

SME Policy Index for Western Balkans and Türkiye 2026

Regional Profile



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REGIONAL PROFILE

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Foreword

Small and medium-sized enterprises (SMEs) are a cornerstone of the economies of the Western Balkans and Türkiye, contributing 72% of regional employment and 64% of value added. Their ability to compete and integrate into markets will be a key determinant of regional productivity and growth, and of the pace of convergence with the European Union.

Efforts to strengthen SMEs' competitiveness and productivity take place in a rapidly evolving global environment. Accelerating digital transformation, and the transition to more sustainable production models are reshaping how firms compete, produce and integrate into markets, while heightened geopolitical uncertainty is affecting supply chains, investment flows and market access. These developments create new opportunities for SMEs, but also place greater demands on firms with limited resources to adapt, innovate and respond to shocks.

The seventh edition of the *SME Policy Index: Western Balkans and Türkiye* provides a comprehensive assessment of SME policy progress and challenges and offers reform pathways for the region's governments. This edition draws on good practices from OECD and EU member states, analyses interdependencies across policies shaping the SME ecosystem, helps identify cross-cutting policy bottlenecks and highlights where coordinated reforms can deliver the greatest impact.

The assessment identifies four interrelated priorities for policy action in the Western Balkans and Türkiye:

- **Strengthening SME policy effectiveness requires coherent policy frameworks and a consistent, evidence-based approach across the policy cycle.** While most economies have developed multiple SME-related strategies and instruments, these remain fragmented across institutions and policy areas, limiting coherence and implementation capacity. Addressing this will require stronger coordination, clearer institutional mandates and better prioritisation of existing frameworks. Strengthened monitoring and evaluation, alongside closer tracking of market dynamics, will be critical to improving responsiveness and ensuring support remains fit for purpose.
- **Enhancing green growth opportunities for SMEs also requires an emphasis on effective policy implementation.** Coordination across ministries and stakeholders should be strengthened, support schemes better aligned, and a balanced mix of financial and non-financial instruments are needed, alongside a stronger enabling framework for sustainable finance.
- **Advancing SME digital transformation requires moving beyond the adoption of basic digital tools towards their effective integration and productive use.** Currently, adoption remains concentrated in basic applications, with fewer than 25% of firms using more advanced solutions such as cloud computing and enterprise resource planning, and fewer than 15% using customer relationship management system. Policy approaches should combine accessible, demand-driven instruments for initial uptake with targeted support for scaling, integration and organisational change, alongside measures to strengthen digital capabilities and workforce skills.
- **Addressing labour and skills shortages is critical to competitiveness and for enabling the green and digital transitions.** Businesses across the region report persistent recruitment

difficulties, affecting between 40% and 75% of firms. These shortages reflect low participation in adult learning and structural mismatches between training systems and evolving labour market needs. Strengthening skills anticipation and improving the responsiveness of education and training systems will be essential to support adaptation to the ongoing economic transformation.

This report is a key output of the OECD South East Europe Regional Programme. It was developed through extensive dialogue and data collection with over 500 stakeholders across the region, and with the support of the European Commission.

This report reflects OECD's and the European Union's shared commitment to support the region in the shift from policy design to effective implementation and to help build a dynamic and resilient SME sector that is equipped to thrive in an increasingly complex global economy.



Mathias Corman

OECD Secretary-General



Marta Kos

EU Commissioner for Enlargement

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The primary authors of the report were: Benoit Dicharry, Tommaso Rucci, Rocco Salvadori, Merima Smajic and Sophia Katsira (Cluster 1 - Ensuring an enabling environment for SMEs and entrepreneurs), Dafina

* The designation of Kosovo is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Marashi (Cluster 2 - Fostering SME sustainability and resilience), Hana Aljevic (Cluster 3 - Supporting digital transformation of SMEs), Stephanie Lizzo (Cluster 4 - Harnessing human and social capital for SME development).

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Reader's guide

This reader's guide provides practical orientation for navigating the *SME Policy Index 2026* and interpreting its findings. First, it dives into the structure of the report, including novelties of this edition, and how the different components of the report can be used for distinct analytical purposes. Second, it offers guidance on how to read, understand and apply its findings in a policy context.

Overview of the SME Policy Index

The *SME Policy Index 2026: Western Balkans and Türkiye* is a benchmarking tool designed to support governments in assessing and strengthening policies for small and medium-sized enterprises (SMEs) and entrepreneurs. Its core value lies in generating comparable and structured evidence across economies and over time, thereby supporting more informed and evidence-based decision making. At the same time, the Index provides a harmonised framework that enables the tracking of reform progress and helps guide SME policy prioritisation in line with evolving EU and OECD standards and good practices.

The publication is composed of two main parts. The regional report presents cross-economy analysis, synthesising key trends across the Western Balkans and Türkiye (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia and Türkiye). Complementing this, seven economy profiles offer detailed assessments of individual performance, combining analysis of the current policy landscape with an overview of recent progress, persistent challenges and forward-looking reform priorities.

How to navigate the SME Policy Index report

Structure of the regional report

The regional report provides a synthesis of key SME policy trends, challenges and reform priorities across the region, offering a comparative perspective on progress and remaining gaps. It is structured to move from contextual analysis to thematic insights and, subsequently, to more detailed technical assessment.

It opens with an overview of recent economic developments across the region, together with key characteristics of the SME sector. This contextual framing is essential for interpreting the analysis that follows, as it situates policy developments within broader economic trends and structural conditions.

Building on this, the report presents regional key findings organised around four thematic clusters. These clusters bring together related analytical aspects within the respective policy dimensions (see Methodology Annex) to reflect the evolving economic landscape and to highlight cross-cutting issues affecting SME competitiveness and resilience across the region:

- **Creating an enabling environment for SMEs and entrepreneurs** assesses the extent to which regulatory frameworks, institutional arrangements and support programmes are adapted to SME needs and contribute to reducing administrative and operational burdens.

- **Fostering SME sustainability and resilience** evaluates policies that support firms in responding to economic shocks, transitioning towards greener business models and adapting to changing trade and environmental conditions.
- **Supporting the digital transformation of SMEs** examines the policy environment for digital adoption, including access to digital infrastructure, development of digital skills, uptake of emerging technologies and cybersecurity readiness.
- **Harnessing human and social capital** explores how policies support the development of skills and entrepreneurial competences across the life cycle, while also considering the role of the social economy in fostering a skilled and adaptable workforce.

Reader pathways

The *SME Policy Index* is designed to accommodate a range of analytical purposes and audiences. The following pathways provide guidance on how to approach the report depending on specific needs and priorities:

- **For economy-focused policy analysis** (e.g. policymakers, public administrations, national stakeholders), **the economy profiles offer the most direct entry point**. These chapters provide a consolidated view of SME policy performance within a given economy, including strengths, remaining challenges, and clearly articulated reform priorities supported by actionable recommendations and examples of good practice.
- **For regional or comparative analysis** (e.g. development partners, regional organisations, researchers), **the thematic clusters in the regional report provide a high-level overview** of common trends and shared constraints across economies. This approach facilitates identification of regional patterns and areas where co-ordinated action or peer learning may be particularly relevant.
- **For technical or dimension-specific analysis** (e.g. subject-matter experts, analysts, academia), **the dimension chapters provide detailed assessments** across all thirteen policy areas. These sections include granular scoring across sub-dimensions and policy-cycle stages, as well as explanations of the factors driving progress, stagnation, or decline. The Methodology Annex should be consulted alongside these sections to fully understand the underlying assessment criteria and scoring logic.

Novelties of this edition

The 2026 edition introduces several methodological and analytical enhancements aimed at improving both the robustness of the assessment and its policy relevance.

- **Cluster-based narrative:** This new approach strengthens the analytical framing by linking related policy areas and highlighting cross-cutting challenges. It improves usability for policymakers by presenting findings in a way that reflects how policy issues manifest in practice. At the same time, dimension-level analysis is retained via dedicated dimension chapters for each economy to ensure continuity and comparability with previous assessment cycles.
- **New policy dimension on digital transformation:** A thirteenth policy dimension has been introduced to assess how policies support SMEs in adapting to an increasingly digital economy, reflecting the growing importance of digitalisation for competitiveness.
- **Recalibrated scoring methodology:** The weighting of policy cycle stages has been adjusted to better reflect current priorities and performance patterns. Greater emphasis is placed on monitoring and evaluation, while the relative weight of planning and design has been reduced, strengthening

the focus on policy delivery, outputs and outcomes. For additional detail, refer to the Methodology Annex.

- **Introduction of quality criteria:** For specific questions, the methodology now evaluates not only the existence of policies or measures but also their depth and effectiveness. This enables clearer differentiation between basic compliance and high-quality implementation, improving the accuracy and credibility of the assessment over time.

How to interpret the SME Policy Index results

Interpreting scores

Within each dimension, as well as across constituent sub-dimensions and thematic blocks, economies receive scores on a scale from 1 to 5 to reflect the relative maturity of their development, implementation and efficacy. A score of 1 indicates that no or very limited policy framework is in place; conversely, a score of 5 indicates a well-developed framework with evidence of effective implementation and systematic use of monitoring and evaluation to inform policy adjustments, signalling strong alignment with EU and OECD standards (see Methodology Annex).

Scores should not be interpreted as a mere ranking of economies. The *SME Policy Index* is designed as a diagnostic tool that captures the maturity of policy frameworks and their alignment with good practices. Accordingly, the analytical focus should be on understanding performance across dimensions and what this reveals about SME policy development, rather than purely on relative positioning within the region.

Interpreting performance

A comprehensive interpretation of results requires consideration of multiple analytical angles:

- **Trends over time** provide insight into reform dynamics. Where comparable data from previous assessment cycles are available,¹ changes in scores indicate whether progress is being made, whether reforms are stagnating or whether performance is declining in specific areas.
- **Balance across policy dimensions** is an important indicator of the overall coherence of the SME policy framework. Strong performance concentrated in a limited number of areas may indicate structural weaknesses elsewhere, whereas more even performance across dimensions suggests a more integrated and effective policy approach. At the regional level, recurring weaknesses across multiple economies may point to systemic challenges affecting the broader policy ecosystem.
- **Gaps between policy design and delivery** can be identified by comparing scores across the three policy cycle stages – planning and design, implementation, and monitoring and evaluation – both within individual policy dimensions and at the level of overall economy performance. Discrepancies between these stages highlight areas where policies may be well designed but insufficiently implemented, or where monitoring mechanisms remain underdeveloped.

Using the report's findings

The *SME Policy Index* is intended to support action-oriented policy processes. Beyond evaluating the level of development of SME policy frameworks and their alignment with good practices, the Index and its findings can help identify priority reform areas, as dimension- and cluster-level results highlight where policy gaps are most pronounced and where targeted interventions may yield the greatest impact.

The *SME Policy Index* can also support the sequencing of reforms by identifying areas where foundational improvements are required before more advanced measures can be effectively implemented. Its findings

further enable benchmarking, allowing economies to contextualise their performance relative to regional peers and to EU and OECD standards.

Complementing these uses, the *SME Policy Index* provides a structured evidence base to inform policy dialogue among government institutions, development partners, private sector representatives and other stakeholders.

Using the Data Hub

To further enhance the accessibility and usability of the *SME Policy Index*, a dedicated Data Hub has been developed as a key complement to the publication. This interactive platform translates complex findings into user-friendly insights, enabling more dynamic exploration of results and supporting both analysis and ongoing monitoring of SME policies across the region.

The Data Hub allows results to be interpreted through multiple entry points. Users can explore performance across the thirteen policy dimensions to identify strengths, gaps and trends; examine individual economy profiles to assess performance over time and in comparison with the regional average; or consult the regional overview for a concise snapshot of key findings and headline indicators. By offering these different lenses, the platform provides a more flexible and accessible way to engage with the Index and derive actionable insights.

Notes

¹ Please note that for two policy dimensions, Dimension 6 and Dimension 11, comparisons with previous editions of the *SME Policy Index* are not possible. Dimension 11 is newly introduced in the 2026 assessment cycle, while Dimension 6 has undergone substantial structural and methodological changes. Further details on these changes are provided in the Methodology Annex.

Acronyms and abbreviations

ADR	Alternative dispute resolution
AI	Artificial intelligence
AIF	Alternative investment fund
BDC	Business Development Bank of Canada
BSS	Business support service
CBAM	Carbon Border Adjustment Mechanism
CERT	Computer emergency response team
CGS	Credit guarantee scheme
CRM	Customer Relationship management
CSIRT	Computer security incident response team
CSRD	Corporate Sustainability Reporting Directive
DARS	Development Agency of Serbia
DBM	Development Bank of Monténégro
DBNM	Development Bank of North Macedonia
EBRD	European Bank for Reconstruction and Development
ERP	Enterprise resource planning
ESG	Environmental, social and governance
EU	European Union
EWS	Early warning system
FBIHDB	FBIH Development Bank
FDI	Foreign direct investment
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GPP	Green public procurement
ICT	Information and communication technology
INOVA	Agency for Innovation, Scientific and Technological Development and IPR Entrepreneurship (North Macedonia)

IFI	International financial institution
IPO	Initial public offering
IPR	Intellectual property rights
ISO	International Organization for Standardization
KCGF	Kosovo Credit Guarantee Fund
KfW	German Development Bank
KGF	Credit Guarantee Fund
KIESA	Kosovo Investment and Enterprise Support Agency
KOSGEB	Small and Medium Enterprises Development Organization of Türkiye
LEO	Local Enterprise Office
MNE	Multinational enterprise
MSME	Micro, small and medium-sized enterprise
NEET	Youth not in employment, education or training
NIS	Network and Information Security Directive
NQF	National Qualifications Framework
PE	Private equity
PISA	Programme for International Student Assessment
PPC	Public-private consultation
R&D	Research and development
R&I	Research and innovation
RIA	Regulatory impact assessment
S3	Smart Specialisation Strategy
SBA	Small Business Act
SBS	Structural Business Statistics
SME	Small and medium-sized enterprise
TİM	Turkish Exporters Assembly
TNA	Training needs analysis
TOBB	Union of Chambers and Commodity Exchanges of Türkiye
TÜBİTAK	Scientific and Technological Research Council of Türkiye
VC	Venture capital
VET	Vocational education and training
WB6	Six Western Balkan economies
WBT	Western Balkans and Türkiye

ISO country and currency codes

Economy	ISO code	ISO currency code
Albania	ALB	ALL Albanian lek
Bosnia and Herzegovina	BiH	BAM Bosnia and Herzegovina convertible marka
Brcko District	BD	
Federation of Bosnia and Herzegovina	FBiH	
Republika Sprska	RS	
Kosovo	KOS	
Montenegro	MNE	EUR euro
North Macedonia	MKD	MKD Macedonian denar
Serbia	SRB	RSD Serbian dinar
Türkiye	TUR	TRY Turkish lira

Executive summary

The 2026 edition of the SME Policy Index comes at a critical juncture for the Western Balkans and Türkiye. Over the past decade, governments in the region have made sustained efforts to strengthen SME policy frameworks and align them with European standards. Yet the context in which these policies operate has fundamentally changed. Today's environment is more volatile, shaped by successive global shocks, accelerating green and digital transitions and rising geopolitical uncertainty.

Beyond these immediate pressures, a deeper shift is underway. Uncertainty has become structural, while the systems traditionally used to manage it are under strain, with multilateral co-operation under increased pressure. In this context, the challenge is no longer primarily to design better SME policies, but to ensure that the existing frameworks deliver.

SMEs remain central to economic growth in the Western Balkans and Türkiye, accounting for the vast majority of firms, between 66% and 83% of employment, and 54%-78% of value added. Yet a combination of structural weaknesses and a rapidly evolving operating environment constrains SMEs' ability to drive EU convergence.

The 2026 SME Policy Index identifies the following challenges:

- **Policy frameworks are not sufficiently equipped to support SME resilience across the full business lifecycle.** Despite strengthened policies in recent years, delivery remains uneven and often reactive. Gaps in early risk identification, limited use of data, and insufficient co-ordination across institutions reduce the ability to anticipate and manage emerging pressures. This is reflected in limited SME data coverage, with only around 16% of OECD-requested indicators being fully available across economies. At the same time, short-term and often project-based funding, combined with limited institutional capacity, undermine the consistency and predictability of support. Further, underdeveloped crisis preparedness, recovery and second-chance mechanisms constrain firms' ability to absorb shocks and re-enter activity.
- **Access to finance remains a structural constraint on investment, adaptation and shock absorption.** Around 20% of SMEs in the region are credit-constrained, limiting their ability to invest and manage risk. Recent crises have further increased pressure: 77% of businesses reporting rising costs, and nearly 50% identify access to finance as a major or moderate obstacle in 2024. While banking systems are relatively developed, lending conditions remain restrictive. Credit guarantee scheme and other risk-sharing instruments exist but are limited in scale and effectiveness, while alternative finance sources – such as capital markets and early-stage funding – remain shallow. In this context, rising input and energy costs are further tightening liquidity, reducing firms' scope to adjust, invest in upgrading and strengthen long-term viability.
- **Skills shortages and mismatches continue to constrain productivity and firms' respond to evolving market demands.** Despite relatively high unemployment, at 10.5% in 2024, many SMEs struggle to find workers with the right skills: one-third report that available skills do not meet their needs, and nearly two-thirds identify shortages as a barrier to growth. These challenges reflect both ongoing emigration - an estimated 70-80% of emigrants from the region are of working age

thereby reducing the availability of high-skilled labour – and education and training systems that are not sufficiently aligned with business needs.

- **SME upgrading is not keeping pace with the demands of digital and green transitions, limiting both competitiveness and resilience.** Although adoption of digital tools and green practices is increasing — with most SMEs in the region using at least one digital tool and around 40% offering green products or services — it remains largely concentrated in basic applications. Business investment in research and development is low, at just 0.28% of GDP, and innovation capacities remain limited. As a result, productivity levels are weak, export diversification is constrained, and convergence with the European Union remains slow. At the same time, SMEs face mounting pressures to comply with evolving EU standards, particularly in areas such as decarbonisation. This challenge is compounded by the region's relatively low level of readiness for the climate transition despite higher vulnerability to its impacts, and as a result, firms remain relatively carbon-intensive.
- **SME support ecosystems are expanding but gaps in sequencing across SME growth stages are limiting their effectiveness in building resilience and supporting scale-up.** While support portfolios have broadened to include innovation, digital transformation, green upgrading and internationalisation, instruments often operate as standalone measures rather than as part of a coherent progression. This results in a persistent “missing middle” between early-stage support and growth-stage scaling, with critical gaps between incubation to early growth, innovation and commercialisation, and domestic consolidation and export readiness, reducing SMEs' ability to sustain upgrading and to translate support into productivity gains and market expansion.

Way forward: making SME systems deliver for resilience and growth

Policymakers should adapt existing SME policy frameworks to address structural weaknesses, while ensuring that SMEs can meet the challenges of increased uncertainty and the twin transitions. The priorities are to:

- **Embed resilience and anticipation into SME policy systems.** Shift from reactive support to forward-looking approaches that help firms better manage shocks. This requires stronger use of data, early warning mechanisms, and effective second-chance frameworks.
- **Expand and diversify financing for upgrading and growth.** Scale up and improve the effectiveness of risk-sharing instruments, while addressing structural constraints in lending. At the same time, encourage the diversification of financing sources to better support SME upgrading and reduce overreliance on bank credit.
- **Close skills gaps to support adaptability and productivity. Strengthen** alignment between skills systems and SME needs, expand work-based and adult learning, and support firms in developing capabilities, particularly for the digital and green transitions.
- **Accelerate SME upgrading for the twin transitions.** Move beyond basic adoption towards deeper digital integration and green transformation, with stronger support for innovation, technology diffusion and alignment with EU standards.
- **Ensure coherent support across the SME lifecycle. Improve** sequencing and co-ordination of support measures to address gaps at key transition stages, enabling firms to scale up, innovate and internationalise more effectively.

SME definition and data coverage

SME definition

All six Western Balkan (WB6) economies and Türkiye apply the same employee headcount thresholds as the EU standard definition, but differ in their use of financial criteria, ranging from full alignment to substantial deviation. Bosnia and Herzegovina is most closely aligned with the EU framework, with turnover and asset thresholds identical to those of the EU Recommendation across all three size categories. Kosovo* and Serbia apply a two-of-three criteria approach (headcount, turnover, assets) with financial thresholds set moderately below EU levels – for example, a medium-enterprise turnover ceiling of EUR 40 million versus EUR 50 million in the European Union. Montenegro's headcount thresholds mirror the European Union, but its microenterprise revenue ceiling is substantially lower (EUR 900 000 versus EUR 2 million). Albania shows the greatest degree of divergence among the WB6: its medium-enterprise turnover ceiling of approximately EUR 2.4 million is roughly one-twentieth of the European Union's EUR 50 million, reflecting both lower domestic price levels and a narrower practical scope. Türkiye applies a distinctive “both” criteria rule under which a firm must simultaneously meet headcount and financial thresholds, meaning that a firm with fewer than 250 employees may be classified as large if its turnover exceeds the applicable limit. The financial thresholds, set in Turkish lira, have been progressively eroded by sustained domestic inflation and were revised upward in August 2025.

This definitional divergence constitutes the principal methodological consideration for cross-economy comparison in this publication.

SME data coverage

The statistical infrastructure underpinning the small and medium-sized enterprise (SME) sector overview varies considerably across the region, with significant implications for the analytical depth achievable in each economy chapter. Serbia offers the most comprehensive public Structural Business Statistics (SBS) infrastructure: an EU-standard four-class breakdown, full cross-tabulation and publication through Eurostat's harmonised series. Albania and North Macedonia provide similarly structured four-class data that are also Eurostat-published. Türkiye possesses the deepest national SBS databases, but Eurostat does not publish them due to methodological non-alignment. Kosovo is unique in that its statistical office does not publish size-disaggregated SBS, though it maintains one of the strongest business demography frameworks. Montenegro's SBS uses a non-standard three-tier classification and does not publish employment headcounts. Bosnia and Herzegovina's three parallel statistical systems produce complementary but not always cross-tabulated data. Business demography – systematic statistics on birth rates, death rates, survival and high-growth enterprises – remains a region-wide gap, with Kosovo the principal exception.

The OECD statistical questionnaires, which complement public SBS data with thematic indicators across nine policy dimensions, reveal an uneven picture of institutional capacity and responsiveness (Table 1).

Table 1. Statistical data coverage ratings across the Western Balkans and Türkiye

Dimension	ALB	BiH	KOS	MKD	MNE	SRB	TUR
General statistics / SBS	Substantial	Limited	Substantial	Substantial	Limited	Substantial	Partial
Dimension 1: Entrepreneurial learning and women's entrepreneurship	Moderate	Partial	Moderate	Partial	Moderate	Substantial	Limited
Dimension 2: Bankruptcy and second chance	Limited	Limited	Limited	Limited	Limited	Partial	Limited
Dimension 5b: Public procurement	Moderate	Partial	Moderate	Partial	Limited	Moderate	Limited
Dimension 6: Access to finance for SMEs	Substantial	Limited	Moderate	Limited	Moderate	Moderate	Limited
Dimension 8a: Enterprise skills	Moderate	Moderate	Limited	Moderate	Partial	Substantial	Limited
Dimension 8b: Innovation policy for SMEs	Moderate	Moderate	Limited	Moderate	Partial	Substantial	Limited
Dimension 9: SMEs in a green economy	Limited	Limited	Limited	Limited	Limited	Limited	Limited
Dimension 10: Internationalisation of SMEs	Substantial	Moderate	Limited	Partial	Moderate	Substantial	Partial
Dimension 11: Digital transformation of SMEs	Moderate	Moderate	Partial	Moderate	Moderate	Substantial	Moderate

Notes: Green = Substantial (majority of indicators with multi-year series); Yellow = Moderate or Partial; Red = Limited (below one-quarter or not returned). Dimension 9 (SMEs in a green economy) is uniformly Limited across all economies. Ratings reflect data as received through OECD statistical questionnaires.

Serbia provided the most comprehensive response, with roughly half of all indicators populated and five dimensions rated Substantial. Albania and North Macedonia returned approximately one-quarter to one-third of indicators. Bosnia and Herzegovina's response was comparable in volume but fragmented across three institutional levels. Türkiye presents a notable contrast: the richest public SBS data in the group alongside the sparsest questionnaire return, with seven of ten dimensions unreturned. The green economy dimension was uniformly "Limited" across all seven economies, a gap that precludes quantitative assessment of SME environmental performance at the regional level.

These coverage patterns have direct analytical consequences. Where coverage is rated "Substantial", the assessment in the corresponding economy chapter can draw on quantitative trends and benchmarks; where it is "Limited", the analysis relies more heavily on qualitative evidence and policy documentation. The dimension-by-dimension data coverage assessment for each economy is presented in full in the corresponding chapter.

Regional SME sector overview

The SME landscape across the Western Balkans and Türkiye

The seven economies covered in this publication (Albania, Bosnia and Herzegovina, Kosovo,* North Macedonia, Montenegro, Serbia and Türkiye) share a common structural condition: micro, small and medium-sized enterprises (MSMEs¹) make up almost the entire enterprise base. However, their contributions to output and employment vary significantly, reflecting different stages of development and the varying roles of the large-enterprise sector. In all seven economies, small and medium-sized enterprises (SMEs) account for between 99.2% and 99.9% of enterprises, broadly in line with the EU-27 pattern. The more revealing variation lies beneath this headline: the SME share of employment ranges from 66% in Serbia, where a substantial foreign direct investment (FDI)-linked large-enterprise sector has emerged, to 83% in Albania, where the large-enterprise tier remains thin. The SME share of value added, a proxy for both scale and productivity, ranges from 54% in Serbia to 78% in Albania.²

At the macroeconomic level, the six Western Balkan economies (WB6) remain a convergence region. Average gross domestic product (GDP) per capita is around 41% of the EU average in purchasing power terms (World Bank, 2025^[1]), yet most economies are not projected to reach current EU living standards in the coming decades.

Türkiye, which accounts for close to 87% of the combined Western Balkan and Türkiye (WBT) enterprise population, differs from the WB6 in terms of scale, institutional capacity and degree of integration into global supply chains. Where these structural differences affect cross-economy comparisons, they are explicitly highlighted.

Table 2 presents a summary of key SME-related indicators across all seven economies. Unless otherwise indicated, all data cited in this introduction are drawn from the detailed economy profiles in subsequent chapters, which document sources and methodology in full.

Structure and dynamics of the SME sector

The WBT enterprise base is broad at the bottom and thin at the top, and the middle tier of firms that typically bridges micro-scale self-employment and internationally competitive production remains narrow across the region. Microenterprises account for the overwhelming majority of firms across the WBT region, but their contribution to SME employment is comparatively smaller and varies across economies, reflecting differences in statistical coverage and enterprise structures. While this distribution is broadly comparable to that of the European Union, it carries different implications in economies where the small and medium-sized tiers are often contracting. In North Macedonia, the number of small enterprises declined by 6% between 2021 and 2024, while the micro tier continued to expand. Across the WB6, limited firm graduation from micro to small size, typically associated with formalisation, improved access to finance and productivity gains, remains one of the most persistent structural challenges.

Table 2. Key SME indicators across the Western Balkans and Türkiye, 2024 or latest available year

	Reference year	SME enterprises	SME employment	SME share	SME value added (EUR millions)	SME share
Albania	2023	117 123	462 098	82.5%	6 896	78.2%
Bosnia and Herzegovina	2024	86 640	436 168	70.7%	10 877	69.0%
Kosovo	2024	53 080*	–	–	–	–
North Macedonia	2024	68 727	315 171	72.9%	5 253	67.5%
Montenegro	2024	58 998	149 615	–	2 816	76.2%
Serbia	2023	207 961	1 145 686	65.7%	21 802	53.7%
Türkiye	2024	3 928 385	13 560 062	68.5%	182 486	41.2%

Notes: Kosovo: total active enterprises from KAS Statistical Repertoire (December 2024); size-disaggregated employment and value added not published. Montenegro employment from Tax Administration data. Türkiye size classes follow the national SME definition (employment + financial thresholds simultaneously); see the economy chapter. Bosnia and Herzegovina's "small" class subsumes micro and small (0–49). All values at current prices in EUR.

Enterprise growth has been positive across most WBT economies, but its pace and underlying drivers vary considerably. Albania and Bosnia and Herzegovina recorded SME enterprise growth of around 3% annually in recent years, while Montenegro stands out, with enterprise growth of 14% per year between 2021 and 2024, driven substantially by business registrations by foreign nationals rather than organic domestic entrepreneurial expansion. In Türkiye, SME expansion was stronger and more concentrated in the small- and medium-sized segments rather than in the micro tier. Serbia's SME enterprise count was essentially flat, with modest growth in the medium tier offset by slight declines in the micro and small categories.

The sectoral structure of the SME economy reveals two broad groups of WBT economies: those with a significant manufacturing base, and those where the enterprise sector is oriented primarily toward domestic services and tourism.

Bosnia and Herzegovina, Serbia and Türkiye fall into the first category. Manufacturing³ accounts for roughly one-quarter of SME value added in Bosnia and Herzegovina, reflecting a legacy industrial base concentrated in metals, wood processing and automotive components. In Serbia, manufacturing combines domestically owned suppliers with FDI-anchored production, particularly in automotive and food processing. Türkiye's manufacturing SME sector is deeply integrated into European and Middle Eastern supply chains, notably in textiles, machinery and chemicals. In these economies, SMEs in manufacturing play a key role as suppliers to larger firms, supporting the diffusion of productivity gains through supply-chain linkages.

Albania, Kosovo and Montenegro fall more clearly into the second group: their enterprise structures are heavily oriented toward wholesale and retail trade,⁴ construction⁵ and tourism-related services.⁶ In Montenegro, the tourism and hospitality sectors account for a significant share of both enterprises and value added, although they are characterised by strong seasonality and a predominance of micro-scale operations. Albania's construction sector plays a structurally important role, linked to rapid urbanisation and diaspora-financed real estate investment. Wholesale and retail trade is the single largest activity everywhere, accounting for one-fifth to one-third of SME enterprises in each economy.

North Macedonia occupies an intermediate position, combining a relatively developed manufacturing base with a rapidly expanding service sector.

The information and communication technology (ICT) sector⁷ stands out across the region as a significant channel for SME-led structural upgrading, although it remains small in absolute terms. Typically accounting for 3-5% of SME enterprises, ICT firms generate disproportionate value added per worker and exhibit

strong export potential. In Serbia, the ICT sector has grown into one of the economy's leading services exporters, with a growing cluster of software firms and business process outsourcing providers. Kosovo's tech ecosystem, while younger, has expanded rapidly and now accounts for a notable share of the economy's services exports. Bosnia and Herzegovina hosts a sizeable information technology workforce, with intra-entity divergence in the nature and productivity of ICT activity.

Professional and scientific services⁸ are also emerging as a higher-productivity niche across the region, though they remain largely concentrated in capital cities. These sectors represent the higher-productivity segment of the SME economy, but their limited weight in the overall enterprise base underscores that broader structural upgrading remains at an early stage.

Focus on labour productivity and SMEs

The productivity landscape across the WBT region is characterised less by differences between SMEs and large enterprises than by a shared gap to EU productivity levels. In most WB6 economies, the SME-to-large firm productivity ratio is substantially narrower than the EU norm, contrary to the expectation, common in the development literature, that SMEs in converging economies face a disproportionately wide domestic productivity disadvantage. In Albania, SME productivity stands at 76% of large-enterprise productivity; in Bosnia and Herzegovina, the ratio reaches 92%; in North Macedonia, it is 77%. In the EU-27, the equivalent ratio is approximately 60%.

