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

This chapter assesses the policies in the Western Balkans and Turkey that provide small and medium-sized enterprises (SMEs) with access to business support services (BSSs). It starts by providing an overview of the assessment framework and progress since the last assessment in 2016. It then analyses the two sub-dimensions of Dimension 5a: 1) BSSs provided by the government, assessing the BSS policy framework, the extent and types of services provided by public institutions, how information about them is disseminated, and how this provision is monitored and its effectiveness evaluated; and 2) government initiatives to stimulate private BSSs, including the planning, implementation, monitoring and evaluation of policies to encourage the uptake of privately provided support services, particularly co-financing schemes. Each sub-dimension concludes with key recommendations to help ensure that SMEs have access to and benefit from a wide range of support services.
Key findings

This fifth SME Policy Index assessment finds that the economies of the Western Balkans and Turkey (WBT) have all progressed in the provision of business support services (BSSs) to small and medium-sized enterprises (SMEs). In particular, this assessment finds that:

- **All WBT governments acknowledge the importance of BSSs**, and have included specific steps to boost BSS provision through both public institutions and private providers in their relevant SME policy frameworks.

- **Few economies have conducted extensive stakeholder or training needs analyses to adapt their BSS provision to SMEs’ requirements.** The exceptions are Serbia, Kosovo* and Turkey, which have undertaken noteworthy efforts in this regard.

- **SMEs in all the WBT economies have access to BSSs provided by public institutions.** However, during the assessment period this did not always include training or mentoring directly delivered to SMEs by dedicated public SME institutions.

- **The provision of BSSs through private sector providers is also supported by all the WBT governments**, which all offer co-financing mechanisms characterised by well-defined structures and clear eligibility criteria. However, most of the WBT economies lack quality-assurance mechanisms for these services.

- **BSS provision is monitored by the SME agency or relevant public institution in all WBT economies**, but only a few have modified their programmes based on the monitoring results.

- **In-depth independent evaluations of BSSs are almost entirely lacking in the region.** Only the Albanian Investment Development Agency (AIDA) has had its co-financing schemes evaluated by independent experts.

- **All the WBT economies offer online information about the BSSs available.** However, only the Republic of North Macedonia, the entity of the Republika Srpska in Bosnia and Herzegovina, Serbia, and Turkey have established dedicated portals combining information on all of the BSSs available from all government institutions.

- **Online databases showcasing private sector consultants are rare in the region**, although the relevant public institutions all provide information about their co-financing schemes.

**Comparison with the 2016 assessment scores**

Looking at the WBT economies’ weighted scores for Dimension 5a overall, the region has made clear progress since the last assessment (see Figure 5.1).

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* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo’s declaration of independence.
Implementation of the SME Policy Index 2016 recommendations

Table 5.1 summarises to what extent the WBT economies have implemented the recommendations of the 2016 SME Policy Index. For the region overall, the degree to which the three recommendations have been implemented ranges from limited to moderate. Five of the economies have introduced initiatives to match the supply of services to demand, albeit to different extents. Four have strengthened the monitoring and evaluation of the effectiveness of their support schemes. All of the WBT economies implement co-financing schemes for private sector BSSs, an important element in encouraging the development of a sustainable and diversified market of private sector providers.

Table 5.1. Implementation of the SME Policy Index 2016 recommendations for Dimension 5a

<table>
<thead>
<tr>
<th>Overall 2016 recommendations</th>
<th>SME Policy Index 2019</th>
<th>Regional progress status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better match the supply and demand of services</td>
<td>- Serbia and Kosovo have analysed SME training needs.</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>- Turkey has conducted Internet-based surveys among SMEs to improve the BSS provision included in its 2016-2020 Strategic Plan and SME Strategy and Action Plan 2015-2018.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Montenegro, North Macedonia and Turkey’s SME policy frameworks have benefitted from some BSS market research.</td>
<td></td>
</tr>
<tr>
<td>Monitor and evaluate the effectiveness of support schemes and mechanisms</td>
<td>- Montenegro, Serbia and Turkey have made changes to their programmes based on their monitoring results.</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>- In Albania, AIDA has had an independent evaluation of its co-financing schemes resulting in targeted recommendations on how to improve their implementation.</td>
<td></td>
</tr>
<tr>
<td>Encourage the development of a sustainable and diversified market of private sector providers</td>
<td>- All the WBT economies implement co-financing schemes for private sector BSS providers.</td>
<td>Moderate</td>
</tr>
</tbody>
</table>
Introduction

Business support services (BSSs) – ranging from general information and advice to training, mentoring and technical services – seek to increase entrepreneurs’ knowledge and skills, thus providing a tool to boost SME productivity. SME productivity has attracted much interest among scholars. More than 700 articles were published on the topic in the field of business and economies between 1997 and 2017 (OECD, 2017). According to the 50 most-cited of these articles, the most frequently reported determinants of SME productivity were “managerial skills and formal management practices, including some practices closely affecting the development of workforce skills (e.g. workforce training and human resource management practices)” (OECD, 2017).

Empirical studies have supported the variety of benefits that BSSs (e.g. in the form of expert advice or training) can provide to SMEs. For example, BSSs not only have a positive impact on productivity, but also on employment generation, exports and investment (Cravo and Piza, 2016). Similarly, off-the-job training is found to be significantly associated with increased turnover and a decline in business closures (Bryson and Forth, 2016). While entrepreneurs can also acquire skills through informal training in the form of on-the-job training by more experienced staff, off-the-job training that takes employees away from their normal work duties has proven more effective in increasing businesses’ productivity and survival rates (OECD, 2017).

BSSs are more important for SMEs than for larger companies because SMEs generally deliver in-house training less frequently (Colombo, Croce and Grilli, 2013; Woo Lee, 2016; OECD, 2017).

The European Union also acknowledges the importance of BSSs for SMEs’ growth. Principle V of the Small Business Act for Europe invites Member States to:
- encourage constructive dialogue and mutual understanding between SMEs and large buyers through activities such as information, training, monitoring and exchange of good practice
- refocus state aid policy to better address SMEs’ needs, including the design of better targeted measures (EC, 2008)

In fact, governments and development organisations have invested significant financial resources in BSS delivery with the goal of freeing SMEs from institutional constraints, allowing them to increase productivity and to reach their full potential (Cravo and Piza, 2016; Beck, Demirguc-Kunt and Levine, 2005).

However, despite the potential benefits for SMEs, and governments’ efforts to provide them, SMEs’ uptake of BSSs has often not realised its full potential. This has been due to lack of information on BSS availability and their benefits, excessive and uncoordinated supply of information, the prioritisation of short-term goals, and the high financial costs of training (Braidford and Stone, 2016; Stone, 2012).

Assessment framework

Structure

This chapter assesses policies to foster business support services for SMEs in the Western Balkans and Turkey through the following two sub-dimensions (see Figure 5.2):
- **Sub-dimension 5a.1: Business support services provided by the government** focuses on three thematic blocks. The first thematic block evaluates whether the government has developed a strategic approach to the provision of BSSs by public providers and if it is included in the economy’s wider SME policy framework (e.g. the national SME strategy or equivalent document). The second thematic block assesses the extent to which public institutions provide different types of BSSs, and if they are tailored to the specific needs of different SME segments (e.g. start-ups). This block also focuses on the means used by the government to raise SMEs’ awareness about the BSSs it provides. Finally, the third thematic block assesses how far BSSs provided by the government are regularly monitored and their impact on SMEs’ performance evaluated.

- **Sub-dimension 5a.2: Government initiatives to stimulate private business support services** evaluates government initiatives aimed at stimulating private BSSs. It largely mirrors the thematic block structure of the first sub-dimension, but rather than focusing on the provision of BSSs by public institutions, it looks at how public policy supports SMEs’ uptake of BSSs from private providers.

