

## Chapter 5. Pillar D – Access to markets

*International markets and the public procurement sector represent huge opportunities for SMEs in the Eastern Partnership region. However, they face high barriers and risks in entering those markets due to lack of information about export opportunities, internationally incompatible quality standards, and discriminatory rules, as well as complex application procedures for public tenders. Pillar D assesses governments' efforts to facilitate SME access to these markets.*

*Since the 2016 assessment, the public procurement regulatory environment has improved, but none of the EaP countries has yet fully introduced all the standard practices recommended in this area – and e-procurement systems, despite having considerably developed since 2016, remain limited. The EaP countries have made some progress in the Standards and technical regulations dimension, as they have all applied for associate membership in the European co-operation for Accreditation (EA) and Belarus, Georgia, Moldova and Ukraine have signed bilateral recognition agreements with the EA. Since 2016, all EaP countries have also started implementing new strategies for SME internationalisation, but only limited progress has been made in implementing policies to foster SME integration into global value chains.*

*The EaP countries should improve their e-procurement systems and invest in training for procurement officers and contracting authorities, as well as expand financial and non-financial measures to foster the use of standards and conformity assessment services. Finally, they should expand the range of provided export support services and introduce the provision of trade finance tools for exporting SMEs.*

## Introduction

Increasing globalisation and growing international trade offer SMEs the opportunity to join global value chains (GVCs) and allow firms to specialise within production networks, contributing to higher innovation activity and productivity growth. However, the drive for deregulation and openness, which is often linked to globalisation, can also have a negative impact on SMEs that are not ready to compete globally and can exacerbate the consequences of market distortions that undermine fair competition in some countries and sectors (OECD, 2017<sup>[1]</sup>). Moreover, shorter product life cycles put more pressure on SMEs to be more innovative and flexible. As a result, SMEs tend to be under-represented in international trade and often lose traditionally strong domestic markets.

Against this background, a proactive attitude to global competition and markets is increasingly a matter of necessity. Policy responses are needed to ensure that SMEs turn the pressure of international competition into an opportunity to increase quality and competitiveness, and thus to participate in the growth of international markets.

Domestically, with public procurement, governments are major consumers of goods and services offered by the private sector. SMEs should be given an opportunity to meet such sizeable demand and tap into a market that can be designed to deliver important social returns, as is the case in mission-oriented public procurement.<sup>1</sup>

However, SMEs face particularly high barriers and risks in these areas. These include a lack of information about export opportunities, internationally incompatible quality standards, discriminatory rules and complex application procedures for public tenders. Targeted policies and support programmes can help mitigate such impediments and further open market opportunities for SMEs.

This pillar investigates recent EaP reforms in these areas by assessing three policy dimensions: 1) Public procurement, 2) Standards and technical regulations, and 3) SME internationalisation.

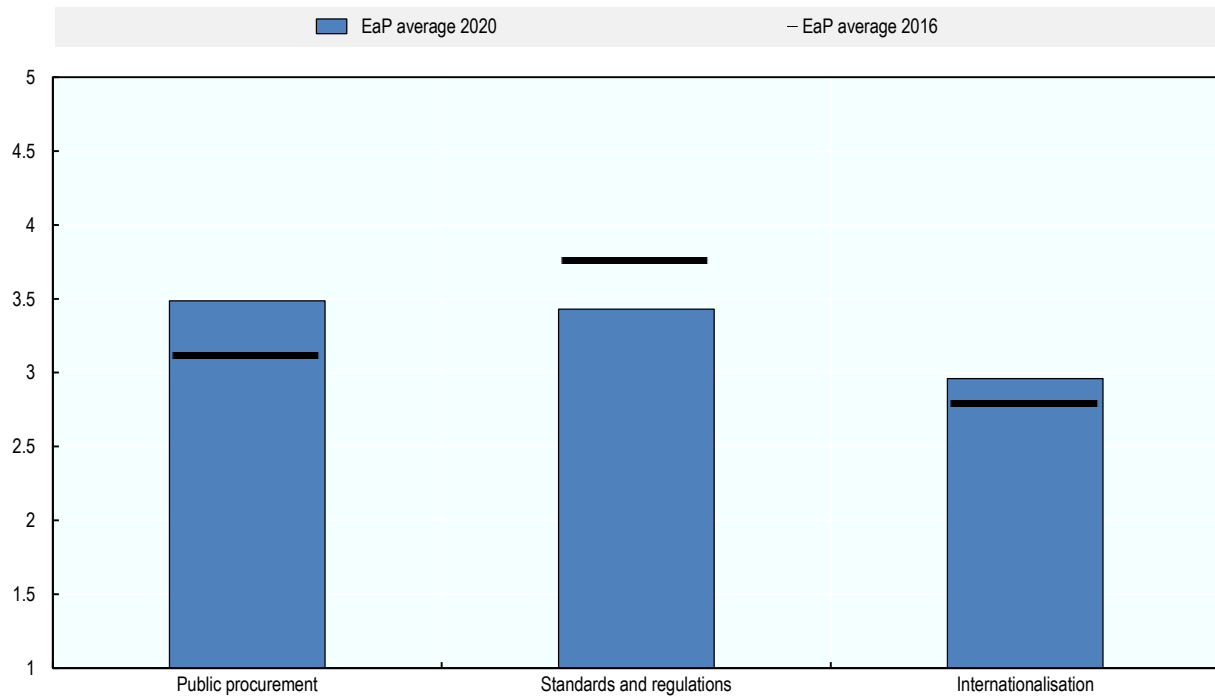
However, one should keep in mind the interlinkages between the various pillars and dimensions of the SME Policy Index: the public procurement sector can only prosper in an environment with reduced informality and corruption. This is why a strong institutional framework and level playing field conditions are a key element for a healthy public procurement system and access to markets as a whole.

Moreover, internationalisation of SMEs contributes to an increase in productivity, quality and innovation by exposing SMEs to international competition and helping them achieve economies of scale. Finally, access to and uptake of business development services (BDS) is also a fundamental element of internationalisation promotion. Advanced BDS and enterprise skills can provide firms with the knowledge and resources they need to internationalise by offering them targeted information, training, mentoring and consulting.

As shown in Figure 5.1, progress have been made in the region in terms of public procurement and internationalisation of SME. Regarding the *Standards and regulations* dimension, the score difference between 2016 and 2019 can partly be explained by the change in the methodology as the dimension was completely restructured.

**Figure 5.1 SME Policy Index scores for Pillar D: Access to markets**

Regional scores, 2020 vs. 2016

StatLink  <http://dx.doi.org/10.1787/888934086964>**Table 5.1. Country scores by dimension and sub-dimension, 2020**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average 2020	EaP average 2016
<b>Public procurement</b>	<b>3.61</b>	<b>2.87</b>	<b>3.15</b>	<b>4.26</b>	<b>3.86</b>	<b>3.17</b>	<b>3.49</b>	<b>3.12</b>
<b>Standards and regulations</b>	<b>2.66</b>	<b>3.10</b>	<b>3.04</b>	<b>4.56</b>	<b>3.68</b>	<b>3.55</b>	<b>3.43</b>	<b>3.76</b>
Co-ordination and general measures***	3.50	3.70	3.50	5.00	3.50	3.50	3.78	3.00
Approximation with EU acquis**	2.81	3.53	3.18	4.44	3.76	4.35	3.68	-
SME access to standardisation*	2.08	2.23	2.65	4.54	3.63	2.43	2.92	-
<b>Internationalisation</b>	<b>2.86</b>	<b>3.08</b>	<b>2.68</b>	<b>3.76</b>	<b>2.74</b>	<b>2.64</b>	<b>2.96</b>	<b>2.79</b>
Export promotion	3.77	3.60	3.73	4.27	3.44	3.39	3.70	3.16

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average 2020	EaP average 2016
<i>Integration in GVCs</i>	1.68	1.59	1.29	2.85	1.92	1.56	1.81	1.31
<i>Trade facilitation*</i>	3.00	3.24	2.14	4.10	2.99	2.99	3.08	-
<i>E-commerce*</i>	1.70	3.17	1.70	3.20	1.70	1.70	2.19	-

*Note:* The dimension score is the weighted average of the sub-dimension scores. The following methodological changes have been introduced in the 2020 assessment, which should be taken into account when observing trends in SME Policy Index scores: Standards and regulations (new sub-dimensions: SME access to standardisation, Approximation with EU acquis), Internationalisation (new sub-dimensions: Trade facilitation, Use of e-commerce).

\* These sub-dimensions have been introduced in 2020 and were not covered in previous assessments.

\*\* This sub-dimension has been introduced in 2020 and it combines various building blocks that in the previous assessment contributed to the Standards and technical regulations sub-dimension (technical regulation, standardisation, accreditation, conformity assessment, metrology, and market surveillance).

\*\*\* This sub-dimension used to be a building block in the previous assessment.

## Public procurement

While the share of public procurement in overall public expenditure is often large, SMEs often miss this important market opportunity. SMEs shy away from bidding because of complex rules and lengthy procedures. They also often lack the human and financial resources and know-how required to deal with burdensome administrative requirements and may expose themselves to financial risks through potentially fruitless applications.

Other issues limiting SMEs' participation in public procurement pertain to the size of public contracts and to the disproportionate qualification and financial requirements demanded of bidders. These problems, as well as the widespread phenomenon of late payments in the public sector, systematically discriminate against SMEs with limited turnover.

If effective, attempts to increase the generally low participation rate of SMEs in public procurement could spark competition and lower prices for public purchasers, counterbalancing dominant market players (SIGMA/OECD, 2016<sup>[2]</sup>), since SMEs are often particularly innovative and may offer solutions that larger companies cannot provide.

A few relatively simple legislative measures can considerably improve the situation for SMEs in public procurement. In many cases, very large contracts are not justified and such purchases could take place through several smaller contracts – or, if legally facilitated, through subcontracting. Likewise, limiting requirements about the financial abilities of tenderers to reflect only strictly necessary preconditions, and allowing tenderers to submit joint bids, are generally reasonable and proportionate measures in most contexts.

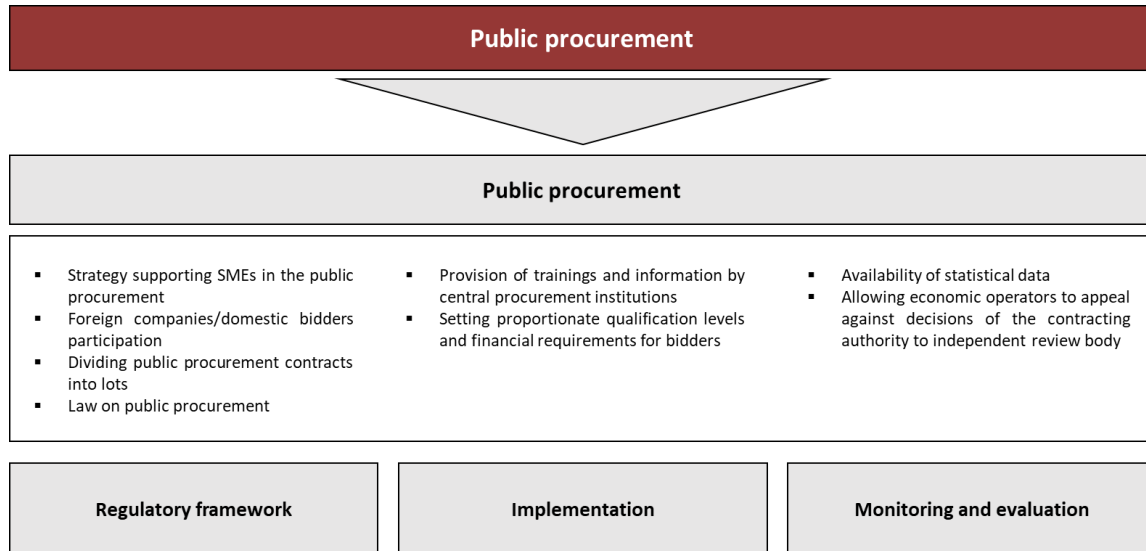
Furthermore, SMEs benefit from electronic procurement, as this makes information more easily available, at lower costs, and facilitates the submission of bids. Laws setting strict deadlines and penalties for late payment by the public sector are a first step towards avoiding late payments to contractors, albeit not sufficient on its own.

### Assessment framework

The assessment framework for this dimension is unchanged since the previous SBA assessment. While it does not have any “sub-dimensions”, the analysis looks at policies and tools in place in EaP countries to allow SMEs better access to public procurement

markets, and it does so through three thematic blocks covering policy and regulatory framework, implementation and monitoring and evaluation (Figure 5.2).