This narrower gap in the WB6 does not signal comparatively strong SME performance. Rather, it points to the limited productivity of large enterprises themselves. WB6 SME productivity ranges from roughly EUR 15 000 to EUR 25 000 per person employed, well below the EU-27 SME average of EUR 52 000 (Table 3).

Table 3. Labour productivity by enterprise size class, 2024 or latest available year

In EUR per person employed

	Micro	Small	Medium	SME	Large	SME as % of large
Albania (2023)	11 569	18 636	16 968	14 924	19 645	76%
Bosnia and Herzegovina (2024)	– *	24 153 *	26 612	24 939	27 045	92%
North Macedonia (2024)	12 290	20 434	20 253	16 667	21 560	77%
Serbia (2023)	11 279	22 422	27 961	19 030	31 435	61%
Türkiye (2024)	4 931	15 697	27 242	13 458	41 776	32%
EU-27 (2023, approx.)	42 000	54 000	68 000	52 000	87 000	60%

Notes: Bosnia and Herzegovina Structural Business Statistics (SBS) uses a three-tier classification (small 0-49, medium 50-249, large 250+); micro not separately available. Kosovo and Montenegro excluded (size-disaggregated data not published). EU-27 figures from Eurostat SBS for 2023. Türkiye is subject to the national SME definition caveat. SME as % of large = SME productivity / large-enterprise productivity.

These patterns carry important policy implications. Where large enterprises operate well below frontier productivity, their capacity to act as anchors for supply-chain development, technology transfer, or skills formation is limited, reducing the potential for positive spillovers for SMEs observed in more mature markets. Bosnia and Herzegovina provides the clearest illustration: with the narrowest gap in the group (92%), large enterprises generate only marginally higher value added per worker than SMEs, pointing to economy-wide productivity constraints rather than SME-specific weaknesses. Serbia and Türkiye are notable exceptions. Serbia's FDI-shaped large-enterprise sector records productivity of EUR 31 435, yielding an SME-to-large ratio of 61%, closer to the EU benchmark and indicative of the anchoring role played by internationally competitive firms. Türkiye's 32% ratio reflects the coexistence of a sizeable, globally integrated corporate sector and a large microenterprise base.

Real productivity growth across the WB6 has remained modest since 2011, warranting careful interpretation of the strong nominal headline figures reported in the economy-level chapters. Nominal SME productivity growth has exceeded 10% per year in most economies over recent years, but a substantial share of this growth reflects inflation, which has been significant across WB6 and extreme in Türkiye, rather than genuine efficiency gains. This pattern is not uniform: in economies such as Albania and Bosnia and Herzegovina, productivity gains were accompanied by employment growth, suggesting that nominal improvements were not driven solely by labour shedding, even if price effects still account for part of the headline growth. The World Bank estimates that real productivity growth has been modest and that wage growth has outpaced labour productivity in several WB6 economies, placing pressure on external competitiveness (World Bank, 2025^[2]). Once adjusted for domestic price increases, real SME productivity growth is typically 3-6% per year, with Albania recording a substantially stronger rate. While this indicates gradual convergence toward EU levels, the pace remains insufficient to close the gap within a reasonable timeframe, consistent with the World Bank's assessment that no WB6 economy is projected to reach current EU gross national income per capita levels within the next 40 years.

SME outlook

The SME sectors across the WBT region share a common structural condition: enterprise bases that are expanding in breadth but not deepening in productivity, competitiveness or export capacity. Across much of the WB6, the micro tier continues to expand while the small and medium segments remain stagnant, fragile or contracting, pointing to a persistent difficulty in enabling firm graduation beyond subsistence or owner-operated scale. This pattern, documented in the individual economy chapters, points to a region-wide difficulty in enabling the transition from subsistence-scale self-employment to growth-oriented enterprise. The enterprise base is broad but structurally shallow.

Export performance illustrates the depth of this constraint, and it takes different forms across the region: in some economies, export value is highly concentrated in a narrow, large-enterprise tier, while in others, SMEs account for a larger export share but from a shallow, low-complexity and often fragile export base. In Serbia, SMEs account for 93% of exporting firms but only 34% of export value; in North Macedonia, 110 large enterprises generate approximately 72% of total exports. Kosovo's manufactured export capacity of EUR 221 per capita is less than one-seventh of the WB6 average. In most economies, export propensity among small firms is low and declining, and in several cases, the OECD's composite SME export-performance indicators have weakened over the past decade. Integrating SMEs more effectively into domestic and international supply chains, a theme assessed in Dimension 10 of each economy chapter, remains one of the central structural challenges for the region.

Demographic developments are compressing the time available for structural adjustment. Working-age populations are declining across most WB6 economies, with the World Bank projecting that labour shortages will become acute from 2030 in several countries without significant reforms (World Bank, 2025^[2]). Albania's working-age population has already contracted by 18% since 2011; North Macedonia is projected to lose 19-25% of its younger cohorts by 2030 relative to 2010. Emigration is depleting precisely the skill profiles – technology, engineering, applied sciences – that growth-oriented SMEs require. Youth unemployment, while declining from its post-2020 peaks, remains structurally elevated across the region, signalling a persistent mismatch between what education systems produce and what labour markets need. Türkiye's demographic profile differs: its population continues to grow in the near term, but the share of young people not in employment, education or training stands at 23%, and net emigration has turned negative in recent years, introducing similar workforce pressures. The combination of a shrinking labour supply and rising skills mismatch limits the SME sector's capacity to absorb productivity-enhancing technologies and compete with the large-enterprise sector for talent.

Access to finance remains a binding constraint for SME growth across the region, with the share of SMEs reporting to be credit-constrained ranging from 9.5% in Bosnia and Herzegovina to 41.8% in Türkiye over 2023-2025 (World Bank, 2026^[3]). Overall, SMEs face tighter collateral requirements than larger firms, reflecting both higher perceived credit risk and more limited collateral availability. Instruments intended to ease lenders' risk perceptions, notably credit guarantee schemes, remain unevenly developed in the WBT region, contributing to substantial cross-economy variation in SMEs' access to bank finance. On this matter, Kosovo stands out as the regional economy with the most developed credit guarantee framework and is experiencing the strongest SME credit growth since 2019 (World Bank, 2025^[4]). In parallel, non-bank financing instruments – capital markets, private equity, venture capital, crowdfunding, leasing, factoring – remain underdeveloped or absent in most regional economies, leaving SMEs with few alternatives to bank finance. Türkiye stands out as an exception, with SMEs increasingly using capital markets amid robust growth in private equity and venture capital. Looking ahead, the green and digital transitions required for EU integration will be both capital- and skills-intensive, while most SMEs currently lack the financial capacity and workforce to undertake them.

Against these structural constraints, several developments offer tangible scope for upgrading. The ICT sector has demonstrated across the region that a different growth trajectory is achievable: it generates disproportionate value added per worker, exhibits export orientation, and has attracted both domestic and foreign investment in Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia. The European Union's Reform and Growth Facility and Instrument for Pre-Accession Assistance provide a financing channel for SME-focussed structural reforms. However, their impact depends critically on the capacity of national institutions to design and deliver programmes effectively. Policy frameworks have strengthened across the assessment period; Montenegro's provisional closure of the EU enterprise and industrial policy chapter, and Türkiye's macro-stabilisation trajectory all represent meaningful institutional progress. Whether these frameworks translate into broad-based enterprise upgrading will depend on closing the implementation gap identified by the individual economy assessments as the most pervasive constraint across the policy cycle.

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Notes

¹ The abbreviation “SMEs” is used throughout the publication and includes microenterprises.

² Data from national structural business statistics as reported in the economy-level chapters of this publication. Principal sources: INSTAT (Albania), BHAS (Bosnia and Herzegovina), KAS (Kosovo), SSO (North Macedonia), MONSTAT (Montenegro), SORS (Serbia), TURKSTAT (Türkiye).

³ NACE C.

⁴ NACE G.

⁵ NACE F.

⁶ NACE I.

⁷ NACE J.

⁸ NACE M.

SME Policy Index 2026

performance: Overall trends and cross-dimensional insights

Overview of key findings by policy dimension

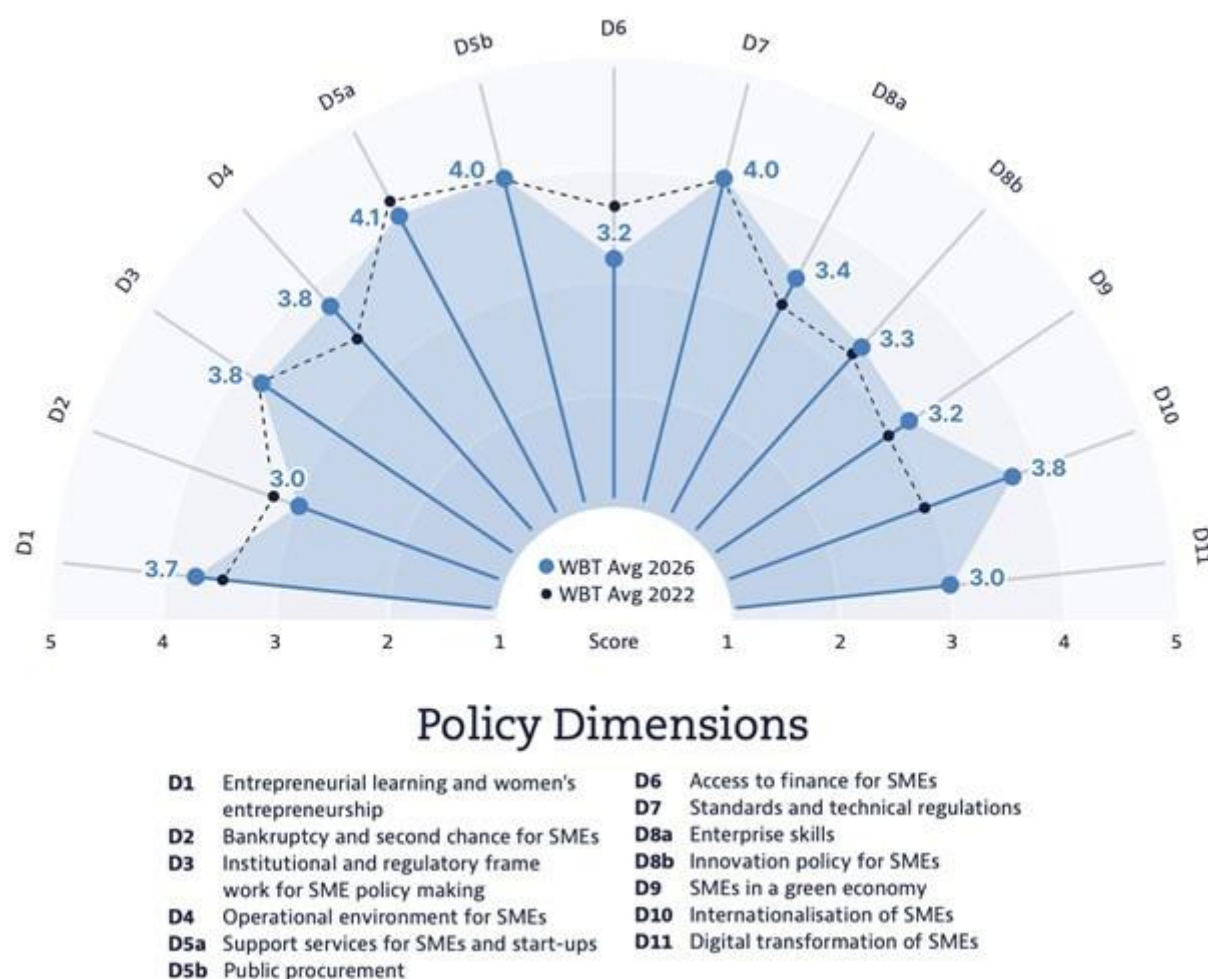
This chapter provides an overview of the regional scores and key findings of the 2026 SME Policy Index for each of the 13 policy dimensions.¹ The 2026 assessment indicates that regional performance has not significantly accelerated since the last assessment.

After a decade of significant efforts to build policy frameworks and align with European standards, the overall reform trajectory appears to be stabilising. Scores have remained largely stagnant in 7 of the 12² policy dimensions compared to 2022 (Figure 1). Improvements in the formalisation and refinement of policy frameworks have been largely offset by limited and uneven gains in implementation, uptake and firm-level outcomes across policy areas.

However, this slowdown should not be interpreted as a decline in commitment or ambition. Policy frameworks are now largely in place, reform activity continues, and small and medium-sized enterprise (SME) development remains high on the policy agenda. Rather, the nature of the reform challenge has evolved. Many policy areas have moved beyond the design phase and entered a more demanding stage focused on implementation, where overall progress has been rather slow.

Overall, stronger performance, similar to what was observed in 2022, has been observed in more mature policy areas, notably the institutional and regulatory framework, the operational environment for SMEs, public procurement, and standards and technical regulations. By contrast, policy areas associated with longer term transformation – including innovation, SME greening and digital transformation – perform comparatively weaker, reflecting persistent implementation and monitoring gaps.

Figure 1. Regional score performance across dimensions



Taken together, these findings underscore the importance of interpreting SME policy performance as an interconnected system rather than as a set of stand-alone policy areas. This reflects not only the patterns observed in the assessment, but also the intrinsic nature of SME policy itself: outcomes for SMEs are shaped by the interaction of multiple, mutually reinforcing policy domains and cannot be meaningfully assessed in isolation.

To support this system-level perspective, the assessment groups individual dimensions into four policy clusters (Table 4), bringing together related analytical aspects within the respective policy dimensions to reflect the evolving economic landscape and highlight cross-cutting issues affecting SME competitiveness and resilience across the region (see Methodology).

Table 4. SME Policy Index 2026 – Policy clusters

Policy clusters	
Cluster 1: Ensuring an enabling environment for SMEs and entrepreneurs	
Cluster 2: Fostering SME sustainability and resilience	

Cluster 3: Supporting digital transformation of SMEs	
Cluster 4: Harnessing human and social capital for SME development	

Dimension 1: Entrepreneurial learning and women's entrepreneurship (Cluster 4)

This dimension examines how policies across the Western Balkans and Türkiye (WBT) region foster entrepreneurial mindsets and promote inclusive entrepreneurship. It considers how education and training systems develop entrepreneurial competences and shape attitudes towards entrepreneurship alongside how policy frameworks, partnerships and support mechanisms expand access to opportunities, particularly for women entrepreneurs, through targeted measures (see Dimension 1).

Across the region, entrepreneurial learning and inclusiveness have made some progress since the previous assessment, as reflected in the increase in the average score for this dimension (see Table 5). While Montenegro and Türkiye continue to stand out as strong performers, Albania and North Macedonia have seen recent improvements, recording the most notable increases in performance. Despite stronger policy recognition of entrepreneurial learning across the region, entrepreneurship ecosystems remain only partially institutionalised, with limited alignment between policy frameworks and classroom delivery that continues to constrain the effectiveness, inclusiveness and long-term impact of entrepreneurial education.

Dimension 2: Bankruptcy and second chance for SMEs (Cluster 1, Cluster 2)

This dimension examines policies that help SMEs prevent and manage financial distress. It covers preventive tools such as early warning systems to help SMEs anticipate and mitigate financial challenges, advisory and technical support services for financial recovery, as well as legal frameworks for out-of-court settlements and second-chance mechanisms. This dimension also considers the digitalisation of restructuring and insolvency processes and transparency of bankruptcy-related information (see Dimension 2).

Insolvency and second-chance frameworks across the WBT region show only limited progress since the previous assessment (see Table 5), with reforms focusing on legal procedures while preventive mechanisms remain largely underdeveloped and early warning systems are mostly absent. Regional performance remains relatively low compared to other dimensions of the assessment, with Bosnia and Herzegovina, Montenegro, and Türkiye emerging as stronger performers. Overall, insolvency frameworks continue to be weakly institutionalised, often relying on fragmented, donor-driven initiatives and limited monitoring and data systems, thus hindering the effective and scalable delivery of prevention and second-chance support for SMEs.

Dimension 3: Institutional and regulatory framework for SME policymaking (Cluster 1)

This dimension examines the extent to which the institutional and regulatory environment supports effective SME policymaking. It assesses whether governance structures, mandates and co-ordination mechanisms provide a solid basis for the design, implementation and monitoring of SME policies. It also considers the use of tools to ensure that regulations are streamlined and their impacts on SMEs systematically evaluated. In addition, it looks at how policymaking processes incorporate stakeholder input, focusing on the transparency, frequency and inclusiveness of consultations with the private sector (see Dimension 3).

Legislative and institutional frameworks for SME support have continued to evolve and be refined, although overall scores have largely stagnated since the previous cycle (see Table 5), reflecting limited substantive progress. In this assessment cycle, five of the seven economies score above the regional average of 3.77, indicating strong overall performance, with Montenegro demonstrating the most advanced results. Further progress towards higher performance levels will require addressing persistent challenges, such as co-ordination across government and predictable funding horizons.

Dimension 4: Operational environment for SMEs (Cluster 1, Cluster 3)

This dimension examines the extent to which the operational environment enables SMEs to interact efficiently with public administrations. It assesses the availability, quality and responsiveness of public services across key stages of the business life cycle, considering the extent to which administrative processes are accessible and tailored to the needs of SMEs (see Dimension 4).

Operational environment frameworks in the WBT region have recorded mixed progress across policy areas since the previous assessment, resulting in an overall stagnation in performance (see Table 5). Although advances have been observed in the expansion of digital government services and the strengthening of strategic frameworks, persistent bottlenecks in digital procedures, interoperability and administrative co-ordination continue to constrain overall efficiency. In this context, Albania, Serbia and Türkiye stand out as comparatively stronger performers, reflecting more mature and integrated digital systems alongside clearer reform trajectories. However, limited integration of digital and administrative systems continues to limit the delivery of seamless, efficient and user-centric services for businesses.

Dimension 5a: Support services for SMEs and start-ups (Cluster 1, Cluster 2, Cluster 3)

This dimension assesses how governments organise and deliver business support services for SMEs. It examines whether strategic frameworks, institutions and budgets provide a structured basis for support; how programmes are designed and monitored; and how policies develop private advisory markets through incentives, quality assurance and support to business support service providers (see Dimension 5a).

Business support service systems across the WBT region show a slight overall deterioration (see Table 5), reflecting emerging implementation gaps as earlier gains in strategic frameworks and programme expansion have not been matched by progress in outcome-based monitoring and private market development. Türkiye remains the clear regional leader while Montenegro continues to perform strongly supported by large-scale and more consolidated delivery systems, stronger digitalisation of services, and more advanced use of co-financing instruments; most other economies maintain solid but less mature systems, particularly in stimulating and sustaining private advisory provision. The key structural constraint remains the weak development of sustainable private business support service markets, as service provision continues to be predominantly programme-driven and publicly anchored, with limited use of accreditation, demand-side instruments and outcome-based monitoring to support independent, quality-assured service ecosystems.

Dimension 5b: Public procurement (Cluster 1, Cluster 2)

This dimension analyses the extent to which public procurement frameworks in the WBT region have supported SME access to public contracts. It examines the role of SMEs in public tendering processes and assesses whether the prevailing policy and business environment has acted as a facilitator or barrier to their participation, identifying the instruments that have proven effective and the areas where structural gaps persist (see Dimension 5b).

Public procurement systems across the WBT have remained stable (see Table 5), marked by strengthened legal and strategic frameworks, wider use of best price-quality award criteria, and gradual improvements

in monitoring and oversight, although implementation remains uneven. Albania, Kosovo and Serbia emerge as the strongest performers, supported by more advanced use of strategic procurement tools, stronger monitoring practices and measurable improvements in SME participation. Overall, however, improvements in procurement frameworks are not yet consistently reflected in SME access and upgrading across several economies, as gaps persist in SME-specific data collection, contract segmentation, and consistent application of quality-based and sustainable procurement practices across the full procurement cycle.

Dimension 6: Access to finance for SMEs (Cluster 1, Cluster 2, Cluster 3, Cluster 4)

This dimension assesses the strategies, legal frameworks and policies in place across the WBT region to facilitate SMEs' access to external finance. It examines bank and non-bank financing as well as the broader conditions shaping SMEs' financial inclusion (see Dimension 6).

Under the revised assessment framework,³ access-to-finance systems across the WBT region show mixed performance relative to the previous cycle (see Table 5), reflecting significant structural and methodological changes rather than a straightforward shift in policy effectiveness. Türkiye stands out as the clear leader, supported by large-scale and diversified financial instruments across bank and non-bank financing, while other economies maintain relatively similar levels of performance since the last assessment, reflecting moderate progress in banking infrastructure but limited development of alternative financing channels. At the same time, this progress is tempered by the limited development of non-bank financing instruments, as venture capital, equity markets and crowdfunding remain limited in scale and accessibility, constraining SMEs' ability to access growth-oriented finance beyond traditional bank lending.

Dimension 7: Standards and technical regulations (Cluster 1, Cluster 2, Cluster 3)

This dimension examines the quality infrastructure systems and procedures in place across the WBT region to support SME access to the EU Single Market. It assesses the coherence of institutional and strategic frameworks for quality infrastructure co-ordination; the degree of alignment with EU and international rules across technical regulations, standardisation, accreditation, metrology, conformity assessment and market surveillance; and the extent to which government initiatives have effectively broadened SME access to standardisation processes (see Dimension 7).

Standards and technical regulation systems across the WBT region have remained broadly stable, as continued legislative alignment with the EU *acquis* and incremental improvements in SME access to standardisation have not resulted in a significant change in overall performance (see Table 5). Türkiye and Serbia continue to lead due to strong quality infrastructure co-ordination and extensive awareness raising while Albania and Montenegro have strengthened SME engagement through digitalisation and institutional consolidation; other economies remain constrained by uneven implementation across quality infrastructure pillars. Despite continued alignment efforts, regulatory improvements have not consistently translated into SME upgrading across several economies, reflecting persistent gaps in strategic co-ordination, financial support for certification and standards adoption, and outcome-focused monitoring of quality infrastructure interventions.

Dimension 8a: Enterprise skills (Cluster 4)

This dimension assesses policies and programmes that support the development of skills needed by SMEs and social enterprises. It examines how systems identify current and future skills needs through skills intelligence; the availability of upskilling and reskilling opportunities, particularly in green, digital and artificial intelligence-related areas; and the extent to which training provision addresses the specific needs of social enterprises (see Dimension 8a).

Since the previous assessment (see Table 5), skills and social entrepreneurship systems have recorded gradual progress in strengthening policy frameworks and expanding skills intelligence efforts, but implementation remains uneven and frequently lacks continuity and operational depth. As in 2022, Türkiye remains the leading performer in this dimension, supported by more advanced monitoring systems and a strong cross-sectoral strategic approach. Nevertheless, economies across the region continue to face challenges in translating policy ambitions into effective systems, as limited institutional co-ordination, reliance on donor-led and ad hoc initiatives, and weak incentives hinder the development of forward-looking, responsive skills ecosystems.

Dimension 8b: Innovation policy for SMEs (Cluster 1, Cluster 2, Cluster 3)

This dimension assesses the strategic framework, infrastructure and policy measures in place to stimulate SME innovation and support the development of a knowledge-based economy in the WBT region. It examines the strategic, institutional and financial conditions that shape firms' ability to innovate; adopt new technologies; collaborate with research institutions; and bring new products, services and processes to the market (see Dimension 8b).

Innovation systems across the WBT region have gradually improved since the previous assessment (see Table 5), supported by expanded strategic frameworks, increased public funding, and growing investment in innovation infrastructure and start-up support programmes. Türkiye and Serbia have consolidated their position as the lead performers in the region, reflecting comparatively mature and well-funded innovation ecosystems. However, the limited depth and integration of these ecosystems continue to constrain the translation of policy advances into broad-based innovation outcomes, while the absence of systematic monitoring and evaluation limits the ability to assess their effectiveness and to inform policy adjustments.

Dimension 9: SMEs in a green economy (Cluster 1, Cluster 2, Cluster 3)

This dimension assesses the provision of policies that promote green behaviour and resilience among SMEs in the WBT region while ensuring a balanced approach to economic opportunities and environmental sustainability (see Dimension 9).

SME greening frameworks across the WBT region show moderate improvement since the previous assessment (see Table 5), driven by stronger policy prioritisation; expanded incentives; and wider integration of greening objectives into SME, industrial and environmental strategies, although implementation and monitoring remain uneven. Türkiye and Montenegro record higher performance, reflecting more comprehensive greening policy frameworks, stronger financing instruments, and more integrated approaches linking regulation and support schemes. The other economies have advanced more gradually. Nonetheless, measurable SME-level outcomes remain limited across most economies due to weak monitoring systems; insufficiently scaled financial instruments; and weak links between policy design, implementation and impact assessment.

Dimension 10: Internationalisation of SMEs (Cluster 1, Cluster 2, Cluster 3)

This dimension assesses how effectively governments support SMEs internationalisation. It reviews whether policies and institutions enable SMEs to export, join global value chains and use e-commerce as a channel for cross-border trade. This dimension also reviews the availability and effectiveness of practical support, such as training, finance, digital tools and partnerships, and whether these measures are well-implemented, monitored and aligned with broader economic strategies to strengthen SMEs' international competitiveness (see Dimension 10).

Internationalisation systems across the WBT region display stable performance (Table 5), as strengthened strategic frameworks, improved institutional co-ordination, and expanding delivery tools and activities have

not yet translated into a step-change in outcomes beyond export entry support. Türkiye records the highest performance, reflecting a large-scale and well-institutionalised system, followed by a group of economies including North Macedonia and Serbia, where institutional capacity and strategic coherence are stronger. Other economies continue to rely more heavily on exposure-oriented and activity-based instruments. At the same time, internationalisation systems remain only partially integrated, as pathways linking export readiness, finance, standards, supplier development and sustained participation in global value chains – particularly through e-commerce – remain underdeveloped across much of the region.

Dimension 11: Digital transformation of SMEs (Cluster 1, Cluster 3)

This dimension examines to what extent policy frameworks enable SMEs to engage in and benefit from digital transformation. It assesses the policy foundations supporting SME digitalisation, the extent to which a trusted digital environment is in place, and how effectively policy efforts promote the adoption of emerging technologies to enhance productivity and sustainability (see Dimension 11).

Across the WBT region, digital transformation policies are characterised by relatively established foundations in strategic frameworks and digital safety alongside significantly weaker and more uneven progress in translating these into SME adoption of advanced technologies, as reflected in the overall score (see Table 5). Performance varies across the region, with Türkiye and Serbia recording higher scores, underpinned by more coherent digital policy frameworks, larger scale instruments and stronger innovation ecosystems. The remaining economies display broadly comparable performance, with emerging frameworks and still-limited delivery capacity. Overall, the assessment points to a persistent structural challenge across the region: while policy ambition is growing, translating digital frameworks into widespread, scalable and productivity-enhancing adoption by SMEs, particularly of advanced technologies, remains a work in progress.

Table 5. Western Balkan and Türkiye economies' score performance across dimensions

	ALB	BIH	KOS	MNE	MKD	SRB	TUR	WBT average 2026	WBT average 2022
Dimension 1: Entrepreneurial learning and women's entrepreneurship	3.39	3.24	3.31	4.50	3.40	3.75	4.42	3.72	3.49
Dimension 2: Bankruptcy and second chance for SMEs	2.77	3.20	2.57	3.32	2.81	2.80	3.30	2.97	3.03
Dimension 3: Institutional and regulatory framework for SME policymaking	3.87	3.15	3.84	4.19	3.49	3.98	3.89	3.77	3.79
Dimension 4: Operational environment for SMEs	4.27	3.05	3.64	3.54	3.63	4.03	4.09	3.75	3.64
Dimension 5a: Support services for SMEs and start-ups	3.95	3.40	4.07	4.48	3.87	4.09	4.63	4.07	4.20
Dimension 5b: Public procurement	4.37	3.84	4.16	3.97	3.85	4.35	3.83	4.05	3.98
Dimension 6: Access to finance for SMEs	3.13	2.96	3.00	3.17	3.27	3.17	3.76	3.21	3.27*
Dimension 7: Standards and technical regulations	4.34	3.45	3.83	4.11	3.54	4.46	4.65	4.05	3.96
Dimension 8a: Enterprise skills	3.44	2.86	3.05	3.75	3.19	3.76	4.07	3.44	3.32
Dimension 8b: Innovation policy for SMEs	2.97	2.44	2.62	3.56	3.30	3.83	4.19	3.27	3.18
Dimension 9: SMEs in a green economy	2.69	2.96	2.29	3.82	3.01	3.07	4.31	3.16	2.94
Dimension 10: Internationalisation of SMEs	3.68	2.90	3.70	3.53	3.87	3.79	4.86	3.76	3.80
Dimension 11: Digital transformation of SMEs	2.93	2.33	2.91	2.81	3.10	3.38	3.57	3.00	n.a.

Notes: Dimension 6 was revised for the 2026 assessment to better reflect evolving SME finance policies and alignment with OECD and EU good practices, with a greater emphasis on non-bank finance, capital market instruments and implementation effectiveness. To preserve comparability, 2022 scores were recalculated using the revised framework. Dimension 13 – Digital transformation of SMEs was introduced in the 2026 cycle; as such, no comparison with the 2022 assessment is possible.

Notes

¹ The 2026 SME Policy Index covers 13 policy dimensions to reflect both continuity with the established Small Business Act (SBA) assessment framework and the evolving policy priorities affecting SME competitiveness. The core SBA-related dimensions assessed in previous cycles remain unchanged, ensuring longitudinal comparability across most policy areas, while the “Digital transformation of SMEs” (Dimension 11) was introduced as a new, stand-alone dimension to capture the growing importance of digitalisation; digital safety; and advanced technologies for SME productivity, resilience and competitiveness. As a result, the assessment expands from 12 to 13 dimensions in 2026, strengthening the analytical coverage of emerging transformation challenges while preserving the benchmarking function of the SME Policy Index. For full details on the methodology and the background to this assessment please refer to the dedicated sections (see Methodology).

² Dimension 13 – Digital transformation of SMEs was introduced in the 2026 cycle; as such, no comparison with the 2022 assessment is possible.

³ Dimension 6 was revised for the 2026 assessment to better reflect evolving SME finance policies and alignment with OECD and EU good practices, with a greater emphasis on non-bank finance, capital market instruments and implementation effectiveness. To preserve comparability, 2022 scores were recalculated using the revised framework; score changes should, therefore, be interpreted with caution, as they may reflect methodological adjustments in addition to policy developments.

1

Creating an enabling environment for SMEs and entrepreneurs

SMEs depend on a supportive business environment to start, operate and grow, making sound policies, fair competition, access to finance and effective support services essential to their development. This cluster examines whether the policy, regulatory and institutional environment enables SMEs to start, operate, grow and exit the market under clear, predictable and proportionate conditions. It assesses how effectively SME considerations are embedded in policy design, as well as whether SMEs operate on a level playing field, including efforts to reduce informality, protect competition, ensure fair access to public procurement, and provide timely access to justice.

1.1. Promoting an SME-friendly policy and institutional design

Small and medium-sized enterprises (SMEs) constitute the backbone of most economies, representing more than 90% of businesses and around 70% of employment globally. Their capacity to raise productivity, compete effectively, innovate and navigate the green and digital transitions is therefore closely intertwined with overall economic performance. At the same time, SMEs typically face higher regulatory, administrative and financing constraints than larger firms, reflecting more limited resources and compliance capacity. Addressing these structural asymmetries requires policy and institutional frameworks that are predictable, proportionate, and responsive to firm size and capabilities. In this context, promoting an SME-friendly policy and institutional design is less about creating standalone “SME-only” programmes and more about systematically embedding an “SME lens” across the policy cycle.

