) were licensed by Bristol-Myers Squibb, big pharma company. Unfortunately, jackpots are not easy to find. The job of licensing managers and well-established licensing strategy is also a succes factor of spin-offs, which will be detailed in this paper latter.

The second reason why resonable for universities to remain in business that they can get more freedom to act when the situation changes: If the patented idea or technology are happened to replace with a new one, which is happenning frequently nowadays, the spin-off cannot abandon the university’s property without control. In opposite case, if the spun out idea is happened to get in focus and gaining its value on the market suddenly, the university can sell it out as a „jackpot license”.

52
Several authors refer to the corporate spin-off as an alternative form of divestiture (Nixon, 2000). When a company considers divesting a part or unit of its organization, it has to face two main choices: spinning off or selling off.

Steiner (1997) revealed four basic characteristics which determine the probability of corporate sell-off decisions. Lower market performance and consequential smaller operating margin frequently make officers decide to sell off. The appearance of distressing financial problems gets decision-makers consider to sell off certain assets. The larger the number of business units, the more eagerly corporates wish to reorganize themselves and, probably to sell off some its segment. It was also an experience if the level of ownership of managers is lower, they are more probably could be convinced to sell off assets.

Nixon et al. in 2000 accomplished a study involving 128 demergers which include 84 sell-offs and 44 spin-offs. They examined the divestitures’ market performance, financial distress, number of business segments and focus, measures of internal and external control using statistical methods. The target of that study was to analyse the choices between spin-offs and sell-offs. As a result of the analysis, it was proven that the organisations’ need for cash is a decisive factor. The more starving a company is for financial injection, the more probable to prefer selling off its assets than creating spin-off. Another results indicate that the companies having reduced number of directors on the board and being regulated by separate CEO are more likely to decide to establish spin-off firm instead of selling-off units.

If we compare the university and corporate decisions upon selling-out/licensing-out some assets or intellectual property or preparing a spin-off, can be found possible similarities. To investigate the raison d’etre of spin-offs at both university and business sides, resulted the following conclusions: University decisions on early licensing-out and corporate decisions on selling-out can be happened due to similar reasons: financial distress and low performance would be the causing factors for companies and need for cash at universities. The higher financial safety and stronger monetary fundamentals encourage founding spin-offs at both universities and firms.

Since the stronger internal control (fewer directors/separate CEO) at corporates makes preference of spin-offs, it should suggest for universities and research organisations to form centralised licensor management and to engage Technology Transfer Office on behalf of better commercialisation of intellectual properties in spin-off ventures.

**MANAGEMENT AND KNOWLEDGE**

Several authors emphasize the importance of managerial team at the start-up companies. There is widely accepted that managerial skill of an entrepreneurial team is a decisive point for venture capitalists considering to invest or not to invest, especially in case of new academic spin-off ventures. The ability of a corporate spin-off’s management to improve the company value or sometimes to survive at all, is a critical question, too.

Clarysse and Moray (2004) deeply investigated an academic spin-off company focusing its entrepreneurial team and their managerial skill. After a long-term evaluation (20 months) they concluded important consequences which supported the results their earlier findings. They realized that the master of business idea, even the another founders, usually are not capable to charge CEO and strategic management posts. However, their initial motivation is very useful for a start-up, therefore retaining them on the board would be essential. Nevertheless, the venture capitalists are insist of having skilled management. But, if they attempt to recruit external experts, frequently had to be facing internal problems. The founders usually are not keen to accept the external members and it makes trouble for the long-term survival of the spin-off. Clarysse and Moray pointed that the optimal solution can be the permanent coaching of original –usually university scientists– founders to get entrepreneurial knowledge, supported and controlled by the investors. Later, somebody from the scientifical team will be able to gain management expertise and to get ability to manage and to lead the firm, as a CEO.

Búzás (2004) published similar findings. He described three barriers which hinder the possible „university entrepreneurs” to start and manage their own business. First, the motivation barrier has to be beaten: motivation and courage needed to start but this motivation ought to be conserved for latter days. Second, the competency barrier is a real obstacle, Aforemost mentioned venture capitalists take management skill at the highest priority. At last but not at least, the trust barrier has to be jumped: the more to be capable a management of a spin-off to learn, the easier to reward the trust of investors.
Sapienza et al. (2004) investigated 64 high-tech Finnish corporate spin-off companies. The subject of the survey was to measure how knowledge-relatedness affects the post-spin-off-growth. They examined more aspects referring to the overlap between the parent firm and its spin-off: i.e. production knowledge relatedness, technological knowledge relatedness and marketing knowledge relatedness. As a result, they pointed that knowledge relatedness between parent and child shows a curvilinear relationship. If the knowledge origined from parent firm is very limited, the spin-off can have problem to accumulate and integrate skills enough which can cause smaller growth. At the other hand, if parental knowledge is too much, it might hinder the creation of own ideas and technologies, weakening the competitiveness of spin-off.

The motivated scientists founded the Intermagnetics General, the spin-off of General Electric. They could refer to the accumulated knowledge of parent firm and learning the management capabilities by doing (Abetti, 2002). Gemplus, which was spun-off from Thomson recruited its management and human resource remarkably from parent company department, canalizing the skills and knowledge directly from original source (Humbert, 1997).

To compare corporate spin-offs and academic spin-offs concerning for management and its knowledge, can be detected similarities. Trainings and education of management, even if it origined form business environment, are needed expressively for both kinds of spin-off to reserve the competitiveness and, if happens, to survive the debacles. Motivation of entrepreneurs is another common managerial success factor. Motivation and education can break through the trust barrier of investors whose venture capital is the blood for spin-off companies.

INVESTMENT AND FINANCING

To examine the nature of investment and financing regarding academic and corporate spin-offs, I have found significant differences. The corporate spin-offs are usually getting financed by the parent company or related banks and investors. As regards the long-term investment in the corporate spin-offs, I found data and literature mostly focusing public companies. Older literature determine the financial result of corporate spin-offs as resulting tax benefits or simply wealth transfer. (Schipper and Smith, 1983). Recent surveys stated that investing in corporate spin-offs is a capital allocation to improve the efficiency of internal corporate capital market. Rovetta’s (2006) results warn the financial decision-makers not to invest unproportionally much capital in companies with lower growth opportunity because it can be taken negative consideration at stock markets decreasing the returns.

In spite of corporate ones, the academic spin-off ventures are usually financed or expected to be financed by venture capitalists. The relationship between venture capitalists and academic spin-offs is widely and accurately investigated. This article does not target to collect and analyse this huge field, but I would like to emphasize some important and commonly appeared characteristics which can deeply influence the success of an academic spin-off company.

Lerner (2005) collected some typical features of investors’ behaviour: Venture capitalists very soundly checking and assessing the business plan before investment decision. Some of them are fond of saying, that business plan is curriculum vitae and proof of suitability of a start-up company. The investors insist of financing the company milestones by milestones stressing the management for strict planning and being „motivated”.