**Figure 5.2. Assessment framework – Public procurement**



In particular, the assessment focuses on:

- the extent to which public authorities use tools to take account of the small size of firms bidding in tenders and to provide them with equal opportunities – such as allowing tenders to be cut into lots, allowing SMEs to bid jointly, and setting proportionate qualification levels and financial requirements;
- whether information on public procurement is centralised and free of charge for all participants, and whether there is training and a helpdesk available to help interested firms;
- the existence and implementation of electronic procurement, starting with the provision of procurement information online and continuing through to the electronic submission of tender;
- whether legislation is in place that imposes strict deadlines for payments by public authorities and penalties for non-compliance; and
- whether public procurement is open to foreign enterprises (both SMEs and large enterprises) to ensure a fair level of competition.

### *Analysis*

Public procurement represents a large share of public expenditure and is an important market opportunity for SMEs. Unfortunately, the unreasonably large size of public contracts, disproportionate qualification and financial requirements, and ineffective electronic procurement portals systematically discriminate against SMEs with limited turnover. This dimension assesses EaP countries' efforts to make public procurement more open to entrepreneurial SMEs.

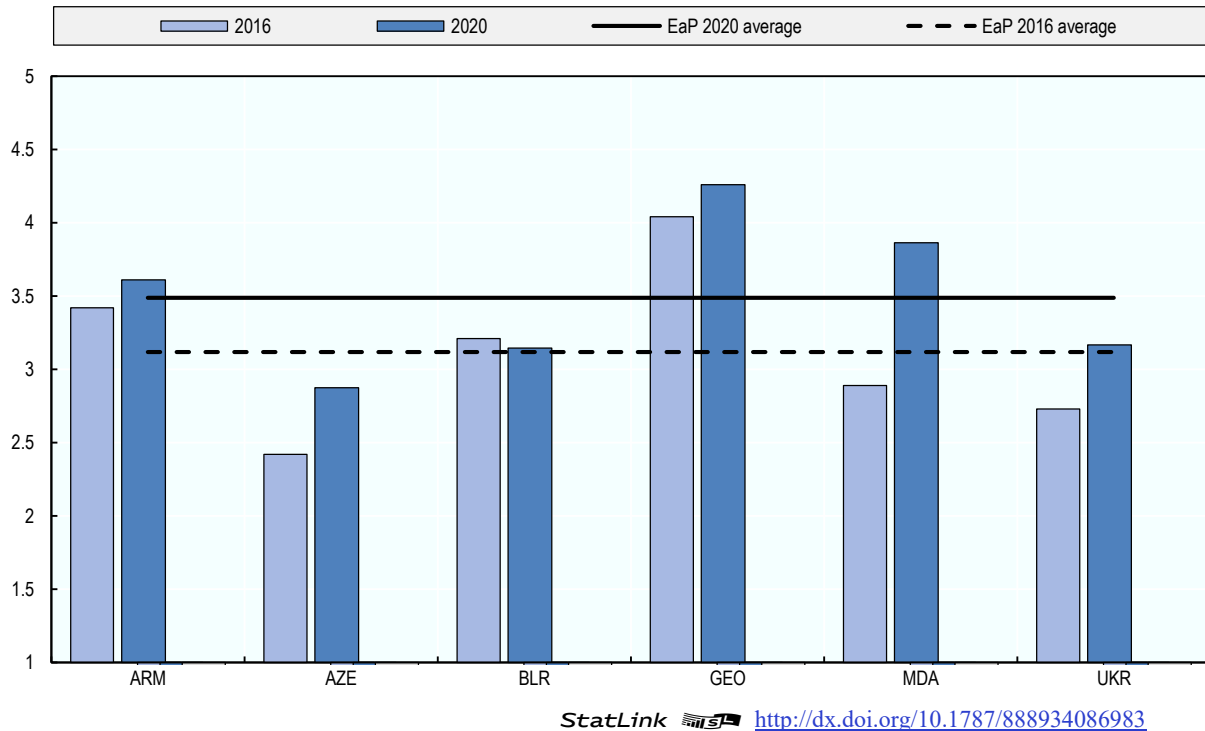
The low average number of tenderers in public procurement procedures (mostly between two and three) indicates that many SMEs continue to struggle to participate in public

procurement markets in the EaP region. They face competition either from large firms with well-established contacts among the contracting authorities and resources for preventing prospective competitors from gaining a foothold, or from a multitude of other small firms, some of which may seek to gain unfair advantage by failing to play by the rules and therefore discourage others from participating. At the same time, qualitative information gathered through the SBA assessment reveals that most contracting authorities find it difficult to obtain competitive offers from qualified suppliers, whether SMEs or larger firms.

As Figure 5.3 shows, the regulatory environment is improving in most EaP countries – especially for Georgia, Moldova and Ukraine, which are adapting their legislation in conformity with European Union directives. However, gaps remain in the provisions intended to facilitate SME participation in public procurement. None of the EaP countries has yet fully introduced all the standard practices recommended in this area, such as systematic division into lots, the proportionality of award and qualification criteria, simplified rules for demonstrating conformity with formal requirements, possibilities for joint bidding and subcontracting, and timely payments by contracting authorities. Although e-procurement systems have developed considerably since 2016, they remain limited in terms of the award criteria that can be applied and related tendering procedures, and their expected advantages for facilitating and supporting SME participation in public procurement have not yet materialised.

Weak institutional capacity is also part of the problem. Contracting authorities capable of competently handling public procurement are crucial to SME participation. The institutional environment would benefit from the use of joint procurement by several contracting authorities, of external experts (even just by pooling some small authorities for engaging a competent procurement officer), and of one or several centralised purchasing bodies.

To improve this, some measures have been taken by EaP governments to make public procurement more open to entrepreneurial SMEs. Compared with the situation in 2016, the conditions for successful SME participation in public procurement show at least some developments in all EaP countries. The average score for this dimension in the 2020 assessment is 3.49 (increasing for all countries except Belarus), but still leaves ample room for improvement (Table 5.2).

Figure 5.3. Scores for the *Public procurement* dimension compared to 2016Table 5.2. Scores for the *Public procurement* dimension

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Policy and regulatory framework	3.17	2.94	2.81	3.44	4.23	3.23	3.30
Implementation	3.71	3.13	3.84	4.64	4.33	3.27	3.82
Monitoring & evaluation	4.17	2.17	2.17	4.83	2.17	2.83	3.06
<b>Public procurement</b>	<b>3.61</b>	<b>2.87</b>	<b>3.15</b>	<b>4.26</b>	<b>3.86</b>	<b>3.17</b>	<b>3.49</b>

Note: see Annex A for information on the assessment methodology.

### *The regulatory environment is improving, especially for DCFTA countries*

The regulatory environment continues to benefit from the commitments of Georgia, Moldova and Ukraine to adapt their legislation in conformity with the directives of the European Union. This process is spread over several years, according to a set timetable for successive alignment, and progress is being made, even if there is some delay in the execution of the obligations. Recent amendments to the legislation have also been made in Armenia and Azerbaijan. In Belarus, a number of revisions to the public procurement law have been enacted but will not come into force before the end of the period under review.

Nevertheless, in all countries concerned, many SMEs remain discouraged by the many detailed, formal requirements for participating in public procurement. Their proper application requires tenderers to have strong administrative skills and to invest considerable time and effort just to ensure compliance with formal requirements, in addition to the work needed for preparing a commercially competitive offer.

At the same time, there are still gaps in the provisions intended to facilitate SME participation in public procurement, and even more so in their application. Although the countries with association agreements with the EU (Georgia, Moldova and Ukraine) have formally engaged themselves to fully align with the EU Directives on public procurement within the next few years, none of the countries in the region has yet fully introduced all the standard practices recommended: systematic division into lots, proportionality and appropriateness of award and qualification criteria, simplified rules for demonstrating conformity with formal requirements, possibilities for joint bidding and subcontracting, and timely payments by contracting authorities, and independent bodies for review of complaints.

*Institutions handling public procurement could favour greater SME participation*

The shortcomings in the application of the regulations mainly reflect weaknesses in institutional capacity: lack of skills and incentives of officials in charge of public procurement, a tendency to focus on procedural issues rather than on the substantive aspects of the full procurement cycle, and a lack of the transparency.

Training opportunities for contracting authorities are usually available, but mostly cover the award procedures and the use of the e-procurement systems, while often failing to cover substantial aspects of contract management. This is when decisions should be taken about division into lots, technical specifications open enough to give a range of SMEs a fair chance to compete, qualification requirements that are not unduly restrictive, and award criteria that favour value for money, innovative approaches and sustainability.

An underlying issue for developing an institutional environment that favours SME participation lies in the large number of small contracting authorities in several of the EaP countries. These typically lack the resources required for employing skilled and experienced officials who can competently handle public procurement as their main duty, and there is little or no use of measures that could help address some of these capacity issues such as joint procurement by several contracting authorities, better use of external experts (even just by pooling some small authorities for engaging a competent procurement officer), and creation of one or several centralised purchasing bodies. Improving the level of SME participation thus requires building the capacities of public authorities, as a complement to building the capacities of the SMEs and creating favourable conditions for them.

Box 5.1 discusses steps Georgia has taken to facilitate SME participation in public procurement.

**Box 5.1. Facilitating SME participation in public procurement: the case of Georgia**

Contracting authorities are often uncertain about the advantages of SME participation and the measures that should be taken to facilitate it. The State Procurement Agency of Georgia (SPA) has sought to address this problem by preparing and publishing a corresponding guidance note. It also includes the recommendations made there in the training it provides to contracting authorities.

The SPA's "Methodological guidelines for facilitating SME participation in public procurement" were issued on 20 July 2017 as a complement to other guidance materials on



the SPA website. They recall the importance and usefulness of SME participation and identify a number of difficulties that they typically face:

- inadequate determination of the scope and nature of the items to be procured
- too little time for submission and delivery
- biased, too restrictive or too open technical specifications
- unnecessarily high qualification requirements
- disproportionate performance guarantee requirements or other contract conditions
- late payments by contracting authorities

Each of these is illustrated with specific examples of restrictive practices encountered in Georgia.

The guidelines then further explain these difficulties and give detailed advice for how to address them. The advice includes specific, good practice recommendations as well as references to applicable regulations and other guidance documents.

*Source:* State procurement agency and Centre for international migration, *Methodological guidelines to facilitate SME participation in public procurement*, <http://procurement.gov.ge/getattachment/ELibrary/metod-mititebebi-da-recomendaciebi/SME.pdf.aspx>.

### *E-procurement is being developed, but SME participation remains low*

E-procurement has developed considerably since 2016, with systems covering most of the notification, tendering and award phases of the public procurement cycle in all countries except Azerbaijan, where intensive work on introducing a new system for contracts below USD 3 million was under way at the end of the reporting period.

That said, the systems used remain limited in terms of the award criteria that can be applied and related tendering procedures. The predominant use of price as the only award criterion continues to make it difficult for SMEs to participate with solutions that offer better value for money in terms of quality, conditions, or life-cycle costs. Price-only evaluation has often been seen as a necessary means of preventing corruption, like when e-procurement systems were first introduced in Georgia and Ukraine, but has not been sufficient to this effect.

Disproportionate qualification requirements often unduly restrict SME participation. Conversely, when qualification requirements are not stated or not applied, they expose SMEs to unfair competition from unqualified tenderers, and this may also be the case when only the best placed tenderer's qualifications (in addition to the conformity of the best placed tender with the technical specifications) are checked and this is only done, if at all, after an electronic auction, as is typically the case with the e-procurement system used in the region. In fact, good e-procurement practice, as set out in e.g. the EU Directives, requires this sequence of steps to be inversed, so that only the fully qualified tenderers having submitted technically acceptable tenders are invited to participate in an e-auction.

Further, as can be seen in the frequency of estimated contract values just below the thresholds, many contracting authorities have a tendency to split their needs into smaller contracts that fall below the threshold for compulsory use of e-procurement or other competitive procedures, thus limiting the access to the market.

Despite the notional openness and transparency of the e-auction systems in place and the often relatively large number of prospective tenderers, the average number of participants remains surprisingly low, with many such auctions attracting only a single tenderer. It is thus clear that the expected advantages of e-procurement for facilitating and supporting SME participation in public procurement have not yet materialised.

