

HARMONIZATION OF NATIONAL STRATEGIC DOCUMENTS WITH THE DOCUMENTS OF EU – LICENSES AND PERMITS FOR SMEs¹

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Abstract

Administrative procedures significantly burden small and medium enterprises and entrepreneurs (SMEs). Their simplification is recognized as one of the main goals of the strategic documents of the European Union in this field. Establishment and registration, licensing and business permits and inadequate government support are factors that, not only in Serbia, significantly slowing down the growth and development of the SMEs sector. Considering that this category of companies are drivers of economic growth and development, reducing the cost of establishing and time savings due to more efficient licensing and business permits, are the priorities of EU policy in the field of SMEs sector. The aim of the paper is to determine the degree of harmonization of strategic documents adopted in the EU with national strategic documents in SMEs sector. The case of research in a widersense, includes relevant strategic documents from the above mentioned areas with emphasis on The May 2011 commitment which provides regulatory reform in the area of licensing and business permits SMEs. In a narrow sense, the case study examined the effects of the implementation of The May 2011 commitment in the field of hospitality services (hotels and restaurants), plumbing companies, wholesale and retail trade, manufacturing of steel products and small IT devices. For realization of goal of this research, data were collected using the survey through interviews with representatives of relevant institutions in Serbia and questionnaires which were distributed to small and medium-sized enterprises selected by the simple random sample.

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INTRODUCTION

Competitive sector of small and medium enterprises and entrepreneurs has a very important role in the economic growth and development of countries in transition. Successful examples of economically developed countries of Europe and the Balkans, where the transition process is terminated or completed, indicate the importance of this sector of the economy in the future economic development of Serbia. The characteristics of these types of companies, particularly their flexibility and responsiveness to the contemporary market demands, indicate that the stimulation of the competitiveness of SME sector should be integrated into the strategic documents of the relevant public institutions.

Economic circumstances of the domestic economy and efforts to achieve stability in the most important macroeconomic indicators such as inflation, trade deficit and unemployment, imply the creation of economic policy that will reinforce the development of economic branches, encourage the creation of new jobs and foster export of the local products. Chance lies exactly in the SME sector that, accompanied by an adequate support from the state, can respond quickly to the demands of foreign markets.

One of the preconditions for the development of the Serbian economy refers to the harmonization of its existing strategic documents with the documents of the European Union. The main or primary objective of the research is to determine the degree of harmonization of strategic documents adopted in the EU with the national strategic documents of the SME sector. The subject of the research consists of relevant policy documents governing the operations of SME with an emphasis on one of the crucial documents adopted in the EU. The document in question is "*The May 2011 commitment.*" Its significance is reflected in the proposed regulatory reforms and reforms of administrative procedures that should be implemented to facilitate the establishment and operation of enterprises, particularly in the area of obtaining necessary licenses and permits for operation. A secondary aim of the research is to identify the current problems facing the SME sector in Serbia due to regulatory reform. For these reasons, the subject of research, in the narrow sense, includes an analysis of the effects of implementation of *The May 2011 commitment* in certain activities important for the economic growth and development of Serbia. The analysis of the effects of the implementation of *The May 2011 commitment* was conducted within the following activities:

- hospitality services (hotels and restaurants),

- plumbing craft shops,
- wholesale and retail stores,
- production of steel products, and
- production of small IT devices.

The research included the relevant state institutions and entrepreneurs from the SME sector, and data were collected using the appropriate research methods. The research was conducted through the application of its basic techniques i.e. interviews and surveys. Direct interview was a method used to carry out the primary objective of the research, interviews were conducted with representatives of the institutions that are directly or indirectly associated with the regulatory reform, improvement of the quality of administrative procedures and increase of the competitiveness of the SME sector. The representatives of the following institutions were interviewed: Serbian Business Registers Agency (SBRA), Ministry of Economy, Ministry of Foreign and Internal Trade and Telecommunications, Serbia Investment and Export Promotion Agency (SIEPA), Serbian Chamber of Commerce (SCC), Belgrade Chamber of Commerce (BCC), Tax Administration, Fund for the Development of the Republic of Serbia, National Agency for Regional Development (NARD). The survey, which was carried out for a secondary aim of the research, was performed by filling out questionnaires by the owners or directors of the companies. In order to obtain objective and unbiased market information, the surveyed companies were selected by a simple random sampling method. For the purpose of making a research sample, the database that contains companies in Serbia was used. For the research purposes, the same number of companies in each activity was selected. The sample includes 25 representatives of the companies from the SME sector.

