

POLICY BRIEF 8

MEASURING THE SUCCESS OF POLICIES AND INSTRUMENTS FOR SUPPORTING SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)

PROJECT:

“PARTNERSHIP FOR SUCCESS OF
SMES SUPPORT INSTRUMENTS”

**THIS POLICY BRIEF FOCUSES
ON THE FINDINGS OF AN
OVERVIEW OF EUROPEAN AND
MACEDONIAN PRACTICES
FOR MONITORING THE
EFFECTIVENESS OF SME
POLICIES COUPLED WITH THE
RESULTS OF THE PILOTING
OF THE NEW MODEL
FOR MEASURING THEIR
SUCCESS IMPLEMENTED
IN FOUR MUNICIPALITIES
- CITY OF SKOPJE, SH TIP,
KUMANOVO AND PRILEP.
THE RESEARCH RESULTS ARE
ROUNDED UP WITH SPECIFIC
RECOMMENDATIONS FOR
IMPROVING THE PROCESS
OF CREATING POLICIES AND
MEASURES FOR SMES, AT
NATIONAL AND LOCAL LEVEL.**



Author: Management Consulting Association MCA 2000 – Skopje
www.mca-2000.org.mk

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Proofreading: Dejan Vasilevski

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INTRODUCTION

SMEs are a priority sector in our country given their impact on economic growth, job creation and improving the standard of living. Therefore, it is necessary for all relevant stakeholders to be actively involved in all stages of the creation, implementation and measurement of the effectiveness of policies, programs, measures and instruments for SME support. Additionally, the existing SME support instruments do not clearly define the indicators for assessing and measuring the success of their delivery. Thereby, there is a difference in the monitoring of the performance from the aspect of the national economy as a whole, from the implementers and from the users of the instruments.

It is necessary to integrate the three aspects and related indicators in order to constantly improve the instruments and the process of their delivery to the end users. For these issues of assessment and measurement of success, it is necessary to establish cooperation between the public, private and civil sector for a harmonized approach. In addition, it is necessary to develop a model that will meet this need for joint action of all relevant stakeholders.

The purpose of the conducted research is to contribute to strengthening the capacities for monitoring the SME competitiveness policies through developing and piloting a model for measuring the success of the support measures. The research was realized with the support of the re-granting program of the project “Strengthening Capacities and Mechanisms for Supporting Chapter 20 Reform Processes”.

From the aspect of the implementers, the key indicators are related to competitiveness, innovativeness, technological development, skills, entrepreneurship and access to finance.

From the aspect of the users of the instruments, the access to markets and finance is evaluated.

And from the aspect of the national economy, the key performance indicators are the number of newly created enterprises, the number of new employments and newly created value.

APPROACH AND CONCLUSIONS

THE MODEL IS A SET OF INDICATORS FOR MEASURING THE SUCCESS OF CERTAIN POLICIES, MEASURES AND/OR TOOLS FOR SME SUPPORT.

Indicators are monitored on three levels:

(a) Effects on the local economy (number of new firms and employments, newly created value, social product);
(b) Efficiency of support institutions (number of services, allocation of funds and covered users, time of approval, financial indicators);
(c) Relevance to SMEs (improvement of certain functions in the firm, access to new markets and finance, increased sales, securing qualified staff.

The importance of SMEs to the EU is reflected in the adopted strategic documents, and in particular in the Small Business Act.

The implementation approach is top-down, more specifically the European Commission adopts policies, programmes and instruments, and they go down vertically to national economies.

There is a clear consistency between the adopted instruments and the monitoring of the results of their implementation.

Measuring the success of the measures is supported by data on the cost effectiveness; more precisely how much euros as spent money bring additional income to SMEs and earnings for citizens.

The methodology of the conducted research included:

1. Analysis of European practices in support of SMEs.
2. Analysis of the scope and effectiveness of the programs of state institutions for supporting SMEs in the country.
3. Data analysis from piloting the model for measuring the success of SME support.
4. Developing recommendations and proposed measures for the improvement of the SME support.