### *The way forward*

Based on the preceding observations and the analysis of the situation, the following general recommendations can be made for moving ahead:

- **Adopt the full range of standard regulatory measures for facilitating SME participation**, without privileges or preferences that would distort the markets. For instance, all EaP countries could introduce 1) division into lots, with the obligation to publicly record reasons for not doing so; 2) policies on timely payment by contracting authorities; and 3) adjustments to procurement procedures, time limits and qualification requirements that make them more explicitly proportionate to the value and complexity of the procurement.
- Armenia, Georgia, Moldova, and Ukraine should **strengthen the capacity of central regulatory and supervisory institutions** for evidence-based policy making, delivering guidance and training, reviewing complaints, and monitoring the performance of the public procurement system, all with a clear SME focus included. Raising the status and skill levels of procurement officers, including their ability to plan and carry out procurement and manage contracts would be a crucial step for all EaP countries.
- Armenia, Ukraine and Azerbaijan should consider **improving e-procurement** by improving the sequencing of steps, adding criteria other than price, and ensuring that qualification requirements are proportionate and properly applied to ensure fair competition;
- Georgia should **make better use of the potential of centralised purchasing** and the use of framework agreements to support wider SME participation; and
- Armenia, Azerbaijan, and Belarus should **enhance the generation and accessibility of data on SME participation**, monitor and analyse it in order to identify untapped potential and address corresponding impediments.

### Standards and technical regulations

Technical regulations set out essential requirements for products before they are placed on the market. They are at the heart of national quality infrastructure (NQI) systems,<sup>2</sup>, and are designed to serve legitimate public policy objectives, such as protecting health and safety or the environment. Furthermore, regulations and standards may be perceived as technical barriers to trade and a burden on business operations, if formulated to protect local businesses, opaque or costly. On the other hand, standards have become a pre-requisite for gaining access to global value chains, diffusing innovation and upgrading fuel quality (see (Blind et al., 2018<sup>[3]</sup>; Swann, 2010<sup>[4]</sup>). Bringing the legislation of EaP countries in line with the international and European framework for technical regulations and standards therefore offers substantial trade benefits, such as simpler conformity assessment procedures, shorter time to market and lower total costs of trading.

The diffusion and implementation of technical regulations and standards cannot be ensured merely by adopting them. Relevant institutions are needed to evaluate and confirm compliance levels, through services such as certification, testing, conformity assessment, metrology and market surveillance. Given SMEs' limited capabilities and opportunities to export, special measures should be put in place to facilitate SME compliance with product's requirements, such as ensuring easy access to information on technical regulations, as well as opportunities to make use of reliable and efficient quality infrastructure.

### *Assessment framework*

The assessment framework for this dimension captures whether countries have a well-functioning quality infrastructure system and how far it is approximated with the EU rules and standards. Compared to the 2016 assessment, a new sub-dimension has been included to gauge how governments are facilitating SMEs' access to EU standards. Moreover, *Overall co-ordination and general measures* – previously a building block – is now a sub-dimension, and other existing building blocks have been fully restructured into the new sub-dimension *Approximation with the EU Acquis*.<sup>3</sup> Thus, the analysis revolves around the following three sub-dimensions: 1) overall co-ordination and general measures to adopt EU product standards and regulations; 2) approximation of the NQI system with the EU *acquis*; and 3) SME access to standardisation (Figure 5.4).

#### *Overall co-ordination and general measures*

The first sub-dimension looks at general policies and tools for overall policy co-ordination and strategic approaches to adopting and implementing EU legislation. The assessment also evaluates the extent to which SMEs have access to all relevant information on requirements for exporting to the EU.

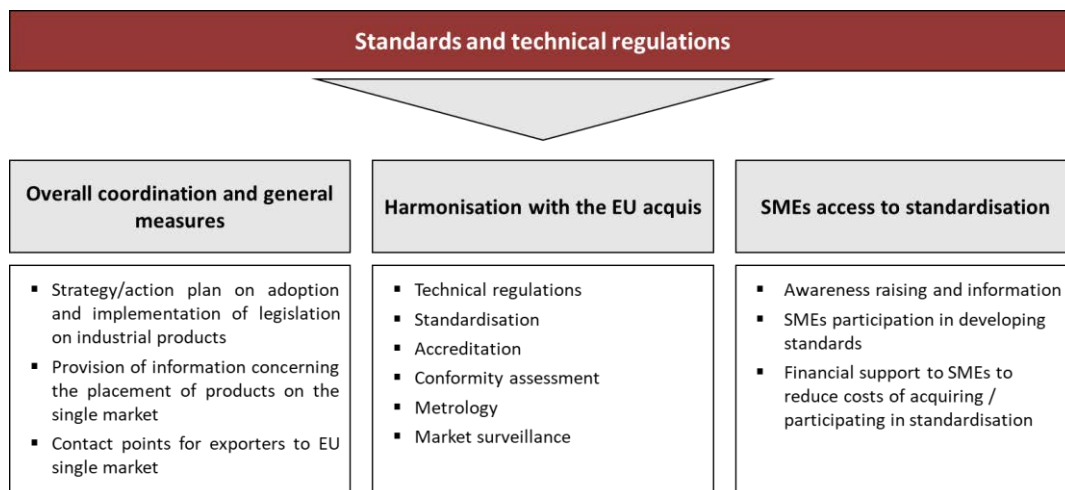
#### *Approximation with the EU acquis*

The second sub-dimension analyses the national quality infrastructure systems with respect to six thematic blocks – technical regulations, standardisation, accreditation, metrology, conformity assessment and market surveillance. More specifically, it analyses their institutional capacity, adoption and implementation of strategic documents and integration into international structures. It also examines whether the legislation and instruments are subject to regular monitoring and evaluation.

#### *SME access to standardisation*

The last sub-dimension evaluates government efforts to increase SMEs' awareness of standards and facilitate their participation in developing standards. It also considers the availability and scope of current financial support programmes aimed at enhancing implementation of standards in the SME population.

Figure 5.4. Assessment framework – Standards and technical regulations



### Analysis

Although technical regulations and standards offer substantial trade benefits, when inadequate or excessively burdensome they can also represent severe barriers. This dimension evaluates the EaP countries' progress in eliminating technical barriers to trade for industrial products and aligning with international and EU norms.

Historically, the EU pioneered the transition from the so-called “old approach” to the “new approach” to product market regulation.<sup>4,5</sup> Under the old approach, technical regulations were drawn up in a top-down process by national authorities, went into great administrative and technical detail and certified product conformity themselves – a process that was usually motivated by mistrust and the intention to prevent abuse by strict control. Under the new approach, technical regulations formulate only “essential requirements”, leave the details to technical committees of standardisation organisations (made up of private sector participants) and rely on private, notified bodies for conformity assessment (see Box 5.2. for more details).

#### Box 5.2. The new European approach to technical regulations and standards

- The EU adopts Directives that define “essential requirements” that should be satisfied by products being sold in the Single Market.
- The EU Commission requests the European Standardisation Organisations, to prepare technical standards that facilitate compliance with these essential requirements (currently, around 25% of all European Standards are Harmonized Standards – i.e. those that can be used to demonstrate that products comply with relevant EU legislation).
- Public authorities recognize that all products manufactured in accordance with harmonized standards benefit from a presumption of conformity.
- European Standards remain voluntary, but any producer is obliged to prove that their products conform to the essential requirements.

When businesses make use of harmonized EU standards, they can sell their products throughout the Single Market – reaching a potential 600 million consumers in at least 34 countries.

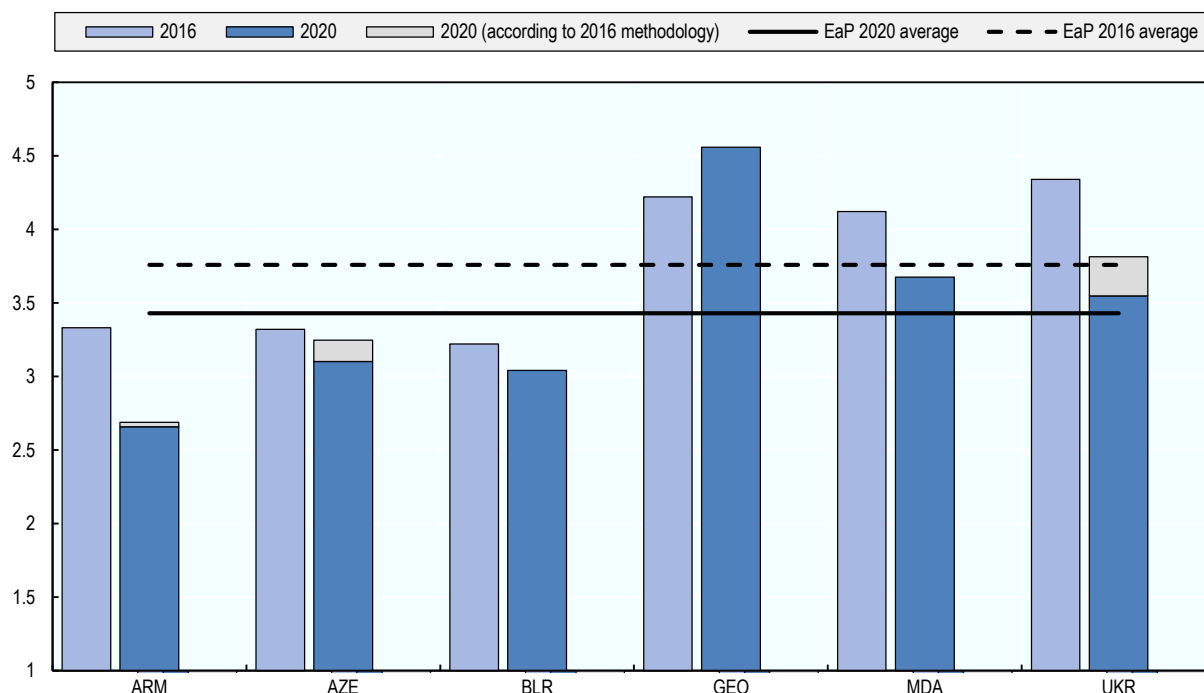
Source: CEN (2019<sup>[5]</sup>), *New Approach and other Directives*,  
<https://www.cen.eu/work/supportLegislation/Directives/Pages/default.aspx>.

All the EaP countries have adopted measures to ensure technical regulations and standardisation laws converge towards EU principles, with AA/DCFTA countries leading the way. Moreover, since 2016, all EaP countries have applied for associate membership in the European co-operation for Accreditation (EA) and Belarus, Georgia, Moldova and Ukraine have signed bilateral recognition agreements with the EA. While Azerbaijan's legislation on conformity assessment (CA) is not yet totally in line with that of the EU, Georgia, Moldova and Ukraine have aligned their legislation with the EU *acquis*, and Armenia and Belarus follow the Eurasian Economic Union's approach to CA.

However, only about half of the EaP countries have specific measures in place to facilitate SME access to CA. Government bodies responsible for metrology exist in all EaP countries, but only in Belarus, Georgia, Moldova and Ukraine do they enjoy international recognition. While other EaP countries have market surveillance based on *ex ante* control, Georgia, Moldova and Ukraine have passed legislation to transition towards a system based on *ex post* control. Finally, to compensate for the lack of awareness of the benefits accruing from SMEs' participation in standardisation activities, all EaP countries have introduced awareness-raising measures, yet with overall limited degrees of outreach.

- Today, although all EaP countries and the European Union seek to harmonise their approaches to product market regulation to reduce technical barriers to trade, the extent of harmonisation varies: Georgia, Moldova and Ukraine have signed Association Agreements (AA) with the EU establishing Deep and Comprehensive Free Trade Areas (DCFTAs), and have expressed intent to conclude Agreements on Conformity Assessment and Acceptance of Industrial Products (Emerson and Kovziridze, 2016<sup>[6]</sup>; Emerson and Cenuşa, 2018<sup>[7]</sup>; Emerson and Movchan, 2018<sup>[8]</sup>).<sup>6</sup> These EaP countries have to undergo deep institutional and legislative changes to harmonise their NQIs with the EU *acquis* (i.e. the “new approach”).
- Because Armenia and Belarus are members of the Eurasian Economic Union (EAEU), harmonisation in these countries occurs gradually at the level of the EAEU Economic Commission. The EAEU formulates its own technical regulations, which are developed “on the basis of” EU Directives and Regulations.<sup>7</sup> EAEU membership entails mutual recognition of conformity assessment certificates through the EAC mark for products that are listed on the so-called “Unified List”. Thus, a Belarusian or Armenian SME that has certified a product for the Armenian market can use this certificate to export to Russia or any other member of the EAEU, but not to the EU Single Market.

The results of the SBA assessment (Figure 5.5) reveal a downward trend in this dimension across the EaP region since the 2016 assessment, albeit with stark differences between DCFTA and non-DCFTA countries. The average score for this dimension is 3.43, down from 3.76 in 2016. Such apparently disappointing performance is in reality driven exclusively by the introduction of the new sub-dimension on SMEs' access to standardisation, by far the area with the clearest margin for improvement for all countries except Georgia (4.09 with the 2016 methodology vs. 4.56 with the 2020 methodology).