In the Western Balkans and Türkiye (WBT), strengthening SME-friendly policy and institutional design is particularly important given the even greater structural weight of SMEs, which constitute around 99.8% of active firms and generate around 73% of employment.¹ However, SME density in WBT economies remains steadily below EU and OECD averages,² pointing to persistent structural barriers to firm entry, formalisation and scale-up that contribute to a thinner and less dynamic business base. Against the backdrop of ongoing structural reforms aimed at accelerating convergence with the EU economies, embedding a systematic SME lens across regulatory governance, public administration reform and competitiveness strategies can help reduce informality, foster business dynamism and enhance SMEs’ integration into regional and global value chains, while supporting progress in the green and digital transitions.

In line with OECD principles on regulatory quality, better regulation and SME policy, this section examines the extent to which governance frameworks and regulatory practices foster an enabling environment for SMEs through proportionate, transparent and evidence-based policymaking (OECD, 2022^[1]). It reviews the effectiveness of whole-of-government co-ordination and streamlined procedures in limiting unnecessary compliance costs and supporting market entry and exit, while assessing the extent to which policymaking and institutional arrangements processes are transparent, accountable and grounded in robust data.

1.1.1. Reinforcing regulatory, institutional and policy frameworks for SME lifecycle support

Robust regulatory, institutional and policy frameworks are central to supporting SMEs throughout their lifecycle, from entry and early growth to scaling, market consolidation and, where relevant, exit. Moreover, firms in the region perceive the general business environment as one of the most prominent factors for their intra-regional trade relations (Regional Cooperation Council (RCC), 2025^[2]). In line with OECD principles, frameworks and practices (OECD, 2022^[1]; 2023^[3]; 2025^[4]), this requires coherent governance arrangements, clear regulatory frameworks and well-coordinated support tools to ensure the delivery of predictable, proportionate and accessible policies that respond to SMEs’ evolving needs.

While SME policy agendas expand in line with wider economic reform priorities, persisting fragmentation and overlaps across strategies dilute accountability and complicate delivery

WBT economies continue to adopt differing approaches to the design and governance of SME policy frameworks, both from a strategic and institutional perspective. During this assessment cycle, most jurisdictions have undertaken efforts to update or expand their SME policy frameworks. At the same time, Albania and Bosnia and Herzegovina (the entity of Republika Srpska) continue to operate under strategies already assessed in the previous edition. Across the region, governments articulate their SME policy vision through dedicated strategies operated by specialised agencies or ministries responsible for enterprise development, with Bosnia and Herzegovina (the entity of the Federation of Bosnia and Herzegovina)

moving to this model relatively recently, adopting its first dedicated SME development strategy in 2022. By contrast, Albania and Kosovo* frame SME priorities within economy-wide private-sector development strategies, while in Türkiye they are embedded within the national development planning framework, with operational priorities subsequently elaborated by the Small and Medium Enterprises Development Organization of Türkiye (KOSGEB).

SME policy strategies across the Western Balkans frequently set out broad reform agendas aligned with EU accession priorities, the green and digital transitions, and competitiveness objectives. While this alignment helps anchor reforms within regional integration processes, it often yields policy packages spanning multiple sectors and institutions. In practice, implementation responsibilities are typically distributed across a wide range of ministries, agencies and development funds, increasing co-ordination demands and diluting accountability for delivery. At the same time, many strategies anticipate substantial financing from EU instruments and international partners, reflecting constraints imposed by limited domestic fiscal space and further complicate planning and sequencing of reforms. In addition, SME-relevant objectives are often distributed across several complementary policy documents (e.g., industrial strategies, smart specialisation strategies, innovation plans and digitalisation agendas), creating overlaps and making it difficult to prioritise a number of costed and monitorable interventions. As a result, policy commitments become dispersed across numerous initiatives and institutions, weakening strategic focus and complicating co-ordination, budgeting and performance monitoring. Equally, persistent data collection and interoperability gaps further constrain the ability of policymakers to build a comprehensive and comparable evidence base for SME policy design and monitoring (see Introduction on “SME data coverage”).

Efforts to strengthen the institutional basis for SME support are advancing across economies, but co-ordination across government and predictable funding horizons remain key challenges

When policy frameworks encompass a wide range of measures implemented across multiple institutions, effective delivery depends on co-ordination mechanisms and clearly defined institutional responsibilities. In line with OECD principles on whole-of-government policy implementation, most WBT economies rely on dedicated agencies or bodies to lead the implementation of SME support programmes and co-ordinate related policy initiatives, albeit with differing degrees of institutional focus and delivery capacity (Figure 1.1). These agencies typically operate alongside line ministries and play a central role in translating strategic objectives into operational programmes, facilitating interaction with the private sector and managing support instruments targeting SMEs. Across the region, institutional arrangements continue to evolve, and responsibilities are periodically reorganised to improve efficiency and reduce fragmentation. Recently, North Macedonia has consolidated existing support institutions by creating the new Agency for Innovation, Scientific and Technological Development and Entrepreneurship (INOVA), which merged previously separate entities responsible for entrepreneurship and innovation support. At the same time, new institutions have emerged to address theme- or segment-specific dimensions of private-sector development, such as Start-Up Albania or the Innovation Fund in Montenegro, which complement specialised SME support structures.

The effectiveness of these arrangements depends not only on institutional design but also on the adequacy and predictability of financial and human resources. During this assessment period, some economies, notably Albania, Kosovo and Türkiye, have increased the budgets of leading SME institutions, with Bosnia and Herzegovina also expanding line ministerial resources across entities. While these increases partly reflect inflationary adjustments, in some cases, they also represent a real expansion. Nevertheless, many institutions still face capacity constraints in fulfilling their policy leadership and co-ordination roles, particularly in areas such as analytical support, programme monitoring and inter-institutional co-ordination. Moreover, financing for SME support measures often remains organised on an annual basis and closely linked to project-based funding, with weak alignment with SME strategy and action plan cycles constraining

predictable planning and reinforcing reliance on short-term, grant-driven interventions. In this regard, Türkiye's KOSGEB offers a regional benchmark through its multi-year strategic plans.

Efforts to reduce regulatory and administrative burdens remain uneven across economies, while existing tools are not consistently used to prevent new administrative burdens for SMEs

Despite moderate progress over the assessment cycle, regulatory and administrative burdens continue to be perceived as a significant obstacle to doing business by firms across WBT economies (Regional Cooperation Council (RCC), 2025^[2]). While several economies have introduced initiatives to reduce regulatory and administrative complexity, comprehensive and sustained reform strategies remain limited and often strongly reliant on donor-driven initiatives. Most economies currently lack multi-year agendas for systematically simplifying business-related legislation. Serbia and Kosovo are among the few economies implementing more structured programmes to review and reduce regulatory and administrative burdens.³ In Bosnia and Herzegovina, similar efforts are limited to Republika Srpska, which has initiated a process to catalogue and rationalise business formalities. By contrast, Montenegro and North Macedonia, after discontinuing earlier regulatory reform frameworks, have recently focussed on mapping fiscal and para-fiscal charges affecting SMEs as a preliminary step toward their potential rationalisation.

Efforts to reduce compliance costs and improve regulatory efficiency increasingly focus on simplifying administrative procedures and digitalising interactions between firms and public authorities, consistent with OECD principles on streamlined, user-centred regulatory delivery. Most economies have expanded central e-government platforms and one-stop-shop arrangements to consolidate business services and reduce procedural fragmentation. Albania, Serbia and Türkiye have made the greatest progress in integrating a broad range of administrative services into central digital portals, while Kosovo and North Macedonia operate comparatively advanced digital systems for business registration, although their effectiveness still depends on enabling infrastructure and user uptake. Beyond business entry, however, procedural simplification remains more limited, particularly in licensing, permitting and tax administration. In these areas, decentralised responsibilities, limited interoperability and weak mutual recognition continue to generate overlapping requirements and reliance on paper-based or in-person interactions, constraining the full deployment of digital services.

Simplification efforts across the region leave limited room for the preventive dimension of administrative and regulatory burden mitigation, with most initiatives focussing on reducing existing requirements rather than preventing the creation of new ones. Kosovo stands out as the main exception, as its burden reduction programme explicitly includes measures to prevent new administrative costs. In practice, this function is largely expected to be delivered through regulatory impact assessments (RIAs), whose frameworks have been strengthened in recent years across several economies, including Albania, Bosnia and Herzegovina, Serbia and Türkiye. To better capture the impact of regulation on SMEs in line with the EU practice, Serbia has introduced an SME Test, while Kosovo and North Macedonia plan to adopt it soon. Yet, although most economies have oversight bodies to review the quality of RIAs, recently including Türkiye, these often operate through compliance-oriented, informal feedback, limiting their ability to enforce quality standards effectively. Montenegro continues to stand out in this regard, as it evaluates RIAs against defined quality requirements and categorises them accordingly. The overall effectiveness of RIAs across the region is further constrained by its late application in the policy cycle, often after draft legislation has been prepared, with only Kosovo standing out for the use of early-stage concept documents.

1.1.2. Securing systematic, comprehensive and transparent dialogue between policymakers and SMEs

Systematic, comprehensive and transparent public-private consultations (PPCs) are a key pillar of an SME-responsive regulatory framework. Early-stage engagement enables policymakers to draw on first-

hand business experience, identify root causes and assess practical implications before draft rules are formulated, allowing stakeholders to influence the direction of policy when meaningful alternatives remain open. When embedded consistently throughout the policy cycle, PPCs enhance the quality, legitimacy and predictability of SME-relevant regulation, while fostering trust and shared ownership between public authorities and the private sector.

Although formally established, consultation processes remain largely compliance-driven, with limited quality assurance and weak systematic monitoring or policy impact evaluation

Across the region, legal frameworks for PPCs are formally established and broadly aligned with EU and OECD principles and procedural requirements (Table 1.1), with the exception of Türkiye, where this occurs only through administrative practice and, more recently, as part of RIAs. In practice, however, consultations tend to be often conducted only for draft legislation perceived to carry particular political or public interest, with the extensive use of exemptions and accelerated legislative procedures further limiting the proportion of draft acts subject to consultation. As a consequence, even in economies where formal compliance rates appear comparatively high, such as Albania and Montenegro,⁴ consultations apply to only a limited share of total legislative output.

Table 1.1. Legal requirements and available tools for public-private consultations in the Western Balkans and Türkiye

	ALB	BIH	KOS	MNE	MKD	SRB	TUR
Required for primary legislation	✓	✓	✓	✓	✓	✓	X
Required for government-approved secondary legislation	X	✓	✓	X	✓	✓ ¹	X
Required for sector strategies and planning documents	✓	✓	✓	✓	✓	✓	X
Minimum period for PPCs established by legislation	✓	✓	✓	✓	✓	X	X
Use of a central government portal for consultation	✓	X ²	✓	✓	✓ ³	✓	X
Use of virtual public meetings	X	?	X	X	X	✓	✓

Notes:

1. In Serbia, a broad basis for consultation exists for important by-laws (Law on State Administration), although it is not mandatory under the Government Rules of Procedure. The requirement is therefore considered met, albeit conditionally.

2. A central e-consultation portal exists at the state level, where the overall share of published drafts remains limited. A portal has also recently been established in Republika Srpska, although its practical implementation and consistency of use will require further evaluation.

3. The portal exists; however, persistent accessibility issues appear to limit its effective functioning.

Source: Information provided by government authorities as part of the assessment process.

Where PPCs do take place, their implementation remains largely uneven across line ministries and policy domains, and outreach is often confined to established institutional stakeholders. In addition, consultations are commonly organised late in the policy cycle, frequently after impact assessments have already been completed, thereby constraining stakeholders' ability to influence problem definition, policy design, or the selection of regulatory options. North Macedonia is a partial exception in this regard, as its frameworks envisage consultations earlier in the process so that their outputs can directly inform the evidence base underpinning the RIA. Although, in principle, this sequencing can strengthen both the legitimacy of regulatory proposals and the substantive influence of stakeholders, its effectiveness and quality depend on the clarity with which policy problems are defined at the outset.

Since the previous assessment, most economies have made limited efforts to strengthen monitoring of PPCs, with oversight arrangements continuing to focus primarily on procedural co-ordination rather than on the quality and consistency of implementation. Where bodies formally responsible for PPCs exist, they typically play a facilitative role, ensuring that draft acts are circulated for consultation and that procedural

steps are followed. In some economies, instead, the system still relies purely on self-compliance by line ministries, with no central enforcement mechanisms. Only Albania and Kosovo have established central monitoring bodies that effectively consolidate data and produce annual reports on consultation activity and formal compliance. In other economies, reporting is fragmented and generally limited to summaries of individual consultations prepared by responsible line ministries. Even in systems with more developed monitoring frameworks, they rarely assess whether stakeholder feedback meaningfully influences final policy decisions, and stakeholder engagement is not mapped by category, making it impossible to determine the extent of SME participation.

Despite improved accessibility through electronic consultation means, stakeholder engagement remains inconsistent and weakly integrated into decision making across economies

During the current assessment cycle, governments across the region have sustained efforts to promote the use of digital tools for public consultations, although their uptake is not yet universal (Table 1.1). In Albania, Bosnia and Herzegovina (at the state level and in Republika Srpska), Kosovo, and Serbia, centralised online portals continue to support the circulation of draft legislation, thereby contributing to greater procedural transparency and making consultation opportunities more accessible to stakeholders. However, despite established e-consultation practices, stakeholder engagement through these tools remains critically low across the region, showing modest participation rates and underutilised feedback channels. Under such conditions, PPCs risk being perceived as procedural formalities, potentially slowing legislative processes without substantively enhancing regulatory quality.

In recent years, international practice has responded to similar challenges by expanding the use of more interactive consultation formats. Since 2017, the number of OECD Member countries and EU state jurisdictions employing virtual public meetings has doubled and now exceeds those using online platforms, marking one of the most visible procedural developments in consultation practice towards more participatory forms of engagement (OECD, 2025^[5]; 2025^[4]). Yet, this trend has been far less pronounced in the WBT region, where the use of virtual public meetings as a consultation tool remains limited in most economies, suggesting scope for further diversification beyond predominantly written and platform-based approaches. In parallel, several economies maintain additional channels for engaging the business community outside the formal consultation process, either through institutionalised dialogue platforms or advisory bodies. Examples include the Platform for Public-Private Dialogue in North Macedonia and Kosovo's recently established National Council for Economy and Investments. However, while these mechanisms provide structured opportunities for information exchange and discussion, their influence on policy formulation and decision making processes remains limited.

The way forward

- **Continue consolidating SME policy architectures to ensure better coherence, governance and delivery capacity.** Where multiple strategies are already in place, the emphasis should be on better harmonising and rationalising them, and consolidating SME-relevant measures across thematic areas (e.g. innovation, industrial policy, digitalisation, skills, etc.) into a coherent, appropriately prioritised framework. At the governance level, reinforcing lead institutions for SME policy co-ordination remains critical, particularly in contexts where responsibilities are currently dispersed across ministries and agencies. This should be accompanied by more structured inter-institutional co-ordination mechanisms and clearer delineation of remits to minimise overlaps and gaps in delivery⁵. These efforts should be further underpinned by more predictable and adequate resources, aligning budget allocations and staffing capacities with strategic priorities, as well as reducing reliance on ad hoc or short-term funding instruments.

- **Expand and systematise evaluation practices across the SME policy cycle to enhance the effectiveness of support measures and the adaptability of policy frameworks.** The use of comprehensive *ex post* evaluations to inform successive SME strategies, already established in some economies in the region, marks a clear commitment to more evidence-based, iterative policymaking and should be generalised. However, reliance on end-of-cycle assessments alone risks limiting the responsiveness of policy frameworks, as it constrains governments' ability to address design or implementation shortcomings while measures remain in effect. Embedding more systematic impact evaluation across the entire policy cycle would enable more timely, targeted adjustments to policy instruments.
- **Ensure regulatory impact assessments are conducted in a timely and substantive manner to inform policy decisions, including implications for SMEs.** To fulfil their function as a tool for evidence-based policymaking, RIAs should be initiated at an early stage of the policy cycle, during the initial conceptualisation of regulatory proposals, and updated iteratively as policy options are refined, in line with the OECD Best Practice Principles on RIA (OECD, 2020^[6]) (Box 1.1). Monitoring mechanisms could also be strengthened to improve overall quality and effectiveness, including by tracking the performance of RIAs and reporting more comprehensively and analytically on the quality of assessments to support policy learning. In addition, governments are encouraged to consider systematically including the assessment of regulatory impacts on SMEs, in line with the SME Test methodology, building on existing practices such as those recently incorporated into the Serbian framework.
- **Assess and recalibrate the tax burden on SMEs to reduce barriers to formalisation and business growth.** Governments are encouraged to undertake a targeted review of the tax regime for unincorporated SMEs, examining the combined effects of income taxation, social security contributions and indirect taxes on incentives for formalisation, investment and firm expansion, while ensuring that such efforts do not place firms that have remained compliant at a competitive disadvantage. In parallel, simplified tax regimes should be reviewed to identify thresholds, cliff effects or design features that may discourage firms from scaling up or transitioning to the standard tax regime, with a view to reducing unnecessary barriers to growth. Where relevant, adjustments to thresholds, phase-out mechanisms or compliance requirements could help reduce disincentives to growth.
- **Strengthen the governance of public consultations to improve the quality, inclusiveness and policy impact of stakeholder engagement.**
 - **For economies with more established public-private consultation systems that are single-entry and easily accessible (Albania, Bosnia and Herzegovina [Republika Srpska], Kosovo, Montenegro, North Macedonia and Serbia):** The focus should be on improving stakeholder engagement and strengthening performance monitoring of the consultation process. Oversight mechanisms should be enhanced to assess the substantive quality and impact of consultations, including by monitoring the diversity, representativeness, and responsiveness of stakeholder participation, as well as the extent to which consultation feedback informs final policy decisions. In parallel, authorities could explore the scope for diversifying consultation modalities to complement existing portal-based mechanisms. Hybrid approaches, such as structured virtual meetings, can retain the accessibility and transparency benefits of digital platforms while fostering more meaningful interaction with stakeholders.
 - **For economies where public consultations remain inconsistently applied and less accessible (Bosnia and Herzegovina [Federation of Bosnia and Herzegovina] and Türkiye):** Governments are encouraged to prioritise the creation of more coherent arrangements for the management and oversight of consultation processes. This includes consolidating consultation procedures through a dedicated platform and assigning clear institutional responsibility for oversight, guidance and monitoring, with a view to ensuring more

consistent application, improved accessibility for stakeholders and greater transparency across the policymaking process.

- **Develop stronger SME data systems to support evidence-based policymaking.** Governments are encouraged to prioritise improving the availability, consistency and analytical use of SME-relevant data across public institutions in order to strengthen the monitoring and evaluation of SME policies, enable more timely policy adjustments and reduce reliance on ad hoc analytical exercises. This may involve improving the integration of administrative and statistical datasets, establishing clear protocols to facilitate data sharing among ministries, implementing agencies and national statistical offices, and expanding the collection of SME-specific indicators where gaps remain.

Box 1.1. Good practice example: Estonia's legislative intent process and oversight for regulatory impact assessment

Through the Rules for Good Legislative Practice and Legislative Drafting, Estonia has embedded RIA directly into its legislative process. A key feature is the requirement for ministries to prepare, before drafting a legislative proposal, a "legislative intent" document (*väljatöötamiskavatsus*), which must justify the need for legislation, outline the policy problem, identify possible policy options, and explain the preferred option's compatibility with the existing legal system. Furthermore, by requiring identification of the significant impacts expected from the proposed intervention and a plan to analyse them, the system helps ensure the timely use of impact assessments to inform policy design. Once a draft law is prepared, it must undergo a formal impact assessment in line with the government's RIA methodology, and the framework also provides for *ex post* impact assessment after implementation. Oversight is exercised by the Ministry of Justice's Legislative Quality Division, which reviews RIAs and can return them to the proposing ministry for revision if standards are not met.

Policy relevance for the Western Balkans and Türkiye

Estonia's framework illustrates one possible approach to integrating early-stage policy analysis and central quality oversight into the legislative process without requiring extensive institutional restructuring or placing disproportionate analytical demands on line ministries. Drawing inspiration from similar arrangements, WBT economies could help ensure that RIAs function more effectively as a tool for evidence-based policymaking by informing regulatory proposals from the early stages of policy development.

Source: Government of Estonia (2011^[7]).

1.2. Levelling the playing field for SMEs

SMEs thrive in a business environment that supports them throughout their life cycle and ensures a level playing field, where firms operate under the same market conditions. SMEs are particularly vulnerable to factors that undermine this balance, including unfair market practices, informal competition, state-induced distortions (such as preferential treatment of state-owned enterprises [SOEs]) or the misallocation of public resources through non-competitive public procurement, and limited access to justice. When these dynamics become widespread, they can weaken competitive conditions and reinforce incentives for firms to operate outside formal rules.

In the WBT economies, SMEs continue to face barriers in the form of high levels of informality, limited competition in key sectors, and constrained access to timely justice. Informality remains widespread across parts of the region, with the informal economy⁶ representing a major constraint to the region's

competitiveness, and market conditions in key sectors remaining uneven. Despite public procurement accounting for a substantial 10% of gross domestic product (GDP) in the region, business environments in several economies continue to exhibit limited effective competition. The continued presence of inefficient SOEs in strategic sectors, combined with public financial support mechanisms for these enterprises, underscores the need to ensure that such support is provided in a manner consistent with competitive neutrality. In parallel, delays in judicial proceedings and limited use of alternative dispute resolution (ADR) mechanisms region-wide continue to affect SMEs' ability to enforce contracts and resolve commercial disputes in a timely and proportionate manner.

This section reviews how current policy frameworks affect SMEs' ability to compete on equal terms across the WBT region. It analyses measures aimed at reducing informality, strengthening competition in key markets, including public procurement and SOEs, and improving access to judicial and ADR mechanisms.

1.2.1. Tackling informality for a more competitive business environment

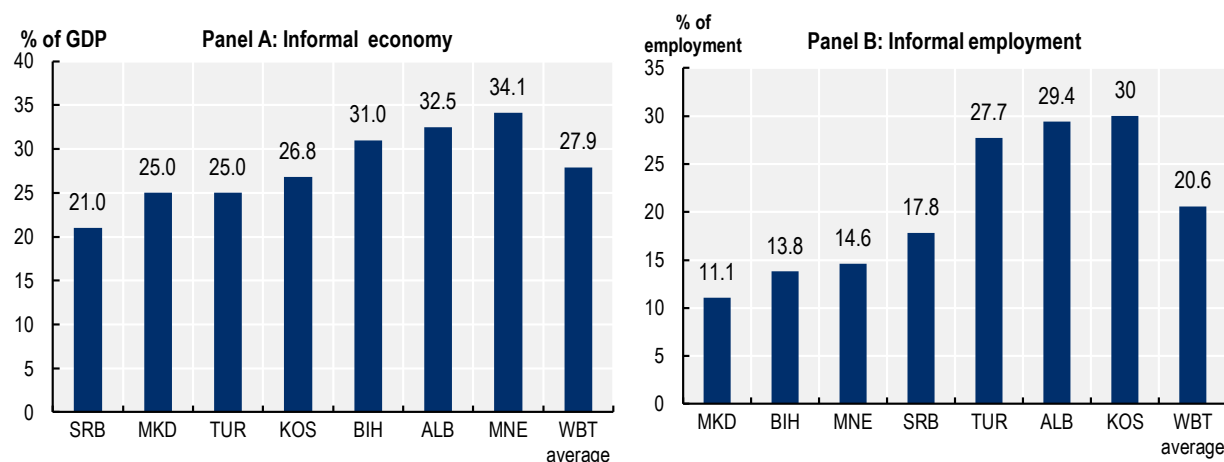
Tackling informality is essential to levelling the playing field for SMEs, as undeclared activity can create unfair cost advantages and distort competition, with disproportionate effects on compliant SMEs. Where business environment conditions make compliance burdensome or enforcement uneven, firms operating outside formal rules can undercut compliant competitors, weakening incentives for formalisation and efficient resource allocation. As informality spreads, compliance risks becoming a disadvantage rather than a norm, further weakening trust in regulatory systems. Addressing the informal economy, therefore, requires a balanced policy approach that combines consistent enforcement with proportionate tax regimes, simplified administrative procedures and credible incentives to formalise.

Dedicated anti-informality strategies have been widely adopted across the region, but design elements that address the specific constraints faced by micro and small firms – such as simplified compliance pathways or targeted formalisation incentives – remain limited

Informality remains a major structural constraint on SME competitiveness across the region, both through its macroeconomic effects and its labour-market dimension. Recent data point to persistently high levels of informality across economies, with the informal economy accounting for approximately 28% of GDP and informal employment averaging 20% of total employment⁷ (Figure 1.1). While the balance between the two varies across economies, the regional picture points to significant levels of informality, with implications for competition, productivity and resource allocation, including continued exposure of compliant firms to unfair competition. Informality is also perceived by businesses in the Western Balkans themselves as one of the top three impediments to growth (RCC, 2026^[8]).

Against this backdrop, most economies in the WBT region have adopted dedicated strategies or action plans to reduce informality, signalling sustained recognition of its importance as an economic barrier. This is the case in Montenegro, North Macedonia, Serbia and Türkiye, whereas Albania and Bosnia and Herzegovina tackle informality through dispersed measures rather than under a dedicated unified strategy. However, dedicated frameworks are designed at the economy-wide level and rarely include explicit SME-differentiated design features. While micro and small firms are consistently identified as both highly exposed and more prone to adopt informal practices, few strategies tailor policy responses according to firm size, compliance capacity or sectoral concentration. As a result, formalisation measures often apply uniformly across the business population, without sufficiently accounting for the administrative and financial constraints faced by smaller enterprises.

Figure 1.1. Estimated size of the informal economy and informal employment in the Western Balkans and Türkiye, 2024 or latest available data



Notes: Estimates of the informal economy as a share of GDP are inherently approximate and may vary by several percentage points depending on methodology; they should therefore be interpreted as indicative rather than exact values. Informal employment data refer to 2024 for all economies except Montenegro and Türkiye, where the latest available data correspond to 2023.

Sources: ILO (2026^[9]); OECD (2025^[10]); World Bank (2024^[11]).

Furthermore, existing informality programmes in Montenegro, North Macedonia, and Serbia lack annual monitoring frameworks, while in Türkiye, a lack of well-defined performance indicators similarly limits assessment of implementation and SME outcomes. Without more differentiated features and proper evaluation, formalisation efforts may produce only partial results, limiting their effectiveness in restoring competitive neutrality and incentivising SME formalisation.

Formalisation efforts have centred on modernising business entry, labour registration and fiscal monitoring frameworks, using digital tools and simplified procedures aimed at reducing undeclared activity

Efforts to reduce informality across the region continue to differ significantly in scope and depth, with economies adopting various combinations of entry-point simplification, labour-market measures and fiscal oversight tools. The selected measures highlighted in Table 1.2 are commonly used across the region.

While digital business registration primarily facilitates firm entry, it can also indirectly support formalisation by lowering administrative costs and barriers to registration. By reducing the time and cost required to start a business and enabling entrepreneurs to submit applications and obtain registration documents online, digital systems can simplify the transition from informal to formal activity. A number of economies, including Albania, Kosovo, North Macedonia, Serbia and Türkiye, have introduced fully digital business registration systems, helping make formal market entry more accessible for new firms. In Bosnia and Herzegovina, registration procedures differ across jurisdictions and remain only partially digitalised, while Montenegro is progressing towards a fully digitalised registration system, expected to become operational in 2026.

Table 1.2. Selected measures used to address informality beyond enforcement across the Western Balkans and Türkiye

	ALB	BIH-FBiH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Labour registration tools	X	X	X	X	X	✓	✓	X
Fiscal monitoring and digital payments	✓	✓	✓	✓	✓	X	✓	✓
Simplified microenterprise tax regimes	X	X	✓	X	X	✓	✓	✓
Digital business registration	✓	X	X	✓	X ¹	✓	✓	✓

Notes: The table provides an overview of selected measures and tools and does not constitute a comprehensive inventory of anti-informality policies. It primarily covers complementary and compliance-easing measures, and does not include enforcement actions such as inspections, controls, or sanctions.

1. In Montenegro, business registration is not yet fully digitalised. While the eFirma portal is in place, a significant share of registration procedures still relies on in-person or paper-based steps. The 2025 Law on Registration of Business and Other Entities mandates the transition to fully digital registration from 2026.

Complementary measures aimed at reducing informality beyond the point of entry also show considerable variation. With the exception of North Macedonia and Serbia, which have introduced simplified mechanisms for registering seasonal or freelance workers, labour-market formalisation across the region still relies largely on inspections and enforcement rather than on dedicated channels that ease compliance for SMEs.

On the other hand, most economies have expanded or upgraded their fiscalisation systems, with Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, and Türkiye introducing measures such as e-invoicing requirements, strengthened point-of-sale controls, or targeted traceability tools, thereby increasing authorities' enforcement capacity. In North Macedonia, despite planned improvements under the 2025 Fiscal Strategy, no clear implementation has been recorded to date. Variation across economies is also evident in the use of simplified tax regimes for microenterprises, which are in place in Bosnia and Herzegovina's entity of Republika Srpska, North Macedonia, Serbia, and Türkiye, and help reduce compliance costs for smaller firms, despite the risks that sharp eligibility thresholds can weaken scale-up incentives.

1.2.2. Protecting and monitoring fair market competition

Safeguarding fair competition is essential to maintaining a business environment in which SMEs can grow on equal terms. Strong competition frameworks and effective oversight institutions play a central role in keeping markets open and ensuring that anti-competitive practices are identified and addressed. This is particularly important where public resources are involved, as misallocated or selectively distributed support can distort market conditions and undermine competitive neutrality. In public procurement, ensuring fair access for SMEs is especially critical, given that public tenders in the region account for around 10.3% of GDP. At the same time, the significant presence of SOEs can further tilt market conditions where governance arrangements are weak, increasing the risk of resource misallocation and reducing competitive pressure.

Fair competition conditions for SMEs remain uneven across key market frameworks

Across the region, governments have taken steps to strengthen institutional frameworks supporting fair competition and market access for businesses, including SMEs. Competition authorities in Albania and Serbia have expanded their resources and visibility in recent years, helping strengthen their capacity to monitor markets and enforce competition rules. Governing frameworks for SOEs have also been established across all economies, with Bosnia and Herzegovina's entity of Republika Srpska and Serbia

and Montenegro strengthening SOE performance through expanded reporting requirements and enhanced oversight mechanisms. Yet the progress made through institutional improvements has not fully translated into competitive conditions on the ground, which may disproportionately affect smaller firms.

