

## Overview: 2020 SME Policy Index scores and key findings

The SME Policy Index was jointly developed by the Organisation for Economic Co-operation and Development (OECD), the European Commission, the European Training Foundation (ETF) and the European Bank for Reconstruction and Development (EBRD) as a benchmarking tool for emerging economies to monitor and evaluate progress in SME development policies. Structured around the ten principles of the Small Business Act for Europe (SBA), the Index provides for a wide range of pro-enterprise measures to guide the design and implementation of SME policies based on good practices promoted by the EU and the OECD.

It has been applied to several regions which fall under the European Neighbourhood Policy and Enlargement Negotiations: the Western Balkans and Turkey (in 2006, 2009, 2012, 2016 which included Turkey for the first time, and 2019); the Eastern Partner countries (in 2012 and 2016); and the Middle East and North Africa (in 2008, 2013 and 2017). The SME Policy Index methodology is also used as an efficient tool for monitoring SME policy developments in Southeast Asia (2014 and 2018) and in Latin America and the Caribbean (2018).

This 2020 report provides an update on the current status of SME development policy in all six Eastern Partner countries. By benchmarking countries against the ten SBA principles, it highlights key developments and reforms since the 2016 assessment as well as ongoing challenges. For the first time it also analyses selected areas of business environment critical to the creation of a level playing field for all firms, i.e. competition, contract enforcement and alternative dispute resolution, as well as business integrity. Finally, it outlines a roadmap for policy reform in the short, medium and long terms.

This section provides an overview of the key findings of the 2020 SBA assessment across the five thematic pillars and the level-playing-field pillar, as well as key findings for each country. Full details of the assessment framework and process can be found in the previous chapter, “Policy framework, structure of the report and assessment process”. Complete scores per dimension, sub-dimension and thematic block can be found in Table 26. The scoring methodology can be found in Annex A. A detailed analysis and cross-country comparison of each pillar and dimension is presented in Part I of this report. Part II contains full country profiles.

### Overview of 2020 key findings for Eastern Partner countries

This section provides an overview of key findings of the 2020 SBA assessment across the dimensions of the five thematic pillars and the level-playing field pillar, as well as key findings for each country. A detailed analysis and cross-country comparison of each pillar and dimension is presented in Part I of this report. Part II contains full country profiles.

## ***Key findings by pillar***

### *Level playing field in EaP countries*

Dynamic business entry, growth and development not only require friendly administrative, tax, investment, and trade regimes, but also rely on more fundamental and horizontal aspects of the business environment that ensure a level playing field for all firms. SMEs find themselves particularly disadvantaged vis-à-vis large and/or state-owned firms when operating in flawed institutional environments and are disproportionately affected by inequalities of conditions for competition. This pillar covers three key aspects contributing to a level playing field in an economy: competition, contract enforcement and alternative dispute resolution, and business integrity.

#### **Competition**

Fair competition is critical to both economic growth and poverty reduction. Competition creates an environment in which economic actors are incentivised to be more efficient, invest, innovate, and attract customers by offering better goods and services at lower prices. While competition law and policy do not specifically target SMEs, a broad and effective competition law enforcement is essential to ensuring a level playing field that will in turn benefit them. This dimension focuses on the aspects of a competition law regime that provide for a neutral and effective legal framework, and that ensure that the enforcement body is competent, objective and independent in its application.

Although most of the basic building blocks necessary to create functional competition regimes are present in all six EaP countries, actual implementation remains the strongest challenge. Legal frameworks for competition are generally well developed in all six EaP countries, covering most basic provisions of functional competition policy regimes. All six economies prohibit anti-competitive agreements and abuses of dominant behaviours, and all have merger control provisions in place. In all six economies, competition law applies equally to all enterprises irrespective of size and form of ownership; that is, neither state-controlled nor foreign enterprises are exempted from its scope. However, with the exception of Moldova and Ukraine, which show significant cartel prosecution and/or merger control activities, implementation of the competition law is insufficient. This may be due to either a lack of necessary tools, a reluctance to use the available powers, inadequate funding and staffing of the competition agencies, or political factors. Apart from Belarus and Azerbaijan, where competition authorities operate under local ministries, the competition authorities in EaP jurisdictions are formally independent institutions. The competition authorities in all EaP jurisdictions conduct competition assessment of laws and regulations and all six economies consider barriers to entry for SMEs when doing so. As for other advocacy activities, such as training public procurement officials in the prevention and detection of bid rigging in public procurement procedures, training is organised in half of the evaluated countries, namely in Azerbaijan, Georgia and Moldova.

Most EaP countries need to boost their competition enforcement efforts, in particular in the areas of cartels and merger control:

- In order to improve merger control, the competition authorities need to ensure that all mergers that meet the legal thresholds are duly notified;
- All competition agencies need to have the required and standard investigation and sanctioning tools as an enabling condition for strong enforcement;

- Effective and impartial enforcement requires highly qualified enforcers who act in an institutional environment that assures independence from public or private stakeholder interventions.

### Contract enforcement and alternative dispute resolution

Efficient enforcement of contracts and the ability to resolve disputes in a timely and cost-effective manner are fundamental elements of a sound business environment. The efficiency of the judiciary is particularly important for SMEs, which bear disproportionately high costs when resolving disputes, due to their size and limited resources. This dimension assesses the effectiveness of the contract enforcement and dispute settlement mechanisms in the six EaP countries with regard to three elements: enforcement of contracts by the judicial system; mechanisms for protecting property rights of businesses, including intellectual property rights (IPR); and the use of alternative dispute resolution (ADR) mechanisms in commercial cases.

According to the World Bank *Doing Business 2020* report (World Bank, 2019<sup>[1]</sup>), five EaP countries have advanced in implementing justice sector reforms and have improved their performance on the “enforcing contracts” indicator, except for Belarus. However, evidence shows that the EaP region still struggles to ensure effective and independent judicial systems, which is an important impediment to quality and timely contract enforcement. Thus, the time required to enforce a contract is very long in Armenia and Moldova, cost requirements are still very high in Moldova and Ukraine, and the quality of the judicial process leaves much room for improvement, particularly in Azerbaijan, Belarus, Moldova and Ukraine. In order to facilitate SME access to justice, all countries have introduced simplified procedures for small claims and court automation is under way. In terms of protecting business property rights in litigation against public authorities, EaP countries struggle to enforce court decisions against state institutions and state-owned or controlled companies. To protect legitimate business rights against unlawful decisions by public authorities, Ukraine and Georgia have established a Business Ombudsman mechanism, while Armenia and Azerbaijan have plans to establish one. Although IPR protection has been strengthened over the last decade in all EaP countries, its effective implementation is challenged by weak enforcement mechanisms, and often by the lack of qualified judges to treat IP disputes. When it comes to alternative mechanisms for resolving commercial disputes, mediation has been introduced in all EaP countries (except for Ukraine) as the most affordable ADR mechanism for SMEs. However, ADR has not gained ground in commercial dispute settlements, and SMEs continue to lack awareness of ADR benefits. Government efforts to promote ADR have been limited to legal incentives, with a few actions taken to raise SME awareness on ADR.

Going forward, the governments could consider the following:

- Accelerate court automation to ensure efficient and quality contract enforcement;
- Provide for stronger enforcement mechanisms of court decisions, in particular when it comes to execution of decisions against public authorities and state-owned enterprises (SOEs);
- Step up efforts to raise SME awareness of the practice and benefits of ADR.

### Business integrity

Business integrity is an important part of government actions to prevent and combat corruption in both private and public sectors, and to increase the levels of compliance with

state policies and regulations in the private sector. This dimension analyses recent policy developments in the field of business integrity in the EaP countries, focusing on the overall institutional and legal framework for business integrity policy; mechanisms for prevention and enforcement of corruption in the private sector; and activities carried out by the governments to promote business integrity measures.

Since 2016, the EaP governments have advanced in the enforcement of anti-corruption policies, resulting in some improvements in the overall business environment. However, progress in combatting corruption remains modest across the region, according to international classifications (e.g. Transparency International) and business surveys.

Business integrity is becoming an increasingly important part of anti-corruption frameworks in EaP countries, but it still lacks a risk-based approach. Despite the EaP countries' steps to promote business integrity through a number of laws on corruption prevention and prosecution, effective enforcement of these laws remains a challenge due to the weak institutional anti-corruption infrastructure and lack of progress in reforming the judiciary. In terms of preventing corruption and enforcing anti-corruption legislation, all the EaP countries except for Azerbaijan have introduced mandatory beneficial ownership disclosure, but the mechanism lacks the tools necessary to effectively verify the validity of provided information. Criminal liability of legal persons for corruption has been introduced to most EaP countries' legislation (this is in progress in Belarus and Armenia), but its enforcement often lacks effective co-ordination and implementation mechanisms. In addition, while EaP countries have put in place various means of reporting corruption and have integrated the protection of whistle-blower rights into their respective legislations, these efforts still do not provide reliable protection and enforcement due to persisting loopholes in the legislation, lack of independence of the judicial system, and weak institutional frameworks for corruption prevention across the EaP region. Moreover, EaP governments' initiatives to promote business integrity practices are scarce and rely extensively on donor or private sector support. Comprehensive awareness-raising programmes on business integrity and meaningful financial and other incentives to encourage SME adoption of integrity practices are lacking in all EaP countries.

Going forward, policy makers should focus on:

- Making studies of business integrity risks an inherent element of anti-corruption policy;
- Ensuring enforcement of the criminal liability of legal persons for corruption;
- Actively promoting business integrity through awareness-raising activities for SMEs and by introducing financial and other incentives.

### *Pillar A – Responsive government*

An effective institutional and regulatory environment providing clear and universal rules is essential to promote risk-taking, encourage investment, and reduce both informality and corruption, and thus to support SMEs. Pillar A assesses governments' responsiveness to SME needs, focusing on the institutional and regulatory framework for SME policy making, the operational environment, and bankruptcy and second-chance procedures.

