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MARINE ARAKELYAN

*Senior Lecturer of the Chair of Management at
Armenian State University of Economics, PhD in Economics*

 <https://orcid.org/0000-0003-4216-7055>

CURRENT TRENDS AND CHALLENGES OF THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE RA

In the contemporary world, more than ever, the sphere of small and medium entrepreneurship is considered to be the milestone which has a significant impact on the enhancement of the RA competitiveness, provision of stable economic growth and long-term economic development. This research has attempted to comprehensively analyze recent dynamics of the sector, hence representing the impact thereof on a range of socio-economic problems. The obstacles of the development of small and medium entrepreneurship have been discovered as a result of comprehensive analysis of economic indicators, as well as further possibilities of elimination and improvement of the existing flaws are being discussed in the present work. The target indicators in line with the level of realistic nature thereof defined by the RA Government programs and the strategy enforced by SMEs have been estimated by the author, in addition, the existing results of already implemented actions are analyzed highlighting the urgency of developing and introducing a distinguished system of tax privileges as a long-term development precondition of the spheres.

Keywords: *SMEs, development strategy, economic growth, tax benefits, financial performance*

JEL: H32, M10

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INTRODUCTION. The development of SME in the policy context of providing stable economic growth in the Republic of Armenia is entitled to ensure inclusive economic growth of the country instilling innovative direction and flexibility into the economy. Highlighting the importance of SME in the process of development of the Armenian economy, generation of new workplaces, equal distribution of income, hence overcoming poverty, the RA takes continuous steps aimed at the fulfilment of corresponding projects to further develop the SME, moreover aimed at the detection and elimination of obstacles of the sector development consistently investing more effective tools of state support to the SME subjects. Nevertheless, there are still multifarious problems hindering to reach the potential level of the field. The settlement of the mentioned problems in the long term will solely result in the positive socio-economic movements, enhancing people's standard of living, contributing to the decentralization of economy to some extent, therefore, providing real preconditions for the economic growth. In this context, it is worth noting that the international expertise proves that economic systems of many countries are established based on specifically this sphere which has a substantial influence on the formation of GDP and for tackling socio-economic challenges.

The objective of this article is to examine the current situation of SME in the Republic of Armenia and detect the development trajectory through interpretation of economic indicators. The following problems are specified in the article:

- to analyze the composition and structure of economic indicators describing the SME sphere via 2017-2022 prism, emphasizing the crucial role of SME in ensuring the economic growth;
- to discover main factors hindering current and long-term development of the sphere;
- to explore institutional mechanisms of state support and evaluate the impact of tax reforms on the perspectives of the SME sphere development.

LITERATURE REVIEW. Small and medium-sized enterprises are the backbones of global economies. The World Trade Organization underlines that 95% of companies across the globe are micro, small or medium enterprises and they provide 60% of the world's total employment (Zhang, 2021). Apparently, SMEs are defined differently from one country to another. Accordingly, the classification and sizing of a company is based on a number of features depending on the country where the business operates. According to the Corporate Finance Institute (n.d.) the specific features comprise the number of employees, annual sales, the number of company's owned assets, market capitalization, or any consolidation of these traits. In this context it is crucial to note that entrepreneurial orientation has three underlying dimensions, namely innovativeness, risk-taking and proactiveness, which have a great impact on SMS financial performance improvement (Anwar & Shah, 2021).

The significance of SMEs to countries was first acknowledged in the early 1980s mainly because of how they affect innovation and job creation. Nations focused on supporting entrepreneurship and SME development to trigger employment and economic development (Gumel et al., 2023). Moreover, according to the visiting Scholar at the Center for International Development at the Harvard Kennedy School, Luis Tabuenca it is widely recognized in the economic literature and major reports that in modern economies SMEs play an important role, as much for their strong presence in the productive sector as for value added and employment generated. In the EU SMEs constitute the backbone of the production system, although there are important differences between countries (2016). Perhaps, then not surprisingly, the UN General Assembly designated 27 June as “Micro, Small, and Medium-sized Enterprises Day” to raise awareness of the tremendous contributions of MSMEs to the achievement of the UN Sustainable Development Goals (2023).

