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GRANT SCHEMES FOR SME'S - AN OPPORTUNITY FOR EASTERN CROSSBORDER AREAS IN THE ACTUAL ECONOMIC LANDSCAPE

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Abstract:
The objective of this paper is to set up the main features of a possible grant sub-scheme designed for the small and medium enterprises (SMEs) located in the crossborder area Romania-Ukraine-Republic of Moldova. The research is focusing on four main aspects: the actual European economic framework with target on the legal European frame concerning the SMEs, the economic background of the target area, existing cross border cooperation grant schemes for the target area designed for different beneficiaries and the specificity of the financial instruments dedicated to SME's. The analyze of the mentioned aspects shows the the most important features that should be included in a grant sub-scheme proposal and the necessary steps for action.

Key words: crossborder cooperation, Romania-Ukraine-Republic of Moldova, SME's, grant scheme

JEL classification: H81

INTRODUCTION

In the light of recent political and economic events the crossborder areas are for the most interest, framed in the Neighbourhood Policy of the European Union. The economic development of these areas should be based on the small and medium enterprises that are influenced by the contemporary general recession. Moreover, the level of economy and the functionality of the settlements from the crossborder area placed at the Eastern border of the European Union have an important role in promoting the Neighbourhood Policy and in the national and local security. From these rises the importance of encouraging and sustaining the small and medium enterprises through programmes financed by the European Union and by the local authorities where there is possible, mainly the development in the trade and crossborder cooperation fields. The actual grant schemes offered for SME's from European Union budget are targeting the Member States and not the Partner Countries.

The last two enlargements, in 2004 and 2007, fragmented the continent and placed the Eastern neighbours in an outside position compared with a desired compact group that is European Union. In the light of the last years of economic instability, the Union itself is fragmented but the pressures to help the Member States in need can make the Eastern countries willing to be part of the family that can offer financial support in order to improve an economy already poor but now stroked by the crisis effects. Moreover the Partnership and Cooperation agreements did not fulfilled the desired role of increasing the dynamic of reforms and solving conflicts in the region. Considered the new phenomena of the enlargement fatigue, the European Neighbourhood Policy (ENP) is perceived by some of the Member States as an alternative to a later enlargement of Ukraine and Republic of Moldova that have a major objective in the accession to the European Union. In this situation European Union has to offer more attractive incentives instead of the membership status (Lang, 2007). There are authors doubting about the ENP's efficacy (Giusti, Penkova, 2010) as long as this is not a promise for EU membership. Through the European Neighbourhood Policy the European

Union aims to support economic changes, democratic reforms, good governance and the rule of laws in the third countries that would transform the neighbours in reliable and stable partners.

Ukraine and Republic of Moldova, in the middle of the two big poles – EU and Russia, form together the main field for the battle of the influences while the process of implementing EU standards is slower. The proximity of Russia lead to a gradual economic integration, starting with a Partnership and Cooperation Agreement from 1998 to 2008, to which was added later the Action Plans for Ukraine and Republic of Moldova as part of European Neighbourhood Policy, adopted in 2005 and characterized by economic incentives. EU and Ukraine and Republic of Moldova started a series of negotiation of a new frame called New Enhanced Agreement in parallel with a deeper discussion on a free trade agreement (FTA) as a component of the agreement.

The Russia's approach on the relations with Ukraine is pragmatic. The first factor out of four that links Russia and Ukraine is the economy and from this point of view Russia tried to attract Ukraine in the economic union of former soviet countries by a free trade area. The Ukraine preference was toward West, joining the World Trade Organization (WTO) being as a commitment to the Western economic model. The second factor that is used by Russia as leverage in the relation is the gas and energy geopolitics that are influencing in a major way the economic development of both countries and that constitutes a break in the reform for EU integration of Ukraine. The remained two factors are the security and the autonomy of Crimea region that give the shape of a battlefield to Ukraine. The position of Ukraine can put it in the role of a mediator between the EU and Russia but at least by now the leaders of this country did not explored the potential of such a role (Giusti, Penkova, 2010). In what supposes the Ukraine position between the two, EU and Russia it can be done a comparison (Shumylo-Tapiola, 2012). The costs and benefits of the EU-Ukraine Deep and Comprehensive Free Trade Agreement have been calculated and are publicly discussed and more than that the negotiation of the DCFTA are finished, but on the other side the estimates are lacking concerning the Customs Union. A deeper integration, even if it will cost more for Ukraine will be a positive signal for foreign investments and will large the access of Ukrainian goods and services on EU market. On the other side there are just few evidences that comparable benefits will come from the membership to the Custom Union that Russia proposes. Moreover the Russian side has promises and not a negotiated agreement.