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

<table>
<thead>
<tr>
<th>Outcome indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of publicly (co-)funded business support services to SMEs</td>
</tr>
<tr>
<td>Percentage of SMEs benefitting from publicly (co-)funded business support services</td>
</tr>
<tr>
<td>Local availability of specialised training services</td>
</tr>
</tbody>
</table>

| Thematic block 1: Planning and design |
| Thematic block 2: Implementation |
| Thematic block 3: Monitoring and evaluation |

<table>
<thead>
<tr>
<th>Quantitative indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of resources earmarked for co-funded BSS</td>
</tr>
</tbody>
</table>

*Note: The outcome indicators serve to demonstrate the extent to which the policies implemented by the government bring about the intended results, and they have not been taken into consideration in the scoring. By contrast, quantitative indicators, as a proxy for the implementation of the polices, affect the overall scores.*

The assessment was carried out by collecting qualitative data with the help of questionnaires filled out by governments, as well as face-to-face interviews undertaken with the owners and managers of SMEs. Alongside these qualitative inputs, quantitative data on certain indicators – provided by the economies’ statistical offices, relevant ministries and SME agencies – formed an integral part of this assessment. For more information on the methodology see the Policy Framework and Assessment Process chapter and Annex A.

**Key methodological changes to the assessment framework**

Compared to other dimensions in this report, the assessment framework of Dimension 5a did not significantly differ from the previous assessment published in 2016. However, in order to increase the emphasis on effective implementation, the weight of this thematic
block has been increased to 50% of each overall sub-dimension score, while planning and design accounts for 30%, and monitoring and evaluation 20%.

Some minor aspects of the questionnaire have also been changed since the previous assessment. The planning and design blocks in the 2019 assessment no longer evaluate if economies’ strategy documents associated with BSS provision include both measurable targets and the expected impact of measures, but only if they include measurable targets. Similarly, the monitoring and evaluation blocks no longer assess if surveys are used to collect information on SME use and satisfaction with BSSs, but simply if there are any formal mechanisms for SMEs to provide feedback on the BSSs they used. This meant the questionnaire could be streamlined and accommodate a more diverse set of answers.

**Other sources of information**

The assessment was enriched by data from the World Economic Forum’s *Global Competitiveness Index* (WEF, 2018[10]) on the local availability of specialised training services.

**Analysis**

*Performance in business support services for SMEs*

Outcome indicators play a key role in examining the effects of policies, and they provide crucial information for policy makers to judge the effectiveness of existing policies and the need for new ones. Put differently, they help policy makers track whether policies are achieving the desired outcome. The three outcome indicators chosen for this dimension (see Figure 5.2) are designed to assess the Western Balkan economies and Turkey’s performance in providing and funding business support services. Due to the lack of comparable data on other key outcome indicators, the availability and uptake of BSSs by SMEs are used to assess BSS performance in the region.

Public institutions in all seven economies support the provision of BSSs to SMEs, although SMEs benefit from a wider variety of services in some economies than in others. In 2017, SMEs in Bosnia and Herzegovina (in the entity of the Republica Srpska⁴), Montenegro, North Macedonia, Serbia and Turkey not only benefitted from publicly funded or co-funded support in the form of general information (on relevant legislation for starting a business, how to develop a business plan, what non-financial BSSs are available, etc.), but also from training, mentoring and consulting (Table 5.2).

**Table 5.2. Provision of publicly (co-)funded business support services to SMEs (2017)**

<table>
<thead>
<tr>
<th>Service Category</th>
<th>ALB</th>
<th>BIH</th>
<th>KOS</th>
<th>MKD</th>
<th>MNE</th>
<th>SRB</th>
<th>TUR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FBiH</td>
<td>RS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General information</td>
<td>530</td>
<td>387</td>
<td>682</td>
<td>37</td>
<td>512</td>
<td>1 081</td>
<td>13 264</td>
</tr>
<tr>
<td>Training</td>
<td>0</td>
<td>0</td>
<td>40</td>
<td>0</td>
<td>385</td>
<td>626</td>
<td>3 480</td>
</tr>
<tr>
<td>Mentoring and consulting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>28</td>
<td>1 420</td>
</tr>
<tr>
<td>Total</td>
<td>530</td>
<td>387</td>
<td>722</td>
<td>37</td>
<td>919</td>
<td>1 735</td>
<td>18 164</td>
</tr>
</tbody>
</table>

*Sources: Statistical offices, ministries and SME agencies of the six Western Balkan economies and Turkey.*
Dividing the number of SMEs using BSSs by the total number of SMEs in the economy gives the uptake of BSSs among SMEs. Figure 5.3 shows the wide variation in SMEs’ uptake of publicly funded and co-funded BSSs across the WBT, with Turkey having a much higher share than the others. Whereas 18.6% of SMEs in Turkey used a publicly funded or co-funded BSS in 2017, only 3.3% of SMEs did so in the Western Balkan economies on average.

Figure 5.3. SMEs’ uptake of BSSs (2017)

The availability of high-quality professional public and private training services was also evaluated in the World Economic Forum’s Executive Opinion Survey. This survey asked private sector representatives to evaluate the availability of BSSs in their economy on a scale from one to seven (WEF, 2018[10]). While the survey measures perceptions rather than actual availability, it acts as a useful proxy to gauge respondents’ evaluation of the availability of local specialised training services. Figure 5.4 shows the scores for the five Western Balkan economies and Turkey for which data are available. In the 2017-18 edition, Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia and Turkey all scored below the EU and OECD averages. However, with the exception of Albania, they had all improved their score compared to previous surveys.
Figure 5.4. Local availability of specialised training services (2015-18)
Score 1 (low) to 7 (high)

Note: Data for Kosovo not available. Data for North Macedonia for 2017-18 not available. Survey question: In your country, how available are high-quality, professional training services? [1 = not available at all; 7 = widely available]. EU-13, EU-28 and OECD averages calculated as simple average. EU-13 – Bulgaria, Croatia, Cyprus**, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia.

** Footnote by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus. Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus” issue.

Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.


StatLink http://dx.doi.org/10.1787/888933937546

These three output indicators suggest all seven economies still have some room for improvement in making BSSs available to SMEs. The figures on the share of SMEs using publicly funded and co-funded BSSs show that Turkey was most successful at stimulating SMEs’ use of BSSs (Figure 5.3).

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

Business support services are crucial to the “entry, survival, productivity, competitiveness, and growth of SMEs by helping them to solve key challenges in the areas of management and technical skills, access to markets, new or improved technologies and products, and appropriate financing mechanisms” (OECD, 2018[11]).

Despite their importance, private sector BSSs are often out of reach for micro and small enterprises, which are generally not able to afford private consultancy fees or cannot justify the cost of such an investment (OECD, 2018[11]). This means a purely market-based system can lead to the underuse of BSSs, which in turn leads to lower growth and efficiency among SMEs on average (Braidford and Stone, 2016[8]). Thus, BSSs provided
by public institutions are an important means of ensuring SMEs have access to crucial information, advice, training and mentoring.

This section assesses BSSs provided by the governments in the WBT region based on three thematic blocks. First, it looks at how these services are planned and designed – whether they have a relevant strategy document, accompanied by a suitable action plan, and how far those strategies are based on an analysis of SMEs’ needs. Second, it considers implementation – the public institution responsible for providing BSSs, the range of services they offer and the provision of information on public services. Finally, it examines the monitoring and evaluation of publicly provided BSSs and to what extent that feeds back into policy design.

The WBT economies showed the weakest performance in monitoring and evaluating their BSSs, compared to their planning, design and implementation activities (Table 5.3).

