



# SME POLICY INDEX

## WESTERN BALKANS AND TURKEY 2022

### ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE

### Launch of the publication North Macedonia

27 September 2022

# Launch of the SME Policy Index North Macedonia

## Opening remarks



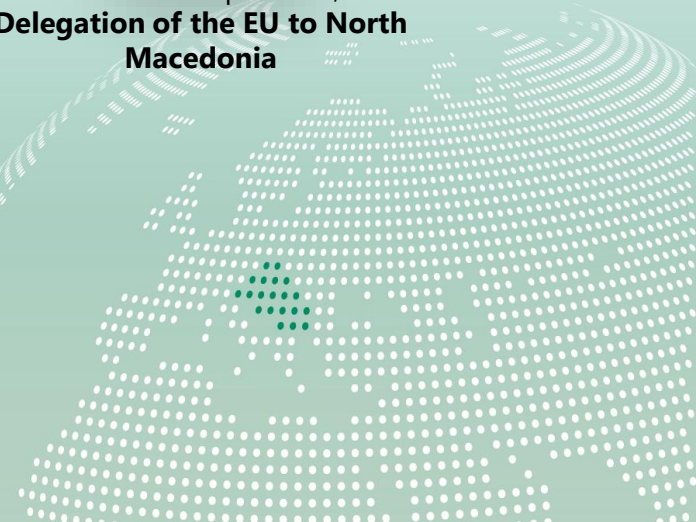
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# Launch of the SME Policy Index North Macedonia

## Presentation of Assessment Key Findings



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# Presentation outline



**Key features of the SME Policy Index 2022 publication**

**SME sector in North Macedonia**

**Overview of SME Policy Index 2022 assessment for North Macedonia**





## SME Policy Index – over 15 years of support to SME policy making

- A **benchmarking tool** designed to assess policies that support SMEs and monitor progress in policy implementation over time.
- Structured around the 10 principles of **the Small Business Act (SBA) for Europe** which allows for benchmarking not only between Partner Economies but also with EU Member States.
- The 2022 SBA Assessment – the sixth edition – was prepared in close collaboration with around **600 WBT government representatives and other SBA stakeholders**, with support from the **EC, EBRD and ETF**.







