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Support services for SMEs (Dimension 5a) in the Western Balkans and Turkey

This chapter assesses the policies in the Western Balkans and Turkey that provide small and medium-sized enterprises (SMEs) with access to business support services (BSSs). It starts by providing an overview of the assessment framework and progress since the last assessment in 2019. It then analyses the two sub-dimensions of Dimension 5a: 1) BSSs provided by the government, assessing the BSS policy framework, the extent and types of services provided by public institutions, how information about them is disseminated, and how this provision is monitored and its effectiveness evaluated; and 2) government initiatives to stimulate private BSSs, including the planning, implementation, monitoring and evaluation of policies to encourage the uptake of privately provided support services, particularly co-financing schemes. Each sub-dimension concludes with key recommendations to help ensure that SMEs have access to and benefit from a wide range of support services.

Key findings

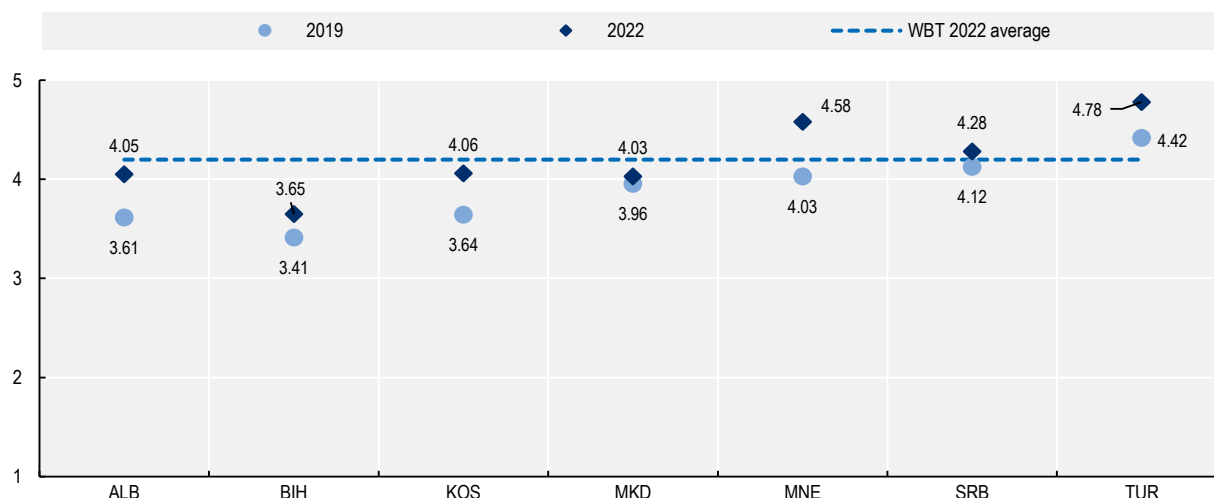
- **Since the last assessment cycle, all economies in the Western Balkans and Turkey region, with the exception of Kosovo and Serbia, have adopted new strategies emphasising the importance of government-provided BSSs to SMEs.** The strategies are well-targeted to address the obstacles faced by SMEs both in their day-to-day operations as well as in light of the pandemic and post-COVID recovery period.
- **Across the region, the assessed economies have expanded the range of BSSs provided.** Some have added training services in previously unaddressed areas, such as digitalisation or women entrepreneurship, while others have introduced new advisory or mentoring services, oftentimes in collaboration with international partners.
- **Due to the COVID-19 pandemic, many publicly provided BSSs were forced to move on line.** As a result, SMEs with a lower level of connectivity were left behind. In parallel, moving activities on line also provided an opportunity to reduce the cost of the provision of and participation in BSSs.
- **Albania, Montenegro and Turkey have improved the information dissemination regarding available support for SMEs.** However, centralised information sources are still scarce in the region, with some economies using multiple, fragmented channels to inform SMEs about support schemes.
- **Regular training needs analyses are not prevalent across the region, despite encouraging first steps undertaken by some economies.** While some economies perform training needs analysis on an *ad hoc* project basis, most of them lack a formalised structure enabling systematic assessments of the continuously evolving SME landscape.
- **Apart from mandatory audits, independent reviews of government-provided BSSs are not common practice in the assessed economies.** Despite improvements in monitoring and evaluation, limited progress has been observed in inviting a third-party institution to perform an independent assessment of public BSSs.
- **Governments across the region support private BSSs through co-financing, business incubators and accelerators, and self-employment grants.** Despite private BSSs' support being blended with public BSSs in strategic documents in almost all of the assessed economies, all of them ensure an adequate level of support for private sector providers. Co-financing the services of private sector business consultants is the most prevalent form of support in the region.
- **Only Montenegro, Serbia and Turkey have developed quality assurance mechanisms in place for privately provided BSSs.** The majority of the governments across the region do not have an accreditation system for private sector consultants, risking a suboptimal quality of private BSSs.