Hence, there is no doubt that SMEs play a major role in most economies, particularly in developing countries. As the lifeblood of societies across the world they integrate to local and national economies to supporting livelihoods, especially among the working poor and groups in vulnerable situations. It is worth highlighting that formal SMEs contribute up to 40% of GDP in emerging economies. Moreover, as the World Bank projects an estimated 600 million jobs will be required by 2030 to employ the increasing global workforce making SME growth a top priority for many nations (World Bank, n.d.).

Similarly, the research by Khan M. A. (2022) emphasizes the crucial role of SMEs, especially in developing economies. SMEs in these economies reduce unemployment and facilitate economic diversification in different sectors. On the contrary, the empirical literature suggests that SME expansion and development have significantly contributed to the industrialized world and this growth and development has upheld to be one of the major components in any country’s development (Lawal et al., 2016).

While talking about the importance of SMEs in transition or developing economies the successful case of emerging economy to explore this topic, is Vietnam, which has transformed from a highly regulated economy to an open market. Of course, supportive government policies, great technological advancements and recent changes in the global economy such as trade and market liberalization initiatives, have all played a positive role in increasing the internationalization of SMEs in this country. Many Vietnamese firms can now be considered globally integrated as are many of country’s SMEs (Safari & Saleh, 2020). Another interesting case refers to Germany, where its SME sector has been able to develop «hidden champions», which are companies that are extremely successful in their field worldwide, and have 70% to 90% of the world market share, highly specialized products or services, great innovativeness and strong export performance, but are simply unknown to the public (Herr & Mualla, 2018, p. 15). The concept of hidden champions was first

developed and analyzed by Hermann Simon, where hidden champions are companies that hold an international market leadership position. Thus, studying hidden champions in Central and Eastern Europe might offer important insights, also on the positive developments in this part of the world (Simon, 1996).

In this context in order to highlight the role of SMEs, it is crucial to note that supporting SMEs in their growth means tackling the remaining problems which hamper their development. As stated in the Investment Plan for Europe this includes reducing unnecessary regulatory burdens and improving business conditions, in particular for SMEs, thus including the efficiency of tax systems (European Commission, 2022). In addition, according to the World Bank doing business report (2020) the goal is to encourage regulation that is streamlined, transparent, and easy to navigate so that businesses can thrive. For several years in a row, New Zealand topped the rankings in the world for the ease of doing business. Notably Armenia ranked 47th out of 190 countries in the report for the ease of doing Business and 10th for starting a business (World Bank, 2020). Certainly, government reforms, including those which aim at making it easier to start and operate a business, have drastically improved the business environment. Nonetheless, despite recent improvements, it is essential to note that Armenia and other countries of Eastern Partnership (Azerbaijan, Georgia, the Republic of Moldova and Ukraine) have faced significant socio-economic and political challenges in recent years (SME Policy Index, 2024). However, Georgia stands out with its top-of-the-line regulatory and business environment, which has been recognized globally. Georgian SMEs benefit from expansion of e-government services, simplified registration, preferential tax regimes, and accessible financing. (Ministry of Economy and Sustainable Development of Georgia, 2023). In contrast, Armenian entrepreneurs continue to encounter regulatory bottlenecks which hinder their operations and growth. Another interesting perspective has been offered by Hovhannisyan A. (2017) that in order to maximize the potential of small and medium-sized businesses, it is crucial to encourage diversification in their activities, promote economic freedom, and limit government interference in business operations.