# To enhance the SME ecosystem, governments need to pay attention to the 10 SBA principles translated into 12 dimensions

1

## RESPONSIVE GOVERNMENT

Dimension 3: Institutional and regulatory framework for SME policy making

Dimension 4: Operational environment for SMEs

Dimension 2: Bankruptcy and second chance for SMEs

2

## ACCESS TO FINANCE

Dimension 6: Access to finance for SMEs

3

## SME INTERNATIONALISATION

Dimension 10: Internationalisation of SMEs

Dimension 7: Standards and technical regulations

4

## SUPPORT MEASURES FOR SME COMPETITIVENESS

Dimension 5a: Support services for SMEs and start-ups

Dimension 5b: Public procurement

Dimension 8b: Innovation policy for SMEs

Dimension 9: SMEs in a green economy

5

## ENTREPRENEURIAL HUMAN CAPITAL

Dimension 1: Entrepreneurial learning and women's entrepreneurship

Dimension 8a: Enterprise skills



# Presentation outline



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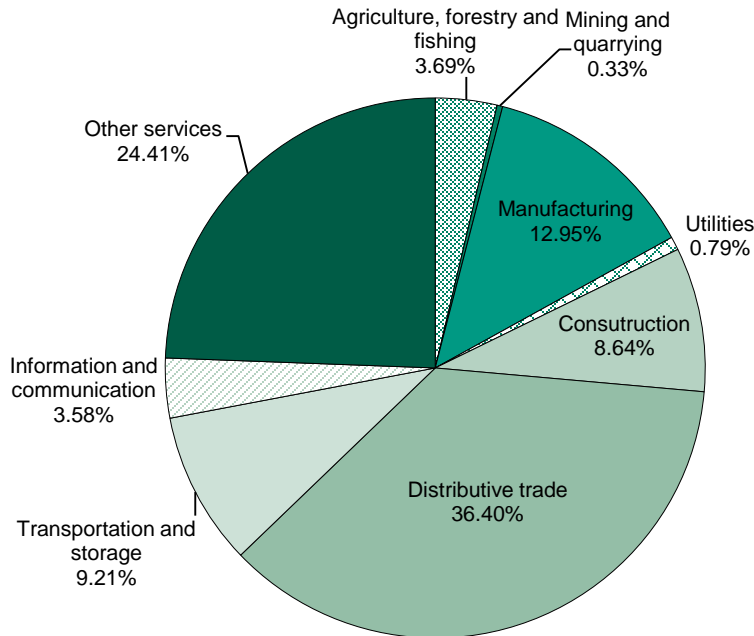
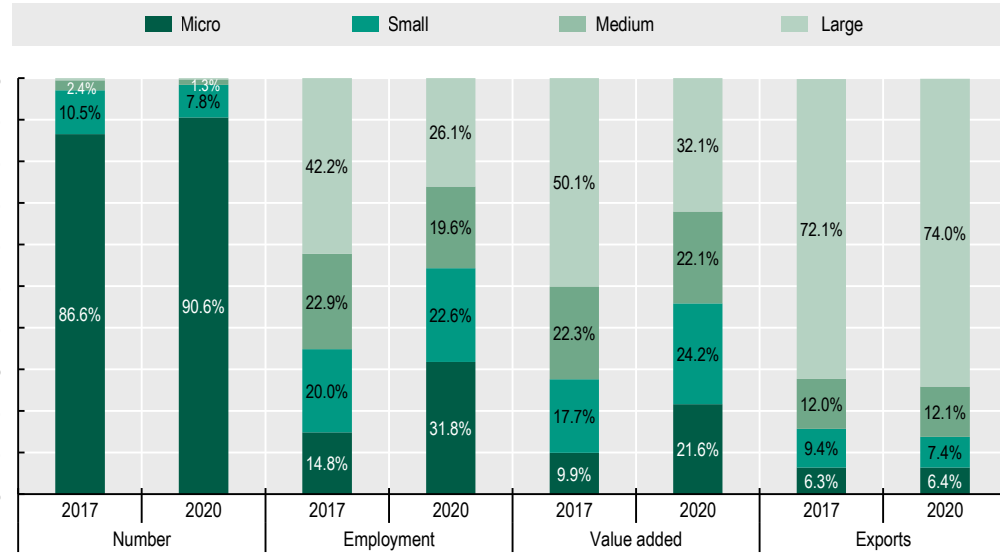
**Overview of SME Policy Index 2022 assessment for North Macedonia**





# SME sector in North Macedonia

- SMEs accounted for **99.8%** of all enterprises in 2020
- SMEs represented **74%** of **employment** in the business sector, an increase of ~ 7 percentage points since 2017
- SMEs accounted for **67.9% of value added by businesses**, a ~4 percentage-point increase from 2017.



- The **distributive trade sector** remains the overwhelming industry of SMEs in the economy at **36.4%**
- **At 24.1%, other services** follow as the second-highest number of SMEs, trailed by **manufacturing services at ~13%**
- Most of North Macedonia's companies (about **39%**) are located in Skopje

\* Other Services consists of accommodation, food, real estate, professional, scientific and technical activities, administrative, support and other services.





