



MEETING MINUTES

SME Policy Index 2022: Western Balkans and Turkey

Launch Meeting - Bosnia and Herzegovina

Friday, 2 September 2022

10:00 – 12:00

Zoom meeting



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SME POLICY INDEX 2022 LAUNCH MEETING – BOSNIA AND HERZEGOVINA

FRIDAY, 2 SEPTEMBER 2022

10:00 – 12:00

ZOOM MEETING

10:00-10:20 Opening Remarks

Mr. Karim Dahou, Deputy Director, OECD Global Relations and Cooperation, welcomed the participants to the launch of the sixth edition of the SME Policy Index: Western Balkans and Turkey 2022 for Bosnia and Herzegovina, noting that the meeting comes at a time where global situation is more complex and unpredictable than ever. In the last few years, the COVID-19 pandemic led to a GDP contraction of -3.2% in 2020 and recovery of 7.1% of GDP in 2021 while Russia's unprovoked war against Ukraine has led to price increases of over 14% in May 2022 y-o-y. Mr. Dahou noted that SMEs, making up over 99% of total enterprises, bore the brunt of these consequences, but continue to be an essential driver of inclusive growth with more flexible management styles, specialisations and a large role to play in the green and digital transitions.

In an effort to help build the resilience of SMEs to increasing global shocks, the SME Policy Index has become a key tool to build stronger policies. Mr. Dahou noted that in this regard, the Index has shown that Bosnia and Herzegovina has made excellent progress in implementing electronic registrations of businesses, further harmonising banking regulations with the EU *acquis* and strengthening the regulatory framework for bankruptcy proceedings. However, despite the progress made, policy-makers are confronted with increasing challenges in effectively supporting SMEs today. The SME Policy Index delves into how the government can help SMEs thrive among economic uncertainty, namely by further improving and simplifying the institutional and regulatory framework for SMEs, boosting digitalisation in the public and private sectors, and stepping up support for innovation to develop and commercialise the technology that could contribute to the green and digital transitions.

Mr. Dahou closed his remarks by expressing his sincere gratitude to the European Commission, for its continuous financial support for the OECD's work in Bosnia and Herzegovina and the entire region of the Western Balkans and Türkiye for more than a decade, the Small Business Act co-ordinators at the state and entity-level in Bosnia and Herzegovina, who have facilitated the input collection and supported the OECD's teams for more than a year. He concluded by noting that, as has always been the case, the OECD will continue to work side-by-side with the government of Bosnia and Herzegovina in navigating these complex times and supporting private sector development for inclusive, sustainable and resilient growth.

Ms. Brankica Pandurević, Assistant Minister, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina noted her great pleasure at addressing Mr. Dahou, representatives of the European Commission, members of the OECD and colleagues on behalf of the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina. She expressed her gratitude to members of the OECD for their effort and colleagues, associates and the dimension coordinators from institutions of Bosnia and Herzegovina, who worked hard to collect the data that made this publication possible, and the European Commission for their support on these activities. Ms. Pandurević expressed her great pleasure on the long-standing cooperation with the OECD on the sixth cycle of the SME Policy Index that resulted in recommendations that will help create and develop policies to improve the living standards and competitiveness in all other areas. While every period has its own challenges, the last cycle has been particularly difficult for all the region and Bosnia and Herzegovina. However, despite the extraordinary circumstances of the pandemic, the OECD and Bosnian and Herzegovinian institutions have successfully managed to prepare the publication for 2022 that represents a comprehensive analysis of business environment for SMEs through 12 dimensions, providing several recommendations for investment growth,

employment, reforms that support competitiveness and private sector development. The result of the analysis indicates that Bosnia and Herzegovina has made certain progress in 10 out of 12 dimensions, showing that implementation of recommendations of the previous cycles had very positive effects and that realisation of these recommendations is crucial for improving these key sectors.

Ms. Pandurević underlined some key points showing Bosnia and Herzegovina's progress such as 7.1% GDP growth in 2021 while the average in the EU was 5.4%. Likewise, the export of goods in the economy was also 44.1% of GDP in BiH and 46% in the EU while employment of SMEs in Bosnia and Herzegovina was 63.2% and 65% in the EU, all of which are encouraging indicators that show is heading in the right direction. She acknowledged that although there was progress in 10 dimensions, more effort should be put into ensuring a better business environment for SMEs and hopes that the institutions of Bosnia and Herzegovina will accept the new recommendations and will implement them in the forthcoming period. She expressed her gratitude once more to all the participants of the process on behalf of the Ministry of Foreign Trade, and looks forward to the continuation of the collaboration for the next cycle.

Mr. Vassilis Maragos, Head of Unit for Bosnia and Herzegovina, DG NEAR, European Commission, expressed his gratitude to the OECD and the European Training Foundation for their engagement in this project, together with the coordinators and staff that has been closely involved in the assessment on the side of Bosnia and Herzegovina. He added that the European Commission looks forward to continuing to see the economy advancing on its EU path but also improving policy making and delivering very concrete services to citizens. It is crucial that all actors today work together on these areas and address the remaining challenges that were mentioned. Mr. Maragos echoed Mr. Varhelyi's speech at the launch of the SME Policy Index at the Dubrovnik Forum, noting that the European Commission is extremely glad to support this flagship publication that is producing very concrete results and will provide a major contribution to evidence-based policy making in Bosnia and Herzegovina.