#### **Institutional and regulatory framework**

Effective institutional and regulatory frameworks are crucial for the success of all other SME support initiatives. This dimension measures progress towards developing a

functional institutional and regulatory framework for SME policy making, including elements such as the definition of what an SME is; the institutions in charge of elaborating, implementing, monitoring and evaluating SME policy at the national government level; and the mechanisms for policy dialogue and coordination.

Although all EaP countries have made significant progress in this area since the completion of the last assessment in 2016, the progress has been stronger in countries which in 2016 were lagging behind, such as Belarus and Ukraine (see Table 4). All EaP countries improved their SME definition, which is now based on multiple criteria and includes stratification into micro-, small and medium-sized enterprises. The EaP countries have made significant efforts to organise SME policy interventions around multi-year SME development strategies, albeit with significant across-country variation in structure. Nearly all EaP countries have now established SME development agencies. The availability of SME data has also improved, especially in Armenia, Georgia and Ukraine. Regarding regulatory impact assessments (RIAs), Moldova is currently the only EaP country where the RIA is systematically applied. All EaP countries showed incremental progress towards a more systematic and institutionalised public-private consultation process, with Armenia, Georgia and Moldova leading the way.

Going forward, policy makers should focus on:

- Clearly defining the relations between implementation agencies and the supervisory ministries;
- Systematically assessing the impact of new legal and regulatory acts on SMEs;
- Further improving public-private consultations.

**Table 4. Progress in the institutional and regulatory framework dimension**

Institutional and regulatory framework	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	3.76	3.53	3.51	4.20	3.92	3.50	3.74
2016 scores	3.38	2.47	2.41	3.48	3.51	2.45	2.95

### Operational Environment

Clear and straightforward regulations, low administrative costs, and simple procedures for starting and operating a business are all fundamental aspects of ensuring that economic gains from starting and growing businesses are not expropriated. The *operational environment* dimension assesses the extent to which public administrations have simplified regulations and reduced costs and procedures to reduce the administrative burden on SMEs.

Georgia performs well across all the sub-dimensions. Azerbaijan and Belarus have further improved their company registration procedures and made additional progress concerning the issuance of business licences and permits (details on the scores can be found in Table 5). For instance, as a result of a State Programme to develop ICT and the establishment of the E-Gov Development Centre, Azerbaijan launched a new single-entry portal for all e-government services in 2018. Moldova and Ukraine have made progress in the licenses and permits area. Disregarding the methodological changes, Armenia is the only country whose score has fallen; this is mainly because the implementation of regulatory reforms was put on hold during the 2018-19 political transition.

Since 2016, several countries have amended their tax codes to introduce new tax incentives and improve tax regimes for SMEs. Both Azerbaijan and Armenia have introduced some form of tax exemption for small innovative start-ups and SMEs operating within approved clusters, and for individual entrepreneurs and small businesses, respectively. Most EaP countries have also introduced a set of thresholds below which enterprises are exempted from keeping a VAT account and have made efforts to speed-up tax refund payments.

EaP countries should maintain this momentum by focusing on the following:

- Upgrading IT skills and IT requirements in order to allow small enterprises and individual entrepreneurs to benefit from the introduction of e-government services;
- Assigning registration agencies the task of managing enterprise data collection and management systems;
- Assessing the impact of simplified tax regimes to ensure that tax exemptions do not discourage SME growth or encourage the diversion of activity into the informal sector.

**Table 5. Progress in the operational environment dimension**

Operational environment	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	3.55	4.20	4.12	4.36	3.76	3.55	3.92
2016 scores	4.05	4.23	4.09	4.33	3.56	3.81	4.01
2020 scores*	3.87	4.32	4.11	4.52	3.76	3.89	4.08

\*2016 methodology.

### Bankruptcy and second chance

Given their limited resources compared to larger firms, SMEs (as both debtors and creditors) especially benefit from cost-effective, streamlined bankruptcy systems. This dimension assesses the extent to which EaP countries are facilitating market exit and re-entry by adopting effective and efficient insolvency frameworks.

Insolvency frameworks remain one of the weakest areas of the EaP region's business environment and countries have experienced only modest progress in this area, as can be seen in Table 6. Even though Belarus, Georgia, Moldova and Ukraine have developed a range of tools to detect and prevent insolvency at the early stages of financial distress, or to promote a culture of sound business management and business rescue, those tools often lack visibility and accessibility. The development of early-warning systems is at a nascent stage in all EaP countries except Belarus, where a comprehensive system based on tax declarations has been implemented. The system provides for the monitoring of tax declarations, and firms showing signs of financial distress are invited to explain the reasons for their distress; unsatisfactory explanations may be followed by further investigations from the authorities. Azerbaijan and Georgia have amended their insolvency legislations and Ukraine has introduced a new Bankruptcy Code. The insolvency framework is also expected to improve in Armenia, Belarus and Moldova, where reforms are planned for 2020. Proactive policies and initiatives promoting second chances for "honest re-starters" are at very early stages in EaP countries and entrepreneurs seeking a fresh start still face some form of discrimination (e.g. in Ukraine and Belarus). Only in Moldova are awareness campaigns, training courses, and restructuring services provided in the context of the DanubeChance2.0 project to support honest re-starters.

Policy makers should focus on the following priorities:

- Intervening at an early stage by increasing support to financially distressed entrepreneurs and by implementing early-warning systems for a systematic detection of insolvency;
- Streamlining judicial proceedings by introducing simplified or pre-packaged in-court proceedings specifically targeting SMEs, or by providing alternatives to in-court procedures;
- Adopting co-ordinated and proactive second-chance strategies, including features such as facilitated access to finance after bankruptcy, guidelines or training for re-starters, and awareness-raising campaigns.

**Table 6. Progress in the bankruptcy and second chance dimension**

Bankruptcy and second chance	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.40	2.97	3.34	3.03	2.79	2.56	2.85
2016 scores	3.16	2.87	2.57	2.94	2.68	2.05	2.71
2020 scores*	2.73	3.23	3.21	3.20	2.69	2.38	2.91

\*2016 methodology.

### *Pillar B – Entrepreneurial human capital*

Pillar B focuses on entrepreneurial human capital as both a key factor in all SBA dimensions and a policy area that is attracting increasing attention from EU and EaP governments aiming at economic modernisation, competitiveness, job creation and wellbeing. Investment into skills, knowledge and know-how is a fundamental determinant of healthy, innovative economy and a prerequisite of future employment opportunities for the citizens.

This chapter investigates the state of policy and practice in three areas critical for human capital development:

- *entrepreneurial learning* – development of entrepreneurship key competence as a combination of knowledge, skills and attitudes people should possess for successful career and personal development;
- *women's entrepreneurship* – the creation of a policy environment in which women can engage on equal terms with men in entrepreneurship, creation of new jobs and generation of new value for the national economies and internationally; and
- *skills for SMEs* – the development of specific, occupational skills for successful entrepreneurship.

### Entrepreneurial learning and women's entrepreneurship

*Principle 1* of the SBA is built around two central themes: entrepreneurial learning and women's entrepreneurship, which both target the entrepreneurial potential of an individual and entrepreneurial culture at the level of community and society. While entrepreneurial learning supports the development of entrepreneurship key competence and mindset of all citizens from a lifelong learning perspective, women's entrepreneurship highlights the gender dimension of the entrepreneurship competence development reflected in the SME gender gap across Europe and a lack of women among business owners and job creators.

Thus, entrepreneurial learning is an imperative for sustainable economic growth and better employment, contributing to the transformation of societal perceptions and comprehensive, inclusive government policies aiming at the development of innovative, entrepreneurial human capital.

Development of key competences requires an education system-level shift and strategic investment in learner-centred approach, competence-based curricula, teacher development and new cooperation modalities between business and education to provide practical entrepreneurship experience for all youngsters. Women's entrepreneurship policies in the SBA agenda are based on cross-stakeholder partnership, reflecting the complex nature of the gender gap in entrepreneurship and aiming at a comprehensive vision in the society on the importance of full-scale women's engagement in entrepreneurship for national economies. Both policy areas require evidence-based approach and effective monitoring and evaluation measures. The availability of high-quality data in disaggregated format is crucial.

In *entrepreneurial learning*, most countries have made good progress and are now able to deploy a range of policy instruments to support the entrepreneurial drive in education and built interfaces with wider economic policies. Emphasis in the assessment was given to entrepreneurship key competence where good efforts are being made by most countries, with Ukraine, Georgia and Moldova being top performers. Cross-ministerial partnership arrangements are in place in several countries, and cooperation between policymakers and support agencies must be reinforced. Armenia, Georgia, Moldova and Ukraine have adapted their curricula frameworks to include the entrepreneurship key competence applying the EU's EntreComp provisions, and Ukraine has made the EU key competences part of its legislation and a driver of national education reform. The key challenge across the Eastern Partnership is how to prepare educators for teaching competence-based curricula. While a variety of in-service teacher training programmes to support entrepreneurial learning have been introduced in most of the Eastern Partner countries, pre-service teacher training should be addressed across the region. Practical entrepreneurship experience, which is key to the new entrepreneurial pedagogic paradigm and part of the EU's education and enterprise policy recommendations, is better addressed in VET and needs more attention in general education. The Junior Achievement network plays an important role in these aspects. The assessment underlined the still-weak engagement of the higher education community with entrepreneurship and a lack of attention to entrepreneurship key competence development. Overall, monitoring and evaluation of policies remains weak in entrepreneurial learning.