**Table 5.3. Scores for Sub-dimension 5a.1: Business support services provided by the government**

<table>
<thead>
<tr>
<th></th>
<th>ALB</th>
<th>BIH</th>
<th>KOS</th>
<th>MKD</th>
<th>MNE</th>
<th>SRB</th>
<th>TUR</th>
<th>WBT average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and design</td>
<td>3.67</td>
<td>3.07</td>
<td>4.56</td>
<td>3.22</td>
<td>3.96</td>
<td>4.26</td>
<td>4.11</td>
<td>3.84</td>
</tr>
<tr>
<td>Implementation</td>
<td>2.79</td>
<td>3.26</td>
<td>2.79</td>
<td>3.95</td>
<td>4.05</td>
<td>4.37</td>
<td>4.58</td>
<td>3.68</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>2.60</td>
<td>2.12</td>
<td>2.92</td>
<td>2.92</td>
<td>3.08</td>
<td>4.36</td>
<td>4.36</td>
<td>3.19</td>
</tr>
<tr>
<td>Weighted average</td>
<td>3.01</td>
<td>2.98</td>
<td>3.35</td>
<td>3.52</td>
<td>3.83</td>
<td>4.33</td>
<td>4.39</td>
<td>3.63</td>
</tr>
</tbody>
</table>

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

**All the economies have included business support services in their SME policy frameworks**

All the WBT governments have acknowledged the importance of BSSs and included specific actions to boost their provision in their relevant SME policy frameworks (the national SME strategy or equivalent document), listed in Table 5.4.

**Table 5.4. Main strategy documents for BSS provision to SMEs in the Western Balkans and Turkey**

<table>
<thead>
<tr>
<th>Economy</th>
<th>Main current strategy document</th>
<th>Period covered by strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALB</td>
<td>Business and Investment Development Strategy</td>
<td>2014-20</td>
</tr>
<tr>
<td>BIH</td>
<td>Development of SMEs in the Federation of Bosnia and Herzegovina</td>
<td>2009-18</td>
</tr>
<tr>
<td>RS</td>
<td>Strategy for the Development of SMEs</td>
<td>2016-20</td>
</tr>
<tr>
<td>KOS</td>
<td>Private Sector Development Strategy</td>
<td>2013-171</td>
</tr>
<tr>
<td>MKD</td>
<td>National SME Strategy</td>
<td>2016-23</td>
</tr>
<tr>
<td>MNE</td>
<td>Strategy for the Development of MSMEs</td>
<td>2016-22</td>
</tr>
<tr>
<td>SRB</td>
<td>SME Development Strategy</td>
<td>2015-20</td>
</tr>
<tr>
<td>TUR</td>
<td>SME Strategy</td>
<td>2015-18</td>
</tr>
</tbody>
</table>

Note: 1 A new Private Sector Development Strategy covering the period 2018-2022 was drafted and sent for public hearing in late 2018.
The relevant strategy documents in all seven economies are accompanied by an action plan, although Serbia’s latest action plan expired in 2016 and has not yet been renewed, which might be a challenge to the strategy’s implementation and effective monitoring.

Measurable BSS targets in the action plan facilitate the monitoring and evaluation process, and allow policies to be adjusted if necessary. Albania, Bosnia and Herzegovina (in the Federation of Bosnia and Herzegovina only), Kosovo, Montenegro, Serbia (until 2016) and Turkey include measurable targets in their respective action plans.

For example, the action plan for Montenegro’s strategy for micro, small and medium-sized enterprises (MSMEs) foresees the implementation of a mentoring programme. This measure is associated with a target (increased number of trained mentors by 30%), a 2017 baseline value (21 mentors trained to provide mentoring services), and a projection for 2020 (more than 45 mentors trained to provide mentoring services). Similarly, Kosovo’s Private Sector Development Strategy (still a draft at the time of writing) includes a baseline and targets for specific measures (e.g. “deliver at least 10 training modules on financial literacy per year”). Albania’s Business Investment Development Strategy also has an action plan with an implementation timeline and measurable targets. For example, the strategy states the objective of training about 2 000 young potential entrepreneurs in how to start a business by the end of the implementation period (2020).

In the Federation of Bosnia and Herzegovina, the 2016-18 action plan for its 2009-18 SME strategy document also includes measurable targets for each action. For example, the strategy foresees strengthening the visibility of BSSs through promotional events and the media to inform more SMEs about available services. For this measure, the action plan aims for a 10% increase by 2018 in SMEs applying for BSSs delivered by the Federal Ministry of Development, Entrepreneurship and Crafts (FMRPO). The action plans accompanying the newly adopted SME strategy of North Macedonia and the Republika Srpska’s 2016-20 SME development strategy include dedicated actions to improve BSS provision. However, although these actions are associated with monitoring indicators, they do not include measurable targets. For example, the action plan of the Republika Srpska’s 2016-20 SME development strategy foresees the Republic Agency for the Development of Small and Medium Enterprises (RARS) establishing a mentoring system. This action is associated with monitoring indicators such as “trained mentors” or “supported SMEs”, but it does not specify how many mentors should be trained or how many SMEs supported by 2020.

Not all the strategies are based on proper training needs analysis

Tailoring BSS provision to both SMEs’ needs (the demand side), and to the existing BSS market (the supply side), is essential if the effectiveness of government-provided support is to be maximised. In many WBT economies, chambers of commerce or the public employment agencies have captured SMEs’ training needs to some extent, for example through employers’ surveys, but fully fledged training needs analyses conducted by the public institution with responsibility for SMEs in order to improve the BSS offer are rare.

In Turkey, at the time of writing, two major strategy documents frame BSS provision: the Entrepreneurship Strategy 2015-2018 and the SME Strategy 2015-2018. Both were built on the overall 2023 vision for Turkey and its 10th Development Plan and both strategies were elaborated with dedicated working groups from the Small and Medium Enterprises Development Organization of Turkey (KOSGEB), which followed ISO 9000 standards, thus assuring stakeholder input. In particular, during the preparation of the SME Strategy, the KOSGEB Working Group conducted an Internet-based survey of 3 697 SMEs, which
helped to identify challenges and priorities for the design of BSSs. KOSGEB’s actions are based on its 2016-2020 Strategic Plan, which also benefitted from a stakeholder analysis conducted via an Internet-based survey with 864 respondents, of which 728 were SMEs and provided information on KOSGEB’s BSSs. Together with interviews of SMEs, both initiatives helped to map Turkey’s BSS supply and demand.

In Serbia, the Development Agency of Serbia (RAS) conducted a training needs analysis of SMEs in 2016. RAS surveyed 159 micro, 112 small and 14 medium-sized enterprises. Similarly, the Kosovo Investment and Enterprise Support Agency (KIESA) funded a training needs analysis in 2017. This analysis was based on a survey of 600 micro, 150 small, and 50 medium-sized enterprises. Although these studies’ findings have not yet resulted in any changes to the BSS provision by KIESA or RAS, the analysis has the potential to help them and other relevant institutions in Kosovo and Serbia to tailor their BSS supply better to SMEs’ needs in the future.

In Montenegro and North Macedonia, the SME policy framework has benefitted from some market research into the supply of BSSs to SMEs. Montenegro’s Ministry of Economy, in co-operation with the United Nations Industrial Development Organization (UNIDO), mapped BSS providers in 2017 and created a spreadsheet containing information on more than 300 BSS providers (both public and private). The spreadsheet is available online on the ministry’s website (Ministry of Economy of Montenegro, 2017[12]). Following the expiry of its previous five-year national SME strategy in 2013, North Macedonia eventually adopted the National Small and Medium Enterprise Strategy 2018-2023. The preparation of the strategy benefitted from the support of the International Labour Organisation, which conducted a national SME survey in 2018, and from a report by the State Audit Office, which included recommendations for BSS provision. It also includes a brief recap of the BSS market.

In Albania, the Business and Investment Development Strategy 2014-2020 is based on an assessment of the existing situation including the main challenges faced by potential entrepreneurs starting a business. Over this assessment period, however, the relevant public institutions in Bosnia and Herzegovina have not conducted any training needs analyses.

Public institutions differ in the range and scope of services they offer

Business support services cover a wide range of activities designed to improve the beneficiary’s performance, including providing general information on business topics; training, mentoring and consulting; and services tailored to SMEs.

