

OECD GRS South East Europe Division and Eurasia Division

Concept Note:

Revision of the SME Policy Index Methodology

**For the Small Business Act for Europe Assessment in the EU pre-accession
region and the Eastern Partnership Countries**

29 September 2014

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1. Background

The SME Policy Index is a benchmarking tool for emerging economies to monitor and evaluate progress in policies that support small and medium-sized enterprises (SMEs). The tool is structured around the ten principles of the Small Business Act for Europe (SBA), providing a wide-range of pro-enterprise measures to guide the design and implementation of SME policies. The Index has been developed by the OECD in partnership with the European Commission, the European Bank for Reconstruction and Development, and the European Training Foundation in 2006 and has been applied to several regions (Western Balkans in 2006, 2009 and 2012, including Turkey for the first time; Eastern Partnership Countries in 2012 and North-African and Middle East regions in 2008 and 2013).

The main objective of the SME Policy Index is to provide governments with a framework to assess policies targeting SME development. The Index identifies strengths and weaknesses in policy design and implementation, allows for comparison across countries and measures convergence towards EU SME policy standards. It aims to support governments in setting targets on SME policy developments and strategic priorities to further improve the business environment. It further engages governments in policy dialogue and exchange of experiences within the region and OECD good practices.

The SME Policy Index has been effective in assessing the evolution of the SME policy framework, the setting up of institutions, and the introduction of specific policy measures. However, while most of the economies have demonstrated improvements in building up the institutional framework and adopting relevant policies over time, the degree of implementation varies and the implications for SMEs are difficult to assess. The current SME Policy Index focuses on the policy process, placing less emphasis the intensity and impact of policies, and the extent to which governments themselves monitor and evaluate the impact of their policy measures. As some countries have reached high convergence to the SBA principles (Level 3 or above on the current Index) and advanced levels of policy implementation, information regarding the performance of policies become more essential. Moreover, the current index is limited to intraregional comparison, and does not offer the possibility to benchmark against EU or OECD countries. Therefore, the OECD aims, together with its partners, to revise the current methodology in order to better capture the intensity, quality and effect of policy, to provide more in-depth policy recommendations and to allow for international comparison.

The OECD team, together with its partners, have been reviewing the existing methodology since January 2014. The revised draft methodology has been discussed with the national SBA Coordinators and experts and further fine-tuned between May and August. In October, a new assessment cycle for the Western Balkans and Turkey and for the Eastern Partnership Countries will be launched with publications foreseen for the end of 2015/ beginning of 2016.

2. Conceptual framework

SMEs have been recognised to play a vital role in economic development and growth (Audrestch and Thurik, 2001). Therefore governments have become increasingly engaged in policies to support SMEs and entrepreneurship over the last 20 years. Government policies structure the environment within which SMEs function. Consequently, analysing and assessing the effect of public policies on SME activity is vital for promoting dynamic SME sectors and innovative high growth SMEs (IHGSMEs). There are numerous determinants of SME and entrepreneurial performance which can be influenced by government policies.

The SBA captures a number of important principles crucial for SME sector emergence. The following provides an overview of the SBA principles and related SME Policy Index (sub) dimension and sub-dimensions (see table 1) and a short rationale on each policy areas included in the SME Policy Index.

Table 1: SBA principles and related policy dimensions

SBA principle	Related policy dimension	Related sub-dimension
1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded	1. Entrepreneurial learning and women's entrepreneurship	Policy framework for entrepreneurial learning
		Upper secondary education (ISCED 3)
		Women's entrepreneurship
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance	2. Bankruptcy and second chance for SMEs	Bankruptcy procedures
		Second chance
3. Design rules according to the "think small first" principle	3. Regulatory framework for SME policy making	Institutional framework for SME policy development
		Legislative simplification and regulatory impact analysis
		Public-private consultations
4. Make public administration responsive to SMEs	4. Operational environment for SMEs	Company registration
		Interaction with government services (e-government)
5. Adapt public policy tools to SME needs	5a. Support services for SMEs and start-ups	Information services for SMEs
		Business services for SMEs
		Business services for start-ups
	5b. Public procurement	Public procurement
6. Facilitate SME access to finance and develop a legal framework and business environment supportive of timely payments in commercial transactions	6. Access to finance for SMEs	Sources of external finance for SMEs
		Legal and regulatory framework
		Other factors that affect demand and supply of finance
7. Help SMEs to benefit more from the opportunities offered by the Single Market	7. Standards and technical regulations	Standards and technical regulations
8. Promote the upgrading of skills and all forms of innovation	8a. Enterprise skills	Enterprise skills
	8b. Innovation policy for SMEs	Policy framework for innovation
		Support services for innovative companies
9. Enable SMEs to turn environmental changes into opportunities	9. SMEs in a green economy	SMEs in a green economy
10. Encourage and support SMEs to benefit from growth markets	10. Internationalisation of SMEs	Internationalisation of SMEs