*Women's entrepreneurship* has been moving up the policy priority list in all EaP countries. However, the policy response has been more assumption-based and international policy agenda-driven, lacking both a high-quality, gender sensitive data for policy design and effective coordination between the government bodies responsible for economic development, entrepreneurship, employment, gender and education policies. In the current assessment, Georgia and Moldova are leading the way, showing maturity of support policy frameworks and actions. In most EaP countries, women's entrepreneurship is now supported by non-formal policy partnerships, while Moldova, Azerbaijan, and Georgia have also established structured partnerships at the national level. Armenia, Belarus, Georgia and Moldova started to introduce cross-linkages between policy documents at the national level to close the SME gender gap. All EaP countries now show a good spread of women's entrepreneurship support measures. Significant progress has been identified in the provision of training and support to women entrepreneurs and plenty of excellent practices

have been found. Communication actions for raising awareness are among women's entrepreneurship support measures in Armenia, Azerbaijan, Georgia and Moldova. There have been impressive developments in all countries on good practice sharing on women's entrepreneurship support. Evidence based approach remains a challenge both in policy design and in monitoring and evaluation.

Going forward, policy makers should focus on:

- Achieving structured policy coordination and system-level cooperation of stakeholders to implement entrepreneurial learning and women's entrepreneurship;
- Setting up well-functioning systems of evaluation of policy impact and effectiveness of support measures in entrepreneurial learning and women's entrepreneurship, with a focus on the quality data in disaggregated format for policy improvement;
- In education, ensuring reference to the EntreComp and other EU competence frameworks in designing curricula and teacher training, as well as provision of practical entrepreneurship experience in upper secondary, VET and higher education;
- In women's entrepreneurship, engage multiple stakeholders in common vision building and define both gender-specific and gender-neutral entrepreneurship support measures that reflect the country context and needs.

**Table 7. Progress in the entrepreneurial learning and women's entrepreneurship dimensions**

Entrepreneurial learning and women's entrepreneurship	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.84	3.41	2.79	4.24	4.25	3.98	3.58
2016 average	2.63	2.59	2.39	2.7	2.57	2.25	2.52

### SME skills

Principle 8 of the SBA includes the area of enterprise skills which are important for businesses to make effective use of the SMEs' full potential and enhance their own competitiveness, as well as boost the national economic growth. This dimension assesses government's support to SMEs in the development of enterprise skills, such as business skills, entrepreneurship as a key competence and vocational skills.

During the current assessment period Georgia, Moldova and Ukraine progressed, while an institutional change has disrupted previously attained progress in Azerbaijan. SME skills intelligence, as a basis for effective design and provision of relevant and high quality SME training and support measures, remains a challenge in most EaP countries. At the same time, in Georgia, the first nationwide Establishment Skills Survey was conducted in 2017 and a dedicated labour market information web-portal was also put in place. Azerbaijan and Ukraine have begun developing quantitative forecasts with a longer time horizon. In other Eastern Partner countries, skills intelligence remains *ad hoc* and the available data is often not pooled together and analysed; this situation is reflected in the scores of the dimension, presented in Table 8. Rapid technological changes are causing skills gaps, which are being addressed by Ukraine, Moldova, Georgia and Belarus by implementing

smart specialisation. In all EaP countries, a wide range of training for SMEs is available, targeting different groups of enterprises. For instance, in Azerbaijan, Georgia and Moldova, special attention is given to small and medium-sized family-owned businesses. Moreover, in Armenia, Georgia, Moldova and Belarus training is available for SMEs to increase their digital skills and address the technical skills' mismatch. In Armenia, Azerbaijan, Georgia and Moldova, monitoring of government-financed SME training is regularly conducted, albeit often focused mainly on quantitative factors, as compared to the quality of the training offer. There is noticeable progress in policy monitoring, which has become a regular feature of the government's SME policy implementation across the EaP region. Evaluation of the impact of policies and support measures remains a challenge, despite the good examples of evaluation instruments deployed in Armenia, Azerbaijan, Georgia and Moldova.

Going forward, policy makers should focus on:

- Improving SME skills intelligence to increase the quality, diversity and relevance of the training offer and support measures;
- Designing SME support measures with better targeting in mind, fine-tuning the supply of training to the different phases of the life-cycle of an enterprise, as well as in view of the specific groups and types of SMEs.
- Making use of new learning opportunities offered to SMEs through smart specialisation, with a view to improving access to high-quality training in such areas as internationalisation and global value chains.

**Table 8. Progress in the SME skills dimension**

SME skills	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	3.26	2.62	3.06	4.14	3.92	3.19	3.36
2016 scores	2.67	2.94	2.28	3.00	2.50	2.56	2.66

### *Pillar C – Access to finance*

Access to finance is critical to companies' survival and growth. Due to their smaller size, SMEs often face barriers in accessing external financing. Pillar C assesses government's efforts to facilitate SMEs' access to financial resources.

#### *Access to finance*

In order to facilitate lending to SMEs, it is important to develop a well-designed legal and regulatory framework that reduces perceived lending risks, ensures sound banking practices and addresses information asymmetry. Some progress in developing such a robust legal framework has been achieved: Armenia, Azerbaijan and Belarus have launched modern and unified registers to facilitate the use of movable assets as collateral, and banking regulations in most countries are being aligned with Basel III requirements. However, the lending environment continues to be tight in most countries – especially in Azerbaijan, Moldova and Ukraine, where economies are still suffering from the effects of recent banking crises. Almost all EaP countries have made efforts to establish credit guarantee funds to support SME lending. In contrast, only some progress has been made in fostering the development of non-bank financial instruments, such as leasing and factoring. Many countries (Belarus and Moldova) have undertaken or are undertaking (Azerbaijan and Georgia) reforms to their legal frameworks to support the development of both types

of alternative financial instruments; however, uptake for both types of instruments remains significantly below potential. Little progress has been evident in any of the EaP countries in developing dedicated legal frameworks to facilitate venture capital (VC) investments, and VC financing is unlikely to play a major role in the region in the short term.

Lastly, EaP countries continue to underperform in the context of financial literacy promotion. However, there are some encouraging initiatives taking place. Armenia, Azerbaijan and Georgia now have in place national strategies for financial education, while Ukraine has incorporated financial literacy into its SME strategy for 2020. Georgia in particular has made good progress; in 2018 it launched a financial education programme targeting SMEs. The country is also gradually introducing mandatory compliance with International Financial Reporting Standards (IFRS) for SMEs, which is expected to lead to more-accurate financial management and reporting among the business community in the medium term.

Governments should intensify their efforts and consider the following:

- Increasing the coverage of the credit information system so that it collects payment information from a wider range of actors;
- Supporting the development of leasing and factoring by completing and reviewing the ongoing reforms of the legal framework;
- Co-ordinating financial literacy efforts to improve the level of efficiency of such initiatives.

**Table 9. Progress in the access to finance dimension**

Access to finance	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	3.81	3.12	3.57	4.02	3.61	3.31	3.57
2016 scores	3.53	2.70	3.08	3.76	3.40	3.22	3.28
2020 scores*	3.83	3.08	3.49	4.07	3.64	3.23	3.56

\*2016 methodology.

### *Pillar D – Access to markets*

SMEs tend to face particularly high barriers and risks in entering new markets – both domestic and foreign – 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 investigates reforms governments implement to facilitate SME access to markets.

#### **Public procurement**

Public procurement represents an important 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 regulatory environment is improving in most EaP countries (as is apparent from the scores presented in Table 10) – especially for Georgia, Moldova and Ukraine, which are

adapting their legislation to conform with the directives of the European Union. 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. While 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.

Going forward policy makers should:

- Improve e-procurement systems by adding criteria other than price and by ensuring that qualification requirements are proportionate and properly applied;
- Make better use of the potential of centralised purchasing and the use of framework agreements to support wider SME participation;
- Invest in training for procurement officers and contracting authorities to increase their ability to plan and carry out procurement and manage contracts.

**Table 10. Progress in the public procurement dimension**

Public procurement	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	3.61	2.87	3.15	4.26	3.86	3.17	3.49
2016 scores	3.42	2.42	3.21	4.04	2.89	2.73	3.12

### Standards and technical regulations

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

All the EaP countries have adopted measures to ensure their technical regulations and standardisation laws converge towards EU principles, with AA/DCFTA countries – i.e. those with Association Agreements (AA) and Deep and Comprehensive Free Trade Areas (DCFTA) – leading the process (see Table 11 for scoring details). 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 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 coming from SME's participation in standardisation activities, all EaP countries have introduced awareness-raising measures, albeit with overall limited degrees of outreach.

In addition to following the previous policy recommendations from the 2016 SBA assessment, policy makers should:

- Redefine institutional missions to focus on “industrial service provision” rather than “control”;
- Foster the use of standards and conformity assessment services by expanding financial and non-financial incentives for SMEs.

**Table 11. Progress in the standards and regulations dimension**

Standards and regulations	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.66	3.10	3.04	4.56	3.68	3.55	3.43
2016 scores	3.33	3.32	3.22	4.22	4.12	4.34	3.76
2020 scores*	2.69	3.25	2.96	4.09	3.39	3.81	3.36

\*2016 methodology.

### Internationalisation

Access to foreign markets is crucial to 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 governments support for export-oriented SMEs.

Since 2016, all EaP countries have started implementing (or, in the case of Armenia, preparing) new strategies for SME internationalisation, as shown in the scores presented in Table 12. Nearly all EaP countries have established a dedicated export promotion agency, though it is often under-funded and under-staffed. The Moldovan Investment Agency and Business Armenia were recently downsized. In Azerbaijan, AZPROMO focuses only on organising promotional events and trade missions and supporting the participation of local companies in trade fairs. Ukraine has 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 has been made in implementing policies to foster SME integration into global value chains (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 Azerbaijan, Moldova and Georgia.

Notwithstanding the implementation of all these measures, the 2017 OECD Trade Facilitation Indicators underline a significant performance gap between the EaP region and OECD countries. Georgia is the best performer in the region, followed by Azerbaijan.

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 being addressed by Azerbaijan and Georgia through the launch of, respectively, the “Baku E-Commerce Academy” and targeted Enterprise Georgia and GITA (Georgia’s Innovation and Technology Agency) programmes to increase SME readiness to use e-commerce as a sales channel.