Besides, studies on small business development have indicated that failure rates are higher in developing nations compared to developed ones, and internal and external components differ considerably among developing countries (Arinaitwe, 2006). Accordingly, SMEs in developing countries are more financially fragile and generally suffer from relatively low access to long-term affordable finance and poor policies to support their integration into global value chains. A recent report from World Economic Forum and the National University of Singapore revealed that 67% of SMEs are struggling to survive globally (2022). Along with this, there are certain regulations which curtail SMEs from growing and conducting operations, including massive taxation, restrictive work regulations and unfavorable business policies. Therefore, the legal and regulatory environment play a crucial role in the success of SMEs

(Gumel et al., 2023). Furthermore, tax incentives play a major role in shaping conducive and appealing business environment for new businesses and investors. According to Malcolm James (2020) business owners should weigh the potential advantages against the additional paperwork and other requirements that come with incorporating a small business as a legal entity.

It is interesting to note that certain countries provide reduced corporate income tax rates for small businesses. Among 27 European OECD countries, eight of them (including France, Belgium, Lithuania, the Netherlands, Luxembourg, Portugal, Poland and Slovakia) have reduced corporate tax rates on businesses below a specific threshold. The most significant difference between reduced and standard corporate tax rates exists in Portugal, where large companies pay a standard rate of 31.5% while smaller ones pay a reduced rate of 17%. France has the second largest gap within this range at 13.4 percentage points (Asen, 2020).

Consequently, as each country's unique conditions dictate they develop SME development strategies that align with their regional characteristics and socio-economic conditions. Hence, the government should utilize their strategies to implement corresponding mechanisms to ensure favorable institutional environment for business development. By doing so they can assist SMEs to solve key challenges to enable economic transformation, create job opportunities, and promote sustainable economic growth.

RESEARCH METHODOLOGY. Within the framework of the research the general scientific methods have been applied such as comparison and historical analysis, micro and macro analysis, induction and deduction, analysis and synthesis and graphical methods.

The databases of the OECD, the European bank for Reconstruction and Development, the World Bank, European Commission, World Economic Forum, the Statistical Committee of the Republic of Armenia, the Ministry of Economy of the Republic of Armenia, the State Revenue Committee of the Republic of Armenia and other state and international organizations have served as an information base for this research.

Thus, the method of **comparison and historical analysis** has been used to compare statistical indicators of SME sphere of the period under consideration and to identify the growth trends of large-scale data presented in the series. The data for 2017- 2022 on an annual basis have been analyzed. Within the framework **micro and macro analyses** of the growth rates of SME and its impact on macro level has been evaluated, namely: the SME share of gross value added in GDP, proportion of SMEs in the total number of the employed and their share in total tax revenues.

The method of **analysis and synthesis** has been applied to highlight peculiarities and detect the obstacles of the SME sphere development, within the scope of which the SME core indicators have been comprehensively studied,

after which, possible improvement mechanisms have been revealed by connecting insights from different perspectives. In the framework of **induction and deduction** the author has represented the possible development mechanisms of SME sector based on cross-country comparisons and outlined priorities for its growth in the context of challenges confronted by the Armenian economy. **Graphical method** has helped to use charts and graphs to visually display and analyze the patterns and trends of SME development.

ANALYSIS. Small and medium-sized enterprises play a key role in increasing the competitiveness of the Armenian economy and facilitating the country's economic growth, generating employment, improving living conditions and ensuring sustainable development. Hence, the Government of the Republic of Armenia undertakes continual steps towards strengthening the sector. In 2020, the small and medium-sized entrepreneurship development strategy for 2020-2024 was approved and its associated action plan for 2020-2022 was developed by the RA Ministry of Economy, which has the mandate to design and coordinate SME policy. Upon initial examination, the strategy has not undergone any substantive changes and is largely based on the recommendations emerging from the previous strategy's evaluation. The goals remain the same which are to create a favorable environment for SMEs in Armenia and facilitate SME access to domestic and foreign markets.

Nevertheless, it is worth mentioning that in 2011, the classification of SME in Armenia was lined up with the definition of SME adopted in the EU member states based on the average number of employees, the annual turnover or the value of assets.