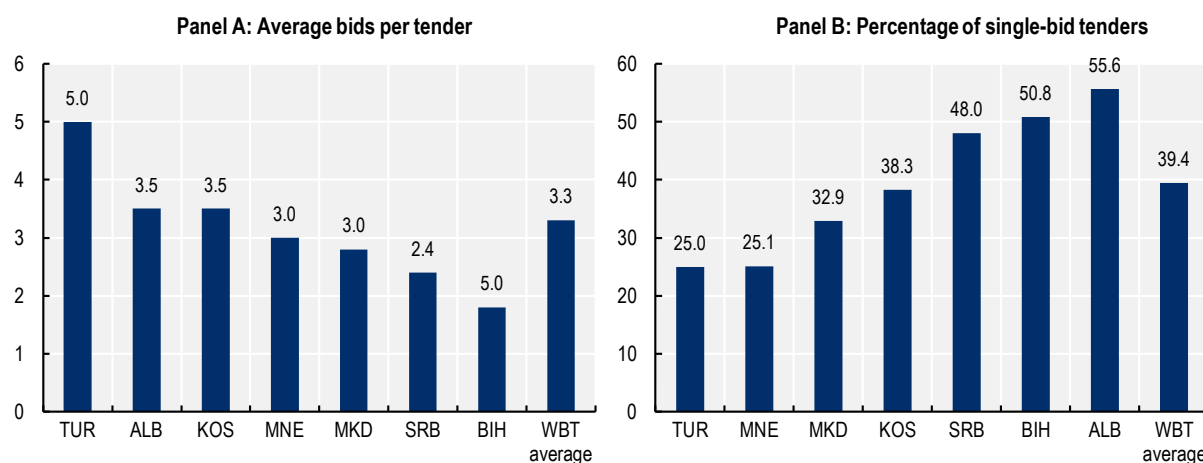
Despite existing frameworks, significant obstacles prevent SMEs from operating under fully competitive conditions. Competition authorities across the region have not introduced programmes or guidance addressing SME-specific competition issues, and enforcement activity in SME-relevant markets remains limited. In parallel, competitive pressures in public procurement have weakened across much of the region (see the next sub-section). Structural distortions linked to SOEs further compound these challenges. Although governance frameworks are in place, many SOEs operate at a loss, and extensive public financial support continues to raise concerns about competitive neutrality. In Bosnia and Herzegovina, Montenegro, and Serbia, SOEs have benefitted from capital injections and state-backed guarantees, while loss-making enterprises persist in several sectors. Without systematic monitoring of state support and stronger safeguards against competitive neutrality violations, these practices risk undermining fair competition in markets where SMEs operate.

SMEs capture a large share of public procurement markets, though competitive pressure remains limited

Across the region,⁸ SMEs account on average for around 77% of public procurement contracts and 72% of total contract value, compared with approximately 60% of contracts and 30% of contract value in the European Union (García Rodríguez, 2023^[12]; European Commission, 2020^[13]), indicating a comparatively larger role for SMEs in procurement markets. A majority of economies, namely Albania, Bosnia and Herzegovina, Montenegro and Serbia, have introduced policies to encourage SME participation in public procurement, including training programmes for SMEs on tender participation in Albania and simplified procedures for medium-value procurements in Bosnia and Herzegovina. These efforts have been complemented by the widespread use of electronic procurement platforms and broader digitalisation of procurement processes across most economies.⁹

However, competitive conditions in procurement markets have generally deteriorated since the previous assessment. The average number of bids has decreased in all economies except Albania and Türkiye, to a regional average of 3.2 bids per tender, highlighting a decrease in participation in most markets across the region (Figure 1.2). Furthermore, the share of procedures receiving only a single bid has increased in Bosnia and Herzegovina, Montenegro and North Macedonia, and remained stable in Serbia, reaching a regional average of around 38%¹⁰ of tenders (Figure 1.2). This suggests that strong SME participation does not necessarily translate into fully competitive procurement markets. In several economies, these trends are further reinforced by limited progress in implementing reforms to facilitate SME access to procurement markets, as well as by gaps in monitoring procurement dynamics, particularly regarding the concentration and recurrence of awards and the use of contract lot division to broaden participation.

Figure 1.2. Average number of bids per tender and share of single-bid tenders in total bids in the Western Balkans and Türkiye, 2024



Notes: Data for single-bid tenders is unavailable for Türkiye. Data on single-bid tenders for Kosovo is only for contracts above EUR 10 000.
Source: Adapted from information provided by WBT governments during this assessment.

1.2.3. Providing efficient judicial and out-of-court dispute resolution mechanisms

Timely and efficient dispute resolution is a key element of a fair business environment for SMEs, which are particularly exposed to lengthy and costly legal proceedings due to their limited financial and administrative resources. These constraints make it more difficult for them to absorb prolonged uncertainty, delayed payments or unresolved commercial disputes. When judicial systems are slow or complex, SMEs may be discouraged from pursuing legal remedies altogether, leaving them more vulnerable to contract breaches and unfair business practices. Efficient courts and accessible ADR mechanisms, such as mediation and arbitration, are therefore essential to deliver faster, more proportionate solutions. Effective enforcement of intellectual property rights (IPR) is equally important, as delays or procedural barriers can limit SMEs' ability to protect innovations and other intangible assets.

Access to timely commercial justice for SMEs remains uneven across the region

Timely resolution of commercial disputes remains uneven across the region, with judicial backlogs and institutional fragmentation continuing to affect SMEs' ability to enforce contracts. First-instance civil and commercial cases took a median of 387 days to resolve in the region in 2022 - reflecting the typical duration of proceedings - compared to 239 days in the EU, highlighting a gap in the speed of contract enforcement (European Commission for the Efficiency of Justice (CEPEJ), 2024^[14]) (CEPEJ, 2023^[15]). Court structures vary across economies, with most operating specialised commercial courts, including Bosnia and Herzegovina, Montenegro, Serbia and Türkiye, while Kosovo introduced this framework in 2022. These courts provide dedicated forums for business disputes, but in practice continue to face significant backlog and lengthy procedures in all economies. In contrast, Albania and North Macedonia rely on civil courts or commercial divisions within general courts, which may limit specialisation and expose commercial disputes to broader caseload pressures. Across the region, these structural differences and persistent backlog pressures continue to affect the speed and predictability of dispute resolution for SMEs.

In parallel, ADR mechanisms are widely established across the region but remain underused and insufficiently tailored to SMEs. Most economies have established legal frameworks for mediation and arbitration, yet uptake remains limited, and monitoring rarely tracks SME participation. While Kosovo, Montenegro, North Macedonia and Türkiye have introduced measures to promote mediation, such as

mandatory mediation provisions or small claim mechanisms, uptake remains generally low. Arbitration is also available in all economies, but remains typically concentrated in a small number of institutions, often located in large urban centres, possibly limiting accessibility for smaller regional firms. As a result, despite their potential to reduce costs and accelerate dispute resolution, ADR mechanisms remain an underutilised tool for improving SMEs' access to justice.

IPR dispute resolution frameworks remain insufficiently tailored to SMEs across the region

IPR dispute resolution frameworks across the region remain largely embedded in general judicial systems, with limited procedures specifically designed to address the needs of SMEs. In most economies, including Albania, Bosnia and Herzegovina, Kosovo and North Macedonia, intellectual property disputes are handled through standard commercial or civil courts rather than specialised procedures, exposing SMEs to the same backlog pressures and procedural complexity affecting broader litigation systems. In Serbia and Türkiye, specialised courts or institutional arrangements exist to handle intellectual property cases, yet the procedures do not include simplified channels tailored to smaller firms. Across the region, these structures can create barriers for SMEs seeking to enforce IPR, as limited financial resources make it more difficult for smaller firms to engage in lengthy or complex litigation.

While some economies have introduced initiatives to strengthen SME awareness or support in the field of intellectual property, targeted dispute resolution mechanisms remain rare. Bosnia and Herzegovina, Serbia and Türkiye are the only economies to have implemented SME-targeted support activities on IPR, including training programmes and advisory services, with Bosnia and Herzegovina introducing an SME-focused intellectual property pre-diagnostics service to help firms assess their intellectual property assets. Despite these initiatives, most measures focus primarily on awareness raising or capacity building rather than on simplifying dispute resolution procedures themselves, and uptake remains limited. As a result, SMEs across the region continue to rely largely on standard court processes when seeking to enforce IPR, limiting the accessibility and effectiveness of protection for smaller firms.

The way forward

- **Strengthen anti-informality strategies by incorporating SME-sensitive design elements.** Governments across the region are encouraged to ensure that anti-informality frameworks better reflect the constraints faced by micro and small firms in complying with tax, labour and regulatory obligations. While most economies have adopted economy-wide strategies to reduce undeclared activity, these could be complemented by proportionate measures for smaller firms, such as simplified administrative procedures, streamlined filing and record-keeping requirements, predictable tax treatment, and well-designed thresholds that minimise disincentives to growth (Box 1.2). Such measures should complement, not substitute for, consistent enforcement and broader efforts to address unproductive informal activity and improve overall productivity.

Box 1.2. Good practice example: Italy's *regime forfettario*: a simplified tax regime to reduce compliance costs and lower entry barriers to formalisation for micro and small businesses

Italy's *regime forfettario* provides an example of how targeted tax simplification measures can support formalisation by reducing compliance costs for micro and small businesses. Introduced in 2015, the regime is available to eligible taxpayers engaged in business or professional activities whose annual turnover or professional income did not exceed EUR 85 000 in the previous year, calculated on an aggregate basis across all activities carried out. Eligibility is also subject to a ceiling of EUR 20 000 in gross annual expenditure on ancillary labour, employees and collaborators. The regime replaces the ordinary personal income tax schedule and related surcharges with a single substitute tax, generally set at 15%, and reduced to 5% during the first five years for eligible new activities, provided that the taxpayer has not carried out a business activity during the previous three years and that the new activity does not continue a previously performed employed or self-employed activity, except where this relates to a period of mandatory professional training.

Taxable income is determined on a presumptive basis, by applying a sector-specific profitability coefficient to turnover rather than relying on standard accounting of actual costs. The regime also reduces compliance burdens through simplified VAT treatment, including exemption from charging VAT, filing annual VAT returns and maintaining standard VAT records. These design features reduce the fixed administrative costs associated with formal operation and increase predictability, allowing firms to estimate their tax liabilities through a simpler and more standardised method. For businesses with limited managerial and accounting capacity, this can make formal participation more feasible and easier to sustain over time.

Policy outcomes

The regime has demonstrated strong and sustained uptake since its introduction in 2015. Recent data published by the Italian Ministry of Economy and Finance illustrate the scale of its reach: over the four-year period from 2022 to 2025, approximately 954 000 newly registered individual taxpayers opted for the *regime forfettario*, representing close to half of all new registrations over that period. By 2025, the share of individual registrations selecting the regime exceeded 70% for the first time, reflecting a broad and growing reliance on the simplified framework among new sole traders.

Policy relevance for the Western Balkans and Türkiye

Italy's approach illustrates that tax simplification is not only a form of fiscal relief, but also an effective tool for lowering the fixed costs associated with entering and remaining in the formal economy. This supports the case for embedding SME-sensitive design elements into anti-informality strategies, including simplified filing requirements, record-keeping obligations, predictable tax treatment, and threshold structures that minimise disincentives to growth.

Sources: (OECD, 2025^[16]) ; (Unimpresa, 2026^[17]).

- **Improve engagement with SMEs to strengthen the detection of anti-competitive practices.** SMEs may face greater difficulties identifying and reporting anti-competitive practices, which can weaken the detection of market abuses in sectors where smaller firms are highly represented. Competition authorities across the region are therefore encouraged to strengthen outreach and guidance activities aimed at SMEs, including clearer communication on competition rules and

reporting channels, while ensuring that all their engagement respects their mandate of neutrality and treats all firms equitably.

- **Strengthen monitoring of competition in public procurement to ensure effective market access for SMEs.** While SME participation in procurement remains high across the region, declining bidding intensity and the growing prevalence of single-bid procedures suggest that competition pressures may be weakening in several economies. Governments are encouraged to enhance monitoring frameworks to systematically track indicators of competitive dynamics, including the share of single-bid tenders, average number of bids per procedure, and, where feasible, the concentration of contract awards and repeat award patterns. Greater use of procurement design tools, such as the division of contracts into lots, can further support broader participation by reducing the risk of market concentration.
- **Strengthen the accessibility and use of ADR for commercial disputes involving SMEs.** Despite the existence of legal frameworks for mediation and arbitration across the WBT region, the use of ADR mechanisms remains limited, thereby limiting their potential to deliver faster, cost-effective solutions for SMEs. Governments should strengthen efforts to promote ADR through targeted awareness initiatives and closer co-operation with business organisations and chambers of commerce, while improving monitoring frameworks to better track SME participation and outcomes in mediation and arbitration.

1.3. Facilitating access to finance for SMEs' operations and growth

Access to finance is a prerequisite for firms to invest, innovate and scale-up. For many SMEs, competitiveness depends not only on internal capabilities, such as the workforce's skills, but also on the ability to mobilise external funding, including bank credit and equity-type finance. Yet across the WBT region, many SMEs still face constrained access to finance due to high collateral requirements and shallow alternative finance markets. These constraints reduce investment and delay upgrading, limiting firms' capacity to grow. Strengthening access to finance is therefore a key policy channel to boost SME competitiveness, enabling firms to scale up and build economic resilience.

Available data suggest that access to finance remains a key constraint for SMEs across the WBT region, especially for bank credit, which remains the main source of external financing. Over 2023-2025, the share of firms reporting they were partially or fully credit-constrained was 9.5% in Bosnia and Herzegovina, 12.6% in Albania, 14.0% in North Macedonia, 18.4% in Montenegro and 25.2% in Serbia, rising to 41.8% in Türkiye (World Bank, 2026^[18]),¹¹ highlighting the need to strengthen risk-sharing instruments and develop alternative finance channels.

In this context, this section assesses the success of policies in enabling SMEs' access to bank finance and alternative financing avenues, as well as the direct financial support implemented to encourage SME establishment, operations and growth.

1.3.1. Facilitating bank lending to SMEs

SMEs often face tighter collateral requirements than larger firms, reflecting both higher perceived credit risk and more limited collateral availability. In the WBT region, these challenges are amplified by incomplete asset registration frameworks, which constrain the effective use of movable and immovable assets as collateral. In parallel, instruments intended to ease lenders' risk perceptions, notably credit guarantee schemes (CGSs), remain unevenly developed, contributing to substantial cross-economy variation in SMEs' access to bank finance.

Asset registration gaps narrow the available collateral base, hindering the capacity of SMEs to secure loans

Asset registration systems are generally comprehensive across the WBT region, but limited assessment of registry performance and data quality can constrain the effective mobilisation of assets for collateralisation (Table 1.3). For immovable assets, cadastres cover the full territory across all seven economies; however, digitalisation of cadastres remains incomplete in Albania, Bosnia and Herzegovina, North Macedonia and Türkiye. This weakens the reliability of ownership records and makes property registration and the use of real estate as collateral slower and more costly. For movable tangible assets (notably vehicles), registrable intangible assets (e.g. patents and trademarks), and pledge registries used to record security interests over movable property and rights, systems are broadly in place and largely digitalised. Nonetheless, some practical gaps persist: in Bosnia and Herzegovina, fewer than half of movable assets are documented; in Albania, documentation remains incomplete for livestock and agricultural equipment; and in Kosovo, information on asset valuation is limited. Beyond these economy-specific issues, the main regional weakness is the absence of systematic, routine data-quality external assessments across registries. Persistent gaps, particularly related to interconnection, transparency and accuracy, are reported in several economies, such as Albania (European Commission, 2025^[19]), Bosnia and Herzegovina (European Commission, 2025^[20]) and North Macedonia (European Commission, 2025^[21]), underscoring the need for continued upgrades and quality improvements.

Table 1.3. Asset registration in the Western Balkans and Türkiye

		ALB	BIH-FBIH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Immovable assets registration (cadastre)	Full information	✓	✓	✓	✓	✓	✓	✓	✓
	Full digitalisation	In progress	X	X	✓	✓	X	✓	In progress
	Performance evaluation (external)	X	X	X	X	X	X	X	X
Movable assets registration (tangible and intangible)	Full information	X	X	X	X	✓	✓	✓	✓
	Full digitalisation	✓	✓	✓	✓	✓	✓	✓	✓
	Performance evaluation (external)	X	X	X	X	X	X	X	X

Notes: “Full information” refers to: 1) the relevant registry covering the full territory/asset universe within its mandate; and 2) providing comprehensive information on each registered asset (e.g. unique identifier, ownership/title holder and registered encumbrances). “Full digitalisation” refers to the registry being maintained in an electronic database with digitised records and maps (where relevant) and allowing electronic search and updates (online access and digital workflows rather than paper-based files). “Performance evaluation (external)” refers to an external assessment of registry performance and data quality, aimed at identifying discrepancies (e.g. missing or inconsistent entries, outdated records, errors in identifiers/ownership) and informing corrective actions and system upgrades.

Source: Adapted from information provided by WBT governments during the assessment period.

Risk-sharing instruments are underdeveloped or not yet established, leaving SMEs exposed to conservative lending practices

CGSs are increasingly used across the WBT region as a key policy instrument to facilitate SMEs’ access to bank finance (Table 1.4). Apart from Albania and Serbia, economies have established centralised CGSs, with Montenegro in the process of operationalising its Credit Guarantee Fund. Another regional trend is that governments and/or domestic institutions capitalise all operating schemes, while international financial institutions contribute to the capital base only in Kosovo and Türkiye (Table 1.4), which helps strengthen the long-term financial sustainability of these schemes.

Despite this progress, the effect on SMEs' borrowing conditions is likely to remain modest, as most schemes operate at a limited scale (Table 1.4). Outstanding guarantee portfolios typically amount to around 0.1% of GDP,¹² constraining their capacity to meaningfully shift banks' perceptions of risk for SME lending. More broadly, this also reflects a broader institutional weakness in the WBT region: development-finance institutions that could play a stronger counterbalancing role are, in several cases, not yet fully established, too narrowly mandated, or operating at insufficient scale. As a result, public risk-sharing mechanisms remain too limited to significantly reshape commercial banks' incentives.

Kosovo stands out as the only WBT economy where a CGS operates at a significant scale, as in 2024, the Kosovo Credit Guarantee Fund issued EUR 76.1 million in guarantees, supporting EUR 173.0 million in loans, around 1.7% of GDP (Kosovo Credit Guarantee Fund, 2025^[22]). Beyond the limited scale of existing schemes, a key regional weakness is the limited use of systematic performance evaluation: none of the WBT economies with an operating CGS has conducted an external assessment since 2022. As a result, the effectiveness and additionality of the operating CGS remain largely unknown, limiting the evidence base for adjusting their design for a stronger impact on SMEs' access to credit.

Table 1.4. Active credit guarantee schemes (CGSs) in the Western Balkans and Türkiye

	ALB	BIH-FBIH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Centralised CGS in place*	X	✓	✓	✓	In progress (2026)	✓	X	✓
Total guarantee provided	n.a.	2025: BAM 35.3 million (EUR 17.6 million) ¹	2024: BAM 15.7 million (EUR 8.0 million) ²	2024: EUR 76.1 million ³	n.a.	2022-June 2025: EUR 15.2 million ⁴	n.a.	2024: TRY 27.3 billion (EUR 543.9 million) ⁵
Capital base	n.a.	Government	Government	Government and international financial institutions (IFIs)**	Government and potential contributions from IFIs***	Government	n.a.	Domestic institutions, banks and IFIs****
Performance external evaluation	X	X	X	X	X	X	X	X

Notes:

*A centralised CGS is a single, economy-level managed guarantee facility that provides guarantees to lenders, typically through a single central guaranteed institution (rather than multiple schemes run by ministries, regions/entities, sector funds, or separate agencies). As access to finance policies is a competency of the entities of Bosnia and Herzegovina, a CGS conducted at the entity level is considered a centralised scheme.

**Government of Kosovo, the United States Agency for International Development and the German Development Bank (KfW).

***Under the 2025 Law on the Credit Guarantee Fund, the Fund's initial capital of EUR 10.6 million is to be provided by the Government of Montenegro. The law also foresees that the Fund's capital base may be supplemented by irrevocable donations or grants, including from international financial institutions and other donors.

****The Union of Chambers and Commodity Exchanges of Türkiye (TOBB), Türkiye's Small and Medium Enterprises Development Organisation (KOSGEB), 29 Turkish banks and the European Investment Fund.

Sources:

1. Information provided by the Development Bank of the Federation of Bosnia and Herzegovina for this assessment;
2. SRNA (2025^[23]);
3. Kosovo Credit Guarantee Fund (2025^[22]);
4. Development Bank of North Macedonia (2025^[24]);
5. Kredi Garanti Fonu (2025^[25]).

1.3.2. Providing alternatives to bank finance

Alternative sources of finance remain underdeveloped across the WBT region, leaving SMEs largely reliant on bank credit to fund operations and investment. Equity markets play a marginal role for SME financing:

listings are dominated by long-established firms, and new SME entrants are rare. Corporate bond markets exist, but banks and a small set of larger corporates largely drive issuance. Early-stage finance is also shallow, leaving young and innovative firms with few options for diversifying their external financing sources.

Capital markets remain shallow and underdeveloped, which maintains the bank dependency of SMEs

Capital markets in the WBT region remain a largely untapped source of finance for SMEs, and policies to expand SMEs' use of equity and bond markets remain limited across the region (Table 1.5). Overall, four economies of the WBT region have introduced dedicated SME segments, mainly through lighter admission requirements and simplified reporting: Montenegro, North Macedonia, Serbia and Türkiye. However, these segments have generally not translated into a meaningful pipeline of SME listings, especially in the Western Balkans, where the domestic investor base is narrow and the costs and administrative requirements associated with listing may further limit SME take-up.

To mitigate the constraints of small economic size, policies can reduce the costs of market-based financing and strengthen secondary-market liquidity to support trading in equities and bonds. However, none of the Western Balkan economies has adopted targeted measures to reduce issuance and listing costs or to support post-issuance trading. By contrast, Türkiye complements its dedicated SME segment (e.g. Emerging Companies Market) with measures that cut initial public offering (IPO) costs and reinforce incentives, such as fee waivers, 50% reductions in selected trading and maintenance fees, and a 2 percentage-point corporate tax cut conditional on a minimum free float, coinciding with 128 IPOs between 2022 and 2024.¹³ Comparable initiatives to deepen SME corporate bond issuance, however, have not been introduced.

Table 1.5. Capital-market legal and policy frameworks in the Western Balkans and Türkiye

	ALB	BIH-FBIH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Operational stock exchange	✓ ¹	✓	✓	X	✓	✓	✓	✓
Dedicated SME segment	X	X	X	n.a. ²	✓	✓	✓	✓
SME listing support policies	X	X	X	X	X	X	X	✓
SME listing (since 2022)	X	X	X	X	X	X	X	✓
SME bond issuance support policies	X	X	X	X	X	X	X	✓
SME bond issuance (since 2022)	X	X	X	X	X	X	X	X

Notes:

1. Albania operates the Albanian Securities Exchange, licensed in 2017 and operational since February 2018; however, market activity remains very limited, with trading largely concentrated in government securities.

2. No stock exchange operates in Kosovo.

Source: Adapted from information provided by WBT governments during the assessment period.

Limited access to early-stage capital keeps young and innovative SMEs reliant on bank financing

Early-stage finance remains underdeveloped across the Western Balkan economies, while it has gained significant traction in Türkiye. In 2024, venture capital (VC) investment totalled EUR 35.8 million in the Western Balkans 6 (WB6), compared with EUR 2.5 billion in Türkiye (Dealroom, 2025_[26]).¹⁴ The development of early-stage finance is shaped, first and foremost, by whether economies have established a dedicated legal framework for VC and private equity (PE) funds, with a mixed picture across the WBT economies (Table 1.6). Dedicated legal frameworks for alternative investment funds (AIF) are in place in

Bosnia and Herzegovina (the entity of Republika Srpska), Montenegro, Serbia and Türkiye, while North Macedonia and Kosovo are still working toward their adoption.

However, policies to develop VC and PE markets remain largely absent across the region (Table 1.6). Türkiye stands out for combining a dedicated regulatory framework with a comprehensive set of proactive policies to scale VC and PE, including public fund-of-funds vehicles, most notably through the Türkiye Development Fund, to crowd in private investors. In addition, Türkiye has introduced a regulatory incentive requiring private pension funds to allocate at least 1% of their portfolio to VC funds, helping to mobilise institutional capital for early-stage finance. Serbia has also introduced a targeted public programme to help establish VC funds (e.g. Serbia Ventures under the Innovation Fund), although its scale remains limited.

Table 1.6. Early-stage financing legal and policy frameworks in the Western Balkans and Türkiye

	ALB	BIH-FBIH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Dedicated legal framework for venture capital (VC) and private equity (PE) funds	X	X	✓	In progress	✓	In progress	✓	✓
Policies supporting the development of VC and PE funds	X	X	X	X	X	In progress	✓	✓

Source: Adapted from information provided by WBT governments during the assessment period.

1.3.3. Providing direct financial support to SMEs' operations and growth

When SMEs face tight credit conditions and limited alternatives to bank finance, governments can help close financing gaps that often stem from structural constraints such as limited collateral, short credit histories, high perceived risk and weak information available to lenders. Targeted grants, credit lines and similar instruments can support not only business creation but also growth-oriented investments in innovation, internationalisation, greening and digital transformation, helping address financing gaps while complementing and crowding in private finance to strengthen SME capabilities and competitiveness.

Direct financial support for SME growth is expanding, but remains uneven and often donor-driven

To ease SME financing constraints, WBT economies have expanded targeted financial support to foster SME establishment and growth (Table 1.7). However, donor-funded instruments remain particularly important in several economies, notably in Albania, Kosovo and Montenegro, highlighting gaps in scalable, domestically funded programmes and raising questions about the long-term sustainability and predictability of support. Support also varies across policy areas: internationalisation is largely financed through domestic institutions; innovation and digital transformation show a more mixed funding base; and SME greening remains predominantly donor-driven across the region.

Table 1.7. Main providers of targeted direct financial support for SME growth in the Western Balkans and Türkiye

	ALB	BIH-FBIH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Innovation	Mixed (donors, government)	Mostly donors	Mostly donors	Mixed (donors, government, Kosovo Investment and Enterprise Support Agency [KIESA], Kosovo Credit Guarantee Fund [KCGF])	Mostly domestic (Innovation Fund)	Mostly domestic (Agency for Innovation and Technological Development)	Mostly domestic (Innovation Fund)	Mostly domestic (SME Development Organisation [KOSGEB], Scientific and Technological Research Council of Türkiye [TUBITAK])
Inter-nationalisation	Mostly domestic (Albanian Investment Development Agency)	Mostly domestic (FBIH Development Bank [FBIHDB])	Mostly domestic (government)	Mostly domestic (KIESA, KCGF)	Mostly domestic (Development Bank of Montenegro [DBM])	Mostly domestic (Development Bank of North Macedonia [DBNM])	Mostly domestic (Development Agency of Serbia [DARS])	Mostly domestic (Credit Guarantee Fund [KGF], KOSGEB)
Greening	Mostly donors	Mixed (donors, government, FBIHDB)	Mixed (donors, government)	Mostly donors	Mostly donors	Mostly domestic (DBNM, Ministry of Finance)	Mostly donors	Mixed (KOSGEB, TUBITAK, donors)
Digital transformation	Mostly donors	Mostly domestic (government, FBIHDB)	Mostly domestic (government)	Mixed (donors, government, KIESA, KCGF)	Mostly donors	Mixed (donors, DBNM, government)	Mixed (donors, Innovation Fund, Centre for Digital Transformation)	Mostly domestic (KGF, KOSGEB, TUBITAK)

Notes: “Mostly domestic” indicates that the bulk of the active programmes are domestic instruments; “Mixed” indicates that donor instruments remain a pillar of the targeted support, but at least a major domestic instrument also provides support; “Mostly donors” indicates that the bulk of the active programmes are donor instruments; “N/A” indicates the absence of targeted instrument.

Source: Adapted from information provided by WBT governments during the assessment period.

Targeted financial support is rarely assessed through regular outcome evaluations

Across the WBT region, most targeted financial support for SME innovation, internationalisation, greening and digital transformation is monitored through standard public financial management and audit processes, mainly by tracking budgets and take-up. Overall, regular outcome-based evaluations remain largely absent across the WBT economies, limiting feedback loops and reducing the scope to demonstrate results and adjust programmes to maximise the impact of SME growth.

The way forward

- **Strengthen credit guarantee schemes through scaling up their capitalisation and introducing systematic performance evaluation.**
 - **For economies with a centralised and operational CGS (Bosnia and Herzegovina [Federation of Bosnia and Herzegovina, Republika Srpska], Kosovo, North Macedonia and Türkiye):** Prioritise multi-year capitalisation funded by development-finance institutions, such as development banks and other public financial intermediaries, to raise outstanding portfolios toward a level that can significantly improve SMEs’ credit conditions. Moreover,

external performance evaluations should be conducted regularly to calibrate the CGS's design, thereby maximising the effectiveness of the schemes.

- **For economies without/in the process of operationalising a centralised and operational CGS (Albania, Montenegro, Serbia):** From the outset, schemes should be supported by a multi-year capitalisation plan and a minimum monitoring and evaluation framework, with regular publication of core indicators (e.g. portfolio size and leverage, beneficiaries, defaults/claims and recoveries), to build credibility, enable course corrections and support gradual scaling.
- **Develop a coherent SME capital-market agenda to broaden the investor base and facilitate SME issuance of equity and bonds.** In parallel with developing SME market segments, the WBT economies, particularly in the Western Balkans, should deepen domestic institutional and retail investor participation to ensure sufficient demand and secondary-market liquidity given their limited economic size (Box 1.3). Pilot initiatives, such as the Western Balkans Opportunities by Non-traditional Debt,¹⁵ can be leveraged to build an SME bond pipeline. However, they should be embedded in a domestically anchored capital-market development strategy.
- **Develop a coherent early-stage finance agenda by strengthening legal frameworks for early-stage financing and introducing proactive policies to build the fund pipeline.**
 - **For economies without a dedicated legal framework for early-stage financing (Albania, Bosnia and Herzegovina [Federation of Bosnia and Herzegovina], Kosovo and North Macedonia):** Priority should be given to adopting and operationalising dedicated regimes for VE/PE and AIFs, aligned with the EU *acquis*, so that VC/PE funds can be established domestically and attract both local and international investors.
 - **For economies with a dedicated legal framework for early-stage financing (Bosnia and Herzegovina [Republika Srpska], Montenegro, Serbia, Türkiye):** Focus should shift to scaling the market through targeted instruments that crowd in private capital. This includes public or blended fund-of-funds vehicles, matched funding for first-time funds, tax and co-investment incentives for business angels, and predictable multi-year public funding, alongside strong governance and regular performance evaluation to ensure additionality.
- **Strengthen targeted financial support for SME growth, anchored in domestic institutions, and regularly evaluate its impact.**
 - **For economies with strong donor-dependency (Albania, Bosnia and Herzegovina, Kosovo and Montenegro) or domestic policy tools of limited size (Bosnia and Herzegovina):** To enhance the sustainability and predictability of direct financial support to SMEs, these economies should progressively reduce reliance on short-term donor-funded instruments and develop support schemes provided by development-finance institutions, such as development banks and other public financial intermediaries.
 - **For economies with mostly structured domestic support schemes (North Macedonia, Serbia, Türkiye):** Regular outcome-based evaluations of grants, credit lines and related support instruments should be introduced or strengthened to assess their effectiveness, improve targeting, and inform future policy design.

Box 1.3. Good practice example: Broadening the investor base for SME equity and bond markets in Estonia

Estonia's policy approach to strengthening the investor base

To encourage SME use of capital markets, Estonia has combined participation in a low-capitalisation market segment with measures to support the investor base. On the supply side, Estonia joined Nasdaq's SME growth market (First North)¹ in 2007, enabling SMEs to access capital markets under lighter admission and reporting requirements. On the demand side, Estonia introduced an investment account in 2011, which allows retail investors to defer personal income tax on investment income and capital gains, thereby broadening retail participation in listed shares and bonds (Estonian Tax and Customs Board, 2026^[27]). Moreover, the 2021 second-pillar pension reform introduced a pension investment account, allowing individuals to invest pension assets in capital-market instruments, strengthening long-term domestic market demand (Ministry of Finance, 2021^[28]).