1. Entrepreneurial learning and women's entrepreneurship: The level of education of entrepreneurs is among the key factors defining survival, innovativeness and performance of firms (Richbell et al., 2006; Gray and Mabey C., 2005; Maes et al., 2005). The success of an SME largely depends on the owner's entrepreneurial education and overall quality of its human capital (Loewe et al., 2013). Investment in the development of entrepreneurship education within the higher education sector is most likely to deliver long-term returns (Galloway and Brown, 2002; Hegarty and Jones, 2008). The potential for government policy may be to influence the education sector toward providing career development pathways for those whose career will impact market and economic dynamics through entrepreneurship activity (O'Connor, 2013).

2. Bankruptcy and second chance for SME's: Bankruptcy should be seen as an opportunity for a more reinvigorated re-start and future success (Timmons and Spinelli, 2004). The effectiveness of bankruptcy laws and procedures is a powerful indicator of the impact of the legal system on commercial activities and has a profound effect on corporate and financial relationships and transactions among entrepreneurs (World Bank, 2011). There is a strong economic rationale to promoting a second chance for formerly bankrupt entrepreneurs as a non-discriminatory approach towards failed entrepreneurs can result in higher levels of entrepreneurship and encourage risk taking necessary for a successful re-start of business activities (Armour and Cumming, 2005).

3. Institutional and Regulatory framework for SME policy making: Laws and regulations provide the 'rules of the game' which both enable and constrain economic actors and influence their incentives to act (North, 1990; Schmid, 2008; Williamson, 2000). A strong legal framework reduces the transaction costs of economic activities and ensures that economic gains from starting and growing businesses are not expropriated, providing the incentives for individuals to maximise profits. Thus strong property rights and contract enforcement are foundations for the development of the SME sector (Aidis et al. 2012; Verheul et al., 2002). Having a policy and institutional framework to tackle SME needs is then an important pre-condition towards creating a favourable business environment in which SMEs can thrive. The way the institutional framework is designed plays an important role in how effectively the policy is implemented.

4. Operational environment: Lengthy and costly company registration procedures are known to be a major business constraint and their impact most heavily felt by micro and small-sized enterprises (Stel and Stunnenberg 2006; European Commission, 2007). They can discourage entrepreneurial activity and act as a significant barrier for new start-ups (Dickinson, 2008; World Bank, 2004; Smallbone and Welter 2009). Efforts to simplify the operational environment and reduce the administrative burden on SMEs can also extend beyond reforms to the company registration process. More and more governments are introducing the systems of e-government which allows for a variety of services to be delivered online, resulting in lower

costs for entrepreneurs and the public administration. For functioning SMEs, the ease of compliance with regulatory systems and helpful training programs in navigating them are among the key indicators of a pro-growth and an entrepreneur-friendly environment (Thumbtack Small Business Survey, 2014).

5. Support services for SMEs and start-ups and public procurement: Support to SMEs is a major plank of government policy throughout the EU. Business support services help SMEs to counteract external effects and stimulate competition in the market. Businesses that do not use professional business support have a greater chance of failure than firms using professional advisors (Lussier, 2010). The limited resource base of SMEs often means that SMEs face certain disadvantages in the market and cannot invest in and benefit from the business support services to the same extent as large companies. Public procurement can be used for economic, social and other purposes such as supporting local and domestic firms, assisting minority and woman-owned businesses (Erridge, 2004). Increased emphasis on public procurement contract awards to small businesses increase innovativeness, entrepreneurship and contributes to job creation and economic development (Reed, 2004). The large size of contracts is generally the most important barrier for SMEs accessing public procurement (European Commission, 2010). SMEs-friendly public procurement is therefore one of the tools that government has in hand in order to support SMEs and is beneficial for both SMEs and government.

6. Access to finance for SMEs: Access to finance is often a major obstacle for SMEs and the constraining impact of this obstacle on firm growth is inversely related to firm size (Beck et al., 2005). Collateral requirements and certain access issues - such as financing for leasing equipment - turn out to be significantly constraining and can prevent expansion and even threaten survival of SMEs. Without access to formal financing, start-up firms might resort to informal sources and rely less on bank financing. However, as firms mature they switch out of informal finance towards bank finance (Chavis et al., 2011). External finance in the form of public support can therefore play an important role in supporting SMEs, particularly start-ups. Government also plays a key role in the design and implementation of an enabling environment for SME finance and can also include interventions promoting SME finance, and the collection and analysis of data on financial inclusion (SME Finance Policy Guide, IFC, 2011).

