

Getting out of Crisis of SME Sector

Ovidiu NICOLESCU

The Bucharest Academy of Economic Studies, Romania

E-mail: inst.manager@gmail.com

Phone/fax: +4 (0)213191967

Ciprian NICOLESCU

The Bucharest Academy of Economic Studies, Romania

E-mail: ciprian.nicolescu@gmail.com

Phone: +4 (0)213191967

Av. **Ana BONTEA**

Abstract

Without any doubt, relaunching Romanian economy depends very much on SME sector getting out of the crisis, sector which has the main contribution to GDP production, to state budget income and human resources employment.

Starting from these premises, based on scientific research performed in the framework of the VALAD project, we present in the following a group of coordinates and markers which, in our opinion, are capable to relaunch indigenous SME sector. Elements contained in this study are complementary to the ones presented in the article "Policy coordinates concerning SME sector development in Romania", published in the previous issue of this magazine¹.*

Keywords: *crisis, SME sector, SME's management, entrepreneurship*

JEL classification: L29, O33

1. Coordinates and time grading for implementing in Romania Small Business Act measures

Naturally, specific framework for relaunching SME sector in Romania is represented by **Small Business Act**. In the following we detail and time grade on a three year horizon, measures from this strategic document, which we hold to be of priority taking into account Romania's state and actual conditions.

2. Punctual SME support measures for 2010 - 2011

Alongside with generic measures included in SBA, adjusted to Romania's conditions, resulted the necessity to establish and adopt some punctual measures, more concret which can and must solve stringent problems, capable to contribute operatively and substantially to SMEs overcoming of difficulties associated with the current crisis and to relaunching of their activity and performances. These measures, which we insert in the following, are grouped in two big categories — general and domain specific.

Proposals concerning implementation of Small Business Act (SBA) in Romania

SBA principles	Measures established in SBA which are recommended to be implemented in Romania	Implementation period			Main involved organisms
		2010	2011	2012	
1	2	3	4	5	6
1. Creation of an environment inside which entrepreneurs and family businesses could prosper and where entrepreneurial spirit is rewarded	<p>1. to stimulate entrepreneurial and innovative spirit among young people, making from entrepreneurial spirit a key element of school curriculum, especially inside high schools and to make sure that these orientations are taken into account accordingly in textbooks</p> <p>2. to make sure that entrepreneurial spirit importance is taken into account correctly during training and improvement of teacher's skills for all educational levels</p> <p>3. to propose tutoring and assistance for female entrepreneurs</p>	x	x	x	<ul style="list-style-type: none"> - Ministry of Economy, Trade and Business Environment (MECMA) - Ministry of Labour, Family and Social Protection (MMFPS) - Employers organisations representative at national level (EORNL) - Trade unions representative at national level (TURNL) - MECMA - EORNL - TURNL
2. Assuring for fair entrepreneurs who went broke the possibility to be refit quickly from a second chance	<p>4. to promote a positive attitude in society towards entrepreneurs who wish to start again a business by offering, for example, information campaigns for general public</p> <p>5. to make sure that the ones who try their luck again in business are placed on the same level with new established companies, compared to the ones already working, especially regarding support programmes financed by Romania and European Union</p>	x	x	x	<ul style="list-style-type: none"> - MECMA - Ministry of Small Enterprises, Trade and Business Environment (MIMCMA) - EORNL - Public mass-media - MMFPS - MECMA - EORNL - TURNL - Ministry of Justice (MJ) - MECMA - EORNL

SBA principles	Measures established in SBA which are recommended to be implemented in Romania	Implementation period			Main involved organisms
		2010	2011	2012	
3. Defining rules according to the "Think Small First" principle	6. to make sure that the results of state policy applied in the field of SMEs are obtained, by ensuring minimisation of enterprises costs and tasks, inclusively through a coherent group of measures like mutual recognition, self-regulation or co-regulation, in order to obtain sought after results	x	x	x	- MECMA - MJ - Ministry of Public Finance (MFP) - EORNL
	7. to evaluate thoroughly impact of future legislative initiatives concerning SMEs — by using SME test — and to take into account results of this evaluation at the time when new legislative regulations are proposed	x	x	x	- MECMA - MFP - MMFPS - MJ - EORNL
	8. to consult with stakeholders, including SME organisations, at least eight weeks before presenting a legislative or administrative proposal which would have repercussions on enterprises	x	x	x	- MFP - MECMA - MMFPS - MJ - Other ministries with economic character (OMEC) - EORNL
4. Ensuring administrative reactivity towards SME needs\	9. to instate specific measures for small enterprises and for micro-enterprises, such as derogations, transition periods and exemptions, especially concerning information and declarative obligations, as well as other approaches adjusted to these enterprises, any time these are justified	x	x	x	- MFP - MECMA - MMFPS - MJ - OMEC - EORNL
	10. to reduce level of taxes for registering a company, inspring from the example of most advanced member states in this field	x			- MFP - MECMA
	11. to continue efforts in order to reduce to less then a week necessary time to establish a company when this objective is not already attained		x		- MECMA - MJ - MFP - National Office for Competition - EORNL
	12. to accelerate the beginning of commercial activity of SMEs, by reducing and simplifying required licences and authorizations. More precisely it is recommended to set a maximum term of one month for granting respective licences and authorizations, except for cases where applying a longer term is justified by serious tasks for persons or for the environment	x	x	x	- MFAF - MFP - MMAS - OMEC - EORNL