Lot of reports and contractually laid financial requirements constrain the management to keep the right way.

Literature sources emphasize that the extent of management is also an important aspect for venture capital providers. Usually, more than 3-5 officers on the board are not afforded because of danger of tensions between managers and shareholders (Clarysse and Moray, 2004).

Venture capitalists prefer founders, which actively taking a part in business, holding stock than universities’s big shares in order to keep the level of motivation which is principle of success.

NETWORKING AND RELATEDNESS

Scholars of entrepreneurial literature underline the role of networking as a success factor of entrepreneurship. But, for spin-offs, can be indentified particulars in networking, especially for academic ones moreover there are corresponding findings for both academic and corporate spin-off ventures.
Grandi and Grimaldi (2004) examined 40 Italian academic spin-offs concerning for networking habits. They found as basic success factors of spin-offs the founders’ intention to build external relationships and the frequency of these interactions. They determined formal network, as e.g. legal and financial advisors, banks, commercial and professional associations. Informal networks consist of friends, family members, former colleagues, etc. Grandi and Grimaldi concluded surprisingly that would be a real danger if a spin-off company had been completely equipped and supplied with full resources. This company would not have intention to build its network and to search for potential resources. They also emphasized the importance of university reputation and the interdisciplinarity of management. According to their remarks, the universities’ willingness to open to business life and their industrial network building strategy is a high priority.

Walter et al. (2006) also support that view namely the better the network capability of a spin-off firm, the better its long-term market performance. They identified four dimensions to be to focus in order to develop networking capability: relational expertise, coordination, market information and internal communication.

Woo et al (1992) surveyed 51 US based corporate spin-off firms for 2 years after the divestiture and found them in deterioration of performance regardless they are related or unrelated to parent. Related spin-offs have strong relations with parent company, using common facilities and having several overlaps, even managerial and strategical ones, too. Unrelated spin-offs have relationship with parent company to less extent. Woo argues that elimination of organizational barriers originated from the parent and surging the autonomy of spin-off management may improve the post-spin-off performance for a longer term.

However, another findings can prove the usefulness of relations between child and parent, taking into account of learning possibilities of spin-offs. The balanced knowledge relatedness shall improve the spin-off performance (Sapienza, 2004).

Some case studies pinpoint the emphasis of external network at corporate spin-offs. Gemplus made a successful business decision to contract with value-added resellers, obtaining their worldwide network, facilitating its access to cutting-edge technologies, experiences and expanded its business significantly.

The significance of relevant network in business success is indisputable for both academic and corporate spin-off companies. Additively, two particulars can be identified:

First, optimal balance between related and unrelated status for both academic and corporate spin-offs is useful, anyway, meaning either danger of completeness of spin-off supplied by university or lagging effect of too tight connection between corporate parent and child. Second, the openness to external partners, even competitors, provides opportunity to gain access to new ideas, technologies and experiences.

LOCATION AND RESEARCH PARKS

Everywhere in the world, the real-estate dealers’ favourite saying that location is everything. It does not fully suit spin-off establishment, but several local factors provide advantage, especially for academic spin-offs.

Territorial differences can be found at more levels. At the level of continents, United States leads before Europen Union, even its western part, regarding the number of spin-offs. In the Europen Union there are region, e.g. Twente, Netherland whose university spun out 60 spin-offs in last 7 years. Historically, the relatively higher unemployment encouraged the university stimulating self-employment. In Munich, Germany region, the local biotech cluster is being backed by old tradition and spun out more than 30 companies in the recent years. Clarysse et al. in 2005 published a paper about typology of incubation strategies of research institutions in Europe (including the recent quoted regional data) identified low selective, supportive and incubator models. The incubator model, which is most specifically prepared for venture capital investment, is characterized by provision of technological space and resources for spin-off firm free of charge. Bray (2000) measured 16 university spin-offs’ equity on sales in United States and found the highest average in those regions which are better supplied by venture capital.

Link and Scott (2005) made a comprehensive study, investigating the role of so-called research parks’ initiative affection on spin-off formations. They defined the university research park as „a cluster of technology based organizations that locate on or near a university campus in order to benefit from the university’s knowledge base and ongoing research.” In this cluster, the settlers of park can benefit the association of the tenants, which could be both corporate and academic spin-off companies.
INTELLECTUAL PROPERTY

Handling of intellectual property rights (IPR) is a sensitive question for both academic and corporate spin-off ventures. While the corporate spin-off can inherit a developed patenting strategy and professional staff from its parent, this process at universities shows some laggard. Vallance described (2001) the surge of changing habit of academics referring to the IPR. He revealed two problematic questions of university patenting. Some research institutes do not have clear regulation of handling IPR which would cause troubles for potential investors. Another problem that some scientists are not aware of losing their patenting opportunity if they publicate the results or ideas before filing, since publication invalidates the latter patent. Vallance argues the need for ground rules for handling of IPR at research institutions.

Bray (2000) advises that the larger number of patents evolve the bigger chance to reach remarkable revenue is given for spin-offs. Statistically 3% of patented ideas will turn into success. He underlines the importance of strong patenting activity of Technology Transfer Offices and suggests staffing them with professional patent officers.

CONCLUSIONS AND LIMITATIONS

The target of this article was to make a comparation between corporate and academic spin-off companies focusing their common success factors and differences. I examined the basic reasons for creating spin-offs, the characteristics of successful management, the financing conditions and the role of location and intellectual property. I aimed to reveal which common succes factors should have been taken into account by potential entrepeneurs or managers who will plan to found or controll a spin-off company, coming from academic or corporate sphera.

Researching the reasons for creation spin-offs, I found well-established arguments for both academic and corporate fields. In academic point of view, the main question is: licensing out the idea or technology or transferring into a spin-off. The corporation has to decide whether to sell out the assets or to convert them into a divested firm, namely spin-off. As realised, both the universities and corporations tend to establish spin-off if they have stable financial conditions and do not starve cash. The well-established and consistent management (separate CEO or strong Technology Transfer Office) also increase the susceptability of spinning off at both sectors.

Management is the key succes factor for spin-offs. Among similarities of corporate and academic sectors, I would like to underline the importance of continous learning and the well-balanced knowledge-relatedness to parent organizations. Another managerial common succes factor was revealed as a permanent task to keep the management getting motivated.

The financing of corporate spin-offs usually happens to get from parent or co-investor or they are publicly funded, but the academic spin-offs would like to attract venture capital. Briefly, I emphasized the key points of venture capitalist when they consider the investment: business plan, skilled management, milestone investments, strict contractual covenants, but the deeper analysis is not the subject of this study. For corporate and academic spin-off companies is equally important to keep an optimal balanced relation with parent organization, using the advantages of parental resources and network but avoiding the disadvantages of too tight connection and hampering organizational barriers. In the same way, expanding the external network is useful for both.