Figure 5.5. Scores for the *Standards and technical regulations* dimension compared to 2016

*Note:* Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores.

StatLink  <http://dx.doi.org/10.1787/888934087002>

### *Progress on overall co-ordination and general measures varies across the region*

This sub-dimension measures the scope of general policies and tools for facilitating SMEs access to the EU single market. These tools include a strategy or action plan for adopting technical regulations and providing information tailored to the needs of SMEs on product requirement for exports to the EU.

All EaP countries have a strategy for adopting EU legislation on industrial products and government bodies that are responsible for overall quality policy co-ordination. As mentioned previously, Georgia, Moldova and Ukraine have developed these through the AA and DCFTA; Armenia and Belarus are pursuing international harmonisation based on the WTO Technical Barriers to Trade Agreement and are EAEU members and Armenia signed a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in 2018, which also foresees approximation with EU technical regulations and standards, including considering negotiating an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Azerbaijan and the EU have also drafted a new trade agreement, which will replace their existing Partnership and Cooperation Agreement.

With the exception of Azerbaijan and Georgia,<sup>8</sup> the EaP countries lack a single website where SMEs can find information on product requirements to sell on the EU Single Market; and what online information does exist is limited. Most EaP countries have also no single contact point for exporters to the EU (except for Georgia and Ukraine) but rather have developed idiosyncratic approaches to providing information to SMEs interested in export, e.g. through Departments for Technical Regulation, SME agencies or export promotion

offices. In general, more progress in this area is needed throughout the region, with the exception of Georgia, whose score in this sub-dimension is 5 (see Table 5.3).

**Table 5.3. Scores for the *Overall coordination and general measures* sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Overall coordination and general measures	3.50	3.70	3.50	5.00	3.50	3.50	3.78

*Note:* see Annex A for information on the assessment methodology.

*Approximation with the EU acquis is proceeding at different speeds, with AA/DCFTA countries leading the way*

This sub-dimension assesses the policies and legislation in EaP countries in the field of technical regulations and standards in terms of approximation to the EU acquis. These harmonisations are crucial to allow SMEs to gain better access to the EU single market.

AA/DCFTA countries have progressed much faster than the other EaP countries in their process of approximation with EU acquis, especially when it comes to approximating technical regulations, developing accreditation bodies and upgrading metrology legislation:

- **Technical regulations (TR)** in EaP countries have converged towards the EU as Georgia, Moldova and Ukraine have ratified their AAs and the EAEU has oriented its NQI towards the EU system. All EaP countries have amended national legislation and adopted action plans to reflect EU sectoral legislation in priority sectors, developed websites where SMEs can find relevant information how to comply with TRs, and assessed and addressed the training needs of institutions that implement TR. Interestingly, Ukraine has developed a platform where SMEs can not only find information about new technical regulation but can also ask questions and provide feedback.<sup>9</sup>
- **Standardisation** is the area of quality infrastructure with the lowest performance and greater divergence between EaP countries. All countries have largely approximated their standardisation law with EU principles and have national standardisation bodies (NSBs) that are Companion Standardization Bodies of the European standardisation organizations CEN and CENELEC. Moldova serves as an example, as the country has inscribed several good practice principles into its NSB's articles, such as balanced representation of all stakeholders, and has fostered collaboration with the national SME agency.
- However, the depth and speed of approximation with international and European standards varies, and participation by SMEs is a common challenge across all EaP countries.<sup>10</sup> The three DCFTA countries, in particular, face the immense task of transposing (and translating) the EU corpus of harmonised standards. Nevertheless, they have made gradual progress in recent years and are, in two cases, close to full harmonisation: Moldova and Ukraine stand at 80-100%. Georgia's harmonisation rate (25%) was lower at the time of assessment.
- The international recognition of the **national accreditation bodies**, which has been proven to be important for export performance (Blind, Mangelsdorf and Pohlisch, 2018<sup>[9]</sup>), is a positive recent development. All EaP countries have applied for associate membership in the European co-operation for Accreditation (EA) association; and Belarus, Georgia, Moldova and Ukraine have signed bilateral



recognition agreements with the EA. Moreover, all EaP countries have approximated their accreditation legislation with the EU *Acquis* and have national accreditation bodies that are operational, adequately staffed and publish a register of accredited bodies online. Common remaining challenges in EaP countries are to achieve positive assessment through EA including peer organisations in all priority areas, conduct frequent monitoring and evaluation, and promote sufficient offer of competent conformity assessment bodies.

- Whereas Georgia, Moldova and Ukraine have approximated their legislation on **conformity assessment** (CA) with the EU *acquis*, Azerbaijan's legislation, albeit reviewed and amended, is not yet totally in line with the EU. Armenia and Belarus follow the EAEU's approach to CA. All EaP countries have designated websites that provide information on CA and an online register of CA bodies. Only about half of the EaP countries have specific measures in place to facilitate SMEs access to CA and most of these measures are also (co-) financed by international donors.
- Government bodies responsible for **metrology** exist in all EaP countries. The metrology bodies in Belarus, Georgia, Moldova and Ukraine all enjoy international recognition, participate in joint regional activities and have an institution that is responsible for their supervision at the ministerial level. Armenia and Azerbaijan lag somewhat behind their EaP peers, but both countries work with Georgia's national metrology institute for crucial metrology services. Room for improvement exists in the regularity of monitoring and evaluation of national metrology policies. However, the Ukrainian performance in this thematic block is remarkable and grants the country the top score of 5 (see Table 5.4).
- Georgia, Moldova and Ukraine have passed legislation to transition from a system of **market surveillance** based on (mostly) *ex ante* control (e.g. through mandatory certification before products are placed on the market) towards (mostly) *ex post* control in line with the EU *acquis* (e.g. control of random product samples, control upon suspicion). Belarus and Armenia, as EAEU members, still operate in a system based mostly on *ex ante* mandatory certification (even though the EAEU system also gravitates towards declaration of conformity, which is equivalent to self-declaration). Azerbaijan has prepared a proposal for legislation on market surveillance in line with the EU *acquis*, and it will be important to adopt this document without delay.

**Table 5.4. Scores for the *Approximation with the EU Acquis* sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Technical regulations	3.33	4.13	3.89	4.67	4.00	4.55	4.10
Standardisation	2.81	3.37	2.70	4.00	3.63	4.52	3.51
Accreditation	3.44	3.24	3.28	4.83	4.00	4.89	3.95
Conformity Assessment	2.17	3.25	2.86	4.94	2.97	3.97	3.36
Metrology	2.43	3.38	3.76	4.14	4.29	5.00	3.83
Market Surveillance	2.67	3.80	2.56	4.00	3.67	3.11	3.30
<b>Weighted average</b>	<b>2.81</b>	<b>3.53</b>	<b>3.18</b>	<b>4.44</b>	<b>3.76</b>	<b>4.35</b>	<b>3.68</b>

*Note:* see Annex A for information on the assessment methodology.



*More effective measures should be taken to promote SME use of standards and participation in standardisation committees*

SMEs' use of standards opens up new market opportunities, reduces production and transaction costs, and gives the SMEs a head start in adapting to market demand and new technologies. However, many SMEs are unaware of these manifold benefits, and thus the potential benefits of using standards as well as of participating in standards development process remain overshadowed by perceptions that both aspects are onerous burdens.

To compensate for this, all EaP countries have introduced awareness raising measures, yet with overall limited degrees of outreach. Georgia and Moldova are exceptions to an otherwise poor regional performance, with Georgia's NSB organising seminars also in remote areas.

Another important aspect in this sub-dimension is the need to increase SME participation in developing standards. For example, Georgia reported that, thanks to the awareness-raising measures of its NSB, SMEs have enriched the work of its technical committees.

Lastly, financial support allowing SMEs to participate in technical committees (TCs) or to deal with the costs of purchasing and implementing standards can be beneficial for resource-constrained SMEs, for instance to enable certification of compliance. However, with the exception of Georgia and Moldova (and of Belarus' SME discount for purchasing standards), the number of financial support measures for SMEs is very low in EaP countries (see Table 5.5). Box 5.3 provides examples of good practice in this area from Germany.

**Table 5.5. Scores for the SMEs Access to Standardisation sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Awareness raising and information	3.08	2.58	3.92	4.50	4.58	3.75	3.74
SMEs participation in developing standards	2.50	3.50	2.50	4.50	3.50	3.00	3.25
Financial support to SMEs	1.00	1.00	1.80	4.60	3.00	1.00	2.07
<b>Weighted average</b>	<b>2.08</b>	<b>2.23</b>	<b>2.65</b>	<b>4.54</b>	<b>3.63</b>	<b>2.43</b>	<b>2.92</b>

*Note:* see Annex A for information on the assessment methodology.

**Box 5.3. Financial support for standardisation in Germany**

**WIPANO (funding organisation: Federal Ministry of Economic Affairs and Energy).**

The WIPANO program aims to support knowledge transfer via patents and standards. It does this by translating the latest research findings into standards to make them directly available to the industry. Standards developed in the framework of WIPANO can also help to accelerate the market entry of new technologies, for example through test and inspection standards.

WIPANO funds research organizations and companies for their research towards the development of new standards. Co-operation projects with at least one publicly funded research partner are eligible for funding. The non-repayable grant is limited to EUR 200 000 per collaboration partner. The funding rate depends on the type of organization, with

maximum subsidy for companies equal to 50 percent of the eligible costs. The projects have a duration of between 6 and 36 months.

**DIN-Connect (funding organisation: Germany’s standardisation bodies DIN and DKE)**

To promote innovation, DIN (the German Institute for Standardization) and DKE (the German Commission for Electrical, Electronic and Information Technologies) launched the DIN-Connect program in 2016. The program is comparable to WIPANO, but addresses smaller projects and does not require additional own investment by the project participants. In particular, DIN and DKE support projects that have the specific goal of standardization. Ideas from start-ups and SMEs are preferred and there are three levels of financial support. The maximum project duration is 12 months. Relevant topics include additive manufacturing processes, building information management, electrical safety, Industry 4.0, circular economy, and smart farming.

Source: <https://www.innovation-beratung-foerderung.de/INNO/Navigation/DE/WIPANO/Normung-Standardisierung/normung-standardisierung.html>, last accessed July 19, 2019

### *The way forward*

The policy recommendations from the 2016 SBA assessment are still relevant. These include: 1) strengthening institutional and administrative capacities to implement quality infrastructure (e.g. product legislation); 2) accelerating the transposition of international and European standards into national contexts; 3) developing SME-tailored information on technical barriers to trade and conformity assessment; and 4) regular monitoring and evaluation of the development of quality infrastructure.

In addition, this assessment analysis leads to further, general recommendations that apply to all EaP countries, including in the new sub-dimension *SME access to standardisation*, as well as recommendations for particular countries:

- **All EaP countries could redefine the focus of institutional missions<sup>11</sup> from “control” to “industrial service provision”.** To facilitate approximation with the EU’s New Approach, relevant EaP ministries should seek to reshape the perception of quality infrastructure, and to complement their activities to control firms’ compliance (via standards and technical regulations) with an increased focus on communicating the potential of standards and conformity assessment to drive industrial upgrading, innovation and export. Further, a sense of partnership with the sector should be fostered – for instance, when defining the direction of NQI development.
- **All EaP countries could expand financial and non-financial measures to foster the use of standards and conformity assessment services.** SMEs can only benefit from the approximation with EU technical regulation and standards if they implement them in their day-to-day operations. This could be facilitated through 1) user-friendly online websites or information campaigns to reduce search costs and increase compliance for SMEs, 2) training to help entrepreneurs and employees harness their managerial and technical capacity and 3) co-financing to buy conformity assessment services or standards when SMEs are liquidity constrained to make the necessary investments.