Comparison with the 2019 assessment scores

All assessed economies have improved their overall scores since the last assessment cycle. This can be explained by the majority of economies adopting new, well-targeted SME-specific strategies. The most

notable increases in this assessment cycle are observed in Albania, Kosovo and Montenegro, owing to new strategic documents, but also to increases in the range and scope of provided BSSs. Furthermore, many economies, namely Albania, the Federation of Bosnia and Herzegovina, and Turkey intensified their efforts to strengthen monitoring and evaluation mechanisms for government-provided BSSs. While the progress across the region was noteworthy, the COVID-19 crisis and the confinement measures that followed had a considerable effect on the provision of both public and private BSSs, as the majority of services tend to entail in-person presence. Therefore, the progress achieved across the region moved at a slower pace than expected before the onset of the COVID-19 pandemic (Figure 5.1).

Figure 5.1. Overall scores for Dimension 5a (2019 and 2022)



Notes: WBT: Western Balkans and Turkey. Despite the introduction of questions and expanded questions to better gauge the actual state of play and monitor new trends in respective policy areas, scores for 2022 remain largely comparable to those from 2019. For a detailed overview of policy changes and to compare performance over time, the reader should focus on the narrative parts of the report. See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Implementation of the SME Policy Index's 2019 recommendations

Table 5.1 summarises progress made on the key recommendations for this dimension since the previous assessment.

Table 5.1. Implementation of the SME Policy Index's 2019 recommendations for Dimension 5a

Regional 2019 recommendation	SME Policy Index 2022	
	Main developments during the assessment period	Regional progress status
Analyse the need for and supply of business support services (BSSs) more effectively and regularly to fill the gaps in BSS provision, better target the support provided and create more effective BSS provision systems	Training needs analysis, together with an assessment of small and medium-sized enterprises' (SMEs) demand for particular BSSs, remains a challenge across the region. While some economies, such as Turkey, have a well-developed system in place, the majority of economies do not have a structured framework to ensure a regular and systematic assessment of SME training needs. Montenegro and North Macedonia rely on project-based assessments with little regularity, while Albania set out a framework for regular analysis in the new Business Development and Investment Strategy (2021-2027); however, as it is a new strategy, data on implementation are not yet available.	Limited
Strengthen the monitoring and evaluation of BSSs provided through the government	There were overall improvements in the monitoring and evaluation systems across the region, with many economies reinforcing their review mechanisms. Albania, the Federation of Bosnia and Herzegovina, and Turkey all undertook steps to enhance their	Moderate

Regional 2019 recommendation	SME Policy Index 2022	
	Main developments during the assessment period	Regional progress status
	monitoring and evaluation frameworks. However, almost all economies are lacking an independent review of their government-provided BSSs.	
Provide easier access to information on BSSs to stimulate SMEs' uptake of support	While centralised sources of information are still not prevalent in the region, some advancements can be observed in improving access to information about available support for SMEs. Albania, Montenegro and Turkey all have dedicated educational or training portals which enable SMEs to access relevant information about available support. Overall, all economies do inform SMEs about support schemes; however, information is published either on the website of the relevant ministry, SME agency or multiple sources, fragmenting the flow of information.	Moderate
Continue supporting the development of a sustainable market of private sector BSS providers	With the exception of Albania and Republika Srpska, all economies support private provision of BSSs through co-financing the services of either accredited or non-accredited private sector consultants. Some of the assessed economies, like Montenegro, North Macedonia and Turkey, also support the establishment of business incubators and accelerators, which serve a purpose of boosting the capabilities of newly established enterprises.	Moderate
Boost the uptake of co-financing schemes by adapting them better to SMEs' needs	While co-financing schemes across the Western Balkans and Turkey region are sometimes adapted to SMEs' stage of development, start-ups usually enjoy a higher co-financing rate than more mature enterprises. There has been limited progress in assessing the needs of SMEs, due to the lack of a framework allowing a regular review of SMEs' demand. Some economies, like Montenegro, have special provisions for women-owned SMEs, which are eligible for a higher co-financing rate. However, there is limited evidence of assessing the demand for particular co-financing schemes across the region.	Limited
Strengthen the monitoring and evaluation of BSSs provided through co-financing schemes	In the area of monitoring and evaluation, the private provision of BSSs faces similar challenges to government-provided services. Insufficient performance-based evaluations and lack of an independent review hinder the monitoring process and assessments of efficiency and effectiveness. Moreover, only three economies (Montenegro, Serbia and Turkey) have quality assurance mechanisms for private sector consultants. While Albania and Kosovo have undertaken their first steps to introduce an accreditation requirement for private BSSs, quality assurance remains uneven across the region.	Limited

Introduction

SMEs in the Western Balkans and Turkey (WBT) region often struggle with low productivity and competitiveness. To boost their growth, SMEs should have the opportunity to benefit from accessible business support services (BSSs), offered both by the government and the private sector, particularly emphasising co-financing schemes. There is strong evidence that policies aiming to support BSSs contribute to improved SME performance and job creation across economies (Cravo and Piza, 2016^[1]). Complementing the financial support with technical assistance and training has proven to be beneficial for helping SMEs overcome the challenges they face in their day-to-day operations and their efforts to expand and develop.