Location-wise, I would like to refer to the principal role of university research parks which forms a cluster including academic spin-offs and corporate ones, as well. This association foster mutual cooperation between the universities and industry.

Actually, the intellectual property handling appears, as a problem to solve rather in academic life. Well-established patenting strategy and strict regulation are recommended for both academic and corporate spin-off ventures to avoid the losses due to early publications and to attract more invetsments. I have to face the limitation of the study. Empirical data were used, thus statistical data might provide additive results at certain cases to support, or to disprove, the findings. On the other hand, the examined questions can be scrutinized from several other approach, e.g. deeper financial analysis or organizational research shall be applied.

Finally, I would like to conclude some suggestions based on the results of this investigation. It seems to be well-recommended for universities to improve their education program focusing managerial expertise
and entrepreneurial skills, especially in the field of biotechnology and information technology. It would be worth to consider to establish university internal venture fund to incubate the promising start-up in-house. And I would like to repeat the importance of university research parks, clusters.

ACKNOWLEDGMENT

I thank Dr. Gyula Fülöp for his useful criticism and suggestions.

REFERENCES


Europe was for centuries an Idea, a hope for freedom and understanding. This hope has been fulfilled. European unity has enabled us to live in peace and prosperity. It has created a community and overcome differences. Every member has helped to unite Europe and to strengthen democracy, the rule of law. We have to thank the love of freedom of the people of Central and Eastern Europe that Europe’s unnatural divisions are today finally overcome. With European unity, we have learned the lessons from our bloody conflicts and painful history. We live today together in a way that was never previously possible. We citizens of the European Union are united in our good fortune.

Section 1
In the European Union we realise our common ideals: for us the individual is central. His dignity is inviolable. His rights are inalienable. Women and men have equal rights. We strive for peace and freedom, for democracy and the rule of law, for mutual respect and responsibility, for prosperity and security, for tolerance and participation, justice and solidarity. We live and function together in the European Union in a unique way. This expresses itself in the democratic co-operation of member states and European institutions. The European Union is based on equal rights and solidarity. That is how we make possible a fair balance of interests between the member states. We uphold in the European Union the individuality and the diverse traditions of its members. The open frontiers and the lively diversity of languages, cultures and regions enrich us. Many goals cannot be achieved independently but only through common action. The European Union, the member states and their regions and local communities share these tasks.

Section 2
We face great challenges which cannot be confined to national frontiers. The European Union is our answer to them. Only together can we preserve our European social model in the future to the benefit of all citizens in the European Union. This European model unites economic success and social responsibility. The common market and the euro make us strong. That is how we can shape the increasing worldwide interdependency of the economy and ever expanding competition on international markets according to our values. Europe’s wealth lies in the knowledge and abilities of its people; this is the key to growth, employment and social cohesion. We will jointly fight terrorism and organised crime. We will also defend our freedom and civil rights against their enemies. Racism and xenophobia must never again be given their chance. We will act to ensure that conflicts in the world are solved peacefully and that people do not become victims of war, terrorism or violence. The European Union will promote freedom and development in the world. We want to push back poverty, hunger and disease. In doing so, we will continue to play a leading role. In energy policy and protection of the climate we want to go forward together and make our contribution to heading off the global threat of climate change.

Section 3
The European Union will continue to live in the future on the basis of its openness and the will of its members to strengthen together the inner development of the European Union. The European Union will continue to promote democracy, stability and prosperity beyond its frontiers. European unity has made reality out of a dream nurtured by earlier generations. Our history warns us that we have to protect this good fortune for future generations. We must continue to renew and update the political shape of Europe. That is why, 50 years after the signing of the Treaties of Rome, we are today united in the goal of achieving a renewed common foundation for the European Union before the elections to the European Parliament in 2009. Because we know: Europe is our common future.

Source: Times Online 23 March 2007, File: http://www.timesonline.co.uk/tol/news/world/europe/article1559376.ece
The Workshop entitled “SMEs in the Tourism Sector” was held in Athens, the Hellenic Republic, on 25-27 April 2007. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Representation of the Konrad-Adenauer-Stiftung (Foundation) (KAS) for Turkey, in cooperation with the Hellenic Organization for Small and Medium Sized Enterprises and Handicraft (EOMMEX).

Welcoming statements were delivered by Ambassador Murat SUNGAR, First Deputy Secretary General of BSEC PERMIS; and Mr. Jan SENKYR, Resident Representative of KAS for Turkey.

H.E. Fani Palli Petrarja, Minister for Tourism Development, Ambassador Murat Sungar, First Deputy Secretary of PERMIS BISEC, H.E. D. Sioufas, Minister for Development and Mr. Jan Senkyr, Resident Representatives of KAS for Turkey (from left to right).

Ambassador M. SUNGAR welcomed the participants to the Workshop and emphasized that tourism has been proved as one of the teaching industries in the world. Tourism sector has a vast potential in the BSEC region. The necessary preconditions for tourism are security and stability based on norms and principles of international law.

The Ministers responsible for Tourism from the BSEC Member States agreed on the importance of stimulating and strengthening tourism by:

- promoting neglected national cultural heritage in the BSEC Member States;
- promoting quality in tourism premises and services;
- investing in the sector;
- finding way for SMEs to financing tourism-oriented operations.

He commended the Konrad-Adenauer-Stiftung and its Representation for Turkey for their active engagement in and financial support for the realization of the series of Workshops as well as their devotion to the development of SMEs in the Black Sea Region. The text of the statement of Ambassador SUNGAR is attached as Annex I.

Mr. J. SENKYR welcomed the Participants of the Workshop on behalf of KAS and highlighted that during the last 11 years, KAS and BSEC PERMIS have organized 35 workshops, aimed at supporting SME
development in the BSEC region. During these events political and professional dialogues were developed among policy makers, representatives of the Governments, academicians, NGOs and entrepreneurs.

The welcoming statements were followed by the key-note addresses delivered by H.E. Ms. Fani PALLI-PETRALIA, Minister of Tourism Development of the Hellenic Republic; and H.E. Mr. Dimitrios SIOUFAS, Minister of Development of the Hellenic Republic.

H.E. F. PALLI-PETRALIA, in her key-note speech, mentioned that in Greece the majority of the tourism industry constrains from SMEs. They provide job, strengthen local economies and contribute to social cohesion. The Ministry of Tourism, in close cooperation with the Ministry of Development, elaborated a program and plan for new tourism development strategy. Tourism has very high priority in the national economy. Quality is the major pillar in increasing the competitiveness of the sector.