Table 1

The classification of SME enterprises in the RA¹

	<i>Micro</i>	<i>Small</i>	<i>Medium</i>
Average number of employees	Up to 10	Up to 50	Up to 250
Annual turnover from the previous year	Up to AMD 100 mln	Up to AMD 500 mln	Up to AMD 1.5 bln
OR the value of assets as of the previous year-end	Up to AMD 100 mln	Up to AMD 500 mln	Up to AMD 1 bln

According to the RA Statistical Committee's latest report there are 101,532 micro, small and medium-sized enterprises operating in Armenia. During the observed period, 2017-2022, the number of SMEs registered a significant increase, from 59.5 thousand in 2017 to 101.5 thousand in 2022. In this context it is worth highlighting that this was significantly impacted by the tax code amendments in Armenia which entered into force on January 1, 2020, when two alternative tax systems self-employed and family entrepreneurship were replaced by micro-entrepreneurship with a non-taxable threshold of up to AMD

¹ The table was composed by the author based on the amendments of the Law of the RA on "The State Support of Small and Medium Entrepreneurship", adopted on 05.10.2010, HO-142-N

24 million. Also, the turnover tax threshold was raised from 58 to AMD 115 million (Tax code of the RA (2019), article 16, article 267). It is noteworthy that the majority of SMEs are micro enterprises making up 95% of all SMEs as demonstrated in Table 2. Upon initial examination it becomes clear that Armenia has a higher percentage of micro and large enterprise and lower medium ones compared to OECD countries.

Table 2

Number of SME entities by regions of the Republic of Armenia and the city of Yerevan and by the size of economic entities, 2022²

	Micro	Small	Medium-Sized	Total
Yerevan	50,293	2,723	532	53,548
Aragatsotn	2,920	86	11	3,017
Ararat	6,144	197	29	6,370
Armavir	5,687	209	21	5,917
Gegharkunik	3,883	98	5	3,986
Lori	5,771	156	13	5,940
Kotayk	8,257	346	74	8,677
Shirak	4,498	170	16	4,684
Syunik	3,919	140	11	4,070
Vayots Dzor	1,693	59	4	1,756
Tavush	3,462	95	10	3,567
TOTAL	96,527	4,279	726	101,532

A simple yet striking fact from the data is that despite the measures implemented by state support programs for SMEs to contribute to the development of its remote and border areas and overcome disparities, the table clearly demonstrates that the quantitative growth of business entitles is especially visible in the capital. More than half of all SMEs, around 52%, are located in Yerevan. On the other hand, consequently the largest number of SMEs are located in the regions bordering Yerevan: in Kotayk, in Armavir and in Ararat.

In order to assess the SME sector in a more comprehensive way, it is very important to refer to the following sectors of non-financial business economy of the Statistical classification of economic activities in the European Community (NACE Rev.2): **B** (mining and quarrying), **C** (manufacturing industry), **D** (supply of electricity, gas, steam and conditioned air), **E** (water supply, sewerage, waste management and recycling), **F** (construction), **G** (wholesale and retail trade, car and motorcycle repair), **H** (shipping and storage), **I** (housing and public catering), **J** (information and communications), **L** (activities related to real estate), **M** (professional, scientific and technical activity), **N** (administrative and support service activities) as well as **S95** (Repair of computers) and section **S** refers to personal and household goods. It should be noted that the sphere of agriculture (**A**) is not included in the given classification. (Small and Medium Entrepreneurship in the Republic of Armenia, 2018, p. 4) as shown in Figure 1.

² The table was composed by the author based on the report of the Statistical Committee of the RA about “Small and Medium Entrepreneurship in the Republic of Armenia, 2023”, p. 7.

