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**REPORT ON THE IMPLEMENTATION OF THE EUROPEAN CHARTER FOR
SMALL ENTERPRISES IN THE CANDIDATE COUNTRIES**

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PART I: INTRODUCTION

Small companies are the key to economic development in the candidate countries

Small businesses have become the backbone of economic development in the candidate countries. Small businesses represent 99 % of the total number of enterprises and account for 50 % of total private employment in Bulgaria and Romania and 76 % in Turkey. Small businesses are also the key to generating growth, competitiveness and jobs in EU-25.

The importance of small businesses has been recognised at the highest political level in the EU. The European Charter for Small Enterprises was adopted by the General Affairs Council in Lisbon on 13 June 2000 and was endorsed at the Feira European Council on 19-20 June. The implementation process for EU-15 was launched in 2000. The acceding and candidate countries endorsed the Charter in Maribor (Slovenia) in 2002 and have been taking part in the implementation process since 2002. The 2003 Competitiveness Council invited Member States, acceding and candidate countries to intensify discussions on small business policies.

Getting closer to a competitive market economy

In its report on the progress towards accession by Bulgaria and Romania published on 6 October 2004, the Commission considers that both countries that are expected to become members in 2007 comply with the criteria of being a functioning market economy and the continuation of their reform programme should allow them to cope with competitive pressure and market forces within the Union.

In its 2004 Regular Report the Commission considers that Turkey has made further considerable progress towards being a functioning market economy and should be able to cope with competitive pressure and market forces within the Union provided that it firmly maintains its stabilisation policy and continues the implementation of its structural reform programme.

The European Council of June 2004 decided to open negotiations with Croatia. Negotiations will probably start during spring 2005. The countries of the Western Balkans, including Croatia, started their first cycle of implementation of the Charter in 2003. Croatia's performances in 2004 will be included in the Report on the implementation of the Charter in the countries of the Western Balkans.

Each candidate country has made progress to develop its business sector but a lot remains to be done to close the gap with EU-25 Member States. In this respect, their early inclusion in the Lisbon objectives should facilitate further progress.

Preparation for enlargement

In order to help the candidate countries in their preparation for accession, in 2001, the Enterprise DG started a dialogue on enterprise policy in parallel with accession negotiations. As a result, in 2001 the Commission published a "Report on the candidate countries' measures to promote Entrepreneurship and Competitiveness", or CC BEST Report.

In February 2002, Bulgaria, Romania and Turkey, together with the acceding countries, endorsed in Maribor (Slovenia) the European Charter for Small Enterprises and

acknowledged its principles as the basis for their action to support and develop small enterprises.

Candidate countries accepted to participate in the reporting process on the implementation of the Charter. The first report on progress in the implementation of the Charter in acceding and candidate countries was published in January 2003.

The Dublin Conference on Charter implementation

In June 2004, Ireland hosted a Conference on the European Charter for Small Enterprises with the participation of Member States and candidate countries. Organised by the European Commission and the Irish Presidency, the conference was a response to the call at the 2003 Competitiveness Council to strengthen the EU's industrial competitiveness and accelerate the implementation of the European Charter for Small Enterprises in an innovative way.

The aim of the conference was to provide a forum for exchanging good practices identified in the latest Charter implementation reports. Candidate countries had the opportunity to learn from each others' experience and get inspiration from good practices that could be implemented successfully in their country.

The current report

The current report on the implementation of the European Charter for Small Enterprises is the third one for the candidate countries. Bilateral meetings in Bulgaria, Romania and Turkey took place in July and August 2004. The meetings were well organised and allowed fruitful discussions among representatives of the business community and state institutions.

National reports contain all details about new practices implemented in the ten areas of the Charter and are likely to become useful tools for the exchange of good practices among countries. National reports have been made available on the Enterprise DG website since November 2004.

The current report, together with the related reports for Member States and for the countries of the Western Balkans, will be used as input to prepare the Spring Competitiveness Council in March 2005.

Achievements and problems in key areas

Candidate countries show a clear will to fulfil the commitment they made as they endorsed the Charter in Maribor. All of them implement actively the Charter principles in their national enterprise policies. They are also fully integrated in EU policy mechanisms, fora and initiatives in the field of enterprise policy.

Last year's Charter reports showed that important efforts have been made in particular in the fields of education for entrepreneurship and improvement of online access. Further progress has been made in the field of cheaper and faster start-ups but innovation, access to finance and representation of business in policy-making remained issues of serious concern.