7. Standards and technical regulations: The last 50 years have witnessed a considerable increase in technical regulations in almost all countries (Messerlin et al., 2000). The impact of standards and technical regulations on the trade is at the forefront of the global economy discussions and analysis of the competition of the single EU market suggests that the removal of technical barriers to trade may be of great significance (Commission of the European Communities 1998). Technical barriers strike at the heart of business operations affecting pre-production, production, sales and marketing policies. The need for product design adaptation, multiple testing and certification costs can entail a significant cost for suppliers of goods

(Branton et al., 2001). Elimination of technical trade barriers of industrial and agricultural products is crucial for accessing Single Market. Therefore economies should comply with implementation of trade-related regulatory standards for industrial and agricultural products.

8. Enterprise skills and innovation policy for SMEs: The main assets for any firm, including SMEs, are their human capital. Training and management development enhance SME performance (Storey, 2004) and facilitates a firm's expansion (Cosh et al., 1998), existence (Marshall et al., 1995), profitability and productivity (Betcherman et al., 1997), and competitive advantage (Huang, 2001). Systemic co-operation between the government, business support organisations and enterprises to support training for SMEs would represent a strategic investment into the future growth and success of small enterprises. Innovation and technology absorption are widely recognised as a fundamental driver of economic growth in both advanced and emerging economies. SMEs and young businesses still introduce less new products and technologies than large established firms. However they tend to produce and commercialise higher quality innovations (Van Praag & Versloots, 2007). In this context, well designed policy interventions may be used to support technology absorption, transform lagging industries and develop new sources of innovation-led growth.

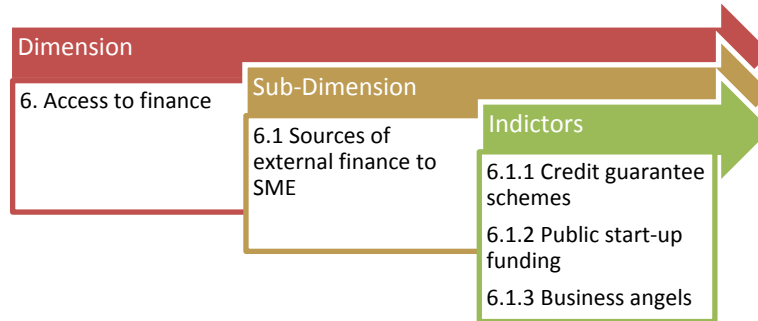
9. SMEs in green economy: The pressure on SMEs to move to products and processes with a lower environmental impact will continue to increase over the coming years, both from the market place as well as via environmental legislation (European Commission, 2012). On the other hand, SMEs will be able to benefit from green growth opportunities if they adjust their business models accordingly. Being "green" could be a source of innovation, competitive advantage and new business generation for SMEs. To fully participate in the transition towards sustainable economic patterns and seize the opportunities arising, it is essential that the main barriers to green growth and eco-innovation are identified and diminished and creation of environmentally responsible firms stimulated (Schaper, 2002).

10. Internationalisation of SMEs: Under the increasing pressure of globalisation and the constraints of domestic markets, internationalisation of activities is a crucial step for SMEs towards benefitting from the growth of markets. By entering the global market, SMEs can grow and achieve economies of scale which cannot be reached when operating in the domestic market alone (OECD, 2009). Integration of SMEs into global value chains (GVCs) enhances SMEs internationalisation and growth by, on the one hand, helping SMEs to secure position of specialised suppliers serving different global value chains and, on the other hand, providing them with opportunities for outsourcing and gain competitiveness from rationalisation of production. (OECD, 2009). Further, government can support export-oriented SMEs through export promotion programmes that provide trade information, organisation of trade missions and support to participation in international trade fairs. (OECD, 2012).

3. The original SME Policy Index methodology

The SME Policy Index assesses SME policy in twelve horizontal and targeted policy dimensions built upon the ten principles of the SBA. These policy dimensions are further broken down into 20 sub-dimensions and 100 policy indicators¹, which are structured as illustrated in Figure 1.

Figure 1: The structure of the policy-dimensions, sub-dimensions and indicators



All indicators are measured on 5 "levels" of policy development. Level 1 is the weakest level and level 5 the strongest. The policy development path for each indicator is typically structured as depicted in Table 2.

Table 2: Five levels of the indicator

Level 1	Level 2	Level 3	Level 4	Level 5
There is no law, institution, tool or (information) service in place to cover 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 + some concrete indications of effective policy implementation of the law, institution or tool	Level 3 + some significant record of concrete and effective policy implementation of the law, institution, tool or service. This level comes closest to good practices identified for OECD countries

¹ In the original SBA assessment of the EU pre-accession countries the policy dimensions are broken down in 23 sub-dimensions and 108 policy indicators. In the case of the Easter Partner Countries: 20 sub-dimensions and 92 indicators. This will be streamlined in the new assessment round.