Much remains to be done in this dimension. Policy makers should consider:

- Expanding the range of provided export support services by including training and targeted programmes for SMEs;
- Continuing to reduce regulatory and administrative barriers to trade;
- Introducing or expanding the provision of trade finance tools for exporting SMEs, such as export credit guarantees, export credit insurance and export working capital.

**Table 12. Progress in the internationalisation dimension**

Internationalisation	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.86	3.08	2.68	3.76	2.74	2.64	2.96
2016 scores	3.37	2.50	2.59	3.60	3.07	1.63	2.79
2020 scores*	3.35	3.20	3.25	3.99	3.13	3.02	3.32

\*2016 methodology.

### *Pillar E – Innovation and Business Support*

SMEs are on average less productive than large companies. Pillar E investigates reforms that governments are implementing to help SMEs overcome challenges to productivity and to foster innovation.

#### **Business development services**

Business development services (BDS) allow SMEs to compete more effectively, operate more efficiently and become more profitable. This dimension considers the availability, accessibility and effective implementation of targeted support services for SMEs provided by the government, and the role of governments in encouraging and stimulating private BDS provision.

All EaP countries have made incremental progress in this dimension since 2016, and this clearly appears in the scores presented in Table 13. Although all governments have now included BDS provision into relevant strategic frameworks, the top performers are Georgia, Armenia and Moldova, where dedicated SME agencies provide a wide palette of services to entrepreneurs. In Belarus, the Ministry of Economy is currently developing a concept note for the establishment of an SME agency which should improve BDS provision, while Azerbaijan’s newly established Small and Medium Business Development Agency is undergoing a major restructuring of the highly fragmented business support infrastructure. In Ukraine, the establishment of SME Development Office co-ordinating the provision of BDS has led to the most significant improvement among the EaP countries since the 2016 assessment. However, the newly established agency still lacks a basic information portal to provide learning and awareness-raising opportunities to remotely located SMEs. Private BDS markets need further development incentives in the region. Only a few countries list private consultancy companies on governmental / SME agency websites or online portals (Armenia and Moldova), outsource some of the training and consultancy services

(Moldova, Ukraine, Armenia and Georgia), and make use of co-financing mechanisms or voucher schemes, which would allow SMEs to choose their preferred private service providers and cover part of their expenses for BDS (Georgia, Moldova; Ukraine for agribusiness sector only).

Governments should focus on:

- Establishing co-ordination mechanisms among all the different bodies involved in BDS provision;
- Developing single information portals containing information on all the services provided by both public and private BDS;
- Establishing quality assurance mechanisms for private providers to support private BDS market development.

**Table 13. Progress in the business development services dimension**

Business development services	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	4.00	3.27	3.11	4.39	3.47	2.90	3.53
2016 scores	3.93	2.98	2.99	3.69	3.35	1.84	3.13

### Innovation policy

SMEs can play a central role in the generation and diffusion of innovations. However, due to their limited size and capacity, they often face difficulties in developing and sustaining innovative activities over a long time period. This dimension provides a framework for evaluating government support aimed at fostering SME innovation.

Overall, since the 2016 assessment, all EaP countries have evolved their policy frameworks for innovation, with dedicated national strategies either adopted (Belarus and Moldova), awaiting government approval (Georgia, Azerbaijan), or still being developed (Armenia, Ukraine), and a strengthened role for state bodies in charge of policy co-ordination (see Table 14 for the scores). However, the focus on SMEs is still limited and monitoring tools remain underutilised. Government support services are expanding at different speeds, with Georgia and Belarus leading the way in setting up innovation infrastructure (techno-parks, innovation centres) but with initiatives to foster research-business collaborations at very early stages. Financial support instruments for innovative businesses are available in the form of grants and fiscal incentives; however, these are mostly donor-driven (Georgia) or lacking risk-sharing mechanisms with beneficiaries (Azerbaijan). Lastly, while non-technological innovation has begun to be recognised in the policy and legal frameworks, active measures to promote it remain isolated.

EaP governments may therefore want to:

- Promote formal and informal channels for science-industry interactions, such as collaborative research, intellectual property transactions, academic spin-offs, and facility/laboratories sharing between industry and public research;
- Better design financial instruments to support innovative activities among SMEs, aiming at crowding-in private investments;
- Promote demand-side policies to spur innovation diffusion.

**Table 14. Progress in the innovation policy dimension**

Innovation policy	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.96	2.83	3.21	3.27	2.99	2.28	2.92
2016 scores	2.91	2.47	2.91	2.70	2.54	1.86	2.57
2020 scores*	2.90	2.82	3.51	3.25	3.04	2.35	2.98

\*2016 methodology.

### Green economy

In all EaP countries, SMEs represent the vast majority of all enterprises, which makes them responsible for a considerable portion of industrial emissions. Moreover, implementing policies to support green SMEs can enhance their competitiveness by lowering operational costs, improving market access, supporting participation in green supply chains, and incentivising the deployment of new technology. This dimension assesses government support for SMEs in adopting greener practices through regulatory, financial, and informational tools.

Since the 2016 assessment, all EaP countries have introduced policies that support the greening of SMEs, albeit with varying degrees of detail in terms of both planned activities (as in Georgia) and concrete targets (as in Belarus and Azerbaijan) (see the scores presented in Table 15). Moldova is the standout exception in this regard: its Green Economy Promotion Programme for 2018-20 sets a target of 30% of SMEs implementing green economy principles by 2020, including resource efficiency and cleaner production techniques. Most countries in the region (Belarus, Georgia, Moldova and Ukraine) reported consultations with stakeholders in the development of green policies. Environmental legislation is also being updated to recognise the capacity and risk differences inherent in small firms compared to larger ones. A series of encouraging initiatives on risk-based environmental impact assessments have been adopted in Armenia and Belarus. Most countries are now experimenting with different forms of support or building on existing programs. Even though there are pilot projects on green procurement for SMEs and there is growing interest in supporting environmental management systems, those projects are not subject to monitoring or impact evaluation. Belarus, Moldova, and Ukraine are in the process of establishing green requirements for public procurement, while Armenia and Georgia are showing a growing interest in supporting environmental management systems. However, the scale and reach of these projects remain in question, as there is little to no monitoring and evaluation of their impact. Longevity is also an issue, as donor funds remain a key source of support for SME greening.

Policy makers should therefore consider the following priorities:

- Strengthening green SME policies by linking them to concrete action plans with measurable targets and timeframes, consulting stakeholders in the development stage, and entrusting one government body with the co-ordination of the overall government approach;
- Raising awareness among SMEs of the benefits of adopting green practices;
- Supporting the development of environmental management systems and greening public procurement.

**Table 15. Progress in the green economy dimension**

Green economy	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	EaP average
2020 scores	2.40	2.31	3.41	3.05	2.92	2.54	2.77
2016 scores	2.39	1.54	2.10	2.48	2.19	1.22	1.99

**Key findings for each country**

**Armenia**, following stagnation in 2016 caused by a slowdown in the economic activity of its major trading partners, has experienced a strong recovery. In 2018, the economy grew by 5.2%, mainly driven by industry and agriculture. SMEs represented more than 99% of all enterprises in the business economy,<sup>1</sup> accounted for 68% of total business employment and generated 60% of value added. Efforts to improve the policy environment for SMEs led to the adoption of a first SME strategy (2016-18), followed by a medium-term SME strategy for 2020-25.

**Table 16. Overview of Armenia's key reforms since 2016 and recommendations**

Key reforms	Key recommendations
<ul style="list-style-type: none"> <li>Adopted a comprehensive medium-term SME strategy</li> <li>Integrated entrepreneurship key competence into curricula and teacher training across all levels of education</li> <li>Strengthened creditor rights – also through a reform of the insolvency legislation</li> <li>Strengthened public procurement legislation and promoted SME participation</li> <li>Introduced specific measures to promote the BDS market</li> </ul>	<ul style="list-style-type: none"> <li>Introduce insolvency prevention measures (information tools and early-warning system)</li> <li>Complete reforms to the insolvency framework to strengthen creditor rights and promote corporate recovery</li> <li>Promote expansion of conformity assessment services and ensure competition between domestic CA bodies</li> <li>Work towards the reception of full international recognition of the national accreditation body</li> <li>Develop a clear implementation plan to support SME greening, including measurable targets and expected impact</li> </ul>

**Azerbaijan** experienced a GDP contraction in 2016-17, spurred by the economic slowdown of major trading partners and a drop in oil prices. A banking crisis followed, triggered by a sharp increase in inflation. The need for diversification prompted the government to implement a reform agenda to modernise the economy and shift to a more resilient economic model. In 2016, the government elaborated 12 “*Strategic roadmaps for the national economy and main economic sectors*”, detailing short- and medium-term goals for sectors such as oil and gas, agriculture, tourism, financial services and SMEs. In 2018, SMEs generated only 13% of value added and accounted for 43% of employment, hinting at the vast potential for SME development.

**Table 17. Overview of Azerbaijan's key reforms since 2016 and recommendations**

Key reforms	Key recommendations
Adopted SME Roadmap 2016-20 Introduced policy partnership in women's entrepreneurship Established public-sector Entrepreneurship Development Fund and Credit Guarantee Fund to ease access to finance Launched National Financial Literacy Strategy under the patronage of the Central Bank Established Export Promotion Centre, and expanded information support and e-services for exporting SMEs Established National Innovation Agency and three technology parks	Upgrade and expand the “Roadmap for the Promotion of the Production of Consumer Goods by SMEs in Azerbaijan” Introduce the entrepreneurship key competence across all education levels as part of a lifelong learning strategy Enhance financial inclusion by supporting the development of non-bank financial services and deepening credit information Ensure a co-ordinated approach to the provision of export support services and build capacity in the SME Development Agency and its regional branches to support SME internationalisation Target specific green-economy policies, including renewable energy uptake as well as financial and regulatory incentives, towards the capacities and needs of SMEs

**Belarus'** economy is largely state-controlled and oriented towards full employment. In fact, full and partial SOEs retain half of total employment and gross value added in the economy. The little space for manoeuvre remaining for SMEs and the inefficiencies of the SOE sector have had critical consequences for the dynamism of its economy, limiting the growth potential of the country by causing a suboptimal allocation of capital, labour and resources. In recent years the government has gradually acknowledged the relevance of a healthy private sector and has taken steps to improve the policy environment for private enterprises, especially SMEs. In 2018, SMEs' contribution to value added and to employment represented 29% and 47%, respectively.