- **Belarus, Moldova and Georgia should institutionalise regular feedback mechanisms as well as policy monitoring and evaluation** to accompany the introduction of financial and non-financial support measures. Formal feedback mechanisms, such as Ukraine’s new “Communication Platform for Technical Regulation in Ukraine” ([www.techreg.in.ua](http://www.techreg.in.ua)), can help policy makers assess the adequacy of existing legislative frameworks. Furthermore, specific measures, such as training programmes or co-financing, could be subject to robust evaluation, including *ex ante* randomisation of access to the program or *ex post* evaluation, e.g. through matching methods.<sup>12</sup>
- **Armenia and Azerbaijan should take further steps for their systems to be internationally recognised** – for example, by joining the International Laboratory Accreditation Cooperation (ILAC) or the International Accreditation Forum (IAF), or through a bilateral agreement (BLA) with European co-operation for Accreditation (EA).
- **Armenia, Azerbaijan, Belarus and Ukraine should foster co-operation between “technical” and “economic” government bodies.** Ministries responsible for economic affairs could consider increasing co-operation between their “technical” NQI institutions and their “economic” institutions, such as SME agencies or export promotion offices, in particular to improve the quality and export-related relevance of information and industrial business services provided to SMEs.<sup>13</sup>

## SME Internationalisation

Given the relatively small size of most EaP countries’ domestic markets, combined with pressure from international competition, access to foreign markets is crucial to SMEs’ long-term viability. Besides opening new markets, the internationalisation of SMEs contributes to an increase in productivity, quality and innovation, by exposing SMEs to international competition and helping them to achieve economies of scale.

Global value chains (GVCs) and fragmentation of production have created opportunities for SMEs to fill niches in the supply chains of multinational or large domestic enterprises. Through these, they can access global markets at a lower cost, while benefitting from technology and skills transfer (OECD, 2019<sup>[10]</sup>). Integration into global value chains is central to raising growth and productivity (OECD, 2013<sup>[11]</sup>).

As digital transformation progresses, e-commerce opens new opportunities for SMEs to enter foreign markets at relatively low cost. Besides increased market reach, the benefits of e-commerce include lower marketing and distribution costs, improved business processes and reduced operational costs (Jones, 2013<sup>[12]</sup>).

However, SMEs tend to be under-represented in international trade because they face information asymmetries, financial barriers to entry in foreign markets, limited skills and know-how, high per-unit transport costs and lengthy trade procedures (OECD, 2019<sup>[10]</sup>). SMEs that wish to act as suppliers for multinational enterprises and better integrate into GVCs may have to upgrade technology and innovation capacity, find adequately skilled labour and meet international standards and certification requirements (UNCTAD, 2010<sup>[13]</sup>).

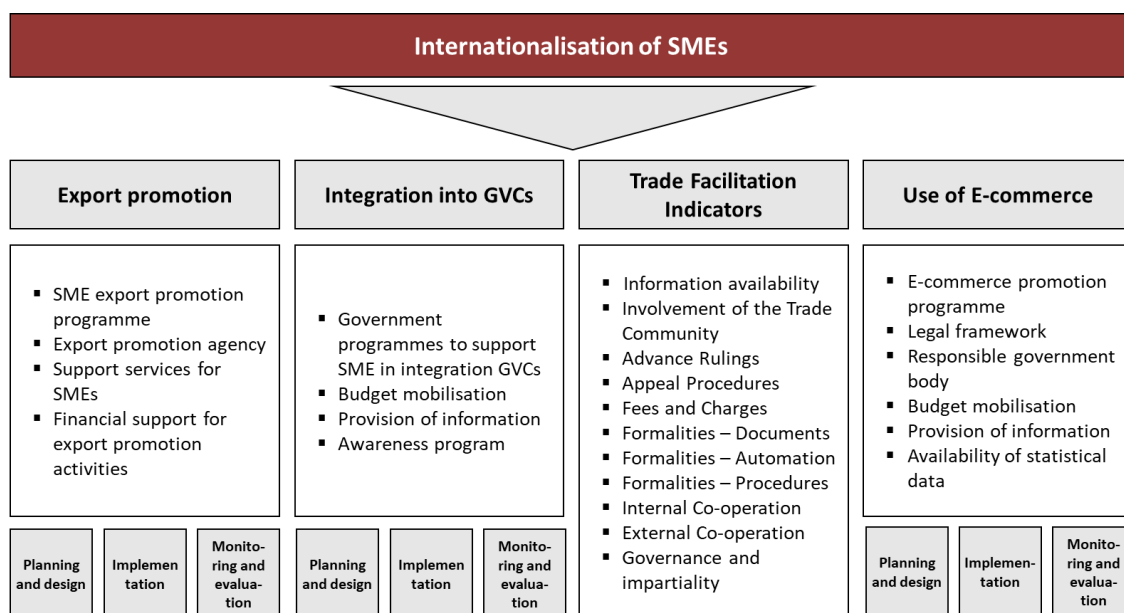
Allowing SMEs to access global markets – and to be competitive in them – requires removing barriers to trade and reducing the cost and complexity of trade procedures.

Furthermore, targeted government support for SMEs in export promotion, integration into global value chains and e-commerce can facilitate the internationalisation of SMEs and propel their integration into the global economy. This also includes financial services for exporting SMEs, and training and consultancy services to increase SME readiness for internationalisation.

### *Assessment framework*

The assessment framework for this dimension has been updated since 2016 1) to reflect the growing relevance and complexity of international markets, in particular by incorporating the OECD's Trade Facilitation Indicators; and 2) to better capture the role of trade fragmentation and digitalisation in SME internationalisation, via a new e-commerce sub-dimension. As presented in Figure 5.6, four sub-dimensions have been considered in this round of SBA assessment: 1) SME export promotion, 2) integration of SMEs into global value chains, 3) OECD Trade Facilitation Indicators and 4) promoting SME use of e-commerce.

**Figure 5.6. Assessment framework – SME internationalisation**



### *SME Export promotion*

The first sub-dimension looks at approaches to export support and promotion activities and government support services for SMEs with export potential. It focuses on the existence of export promotion strategies and the role and activities of export promotion agencies (such as the provision of export-related training, organisation of trade events, and financial support for exporting SMEs). The sub-dimension also examines the level of monitoring and evaluation of existing export promotion programmes.

Traditionally, export promotion activities have focused on organising trade events and supporting SME participation in trade fairs. As a response to growing international competition and the increasing complexity of international markets, a well-performing export promotion policy should address a broader range of challenges faced by SMEs when attempting to access foreign markets. Based on a strategic policy document (e.g. an export

promotion strategy), the export support and promotion activities should address information asymmetries faced by SMEs, their limited capacity to comply with international quality standards, challenges connecting with international buyers (and suppliers), and lack of financial resources to facilitate international trade.

### *Integration of SMEs into global value chains*

The second sub-dimension assesses the extent to which governments support the integration of local SMEs into global value chains. In particular, this section examines the availability of government programmes supporting cluster development, the creation of supply chain linkages between SMEs and multinational enterprises (MNEs), and technology transfers from MNEs, and whether MNEs are incentivised to engage with smaller firms.

SMEs typically access GVCs through supply chain linkages, involving the purchase and sale of intermediate goods or services, often by supplying MNEs operating locally. Governments can play a key role in providing information and matchmaking services to fill the informational gap between SMEs and MNEs and encourage MNEs to engage with SMEs, e.g. through tax credits to investments providing tangible benefits to local suppliers, or through concessionary financing of strategic activities. They can also provide training and capacity building activities to increase the absorptive capacity of local SMEs.

International experience shows that the promotion of SME “clusters” – sectoral and geographical concentrations of enterprises that produce and sell a range of related or complementary products – can enhance the international competitiveness of its members and facilitate SME access to GVCs, capitalising on local opportunities and collective competitive advantage (UNIDO, 2001<sup>[14]</sup>).

### *OECD Trade facilitation indicators*

The third sub-dimension, OECD Trade Facilitation Indicators (TFIs), has been added to the SBA assessment for the first time. The OECD TFIs – a tool implemented biannually since 2013 in 160 countries across different income levels, including all OECD member countries – covers the full spectrum of border procedures. The indicators are composed of several specific, fact-based variables related to existing trade-related policies and regulations and their implementation in practice. The approach taken to scoring in the TFIs is to transform qualitative regulatory information into a scheme where the top score (2) corresponds to the best performance. The indicators not only seek to reflect the regulatory framework in the concerned countries, but also delve into the state of implementation of trade facilitation measures (OECD, 2018<sup>[15]</sup>).

Complex GVCs have increased pressure on countries’ national markets to connect rapidly and efficiently with the global economy. Transparent, predictable and straightforward border procedures are becoming increasingly important in an increasingly interconnected global economy. For example, harnessing the development of information technologies and introducing “single windows” for exporting can significantly contribute to faster trade procedures. Co-operation between internal and external border agencies can further reduce the burden on exporting companies and contribute to transparent and predictable custom procedures (OECD, 2019<sup>[10]</sup>).

*SME use of e-commerce*

A fourth sub-dimension, “SME use of e-commerce”, has also been added to the SBA assessment for the first time. It assesses the policies encouraging a more widespread use of e-commerce as a sales channel by SMEs. In particular, the sub-dimension considers customer protection standards and the existence of a regulatory framework for e-payments. Besides the regulatory aspect of e-commerce, it also looks at government efforts to promote SMEs’ access to digital platforms and the provision of support services to remove barriers that prevent SMEs from benefiting from growing trade digitalisation.

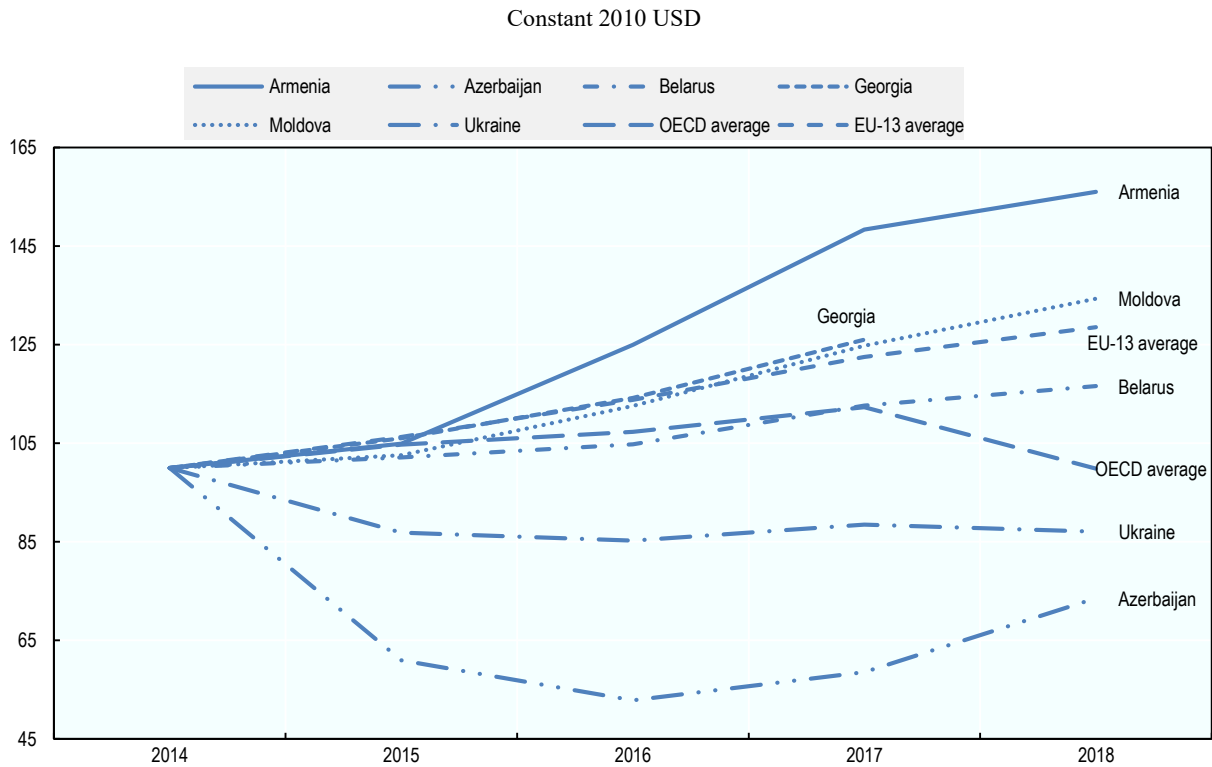
Experience shows that government support can be crucial for SMEs attempting to take advantage of the opportunities arising from e-commerce, whether by tapping new markets or accessing new global value chains. E-signature and e-contract law are needed to facilitate the establishment of online businesses (ITC, 2016<sup>[16]</sup>). Consumer protection also plays a crucial role, since security risks associated with online trading often prevent businesses from engaging in e-commerce, especially in emerging economies (OECD, 2019<sup>[17]</sup>). Training and awareness-raising activities complete the picture, since the often-cited barriers that prevent SMEs from tapping into the e-commerce potential include lack of knowledge, inadequate skills and outdated technology (OECD, 2018<sup>[18]</sup>).

*Analysis*

Access to foreign markets is crucial for SMEs’ long-term viability. However, they tend to be under-represented in international trade due to many barriers, such as information asymmetries, financial barriers, and lack of skills and know-how. This dimension assesses the EaP governments’ support for export-oriented SMEs.