The levels are assigned to each indicator as a result of a participatory and analytical process, which is conducted in two parallel assessments, a self-assessment by the government and an independent assessment by local consultants (see next section “The SBA assessment process”). In both cases, the levels have been pre-determined in the assessment grid and the assessment focuses on scoring the countries according to the given levels.

Aggregated levels for each dimension are calculated by allocating weights to each indicator, and sometimes each sub-dimension according to its relative importance, as determined by a process of expert consultation within the OECD. Core indicators are given a weight of 3; secondary indicators are weighted 2 or 1. An aggregated level is then calculated as displayed in Figure 2:

Figure 2: Example of scores from policy dimension institutional and regulatory framework

	Scores		Weights
	ALB	BIH	
III) Design rules according to the “think small first” principle			
3. Regulatory framework for SME policy making	3.55	2.16	
3.1. Institutional framework			3
SME definition	4.0	3.0	1
Inter-governmental co-ordination in policy elaboration	4.0	2.0	3
SME development strategy	4.0	2.5	3
SME policy implementation agency or equivalent	3.0	2.0	3
Measures to tackle the informal economy	4.0	1.5	2
3.2. Legislative simplification and regulatory impact analysis (RIA)			2
Review and simplification of current legislation	4.0	3.0	3
Legislative gullotine	4.0	2.5	3
Use of RIA	2.5	1.5	3
The SME test	1.5	1.0	1
3.3. Public-private consultations (PPCs)			2
Frequency and transparency of PPCs	4.0	2.0	1
Formal influence of PPCs	3.5	2.5	1
Representativeness of PPCs	3.0	2.0	1

4. The SBA assessment process

The SME Policy Index is based on the results of two parallel assessments. A self-assessment is conducted by the governments, who assign their country a "level" for each policy indicator using the assessment grid, and provide an accompanying justification. The appointed national SBA coordinators distribute the assessment grids to the appropriate counterparts in the ministries and government agencies and collect the information from them. In addition, an independent assessment is conducted by the OECD and its partner organisations, which is based on inputs from a team of local experts that collect data and information and conduct interviews with key stakeholders and private sector representatives.

The final scores are the result of the consolidation of these two assessments, enhanced by further desk research by the four partner organisations, country missions and consultations within government representatives. In this regards a series of stakeholder meetings are subsequently held in each beneficiary country to discuss and compare the two parallel assessments, which help to reduce bias and misjudgements.

These meetings are typically attended by 40-70 SME policy stakeholders, including ministries and government agencies, international donors, civil society, the academic community, NGOs and private sector representatives. During these meetings, discrepancies between the two parallel assessments are discussed, information gaps filled, and draft scores presented. Based on the information gathered at the stakeholder meetings, the partner organisations then decide on the final results. These are presented to the SBA coordinators in a regional meeting at the end of the assessment process. Minor modifications of the scores may be made. The findings and scores are subsequently published in a regional report, the *SME Policy Index*.

The work on the SME Policy Index is co-ordinated by the OECD in partnership with the European Commission (EC), the European Bank for Reconstruction and Development (EBRD) and the European Training Foundation (ETF). As of 2014 the South East European Centre for Entrepreneurial Learning (SEECCEL) joined the SBA assessment for the EU pre-accession region. The overall process includes organisation of key regional meetings, aggregation of the various assessments, and co-ordination of the publication process. Each partner organisation is responsible for the analysis of different policy principles of the SBA: the EC produces the work on trade standards and public procurement, EBRD on access to finance, ETF (and SEECCEL) on the human capital dimensions and the OECD on institutional framework, operational environment, business services, innovation, green growth, internationalisation, and bankruptcy.

5. The revised SME Policy Index methodology

While the original SME Policy Index has been an effective tool in assessing the degree to which institutions and policy measures have been established, it has presented certain limitations:

