



MEETING MINUTES

SME Policy Index 2022: Western Balkans and Turkey

Launch Meeting - North Macedonia

Tuesday, 27 September 2022

14:00 – 16:15

Skopje Marriott Hotel

Macedonia Square 7

1000 Skopje, North Macedonia



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SME POLICY INDEX 2022 LAUNCH MEETING – NORTH MACEDONIA

TUESDAY, 27 SEPTEMBER 2022

14:00 – 16:15

SKOPJE MARRIOTT HOTEL MACEDONIA SQUARE 7, SKOPJE, NORTH MACEDONIA

14:00-14:20 Opening Remarks

Ms. Anita Richter, Acting Head of South East Europe Division, OECD Global Relations and Cooperation stressed the importance of the *SME Policy Index 2022: Western Balkans and Turkey* publication for North Macedonia, in an economic context marked by challenges caused by the COVID-19 pandemic as well as the full-scale Russian aggression against Ukraine. She highlighted several achievements made by North Macedonia during the assessment period, including the improvement of insolvency legislative framework, facilitated access to finance for SMEs for greening initiatives and development of an attractive environment for foreign direct investment. She also underlined a few recommendations for North Macedonia going forward, namely boosting entrepreneurship as a key competence across all levels of education, developing system-level skills intelligence, enhancing support for SME greening and reinforcing SME digitalisation processes. She concluded her opening remarks by expressing thanks to the European Commission (EC), whose financial support was essential in funding the assessment, as well as to the Ministry of Economy in North Macedonia, Mr. Jumni Ademi and Ms. Marina Arsovska and their colleagues, who co-ordinated the collection of inputs on the side of the North Macedonian Government.

Ms. Razmena Cekic Durovic, State Secretary, Ministry of Economy of North Macedonia, underlined the importance of SMEs for North Macedonia's economy. She mentioned the ongoing implementation of the SME Strategy (2020-2023), which promotes SME growth and development, while emphasising their competitiveness. The State Secretary acknowledged the EU guidance, as well as the SBA principles, as key references for policy-making in North Macedonia. Ms. Cekic Durovic stressed the relevance of the *SME Policy Index 2022* publication and summarised North Macedonia's achievements under the SBA, which include advancements in public procurement, access to finance, innovation policy and internationalisation of SMEs. The State Secretary pointed to North Macedonia's commitment to the implementation of the SME Development Strategy and new action plans aiming to boost job creation and innovation. She then proceeded to describe how the government supported SMEs during the COVID-19 pandemic. Ms. Cekic Durovic expressed her gratitude to the EC and the OECD, for their continued support in providing SME-related policy advice to North Macedonia.

Mr. Steffen Hudolin, Head of Cooperation, Delegation of the European Union to North Macedonia reflected on North Macedonia's path towards the candidate status in the EU. He emphasised the crucial role that reforms play in EU accession and North Macedonia's efforts to self-assess against EU-set benchmarks. Mr. Hudolin mentioned that this process requires intensified efforts from both the public and private sector. He pointed out how different areas of the business and regulatory environment overlap and emphasised the importance of the rule of law, economic criteria, public administration reform, strong judicial sector and anti-corruption activities. He then proceeded to reiterate the EU's support for North Macedonia in tackling these challenges, especially for SMEs, which constitute the backbone of North Macedonian economy. EU's support also consisted of measures to boost economic growth and human capital, as well as to mitigate the negative effects of the COVID-19 pandemic. Mr. Hudolin concluded his remarks with emphasising the alignments of EC's recommendations with the findings and recommendations of the OECD.

14:20-14:50 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 2022 main objectives and key features as well as the SME sector's main characteristics in North Macedonia.

Subsequently, **Mr. Matija Lojpur** and **Ms. Clémence Girin**, 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.

[See PowerPoint presentation attached to the email.]

14:50-16:10 PANEL DISCUSSION – How can North Macedonia build on its entrepreneurial capital to boost enterprise growth and competitiveness?

Ms. Elizabeta Todorova, Head of Unit, Department for Entrepreneurship, Ministry of Economy, opened the panel and presented the objectives of the session, highlighting the importance of supporting entrepreneurial capital and its crucial role as a tool to boost innovation and competitiveness, which in turn have a significant economic and social impact.

Each of the panellists was asked one question, as noted below. Their interventions were followed by a discussion.