SBA principles	Measures established in SBA which are recommended to be implemented in Romania	Implementation period			Main involved organisms
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<p>5. Adapting public power instruments to SMEs needs: facilitation of SME participation to public procurement and thorough exploitation of possibilities offered to SMEs to benefit from state aid</p>	13. to restrain from asking SMEs for information that the administration already has, except for the case when this information must be updated	x	x	x	-MFAF -MFP -MMAS -OMEC -EORNL
	14. to establish a contact point within ANIMM where interested parties can signalize regulations or procedures considered to be disproportional and / or which uselessly obstruct SMEs activities	x			-MECMA -MIMCMA -EORNL
	15. to install electronic portals in order to increase access to information concerning public procurement opportunities lower than EU ceilings	x			-MECMA -MIMCMA -OMEC
	16. to encourage contracting authorities to divide tenders in lots, when it is appropriate and to increase visibility of subcontracting possibilities	x			-MECMA -MIMCMA -OMEC -EORNL
	17. to remind contracting authorities the obligation not to impose disproportional exigencies concerning qualification and financial capacity	x			-MECMA -MIMCMA -EORNL
	18. to encourage a constructive dialog and mutual understanding between SMEs and big buyers through information campaigns, training, monitoring and good practice exchanges	x	x		-MECMA -MIMCMA -EORNL
	19. to re-focus state aid policy in order for it to be better adjusted to SMEs needs, elaborating mostly measures specific to them.	x			-MECMA -MIMCMA -MFP -MMFPS -EORNL
	20. to elaborate financing programmes which can be a remedy for absence of available financing for amounts between 100000 and 1000000 EUR, especially through instruments which combine characteristics of credit and of social capital, respecting in the same time norms concerning state aid	x	x	x	-MIMCMA -MECMA -EORNL
	21. to approach fiscal regulations obstacles which obstruct existing task capital funds on Single Market to invest in the same conditions as national funds	x	x	x	-MFP -MECMA -MIMCMA
	<p>6. Facilitate SMEs access to financing and putting into practice of a legal and commercial framework which favours timely payments of commercial transactions</p>				

SBA principles	Measures established in SBA which are recommended to be implemented in Romania	Implementation period			Main involved organisms
		2010	2011	2012	
					- EORNL
	22. to make sure that enterprises benefit's taxation encourages investments	x	x		- MFF - MECMA - EORNL
	23. full utilisation of available financing inside programmes connected with cohesion policy and in the framework of European Agricultural Fund for Rural Development, in order to support SMEs	x	x	x	- MECMA - MF
	24. to ensure correct application of mutual recognition principle	x	x		- Ministry of Agriculture and Rural Development (MADR) - EORNL
7. Supporting SMEs in order for them to benefit more from opportunities offered by the Single Market		x			- MECMA - MIMCMA - MFF - EORNL
	25. to encourage national standardisation organisms to re-examine their enterprise model in order to reduce the cost for accessing standards	x	x		- MECMA - MIMCMA - National Standardisation Commission (CNS) - EORNL
	26. to ensure equitable structure of standardisation committees	x	x	x	- MECMA - MIMCMA - CNS - EORNL
	27. to offer SMEs counselling services, including support for them to be able to defend themselves against unfair commercial practices	x	x	x	- MECMA - MFF - MIMCMA - EORNL
8. Promotion of competence improvement inside SMEs and of all forms of innovation	28. to encourage SMEs efforts for internationalization and for becoming enterprises with high growth, inclusively through participation to innovative groups	x	x	x	- MECMA - MIMCMA - MFF - EORNL
	29. to promote SMEs competences development in the field of research and innovation – for example through simplified access to public research infrastructures, through recruiting and training of qualified personnel –	x	x	x	- MIMCMA - MECMA - EORNL