For this workpaper we consider a cross-border area because the economic development and the functionality of the settlements are influenced by a complex of social-cultural, technological, economic and political-legal factors that derives from the specific characteristics of each component countries. The considered crossborder area covers: Romania counties Suceava, Iaşi, Botoşani, Vaslui, Galaţi and Tulcea, Ukrainian oblasts Odesska and Chernivetska and the entire territory of Republic of Moldova. This area is for interest due to the placement to the external borders of the European Union and it is included in the European Neighbourhood Policy and more specific in the Joint Operational Programme Romania-Ukraine-Republic of Moldova as practical way of implementing the named policy.

EUROPEAN FRAMEWORK – SMALL BUSINESS ACT - "THINK SMALL FIRST"

As described in the Annual Growth Survey of the European Commission (European Commission, 2012d), the economic situation in the EU remained fragile in 2012. For the year as a whole, GDP is now expected to contract by 0.3% in the EU and 0.4% in the euro area. The sustainable recovery it will take time and the social consequences of the crisis are becoming severe. Unemployment has increased substantially and hardship and poverty are on the rise. While challenges vary significantly across countries and inside the euro area, the prospect of a slow recovery makes the situation difficult for the EU as a whole. The levels of debt accumulated by public and private actors restrict the scope for new activities and investments. Fiscal and monetary policy instruments have been heavily mobilised and room for manoeuvre is now limited. Structural reforms are an essential part of restoring Europe's competitiveness but these decisions are often difficult to take. Transparency about the objectives of current policies and attention to fairness in terms of impact on society will be very important in sustaining the momentum for reforms. In this context the European Commission considers that the efforts should concentrate on five new priorities: pursuing differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness for today and tomorrow, tackling unemployment and the social consequences of the crisis and modernising public administration. (European Commission, 2012d).

In the above mentioned document there are recommended various measures for the national and European level, addressed directly or indirectly to SMEs. At the national level, it is considered that Member States can do more to promote alternative sources of financing, increase liquidity and reduce companies' traditional dependence on bank financing, for instance by:

- Promoting new sources of capital, including business-to-business lending, providing more possibilities to issue corporate bonds and facilitating access to venture capital.
- Reducing late payments by public authorities, since their average duration has further deteriorated in the crisis and this creates particular burdens for SMEs in an already difficult business environment. The EU late payment directive which must be transposed by March 2013 will reduce delay to 30 days and improve compensation in case of late payment.
- Developing the role of public banks and guarantee institutions in the financing of SMEs. This can cover some of the risks taken by private investors and can compensate for the lack of equity or for the small size of the company to be financed, including through new forms of securisation.
- Supporting innovative schemes such as public schemes, which allow banks to borrow at a lower rate if they increase their long-term lending to businesses or provide cheaper and more accessible loans to SMEs.
- Ensuring a balanced approach to foreclosures in case of mortgage lending, protecting vulnerable households while avoiding banks' balance sheets from becoming overburdened. This includes measures to introduce personal insolvency regimes allowing modifications of the terms of mortgages to avoid foreclosures.

At the European level, it is important to make full use of existing or new EU financial instruments to act as a catalyst for targeted investment, in particular for key infrastructures:

- The provision of an extra EUR 10 billion to the European Investment Bank (EIB) will enable it to provide EUR 60 billion of additional financing over the next three to four years and will unlock up to three times this amount from other providers of finance.
- The deployment of project bonds represents an important new risk-sharing instrument to unlock private funding, for example from insurance companies and pension funds, thus complementing traditional bank lending. Several projects are now at an advanced stage of preparation by the EIB.
- As part of the Compact for Growth and Jobs, the Commission continues to work with Member States to re-programme and accelerate the use of EU structural funds to support growth, notably for SMEs. Moreover, Member States are invited to indicate in their National Reform Programmes how they intend to use Structural Funds to promote growth enhancing priorities for the next round of programmes (2014-2020). Full use should also be made of the Competitiveness and Innovation Programme facilities which have already mobilized EUR 2.1 billion in venture capital funds and provided EUR 11.6 billion of loans to SMEs.

