



SMEs Policies for Competitiveness in Eurasia Countries

The perspective of the OECD



« Competitiveness of Russian Regions: Innovations, Investments, Partnerships »

Antonio Somma – OECD Eurasia Competitiveness Programme

23 November 2011

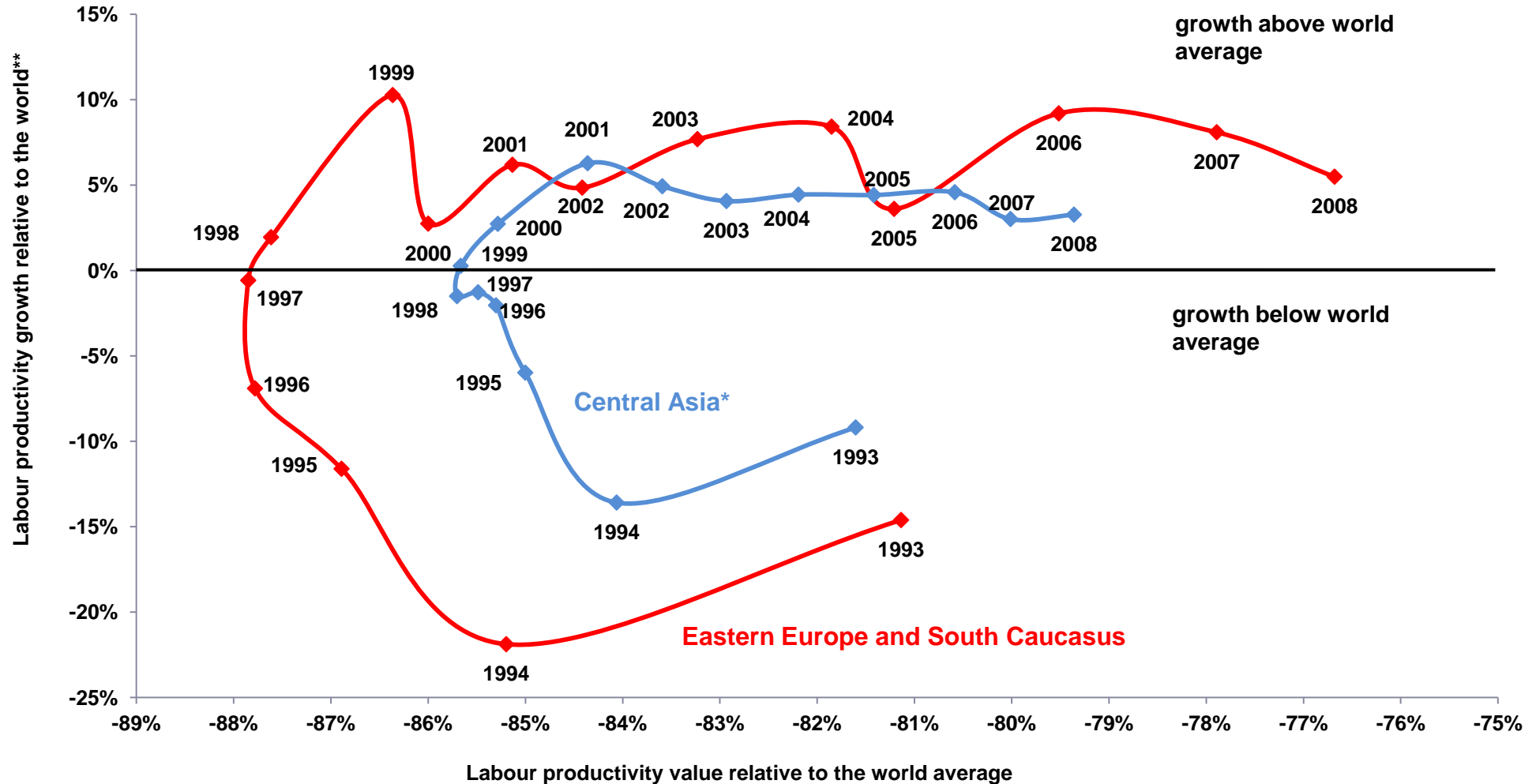
Moscow, Russia

Key Question

How could SMEs policy improvement support the competitiveness at the Eurasia sub-national level?