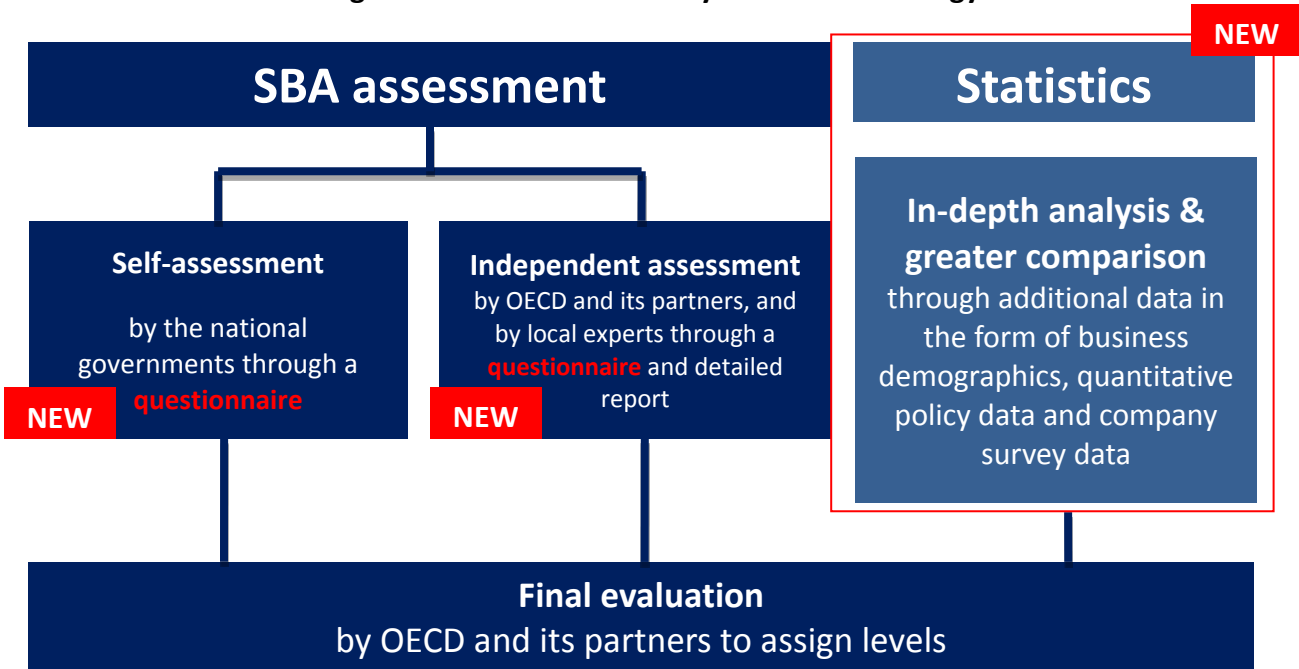
- There has been relatively little emphasis on the degree of implementation and the impact of the policies. This is particularly a problem for countries which have reached a solid level of policy design and institutional set up, and must be assessed on the effectiveness of these policies.
- The current SME Policy Index does not assess the extent to which governments themselves monitor and evaluate the impact of their policy measures.
- The Index relies heavily on qualitative government information and does not integrate national statistics, company-level data from other international organisations, or independent company-surveys to measure the performance of policies on the ground.
- There is limited interregional comparison. In particular, there is no benchmarking against EU and OECD countries.

The aim of the methodological revision is to address these limitations, while maintaining the successful core elements of the original methodology. The multi-dimensional basis for the SME Policy Index, based on the 10 SBA principles, will therefore remain unchanged. Similarly, the intraregional benchmarking and the five-level scoring framework will be kept intact to allow continued comparison across the regions and over time. The participative method of the assessment will also be retained through the government self-assessment.

Hence, as in the past, the SBA assessment will consist of a parallel structure, with a self-assessment by the national governments and an independent assessment conducted by local experts. However, the assessment method itself will be changed. The original five-level grid (see Section 3, Table 2), which has been used until now, will be replaced by detailed questionnaires, which will be filled out by the national governments and the independent experts.

The final evaluation will take place based on the result of the two assessments, as it has done so in the past. In the new methodology, this evaluation will also take into consideration relevant statistics, including policy data and company survey data. Figure 3 provides an overview of the new SME Policy Index methodology.

Figure 3: The new SME Policy Index methodology



In sum, two new elements will be introduced: First, the five-level grid will be replaced by questionnaires. Second, the assessment will be complemented with business statistics and company surveys. These additions will address the current limitations of the SME Policy Index as follows:

- Greater emphasis will be placed on the quality of the policy design and implementation, and their accordance with good practices, through the use of detailed questions.
- Monitoring and evaluation will be included as a thematic block in the questionnaires, along with design and implementation, to reinforce its importance in the policy process.
- Business demographics, policy data and company perceptions will provide context and a broader overview of the policy situation.

Through the integration of assessment questions used by other OECD directorates, and the use of the EU SBA Fact Sheets, comparisons will be possible with the EU and the OECD.

The following section provides a concise introduction into the two new elements.