H.E. D. SIOUFAS explained that tourism is the synonym for trade, industry and transport in Greece. The tourism industry employs about 800,000 people which constitute 19.1% of the total working people. Close cooperation exists between the Ministries of Development and of Tourism in the field of infrastructure, capacity building, investment promotion and development of new forms of tourism. The Ministry manages 30 measures that are used to promote tourism-oriented SMEs.

The Workshop was co-chaired in rotation by Mr. J. SENKYR; Ambassador M. SUNGAR; and Dr. Antal SZABÓ, UN ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET.

On the second day of the Workshop, Mr. Spiros PAPADOPOULOS, General Secretary for Industry, Ministry of Development of the Hellenic Republic; Mr. Norbert PFEFFERLEIN, Member of the Board of the German “asr” (Federal Association of Independent Travel Companies I.S.); Mr. Elmar PIEROTH, Private Entrepreneur and Senator a.D.; and Dr. Antal SZABÓ, UN ret. Regional Adviser, Scientific Director of ERENET addressed the Workshop as lead speakers.

Mr. S. PAPADOPOULOS welcomed the participants of the Workshop, explaining tourism as a major activity which covers several groups of enterprises and relates to food industry, handicrafts, software, transport and infrastructure. Tourism involves a wide range of stakeholders. SMEs in tourism faced special problems such as:

- access to finance;
- coping with a complex regulatory environment;
- managerial capacity and skills;
- adaptation of new information technology.

Greece elaborated a series of measures to:

- ensure a favorable environment;
- modernize SMEs by adaptation of new technologies;
- easy access to bank financing through guarantee funds like “TEMPE”; 
- provide appropriate infrastructure through business centers;
- assist in simplification of establishment of start-ups.

Mr. N. PFEFFERLEIN introduced the national tourism policies and orientation of new tourism structure in Germany. Due to new technology changes, the number of travel agencies is declining. Today there are 12,000 travel agencies. The three big giants TUI, Thomas Cook and REWE cover 65% of the tourism revenue. 20% of the tourism intensity is covered by 900 small and medium-sized tourism operators. Today, the circulation of information becomes much faster and relationship between acting parts in tourism trade getting more difficult due to abolishing of commission charges and fees. However, customers get closer to service providers. He also mentioned that international crises and natural disasters are impediment to tourism development. On the other hand, the German population is getting older and people are keen to travel.
Mr. E. PIEROTH talked on the incentives for development of innovative tourism-dependent SMEs. Most entrepreneurs in the tourism sector are starting their first business as family business. To develop tourism, one has to take into account the people as well as the real possibilities in the region. If there are good conditions, it is advisable to develop first the internal marketing of SMEs based on hospitality. The big hotels seldom provide touristic opportunities. Mr. PIEROTH has established an Association for Tourism and described its role in motivating people. He suggested offering assistance to tour operators from the BSEC Member States in selecting new hotel facilities with around 50 beds for marketing and improving their operations.

Dr. A. SZABÓ focused on the relationship between the tourism industry and SMEs. He emphasized that tourism and SMEs are Siamese twins- they are interlinked and there is a need to provide support measures in both fields. 99% of the tourism enterprises are SMEs. The tourism industry has a multi-sectoral character. However, tourism income is lower than the average in other service sectors, especially due to low labor productivity, lack of entrepreneurial drive and spirit, limited business skills and poor quality consciousness. He indicated the role of Governments as well as the private SME sector in updating and strengthening the tourism-oriented SMEs operation.

THE FOLLOWING POINTS WERE MADE IN CONCLUSION:

1. Tourism is one of the world’s largest industries and one of the fastest growing sectors of economy.

2. Tourism relates to the service economy with significant impact on social, economic, labour, environment and cultural life of the society.

3. Tourism is a special kind of foreign trade, where a country can sell products and services without quotas and trade barrier limitation at home.

4. The driving factors of tourism are:
   - longer and healthier life expectancy;
   - growth of personal income;
   - stability and peace in Europe and worldwide;
   - cheaper transport infrastructure.

5. The prerequisites for tourism development are stability and peace. The European Integration process, the EU enlargement, the social and economic development in the BSEC region contribute to healthy growth of tourism.

6. Tourism and SME sectors are Siamese twins. European tourism is largely an SME-dominated sector with over 99% of enterprises, each comprising less than 250 employees.

7. Many tourism SMEs have been started as family business and for internal marketing.

8. Weaknesses occurring in tourism SMEs include:
   - supply dominated by family business with vulnerable market stability, weak management skills and low level at capital investment;
   - lack of entrepreneurial drive and spirit;
   - limited business skills;
   - poor quality consciousness both in services as well as premises and infrastructure;
   - shortage in financing.
9. The information and telecommunication industry has totally changed the structure of the tourism business and provided opportunities for tourism SMEs to make them more competitive. However this creates threats for less flexible, rigid tourism entities.

10. In some BSEC countries, like Greece and Turkey, tourism becomes an integral part of the overall economic development. In transitional economies, national tourism and entrepreneurship development strategies belong to different governmental authorities that are not directly cooperating with each other.

11. Tourism becomes also a part of the large environmental policy and this dimension has been gained significance over time, especially in consequence of the UN Convention on Climate Changes, the Kyoto Protocol and other international agreements.

12. Tourism is seen as an important opportunity for job creation over the coming years, in particular in less developed remote and rural regions. Therefore, tourism contributes to poverty alleviation.

RECOMMENDATIONS

The following recommendations were made:

1. Governments should be responsible for the elaboration of national tourism strategies and determination of development priorities within the framework of national economic policies.

2. Government authorities responsible for development of SME and tourism policies have to work together in order to reach synergy and multiplicative effect.

3. The BSEC Member States should take into account the fact that the development of human resources and support training programs are of paramount importance to reach sustainable tourism-oriented SMEs.

4. Governments should elaborate and provide financial support to develop tourism infrastructure including transport, hotels, restaurants, tourism information centers, use of new ITC technologies and competitive tourism packages.

5. Special attention should be devoted to access to credit for tourism start-ups and other tourism business.

6. Wide participation of the local communities in all phases of tourism development should be assured.

7. Governments should launch quality awareness campaigns in the field of tourism, support and provide technical and financial assistance in implementation of quality and environment management systems as well as to fulfill the HACCP requirements at tourism premises.

8. BSEC countries using licensing and certification of their tour operators and travel agencies are encouraged to apply the methodology developed by the European Tourism Institute (ETI) issuing a European proved certificate.
9. Tourism SMEs should keep in sight the cultural, economic, environmental and social phases as integral parts of all initiatives from management, human resources, marketing and investment.

Dinner offered by the General Director of the Hellenic Organization of SMEs EOMMEX
HIGH LEVEL MEETING ON SUSTAINABLE ENERGY POLICIES: 
THE KEY TO ENERGY SECURITY

Palais des Nations, United Nations
Salle XIX, Friday 27 April at 10:00 a.m.