In the WBT region, available BSSs range from counselling and advisory services to mentoring, technical assistance and educational activities. Many economies also co-finance SMEs procuring services from private sector consultants and provide businesses with incubators, accelerators and technology parks in order to encourage technology and knowledge transfers while creating an enabling a business environment. Some economies also have distinguishable support for SMEs depending on their maturity and stage of development, with the most common assistance being provided to start-ups.

Across the region, SMEs quote insufficient training and advisory services, limited market information and limited access to finance as the main deterrents to growth and productivity (Balkan Barometer, 2021^[2]). The COVID-19 pandemic exacerbated these challenges even further, making SMEs particularly vulnerable to the far-reaching effects of the crisis. The provision of BSSs was affected, as many of the services rely on face-to-face interactions, therefore, when some of the BSSs were forced to move on line, many less-connected SMEs were left behind. Nevertheless, when provided virtually to better connected SMEs, these services reduced the costs related to travel. BSSs are a crucial element in mitigating the effects of the COVID-19 crisis, as they provide SMEs with tools to overcome obstacles related to hindered access to training and mentoring, as well as insufficiently developed skillsets, which can hamper their operations in the long run.

While all of the economies improved their SME landscape across the board, progress moved at a slower pace than expected, due to the negative impact of the COVID-19 pandemic on both fund allocation and access to services.

Assessment framework

Structure

The assessment framework for this dimension has two sub-dimensions: (Figure 5.2):

- **Sub-dimension 5a.1: Business support services provided by the government** focuses on three thematic blocks. The first thematic block evaluates whether the government has developed a strategic approach to the provision of BSSs by public providers and if it is included in the economy's wider SME policy framework (e.g. the national SME strategy or equivalent document). The second thematic block assesses the extent to which public institutions provide different types of BSSs, and if they are tailored to the specific needs of different SME segments (e.g. start-ups). This block also focuses on the means used by the government to raise SMEs' awareness about the BSSs it provides. Finally, the third thematic block assesses how far BSSs provided by the government are regularly monitored and their impact on SMEs' performance evaluated.
- **Sub-dimension 5a.2: Government initiatives to stimulate private business support services** evaluates government initiatives aimed at stimulating private BSSs. It largely mirrors the thematic block structure of the first sub-dimension, but rather than focusing on the provision of BSSs by

public institutions, it looks at how public policy supports SMEs' uptake of BSSs from private providers.

Both sub-dimensions divided the assessment into three thematic blocks: planning and design (30% of the total score), implementation (50% of the total score), and monitoring and evaluation (20% of the total score).

Compared to the 2019 assessment, small adjustments have been made to the framework to enhance the importance of digital aspects of policies and measures, which in the context of support services for SMEs, relate specifically to technical assistance in digitalisation of SME operations and administrative processes, as well as specialised training on digital support services. The assessment also takes into consideration COVID-19 response measures, although no evaluation has been made in this regard.

Figure 5.2 Assessment framework for Dimension 5a: Support services for SMEs

Support services for SMEs					
Outcome indicators					
Provision of publicly (co-)funded business support services to SMEs					
Sub-dimension 5a.1: Business support services provided by the government			Sub-dimension 5a.2: Government initiatives to stimulate private business support services		
Thematic block 1: Planning and design	Thematic block 2: Implementation	Thematic block 3: Monitoring and evaluation	Thematic block 1: Planning and design	Thematic block 2: Implementation	Thematic block 3: Monitoring and evaluation

Analysis

Performance in business support services for SMEs

Outcome indicators are vital in analysing the effects of adopted policies, providing valuable insight for policy makers to assess the effectiveness and efficiency of existing policies and the potential need for new ones. The outcome indicator selected for this publication assesses the uptake¹ of BSSs provided by governments across the Western Balkans and Turkey. The indicator uses self-assessed data provided by the governments and respective SME agencies across the region and demonstrates the number of BSSs offered to SME beneficiaries in this assessment cycle. The numbers provided by WBT governments are indicative of the uptake of offered BSSs; however, the data collected are often based on one SME benefiting from a number of services, which are then counted separately, augmenting the total uptake of BSSs.

All economies in the region provide public BSSs to SMEs, ranging from informational and educational services, training, mentoring and consulting to physical infrastructure support (Table 5.2). The BSSs in the area of information and education are the most popular in Kosovo and Turkey. Training services are also prevalent across the region, with increased intensity observed in Montenegro and Turkey.

In the majority of the assessed economies, informational services on financing opportunities, accessing foreign markets and adhering to international standards enjoyed the highest uptake among beneficiaries. Training services on information and communications technology (ICT), resource efficiency, sales and marketing were also frequently used by SMEs in the WBT region. Mentoring and consulting support, with the exception of Montenegro, Serbia and Turkey, were not particularly popular among SMEs. Similarly,

physical infrastructure services enjoyed a lower uptake; however, this can be due to limited provision by the Western Balkan economies.

