



SME Policy Index

Western Balkans and Turkey 2012

PROGRESS IN THE IMPLEMENTATION OF
THE SMALL BUSINESS ACT FOR EUROPE



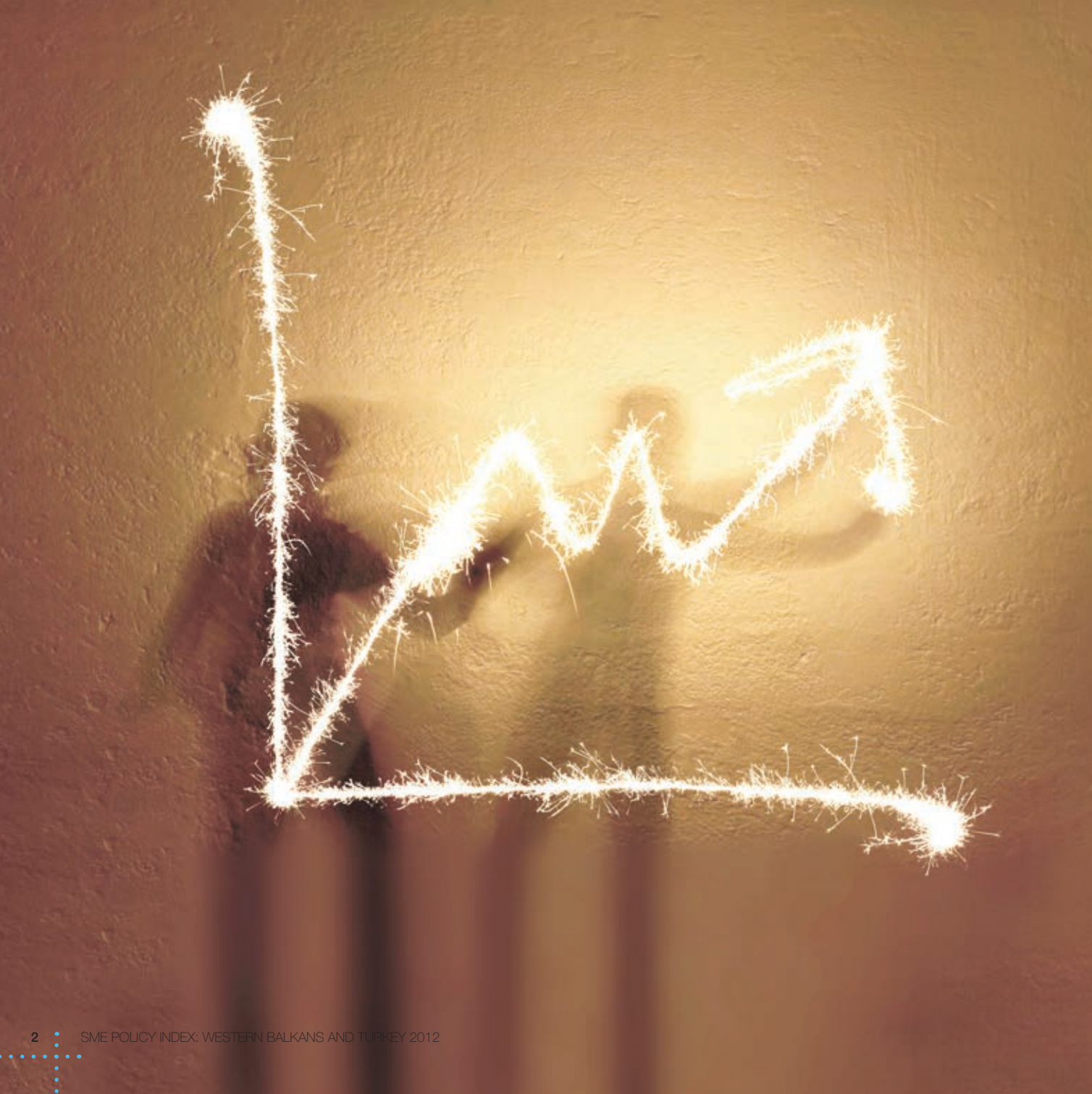
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Introduction

The eight economies of the Western Balkans and Turkey (Albania, Bosnia and Herzegovina, Croatia, Kosovo*, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) differ significantly in size, income level and economic performance. They are also in varying stages of the EU accession process.

In spite of differences, economies of the region share common features. The importance of small- and medium-sized enterprises (SMEs), which account for as much as 92% of all businesses in some economies is, perhaps, the most salient of them. SMEs generate between 61%-81% of private sector employment and make up the largest share of total value added. A sluggish recovery from the global economic crisis – forecasted at 1.1% for the region in 2012 – has affected SMEs and entrepreneurs severely. In order to overcome the present difficult conditions, the governments from the Western Balkans and Turkey are focusing on effective short- and long-term reforms to unleash the potential of SMEs to generate growth and new jobs.

Drawing on its 2007 and 2009 editions, the **SME Policy Index 2012** monitors progress against previous evaluations and lends support to policy makers in developing the SME sector. Built on a set of 108 policy indicators, it provides a framework to assess convergence of national SME policies with the ten principles of the Small Business Act for Europe (SBA), identifies strong and weak points in policy design and implementation, and provides a list of priority actions for reform in each economy. For the first time this year, the Index includes Turkey.

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence. Hereafter referred as Kosovo.

KEY FINDINGS SME Policy Index:

The region has made progress in improving conditions for SMEs and has moved closer to EU standards...

The business environment has improved since the 2009 assessment:

- Economies have made good progress further to reforms aiming to simplify administrative and company registration procedures, strengthen institutions that support SMEs and increase inter-agency cooperation. They have also been successful in facilitating access to finance through reforms to legal and regulatory frameworks and support for entrepreneurial learning.
- Economies from the region have advanced the most in boosting skills development and export promotion.

However, progress has been uneven across the region and the pace of reform is slowing:

- Varying levels of economic development and the fact that some economies are further advanced in the EU accession process have affected economies' capacity to develop and effectively implement SME policies in a consistent and coordinated way.
- The global financial crisis has shifted government attention away from structural SME policy reform toward short-term support measures.

Western Balkans and Turkey 2012

...but performance varies across economies.