From this year's reporting progress, it has become clear that important efforts have been made in particular in the fields of education for entrepreneurship and access to finance. Further progress has been made in the field of improving online access and cheaper and faster start-ups. More efforts should be devoted to better legislation and regulation, innovation,

representation of business in the policy-making process and, still, access to finance for which needs are very important.

The second part of the report illustrates the most relevant achievements made in candidate countries and highlights good practices. The final part contains an assessment of the state-of-play in each of the ten areas covered by the Charter, a series of conclusions regarding progress that has been made and recommendations for the future.

PART II: WHAT HAS BEEN ACHIEVED: SUMMARY OF NATIONAL REPORTS AND THE COMMISSION'S ACTION¹

1. Education and training for entrepreneurship

Charter objectives:

Europe will nurture entrepreneurial spirit and new skills from an earlier age. General knowledge about business and entrepreneurship needs to be taught at all school levels. Specific business-related modules should be made an essential ingredient of education schemes at secondary level and at colleges and universities.

We will encourage and promote youngsters' entrepreneurial endeavours, and develop appropriate training schemes for managers in small enterprises.

National authorities in the candidate countries have become aware that teaching entrepreneurship from an early age will stimulate entrepreneurial spirit among young people. The most significant good practices can be found in this area.

In **Bulgaria**, 143 “*training firms*” in 14 schools allow students to acquire the necessary knowledge and skills to work in public or private companies. Simulating business activities, students learn how to adopt market behaviour. A National Training Firm Fair is organised each year. Economic teachers will be trained and a Teachers' Guide will be prepared.

In **Romania** also, “*training firms*” have been established in the framework of the ECO-Net Programme. This programme allowed a partnership between economic schools from Albania, Bulgaria, Romania, Former Yugoslav Republic of Macedonia, Bosnia Herzegovina, Serbia and Montenegro, and Croatia within the Stability Pact in South-East Europe.

In **Turkey**, the “*Programme for the Development of Young Entrepreneurs*” was implemented within 27 universities in the 2003-2004 academic years. This Project is offered as a compulsory course at Özel Çağ University for the students of the Management Department in their final year, under the programme implemented in Mersin. Besides, entrepreneurship has been included in the curriculum as an elective course in Mersin University and training was provided to the lecturers who will teach this course.

In **Bulgaria**, the “*Business Support Project*” (JOBS) provides training to future entrepreneurs and helps them develop their business ideas. The JOBS Project Business Centres deliver courses in 37 municipalities throughout Bulgaria, in coordination with local partners such as labour offices, universities and schools.

In **Romania**, the programme “*Youth and business – START*” is developing entrepreneurial abilities among young people and facilitating their access to financing. Its objective is to promote a training system which will facilitate the mobility of young people between the educational system and the labour market and the development of their entrepreneurial skills.

¹ The purpose of this report is not to express any opinion on whether Bulgaria and Romania respect their legal obligations towards art. 43 & seq. and art. 49 & seq. of the EC Treaty.

In **Turkey**, training is provided on business ideas to students in the 14-17 age groups. Courses on how to establish a company are organised for students in primary education, with the cooperation of KOSGEB Mersin Business Development Centre and the Mersin Unit of the Education Volunteers Foundation of Turkey.

2. Cheaper and faster start-up

Charter objectives:

The costs of companies' start-up should evolve towards the most competitive in the world. Countries with the longest delays and most burdensome procedures for approving new companies should be encouraged to catch up with the fastest. Online access for registration should be increased.

The situation is slightly improving in this field as national authorities are aware of the necessity to take action. A few good measures can be found in the three countries.

In **Turkey**, procedures to set up a business are transferred to Commercial Registry Offices depending upon the Chambers of Commerce or Industry in order to simplify the process. It can now be completed in one day when it required 7-30 days in the past.

In **Romania**, registration formalities in the Trade Register for the natural persons, family associations and legal persons have been simplified regarding legal persons licensing. Financial recording at the Ministry of Public Finances has also been simplified. Registration time has been fixed to 3 days maximum. The cost to create a new company varying upon its legal status ranges from €20 to €50.

In **Bulgaria**, a pilot version of the *Bulgarian E-Government portal* is available for entrepreneurs possessing the certificate for universal electronic signature. It provides access to some of the services and information collected by the National Social Security Institute and to the database of registered companies. This Institute distributes free of charge, via Internet software for data input regarding documents or applications collected by the Institute and submitted by the companies.