Research findings are available in separate expert reports, and they were also discussed as part of the four workshops organized in the pilot municipalities - Skopje, Shtip, Kumanovo and Prilep. A manual for implementation of the model for measuring the success of SME support was also prepared, a document that presents the model developed within the project that should guide the institutions and other stakeholders in the process of its implementation.

According to the model, recommendations are proposed regarding:

- The need for involvement of civil society organizations in the planning and implementation of measures to support SMEs;
- The method of mobilizing funds to increase national / local economic growth and employment by supporting the work of SMEs;
- The forms of monitoring the success of policies through increased sales of SMEs, increased profitability, productivity and competitiveness;
- Potential partnerships for a larger involvement of SMEs in regional and national programmes, as well as encouraging the export from SMEs;
- The need for new services for SMEs to improve the national or local economy indicators.

Conclusions from the analysis of European practices and SME support instruments

- The SME sector is of great importance in achieving the EU's strategic goals for achieving faster growth and job creation.
- EU policies are followed by clearly defined programs for achieving strategic goals.
- The support instruments are divided into financial and non-financial and they supplement national policies to increase the competitiveness of the EU in relation to the main competitors in the world, i.e. USA, Canada, Australia and Asia.
- The success of the measures is monitored annually through the impact they have on the creation of new enterprises, new added value and new employments.
- The involvement of SMEs and civil society organisations is applied in the phase of identifying support needs, planning of policies and instruments, and measuring the satisfaction of the support provided.
- Policy and programme implementers are obliged to increase the efficiency and effectiveness of the measures in relation to the strategic objectives of EU 28 and in terms of the interest and need of SMEs to use the offered instruments.

Conclusions from the analysis of the national programmes for SMEs

- SME policies are not followed by clearly defined programs for achieving strategic goals. The approach to implementation is undefined (horizontal or vertical) and it is not entirely clear who is responsible for policies, and who is responsible for programs and instruments (to illustrate, the Ministry of Economy enacts policies, and at the same time implements measures).
- There is no clear obligation for coordination with civil society associations and organizations in the definition of instruments on an annual basis, and their role in the three basic phases of creating instruments is not clear: design and programming; implementation; and following the success of the programs.
- The success of the measures is monitored annually at the level of ministries and agencies, but without public access to reports. Therefore, it is difficult to see whether there is measurement of the success of the instruments and, if so, what is the method of assessing the measures.
- Measuring the success of the measures is not supported by data on cost effectiveness, more precisely for how much euros as spent money for managing programs generates what amount of additional revenue and employment by SMEs.

	Programme for Competitiveness, Innovation and Entrepreneurship (Ministry of Economy)	Programme for Entrepreneurship, competitiveness and innovativeness of SMEs (Agency for Promotion of Entrepreneurship)
(a) Allocation of funding	<ul style="list-style-type: none"> A total of 386,829 euros (2017) and 624,228 euros (2018); 65% of funds for direct support of SMEs, and others for indirect support; About 200 SMEs included in the program annually, 0.36% of the total number of SMEs; There are no data for support provided by sectors or regions 	<ul style="list-style-type: none"> A total of 65,000 euros each year; 31% of the funds relate to direct support of SMEs, and the rest to indirect support; About 40 SMEs included in the program annually; There are no data for support provided by sectors or regions.
(b) Programme impact	<ul style="list-style-type: none"> There are no analyses and evaluations of the impact on employment, growth, competitiveness and innovation; In the findings of the Audit Report 2014, it is a recommendation to monitor the data on the participation of SMEs in GDP, value added and employment as a result of government measures; There are no SME polls for their satisfaction with the support measures used. 	<ul style="list-style-type: none"> There are no analyses and evaluations of the impact on employment, growth, competitiveness and innovation; In the findings of the Audit Report 2014, there is a recommendation to monitor the data on the participation of SMEs in GDP, the added value and employment as a result of government measures; There is an SME survey regarding their satisfaction with the support measures used, and the report is not publicly available.
(c) Evaluation of achieved results	No evaluation of the achieved results has been presented in terms of: relevance, effectiveness, efficiency and coherence of the programme. The average time for approving funds is about six months. There are no data for cost effectiveness assessment.	
(d) Analysis of the effectiveness of costs allocated for programme management	The costs for managing the programmes are recorded within the budget of the ministries, so it is not possible to analyse the efficiency of the costs for programme management.	