# Presentation outline



**Key features of the SME Policy Index 2022 publication**

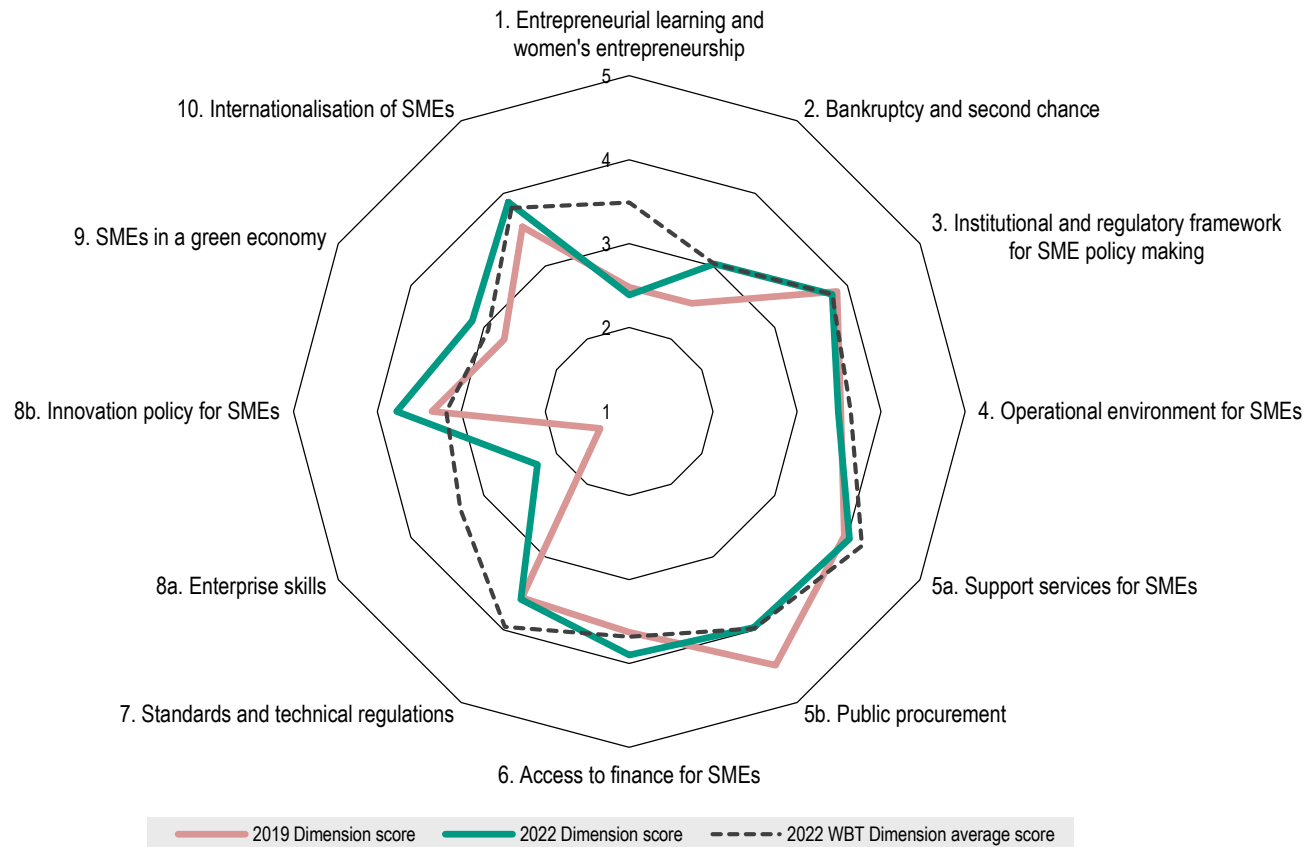
**SME sector in North Macedonia**

**Overview of SME Policy Index 2022 assessment for North Macedonia**





# 2022 assessment results for North Macedonia show improvements across policy areas



## The strongest performance is in the areas of:

- Dimension 3: Institutional and regulatory framework for SME policy making
- Dimension 5a: Support services for SMEs
- Dimension 6: Access to finance for SMEs
- Dimension 10: Internationalisation of SMEs

## The most room for improvement is in the areas of:

- Dimension 1: Entrepreneurial learning and women's entrepreneurship
- Dimension 8a: Enterprise skills
- Dimension 9: SMEs in a green economy





# Some progress has been made in several areas to make the government more responsive to the needs of SMEs, but more could be done

- 1 SME policy framework strengthened through the adoption of the Plan for Accelerated Economic Growth (2022-26)
- 2 Quality control of RIA and PPCs has room for improvement
- 3 Digital government services are becoming increasingly available, albeit at a slow pace
- 4 Digitalisation and streamlining of licensing procedures are underway
- 5 The legal framework for insolvency is being improved

## Way forward

- Promote second chance for honest entrepreneurs
- Strengthen quality control and monitoring and evaluation of regulatory impact assessment and public-private consultations
- Improve inter-institutional co-ordination for the development of digital government services