In **Turkey**, Tradesmen and artisans for the first time will have the opportunity to register online upon implementation of the e-Tradesmen project launched by the Ministry of Industry and Trade under the e-State project. An online connection will also be established between the Ministry of Industry and Trade, Turkish Tradesmen and Artisans Confederation, Halkbank, Tradesmen and Artisans Registration Offices and Professional Chambers.

In **Romania**, the efficiency of the one-stop-shop activity has been improved. Formalities for registering into the Trade Register have been simplified. The required forms and documents are available on Internet.

Bulgaria has also set up a working group whose task is to propose a draft strategy for the creation of a Central Register of the legal entities and an Electronic Register Centre of the Republic of Bulgaria.

3. Better legislation and regulation

Charter objectives:

National bankruptcy laws should be assessed in the light of good practice. The learning from benchmarking exercises should lead us to the improvement of current practices in the EU.

New regulations at national and Community level should be screened to assess their impact on small enterprises and entrepreneurs. Wherever possible, national and EC rules should be simplified. Governments should adopt user-friendly administrative documents.

Small enterprises could be exempted from certain regulatory obligations. In this context, the Commission could simplify competition legislation to reduce the burden of compliance for small business.

The main efforts in this field focused on simplifying the legislative environment and setting up a business impact assessment system.

In **Bulgaria**, business impact assessment is being carried out at present by the Ministry of Labour and Social Policy for draft legislation in the field of health and safety at work. A methodology for the impact assessment has been elaborated and the experience of the Netherlands and Slovakia has been used in this area. The Ministry of Environment is also carrying out a business impact assessment and consultations for the draft laws that it prepares.

Romania has established by law an evaluation group of the economic impact assessment on normative acts related to SME development as consultative body. It will work under the supervision of the National Agency for SMEs and Cooperatives.

In **Turkey**, the following three documents: the monthly insurance premium declaration, the quarterly insurance premium payroll and the monthly social security supporting premium payroll issued by employers for insured employees have been reduced into a single document entitled “Monthly Premium and Service Certificate” on 1st May 2004.

Bulgaria continues to amend all secondary legislative acts to put it in conformity with the Law on Reduction of the Administrative Regulation and the Administrative Control of the Business Activity.

In the framework of the implementation of the Action Plan for removing administrative barriers to business, **Romania** has created a working group gathering government, academia, employers associations’ and other NGO representatives whose task is to stimulate investments and further develop the private sector.

4. Availability of skills

Charter objectives:

We shall endeavour to ensure that training institutions, complemented by in-house training schemes, deliver an adequate supply of skills adapted to the needs of small business, and provide lifetime training and consultancy.

A few interesting initiatives have been taken in this field by ministries or national agencies in candidate countries.

In 2004, Seminars were organised in 81 provinces of **Turkey** “Beyond Frontiers from 81 provinces” with the view to train personnel qualified in foreign trade and to inform firms operating in this sector of current legal implementations.

The **Bulgarian** Ministry of Economy started in March 2004 the project “*Competitive start-up business creation*” whose expected results are the creation of around 100 small enterprises, the training of up to 200 entrepreneurs and the creation of up to 300 new working places.

The **Romanian** Ministry of Labour, Social Solidarity and Family organised during the first quarter 2004 134 professional training courses. Throughout the first nine months of the year, 294 people have initiated their own business.

In **Turkey**, a training course has been organised for 203 soldiers on construction and painting techniques, computer processing, auto engines and welding by the Chamber of Industry of Ankara and the General Command of Gendarmerie, and efforts are made to employ in respective trades the soldiers who prove successful in these courses following their discharge.

5. Improving online access

Charter objectives:

Public authorities should be urged to increase their electronic communication with the small business sector. Thus, companies will be able to receive advice, make applications, file tax returns or obtain simple information online, therefore faster and more cheaply. The Commission must lead by example in this area.

Candidate countries’ public authorities have made good progress in increasing their electronic communication with the small business sector. Results are encouraging.

In **Bulgaria**, the major taxpayers have the opportunity to submit VAT applications electronically from February 2004. This facility has to become available to all VAT registered companies before the end of 2004. Tax payments via internet are possible from April 2004. From May, tax applications and inquiries can be submitted electronically.