High labour productivity growth, yet strong room for improvement

Labour productivity performance in CA and EESC compared to the world (1993-2008)



Note: GDP per employee is calculated as GDP in constant 2000 USD divided by employment over 15 years old; GDP per employee is not adjusted for cyclical fluctuations, number of work-hours and other factors that have an impact on GDP per employee but are non-related to productivity;

*Central Asia region does not include Afghanistan; **labour productivity growth relative to the world is calculated as the difference between GDP per employee growth rate in the region and GDP per employee growth rate in the world.

Source: OECD analysis based on World Development Indicators database (World Bank)

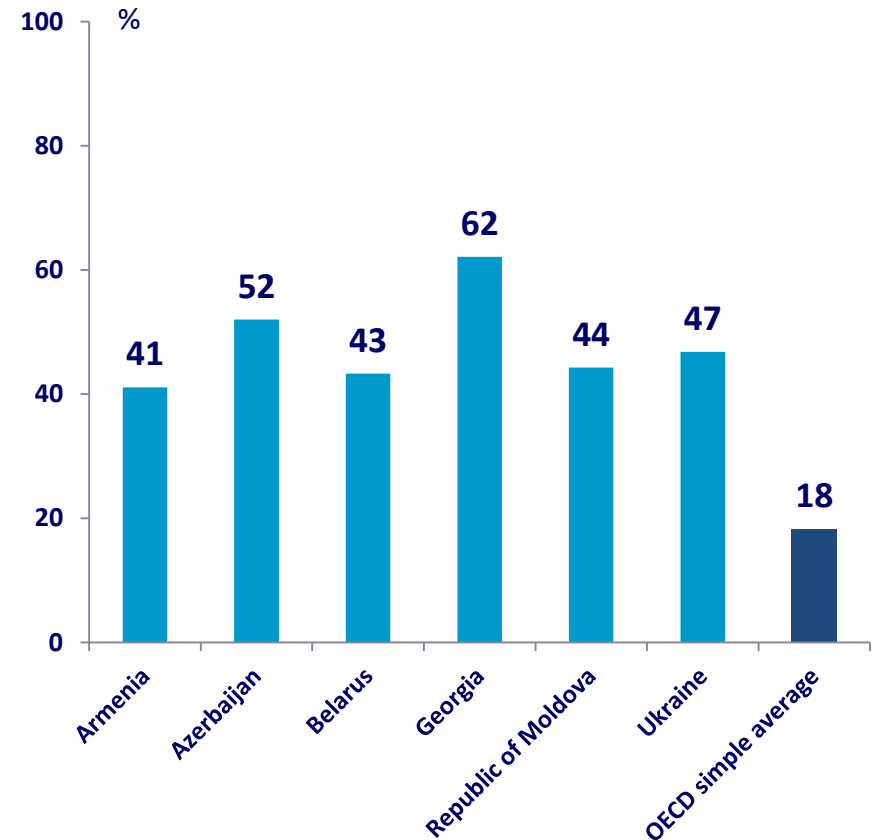
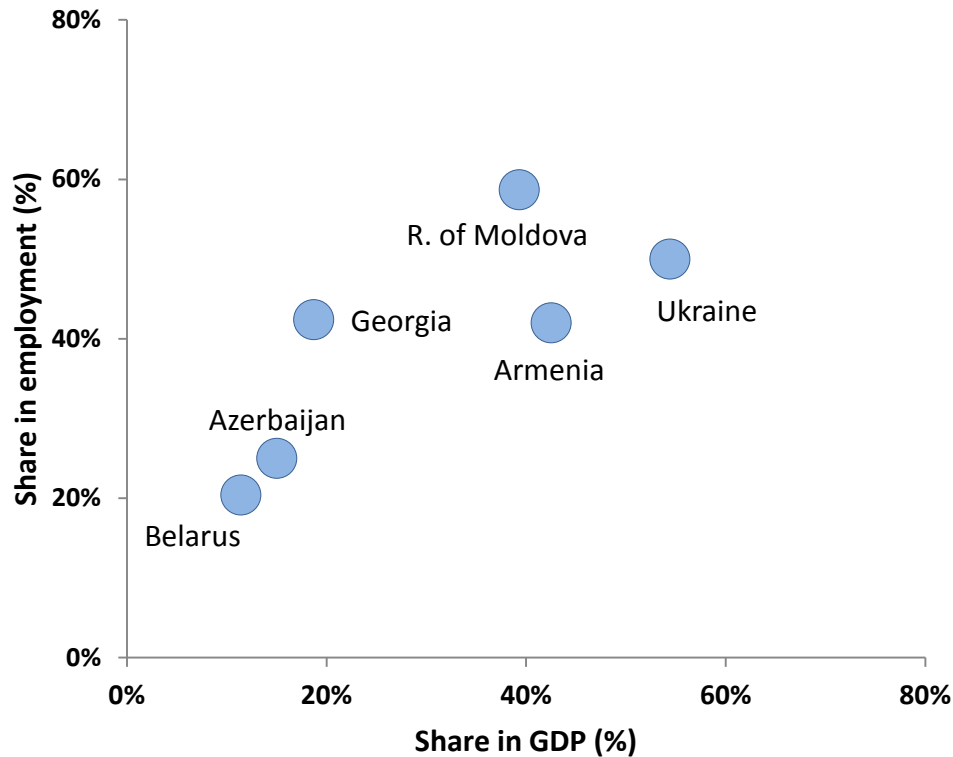
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Need to support the development of a vibrant private sector and SMEs

