



SME POLICY INDEX

WESTERN BALKANS AND TURKEY 2022

ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE

Launch of the publication

21 September 2022

Presentation outline



Key features of the SME Policy Index 2022 publication

SME sector

Overview of SME Policy Index 2022 assessment





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.
- Aims to improve the **business environment** and to foster **entrepreneurship and competitiveness**.
- 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

3

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

2

ACCESS TO FINANCE

Dimension 6: Access to finance for SMEs

4

ENTREPRENEURIAL HUMAN CAPITAL

Dimension 1: Entrepreneurial learning and women's entrepreneurship

Dimension 8a: Enterprise skills

5

SME INTERNATIONALISATION

Dimension 10: Internationalisation of SMEs

Dimension 7: Standards and technical regulations



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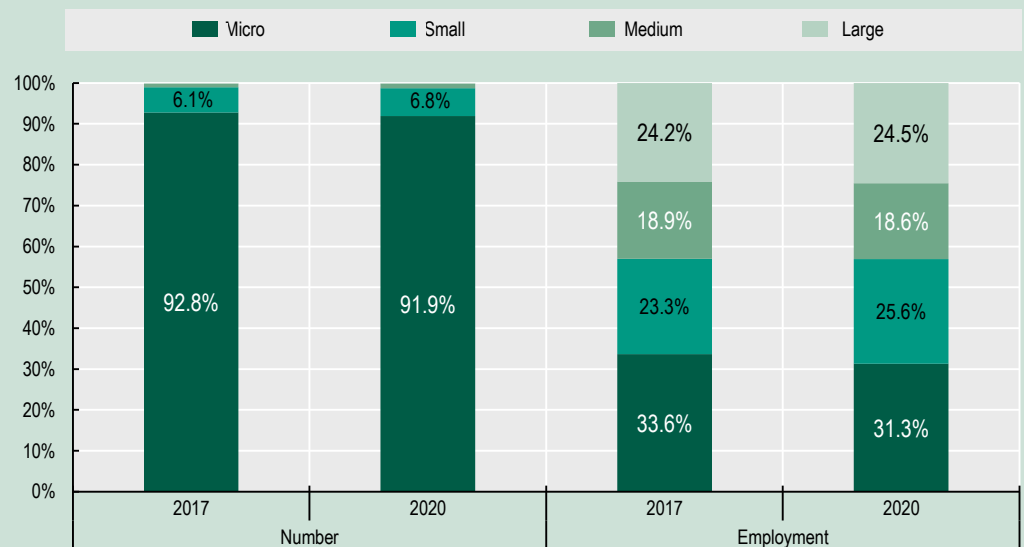
Overview of SME Policy Index 2022 assessment



SMEs are the cornerstone of local economies

- SMEs in the Western Balkans and Turkiye (WBT) region account for **99.7% of total enterprises**, and on average generate **71.9% of overall employment** in the business sector.
- The **number of SMEs per 1000 inhabitants increased by 13.1%** since 2017 and their **share in value added increased by 0.6 p.p.** despite a decrease in their share in employment.

- In Kosovo*, SMEs accounted for **99.8%** of all enterprises in 2020
- SMEs represented **75.5% of employment** in the business sector, an decrease of 0.7 percentage points since 2017.
- The **distributive trade sector** remains the overwhelming industry of SMEs in the economy at **38.7%**, followed by **other services** at 32.6%** and **manufacturing at 12.5%**.



* This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/1999 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence

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

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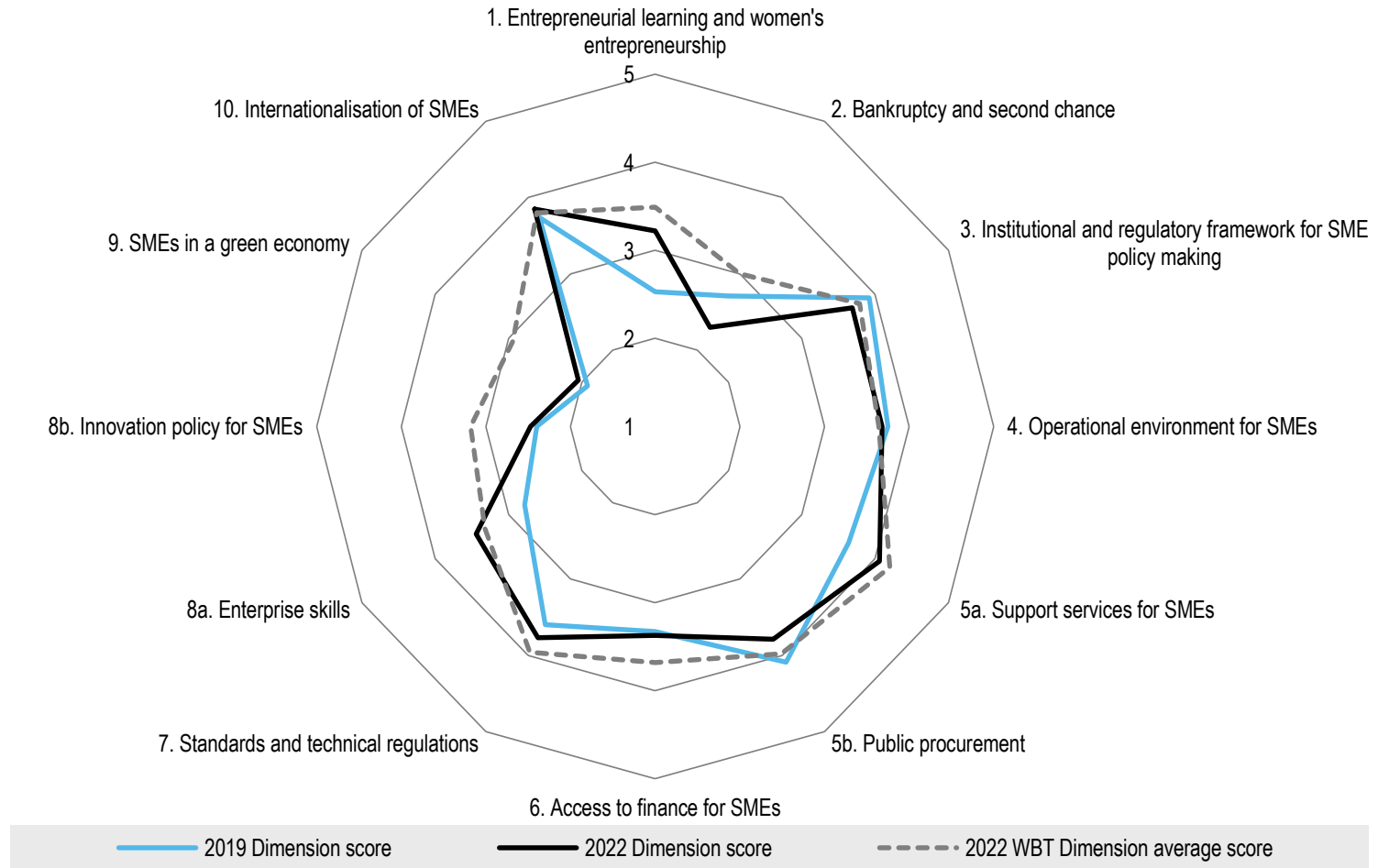
SME sector

Overview of SME Policy Index 2022 assessment





2022 assessment results for Kosovo show improvements across policy areas



The strongest performance is in the areas of:

- Dimension 5a: Support services for SMEs
- Dimension 5b: Public procurement
- Dimension 7: Standards and technical regulation
- Dimension 10: Internationalisation of SMEs

The most room for improvement is in the areas of:

- Dimension 2: Bankruptcy and second chance
- Dimension 6: Access to finance
- Dimension 8b: Innovation policy for SMEs
- Dimension 9: SMEs in a green economy



1. Progress is being made to make policies more responsive to the needs of SMEs

- 1 Kosovo's **SME policy framework** is being reworked
- 2 **Regulatory reform** has continued through the Better Regulation Strategy 2.0
- 3 The **e-Kosova platform** improved the accessibility of digital services
- 4 **Company registration and licensing procedures** are well designed
- 5 More effort is needed to improve **bankruptcy procedures** and promote second chance for honest entrepreneurs

Way forward

- **Ensure coherence and improve monitoring and evaluation in the SME policy framework**
- **Develop a culture of user-centred service delivery and adopt standards for service design and delivery**
- **Enhance efforts to improve bankruptcy policies across the board**