CROATIA, SERBIA AND TURKEY LEAD THE WAY

- Croatia, already the best performer in the two previous assessments, shows the highest level of policy convergence, especially in the policy areas covered by the EU acquis, although its progress has slowed.
- Serbia has made good but incremental process across a wide range of policy dimensions, restructuring its SME policy and redesigning its main policy tools.
- Turkey, joining the assessment for the first time, has developed sound and well structured SME policies, although it still needs to improve the general business environment.

ALBANIA, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA AND MONTENEGRO SHOW SIGNS OF PROGRESS

- Business-friendly horizontal policies have been implemented in all three economies, although targeted support measures for SMEs are still in their infancy.
- Albania has an advanced system of company registration, with one-stop services for registration, license and permits, but it is in the process of re-organising its SME support activities and targeted services remain limited.
- The Former Yugoslav Republic of Macedonia has improved its registration systems and introduced regulatory impact analysis on new legislation, but is only now drafting an innovation strategy, and its support services mainly target start-ups.
- Montenegro is also making progress in company registration and regulatory reform but its progress on entrepreneurial learning has lost momentum, and it still suffers from policy gaps in the areas of innovation and SME support services.

BOSNIA AND HERZEGOVINA AND KOSOVO LAG BEHIND, SCORING BELOW AVERAGE IN MOST POLICY DIMENSIONS

- There is no coherent policy framework linking the state level and political entities in Bosnia and Herzegovina. Positive policy experiences are not being translated from the local to the state level.
- Kosovo has made progress with its policy framework for supporting SMEs and in developing skills, but is still too reliant on donor assistance.



SME Policy Performance against SBA Policy Dimensions

The 10 Dimensions of the Small Business Act for Europe

	1	ENTREPRENEURIAL LEARNING AND WOMEN'S ENTREPRENEURSHIP
	2	BANKRUPTCY AND SECOND CHANCE FOR SMEs
	3	REGULATORY FRAMEWORK FOR SME POLICY MAKING
	4	OPERATIONAL ENVIRONMENT FOR SMEs
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	8a	ENTERPRISE SKILLS
	8b	INNOVATION POLICY FOR SMEs
	9	SMEs IN A GREEN ECONOMY
	10	INTERNATIONALISATION OF SMEs

Entrepreneurial learning and women's entrepreneurship

How do national administrations co-operate to promote entrepreneurship across the learning system? How is good practice shared amongst the education and training community? What measures are in place to promote women's entrepreneurship?

All economies in the region have created strategies for entrepreneurial learning, but they need to continue their efforts to build partnerships for lifelong learning, particularly with the private sector and civic interest groups.

The vocational education sector remains the primary source for entrepreneurial training; however governments need to focus more on promoting entrepreneurship at all levels of the education system.

Despite a few good local or national examples there is little sharing of good practice in non-formal entrepreneurial learning across the educational system as a whole. Few economies have provisions for co-operation between universities and businesses.

Most economies treat women's entrepreneurship as an equity or poverty-reduction issue, rather than a lever for increasing competitiveness. Entrepreneurship training for women is lacking and women remain ill-informed about initiatives to help access financing.

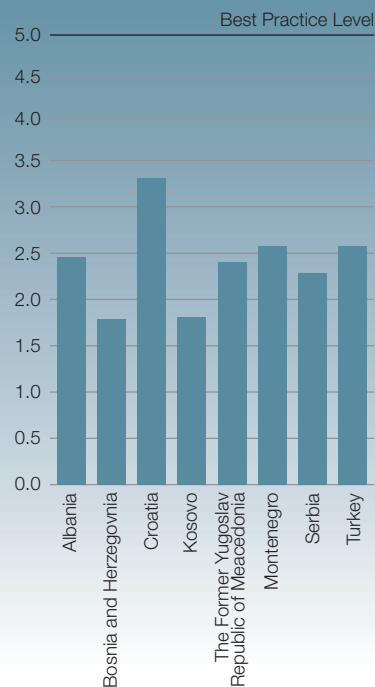
PRIORITY ACTIONS

Build on the regional expert co-operation model in lower secondary education supported by the South East European Centre for Entrepreneurial Learning (SEECEL) and extend it to the upper secondary level.

Foster systemic links between the higher education community and businesses, with special attention to promoting entrepreneurial learning across all faculties, not just business schools.

Improve support for women's entrepreneurship and advocacy through targeted programmes, training and access to finance and by strengthening links with EU-wide advocacy networks.

FIG 1: ENTREPRENEURIAL LEARNING AND WOMEN'S ENTREPRENEURSHIP



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Bankruptcy and second chance

Are bankruptcy laws and procedures well structured? Do they facilitate exit and re-entry of businesses into the market? What are the delays and cost of proceedings?

All of the economies have bankruptcy laws and in Croatia, Montenegro, Serbia and Turkey these are in line with international standards. Legislation is at an early stage of implementation in Albania and Kosovo.

The time needed to clear bankruptcy, the cost incurred and the recovery rate vary significantly across the region with Albania, Montenegro and the Former Yugoslav Republic of Macedonia performing above average in all measures.

Mentalities still need to be changed about entrepreneurial ‘failure’. Some economies withhold loans, support and access to public procurement from entrepreneurs who underwent non-fraudulent bankruptcy until they have cleared their debts.

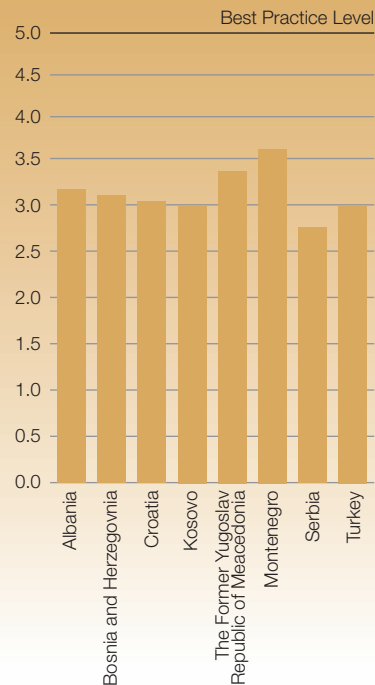
PRIORITY ACTIONS

Streamline and improve bankruptcy procedures in Croatia, Serbia and Turkey. Having effective and efficient procedures in place to ensure legal recourse in the event of non-repayment of loans would make lenders less reluctant to extend credit.

