



**SME Policy Index**

# **Eastern Partner Countries 2012**

**PROGRESS IN THE IMPLEMENTATION OF  
THE SMALL BUSINESS ACT FOR EUROPE**



This study was developed within the framework of the Eastern Partnership, an initiative launched by the European Union in May 2009.

Its main goal is to create the conditions to accelerate political association and deepen economic integration between the EU and the six Eastern Partner countries – Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine.

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# Introduction

The Eastern Partner (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine) are an important economic region, strategically located, with an average GDP growth that reached 5.4% in 2010. In all countries of the region SMEs play an important role as key engines for economic growth and development. Nevertheless, as a result of the recent global financial crisis and unfavourable conditions for doing business, SMEs today account for only 50% of employment (compared to 60-70% in OECD economies) and contribute just over 30% to value added (in comparison to 55% in OECD economies).

**The SME Policy Index 2012** is a tool to support policy makers in tapping the full potential of SMEs as drivers for job creation and economic growth. Built on a set of 92 policy indicators, it provides a framework to assess national SME policies against 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 country.

The Index builds on similar exercises carried out in the Western Balkans in 2006, 2009 and 2012, and the first assessment in the MEDA Region (EU's Southern Neighbourhood) conducted in 2008.

# KEY FINDINGS SME Policy Index:

The region has made progress in improving conditions for the private sector and SMEs, although some challenges remain.

## **The business environment has improved:**

- Reforms to the company registration process have eliminated overly burdensome regulations.
- Legislative simplification has reduced administrative and legislative barriers for SMEs.
- All EaP countries are starting to expand the financial sector beyond bank lending – currently the main source of external funding for SMEs – through reforms to legal and regulatory frameworks.

## **Institutional frameworks for SME development have been strengthened:**

- Armenia, Georgia and the Republic of Moldova have made progress in developing policies and institutions specifically targeting SMEs through increased public-private dialogue and inter-governmental co-ordination.
- Azerbaijan, Belarus and Ukraine have started providing support measures to the small business sector, although this could be strengthened through greater inter-agency co-ordination.

## **However, targeted policies are still needed to improve SME access to finance and promote entrepreneurship:**

- Although a number of good practices already exist (e.g. credit guarantee schemes, microfinance, private risk capital), effective policies to support SME access to finance are lacking.
- Countries need to promote entrepreneurial thinking and develop effective enterprise skills policies based on the training needs of potential business leaders. Targeted measures to support women's entrepreneurship would also unleash entrepreneurial potential.

## **Data on SMEs remains scarce:**

- Accurate, up-to-date and detailed data is needed to help governments design more effective policies and improve monitoring and evaluation of policy tools.

# Eastern Partner Countries 2012

To tap the full potential of entrepreneurship in the region, governments should:

**Consult more closely with the private sector to ensure that reforms are “reality checked” against market needs:**

- Historically outside of the policy making process, the private sector in Eastern Partner countries – especially SME associations – needs to be further integrated into the policy debate at all stages to increase responsiveness of policies to the fast-moving needs of the marketplace. Buy-in from the business community will also ensure more effective implementation of reforms.

**Improve co-ordination between government agencies:**

- Better co-ordination between different agencies supporting SME development would avoid overlap, ensure better use of resources and increase policy impact. This can be achieved by designing comprehensive SME development strategies with clear and measurable objectives.

**Develop targeted SME policy tools:**

- Develop policy tools to foster SMEs growth, investment, innovation and export capacity in key economic sectors such as agribusiness, information and communications technology, tourism and construction. Such tools are especially critical to improve access to finance, enterprise skills, innovation, business support services and export promotion.

**Collect better data for better policies:**

- Collect more detailed structural statistics to monitor and evaluate public policy tools on a regular basis and assess SME performance both at national and sector level.



# SME Policy Performance against SBA Policy Dimensions



# The 10 Dimensions of the Small Business Act for Europe

	<b>1</b>	ENTREPRENEURIAL LEARNING AND WOMEN'S ENTREPRENEURSHIP
	<b>2</b>	BANKRUPTCY AND SECOND CHANCE FOR SMEs
	<b>3</b>	REGULATORY FRAMEWORK FOR SME POLICY MAKING
	<b>4</b>	OPERATIONAL ENVIRONMENT FOR SMEs
	<b>5a</b>	SUPPORT SERVICES FOR SMEs AND START-UPS
	<b>5b</b>	PUBLIC PROCUREMENT
	<b>6</b>	ACCESS TO FINANCE FOR SMEs
	<b>7</b>	STANDARDS AND TECHNICAL REGULATIONS
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	<b>9</b>	SMEs IN A GREEN ECONOMY
	<b>10</b>	INTERNATIONALISATION OF SMEs

# Entrepreneurial learning and women's entrepreneurship

How do governments co-operate to promote entrepreneurship across the learning system? How are good practices shared within the education and training community? What measures are in place to promote women's entrepreneurship?

**Most EaP countries have already engaged in multi-stakeholder dialogue to promote entrepreneurship across the learning system, although partnership building and committed leadership must be improved.** Structured networks and exchange of good practice in the area of entrepreneurial learning are weak.