Besides the research method other scientific methods were also used. Besides the use of classical methods of collecting and analyzing data, the content analysis was also used, and by its application on the collected relevant literature, the necessary data for case processing and implementation of research objectives were obtained. By applying the descriptive method the importance of research objectives was highlighted along with the explanation made concerning results thereof. The method of synthesis was used in the final phase of the research. By linking the facts obtained into a single logical unit, and using the above methods, conclusions were made concerning the degree of harmonization of national strategic documents with the EU documents, problems facing entrepreneurs in the SME sector due to regulatory reform and potential opportunities for its improvement.

The data obtained through the research of the problems facing business entities from the SME sector, costs of establishing and obtaining permits to operate and conduct daily operations, opportunities to start businesses in foreign markets, have

multiple meaning and value in use. Besides listening to the problems and obligations that companies face, on the basis of information obtained regarding administrative barriers it is possible to create new goals that will improve the efficiency of the public institutions.

1. IMPORTANCE OF SME SECTOR FOR THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF SERBIA

In the period from 2000 to 2012, the number of companies in the SME sector⁴ in Serbia recorded significant fluctuations. By the beginning of the global economic crisis, the number of established enterprises was higher than the number of closed enterprises, while the number of employees in this sector was constantly growing. This has mitigated the negative effects of privatization because the SME sector was generating new jobs and supporting the major economic systems. As a result of the global economic crisis and the deterioration of economic conditions, from 2008 the development of entrepreneurship slowed down and its competitiveness was compromised. The number of new enterprises started to decline, while the number of closed businesses started to grow. Negative trends in the SME sector were present until 2012, when the number of new enterprises compared to 2011 increased slightly (+ 2.1%) and the number of closed enterprises decreased significantly (-45.8%). Despite these positive developments, the growth in the number of newly established companies does not necessarily imply an increase in the volume of business. Due to poor economic conditions, the share of enterprises that survive the first two years of operation decreased (from 61.7% to 57.8%) while the number of entrepreneurs with one or no employees saw an increase.

Based on the available data of the Statistical Office of the Republic of Serbia the changes may be noted in the number of companies in the SME sector during the observed period. The largest increase was reported in the micro-sized enterprises that have up to 10 employees, due to their flexibility and tendency towards transformation and rapid acceptance of the trends and changes in the market. A high degree of innovativeness of its owners and managers make them one of the key factors for the revitalization of the local economy. The largest decline in the number of companies is recorded in the medium sized enterprises, and the initial number of 2,572 companies in 2007 saw a decline of 16.71% in 2012, when its number was 2,142.

⁴ Entrepreneurs (shops), as well as natural persons who are self-employed, are included in micro-enterprises.

Table 1. The number of enterprises in the SME sector in The Republic of Serbia, 2007-2012.

