

Executive summary

Given its sizeable contribution to economic performance and social well-being, a robust small and medium-size enterprise (SME) sector is critical to the prosperity of an economy. This is especially true for the European Union (EU) pre-accession economies (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, the Republic of North Macedonia, Serbia, and Turkey), where SMEs account for close to three-quarters of those employed in the private sector, and generate two-thirds of private sector value added. Despite this, their potential remains largely untapped: SMEs are under-represented in international trade and their contribution to value added remains low as they have difficulties in moving or expanding into high-value added activities.

Developing a dynamic and competitive SME sector has become even more of a priority for the region's governments as they advance toward EU accession. The European Commission's recent Strategy for the Western Balkans has injected fresh momentum into the accession process, offering further opportunities to strengthen the economies' competitiveness and deepen their economic integration with the EU.

Against this backdrop, this report provides a comprehensive overview of the implementation of the ten principles of the Small Business Act for Europe (SBA) in the seven EU pre-accession economies over the period 2016-18. It aims to support the economies in evidence-based policy making, monitors progress against similar assessments performed over the past decade, and provides guidance to help them prepare for negotiating their accession to the EU.

Since the last edition of the *SME Policy Index* in 2016, the EU pre-accession economies have made significant strides in building a more SME-friendly policy environment. They have continued to reduce the administrative burdens on SMEs by streamlining registration processes and extending the scope of digital public services. They have strengthened their legal frameworks for insolvency, and further simplified their public procurement procedures to reduce SMEs' barriers to participation. While favourable external financing conditions have somewhat eased SMEs' access to bank finance, governments have also stepped up their efforts to lay the groundwork for non-bank financial instruments in order to diversify financing sources.

During the assessment period, support measures for SMEs have also gained traction, and public funds have been earmarked at a growing rate to implement the actions planned under the various SME development strategies. Small-scale funds targeting high-growth innovative SMEs have been rolled out, and an expanding network of incubators, accelerators and science and technology parks in the region provides vital support.

* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

Schools and higher education institutes across the region are increasingly developing students' entrepreneurship competences and stimulating their entrepreneurial mindsets.

Nonetheless, there is further room for progress and SMEs across the region still grapple with numerous challenges that hamper their growth and productivity. Based on the assessment's findings, the report makes the following principal recommendations:

- **Strengthening evaluation in the policy cycle would allow for informed SME policy making.** Although monitoring of SME support programmes is already well established across the region, systematic evaluation of their efficiency and efficacy has yet to become embedded into the policy cycle. Given the increasing amount of state aid funnelled to SMEs, governments need to ensure they are making optimal use of public resources. Therefore, before they scale up existing support measures further, they should first assess their impact and identify those worth continuing.
- **Enhancing regulatory conditions for SMEs would contribute to their competitiveness.** In spite of efforts to create a level playing field for SMEs, consideration of their unique needs has yet to be mainstreamed into policy making across the region. Regulatory impact analysis is not carried out regularly, even where legally required, and its use in gauging the impact of legislation on SMEs remains untapped. Governments need to intensify their engagement with the private sector in cutting red tape and when developing new policies affecting SMEs. Bankruptcy procedures could be made more efficient by reducing the time between liquidation and formal debt cancellation, to allow failed entrepreneurs to start new businesses. Furthermore, well-designed tax provisions are needed to reduce the disproportionate compliance burden imposed on SMEs by the tax system.
- **Supporting SMEs to scale up would enhance their productivity.** SMEs in many of the region's economies have barely grown in terms of their share of employment or value added compared to large enterprises. Thus, a co-ordinated policy approach is needed to help SMEs further improve their productivity and to scale up. To that end, systems to understand the demand for and supply of skills need to be strengthened across the region to better identify SMEs' needs and devise training programmes accordingly. Credit guarantee schemes and greater use of alternative financial instruments would further enable SMEs to grow by facilitating their access to finance. Initiatives to raise awareness among SMEs of the advantages of greening their activities should be implemented with a view to improving productivity. Governments also need to actively promote links between multinational firms and SMEs since these partnerships can be instrumental to SME growth.
- **Expanding regional co-operation over SME development would help economies make better use of their resources and reap the benefits of enhanced economic integration.** Given the size of the Western Balkan economies, better regional co-operation in providing certain resources – such as innovation and quality infrastructure – would be a cost-efficient way to help them scale up beyond their domestic capacities. Doing so would also underpin economic integration efforts, contributing to enhanced intra-regional trade, as well as the creation of knowledge-sharing networks.

These recommendations should serve as a blueprint for the Western Balkans and Turkey in removing barriers to SME development and unleashing their potential to drive inclusive economic growth

Follow OECD Publications on:



http://twitter.com/OECD_Pubs



<http://www.facebook.com/OECDPublications>



<http://www.linkedin.com/groups/OECD-Publications-4645871>



<http://www.youtube.com/oecdilibrary>




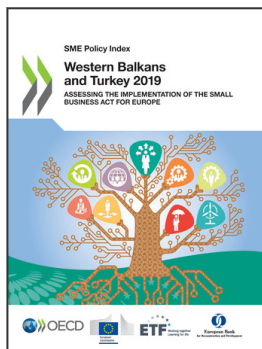
<http://www.oecd.org/oecddirect/>

This book has...

StatLinks 

A service that delivers Excel® files from the printed page!

Look for the *StatLinks*  at the bottom of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the *http://dx.doi.org* prefix, or click on the link from the e-book edition.



From:

SME Policy Index: Western Balkans and Turkey 2019

Assessing the Implementation of the Small Business Act for
Europe

Access the complete publication at:

<https://doi.org/10.1787/g2g9fa9a-en>

Please cite this chapter as:

OECD, *et al.* (2019), "Executive summary", in *SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/7dbc36ec-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.