**Good efforts were noted on the promotion of entrepreneurship in upper secondary education in all EaP countries.**

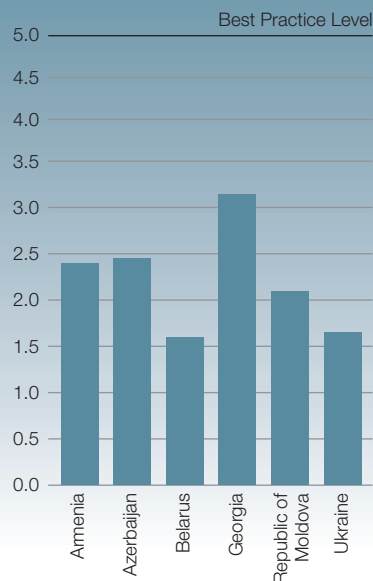
**All countries have already taken a number of key steps to promote women's entrepreneurship,** providing a good basis for further engagement.

## PRIORITY ACTIONS

**Work together at the regional level to develop entrepreneurship as a key competence** with specific reference to curriculum reform and teacher training. Ensure that entrepreneurship is systematically addressed, both in formal and non-formal education and training.

**Support women's entrepreneurship** through the development of advocacy networks, training and mentoring services, and improved access to finance.

**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 being 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 EaP countries have laws and procedures on distressed companies, receivership and bankruptcy**, although the level of sophistication differs from country to country. In particular, laws and procedures regarding commencement provision, avoidance of pre-bankruptcy transactions and reorganisation proceedings need to be improved in line with international standards:

- Bankruptcy proceedings are relatively streamlined in Armenia, Azerbaijan, Georgia and the Republic of Moldova.
- In Belarus, the average time spent in court procedures is excessively long (5.8 years).
- In Ukraine, procedures are very expensive and, on average, cost 42% of an estate's value.

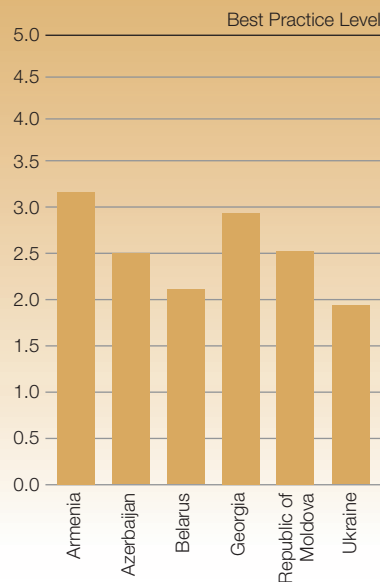
### PRIORITY ACTIONS

**Reduce delays in the bankruptcy process across the region.** This would also have a positive effect on the cost of proceedings and the recovery rate.

**Ensure that bankruptcy cases are dealt with by specialised courts** and that judges and officials in charge of administrating insolvency cases have received sufficient training.

**Formally regulate out-of-court settlement** to foster cost-effective management of the insolvency process.

**FIG 2: BANKRUPTCY AND SECOND CHANCE**



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

**In all EaP countries, institutions and mechanisms for SME policy making and public-private consultations are at an early stage of formation:**

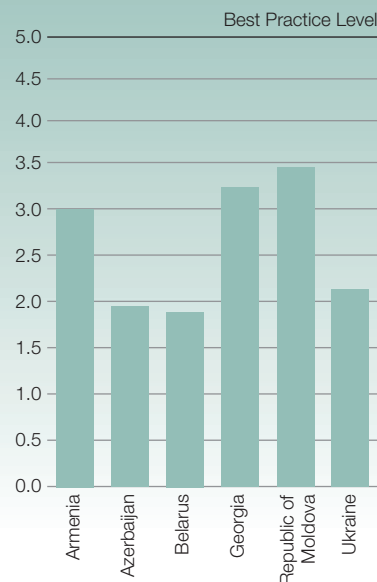
- Armenia and the Republic of Moldova have the main building blocks for SME policy in place, including an SME policy implementation agency and a strategy for SME development in progress.
- Georgia has made significant achievements by following a horizontal approach to business climate development based on effective consultations with the private sector and functioning intra-governmental co-ordination mechanisms.
- In Ukraine, a new agency responsible for SME policy was re-established after a restructuring process, but its effectiveness will depend on its mandate and financing, which are yet to be determined.
- In Azerbaijan and Belarus, SME policy implementation is not centralized in a single body and official consultations with the private sector are limited, with little representation from SME associations.

**All EaP countries have undergone reforms in legislative simplification.**

Regulatory Impact Analysis (RIA) is implemented in Armenia and the Republic of Moldova.

**The limited availability of internationally comparable and up-to-date statistical data** on the small business sector remains a barrier to better policy making in all EaP countries.