**Table 18. Overview of Belarus' key reforms since 2016 and recommendations**

Key reforms	Key recommendations
Adopted an SME strategy, including provisions for the establishment of an SME agency Integrated entrepreneurship key competences in primary and secondary education as a behavioural model and a life strategy Submitted a concept note to the Government for the establishment of an export promotion agency (under the new SME agency) Expanded the innovation infrastructure	Complete the decision process on the establishment of a dedicated agency for SME development Strengthen legal protections for secured creditors, allow seizing of collateral, pay out secured creditors earlier and make creditor consent observation mandatory Improve the institutional framework for export support and promotion by establishing an export promotion agency Add regulatory provisions to facilitate SME participation, such as proportionality of requirements, division into lots, and timely payments Develop a pilot programme to support a targeted group of SMEs, relying on a simple co-financing mechanism for first-time users of BDS to choose their preferred BDS provider

**Georgia's** economy has been steadily growing in the past years, reaching 4.7-4.8% in real GDP growth in 2017-18 – spurred by developments in trade, construction, and transport, combined with sound evidence-based policy making. Since the implementation of the 2016-20 SME Development Strategy, Georgia has made impressive strides in entrepreneurial learning and in the operational environment for SMEs, and now enjoys a seventh place ranking in the latest World Bank *Doing Business* report (2020) (World Bank, 2019<sup>[1]</sup>). In 2017, 99.7% of all firms in Georgia were SMEs, accounting for 64% of total employment and 61% of value added in 2018.

**Table 19. Overview of Georgia's key reforms since 2016 and recommendations**

Key reforms	Key recommendations
Adopted SME Development Strategy 2020 and respective action plans Established a Sub-Council for Women's Entrepreneurship Promotion Started a pilot project to link domestic SMEs with multinational enterprises (MNEs) in the hospitality sector Provided BDS based on good practice – with services outsourced to private providers or co-financing scheme	Elaborate a new SME Development Strategy beyond 2020 through a process of inter-governmental and public-private consultations Support the diversification of financing instruments to enable small businesses to access funding Increase the scope of export readiness and SME-FDI linkages programmes and ensure their proper evaluation Introduce financial support programmes for exporting SMEs Develop a single information portal containing information on all institutions and agencies offering BDS Mainstream policies that support SMEs in adopting greener practices

**Moldova's** economy suffered greatly when a banking scandal erupted in 2015, triggering high inflation and a market crisis. However, it recovered relatively quickly and the economic grew by 4% in 2018. The recovery was driven mostly by the favourable economic conditions of Moldova's major trading partners and increasing disposable income supported by tax cuts, wage increases, and remittances. SMEs are a critical part of

the Moldovan economy: in 2018, SMEs represented 98.7% of all enterprises and employed 59.8% of the labour force.

**Table 20. Overview of Moldova's key reforms since 2016 and recommendations**

Key reforms	Key recommendations
<ul style="list-style-type: none"> <li>Introduced the RIA framework in all relevant institutions</li> <li>Established the Centre for Entrepreneurial Education &amp; Business Support and expanded the provision of services supporting the development of entrepreneurship key competences</li> <li>Increased stability in the financial sector following the IMF review</li> <li>Adopted Investment Attraction and Export Promotion Strategy (2016-20)</li> <li>Established the National Agency for Research and Development</li> </ul>	<ul style="list-style-type: none"> <li>Expand the sources of information of the credit bureaus beyond banks to include utilities and other service providers</li> <li>Implement a proper early-warning system and insolvency prevention training for entrepreneurs</li> <li>Increase the capacity of the Moldovan Investment Agency to deliver export promotion services</li> <li>Introduce support programmes to enhance the export readiness of SMEs, the creation of SME-FDI linkages, and the capacity of ODIMM</li> <li>Provide SMEs with clear information and direct support to ensure that they can benefit from the planned implementation of green public procurement policies</li> </ul>

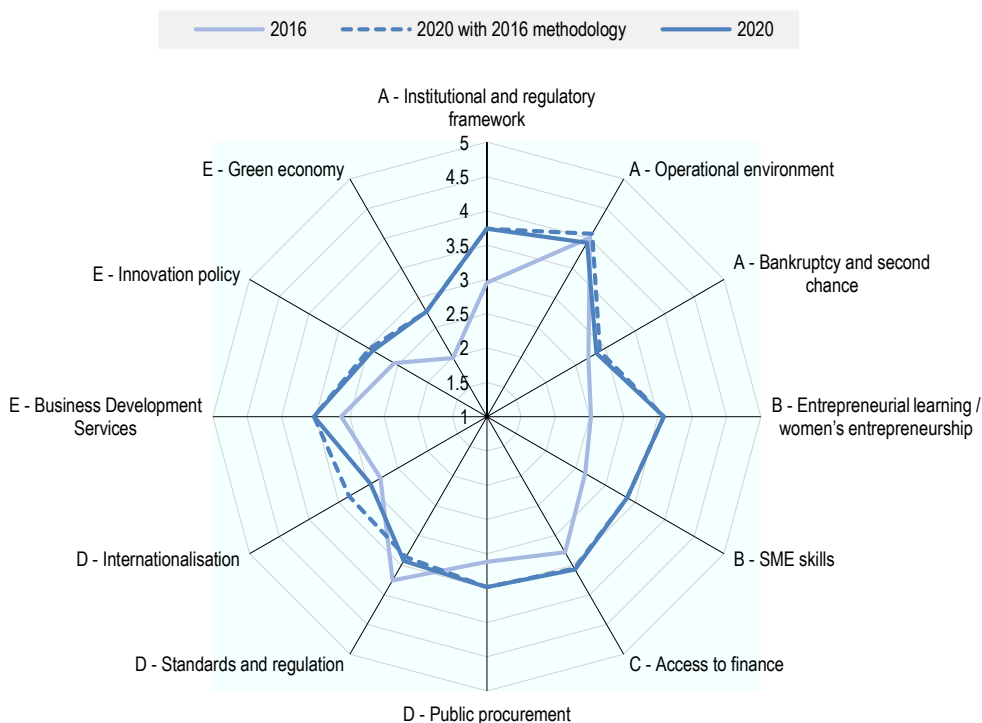
**Ukraine's** economy is currently growing at a 3.3% rate, recovering from a contraction of 15.7% in 2015. In 2018, in the business sector, SMEs represented 99.9% all enterprises, generated 49% of value added, and employed 63% of the labour force. Since 2014, the government has embarked on an ambitious reform agenda envisaging structural reforms in all sectors of the economy in order to meet its obligations under the EU-Ukraine Association Agreement and DCFTA. In particular, it has taken important steps to improve the environment for small and medium-sized enterprises – steps that led, in 2017, to the approval of Ukraine's first SME Development Strategy for the period until 2020.

**Table 21. Overview of Ukraine's key reforms since 2016 and recommendations**

Key reforms	Key recommendations
<ul style="list-style-type: none"> <li>Adopted a new SME strategy in 2018 and established an SME Development Office to support its implementation</li> <li>Developed the New Ukrainian School concept based on 10 key competences, including "sense of entrepreneurship"</li> <li>Consolidated the banking sector, leading to more stability and improved access to finance for SMEs</li> <li>Gradual approximation/alignment with EU standards and EU technical regulations</li> <li>Included measures for SME greening and green technologies in the SME strategy 2020</li> </ul>	<ul style="list-style-type: none"> <li>Implement an early-warning system for detecting insolvency</li> <li>Adopt a comprehensive and proactive second chance strategy for bankrupt entrepreneurs</li> <li>Consolidate the current monitoring and evaluation actions and create a monitoring and evaluation framework for the key competence developments happening within the New Ukrainian School reform, the vocational education and training (VET) modernisation reform, and Higher Education reforms</li> <li>Bring to fruition the large number of initiatives to stimulate lending to SMEs that are currently at drafting stage</li> <li>Ensure funding for, and sufficient internal capacity of, the Export Promotion Office to provide export support services and expand its services at the regional level</li> <li>Provide information and direct support to SMEs on the benefits of the planned green public procurement policies</li> </ul>

## Overview of regional performance

Figure 2. Progress towards SME-supportive policies in EaP countries 2016 and 2020



*Note:* Overall dimension scores are calculated based on five levels of policy reform, with 1 being the weakest and 5 being the strongest.

Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores. For a detailed account of methodological and scoring changes, please see the chapter “Policy framework, structure of the report and assessment process” and Annex A. For a detailed account of 2020 scores according to 2016 methodology, please refer to the relevant country chapters or the overview of key findings by country (below).

StatLink  <http://dx.doi.org/10.1787/888934086280>

Since the first SBA assessment in 2012, the EaP region has registered a remarkable improvement across almost all SBA dimensions, particularly those related to the *responsive government* and *entrepreneurial human capital* pillars. Especially noteworthy are the recent improvements in the *institutional and regulatory framework* dimension: all EaP countries 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.

Table 22 provides an overview of the region’s progress for each SBA dimension since the assessments conducted in 2016 and 2012.