The internationalisation of enterprises in the EaP region remains limited. Export growth averaged around 3% in volume terms in 2014-18 (Figure 5.7), close to the rate of growth of world trade overall and somewhat above the region’s GDP growth. This average in any case masks huge differences, since Ukraine’s exports contracted as a result of geopolitical conflicts and softer metals prices, while Azerbaijan’s dropped and then recovered along with oil and gas prices. The other EaP economies recorded average annual export growth of close to 6% (World Bank, 2019<sup>[19]</sup>).

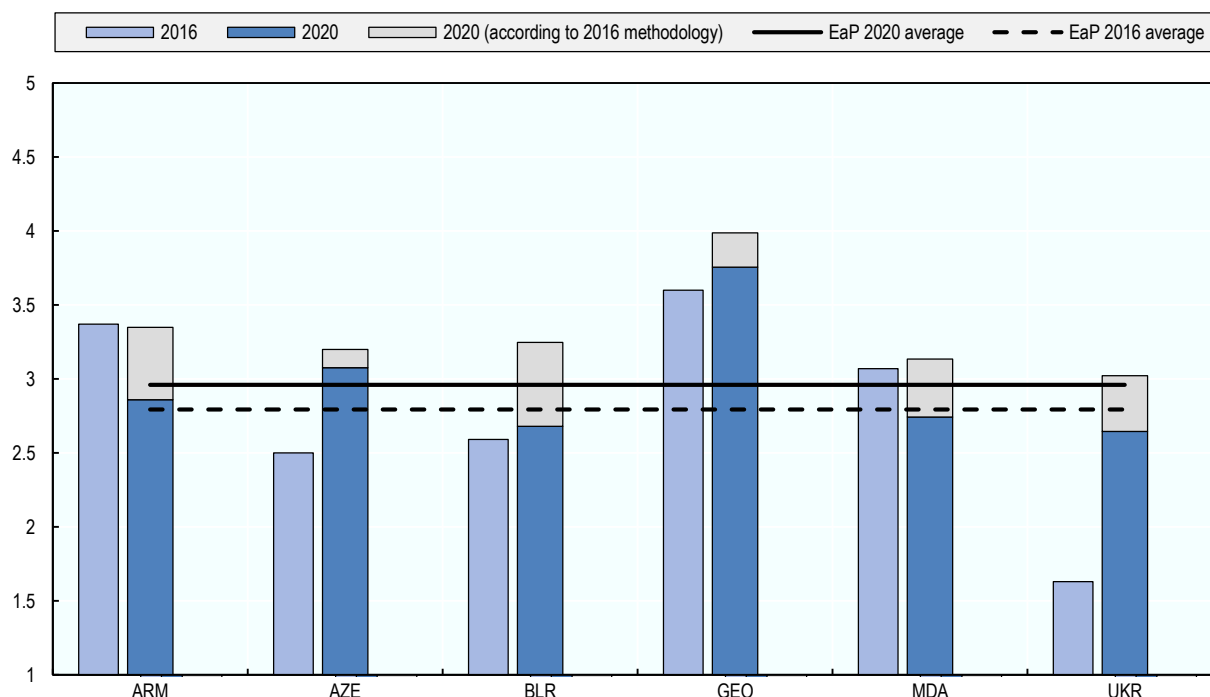
That said, the contribution of SMEs to total exports value remains, with the exception of Georgia, below the EU average of 60% (Armenia – 13%, Belarus – 47%, Georgia – 60%, Ukraine – 27%<sup>14</sup>), reflecting the limited ability of local SMEs to compete on an international scale. SMEs’ continued difficulties in integrating into ever more globalised economy, combined with their limited ability to realise economies of scale and to exploit still untapped opportunities stemming from the DCFTA/AA agreements<sup>15</sup> with the EU signed in 2015, call for stepping up efforts to promote SME internationalisation.

**Figure 5.7. Value of exports from the EaP countries (Index, 2014=100)**

*Note:* In constant prices; 2018 data for Georgia is not available. EU-13 Member States = Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.  
*Source:* OECD calculations based on the World Bank (2019<sup>[19]</sup>) *Development Indicators Database*, accessed on February 2019.

StatLink  <http://dx.doi.org/10.1787/888934087021>

The results of the SBA assessment show that all EaP countries recognise the increasing importance of SME internationalisation and have adopted a strategic approach to export promotion. However, many of them are struggling to ensure the successful implementation of their export strategies; this is reflected in the modest increase of their average score for the *SME internationalisation* dimension since the 2016 assessment (from 2.79 to 2.96) (Figure 5.8).

Figure 5.8. Scores for the *SME internationalisation* dimension compared to 2016

Note: Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores.

StatLink  <http://dx.doi.org/10.1787/888934087040>

While institutional support for SME internationalisation is in general improving, countries often fail to ensure continuity and appropriate funding for their export promotion agencies. In addition, the range of provided support services does not always keep up with rapidly changing global markets, resulting in limited impact of the programmes on the capacity of local companies to supply MNEs (Figure 5.9) or tap into the growing potential of e-commerce.

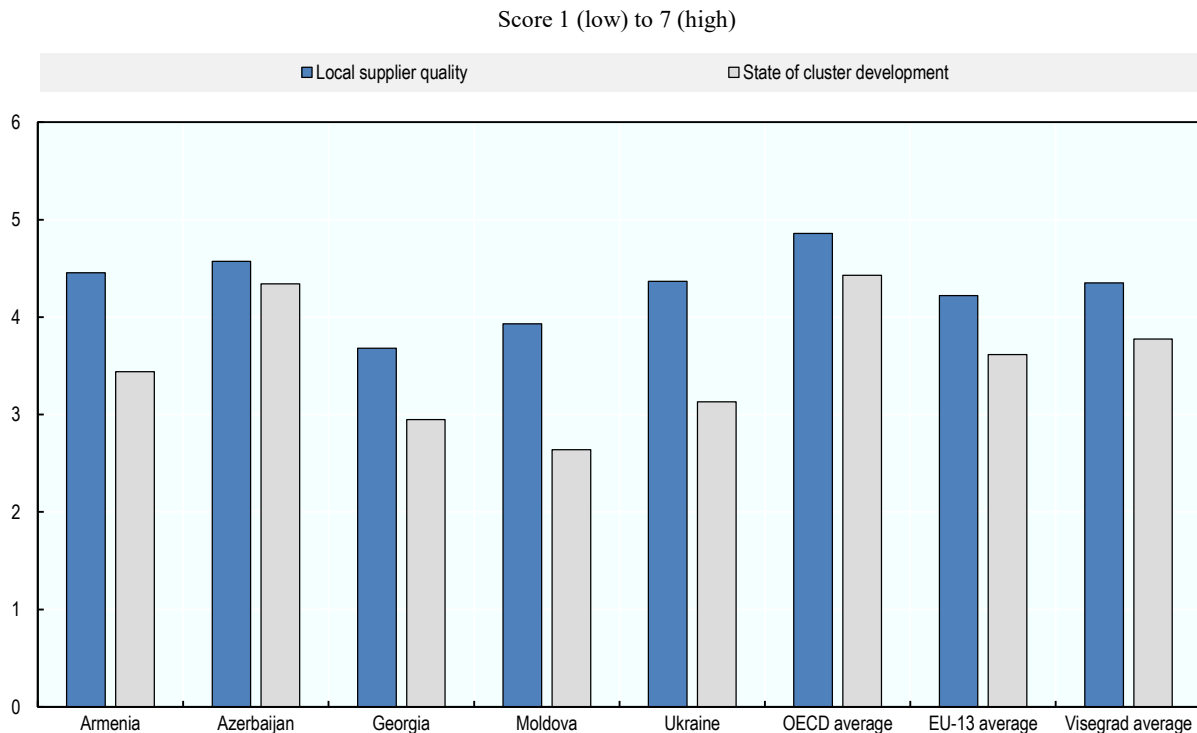
Since 2016, all EaP countries have started implementing (or, in the case of Armenia, preparing) new strategies for SME internationalisation. Nearly all EaP countries have established a dedicated export promotion agency, albeit often under-funded and understaffed. The Moldovan Investment Agency and Business Armenia were recently downsized. In Azerbaijan, AZPROMO only focuses on the organisation of promotional events, trade missions and supporting the participation of local companies in trade fairs. Ukraine established a new Export Promotion Office. Other public institutions also provide SMEs with support services to improve their internationalisation, and the EU and other donors financially support SMEs' access to foreign markets. Since 2016, only limited progress was made in implementing policies to foster SME integration into GVCs. Azerbaijan created a platform to connect local companies producing under the brand *Made in Azerbaijan* with foreign buyers and the Georgian online portal [www.tradewithgeorgia.com](http://www.tradewithgeorgia.com) also provides information on export-oriented Georgian companies. Cluster development is one of the priorities, especially for Moldova, Georgia and Azerbaijan.



Notwithstanding the implementation of all those measures, the 2017 OECD Trade Facilitation Indicators underline a significant performance gap between the EaP region and OECD countries (OECD, 2018<sup>[15]</sup>). In the relevant sub-dimension, Georgia is the best performer in the region, followed by Azerbaijan (see Table 5.1).

Basic legal frameworks for e-payments and consumer protection in e-commerce are in place in all EaP countries, but continuous efforts are needed to align with EU frameworks. Lack of IT skills is addressed by Azerbaijan and Georgia through the launch of the “Baku E-Commerce Academy” and targeted Enterprise Georgia and GITA programmes to increase SME readiness to use e-commerce as a sales channel, respectively.

**Figure 5.9. Local supplier quality and state of cluster development, 2017**



*Note:* Data for Belarus not available. Survey question: In your country, how available are high-quality, professional training services? [1 = not available at all; 7 = widely available]. (EC, 2018<sup>[20]</sup>) OECD, EU-13, and Visegrad averages calculated as simple averages. EU-13 Member States – Bulgaria, Croatia, Cyprus\*, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

*Source:* World Economic Forum (2018), *Global Competitiveness Index Dataset 2017-2018*, <http://reports.weforum.org/global-competitiveness-index-2017-2018/downloads>.

StatLink  <http://dx.doi.org/10.1787/888934087059>

### *Export promotion needs to be further embedded in policy frameworks*

This sub-dimension assesses the EaP governments’ efforts to promote SME exports while addressing the main barriers to SME internationalisation.

In general, countries from the EaP region have either embedded export promotion strategies into their policy frameworks or addressed SME internationalisation within equivalent documents, resulting in them scoring well in that sub-dimension (Table 5.6). Since 2016, Azerbaijan, Belarus, Georgia, Moldova and Ukraine have begun implementing new strategies to improve SME internationalisation. Armenia is currently preparing a new SME

strategy that envisages implementing policies to support SME access to foreign markets. It should be noted that all the countries improved their consultation processes with the private sector when preparing the strategies. However, public-private consultations could be further strengthened, especially in Armenia and Azerbaijan.

**Table 5.6. Scores for the *Export promotion* sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Planning & design	4.17	3.67	3.33	4.33	3.83	4.00	3.89
Implementation	3.35	4.15	4.15	4.57	3.55	2.98	3.79
Monitoring & evaluation	4.00	2.25	3.50	3.50	2.50	3.25	3.17
<b>Weighted average</b>	<b>3.77</b>	<b>3.60</b>	<b>3.73</b>	<b>4.27</b>	<b>3.44</b>	<b>3.39</b>	<b>3.70</b>

*Note:* see Annex A for information on the assessment methodology.

Typically, export promotion agencies play a central role in the export support ecosystem, and all the EaP countries, except Belarus, have established a dedicated agency with a mandate to promote access of local companies to foreign markets. However, limited staff and funding, as well as a narrow range of provided services, have hampered their positive impact on SME internationalisation. For example, the Moldovan Investment Agency and Business Armenia were recently restructured and basically ceased providing export promotion and support services. In Azerbaijan, AZPROMO focuses on organising promotional events and trade missions and supporting the participation of local companies in trade fairs, but does not provide services and training to increase the export readiness of local SMEs. Ukraine has made significant progress in developing its policy framework, including the establishment of a new Export Promotion Office; however, considering the size of the Ukrainian economy, the scope and territorial coverage of provided services could be extended.

Besides export promotion agencies, other public institutions provide SMEs with support services to improve their internationalisation. In Armenia, the SME DMC provides training and consultancy services in this area. In Azerbaijan, the SME Development Agency and a “Single Window” export promotion centre provide training as well as informational and consultancy support for SMEs that are interested in exporting. Moreover, chambers of commerce and industry are typically quite active in export support for SMEs (e.g. in Belarus, Georgia and Moldova). In addition, international donors (especially the European Union) have been active in supporting SMEs’ access to foreign markets (Box 5.4).