**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 being the strongest*

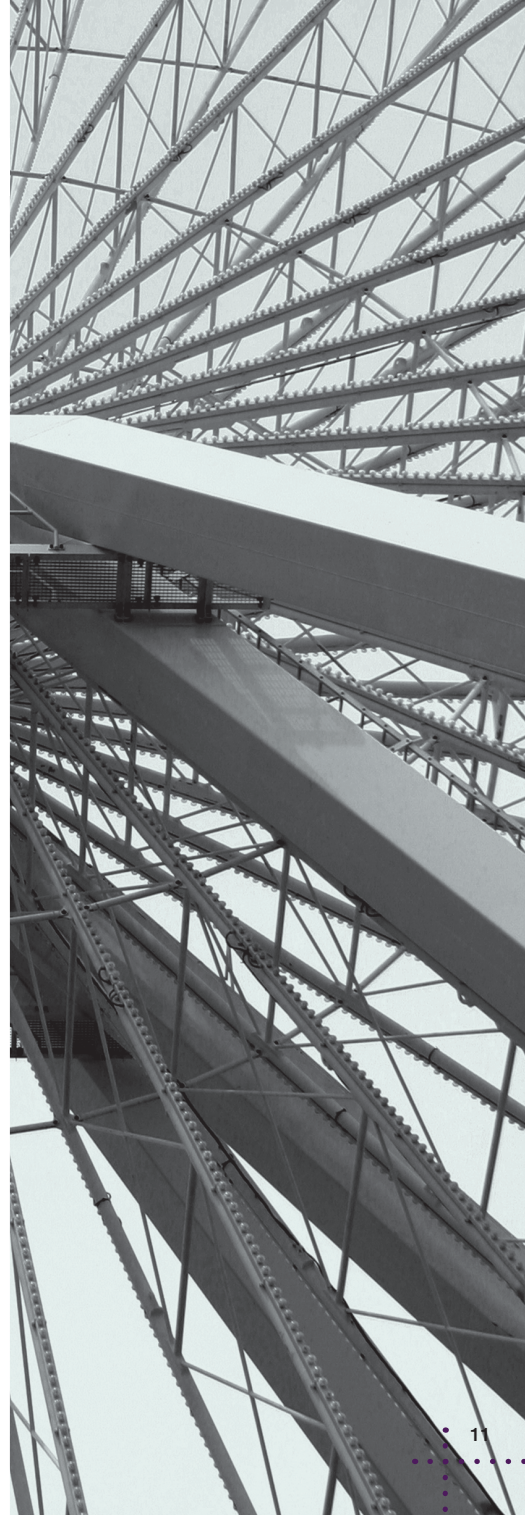
### PRIORITY ACTIONS

**Provide more financing and strategic oversight to make the institutional framework more efficient in Armenia, Georgia and the Republic of Moldova.**

Strengthening existing structures and improving the quality of the policy making process through regular consultations and RIA, as well as monitoring and evaluating existing programmes for SME support would be an important next step.

**Strengthen institutions in charge of SME policy development to encourage further development of the SME sector and steer public-private dialogue in Azerbaijan, Belarus and Ukraine.** Involving SMEs from an early stage in the policy making process and encouraging the development of transparent and inclusive SME associations would help to adopt policies that better address SME needs.

**Collect and disseminate more qualitative and up-to date statistical data** to improve the evidence base for policy making in all EaP countries.





## Operational environment for SMEs

Have regulations been simplified to reduce costs and procedures for SMEs?  
Do EaP governments take advantage of e-government tools?

**All countries have made significant progress in reforming the operational environment for SMEs, particularly by streamlining the company registration process...** Reforms to the company registration process have helped to remove burdensome regulations, saving time and reducing costs for SMEs and entrepreneurs.

**...but further reform is needed.** In Azerbaijan, the Republic of Moldova and Ukraine, one-stop-shops currently do not allow for all necessary pre- and post-incorporation procedures to be completed in-house. In Ukraine it can still take up to 24 days to complete the overall registration process.

**Some countries have completely redesigned the registration process by overhauling inefficient institutions.** In Georgia a broad range of public services are offered in one single location (Public Service Halls), thus increasing their accessibility and reducing the administrative burden for SMEs.

**All EaP countries are developing a broad range of e-government services,** often using online tax filing systems as a starting point. Countries have also improved the infrastructure for e-government by introducing electronic signature.

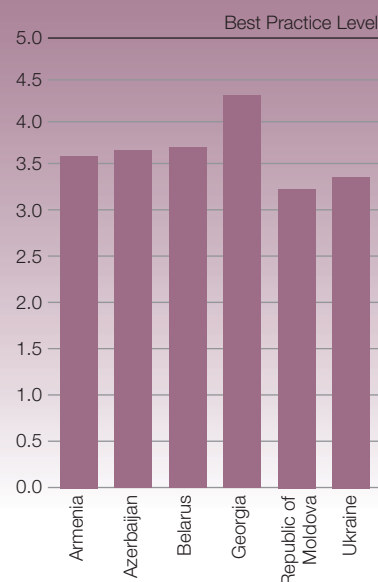
### PRIORITY ACTIONS

**Further reform the company registration process in the EaP region** with a focus on advanced features such as online registration and increasing the effectiveness of one-stop-shops.

**Develop a broader range of functional e-government services** such as social security returns, pensions, procurement and cadastre.

**Provide more effective and up-to-date infrastructure for e-government** by increasing connectivity between the databases of public administrations.

**FIG 4: OPERATIONAL ENVIRONMENT FOR SMEs**



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

# Support services for SMEs and start-ups

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

**While the availability of private business services for SMEs is limited,** donor-funded SME support programmes are active in all EaP countries.

**Elements of SME and start-up support are envisaged in national SME or development strategies in all EaP countries.**

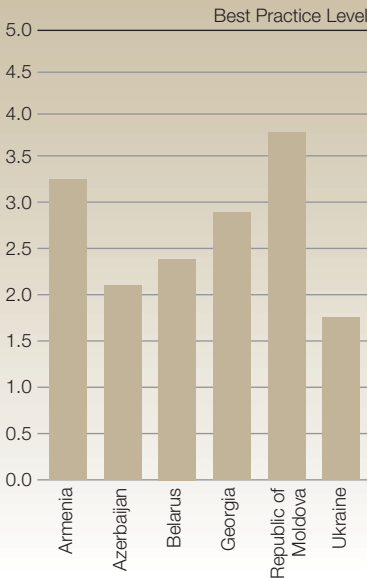
- In Armenia and the Republic of Moldova, support services are delivered through national SME support agencies.
- In Azerbaijan support services are currently provided through the national training centre.
- Georgia and Ukraine provide advisory and financial support for start-ups through publicly funded schemes.