SBA principles	Measures established in SBA which are recommended to be implemented in Romania	Implementation period			Main involved organisms
		2010	2011	2012	
	<p>according to the new community framework concerning state aid for research, development and innovation</p> <p>30. to open national research programmes in case where this action offers advantages also for SMEs from other member states and it contributes to SMEs access to transnational research activities, for example, through joint programming</p> <p>31. to make sure that, while putting into practice the programme concerning cohesion policy, SMEs can obtain easily financing for development of entrepreneurial spirit, innovation and knowledge</p> <p>32. to support development of an electronic identity for companies in order to allow invoicing and administrative transactions online</p>	x	x	x	- MECMA
					- EORNL
		x	x	x	- MEMF - MMFPS - EORNL
		x	x	x	- MECMA - Ministry of Communications and Information Society - MFP - EORNL
9. Helping SMEs to transform environment challenges into opportunities	33. to offer stimulants for companies and products which are efficient from an ecologic point of view (for example, fiscal stimularis systems and priority given to subventions destined to financing sustainable enterprises), according to community orientations concerning state aid for protecting environment and to resort to simplified approach concerning environment aid for SMEs, developed in general regulation for exceptions by categories (RGEC - GREC)	x	x	x	- Ministry of Environment and Forests - MFP - MECMA - MIMCMA - EORNL
10. Encouraging and supporting SMEs to take advantage of markets increase	34. to encourage SME's counseling by large companies in order to help them to gain access to international markets	x	x	x	- MECMA - MIMCMA - MFP - EORNL

2.1 Global measures

1. **Allotment when revising state budget law for 2010 of funds amounting 0,2 % of GDP** for financing development programmes and support measures for setting up new companies and for sustaining development of small and medium sized enterprises, at national and local level, for year 2010, according to provisions from electoral platform of Democratic-Liberal Party and Hungarian Democratic Union from Romania presented by them during elections

2. **Improvement of legal framework concerning public private partnership (PPP)** and regulation, through special law, of some procedures concerning entrusting PPP contracts, for employers organisations in Romania, representative at national and international level, for trade unions, universities, research institutes in order to ensure necessary framework for accessing European funds

3. **Introducing, by law, of the obligation** that every normative act project, both at central and local level, to be accompanied by a **economic and social impact note**, outlining separately effects on SMEs

4. Regulation of mandatory **publication in Official Monitor, part IV, of Economic and Social Committee notices** issued for all regulation projects discussed in ESC plenum, making them accessible to all interested SMEs, citizens, etc.

5. Granting **status of permanent guest** in Romanian Parliament for representative national employers and trade union organisations, **including CNIPMMR**

6. **Decreasing bureaucracy**, by reducing and simplifying procedures, authorizations, notices, single office, single payment (there are 545 authorizations, notices, licences and permits required for development of economic agent's activity and some 8 monthly declarative obligations for employers with one employee)

7. Gradual supplementation of **SMEs destined programmes budget** (totally insufficient now, of under 10 EUR for an SME Agency compared to their total number of 550 000 active SMEs) and allotment of funds in 2010 during budget rectification so as to ensure financing of minimum 0,5% of the GDP with this destination, for 2011 – 0,8% of the GDP and for year 2012 – 1% of the GDP

8. Improvement of **investment law**, ... in 2009 in order to really stimulate SME's investments and – of course – and other domestic economic agents categories, but also the ones from abroad

9. Urgent transposition, at national level, of **improved European conditions concerning state aid**, in a way which makes it usable by SMEs, contributing to overcoming of present big difficulties in obtaining credits from banks

10. Realisation of a **national database of information about specialists and organisations** which are competitive and have performance **in the field of writing projects**, starting from the premises:

- **80% of the specialists in projects field do not work for central or local administration**, but for universities, research centres, consultancy companies, foundations, employers and trade unions organisations, etc.; now, in Romania there are **over**

20 000 economists, jurists, sociologists, engineers **who possess European level qualifications**, at least one semester during which they acquired knowledge in economic, managerial, technical and other fields essential for projects domain;

- Grouping identified specialists, by field, according to their qualifications and to European projects types.

11. Elaboration of a “**National action plan concerning implementation of Small business Act**” – adopted by the European Union in 2008 –, in close partnership with stakeholders from economic and social sector, especially with employers organisations and organisations which are representative for SMEs

2.2 Measures by fields

a) Taxation

1. **Elimination of reinvested profit tax** for all categories of productive investments (except automobiles and furniture)

2. **Initiation of a regulation concerning simplification of fiscal administration – annual VAT declarations for SMEs**, according to good practices from European Union: France, Ireland, Italy, Luxembourg, Holland, Austria, Sweden, United Kingdom.