Table 5.2. Business support services provided by governments by service category

	ALB	BiH		KOS	MKD	MNE	SRB	TUR
		FBiH	RS					
Informational services	1 906	36	2 337	8 440	658	2 339	2 712	7 838
Training	70	0	506	0	268	1 808	669	3 976
Mentoring and consulting	350	18	187	0	82	218	388	2 484
Physical infrastructure support	1	35	0	8	0	6	0	405
Total	2 327	89	3 030	8 448	1 008	4 371	3 769	14 703

Note: The number of business support services (BSSs) provided for Montenegro is a simple average of the total number of BSSs provided over the two-year period 2019-20 as reported to the OECD by the Government of Montenegro.

Business services provided by the government (Sub-dimension 5a.1)

By improving entrepreneurial and managerial skills and providing tailored financial and non-financial support for SMEs, BSSs can play a crucial role in improving SMEs' productivity and competitiveness, especially in the WBT region, where SMEs quote lack of entrepreneurial and technical skills as one of the main deterrents to growth, development and foreign expansion (Balkan Barometer, 2021^[2]). To address these challenges, the governments across the region offer an array of BSSs, ranging from technical assistance in accessing new markets, informational and educational support to training, mentoring and advisory services, and financial support.

This sub-dimension analyses the BSSs provided by the government directly, usually by dedicated SME development agencies. It evaluates the governments' SME policies, which govern these services, and assesses their implementation. The chapter also looks at the monitoring and evaluation mechanisms in place for keeping track of the effectiveness and outcomes of the introduced initiatives and which guide the design of future policies.

Due to the adoption of SME-specific strategic documents outlining dedicated measures for SMEs, as well as support programmes implemented, all economies have improved their overall scores since the last assessment (Table 5.3). In some economies, following the expiration of key strategic documents, new strategies are still to be drafted or were currently being drafted or reviewed at the time of writing, hence the slight deterioration under the planning and design score for some economies. Nevertheless, all economies boosted their BSSs' programme implementation, resulting in augmented scores across the board. Advancements can be observed in monitoring and evaluation; however, there is still room for improvement in the area of performance-based review.

Table 5.3. Scores for Sub-dimension 5a: Business services provided by the government

	ALB	BIH	KOS	MKD	MNE	SRB	TUR	WBT average
Planning and design	4.43	3.17	3.86	3.57	4.71	4.43	5.00	4.17
Implementation	3.43	3.86	4.28	4.14	4.57	4.57	4.86	4.24
Monitoring and evaluation	4.11	3.06	3.56	3.89	3.89	4.33	3.89	3.82
Weighted average	3.86	3.49	4.01	3.92	4.48	4.48	4.71	4.14

Note: See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Almost all economies have adopted new SME development strategies since the last assessment cycle

With the exception of Kosovo and Serbia, the economies in the region adopted new strategic documents and legal frameworks focusing on SMEs outlining key targets for increased and improved support services for SMEs (Table 5.4).

The new strategic frameworks for the provision of BSSs are poised to address the challenges faced by SMEs across the region: a lack of adequate, well-targeted training and skills development programmes; fragmented information on available support; and low productivity and competitiveness of SMEs. A policy mix of technical assistance, complemented by facilitated access to finance, has proven to be the most effective in overcoming these obstacles.

Considerable advancements can be observed, particularly in Albania and Montenegro, both of which introduced new, comprehensive and targeted strategies prioritising financial and non-financial support for SMEs (Table 5.4). In the Business Investment and Development Strategy (2021-2027), the government of Albania set out specific support measures for SMEs to develop a dynamic and sustainable entrepreneurship ecosystem. They range from providing advisory services and counselling to training and financial support, especially for newly formed enterprises. In Montenegro, the Strategy for Lifelong Entrepreneurial Learning (2020-2024) provides a framework for boosting entrepreneurship among SMEs, while also adhering to EU standards.

Table 5.4. National strategies governing business support services provision

Economy	National strategy
Albania	Business Investment Development Strategy (2021-2027)
Bosnia and Herzegovina	Federation of Bosnia and Herzegovina: Development Strategy of the FBiH (2021-2027) – 2023 Action Plan for Innovation in SMEs Republika Srpska: SME Development Strategy (2021-2027)
Kosovo	National Development Strategy (2016-2021) ¹
Montenegro	Strategy of SME Development (2018-2022) Strategy for Lifelong Entrepreneurial Learning (2020-2024) Industrial Policy of Montenegro (2020-2023)
North Macedonia	SME Strategy (2018-2023) Programme for Entrepreneurship Support, Competitiveness, and Innovation of SMEs 2020 ²
Serbia	SME Development Strategy (2015-2020) ³ Promotion of Entrepreneurship and Self-Employment Programme
Turkey	2023 Turkey Export Strategy Action Plan Eleventh Development Plan KOSGEB Strategic Plan (2019-2023) Medium-Term Program (2020-2022) Industry and Technology Strategy 2023

1. Kosovo's National Development Strategy (2016-2021) expired in 2021; while it is still being used as a governing document, a new revised strategy is underway in 2022.

2. North Macedonia's Programme for Entrepreneurship Support, Competitiveness, and Innovation of SMEs 2020 expired in 2020. Although only partially implemented, its framework is interconnected with the Industrial Policy (2018-2027).

3. Serbia's SME Development Strategy (2015-2020) expired in 2020 and has been implemented relatively successfully. A new strategy was being drafted at time of assessment.