He noted that when talking about SMEs, one is talking about the largest part of the economy. It is an area where all participants can focus on helping SMEs recover from this challenging period and help them remain the key drivers of job creation, innovation and development of new skills that the economy needs. Developing the private sector is essential for the socio-economic development of the economy, for its integration in regional and global markets, but it is also a response to the expectations of the citizens. When looking at Bosnia and Herzegovina's Economic Reform Program of this cycle, it is no surprise that two of the three main challenges noted are closely related to the challenges of the SMEs, namely the need to increase employment and improve the business environment. SMEs are still recovering from the difficulties posed by the COVID-19 pandemic and are now dealing with the consequences of Russia's war of aggression in Ukraine, including the food and energy price increases. Therefore, creating a supportive environment for SMEs, not only to address the current situation, but also to create conditions for an innovative approach to the economy is essential. Mr. Maragos noted that the green and digital transition is an area where the EU can deploy additional tools under the IPA program to help on the issue of access to finance. When it comes to regulatory frameworks, it's crucial to be responsive to the needs of the business community, especially as regards e-commerce. The EU is ready to discuss on how this type of assistance and tools for the private sector can be deployed better and faster, as the business environment continues to be hampered by numerous and lengthy regulatory procedures and low implementation.

Mr. Maragos added that the EU remains committed to assisting the region in this area, as seen through the two technical assistance grants for SMEs provided during the COVID-19 crisis and support for the digital innovation and is also ready to assist with additional funds in early 2023 when it comes to the green and circular economy. When it comes to the next steps on engagement, policy-makers in BiH should carefully consider the specific recommendations that are seen in the SMEPI 2022 as it is a key tool for policy-making on analytical basis and prioritisation of SMEs for the reform agenda. The EU stands ready to provide further technical assistance in cooperation with the OECD on the implementation of this program and believes that SMEs can benefit from this guidance in order to be included in the policy-making in the economy and participate in the policy dialogue to accession the accession process. Mr. Maragos once again extended his gratitude to all the partners in this process

for providing this very valuable tool and expressed the readiness of the European Commission to further engage with the OECD and government on its implementation.

10:20-11:45 Presentation of assessment key findings

Ms. Jovana Pavlovic Djukic and **Ms. Marijana Petrovic**, Project Managers at the OECD South East Europe Division, presented the SME Policy Index (SMEPI) 2022 main objectives and key features as well as the SME sector's main characteristics in Bosnia and Herzegovina.

Subsequently, **Mr. Matija Lojpur**, **Ms. Clémence Girin**, **Ms. Zoé Ryan** and **Ms. Zofia Polakiewicz**, Policy Analysts at the OECD South East Europe Division, presented the SME Policy Index 2022 main findings and recommendations for further improvement. The session also zoomed in on several areas most relevant for future progress in SME policy making, and provided the related OECD and EU good practices.

11:45-12:00 Closing Remarks

Ms. Brankica Pandurević, Assistant Minister, Sector for Economic Development and Entrepreneurship, Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, SBA co-ordinator for Bosnia and Herzegovina, thanked the OECD on behalf of her colleagues for the great support and co-operation provided throughout the SME Policy Index assessment process. She commented on the findings presented in the meeting, noting that Bosnia and Herzegovina achieved progress in 10 out of 12 policy dimensions and highlighted the importance of the recommendations provided in the report. She agreed that Bosnia and Herzegovina should focus more on digitalisation and that in that regard, the forthcoming project led by GIZ, in co-operation with the OECD, on the digitalisation of SMEs would be very valuable. She mentioned that the project aimed at developing an online forum collecting statistics on digitalisation from several sources for analytical purposes, and would guide the government's work in the future.

Ms. Vesna Grković, Programme Manager for SMEs and Local Economic Development in the EU Delegation to Bosnia and Herzegovina, thanked Ms. Pandurević for mentioning the GIZ project and noted that the project, currently at an initial phase, would target the digital and green transition through a coordination platform. She added that discussions between private and public actors could be held within this platform. She recognised that the SME Policy Index 2022 was complementary to the GIZ project and that recommendations should be used in this regard.

Mr. Adis Fajić, Expert Advisor, Federal Ministry of Development, Entrepreneurship and Craft, Federation of Bosnia and Herzegovina (FBiH) SBA entity co-ordinator, expressed his gratitude to the OECD and all participants and colleagues involved in the assessment for their hard work and dedication. He noted that public institutions in the FBiH would invest efforts to link their scope of activities with relevant findings of the SME Policy Index 2022. He added that overall implementation of policies should be strengthened, in particular given the complex set-up of Bosnia and Herzegovina. He emphasised the importance of good practice examples from the region and from the OECD in designing and engaging in reform measures.

Mr. Rajko Lajić, Assistant Minister for Small and Medium Enterprises, Ministry of Economy and Entrepreneurship of Republika Srpska, Republika Srpska SBA entity co-ordinator noted that the SME Policy Index report is important for policy-making in Republika Srpska and that recommendations would be considered by his team, in co-operation with the federal ministry. He expressed his gratitude to everyone for the strong co-operation with the OECD team and experts.

Ms. Anita Richter, Acting Head of OECD South East Europe Division, thanked the knowledge partners at the European Training Foundation and the EBRD for their involvement in this cycle as well as the SBA co-ordinators

in Bosnia and Herzegovina for their co-operation throughout the assessment process. She expressed her hope that the SME Policy Index 2022 findings would guide the future work of the governments and the international development partners' community and provide SMEs in the economy with a clearer view on tools available. She concluded by mentioning the new work streams of the division, including the forthcoming circular economy project and the launch of the Labour Migration report in Sarajevo in September.

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