In our approach we start from the Small Business Act (European Commission, 2008) that is the main frame for the development of the Small and Medium Enterprises and proposes a set of 10 principles to guide the conception and implementation of policies both at EU and Member State level. These principles are meant to bring added value at EU level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU. The mentioning of these principles is important due to the fact that some of activities used for the implementation can be used in the cross-border area and can help to speed up the implementation of the European rules in the partner countries. The principles are: create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded, ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance, design rules according to the "Think Small First" principle, make public administrations responsive to SMEs' needs, adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs, facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions, help SMEs to benefit more from the opportunities offered by the Single Market, promote the upgrading of skills in SMEs and all forms of innovation, enable SMEs to turn environmental challenges into opportunities, encourage and support SMEs to benefit from the growth of markets.

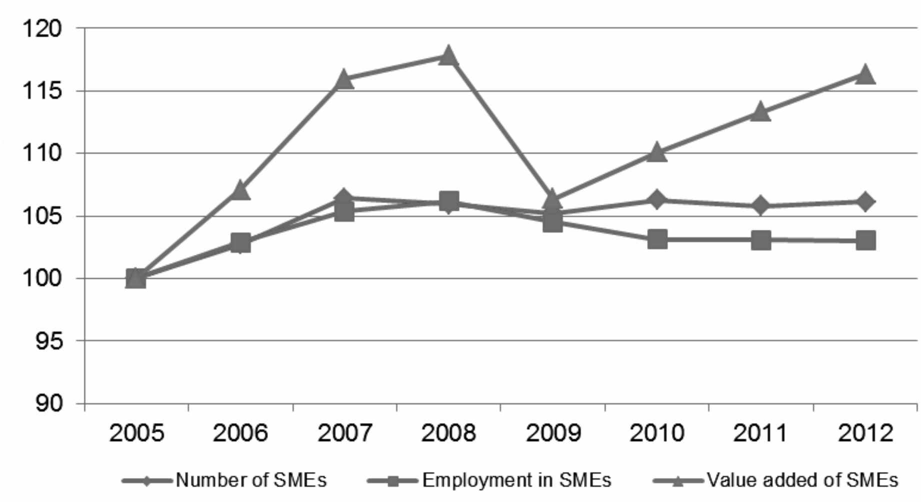

Figure no.1. Number of SMEs, employment in SMEs and value added of SMEs (year 2005=100)

Source: Eurostat/National Statistic Offices of Members States/Cambridge Econometrics/Ecorys in European Commission, 09/2012 (the 2011 and 2012 are estimates)

As the Figure no.1 shows, after the moment 2008-2009, the indicators describing the SMEs area in EU, namely the number of SMEs, the employment in SMEs and the value added of SMEs, are recovering slowly with growing values estimates for 2012 (European Commission, 2012c). After the initial shock the situation of SMEs in Europe was stabilized due to the measures taken by the enterprises themselves and by the Member States. Also it can be the effect of European funds for the SME sector that started to be implemented mainly in the countries from the last two enlargements, 2004 and 2007.

THE ECONOMIC BACKGROUND OF UKRAINE AND REPUBLIC OF MOLDOVA

The latest European Commission reports show the progresses the two countries made by the moment of December 2011 in the frame of the Neighbourhood Policy and the reforms these two countries committed to implement (European Commission, 2012 a, b).

As far as concerns **Ukraine**, Gross Development Product (GDP) growth reached 5.2%, after 4.2% in 2010 and the inflation in December 2011 was down to 4.6% compared with 9.1% in December 2010. The public debt ratio has increased significantly in recent years, to approximately 40% of GDP in 2011 from only 12% in 2007. Following a period of stabilization in 2010, after the balance of payments crisis of 2008-2009, the current account deficit widened again in 2011, reaching an estimated USD 9.3 billion (EUR 7.2 billion), or 5.9% of GDP. The implementation of the ambitious Programme for Economic Reforms for 2010-2014 has been slow. The official unemployment rate is at 2.1%, (2.2% in 2010). While the International Labour Organization (ILO) - measured rate stands at a substantially higher level, figures do not reflect the high number of unregistered low-paid jobs in the shadow economy. There was no progress towards the adoption of the amended Labour Code; several laws, notably concerning wages and collective bargaining, still have to be revised so as to ensure compliance with international labour standards.