Launch information campaigns to promote the second chance principle for entrepreneurs.

Ensure a system of automatic deregistration from the insolvency register after debt clearance.

FIG 2: BANKRUPTCY AND SECOND CHANCE



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Regulatory framework for SME policy making

How sophisticated is the institutional framework for SME policy making? Have governments advanced reforms in legislative simplification? Are public-private consultations inclusive and effective?

The region scored highest in this dimension thanks to a solid institutional, regulatory and consultative framework in most economies. Bosnia and Herzegovina and Kosovo still lag significantly behind, although Kosovo has made some improvements since the 2009 assessment.

Some economies have undertaken significant measures to simplify and eliminate legislation, most notably Serbia with its comprehensive review of existing legislation, although Croatia is ahead of schedule with its regulatory reform programme.

Regulatory Impact Analysis (RIA) is in place or is planned in the six leading economies. No economy has implemented SME tests although some are piloting this approach.

Most economies offer the private sector opportunities to comment on draft laws and regulation although in Albania and Croatia there is little evidence that the comments have any tangible effect.

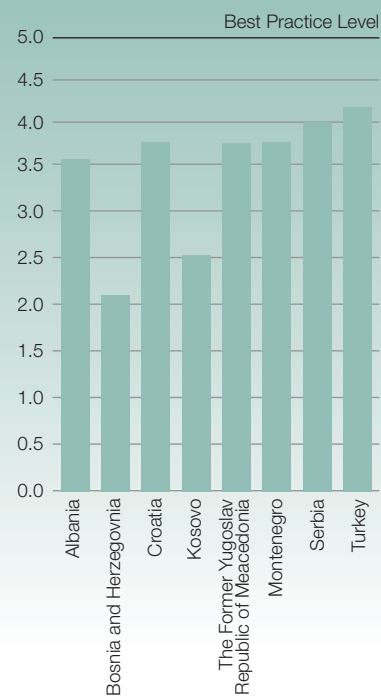
PRIORITY ACTIONS

In Bosnia and Herzegovina and Kosovo, make further efforts to close the gap – in all areas for Bosnia and Herzegovina and particularly in legislative reform and RIA for Kosovo.

In the other six economies, place more emphasis on monitoring the implementation of their programmes and their impact on the SME sector.

Involve SMEs from an early stage in the policy-making process. Consultations should be systematic to ensure that the voice of the business community is reflected in government policies and programmes.

FIG 3: REGULATORY FRAMEWORK FOR SME POLICY MAKING



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Operational environment for SMEs

Have regulations been simplified to reduce cost and procedures for SMEs? Do the governments of the Western Balkans and Turkey take advantage of e-government tools?

All of the EU pre-accession economies, with the exception of Bosnia and Herzegovina, have established efficient company registration processes – and even one-stop shops (OSSs) and online company registration in some cases.

Most economies have a single company identification number or plan to introduce one. However, taken as a whole, the business start-up process remains cumbersome and costly once all expenses are taken into account.

Most of the economies are planning or implementing e-government services, although the range available is still quite limited. All except Bosnia and Herzegovina and Kosovo have a framework for e-signatures either in place or in the pipeline.

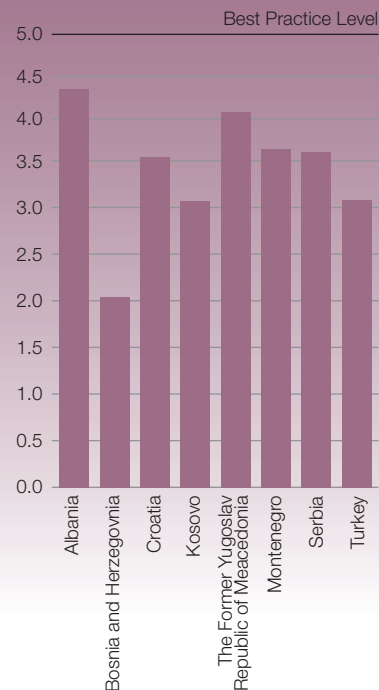
PRIORITY ACTIONS

Beyond simplifying company registration, reduce the spectrum of costs and time associated with starting up a business through further establishment of OSSs and greater reduction of compliance requirements.

Expand the function of one-stop shops in economies where the registration process has already been streamlined. Ultimately OSSs should become agencies that provide a wide range of services to the entire business community.

Expand the range of e-services available, following Croatia's lead in establishing a dedicated e-government agency.

FIG 4: OPERATIONAL ENVIRONMENT FOR SMEs



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Support services for SMEs and start-ups

What kind of support services for SMEs and start-ups are available and accessible? Are the governments of the Western Balkans and Turkey identifying and addressing market failures in business services delivery?

Although basic business support services are available across the region, only Croatia, Montenegro, Serbia and Turkey have integrated them into national strategies including measurable targets.

The range and quality of support services available to SMEs have improved only marginally since 2009 except in Croatia, Serbia and Turkey. In most cases, services are provided on an *ad hoc* basis and through donor-sponsored initiatives.

Information on starting and running a business is fragmented. There are few web portals specifically dedicated to SMEs, and where they do exist they are not always kept up to date.

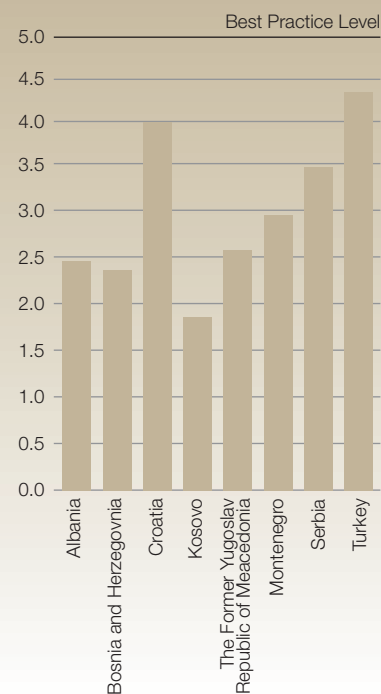
Support for start-ups includes business incubators as well as vouchers, grants and loans on favourable terms but in most economies such schemes are too small-scale to make an impact.