Project Example

Despite their large number, SMEs contribute very little to GDP and employment

The informal economy remains relatively large between 41% and 62% (of GDP).

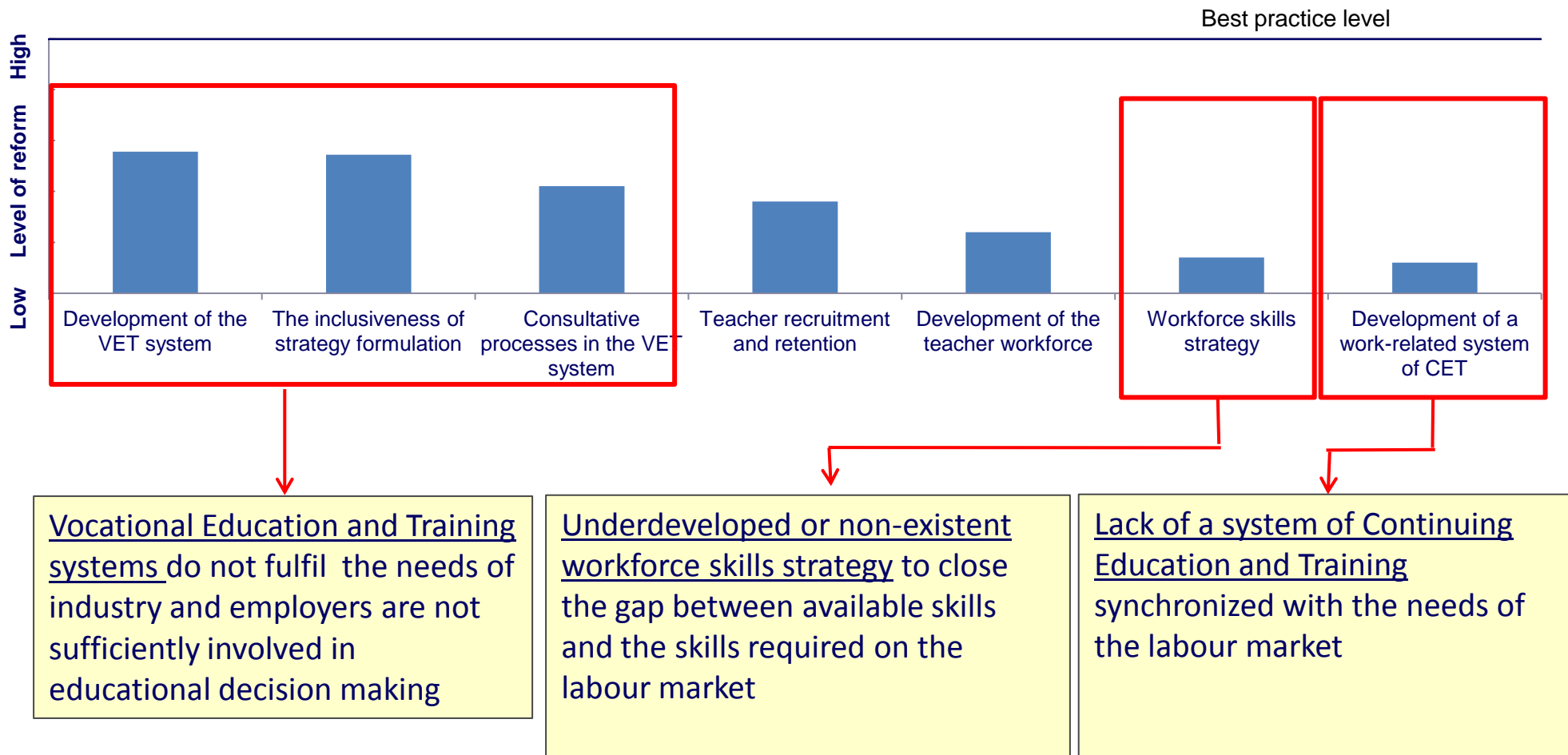


Sources: Armenia: SME DNC (2010), Republic of Armenia Ministry of Justice Legal Entities State Registry Agency; Azerbaijan: World Bank International Finance Corporation – Study of Small and Medium Enterprises in Azerbaijan; Belarus: Ministry of Economy of the Republic of Belarus; Georgia: geostat.ge, Business Statistics; Republic of Moldova: National Bureau of Statistics of the Republic of Moldova; Ukraine: State Statistics Committee of Ukraine; World Bank Policy Research Working Paper 3127