#### **Box 5.4. EU programmes to support internationalisation of SMEs in the EaP region**

The DCFTA SME Direct Support Facility aims to provide support for SMEs in three EaP countries – Georgia, Moldova and Ukraine – that have signed EU Association Agreements incorporating the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). Adherence to EU standards might be challenging for SMEs, which may need extra skills and more financial resources to adapt. Jointly implemented by the European Commission, the European Investment Bank and the European Bank for Reconstruction and Development, the facility helps small businesses to grow and prepare for the new market opportunities introduced by the DCFTA and helps national authorities to implement their Association Agreements.

### Enterprise Europe Network

Launched in 2008, the Enterprise Europe Network (EEN) supports SMEs in improving their innovation and internationalisation processes. It operates under the EU Competitiveness of Small and Medium-sized Enterprises (COSME) programme and covers over 60 countries worldwide, including the six EaP countries, making it the largest support network for the internationalization of SMEs worldwide. EEN manages Europe's largest online database of business opportunities, which SMEs can access to look for business or academic partners abroad to manufacture, distribute, co-develop and supply ideas, goods and services. At the same time, they can take advantage of the European Innovation Council (EIC) "wizard" tool to identify which funding instrument is best suited to their needs. Part of the funding for the EIC is devoted to the SME Instrument, a tool available for SMEs with disrupting innovation ideas that are highly risky, potentially market-creating, internationally scalable and in need of additional investments. The SME Instrument provides full-cycle support, including coaching and mentoring for the entrepreneurs.

### Ready to Trade project

The "Eastern Partnership: Ready to Trade" initiative falls under the umbrella of the EU4Business initiatives and is financed by the International Trade Centre (ITC). The project has a budget of EUR 6 million and covers the period 2017-20.

The initiative seeks to help SMEs from the EaP countries to access new markets, identify and comply with quality standards, and meet international requirements. It also links them with buyers along the value chain and provides cluster support.

Ready to Trade targets different sectors in different countries. It supports the agro-processing sector in Armenia, the agro-processed food and light-manufacturing sectors in Azerbaijan, the textile and clothing sector in Belarus, the agro-processing sector in Georgia (focusing on processed fruits and vegetables, non-alcoholic beverages, processed hazelnuts, dried fruits, spices (bay leaf) and tea), the apparel sector in Moldova, and finally the berries sector in Ukraine.

### EaP Trade Helpdesk

Currently under development, the EaP Trade Helpdesk will introduce a tool based on the model of the Trade Helpdesk for the Euro-Mediterranean Partnership. The latter proved to be a valuable source of information on issues such as tariff and nontariff barriers on imports of goods into and from any EuroMed country to another or to the EU. It also covers trade statistics and facilitates online business contacts with potential trade partners. The EaP Trade Helpdesk, developed in co-operation with ITC, will play a relevant role in the pursuit of regional trade in goods, increased transparency in trade regimes between countries, and effective dispute-resolving processes.

*Sources:* European Commission (2018<sup>[21]</sup>), "Enterprise Europe Network", <https://een.ec.europa.eu> (accessed on 26 July 2019); European Commission (2019<sup>[22]</sup>), "DCFTA (Deep and Comprehensive Free Trade Area) SME Direct Support Facility", [https://ec.europa.eu/europeaid/blending/dcfra-deep-and-comprehensive-free-trade-area-sme-direct-support-facility\\_en](https://ec.europa.eu/europeaid/blending/dcfra-deep-and-comprehensive-free-trade-area-sme-direct-support-facility_en) (accessed on 26 July 2019); EIB (2019<sup>[23]</sup>), "European Investment Bank. Deep and Comprehensive Free Trade Area (DCFTA) Initiative East", <https://www.eib.org/en/projects/regions/eastern-neighbours/instruments/dcfra/index.htm> (accessed on 26 July 2019); EaP Civil Society Forum (2018<sup>[24]</sup>), *Position Paper on EU Trade Helpdesk*, <http://eap-csf.eu/wp-content/uploads/EaP-CSF-position-paper-KAKHA-Help-Desk-1.pdf> (accessed on 26 July 2019); EU4Business (2019<sup>[25]</sup>), "Eastern Partnership: Ready to Trade – an EU4Business initiative", [http://www.eu4business.eu/programme/eastern-partnership-ready-trade-eu4business-initiative?destination=programmes%3Fpartner\\_list%3D1934%26partner1934%3Don](http://www.eu4business.eu/programme/eastern-partnership-ready-trade-eu4business-initiative?destination=programmes%3Fpartner_list%3D1934%26partner1934%3Don)

Financial mechanisms to support SME export, such as export credit insurance and export working capital, remain to be further developed in the EaP countries. Dedicated financial institutions are operational only in Armenia (Export Insurance Agency of Armenia) and Belarus (Eximgrant). The Ukrainian Export Credit Agency established in 2018 is not yet operational. In Azerbaijan, Georgia and Moldova, only few programmes offer export financing for SMEs (e.g. Women in Business in Moldova), but a more systematic approach is missing.

*Tools for SME integration into global value chains need to be further developed*

This sub-dimension assesses the extent to which EaP governments are undertaking measures to promote SME integration into GVCs, on both the demand side and the supply side.

Since the 2016 SBA assessment, the EaP countries have made limited progress in implementing policies to foster SME integration into GVCs, and activities in this area continue to focus mostly on the organisation of networking and promotional events. Scores are particularly low in the *Monitoring and evaluation* sub-dimension, where the EaP average is only 1.11 (see Table 5.7). However, countries are starting to develop online tools to connect local SMEs with international buyers. Azerbaijan, through the [www.azexport.az](http://www.azexport.az) portal, has created a platform to connect local companies producing under the brand *Made in Azerbaijan* with foreign buyers. The online portal [www.tradewithgeorgia.com](http://www.tradewithgeorgia.com) also provides information on export-oriented Georgian companies.

**Table 5.7. Scores for the *Integration into GVCs* sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	Eap average
Planning & design	2.17	2.00	1.58	3.00	2.33	2.33	2.24
Implementation	1.60	1.53	1.20	3.26	2.00	1.20	1.80
Monitoring & evaluation	1.00	1.00	1.00	1.67	1.00	1.00	1.11
<b>Weighted average</b>	<b>1.68</b>	<b>1.59</b>	<b>1.29</b>	<b>2.85</b>	<b>1.92</b>	<b>1.56</b>	<b>1.81</b>

*Note:* see Annex A for information on the assessment methodology.

Cluster development is one of the priorities of the governments from the EaP region, and all the countries, usually with support from the EU, are very active in promoting cluster development. For example, Moldova has launched two clusters focusing on the textile and creative sectors, and Georgia is promoting cluster development in the furniture, apparel and creative sectors. Azerbaijan's SME Roadmap 2016-2020 also identifies cluster development as one of its priorities, but policies are yet to be implemented.

In general, SMEs typically access GVCs through supply chain linkages with MNEs. Despite the high potential for the development of such linkages, however, EaP countries have not yet adopted a systematic approach to their development. Georgia, as the only country from the EaP region, initiated a pilot project funded by the UK Department for International Development aimed at fostering linkages between MNEs operating in Georgia and local SMEs in the hospitality sector. Moldova, with support from the OECD, is currently designing a pilot programme to support the creation of supply chain linkages between local food producers and food retail chains. Azerbaijan is also considering implementing such a programme. Box 5.5 provides an example of a supplier development programme implemented in the Czech Republic.

### Box 5.5. The CzechInvest Supplier Development Programme

The ambition of CzechInvest – the Investment and Business Development Agency of Czech Republic – to attract foreign direct investment (FDI) was initially hampered by the limited competitiveness and low absorptive capacity of local SMEs.

In response, in 2000 the agency launched the Supplier Development programme with a focus on the electronics and automotive sectors – the two fastest growing sectors in the country. The programme included:

- Training and technical assistance for local SMEs to increase the quality of their production and improve their absorptive capacity;
- Organisation of match-making events between investors and selected local producers to facilitate business relations and assist during negotiations;
- Establishment of an online database to ease identification of potential suppliers;
- Financial intermediation for business expansion when the investor can guarantee the contract for suppliers.

Source: CzechInvest (2019<sup>[26]</sup>), <https://www.czechinvest.org>; OECD (2019<sup>[27]</sup>), *Azerbaijan : Linking Domestic Suppliers with Foreign Investor*, <http://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/Azerbaijan-Linking-Domestic-Suppliers-with-Foreign-Investors.pdf>.

### *The EaP region performs poorly in trade facilitation compared to OECD countries*

The OECD TFIs feed into this sub-dimension in order to measure the extent to which countries have introduced and implemented trade facilitation measures in absolute terms.

The 2017 OECD TFIs (Table 5.8) show that while the implementation of measures to ease companies' access to foreign markets is under way, there is a significant performance gap between the EaP region (average score 1.05 out of 2) and OECD countries (average score 1.67 out of 2). Compared to the 2015 OECD TFIs, all the EaP countries moderately improved their performance, signalling positive developments in trade facilitation performance. Out of the 6 EaP countries, Georgia is the best performer in the region, with an average score of 1.55, followed by Azerbaijan with a score of 1.12. Belarus has the lowest average score (0.57).

**Table 5.8. OECD Trade Facilitation Indicators, scores by country (2017)**

Score 0 (low) to 2 (high)

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
Information availability	1.32	1.48	0.9	1.43	0.81	1.05	1.17
Involvement of the trade community	1.14	1	0.57	1.88	1.29	1.57	1.24
Advance rulings	1.14	1.14	1.14	1.27	1.67	1	1.23
Appeal procedures	1.11	1.22		1.23	1.22	1.44	1.24
Fees and charges	1.62	1.23	0.2	1.64	1.25	1.54	1.25
Formalities documents	0.56	0.88	0.33	1.78	0.63	0.89	0.85
Formalities automation	1.09	1.27	0.5	1.85	0.9	0.54	1.03

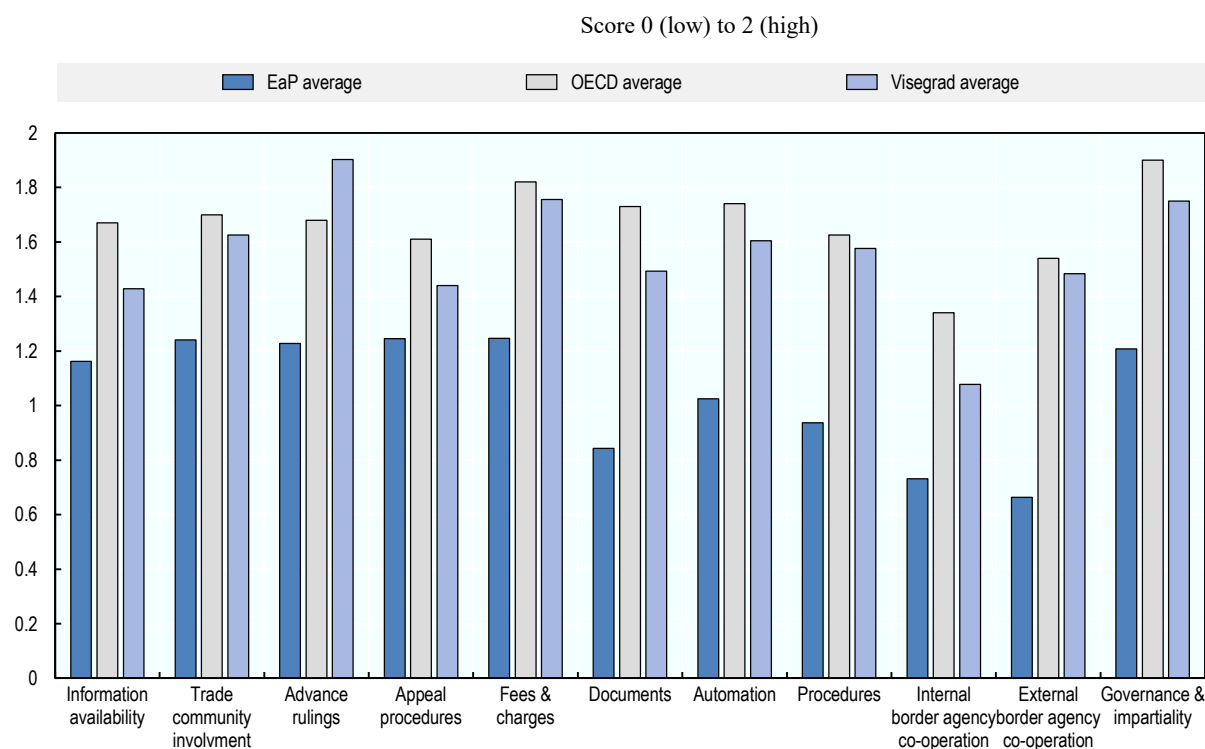
	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
Formalities procedures	0.86	0.93	0.61	1.56	1.04	0.62	0.94
Internal border agency co-operation	0.46	0.8	0.5	1.64	0.55	0.46	0.74
External border agency co-operation	0.70	0.8	0.6	0.91	0.33	0.64	0.66
Governance and impartiality	1.00	1.56	0.33	1.89	1.25	1.22	1.21
Country Average	1.00	1.12	0.57	1.55	0.99	1.00	1.04

Source: OECD, Trade Facilitation Indicators Database, <https://oe.cd/tfi>.