Republic of Serbia						
Enterprises	2007.	2008.	2009.	2010.	2011.	2012.
Micro	71,065	75,540	76,243	77,989	78,890	79,189
Small	9,874	10,415	9,873	9,614	9,656	9,699
Medium	2,572	2,675	2,470	2,257	2,218	2,142
Total SMEs	83,511	88,630	88,586	89,860	90,764	91,030

Source: Statistical Office of the Republic of Serbia

The importance of the SME sector for economic growth and development can be seen in its contribution to the creation of GDP and other macroeconomic indicators such as participation in employment, total turnover, foreign trade activities, etc. According to the latest *"Report on SMEs and Entrepreneurship for 2012,"* out of the total number of 317,668 enterprises, the SMEs make 28,7% or 91,030. Out of this number the micro enterprises are the largest group 79,189 (0-9 employees), followed by 9,699 small (less than 50 employees) and 2,142 medium-sized legal entities (up to 250 employees). The SME sector generates about 34% of the GDP of the Republic of Serbia. These companies generate 65.1% of employment in the non-financial part of the economy and realize 65.4% of total turnover. In the GDP of non-financial sector, SMEs has a significant share of 55.8%, with a tendency of further growth. Foreign trade activity shows a dynamic export growth by 15.7% in this segment of the economy compared to the previous year, forming in such a way a satisfactory coverage between imports and exports of 51.3%. Although the foreign trade activity is considered satisfactory, bearing in mind the above stated indicators in the coming years it should be improved because of the influence it has on the amount of the balance of payments with foreign countries.

Despite the fact that the SME sector makes the basis of the economic growth and development, the access to the bank loans is limited and not at all easy (Đurićin, S., et al., 2013, p.150). Difficult conditions for obtaining external funding sources trigger the reduction of economic activity, inability to meet obligations on time and collection of claims jeopardizing in such a way the survival of the entire SME sector (Đurićin, S., 2011, p. 65). The most common complaints of SMEs when entering into a credit arrangement with banks, on which basis a realistic picture of the simplicity of the approach can be obtained, refers to the process of gathering of necessary documents (30%), difficulties in securing loans (22%), high interest rates (17%), slow and long procedure of application processing and approval of loans (13%), repayment term (9%), high bank fees and under-developed network of branches (4%) (Eric D., et al., 2012).

If an adequate state support improves the negotiating position of the domestic sector by coordinating schedules for collection of claims and payments of due obligations, providing incentives for financing through loans with favorable borrowing conditions, the opportunities for improving product range or services and strengthening of competitiveness would be greater, and therefore the prospects for strengthening the export activities. The first step in the process of improving the conditions in which the SME sector operates is related to the reform of regulations and administrative procedures for the establishment and operation of enterprises, particularly in the area of obtaining the necessary permits and licenses to operate.

2. PERMITS AND LICENSES AS A FACTOR INFLUENCING OPERATION OF SMES IN SERBIA

Political changes in Serbia at the beginning of XXI century have led to the implementation of many reforms in almost all segments of the economy, aimed primarily at creating modern business methods and healthier macroeconomic environment. Domestic companies, regardless of their size, are stimulated to develop their production while subsidies were primarily intended to boost export in those economic branches that are considered generators of economic development. Through the implementation of the regulatory reform and the creation of strategic documents, public institutions have created the new laws in economy, law, health, agriculture, industry and other fields along with the efforts to reach a satisfactory degree of harmonization with the similar documents from the EU. The compliance was already achieved in some segments at the outset of reforms (such as health care, veterinary medicine and agriculture), while in other areas, the new documents and strategies are being created even today (such as industry, SME sector, environmental protection).

Looking at the five-year period from 2007 to 2012 it can be said that the business and investment climate in Serbia was not significantly changed. One of the factors is the harmonization of strategic documents and laws with those in force in the EU, which led to an increase in foreign direct investments. Opening of representative offices of large global companies and construction of new production facilities not only that boost the economy of Serbia but also led to the development of the SME sector which saw its chance in doing business with large multinational companies (Pantić, O., and Filimonović, D., 2013 , p. 576)

Regardless of size of the business entity or category of activity engaged in, almost all companies have to provide the necessary permits and licenses to operate. They differ depending on whether a company is engaged in manufacturing, services or trade, whether specific types of activities dangerous to life and health are involved,

or whether permits are issued for the first time or renewed. Law relevant for a particular activity defines that every company must have them.