- ***There has been some progress in development of the Smart Specialisation Strategy, could you please tell us more about what the government of North Macedonia has been doing to move towards the finalisation and then effective implementation of the Smart Specialisation Strategy?***

Ms. Jasmina Majstoroska, Head of the Smart Specialisation working group started her intervention by noting that the Smart Specialisation Strategy (S3) is not a new concept for policy-makers as there are over 120 strategies that focus on support for the region to ensure the best level of development for their economies. Nevertheless, it is a new concept for North Macedonia, having begun its journey in 2018, as the government developed a methodology based on the analysis, research and evaluation of the business capacities. The goal was to identify the areas where the potential for further specialisation is highest. The process is now in the final stages of drafting and expected to be submitted by the end of the year. She noted that North Macedonia's S3 focuses on horizontal areas: smart agriculture, food products with higher value added, smart building and material, Industry 4.0, and information and communications technology (ICT). She concluded by noting the importance and the need for greater cooperation and information sharing between government institutions and other stakeholders from the private sector (including SMEs) to best improve the economic development of North Macedonia.

- ***The private sector, SMEs in particular, will be profoundly affected by the impending development and adoption of the Smart Specialisation Strategy. Could you please tell us about the current developments in that area that are coming from the private sector?***

Mr. Radmil Polenakovikj, President of National Center for Development of Innovation and Entrepreneurial Learning started by stressing the importance of business sector participation in policy-making. He then brought up North Macedonia's results of the *SME Policy Index 2022* under the development of human capital dimensions and noted that North Macedonia used to rank high in entrepreneurial education due to a dedicated strategy to reinforce entrepreneurial capital in the economy. However, some stagnation on this front has been noted and currently implementation, as well as monitoring and evaluation constitute the main challenge for the North Macedonian government, which will have a significant impact on SMEs. He praised the government's efforts in designing the S3 process and pointed out the progress in developing curricula for all levels of education. Mr. Polenakovikj stressed the necessity to develop targeted training in all fields of the S3, pre-identified by the government, which would further assist SMEs in the transition towards smart specialisation.

- ***One of the recommendations for North Macedonia in this cycle, was to reactivate the previously established policy and co-ordination mechanisms to support consistent development of entrepreneurial learning. How would that fit in the context of the Smart Specialisation Strategy? Could you provide any good practice examples from the region?***

Ms. Elin McCallum, Senior Expert on SME Entrepreneurial Learning and Enterprise Skills underlined the importance of the opportunities created by the development of the Smart Specialisation Strategy in North Macedonia. She noted how far-reaching entrepreneurial skills are and pointed to their cross-cutting relevance. Ms. McCallum stressed that the business environment in which SMEs operate is crucial in their development of entrepreneurial skills and the relevance of the S3 for North Macedonia. She reiterated that the development process of S3 is to explore and build on the economy's strengths. Furthermore, making the education system intertwined with the S3 process is crucial in designing an all-encompassing strategy. Ms. McCallum mentioned how the human capital in North Macedonia, especially women entrepreneurs, can be leveraged to build a sustainable, knowledge-based economy. She proceeded to give good practice examples from Montenegro, recalling its approach to involve SMEs in the design of the S3. Another example mentioned was that of Cantabria, Spain, where the emphasis was placed on capacity-building relating to entrepreneurial learning.

- ***What do you think can be done in the context of the Smart Specialisation Strategy and how can North Macedonia go beyond economic growth and actually achieve the targets aligned with the Sustainable Development Goals?***

Ms. Monika Matusiak, Team Leader, European Commission, Joint Research Centre, connecting virtually to the event, started by congratulating North Macedonia for its progress on designing S3. She praised the efforts to conduct the entrepreneurial discovery process during the COVID-19 pandemic. Ms. Matusiak mentioned the policy-makers' focus of on the Sustainable Development Goals (SDGs). She emphasised the dimensions of S3 should be inter-sectorial, touching upon the human entrepreneurial capital, as well as science and technology. Ms. Matusiak also mentioned the importance of knowing the specific needs of SMEs for skills development and identified lack thereof as a weakness of any policy design process and implementation. Recalling an example from Sevilla, Spain, she mentioned that the traditional value sectors can be upgraded with new technologies, further adding value and creating jobs in, for example, agriculture. Ms. Matusiak proceeded to list how S3 can contribute to the achievement of SDGs through mobilising innovation and boosting competitiveness, as well as how companies can use government support to build skills and develop entrepreneurial capital.

Discussion

- ***Mr. Polenakovikj, you mentioned the progress made in developing curricula for all levels of formal education as well as the need to further advance in provision of targeted training. To what extent is the national educational system currently meeting the needs of the local labour market?***

Mr. Polenakovikj acknowledged the recent criticism about the effectiveness of university-level education, while stressing the challenges related to understaffing of universities. He also mentioned that the flexibility of training providers, who have been involved in a growing number of projects including circular economy and Industry 4.0, will be crucial in next steps of the S3 process. There is also a need for high-specialised training to reinforce much needed specialisation among newly graduated students. Mr. Polenakovikj continued to point to the importance of teachers as the core of the education system. He also touched upon the topic of migration – as higher educated staff come and bring projects from abroad, therefore the government should place its strategic focus on how the highly educated diaspora could invest in the economy to foment skills development.