**Table 22. Summary of regional progress in SME policy development**

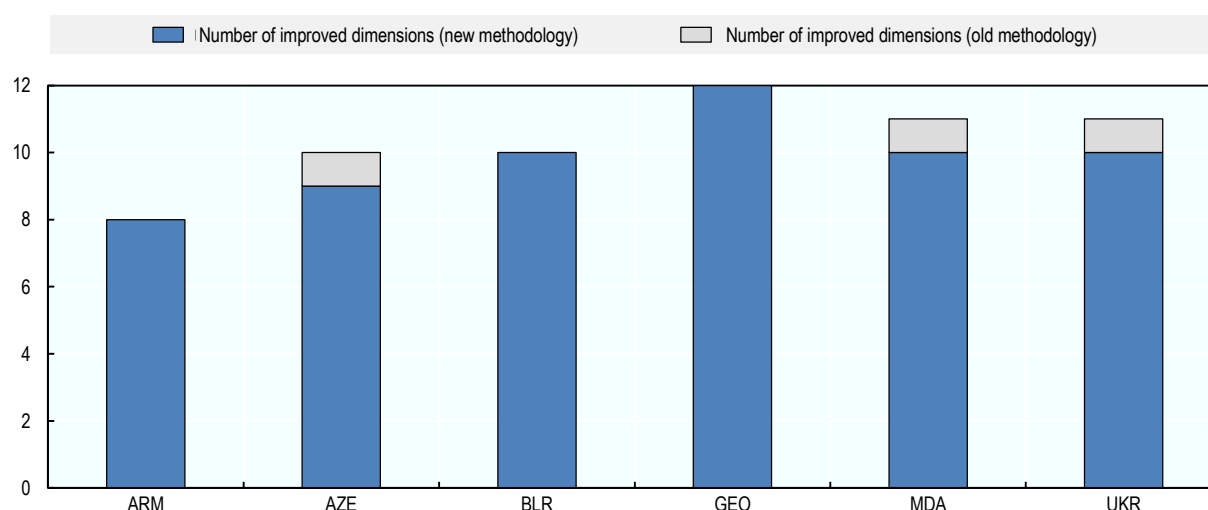
Pillar	Dimension	2020 EaP Average	2016 EaP Average	2012 EaP Average	Change 2016-20	Change 2012-20
A	Institutional and regulatory framework	3.74	2.95	2.61	+0.79	+1.13
	Operational environment	3.92*	4.01	3.68	-0.09	+0.24
	Bankruptcy and second chance	2.85*	2.71	2.53	+0.14	+0.32
B	Entrepreneurial learning / Women's entrepreneurship	3.58	2.52	2.23	+1.06	+1.35
	SME skills	3.36	2.66	2.15	+0.71	+1.21
C	Access to finance	3.57*	3.28	2.83	+0.29	+0.74
	Public procurement	3.49	3.12	2.62	+0.37	+0.87
D	Standards and regulations	3.43*	3.76	2.96	-0.33	+0.47
	Internationalisation	2.96*	2.79	2.30	+0.17	+0.66
E	Business Development services	3.53	3.13	2.71	+0.40	+0.82
	Innovation policy	2.92*	2.57	2.05	+0.36	+0.87
	Green economy	2.77	1.99	1.47	+0.78	+1.30

*Note:* Darker blue colouring denotes a higher rate of change during 2016-20.

\* Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores. For a detailed account of methodological and scoring changes, please see the chapter “Policy framework, structure of the report and assessment process” and Annex A. For a detailed account of 2020 scores according to 2016 methodology, please refer to the relevant country chapters or the overview of key findings by country (below).

Among the EaP countries, improvements have proceeded at different speeds and in different areas. Overall, progress in Pillar B, *Entrepreneurial human capital*, is the highest on average, hinting at the general recognition of the importance of investment in skills, knowledge, and know-how to promote sustainable and inclusive economic growth. Also, as noted earlier, a big improvement has been achieved in the *Institutional and regulatory framework* dimension, which proves the fact that the EaP countries recognise the crucial role played by effective institutional frameworks in the success of all other SME support initiatives. On the other hand, dimensions relating to Pillar D, *Access to markets*, experienced the weakest progress, suggesting that EaP governments need to catalyse efforts in those dimensions to facilitate SME entry into new markets.

Figure 3 displays the number of dimensions per country where the scores have improved since the 2016 assessment, while Table 23 shows the percentage change in dimension scores compared to 2016.

**Figure 3. Improvements by number of dimensions by EaP country**

StatLink  <http://dx.doi.org/10.1787/888934086299>

**Table 23. Percentage change in each dimension between 2016 and 2020**

Pillar		Dimension	Percentage change						
			2020-16 (*)	ARM	AZE	BLR	GEO	MDA	UKR
A	Institutional and regulatory framework			11%	43%	46%	21%	12%	43%
	Operational environment		(*)	-12%	-1%	1%	1%	6%	-7%
				-4%	2%	1%	4%	6%	2%
	Bankruptcy and second chance			-24%	4%	30%	3%	4%	25%
			(*)	-14%	13%	25%	9%	1%	16%
B	Entrepreneurial learning / women's entrepreneurship			8%	32%	17%	57%	65%	77%
	SME skills			22%	-11%	34%	38%	57%	24%
C	Access to finance			8%	16%	16%	7%	6%	3%
			(*)	8%	14%	13%	8%	7%	0%
D	Public procurement			6%	19%	-2%	5%	34%	16%
	Standards and regulations		(*)	-20%	-7%	-6%	8%	-11%	-18%
				-19%	-2%	-8%	-3%	-18%	-12%
	Internationalisation			-15%	23%	3%	4%	-11%	62%
			(*)	-1%	28%	25%	11%	2%	85%
E	Business Development Services			2%	10%	4%	19%	3%	58%
	Innovation policy		(*)	2%	14%	10%	21%	18%	22%
				0%	14%	20%	20%	20%	27%
	Green economy			0%	50%	62%	23%	33%	108%
Average increase			(*)	-1%	16%	18%	17%	18%	34%
				2%	18%	20%	18%	18%	37%

(\*) In these rows, the 2020 indicators have been calculated using 2016 methodology.

Note: Darker blue colouring denotes a higher rate of change.

As it did in 2016, Georgia stands out as the top performer in this year's assessment. The country's efforts to implement the last assessment's recommendations are particularly

visible when it comes to improving *entrepreneurial learning and women's entrepreneurship* (with an average increase of 57% since 2016) and *SME skills* (+38%)<sup>2</sup>

Equally important, Ukraine achieved the position of top reformer in this assessment round: reforming efforts since the previous assessment led to the biggest increase in overall performance among the EaP countries compared to 2016, starting from a low base, improving its score on average by 34%. Ukraine made the biggest strides among the EaP countries in the dimensions of *green economy* (+108%) and *entrepreneurial learning/women's entrepreneurship* (+77%), followed by *internationalisation* (+62%) and *business development services* (+58%).

The increases in dimensional scores achieved by Belarus and Moldova are also noteworthy: Belarus made its largest advancement in the dimension of *green economy*, achieving the position of best performer in the EaP region and increasing its score by 62%, and also considerably improved its *institutional and regulatory framework* score by 46%; whereas Moldova is the best performer in *entrepreneurial learning/women's entrepreneurship*. Azerbaijan is the best improver for *access to finance* with a score increase of 16% (on par with Belarus), and is among the best improvers for *green economy*. Armenia, despite showing an overall weaker improvement with respect to the previous assessment, still figures among the top achievers for the *access to finance* and the *business development services* dimensions.

Table 24 indicates for each country the areas of best performance and the areas with the biggest margin for improvement.

**Table 24. Summary of each country's progress and main areas for improvement**

Country	Stronger performance	Score	Main areas for improvement	Score
Armenia	Pillar E - Business Development Services	4.00	Pillar D - Standards and regulations	2.66*
	Pillar C - Access to finance	3.81	Pillar A - Bankruptcy and second chance	2.40*
	Pillar A - Institutional and regulatory framework	3.76	Pillar E - Green economy	2.40
Azerbaijan	Pillar A - Operational environment	4.20*	Pillar E - Innovation policy	2.83
	Pillar A - Institutional and regulatory framework	3.53	Pillar B - SME Skills	2.62
	Pillar B - Entrepreneurial learning/ Women's entrepreneurship	3.41	Pillar E - Green economy	2.31
Belarus	Pillar A - Operational environment	4.12*	Pillar D - Standards and regulations	3.04
	Pillar C - Access to finance	3.57	Pillar B - Entrepreneurial learning/ Women's entrepreneurship	2.79
	Pillar A - Institutional and regulatory framework	3.51	Pillar D - Internationalisation	2.68*
Georgia	Pillar D - Standards and regulations	4.56	Pillar E - Innovation policy	3.27
	Pillar E - Business Development Services	4.39	Pillar E - Green economy	3.05
	Pillar A - Operational environment	4.36*	Pillar A - Bankruptcy and second chance	3.03*
Moldova	Pillar B - Entrepreneurial learning / Women's entrepreneurship	4.25	Pillar E - Green economy	2.92
	Pillar A - Institutional and regulatory framework	3.92	Pillar A - Bankruptcy and second chance	2.79
	Pillar B - SME skills	3.92	Pillar D - Internationalisation	2.74*
Ukraine	Pillar B - Entrepreneurial learning / Women's entrepreneurship	3.98	Pillar A - Bankruptcy and second chance	2.56
	Pillar A - Operational environment	3.55*	Pillar E - Green economy	2.54
	Pillar D - Standards and regulations	3.55*	Pillar E - Innovation policy	2.28*

*Note:* (\*) Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores. For a detailed account of methodological and scoring changes, please see the chapter "Policy framework, structure of the report and assessment process" and Annex A. For a detailed account of 2020 scores according to 2016 methodology, please refer to the relevant country chapters or the overview of key findings by country (below).