Bilateral trade between the EU and Ukraine continued growing during 2011. EU imports from Ukraine increased by 30.6% and were dominated by iron and steel (29.5%), fuels and mining products (25.1%), as well as agricultural products (19.4%). EU exports to Ukraine experienced a growth of 22.2% and consisted mainly of machinery and transport equipment (36.6%) and chemicals (18.6%). Economic operators were affected by a number of persistent trade irritants during 2011, notably difficulties with customs valuation and classification; growing value added tax (VAT) refund arrears despite the new automatic refund system; and perceived harassment by tax authorities. In December 2011, the EU and Ukraine completed the negotiations on a DCFTA as part of a future Association Agreement but at these moment the signature of the agreement is on hold until Ukraine will have determined action and tangible progress Ukraine in three areas: the compliance of the 2012 parliamentary elections with international standards and follow-up actions, progress in addressing the issue of selective justice and preventing its recurrence, implementation of reforms defined in the jointly agreed Association Agenda, proposed date being November 2013 (European Commission, 2013). Ukraine acceded to the Revised Kyoto Convention on Harmonisation and Simplification of Customs Procedures, which should contribute to approximation with EU standards, still corruption remains a serious obstacle to trade and business operations. On free movement of goods, new laws on market surveillance and control of nonfood products and on the safety of non-food products entered into force in July 2011.

The business climate deteriorated in 2011 and economic operators reported that they were facing an unpredictable regulatory environment where rules were unclear and inconsistently applied, which had the effect of hampering business development. In the area of company law, the law on Joint Stock Companies was amended in February 2011. The aim of the amendments is to further simplify the corporate governance framework. There was progress in the area of financial services regulation. In February 2011 the amended regulation on Banking Activities defined certain disclosure requirements on the banks' ultimate/beneficial owners/controllers. It also included provisions on registration and external audit procedures for banks, on strengthened creditors' rights, and on investment activities. There is no progress to report in the area of free movement of capital. The regulatory procedures for foreign exchange transactions were tightened in December 2011 to promote the use of the national currency in international operations and to restrict capital flight.

In case of **Republic of Moldova** some progresses are similar and in some area the situation is different compared with Ukraine. After a severe downturn in 2009, the economy staged a robust recovery and grew by 7.1 % in 2010 and by about 6.4 % in 2011. In the same year growth was driven both by strong domestic demand and booming exports that grew at about 44 % year-on-year. The average inflation rate in 2011 reached 7.6 % (it was 7.4 % in 2010), driven by the increase in global and domestic food prices and higher electricity and gas costs. The fiscal consolidation process continued in 2011 with a budget deficit of 2.4 % of GDP that would be further reduced to a targeted 0.9 % of GDP in 2012. The current account deficit rose to about 11.5 % of GDP in 2011, but its financing improved due to higher foreign direct investment and better access to external finance by the private sector. The unemployment rate declined to 6.6 % (from 7.4 % in 2010) driven by job creation in industry and agriculture. The government approved a National Action Plan on Employment in February 2011. An Action Plan to tackle 'illegal work' was launched in June 2011.

In 2011 the EU was the Republic of Moldova's main trade partner. In 2011, the volume of bilateral trade between the EU and the Republic of Moldova increased by 27.9%. EU imports from the Republic of Moldova, which were dominated by agricultural products (32.4%), clothing (21.0%) and machinery and transport equipment (10.3%), increased by 44.5%. EU exports to the Republic of Moldova, which consisted mainly of machinery and transport equipment (32.9%), fuels and mining products (15.1%) and chemicals (12.4%), increased by 21.6%. The Republic of Moldova continued its preparations for negotiation of a Deep and Comprehensive Free Trade Area (DCFTA), through the implementation of the DCFTA related key recommendations. In December, the EU concluded that the progress made by the country was sufficient to launch the negotiations. The first round of negotiations took place in March 2012. However, the Republic of Moldova is expected to continue to conduct reforms in the trade-related areas, if it is to fully benefit from the future DCFTA. The Customs Service underwent a modernization process in 2011 and it was made significant progress in reducing technical barriers to trade.

In the area of business environment was made progress in 2011. Reforms included the establishment of a one-stop shop for businesses at the State Registration Chamber, more efficient enforcement of judgments, amendments to the insolvency law and the establishment of the country's first private credit bureau. Company law, movement of capital and accounting rules did not undergo substantial changes. The tax reform produced results in line with commitments to the IMF. The Republic of Moldova made some progress in harmonizing the national tax policy with EU tax policy. The threshold for mandatory registration for Value Added Tax was doubled. The Republic of Moldova prepared draft competition laws covering anti-trust and mergers as well as state aid.