Source: Schneider, Friedrich, Andreas Buehn, and Claudio E. Montenegro (2010), "New Estimates for the shadow Economies all over the World", *International Economic Journal*, 24: 4, pp. 443-461

Need to close the skills gap especially in technology sectors

Policies for Competitiveness Assessment Framework results for Eastern Europe and the South Caucasus across the Human Capital Development dimension



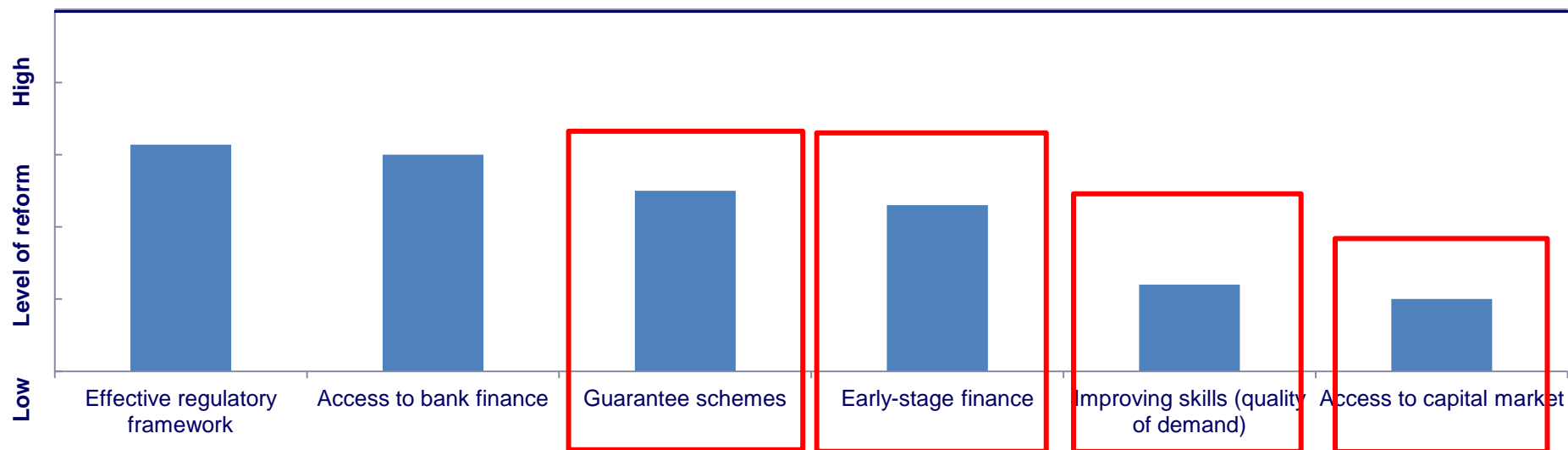
Note: No survey data available for Belarus. "Best practice" represents the benchmark used in the PFC surveys which corresponds to the OECD and non-OECD best practice. *High* represents a level of reform that meets best practice, *low* - lack of reform.

Source: Policies for Competitiveness Assessment Framework 2010 results (OECD).