## PRIORITY ACTIONS

**Develop mechanisms to assess SME support initiatives.**

**Increase access to business information.** In Azerbaijan, Georgia and Ukraine a unified portal covering the entire spectrum of SME-related topics could help to close the information gap.

**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 being the strongest*

## Public procurement

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

**Substantial progress has been made in providing publicly accessible information on public procurement tenders in all countries.**

- None of the EaP countries have developed a coherent policy framework to address late payments.
- Belarus is the leader in cutting tenders into lots and setting proportionate qualifications and financial requirements for SMEs.

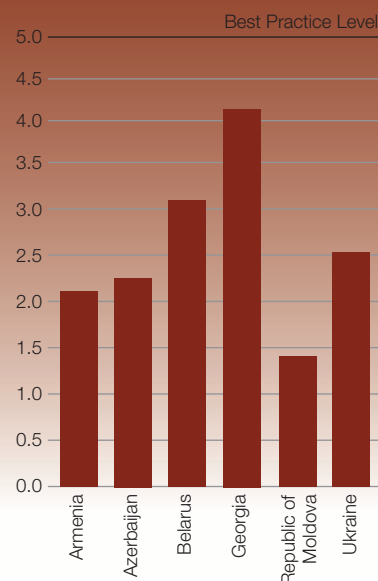
### PRIORITY ACTIONS

**Move closer to EU public procurement standards** to improve transparency and non-discrimination in the public procurement environment.

**Simplify procedures and requirements for participating in procurement** to give SMEs greater opportunities to participate in tenders.

**Allow foreign firms to participate in bidding to increase competition.**

FIG 5b: PUBLIC PROCUREMENT



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

## Access to finance for SMEs

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

**Bank lending to SMEs has been significantly affected by the recent financial and economic crises but remains the main source of external funding.** Banks remain cautious about risk-taking, and other sources of finance such as leasing have yet to be developed.

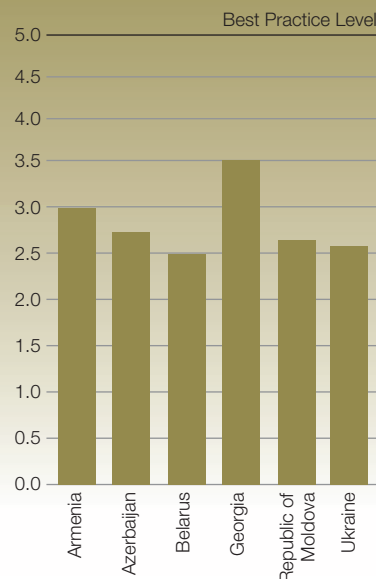
**Private capital is scarce and equity markets are small and illiquid.**

**Public support to SMEs is relatively weak** and limited by fiscal constraints in most countries (except Azerbaijan).

**Progress in the development of the legal and regulatory framework is mixed across the region.**

- Enforcement of creditors' rights remains weak in all EaP countries.
- Cadastre and credit information systems are developed in Armenia and Georgia and a unified collateral registry is in place in Georgia and the Republic of Moldova.

**FIG 6: ACCESS TO FINANCE FOR SMEs**



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

### **PRIORITY ACTIONS**

**Enhance competition in the banking sector and support banks in developing more targeted financial products** that meet SME needs.

**Focus on general improvement of the business environment and corporate governance standards** to increase investment opportunities and attract more private equity capital to the region:

- Build a domestic institutional investor base (e.g. through insurance and pension reform) and related exit opportunities to further help develop equity capital.
- Reduce the number of administrative procedures and regulations for more effective state financial support.

**Further improve the legal and regulatory environment.**

- Create an effective and easily accessible central collateral registry in Armenia, Azerbaijan and Belarus for enhancing access to finance for SMEs.
- Establish a private credit bureau in Azerbaijan and Belarus to improve information coverage and overcome information asymmetries.
- Strengthen the legal environment protecting creditors' rights by providing adequate enforcement mechanisms for collateral retrieval across the region.

**Increase knowledge and general awareness of financial issues.**





## Standards and technical regulations

Are EaP countries eliminating technical barriers to trade in the area of industrial and agricultural products to move forward on the EaP trade agenda?

**Ukraine and Belarus are the best performing countries in the EaP region in addressing technical trade barriers for industrial products.**

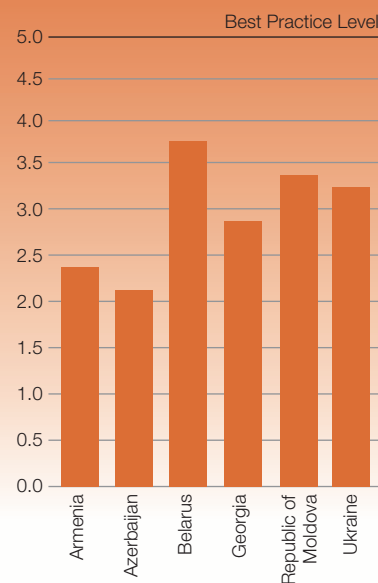
- Ukraine completed negotiations on a DCFTA with the EU, which implies considerable approximation of legislation in the area of technical barriers to trade.
- Armenia, Georgia, and the Republic of Moldova are following the example of Ukraine and have started negotiations on a DCFTA with the EU.
- Azerbaijan is the only EaP country which has not yet made progress in aligning its legislation with the EU framework.
- Belarus has aligned its infrastructure in the area of sanitary and phytosanitary rules through a customs union with the Russian Federation and Kazakhstan.

