

## *Foreword*

About a decade ago, in May 2009, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine, together with the European Union launched a strategic and ambitious partnership – the EU Eastern Partnership (EaP). In an effort to build a more prosperous and resilient region, this endeavour is based on shared values, mutual interests and commitments, bringing EaP countries closer to the European Union through economic integration and by developing stronger ties among the partner countries themselves, to deliver tangible results for their citizens.

Economic and private sector development play an essential role in achieving this objective. Looking back at the past decade, significant efforts have been made to develop stronger, more diversified and dynamic economies across the region. Small and medium-sized enterprises (SMEs) have been instrumental in driving this agenda forward. In fact, thanks to their capacity to innovate and adapt to fast-changing market conditions, SMEs can facilitate the shift towards a modern, more diversified and demand-driven economy, acting as an engine for higher-quality employment generation and sustainable growth. However, their potential in the EaP region remains untapped. Although representing up to 99% of all firms, they currently generate around half of total business-sector value added and account for only half of total business sector employment.

The SME Policy Index: Eastern Partner Countries 2020 – Assessing the Implementation of the Small Business Act for Europe is a unique benchmarking tool for assessing and monitoring progress in the design and implementation of SME policies against EU and international good practice. It is structured around the ten principles of the Small Business Act for Europe (SBA), which provides a wide range of pro-enterprise measures to guide the design and implementation of SME policies. This report marks the third edition in this series, following assessments in 2012 and 2016. It provides a comprehensive overview of the state of play in the implementation of the ten SBA principles, and monitors progress made since 2016. It also identifies remaining challenges affecting SMEs in the EaP countries and provides recommendations to address them based on EU and international good practice examples. The 2020 edition also features a novelty: an assessment of three new dimensions – competition, contract enforcement and business integrity – that goes beyond core SME policy to look at key structural reform priorities that are critical to establishing a level playing field for enterprises of all sizes.

The 2020 assessment reveals significant progress, with many of the 2016 recommendations having been implemented. An essential precondition for SMEs to grow and prosper is the existence of an adequate regulatory policy and institutional framework, an area in which all six EaP countries have demonstrated sustained commitment to reform. Across the region, governments have made considerable progress in designing strategies for SME development and building strong institutions that can help deliver tangible results and translate policies into action. They have acknowledged the crucial role of a responsive government and effective institutions in promoting SME development, encouraging investment, and reducing informality and corruption – laying the foundation for a healthy business environment in which enterprises of all sizes and ownership types can thrive.

Nevertheless, more remains to be done to further build SME capacities, so that they become more productive, more competitive and innovative, and better integrated into global markets. Policies need to better match SME needs, which will require a demand-driven approach to designing support programmes through a collaborative approach. Monitoring and evaluation systems must be considerably strengthened and backed up by key performance indicators, to capture the impact of policies on businesses, favouring the optimal use of public resources and advancing evidence-based policy making. Lastly, all the above-mentioned efforts would be in vain if level-playing-field conditions are not in place to ensure competitive neutrality and equal access to inputs and markets for all firms, regardless of their size and ownership type.

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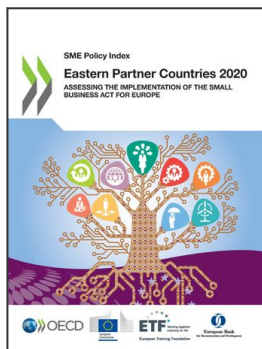
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