Intervention by Conchita Poncini
International Federation of University Women
Convener, NGO Committee on the Status of Women Working Group on Women’s Employment and Economic Development

Mr. Chairperson,

As experience has shown, there is a strong gender perspective in the consumption, saving and misuse of energy leading to environmental degradation. Therefore women should be integrated in decision-making of key policies to energy security and sustainability.

In the first instance, since women are both income earners and custodians of households, they determine how much energy is consumed, saved or re-used, for example just by the switching on and off of lights, use of cooking devices and electrical appliances; how water and gas are utilised; the use of non-renewable energy as wood or other fuel for cooking that lead to deforestation. The use of plastics, paper and other products for wastes, aerosols for example could also become dangerous health hazards if not properly used or disposed.

Secondly, women are main users of chemicals and toxic products in household for cleaning, washing, cooking and cosmetic purposes. It is therefore important before goods are manufactured, to have a dialogue with basic users. to ascertain that products are either user-friendly by the way they are technically or socially labelled or to make the language that is used understandable in all countries by non-initiated persons or who are not literate enough or at all or that the product has been manufactured without regard to gender use or produced.

Last but not the least is the critical role that poor people especially women at the lower end of the poverty scale, who should be provided an enabling environment and affordable training to gain knowledge on how to recycle waste products into durable and saleable quality consumer goods. If produced for profit, would get them out of the poverty line. A typical example is the former smoky mountain, a waste dumping ground in the suburbs of Manila where children and women had collected plastic and other recyclable materials as newspapers and tins for sale.. Thanks to the aid of NGOs and donor funding, an infrastructure was built on the site to manufacture from recycled material crafts such as handbags, shoes, etc. which are now being exported. This example of best practice could be replicated in countries of transition economies where energy conservation is still a new behaviour.

From the above illustration, it is essential to understand that in the area of training and capacity building, “one size does not fit all”, therefore gender awareness, language and educational levels should all be factored in to capacity building and training programmes. Implementation challenges, including the need for regional harmonization and improved access to information and assistance targeted at women would be useful for identifying best practices in training and access to hazard information for preventive measures.

Thank you Mr. Chairperson.
“ENTREPRENEURIAL EDUCATION AND BUSINESS INCUBATION – BUILDING THE KNOWLEDGE BASED ECONOMIES AS EU INTEGRATION MILESTONES”

9-10 May 2007
Belgrade - Republic of Serbia

Organised by

GOVERNMENT OF THE REPUBLIC OF SERBIA

MINISTRY OF ECONOMY

MINISTRY OF EDUCATION

Supported by:
09.05.2007

**Business Incubators in Europe**

*The role of business incubators development in support to SME growth and competitiveness - challenges, opportunities and experience sharing*

Organizing this event was the responsibility of the Ministry of Economy. Mr. Petar Pavlovic, Assistant Minister together with SINTEF/ENTRANSE and Mr. Antal Szabó, retired UNECE Regional Adviser and Scientific Director of ERENET started the preparation of the concept of this part of the conference. In general, this day provided a platform for debate and experience sharing on development of Business incubators, in particular experiences and good practices from the Visegrád group, and EU and West Balkan region in general, as well as presented experiences related to establishment of business incubators in Serbia. In this part, National programme for Business incubator development was presented as well as plans related to the National Investment Programme investments to business incubator development. In addition, this part of the conference provided some room for discussion on establishment of national business incubators association - best practices and lessons learned.

09:00-10:00  **Opening speech**
- Minister of Economy of the Republic of Serbia
- Serbian EU integration office
- Representative of the EC Delegation in Serbia
- Ambassadors from the Netherlands and Norway

10:00-12:15  **NATIONAL ENTREPRENEURSHIP AND SME POLICY**

- **Business Incubation as Successful Tool for Strengthening Small Enterprises and Building Competitive Economy – the EU Perspective**
  - Representative form the DG Enterprise and Industry - TBC
- **National Policy of the Development of Entrepreneurship as the Core of Economic Reforms**
  - State Secretary of the Serbian Ministry of Economy
  - Mrs. Marija Zarezankova Potevska, Ministry of Economy of the Republic of Macedonia
  - Representative of the Ministry for Economic Development, Republic of Montenegro
  - Ms. Fitore Jusufi, UNMIK/Kosovo
- **Business Incubation as Element of Business Service Institutions and Development of Entrepreneurship by Creation of New Enterprises in the New EU Member Countries**
  - Dr. Antal Szabó, UN ret. Regional Adviser
- **Institutional Infrastructure for SME and Entrepreneurship support**
  - Mr. Nenad Penezic, Vice president of the Serbian Chamber of Commerce

12:15-13:30  **BEST PRACTICE IN BUSINESS INCUBATION**

- **National Programme for Establishment of Business Incubators in Serbia**
  - Mr. Dragan Povernovic, SME Council
- **Business Incubator Initiatives supported by National Investment Programme**
  - Mr. Petar Pavlovic, Assistant Minister, Ministry of Economy of the Republic of Serbia
- **Serbian Business Incubator Support Center**
  - Mrs. Mirjana Jovanovic, Director, Serbian Agency for Development of SME’s and Entrepreneurship
- **Pilot Business Incubator in Nis**
13:30 - 14:30  Lunch/Cocktail

14:30 – 17:00  **BEST PRACTICE IN BUSINESS INCUBATION**

- **Best Practice in Business Incubation in Hungary**
  - Mr. Kovács István, Managing Director, PRIMOM Foundation

- **Best Practice in Business Incubation in Slovakia**
  - Dr. Renata Vokorokosova, Associated Professor, Faculty of Economics

- **Current U.S. Trends in Business Incubation**
  - Mrs. June Lavelle, Consultant (founder of National Business Incubation Association)

- **Best Practice in Business Incubation in Macedonia**
  - Mr. Jovanco Sekulovski, GICA, Business Incubator from Ohrid, Macedonia

- **Best Practice in Business Incubation in Croatia**
  - Mr. Sc. Igor Medic, Business Incubator BIOS d.o.o. Osijek

- **Best Practice in Business Incubation in UNMIK/Kosovo**
  - Mr. Shpend Kursani, Representative of the Business Start up Center Kosovo

- **BIT Center Tuzla**
  - Ms. Vedrana Ajanovic, Marketing Manager

- **Technological Parks, Industrial Districts and Attraction of Foreign Investments**
  - Mr. Dejan Eric, professor, Faculty of Economics, University of Belgrade

- **Belgrade Innovation Center and Innovation Rely Center in Belgrade**
  - Prof. Dr. Aleksandar Sedmak, Vice Rector for International Relations, University of Belgrade

- **The Goals and Programme of the Southeast European Network of Start-ups Centers and Incubators**
  - Mr. Michel Richter, Co-director ATA