## 2020 SME Policy Index scores for Eastern Partner countries

The main objective of the SME Policy Index is to provide governments with a framework for assessing policies targeting SME development. The index identifies strengths and weaknesses in policy design, implementation, monitoring and evaluation; allows for comparison across countries; and measures convergence towards good SME policy practices promoted by the EU and the OECD. It aims to support governments in setting targets for SME policy development and strategic priorities to further improve their business environments. It also engages governments in policy dialogue, including with the private sector, and facilitates the exchange of experiences within the region and with the partner organisations. Table 26 displays the SME Policy Index scores in the EaP countries according to the 2020 Small Business Act assessment. The cut-off date for the assessment process being 30 June 2019, the scores reflect the situation of SME policy in the six EaP countries and reforms introduced by that date. Box 4 summarizes the scoring methodology.

### Box 4. Scoring SME policy development

The SME Policy Index assesses both quantitative and qualitative policy indicators. The quantitative indicators include data from the SBA statistical data sheet —using the respective national statistical offices, the World Bank’s *Doing Business* reports, the World Economic Forum’s *Global Competitiveness* reports and Transparency International’s Corruption Perception Index. The qualitative indicators assess the policy development path in a certain area, such as the establishment of a regulatory impact assessment or a credit guarantee scheme. The analysis was also enriched by evidence gathered through private sector focus groups organised in the framework of this third assessment round.

Scores between 1 and 5 are used to assess the level of policy reform for each sub-dimension and dimension, with 1 being the weakest level and 5 being the strongest. For qualitative indicators, the scores typically correspond to the levels of policy development shown in Table 25.

**Table 25. Policy development scale**

Level 1	Level 2	Level 3	Level 4	Level 5
There is no law, institution, tool or (information) service in place for the area concerned.	There is a draft law, institution, tool or (information) service and there are some signs of government activity to address the area concerned.	A solid legal and/or institutional framework is in place for this specific policy area, tool or (information) service.	Level 3 complemented by some concrete indications of effective policy implementation of the law, institution or tool.	Level 4 complemented by significant evidence of concrete and effective policy implementation of the law, institution, tool or service. This level comes closest to good practice identified for the OECD countries.

A detailed description of the policy framework and process underpinning the assessment is provided in the chapter “Policy framework, structure of the report and assessment process”. The scoring methodology is provided in Annex A.

Table 26. 2020 SME Policy Index scores in the EaP countries

	Scores						EaP average	Weight
	ARM	AZE	BLR	GEO	MDA	UKR		
Pillar A – Responsive government								
Institutional and regulatory framework for SME policy making	3.76	3.53	3.51	4.20	3.92	3.50	3.74	
Institutional framework	3.76	4.00	3.52	4.53	4.05	3.32	3.86	40%
Planning and design	3.20	4.37	3.50	4.30	4.13	3.66	3.86	35%
Implementation	3.93	3.93	3.40	4.60	3.93	2.73	3.76	45%
Monitoring and evaluation	4.33	3.50	3.83	4.75	4.19	4.08	4.11	20%
Legislative simplification and regulatory impact analysis	3.49	3.37	3.25	3.92	3.94	3.71	3.61	30%
Planning and design	4.20	3.80	3.27	4.47	4.38	4.20	4.05	35%
Implementation	3.16	2.81	3.85	3.91	3.76	3.70	3.53	45%
Monitoring and evaluation	3.00	3.89	1.89	3.00	3.56	2.87	3.03	20%
Public-private consultations	4.05	3.08	3.75	4.04	3.72	3.53	3.69	30%
Frequency and transparency	4.14	2.62	3.70	3.56	4.37	3.33	3.62	40%
Private sector involvement	4.15	3.24	3.85	4.70	3.42	3.67	3.84	40%
Monitoring and evaluation	3.67	3.67	3.67	3.67	3.00	3.67	3.56	20%
Operational environment	3.55	4.20	4.12	4.36	3.76	3.55	3.92	
Digital government for SMEs	3.14	4.14	3.84	4.17	3.43	3.52	3.71	40%
Strategy, planning and design	1.96	4.22	4.44	4.33	3.67	2.89	3.59	35%
Implementation	4.07	4.48	3.63	4.78	3.67	4.46	4.18	45%
Monitoring and evaluation	3.08	3.25	3.25	2.50	2.50	2.50	2.85	20%
Business licensing	2.94	3.21	3.68	4.82	4.52	3.88	3.84	10%
Licence procedures	3.22	2.78	4.33	4.56	4.56	4.70	4.02	40%
Monitoring and streamlining of licence systems	2.75	3.50	3.25	5.00	4.50	3.33	3.72	60%
Company registration	4.58	4.58	4.49	4.85	3.97	3.81	4.38	30%
Design and implementation	4.67	4.67	4.83	5.00	4.33	4.00	4.58	35%
Performance	4.33	4.33	4.00	4.67	3.83	4.33	4.25	45%
Monitoring and evaluation	5.00	5.00	5.00	5.00	3.66	2.32	4.33	20%
Tax compliance procedures for SMEs	3.14	4.26	4.34	3.80	3.70	3.06	3.72	20%
SME Tax compliance & simplification procedures	2.78	4.78	4.56	3.67	3.22	2.78	3.63	40%
Monitoring and evaluation	2.78	3.40	4.56	3.22	3.67	2.33	3.33	30%
Doing Business: Paying Taxes	3.98	4.41	3.83	4.56	4.38	4.17	4.22	30%
Bankruptcy and second chances	2.40	2.97	3.34	3.03	2.79	2.56	2.85	
Preventive measures	1.29	2.43	3.76	2.71	2.90	2.71	2.63	30%
Survival and bankruptcy procedures	3.84	3.87	3.85	3.67	3.01	3.15	3.56	45%
Implementation	4.20	3.78	3.62	3.47	3.34	3.97	3.73	40%
Performance	3.60	3.93	4.00	3.80	2.80	2.60	3.46	60%
Promoting second chance	1.17	2.00	1.92	2.25	2.25	1.33	1.82	25%
Pillar B – Entrepreneurial human capital								
Entrepreneurial learning / women's entrepreneurship	2.84	3.41	2.79	4.24	4.25	3.98	3.58	
Entrepreneurial learning	2.53	3.02	2.46	3.86	3.97	4.09	3.32	60%
Planning and design	2.77	2.31	2.23	4.54	4.69	4.31	3.47	30%
Implementation	2.60	3.05	2.97	3.00	3.93	3.80	3.23	50%
Monitoring and evaluation	2.00	4.00	1.50	5.00	3.00	4.50	3.33	20%
Women's Entrepreneurship	3.31	3.99	3.28	4.80	4.65	3.81	3.97	40%
Planning and design	3.80	3.40	3.27	4.33	4.73	3.27	3.80	30%
Implementation	3.40	5.00	4.20	5.00	5.00	4.20	4.47	50%

	Scores						EaP average	Weight
	ARM	AZE	BLR	GEO	MDA	UKR		
<i>Monitoring and evaluation</i>	2.33	2.33	1.00	5.00	3.67	3.67	3.00	20%
<b>SME skills</b>	<b>3.26</b>	<b>2.62</b>	<b>3.06</b>	<b>4.14</b>	<b>3.92</b>	<b>3.19</b>	<b>3.36</b>	
<i>Planning and design</i>	2.45	1.00	2.09	3.91	3.55	3.55	2.76	30%
<i>Implementation</i>	3.44	3.44	3.67	4.33	4.11	3.44	3.74	50%
<i>Monitoring and evaluation</i>	4.00	3.00	3.00	4.00	4.00	2.00	3.33	20%
<b>Pillar C – Access to finance</b>								
<b>Access to finance</b>	<b>3.81</b>	<b>3.12</b>	<b>3.57</b>	<b>4.02</b>	<b>3.61</b>	<b>3.31</b>	<b>3.57</b>	
<b>Legal and regulatory framework</b>	<b>4.18</b>	<b>3.63</b>	<b>3.74</b>	<b>4.42</b>	<b>4.10</b>	<b>3.85</b>	<b>3.99</b>	<b>60%</b>
<i>Creditor rights</i>	4.22	4.56	2.78	3.89	5.00	4.22	4.11	24%
<i>Register</i>	4.05	4.12	4.12	4.83	4.47	4.28	4.31	24%
<i>Credit information bureau</i>	4.73	4.22	4.32	5.00	3.88	4.28	4.40	24%
<i>Banking regulations</i>	4.50	1.50	4.50	5.00	4.00	2.50	3.67	14%
<i>Stock market</i>	3.04	2.33	3.00	3.08	2.43	3.07	2.83	14%
<b>Sources of external finance – Bank financing</b>	<b>2.89</b>	<b>2.21</b>	<b>3.05</b>	<b>3.42</b>	<b>2.79</b>	<b>1.79</b>	<b>2.69</b>	<b>20%</b>
<i>Statistics</i>	2.82	2.12	3.53	4.04	2.70	2.32	2.92	60%
<i>Credit guarantee schemes</i>	3.00	2.33	2.33	2.48	2.92	1.00	2.35	40%
<b>Sources of external finance – Non-banking financing</b>	<b>3.66</b>	<b>2.45</b>	<b>4.38</b>	<b>3.01</b>	<b>3.79</b>	<b>4.02</b>	<b>3.55</b>	<b>10%</b>
<i>Microfinance institutions</i>	4.00	2.67	4.33	5.00	5.00	4.33	4.22	33%
<i>Leasing</i>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	33%
<i>Factoring</i>	3.44	3.00	5.00	3.00	3.67	4.33	3.74	33%
<b>Venture capital ecosystem</b>	<b>3.37</b>	<b>1.81</b>	<b>2.27</b>	<b>2.92</b>	<b>1.53</b>	<b>1.66</b>	<b>2.26</b>	<b>5%</b>
<i>Legal framework</i>	3.00	1.45	2.78	2.78	1.22	1.45	2.11	35%
<i>Design and implementation of government activities</i>	4.11	2.45	2.45	3.89	2.00	2.11	2.83	45%
<i>Monitoring and evaluation</i>	2.33	1.00	1.00	1.00	1.00	1.00	1.22	20%
<b>Financial literacy</b>	<b>3.82</b>	<b>3.29</b>	<b>3.25</b>	<b>4.66</b>	<b>2.67</b>	<b>3.06</b>	<b>3.46</b>	<b>5%</b>
<i>Planning, design and implementation</i>	3.86	3.86	3.48	4.90	3.09	3.57	3.79	80%
<i>Monitoring and evaluation</i>	3.67	1.00	2.33	3.67	1.00	1.00	2.11	20%
<b>Pillar D – Access to markets</b>								
<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>	
<i>Policy and regulatory framework</i>	3.17	2.94	2.81	3.44	4.23	3.23	3.30	35%
<i>Implementation</i>	3.71	3.13	3.84	4.64	4.33	3.27	3.82	45%
<i>Monitoring and evaluation</i>	4.17	2.17	2.17	4.83	2.17	2.83	3.06	20%
<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>Overall coordination and general measures</b>	<b>3.50</b>	<b>3.70</b>	<b>3.50</b>	<b>5.00</b>	<b>3.50</b>	<b>3.50</b>	<b>3.78</b>	<b>15%</b>
<b>Approximation with the EU acquis</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>	<b>50%</b>
<i>Technical regulations</i>	3.33	4.13	3.89	4.67	4.00	4.55	4.10	17%
<i>Standardisation</i>	2.81	3.37	2.70	4.00	3.63	4.52	3.51	17%
<i>Accreditation</i>	3.44	3.24	3.28	4.83	4.00	4.89	3.95	17%
<i>Conformity Assessment</i>	2.17	3.25	2.86	4.94	2.97	3.97	3.36	17%
<i>Metrology</i>	2.43	3.38	3.76	4.14	4.29	5.00	3.83	17%
<i>Market surveillance</i>	2.67	3.80	2.56	4.00	3.67	3.11	3.30	17%
<b>SMEs access to standardisation</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>	<b>35%</b>
<i>Awareness raising and information</i>	3.08	2.58	3.92	4.50	4.58	3.75	3.74	30%
<i>SMEs participation in developing standards</i>	2.50	3.50	2.50	4.50	3.50	3.00	3.25	30%
<i>Financial support to SMEs</i>	1.00	1.00	1.80	4.60	3.00	1.00	2.07	40%
<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>	