The economies advanced in improving information dissemination among SMEs

Suboptimal uptake is common among government-provided BSSs, which can be attributed not only to their misalignment with SMEs' needs, but also to low awareness among SMEs about available support. While most initiatives are published on the websites of relevant ministries or SME development agencies, it is

not a common practice for WBT economies to have dedicated, centralised sources of information relating to all kinds of BSSs, regardless of the provider (Table 5.5). Only three economies in the region centralised all information about available BSSs by launching a dedicated website, easily accessible to SMEs. In Albania, the Access to Finance portal was introduced in 2021 and now comprises of 965 registered users.² It serves as a one-stop shop to assist Albanian SMEs in their expansion and development efforts. In Montenegro, the Single Access Point centralises all relevant information for SMEs seeking government-provided BSSs. It includes existing policies and programmes of support, changes to the regulatory framework and government activities in the area of SME support in one single portal, thus facilitating access to information for SMEs. In Turkey, apart from the Small and Medium-sized Enterprises Development Organisation's (KOSGEB) website, the government operates a training portal for SMEs with relevant information on available support. With the exception of the Federation of Bosnia and Herzegovina entity, all economies inform SMEs about BSSs through dedicated SME agency websites; however, the degree of clarity, relevance and consistency varies across the region.

Comprehensive SME-centric portals, containing self-diagnostic tools for SMEs, interactive training materials and online coaching are becoming increasingly popular in OECD countries, due to their low cost and high reach and impact (OECD, 2021^[3]).

Table 5.5. Sources of information about business support services in the Western Balkans and Turkey

	ALB	BiH		KOS	MKD	MNE	SRB	TUR
		FBiH	RS					
SME agency website	X		X	X	X	X	X	X
Separate business services support portal	X					X*		X

Note: Montenegro announced plans to introduce the Single Access Point, which would enable small and medium-sized enterprises to access information about available business services support; however, its implementation has not been confirmed.

The range and scope of publicly provided BSSs have been broadened

Many governments added new support services in collaboration with local institutions, such as chambers of commerce or employment agencies. Montenegro, for example, bolstered inter-agency co-operation between local business associations, the Chamber of Economy, the Employment Agency of Montenegro, the Investment and Development Fund, and the Montenegrin Employers Federation. Consequently, Montenegrin SMEs now have access to new consulting services, training for start-ups, sector-specific BSSs, entrepreneurship training, conferences and seminars as well as grants for self-employment. Furthermore, many economies, such as Albania, Kosovo and Serbia, added digitalisation assistance, which demonstrates an increased commitment to an innovative, digitised economy. The economies support digitalisation through grants and tailored training on digitalising operations, ranging from administrative activities to business processes within an enterprise.

The expanded range of publicly provided BSSs has also been achieved partly through collaboration with international partners, such as the Japanese International Cooperation Agency, which assisted governments in providing new tailored mentoring services in Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia. The European Bank for Reconstruction and Development also provides hands-on advisory support through the Western Balkans SME Competitiveness Support Programme, funded by the EU, present in Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, and Serbia.

Most of the economies introduced new forms of technical assistance for SMEs, and provided dedicated financial assistance intended to mitigate the effects of the COVID-19 pandemic, such as Turkey's Rapid Support for Micro and Small Enterprises programme. The project has been implemented in collaboration

with the World Bank and entails financial grants for SMEs to ensure their liquidity and viability after the COVID-19 pandemic. The project's main goal was the survival of microenterprises and SMEs within the economy, with a special focus on women-owned companies with a strategic innovative orientation, manufacturing SMEs and start-ups. The beneficiaries received performance-based reimbursable financial support in hopes of maintaining employment levels and liquidity. Technical assistance was also made available to SMEs within the scope of the project.

Regular training needs assessments remain scarce in the region

Enterprises across the WBT region often quote inadequate skills as the reason for hindered growth and development (Balkan Barometer, 2021^[2]). As SMEs dominate the business structure across the region, skills mismatch with the labour market also affect them to a high degree. Training needs analyses and demand assessments are crucial to support policy design and the governments across the region should remain responsive to SME needs in order to enhance their productivity and competitiveness. It is particularly important in an increasingly dynamic environment, especially in a changing business landscape, which now includes a stronger focus on digitalisation and greening. SMEs' needs are bound to change more rapidly, therefore, governments' flexibility is crucial in staying aware and reactive. In the Western Balkans and Turkey, only a few economies have introduced formalised, structured frameworks, which would enable regular and systematic training needs analyses. Moreover, in most economies, training needs analyses and demand assessments have not been conducted since the last assessment cycle, risking a mismatch between the BSSs provided by the government and SME demand for particular services.