Public institutions provide BSSs to SMEs in all the WBT economies, which all have one dedicated institution responsible for BSS provision to SMEs (Table 5.5). Other public institutions (economy and agriculture ministries, public employment agencies, etc.) also provide BSSs, some of which may be sector specific.
Table 5.5. Dedicated institutions responsible for BSS provision in the WBT economies

<table>
<thead>
<tr>
<th>Economy</th>
<th>Dedicated institution responsible for BSS provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALB</td>
<td>Albanian Investment Development Agency</td>
</tr>
<tr>
<td>BIH</td>
<td>Republic Agency for the development of Small and Medium Enterprises (FBiH)</td>
</tr>
<tr>
<td>RS</td>
<td>Republic Agency for the development of Small and Medium Enterprises (Kosovo Investment and Enterprise Support Agency)</td>
</tr>
<tr>
<td>KOS</td>
<td>Kosovo Investment and Enterprise Support Agency</td>
</tr>
<tr>
<td>MKD</td>
<td>Agency for the Promotion of Entrepreneurship</td>
</tr>
<tr>
<td>MNE</td>
<td>Ministry of Economy - Directorate for Investments, Development of Small and Medium Enterprises and Management of EU Funds</td>
</tr>
<tr>
<td>SRB</td>
<td>Development Agency of Serbia</td>
</tr>
<tr>
<td>TUR</td>
<td>The Small and Medium Enterprises Development Organization of Turkey</td>
</tr>
</tbody>
</table>

General information on business topics (such as relevant legislation or how to create a business plan) is uniformly provided on the relevant public institutions’ websites in the WBT economies. However, as Table 5.2 shows, only SMEs in Bosnia and Herzegovina (in the Republika Srpska), Montenegro, North Macedonia, Serbia, and Turkey accessed training or mentoring and consulting in 2017.

Turkey has a well-developed and extensive landscape of public BSSs for SMEs. The provision of BSSs through the public sector has a wide geographical reach and is varied, providing different forms of support for SMEs in different sectors and at different stages of their development. In addition to private sector providers and chambers of commerce, SMEs in Turkey benefitted from 14 public institutions providing more than 90 financial and non-financial support programmes in 2018. KOSGEB is Turkey’s dedicated public institution for the provision of BSS to SMEs, while other major public BSS providers include the Ministry of Industry and Technology, the Ministry of Trade, the Scientific and Technological Research Council of Turkey (TÜBİTAK), Turkey’s 26 development agencies, and its Enterprise Development Centres. In addition to its headquarters in Ankara, KOSGEB is present in all of Turkey’s 81 provinces, with a total of 173 physical offices. For example, with its Applied Entrepreneurship training, KOSGEB provides, free of charge, a minimum of 46 hours of theoretical training and 24 hours of workshops on subjects such as business plan development, market analysis and entrepreneurial skills. This training has a strong geographical reach since it is carried out by different institutions and organisations (municipalities, professional associations, higher education institutions, development agencies, etc.) across Turkey. Beneficiaries who complete the training are also eligible to apply for KOSGEB’s New Entrepreneur Support programme (see section on co-financing below).

In 2016, Serbia established the Development Agency of Serbia (RAS), replacing the Serbia Investment and Export Promotion Agency and National Agency for Regional Development. Serbia has made much progress in increasing the reach of its BSSs. While there were only two accredited regional development agencies (RDAs) in 2012 (OECD et al., 2016[13]), today 16 RDAs provide BSSs to SMEs throughout Serbia. These accredited agencies implement the “standardised set of services” programme through which they provide SMEs with information, training, advisory services and mentoring, and promote entrepreneurship. The mentoring support provided within the standardised set of services programme is particularly noteworthy. Since 2016, this free-of-charge programme is open to SMEs or co-operatives which have been operating for up to three years or are at a critical time for their further development or survival in the market (see Box 5.1). The programme’s methodology was conceived by RAS in collaboration with the Japan International Cooperation Agency (JICA).5
The Agency for the Promotion of Entrepreneurship (APPRM) is the main public institution in charge of providing BSSs to SMEs in North Macedonia. It also co-ordinates BSS delivery through North Macedonia’s seven regional entrepreneurship centres. APPRM organises one-day workshops for SMEs with the general aim of improving their competitiveness. It also organises one-day training courses on management practices and business plan preparation to high school and university students. In Montenegro, the Directorate for Investments, Development of Small and Medium Enterprises and Management of EU Funds (the Directorate) was set up in January 2018 as a result of a larger restructuring process with the objective of providing SMEs with a one-stop shop for BSS provision. The Directorate provides training and mentoring to SMEs. Completing this training is a prerequisite for accessing loans from the Montenegrin Investment Development Fund (IRF) under the Support to Entrepreneurship Development programme. In the Republika Srpska in Bosnia and Herzegovina, the Republic Agency for the Development of Small and Medium Enterprises (RARS) delivers occasional one-day training courses on developing a business plan.

Bosnia and Herzegovina and Montenegro also benefitted from the first phase of JICA’s Establishment and Promotion of Mentoring Service for SMEs in the Western Balkans project, which ran between 2013 and 2016. Since then, the Ministry of Economy of Montenegro has also been providing mentoring services to SMEs. In Bosnia and Herzegovina, 16 mentors were trained at the Sarajevo Economic Region Development Agency (SERDA) and about 100 SMEs have benefitted from its mentoring support over the last three years (SERDA, 2018[14]). In 2018, in the Federation of Bosnia and Herzegovina, the FMRPO published a call for interest in this free-of-charge mentoring programme on its website, while in the Republika Srpska, RARS has been in the process of training future mentors. North Macedonia joined these economies in the second phase of the JICA project, which runs from 2017 to 2020. In 2018, APPRM published on its website the first call for interest in this free-of-charge mentoring programme. In all these economies, the mentoring support follows the same methodology implemented by RAS in Serbia (see Box 5.1).

Box 5.1. The standardised mentoring service provided by the Development Agency of Serbia

**Background**

The Development Agency of Serbia’s (RAS) mentoring programme is designed to provide timely, continuous mentoring support to SMEs and start-ups with growth potential at crucial stages of their business paths. The programme began in 2005 using a business support methodology developed by the National Agency for Regional Development in co-operation with the Japan International Cooperation Agency (JICA). In 2008, following a three-year pilot period that saw positive results, RAS standardised the programme and has run it ever since.

**Programme activities**

The mentoring programme has a sequence of four main steps: 1) diagnosis; 2) analysis and action plan (proposing measures to improve the business); 3) intervention (implementing the proposed measures; and 4) evaluation and tracking.

The programme allocates an expert mentor to spend a certain number of hours (from 25 to 50 hours per beneficiary) at the beneficiary’s premises. The mentor and the SME’s
director jointly conduct a diagnosis to understand the business’s operations, the reasons for any current problems or obstacles to further development, and the areas with the most growth potential. Based on the factors identified, the mentor and the beneficiary prepare a plan/development project. The business support plan could potentially relate to any functional area of the enterprise, including organisational structure; human resources management, financial management, logistics and distribution, production-technological processes, intellectual property and quality systems. Depending on the need, the mentor could also refer the SME to more specialised consulting services.

Impact

- 2005-06: 37 civil servants received certified training by JICA
- 2006-09: more than 700 businesses supported
- 2011-12: 268 SMEs supported
- 2013-14: 213 SMEs supported
- 2015-16: 204 SMEs supported
- 2017: 253 SMEs supported.

Results and feedback from SMEs (up to 2015)

- 99% of beneficiaries completed the entire programme
- 92% of beneficiaries felt there was a positive impact on some aspect of their business
- 95.2% of beneficiaries accepted almost all the proposed measures to improve their business.

It is also worth noting that the programme gave a significant number of RAS personnel the opportunity to upgrade their skills and knowledge. This professional development has had a positive impact on the RAS and, in turn, enabled the agency to provide long-term support to the national SME base via the same trained civil servants.

The programme also helped to raise awareness among Serbian SMEs on the importance and benefits of expert advisory support and non-financial business support schemes.