	Scores						EaP average	Weight
	ARM	AZE	BLR	GEO	MDA	UKR		
<b>Export promotion</b>	3.77	3.60	3.73	4.27	3.44	3.39	3.70	<b>50%</b>
Planning and design	4.17	3.67	3.33	4.33	3.83	4.00	3.89	35%
Implementation	3.35	4.15	4.15	4.57	3.55	2.98	3.79	45%
Monitoring and evaluation	4.00	2.25	3.50	3.50	2.50	3.25	3.17	20%
<b>Integration into GVCs</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>	<b>20%</b>
Planning and design	2.17	2.00	1.58	3.00	2.33	2.33	2.24	35%
Implementation	1.60	1.53	1.20	3.26	2.00	1.20	1.80	45%
Monitoring and evaluation	1.00	1.00	1.00	1.67	1.00	1.00	1.11	20%
<b>Trade Facilitation Indicators</b>	<b>3.00</b>	<b>3.24</b>	<b>2.14</b>	<b>4.10</b>	<b>2.99</b>	<b>2.99</b>	<b>3.08</b>	<b>10%</b>
<b>Use of E-commerce</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>	<b>20%</b>
Planning and design	3.00	3.50	3.00	3.25	3.00	3.00	3.13	35%
Implementation	1.00	3.65	1.00	3.25	1.00	1.00	1.82	45%
Monitoring and evaluation	1.00	1.50	1.00	3.00	1.00	1.00	1.42	20%
<b>Pillar E – Innovation and Business Support</b>								
<b>Business development services</b>	<b>4.00</b>	<b>3.27</b>	<b>3.11</b>	<b>4.39</b>	<b>3.47</b>	<b>2.90</b>	<b>3.53</b>	
<b>Support services provided by the government</b>	<b>4.12</b>	<b>3.67</b>	<b>3.27</b>	<b>4.64</b>	<b>3.86</b>	<b>2.76</b>	<b>3.72</b>	<b>50%</b>
Planning and design	3.83	3.92	2.83	4.83	3.17	3.17	3.63	35%
Implementation	4.78	3.60	3.61	4.89	4.72	3.17	4.13	45%
Monitoring and evaluation	3.13	3.38	3.25	3.75	3.13	1.13	2.96	20%
<b>Government support for private BDS</b>	<b>3.89</b>	<b>2.87</b>	<b>2.96</b>	<b>4.15</b>	<b>3.08</b>	<b>3.05</b>	<b>3.33</b>	<b>50%</b>
Planning and design	4.00	2.75	3.75	3.50	2.50	4.00	3.42	35%
Implementation	4.43	3.34	3.00	4.71	4.00	3.00	3.75	45%
Monitoring and evaluation	2.50	2.00	1.50	4.00	2.00	1.50	2.25	20%
<b>Innovation policy</b>	<b>2.96</b>	<b>2.83</b>	<b>3.21</b>	<b>3.27</b>	<b>2.99</b>	<b>2.28</b>	<b>2.92</b>	
<b>Policy framework for innovation</b>	<b>2.99</b>	<b>2.88</b>	<b>3.92</b>	<b>3.10</b>	<b>3.29</b>	<b>2.50</b>	<b>3.11</b>	<b>40%</b>
Planning and design	3.25	3.06	4.27	3.55	3.79	3.46	3.57	35%
Implementation	3.66	3.57	4.05	3.23	3.47	1.76	3.29	45%
Monitoring and evaluation	1.00	1.00	3.00	2.00	2.00	2.50	1.92	20%
<b>Government support services</b>	<b>2.53</b>	<b>2.50</b>	<b>2.95</b>	<b>3.58</b>	<b>2.52</b>	<b>2.63</b>	<b>2.78</b>	<b>20%</b>
Planning and design	3.43	2.47	2.80	4.33	2.80	2.63	3.08	35%
Implementation	2.50	2.60	3.64	2.95	2.18	2.16	2.67	45%
Monitoring and evaluation	1.00	2.33	1.67	3.67	2.77	3.67	2.52	20%
<b>Government financial support</b>	<b>3.03</b>	<b>2.96</b>	<b>2.83</b>	<b>3.39</b>	<b>2.83</b>	<b>1.63</b>	<b>2.78</b>	<b>20%</b>
Planning and design	3.25	3.07	3.47	3.60	3.80	2.47	3.28	35%
Implementation	2.86	2.86	2.26	3.40	2.60	1.26	2.54	45%
Monitoring and evaluation	3.00	3.00	3.00	3.00	1.66	1.00	2.44	20%
<b>Policy framework for non-technical innovation</b>	<b>3.29</b>	<b>2.92</b>	<b>2.42</b>	<b>3.18</b>	<b>3.04</b>	<b>2.12</b>	<b>2.83</b>	<b>20%</b>
Non-technological innovation	4.17	3.33	1.67	4.20	3.42	2.67	3.24	50%
Diffusion of innovation	2.42	2.50	3.17	2.15	2.67	1.57	2.41	50%
<b>Green economy</b>	<b>2.40</b>	<b>2.31</b>	<b>3.41</b>	<b>3.05</b>	<b>2.92</b>	<b>2.54</b>	<b>2.77</b>	
<b>Environmental policies</b>	<b>2.56</b>	<b>3.04</b>	<b>3.27</b>	<b>3.85</b>	<b>2.53</b>	<b>3.52</b>	<b>3.13</b>	<b>40%</b>
Planning and design	3.13	2.95	4.40	4.90	3.30	3.90	3.76	35%
Implementation	2.60	3.80	3.40	3.40	2.60	3.00	3.13	45%
Monitoring and evaluation	1.50	1.50	1.00	3.00	1.00	4.00	2.00	20%
<b>Incentives and instruments</b>	<b>2.28</b>	<b>1.81</b>	<b>3.50</b>	<b>2.51</b>	<b>3.18</b>	<b>1.89</b>	<b>2.53</b>	<b>60%</b>
Planning and design	3.34	2.04	4.63	2.38	3.79	1.63	2.97	35%
Implementation	1.59	2.00	2.41	2.70	2.33	2.48	2.25	45%
Monitoring and evaluation	2.00	1.00	4.00	2.33	4.00	1.00	2.39	20%

*Note:* Dimension scores are presented based on the five levels of policy reform (see Table 25). For more information about the scoring methodology, please refer to Annex A.

Methodological changes have been introduced to the 2020 assessment and should be taken into account when observing trends in SME Policy Index scores. For a detailed account of 2020 scores according to 2016 methodology, please refer to the relevant country chapters or the overview of key findings by country (above).

StatLink  <http://dx.doi.org/10.1787/888934086318>

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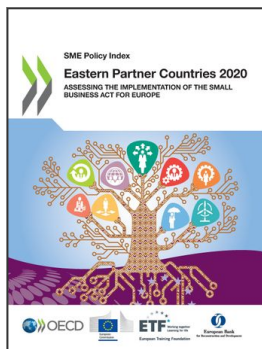
## Notes

<sup>1</sup> The business economy is a grouping of the following economic activities:

- industry (NACE Rev. 2, sections B to E);
- construction (section F);
- services (sections G to N, excluding activities of holding companies – K64.2).

It does not include agriculture, forestry and fishing (section A) and public sector and non-market activities (sections O to U). See [https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Business\\_economy](https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Business_economy).

<sup>2</sup> For this assessment, the methodology for the three human capital sub-dimensions – entrepreneurial learning, women's entrepreneurship and enterprise skills – has been harmonised with the remaining dimensions. Thus, comparison of the scores on the human capital dimensions between the 2016 and 2020 assessments need to be made with caution.



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### Assessing the Implementation of the Small Business Act for Europe

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