### PRIORITY ACTIONS

**Further improve administrative and regulatory information for the business community** in all countries in the EaP region, except the Republic of Moldova, particularly for SMEs, on how to comply with the legislative environment in the EU.

**Pursue compliance with the legislative environment in the EU in the medium and long term** to increase trade integration between the EU and EaP countries and improve market access for EU companies and enterprises from the EaP countries.

**FIG 7: STANDARDS AND TECHNICAL REGULATIONS**



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

## Enterprise skills

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

**All EaP countries have developed policies and allocated resources to provide SME training in urban and rural centres**, supported by online tools. Policies and measures targeting specific groups (such as young entrepreneurs, women and high-growth enterprises) are not yet available in the region.

**Armenia, Azerbaijan, Georgia and the Republic of Moldova are systematically assessing the training needs of SMEs**, although efforts in all countries are based on ad hoc individual efforts by training providers and employers.

**No country has a national quality assurance framework to assess the quality of training or learning outcomes**, or the international accreditation of training courses.

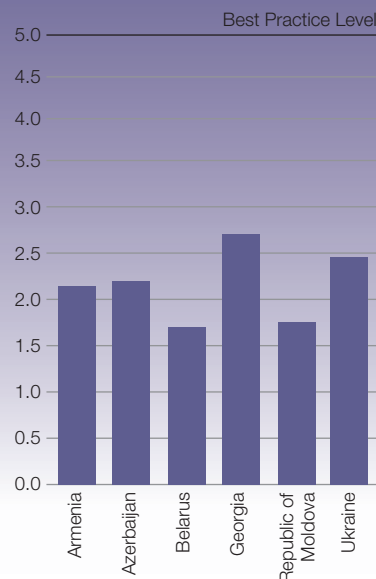
### PRIORITY ACTIONS

**Systemically collect data on training needs** to improve policy and optimise resource allocation in the area of SME skills development.

**Focus on quality assurance, institutional support and targeted measures** for start-ups and high-growth enterprises.

**Develop links between training, advisory and financial support measures**, based on criteria agreed between the business community and the government.

FIG 8a: ENTERPRISE SKILLS



*Note: Indicators are structured around five levels of policy reforms, with 1 being the weakest and 5 being 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 and technology transfer are constrained by top-down government interventions, non-transparent funding decisions, and a legacy of public R&D institutes that continue to operate in isolation from the private sector.**

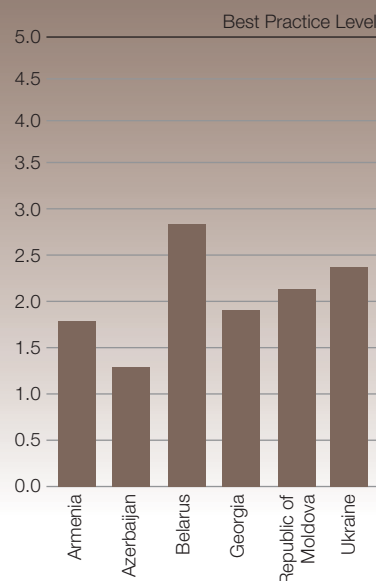
- Belarus and Ukraine have developed the necessary institutional structure and documentation to support the development of a comprehensive innovation strategy.
- Innovation policy measures and programmes too often remain on paper and are not financed.
- State-owned enterprises continue to be the primary beneficiaries of government support for innovation and R&D.

### PRIORITY ACTIONS

**Develop a strategic approach to the development of innovation policy, with active measures to support innovative SMEs and high-growth enterprises** in various sectors of the economy. Innovation should be a core component across a broad range of policies and strategies.

**Introduce an incentive structure in the education and research area** to raise the absorptive and innovative capacity of SMEs.

FIG 8b: INNOVATION POLICY FOR SMEs



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

## SMEs in a green economy

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

**Most countries in the EaP region are now aware of environmental issues and their potential economic impact.** In some of the countries, concepts relating to green growth have been included in SME policy frameworks and companies have been certified according to environmental management standards (EMS).

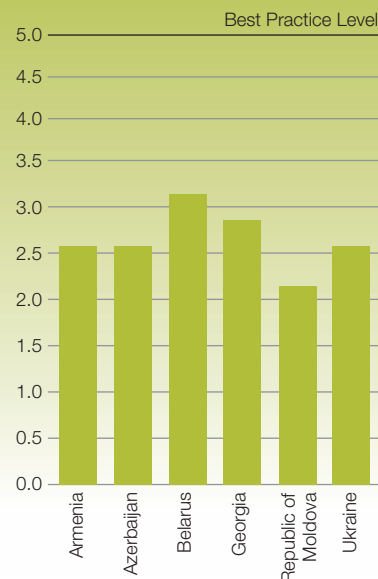
**Governments generally encourage the business community to take environmental issues into consideration,** but specific funding for SMEs promoting eco-efficient business and the green economy is not available in any EaP country.