KIESA in Kosovo and AIDA in Albania do not directly deliver or organise training for SMEs. While KIESA provides a co-financing voucher scheme for SMEs to use with private consultants, SMEs in Albania can receive funds for training from one of AIDA’s four operational funds (see Sub-dimension 5a.2 below). The Federation of Bosnia and Herzegovina has no public agency at the entity level to provide training or mentoring to SMEs. This function is carried out by the Federal Ministry of Development, Entrepreneurship and Crafts (FMRPO) and regional development agencies (such as SERDA for example). While the FMRPO did not directly deliver training to SMEs in 2017, it provided information on relevant legislation and offers co-financing schemes (see Sub-dimension 5a.2 below). As mentioned above, it will provide mentoring services to SMEs in the future.
All the WBT economies provide some dedicated support to start-ups, but this is delivered through different channels and takes different forms. In the Republika Srpska, Montenegro, North Macedonia, Serbia and Turkey, the public SME agency (or the Directorate in Montenegro) directly delivers relevant training for start-ups free of charge. Albania, Kosovo and the Federation of Bosnia and Herzegovina do not deliver relevant training for start-ups directly via the public SME agency (or the FMRPO in the case of the Federation of Bosnia and Herzegovina), but start-ups can apply for co-financing of training and equipment under dedicated grant schemes. The SME agencies in Serbia and Turkey also provide co-financing support to start-ups for equipment. Business incubators can be found in all WBT economies (see Chapter 10 on innovation policy for SMEs).

Providing SMEs with easily accessible and centralised information about the government BSSs available remains an area for improvement in most WBT economies. Private sector interviews conducted for this assessment demonstrated that many SMEs across the WBT economies were not always aware of the BSSs that their respective governments provided. In all the economies, information on the available BSSs can be found online but the information is often scattered between the different institutions providing support to SMEs, rather than all being on the SME agency’s website (or the website of the main institution providing BSSs). The exceptions are North Macedonia, the Republika Srpska in Bosnia and Herzegovina, Serbia and Turkey, which have all established dedicated web pages providing a single source of information on BSSs available from all government institutions. According to data provided by KOSGEB for this assessment, at the time of writing its database held the details of more than 1.4 million SMEs – about 45% of all Turkish SMEs – which had either been informed about or applied for KOSGEB’s BSSs.

**Government services are monitored internally, but the results are not widely used to improve provision**

While government-provided BSSs are monitored by the SME agency or relevant public institution in all WBT economies, only Montenegro, Serbia and Turkey have adjusted their programmes based on the monitoring results. In all WBT economies, the SME agencies, or relevant public institutions leading the provision of BSSs, compile annual performance reports. These reports are publicly available in all the economies except Albania, and Bosnia and Herzegovina. In Kosovo, KIESA submits its annual report to the Ministry of Trade and Industry, which feeds the relevant information and data into annual government reports.

Only Serbia and Turkey collect comprehensive feedback from SMEs on the effectiveness and quality of public BSSs. In Montenegro, the Directorate uses surveys to collect feedback from participants in mentoring sessions, but not from SMEs which received other services. AIDA in Albania and KIESA in Kosovo use surveys to collect SMEs’ feedback on their co-financing schemes, although neither agency used the findings to adapt its BSSs. SMEs in the Federation of Bosnia and Herzegovina which benefitted from co-financing under the Strengthening the Competitiveness of SME scheme need to report on the use of the grants, but are not asked how satisfied they are with the scheme in general. In North Macedonia and the Republika Srpska in Bosnia and Herzegovina, there are no formal mechanisms to collect feedback comprehensively from public BSS beneficiaries, or to use this information to adapt BSS provision accordingly.

The WBT economies’ BSS provision in general, and particularly their co-financed BSSs, undergoes financial auditing by the state institutions. For example, since its adoption in 2003, Turkey’s Public Financial Management and Control Law has regulated the
financial auditing practices for public institutions, among other things. Following this law, KOSGEB’s BSS provision is regularly audited internally by KOSGEB’s monitoring unit, while Turkey’s State Aids Monitoring and Supervision Board audits the programmes externally.

However, while financial auditing is a prerequisite for assuring that public resources are being spent to meet governments’ objectives, it is no substitute for a fully fledged independent review of a service’s delivery and its impact. None of the seven WBT economies have given their publicly provided BSSs the opportunity to benefit from an in-depth review conducted by an independent entity – i.e. by an institution not responsible for the design or implementation of the services. Only Albania has benefitted from an independent review conducted by independent experts and supported by the Gesellschaft für Internationale Zusammenarbeit (GIZ), but this review dealt exclusively with the support funds (co-financing) provided by AIDA (see the monitoring and evaluation of Sub-dimension 5a.2 below). In Turkey, impact assessment studies of some of KOSGEB’s programmes are undertaken, but only KOSGEB’s Design Support was evaluated during the assessment period (Box 5.2).

**Box 5.2. Impact assessment of KOSGEB’s Design Support**

In contrast to the rest of the region, Turkey has an impact assessment body – although its investigations into KOSGEB’s programmes have been limited in extent. The Department of Impact Assessment under the Ministry of Industry and Technology undertakes impact assessment studies for a number of entities including KOSGEB. A recent assessment completed in 2018 focused on KOSGEB’s Design Support programme.

**The programme**

KOSGEB’s Design Support is provided under KOSGEB’s General Support Programme. It aims to improve SMEs with access to KOSGEB support schemes, help upgrade the quality and efficiency of their products, incentivise their business development activities to enhance competitiveness, and facilitate their promotion and marketing activities to increase their market shares both domestically and globally. Between 2011 and 2017, the number of enterprises benefitting from Design Support increased from 10 to 91, while the amount of funds provided increased from TRY 16,800 (EUR 6,462) to TRY 241,955 (EUR 57,610).

**Assessment findings and recommendations**

The impact assessment analysed KOSGEB’s Design Support against criteria recommended by the OECD and the EC, i.e. the programme’s relevance, effectiveness, efficiency, impact and sustainability. The main findings and recommendations of the assessment were as follows:

- The majority of enterprises would still implement their design projects even if the support programme was discontinued.
- Most of the Design Support was used for firm-level product design rather than design efforts to enhance the firms’ competitive edge.
- For the future of the programme, it is important to determine the specific areas in which firms need support in their design projects.
- The Design Support Programme should be better promoted, and preferably as a
stand-alone programme rather than as part of the General Support Programme.

- An efficient monitoring and guidance mechanism should be established to ensure the successful implementation and termination of projects. Monitoring reports should be provided regularly to the beneficiary as feedback.
- *Ex-ante*, interim and *ex-post* evaluations should be made, on the basis of which adjustments should be made and new programmes be designed as necessary.

*Sources:* Information received from the Industry and Productivity General Directorate, Ministry of Industry and Technology of Turkey.

The way forward for business support services provided by the government

While all the WBT economies have made progress in the government provision of BSSs, policy makers could consider the following recommendations to further improve their programmes’ performance:

- **Analyse the need for and supply of BSSs more effectively and regularly** to fill the gaps in BSS provision, better target the support provided and create more effective BSS provision systems. This should be done in co-operation with chambers of commerce or SME associations. The responsible institutions should make sure that BSS programmes and initiatives are tailored to the characteristics and dynamics of micro and SME beneficiaries, as well as to the industry sector they belong to, their stage of development and their actual experience in the market.

- **Strengthen the monitoring and evaluation** of BSSs provided through the government. This is of paramount importance for increasing the effectiveness of BSS initiatives, related public sector programmes, and public budget allocation and spending. The OECD Framework for the Evaluation of SME and Entrepreneurship Programmes and Policies provides a tool to guide policy makers (see Box 5.3). In addition, capacity building initiatives and training programmes for public sector advisers and managers to further strengthen their existing expertise in SME development would have a positive impact on future BSS design, thus helping to better match supply and demand.

- **Provide easier access to information on BSSs** to stimulate SMEs’ uptake of support. Due to the large number of support agencies and business associations, the provision of information on BSSs is at times confusing and fragmented. Policy makers in the WBT economies should increase co-ordination among the various information channels and develop a common communication strategy. Ideally, information on BSSs should be provided centrally through a single portal.