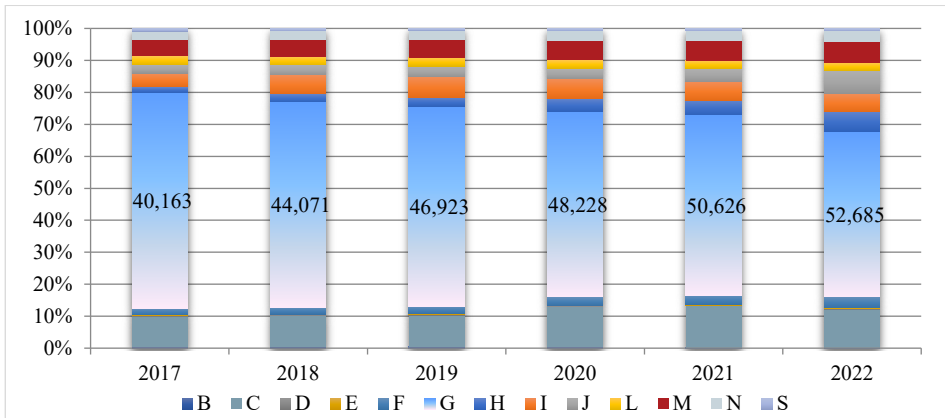


Figure 1. Structure of the number of economic entities by NACE Rev.2 sections, 2017-2022³

Figure 1 clearly demonstrates that during the entire period under consideration, the G sector: wholesale and retail trade had a significant share in the structure of the number of economic entities. Though the average share of small and medium-sized organizations operating in this sector is around 60% in the entire observed period, their weight gradually decreased by 15.6 percentage points in 2022, as compared to 2017, presumably conditioned by the more rapid growth of economic entities. It is also worth highlighting that the percentage of small and medium-sized organizations included in manufacturing industry, professional, scientific and technical activities, and housing and public catering, is considerably modest. However, the public catering increased around 9% compared to 2021, which is largely related to the effects of Russian-Ukrainian war. More specifically, in 2022 the number of Russian tourists coming to Armenia increased to 790,397 which is 2.2 times more than in 2021 (The socio-economic situation in the RA in January-December 2022, p. 163).

An equally important fact to be highlighted is that most SMEs are concentrated in low-value-added activities and the same prevails in the sectorial structure of both Yerevan and all regions. Such structure of the economy reflects the development strategy and content of the country, which, unfortunately, has nothing in common with the modern technological and scientific directions.

In light with this, it becomes necessary to analyze their turnover and distribution across sectors. In 2022, the turnover of goods and services produced by these enterprises amounted to 7.5 trillion drams (Small and Medium Entrepreneurship in the Republic of Armenia, 2023, p. 9). Indeed, Yerevan has a considerable share in total turnover, which is largely due to the number of enterprises operating in the capital (Figure 2).

³ The figure was composed by the author based on the reports of the Statistical Committee of the RA about "Small and Medium Entrepreneurship in the Republic of Armenia" for 2017-2022 years.

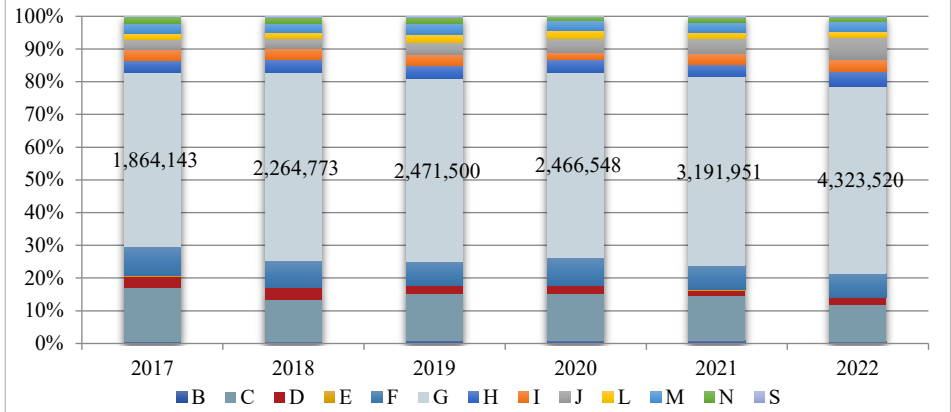


Figure 2. Turnover of Goods Produced and Services Delivered by Economic Entities in the Republic of Armenia (m AMD), 2017- 2022⁴

It is worth mentioning that in 2022 around 98% of trade turnover was accounted for by SME sector, which grew by 26 percentage points in the observed period. Accordingly, approximately 1 out of 4 Armenian SMEs has been engaged in foreign trade.