Need to improve access to finance especially for SMEs

Policies for Competitiveness Assessment Framework results for Eastern Europe and the South Caucasus across the Access to finance dimension

Best practice level



Lack of guarantee schemes (export and mutual guarantee schemes) that would create an incentive for banks to increase lending to SMEs is a key barrier to business development

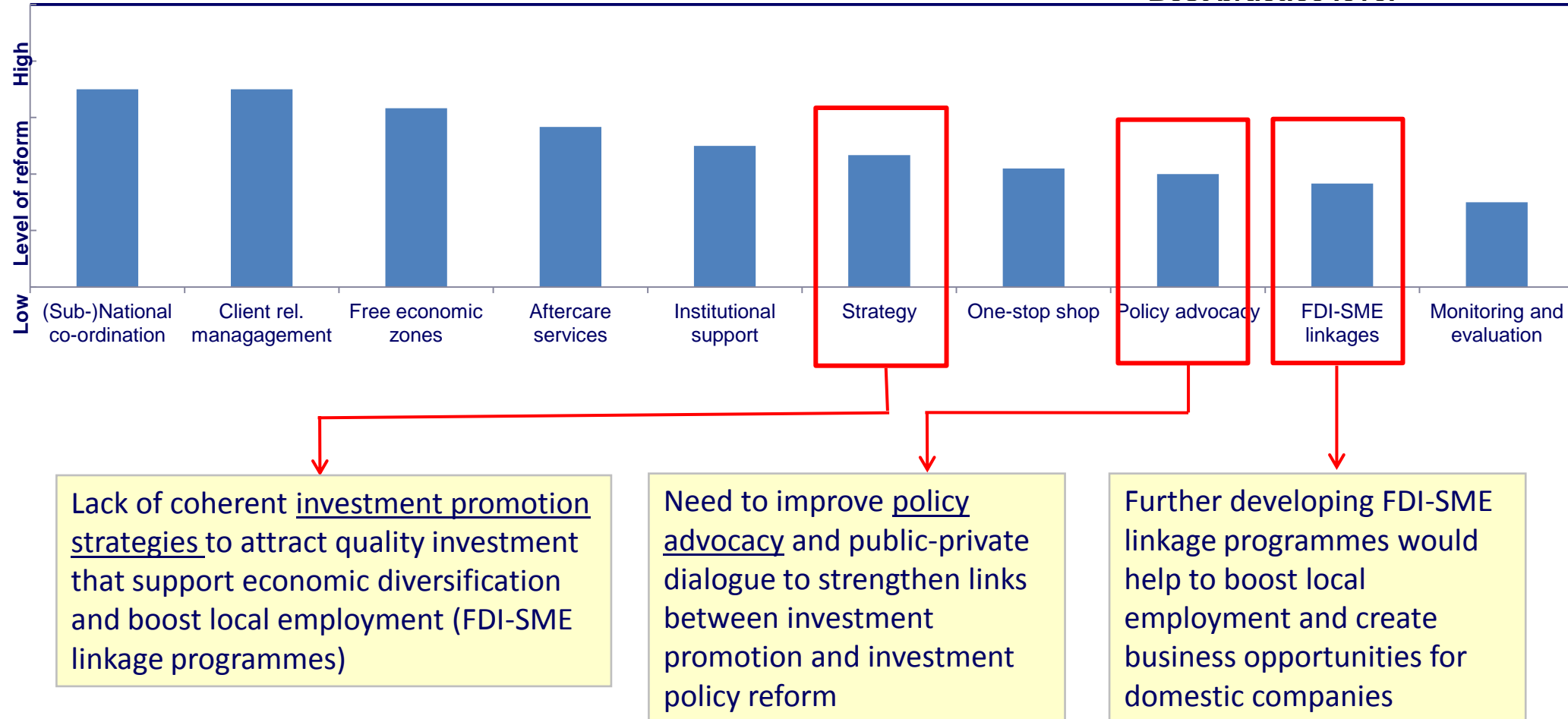
Need for further develop early-stage financing (micro-financing, business angels, venture capital) to improve access to (risk) financing for SMEs

Need to attract 'quality' FDI to support economic diversification and employment

Project Example

Policies for Competitiveness Assessment Framework results for Eastern Europe and the South Caucasus across the Investment Promotion dimension