However, most of the economies acknowledge the importance of assessing SMEs' training needs and their demand for specific business support services by formalising the structure for the assessment, as is the case in Albania and Turkey. Some economies, such as Montenegro and North Macedonia, conduct *ad hoc* analyses on the SME landscape, BSSs' demand and training needs; however, it is solely performed within strict frameworks of the projects launched rather than on a regular basis, lacking coherence. Regular and systematic training needs analyses are still not prevalent in the region, although encouraging first steps can be observed in Albania and North Macedonia. Turkey positioned itself as the leader in that area, with KOSGEB's assessments and analysis framework formalised by the Information Management and Decision Support Department, which is tasked with conducting studies on SME needs relating to training and demand for specific support services, as well as surveying regional institutions on their capacity to collaborate and support SMEs locally. KOSGEB conducts regular training needs analyses and updates the dedicated training portal accordingly, while the results are being translated into future support programme design. In North Macedonia, despite the economy lacking a formalised, systematic training needs analysis mechanism, the Fund for Innovation and Technological Development conducted a thorough study of the start-up landscape, assessing the demand for BSSs and training needs. In Albania, the government is undertaking encouraging first steps in the new Business Investment Development Strategy (2021-2027), which provides a framework for regular training needs assessments in the area of BSSs.

Tailoring the government's offer of support services to the demand expressed by SMEs, as well as their needs, is essential in ensuring the effectiveness of government support programmes (OECD, 2018^[4]). On a budgetary level, it can also reduce budget allocation inefficiencies.

Despite improved monitoring and evaluation mechanisms, independent reviews are still not a common practice across the region

Across the region, economies undertook concrete actions to improve their monitoring and evaluation systems. In the Federation of Bosnia and Herzegovina, the government introduced an online registry for all BSSs' recipients and a centralised database of all incentives and their beneficiaries to be updated on an annual basis. The Business Investment and Development Strategy (2021-2027) in Albania outlines targets and

provides a framework for monitoring by quantifying success indicators of a broad array of support measures, which is a key first step to improve both monitoring and evaluation of strategic documents. The most notable advancement can be observed in Turkey, which formalised the process of programme evaluations. KOSGEB completed a structured mechanism for assessing the impact of entrepreneurship support programmes, which entails setting up project design guidelines, regulating feedback collection from the beneficiaries and defining the scope of the data collected. The goal of the mechanism is to identify potential inefficiencies in BSSs provided by the government and correct them accordingly.

The majority of economies have an audit performed, which is a precondition for a prudent government spending strategy. Nevertheless, this does not measure the impact and effectiveness of support services, which is the key indicator of SME performance after benefiting from provided support.³

An independent analysis of government-provided business support services and their impact and effectiveness is still not common practice across the region. Out of all of the WBT economies, only the Albanian Investment Development Agency had an independent review of its co-financing schemes in the last assessment cycle and that practice continues.

The way forward for Sub-dimension 5a.1: Business services provided by the government

- **Develop a strong monitoring and evaluation mechanism to measure the impact of public business support services.** Evaluation of provided BSSs should be the crucial element in BSSs' policy design. To demonstrate the viability of provided services, governments should measure the performance of SMEs after taking up the provided initiatives, not only their satisfaction from the programmes. A framework to measure the performance of SMEs after taking up the provided initiatives could provide valuable insight into both the positive and negative effects of selected incentives. See Box 5.1 for a good practice example from Hungary. For more information on data that WBT governments could consider collecting in this area, please see Annex C.

Box 5.1 Performance-based monitoring and evaluation in Hungary

The Hungarian Ministry of Innovation and Technology commissioned an independent evaluation of its support programmes for small and medium-sized enterprises (SMEs), conducted by a private consulting company – Equinox Consulting Ltd, and a public research institute – HEFTA. The goal of the assessment was to evaluate the impact of current interventions directed towards SMEs and to use the results when designing a future support scheme. The main subject of the analysis was the government's Economic Development and Innovation Operational Programme targeting SMEs and aiming to improve their competitiveness.

The evaluation of the programme was structured along four dimensions:

1. financial and professional programme implementation
2. applicants' profiles and demand for support measures
3. micro and macro impact of support
4. evaluation of the programme's effectiveness.

The qualitative assessment entailed interviews with agencies responsible for implementation and relevant ministries, as well as compiling a database of online and telephone inquiries of potential and current programme beneficiaries. The quantitative analysis included a counterfactual impact assessment of support already granted within the project's framework, both on the micro and macro

level. Moreover, a computable general equilibrium model examined the impact of providing subsidies on the export performance of SMEs.

The assessment identified challenges in the programme's implementation, and explored their root cause, effects and potential solutions. It resulted in a set of recommendations to be considered in future design of support schemes. Inviting an independent institution contributed to the transparency of the assessment and provided the government with broader insight into its support programmes for SMEs. The assessment resulted in targeted, far-reaching recommendations, which can assist the government not only to optimise its budgetary efficiency, but also to calibrate its support programmes to maximise their effectiveness for SMEs.

Almost all economies in the region are lacking a performance-based evaluation of their SME support programmes. While the projects are reviewed based on the beneficiaries' satisfaction and the uptake of introduced initiatives, detailed impact assessments are not prevalent across the region. The economies could invite independent institutions to perform reviews of government-provided support programmes, which should focus of the programmes' effectiveness and efficiency.

Sources: HEFTA Research Institute (n.d.^[5]); Hungarian Ministry of Innovation and Technology (n.d.^[6]).