The biggest performance gap between the EaP region and OECD countries is in the area of formalities measured by indicators on “Documents”, “Automation” and “Procedures” (see Figure 5.10). These indicators assess the extent to which the documentation and trade procedures are simplified, automated and harmonised with international standards.

Low scores on the indicators measuring border agency co-operation (both internal and external) suggest limited co-ordination among domestic border agencies, hampering efficiency of trade controls by requiring duplicative documentation and sequential controls, but also weak co-operation with border agencies from neighbouring and third countries, making cross-border trade more expensive and time-consuming.

**Figure 5.10. OECD Trade Facilitation Indicators, EaP, OECD and Visegrad averages (2017)**



Source: OECD, Trade Facilitation Indicators Database. See: <http://www.oecd.org/trade/topics/trade-facilitation>, <http://www.compareyourcountry.org/trade-facilitation?cr=oecd&lg=en>

StatLink  <http://dx.doi.org/10.1787/888934087078>

### *Policies to support e-commerce adoption by SMEs are still taking shape*

This sub-dimension assesses the policies implemented by the government to encourage a more widespread use of e-commerce as a sales channel by SMEs.

Basic legal frameworks for e-payments and consumer protection in e-commerce are in place in all the EaP countries. Although this is positive, continued efforts will be needed to align the frameworks with EU frameworks and keep up with a constantly evolving international online environment. The OECD Recommendation of the Council on Consumer Protection in E-commerce<sup>16</sup> can provide a good reference for future actions in this area. However, the lack of reliable and official data on the use of e-commerce among SMEs in the EaP countries may hamper the development of appropriate regulatory measures. All countries should improve their performance in this sub-dimension, particularly regarding implementation and monitoring and evaluation procedures (see Table 5.9).

**Table 5.9. Scores for the Use of e-commerce sub-dimension**

	ARM	AZE	BLR	GEO	MDA	UKR	EaP average
Planning & design	3.00	3.50	3.00	3.25	3.00	3.00	3.13
Implementation	1.00	3.65	1.00	3.25	1.00	1.00	1.82
Monitoring & evaluation	1.00	1.50	1.00	3.00	1.00	1.00	1.42
<b>Weighted average</b>	<b>1.70</b>	<b>3.17</b>	<b>1.70</b>	<b>3.20</b>	<b>1.70</b>	<b>1.70</b>	<b>2.19</b>

*Note:* see Annex A for information on the assessment methodology.

Lack of IT skills, outdated technology and SMEs' reluctance to digitalise their business are very common barriers that prevent uptake of e-commerce among SMEs. However, institutions providing SME and export support services in the EaP countries often do not provide any programmes or consultancy services to address these barriers.

In Azerbaijan, the Centre for Analysis of Economic Reform and Communication launched the "Baku E-Commerce Academy" in November 2018 to provide training for SMEs, which includes information on the registration and business principles of the major e-commerce platforms such as Amazon and Alibaba. And in Georgia, Enterprise Georgia and GITA offer targeted programmes to increase SME readiness to use e-commerce as a sales channel.

However, Armenia, Belarus, Moldova and Ukraine do not have any programmes to build SME awareness of the benefits of e-commerce, or to build SMEs' capacity to take advantage of the opportunities stemming from e-commerce.

### *The way forward*

SME internationalisation in the EaP region continues to be limited. Governments could step up their efforts to systematically address problems that prevent local SMEs from entering global markets by considering the following recommendations:

- **Strengthen the capacities of export promotion agencies** by ensuring that they are adequately resourced and attract (and retain) qualified staff. This is especially true for the DCFTA countries, which have recently restructured their export promotion agencies, but it also applies to Armenia. Belarus is still lagging behind, as a dedicated SME and export promotion agency has yet to be established there.



- All EaP countries should **expand the range of provided export support services** by including training and targeted programmes with three objectives: 1) improving the export readiness of local SMEs; 2) integrating local SMEs into GVCs, in particular through supply chain linkages with large domestic and foreign companies (e.g. supplier development programmes); and 3) increase their awareness of opportunities stemming from e-commerce and improve SMEs' abilities to access major e-commerce platforms. This should be done in co-ordination with other institutions providing SME support services, such as SME development agencies and innovation agencies.<sup>17</sup>
- The whole region, and particularly Armenia and Belarus, should **continue reducing regulatory and administrative barriers to trade**, particular by 1) streamlining formalities and improving their digitalisation, 2) increasing the transparency of trade procedures, and 3) improving co-operation between internal and external border agencies (this particularly applies to Armenia and Belarus).
- Belarus, Georgia and Moldova should **introduce or expand the provision of trade finance tools for exporting SMEs** – tools such as export credit guarantees, export credit insurance and export working capital. Provided by specialised government agencies, these support programmes should address market failures and could be coupled with technical assistance. Transparency is crucial for the long-term viability of such programmes.
- Armenia, Belarus, Moldova and Ukraine should **improve information and data collection on SME internationalisation, their integration into GVCs and usage of e-commerce**. Better availability of quantitative and qualitative data would facilitate evidence-based policy making and contribute to the demand-driven provision of export support services.

## Policy instruments – Access to markets

**Table 5.10. Dimension challenges and policy instruments – Pillar D**

Dimension	Challenges / Opportunities	Policy instruments
Public Procurement	<b>Limited participation of SMEs.</b> Overwhelming formal requirements, often unfair competition and late payments discourage smaller or financially less stable SMEs from participating in the public bids.	<b>Improve the quality of regulations with a focus on SMEs.</b> An enhanced regulatory framework would facilitate SMEs' participation and ensure fair competition without distorting the markets. On the contrary, it would promote innovation and lower prices for public purchasers.
		<b>Redefine e-procurement.</b> Improve the sequencing of the steps, introduce other criteria beyond prices and ensure that qualification requirements are not disproportionately at disadvantage of SMEs to ensure their participation and fair competition.
Standards and technical regulations	<b>Lack of awareness of compliance benefits.</b> Many SMEs still ignore the economic and innovation advantages of complying with international and European standards; thus their perception of the standards as "onerous" burden still remains popular	<b>Act as an "industrial service provider".</b> Reshape the perception of quality infrastructure and communicate effectively the potential benefits of standards and conformity assessments in driving scale, innovation and export.
		<b>Foster co-operation.</b> Co-operation between technical (e.g. national quality infrastructure [NQI] institution) and economic (e.g. export promotion agency) governmental



		bodies promotes the quality and relevance of the information and industrial business services provided to SMEs.
	<b>Limited implementation of international standards.</b> Simply increasing awareness and adopting standards is not enough to ensure their broad implementation and access to GVCs, innovation and quality upgrading.	<b>Provide financial and non-financial support.</b> Expand financial (e.g. co-financing of conformity assessment services) and non-financial (e.g. training) measures to foster the use of standards and conformity assessment services, and ensure their implementation during day-to-day operations.
		<b>Back the introduction of financial and non-financial support.</b> Institutionalise regular feedback mechanisms as well as policy monitoring and evaluation, to improve existing legislative frameworks and the quality of the infrastructure.
SME Internationalisation	<b>Lack of adequate skills and information asymmetries.</b> Inadequate resources and limited staff of export promotion agencies hamper the agencies' ability to properly support the internationalisation of SMEs. The narrow range of services offered is insufficient to cope with the rapidly changing global markets.	<b>Increase institutional capacity to provide export support services for SMEs.</b> Equip agencies with adequate resources, and attract and retain qualified staff.
		<b>Expand the range of provided export support services.</b> Introduce training programmes and targeted initiatives to improve export readiness of SMEs, integrate them into GVCs, and increase their awareness of e-commerce opportunities.
	<b>High regulatory and administrative barriers to trade.</b> Low border internal and external co-operation and lack of sound internationalisation policies result in high efficiency costs and poor support for SMEs' specific needs.	<b>Reduce regulatory and administrative barriers to trade.</b> Streamline and digitise required formalities, increase transparency of trade procedures, and enhance co-operation between border agents.
		<b>Improve information and data collection</b> for evidence-based policy making, contribute to demand-driven export support services.

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## Notes

<sup>1</sup> See, for instance, (OECD, 2016<sub>[28]</sub>) for a discussion on public procurement as a driver of “lead” low-carbon markets and an important tool in the low-carbon innovation chain.

<sup>2</sup> For a definition and illustration of quality infrastructure see: <https://www.unido.org/news/unido-partners-technical-institutions-quality-infrastructure-achieve-sustainable-development-goals-sdgs>.

<sup>3</sup> The scores of the *Standards and regulations* dimension have fallen respect to 2016 for all the countries, except for Georgia. This is partly due to the restructuring of the dimension and does not necessarily represent a poor performance of the country.

<sup>4</sup> For information on the historical evolution of NQI systems in the EaP countries, see Emerson and Kofner (2018<sub>[29]</sub>) and Racine (2011<sub>[30]</sub>).

<sup>5</sup> For information on the transition from “old” to “new” approach, see European Commission (2016), “The ‘Blue Guide’ on the implementation of EU products rules 2016” (Regulation No 765/2008, Regulation No 339/93 and Decision No 768/2008/EC of the EU Parliament and the Council), *Official Journal of the European Union* (2016/C 272/01), [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0726\(02\)&from=BG](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0726(02)&from=BG).

<sup>6</sup> These agreements establish lists of industrial products in the annexes that may be placed on the market of the other country without additional testing and conformity assessment.

<sup>7</sup> For further information see EAEU Treaty Section X “Technical Regulation” and Annexes 9, 10 and 11 or Emerson and Kofner (2018) p.10-11.

<sup>8</sup> See <https://dth.azexport.az/cross-border-services.html> and [www.dcfta.gov.ge](http://www.dcfta.gov.ge).

<sup>9</sup> <https://techreg.in.ua>.

<sup>10</sup> Translation of standards into local language is likely to be beneficial for dissemination of standards among SMEs but remains a challenge given the complexity and length of (many) standard documents.

<sup>11</sup> See Mazzucato’s concept of “mission-orientation (and innovation) for public organisations” (Mazzucato, 2017<sub>[31]</sub>): <https://marianamazzucato.com/research/mission-oriented-innovation-policy/>.

<sup>12</sup> For example, Moldova has developed a co-financing scheme for businesses to get certification, including evaluation with the World Bank. Results will help policy-makers assess whether revenue from the program, e.g. through increased tax returns from firms that tapped export markets, cover costs of information, awareness and financial measures.

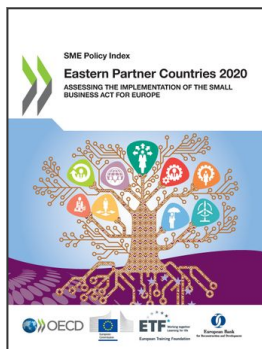
<sup>13</sup> Good examples are 1) the co-operation agreement between the Moldovan national standardisation body and the country’s SME agency and 2) Georgia’s DCFTA website, which includes links to websites for technical regulation and conformity assessment, see <http://www.dcfta.gov.ge/> as well as Georgia’s DCFTA Toolkit, see [http://gip.ge/wp-content/uploads/2018/09/DCFTA%20toolkit\\_final\\_June26-edited2.pdf](http://gip.ge/wp-content/uploads/2018/09/DCFTA%20toolkit_final_June26-edited2.pdf).

<sup>14</sup> 2017 data, based on 2020 SBA assessment questionnaire. Data for Azerbaijan and Republic of Moldova are unavailable. EU data are from Eurostat.

<sup>15</sup> DCFTA applicable to Georgia, Republic of Moldova and Ukraine.

<sup>16</sup> OECD, *Consumer Protection in E-commerce: OECD Recommendation* (2016), <https://www.oecd.org/sti/consumer/ECommerce-Recommendation-2016.pdf>.

<sup>17</sup> For more information on co-ordination processes, see the section on business development services (BDS) in the Pillar E chapter.



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