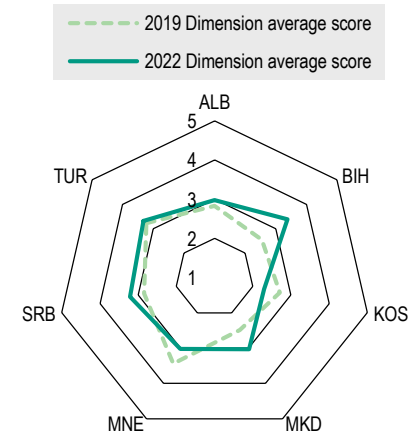


30% administrative burden reduction by 2027

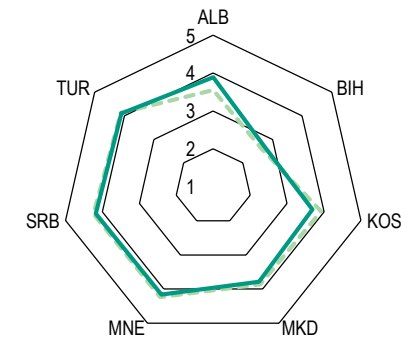
Is the goal of the Administrative Burden Reduction Programme



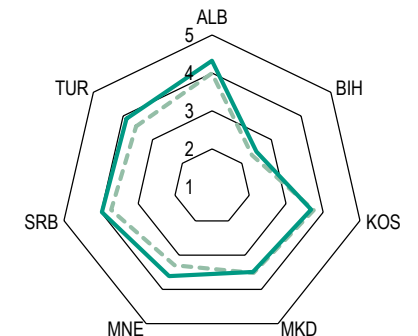
34% of businesses surveyed in 2021 expressed satisfaction with digital government services – this is below the regional average of 39%



Bankruptcy and second chance



Institutional and regulatory framework



Operational environment



Keys to developing digital government – The OECD Recommendation on Digital Government Strategies (2014)

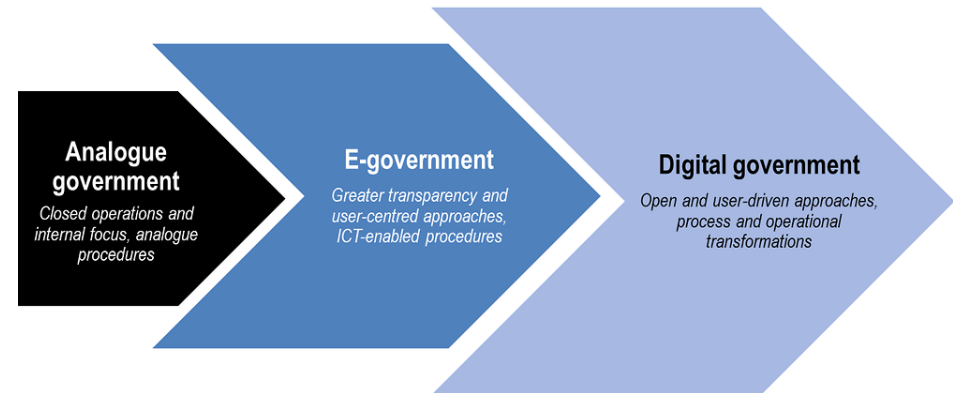
The *Recommendation of the OECD Council on Digital Government Strategies*, adopted in 2014, sets out priorities for governments seeking to develop digital government policies.

It is based on three key pillars. Governments should:

- 1 Develop digital government strategies based on **inclusiveness of stakeholders** and a **data-driven public sector**
- 2 Ensure the **coherent use of technologies** across the government and establish **effective frameworks for co-ordination**
- 3 Strengthen **capacities for better implementation** of digital government strategies

DIGITAL TRANSFORMATION OF THE PUBLIC SECTOR

Digital governments for digital economies and society



“Use of digital tools to achieve better public service outcomes”



“Integrating digital technologies into public sector modernisation efforts”



» What can Kosovo learn from these principles?

Relevance for Kosovo

- Kosovo is at an **earlier stage of development** regarding digital services compared to other WBT economies
- **This is an opportunity** as it allows the economy to integrate these principles into digital government horizontally, at a time when Kosovo is working on its **new Digital Agenda until 2030**
- The Digital Agenda's third strategic objective is **the digitalisation of public services**. To better implement this objective, Kosovo could focus on the following points:
 - Ensuring **institutional leadership and effective co-ordination**
 - Ensuring **inclusiveness and continuous integration of stakeholder feedback** in the design of services
 - Building and strengthening a **data-driven culture** within the public administration

The OECD's Public Governance (GOV) Directorate publishes work on digital government and regularly conducts digital government reviews of OECD member countries and partners, comparing best practices.