3. **Diminution with 50% of mandatory contributions to social security funds, paid by the employer, for employees hired in new jobs set up**, for a three year period, in order to stimulate relaunch of Romanian economy.

4. **Stock-taking all notices, authorizations, licences, etc. and reduction of bureaucracy and parafiscality**, with at least 30% until 2011, according to European Union decision of 2008.

5. Giving up on **taxing micro-enterprises with 16% of their profit**, returning to the system from 2009, with more variants.

6. Regulation of **reverse VAT taxation** in the case of obligations resulted from public procurement contracts of goods and services signed between SMEs and public authorities

b) Commercial relations and regional development

7. Establishment and observance of a maximum payment term according to EU directive concerning **late payments in progress of adoption of 30 days for public procurement contracts**, with capitalizing European good practices¹, as well as enduring an effective procedure against late payments.

8. Finalizing **VAT reimbursement procedures and their operationalisation in the framework of projects funded through structural funds and from European Social Fund**.

9. Significant and urgent **reduction of parafiscality**, now there are over 500 non-fiscal taxes established at national level to which we can add non-fiscal taxes established by local public authorities.

¹ United Kingdom has established and observes a maximum payment term of 10 days in public procurement contracts.

10. Reduction of **interest rates and delay penalties** for taxes and contributions to social security funds from 0,1%/day to 0,05%/day which means fall from usurious interest rate of 36% to 18%.

11. Elimination of **fining plans of organisms in charge of control in relation with SMEs and of abuse through:** single controls, on annual basis, ensuring preventive function through informing and counselling SMEs prior to infliction of fines, elimination of stimulants for clerks established as a percent of inflicted fines and regulation of a special control regime for employers organisations' representatives, ensuring real immunity for them for opinions expressed while they practise their mandate.

12. **Improvement of legislation concerning contractual relations and fighting late payments** according to the new European Union Directive (2000/35/CE) concerning fighting late payments in commercial transactions, which will be adopted by European Parliament during spring 2010 and to good practices from European countries.

13. **Modification of legislation in order to include representatives of employers organisations of SMEs which are representative at national level in all regional organisms** who elaborate development policies, manage and monitor funds, etc.

14. Improving **SMEs access to public procurement**, through capitalization of USA good practices concerning SMEs access to public procurement procedures, so that minimum 30% of them to be reserved for SMEs.

15. Urgent regulation of **expansion of measures adopted through the law concerning commercialization of food products**, concerning protection against anti-competition agreements and practices and acceleration of retailer payments towards SME providers — from light industry, furniture, chemical products, etc. — which would stimulate indigenous industry and reduce imports.

16. **Increasing entrepreneurs' access to consultancy services**, including also accessing structural funds and **professional training** through usage of vouchers, starting with a pilot programme in 2010.

17. Realisation of **programs and adoption of measures which will ensure horizontal industrial SMEs' development**, in order to increase quantity of indigenous products on internal market and export increase.

c) **Work and industrial relations**

18. **Simplification of procedures** concerning fulfilment of declarative and payment obligations of mandatory contributions of employees, which, nowadays, implies filling up nine documents.

19. Regulation by law of setting up, organisation and functioning of **social dialogue commissions** inside some ministries, and as well at county level, at the level of Bucharest city and of development regions in order to ensure their functionality and effectiveness.

20. **Regulation of temporary activities development** through signing civil service contracts, directly by companies and not only through temporary work agencies.

21. **Expansion of trade schools** for skilled personnel and support for Arts and Crafts School curriculum.

22. **Granting facilities to SMEs who set up trainings and qualification / requalification courses with own funds.**

2.3. Measures at SMEs level

23. Elaboration of company's global strategy
24. Elaboration of innovative strategies inside companies
25. Redesigning company's managerial system
26. Redesigning company's methodological-managerial subsystem
27. Redesigning company's decision making subsystem
28. Redesigning company's informational subsystem
29. Redesigning company's organisational subsystem
30. Redesigning company's human resources subsystem
31. Managers' and entrepreneurs' training
32. Modernization of managerial instrumentation
33. Personnel training
34. Realisation of a diagnostic analysis
35. Remodelling organisational culture of the company.

The group of measures proposed, based on SBA, consultation with thousands of entrepreneurs from Romania — from the 102 territorial structures of the National Council of Small and Medium Sized Private Enterprises in Romania (CNIPMMR) – and on studies performed inside scientific research project VALAD, ensures a realistic and concrete ground, in line with European Union approach, for SME sector to get out of the crisis.

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