- **Conduct regular training needs analysis to better adapt business support services to SMEs' actual skills needs.** Regular and consistent training needs analyses would help fill the gaps in BSS provision, better target the support provided and create more effective BSS provision systems. Including SMEs at different stages of development, different sectors, sizes and locations would make the representative sample more comprehensive and inclusive and would provide the government with valuable insights on the SME landscape across the economy. See Box 5.2 for a good practice example.

Box 5.2. Turkey's approach to training needs analysis

Turkey's Small and Medium-sized Enterprises Development Organisation's (KOSGEB) Information Management and Decision Support Department is responsible for analysing supply and demand for business support services and small and medium-sized enterprises' (SMEs) training needs. The assessments are conducted systemically, regularly and in a formalised manner. KOSGEB extends the evaluation practice to regional institutions to assess their institutional capacity to support SMEs on the ground. KOSGEB also conducts regular training needs analysis and updates the dedicated training portal accordingly. Results of the analysis are then used in future support programme design.

The regularity and consistency in conducting training needs analyses contribute to SME support measures being well-targeted and successful in Turkey. In addition, KOSGEB collaborates with regional development agencies in Turkey; therefore, its SME outreach is broader, allowing it a more comprehensive view of SME needs across the economy.

Training needs analysis is largely lacking across the Western Balkans and Turkey region. Most economies do not analyse the demand for specific business support services among SMEs or conduct sporadic *ad hoc* reviews, without a structured framework allowing regular assessments. Government agencies responsible for SME policy should take into account the demand of SMEs for support services,

as well as their needs pertaining to training and education. Extending this practice to regional development agencies within the economies would give the assessment broader scope and outreach.

Source : KOSGEB (2022^[7]).

Government initiatives to stimulate private business support services (Sub-dimension 5a.2)

A competitive private sector of BSSs providers is particularly important in the Western Balkans and Turkey, where many SMEs either have lower levels of trust towards their respective governments or the offer of government-provided BSSs is not fully aligned with their needs (OECD, 2020^[8]). The government, however, can assist in facilitating access to private sector providers through co-financing, as well as raise awareness about the availability of private BSSs. While co-financing the appointment of a private sector consultant is the most common practice across the region, some economies also provide substantial support for the creation and development of business incubators and accelerators, which is also highlighted in many strategic documents in the region. A general tendency across the region is to combine public and private funding for the establishment of business incubators, with the majority being funded both by private entities, non-profit organisations, or academia and the governments.

This chapter looks at government policies to grant support for the private provision of BSSs, as well as the strategic focus it follows. It also assesses the implementation of the economies' strategies, as well as their monitoring and evaluation mechanisms in place for programmes that have been implemented to stimulate private provision of BSSs.

With the exception of Bosnia and Herzegovina and North Macedonia, all economies have improved their overall scores (Table 5.6) since the last assessment cycle. Although efforts are uneven across the region, all economies have SME-specific strategies. Not all of them, however, explicitly mention the private provision of BSSs. Some economies have advanced in programme implementation, introducing multiple support programmes, such as self-employment grants. Many economies have a degree of quality assurance for the private BSSs supported; however, accreditation systems for private sector consultants are still not prevalent across the region.

Table 5.6. Scores for Sub-dimension 5a.2: Government initiatives to stimulate private business support services

	ALB	BIH	KOS	MKD	MNE	SRB	TUR	WBT average
Planning and design	5.00	4.80	4.00	4.00	5.00	4.60	5.00	4.63
Implementation	3.80	3.75	4.30	4.50	4.70	3.70	4.70	4.21
Monitoring and evaluation	4.20	2.50	3.80	3.40	4.20	4.20	4.60	3.84
Weighted average	4.24	3.82	4.11	4.13	4.69	4.07	4.77	4.26

Note: See the Policy Framework and Assessment Process chapter and Annex A for information on the assessment methodology.

Most economies in the region support private provision of BSSs through co-financing schemes and business incubators

While all economies across the region support the private provision of BSSs, it rarely gets explicitly mentioned in strategic documents across the region. It is, however, a vital tool in facilitating access to support services for SMEs with limited resources, especially in economies with underdeveloped or inaccessible BSSs provided by the government. In economies with lower trust in public institutions and the

government, SMEs are more prone to place more confidence in the private sector. Therefore, a functioning, formalised and competitive market of business consultants who can assist SMEs in their path to growth and development is fundamental in providing a wide range of support for SMEs. The support in assessed economies entails co-financing the services of private sector consultants, business incubators, accelerators and technology parks.

Co-financing support services from private providers is the most prevalent form of assistance across the region. With the exception of the entity of Republika Srpska in Bosnia and Herzegovina, and Albania, which discontinued its co-financing schemes during this assessment cycle, all economies in the region offer co-financing of privately provided BSSs. The extent of the schemes varies across economies and often depends on the size or maturity of the company. In North Macedonia, start-ups usually enjoy a 100% co-financing rate up to a pre-defined ceiling, while more mature enterprises receive a 50% co-financing rate (APPRM, 2021^[9]). In some economies, special provisions are granted to women-owned SMEs, as is the case in Montenegro, where women-owned enterprises are eligible for an 80% reimbursement of pre-determined costs (Ministry of Economic Development of Montenegro, 2020^[10]). Co-financing can be offered directly by the government, SME agencies or financial institutions within the economy.