### PRIORITY ACTIONS

**Give more consideration to the green growth principle in the policy agenda,** starting by including green economy concepts in the respective EMS programmes and strategies, thus encouraging SME investment in eco-efficient business and stimulating environmental innovation.

**Provide more information and expertise** to raise SME awareness of the benefits of green growth and implementation of EMS.

FIG 9: SMEs IN A GREEN ECONOMY



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

## Internationalisation of SMEs

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

**All EaP countries have implemented programmes to encourage exports, without specifically targeting SMEs.**

- Armenia, Azerbaijan, Georgia and the Republic of Moldova have agencies that specialise in promoting export-oriented firms. However, limited support is provided to export-oriented SMEs.
- Neither Belarus nor Ukraine have specialised agencies, although they have developed state programmes for promoting exports.

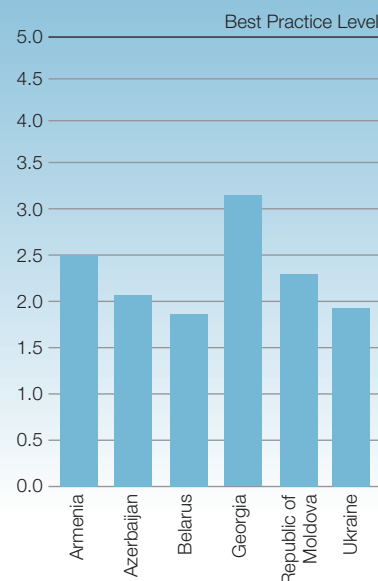
### PRIORITY ACTIONS

**Improve the capabilities of domestic SMEs to compete internationally by** assisting them in obtaining creditworthiness ratings, finding international partners, providing international market information, fostering research and development and implementing international quality standards.

**Raise firm awareness of exports as a growth and market expansion opportunity.**

**Improve co-ordination of export promotion activities of various government and non-government agencies** in order to avoid overlap and reach maximum efficiency. Monitor and evaluate the effectiveness of export promotion programmes.

**FIG 10: INTERNATIONALISATION OF SMEs**



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



A close-up photograph of several interlocking brass gears, showing their teeth and circular faces. The lighting is warm, highlighting the metallic texture and the precision of the mechanical components.

# Country Performance

# Armenia

Since 2000, the Armenian government has pursued a pro-active approach to supporting SME growth. Key developments were the establishment of an SME policy implementation agency, the creation of an SME Support Council and, from 2012, the development of a new SME strategy. In 2011, Armenia's official definitions for SMEs were aligned with the EU.

Armenia has achieved the highest scores in the areas of operational environment as a result of recent and extensive deregulation initiatives.

The country offers effective SME support tools such as business services and training and information centres, particularly for start-ups, through its SME Development National Center (an efficient and geographically far-reaching SME agency). Armenia actively supports SMEs in building export and innovation capabilities.

## PRIORITY ACTIONS

**Adopt a strategy for SME development** and continue business environment reforms based on an inclusive public-private dialogue. The strategy should include strategic development of entrepreneurship across the learning system, more focus on skills upgrading in small businesses and greater attention to supporting women's entrepreneurship.

**Enhance the effectiveness of public-private consultations** by further strengthening the role of SME representatives in policy consultations.

**Prioritise SME financing, innovation and export promotion**, for example through the development of SME policy tools that address specific SME needs in important sectors of the economy, such as agribusiness, information and communications technology, tourism and construction.

## Key facts on the SME sector in Armenia (2009)

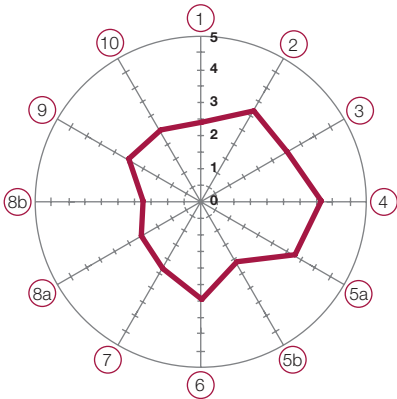
SMEs share in business population: **97.7%** of registered entities

SMEs share in employment: **42.2%**

SMEs share in GDP: **42.5%**

*Source: SME DNC (2010), based on the official definition of "small and medium enterprises" in Armenia applicable before 2011*

## SBA SCORES FOR ARMENIA



- 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
- 5a Support services for SMEs and start-ups
- 5b Public procurement
- 6 Access to finance for SMEs
- 7 Standards and technical regulations
- 8a Enterprise skills
- 8b Innovation policy for SMEs
- 9 SMEs in a green economy
- 10 Internationalisation of SMEs

# Azerbaijan

Since 1999, Azerbaijan has acknowledged the importance of small entrepreneurship and the need to support SMEs through reforms and de-regulation. Since then, the business environment has improved significantly and in 2009 Azerbaijan was named the region's main reformer by the World Bank, with positive changes in seven out of the ten Doing Business indicators.

Azerbaijan has no strategy for SME development, but elements of entrepreneurship support and specific measures have been included in the wider national strategies on regional development and poverty reduction and in the associated action plans.

## PRIORITY ACTIONS

**Improve the institutional framework and intra-governmental policy co-ordination** to enhance the effectiveness of entrepreneurship development measures. Emphasis should be placed on horizontal co-ordination between the ministries and agencies involved in SME-related issues to ensure linkages between existing initiatives and avoid overlap.