Box 5.3. Effective monitoring of SME and entrepreneurship programmes and policies

The OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes provides a six-step approach to effective monitoring (Table 5.6).
Table 5.6. The six steps to approaching monitoring and evaluation

<table>
<thead>
<tr>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step I</td>
</tr>
<tr>
<td>Step II</td>
</tr>
<tr>
<td>Step III</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact assessment and evaluation (note that these are not necessarily sequential)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step IV</td>
</tr>
<tr>
<td>Step V</td>
</tr>
<tr>
<td>Step VI</td>
</tr>
</tbody>
</table>


In general, the following elements should be ensured for effective monitoring of SME policy and programmes:

- **Clear policy objectives**: in practice many policies have only vague objectives, which makes evaluation difficult, particularly in cases where there are multiple objectives.

- **A complete overview of the full policy mix**: it is important to have a clear understanding of the policy levers implemented and the possible interactions of the potential outcomes of different policies, as some instruments may be complementary on the one hand or may undermine one another on the other hand.

- **Good data**: poor data quality is sometimes the main reason why studies fail to find any statistically significant effect of evaluated policies. More and better measures can not only widen the scope of the evaluation, but also improve its precision.

- **Widening the focus beyond outcome**: There are several other variables for policy makers to consider that could play an important role in explaining the BSSs’ effectiveness. These include the eligibility criteria, the targeted sample, the spatial unit of reference (e.g. regions or municipalities), and how agents are informed about the policy.

- **A commitment to evaluation as an integral part of the policy-making process**: a monitoring and evaluation culture should permeate all stages of policy design, implementation, and reform.


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

BSSs provided by the government can be pivotal in enabling SMEs, particularly micro and small enterprises, to take advantage of crucial support that they otherwise would not be able to access either because of an underdeveloped private BSS market (on the supply side) or limited resources (on the demand side). Economies with insufficient BSS supply, especially in areas deemed to be less profitable by the private sector, and with low
demand for BSSs, therefore benefit substantially from government intervention (OECD, 2018[11]).

However, “international experiences suggest that private institutions can have more credibility with SMEs and may be more responsive to the market” (OECD, 2018[11]). Governments intervening too strongly in BSS provision can distort markets by crowding out private sector providers (OECD, 2018[11]). According to international donor agencies, sustainable business support services are best achieved when delivered by the private sector on a user-pay basis (Committee of Donor Agencies for Small Enterprise Development, 2001[18]). However, the government can facilitate demand – for example by providing information such as on relevant legislation and BSS providers (OECD, 2018[11]) – or targeted financial incentives such as co-financing mechanisms or vouchers for purchasing private services (OECD et al., 2016[13]). In addition, governments should regulate the BSS market, e.g. through quality standards and certification (OECD et al., 2016[13]).

This section assesses government initiatives to stimulate private BSS development in the WBT region, again in three thematic blocks. First, it considers how these services are planned and designed, with appropriate strategy documents and action plans. Second, it looks at implementation, with a particular focus on co-financing schemes – but also whether there are any quality-control mechanisms for private providers and sources of information on BSSs. Finally, it examines whether programmes to stimulate private BSS development are regularly monitored and evaluated, including independent evaluation by external experts.

Overall, the WBT economies’ implementation performance is weakest compared to both planning and design, and monitoring and evaluation (Table 5.7).

Table 5.7. Scores for Sub-dimension 5a.2: Government initiatives to stimulate private business support services

<table>
<thead>
<tr>
<th></th>
<th>ALB</th>
<th>BIH</th>
<th>KOS</th>
<th>MKD</th>
<th>MNE</th>
<th>SRB</th>
<th>TUR</th>
<th>WBT average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and design</td>
<td>5.00</td>
<td>4.43</td>
<td>5.00</td>
<td>3.86</td>
<td>5.00</td>
<td>4.43</td>
<td>5.00</td>
<td>4.67</td>
</tr>
<tr>
<td>Implementation</td>
<td>3.43</td>
<td>3.64</td>
<td>3.29</td>
<td>4.86</td>
<td>3.86</td>
<td>3.57</td>
<td>4.29</td>
<td>3.85</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>5.00</td>
<td>3.50</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.07</td>
</tr>
<tr>
<td>Weighted average</td>
<td>4.21</td>
<td>3.85</td>
<td>3.94</td>
<td>4.39</td>
<td>4.23</td>
<td>3.91</td>
<td>4.44</td>
<td>4.14</td>
</tr>
</tbody>
</table>

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

All SME strategy documents include measures to encourage private service provision

Measures to stimulate the provision of BSSs by private sector providers (such as co-financing schemes or vouchers) are included in the SME strategies and/or relevant strategy documents in all WBT economies.

Albania, Kosovo (draft at the time of writing), Montenegro and Turkey all have relevant strategy documents with an action plan detailing implementation timelines and including measurable targets, thus facilitating effective monitoring. In addition, the action plan of
the strategy for the Development of Small and Medium Enterprises in the Federation of Bosnia and Herzegovina 2016-2018 also includes measurable targets.

North Macedonia, the Republika Srpska in Bosnia and Herzegovina, and Serbia are trailing behind the rest of the region. While North Macedonia’s Competitiveness Strategy 2016-2020 and newly adopted SME Strategy include an action plan with monitoring indicators, they do not provide measurable targets. Likewise, the action plan of the SME Development Strategy of the Republika Srpska 2016-2020 includes monitoring indicators, but not measurable targets. As already mentioned above, the most recent action plan for Serbia’s SME Development Strategy 2015-2020 expired in 2016 and has not yet been renewed.

**Co-financing schemes for private business support services are available across the region**

All WBT governments support BSS provision through private sector providers (i.e. via a co-financing scheme for consultancy services or training), and they have all mobilised a budget for initiatives to stimulate BSS provision by the private sector.

In developing economies, “private sector [BSS] providers often depend on donor support to deliver [BSSs], however, when the project ends, so does the [BSS], which results in discontinuity in [BSS provision] to entrepreneurs and SMEs” (OECD, 2018[11]). Ensuring that co-financing schemes for private sector BSS provision do not rely too heavily on donor support can mitigate this risk. In Albania and the Federation of Bosnia and Herzegovina, the funds allocated to stimulating private sector BSSs are relatively equally balanced between the government and donors. In Kosovo, Serbia and the Republika Srpska in Bosnia and Herzegovina, the funds also benefit to some extent from donor support. Initiatives for stimulating private sector BSSs are fully government funded in Montenegro, North Macedonia and Turkey.

All the WBT economies have operational co-financing mechanisms, which usually have clearly defined structures and eligibility criteria. For example, in Albania, AIDA details the eligibility criteria, the co-financing mechanism and the payment methods for each of the four operational funds it managed in 2018: 1) the Competitiveness Fund; 2) the Fund for Start-up Enterprises; 3) the Creative Economy Fund; and 4) the Innovation Fund. All of the funds have a co-financing mechanism with a clearly defined structure.7 For example, an SME accepted by the Fund for Start-up Enterprises, which had a budget of ALL 10 million (Albanian lek; approximately EUR 77 760) in 2018, can be co-financed for up to 70% of acceptable costs up to a limit of ALL 500 000 (EUR 3 888). Admissible costs include: 1) investment in equipment and technology for promoting a product or service; 2) marketing and product promotion; 3) qualifications and training in entrepreneurship skills; 4) web design and publishing promotional material; and 5) attendance at trade fairs or exhibitions in Albania or abroad as a visitor or exhibitor. An SME accepted by the fund receives 50% of the funding at project approval and 50% upon completion of the project against invoices of expenses.

In Turkey, KOSGEB operates co-financing schemes under its General Support and New Entrepreneur Support programmes. For example, under the General Support programme SMEs can benefit for three years from co-financing for 15 types of support, including consultancy support, and training support. Each type of support has an upper limit: consultancy support is limited to TRY 22 500 (around EUR 5 360), while the upper limit for training support is fixed at TRY 20 000 (around EUR 4 760). The co-financing rate for all types of support is fixed at 50%, 60% or 70% of admissible costs, depending on
the region the SME is registered in, with more support given to SMEs in less developed regions, mostly in Turkey’s eastern and south-eastern provinces. Similarly, the co-financing rate under KOSGEB’s New Entrepreneur Support programme depends on the region the SME operates in. KOSGEB also provides more favourable co-financing rates for women entrepreneurs, disabled entrepreneurs and other specific or more vulnerable categories.