PRIORITY ACTIONS

Adopt more strategic approaches to the development of business support services, ensuring that services are developed in a co-ordinated way and integrated with SME strategies.

Broaden the range of services offered by public service providers, while at the same time enhancing the business environment for private providers.

FIG 5a: SUPPORT SERVICES FOR SMEs AND START-UPS



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Public procurement

What policy mechanisms and tools are in place to encourage SMEs to participate in public procurement?

All of the economies have made major efforts to improve the public procurement framework and have laws making it possible to cut tenders into smaller lots. In most cases the information on procurement contracts is freely and centrally available and some governments provide a dedicated procurement helpdesk and training.

All economies have legislation allowing foreign companies to compete for public tenders on an equal footing with domestic ones.

The region is making a visible effort to provide e-procurement solutions particularly in the Former Yugoslav Republic of Macedonia and Albania where tenders can be handled entirely electronically.

The only economy with a specific policy to combat late payments for public procurement is Croatia.

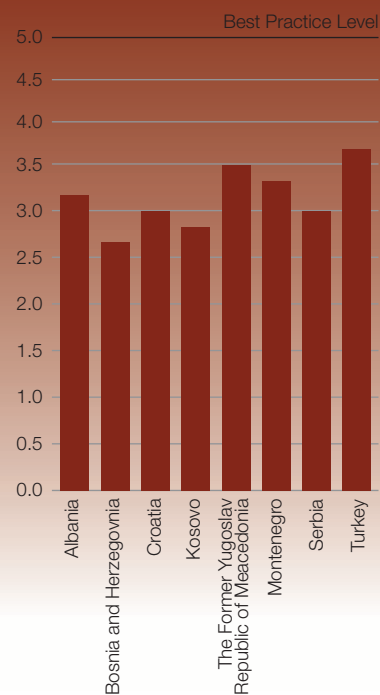
PRIORITY ACTIONS

Pass laws to combat late payment, which is a prerequisite for accession to the EU.

Ensure that the qualification levels and financial requirements for public procurement don't discriminate against SMEs.

Devote more resources to implementing a more comprehensive e-procurement framework.

FIG 5b: PUBLIC PROCUREMENT



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Access to finance for SMEs

What are the sources of external financing for SMEs in the Western Balkans and Turkey? Is the legal and business environment supportive to timely payments in commercial transactions?

The 2009 financial crisis has made it more difficult to access external finance, even in Turkey, which has continued to grow buoyantly but seen a slowdown in lending growth and capital outflow.

After banking, microfinance and leasing are the most developed sources of finance across the region; alternative financial instruments such as venture capital and private equity remain limited in scope. Public support for SMEs and start-ups is limited and has decreased in some economies.

The legal and regulatory environment has generally improved, particularly in the area of land registry and movable asset registration systems. Banks remain risk-averse and collateral requirements high.

Credit information systems have also improved, but strengthening and enforcing creditors' rights remains a challenge in Albania, Bosnia and Herzegovina, Croatia and Kosovo.

Financial literacy levels are relatively low and programmes to increase them have only recently begun.

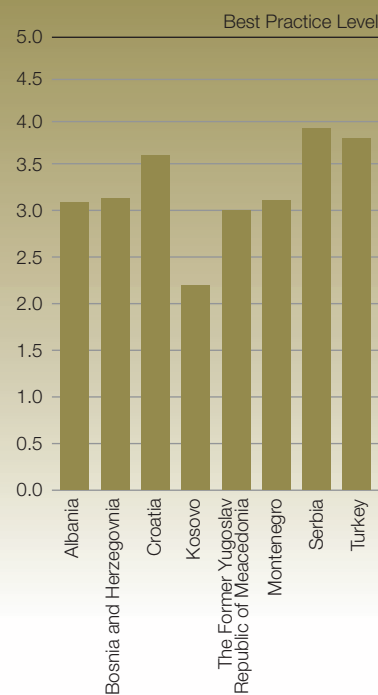
PRIORITY ACTIONS

Reduce the listing requirements for SMEs on exchanges in order to facilitate access to capital and help to enhance corporate standards despite small markets and few institutional investors that characterise the region.

Improve access to finance for SMEs through programmes of targeted and non-distortionary public financial support, administered through the private sector.

Further enforce creditors' rights while assessing and improving levels of financial literacy.

FIG 6: ACCESS TO FINANCE FOR SMEs



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Standards and technical regulations

Are the Western Balkans and Turkey eliminating technical barriers to trade in the area of industrial and agricultural products to move forward on their trade agenda?

In general the economies of the region are implementing trade-related regulatory standards, with Croatia and Turkey performing best, as would be expected due to Croatia's accession negotiations and Turkey's customs union:

- **The legislation and infrastructure for technical regulations** is being put in place for all economies, although it is still in the draft stage in Montenegro.
- **Most economies have adopted some or all EU standards and aligned their sanitary and phytosanitary standards.** Most national standards bodies are affiliated to or signatories to European standards committees.
- **Most economies are working towards putting effective accreditation, conformity assessment, metrology and market surveillance infrastructure** into place and upgrading their institutes in accordance with EU requirements.

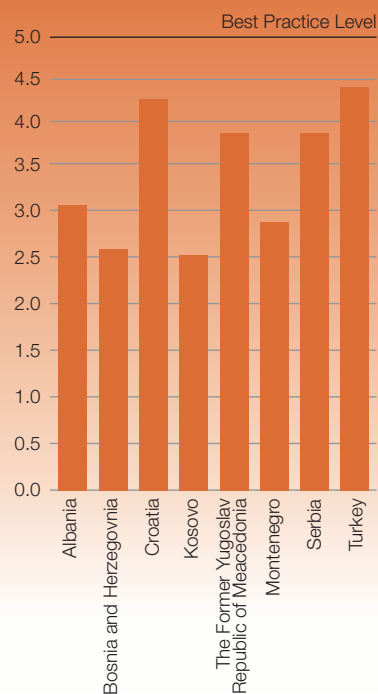
Some efforts have been made to establish an export promotion network to provide up-to-date information about EU and Member States requirements.