In **Romania**, more than 160 administrative forms are accessible to citizens through the Romanian Government portal that also informs the citizens on legislation and related regulation. According to the legislation in force, the forms can be signed electronically and sent to related agencies by electronic ways.

In **Turkey**, under the *Tax Department Automation Project II* launched in April 2004, tax payers are now able to have access to their account, payments and debts in the Tax Department through internet. They can also submit their declaration and additional statements on internet under the e-declaration project within the framework of the VEDOP II Project.

In **Romania**, legal persons and major taxpayers can submit documents electronically to the National Pension and Social Security House, the National Agency for Employment, the National Health Insurance House and the Ministry of Public Finances.

In **Turkey**, the Trade Information and Guidance Services Unit, known as “*One-Stop-Shop*”, started to operate within the Export Promotion Centre of Turkey’s library in May 2004. It provides information to exporters in an expeditious, updated and systematic manner and also provides guidance services.

6. More out of the Single Market

Charter objectives:

The Commission and Member States must pursue the reforms underway aiming at the completion in the Union of a true internal market, user-friendly for small business, in critical areas for development of small businesses including electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems.

European and national competition rules should be vigorously applied to make sure that small businesses have every chance to enter new markets and compete on fair terms.

Accession negotiations on the free movement of goods were provisionally closed with Bulgaria in June 2002 and in June 2003 for Romania. No transitional arrangement has been negotiated with both countries. They should have adopted and implemented EC legislation in this field by the day of accession.

The National Agency for SMEs and Cooperatives in **Romania** has organised an information campaign related to the impact of accession on Romanian enterprises competitiveness. A study and a booklet on CE marking, quality management systems, standardisation and intellectual property rights have been published.

In **Turkey**, the Quality and System Certification Department operating in the fields of TS EN ISO 9001:2000 Quality Management Systems and TS EN ISO 14000 Environment Management Systems, which play an important role in the structural developments of enterprises, particularly small ones, made regional visits on a sectoral basis according to an Action Plan formulated in 2003 and 2004.

In **Romania**, the Working Group for removing the barriers against the right of establishment and freedom to provide services has identified 42 regulations containing barriers against the above rights. 23 of them have been repealed, modified or completed. 23 regulations emitted by local authorities were also identified as barriers and will be removed.

In **Bulgaria**, the Ministry of Economy adopted at the beginning of 2004 an Action Plan aiming at informing business entities on the commitments undertaken during accession negotiations and ensuring a good level of preparation of Bulgarian enterprises to implement EU requirements and standards.

7. Taxation and financial matters

Charter objectives: *Tax systems should be adapted to reward success, encourage start-ups, favour small business expansion and job creation, as well as facilitate the creation and the succession in small enterprises. Member States should apply best practice to taxation and to personal performance incentives.*

Entrepreneurs need finance to translate ambitions into reality. In order to improve the access of small enterprises to financial services, we will:

Identify and remove barriers to the creation of a pan-European capital market and to the implementation of the Financial Services Action Plan and the Risk Capital Action Plan;

Improve the relationship between the banking system and small enterprises by creating appropriate access conditions to credit and to venture capital;

Improve the access to the structural funds and welcome initiatives by the European Investment Bank to increase the funding available to start-ups and high-technology enterprises, including equity instruments.

Good progress has been made on access to finance by all candidate countries.

In **Bulgaria**, the project “*Guarantee Fund for micro crediting of investment projects, credits for small companies starting family business and economic activities of self-employed individuals*” has allowed 4542 credits to be granted amounting to € 23 million. Enterprises receiving micro-credits from this fund have declared the creation of 8815 permanent job places.

In **Romania**, the Ministry of European Integration launched a programme for the development of small cities through stimulating SME activities. It finances investments of SMEs in equipment, installations, as well as in the rehabilitation of buildings to be used for the development of production and/or services.

In **Turkey**, in the framework of the “Decree on the Provision of Financial Support under Appropriate Conditions”, a co-operation has been established with banks to provide new credit mechanisms for SMEs. Thanks to the Small and Medium Industry Development Organisation, a total of 1627 SMEs received repayable loans with low interest rates and € 30 million where transferred to three public banks for export loans with no interest rate.

In **Bulgaria**, in March 2004, Pro-Credit Bank received from EBRD loans of € 11.02 million to support the SME sector. It raised its capital from € 5.4 million to € 17.9 million.