**Support access to finance**, by improving the capacity, coverage and effectiveness of the credit information system. Establishing a central collateral registry would improve sources of collateral and thus the ability of SMEs to access bank lending.

**Direct public business support towards entrepreneurs and small businesses** to stimulate new business ideas and opportunities to diversify the economy. The definition of entrepreneurship could be broken down into smaller categories so that various sizes of SMEs are targeted based on their specific characteristics, needs and challenges.

**Azerbaijan should continue its current strong policy efforts to promote lifelong entrepreneurial learning** while ensuring focus on skills development in small businesses and women's entrepreneurship.

## Key facts on the SME sector in Azerbaijan (2010)

SMEs share in business population: **93.8%** of active enterprises

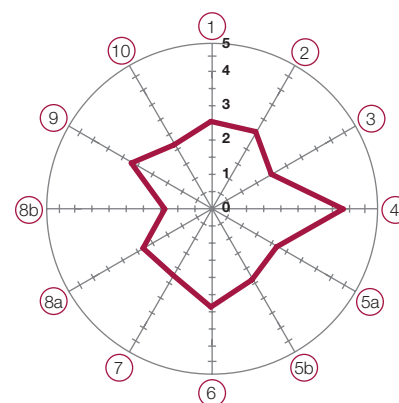
SME share in employment: **5.9%\***

SME share in GDP: **1.7%\***

*\*data on employment and GDP excludes individual entrepreneurs*

*Source: Statistical Committee of the Republic of Azerbaijan, based on the official definition of "small entrepreneurship" in Azerbaijan*

## SBA SCORES FOR AZERBAIJAN



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# Belarus

**The government of Belarus is increasingly supporting private sector participation in the economy** and has taken steps to develop a comprehensive SME support policy. State support measures and the announcement of 2011 as the Year of Entrepreneurship represent a significant shift of state policy towards the development of a more creative, innovative and entrepreneurial society.

**Belarus has implemented an innovation strategy** which includes support services for SMEs, provided by a number of innovation and technology centres.

**SME growth is hampered by the slow pace of economic liberalisation.** Although Belarus is the second largest economy in the EaP region, the SME sector is underdeveloped.

## PRIORITY ACTIONS

**Create level playing-field conditions for SMEs and pursue wider economic liberalisation** to open up new business opportunities for private entrepreneurship in Belarus.

**Develop an institutional framework for SME support**, for example by setting up an agency responsible for SME policy implementation equipped with a clear mandate and adequate funding.

**Further involve the business community in the development of new policies** and drafting business-related legal acts.

**Enact specific measures to develop entrepreneurship as a key competence**, such as including entrepreneurial learning in formal and non-formal education and creating conditions for the development of enterprise skills and promotion of women's entrepreneurship.

## Key facts on the SME sector in Belarus (2010)

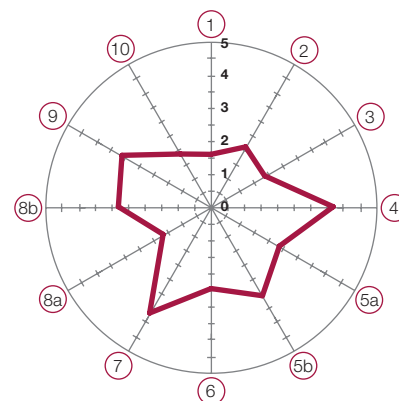
SMEs share in business population:  
**97.2%** of active enterprises

SMEs share in employment: **28.1%**

SMEs share in GDP: **20%**

*Source: Belstat, based on the official definition of "small and medium entrepreneurship" in Belarus*

## SBA SCORES FOR BELARUS



- 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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- 5b Public procurement
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- 8b Innovation policy for SMEs
- 9 SMEs in a green economy
- 10 Internationalisation of SMEs

# Georgia

**Georgia has improved the business environment** for all enterprises (including SMEs) by simplifying administrative regulations, reducing the tax burden and fighting corruption, facilitating free trade, promoting privatisation campaigns and initiating a policy partnership platform to build a national lifelong entrepreneurial learning concept. Anti-corruption measures are recognised as one of the most successful parts of the reform policy.

**Georgia's SBA Assessment shows high scores for responsive administration and access to finance.** Key policies are in place for more developed women's entrepreneurship.

**A lack of data compromises Georgia's performance, particularly on the indicators addressing start-up and SME growth training.**

## PRIORITY ACTIONS

**Adopt a more strategic approach to the development of SMEs** by identifying strategic directions and objectives for future development taking into consideration specific SME needs in important sectors of the economy, such as agribusiness, light manufacturing and tourism.

**Systematically apply Regulatory Impact Analysis** to assess the positive or negative impact of regulatory changes on the SME sector. Both the public administration and the private sector would benefit from an increase in public-private consultations.

**Provide information on foreign market requirements and export possibilities for SMEs, and offer consultancy services and innovation support schemes through active policy measures.** Develop a national quality infrastructure for training providers to further strengthen the competitiveness of Georgian SMEs.

**Further support the national lifelong entrepreneurial learning strategy,** building on established progress in promoting the quality of education and entrepreneurial culture. Develop a systematic approach to tracking small business skills for a more efficient and responsive training market.

