

5.4 THE PRIORITIES IN SME SUPPORT

5.4.1. Characteristics of situation of St. Petersburg SMEs

According to the data of Petrostat on 01.01.2006, 160.9 thousand of SMEs were operating at the territory of St. Petersburg, including 114.5 thousand of SMEs and 46.4 individual entrepreneurs.

Compared with the data on 01.01.2005 the number of SMEs has increased by 8.8 thousand and the number of the individual entrepreneurs increased by 25.4 thousand. According to the information of the Department of Federal Tax Service in St. Petersburg on 01.01.2006, 64.2 thousand of individual entrepreneurs, who were registered before 01.01.2004 failed to renew their registration, which is required by Article 3 of Federal law from 06.23.2003 No. 76-ФЗ "On the revisions and additions to the Federal law "On the state registration of legal entities"" and they were excluded from the unified state registry of individual entrepreneurs (EGRIP).

The number of employed in SMEs in St. Petersburg is 632.8 thousand people or 33% from the average payroll number of employed in various sectors of economy in St. Petersburg. The number of SME subjects for the 1000 of the permanent residents of St. Petersburg is 34 units.

SME sectoral structure in St. Petersburg classified according to the All-Russian classificatory of economic activities on 01.01.2006 is displayed on the figure 5.14.

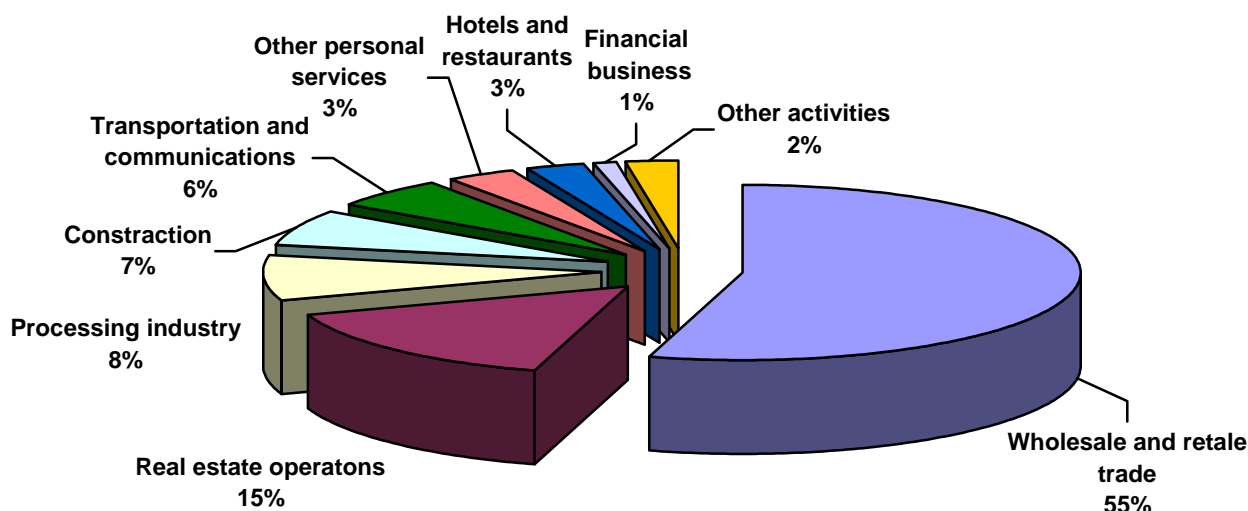


Figure. 5.14. SME sectoral structure in St. Petersburg (%)

The SME turnover in St. Petersburg in the year 2005 was 415.6 billions rubles or 27% of the total turnover of St. Petersburg organizations. The volume of tax proceeds from the SMEs constituted up to 25% of the total tax proceeds in St. Petersburg budget.

According the data of sociological surveys the main problems, hindering St. Petersburg SME development are following: at the first place are the problems related to taxation and general increase of the financial burden (55.7%), the next is the lack of stability of the legal and normative base (44.3%), the lack of the own circulating assets and limited access to the credit resources (38.3%), the difficulties related to the attraction of the needed personnel (35.3%), and administrative barriers and growing competition from the part of the large-scale organizations (31.3-32.3 %).