In **Romania**, in order to encourage and stimulate small enterprise development through a simplified fiscal system, the tax on micro enterprises has been fixed at 1.5% of the total income for legal persons that fulfil specific conditions such as having up to 9 employees and with an income of less than €100.000.

Turkey initiated a legislation aiming at increasing investments and employment opportunities by applying tax and insurance premium incentives, providing energy and land for investment support at no cost in order to promote regional development.

8. Strengthen the technological capacity of small enterprises

Charter objectives:

We will strengthen existing programmes aimed at promoting technology dissemination towards small enterprises as well as the capacity of small business to identify, select and adapt technologies.

We will foster technology co-operation and sharing among different company sizes and particularly between European small enterprises, develop more effective research programmes focussed on the commercial application of knowledge and technology, and develop and adapt quality and certification systems to small enterprises. It is important to ensure that a Community patent is available and easily accessible to small enterprises.

We will foster the involvement of small enterprises in inter-firm co-operation, at local, national, European and international levels as well as the co-operation between small enterprises and higher education and research institutions.

Actions at national and regional levels aimed at developing inter-firm clusters and networks should therefore be supported, pan-European co-operation between small enterprises using information technologies enhanced, best practice in co-operative agreements spread, and small enterprises co-operation supported to improve their capabilities to enter pan-European markets and to extend their activities in third country markets.

New measures can be found in all the candidate countries. Improving the technological capacity of small businesses is part of their government policies to strengthen the competitiveness of their economy.

In **Bulgaria**, the Agro Biotech Park set up in March 2003 launched two new activities that enter their first stage: the establishment of a Genomic Centre and the creation of an incubator for biotech start-ups and spin-offs. The Bulgarian Biotechnology Information Centre established in December 2003 at the Agro Biotech Park serves as a reliable source for comprehensive information and knowledge regarding agricultural biotechnology to all range of stakeholders.

In **Romania**, the National Multiannual Programme for Establishment and Development of Business Incubators adopted in April 2004 will start its pilot phase by stabling business incubators in Hunedoara, Brasov and Alba. The project will be expanded in the next years to the counties of Iasi and Dolj.

Turkey has launched the “*IRC-AEGEAN Project*” and the “*IRC Anatolia Project*” in partnership between the SME Development Organisation, Chambers of Industry and universities. Innovation transfer centres were established under the 6th Framework Programme.

In **Bulgaria**, the initiative “*Innovation and Business*” focused on technology transfer from universities to SMEs. About 500 research projects in mechanical and electrical engineering, automation, food industry, biotechnology and chemistry were presented during meetings between research institutes, universities and enterprises. As a result of this initiative, an internet-based Information System “*Technology Market*” is under development. Its objective is to promote market orientation and commercialisation of R&D products and services and development of business oriented e-services in the field of innovation and technology transfer.

In **Romania**, the project “*Clustering and upgrading Romanian automotive suppliers*” has been established in co-operation between Romania and the Flemish Governments. Its aim is to upgrade the quality level and the efficient utilisation of resources of SMEs in the automotive sector.

In **Turkey**, the Small and Medium Industry Development Organisation has provided computer software support to SMEs which demand in this field is growing, particularly for softwares for Institutional Resource Planning and for the manufacturing sector. As of July 2004, 1074 SMEs have been offered support for € 8 million.

9. Successful e-business models and top-class small business support

Charter objectives:

The Commission and Member States should encourage small enterprises to apply best practice and adopt successful business models that enable them to truly flourish in the new economy.

We will co-ordinate Member States and EU activity to create information and business support systems, networks and services which are easy to access and understand, and relevant to the needs of business; ensure EU-wide access to guidance and support from mentors and business angels, including through websites, and exploit the European Observatory on SMEs.

In the Candidate countries the legislative framework in this field is in place. The development of e-business models is part of their e-Government action plan. A few initiatives have been undertaken in all countries.

In **Turkey**, financial and technical support is provided to small enterprises under the project “*Information Networks and E-Business Support*”. In 2004, support has been provided at the stages of dissemination of information, orientation to E-Trade and E-Trade directed at exports. 296 SMEs in 8 provinces have received this support.

Romania has adopted a new regulation in the field of electronic procurement, digital administration of documents, e-government, electronic collecting of taxes and duties. The Ministry of Communication and Information Technology has launched some e-government projects which offer public services through electronic means: the National Electronic System, the Electronic System for Public Procurement, and the Electronic System for the assignment of International transport authorisations.