PRIORITY ACTIONS

All governments, apart from Croatia and Turkey, need to continue to align with the EU, while all economies need to make further efforts to upgrade their quality infrastructure and align it with the legislative framework of the EU.

Albania, Kosovo and Montenegro should improve their provision of administrative and regulatory information to the business community, and especially to SMEs.

FIG 7: STANDARDS AND TECHNICAL REGULATIONS



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Enterprise skills

Are quality training and advisory services widely available to SMEs? How do economies assess the quality of training and learning outcomes?

All the economies have well-developed training provider networks for both management and trade skills and quality assurance systems in place but need to pay more attention to the knowledge and skills required by those sectors trading with the EU.

Most economies provide some dedicated support for training for businesses with growth potential although the type of enterprises benefiting from this support varies widely across the region.

Most economies lack comprehensive statistics on skills and training needs within SMEs although efforts are being made to gather information by chambers of commerce and regional development agencies.

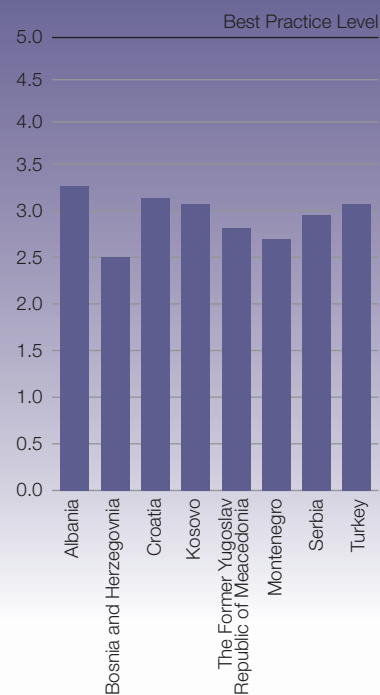
PRIORITY ACTIONS

Gather systematic data on enterprise skills and skills gaps and weaknesses to improve policy making and resource allocation. This should be done by governments in co-operation with the business community.

Establish sector skills councils, or reinforce the existing councils, particularly for those sectors trading with the EU.

Share good practice and co-operate amongst economies in areas of common interest such as the agri-food sector, a priority sector for reform in the entire region.

FIG 8a: ENTERPRISE SKILLS



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Innovation policy for SMEs

Is innovation policy coherent and strategic in supporting SME growth? What policy tools have been implemented to support technology transfer to SMEs?

Innovation policy is at an early stage of development and in most economies limited to small-scale *ad hoc* initiatives with low budgets and no overarching innovation strategy.

There are a few programmes to support SME innovation, such as technology centres and linking enterprises with researchers, but information about services is limited except in Croatia and Turkey. Around half the economies provide some financial support for innovation.

Croatia, the Former Yugoslav Republic of Macedonia and Serbia have done most to enforce intellectual property rights (IPR) and align their legislative framework with the EU. The rest of the region is making some progress although Kosovo has only just begun.

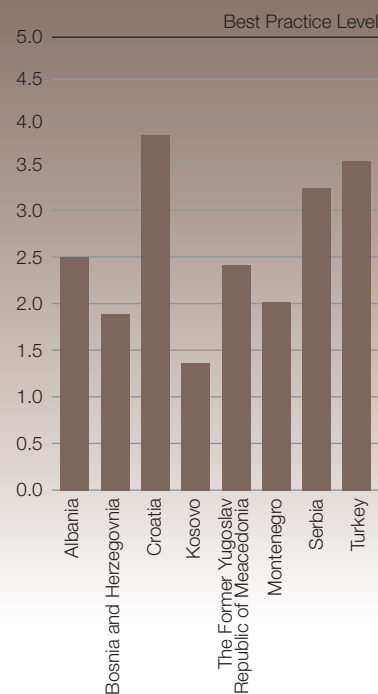
PRIORITY ACTIONS

Create an innovation strategy – in economies lacking one – which underpins all the other services

Enhance the monitoring and evaluation of public programmes in the more advanced economies, to ensure that their policy tools are effectively addressing market failures without introducing market distortions.

Further strengthen IPR protection.

FIG 8b: INNOVATION POLICY FOR SMEs



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

SMEs in a green economy

Are SMEs aware of green growth opportunities? How are governments promoting eco-innovation and eco-efficient business models?

Except for Turkey, current enterprise and SME policy documents make little mention of eco-efficiency and eco-innovation and have no environment-related measures targeting SMEs. This would suggest that most economies consider environmental protection and SME development as separate policy areas.

In all economies, SMEs show little awareness of how they could improve their environmental performance through environmental management systems (EMSs) and standards. The availability of environmental information varies across the region.

Most governments provide no specific support for environmental certification for businesses, although some companies have gained ISO 14001 certification.

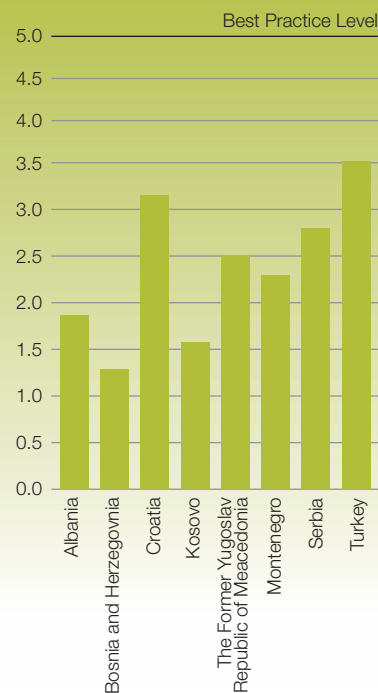
PRIORITY ACTIONS

Recognise green growth and innovation as enterprise and SME policy priorities, and create policy frameworks linking them to clear measures and targets.

Provide access to environmental information relevant to SMEs, including information on legislation, environmental management tools and green funding opportunities.

Support the implementation of effective EMSs, by first making information about them more available, and then considering financial support for companies wishing to acquire environmental certification.

FIG 9: SMEs IN A GREEN ECONOMY



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

Internationalisation of SMEs

To what extent are governments supporting the promotion of export-oriented SMEs to access international markets?