Best practice level



The OECD Eurasia Competitiveness Programme is supporting the Enterprise Policy Development in EESC countries

Project Example

Objectives:

- To align SME policy frameworks of the Eastern partnership countries with the European Small Business Act
- To support the development of SMEs and increase their contribution to GDP
- To allow access for SMEs to broader national and international markets
- To encourage innovation activities within SMEs
- To improve entrepreneurial skills and the prospects for accessing financing for small enterprises

Participating Countries:

Armenia
Azerbaijan
Belarus
Republic of Moldova
Georgia
Ukraine

Methodology

Each SBA dimension is assessed with a score from 1 to 5

Project Example

OECD Eastern Partnership SME Policy Performance Assessment 2012

Covering priority dimensions related to the **EU Small Business Act**:

1. Entrepreneurial Learning
2. Bankruptcy and second chance
3. Institutional framework and public-private dialogue
4. Company Registration and Administrative Simplification
5. Access to Finance for SMEs
6. Access to the Single Market
7. SME Support Services and Public Procurement
8. Innovation
9. Environment Challenges
10. SME Export Capabilities

Dimensions		Sub-dimensions					
8	Upgrading of Skills and Innovation						
Sub-Dimensions	8.1	Enterprise Skills					
	8.2	Innovation					
Sub-dimensions		Indicators					
Indicators	8.2	Innovation					
	8.2.1	Delegation of competencies and tasks					
Indicators		Level of Reform					
Indicators			1	2	3	4	5
		Strategic approach to broad innovation policy					
		Establishment of innovation and technology centres					
	Innovation support services						

Eastern Partnership SME Policy Performance Assessment

Initial findings on seven of the SBA dimensions

Project Example

Improving access to finance for SMEs

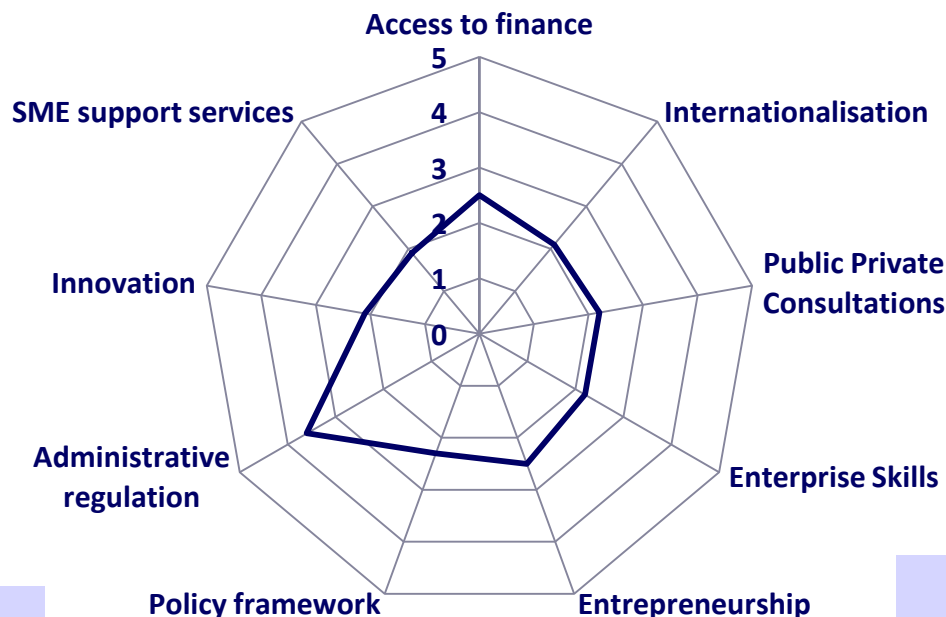
Measures need to be developed to further support access to credit (micro financing, credit guarantee schemes, local currency lending etc.)