In **Bulgaria**, a pilot project “*Public Computer and Communications Centre*” has been implemented. It aimed at the creation of 3 to 10 telecentres in small under-served Bulgarian towns with poor or no access to ICTs. The telecentres have to offer public access to ICT (fee-for-service based), facilitate the economic and social development of the local communities, and become demand-driven and sustainable. In the longer-term, it aims to act as a catalyst of small spin-off businesses. This model will be used in the implementation of the national project for the creation of 60 telecentres in the country. One Euro-Info-Centre in Bulgaria has participated in the ebusinesslex.net program in order to provide legal information on e-Business to Bulgarian SMEs.

10. Develop stronger, more effective representation of small enterprises’ interests at Union and national level

Charter objectives:

We will complete a review of how the interests of small businesses are represented at EU and national level, including through social dialogue.

Governments in the candidate countries are becoming more sensitive to the issue of involving business representatives in the legislative process. The social dialogue is becoming more institutionalised and meetings are regularly held to debate issues relevant to the business community.

In **Bulgaria**, an agreement was signed in 2004 for the establishment of a Joint Consultative Committee with eight business organisations. According to them, this represents a key step for improving the social dialogue between public and private sectors aimed at promoting private entrepreneurship and creating a relationship built on confidence between public institutions and business.

In **Romania**, the Social Dialogue Commission has been established within the National Agency for SMEs and Cooperatives which has concluded several co-operation agreements with SME representative organisations or non-governmental organisations at regional level in view of improving private sector involvement in the elaboration of strategies, policies and normative regulations, and decisional transparency.

In **Turkey**, Provincial Employment Boards headed by Governors were established in provinces with the participation of representatives of social partners, professional organisations, universities and NGOs. These Boards will develop local initiatives in regional development and formulate local employment policies. This has provided the Turkish Employment Organisation with the opportunity to formulate and implement policies according to the circumstances of labour markets which vary between provinces.

European Commission's action in favour of small enterprises in candidate countries

After the 2004 enlargement, the Commission continued to develop co-operation with the remaining candidate countries in the SME sector. Support has been provided with the following objectives: improving the business environment, strengthening business organisations, improving access to finance and providing some direct support to SMEs such as grant support and business support services.

Phare Programme has provided financial support to Bulgaria and Romania. This support has shifted away from mainly assisting with the establishment of the legal framework, the formulation of policies and rules and the building up of administrative capacity to more direct forms of support to SMEs with the objective to improve the business environment and enhance investment conditions.

Support for a better business environment has included further improving business support structures and services and increasing support for business related infrastructure measures such as access roads to business sites, improving water supply networks, and building up business parks. Direct support measures to SMEs have included preparatory measures to improve access to finance and grant schemes for training, technical assistance and investment purposes.

Phare support has been provided through multi-country programmes such as the **SME Finance Facility** combining loans and equity capital, the **Business Support Programme** aiming at strengthening the capacity of business representative organisations to effectively support enterprises, and the **Turn Around Management programme** bringing industry specific management expertise to individual private enterprises.

Turkey benefited similarly from a **Pre-accession financial assistance programme**. In 2004, the projects related to SMEs focused on strengthening the market surveillance capacity of laboratories and ministries in order to streamline the implementation of the acquis in some priority areas.

Candidate countries benefited also from the financial instruments of the **Multiannual Programme for Enterprises and Entrepreneurship** managed by the European Investment Fund. An SME Guaranty Facility project was accepted by the Fund for all of them. It will allow the application of less strict collateral requirements and lower the risk margin charged to SMEs.

In the field of **State aid**, the Regulation on State aid to SMEs was modified in 2004 to implement the new SME definition and to extend the scope to include aid for research and development. Aid for SMEs in conformity with this Regulation are exempted from the ex ante requirement to notify the aid to the Commission. The Commission revised in 2004 the Community guidelines on State aid for rescuing and restructuring firms in difficulty. In several aspects, the new guidelines impose less strict requirements for SMEs than for large enterprises.

SMEs and research organisations from candidate countries associated to the **Sixth Framework Programme** for research, technological development and demonstration activities, take part in the research activities funded under the Framework Programme through the same routes as participants from the Member States. The main route is through participation in the priority thematic areas (at least 15% of the budget to SMEs). Furthermore the “Horizontal Research Activities involving SMEs” (co-operative research and collective research) attract many participants from candidate countries. Economic and Technological Intelligence activities are particularly active in bringing SMEs from Member States and candidate countries to the Framework Programme, especially in projects under the priority thematic areas.