17:30 – 18:30  **ROUND TABLE DISCUSSION ON HOW TO ESTABLISH BUSINESS INCUBATORS AND MAKE THOSE SUSTAINABLE**

**Moderator:**  Mr. Due-Gundersen Gunnar

**Assistant moderator:**  Mr. Dejan Eric

18:30 – 18:15  Conclusion and Recommendation – Mr. Petar Pavlovic, Assistant Minister

The Business Incubator event was an excellent example of co-operation and assistance by ERENET. Dr. Dejan Eric, Due-Gundersen Gunnar and Dr. Antal Szabó played an important role in compiling the programme of the incubation day. Dr. Renata Vokorokosova, Associated Professor of the Faculty of Economics from Kosice, Mrs. June Lavelle, Consultant and Founder of the National Business Incubation Association from US on behalf of the Polish ERENETship, Mr. Igor Medic, BIOS Business Incubator Manager from Croatia and Mr. Menyhért Jászai, Deputy Director of PRIMOM on behalf of ERENET made presentation at the Conference. Mrs. Iulia Iabanji, Head of the SME Department from the Republic of Moldova, ERENET Member made a study tour to this event. Dr. Radmila Grozdanic, Associate Professor from the Technical Faculty Cacak, attended this event too.
**Encouragement of Entrepreneurial Mindsets through Education and Learning**

- EU and Western Balkans perspectives -

This part of the Conference was organized by the Ministry of Education, Department for Vocational Education. This part of the conference provided a platform to present latest policies (from EU and the region), good strategies (from EU and the region) and to share experience with EU and neighbouring countries in relation to entrepreneurship education at all levels of education. Furthermore, emphasis was given to formal entrepreneurship education while at the same time one part of the conference addressed the informal types of entrepreneurship education developed by the Serbian SME Development Agency, SINTEF/ENTRANSE, Serbian Chamber of Commerce and other participants from EU and the WB region. This part of the conference pointed out the lack of public consensus on importance of entrepreneurship education and its inclusion into formal education strategies at all levels, while at the same time informal types of education are bridging the gap between the needs from the business sector and formal education. During the presentation part, students and youth should present some of their youth enterprises, virtual enterprises and business ideas. The event was organized at Secondary Medical School from Belgrade.

09:30-10:00  *Opening speech*
Minister of Education of the Republic of Serbia
EC Delegation in the Republic of Serbia

10:00-12:00  *Panel discussion*
- The Importance of Encouraging Entrepreneurship Education at all Levels for Europe’s Strength
- An Overview of Available EU Tolls and Mechanisms to Support Entrepreneurship Education Projects

12:30 – 14:00  *Parallel thematic working groups*

**Working group I –**
- Entrepreneurship in all Levels of Education – Best Practices and Experience Sharing
  - Best practices in all levels of education in Western Balkans and EU? How to promote entrepreneurship in all levels of education? How to concretely support and encourage schools to introduce these activities and programmes? How to ensure that adequate teaching material is available? How to train teachers? How to encourage cooperation with enterprises, and the involvement of business people in the classroom?

**Working group II**
- Policy and Practice – Building a Comprehensive Entrepreneurship Education Strategy
  - This working group aims to answer the questions how can educational policies and strategies support systematic approach to entrepreneurship education and ensure that all young people have the possibility to learn about entrepreneurship

**Working group III**
- Informal Entrepreneurship Education
  - This working group shall provide a platform for discussion and sharing of experiences on informal education tools and mechanisms. In addition speakers shall address the facts on how informal types of education are bridging the gap created between labor market requirements and formal education.
Academic Training Association - ATA

ATA is an independent not-for-profit foundation, based at the University of Amsterdam, with field offices in Belgrade, Mitrovica, Pristina, and Skopje.

We aim to support the ongoing processes of transition and reconstruction in post-conflict societies. We believe that an important way to facilitate these processes lies in the strengthening of educational and economic institutions.

We aim to contribute to sustainable reform of educational and economic institutions in post-conflict societies in a way that is lasting and demands the pro-active participation of local communities. Key principles in our work are:

- A demand-driven approach that pinpoints the needs and priorities of local beneficiaries;
- A society-oriented focus that ultimately benefits society as a whole;
- The support of long-term cross-regional and international cooperation processes;
- The promotion of local ownership as precondition for sustainability.

ATA cooperates with academic and economic institutions, as well as Ministries of Education, Ministries of Economic Affairs, and a large number of NGOs and student organisations across Europe.

Current projects consist of Summer Universities in Macedonia and Pristina, a Regional Private Sector Development Project and the set-up of a network of Business Support Centres with Incubators throughout South Eastern Europe.

UNESCO CHAIR
IN ENTREPRENEURSHIP

UNESCO Chair in Entrepreneurial Studies (UCES) at University of Novi Sad is the part of UNWIN programme established in 1992 with the aim to stimulate education, research and exchange of academic staff and to create a platform for information exchange in all the most important UNESCO activities.

UCES aims to become a centre of excellence in teaching and research in the field of entrepreneurship and tends to work on capacity building at different levels:

- Professional and personal development of both students and teachers (regional and international conferences, summer schools, workshops organized together with regional international partners in the field of entrepreneurship);
• Development and promotion of entrepreneurial culture among students and young staff as well as in the wider environment (organization of public lectures on entrepreneurship and other forms of lifelong learning at UNS; workshops, seminars, conferences, training organized together with chambers of commerce, NGOs and other stakeholders; publications, textbooks and different materials for entrepreneurship promotion);
• Investment in educational and research resources (from infrastructure to teaching / learning materials, databases, softwares, books, journals);
• Development of career guidance services for students;
• Enhancement of the university - alumni relationships by involving alumni in teaching and research projects as learning resource (through shared experience and good practice) as well as funding source (based on a "giving back" approach).

UCES has the support of the Serbian National Commission for UNESCO.

Together with the UNESCO Chair for Entrepreneurship Studies at the University "J.J.Strossmayer" in Osijek, Croatia, UCES is the only Chair of that kind in the region of South - East Europe.

UCES is also becoming a part of a newly established network of UNESCO Chairs in Entrepreneurship under the leadership of the UNESCO Chair on Entrepreneurship and Intercultural Management at the University of Applied Sciences in Gelsenkirchen, Germany.
EOMMEX S.A. works for more than 30 years to the promotion and development of Small and Medium Enterprises.

EOMMEX’s headquarters are in Athens. 
16, Xenias Str., GR–115 28 Athens
Tel: (+30) 210-7491370-1 and Fax: (+30) 210-7491146
E-mail: interel@eommex.gr

Mission:
EOMMEX’s mission is:
• To provide policy advice to the Ministry of Development on:
  o The SME sector, including the formulation of a national SME development strategy
  o The impact of proposed and existing legislation on the SMEs sector
  o Means of simplifying and facilitating the business environment
• To implement the national policy in the area of SMEs through specific actions and programmes (business support measures) to the benefit of the SMEs aiming at the promotion, modernization and development of the SMEs so as to enable them to meet the requirements of the constantly changing business environment.