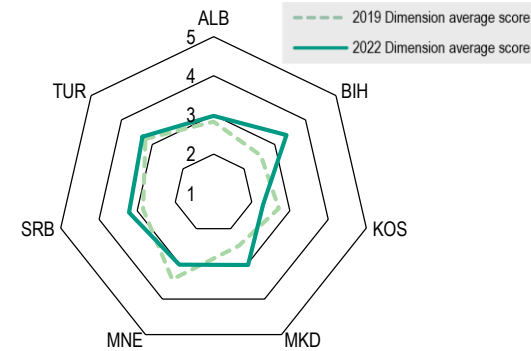
377 parafiscal charges

have been identified by the government thanks to a mapping exercise conducted in 2019

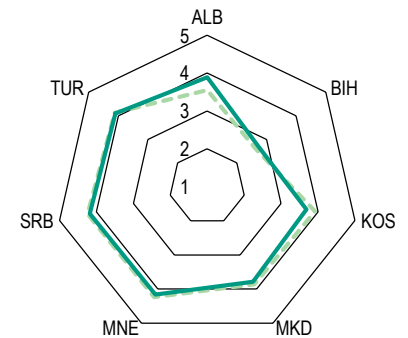


41%

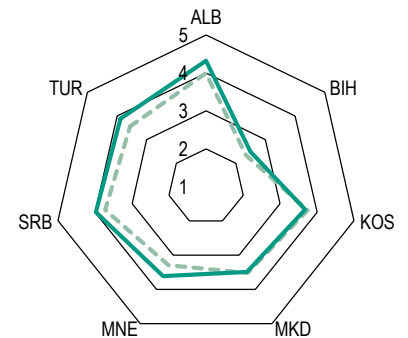
of surveyed enterprises expressed satisfaction with the available digital government services in 2021, down from 56% in 2017



Bankruptcy and second chance



Institutional and regulatory framework



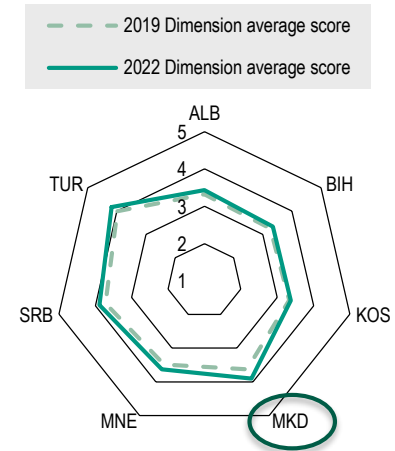
Operational environment





# Access to finance for SMEs has been eased and financial stability strengthened

- 1 The well-developed legal framework for financing was reinforced
- 2 Financial intermediation remains low and lending has decreased but NPLs have declined
- 3 Underutilised credit guarantee schemes were replaced with new export-oriented credit mechanisms
- 4 Diversification of finance remains low but support for innovation ecosystem is increasing
- 5 Efforts to promote financial literacy have gained momentum



## Way forward

- Continue to introduce measures to strengthen financial stability
- Review the financial support schemes offered by the Development Bank of North Macedonia
- Ensure timely adoption of the new Law on Factoring, including support for implementation
- Develop an action plan to support the implementation of the new Strategy for Financial Education and Financial Inclusion (2021-2025)



**3.4%** of gross loans were *non-performing loans in 2020*, compared to 6.1% at the end of 2017



**> € 6 million** invested into *five early-stage companies* by the Enterprise Innovation Fund to date



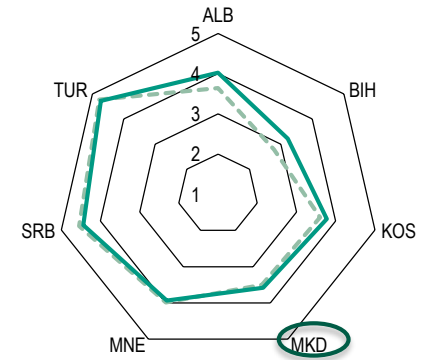
**56%** of respondents to the OECD's financial literacy assessment had an **adequate level of financial understanding** in 2020