The European training programme, **Leonardo da Vinci**, has been fully open to Romania and Bulgaria since 1997 and 1999 respectively and to Turkey as of April 2004. The programme supports the transnational mobility of people undergoing or responsible for vocational training (placements of students in undertakings or exchanges of human resources responsible and/or trainers). It also co-finances transnational pilot projects aiming at the development of training solutions and at the general improvement of training in Europe. In 2004, two multi-annual pilot projects supporting training in and for SMEs and proposed by institutions from these countries were selected and received a total Community co-financing of €560.106.

PART III: WHERE WE ARE AND WHAT SHOULD BE DONE NEXT: CONCLUSIONS AND RECOMMENDATIONS

In the EU 25, the SME sector is the backbone of the economy and the overwhelming majority of enterprises are small. This is the same scenario in Bulgaria and Romania which plan to join the Union in 2007. That is why special attention must be given to small enterprises by all stakeholders, from public administrations to NGOs involved in the implementation of enterprise policy. Small enterprises and entrepreneurship need to be supported and encouraged by all means to allow creativity and innovative capacity to generate wealth.

The European Charter for Small Enterprises is an important tool of EU policy for small businesses. Since its adoption in 2000, it allowed the Member States to improve their enterprise policy both by increasing their focus on the Charter's policy areas and by learning from each other's good practices. Particularly good progress has been made in the areas of entrepreneurship education, bankruptcy law and start-ups. But its influence is even more important in candidate countries where it constituted a framework within which to develop their enterprise policy. They could also gain from the exchange of experience and good practices with Member States.

The European Union has set itself the ambitious goal to be the most competitive economy in the world. This is why Member States and candidate countries altogether must pursue their effort in this direction.

Education and training for entrepreneurship (*Area 1 of the Charter*)

There is a growing awareness among national administrations in the candidate countries of the impact of education for entrepreneurship on entrepreneurial attitudes of young people. Many good practices can be found in this area.

Although some interesting initiatives have been taken in this field, a coherent strategy on entrepreneurship education is still missing. Very often existing actions have a limited scope and remain isolated from each other and fragmented, and do not form part of an overall strategic plan for entrepreneurship education at national level. The pace of reforms and the implementation of new measures should be accelerated.

There is a growing awareness of the importance of introducing entrepreneurship in school programmes and activities, but this is not yet fully translated into concrete measures of support. Entrepreneurship is not included as an objective into the national curriculum. Existing initiatives from private partners and NGOs in this area are not fully exploited and embedded into school activities.

Candidate countries should design a coherent and comprehensive strategy for entrepreneurship education starting from primary and secondary education. Learning about entrepreneurship should be included into the national curriculum. Universities should still be encouraged to provide specialised courses in entrepreneurship. Local implementation of measures should be better ensured by issuing guidelines, providing support mechanisms and teachers training. Public and private initiatives should be better coordinated.

Cheaper and faster start-up (Area 2 of the Charter)

Progress has been made in this area on reducing the registration time for new companies. It will be one day in Turkey and maximum three days in Romania. It was already one to three days in Bulgaria.

Concerning online registration of new companies, Bulgaria is only at the initial stage of preparing a draft strategy for the creation of an Electronic Register Centre. Turkey launches a project to allow tradesmen and artisans to register online. Romania is improving the efficiency of the One-Stop-Shop.

Romania has a good record for the cost to create a company, ranging from €20 to €50. No progress in this field in Bulgaria where costs range from €116 to €1135, and in Turkey where it is around €750.

More effort should be devoted to increasing online access for registration. The cost of creating a company should be further reduced in Bulgaria and Turkey.

Better legislation and regulation (Area 3 of the Charter)

The process of simplifying the legal framework for business has continued in Bulgaria and Romania.

Bulgaria has a good record in business impact assessment, thanks to the examples from the Netherlands and Slovakia. In Romania, the process is in its initial phase with the establishment of an evaluation group on economic impact assessment of normative acts. Turkey is launching a survey on factors affecting investments.

Candidate countries should make further efforts to improve the legislative environment for business. Impact assessment practices should be further strengthened.

Availability of skills (Area 4 of the Charter)

National authorities in Candidate countries took the initiative to help small enterprises in this area as it is often difficult for small enterprises to provide in-house training.

