

# Foreword

The COVID-19 pandemic and the Russian war of aggression against Ukraine have caused a significant economic shock at the global level leading to lower growth and higher inflation. With fewer resources to weather this impact, small and medium-sized enterprises (SMEs) have been particularly vulnerable to the repercussions of this crisis. They have found themselves fighting for their survival, hit by lockdowns, reduced demand and travel restrictions, higher energy prices as well as supply chain disruptions.

SMEs are a vital part of thriving business environments and essential drivers of a sustainable and inclusive economy. In the Western Balkans and Turkey, they make up 99% of all firms, generate around 60% of value added and account for almost three quarters of employment. Given the significant economic role of SMEs, the seven EU pre-accession economies were quick to intervene in the wake of COVID-19, rolling out numerous support measures that were critical in preventing businesses from going bankrupt and avoiding a long-term economic recession. Meanwhile, EU-financed support packages eased SMEs' access to finance, preventing a massive wave of job losses. However, while the recovery from the pandemic remains underway, the region's governments are once again being called on for targeted support, as the negative effects of the war in Ukraine are spilling over to SMEs across the region.

This sixth edition of the *SME Policy Index: Western Balkans and Turkey 2022 – Assessing the Implementation of the Small Business Act for Europe* was prepared in close collaboration with around six hundred of government representatives from the Western Balkans and Turkey as well as local and regional stakeholders, including SMEs, and benefited from the support of the European Commission.

It is an important tool to help policy makers design and implement policies to support SMEs and entrepreneurs in their recovery from the pandemic and to boost their competitiveness based on good practices in OECD and EU member states. It provides a comprehensive overview of the implementation status of the ten Small Business Act for Europe (SBA) principles and monitors progress made since 2019. It identifies the vulnerabilities to which SMEs are exposed in the seven EU pre-accession economies and makes recommendations to address them and reinforce their resilience to future shocks.

Our findings show that the region's governments have significantly ramped up their capacity to provide holistic support to SMEs, allowing them to develop an agile response to the COVID-19 crisis. There were visible efforts to better align policies with SMEs' needs in times of crisis, including the creation of new credit lines and guarantee schemes to improve their liquidity, increasing the availability of digital services such as business registrations and licensing, as well as ensuring the continuity of business support services by moving them online. Many recommendations provided in the 2019 assessment have been implemented, particularly those on addressing financial barriers to SMEs' greening efforts, scaling up support programmes to help SMEs implement standards and boosting innovation activity in the region.

Nevertheless, the need to step up support for SMEs on digitalisation and facilitate their green transition remains. A collaborative approach to designing measures – as well as their related support programmes – should be reinforced, in order to ensure that such measures take SMEs' views into account and address their most pressing needs. Policy makers across the region would also benefit from enhancing their monitoring and evaluation mechanisms to further guide their policy choices.

Given the challenging economic circumstances induced by the pandemic, we commend the strong efforts of the EU pre-accession economies to pursue private sector development through strengthened SME policies. The OECD and the EU will continue to extend their support to the region's governments to ensure tailored policies that promote the recovery of SMEs and entrepreneurs and help them to adapt to the challenges that the pandemic and the war in Ukraine have set in motion.



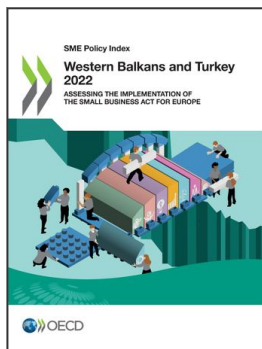
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