Policy outcomes

Available evidence points to growing retail participation. As of June 2023, about 111 600 Estonian residents with a securities account held at least one security traded on the exchange, up from 98 000 in June 2021 (ERR News, 2024^[29]). In parallel, the number of Estonian firms listed on First North increased from 1 in December 2018 to 12 in December 2025, with a total market capitalisation of EUR 100.3 million (OECD calculations based on Nasdaq Baltic (2026^[30])).

Policy relevance for the Western Balkans and Türkiye

Despite its small size, Estonia illustrates how investor base policies can complement the introduction of SME market segments, building steady demand for SME shares and corporate bonds and supporting market liquidity, provided they are paired with strong regulatory standards (e.g. disclosure, transparency, supervision).

Notes: 1. First North Growth Market is Nasdaq's SME growth market (MTF/SME Growth Market). It operates across Denmark, Finland, Iceland, Sweden, and the Baltic markets (Estonia, Latvia, Lithuania). For more details, see Nasdaq (2026^[31]).

1.4. Providing services essential to SMEs' operations and growth

While access to finance is often a key constraint, firms' growth prospects also depend heavily on their ability to access managerial knowledge, specialised advice and practical support for upgrading their operations. Business support services (BSSs) – including training, mentoring and advisory assistance – therefore represent an important policy instrument through which governments can help SMEs strengthen capabilities, adopt new technologies and improve market access (OECD, 2021^[32]).

Across the WBT region, governments have expanded SME support systems over the past decade, introducing a growing range of training programmes, advisory schemes and innovation support instruments. However, BSS ecosystems in the region continue to operate under structural constraints linked to fragmented programme delivery, uneven institutional capacity and underdeveloped advisory markets (OECD, 2022^[33]). As a result, many SMEs still face difficulties accessing specialised expertise, while support measures are not always sufficiently co-ordinated or aligned with firms' different stages of development. Addressing these gaps is also important in the context of regional initiatives, such as the Common Regional Market and the Green and Digital Agenda for the Western Balkans, which emphasise

SME capability upgrading, innovation adoption and deeper integration into regional and European value chains.

Against this backdrop, this section examines how SME BSSs are organised and delivered across the WBT region. It first analyses foundational BSS systems, focusing on service delivery structures, the role of private advisory markets and the availability of monitoring and diagnostic mechanisms. It then examines support services for SME expansion and growth, including innovation, digitalisation, green transition, and internationalisation instruments that enable firms to scale and integrate into regional and global value chains.

1.4.1. Foundational SME business support services

Understanding how foundational BSSs are organised and delivered is essential for strengthening SME competitiveness and enabling firms to progress toward more advanced growth-oriented support. These services typically constitute the first entry point into SME support systems, providing training, advisory assistance and basic capability building for entrepreneurs and small firms. Across the WBT region, however, foundational BSS systems remain characterised by strong public-sector dominance and limited development of private advisory markets, while the use of outcome-oriented monitoring and SME diagnostics remains limited in informing programme design.

Foundational BSS systems remain predominantly publicly delivered, limiting the development of independent advisory markets

Across the WBT region, foundational BSSs are primarily delivered through public institutions, with SME support agencies, development funds and specialised public programmes forming the core of the support architecture. This is evidenced by the central role of national SME agencies as key delivery channels for foundational services, including institutions such as KOSGEB in Türkiye and KIESA in Kosovo, with comparable arrangements observed across the region. These institutions typically serve as the primary entry points for firms to access training, mentoring and advisory services, particularly for early-stage entrepreneurship and basic capability building.

While private providers participate in BSS delivery, their role is typically embedded within publicly funded programmes rather than operating through independent advisory markets. Although private advisory providers can complement public BSS delivery by offering specialised expertise and tailored consulting services, their engagement remains largely programme-driven. In several economies, private service providers are engaged mainly through donor-funded initiatives or subcontracting within public support schemes, while structured market mechanisms, such as accreditation systems, advisory vouchers or performance-based contracting, remain limited. Across the region, donor-supported programmes (e.g. the European Bank for Reconstruction and Development) and business transformation initiatives have expanded the role of private consultants, indicating the presence of advisory capacity. However, this capacity remains weakly connected to the broader SME base, as access is still mediated through individual programmes rather than system-level mechanisms. As a result, advisory markets across the region remain small, geographically concentrated and closely linked to public demand. Even where private providers are formally integrated into support programmes, such as in Montenegro, North Macedonia and Türkiye, their activity remains largely programme-driven, with consultants typically engaged through publicly funded or co-financed schemes, including voucher-based advisory support and structured mentoring programmes, rather than supported by diversified advisory ecosystems (Table 1.8).

Table 1.8. Role of private business support service (BSS) providers in foundational BSS delivery across the Western Balkans and Türkiye

	Mode of private participation	Mechanism enabling SME access to advisory services	Institutionalisation of the independent advisory market ²
Albania	Programme-based participation ¹	Donor-funded advisory programmes and SME grant schemes	No
Bosnia and Herzegovina ³	Project-based participation	Donor-funded and project-based advisory initiatives	No
Kosovo	Grant- and project-linked participation	Advisory services bundled with SME grant programmes	No
Montenegro	Programme-based co-financing	Co-financed consulting under competitiveness programmes (including donor-supported advisory support)	Partial ⁴
North Macedonia	Accredited consultants in vouchers	Voucher-based mentoring and advisory schemes	Partial
Serbia	Programme-based and donor-supported participation	Donor-supported advisory programmes, subcontracting within public schemes, and commercial advisory providers	No
Türkiye	Programme-based external expertise	External experts contracted under public SME support programmes	Partial

Notes:

1. Programme-based participation refers to private consultants engaged through publicly funded schemes.

2. Institutionalisation refers to the presence of formal mechanisms such as accreditation systems, voucher schemes or performance-based contracting that enable SMEs to access advisory services independently of individual programmes.

3. In Bosnia and Herzegovina, BSS delivery is organised primarily at the entity level, but private advisory provision remains largely project-based across both entities, without formal accreditation systems or market-shaping instruments.

4. Partial indicates that some of these mechanisms are in place but remain limited in scope, coverage or implementation.

Source: Adapted from information provided by WBT governments during the assessment period.

Limited use of outcome-oriented monitoring and SME diagnostics constrains the evidence base for designing foundational BSS programmes

Monitoring and evaluation systems for foundational BSSs across the WBT region remain largely focused on administrative reporting rather than systematic assessment of programme effectiveness and firm-level outcomes. Most economies collect detailed information on programme implementation, such as the number of supported firms, grants awarded or training activities delivered, but track longer-term outcomes, including productivity improvements, innovation uptake, export performance or sustained employment creation, less systematically. In Albania, Bosnia and Herzegovina, and Serbia, monitoring frameworks primarily focus on financial execution and output indicators. Kosovo and North Macedonia rely largely on programme-level reporting and beneficiary surveys. Türkiye operates more structured monitoring tools, including digital dashboards, KPI-based programme tracking and external audits, providing stronger oversight of implementation. However, these systems remain largely input- and output-oriented, with limited outcome-level evaluation and no integrated mechanism to track SME progression across support stages, constraining their ability to inform programme design.

These evidence gaps are further reinforced by the limited use of systematic SME diagnostics to inform programme design. Regular training needs assessments or comprehensive capability diagnostics remain rare across the WBT region. With the exception of Montenegro, where a structured training needs assessment and monitoring methodology¹⁶ has been introduced, most economies rely on consultations with SMEs, sector studies, or project-based surveys that provide partial insights into SME needs. These consultations are not systematically integrated into policy planning cycles. As a result, governments face difficulties tailoring support services to different SME maturity levels, identifying emerging capability gaps, and adjusting programmes based on measurable competitiveness outcomes.

1.4.2. Support services for SMEs' expansion and growth

Enabling SMEs to expand, upgrade and compete in regional and global markets requires a coherent system of BSSs that spans innovation, digitalisation, green transition and internationalisation. Such systems must not only provide access to individual instruments, but also ensure continuity across growth stages and depth in advanced competitiveness support. Across the WBT region, while the range of SME growth-oriented services has expanded, important structural gaps persist in sequencing, institutional depth and policy learning, limiting the ability of support ecosystems to translate participation into sustained competitiveness gains.

SME support ecosystems are expanding but remain weakly sequenced across growth stages

Across the WBT region, SME support portfolios for expansion and growth have broadened to include innovation, digitalisation, green upgrading and internationalisation. Serbia and Türkiye operate the most extensive infrastructures spanning incubators, accelerators and export programmes, while Albania, Kosovo and North Macedonia have expanded delivery through acceleration schemes and digital hubs. Bosnia and Herzegovina and Montenegro show more gradual progress, with support still concentrated on early-stage entrepreneurship and horizontal competitiveness measures.

Despite this expansion, instruments are rarely organised into coherent growth-stage sequences linking early capacity building with scale-up and sustained competitiveness. Innovation, digital and export measures frequently operate as standalone schemes, and acceleration and investment-readiness support remain unevenly institutionalised. This results in a persistent “missing middle” between early-stage support and growth-stage scaling, with gaps at key transition points in the firm life cycle — particularly from incubation to early growth, from innovation to commercialisation, from capability-building to investment readiness, and from domestic market consolidation to export readiness and value chain integration. The challenge is compounded by the spatial concentration of accelerator and advanced BSS infrastructure in major urban hubs, limiting access for firms outside these centres and reinforcing discontinuities in growth-stage support.

Internationalisation support represents the most operational component of BSSs for SME growth, yet it remains largely activity-driven and insufficiently embedded in institutional frameworks that support firm upgrading and value-chain integration

Export promotion for SMEs has strengthened across all economies through dedicated strategies, digital platforms and expanded advisory and matchmaking tools. Serbia and Türkiye operate the most comprehensive internationalisation architectures, combining financial incentives, standards support and cluster-based initiatives, while Albania and North Macedonia have introduced more structured export frameworks through export portals, diagnostics and mentoring. Bosnia and Herzegovina, Kosovo and Montenegro have expanded export promotion activities, though delivery often remains centred on trade fair participation and project-based advisory services.

While these instruments facilitate market entry and firm visibility, they are less consistently complemented by integrated instruments that combine certification, export finance, standards compliance and structured supplier development mechanisms. Export promotion and export finance often operate through separate institutional channels, and supplier development frameworks remain unevenly institutionalised. As a result, internationalisation BSSs tend to function as exposure-based instruments rather than as integrated competitiveness frameworks supporting sustained upgrading and value-chain integration (Table 1.9). This variation reflects differences in institutional maturity across economies, particularly in cluster upgrading, SME-multinational enterprise (MNE) linkages and supplier development architecture, which remain central to translating export participation into structural competitiveness gains.

Table 1.9. Depth of internationalisation business support services across the Western Balkans and Türkiye

	Export entry instruments ¹	Export-readiness and upgrading instruments ²	Value-chain integration instruments ³
Albania	Established	Partial	Emerging (largely project-based)
Bosnia and Herzegovina (Federation of Bosnia and Herzegovina) ⁴	Established	Limited	Not institutionalised (project-based/donor-led)
Bosnia and Herzegovina (Republika Srpska)	Established	Limited	Not institutionalised (horizontal incentives only)
Kosovo	Established	Limited	Not institutionalised
Montenegro	Established	Partial	Not institutionalised (horizontal schemes only)
North Macedonia	Established	Partial	Pilot stage
Serbia	Established	Developed	Emerging (structured supplier development programme in place; partial institutionalisation)
Türkiye	Established	Developed	Advanced (institutionalised cluster- and supplier development mechanisms)

Legend: **Established** = Formalised and operational economy-wide; **Developed** = Comprehensive and institutionally embedded; **Advanced** = Institutionalised, economy-wide and operating at scale, with remaining gaps in impact evaluation or systemic integration; **Partial** = Limited scope or co-ordination; **Limited** = Isolated measures; **Emerging** = Early-stage or project-based; **Pilot stage** = Testing phase.

Notes:

1. Export entry instruments include trade fair participation grants, export promotion portals, advisory and matchmaking services, export catalogues and basic market information tools.

2. Export-readiness and upgrading instruments include certification and standards support, export finance, export diagnostics, mentoring, quality upgrading and digital trade tools.

3. Institutionalised value-chain integration BSS include structured supplier development programmes, SME-MNE linkage mechanisms, cluster-based export upgrading initiatives and co-ordinated value-chain integration frameworks.

4. In Bosnia and Herzegovina, SME and industrial policy competences are primarily exercised at the entity level (Federation of Bosnia and Herzegovina and Republika Srpska). State-level export promotion is implemented mainly through the Foreign Trade Chamber (FTC/BHEPA), which provides operational export promotion services across both entities but does not constitute a fully integrated export policy or supplier development framework.

Source: Adapted from information provided by WBT governments during the assessment period.

The way forward

- **Gradually develop private advisory markets to complement public business support service delivery and expand SMEs' access to specialised expertise.** Across the region, foundational BSSs remain predominantly delivered through public programmes, with private consultants typically engaged as implementers within publicly funded or donor-supported initiatives, rather than as independent advisory providers.
 - **For economies where advisory markets remain largely project-based (Albania, Bosnia and Herzegovina, Kosovo and Serbia):** Governments are encouraged to introduce accreditation frameworks and pilot demand-side tools, such as advisory vouchers or SME-choice co-financing, to allow firms to access qualified private providers (Box 1.4).
 - **For economies where private providers are partially integrated into BSS delivery (Montenegro, North Macedonia and Türkiye):** Policy efforts should focus on strengthening quality assurance systems and linking accreditation to voucher schemes or performance-based contracting (Box 1.5).

- **Strengthen the use of SME diagnostics and outcome-oriented monitoring to support evidence-based business support service design.** Monitoring of BSSs across the WBT region remains largely focused on implementation and output indicators, limiting policy learning and programme adjustment. Governments are encouraged to introduce systematic SME diagnostics, including training needs assessments, and embed a small set of outcome indicators across key BSS instruments.
 - **For economies where monitoring remains largely output-based (Albania, Bosnia and Herzegovina, Kosovo and Serbia):** Priority should be given to introducing regular SME diagnostics and outcome indicators within BSS programmes, complemented by periodic independent evaluations of flagship instruments.
 - **For economies with more structured monitoring practices (Montenegro, North Macedonia, and Türkiye):** Efforts should focus on consolidating existing monitoring tools into unified frameworks that track SME progress across support stages.
- **Strengthen growth-stage SME support by operationalising structured upgrading, scale-up and supplier development pathways.** While innovation, digitalisation and export promotion instruments have expanded across WBT economies, support services often remain weakly sequenced across SME growth stages and insufficiently anchored in value-chain upgrading frameworks. Governments should strengthen the continuity of SME support by linking early capacity-building instruments with acceleration programmes, investment-readiness support, export-readiness advisory, and supplier development initiatives aligned with regional and EU value chains.
 - **For economies where growth-stage support remains limited (Albania, Bosnia and Herzegovina, Kosovo and Montenegro):** Priority should be given to developing structured acceleration programmes, scale-up advisory services, certification and standards-upgrading support, and export-readiness instruments linking capacity upgrading with market expansion.
 - **For economies with more developed growth-stage ecosystems (North Macedonia, Serbia and Türkiye):** Efforts should focus on strengthening supplier development programmes, SME-MNE linkages, and cluster-based upgrading initiatives, enabling domestic SMEs to integrate more effectively into regional and European value chains.

Box 1.4. Good practice example: Enabling SMEs to access external expertise – Ireland's advisory voucher schemes

Ireland's policy approach to strengthening SME access to external advisory services

Ireland has developed advisory voucher schemes designed to encourage SMEs to engage external expertise and strengthen firm capabilities. These programmes are implemented by several public enterprise support institutions, including Enterprise Ireland (EI), the Local Enterprise Offices (LEOs) and InterTradelreland. They provide small grants for SMEs to purchase specialised services from external consultants or knowledge providers. Key instruments include the Trading Online Voucher, administered through the LEO network to support SMEs in developing their online presence and digital capabilities, and the Innovation Voucher, delivered by EI that enables firms to access expertise from research organisations and knowledge providers. InterTradelreland also offers a Trade Accelerator Voucher, supporting microenterprises in obtaining professional cross-border trading advice and facilitating SME engagement with specialised advisory services.

Policy outcomes

Ireland's voucher schemes have supported widespread SME engagement with external advisory services. Since the launch of the Innovation Voucher programme in 2007, more than 5 600 vouchers have been redeemed by SMEs. Impact evaluations suggest that the programme has generated strong returns, with an estimated EUR 7 increase in business value for every euro invested.

Policy relevance for the Western Balkans

Ireland illustrates how demand-side instruments can stimulate SME use of external advisory expertise while supporting the development of professional service markets. By lowering the cost of accessing specialised knowledge and encouraging firms to engage with external providers, voucher schemes can complement public advisory services and strengthen SMEs' capabilities in areas such as innovation, digitalisation and internationalisation.

Notes: Innovation vouchers provide grants of EUR 5 000 for SMEs to access expertise from registered knowledge providers. The Trading Online Voucher provides matched grants of up to EUR 2 500 to help SMEs develop digital capabilities.

Source: OECD (2019^[34]).

Box 1.5. Good practice example: Belgium's SME Wallet – linking accreditation to voucher schemes to strengthen advisory quality

Belgium's policy approach to strengthening SME access to external advisory services

Belgium (Flanders) operates the SME Wallet (KMO-Portefeuille), a long-standing voucher scheme that enables SMEs to purchase external advisory and training services from registered and accredited private providers. The programme is administered by the regional agency VLAIO, which manages the accreditation system and ensures that only approved consultants can deliver subsidised services. Under the scheme, SMEs can apply for small grants—typically between EUR 100 and EUR 25 000—to access services such as strategic advice, innovation support, internationalisation planning, and specialised training. A key reform introduced in 2016 linked voucher eligibility directly to accredited providers, strengthening service quality and alignment with SME needs.

Policy outcomes

The SME Wallet has supported large-scale SME engagement with private advisory markets. The programme has an annual budget of around EUR 50 million and supports approximately 30 000 projects each year, illustrating its wide reach and strong uptake among SMEs. OECD analysis highlights that the introduction of the accreditation requirement has improved quality assurance, increased transparency, and reinforced the credibility of private advisors delivering publicly supported services. By channelling demand through vetted providers, the scheme has contributed to a more professional and competitive private consulting market in Flanders.

Policy relevance for the Western Balkans and Türkiye

Belgium demonstrates how voucher schemes can be used not only to lower the cost of accessing external expertise, but also to shape and professionalise private advisory markets. The direct link between accreditation and voucher eligibility provides a clear model for Western Balkan economies—such as Montenegro, North Macedonia, and Türkiye—where private advisors are already partially integrated into BSS delivery. By tying public funding to accredited consultants and embedding quality assurance mechanisms, governments can raise advisory standards, strengthen the credibility of private providers, and ensure that SMEs receive high-quality, needs-oriented support.

Note: The SME Wallet provides co-financed grants for training and strategic advisory services from accredited providers; small firms can receive up to EUR 10 000 covering 40% of costs, while medium-sized enterprises can receive up to EUR 15 000 covering 30%.
Source: OECD (2021^[35])

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Notes

¹ OECD calculations based on data compiled from national statistical offices of the WBT economies.

² SME density is measured as the number of SMEs per 1 000 inhabitants. In the WBT, this averages around 44 enterprises per 1 000 inhabitants, falling to approximately 31 when excluding the notable outlier of Montenegro (with over 90 SMEs per 1 000 inhabitants). In EU economies, SME density stands at an average of around 58, although values vary across countries and regions (OECD, 2026^[36]). Estimates for the WBT are OECD calculations based on data provided by the economies.

³ Serbia continues operating the ePapir programme since 2019, while Kosovo adopted its Administrative Burden Prevention and Reduction Programme in late 2022.

⁴ Albania and Montenegro are the only assessed WBT economies reporting PPCs for over 90% of draft laws in 2024, calculated after excluding draft laws formally exempted from consultation requirements. It should be noted that the scope of such exemptions is distinctly broad in both economies, implying that consultations apply in practice to a much smaller share of all draft laws adopted during the calendar year.

⁵ In the case of Bosnia and Herzegovina, aligned with constitutional competencies.

⁶ The informal economy refers to economic activities and transactions involving legal goods and services that are not fully declared to the authorities, therefore remaining partly or fully unmeasured, untaxed, or non-compliant with applicable legal and regulatory obligations. The calculation does not include non-marketable household production or illegal activities, which are usually treated separately because they follow different logics and raise different policy concerns (Andrews, Caldera Sánchez and Johansson, 2011^[37]). Given that informal activity is not directly recorded in official data, its size must be inferred through estimation methods. As different methodologies capture different dimensions of informality, the resulting figures should be treated as indicative rather than exact.

⁷ These measures are not directly comparable, as GDP-based estimates capture a broad range of undeclared activities – including within formal firms – while employment-based indicators reflect informal jobs.

⁸ Western Balkans economies (except Montenegro). No data are available for Türkiye.

⁹ Albania, North Macedonia, Serbia and Türkiye have introduced upgrades to their digital procurement frameworks, including expanded electronic communication in procurement procedures and the introduction of new digital tools, such as North Macedonia's e-marketplace for low-value procurements, which can facilitate SME participation in smaller tenders. These developments may help strengthen the role of electronic procurement platforms in supporting supplier participation and improving the general accessibility to public tenders, including for SMEs.

¹⁰ OECD calculations based on data provided by the economies. The data does not include Türkiye.

¹¹ No recent data are available for Kosovo.

¹² OECD calculations based on the data provided in Table 1.4.

¹³ Information provided by the Government of Türkiye for this assessment.

¹⁴ OECD calculations.

¹⁵ Announced by the European Commission in January 2026 under the Western Balkans Investment Framework, the Western Balkans Opportunities by Non-traditional Debt (W-BOND) pilot programme aims to expand SME access to finance by diversifying funding sources beyond traditional bank lending. For more details, see European Commission (2026^[38]).

¹⁶ Under Montenegro's Programme for Improving the Competitiveness of the Economy, authorities introduced a structured training needs assessment and monitoring methodology to better align support instruments with SME capability gaps. The approach combines programme monitoring tools, such as beneficiary surveys, application data and performance reporting, with targeted assessments of SME needs, enabling adjustments to support measures and improved targeting of competitiveness programmes.

2 Fostering SME sustainability and resilience

SMEs are particularly exposed to rising economic and environmental pressures, including climate risks, shifting trade dynamics, and the wider transition to a green economy. This cluster evaluates policies that strengthen SME resilience and competitiveness in this context. It examines five broader areas, assessing frameworks for SME greening, disaster resilience mechanisms, access to financial support, non-financial support and the role of business networks, as well as innovation ecosystems in supporting the transition.

2.1. Harnessing SME agility to navigate global market trends

Global megatrends are reshaping markets worldwide, including in Europe and across the Western Balkan economies and Türkiye (WBT). The transition to a greener economy, alongside shifts in geopolitics, trading systems, evolving consumer preferences and the rise of the digital economy, is redefining the conditions for small and medium-sized enterprise (SME) competitiveness and resilience (OECD, 2023^[1]). While SMEs have shown agility in adapting to these global changes, strengthening their resilience and advancing their competitiveness will critically depend on effective government support to navigate increasingly complex economic and trade policies linked to decarbonisation.

The growing interlinkages between decarbonisation and trade policy are becoming particularly important. Measures such as the European Union's Carbon Border Adjustment Mechanism (CBAM), alongside other elements of the EU Green Deal, are likely to affect exports from the WBT to the EU Single Market. Without systematic policy responses, these developments could weigh on competitiveness and disproportionately affect SMEs through rising production costs, particularly for electricity (OECD, 2025^[2]).

As WBT economies work towards stronger alignment with EU economic and trade policies, there is an increasing need to support SMEs in reducing reliance on fossil fuels, improving resource efficiency and strengthening productivity.

This section examines the strategic frameworks that WBT economies have put in place to pursue these objectives, as well as the mechanisms designed to help SMEs adapt to evolving environmental legislation and integrate into more sustainable value chains, both domestically and internationally.

2.1.1. Smoothing SME pathways to a green economy

Support for SME greening is expanding across institutions and strategies, but better co-ordination could increase impact

SME policy frameworks across all WBT have been integrating greening objectives and targeted measures, with two distinct approaches emerging (see Table 2.1). Albania is the only economy without a standalone strategic objective linked to the green transformation of SMEs, with the green transition implied across the Business Development and Investments Strategy's specific objectives. All other WBT economies have either kept or introduced (in revised frameworks) standalone greening priorities and measures in their SME-focused strategies.

Across greening-related objectives, implementation rates of strategic activities vary across economies. Kosovo* reports an implementation rate of 29% of planned activities in 2024. In Bosnia and Herzegovina, in the SME Strategy of Republika Srpska, 34% of the funds allocated to greening activities were disbursed between 2022 and 2023. In contrast, more than half of the planned measures were implemented in Montenegro (approximately 52%) and Serbia (60%) during 2023-2024. Türkiye demonstrates the highest level of implementation, with 99% of its predominantly financial assistance measures delivered under the Small and Medium Enterprises Development Organisation (KOSGEB)'s Strategic Plan since 2022, notably through the Energy Efficiency Programme and the Green Industry Programme launched in 2024. Data for Albania and North Macedonia are not available.

Table 2.1. Two policy approaches were identified in strategic frameworks for SME greening in the Western Balkans and Türkiye

Economy	Key SME policy framework	Period	Approach	Strategic priorities related to greening
Albania	Business Development and Investments Strategy	2021-2027	Horizontal	Greening is a cross-cutting theme across all three specific objectives ¹

Economy		Key SME policy framework	Period	Approach	Strategic priorities related to greening
Bosnia and Herzegovina	Federation of Bosnia and Herzegovina	Small Business Development Strategy of the Federation of Bosnia and Herzegovina	2022-2027	Standalone objective	Priority 1.2. Green transition of the small economy
	Republika Srpska	Small and Medium Enterprises Development Strategy of Republika Srpska	2021-2027	Standalone objective	Priority 3.3. The transition of SMEs towards a green economy
Kosovo		Strategy for Industrial Development and Business 2030	2023-2030	Standalone objective	Strategic objective 4. Facilitating green and circular industry
Montenegro		Strategy for the Development of Micro, Small and Medium Enterprises (MSMEs)	2023-2026	Standalone objective	Operational objective 2. Transition of MSMEs towards sustainable green business
North Macedonia		SME Strategy	2025-2030	Standalone objective	Specific areas of intervention 3.4 to 3.6 under Priority 3: Green and digital transformation
Serbia		Strategy for the Development of SMEs, Entrepreneurship and Competitiveness	2023-2027	Standalone objective	Specific objective II: Innovative, green and digitalisation-based development; the MSME sector as a driver of accelerated transformation
Türkiye		KOSGEB Strategic Plan	2024-2028	Standalone objective	Target 3.1. and 3.3. under Goal 3: To ensure sustainability in SMEs

Notes: 1. These objectives are: investment attraction and internationalisation; development of SMEs, entrepreneurship and innovation; and human capital development. The responsible entities for each strategy are presented in the economy-specific chapters.

Source: Information obtained from the respective strategy documents presented in the table.

All economies have adopted additional strategic frameworks, such as low-carbon development, industrial development, and energy strategies, that frequently include measures targeting SME greening. As a result, responsibility for enabling the green transformation of SMEs extends beyond institutions overseeing SME or general business development policies. Multiple actors are therefore involved, including ministries responsible for environmental protection, trade and exports, innovation agencies and funds, etc.

However, co-ordination among these institutions in the implementation of related activities is often not streamlined or well aligned. In Albania, for example, a Consultative Council for SMEs was established in 2024,¹ but ministries responsible for the environment and energy are not part of the council. Nevertheless, its existence is important compared to other WBT economies that lack similar co-ordination mechanisms for SME policies. Montenegro provides a good example, on the other hand, as its Competitiveness Council enables structured public-private dialogue and brings together key line ministries, including those responsible for environment and energy, to co-ordinate reforms addressing barriers to competitiveness.

The administrative burden of environmental compliance and the impacts of green reforms are not systematically assessed or addressed

Regulatory compliance remains an important driver of business greening, with an average of 31% of surveyed WBT SMEs reporting that they act in response to domestic environmental regulations (OECD, forthcoming_[3]). However, the administrative burden and impact of these regulations on SMEs are not consistently assessed or adequately addressed.

As in the previous assessment cycle, the provision of government guidance to help SMEs navigate complex environmental standards and regulatory requirements remains uneven. While regional governments and chambers of commerce all support certification under International Organization for Standardization (ISO) 14001 or ISO 50001 as tools to enable environmental compliance, such schemes are often intermittent. A notable example of institutionalised support for environmental compliance is the Turkish Exporters Assembly (TİM), which offers the TiM Academy digital platform to help exporting SMEs meet EU Green Deal requirements, including environmental reporting. Such support would be particularly relevant amid ongoing structural reforms across the Western Balkan 6 (WB6) economies, many of which

are embedded in the Reform Agendas linked to the European Union's Reform and Growth Facility. These reforms aim not only to advance Green Agenda objectives but also to unlock investment and strengthen resilience in key sectors such as energy and industry.

Ongoing greening measures across WBT economies include, among others, the introduction of carbon pricing and the liberalisation of electricity markets, which could pose challenges for SMEs. A particularly business-relevant illustration is electricity pricing: several WB6 economies, as well as Türkiye, continue to heavily regulate electricity prices for small consumers, often keeping prices artificially low for businesses. In 2024, the average electricity price for non-household consumers in WBT economies remained approximately 45% below the EU average (OECD, 2025^[2]). Subsidised electricity prices remain an important pillar of competitiveness for many of the region's SMEs. However, it also weakens incentives for energy efficiency and investment in cleaner energy sources.

Reforms in this area are, therefore, increasingly prioritised. For example, electricity market liberalisation is underway in Kosovo, affecting more than 1 000 companies (Bami, 2025^[4]; Kosovo Chamber of Commerce, 2025^[5]). Yet stakeholder consultations during the reform process have been limited, leaving many firms insufficiently prepared for the transition and exposed to risks such as supply uncertainty for a critical production input. At the same time, the energy crisis of 2022/2023 has heightened the vulnerability of entrepreneurs and small businesses. In Serbia, for example, this led to a policy reversal in 2025, allowing small businesses to return to a guaranteed supply regime after several years operating in the liberalised market (Elektroprivreda Srbije, 2025^[6]). These developments show that SMEs are not yet effectively consulted, prepared or supported ahead of reforms that significantly affect their operational cost base, particularly in areas such as energy pricing and environmental compliance.

2.1.2. Boosting SME competitiveness in sustainable value chains

Export support programmes are increasingly adapting to sustainability demands in international trade

As WBT economies advance their decarbonisation commitments, key EU Green Deal legislation, such as the CBAM, the Corporate Sustainability Reporting Directive and the Ecodesign for Sustainable Products Regulation, will increasingly shape their trade with the EU Single Market, their main trading partner. In 2024, exports to the EU-27 accounted on average for 56% of total WBT export value, exceeding 60% in Albania, Bosnia and Herzegovina, North Macedonia and Serbia (European Commission, 2025^[7]). Ensuring continued access to the EU Single Market and other key markets, particularly through support for international standards compliance, is therefore a shared priority across WBT economies and is reflected in export-related objectives included in the strategic frameworks presented in Table 2.1.

Yet, an explicit link between SME green transition and trade support is reflected only in the SME strategies of North Macedonia and Serbia. North Macedonia (Export Promotion Strategy 2024-2027) and Türkiye (Green Deal Action Plan 2021) further adopted export-focussed strategies that clearly highlight the role of the green transition in strengthening SME competitiveness in international markets. In Albania, Bosnia and Herzegovina, Kosovo and Montenegro, ministries and agencies responsible for SME development support export readiness through competitiveness programmes and incentives for higher value added green and circular products, albeit with varying degrees of strategic alignment with Green Deal objectives.