In general, all of the economies have an export promotion policy in place but the level of implementation and budget allocation varies.

- **Croatia, the Former Yugoslav Republic of Macedonia, Serbia and Turkey have the most complex programmes**, offering a wide range of services and export promotion activities.
- **Albania and Montenegro have integrated export promotion programmes but they are more limited** and in Montenegro, financial support for them has declined.
- **Bosnia and Herzegovina and Kosovo have only a limited export base** and their export promotion initiatives are conducted on an *ad hoc* basis.

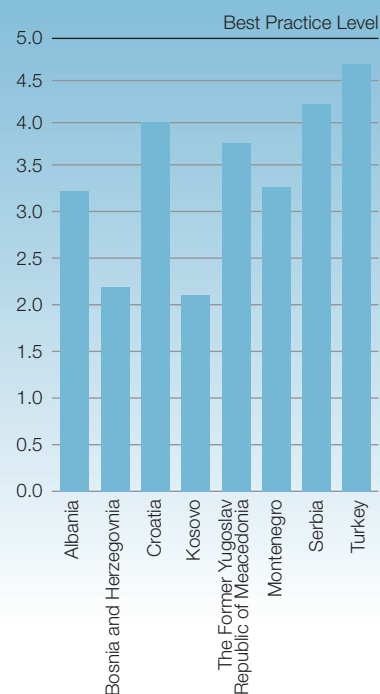
PRIORITY ACTIONS

Ensure that export promotion programmes offer a variety of services to SMEs and are adequately funded.

Ensure that export promotion agencies assist SMEs in accessing foreign markets by enhancing their access to trade finance and export insurance and helping them become creditworthy. Other measures could include providing international market information, helping them find international R&D partners, and supporting the implementation of international quality standards.

Better co-ordinate export promotion activities to avoid overlaps and regularly monitor and evaluate their effectiveness.

FIG 10: INTERNATIONALISATION OF SMEs



Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 the strongest.

A close-up photograph of several interlocking golden gears, likely from a watch movement, set against a dark background. The gears are highly detailed, showing their teeth and the screws that hold them in place. The lighting is warm, highlighting the metallic texture of the brass or gold.

Performance of each economy

Albania

Albania has improved the operational environment for businesses, in particular by facilitating company registration through initiatives such as a one-stop shop for company registration, single company identification numbers and online registration.

Progress has been made in entrepreneurial skills and education, with entrepreneurship recently introduced as a subject across the secondary school curriculum and enterprise skills requirements being tracked by the Albanian Investment Development Agency (AIDA).

However, the replacement of AlInvest with AIDA in 2011 has disrupted the development of a broader range of SME support services and AIDA's information portal is yet to become fully active.

PRIORITY ACTIONS

Ensure that the Albanian government continues to support AIDA due to the important role it will play in SME advocacy and the provision of business services.

Continues the adoption of European standards in order to become a full member of European standards organisations. Albania has already adopted more than 90% of European standards.

Implement the innovation strategy approved in 2009, providing specific targeted services and training to those SMEs with the highest growth and export potential.

KEY FACTS ON THE SME SECTOR IN ALBANIA

SME share of business population: **99.9%** of registered entities

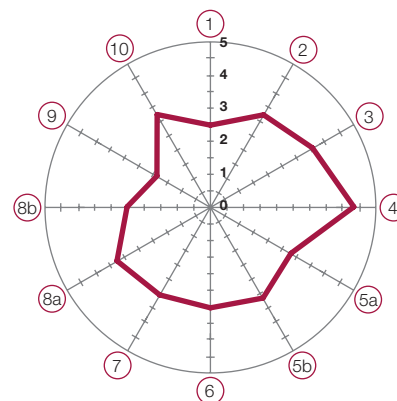
SME share of employment: **81.8%**

SME share of value added: **57.0%**

**SMEs are classified according to number of employees, turnover and/or balance sheet.*

Source: Eurostat

SBA SCORES FOR ALBANIA



- 1 Entrepreneurial learning and women's entrepreneurship
- 2 Bankruptcy and second chance for SMEs
- 3 Regulatory framework for SME policy making
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Bosnia and Herzegovina

The gap between Bosnia and Herzegovina and the other economies of the region has widened since the last assessment and the overall picture is one of policy stagnation. The lack of consensus between the entities – the Federation of Bosnia and Herzegovina and the Republika Srpska – has prevented the development of a coherent state policy framework or the effective co-ordination of entity-level policies.

There have been positive local policy experiences with support services such as incubators, clusters and innovation support programmes, but these are not being transferred from the local to the state level

A state-level entrepreneurial learning strategy has been adopted through a comprehensive state-wide Strategic Working Group.

PRIORITY ACTIONS

Develop a comprehensive policy framework to co-ordinate and harmonise policy interventions at state, entity, and sub-entity levels. The recently established consultative committee on SME policy is a good first step, but it needs to meet more regularly and develop a shared agenda.

Establish a Committee on Entrepreneurial Learning, following the adoption of the state-wide learning strategy, to keep abreast of European policy developments, draw up activity plans and ensure that monitoring and evaluation takes place.

MACROECONOMIC INDICATORS FOR BOSNIA AND HERZEGOVINA

Nominal GDP: **EUR 12.5 billion (2010); EUR 12.9 billion (2011, est.)**

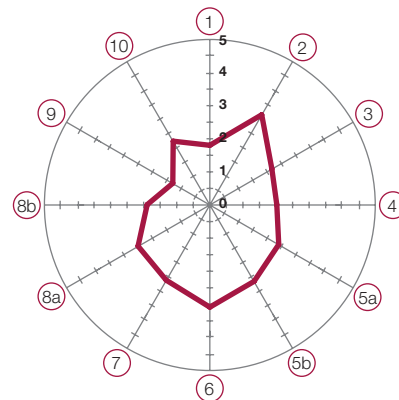
GDP growth year-on-year: **0.7% (2010); 1.8% (2011, est.)**

Net FDI: **EUR 12.8 million (2010); EUR 317.3 million (2011, est.)**

External debt % GDP: **56.9% (2010); 46.6% (2011, est.)**

Source: EBRD 2011 (data collected from World Economic Outlook (IMF), World Bank, National Statistical Agencies and Central Banks)

SBA SCORES FOR BOSNIA AND HERZEGOVINA



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Croatia

Croatia has confirmed its strong performance in the last two assessments by showing the highest level of policy convergence in the region and scoring above regional averages in almost all dimensions except for bankruptcy and public procurement.