Since every activity that takes place in the Serbian economy has been regulated by the law, not all are equally important for the registration and establishment of a company. Irrespective of the category in which the companies fall into and the activity they carry out, following laws are the backbone of regular operation of a company: the Law on Business Companies⁵, the Law on the Procedure of Registration with the Serbian Business Registers Agency⁶, the Law on Safety and Health at Work⁷, the Law on Classification of Activities⁸, the Law on Private Entrepreneurs⁹, the Law on Sanitary Inspection¹⁰, the Law Amending the Law on Veterinary medicine¹¹. The most of the legal documents that required major changes and compliance with the European laws were amended at the beginning of the XXI century, and significant improvements were noted. However, there are laws that have not yet undergone amendments, and whose amendment is expected in the near future.

Issuance of necessary permits and licenses includes administrative procedures that require time and money. Procedures vary depending on the type of permit, and for each individual permit it is necessary to submit the required documents and pay stipulated fees. The problem of complicated administrative procedures provokes negative effects on current operation, and the companies in Serbia and throughout Europe are facing the same problem. Company operation slows down, significant financial resources have been lost, business uncertainty increases and the credibility of the company collapses. As a result, the European Commission in 2011 conducted a revision of the Law on Small and Medium Enterprises ("Small Business Act"), which is one of the most important documents for the regulation of the operation of the SME sector and for reinforcement of its development. The basic strategic goals that make the basis of the future documents and legal acts of the SME sector were adopted. The goals formulated in "The May 2011 commitment" are accepted by the EU countries and by the countries that strive to become members, as follows:

⁵ Off. Gazette of RS, no. 36/2011, 99/2011 and 83/2014 - other law

⁶ Off. Gazette of RS, no. 99/2011 and 83/2014

⁷ Off. Gazette of RS, no.101/2005

⁸ Off. Gazette of RS, no.101/2005

⁹ Off. Gazette of SRS, no. 54/89 and 9/90 and Off. Gazette of RS, no. 19/91, 46/91, 31/93 - Decision of the CCRS, 39/93, 53/93, 67/93, 48/94, 53/95, 35/2002, 101/2005 - other law 55/2004 - other law 61/2005, and - other law

¹⁰ Off. Gazette of RS, no.125/2004

¹¹ Official Gazette no. 91/2005, 30/2010 and 93/2012

- Implementation of regulatory reform that triggers improvement of the business framework of SMEs along with the improvement of the analysis on its effects and promotion of procedures for the adoption thereof;
- Reduction of administrative procedures;
- Continuous exchange of information with businessmen and their active involvement in the creation and adoption of regulations and policies;
- Improvement of availability of sources of financing;
- Improvement of quality of the workforce by attending contemporary and relevant training courses;
- Active support for the development of innovations and stimulation of their implementation in practice;
- Enable better access to new markets through improving the competitiveness of local products, especially by granting export subsidies and incentives in foreign markets.

In accordance with the recommendations and goals proposed by the European Commission, the policy makers in Serbia have started to implement them into the national strategic documents. Given that the SME sector in Serbia has been recognized as a generator of economic growth, strategies to encourage its competitiveness have been created over many years. The Ministry of Economy launched in early 2014 the initiative for the adoption of the Strategy for the development of entrepreneurship and improving the competitiveness for the period 2014-2020, in which there are elements of *"The May 2011 commitment"*, with a special emphasis on regulatory reform, streamlining of administrative procedures and shortening of time necessary to obtain permits and licenses to operate. The reforms envisaged in this strategy will facilitate establishment and closure of enterprises, commencement and termination of employment, obtaining of the necessary permits for the work (technical, sanitary, veterinary), licensing etc.