Although the EU CBAM has been in effect since January 2026, awareness remains limited. OECD (forthcoming^[3]) survey data indicate that, on average, 56% of SMEs across WBT economies have low awareness of carbon disclosure requirements and their potential impact on export competitiveness. This is not unexpected, as the CBAM affects only a limited number of sectors directly, with most firms experiencing its impact indirectly, primarily through changes in electricity pricing. However, knowledge on emissions reporting may increasingly be required by larger buyers subject to sustainability obligations², particularly if the CBAM expands to downstream sectors in the future.

As WBT economies move towards introducing domestic carbon pricing and supporting industrial decarbonisation to maintain competitiveness in key markets such as the European Union, a significant gap remains. None has yet assessed potential SME exposure to higher emissions costs in CBAM-covered sectors and related value chains, namely in cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. The World Bank (2025^[8]) CBAM Exposure Index shows that trade exposure in key sectors varies across economies. For example, Albania and Türkiye are more exposed in cement, while Serbia is in iron and steel. However, the extent to which SMEs could be affected by this exposure remains unclear. Notably, besides awareness, businesses need policy certainty. This requires accelerated alignment with EU climate and energy frameworks to strengthen systemic readiness, including market coupling, infrastructure upgrades and access to transition finance to support carbon-related trade.

Efforts to build capacity for SMEs as sustainable suppliers are still in their infancy

Beyond direct support for exporting SMEs, WBT governments are at different stages in enabling SMEs to become suppliers of green products and services in domestic markets. Public procurement can play a pivotal role in this regard. When strategically designed and aligned with fair competition rules, green public procurement (GPP) can shape market demand, foster innovation and sustainability, and create growth opportunities for SMEs by linking them to larger buyers within emerging sustainable value chains.

OECD survey data from 2025 indicate that, on average, 40% of SMEs across WBT economies report offering green products and services (OECD, forthcoming^[3]), in contrast with 22.2 % observed in five WBT economies in the Flash Eurobarometer survey a year earlier (European Commission, 2024^[9]).³ This suggests a growing market offering green solutions. Strategic use of GPP could propel such a trend by providing anchor demand that shifts SME supply chains to more sustainable production, and serving as a reference point for private buyers seeking environmentally sustainable products and services.

Currently, Albania, Montenegro, North Macedonia, Serbia and Türkiye have legal frameworks that explicitly address GPP and allow for the integration of green criteria at all stages of the procurement process. In Bosnia and Herzegovina, entity-level procurement policies provide legal grounds for integrating environmental criteria, but no provisions specifically address GPP. Still, overall practical implementation is low, with few measurable targets set and data rarely collected. Serbia stands out with mandatory criteria used for the procurement of certain goods, such as electronic equipment. In 2024, green criteria were effectively applied in 11% of concluded contracts in Serbia (Lemke, Kolar and Piasta, 2025^[10]). Although most WBT economies also include objectives to create SME-friendly conditions in public procurement strategies to level the playing field in green tenders, concrete measures such as contract lotting or training on green criteria compliance remain largely absent.

Beyond GPP, WBT economies can attract foreign direct investment (FDI) and further integrate SMEs into the value chains of multinational corporations and larger domestic firms in priority sectors for the green transition, such as energy and manufacturing. Strengthening SME production and innovation capacities in strategic areas, particularly green manufacturing, could help attract more nearshoring activity for firms selling in the EU Single Market and embed SMEs in green value chains. Serbia and Türkiye are frontrunners in this area. The Development Agency of Serbia runs targeted programmes to help SMEs integrate into the value chains of multinational firms by supporting compliance with international green standards and sustainability reporting. In Türkiye, climate action has been identified as a strategic area for attracting FDI, with the Ministry of Trade providing incentives for supplier development. Other WBT economies are at earlier stages. While FDI incentives are generally well developed, their links to green sectors remain limited.

The way forward

- **Strengthen the co-ordination role of ministries responsible for SME development strategies, and build strategic public-private dialogue on the green economy.** Across WBT economies, greening-related support for SMEs remains fragmented, with measures dispersed across ministries responsible for industry, trade and exports, environment, and energy. This limits policy coherence and reduces the potential for additionality and synergies among programmes. Ministries in charge of SME policy should therefore assume a more proactive co-ordination role by systematically mapping greening-related support schemes delivered by both public institutions and private stakeholders (including chambers of commerce and business associations). This could involve participating as active observers in relevant inter-ministerial working groups or formally integrating ministries responsible for certain green transition topics into existing co-ordination platforms, such as would be the case for the SME Consultative Council in Albania. The WBT economies can draw on OECD best practices for effective public policy dialogues to improve the efficiency of SME policies and propose actions that help SMEs go green effectively (OECD, 2021^[11]).
- **Monitor the acceleration of SMEs towards net zero and develop a clearer understanding of how key EU Green Deal legislation (including the Carbon Border Adjustment Mechanism) may affect SME competitiveness.** Currently, detailed assessments of how these provisions could negatively impact smaller businesses through value chain linkages with EU buyers, or of the opportunities that might arise for trade in products and services, remain limited. Establishing this knowledge base is essential for designing targeted measures to support exporting SMEs in priority sectors while simultaneously strengthening domestic production of higher-value, competitive, and sustainable products. Such an approach would position SMEs as reliable suppliers for the EU and other international markets. The WBT economies can draw from initiatives that regularly assess SMEs' understanding and progress toward net zero, which could be complemented with stronger data collection at the statistical office level (Box 2.1). Findings from such analysis could be used to enhance both demand- and supply-side policies. On the supply side, governments could provide more structured SME guidance and transition support ahead of reforms that would significantly affect firms' cost bases, particularly in areas such as energy pricing and environmental compliance. On the demand side, governments could work towards utilising GPP as a practical way to create predictable domestic markets for sustainable products and services. Additionally, they could develop strategies to attract green FDI, which could further boost demand by encouraging multinational firms to invest in and nearshore green production locally.
- **Develop and implement green public procurement (GPP) to stimulate demand for sustainable products.** WBT economies should strengthen existing legislation or introduce new measures, where absent, to include sustainability criteria in public procurement. They should also develop action plans that identify priority product categories, set clear targets, and establish data collection mechanisms to monitor the uptake of green public procurement. To ensure GPP acts as anchor demand for local SMEs, early market engagement is essential so that contracting authorities understand the supplier base for green products, while SMEs receive timely information and can prepare for tenders, which requires trained procurement officials and clear guidance (OECD, 2024^[12]). Contracting authorities should also adopt practices that lower barriers to SME participation, such as dividing large contracts into smaller lots and providing targeted support, while maintaining fair and transparent procedures. To support SMEs in green tenders WBT economies can draw on good practices such as Supplier Development Programme in Scotland, which supports firms, particularly those new to tendering, in accessing public contracts by organising diverse training opportunities and events throughout Scotland (Supplier Development Programme, 2026^[13]).

Box 2.1. Good practice example: Understanding and accelerating SME engagement toward net zero in the United Kingdom

Policy approach

Since 2021, the government-owned British Business Bank, which specialises in improving SMEs' access to finance, has been providing up-to-date analysis through the Net Zero Business Census Report to guide its policy and financial support for SMEs' green transition.

Policy outcomes

The 2025 edition draws on a sample of over 1 700 SMEs, assessing concentration in carbon-intensive sectors, prioritisation of net-zero goals and concrete actions taken toward these objectives. For the first time, it also includes 16 indicators tracking year-on-year progress of the United Kingdom's small business population toward net zero. Data are collected through primary surveys conducted by the British Chambers of Commerce and PlanetMark, while secondary data on greenhouse gas emissions and business structural data are used to estimate SMEs' share of emissions. One key finding shows that 34% of SMEs moving toward net zero reported benefits in attracting and retaining customers, likely reflecting supply chain pressures from larger corporates requiring carbon reporting.

Relevance for the Western Balkan economies and Türkiye

Insights like these could be highly valuable for WBT economies, especially as they align green legislation and policies with EU market expectations. Development banks and chambers of commerce in the region could replicate a similar exercise, while closer collaboration with statistical offices would be essential to estimate SME-level carbon and energy intensity. An existing OECD pilot exercise (OECD, 2023^[14]) could serve as a useful starting point for estimating these indicators.

Source: British Business Bank (2025^[15]).

2.2. Building robust mechanisms for SMEs to prevent and manage crises

The World Economic Forum's Global Risks Perception Survey 2025-2026 identifies extreme weather events as the fourth most significant risk over the next two years and the top global risk over the next decade. This highlights the growing perception among experts across sectors that environmental risks pose major threats to economies and societies. As climate change increases the frequency and intensity of extreme weather, such events are likely to generate shocks to SMEs' operations.

Across OECD Member countries, extreme weather shocks are already associated with average annual output losses of over 0.3% of gross domestic product (GDP) (OECD, 2025^[16]). Similar trends are visible in the WBT region, where severe flooding occurs more frequently (most recently in Bosnia and Herzegovina in 2024), while drought-related wildfires affected Türkiye and North Macedonia in 2025. In addition to climate-induced events, natural hazards such as earthquakes also pose major risks, as illustrated by the devastating 2023 earthquakes in Türkiye, which caused significant human loss and widespread business disruption.

Building on lessons from past environmental and economic crises, particularly the COVID-19 pandemic, this section examines policies to strengthen SME preparedness and prevention, as well as policies and tools that enable faster recovery and more efficient allocation of resources to productive uses following crises.

2.2.1. Enhancing crisis-resilient strategies to prevent SME bankruptcies

Business default prevention mechanisms are lacking despite heightened climate change risk

Support for SME business continuity, particularly in the context of economic or environmental crises, is not adequately addressed in most SME strategies in WBT economies. Although the OECD has for several years recommended greater emphasis on proactive and preventive SME support to strengthen resilience, this area has largely remained underdeveloped. As climate-related risks continue to increase across the WBT region, strengthening SME disaster risk resilience is becoming essential to safeguard economic stability, given that SMEs account for the majority of employment and value added in these economies.

While the development of preventive measures has recently been prioritised in SME strategies in both entities of Bosnia and Herzegovina, as well as in Montenegro, North Macedonia, Serbia and Türkiye, these measures have yet to be fully operationalised. At present, four economies – Albania, Montenegro, Serbia, and Türkiye – have introduced specific measures through SME strategies or integrated SME-focussed actions within their climate change adaptation frameworks. Still, across the region, green transition measures targeting SMEs still tend to focus primarily on mitigation. This often overlooks the growing need for adaptation support that would help SMEs operate under increasingly volatile climate conditions. This gap is particularly relevant for sectors heavily dependent on natural resources, including agriculture and tourism, as well as extractive industries and their related manufacturing value chains.

A key step in strengthening preventive measures is the development of early warning systems (EWS) for SME insolvency, which can provide the evidence base for timely government intervention. Currently, WBT economies lack sufficient data on SME financial distress, such as debt levels by firm size, age, or sector, due to limited monitoring systems and weak data exchange among institutions such as bankruptcy agencies, statistical offices and ministries supporting SMEs. This also constrains governments' ability to design the contingency mechanisms needed to respond to increasingly frequent climate-related shocks that affect SME default rates. The most notable progress in this regard is evident in Serbia, which has established indicators and piloted a bankruptcy EWS. Others, like Bosnia and Herzegovina, Montenegro, and North Macedonia, also include specific activities in their SME strategies to drive progress in this area. However, most WBT economies still show limited advancement, often due to pending reforms to bankruptcy legislation and insufficient financing and technical capacity to scale digital systems.

Climate risk and disaster resilience support for SMEs remains limited

In addition to insolvency EWSs that provide governments with evidence to justify interventions supporting business continuity during crises, firms themselves depend on timely and accurate climate risk information and the capacity to incorporate it into decision making to strengthen disaster resilience. Across WBT economies, however, disaster risk resilience strategies rarely take business needs into account or include targeted measures to support them. Montenegro is a partial exception, as its strategy explicitly recognises the need for improved climate risk data for tourism SMEs.

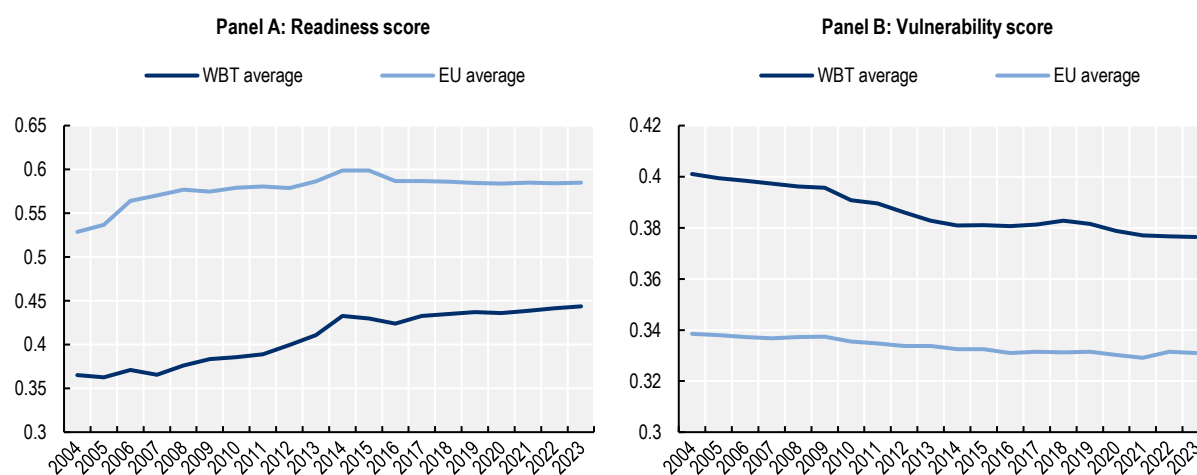
Overall, this gap is particularly relevant because multi-hazard EWSs, such as those providing information on extreme weather events, remain underdeveloped and underused in the business context across the region. Progress in this area is largely driven by donor-supported initiatives in Montenegro, Serbia and Türkiye. For example, projects by the United Nations Development Programme support private-sector adaptation planning and help mobilise financing for climate-resilient business operations in both Montenegro and Türkiye.

Nevertheless, direct government support aimed at helping SME reduce potential losses through targeted disaster prevention is largely absent. A few targeted initiatives exist, such as risk management certification, risk-assessment workshops, and business continuity guidance offered by Republika Srpska's Ministry of

Economy and Entrepreneurship, the Chamber of Commerce and Industry of Serbia, and the Disaster and Emergency Management Authority of Türkiye. Overall, however, these efforts remain limited. This is consistent with broader evidence showing that WBT economies are generally less prepared to adapt to climate vulnerabilities than their peers in the European Union, underscoring the need for stronger investment in private-sector resilience.

Panel A in Figure 2.1 shows that, on average, WBT economies improved their readiness score over the past two decades (from 0.37 in 2004 to 0.44 in 2023), but they continue to lag the EU average (0.58 in 2023). This points to a lower ability to leverage investments for adaptation actions. Similarly, the vulnerability score shows weaker performance in the WBT average than in the European Union (see Figure 2.1, Panel B). Thus, the WBT economies have, on average, a narrower gap between their vulnerability and readiness than the EU average, indicating considerably weaker adaptation outcomes.

Figure 2.1. ND-GAIN readiness and vulnerability in WBT economies and the EU-27, 2004-2023



Notes: The Notre Dame Global Adaptation Initiative (ND-GAIN) vulnerability score measures economies' exposure, sensitivity and capacity to adapt to the negative effects of climate change (0-1; lower scores indicate lower vulnerability). The readiness score measures economies' ability to leverage investments and convert them to adaptation actions (0-1; higher scores indicate higher readiness). For more information, see <https://gain.nd.edu/our-work/country-index/methodology/>.

Source: University of Notre Dame (2025^[17]).

StatLink  <https://stat.link/o4kddl>

2.2.2. Increasing SME recovery capacity and second-chance opportunities

Measures for enhancing recovery capacity after natural and climate-induced disasters are underdeveloped in most WBT economies

While all WBT economies implemented substantial relief measures following the COVID-19 pandemic to help SMEs cope with financial distress and disruptions in global value chains, dedicated recovery programmes providing direct grants and technical support to strengthen SME recovery during climate- and natural disaster-related shocks have been identified only in Albania, Bosnia and Herzegovina and Türkiye (see Table 2.2). In Bosnia and Herzegovina, these programmes typically target a broader group of beneficiaries, including municipalities and households, meaning support is shared across multiple groups rather than focussed primarily on SMEs, as is the case in Albania and Türkiye.

Table 2.2. Past and ongoing SME-focussed recovery programmes in the Western Balkans and Türkiye

	Programme	Budget	Recovery support outcomes
Albania	CoSolve-19 Programme 2019-2023	Not available	703 SMEs received advisory training on building resilience against crises, and 299 businesses received financial support. The average employment across supported SMEs increased by 2.3 times, and 2 535 new jobs were created.
Bosnia and Herzegovina	EU Flood Recovery Programme 2014	EUR 42.2 million	56 SMEs supported, with total jobs (retained and created) increasing from 1 861 in May 2014 to 2 125 in April 2015.
	EU Support to Floods Recovery in Bosnia and Herzegovina 2024-2027	EUR 20 million	Ongoing project implementation, with a plan to support 100 micro, small, and medium-sized businesses (MSMEs) in the affected areas.
Türkiye	Rapid Support Programme for Micro and Small Enterprises 2021-2022	~EUR 497 million	65 559 SMEs received support.
	Post-Earthquake Micro, Small and Medium Enterprises Recovery Programme 2023-2024	~EUR 294 million	60 673 SMEs received support.

Sources: Information provided by the governments of Albania and Bosnia and Herzegovina during the assessment period; KOSGEB annual reports; European Commission (2024^[18]); UNDP (2015^[19]).

Notably, in Türkiye, strong support from the World Bank has enabled large-scale intervention through programmes implemented by KOSGEB, providing significant assistance to SMEs in the aftermath of recent major crises. In contrast, Western Balkan economies often face difficulties securing sufficient funding for recovery programmes, and constrained public resources limit the scale of much-needed domestic support.

Beyond direct recovery support, a critical component of enhancing SME resilience is insurance against disaster-related losses. Yet, insurance uptake is generally very low across WBT economies. Additionally, catastrophe insurance markets in the Western Balkans remain underdeveloped compared to Türkiye, which has an established pool for mandatory earthquake insurance. However, insurance mechanisms for other climate hazards are still largely absent across all WBT economies.

Supply-side constraints include limited data and risk assessments on sectoral losses in disasters, as well as weak links between public support schemes and insurance uptake (UNDP, 2024^[20]). For example, agricultural subsidies are rarely tied to insurance coverage, although this practice has been introduced in Montenegro. Insurers also face higher volatility where businesses do not widely implement risk-reduction measures.

At the same time, climate risk management is also a demand-side challenge. Many SMEs lack awareness of adaptation measures and the benefits of insurance, while affordability remains a barrier (UNDP, 2024^[20]). Türkiye leads in this respect by including measures to expand SME insurance coverage against severe climate risks in its National Climate Change Adaptation Strategy and Action Plan 2024-2030, though implementation is in the early stages.

Second-chance SME programmes remain absent, with initial measures only now emerging in some WBT economies

None of the WBT economies has operationalised a dedicated second-chance programme to help failing and failed SMEs and honest entrepreneurs with viable business models restart economic activity. Some economies have begun integrating this objective into SME strategies, including Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia. While Türkiye does not operate a formal second-chance programme, it has implemented large-scale recovery schemes for SMEs affected by COVID-19 and major earthquakes in recent years, providing a potential foundation for more structured second-chance mechanisms.

Beyond policy frameworks, the judicial system must also be able to handle higher numbers of business defaults during economic or environmental crises. Efficient insolvency processes help ensure that non-viable firms are liquidated more quickly, allowing public resources to be redirected toward more productive, sustainable, and climate-responsive business models. Notably, progress has been made in Kosovo, which established a Commercial Court in 2022, closing an important institutional gap with other WBT economies.

However, implementation across WBT economies remains constrained by limited, non-comparable data on the duration and frequency of liquidation and restructuring procedures, as well as a shortage of trained advisors to support SMEs in recovery and restructuring. These gaps could become increasingly critical as climate-related disasters raise demand for effective second-chance support mechanisms.

The way forward

- **Conduct comprehensive climate risk assessments and develop targeted adaptation measures for the business sector**, with a focus on SMEs in the most vulnerable industries. This approach enables economies to attract funding by presenting investment-ready strategies that mobilise private capital for climate-resilient technologies and business models. Priority actions should include improving data collection on climate risk exposure across sectors and enhancing multi-hazard EWSs to ensure they can be effectively integrated into business decision making for disaster loss prevention. In developing sound assessments, the WBT economies can draw on the indicators developed under the OECD's International Programme of Action on Climate; these provide a useful, internationally comparable benchmark for assessing risk exposure and vulnerability (OECD, 2021^[21]).
- **Build capacities to implement targeted, climate-risk-focussed SME recovery programmes**. This includes, as a base, strengthening second-chance support by reviewing the efficiency of judicial systems and aligning bankruptcy laws and the competencies of courts and agencies with EU standards. Crucially, WBT economies should increase awareness of, training on and access to financial and insurance solutions that enhance SME recovery capacity. The OECD provides insights, for example, on best practices for incentivising higher insurance coverage among vulnerable populations and lower-income businesses (Box 2.2).

Box 2.2. Good practice example: Flood risk insurance approaches across OECD Member countries

Natural hazards can cause significant financial stress for households and businesses. Evidence from the United States, for example, shows that disasters can lead to increased debt distress, bankruptcies and long-term declines in credit scores (Ratcliffe et al., 2019^[22]). Businesses are also heavily affected in the longer term. For example, flooding in Townsville, Australia, in 2019 caused around one-third of small firms to face business interruptions of at least six months (SGS Economics and Planning, 2021^[23]).

Policy approaches

Across OECD Member countries, governments mainly support financial protection in case of natural or climate-induced hazards through two mechanisms:

1. **Public-private insurance schemes**, where premiums fund claims to cover risks insufficiently served by private markets. Some governments establish multi-year/permanent arrangements.
2. **Public compensation and financial assistance**, including grants, loans, tax relief or guarantees after disasters.

Many countries have designed public-private insurance programmes for flood risks for which SMEs are eligible, including Australia, Denmark, France, Iceland, Italy, Morocco, Norway, Spain and Switzerland. Approaches vary from state-backed insurers to private insurance pools or reinsurance schemes.

Relevance for the Western Balkan economies and Türkiye

The WBT economies could draw from these existing experiences and adopt models suited to their risk profiles, and potentially, the WB6 could explore a regional risk-pooling approach given the smaller sizes of their insurance markets.

Source: OECD (2026^[24]).

2.3. Enabling SMEs by providing them with access to sustainable financing solutions

Enabling the green transformation of SMEs requires improved access to financing that accounts for the environmental performance of projects and addresses the limitations of traditional lending, such as risk aversion and high collateral requirements. Green investments often involve higher upfront costs, longer payback periods and greater uncertainty around future cash flows. As a result, more tailored sustainable finance models are needed to mobilise investment while addressing SME-specific constraints, enabling them to contribute to the transition.

Data on the share of financial institutions in the WBT region that offer sustainable finance products are unavailable. Additionally, the region continues to lack fully developed strategic foundations for a harmonised approach aligned with EU and international standards. Strengthening these frameworks will be important to attract larger investments, as will the adoption of instruments and market-based approaches to reduce investment risks and thereby help scale SME-targeted financing solutions.

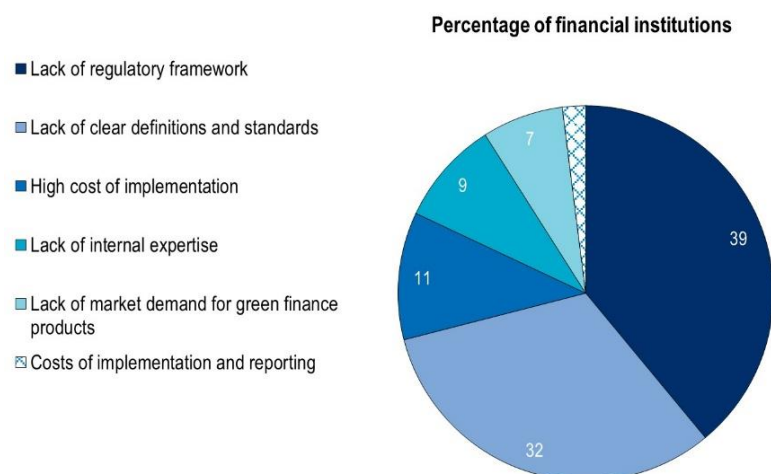
This section assesses the development of sustainable finance frameworks, examining both the supply of and the awareness of SMEs on the demand side of sustainable finance products. It also analyses the range of bank and alternative financing available to SMEs with different risk profiles and roles in the green transition.

2.3.1. Supporting SMEs in an evolving sustainable finance framework

Regulatory and strategic foundations for sustainable finance are emerging, albeit unevenly, across the WBT region

Sustainable finance frameworks are progressing unevenly across the WBT region, slowing the expansion of green investments in the private sector. This is particularly relevant, as two-thirds of surveyed financial institutions in the WB6 economies report that the absence of a clear regulatory framework, definitions, and standards, such as an economy-level taxonomy, hinders the expansion of sustainable finance offers to their clients, including SMEs (Figure 2.2).

Figure 2.2. Key challenges faced by financial institutions in developing sustainable finance products and services in Western Balkan economies, 2024



Note: No data for Türkiye included in the survey. Data based on responses collected from 27 financial institutions across the WB6 economies (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia).

Source: Regional Cooperation Council (2024^[25]).

All WBT economies are developing taxonomies to define sustainable economic activities eligible for green financing, and although none have fully adopted one, progress varies across them. Türkiye is the frontrunner, with mandatory reporting under the Turkish taxonomy expected to begin in 2027, when the Draft Türkiye Green Taxonomy Regulation is due to enter into force. Donor-supported projects to gradually integrate EU taxonomy principles into domestic frameworks are underway in Albania (with the European Investment Bank) and Serbia (with the French Development Agency). Kosovo also adopted a Law on Sustainable Investments, providing a basis for further defining a taxonomy. Other WB6 economies are also beginning to transpose EU taxonomy guidelines, albeit all at an early stage.

Despite these gaps, sustainable finance products for SMEs are already available in all WBT economies, as many financial institutions voluntarily apply international guidelines and good practices to classify eligible activities and projects. However, reliance on diverse and non-standardised classification systems, ranging from broad green frameworks to specific internal guidelines from international partners, can result in inconsistent and fragmented practices that limit the scaling up of sustainable finance initiatives, particularly in smaller markets, such as those of the Western Balkans, where a more aligned and collective approach would likely attract greater investment. Additionally, lacking standardisation could increase SME barriers to green finance as firms would need to navigate divergent requests for reporting by banks to access funding.

Policies addressing SME demand for sustainable finance are generally not approached in a systematic manner

While WBT economies are making progress in establishing the strategic and regulatory foundations for sustainable finance, primarily aimed at strengthening the supply of such products by financial institutions, policies addressing SME demand remain more limited (Table 2.3).

Table 2.3. Development of sustainable finance literacy frameworks in the Western Balkans and Türkiye

	ALB	BIH-FBiH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Sustainable finance literacy framework	✓	X	X	X	X	X	In progress	In progress

Notes: A checkmark indicates the existence of an official government strategy or policies that address core competencies related to sustainable finance. A cross indicates the lack thereof, and the designation "In progress" means that such a document or relevant policies are being prepared. Source: Information provided by the relevant governments during the assessment period.

As Figure 2.2 suggests, high implementation costs, combined with weak market demand for green products, can discourage financial institutions from expanding their sustainable finance offerings. Demand, however, depends heavily on SMEs' awareness and knowledge of available financial products, their relevance to business transformation, and their ability to develop investable projects. Yet, SME-focussed support and incentives remains scarce, and as a result, banks might experience difficulties with building project pipelines, especially when SMEs perceive the reporting burden as too high.

Albania is the only economy that integrates sustainable finance into its National Strategy for Financial Education and Inclusion, including dedicated modules and awareness-raising activities for SMEs. Serbia plans to further expand green finance content in the upcoming 2025-2030 update of its Financial Education Strategy. In Türkiye, a 2024 co-operation protocol between KOSGEB and the Capital Markets Board of Türkiye aimed to strengthen financial literacy programmes for staff, with sustainable finance training expected to translate into improved advisory services for SMEs. In most other WBT economies, financial literacy activities related to sustainable finance are limited to ad hoc seminars, often organised by chambers of commerce, rather than embedded in a broader strategic approach.

Finally, the attractiveness of sustainable finance products also shapes SME demand. As banks often perceive high costs, targeted government incentives offering concessional terms could help boost demand and uptake. The next section presents examples of such instruments as implemented by governments and donor initiatives.

2.3.2. Increasing SME access to sustainable (bank and alternative) financing

Targeted bank financing for SME green investments is available, but still relies heavily on donor support to de-risk private lending

The OECD (2025^[26]) distinguishes three broader groups of SMEs by role in the green transition: early-stage green start-ups ("innovators") developing new technologies or business models; more mature green firms ("enablers") scaling up innovative solutions; and established SMEs seeking to adopt greener processes, products or technologies ("adopters"). These groups require tailored financing.

In the WBT region, support instruments, both direct and indirect financing options, are targeted toward enablers and adopters via green grants and loans, with many instruments relying on donor financing. Direct green grant programmes exist in Bosnia and Herzegovina, Kosovo, Montenegro, Serbia and Türkiye (Table 2.4). Green credit lines providing indirect financing to SMEs are available across all WBT economies, driven mainly by donors such as the European Bank for Reconstruction and Development (EBRD) (notably its SME Go Green programme in the WB6). Loans offered by banks participating in the SME Go Green programme, for example, are eligible for grants of up to 15% of the loan value after project completion. Some development banks (where they exist) also provide such instruments, e.g. the Federation of Bosnia and Herzegovina's Development Bank credit line for energy efficiency and renewables, and North Macedonia's Development Bank and Ministry of Finance co-financing green credit lines. Both offer concessional terms, such as below-market interest rates (2.9%), longer maturities of up

to 12 years, and grace periods of up to 24 months. Green credit guarantee schemes, which offer financial backstops to reduce lenders' risk on SME defaults, are, however, only active in Republika Srpska (Bosnia and Herzegovina), Kosovo and Türkiye. Positively, though, Albania has a scheme that includes sustainable agricultural finance, and Montenegro plans to de-risk via the operationalisation of the Credit Guarantee Fund in late 2026.

Table 2.4. Development of key sustainable finance policy instruments for SMEs in the Western Balkans and Türkiye

	ALB	BIH-FBiH	BIH-RS	KOS	MNE	MKD	SRB	TUR
Green credit lines	X	✓	✓	✓	✓	✓	✓	✓
Green grants	X	✓	✓	✓	✓	Planned	✓	✓
Green credit guarantee schemes	Partially for agriculture	X	✓	✓	Planned	X	X	✓

Note: Most available credit line programmes are donor policy tools, such as the EBRD's SME Go Green programme, which is active in Bosnia and Herzegovina, Kosovo, Montenegro and Serbia.

Source: Based on information provided by WBT governments during the assessment period.

Alternative green finance remains underdeveloped, leaving many SMEs underserved

Across the WBT region, alternative green finance and access to risk capital remains weak, leaving all three SME profiles only partially served. Beyond bank lending, SME adopters could benefit from other debt instruments such as leasing, which can help finance equipment and technology upgrades where upfront investment costs are high. While dedicated green leasing markets are largely absent, initiatives by the International Finance Corporation are beginning to provide climate-related leasing options for SMEs in Kosovo and Türkiye.