Activities:
EOMMEX S.A. has focused its activities on fulfilling following main objectives:
• Enhancing competitiveness of the SMEs
• Promoting entrepreneurship and facilitating start–ups
• Facilitating ICT uptake
• Contributing to the efforts for simplifying and improving the administrative and regulatory environment
• Education and training for entrepreneurship

In order to achieve these objectives, EOMMEX S.A. cooperates with:
• The Ministry of Development, the Ministry of National Economy and Finance, the Chambers of Small and Medium Sized Enterprises, Organizations and Associations representing the SMEs sector of the economy.
• The European Commission and the OECD, as well as other Institutions dealing with SMEs or undertaking activities similar to those of EOMMEX S.A.
To: Yes for Europe, European Confederation of Young Entrepreneurs

Subject: Business Forum in Kazakhstan

Dear Colleagues,

As a first step of our cooperation with ‘YES for Europe’, we are pleased to invite you to the Business Forum in Kazakhstan, a country with a rapidly developing economy and wide opportunities. The purpose of the business forum is to present investment opportunities in Kazakhstan, discuss the possibility of creation of joint ventures and the issues of entrepreneurship development.

Formal seminar and business-to-business meetings with participation of the European businessmen and Kazakhstani entrepreneurs and officials will be organized within the forum.


Contemporary Kazakhstan, which this year is celebrating its 15th anniversary of independence, is a leading country of Central Asia in terms of economic, political and social development. Kazakhstan, the largest of the former Soviet republics in territory, excluding Russia, possesses enormous fossil fuel reserves and plentiful supplies of other minerals and metals. It also has a large agricultural sector featuring livestock and grain. However, during the years of independence radical changes in economy were carried out that ensured formation of market relationship and consistent integration of the country into world economy. The country has embarked upon an industrial policy designed to diversify the economy away from overdependence on the oil sector by developing light industry. According to the Innovation Industrial Development Strategy for 2003-2015 “The industrial policy shall mean a set of measures undertaken by the state to create conducive environment and to support businesses in establishing competitive and efficient domestic industry”. Production of competitive and export oriented goods, works and services in manufacturing and service sectors is the main focus of the state industrial and innovation policy. This means that the role of entrepreneurs in Kazakhstan as potential partners is constantly increasing.

What are the most perspective fields of cooperation with the European countries?

23 potential fields, which are expected to be competitive, were selected. Seven main perspective fields of non-raw sectors called ‘clusters’ were determined. The following priority fields are among those which will be developed:

- production of machines and equipment for oil and gas sectors
- production of construction materials
- tourism
- agriculture and food industry
- metallurgy
- ferrous metallurgy: steel
- copper and zinc production
- textile industry
- chemical industry
• IT industry
• machinery construction
• woodworking industry

Geographical location of Kazakhstan creates prerequisites for the development of transport logistic cluster. Besides, availability of resources and raw material sources and necessary infrastructural possibilities facilitate development of other attractive fields of economy such as biotechnologies, space field, financial sphere, oil and chemical field etc.

Taking into account strong position of the European companies in the above-mentioned fields, we can mark the perspective nature of joint projects in these fields both for Kazakhstan and the European companies.

Our wishes to the European investors working in Kazakhstan and expressing their interest in Kazakhstan

We would like to draw investors’ attention to the following three factors: first, Kazakhstan has a really favorable investment climate, the fact that was confirmed by international experts. Macroeconomic and social political stability are main achievements of Kazakhstan. Secondly, Kazakhstan has huge raw material resources. Availability of considerable natural resources, especially hydrocarbon raw materials, creates big potential for development of concomitant industries.

Third, advantageous geographic location of Kazakhstan provides access to rapidly developing markets. As you know, closeness to potential markets of neighboring countries is one of the main favorable factors for successful investment.

First of all, the advantage of Kazakhstan from the geographical viewpoint is its access to the markets of Russia, China, and Central Asian countries which together comprise 5000 million people. Kazakhstan has good trade relations with these countries. Kazakhstan has free trade regime with Russia and a number of Central Asian countries within the customs union. Thus, for investors Kazakhstan can become a kind of base for access to the markets of Russia, China and Central Asian region.

Besides, Kazakhstan is located at the turn of transport corridors and has a wide transport communication network. Kazakhstan has all prerequisites to become a kind of international hub, bridge between Europe and Asia.

Today, investors quite quickly react to rapidly changing world market and adapt their corporate strategies on placing new manufactures (factories). If we consider the markets of Central Asia and CIS, Kazakhstan should be considered as one of the most perspective countries for placing factories.

In this regard, we would like to express our interest in attracting European companies, which will both realize investment projects on our territory and facilitate creation of economy based on export oriented industry.

Sincerely yours,
Humane ZHANYKULOV, President, Association of Kazakhstan Entrepreneurs (KAZKA)
Dear YES for Europe!

Hereby, YES for Hungary would like to express its **official application and detailed update** for the organization of the YES for Europe Execom meeting to be held in Budapest on 21-23 September 2007.

YES for Hungary was founded in 2006 and in the year of its establishment the association applied for the membership of the The European Confederation of Young Entrepreneurs. Thus, it would be a great honour for the novice member to introduce itself beyond the administrational status. YES for Hungary is the main association of young entrepreneurs in Hungary representing the most motivated business owners under 40 years old and aiming to improve the economic and social performance of both Hungarian and European entrepreneurship. It is our firm belief that Budapest, a city set in time, would serve as a new and vivid intercultural experience, besides the program and the hosting in which the Execom meeting would be embedded.

To sum up, Budapest and YES for Hungary feels honoured to host the YES for Europe Execom meeting that could be embedded in a versatile and comprehensive business conference program. YES for Hungary would like to express its warmest welcome to all the members of YES for Europe. **Looking forward to meet you in September.**

**First day – 20 September 2007 (Thursday)**

*Program:* Afternoon - Arrival of the participants
Gathering and welcome drink with a small Budapest at night tour guided by YES for Hungary. The Organizing Committee will give you directions for the further days both in terms of travelling around the city and about the programs of the conference.
*Location:* Corinthia Grand Hotel Royal – Budapest
Erzsébet krt. 43-49, H-1073 Budapest, Hungary

**Second day – 21 September 2007 (Friday)**

*Mid-morning:* Gathering at Corinus University Conference Hall no. 3
Registration: From 8.30 to 9.00
Conference (first section): From 9.00 to 12.30

*Topic of mid-morning:* Entrepreneurship - The disciple of the future
Keynote speaker: Ervin László, philosopher / Member and co-founder of the Club of Rome, holder of the highest degree of Sorbonne University. See the attached biography /
Section speaker: János Vecsenyi, professor / Corvinus University Budapest, SME department, participant of a conference on SME’s held at Harvard University /
After the meeting there will be a lunch break from 13.00 to 14.30 organized at the Conference Hall.

