

Foreword

Small and medium-sized enterprises (SMEs) and entrepreneurs are key drivers of inclusive and sustainable growth, job creation, skills development and innovation. As such, creating thriving environments for SMEs is at the forefront of the policy-making agenda in OECD countries and beyond.

The Western Balkans and Turkey are no exception. Together, their SMEs make up 99% of all firms, generate around 65% of total business sector value added and account for 73% of total business sector employment. Acknowledging these crucial contributions of SMEs to their economies, governments across the region have set up dedicated agencies and developed strategies to foster SMEs' competitiveness. However, more remains to be done to tackle the challenges facing SMEs and entrepreneurs in the region, ranging from access to finance to participation in international trade. In light of its advancing economic integration with the European Union (EU), addressing these challenges is both timely and crucial for the economic development of the region.

The *SME Policy Index: Western Balkans and Turkey 2019 - Assessing the Implementation of the Small Business Act for Europe* provides an important tool to help policy makers design and implement policies to support the creation, innovation and growth of SMEs based on good practices in OECD and EU countries. It is the fifth edition of this series, following assessments in 2007, 2009, 2012 and 2016. This report provides a comprehensive overview of the implementation status of the ten Small Business Act for Europe (SBA) principles, and monitors progress made since 2016. In addition, it identifies the remaining challenges affecting SMEs in these EU pre-accession economies and makes recommendations to overcome them. It also provides guidance on how they can meet EU requirements and converge towards global best policy practices.

The assessment shows that in recent years many new public initiatives have surfaced, in particular those providing technical and financial support to SMEs. Increasingly, entrepreneurs can turn to public institutions for advice and support to help them start and grow a business. At the same time, administrative barriers to starting and sustaining a small enterprise have been further reduced.

While these developments are welcomed, some persistent deficiencies remain. Regulatory conditions continue to challenge the business environment and programmes are often insufficiently funded and off-target. Policies need to be better aligned with SMEs' needs in order to help them improve productivity, scale up and become better integrated into global markets. This requires a business-led approach to designing policies and programmes that identify and consider SMEs' needs from the start. Existing monitoring practices need to be accompanied by regular evaluations of programme impact, in order to favour the optimal use of public resources and advance evidence-based policy making.

This report is the result of a collaborative effort by the Organisation for Economic Co-operation and Development (OECD), the European Bank for Reconstruction and Development (EBRD) and the European Training Foundation (ETF), with the support of

the European Commission and the governments involved. The views of a wide range of stakeholders, including SMEs themselves, were sought and are reflected throughout the publication.

We commend the efforts of the EU pre-accession economies to foster private sector development through strengthened SME policies, and look forward to our continued partnership delivering better opportunities for companies and citizens across the region.



Angel Gurría
Secretary General
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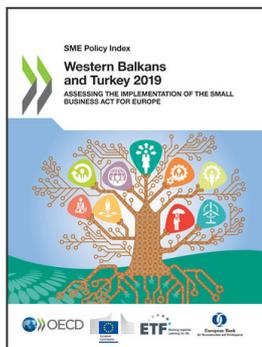
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