Equity, quasi-equity, and capital market financing remain even more limited, reflecting underdeveloped markets and weak linkages to environmental, social and governance (ESG)-aligned instruments, but also a lack of investable ventures. As a result, dedicated green private equity and venture capital (VC) funds for SME innovators are largely absent. Türkiye is a notable exception: launched in 2024, its Green Fund supports scalable green ventures and had reached TRY 2.2 billion (Turkish liras) (approximately EUR 43.7 million) by March 2026 (MaxisGS, 2026^[27]).

For SME enablers, capital market instruments are also scarce. Nonetheless, some early developments signal potential. Green corporate bond issuances have taken place in Türkiye, and in Serbia, a subsidiary of Intesa Sanpaolo (2025^[28]) recently introduced minibond options for small firms. However, these instruments remain at an early stage, and further market development will be needed to attract greater private capital and enable SME green ventures to scale commercially with less reliance on public support.

The way forward

- **Accelerate the development and adoption of sustainable taxonomies.** Türkiye has made the most progress in this area and should ensure timely adoption in line with its planned timeline. The WB6 economies could benefit from exchanging with Türkiye on its experience in developing a taxonomy aligned with EU criteria while adapting it to domestic economic structures and market conditions. To support this process, the Western Balkan economies could establish a regional co-ordination platform to facilitate alignment with international standards, harmonise data collection and methodologies, and strengthen the capacity of financial institutions to implement taxonomy-based sustainable finance frameworks. A co-ordinated approach would also enable structured

dialogue with Türkiye and other partners, helping accelerate the development and uptake of sustainable finance across the region.

- **Expand and diversify de-risking instruments to strengthen sustainable finance for SMEs.** Currently, most de-risking mechanisms in WBT economies rely on EBRD-supported credit lines, while government-led initiatives, such as credit guarantee schemes or dedicated green credit lines through development banks, remain limited. Expanding public de-risking approaches could help mobilise greater private investment in SME green projects. At the same time, financing instruments should be diversified to address the different roles SMEs play in the green transition. For example, more equity-based risk-sharing models could support innovative firms operating in higher-risk segments. The OECD (2025^[26]) provides an overview of commonly used policy instruments tailored to different SME profiles, such as innovators, enablers and adopters, which WBT economies can draw on when designing support mechanisms. In particular, targeted programmes focussing on green technologies could help crowd in more private investment to scale innovative business models (Box 2.3).

Box 2.3. Good practice example: Unlocking equity finance for green technologies – Canada's Climate Tech Fund II

Public equity (e.g. VC) and quasi-equity instruments (e.g. subordinated or convertible debt, mezzanine financing and profit participation) help finance high-risk green ventures that private investors often avoid due to long development cycles, uncertain demand and the need to deliver both environmental impact and financial returns.

Policy approach

The Business Development Bank of Canada (BDC) manages the federal Climate Tech Fund II, a VC initiative supporting the scale-up of Canadian climate technology firms. The CAD 500 million (Canadian dollars) (approximately EUR 336 million) programme was launched in 2022. The fund targets capital-intensive innovations that significantly reduce greenhouse gas emissions across sectors, including energy, mobility, the built environment, industry and carbon management. The risk of investment is usually shared equally between BDC and private investors, but exceptions are possible for early-stage and high-risk ventures. Also, BDC typically takes a board or observer seat in funded companies, ensuring alignment with long-term strategic goals.

Policy outcomes

The predecessor Fund I showed strong leverage, with each public dollar mobilising about CAD 12 in private investment. Under Fund II, the average investment is around CAD 10 million (~EUR 6.3 million), reflecting its focus on scaling advanced climate technologies.

Relevance for the Western Balkan economies and Türkiye

Adapting similar models through development banks, innovation funds or newly established green funds, such as in Türkiye, could enable the WBT region to finance more capital-intensive climate technologies, while strengthening local VC ecosystems and reducing reliance on public subsidies over time.

Sources: OECD (2025^[26]; 2025^[29]).

2.4. Strengthening SME support systems and networks for sustainable growth

Beyond financing, non-financial support systems play a critical role in helping SMEs advance their green transition. SMEs often require targeted capacity building, technical assistance and advisory services to develop the necessary skills and knowledge, as well as access to ecosystems that facilitate these resources. In addition to seeking support for navigating environmental compliance requirements, SMEs may also seek to expand market opportunities by connecting more closely with other firms through industrial networks.

At present, awareness of government greening support programmes among SMEs in the WBT region remains limited, with only around 13% of surveyed SMEs reporting knowledge of such initiatives (OECD, forthcoming^[3]). This further increases the importance of network-based support structures. Stronger linkages with buyers, suppliers and research partners can help SMEs access knowledge, technologies and markets needed to participate in greener supply chains.

This section examines how existing business support services for the green transition are tailored to SME needs in the region, and how policies foster SME support ecosystems that enable resource sharing, collaboration and spillover effects across sectors.

2.4.1. Scaling up public non-financial support for SMEs in a green and resilient economy

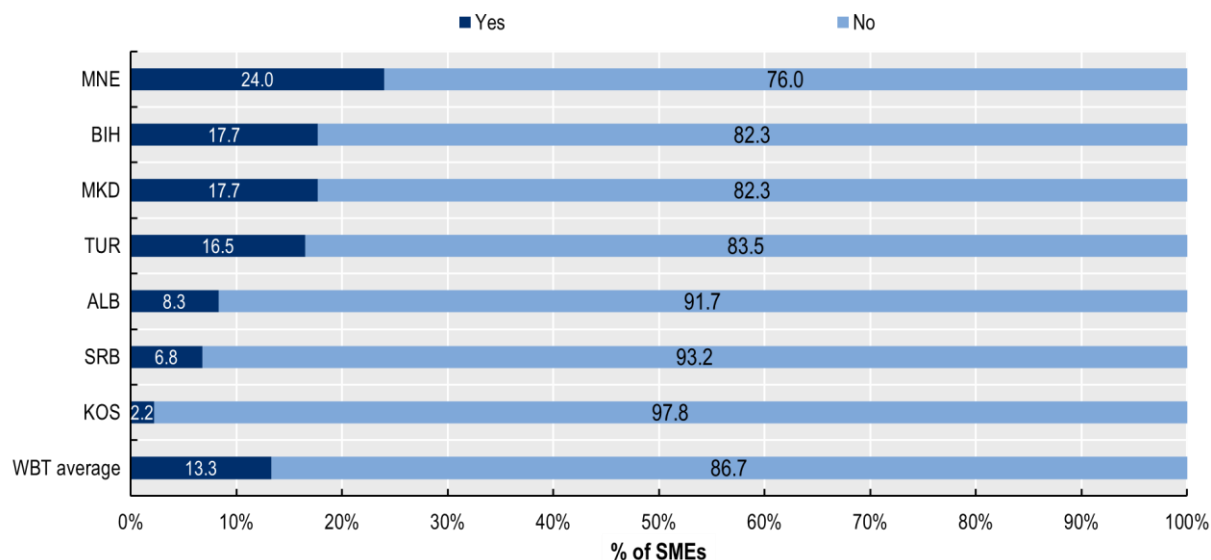
Non-financial SME greening support is growing, but often fails to target SME needs effectively

All WBT economies include non-financial public support measures for SME green transition in their strategic frameworks, although implementation varies. In Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia, chambers of commerce play an important role in delivering targeted support, such as training, technical assistance, and standardisation and certification services. In Bosnia and Herzegovina (Republika Srpska) and Serbia, responsible business hubs established with the respective chambers of commerce further strengthen this support by providing tailored advisory services, training, and sector-specific tools on carbon management and broader ESG requirements, particularly for exporting firms. Development and entrepreneurship support agencies also provide assistance in Bosnia and Herzegovina, North Macedonia, Serbia and Türkiye. However, in Albania and Kosovo, non-financial support remains largely donor-driven, and institutional structures for sector-specific training within SME agencies remain limited.

Across the region, support measures are generally not well-tailored to the diverse needs of SMEs in the green transition. Although training on carbon footprint calculation and ESG standards has been introduced to varying degrees (except in Albania and Kosovo) most initiatives across WBT economies focus narrowly on general support for energy efficiency and renewable energy adoption. As a result, support services rarely reflect the different roles and challenges SMEs face. For example, firms in highly regulated sectors, such as energy, may require legal assistance to navigate domestic regulatory frameworks, while exporting SMEs need support in complying with foreign legislation, particularly requirements linked to the EU Green Deal. This suggests the need to broaden and strengthen existing offers of greening-related support.

Another key challenge is limited SME awareness of available programmes, even when support is available. As Figure 2.3 shows, in 2025, only 13.3% of surveyed SMEs in WBT economies knew about existing government programmes for greening, ranging from 2.2% in Kosovo to 24% in Montenegro, which, notably, has been undertaking many promotional activities, particularly through its Chamber of Commerce.

Figure 2.3. Share of SMEs aware of government programmes for business greening in the Western Balkans and Türkiye, 2025



Notes: Sample sizes differ by economy, with relatively small samples in Montenegro and North Macedonia. The question asked was: *Do you know any government programmes for business greening?*

Source: OECD (forthcoming^[3]).

Improving communication and dissemination is therefore essential. Emerging solutions, such as online portals of the responsible business hubs in Serbia and Bosnia and Herzegovina (Republika Srpska), help centralise access to expertise and advisory services, reducing the need for businesses to navigate multiple institutional websites to find relevant support. They also facilitate dialogue with the private sector, helping identify practical bottlenecks to greening, including barriers not addressed by existing support, such as infrastructure constraints.

Other solutions include promoting government programmes through key partners or consultants specialising in decarbonisation or energy. For example, the donor-initiated Energy Transition Network in Industry project (2022-2024) in Bosnia and Herzegovina shows how linking consultants and firms can enable practical, hands-on exchange between SMEs and experts. Using consultants as intermediaries also helps firms better understand use cases and benefits of support programmes.

Green transformation services for SMEs are slow to scale, particularly as structured feedback mechanisms are not employed

Beyond budget constraints, a major barrier to effectively scaling SME green transition support in Western Balkan economies, and even in Türkiye, despite the launch of its well-funded Green Industry Project in 2024, is the limited availability of data to understand the specific needs of SMEs across sectors and their different roles in the green transition.⁴

In terms of programme reporting, several economies perform relatively well. For example, Türkiye's KOSGEB and North Macedonia's Agency for Innovation, Scientific and Technological Development and Entrepreneurship⁵ regularly report on activities undertaken, budgets mobilised, and the number of SMEs supported. In 2025, Serbia also conducted research among more than 350 SMEs as part of its Green Economy Roadmap to identify areas where further government support services may be needed.

However, across all WBT economies, structured feedback mechanisms remain limited. Implementing ministries and agencies rarely collect systematic information on how delivered services helped SMEs achieve greening objectives, how beneficiaries evaluated the quality of support delivered, or which services remain missing from the current policy offer when compared to market needs.

2.4.2. Exploiting the power of networks for the sustainable growth of SMEs

Business network approaches are not yet systematically leveraged to integrate SMEs in green value chains and support more sustainable production

Experience from OECD Member countries shows that targeted policies can successfully integrate SMEs into business networks,⁶ enabling them to benefit from knowledge transfer, innovation, internationalisation and productivity gains (OECD, 2023^[30]; 2019^[31]; 2008^[32]).

Strategic approaches to fostering SME participation in formal partnerships, such as economic clusters, can help connect firms with knowledge institutions, suppliers and customers within production chains. Often organised around sector specialisation or geographic proximity, such networks can accelerate the green transformation of small firms by enabling technology spillovers, improving access to knowledge resources and strengthening market access.

For example, OECD survey data on SME obstacles to engaging in carbon disclosure show that 24% of SMEs report the need for more harmonised approaches within their value chains (OECD, forthcoming^[3]). This highlights the importance of stronger collaboration and partnerships with suppliers and customers.

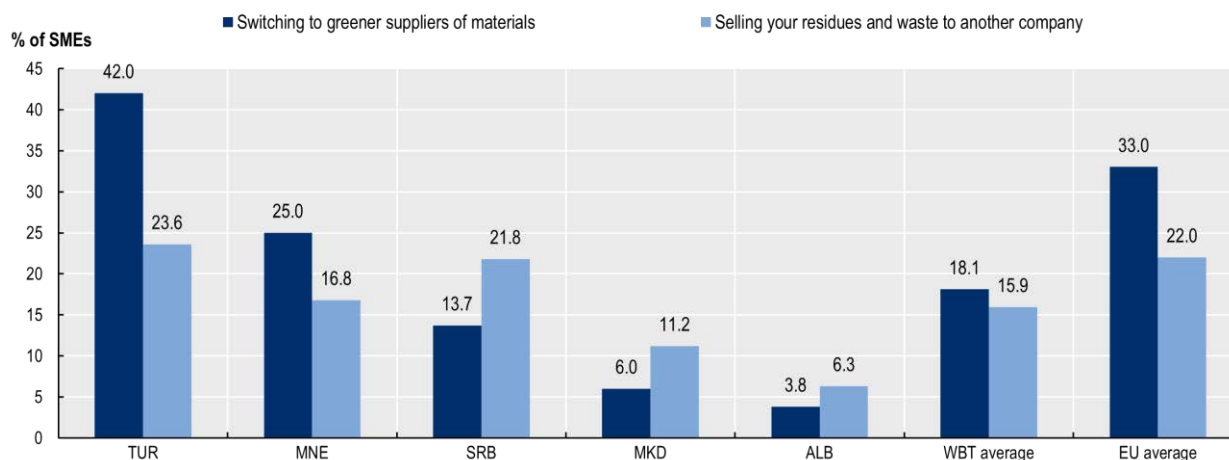
However, SME network-building initiatives in the region often do not prioritise green transition objectives. One notable exception is the Cluster Support Programme run by the Ministry of Industry and Technology of Türkiye, which has launched targeted calls aimed at strengthening green economic practices within strategic industrial clusters. Through their SME strategies, both Montenegro and North Macedonia place strong emphasis on increasing SME participation in networks that promote sustainability and the green transition, in line with their smart specialisation objectives. However, progress in implementation has been slow so far.

SME demand for collaboration in the green transition is growing, but the supply of targeted government services is only just catching up

Eurobarometer survey data indicate growing demand from SMEs for stronger value chain collaboration. Around 18% of SMEs in the WBT region (Figure 2.4) are already switching suppliers to obtain greener inputs, while 16% sell waste or residues to other firms, highlighting emerging circular-economy practices and the need for stronger business ecosystems. Although these shares remain below the EU average, where about 33% and 22% of SMEs, respectively, engage in such practices, participation is relatively strong in Montenegro, Serbia and Türkiye, where even up to 42% of SMEs report switching suppliers to access greener inputs.

All WBT economies recognise the need to strengthen linkages among SMEs, larger firms, and key partners, such as research institutions (discussed further in Section 2.5), to enhance resilience and expand opportunities for sustainable production. As a result, support infrastructures, such as technology and industrial parks, incubators and accelerators, and other platforms supporting innovative spin-offs, are increasingly central to policy approaches addressing SME needs.

Figure 2.4. Share of SMEs taking collaborative action on greening in the Western Balkans and Türkiye and the EU, 2024



Note: No data available for Bosnia and Herzegovina and Kosovo.

Source: European Commission (2024^[9]).

To support ecosystem development, green industrial zones have emerged as one of the most widely adopted policy approaches in the region. Such zones are operational only in Türkiye but are being developed in Kosovo, North Macedonia and Serbia, with plans for the medium term in Albania. Other approaches are also emerging. Bosnia and Herzegovina is developing network-based initiatives focussed on energy efficiency, while the Enterprise Europe Network is used across the region, particularly successfully in Montenegro, to help SMEs strengthen links with European markets and green production networks. Still, services provided through these approaches are often not yet scaled to support broader SME segments.

The way forward

- Improve the promotion and accessibility of government support services for SME greening.** Awareness of existing greening support programmes remains very low across most WBT economies, even though some promising approaches have emerged, such as the responsible business hub platforms in Serbia and Bosnia and Herzegovina (Republika Srpska), which centralise information on green transition support and related opportunities. To maximise impact, governments are encouraged to prioritise additionality. Rather than creating entirely new structures, existing SME support platforms could incorporate “green opportunity filters” to better guide firms toward relevant programmes, guidance and international resources. Chambers of commerce already play an important role in this area across the region, and closer collaboration with ministries and business support institutions, such as innovation and entrepreneurship agencies, will be essential to ensure SMEs are informed about available programmes and can navigate application procedures with clear eligibility criteria and accessible entry points. WBT economies could improve the accessibility and visibility of SME support for the green transition by centralising information and services in a single platform. An example is the UK Business Climate Hub (2025^[33]), a joint initiative between government, businesses, and business associations, which provides SMEs with guidance on climate action, as well as access to funding, advisory and mentoring services, research partnerships, and up-to-date market insights.
- Adopt strategic, network-based approaches to support the green transition of SMEs.** While WBT economies increasingly recognise the benefits of ecosystem and network-based approaches,

particularly in the context of smart specialisation and the development of green sectors, these approaches are not yet consistently integrated into SME development policies. Progress in cluster development, for example, remains uneven, despite the potential for clusters to act as intermediaries that facilitate the wider adoption of green practices among businesses. To design more targeted interventions, WBT economies could draw on guidance from the European Cluster Collaboration Platform (2026^[34]) Policy Toolkit, which presents good practices on how cluster development mechanisms can accelerate sustainable transformation at national, regional and local levels (Box 2.4).

Box 2.4. Good practice example: The Tokyo Zero-Emission Innovation Bay

Policy approach

The Tokyo Zero-Emission Innovation Bay was established in accordance with Japan's Environment Innovation Strategy, adopted by the Integrated Innovation Strategy Promotion Council in 2020. The initiative aims to create an innovation area dedicated to developing and deploying zero-emission technologies.

Policy outcomes

Located in the Tokyo Bay industrial region, the hub brings together research laboratories, factories, universities, research institutes and corporate offices from sectors such as power, gas, petroleum, chemicals, electronics and automotive manufacturing. As of March 2026, the cluster includes 144 members. Participants collaborate on research, demonstration projects, and the commercialisation of technologies, including hydrogen, carbon capture, utilisation, and storage, and advanced energy management systems. The objective is to build one of the world's largest research and development (R&D) centres for zero-emission technologies and accelerate their deployment in the wider economy.

Relevance for the Western Balkan economies and Türkiye

Such cluster-based innovation ecosystems can offer valuable lessons for WBT economies. By strengthening collaboration among industry, research institutions and government within targeted industrial zones or innovation hubs, economies could accelerate the development and diffusion of green technologies while supporting SME participation in emerging sustainable value chains.

Sources: European Cluster Collaboration Platform (2021^[35]); National Institute of Advanced Industrial Science and Technology (2020^[36]).

2.5. Accelerating research and innovation to future-proof SMEs

Innovation underpins SMEs' ability to improve productivity, upgrade technologies and respond to evolving environmental and market pressures. In this context, investment in R&D and in technology adoption is not only a driver of competitiveness but also a key enabler of business resilience and the transition towards more sustainable, climate-compatible economic activities.

According to the European Innovation Scoreboard, on average, WBT economies outperform the European Union in SME product and process innovation, reaching 111% of the EU level in 2025 (European Commission, 2026^[37]). However, economies such as Albania, North Macedonia and Türkiye still lag behind. Linkages between innovative firms remain, on average, weaker, at 85% of the EU level, with only Montenegro exceeding this benchmark (European Commission, 2026^[37]). While data on innovations specifically contributing to the green economy are lacking, these findings highlight the need for stronger innovation support and infrastructure, including mechanisms that foster collaboration between businesses

and research institutions. Such measures can enhance SME performance and accelerate the green transition, as increased R&D investment can help drive down the costs of green technologies (Cervantes et al., 2023^[38]).

This section examines how innovation policy frameworks in WBT economies are incorporating greening objectives and the measures operationalised to strengthen green research and technology at the SME level. It assesses initiatives and programmes aimed at improving innovation infrastructure and creating knowledge networks to enhance SME value creation in green economic sectors.

2.5.1. Advancing strategic innovation for a green and resilient economy

Science, technology and innovation frameworks increasingly recognise the role of knowledge-based transformation for business greening and resilience

Greening objectives are increasingly integrated into quadruple helix innovation approaches,⁷ particularly through Smart Specialisation Strategies (S3), which are implemented in Montenegro (currently under revision), North Macedonia and Serbia. More broadly, innovation and research strategies across the region prominently include green innovation objectives to support businesses in expanding green R&D and adopting advanced technologies (see Table 2.5).

Table 2.5. Key innovation strategies incorporating greening objectives in the Western Balkans and Türkiye

	Strategy(ies) integrating green innovation objectives
Albania	National Strategy for Scientific Research, Technology, and Innovation 2023-2030 National Strategy for the Development of Innovative Entrepreneurship 2024-2030
Bosnia and Herzegovina: Federation of Bosnia and Herzegovina	SME Strategy 2022-2027
Bosnia and Herzegovina: Republika Srpska	SME Strategy 2021-2027 Strategy for the Development of Science and Technology, Higher Education and Information Society 2023–2029 Action Plan for Innovation in SMEs 2024-2027
Kosovo	Strategy for Innovation and Entrepreneurship 2019-2023 (<i>Expired</i>) ¹
Montenegro	MSME Strategy 2023-2026 Smart Specialisation Strategy 2019-2024 (<i>Expired</i>) ² Smart Specialisation Action Plan 2025 Strategy for Scientific Research Activities 2024-2028
North Macedonia	SME Strategy 2025-2030 Smart Specialisation Strategy 2024-2027
Serbia	SME Strategy 2023-2027 Industrial Policy Strategy 2021-2030 Smart Specialisation Strategy 2020-2027 Startup Ecosystem Development Strategy 2021-2025
Türkiye	National Industry and Technology Strategy 2030

Notes:

1. Kosovo is in the process of drafting its Innovation Strategy 2030+, and stakeholder consultations are currently taking place, led by the Ministry of Industry, Entrepreneurship and Trade.

2. The new S3 strategy of Montenegro is expected to be adopted in 2026, and consultations took place in the first quarter of the year.

In terms of implementation, innovation funds in Montenegro and Serbia, as well as agencies responsible for scientific research and technological development in Albania, North Macedonia and Türkiye, play a key role in supporting SME innovation. Comparable structures are less developed in Bosnia and Herzegovina, where support is mainly delivered through entity-level ministries for science and technology,⁸ though legal

grounds are in place to establish an innovation fund in the entity of Republika Srpska. In Kosovo, the establishment of an innovation fund has been delayed due to pending amendments to the law on innovation. Despite these institutional structures, direct financial and technical support for green innovation beyond donor-funded initiatives remains limited. Only the Innovation Fund of Montenegro and the Scientific and Technological Research Council of Türkiye (TÜBİTAK) in Türkiye currently provide targeted schemes specifically supporting green innovation among SMEs.

The impact of innovation on SME productivity and greening outcomes remains poorly understood

In the European Union, research and innovation (R&I) have proven to be key drivers of labour productivity growth, accounting for two-thirds of productivity gains between 2010 and 2016 (European Commission, 2020^[39]). Evidence also shows that large firms, on average, are able to achieve higher labour productivity by investing more and building a stock of knowledge-based capital (digitalisation, information, etc.) (Schiersch and Le Mouel, 2020^[40]).

It is therefore important for economies to develop robust mechanisms to measure productivity gains resulting from implemented policies. Given that support measures for SME green innovation are dispersed across several strategic frameworks in the WBT economies (see Table 2.5), developing comprehensive evaluation systems would be essential to assess whether policy incentives effectively stimulate SME innovation, productivity gains and progress toward green transition objectives. However, such practices remain largely underdeveloped across the WBT region. None of the economies currently conducts systematic evaluations of whether SME innovation support contributes to improvements in productivity, resource efficiency, or other green transition outcomes, such as emissions reductions or energy savings.

2.5.2. Capitalising on knowledge networks for driving SME innovation

Innovation infrastructure has picked up, but greening-focussed services lag

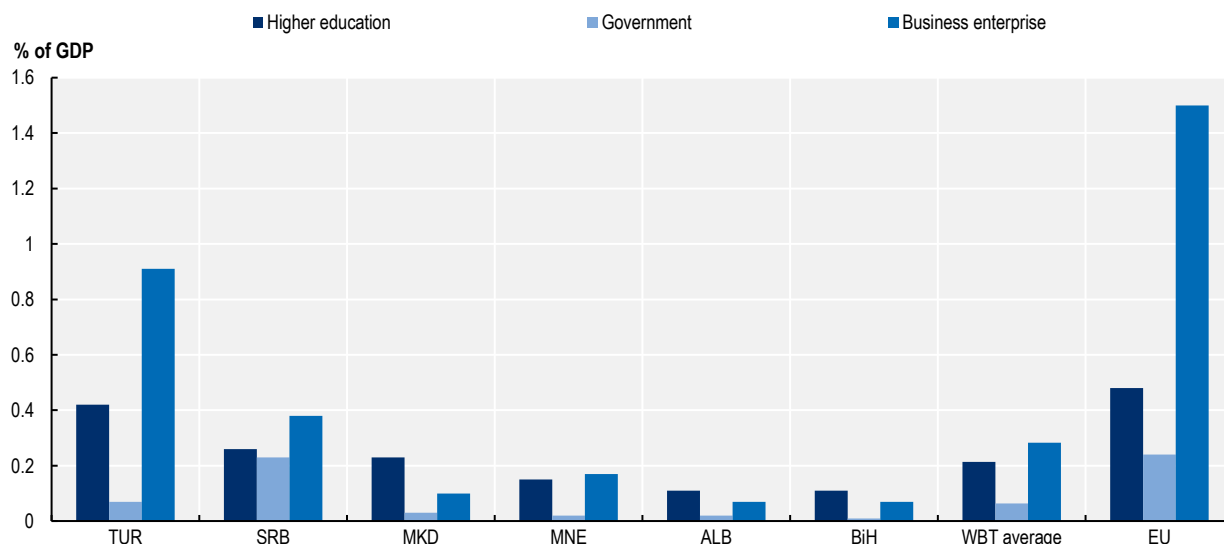
Most WBT economies provide technology-extension services to support SME innovation and development, primarily through technology transfer offices and science and technology parks. These structures receive government support in all economies, except Kosovo, where privately funded initiatives, such as the Innovation and Training Park in Prizren, play a key role in facilitating technology transfer for SMEs. However, the effective transfer of research outputs and green technologies from academia to the private sector remains fragmented across the region. Data on SME engagement with technology transfer structures are also largely unavailable, making it difficult to assess their impact.

As Figure 2.5 shows, gross domestic expenditure on R&D remains significantly lower in WBT economies than in the EU-27 across all sectors. The gap is particularly pronounced in business R&D spending, where expenditure in the WBT region is more than five times lower than the EU-27 average. This highlights the need to strengthen private-sector investment in R&I, to accelerate technology development, improve SME absorptive capacity, and enable the wider diffusion of green technologies.

Despite these gaps, promising developments are emerging in Montenegro and Bosnia and Herzegovina (Republika Srpska), which are becoming frontrunners in strengthening these linkages. In Montenegro, alongside the Innovation and Entrepreneurship Center Tehnopolis, which supports innovation in areas such as sustainable agriculture and the bio and blue economy, the Science and Technology Park was inaugurated in 2024 as a government-backed technology transfer hub aimed at strengthening business innovation capacities, including in green technologies, in line with Montenegro's smart specialisation priorities. In Bosnia and Herzegovina's entity of Republika Srpska, the Digital Innovation Hub, established in 2022, launched the Digitally Enabled Sustainable Energy Transition of Manufacturing SMEs project in

2025. The initiative focuses on strengthening knowledge-based advisory services for SMEs at the digital-green nexus, particularly through the use of digital tools for improved energy management.

Figure 2.5. Gross domestic expenditure on R&D by performance sector in the Western Balkans and Türkiye and EU-27, 2023



Notes: No data available for Kosovo. Data for Bosnia and Herzegovina are from 2021; data for Albania are from 2022.

Source: Eurostat (2026^[41]).

StatLink  <https://stat.link/r2uewd>

In contrast to infrastructure support, financial support remains scarce. Green innovation vouchers, designed to help SMEs invest in green solutions, services or equipment supporting the transition (European Commission, 2019^[42]), are largely absent across the region. More broadly, innovation vouchers, which are widely adopted across EU and OECD Member countries, remain underused. However, North Macedonia piloted a voucher scheme to cover sustainable innovation, and some schemes linked to smart specialisation priority sectors already exist in Montenegro and Serbia, which could provide a useful entry point for developing incentives to support SME adoption of greener technologies, services and skills.

Research-business collaboration schemes for green innovation are slowly emerging across economies

As discussed in Section 2.4.2, networks are key building blocks for strengthening SME resilience and improving access to resources needed for the green transition. Knowledge and innovation networks are particularly important, as knowledge-intensive processes enable the adoption of green technologies and accelerate sustainable production and consumption. Evidence from the OECD (2025^[43]) shows that green patent filings rely more strongly on scientific knowledge, citing nearly six times as many peer-reviewed articles as filings for high-carbon technologies.

Across WBT economies, collaborative platforms and grant schemes linking universities, research institutes and businesses are gradually emerging to strengthen private-sector capacity and the commercialisation of green innovations. Examples include the Green Programme of Cooperation between Science and Industry in Serbia and the Proof-of-Concept Programme in Montenegro. In North Macedonia, the government-

supported Maker Space initiative provides incubation and laboratory support for projects in areas such as the circular economy, while in Türkiye, the SAYEM Industrial Innovation Network Mechanism supports specialised R&D platforms in fields such as smart energy and environmental management.

However, progress remains uneven. In Albania, Bosnia and Herzegovina, and Kosovo, initiatives remain largely donor-driven, and even in those WBT economies where promising programmes exist, stronger institutionalisation and evaluation are needed to ensure improved commercialisation as well as continuity and impact of support.

The way forward

- **Strengthen infrastructure for green technology transfer and mainstream greening objectives within government-backed technology transfer structures.** Across WBT economies, technology transfer offices often lack sufficient resources to assess SME needs for green innovation and support their transition to higher value added, knowledge-based production. In addition, SMEs frequently lack in-house capacities to test or prototype new products. Expanding access to demonstration facilities and laboratories would help firms validate technologies and accelerate the commercialisation of green innovations. To achieve this, governments are encouraged to move beyond project-based funding and provide more systematic support to scale existing technology transfer structures, including incubators and accelerators that help SMEs develop and bring green innovations to market. A useful example of a policy approach to design adequate structures is Portugal's "Mobilising Agendas," which promotes green technology adoption of SMEs across various sectors. The Agendas involve industry-based technology centres that support manufacturing's green transition, especially for SMEs lacking resources for R&D projects (OECD, 2025^[44]). WBT economies could also consider partnering with experienced programme providers, such as EIT Climate-KIC (2026^[45]), which delivers the ClimAccelerator across different local contexts. This can support the development of climate-focused accelerator programmes for green startups in their respective economies, while building on lessons from past initiatives implemented by private providers in the region.
- **Develop green innovation vouchers and other targeted incentives to boost SME greening.** While expanding technology transfer infrastructure and commercialisation systems is a medium- to long-term objective, WBT economies could introduce lower-cost measures in the short term to stimulate green innovation. Green innovation vouchers or collaborative grant schemes can incentivise SMEs to undertake greening projects and strengthen co-operation with research institutions. These instruments could be aligned with S3s, an approach already emerging in Montenegro and Serbia, and could also support WBT economies that are still developing such strategies. A relevant example is presented in Box 2.5.