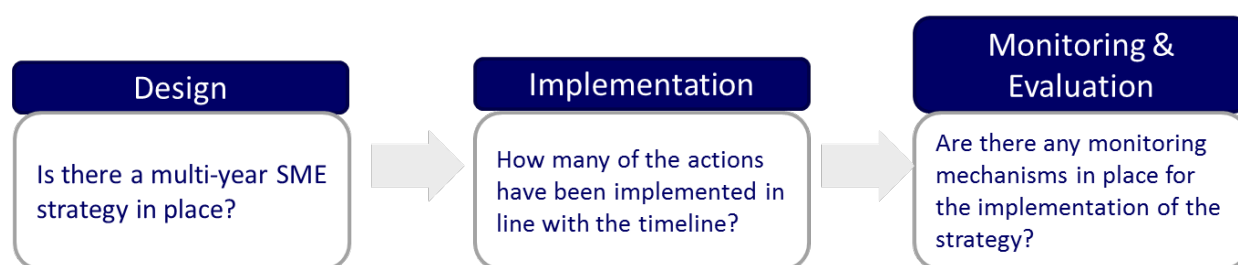
Introduction of a questionnaire

In the original SME Policy Index, each policy dimension consists of two to three sub-dimensions and several indicators per sub-dimension. The new approach foresees the streamlining of assessment process to sub-dimension level and the introduction of questions to replace the assessment grids. This allows more precise information to be obtained in particular

on the implementation of policies. One questionnaire will be developed per dimension and broken down into questions by sub-dimensions.

In order to be able to address systematic policy issues in a more detailed manner and enhance the depth of policy recommendations, some sub-dimensions will further divided into **thematic blocks**² such as **1) design, 2) implementation** and **3) monitoring & evaluation**, with questions to assess each component. This will allow governments to identify and target the specific weaknesses within their policy processes. The sub-dimensions will only be split up in thematic components where appropriate, e.g. not in the assessment of the legal framework where the policy cycle is of less relevance.

Figure 4: Example thematic blocks for the *Institutional Framework* sub-dimension



The questionnaire will contain two types of questions:

1. **Core questions (closed)** to determine the assessment score. As depicted in Figure 4, these will consist of:
 - a. **Binary questions**, allowing ‘yes’ and ‘no’ as answer options, e.g. "Does a legal definition of SMEs exist in your country?".
 - b. **Multiple choice questions**, e.g. "Does a multi-year SME strategy exist?"; "Does an SME policy implementation body or equivalent exist?" A drop-down list is associated with the question, providing a number of answer options (e.g. "Strategy is in the process of development", "Draft strategy exists but yet not approved by the government", "Strategy exists, has been approved by the government and is in the process of implementation", "There is no strategy in development").

In addition, countries are requested to provide evidence (source and/or explanation) for the answers (as in the previous assessment). Definitions, explaining certain terms within the questions, will be developed for each questionnaire.

² The thematic blocks are typically broken down into three components of the policy process (design, implementation, monitoring & evaluation). There are deviations from this structure for selected policy such as technical regulation, access to finance, bankruptcy and second chance.

2. **Open questions** to acquire further descriptive evidence. These questions will not be scored. E.g. “What is the budget for the SME implementation agency?”; “How many people work in the agency?” or “How many ministries are represented in the governance board?” The open-ended questions will be used to provide further details on the responses to the core questions.

Figure 5 illustrates the design of a questionnaire for the ‘design’ block of the *Institutional Framework* sub-dimension in dimension 3 “think small first”:

Figure 5: Design of the questionnaire

Dimension 3 Design rules according to the "think small first" principle			
Thematic Blocks		Answers	Country comments
THEMATIC BLOCK 1: INSTITUTIONAL FRAMEWORK DESIGN			
1	Does a legal definition of SMEs exist in your country?		
	If yes		
	Definition includes employment size criteria		
	Definition includes turnover criteria		
	Definition includes a balance sheet criteria		
2	Is the SME definition consistently used throughout legislation?		
3	Does a multi-year SME strategy exist?		
4	Does the strategy build upon previous SME strategies?		
5	Does the strategy include the following elements?		
	Measurable targets		
	Action plan		
	Descriptive part about monitoring and evaluation of the strategy and action plan		
6	Are measurable targets attached to the action plan?		
7	Is one central institution in charge of leading and coordinating SME policy?		
8	Did an inter-ministerial consultation process take place?		
9	Has the private sector / NGOs been consulted in the developing the strategy?		
10	Does an SME policy implementation body or equivalent exist?		
11	Does the SME policy implementation body have budgetary autonomy?		
12	Does the SME policy implementation body have operational autonomy?		
13	Are other ministries represented on the governance board of the implementation body?		
14	Is the private sector represented on the governance board of the implementation body?		
15	Does a plan or roadmap exist to help the transition from the informal to the formal economy?		