Research conducted in the Serbian market shows that SME owners spend a lot of time in public institutions, filling out numerous forms that imply significant financial resources. In addition, the lack of a uniform system slows down the institutional efficiency in processing applications, increasing the time necessary for issuance of permits or licenses. Economists believe that, regardless of the activity in question, the introduction of e-business into the public institutions, electronic filing of forms and tax returns can be crucial for the survival of small businesses. This would make possible to achieve significant savings in time and reduce opportunity costs. The introduction of a uniform system increases the predictability of the regulatory environment, as it is known in advance how much money is necessary for obtaining certain documents and how long the procedure will last. Standards that would be attributed to each activity, not only that would facilitate

the operations of businessmen who would have a clear perception of administrative procedures, but also would increase considerably the efficiency of public institutions due to observance of the pre-defined standards.

Harmonization of the national documents with EU documents shows noticeable improvements almost every year. The work on improvement of the legal acts and strategic documents is constantly being done in order to bring closer the conditions in which the companies operate in the Serbian market to the conditions prevailing in the EU. The most problematic area in the harmonization process are administrative procedures which are numerous and expensive in Serbia, and whose implementation is inefficient. The changes do not only imply amendments of documents, but also reorganization of the public institutions. Every year the World Bank publishes a document which follows the progress or setback of an economy through certain indicators. A World Bank report for 2014 *"Doing Business- Understanding Regulations for Small and Medium- Size Enterprises"* puts at the center of analysis the regulatory and administrative barriers faced by the observed economies. The areas of business that stand out as the most important are starting a business, dealing with construction permits, getting electricity connection, electronic application and payment of taxes and fees, investor protection and trade on international markets. Implementation of reforms and integration of the new documents in everyday operation, condition the success of harmonization of the national legislation with the EU legislation. According to the World Bank report for 2012-2014, in comparison with 189 other national economies, the position of Serbia is showed in Table 2.

By analyzing the selected WB indicators which are followed on an annual basis, it was concluded that in certain segments the Republic of Serbia has made no progress, even regressed, although there are areas that recorded positive changes.

In comparison with the Western Balkans countries, Serbia in 2013 according to the conditions for business operation is one of the worst ranked republics. Only Bosnia and Herzegovina has a weaker position, while Macedonia achieved the best results (Đuričin, S., et al., 2013, p.24).

Table 2. Serbia's ranking based on the Report of the World Bank by selected indicators, 2012 - 2014.

Indicators	Rank		
	2012.	2013.	2014.
Starting a business	92	42	43
Dealing with construction permits	175	179	182
Getting electricity	79	76	85
Getting credit	24	40	42
Protecting investors	79	82	80
Paying taxes	143	149	161
Trading across borders	79	94	98

Source: World Bank

The most notable results in Serbia have been achieved in the field of establishment of enterprise, where is necessary to perform 6 procedures whose average duration is 11.5 days, and the amount of expenses is 7.2% of income per capita. This significantly speeded up the process of establishment and therefore the number of newly established enterprises increased.

Table 3. Starting a business in Serbia, 2013

No.	Procedures	Time required	Related costs
1.	Verification of the Treaty establishing by the Primary Court or municipal	1 day	The amount of the cost depends on the amount of the share capital and the value of the lease contract
2.	Payment of registration taxes	less than 1 day	EUR 45,83 (EUR 37,5 + EUR 8,33)
3.	Obtain a certificate of registration, PDI and ID number, verification of signatures in triplicate necessary for opening a bank account	3 days	Not charged
4.	Make stamp and seal	1 day	EUR 13,83 - EUR 23,33
5.	Registration by the local tax authority	5 days	Not charged
6.	Registration Contract of employment by the Department of Employment	1 day	Not charged

Source: World Bank

Note: The authors are performed a conversion RSD to EUR at exchange rate 1 EUR = 120 RSD

The most problematic area continues to be issuance of construction permits, in which case the Republic of Serbia is among the lowest ranked countries. Since "*The May 2011 commitment*" also implies the simplification of procedures in this area, in the coming period, through the implementation of the Strategy for Development of Entrepreneurship and Competitiveness for the period 2014-2020, improvement in construction activity and overall economic activity is expected.