In Kosovo, KIESA operated two voucher schemes in 2017, one for consultancy services and one for product certification. The total amount allocated to both voucher schemes in 2017 was EUR 50 000 (EUR 25 000 for consultancy vouchers and EUR 25 000 for production certification vouchers). The consultancy voucher covers 50% of the cost up to the maximum subsidy amount of EUR 50 per day. The beneficiary is required to cover the consulting costs in full and is reimbursed after project completion. Consultancy support is limited to a maximum of 12 days: up to 10 days for consultancy, 1 day for evaluation (diagnosis) of the beneficiary enterprise status and 1 day for concluding reporting. KIESA co-finances product certification in the construction, metal processing, and wood and furniture processing sectors. Product certification is co-financed at a rate of 75% with an upper limit of EUR 10 000. Beside these schemes, KIESA launched a new co-financing scheme in 2018, which co-finances SMEs’ purchases of machinery for production purposes by up to 75%. The budget for this scheme was EUR 1.5 million in 2018 and 36 SMEs had already benefitted from it at the time of writing.

In Serbia, under the Create Life programme, start-ups can benefit from a dedicated start-up programme, implemented by RAS in co-operation with accredited RDAs. The programme consists of two stages. In the first stage, start-ups must complete training before being eligible to apply for the second stage, which provides co-financing for the purchase of fixed assets, adaptation and/or reconstruction of business premises, supplies, and raw materials. In 2017, the total available funds for the programme amounted to RSD 120 million (Serbian dinars; approximately EUR 988 500). Start-ups can benefit from up to RSD 1 million (approximately EUR 8 240) and the programme co-finances 70% of eligible project costs for production and processing activities and 50% of eligible project costs for services.

In Bosnia and Herzegovina, as noted above, BSS programmes are designed and implemented at the entity level. In the Federation of Bosnia and Herzegovina, under the Strengthening Competitiveness of SMEs programme the FMRPO provides co-financing of 50% of eligible costs to SMEs in three areas: 1) technological improvement, improvement of product quality and standardisation of business and production processes; 2) training; and 3) market access and product promotion. In 2017 the budget for the first area was BAM 1.2 million (Bosnia and Herzegovina convertible marks; around EUR 612 250), BAM 250 000 (around EUR 127 560) of which was funded by the EU; BAM 500 000 (EUR 255 100) for the second area, with BAM 200 000 (around EUR 102 100) financed by the EU; and BAM 300 000 (EUR 153 100) for the third area. The upper limits for support are fixed at BAM 38 000 (EUR 19 400) for the first area, BAM 17 000 (EUR 8 675) for the second area and BAM 10 000 (EUR 5 110) for the third area. Entrepreneurs under the age of 35 and women entrepreneurs have preferential access to this programme. In the Republika Srpska, RARS provides co-financing for consultancy support within the Consultant Network programme, covering 50% of eligible costs. The total amount allocated to this programme in 2018 was BAM 38 000 (EUR 19 400). The upper support limit was fixed at BAM 3 000 (EUR 1 531).
In Montenegro, co-financing is available to SMEs under the nine Business Stimulating programmes. For example, under the Innovation Enhancing in SMEs programme, SMEs in the processing industry which meet certain criteria can receive co-financing for 50% of consultancy costs, up to an upper support limit of EUR 3 500 in 2017. In North Macedonia, the APPRM offers a voucher scheme for consulting services. For 2018, it allocated a total budget of MKD 900 000 (Macedonian denars; around EUR 14 635) to this scheme, which addresses two target groups. It entitles SMEs to co-financing of 50% of consulting costs with an upper support limit of MKD 45 000 (EUR 732). SMEs with innovative projects – i.e. with the potential for developing new products, services or processes – are entitled to up to MKD 90 000 (EUR 1 463).

Quality control mechanisms, such as accreditation procedures for private sector providers, help ensure that the BSSs they deliver are of suitable quality. Despite their use of co-financing schemes, not all of the WBT economies have mechanisms in place to ensure the quality of the services performed. During this assessment period only the relevant public institutions in North Macedonia and Turkey made their co-financing schemes conditional on the use of accredited consultants.

SMEs can find information about private sector consultants from chambers of commerce in all the WBT economies. However, governments, through SME agencies or dedicated public institutions, can play an important role in helping SMEs identify the most suitable private BSS provider, without actually prescribing one particular service provider (Braidford and Stone, 2016[8]). Although the relevant public institutions in all WBT economies provide information on their co-financing schemes, only the Republika Srpska in Bosnia and Herzegovina, Montenegro and North Macedonia provide an online database of private sector consultants.

The relevant public institutions in all WBT economies monitor their co-financing schemes, but only Albania benefitted from an independent evaluation

The relevant public institutions in all the WBT economies monitor the implementation of their co-financing schemes, make information on programme beneficiaries publicly available and collect feedback on beneficiaries’ satisfaction levels (though this is not consistently collected in Bosnia and Herzegovina).

However, out of the seven WBT economies, only Albania has had the opportunity to benefit from an independent in-depth evaluation of its co-financing schemes. In 2017, supported by GIZ, independent experts conducted a technical evaluation of all the co-financing support mechanisms for SMEs Albania operated between 2013 and 2017. The resulting 70-page document (Memi and Shkodrani, 2017[19]) includes quantitative data on the uptake of each funding scheme (number of applicants and number of beneficiaries) and evaluates the funds’ administration based on two sources of qualitative information: 1) interviews with staff from AIDA and the Ministry of Finance and Economy, who were involved in the funds’ management, and interviews with applicants and beneficiaries; as well as 2) a questionnaire distributed to 50 SMEs. Based on the findings and international good practice examples, the evaluation provided general recommendations for all of the funds. It also detailed the strengths and weakness of each fund and for each weakness provided a recommendation on how to improve it.
The way forward for government initiatives to stimulate private business support services

In order to facilitate the growth of a diversified BSS provision market, policy makers in the WBT economies should:

- **Continue supporting the development of a sustainable market of private sector BSS providers.** The relevant public institutions in the WBT economies should keep running their co-financing schemes and, where relevant, gradually reduce their dependency on donor support. They should check that the eligibility criteria for their co-financing schemes are not so strict that they discourage SMEs from applying. Policy makers should also consider creating and regularly updating a database of private sector experts, specialists and consultants which is easily accessible to the public, and promoted among SMEs. Private sector providers included in this “official” database should be required to have a minimum level of experience and qualifications and, ideally, be accredited by recognised professional bodies. This would guarantee the quality of services delivered and would also encourage SMEs to be more enthusiastic in seeking privately delivered BSSs, with benefits for their performance and growth.

- **Boost co-financing scheme uptake by adapting them better to SMEs’ needs.** SMEs often do not take advantage of co-financing schemes. Korea’s SME Training Consortiums Program assessed SMEs’ training needs in order to provide them with tailor-made training, thus increasing programmes’ attractiveness and uptake (see Box 5.4).

**Box 5.4. The Korean SME Training Consortiums Program**

**Background**

The Korean SME Training Consortiums Program (later the National Human Resources Development Consortiums Program) was developed in response to the Asian financial crisis of 1997. This initiative was developed because small firms were failing to respond to financial incentives offered through a training rebate system.

Only 21% of SMEs, and only 4% of SME employees, were accessing training levy rebates, compared with 78% of larger firms, and 38% of employees of larger firms. Low participation levels among small firms suggested that the financial incentives were often insufficient to convince SMEs to train their workers (Woo Lee, 2016[5]). Larger enterprises often benefit more from a levy system as they have staff members who specialise in identifying training needs and organising training inside and outside the firm. Moreover, procedures to claim training rebates are often time consuming for SMEs.

**Programme activities**

In 2001, the Government of Korea tested a pilot in-service training project which organised industry and geographically determined groups of SMEs into training consortiums (TCs). The government provided each TC with financial support to hire two training managers, who were tasked with providing TC members with technical and institutional assistance to identify their training needs. Since the 2001 pilot programme, many entities, including employers’ associations, large enterprises and training
Institutions have participated in the programme.