Examples of publications which can be relevant for Kosovo are:

[The E-Leaders Handbook on the Governance of Digital Government](#) (2021)

[Digital Government in Chile: Improving Public Service Design and Delivery](#) (2020)

[The Path to Becoming a Data-driven Public Sector](#) (2019)

...and many others

For more information, please see:
<https://www.oecd.org/gov/digital-government/>





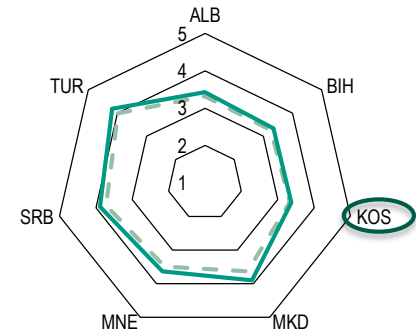
2. Some progress was made in improving access to finance for SMEs, but more could be done on all fronts

- 1 **Legal framework** has improved but supervision remains low
- 2 **Financial intermediation** is increasing
- 3 **Credit guarantee schemes** continue to improve
- 4 Framework and uptake of **alternative financing** remains weak
- 5 **Financial literacy** efforts have stagnated

Way forward

- **Improve the reliability of the cadaster**, by completing historic registration, increasing accessibility and introducing an effective dispute mechanism
- **Increase the sustainability of the Kosovo Credit Guarantee Fund.**
- **Revamp efforts to enhance financial literacy**, including a review and impact assessment of existing support measures

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



10 000 SMEs

have secured **guaranteed loans** from the KCGF between 2019 and 2021 with a volume of EUR 220 mil



142 firms benefited

from **EUR 10 million in financial support** under the Competitiveness and Export Readiness Project in 2021





3. Support measures for SME competitiveness need to be strengthened

- 1 **The range and uptake of BSSs have increased**, but outdated training needs analysis warrant intensified efforts
- 2 Improvements made to **e-procurement** should boost SME participation
- 3 **The innovation ecosystem**, albeit growing, is limited to start-up support
- 4 Incentives to encourage **SMEs' green transition** remain limited

Way forward

- **Better match the supply of BSS with the SMEs' needs**
- **Harmonise the PPL with EU Directives to facilitate SMEs' participation**
- **Further recognise SMEs as key players for innovation-based economies**
- **Provide advice and guidance to SMEs on adopting environmentally sound practices**