3. LEVEL OF HARMONIZATION OF STRATEGIC DOCUMENTS AND ACTUAL PROBLEMS FACING SME SECTOR

In order to examine the level of harmonization of the national documents with the EU documents and the adoption of its declarations, the authors have conducted research through interviews with the relevant public institutions and through survey of companies in the SME sector. The survey was conducted in the period January-March 2014, and the results are presented descriptively. The purpose of the survey of selected public institutions was to obtain information on the implementation of Decision of the EU Competitiveness Council from May 2011 ("*The May 2011 commitment*") in Serbia and to identify those institutions that are responsible for issuing permits and licenses for operation of SMEs in certain economic sectors.

In addition, the surveys conducted on small and medium-sized enterprises showed the current problems facing this sector due to regulatory reform along with testing of the level of satisfaction with the support for operation provided by public institutions.

The reforms that are being implemented in Serbia in recent years have been focused primarily on meeting the requirements and recommendations of the EU in order to accede to the European community as soon as possible. Representatives of the surveyed institutions emphasize their satisfaction for the way in which Serbia is progressing in implementation of reforms. Although there is a need for deeper and larger reforms in certain areas, especially in the field of ecology and environmental policy, environmental protection and energy, a progress can be seen. This is corroborated by the documents of the World Bank, the EU Council of Competitiveness, IMF and others who point out that Serbia is making positive changes towards the EU. According to the results of the research "*The May 2011 commitment*" is implemented into the strategic documents of Serbia. It was a part of the Strategy for the Development of Small and Medium Enterprises, 2008-2013, while the new reforms are envisaged in the Strategy of development of entrepreneurship and competitiveness for period 2014-2020. The changes are directed towards improving the legal, institutional and business environment. In Serbia there are several institutions that support SMEs in their approach to the

market and in their competitiveness. In cooperation with the Ministry of Economy and the Ministry of Regional Development, a number of activities has been implemented to improve the business environment and increase the rate of new business. Research has shown that the following activities have contributed the most the promotion of the SME sector:

- Implementation of a national campaign to raise awareness about the importance of realization of entrepreneurial ideas - supported by the NARD, SIEPA, Serbian Chamber of Commerce. Numerous fairs of entrepreneurship were organized to encourage entrepreneurs to put their ideas into practice.
- Training of potential entrepreneurs designed for owners or managers in order to get familiar with the basic administrative procedures, taxes and how to file tax forms, meeting with basic managerial principles. Institutions that carry out these activities are NARD, RRA and National Employment Service.
- Developing information infrastructure to help enterprises to come into possession of necessary information and data- This activity is realized through the development of annual, semi-annual or monthly reports by NARD, RRA.
- Improvement of the existing financial support from public funds through subsidies, and subsidies for activities in demand - Ministry of Economy, Ministry of Regional Development, RRA, CCS.
- Support programs that promote regional development, creating identity and brand of the region, supported by NARD.
- Monitoring and harmonization of legislation with the EU legislation in the field of technical quality standards, technical regulations, product standards, standards of safety and health.
- Creating an electronic registry of laws and regulations for SMEs by the Agency for Regulatory Reform and Regulatory Impact Analysis.
- Harmonization of statistical monitoring of the SME sector with statistics EUROSTAT -the competent institution is the Republic Statistical Office.
- Improving regulations governing the protection of competition and their full application - activities are carried out by the Serbian Chamber of Commerce.

The research found that there is a certain degree of harmonization of the strategic documents which tends to increase at a very high level in the near future. The preparation of a number of strategies which are complementary to the objectives, instruments and measures for their implementation in the EU. Although the effects of the implementation of such documents will be visible in a few years, it can be

concluded that the system of functioning of public institutions has much improved in recent years and is geared towards servicing the needs of the economy.

Survey of entrepreneurs in the selected sectors determined the extent of their satisfaction with the reforms so far done and critical points were identified. Given that the focus is directed to permits and licenses to operate, which issuance requires going through complicated administrative procedures, the analysis was performed on those that are common to all companies regardless of their activity. The results are shown in the Table 4.