In this context, it is important to note that the number of the employed in the SME sector increased by around 16,000 or 7% in 2022 compared to 2021 comprising over 256,000 jobs. Especially in the sectors where SMEs productivity is comparable with that of large enterprises especially manufacturing companies, construction, and individual services, the formers are considered to be an important source of economic growth, as well as job creation.

As a matter of fact Armenian government continuously makes efforts to fully utilize SME sector’s potential and sets ambitious targets such as to increase the share of SMEs in GDP to 55% by 2026. (Government Program, 2021-2026, p. 26). Moreover, according to the 2014-2025 Strategic Program of Prospective Development of the Republic of Armenia in 2025, the share of the added value of SMEs in the GDP will reach 60 percent (Armenia Development Strategy 2014-2025, 2014, p.73). It should be noted that the government has introduced various support measures targeting SMEs, mainly in the form of grants, lending and refinancing options. Additionally, the government has implemented targeted programs to support tourism, transportation, and grape processing industries. However, as indicated in Figure 3 SME share in GDP continues to remain small.

⁴ The figure was composed by the author based on the reports of the Statistical Committee of the RA about “Small and Medium Entrepreneurship in the Republic of Armenia” for 2017-2022 years.

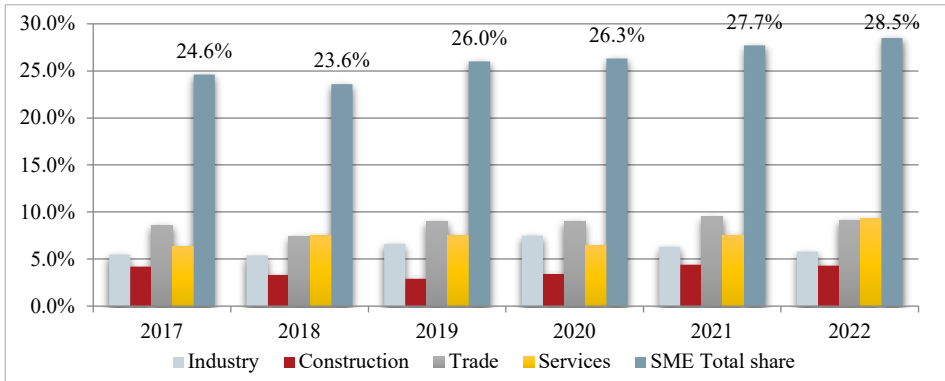


Figure 3. The share of gross value added in GDP by larger groups of NACE Rev.2 sections, 2017-2022⁵

In 2022, the share of added value produced by SMEs amounted to 2 billion 427 million drams, which is 26% more than last year. As Figure 3 clearly shows they contributed to 28.5% of the gross domestic product generated in Armenia in 2022 and the SME sector development was driven mainly by trade and services. Hence, the possible reality of the target stipulated in the government program and development strategy of the country cast doubts under the circumstances of socio-economic challenges existing in post-crisis Armenia. As a small local market, the Republic of Armenia, having limited opportunities for export, must exert huge efforts for SME sector formation and realization, due to which the current economic dependence on several large-scale enterprises will be mitigated.

Currently, the majority of budget performance in the Republic is provided by large companies. In particular, the actual tax revenues in the RA in 2022 amounted to 1 trillion 925.9 billion drams, of which 77% were generated by the first 1000 large taxpayers (Figure 4).