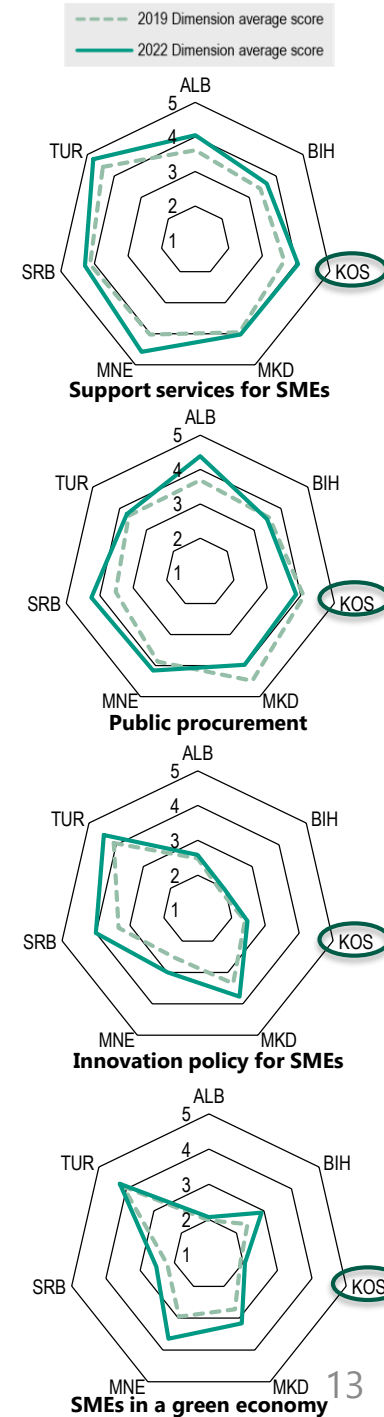
67.7%

Is the increase of the uptake of BSSs in Kosovo since the last assessment



1.15 million EUR

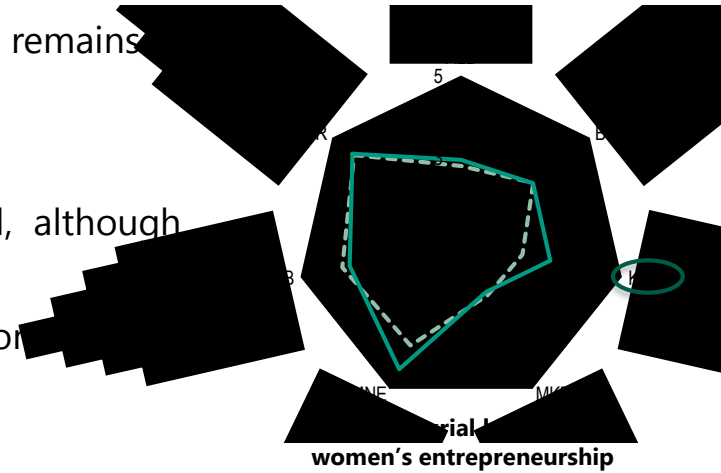
Package in grants for start-ups and SMEs' innovation projects has been announced in 2021





4. With new programmes implemented, Kosovo boosted its support for human entrepreneurial capital

- 1 **Co-ordinating policy and actions** at the government level remains a challenge
- 2 **Education-business cooperation** advanced
- 3 Policy and design of **women's entrepreneurship** progressed, although with weak monitoring and evaluation
- 4 **Labour Market, VET, and Skills Barometers** were launched, contributing to advancing skills intelligence



Way forward

- Identify new or existing multi-stakeholder policy partnerships
- Improve monitoring and evaluation of government programmes
- Launch an online portal that provides advice for women's entrepreneurship
- Broaden the training offer for SMEs



GDP could rise by

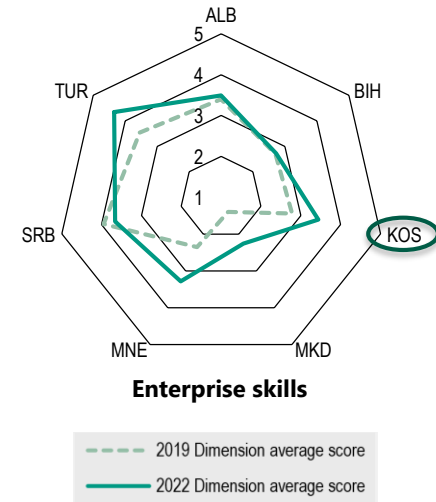
20%

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



42% of OECD's

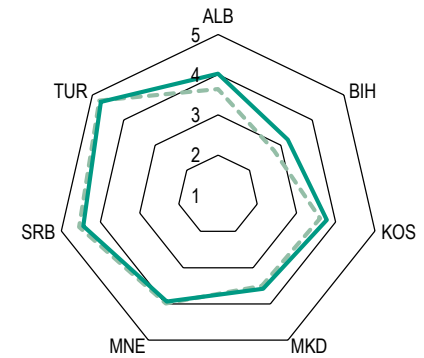
recommendations in the area of entrepreneurial human capital have been implemented since 2019.





5. Considerable advancement observed in boosting internationalisation support through digitalisation

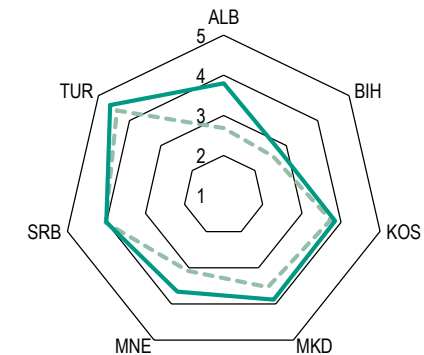
- 1 Continued efforts to **align legislation with the acquis**
- 2 **Export services are increasingly digitalised**, reducing the administrative barriers to exports for SMEs
- 3 **Kosovo effectively improved support for cluster development**
- 4 SMEs are increasingly **digitalising operations**, though e-commerce uptake is still lagging



Standards and technical regulations

Way forward

- **Increase human and financial capacities in quality infrastructure bodies**
- **Continue and expand the digitalisation of export promotion activities**
- **Create a dedicated segment on e-commerce opportunities and support programmes**



Internationalisation of SMEs

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



Approximately **34%**

of Kosovo exports is directed towards the EU in 2020



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

50% in 2022

Thank you for your attention!

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Available on the OECD iLibrary as of 8 July