## Key facts on the SME sector in Georgia (2010)

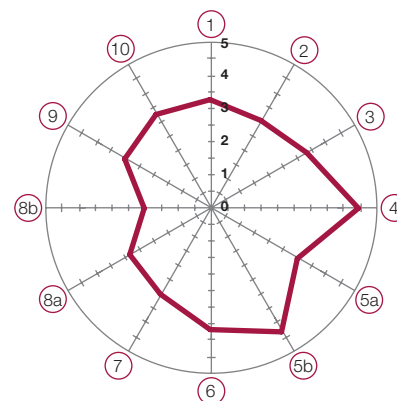
SMEs share in business population: **96%** of active enterprises

SMEs share in employment: **43.6%**

SMEs share in value added: **19.3%**

*Source: GeoStat, based on the official definition of "small and medium enterprises" in Georgia*

## SBA SCORES FOR GEORGIA



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# Republic of Moldova

**SME policy in the Republic of Moldova has shown significant improvement in the areas of company registration procedures and e-government.** The regulatory framework has been simplified with several stages of legislative guillotine to ensure that outdated or unnecessary legislation is eliminated.

**A new strategy for SME development for 2012-2020 is currently being finalised.** The new strategy involves stakeholders in entrepreneurial learning, although the exchange of good practices is inhibited by the weakness of educational networks and little access to information sources.

**While reforms in the regulatory framework are ongoing, addressing the needs of existing businesses remains an important issue.** Business support and information are fragmented and SMEs have limited access to consultancy and business planning services.

## PRIORITY ACTIONS

**Stimulate a widespread entrepreneurial culture** through effective education and training measures, with a view to sustaining the success of SME policies in the long-term and ongoing co-operation between government, academia and the private sector.

**Improve transparency and corporate governance, competition, and increase sophistication in the banking sector** while ensuring macroeconomic stability to facilitate sustainable access to finance for SMEs.

**Target SMEs with export capabilities** more effectively through services such as information, contacts, links and promotional resources.

## Key facts on the SME sector in the Republic of Moldova (2010)

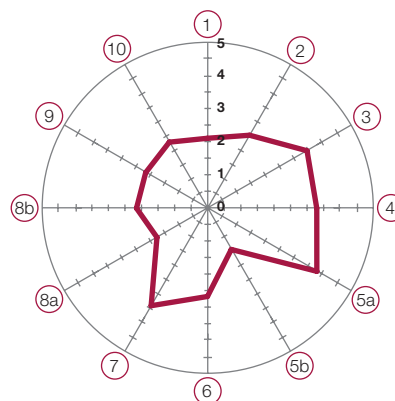
SMEs share in business population: **97.7%** of active enterprises

SMEs share in employment: **58.8%**

SMEs share in GDP: **28.3%**

*Source: National Bureau of Statistics of Republic of Moldova, based on the official definition of "small and medium enterprises" in the Republic of Moldova*

## SBA SCORES FOR REPUBLIC OF MOLDOVA



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# Ukraine

The institutional framework for SME policy in Ukraine is in the process of being restructured, with a new institution ready to take over responsibility for SME policy implementation.

Ukraine's commitment to SME development has resulted in some deregulation and simplification of administrative procedures. The overall business environment however continues to inhibit private sector growth and SME operations and there is no coherent approach to SME policy making in place.

Ukraine has made positive efforts to promote entrepreneurship in secondary education and to ensure quality assurance in training and enterprise skills.

## PRIORITY ACTIONS

**Adopt a viable long-term SME development strategy** including the creation of a more enabling legal environment.

**Increase the effectiveness of public-private consultations** by strengthening the representativeness of the private sector and particularly SMEs in regulatory decisions.

**Further develop entrepreneurship skills** through reforms to educational curricula, innovative approaches to teacher training and exploring new forms of co-operation with business.

**Consolidate the innovation policy framework** to encourage bottom-up initiatives and ensure linkages between research outcomes and practical market applications.

## Key facts on the SME sector in Ukraine (2010)\*

SMEs share in business population: **99.4%** of active enterprises

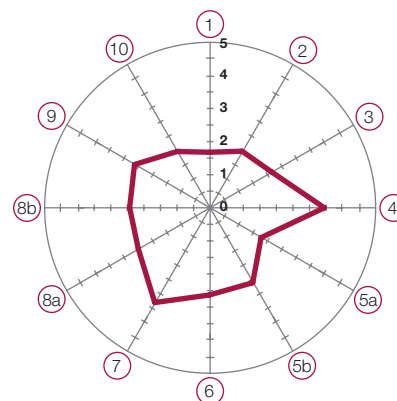
SMEs share in employment: **58.1%**

SMEs share in turnover: **51.2%**

\* Individual entrepreneurs are not included in the definition of the SME sector

Source: Ukrstat, based on the official definition of "small and medium entrepreneurship" in Ukraine

## SBA SCORES FOR UKRAINE



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# CONTRIBUTORS

## **ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD), Eurasia Competitiveness Programme**

The OECD Eurasia Competitiveness Programme, launched in 2008, helps accelerate economic reforms and improve the business climate to achieve sustainable economic growth and employment in two regions: Central Asia (Afghanistan, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan), and Eastern Europe and South Caucasus (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine).  
[www.oecd.org/daf/psd/eurasia](http://www.oecd.org/daf/psd/eurasia)

## **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](http://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](http://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](http://www.ebrd.com)

**KEY CONTACTS:**

**Mr Antonio Somma**

Acting Head of Programme

*antonio.somma@oecd.org*

**Media contact:**

**Ms Vanessa Vallée**

Communications Manager

*vanessa.vallee@oecd.org*



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