Strategy is in the process of development
 Draft strategy exists but yet not approved by the gov
 Strategy exists, has been approved by the gov
 There is no strategy in development

The core questions in the questionnaire will be scored to reach an overall level per sub-dimension, as explained above. An overview of the scoring system is illustrated in Figure 6.

Each of the core questions (Q1, Q2, Q3...) will be scored equally within the thematic block. For binary questions, a "Yes" response will be awarded full points and a "No" response will receive zero points. For multiple choice questions, scores for the different options will range between zero and full points, depending on the indicated level of policy development.

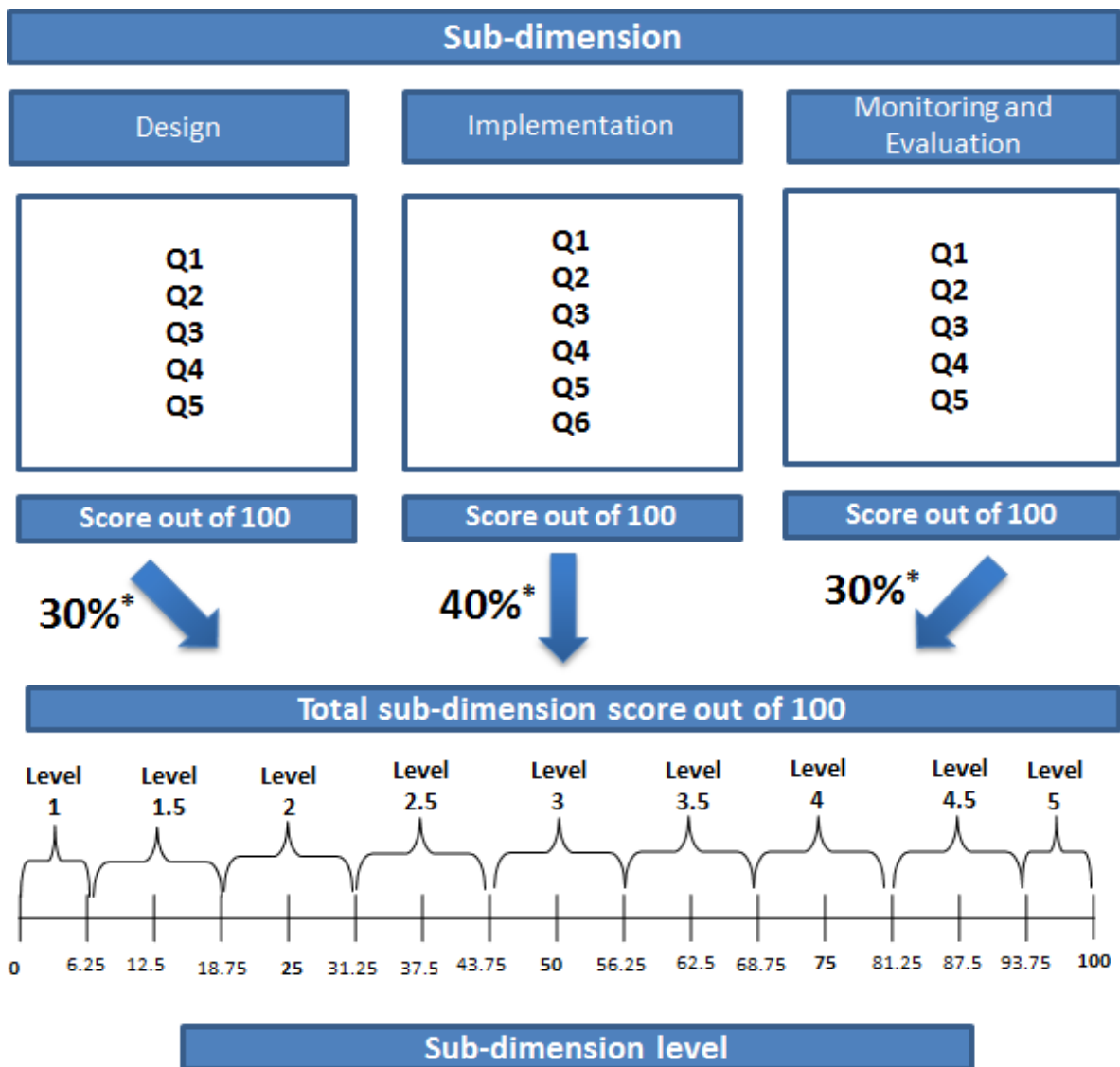
The core questions will be scored individually and then accumulated to provide a score for each thematic component i.e. design, implementation, and monitoring and evaluation. The

scores for the thematic components will be aggregated to attain a score for the sub-dimension, which each component being attached a weight (the exact weightings to be assigned are subject to discussion).