In particular, local chambers of commerce have assisted groups of 30-50 SMEs in the same geographical area and industry to organise themselves into TCs and have also financed two training managers for each consortium. The training managers have established information networks including websites and email lists, conducted surveys of the training needs of SMEs by interviewing managers and workers, established contracts and collaborations with training institutions to develop curricula, and monitored training activities and conducted evaluation studies upon their completion. Despite some limitations, the pilot project was deemed a success and the government scaled up the initiative.

Obstacles encountered

The project was initiated with the expectation that SME members of each TC would be part of the same sector or industrial association. However, as the number of TCs increased, they lost homogeneity and solidarity among member SMEs. The TCs started including SMEs from multiple industrial sectors, which prevented training managers from effectively organising training courses and arranging specialised training.


- **Strengthen the monitoring and evaluation** of BSSs provided through co-financing schemes. This will be of paramount importance if the effectiveness of BSS initiatives is to be improved. An interesting example of the importance and benefits that regular monitoring and evaluation bring to the quality of BSSs is Italy’s NIBI-Promos training portfolio (Box 5.5). This undergoes regular evaluation by independent external experts, with an obvious positive impact on service quality and effective strategy development and adjustments. It will also be important for WBT governments to cater for the independent and professional monitoring and evaluation of the services provided by private sector suppliers. This would not only ensure a minimum level of service quality and a greater impact on SME productivity, but also encourage SMEs to be more enthusiastic in seeking the benefits of privately delivered BSSs.

**Box 5.5. Italy’s NIBI-Promos programme: Doing Business Abroad with NIBI**

**Background**

The Nuovo Istituto di Business Internazionale (NIBI) was created in 2009 by the Milan Chamber of Commerce and Promos, a public agency dedicated to supporting SME internationalisation, in order to 1) provide high-level executive education on international business; 2) facilitate stakeholder dialogue, involving chambers of commerce and business associations; and 3) provide a stimulus to positively influence business practices, public policy making and social growth.

**Programme activities**

Since 2014, NIBI and Promos have been refining the training and support package they offer to Italian SMEs, bringing SMEs, private sector trainers and experts together under
the same roof.

Demand for training is analysed and SMEs’ needs assessed on a regular basis thanks to the intelligence gathered through the daily interactions between the chamber’s departments, including Promos and NIBI, with SMEs in all sectors of industry present in the region. Additional intelligence comes from information exchanged with chambers of commerce in other cities and regions which also keep in regular contact with their own local SMEs. This data collection exercise is complemented by surveys conducted by the Milan Chamber of Commerce to inform training design and content development.

The design of the training programme starts with the involvement of specialist trainers who develop the content in line with the analysis of these data, benchmarking, survey results and reviews of company profiles. The training programme is shared with participants beforehand through personal meetings or conference calls, which are also used to confirm participants’ attendance.

The training programme, designed to suit the needs of SMEs’ owners and managers, lasts two months, and it consists of five weekend modules, offered at an average cost of EUR 1 000 (plus value-added tax) for 8 hours of training. The cost covers teaching, facilities, classroom equipment and training materials. Over the 60 hours of the programme, participants familiarise themselves with the main tools and competences required to effectively operate internationally, including a review of the international economic context, business and investment opportunities, adequate marketing and entry strategies, and business culture in selected target markets.

The training programmes, developed in line with international quality standards, provide professional learning experiences. NIBI and Promos have been awarded CISQ-Certiquality accreditation, UNI EN ISO 9001:2008 and the SGQ Certificate.

The delivery has a practical and interactive focus, and is based on presentations, case studies, group work and real-life scenario analysis.

Impact

Over the last nine years, NIBI and Promos have supported over 5 000 managers and professionals from SMEs all over Italy. Participants’ learning outcomes from the training are:

- gaining familiarity with international markets, their features, dynamics, and policies
- gaining familiarity with international initiatives that support SMEs’ internationalisation (including tenders and calls for projects)
- conducting an international market analysis to identify opportunities for their company
- developing suitable and effective internationalisation strategies.

Participant satisfaction is measured during the training via a satisfaction questionnaire, while a final questionnaire is used to provide feedback on the entire programme. The level of skills increase is assessed via practical exercises during the training programme. An e-learning platform allows participants to assess their knowledge and skills level throughout the course of the programme.

Conclusions

Overall, the relevant public institutions in all the WBT economies have taken positive steps in this assessment period to improve the provision of business support services to SMEs.

They have all included measures to strengthen BSSs in their wider SME policy framework and have dedicated public institutions which assure their implementation. Some economies have made noteworthy efforts to improve their understanding of SMEs’ differentiated needs for services, or have benefitted from in-depth independent assessments of their support. Most WBT economies have made information about BSSs more accessible, notably by establishing a single web portal which centralises information about the BSSs available from different institutions.

However, this assessment also found that SMEs’ uptake of support services is still very low in most of the WBT economies. The relevant public institutions in all the economies should focus on the design of their BSS offer and use monitoring results to adjust their plans accordingly. In particular, they should make sure that they regularly assess SMEs’ demand for BSSs to ensure that the public offer corresponds to the characteristics and dynamics of their SME base, and that suitable support is available for different sectors and stages of development. Similarly, their BSS programmes should be monitored and evaluated against clear performance indicators, taking into account feedback from beneficiaries. They should also assess beneficiaries’ performance after support, by comparing them with a control group.

Addressing the recommendations put forward in this chapter will help the relevant institutions in the WBT economies to increase the return on their BSS programmes in terms of SME survival rates, productivity and employment generation.

Notes

1 Business support services can be defined as “non-financial services that enable companies to enhance their competitiveness and improve their performance across a wide range of activities. This includes the provision of specialist external advice and expertise to facilitate the enhancement of internal resources and capabilities” (OECD et al., 2016[13]; OECD, 1995[24]).

2 According to a search conducted by the OECD in the core collection of the Web of Sciences in 2017. For more information on the search parameters, see OECD (2017[1]).

3 In this SBA assessment cycle, in order to better understand how effective the SME policy implementation is and what its outcomes are, the assessment also included private sector insights gathered through a set of interviews with the owners and managers of SMEs and representatives from chambers of commerce in the Western Balkans and Turkey. The questions for this dimension aimed to assess the extent to which 1) SMEs had benefited from BSSs which were delivered or co-funded by a public institution; 2) SMEs were aware of publicly (co-) financed BSSs; and 3) BSSs (co-)funded by the government covered the areas needed by SMEs. They also covered SMEs’ perceptions of the quality, quantity and accessibility of publicly (co-)funded BSSs. See Annex C for more details.

4 For a description of the complex administrative set-up in Bosnia and Herzegovina and how this was handled in the scoring process, please refer to Annex B.

5 In 2013, the Japan International Cooperation Agency (JICA) launched the project on the Establishment and Promotion of Mentoring Service for SMEs in the Western Balkans in
co-operation with the ministries of economy and regional development agencies of Serbia, Bosnia and Herzegovina, and Montenegro. The objective of the project in Serbia has been to improve the mentoring system and to provide mentoring services in the whole of Serbia. The scope of the project in Bosnia and Herzegovina and Montenegro has been to improve the capability of SME support institutions and promote the development of local SMEs by introducing the mentoring service. The first phase of the project lasted until 2016. In 2017, JICA and the three economies launched the second phase of the project, which runs until 2020. The second phase also includes North Macedonia and seeks to develop or further enhance a mentoring system provided through development agencies in those four countries.

6 See Annex C for further information on these interviews.

7 For example, to benefit from the Fund for Support Start-up Enterprises, which had a budget of ALL 10 million (approximately EUR 79 640) in 2018, SMEs need to 1) be registered in the commercial register, for the first two years of activity; 2) be classified as an SME according to Law No. 8957; 3) be registered or have their main place of production within the territory of Albania; 4) have a business plan or a project and be able to duly implement the scheduled activities in timely fashion; 5) create a minimum of 1-3 new jobs in the 12 months from the moment they receive the funds; and 6) be able to finance 50% of all project costs in the application submission phase.

References