Turkey organised a training course for personnel in foreign trade. Bulgaria trained entrepreneurs on competitive start-up business creation and Romania organised professional training courses.

Further actions should be initiated to provide life-long training and an adequate supply of skills adapted to the needs of small business.

Improving on-line access (Area 5 of the Charter)

Public authorities in the candidate countries made sensible progress in increasing their electronic communication with the small business sector.

VAT applications can be submitted electronically in Bulgaria, Romania and Turkey. Information and documentation can also be provided electronically.

Candidate countries should continue their effort to further develop online services targeted to entrepreneurs.

More out of the Single market (Area 6 of the Charter)

Accession negotiations on free movement of goods have been provisionally closed with Bulgaria and Romania respectively in 2002 and 2003. Negotiations are currently underway for both countries on concluding a Protocol to the Europe Agreements on Conformity Assessment and Acceptance of the industrial products (PECAs).

A Customs Union with Turkey was established in 1995 and provided for the elimination of customs duties, quantitative restrictions and theoretically technical barriers to trade between the two parties. However, many barriers remain, due to Turkey's insufficient implementation of its Customs Union obligations.

Bulgaria and Romania should focus their efforts on informing small enterprises on the commitments undertaken during accession negotiations. They should also ensure a good level of preparation of enterprises to implement EU requirements and standards in order to allow them to have every chance to compete on fair terms in the EU market upon accession. Turkey should eliminate the remaining technical barriers to trade in the framework of the Customs Union Agreement. EU competition rules should be vigorously applied.

Access to finance (Area 7 of the Charter)

The most important barrier to small business creation and growth in candidate countries is access to finance. Public authorities have an important role to play in this respect.

In Bulgaria there has been some improvement due to the positive development of the banking sector and specific credit line targeting SMEs. 8815 permanent jobs have been created thanks to a guarantee fund for micro crediting.

In Romania, additional financing opportunities have been provided to SMEs and micro-credit is expanding. Tax incentives for small businesses have been adopted.

In Turkey, many public and private banks have launched SME loan facilities. 1627 SMEs received repayable loans with low interest rates and € 30 million were transferred to three public banks for export loans with no interest rate.

Candidate countries should continue their efforts to reduce collateral requirements and improve guaranty facility for SMEs. Guarantee facility instruments are most needed to facilitate the creation and growth of small enterprises. Risk financing and the use of non-traditional financial instruments such as seed capital and business angels should be further stimulated. Candidate countries should also introduce specific tax incentives targeted to small enterprises.

Strengthening the technological capacity of small enterprises (Area 8 of the Charter)

Candidate countries have made some progress in improving their innovation performance.

As new activities of the AgroBio Technological Park, a Genomic Centre and an incubator have been created in Bulgaria which has also developed new projects for technology transfer from universities to SMEs. New business incubators and a clustering project have started in

Romania where four technological parks are operational. In Turkey, there are presently 15 technology development zones. Two new Innovation transfer centres have been created and computer software support has been provided to SMEs.

Candidate countries need to pursue their efforts in designing and implementing a coherent innovation strategy. They should enhance co-ordination among government, universities and business and improve the level of awareness on innovation. More measures should be devoted to the transfer of scientific and technological results from research institutes and universities to SMEs.

Successful e-business models and top-class small business support (Area 9 of the Charter)

The legislative framework in this field is in place in candidate countries, but implementation is still not common as some difficulties have to be overcome. In Bulgaria and Romania, it could be due to an underdeveloped communication infrastructure and a slow IT penetration in the activities of SMEs. In Turkey, it could be explained by the lack of readiness of enterprises that still have to strengthen their financial and administrative structures to adopt new approaches.

Candidate countries should pursue their efforts to encourage small businesses to adopt successful business models and to provide business support services that are tailored to the needs of businesses.

Listen to small business (Area 10 of the Charter)

Some good measures have been taken in candidate countries to further institutionalize the dialogue between business representatives and national administrations. Bulgaria established a Joint Consultative Committee with eight business organizations and Romania has set up a Social Dialogue Commission that concluded several co-operation agreements with SME representative organizations at regional level. Provincial Employment Boards with the participation of business representatives were established in Turkey with the aim of formulate and implement policies.

Candidate countries should continue to make efforts to involve the business community in the policy-making process and to ensure that small business concerns are given more consideration. The role of social partners in policy development should be further promoted.