Table 4. List of license and permits in The Republic of Serbia

License/permits	Description	Institutions
General license to operate a business	This license is given by Register of Business Entities after checking all relevant information and documents.	Register of Business Entities
License for sale of alcohol	Catering facilities must have a special license to sell alcoholic beverages.	Ministry of Trade
Smoking/non smoking premises	Under applicable law in Serbia entities must have clearly defined parts of the building dedicated to the smoking or non-smoking population, a market inspection control the compliance with these terms and give permission for the operation.	Ministry of Health
Television license	Every entities which allowing visitors access to television or radio must be authorized by institution SOKOJ (Music Authors Serbia). This institution requires yearly/monthly payment.	Ministry of Culture
External publicity or signage	Enterprises must regularly pay the obligations to the government in terms of taxes as provided for display advertising in public spaces and green areas.	Ministry of Trade
Fire protection premises	All companies must have the proper fire-fighting system. Also, the Law on Prevention of Discrimination against Persons with Disabilities stipulates the provision of conditions for free movement and life of people with disabilities in public areas.	Ministry of Labor and Social Policy
Sanitary premises	Sanitary Inspection stipulates that companies must meet the requirements in terms of hygiene, building, plant, machinery, furniture, equipment, supplies and funds.	Ministry of Health
Clean criminal record of	Every employee must have the proper document, issued by the Ministry of Interior that he was not	Ministry of Labor and Social

License/permits	Description	Institutions
employees	prosecuted, convicted or against him does not void litigation.	Policy
Proof of qualification required of employees	Every employee must submit proof of completion of education and acquired qualifications. Also, the work book is a necessary document which records the start and end of an employee.	Ministry of Labor and Social Policy
Health certificate of employees	Every employee before they start work, going through a medical test to determine his health safety.	Ministry of Labor and Social Policy
Safety for employees	Every company need to have safe and health environment for job activities for their employees.	Ministry of Labor and Social Policy
Permits for cross-border trade	Cross border permits are important for entities which want to operate with companies from other countries.	Ministry of Trade

Source: Independent research of author's

Business owners say that they are faced with complex administrative procedures. These procedures are often unclear and nontransparent and often the owners waste several days until it is determined which documents are required to obtain a specific permit. This occurs mainly in companies that are engaged in trade of goods dangerous to human life and the environment, or engaged in the production of specific products. These procedures take several weeks, and this damages company due to opportunity costs. Missed business opportunities increase the cost of issuance of permits and licenses, and such activities are very expensive for SME owners.

Proposal for new reforms is reflected in the creation of a single database of all permits and licenses that are issued on the territory of Serbia, along with an explanation about their obtaining in the relevant institutions. In this way, besides saving resources of the SME sector, the efficiency of public institutions would increase. The response rate to filed requests will increase and that would mean a greater number of issued permits in a shorter period of time.

CONCLUSION

The SME sector in Serbia is important because it contributes to the creation of a significant part of GDP, and has a significant share in total employment, trade, foreign trade activities and the like. An increase in the rate of enterprises

established through realization of entrepreneurial ideas would contribute to the growth of production, improvement of efficiency of service delivery and creation of new jobs. In order to motivate the owners of SMEs to implement their ideas into practice, the support of public institutions is extremely important. This implies not only the provision of financial support in the form of subsidies and loans, but also the adoption of legal documents and strategies that will protect investors and direct them towards the economic development. Serbia, as a country in the process of joining the EU, aims to harmonize its legal, economic, educational, health and environmental system with the European one. The reforms that have been made have significantly changed the economic climate, have attracted foreign companies and encouraged domestic companies to take competitive approach. However, the current reforms have only partially improved the economy of Serbia. A lot of reforms are still needed to improve the efficiency and transparency of public institutions. The existing administrative procedures burden SME owners and thus threaten the survival of their companies in the market. Procedural simplification would have a positive impact on growth, development and promotion of the SME sector.

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