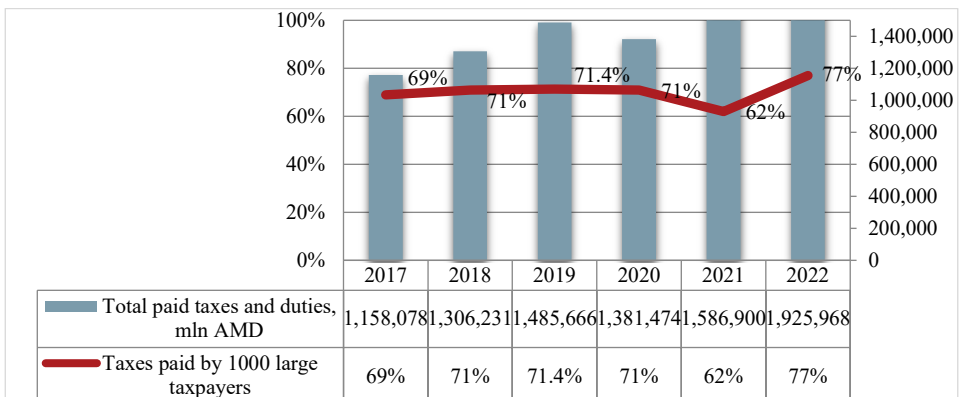


Figure 4. The share of taxes and duties paid by 1000 large taxpayers in the structure of total taxes and duties paid to the RA budget, 2017-2022⁶

⁵ The figure was composed by the author based on the reports of the Statistical Committee of the RA about “Small and Medium Entrepreneurship in the Republic of Armenia” for 2017-2022 years

Further analyses demonstrate that during the observed period around 62-77% of the total taxes were paid by large business entities. From the point of view of the stability of the economy, this is quite a serious problem, suggesting high levels of dependence and risk of different types of turbulence and shocks. Hence the development of SMEs will alleviate the potential of economic instability occurrence given the failure of any large-scale company. In the meantime, it is worth mentioning that the tax revenues collected from SMEs amounted to AMD 580 billion. Needless to say, systematic amendments to the tax code represent an especially serious constraint for businesses exempting them from the opportunity to work out long-term projects, manage risks accurately and predict their income.

Presumably, this situation will get worse, because micro-enterprises in Armenia lost their important tax benefits effective as of July 1, 2023. The changes were targeted to make tax liabilities under alternative taxation regimes comparable to the main regime are as follows.

- In particular, according to the amendments in the tax code, the incomes of employees of micro-enterprises will be taxed on general grounds 20% of the income, while previously a rate of 5 thousand AMD per month was in effect regardless of the amount of the salary paid.
- Companies that are provided services by micro-entrepreneurs will not be able to write off taxes due to documents provided by micro-entrepreneurs.

The burden of this legislative change can lead to negative consequences. Specifically, to the reduction of workplaces at micro companies, as well as the decrease of employees' wages, the growth of shadow activities, and at worst can lead to the closure of many micro entrepreneurship, particularly ones operating in regions.

Not surprisingly, the EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS) (2014) was carried out which highlighted that the most prominent obstacles to SME development were tax rates, tax administration, political instability, corruption and access to finance. On the other hand, given those numerous institutional and regulatory changes have been implemented throughout the past years, administrative burden has become less of a concern for enterprises; however, access to finance still remains the biggest obstacle.

The International Finance Corporation estimated that approximately 65 million businesses or 40% of formal SMEs in developing countries face an unmet funding of USD 5.2 trillion annually. This represents 1.4 of the present global SME loan market size (2024).

⁶ The figure was composed by the author based on Taxpayer information lists and 1000 large taxpayers database, for 2017-2022 years, <https://src.am/en/getMenusContents/120>

So governments should undertake measures to ensure that micro enterprises are not unfairly penalized by the size-related factors. As a consequence, according to the data specified by the Statistical Committee of the RA, only 40% of the companies created in the RA manage to survive for 3 years. A stronger implicit assumption is that targeted policies for SMEs are needed, not because they are small, but because they are key drivers of the innovation and the seedbed for larger enterprises. On the other hand, it should be noted that the government has engaged in several support measures targeting SMEs, specifically enhancing its business support infrastructure by providing grants and refinancing projects, simplifying the regulatory framework. According to the World Bank's Ease of Doing Business index, Armenia has made it easy to start a business, requiring only 4 days which is significantly below the EU average of 12 days.