# Framework for internationalisation has been strengthened with emphasis on higher value-added exports and digitalisation

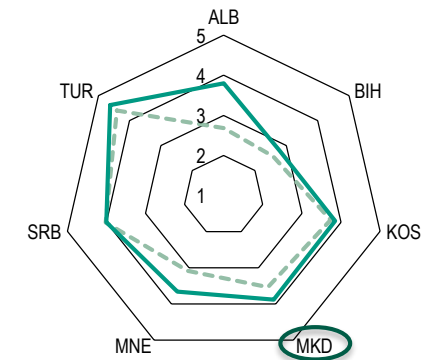
- 1 **Aligning horizontal quality infrastructure legislation advanced, though challenges remain**
- 2 **Reiterated focus on shifting to higher value-added exports**
- 3 **Strategic framework for GVCs has been reinforced**
- 4 **E-commerce is a priority across strategic documents with efforts underway to boost SME uptake**



Standards and technical regulations

## Way forward

- **Deepen co-operation of quality infrastructure areas through a joint strategy**
- **Promote intensified cluster formation**
- **Establish a dedicated government programme focused on promoting e commerce**



Internationalisation of SMEs

--- 2019 Dimension average score  
 — 2022 Dimension average score



Approximately **78%**

*of North Macedonian exports is directed towards the EU in 2020*



The adoption rate of **EU standards and technical regulations** in North Macedonia remained at

**95%** in 2022



# Support measures were expanded to strengthen SME competitiveness

- 1 Publicly provided BSSs improved in range but the lack of training needs analysis causes a skills mismatch
- 2 SME participation enhanced in the new public procurement legislation
- 3 The innovation ecosystem was further boosted with financial support and strengthened institutional support infrastructure
- 4 Incentives to encourage SMEs' green transition have been scaled up

## Way forward

- Better match the supply of BSS with the SMEs' needs
- Fully harmonise the Public Procurement Law with the EU Directives
- Promote business-academia collaboration to stimulate innovation
- Support SMEs' green and circular transition through awareness raising, capacity building and sharing of best practices



63% of public contracts

were awarded to SMEs in 2020



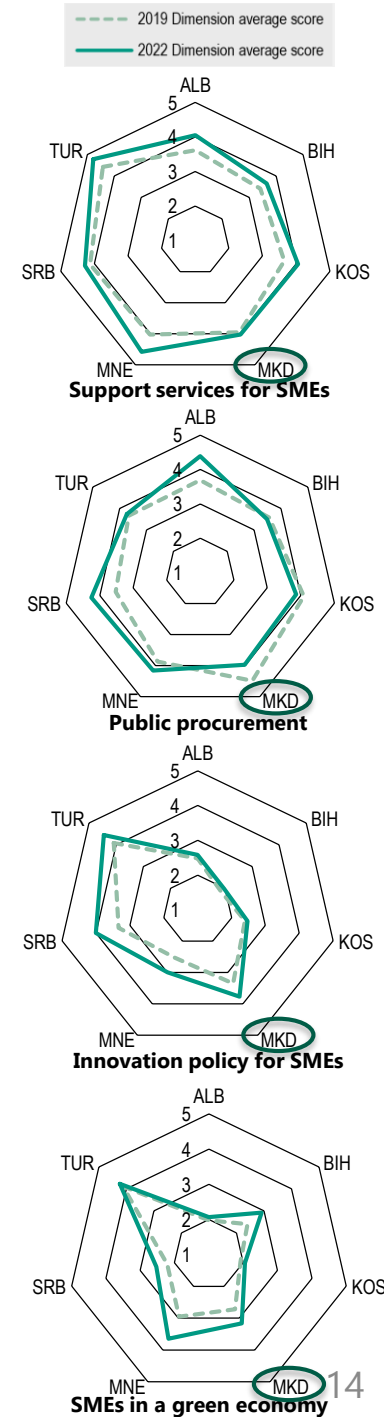
18.5 million EUR

was allocated to the FITD in 2022, allowing it to operate at full capacity



36% of SMEs

offer green products or services, a 28 p.p. increase since 2018





## Supporting SMEs' transition to a circular economy

The Glasgow Chamber of Commerce hosts “**Circular Glasgow**” to build best practices and capacity on the circular economy across businesses.