Following the assessment, both countries had to follow recommendations in different areas in order to implement properly the Action Plans and to prepare for the signature of the Association Agreements (European Commission, 05/2012 a and b). From economic and trade point of view, Ukraine was invited to take effective action to tackle conflict of interest and corruption as well as specific obstacles to business and investment; address the trade and trade related reforms laid down in the Association Agenda with a view to facilitate the implementation of the future DCFTA. They should establish a macroeconomic framework, conducive to the resumption of IMF support addressing inter alia issues of fiscal sustainability in the energy sector and to address outstanding issues of transparency and accountability in public finance management, making use of EU technical assistance in this area. The last one is a condition for continued EU budget support and EU macro-financial assistance. Sustained improvements in public finance management are also essential for continued EU budget support. Also they have to coordinate better EU assistance and optimize its effectiveness by facilitating project and expert registration and integrating experts better in their respective working environment. On the other side, Republic of Moldova should accelerate the privatization process, in particular for remaining large state owned enterprises in telecommunications, transport, energy and the financial sectors. They should continue to advance sector reforms and regulatory approximation to the EU *acquis* in trade and trade related areas, based on the recommendations identified in the preparation for the DCFTA and to reinforce competition and state aid legislation.

EXISTING CROSS BORDER COOPERATION GRANT SCHEMES IN THE TARGET AREA

Cross-border cooperation (CBC) is an integral component of the EU's European Neighbourhood Policy (ENP), and of the EU-Russia Strategic partnership. It likewise features in associated regional policies such as the Euro-Mediterranean Partnership and the Eastern Partnership. It aims to promote co-operation across the borders between EU Member States and the countries on the European Neighbourhood and Russian Federation. The ENP was updated in 2011, partly in response to the Arab Spring. The main objectives of the new policy involve building deep democracy, supporting inclusive economic growth, strengthening the Eastern and Southern regional dimensions and providing mechanisms and instruments to support these objectives. The ENP is complemented by other important EU external policies as Eastern Partnership that was launched as a tailored branch addressed to the Eastern partner countries.

For the 2004-2006 programming period on the actual Eastern border of EU and covering mainly Ukraine and Republic of Moldova there were four Neighbourhood Programmes with the budget covered from two different sources, one for the Member State or the future Member State (case of Romania) and one for the Partner country, Tacis CBC fund: Neighbourhood Programme Poland-Belarus-Ukraine (INTERREG III A/Tacis CBC), Neighbourhood Programme Hungary-Slovak Republic-Ukraine (INTERREG III A/Tacis CBC), Neighbourhood Programme Romania-

Ukraine (Phare CBC/Tacis CBC) and Neighbourhood Programme Romania-Republic of Moldova (Phare CBC/Tacis CBC).

For 2007-2013 programming period it is in place the European Neighbourhood Partnership Instrument (ENPI) through which there are financed three programmes on the actual Eastern border of EU and covering mainly Ukraine and Republic of Moldova: Joint Operational Programme Poland-Belarus-Ukraine, Joint Operational Programme Hungary-Slovakia-Romania-Ukraine and Joint Operational Programme Romania-Ukraine–Republic of Moldova. In the period 2007-2013 total funding under the ENPI CBC programme is expected to amount to some 1,118 million Euro, with around 527 million Euro coming from ENPI and the balance from ERDF funds.

The main priorities of the above mentioned programmes are built around economic and social development, environment management and protection, increase of the security and efficiency of the border by proper management and the "People to people" component (CBC Programme Pl-By-Ua, 2008; CBC Programme Hu-Sk-Ro-Ua, 2008; JOP Ro-Ua-Md, 2008). The main applicants for all three programmes, with exceptions depending on the specificity of the participant countries in the programme, are the public administration – regional and local authorities, non-governmental/ non-profit organizations or other institutions such as universities, chambers of commerce, business non-profit associations or others. For profit entities (small business, companies, etc) are not eligible but they can be target group or project beneficiaries, mainly for the priorities targeting economic development. One of the most important specificities of those programmes is that the partnership across countries is mandatory and at least one partner from the Member State has to be included in the project. This issue is the engine of the cross border partnership along the Eastern border and it helps for the know-how transfer from the EU to the partner countries in the aspects of project management.