Developing business support services for innovative SMEs

Focus business support services on SMEs with high growth potential (innovative activities and export) rather than micro company promotion

Strengthening public-private dialogue

Consider formalising dialogue between key stakeholders of SME policy and the private sector in a council / representative body to increase transparency of consultations in policy making



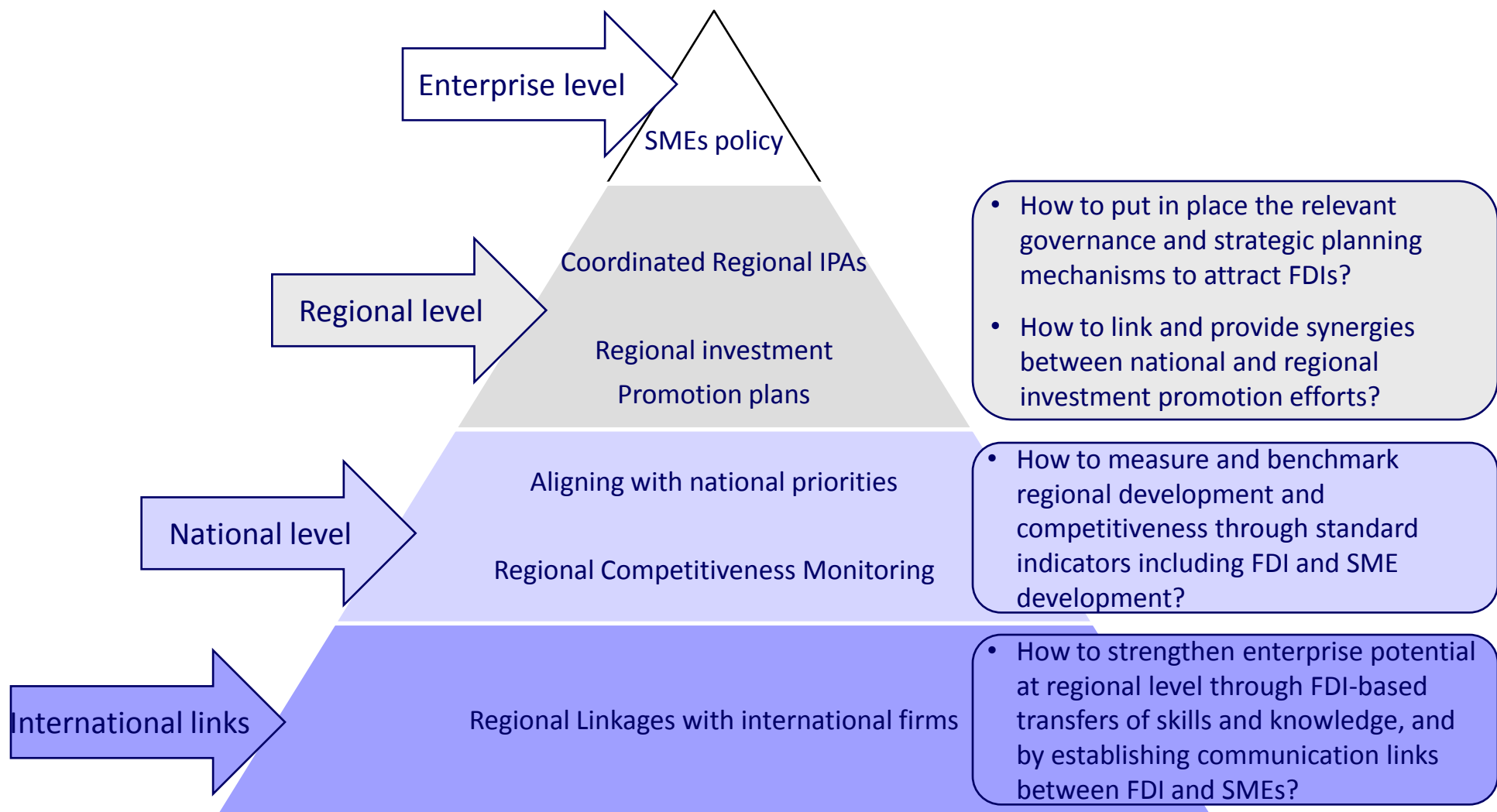
Adapting policy design to the needs of SMEs

Improve inter-government co-ordination in SME policy implementation and take an SME perspective in reform implementation looking beyond simplification of administrative regulations and procedures

Promoting entrepreneurial learning and skills

Entrepreneurial learning not sufficiently addressed in school curricula, available skills do not match labour market requirements

SMEs policy improved should be complemented by a more comprehensive investment policy and promotion approach



Contact details



ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

Antonio Somma

Economist/ Acting Head of Programme

OECD Eurasia Competitiveness Programme

Tel: + 33 1 45249390

Mobile: + 33 6 23425146

e-mail: antonio.somma@oecd.org