Its aim is to facilitate partnerships and peer-to-peer learning between businesses of all sizes to encourage SMEs to engage in circular practices.

Following each edition, ways to turn the winning ideas into pilot projects are explored.

Its work has been used to develop Glasgow's Circular Economy Route Map (2020-2030) to reflect and shape a circular economy approach.



Circular Glasgow raises awareness on the **£18 million** Circular Economy Investment Fund dedicated to SMEs

### Activities as part of Circular Glasgow

- 1 **Workshops and events** – a series of knowledge-sharing business-to-business networking events
- 2 **Circle Assessment** – an online tool which helps businesses understand opportunities to become more circular
- 3 **Circle Lab** – an online hackathon event to find a circular solution to local challenges



# » What can North Macedonia learn from this example?

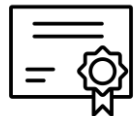
## Relevance for North Macedonia

- **Building on enhanced co-operation with business associations**, the government could facilitate circular economy initiatives, such as Circular Glasgow.
- **Eco-innovation and resource efficiency measures can be used as the basis** upon which further, more targeted circular economy policies can be built.
- **Access to green finance could be promoted** as part of the event
- Circular Glasgow could easily be scaled up at economy-level.
- **These activities could create the basis for drafting the strategic documents** required to promote and implement efficient circular economy policies

In the Western Balkans, only **Serbia** (2020) and **Montenegro** (2022) have prepared Roadmaps for the Circular Economy, important documents which set the guidelines to draft relevant strategies.

**SMEs are important for achieving objectives regarding the circular economy**, both by making their business operations more circular and by contributing to the innovation that can strengthen circularity across economies.

**The Green Deal** and the new **Circular Economy Action Plan** are the EU's guidelines on this topic.



More information is available on the [EU Green Deal](#) and the [EU Circular Economy Action Plan](#)





# More efforts are needed to enhance human entrepreneurial capital

- 1 Limited integration of entrepreneurial learning as part of education and training
- 2 New support to expand programmes that foster entrepreneurial learning introduced
- 3 New strategy focuses on women’s entrepreneurship
- 4 Limited progress in the provision on enterprise skills

## Way forward

- Support consistent development of entrepreneurial learning
- Train educators on the entrepreneurship key competence
- Establish a M&E process to support women’s entrepreneurship
- Designate a lead organisation to design and co-ordinate an SME skills intelligence framework



North Macedonia’s GDP could rise by

# 16%

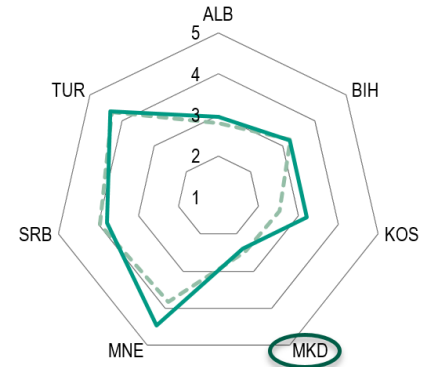
*if women were involved in the labour market at the same level as men.*



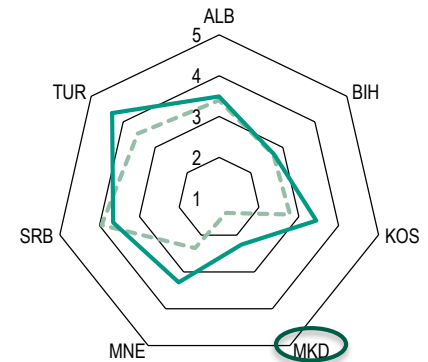
# 42%

 of OECD’s

*recommendations in the area of entrepreneurial human capital have been implemented since 2019.*



Entrepreneurial learning and women's entrepreneurship



Enterprise skills

--- 2019 Dimension average score  
 — 2022 Dimension average score



# Launch of the SME Policy Index North Macedonia

## Panel discussion

moderated by



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**Thank you for your attention!**

**For further information please contact:**

*Available on the OECD iLibrary as of 8 July*

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