However, key challenges remain unsolved and pose obstacles for the development and internationalization of SMEs. Compared to similar countries in the EU Eastern Partnership, Armenia faces limitations that impede its development: only 6.9% of small and 7.7% of medium-sized companies export directly or indirectly, whereas the average in the region is 15% of small enterprises and 25.6% of medium-sized ones (OECD, 2017). To boost Armenian SMEs participation in global value chains specific policies and support measures need to be developed and put in place.

Some interesting research has been carried out and shows that networks support enterprises to enter foreign markets. The empirical evidence demonstrates that networks help companies adjust to the ever-changing global business environment. Specifically, networks make it easier for companies to enter foreign markets and get access to information and resources. SMEs, in particular, benefit from networks because they can help them learn and develop their capabilities, making them more adaptable to the changing conditions of the global market (Priyono et al., 2020). Moreover, according to Mkhitarian K. and Kachachat B. (2022) besides the lack of information on foreign markets, one of the main problems that Armenian SMEs face are challenges in export transactions which are due to noncompliance with relevant quality standards and problems in implementing effective marketing and logistics strategies.

Thus, taking into consideration the main points highlighted in this section, we can state that despite the moderate progress, the existing SME strategy in Armenia is not fully implemented and the financial resources for implementation are often insufficient. Further disruptive component in the strategy execution was the government's decision in 2022 to demolish the SME DNC and divide its responsibilities between two different agencies, which led to the closure of local SME DNC offices and to the concentration most SME development activities in the capital city. As a result, the potential of SMEs to drive growth and innovation is still largely untapped. Therefore renewed efforts

are needed to create a favorable policy environment for new business formation, growth and internationalization.

CONCLUSION AND RECOMMENDATIONS. The core role of SMEs increases in terms of providing employment opportunities, applying innovations and with regard to constantly growing role in the service field which are equally important for both developed and developing countries. Despite the importance of SMEs as economic growth drivers, ineffective taxation policies hinder their growth. And, there is no coincidence that recent data reveal that only 28% of GDP is produced by SMEs in the country, while the specific weight of the employed proportion of SMEs thereof comprises up to 37% of the total workforce. It's worth highlighting that the taxes paid by SMEs accounted for AMD 580 billion which is about one-third of the total tax revenues. While it is crucial to simplify business setup for micro enterprises, the key to success is ensuring the further development of these companies and contributing to the growth of medium sized enterprises.

Based on the results and findings of the research, the following recommendations are made – it is necessary to:

- work out a new development strategy (road map) that aligns with current realities and addresses existing challenges reviewing the toolkit of policy implemented by the government in the SME sector and extending the scope of the list of the events making them addressable;
- draw specific attention and approach to the SME operating in regions from the perspective of developing and introducing a distinguished system of tax privileges. A similar example can be considered the practice being applied successfully in different countries, when a newly established SME is being exempt from certain types of taxes (income tax, turnover tax, etc.) in the start years of its operation;
- apply a specialized policy towards SMEs operating in the spheres of export and having a potential of export, and prioritize several sub-fields of manufacturing industry for short-term to mid-term support, such as industries of clothing, golden jewelry and processing agricultural products. What is more, in case of loan acquisition, to ensure these investments and enable companies to export their products and services, thereby fostering growth and development.
- on a continuous basis evaluate the needs of SMEs operating in different spheres and develop professional trainings and consultancy sessions through implementation of active cooperation with international organizations to ensure that employees are equipped with all the necessary knowledge and skills they need to carry out their operations effectively.

Thus, the urgency of developing targeted projects by the government as well as ensuring the addressability of state support shall be given an utmost importance which must be enforced by the new strategy, have measurability for

every action and be made correspondent to the existing problems in the field reflecting today's realities and challenges. This will naturally require expansion of the scope of the state financing for the implementation of measures aimed at certain field export. And last but not least, clear definition of the “game rules” in the mid-term perspective and impermissibility of any kind of changes thereof, aimed at the provision of long-term stability.

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