FEATURES FOR A NEW CROSS BORDER GRANT SCHEME FOR SMEs

The funding opportunities for European SMEs in the frame of EU are multiple (European Commission, 2011). From the measures assumed by the Member States in the Small Business Act (European Commission, 2008) and that can be implemented by the partner countries a significant number can be included through joint programmes that are targeting on SMEs. Those would support project that:

- ensure that the importance of entrepreneurship is correctly reflected in teacher training;
- provide mentoring and support for business transfers;
- ensure that re-starters are treated on an equal footing with new start-ups, including in support schemes;
- establish a contact point to which stakeholders can communicate rules or procedures which are considered to be disproportionate and/or unnecessarily hinder SME activities;
- ensure full and timely implementation of the Services Directive, including the setting up of points of single contact, through which businesses can obtain all relevant information and complete all necessary procedures and formalities by electronic means;
- set up electronic portals to widen access to information on public procurement opportunities below the EU thresholds;
- encourage constructive dialogue and mutual understanding between SMEs and large buyers through activities such as information, training, monitoring and exchange of good practice;
- refocus State Aid policy to better address SMEs' needs, including the design of better targeted measures;
- develop financing programmes that address the funding gap between €100 000 and €1 million, in particular with instruments combining features of debt and equity, while respecting State Aid rules;
- make full use of funding available in cohesion policy programmes and the European Agricultural Fund for Rural Development, in support of SMEs;

– provide SMEs with advisory services including support to defend themselves against unfair commercial practices;

– encourage the efforts of SMEs to internationalise and become high growth enterprises including through participation in innovative clusters;

– promote the development of SMEs' competences in the research and innovation field by means of, e.g. simplified access to public research infrastructure, use of R&D services, recruitment of skilled employees and training, as allowed for in the new Community Framework for State Aid for research, development and innovation;

– open up national research programmes where this is of mutual benefit to SMEs from other Member States and contribute to SMEs' access to trans-national research activities, e.g. through joint programming support the development of an electronic identity for businesses, to enable e-invoicing and e-government transactions;

– encourage coaching of SMEs by large companies in order to bring them to international markets.

On the other side, the core objectives of cross border cooperation and the base of a new neighbourhood partnership instrument for the timeframe 2014-2020 should be build in order to support sustainable development along both sides of the EU's borders, to help decrease differences in living standards across these borders, and to address the challenges and opportunities following on EU enlargement or otherwise arising from the proximity between regions across our land and sea borders. In order to support the core objectives, the strategic objectives should be at least to promote economic and social development in regions on both sides of common borders, to address common challenges, in fields such as environment, public health and the prevention of and fight against crime, to promote better conditions and modalities for ensuring the mobility of persons, goods and capital and further to promote local cross border "people-to-people" initiatives as an important element to be deployed in support of any or all of these objectives.

In order to find the best approach for including the SMEs, as grant beneficiaries not only possible target group, in a grant scheme designed mostly for non-profit entities such as public administration, non-governmental organizations, institutions as universities, chambers of commerce or non-profit business associations, we have to consider the steps of development of a SME and the associated used financing solutions (Figure no.2), namely the start-up period with personal fund, friends and family or business angels and later steps when more professional sources are attracted such as venture capital or private equity funds (Prelipcean, Boscoianu, 2012a).