Conclusions from the piloting in Shtip, Prilep, Kumanovo and Skopje

- There is a lack of relevant information that can confirm the success of any strategy, measure, policy or activity encouraged by institutions promoting SME support.
- Not enough SMEs are consulted, nor are influential civil society organizations involved in the procedures and methodology when drafting strategic documents at local level.
- Too few civil society organisations participate in the delivery of the Competitiveness Programme, as well as other strategic programmes, measures or action plans.
- There is no established model or method of measurement, nor have the success and efficiency of programmes, measures or action plans at the local level been measured in the last ten years and longer and the success of the SME sector at local level is also not measured.

<i>Involvement of SMEs and civil society organizations</i>	They are mostly involved in planning, but not in monitoring the implementation of support measures.
<i>Total amount of mobilized funds (budget, programmes and donors)</i>	There is no relevant report or register where they are recorded.
<i>Number of civil society organisations delivering services to SMEs</i>	There is no credible information on the number of civil society organisations delivering services to SMEs.
<i>Assessment of SME satisfaction with: the procedure and relevance of the support</i>	SMEs have serious, objective remarks regarding the accessibility of information on local self-government support, as well as on the ways of securing that support.

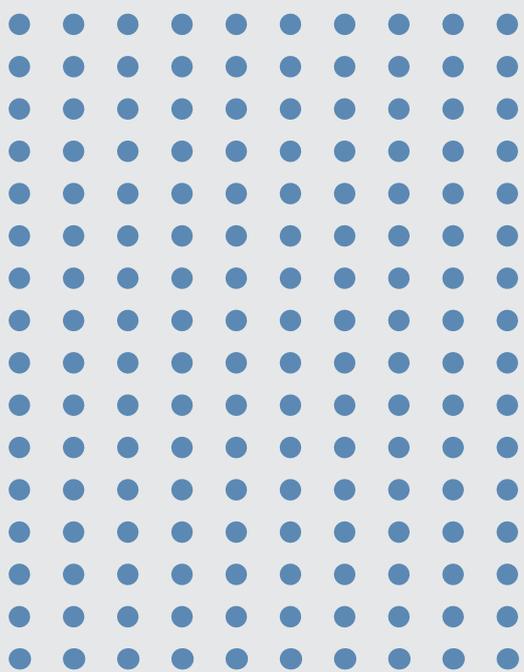
RECOMMENDATIONS FOR POLICY MAKERS

Recommendations for national policies

1. The support of SMEs should be directed from the bottom-up, with clear operationalization through programmes that would be vertically implemented to the level of municipalities.
2. The monitoring of the success should be periodic, at least once a year, through transparent reports that would identify the impacts on the country's strategic economic goals (GDP growth, employment and competitiveness) and the results achieved by SMEs as support users in terms of increased sales, access to finance and markets.
3. The involvement of SMEs and civil society organizations is necessary in the following areas: determining the growth needs, planning support measures, lobbying for efficient administration, and assessing the success of the offered measures for SMEs.
4. SME policies need to be upgraded with a clear obligation for transparency of the three key phases: design and programming, implementation and monitoring of programs.
5. Measuring the success of the measures should be supported by data on the cost effectiveness, in particular with how much euros as money spent for managing programmes generates what amount of additional revenue and employment by SMEs.

Recommendations for local policies

1. SMEs and civil society organizations should be involved in planning and implementing measures to support SMEs (municipal services, information, forms of communication, etc.).
2. Resources to increase local economic growth and employment should be mobilized by supporting the operation of SMEs, in particular through access to EU funds.
3. The success of local policies should be monitored; the increase in sales of SMEs should be measured, as well as the increase in profitability, productivity and competitiveness.
4. New services to support SMEs should be created in order to improve the indicators of the local economy.



POLICY BRIEF 8

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