Croatia has shown all-round good performance on human capital and women's entrepreneurship, where the value of its strategy lies in its interdependence with other strategies, particularly the national SME strategy.

Croatia has scored highest in those areas covered by the EU acquis; in other areas its momentum has slowed, reflecting its concentration on the accession process.

PRIORITY ACTIONS

Upgrade SME policy, using EU performances rather than regional ones as a benchmark.

Improve the business environment, resuming and widening its programme of regulatory simplification and further streamlining bankruptcy procedures.

Continue governmental support for the development of private equity and venture capital markets, specifically focusing on business service support for innovative, science-based firms

KEY FACTS ON THE SME SECTOR IN CROATIA

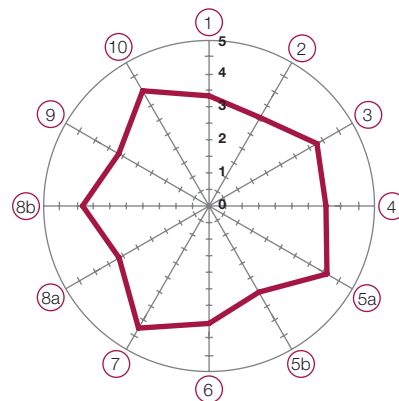
SMEs share in business population: **99.7%** of registered entities

SMEs share in employment: **67.2%**

SMEs share in GDP (2009): **57.1%**

Source: Eurostat

SBA SCORES FOR CROATIA



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Kosovo

Kosovo lagged behind the rest of the region, having started policy development much later than the other economies. It has made progress completing its policy framework for SME support, approving a new SME development strategy, and a new SME Development Agency has started work.

Kosovo's business registration and start-up process is relatively efficient and it has a fairly successful system of public-private consultation in place. In most other areas, policy development is limited and heavily dependent on donor assistance.

The momentum behind Kosovo's drive to promote entrepreneurial learning has slowed since 2009. However, its SME strategy has good coverage of management skills and its SME agency has started to build systematic information about the skills base of the small business community.

PRIORITY ACTIONS

Improve the business environment, ensuring that all new legislation is efficient and transparent through enhanced public-private consultation and some form of regulatory impact analysis.

Further develop institutions and their capacity to implement and monitor business support programmes, progressively taking over the activities that donors are currently funding.

Rebuild partnerships across business, education and civic groups in order to regain the momentum for promoting entrepreneurial learning

MACROECONOMIC INDICATORS FOR KOSOVO

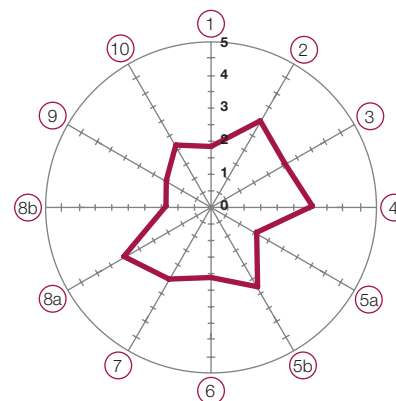
Nominal GDP: **EUR 5.5 billion (2010)**

GDP growth year-on-year: **4.0% (2010)**

Net FDI: **EUR 362 million (2010)**

Source: EBRD 2011 (data collected from World Economic Outlook (IMF), World Bank, National Statistical Agencies and Central Banks)

SBA SCORES FOR KOSOVO



- 1 Entrepreneurial learning and women's entrepreneurship
- 2 Bankruptcy and second chance for SMEs
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The Former Yugoslav Republic of Macedonia

The Former Yugoslav Republic of Macedonia's business environment has improved substantially over the past few years, ranking high on the World Bank's Doing Business Survey, particularly with regard to tax administration, company registration and simplifying regulations.

It has established partnerships and improved policy co-ordination on human capital-related policies. The education and economy ministries work together on entrepreneurial learning while there is a national centre to support teachers and trainers promoting entrepreneurship.

The government is still drafting its new innovation strategy and innovation support remains in its infancy. Its provision of information and support services to SMEs is comparatively limited and mainly targeted at the unemployed starting businesses. Access to finance remains poor.

PRIORITY ACTIONS

Expand the range of business support services to meet the needs of the most dynamic and export-oriented SMEs.

Support current efforts to launch a business angel network to widen access to finance for SMEs.

Integrate a training needs assessment into the SME strategy to determine how well the training network serves small businesses. Specific attention should be given to companies with growth potential linked to EU trade.

KEY FACTS ON THE SME SECTOR IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

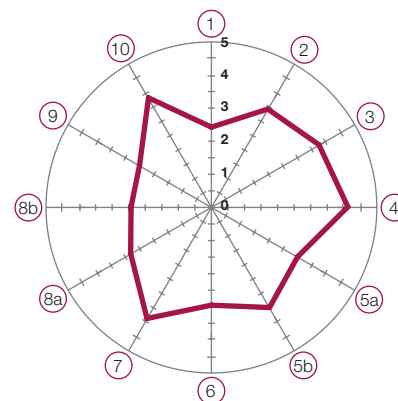
SMEs share in business population: **99.7%** of registered entities

92.8% of businesses are micro-enterprises, with fewer than 10 employees

SMEs share in employment (2008): **74%**

Source: Eurostat

SBA SCORES FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



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Montenegro

Montenegro has made only incremental progress since 2009. Its policies are in place but implementation is falling behind as budgets and resources have been cut due to the economic crisis.

Montenegro has performed well in promoting enterprise skills, with university-enterprise co-operation and good quality assurance for training but its partnership arrangement for lifelong entrepreneurial learning no longer has the resources to provide needed support.

There has been no major improvement to the range of SME support services offered, and innovation remains one of the least developed policy areas, with no institutional or policy framework and few support services.

PRIORITY ACTIONS

Further develop e-government services and focus on setting up a centralised online portal for SMEs.

Re-establish policy momentum in the area of human capital development in a strategic effort to promote skills at all levels, especially in sectors where Montenegro has significant trade with the EU.