5.4.2. SME Support Concept and Program

According to the Law of St. Petersburg of 10.26.2005 -584-83 On Program of St. Petersburg Social and Economic Development for 2005-2008 the creation of favorable business climate and the conditions for SME development are among the most important tasks for the socio-economic policy of St. Petersburg Government.

The concept for SME support and development in St. Petersburg was approved by The Regulation of St. Petersburg Government of 19.10.2004 № 1676 On Measures for SME Support and Development in St. Petersburg. Action Plan for SME State Support in St. Petersburg for 2006-2008 was approved during the meeting of the Public Council on SME (further mentioned as “Public Council”) with participation of St. Petersburg Governor (minutes of 21.09.2005 № 117), based on the Concept and the suggestions of Public Council.

Implementation of the Action Plan on SME State Support in St. Petersburg for 2006-2008 is aimed on fulfilling of the following goals:

1. Creating favorable conditions for SME activities in St. Petersburg.
2. Providing the conditions for priority SME development, operating in following sectors of economy: industrial (processing) sector, housing and communal services, research, technological and innovational activity, services and trade (further mentioned as “priority directions”) on the base of differentiated approach for implementation of state support measures for different SME categories.

The Committee for Economic Development, Industrial Policy and Trade (further mentioned as “Coordinator”) was appointed to coordinate the realization of the “Action Plan on SME State Support in St. Petersburg for 2006-2008”.

The executive authorities of St. Petersburg Government are responsible for Action Plan implementation. Other organizations, which could be involved in Plan implementation, are: St. Petersburg local municipal bodies, autonomous non-profit organization Managing Company of the Public Council SME Activities in St. Petersburg, and also public alliances of entrepreneurs, commercial and non-profit organizations, providing various services for SMES, bank insurance companies and other organizations.

Main directions of state support

The Action Plan on SME State Support in St. Petersburg for 2006-2008 determines following main directions of the state support for the SMEs.

1. The measures for SME state support, aimed at creating favorable conditions for SMEs activities in St. Petersburg are following:
 - optimizing administrative regulation of SME activities;
 - developing social partnership in the sphere of relationship of St. Petersburg entrepreneurs and executive bodies;
 - protecting competition, anti-trust regulation, including the non-discriminatory access for the necessary fuel and energy resources, networks and communications;
 - improving tax regulations, optimizing financial burden on SME subjects;
 - providing SME subjects with the access to St. Petersburg state property;
 - providing SME subjects with the access to governmental contractual works in St. Petersburg;
 - improving informational SME support.
2. The measures of state SME support in priority directions of activities on the base of differentiated approach for implementation of the state support measures for different SME categories.

According to the criteria of SMEs economic stability based on the life-cycle stages and financial and economic evaluation (according to the estimates of the Committee for Economic Development, Industrial Policy and Trade) following SME categories were determined: start-ups, developing, stably operating, being in critical condition, actually not operating.

There are special programs of SME state support, which operate in the priority sectors of activity, determined by St. Petersburg Government, elaborated according to the industry specifics, problems of SME development and stages of the their life-cycle.

5.4.3. Main Mechanisms (Types) of Action Plan Implementation

1. State support program "Start"

This program was developed for starting SMEs. It includes training on business conducting, assistance in development of business-plan, documents for registering business, subsidies for registration fee payments for SMEs or for individual entrepreneurs. The prospective Program participants are permanent residents of St. Petersburg willing to start their own business, including temporarily unemployed, retired militaries, students and employed persons with no business experience. Taking into account the results of the training participants, both SMEs and individual entrepreneurs, could be provided with the facilities in business-incubators for the period no longer than 3 years.

2. State support program "Business-Incubator (Technocenter)"

Business-incubator (technocenter) is intended for providing facilities for the starting or developing SMEs on the conditions of the discounted lease payments for the period no longer than 3 years. Business-incubators could be organized using non-residential buildings owned by St. Petersburg or privately-owned. Financing is provided from St. Petersburg budget in the form of partial compensation of the lease payments for the SMEs leasing facilities in business-incubators. It is also possible to get co-financing from the federal budget.

3. State support program "Venture investment"

The program is intended to be a form of financial support for innovative and starting SMEs, having really profitable projects. "The fund for assisting the development of venture investments in scientific and technological sphere in St. Petersburg" helps innovative SMEs to attract investment and is partially financed from St. Petersburg budget.