- ***So far, only around 100 companies have been engaged in the design of the Smart Specialisation Strategy in North Macedonia. How do you see SME involvement in the next stages process?***

Ms. Majstoroska explained that SMEs were included in the scope interviews and their input included their role in the global market. She also mentioned the EU Horizon project, which involved private sector representatives, 50 from each of the covered domains. Ms. Majstoroska reiterated the need to establish centers of excellence and hubs to increase skills of companies and innovators to foster exchange of information and know-how. She proceeded to note that it is the role of the government to ensure the effective implementation of the S3, complemented by aptly designed policies and supported by the Chamber of Commerce.

- **[Comment from the audience] Representative from UNHCR mentioned that there is lot of channels for the Green Agenda and 2030 Agenda to reach companies, however SMEs remain without a facilitated access to information. There is a lack of awareness about SDGs among many companies, which could greatly contribute to their achievement in North Macedonia. She then suggested organising awareness-raising events to inform the private sector about SDGs.**

Ms. McCallum acknowledged the remarks and praised SMEs' motivation despite the COVID-19 pandemic, as well as various government initiatives working in parallel to develop human entrepreneurial capital in North Macedonia. Ms. McCallum noted that the current challenge for the government is capturing the strategies' implementation and their proper monitoring and evaluation. Despite limited monitoring, activities are taking place across the economy. She further mentioned that awareness raising and access to information is necessary to understand where the gaps are to help the process of S3. Subsequently, **Ms. Matusiak** also took the floor to comment that monitoring and evaluation are integral and mandatory parts of the S3. She noted the necessity of involving the private sector not only in the future implementation of the S3, but also in its monitoring and evaluation. She then proceeded to point out that the continuous entrepreneurship discovery process is also an obligatory part of the S3 methodology and it needs to be broadened in scope and outreach.

- **[Question from the audience] Mr. Gordan Jordanov, representative of the United Macedonian Diaspora, took the floor to note that in the past years North Macedonia has lost its industrial power, and asked the panellist on their opinion on the reason behind that and whether the focus of policy makers should be placed on SMEs or larger enterprises to ensure that North Macedonia becomes a modern, developed country.**

Ms. Majstoroska pointed out that the exact goal of the S3 is to add higher value to already existing production processes and to have the largest economic and research capacity possible. She also noted that new industrial strategies also encourage companies to develop and expand further, reiterating their importance. She then hailed the S3 as the new innovation strategy and emphasised the role of investment in education and innovation. Ms. Majstoroska then mentioned that companies in North Macedonia tend to have low levels of cooperation with the science and research community and that it needs to change in order for the new S3 to be effective.

16:10-16:15 Closing Remarks

Mr. Jumni Ademi, State Advisor for Entrepreneurship and Competitiveness of Small and Medium Enterprises, Ministry of Economy, North Macedonia, SBA Co-ordinator, thanked the OECD for the organisation of another successful meeting and the opportunity to discuss topics related to SMEs, which are important for North Macedonia's economy. He proceeded to reiterate the relevance of the findings and recommendations of the SME Policy Report 2022 and expressed hope that North Macedonia will continue its achievements across dimensions of the SBA.

Ms. Anita Richter, Acting Head of South East Europe Division, OECD Global Relations and Cooperation thanked all panellists and discussants for the enriching debate on the opportunities brought by the full implementation of the smart specialisation strategy. The SMEs in North Macedonia have been hit hard by recent shocks and ensuring further growth, diversification and competitiveness will be difficult. However, the government is committed to putting in place a variety of measures to support SMEs and start-ups recover from the crisis and

strengthen their resilience in the future. Further skills development and transition towards a more knowledge-based society will be of particular importance in this regard. Ms. Richter then proceeded by expressing gratitude for the excellent collaboration by the OECD South East Europe Team, OECD experts, external experts and representatives of the North Macedonian Government, hoping that the results of the assessment will be useful for them. She also thanked the representatives of international partners such as the European Training Foundation, European Bank for Reconstruction and Development and the European Commission. Regarding future developments, she announced that the OECD South East Europe team will be embarking on a new cycle of the *Competitiveness Outlook*, will continue its work on anti-corruption and labour migration and human capital, and will in the future develop a new work stream on environmental policies and the circular economy. She then invited the participants to reach out to the OECD team for any questions or comments on the presentation or the mentioned work.

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