Women's business associations should develop their advocacy role to ensure that **broader governmental budgetary support for women's enterprise is on the agenda.**

KEY FACTS ON THE SME SECTOR IN MONTENEGRO

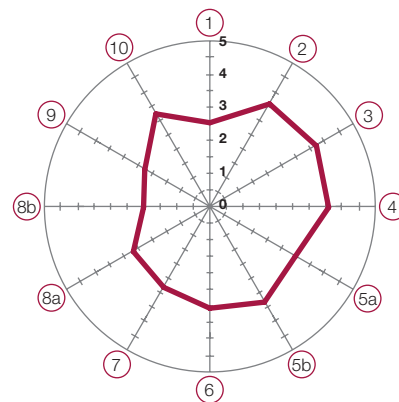
SME share of businesses: **99.6%** of registered entities

88.9% of businesses are micro-enterprises with fewer than 10 employees

SME share of employment: **61.6%**

Source: Eurostat

SBA SCORES FOR MONTENEGRO



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Serbia

Serbia's overall performance has been above the regional average and it has made good, albeit incremental, progress across most of the policy principles and dimensions. Its innovation strategy is among the most advanced in the region.

It has significantly restructured its SME policy, adding a regional development element by transforming its national SME agency into a regional development agency and has merged its Development Fund and Guarantee Fund to provide credit guarantee schemes and public start-up funding.

Serbia has formed good skills policy partnerships: the Chamber of Commerce was closely involved in developing Serbia's entrepreneurial learning strategy through the Council for Entrepreneurial Learning, and a number of organisations are tracking the manpower requirements of small businesses.

PRIORITY ACTIONS

Improve the operational environment by designing and implementing targeted support measures for the most dynamic enterprises. Incubators should be more focused on innovation support for science-based companies.

Improve bankruptcy procedures, specifically by strengthening the efficiency of courts. While a new law has enhanced Serbia's bankruptcy procedures, its courts remain slow and inefficient.

Promote the green economy in order to provide new opportunities for the SME sector. Eco-efficiency and eco-innovation should be prioritised in the next SME strategy along with clear measures and targets.

KEY FACTS ON THE SME SECTOR IN SERBIA

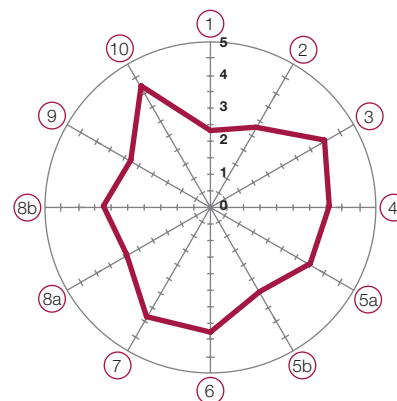
SME share of businesses: **98.8%**
of registered entities

SME share of employment: **65.9%**

SME share of value added: **56.3%**

Source: SBA factsheet 2010-2011

SBA SCORES FOR SERBIA



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Turkey

Turkey, included in the assessment for the first time, has developed a sound and well-structured SME policy, supported by a range of well-established institutions, covering all the key policy dimensions of the SBA.

Turkey scored above average in all measures except for bankruptcy procedures and the operational environment. This reflects its strength in areas such as supporting SMEs, adoption of standards, export promotion and internationalisation.

It has done less well on policies aimed at improving the broader business environment – regulatory reform, company registration and e-government services – as the pace of reform slowed. The regulatory burden on small enterprises remains relatively heavy.

PRIORITY ACTIONS

Improve the business environment and regain momentum for continuing the reform process it began after its structural crisis in 2001, in particular measures to reduce administrative barriers, streamline regulations and introduce an SME test for new legislation.

Introduce a system of regular monitoring and evaluation to ensure that the considerable resources it is channeling into supporting SMEs are being well spent. Interventions can then be more precisely targeted and schemes modified or ended once their objectives have been met.

KEY FACTS ON THE SME SECTOR IN TURKEY

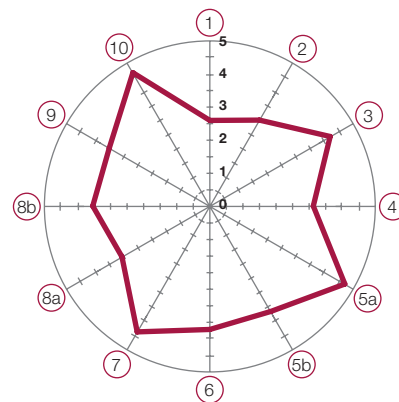
SMEs share in business population (2009): **99.9%** of registered entities

SMEs share in employment (2009): **78.0%**

SMEs share in GDP (2009): **44.9%**

Source: Eurostat

SBA SCORES FOR TURKEY



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CONTRIBUTORS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD),

Investment Compact for South East Europe (SEE)

Launched in 2000, the OECD Investment Compact for South East Europe supports governments of the region to improve their investment climate and foster private sector development. Its members include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, the Republic of Moldova, Montenegro, Romania and Serbia, with Kosovo as an observer.

www.investmentcompact.org

EUROPEAN COMMISSION

The Directorate-General for Enterprise and Industry of the European Commission works to ensure that EU policies contribute to the sustainable competitiveness of EU enterprises and facilitate job creation and sustainable economic growth. It plays a major role in implementing the Europe 2020 strategy for growth and jobs.

www.ec.europa.eu/enterprise

EUROPEAN TRAINING FOUNDATION

The European Training Foundation (ETF) helps transition and developing countries to harness the potential of their human capital through the reform of education, training and labour market systems in the context of the EU's external relations policies.

www.etf.europa.eu

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

The EBRD is an international financial institution that supports projects from central Europe to central Asia. Investing primarily in private sector clients whose needs cannot be fully met by the market, the Bank fosters transition towards open and democratic market economies.

www.ebrd.com

THE CENTRAL EUROPEAN INITIATIVE (CEI)

The Central European Initiative (CEI) is a regional forum that promotes collaboration at the political, economic and cultural level in central and Eastern Europe. Since its inception in 1989, the CEI's main aim has been to support transition countries in the process of integration with the European Union.

www.cei.int

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