The total sub-dimension scores will then converted back into the five-level framework to ensure comparability with the older assessments.

Finally, the sub-dimensions will be aggregated using the expert-determined weightings to reach an overall level per dimension as before.

Figure 6: Scoring breakdown per dimension



*The category weights are subject to discussion.

Inclusion of policy data and statistics

The revised methodological approach foresees an enhanced use of several types of statistics, which will complement the information acquired from the two assessments and supplement the policy narrative, which will be provided by the local expert team. Table 3 provides an overview of the type of statistics and data which shall be collected, their purpose for the SME Policy Index, and their main sources.

Table 3: Data types and sources

Type of data	Main purpose within the SME Policy Index	Source
Macroeconomic data and business statistics	<ul style="list-style-type: none">• Statistical information for the country reports• Support of the policy narrative written by the independent expert	<ul style="list-style-type: none">• National Statistical Offices (NSO)• International Databases and Entrepreneurship Indicator Programmes (OECD, Eurostat, World Bank etc.)
Statistics on policy outputs	<ul style="list-style-type: none">• Measurement of the policy intensity and the actual policy output• Measurement of policy convergence towards the EU average	<ul style="list-style-type: none">• Section on open questions in the SBA assessment questionnaires• Data from the SBA Factsheets
Survey data	<ul style="list-style-type: none">• Measuring of SME perception on the effectiveness and usefulness of certain SME policies• Measurement of policy convergence towards the EU average	<ul style="list-style-type: none">• BEEPS Survey• Eurobarometer data from the SBA-Factsheets where available• OECD GRS survey

Business statistics on the country's macroeconomic performance and business demography will be derived from National Statistical Offices and international databases. Their main purposes will be to support the policy narrative, which will be provided by the independent assessment of the local consultant and to contextualise the SBA country reports within the SME Policy Index publication.

Statistics on policy outputs measure the actual intensity and effectiveness of concrete policies in terms of budget provision, number of benefits or grants allocated. Some of these data are already included in the EU SBA Fact Sheets, which benchmark countries based on the dimensions of the Small Business Act. Since the EU Fact Sheets are published for all EU Member States, the inclusion of the same data would allow for benchmarking not only within the SME Policy Index region but also with EU Member States, providing a proxy of convergence towards the EU level. Further, the open questions within the questionnaires will also collect these policy data.

Company surveys are useful instruments for capturing SME perceptions of the effectiveness of policy measures. They provide the firms' perspective on the obstacles towards firm growth and performance. Data will be gathered from two main sources: The Business Environment and Enterprise Performance Survey (BEEPS), which is a firm-level survey of 15,000 enterprises conducted jointly by the EBRD and the World Bank in 30 countries, including all countries of the SME Policy Index, and company surveys conducted by the OECD for the SBA assessment countries. For some countries, the Eurobarometer data provided via the SBA-Factsheets can also be used.

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7. Annex: Monitoring of the Western Balkans Enterprise Development and Innovation Facility (EDIF) TA reform priorities under the SBA assessment

The Technical Assistance (TA) pillar of the Western Balkan EDIF aims at enhancing the regulatory environment for both innovative high-potential SMEs (IHPSMEs) and investors through the implementation of a set of specific policy reforms. In preparation of the implementation of the TA pillar of EDIF, in 2012 the OECD carried out a process of prioritising policy measures with the objective of improving the business environment for IHPSMEs, which contained an in-depth review of assessments of SME-related policies, a mapping of donor activities, a company-survey and a stakeholder consultation process in each beneficiary country. Four regional policy priorities (the “EDIF TA Pillar’s reform priorities”) were identified through these activities:

1. Increase the **investment readiness** of entrepreneurs
2. Improve the regulatory framework for **venture capital** schemes and provide support for business angels
3. Dedicate sufficient funds to the implementation of **innovation** related policies and programmes and/ or implement policies to increase the capacity and readiness for innovation in companies
4. Improve **business licensing** systems

The beneficiary countries (Albania, Croatia, Kosovo*, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia) formally committed to the EDIF TA Pillar’s reform priorities at the EDIF launch event on December 5th 2012 in Paris, thereby agreeing to implement these policy measures, with some support of the EDIF technical assistance funds.

In this context the OECD was mandated by the European Commission to conduct a comparative monitoring process to assess the progress of implementation of the EDIF TA Pillar’s reform priorities. **The monitoring will be integrated in the regional Small Business Act for Europe assessment and results published in the SME Policy Index in early 2016. For each EDIF TA priority, an own dimension or sub-dimension has been created (see figure below).**

Figure 7. EDIF TA priorities under the Small Business Act for Europe framework