Some economies in the WBT region focus their efforts on the provision of physical and institutional infrastructure for SME growth and development. In the region, this takes the form of business incubators and accelerators, as well as technology parks. They constitute a type of business development support programme, which usually focuses on newly established enterprises, self-employed freelancers, microenterprises and start-ups. The governments can support incubators by either providing funding for the establishment of these structures, which are then operated by private entities, launching public incubator development programmes, or facilitating access to existing business centres (OECD/European Commission, 2019^[11]). In the Western Balkans and Turkey, a mixed approach can be observed, as the majority of business incubators have been jointly established by the private sector or academia, with some degree of governmental assistance.

As a growing body of evidence suggests a positive impact of the incubators and accelerators on business growth, many economies in the Western Balkans and Turkey have reinforced their support for their creation and development. The most common type of support offered by these structures ranges from training and workshops to business mentoring, access to finance, networking opportunities and a physical office space (OECD/European Commission, 2019^[11]). Turkey positioned itself as the regional leader in this area, with its long-standing TEKMER programme, which entails the establishment of performance-oriented incubators and accelerator centres which have a strategic focus on technology. North Macedonia is collaborating with the German Development Agency (GIZ) to boost technology transfers and create business accelerators and mentorship programmes. Montenegro approaches the private BSSs support through co-operation with local private business centres and academia to establish incubators and accelerators to provide SMEs with a well-developed physical infrastructure for growth in development, which has particularly benefited start-ups in the economy.

Quality assurance remains uneven across the region

Quality assurance for privately provided BSSs, including an accreditation requirement for private sector consultants, remains scarce, with only three economies having undertaken measures to introduce it. Most recently, Montenegro has implemented this quality assurance mechanism, while also taking an extra step in the Strategy for Lifelong Entrepreneurial Learning (2020-2024) and requiring all co-financed services to be provided by accredited consultants. The consultants' scope of activities entails the preparation of technical documents, certification assistance, implementation of the process of operations digitalisation for SMEs and consultancy services for innovation-related activities. The quality assurance systems extend to co-financing schemes, which are being monitored from the angle of environmental standards, ISO norms, occupational health and safety management. Turkey, despite having quality assurance mechanisms for

privately provided BSSs, does not condition the government's support on the use of certified consultants. In Serbia, accreditation of private BSSs is done through accredited regional development agencies, which provide various forms of technical assistance for SMEs. The Development Agency of Serbia is tasked with granting accreditation to potential applicants. It also has a list of certified consultants within the regional development agencies which is available to SMEs. Both Albania and Kosovo have undertaken first steps for an accreditation mechanism for private BSSs, but it has yet to be adopted in Albania, while in Kosovo, it is within the purview of a private entity with no government-imposed quality assurance systems. In Bosnia and Herzegovina, no formal accreditation requirement has been introduced, although Republika Srpska instituted new formal prerequisites for education and experience of private sector consultants to be included in the database available to SMEs. North Macedonia remains without a government accreditation requirement, risking a suboptimal quality of private BSSs.

The way forward for Sub-dimension 5a.2: Government initiatives to stimulate private business support services

- **Introduce quality assurance mechanisms for private sector consultants and develop a system to collect feedback from beneficiaries of private business support services** to ensure a high quality of services provided by accredited consultants. An accreditation requirement for private sector consultants would help the governments to add an additional level of assurance in supporting private provision of BSSs. Harmonising education, experience or training requirements for consultants would boost competition in the market, resulting in a higher quality of private BSSs provided to SMEs. Governments across the Western Balkans and Turkey should introduce quality safeguards to stimulate fair competition within the private sector.
- **Continue supporting the creation and development of business incubators and accelerators and adopt a flexible approach to designing support measures.** Most governments in the Western Balkans and Turkey provide financial or institutional support for the creation of business incubators and accelerators. What is needed to expand this support and make it more comprehensive is increased responsiveness and flexibility in the adequate provision of BSSs. Training and workshops should be tailored to the needs of the beneficiaries, which requires an *ex ante* assessment. In addition, the length of the programmes and the support of the physical infrastructure of the incubators should be well measured to avoid underserving newly formed enterprises in need of support and overserving ones which have already surpassed the degree of maturity requiring additional support.

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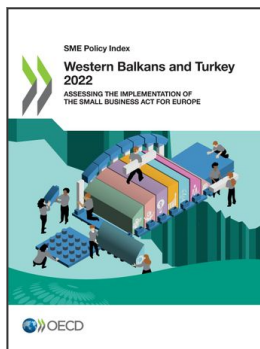
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Notes

¹ When available, it is of particular importance to also monitor this indicator for services provided on a pay-per-service basis, as the uptake of free services is expected to be higher.

² Registering on the platform and creating a profile is a pre-requisite to using the portal.

³ As the BSSs provided by the government are not always free of charge, measuring the effectiveness of services which are free differs from the ones performed at a cost, which typically would experience lower uptake levels.



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