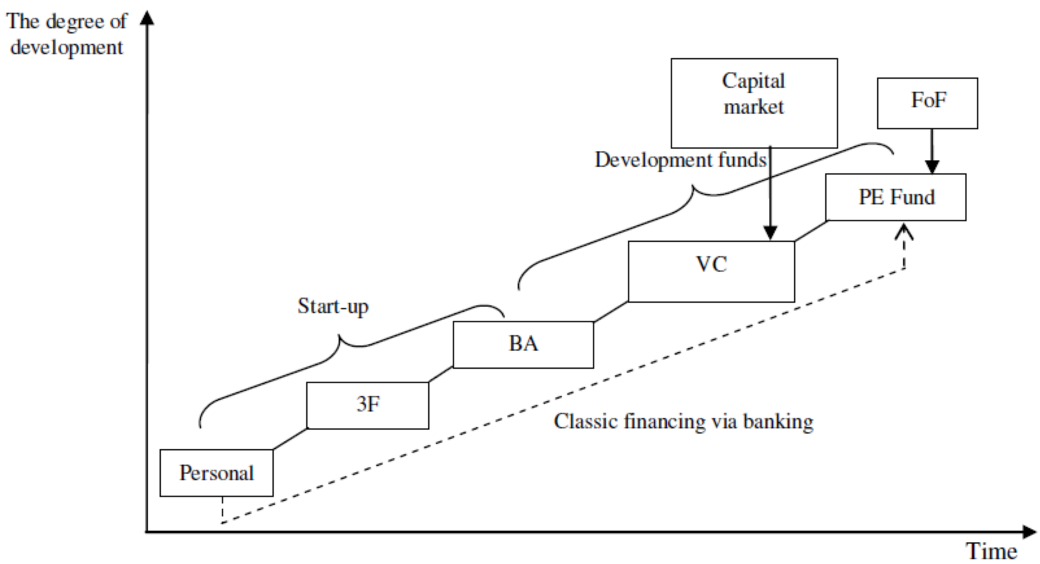

Figure no. 2. The steps of development of an SME and their associated financing solution
Source: G.Prelipcean, M. Boscoianu, Optimal investment strategies for SMEs in critical and turbulent period, 2012

The proper intervention of a grant type source would be mainly at the start-up level due to the smaller amount needed compared with the amounts for the developed stage and due to the 'seed profile' of the grants. The grant will not substitute Family and Friends Funds (FFF) or Business Angels (BA) financing solutions but will help SMEs to prepare for accessing these solutions (training, coaching, networking, fundraising, etc.). Building of a new grant scheme that includes SMEs next to classic grant beneficiaries should start from existing features with improvements and it could have a shape of a sub-scheme in a larger programme with the form of a Public Private Partnership – Fund of Funds (PPP-FoF) (Prelipcean, Boscoianu, 2012b). Due to the awareness and the source of funding, European funds, it should be maintained the Joint Operational Programme umbrella meaning that the main public sources for fund are: European Union, Romania as Member State, Ukraine and Republic of Moldova as partner countries, even if in the actual programme the two partner countries are not contributing directly, only through the beneficiary co-financing and as pilot area should be the crossborder area Romania-Ukraine-Republic of Moldova as described in the introduction of the article. The core issue of the cross border programme, that the partnership across countries is mandatory, it is mainly important as long as the programme shape is of a cross border one and not an initiative dedicated to SMEs. An added feature from this point of view is that the partnership with an already-crossborder-grant beneficiary should be mandatory (ex: university, business association, chamber of commerce or other) due to the experience of the 'old beneficiaries' and to reduce the risk of spending the grant and not to achieve the stated results of the project. Also the sub-scheme should consider incentives in order to encourage some specific business, for example innovative business, or the SMEs partnership across countries in a form of extra-points in the evaluation process.

For a bottom-up approach and a proper matching of the scheme features with the needs of the SMEs in the targeted area, some necessary steps should be considered the first important one being the consultation with the stakeholders, namely the actual cross border grant beneficiaries, SMEs or representatives of them, business associations, authorities from the future programme countries, possible private stakeholders, and not the last the European Commission. The follow-up steps should include drafting the scheme for the fund and the Joint Operational Programme, the rules for implementation and guidelines and a clear evaluation procedure.

CONCLUSION

The actual context allows on the one side, grant schemes for SMEs in Member States through the structural funds and on the other side grant schemes in cross border cooperation context in the Romania-Ukraine-Republic of Moldova area through European Neighbourhood Partnership Instrument but only for non-profit entities, not allowing a mixture of the both approaches.

The paper proposes a new approach that is based both on the inclusion of SMEs as potential beneficiaries of a classic grant scheme and the cross border cooperation approach. The existence of such a scheme could help boosting the cross border economic activity in the area by SMEs development, these being considered the engine of the economy, and by increasing the economic partnership that will be focused more on the private and entrepreneurial area than in the institutional one.

The analyze for an initial setting up a future grant sub-scheme for SMEs started from the actual European economic framework with target on the legal European frame concerning the SMEs, the economic background of the target area, existing cross border cooperation grant schemes for the target area designed for different beneficiaries and the specificity of the financial instruments dedicated to SME's. The proposed features combine a classic grant scheme designed for non-profit beneficiaries with the specificity of financing the SMEs sector, trying to minimize the risks of grant deficient using and to use the already gained experience of the former beneficiaries of cross border cooperation funds.

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