

## RECOMMENDATIONS OF THE ERENET HUNGARIAN BRANCH FOR ELABORATION OF A NEW SMALL AND MEDIUM-SIZED ENTREPRISE DEVELOPMENT POLICY

The sector of micro, small and medium-sized enterprises (further as SMEs) is determining factor of the domestic economy. Its main operation characteristics, competitiveness have an effect on the performance of the Hungarian economy and in influences the employment. At present, 99 percent of the domestic firms are provided by this sector, since – in consequences of the changes, started at the beginning of the 1990s - the number of SMEs has been continuously growing. SMEs produce more than 50 percent of the Hungarian GDP, and more than 70 percent of the employees are employed by them in the competitive sector.

The Hungarian Branch of the Central-European Entrepreneurship Research and Education Network – ERENET – consists of the most excellent experts from 14 Hungarian universities and high-schools, the Hungarian Academy of Sciences and the Consortia of the Hungarian Enterprise Development Network. ERENET has kept an eye on the situation of the indigenous SME-sector, and has compared it from time to time with the CEE and EU countries. On March 27<sup>th</sup> 2010, the Hungarian Branch of ERENET, within the framework of the Workshop on “The Hungarian National SME Policy – Evaluation and Possible Future Development”, evaluated the current situation, discussed the necessary directions for change. As a suggestion for the new Hungarian Government, being formed after the Parliamentary election held in April 2010, the members of the event at the Széchenyi István University created the following list of development changes:

1. In accordance with the requirements of the European Commission the **administrative burden** of SMEs **and the relating red-tape should be decreased at least by 25 percent** by the end of 2012.
2. In order to reduce significantly the burden of labor we suggest **carefully over thought and comprehensive changes in the fields of taxation and contribution system**. The number and the rate of tax and contribution obligations should be decreased, the tax and contribution returns should be merged, and the taxation system should be more calculable.
3. A **new support system** should be elaborated and make operable **for innovative and competitive undertakings**, which can be compensate the disadvantage of SMEs in competition. (The support measure should be accessible, free from unnecessary administration and stable.)

4. The new Government should strive to popularize the entrepreneurial culture and to **strengthen entrepreneurial skills and knowledge**.
5. It is necessary to **guarantee equal chances for all firms**, irrespective of their form of ownership, size, or other features.
6. We suggest to **change the non-market conform elements of the SME financial and supporting system** (e.g. non-refundable grants, support of internationally low comparative branches, etc.).
7. Differently from the present way the **support of micro firms and small enterprises** should be widened relating to the whole lifecycle. Micro crediting and credit guarantee systems and their stock should be strengthened, and supplemented by education and counseling.
8. We consider important the creation of the **entrepreneurial society**. In order to do so it is unavoidable to support more effectively the strengthening of the entrepreneurial culture and the education system of entrepreneurial knowledge in public and higher education. Practice-oriented entrepreneurial education should be promoted and fit in the curricula in all fields of teaching.
9. The Government policy should be transparent, stable, and calculable in the long run. For the harmonization of the far-reaching and numerous SME development infrastructure as well as for the increase of their efficiency, a **National SME Development Agency** should be established similarly to the Visegrad Countries and Slovenia, while at the same time the number of the existing institutions should be decreased dramatically.
10. A **regular social dialogue** among the representatives of the SME sector, economy policymakers and non-economic organizations should be strengthened (e.g. education, NGOs, etc.).

Győr, 27th March 2010