4. State support program for the commercial banks providing loans for SMEs

The program is intended for starting (if they have the assets for the pledge required for getting loan) developing and stably operating SMEs. The expenses of SMEs, related to obtaining loans from commercial banks for the purposes determined by the regulations of the "Program of the state support for crediting" could be partially compensated from St. Petersburg budget.

5. State support program for leasing equipment by the SMEs

The program is intended for the developing and stably operating SMEs. The expenses of the small-scale entrepreneurship, related to leasing the equipment for the purposes determined by the regulations of the "Program of the state support for crediting" could be partially compensated from St. Petersburg budget,

6. State support program for the participation in exhibitions and fairs.

The program is intended for the developing SMEs who could get exhibition space on the privileged conditions or subsidies for the participation in international exhibitions. The conditions of financing are varied depending on the categories of the SMEs.

7. State support program for the certification of products and services.

The program is intended for the stably operating SMEs and aimed on partial subsidizing the expenses of the subjects of the-small-scale entrepreneurship related to the payments for the services required by the legislation of Russian Federation and (or) by the legislation of the importing country, which are required for the export of goods (products, services), including certification, registration etc.

8. State support program "Financial outsourcing"

This program could be used for the provision of the required independent accounting services with the aim of financial control of the activities of the SMEs, using facilities of business incubators or for the SMEs, who are in critical condition.

9. State support program "Audit"

This program could be used in the framework of state support program "Start" with the purpose of analyzing the dynamics of the financial situation of the SMEs, and also for the estimation of the economic viability of the SMEs, who are in critical situation.

10. Monitoring of the financial and business activity of the SMEs

Monitoring is conducted for all categories of the SMEs (for no less than 2500 small-scale enterprises and individual entrepreneurs using all forms of taxation). The purpose of monitoring is to estimate the general financial situation of the SMEs, to determine the factors, influencing their economic stability, to estimate target indicators, set in the Plan.

11. State support program "Sanation"

The program provides opportunities to defer or to prolong tax payments by the SMEs in the critical financial situation according to the articles 63, 64 of the Tax Code of Russian Federation.

It is also possible to get a permission to postpone lease payments. It could be granted for the SMEs in the critical financial situation with the purpose to help them to recover and also for the SMEs realizing new investment projects.

12. Asset management of the state property

This program is intended to be a form of task usage of real estate objects owned by St. Petersburg for creation of business-incubators, innovational-technological, manufacturing-innovational and other centers, techno-parks, techno-centers on the conditions of leasing the part of the space to the SMEs on the privileged payment conditions.

13. The delay (prolongation) of the payment for a real estate object which was acquired at the auction

The delay could be granted to the SMEs (mainly to the leasers of the real estate objects which are on sale) lacking own financial resources with the purpose to obtain a loan in a bank in accordance with the program of the financial and credit support provided by the Plan of activities.

14. Indirect subsidies for lease payments

This measure of support could be provided in the framework of state support program "Sanation". Indirect subsidies for lease payments are defined as a partial decrease of lease payments for the unspecified period using financing from St. Petersburg budget with the purpose to implement activities set out in the Plan. Indirect subsidies for lease payments could be granted no longer than for one financial year. The amount of the subsidy and the period of the grant are determined individually for every subject of the small-scale entrepreneurship, participating in the Program.

The programs from 11 to 14 could be enacted only after approval of the required legal and normative documents.

Financial provisions for the realization of the Plan of activities

No.	The plan of activities	Planned amount of financing from St. Petersburg budget in thousands of rubles			
		2006	2007	2008	Total
1.	Support for activities aimed at creating of favorable conditions for operation of the SMEs in St. Petersburg	13 200	36 200	43 300	92 700
2.	Support for SMEs development on the grounds of differentiated approach for implementation of measures of the state support for the various categories of SMEs.	35 600	57 750	87 850	181 200
3.	Organizational support for Plan of activities implementation	1 200	6 050	8 850	16 100
Total amount:		50 000	100 000	140 000	290 000

The total amount of financing from the city budget for planned SME support activities for the period 2006 - 2008 is 290 millions rubles. It will allow creating more than 1500 small-scale enterprises in the priority sectors of economy, creating new jobs, and providing extra tax proceeds for the budget.

The development of the SMEs is one among the priority directions of activity of the city government. The city is interested to support SMEs in all spheres: industry, services and trade.