

## 4.4 PRIORITIES OF SME SUPPORT

### 4.4.2 Characteristics of SME sector in Pskov Oblast

The share of the small-scale enterprises in the economy of Pskov Oblast is increasing each year. According to the data of the territorial department of the federal service of governmental statistics of Pskov Oblast the SMEs produced during 9 months of the year 2005 products and services valued at 7517.2 million rubles. They provided personal services during the same period valued at 627.52 millions rubles.

In 2004-2005 the number of SMEs in Pskov Oblast tended to decrease. There were 3663 registered small-scale enterprises in Pskov Oblast in 2005, in 2004 - 3756, and in 2003 - 4624. Nevertheless the number of the employees of the small-scale enterprises has been increasing (it decreased only in the year 2004): there were 37 thousand employees in the year 2005.

Figure 4.11 shows distribution of the Pskov Oblast enterprises in the different sectors of the economy.

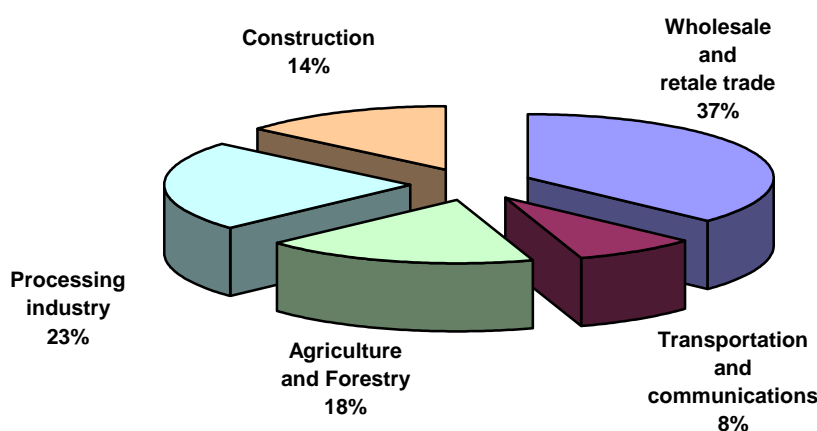


Figure 4.11 Sectoral structure of SME in Pskov Oblast in 2005

Despite of the fact that the majority of the registered small-scale enterprises belongs to the sphere of trade and catering, the most significant share of the production belongs to the industrial enterprises - 36.5%, which is worth 3 billions rubles.

The share of the agricultural enterprises in Oblast is higher compared to the other regions of the North-Western federal district. It was 8.7% in 2004 (compared with 5.4% in Novgorod Oblast and 0.6% in Murmansk Oblast).

The share of construction was 13.8%. In 2004 5.5% of the small-scale enterprises employees belonged to the construction industry.

The share of transportation was 3.9%. The share of the small-scale automobile transportation enterprises, including enterprises, which do not constitute a legal entity, was 13% in 2004, and there share in the total cargo transportation was 32% (respective numbers in 2002 were 12.5% and 35.1%, and in 2003 - 18.6% and 35.5%).

The main obstacles for the dynamic SME development in Pskov Oblast are the following:

- the complicated system of applications for loans, poor opportunities to obtain long-term loan or a loan for starting up a new enterprise, high interest rates;
- the lack of production and office facilities and high lease rates;
- the short (one-year) lease periods and the absence of opportunities for a long-term lease;
- the absence of the opportunity of the free-choice of the taxation system;
- the heavy tax load: although value-added tax was decreased by 2% and sales tax was abolished in 2004, the single tax on the imputed earnings for some business was increased by a deflator coefficient (in 2004 it was 13,3%, in 2005 - 10,4%) and since 2005 taxable earnings were increased 1.5 times;
- the undeveloped personal services infrastructure in rural areas;

The purpose of the "Program of the state support for SME in Pskov Oblast" is to assist resolution of the listed problems.

#### 4.4.2. The program "State support and development for SME in Pskov Oblast in 2002 - 2006"

The purpose of the program is to create economic, legal and organizational conditions for business activity of population and development of SME, providing supply of domestic goods and services for the market and formation of the middle-class.

##### The main directions of the program:

- optimization of the existing infrastructure, supporting small-scale entrepreneurship
- development of business and investment activity in Pskov Oblast
- development of the system for education and training of personnel for SME
- creation of new jobs
- overcoming administrative barriers hindering SME development

##### Strategic development of the Program:

- Providing conditions for starting up of businesses
- Increasing efficiency and competitiveness of SME
- Assisting inter-regional and international cooperation

In the framework of the program new jobs are created, business and investment activity is developed at the territory of Oblast, competitions of products and services at the market is encouraged; the measures are taken for overcoming administrative barriers, for developing of financial and investment mechanisms and implementation of financial technologies, aimed at the development of the sector of the small-scale entrepreneurship, for creating conditions for the import-substituting production, and also for involving small-scale enterprises into governmental contractual works and forming positive public attitudes toward entrepreneurship.

##### Expected results of the Program realization

After implementation of the program the following results are expected:

- decrease of social tension because of the growth of number of the full-time employees of SME by 1.5 - 2 thousand,
- creation of new jobs in production and service sectors (primarily in agricultural production and processing, in production of construction materials, in lumbering and wood processing, in tourism sector) (see table 4.3)

*Table 4.3 Forecast for SME development in Pskov Oblast*

#		2007	2008	2009	2010	2011
1.	The volume of the goods produced and sold in millions of rubles.	27726.8	29399.8	30982.6	33151.4	35472
2.	The rate of growth compared to the previous year (%)	107.2	106	105	107	107
3.	The number of the small-enterprises (units)	3900	4000	4100	4150	4200
4.	The number of employed in the small-scale business	36000	36500	37000	37200	37700

The realization of the target indicators for the development of the small-scale business in Pskov Oblast will help to expand the taxable revenues base, to increase tax proceeds from the small-scale enterprises into regional and local budgets, to increase the input of the small-scale entrepreneurship into total regional product, so that its share will constitute 19%-22%.