Conference (second section): Conference on key issues.

Topic of the afternoon: Young and small – still prosperous and international
Keynote speaker: Dr. János Kóka Hungarian Minister of Economics and Transportation
Section speaker: A foreign businessman representing a success story in building international partnership
The person of the performer is still subject of further negotiations.

After the conference in the main hotel (Hotel Gellért) there will be the Presidency meeting for the Members of Presidency meanwhile the others are having a rest, and preparing for the evening program.

In the evening at 19.00 buses will bring the participants to the House of Hungarian Wines where from 19.00 to 20.00 they can take a look at the cellars and have insight to the history of Hungarian wines and the today’s wine-business. A common Gala-dinner will serve as the informal and conversational part of the event, that will represent either the international or the Hungarian cuisine upon request at the House of Hungarian Wines.

Third Day – 22 September 2007 (Saturday)

Main Program: Execom Meeting in the Hungarian Parliament
After the previous day’s late-evening programs, the participants are expected to gather at 10.30 in the morning at the Hungarian Parliament. From 11.00 they will undertake a Parliament visit for an hour, and then from noon starts the Execom.

After the Execom, buses will carry the participants to a nearby historical island called Szentendre, where they will have a lunch at Marcipane Museum. In the afternoon a special YES for TeamBuilding event will take place at the Danube river bank.

According to the YES for Europe’s leadership decision participation in the Team Building is compulsory but the useful, funny and entertaining time is guaranteed by YES for Hungary members as professional Team Building company owners. After the outing, those who would like to leave Budapest early can travel home, while the others have some free time in Budapest.

Third Day – 22 September 2007 (Sunday) /optional/

On the last day some social activities would be on the agenda for those who would like to stay and get to know Budapest more. It would include a short sightseeing (preferably on a sightseeing boat-tour on the Danube river), a thermal bath experience upon request and some of the unique historical venues (e.g.: House of Terror, Parliament tour etc.)

Travel and flight advice: Direct flight to Budapest Airport with some of the discount flights offered by SkyEurope, WizzAir, EasyJet or SN Brussels.

Zoltán Kott
YES for Hungary
President

Contact information and further details from:

Kristof Schum – Secretary General
Bathian Utca 24. Fsz 1., H-1015 Budapest, HUNGARY
Tel.: (+36 20) 580 4533 E-mail: yes@schum.us
This International Conference is organized within the framework of the subprogramme on Facilitating the Development of Entrepreneurship and the Emergence of New Enterprises under the UNECE Committee on Economic Cooperation and Integration. It will discuss the major obstacles to enterprise development in the UNECE region with a special focus on countries with economies in transition.

The discussion at the Conference is expected to continue to the drawing up of the relevant recommendations to government bodies in charge of enterprise development policies and regulations, and advance the agenda of the UNECE Committee on Economic Cooperation and Integration.

At the same time, the Conference will provide a platform for exchange of experiences and information on good practices, thus contributing to strengthening human and institution capacity in the area of entrepreneurship and enterprise development. The outcome of the Conference is supposed to feed into the future UNECE capacity-building activities, and facilitate access of stakeholders to the relevant expertise and information on good practices.

**Provision Agenda**

**Monday, 18 June 2007**

**SESSION 1: DRIVERS AND OBSTACLES TO ENTERPRISE DEVELOPMENT: THE EXPERIENCE OF DEVELOPED MARKET AND TRANSITION ECONOMIES**

**SESSION 2: REDUCING THE REGULATORY AND ADMINISTRATIVE BARRIERS TO ENTERPRISE DEVELOPMENT**

**Thursday, 19 June 2007**

**SESSION 3: REDUCING THE FINANCING AND TAX-RELATED BARRIERS TO THE EMERGENCE AND GROWTH OF ENTERPRISES**

**SESSION 4: FACILITATING THE CROSS-BORDER EXPANSION OF SMEs**

**ROUND TABLE: GOOD PRACTICE IN FIGHTING CORRUPTION RELATED TO ENTERPRISE DEVELOPMENT: THE ROLE OF GOVERNMENTS**

Detailed information of the event see at: [http://www.unece.org/ceci/pdfs/eed/agenda_1el.pdf](http://www.unece.org/ceci/pdfs/eed/agenda_1el.pdf)
RECTOR OF THE PETRU MAIOR UNIVERSITY INVITES ERENET TO IMPLEMENT A PROJECT ON BENCHMARKING OF ENTREPRENEURSHIP EDUCATION

The Ministry of Education and Research and the National University Research Council of Romania agreed to finance a Project on RESEARCHES REGARDING THE HARMONIZATION OF THE ENTREPRENEURIAL EDUCATION OF ROMANIAN UNIVERSITIES TO THE EUROPEAN UNION AND EASTERN EUROPEAN UNIVERSITIES (EDARO) for 2007-2008.

The Project Summary

Petru Maior University of Targu-Mures, are the same as the global objectives of CNCSIS contest 2007: scientific research development in the process of human resources development. The research is oriented to an educational component which support the economy based on knowledge and innovation, entrepreneurship, sustainable development, elaboration and development of the research networks.

The project wishes to gather information in the field of investigation and implementation of the entrepreneurial education in the Romanian universities, specialised institutions of Romania and European Union to create an international research network and to elaborate a project within the Programme Framework 7.

The project proposes the study of the actual situation, definition of the context and parameters in which the entrepreneurial education should be performed, proposing curricula and specific pedagogical methods, to make the Romanian entrepreneurial education comparable to that from universities of European Union, USA and Canada, and making the students aware of the opportunities and feasibility of such an approach that can turn the knowledge and innovation to account.

The project proposes the enlargement of the pedagogical and educational methods used within universities adding Long-Live -Learning, E-Learning, Learning by Doing, Student International workshops, modules of best practices etc.

Prof. univ. Dr. ing. Liviu Marian, Rector of the Petru Maior University of Targu-Mures received Dr. Antal Szabó, Scientific Director of ERENET, while visiting the University and delivering lecturers at the Master Course on Operational Management in mid April 2007, and discussed the possibility of participating of selected ERENET Members in the implementation of this project.

Prof. Dr. Liviu Marian received Dr. Antal Szabó at the rectorate

Prof. Zsuzsanna Szabó, Dean of the Faculty of Economics and Administrative Sciences, Project Manager, also participate in the discussions. It was agreed that ERENET will elaborate Terms of References for selection of experts participating in the implementation of the project. ERENET will provide assistance in identifying national practices in bachelor, master and Doctorandus studies on entrepreneurship in selected old, new and candidate EU countries as well as in the American continent. Special workshop will be organized on the finding at the ICELM-3 International Conference on Economics, Law and Management to be held in May-June 2008 in Targu-Mures.