Box 2.5. Good practice example: Aligning voucher schemes with green smart specialisation strategic objectives in Italy

Policy approach

The Lombardy region in Italy has operated an innovation voucher scheme since 2010 to support collaboration between SMEs and knowledge providers. Through participation in the Interreg S34GROWTH Project (2016-2020), the scheme was subsequently adapted to better align with the region's S3 priorities.

Under its Operational Programme for Investment for Growth and Employment 2014-2020, the region had introduced a dedicated action to strengthen SME R&D capacities and facilitate access to high-performance research infrastructure through vouchers.

Policy outcomes

One notable strategic opportunity identified was support for SME access to privately owned pilot plants for sustainable bioeconomy projects, as open infrastructure was not available or economically feasible. Building on this approach, the region launched the S3INNODRIVER project in 2019 (with a budget of EUR 7 million) to help SMEs purchase and develop advanced technological innovation services.

Relevance for the Western Balkan economies and Türkiye

Experience from Interreg Europe initiatives such as this provides valuable insights for WBT economies on how to strengthen the implementation and impact of S3 greening objectives.

Sources: Interreg Europe (2020^[46]; 2020^[47]).

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Notes

¹ According to the Law on the Development of Micro, Small and Medium-sized Enterprises of 2022 (Law 43/2022), the council is composed of the following members: one representative from the ministry responsible for finance and economy, one from the ministry responsible for entrepreneurship protection, and one from the Albanian Investment Development Agency. The Union of Chambers of Commerce and Industry is also represented, alongside three representatives of entrepreneurship and business selected from the most prominent business organisations and chambers. Additionally, the council includes one

representative from the Association of Banks and two representatives from higher education institutions, one from a public institution and one from a non-public institution, proposed by the minister responsible for education following a public selection process. Finally, one representative from local self-government units, nominated by the Association of Municipalities of Albania, completes the council.

² Companies above a certain size are required under the Corporate Sustainability Reporting Directive (CSRD) to disclose information on the risks and opportunities arising from social and environmental issues, as well as the impacts of their activities on people and the environment. Although non-EU SMEs are not directly subject to this regulation, they may still be required to report on certain sustainability aspects when supplying to EU-based buyers.

³ Differences can be mostly attributed to smaller sample sizes in the OECD survey (higher likelihood of self-selected sample) and the use of a third response option in the Eurobarometer, “No, but you are planning to do so in the next two years”. Including this option raises the average in the five WBT economies (Albania, Montenegro, North Macedonia, Serbia and Türkiye) to 32.6%, which is more comparable.

⁴ The OECD (2025^[26]) distinguishes three boarder groups: early-stage green start-ups (“innovators”) developing new technologies or business models; more mature green firms (“enablers”) scaling up innovative solutions; and established SMEs seeking to adopt greener processes, products or technologies (“adopters”).

⁵ Formerly the Agency for the Promotion of Entrepreneurship, until it was merged with the Fund for Innovation and Technology Development in 2025.

⁶ Networks are systems of connected actors that enable the exchange of information, products, services, assets and/or resources. They may be supported by physical infrastructure, formal agreements, or remain informal relationships (OECD, 2023^[11]). In the context of the green economy, expanding and strengthening such networks is essential for SMEs to access key resources, such as data, skills and technology, and to improve their adaptability and resilience.

⁷ The approach is based on the idea that innovation emerges from an interactive process among multiple spheres of actors, each contributing according to its role in the innovation system. The quadruple helix model comprises four groups of actors: industry, academia, government, and civil society (European Committee of the Regions, 2016^[49]; OECD, 2020^[48]).

⁸ In Republika Srpska, the Ministry for Scientific and Technological Development and Higher Education is also a key partner in the Innovation Center Banja Luka, acting as the key institution for innovation support to SMEs in the entity.

3

Supporting the digital transformation of SMEs in the Western Balkans and Türkiye

Digital transformation is reshaping how SMEs compete, but requires more than access to technology. This cluster examines whether the right conditions are in place for SMEs to navigate this transition successfully. It looks at how policies are designed and implemented to support SME digitalisation and productivity, how they build the digital safety environment that underpins trust and resilience, and how they support SMEs in moving beyond basic digital tools toward more advanced and sustainable technologies; assessing in each case whether policy ambition is matched by effective delivery and measurable outcomes at firm level.

3.1. Strengthening SMEs' readiness for digital transformation

Across the Western Balkans and Türkiye (WBT) digital transformation is one of the most important and unexploited opportunities for small and medium-sized enterprise (SME) productivity growth and economic convergence with the European Union. SMEs are the foundation of all WBT economies, accounting for most employment and value creation (OECD, 2022^[1]). Digital adoption among these firms is largely confined to basic tool uptake (e.g. company websites, social media and electronic invoicing) (OECD, forthcoming^[2]), falling short of the deeper organisational and technological shifts that generate sustained productivity gains, enable integration into European value chains and strengthen competitiveness in increasingly digitalised markets.

Realising this potential is not a question of technology availability: SMEs require a surrounding ecosystem that supports them throughout the transition, from initial adoption to genuine transformation. This encompasses digital and managerial skills, access to finance and advisory support, interoperable infrastructure, and coherent governance (OECD, 2019^[3]; 2021^[4]; 2024^[5]). Public policy plays a decisive role in shaping this ecosystem. When policy frameworks are well-designed and coherent, digitalisation delivers measurable economic returns at the firm level; when they are not, adoption remains shallow and productivity gains fail to materialise (OECD, 2019^[6]; Gal et al., 2019^[7]).

Against this backdrop, this section assesses the extent to which the foundational conditions for SME digital transformation are in place across the WBT region. It examines the coherence of policy and financial support frameworks, the level of digital maturity among SMEs, and the availability of the skills and capacities required for deeper digital adoption.

3.1.1. Strengthening policy and financial support for SME digital transformation

The first key component of a robust digital ecosystem is the policy and financial environment that supports SMEs to overcome the barriers associated with digital adoption. SMEs face higher relative adoption costs, limited in-house expertise and greater uncertainty in sequencing digital investments (OECD, 2021^[4]). Strategic clarity, institutional co-ordination and well-designed policy instruments are, therefore, critical to help SMEs move beyond basic tool uptake toward broader, productivity-enhancing transformation (OECD, 2019^[3]). In this context, it is worth distinguishing between digitalisation and digital transformation. Digitalisation refers to the adoption of digital tools and technologies to improve existing processes. Digital transformation implies a more fundamental reorganisation of business models, operations and value creation (OECD, 2019^[8]). While most policy frameworks in the WBT region reference digitalisation, few systematically support digital transformation.

While strategic frameworks across the WBT region often recognise SME digital transformation, translating these commitments into well-defined, targeted and adequately resourced SME-specific measures is uneven

All WBT economies reference digitalisation in at least one core strategic document, typically through SME strategies, industrial policies, innovation frameworks or digital agendas (Table 3.1), often linking it to competitiveness and productivity growth. Although almost all economies have SME-specific digitalisation measures, the measures vary considerably in their specificity and operational depth. A lot of them consist of broad programme references without clearly defined targets, dedicated budgets or performance indicators linked to firm-level outcomes. This gap limits their effectiveness regardless of whether they are embedded in horizontal or vertical policy frameworks. Moreover, where targets and indicators do exist, they tend to be narrowly defined, focusing on activity-level outputs such as the number of firms supported or training sessions delivered rather than on more ambitious, outcome-oriented measures that would capture genuine improvements in SME digital maturity, productivity or competitiveness.

Two recurring policy tendencies can be observed, often overlapping in practice. In Bosnia and Herzegovina, Kosovo*, Montenegro, and North Macedonia, digitalisation is primarily framed as a horizontal strategic objective embedded in broader strategic frameworks. While this approach signals high-level policy commitment, in some economies it tends to diffuse responsibilities across institutions and instruments, weakening co-ordination and limiting the translation of strategic priorities into concrete, SME-focused support. Albania, Serbia and Türkiye, on the other hand, have more strongly anchored SME digitalisation in their innovation, ICT and industrial development agendas. In these economies, digitalisation support is more closely linked to broader competitiveness objectives, with dedicated measures targeting start-ups, technology-intensive firms and high-value digital sectors as key drivers of productivity and structural transformation. This creates stronger connections between SME support systems, research institutions, technology providers and digital infrastructure, enabling firms to access a broader range of expertise and financing opportunities. However, it may also concentrate resources on more technologically advanced firms, and may not reach the broader SME population. In Türkiye, for example, support instruments are predominantly geared towards technology-intensive enterprises and scale-ups, leaving smaller and less digitally mature firms less systematically targeted. This highlights the need for complementary policies that reach the entire SME population. Supporting the most innovative and growth-oriented firms and broadening digital adoption among less advanced enterprises are not competing policy objectives; the most effective frameworks pursue both simultaneously (OECD, 2021^[4]).

Despite these differences, both approaches share a common structural limitation: support is rarely tailored to the varying needs and starting points of different SMEs. As a result, policy measures tend to apply the same instruments across a very diverse business population, limiting their relevance for firms at very different stages of digital adoption.

Table 3.1. Strategic and policy efforts across the Western Balkans and Türkiye targeting SME digitalisation and digital transformation

	ALB	BiH ⁶	BiH – FBiH	BiH – RS	KOS*	MNE	MKD	SRB	TUR
Policy framework addressing SME digitalisation ¹	✓	X	✓	✓	✓	✓	✓	✓	✓
SME-specific digitalisation measures or programmes ²	✓	✓	✓	✓	✓	✓	✓	✓	✓
Formally aligned with EU 2030 Digital Compass and WB6 Digital Agenda	✓	✓	✓	✓	✓	✓	✓	✓	✓ ⁷
Co-ordination mechanism in place ³	X	X	X	✓	✓	X	✓	X	✓
Monitoring and evaluation of SME digitalisation policies ⁴	✓	X	X	✓	X	✓	X	✓	✓
Assessment of SMEs' digital maturity and key challenges ⁵	✓	X	X	X	X	X	X	✓	✓

Notes:

1. Indicates whether strategies target SME digitalisation and/or digital transformation. This includes stand-alone SME digitalisation strategies and SME-related digitalisation objectives embedded within broader strategies.

2. Indicates whether governments have policy instruments that support SME adoption of digital technologies. These may include grants, vouchers, advisory programmes, digital innovation hubs, technology adoption schemes or financial instruments specifically designed to support SME digitalisation.

3. Indicates whether a formally mandated body, co-ordination platform or institutional mechanism exists to co-ordinate digital transformation policies across relevant government institutions.

4. Assesses whether governments operate formal mechanisms to monitor the implementation and results of SME digitalisation policies or programmes, such as indicators, reporting systems or programme evaluations. Monitoring may occur at the programme or strategy level.

5. Assesses whether governments collect or use analytical evidence on SME digital adoption and barriers, such as digital maturity assessments, enterprise surveys or analytical studies. In some WBT economies this is done outside of government assessments as part of the European Digital Innovation Hub project.

6. Bosnia and Herzegovina is assessed mostly at the entity level due to its decentralised governance structure. In several policy areas, digitalisation policies affecting SMEs are developed and implemented at the entity level rather than at the state level.

7. The WB6 Digital Agenda is a regional initiative whose geographical scope does not formally include Türkiye. However, several Türkiye's strategic frameworks are highly convergent with the objectives of the EU's Digital Decade Policy Programme 2030.

Source: Information provided by the governments of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye during the 2026 assessment cycle.

In parallel, the extent to which strategic commitments are translated into concrete institutional ownership and operational ambition varies significantly across the WBT region. Some economies have a designated lead institution with a clear mandate to drive implementation; in others, responsibility remains diffuse, with no single body accountable for SME digital transformation outcomes. This institutional dimension is a key determinant of whether policy commitments reach SMEs. In economies where institutional arrangements for SME digitalisation are less clearly defined at the overall governance level, as observed in Bosnia and Herzegovina¹ and Montenegro, co-ordination across responsible bodies can be more complex, with the risk of scattered instruments, gaps between support measures and weak targeting of SMEs, reinforcing the implementation challenges already associated with horizontally framed approaches.

Other economies have introduced clearer co-ordination mechanisms. North Macedonia's Ministry of Digital Transformation and Türkiye's newly established Cyber Security Presidency both play an active co-ordinating role across relevant policy domains, providing a stronger institutional basis for coherent policies. However, designating a lead institution does not automatically guarantee effective support for SMEs. If the co-ordinating body's core mandate is primarily focused on digital infrastructure or public sector digitalisation rather than on SME development, there is a risk of implementation mismatch: the institution

may be well-placed to drive public sector digital transformation but less equipped to design and deliver business-facing support tailored to firm-level SME needs. This is the case in Serbia, where the Office for Information Technologies and eGovernment has been designated as the lead institution for key digital measures, but its mandate is primarily public sector oriented, limiting direct engagement with SMEs. Effective co-ordination, therefore, requires not only assigning a lead institution, but ensuring that it has the mandate, capacity and operational focus to support SMEs directly.

Financing support measures for SME digital transformation remains fragmented and unevenly distributed across the digital transformation trajectory

The support landscape for SME digitalisation across the WBT region is a scattering of instruments, institutions and funding sources, limiting its overall effectiveness at the firm level despite the growing availability of repayable and non-repayable schemes. While almost all economies have some form of support, its scope, ambition and accessibility vary considerably (Table 3.2). Across the region, eligibility conditions, co-financing requirements and administrative complexity can favour SMEs with stronger organisational and financial capabilities, potentially limiting access for less digitally advanced SMEs. However, systematic evidence on the extent to which these conditions effectively exclude SMEs remains limited.

These structural features are reflected in differing policy orientations across the region. All WBT economies provide grants for the acquisition of digital tools and software, establishing a common baseline of support across the region. Support for SME participation in digital transformation programmes is widely available, except in Albania and North Macedonia. In some economies, including Albania, Bosnia and Herzegovina, and Montenegro, support is predominantly oriented towards entry-level digital adoption, such as website development, digital marketing and basic connectivity upgrades. In others, notably North Macedonia, Serbia and Türkiye, the most substantial instruments are embedded within innovation or industrial policy frameworks targeting start-ups, R&D-intensive firms, or manufacturing modernisation. While this reflects a more advanced policy orientation, it could also result in a narrower reach.

Table 3.2. Financial support measures across the Western Balkans and Türkiye targeting SME digitalisation and digital transformation

	ALB	BiH ¹	BiH – FBiH	BiH – RS	KOS*	MNE	MKD	SRB	TUR
Grants for acquiring digital tools or software	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tax credits or deductions for investments in digitalisation	X	X	X	X	X	X	✓	X	✓
Low-interest loans for IT infrastructure upgrades	X	X	✓	X	✓	✓	X	✓	✓
Funding for SME participation in digital transformation programmes	X	✓	✓	✓	✓	✓	X	✓	✓
Partnerships with technology providers to offer discounted solutions	X	X	X	X	✓	X	X	✓	✓

Note: 1. The table includes an overview of the financial support for SMEs at the state level (Bosnia and Herzegovina) and at the entity level (Federation of Bosnia and Herzegovina and Republika Srpska).

Source: Information provided by the governments of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye during the 2026 assessment cycle.

Beyond these differences, an additional constraint lies in how support is distributed along the SME digitalisation trajectory. Key instruments remain limited for firms at the earliest stages of digital adoption

as well as for those seeking to adopt more advanced digital tools. Demand-driven instruments designed to support early-stage adoption, such as digitalisation vouchers, advisory subsidies or small grants with low administrative requirements, are not widespread across the region, although some economies, notably Kosovo, Montenegro and Serbia, have introduced such tools (Eurofound and Cedefop, 2025^[9]). At the other end of the spectrum, more sophisticated instruments required to support deeper digital transformation are also less developed. Only two WBT economies – Serbia and Türkiye – have implemented tools such as low-interest loans for IT infrastructure, “test before invest” programmes, or integrated packages combining finance with advisory services and skills development. Such integrated approaches are particularly important for less digitally mature SMEs, which often lack not only financial resources but also the organisational readiness required to use digital tools effectively (OECD, 2019^[8]).

As a result, public financial support does not cover the full digital transformation process evenly. While certain instruments target basic adoption and others focus on more advanced use cases, few address the intermediate stages of scaling, integration and organisational change. This can leave SMEs insufficiently supported at the point where they seek to move beyond initial adoption, and where investment needs and risks are the highest.

These gaps persist in part because a significant share of support is delivered through externally financed programmes, particularly initiatives carried out by the European Union or the European Bank for Reconstruction and Development, combining credit lines with technical assistance and investment incentives. While these programmes play an important role, reliance on project-based financing can introduce discontinuities in support availability and limit the development of domestically owned, scalable financing schemes, a risk well-documented in evaluations of externally financed SME support programmes (OECD, 2019^[10]). Consequently, SME digitalisation support is channeled through multiple parallel mechanisms, including government grant schemes, donor-funded credit lines and specialised programmes, often implemented by different ministries, development agencies and financial intermediaries with limited co-ordination across them. This fragmentation in funding and delivery reinforces broader governance challenges and can weaken the system’s ability to provide continuous and coherent support.

3.1.2. Assessing SMEs’ digital maturity

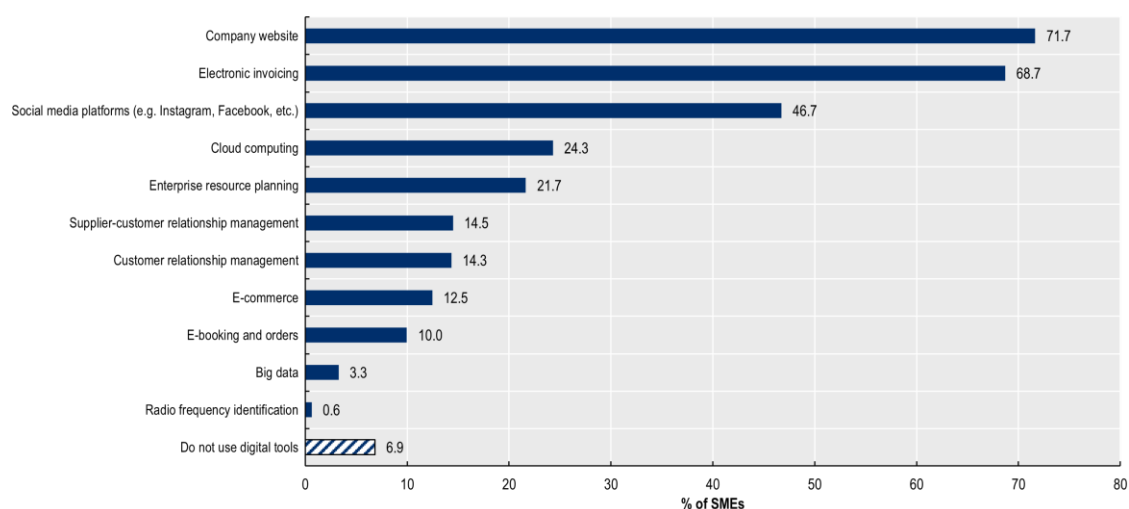
Beyond the policy environment, understanding the depth of SME digital engagement is equally critical. This requires moving beyond whether firms use digital tools to assessing how effectively these tools are integrated into core operations, workflows and strategic decision making. It is this depth of integration, rather than mere adoption, that determines whether digitalisation translates into productivity gains. OECD evidence suggests that SMEs tend to concentrate on affordable, low-risk applications that enhance online presence or streamline administrative tasks, rarely achieving the deeper integration that drives productivity growth, organisational change or business model innovation (OECD, 2023^[11]). More advanced digitalisation tends to occur when SMEs are supported by coherent policy mixes combining skills development, tailored advisory services and accessible financing, underscoring that the depth of firm-level digital maturity is closely shaped by the quality and co-ordination of the broader support ecosystem (OECD, 2021^[4]; 2023^[11]).

SME basic digital adoption in the region appears to be widespread, but a digital maturity gap persists as SMEs rarely move beyond the use of basic digital tools

Evidence from the OECD survey on SMEs in the Western Balkans and Türkiye illustrates a digital maturity gap (see Annex A for more information). On average, around 93% of surveyed SMEs report using at least one digital tool (OECD, forthcoming^[2]), indicating broad basic engagement with digital technologies. However, adoption remains heavily concentrated in foundational tools such as company websites, e-invoicing and social media platforms (Figure 3.1). Uptake declines sharply for tools that support deeper

business process integration: 24% use cloud computing, 22% of surveyed SMEs use enterprise resource planning (ERP), 15% adopt supplier-customer relationship management solutions and 14% rely on customer relationship management (CRM) (OECD, forthcoming^[2]). The use of digital sales channels such as e-commerce and e-bookings also remains relatively limited among surveyed SMEs, suggesting that online presence does not systematically translate into fully digitalised commercial operations. The use of more advanced, data-driven technologies, including big data analytics or radio frequency identification, appears to be marginal across the WBT region. This concentration at foundational levels is broadly consistent with digital maturity patterns observed across surveyed OECD Member countries, where most SMEs remain at basic or intermediate stages of digital adoption, and only a minority reach advanced or transformative levels involving tools such as artificial intelligence (AI), the Internet of Things, data analytics or blockchain (Bianchini, 2025^[12]).

Figure 3.1. Uptake of digital tools among SMEs in the Western Balkans and Türkiye, 2025



Notes: The figure shows the regional average for the six Western Balkan economies and Türkiye. See Annex A for more information on the OECD survey methodology.

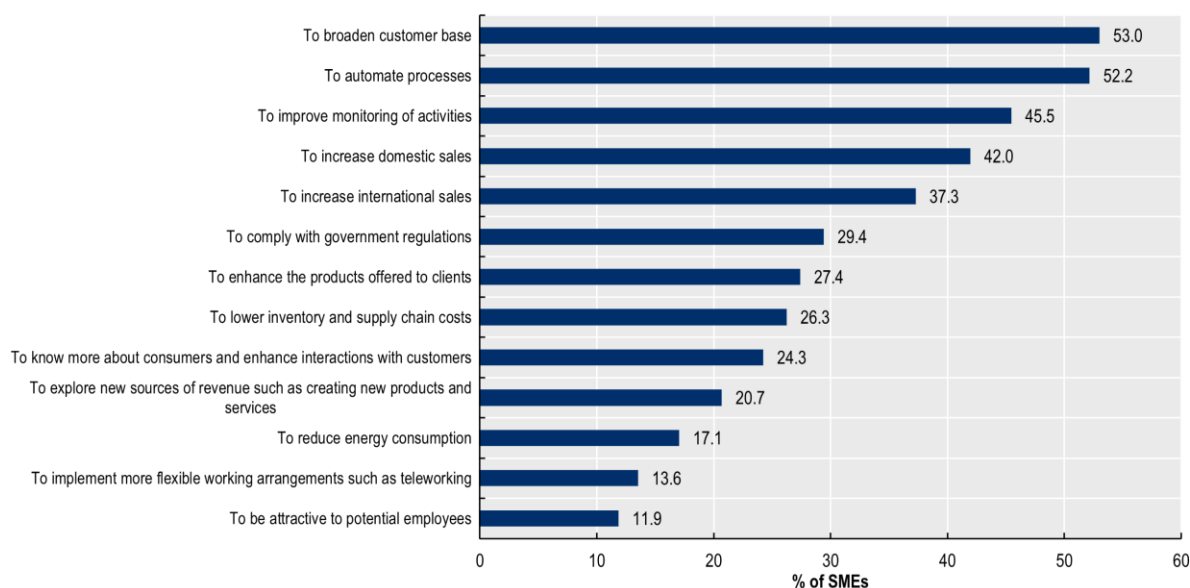
Source: OECD (forthcoming^[2]).

SME digital adoption in the WBT region is primarily driven by operational efficiency and market expansion rather than strategic transformation objectives, thereby limiting its productivity impact

Survey evidence confirms that SMEs in the WBT region adopt digital tools primarily to support operational needs rather than strategic transformation: SMEs most frequently report adopting digital tools to broaden their customer base (53%), automate internal processes (52%), monitor business activities (46%) and support domestic sales (42%) (OECD, forthcoming^[2]). Compared to the sample evidence from OECD countries, SMEs in the WBT region report higher rates of operationally driven adoption, motivated by immediate operational needs such as cost reduction, process efficiency and sales support, than by longer term strategic goals such as innovation or business model transformation (OECD, forthcoming^[2]; Bianchini, 2025^[12]). These findings suggest that digitalisation in the region is shaped at least in part by competitive and cost pressures rather than proactive transformation strategies. Among surveyed SMEs that use digital tools, regulatory compliance also emerges as a notable driver. Nearly 30% cite the need to comply with government regulations as a motivation for adopting digital tools. This further indicates that external pressures, rather than strategic intent, play a significant role in shaping digitalisation patterns across the region (OECD, forthcoming^[2]). By contrast, more advanced or transformative uses, such as enhancing

products and services (27%), optimising supply chains (26%), developing new revenue streams, (20%) and improving energy efficiency (17%), are reported considerably less frequently. These patterns point to a form of digitalisation focused on improving existing processes and maintaining market visibility rather than fundamentally reshaping business models. Firm size also plays a significant role: surveyed medium-sized enterprises in the WBT region are more likely to combine multiple digital solutions and deploy process-oriented tools, while micro firms rely predominantly on basic digital tools (OECD, forthcoming^[2]). This highlights the importance of absorptive capacity, encompassing managerial resources, workforce skills and financial capacity, in determining the depth of digital engagement and suggests that policies aimed at expanding access to digital tools need to be complemented by stronger capability-building measures.

Figure 3.2. Key drivers of SME digital tools adoption in the Western Balkans and Türkiye, 2025



Notes: The figure excludes respondents who cited “Do not use digital tools” in the previous question; see Figure 3.1. See Annex A for more information on the OECD survey methodology.

Source: OECD (forthcoming^[2]).

Financial and human capital constraints reinforce the digital maturity gap, pointing to the need for integrated capacity-building support

Survey findings point to two principal barriers to deeper digital adoption among SMEs in the WBT region. Cost-related constraints emerge as the most frequently cited barrier, encompassing not only upfront investments in equipment and software, but also ongoing expenses such as maintenance, technical services and staff training (Figure 3.3). Nearly 44% of surveyed SMEs in the region identify software maintenance and technical service costs as a key barrier, a share broadly in line with the 40% recorded in OECD Member country sample findings (OECD, forthcoming^[2]; Bianchini, 2025^[12]). This suggests that the financial burden of sustained digital investment is a challenge that extends beyond the WBT region. A second major constraint reported by SMEs in the WBT region relates to human capital. Surveyed SMEs report insufficient capacity to train employees (30%), difficulties in recruiting qualified staff (25%) and limited in-house digital capabilities (19%). Together, these financial and skill-related barriers can help explain the region’s digital maturity gap and point to the need for more integrated policy approaches that combine investment support, skills development and implementation capacity.

Figure 3.3. Perceived obstacles to digital tools uptake among SMEs in the Western Balkans and Türkiye, 2025



Notes: "None" refers to respondents who reported no challenges related to digital tool use (i.e. they did not cite any of the listed challenges), regardless of whether they use digital tools. See Annex A for more information on the OECD survey methodology.

Source: OECD (forthcoming^[2]).

3.1.3. Enhancing digital skills and capacities

The depth of SME digital transformation depends not only on access to tools and finance, but on whether firms possess the internal capacities to adopt, integrate and derive value from digital technologies. As digital tools become more complex and embedded in business processes, SMEs require capacities that combine technical know-how with managerial competences and organisational adaptability (OECD, 2021^[4]; 2023^[13]). Because smaller firms invest less in structured training and face tighter resource constraints, they are particularly dependent on the broader skills ecosystem, making public policy a critical lever for ensuring that workforce development systems actively support SME digital upgrading.

While digital skills development features prominently in policy frameworks across WBT economies, dedicated measures supporting SME upskilling are scarce

Digital skills are embedded within education, employment and digital strategies across all WBT economies, but are rarely framed around SME workforce transformation specifically. Policy approaches across the region broadly follow two patterns. In the first group, which includes Albania, Bosnia and Herzegovina [Federation of Bosnia and Herzegovina], Kosovo, and North Macedonia, digital skills development is pursued primarily through education reforms and system-wide digital literacy initiatives, focusing on youth coding programmes and curriculum modernisation. While these investments build longer term human capital, they are not designed to address the immediate upskilling needs of the existing SME workforce. In a second group of economies, which includes Bosnia and Herzegovina [Republika Srpska], Montenegro, Serbia, and Türkiye, digital skills are integrated within digital, innovation or SME development strategies and linked to labour market alignment or technical vocational education and training reform. These frameworks are more directly connected to economic objectives and better positioned to address skills mismatches in the labour market. However, they still provide relatively few instruments explicitly targeting SME workforce upskilling at the firm level. Across both groups, the common gap is that strategic

foundations exist, but operational instruments specifically designed to build digital capabilities within SME workforces remain limited.

SME in-house digital capacities remain constrained, reflecting both wider skills shortages and limited firm-level support

Building the internal capacities needed for deeper digital transformation appears to be a key challenge for SMEs across the WBT region. The share of individuals with basic or above-basic digital skills varies considerably across economies, with several falling well below the EU average of approximately 60% (Eurostat, 2025^[14]). At the same time, ICT specialists remain in short supply, and employer-led digital training is limited (OECD, 2025^[15]). This constrained skills base directly shapes what SMEs can develop internally. The effective integration of tools such as ERP, CRM, cloud computing or data analytics requires not only general digital literacy, but a combination of technical, analytical and managerial capabilities that smaller firms often struggle to attract and retain (OECD, 2021^[4]). This challenge is compounded by the concentration of digital talent in larger firms offering more competitive working conditions (OECD, 2023^[11]).

These structural constraints are further reinforced by weaknesses in policy systems. Across the region, support measures tend to be oriented toward one-off tool purchases rather than the ongoing capacity building that deeper digital transformation requires. Monitoring frameworks emphasise programme implementation over firm-level outcomes, systematic diagnosis of capacity gaps is limited and feedback mechanisms linking skills support to business performance remain underdeveloped. As a result, authorities lack a clear and comprehensive picture of where and how to intervene.

OECD survey findings provide additional insight into these dynamics. About 19% of surveyed SMEs in the WBT region identify insufficient digital skills as a barrier to digital transformation (OECD, forthcoming^[2]). However, reported constraints vary significantly across economies, ranging from 10% in Kosovo to 29% in Serbia, and do not necessarily reflect underlying capacity levels. Higher reported constraints may reflect greater awareness among more digitally advanced firms, while lower shares may indicate limited digital ambition or exposure. As such, the relatively modest share of firms self-reporting skills as a constraint may, therefore, understate the real capacity gap, particularly among less digitally mature firms that may not yet fully recognise what more advanced adoption requires. Together these patterns suggest that a more systematic, evidence-based approach to diagnosing and addressing firm-level digital skills gaps is needed in the WBT region.

The way forward

- **Strengthen SME-centred digital transformation governance and implementation frameworks.** Across the WBT region, moving beyond high-level strategic commitments will require clearer operational roadmaps for SME digital transformation. This includes defining lead institutions; strengthening inter-ministerial co-ordination across digital, innovation and SME policies; and introducing measurable targets and monitoring mechanisms to ensure that strategic objectives translate into concrete firm-level outcomes. Systematically segmenting SMEs by digital maturity within policy frameworks would further strengthen implementation by enabling governments to calibrate support to where firms are actually in their digitalisation journey, rather than applying uniform instruments across a highly heterogeneous enterprise population.
 - **For economies with more structured digital governance frameworks (Albania, Kosovo, North Macedonia, Serbia and Türkiye),** the focus should be on strengthening implementation capacity and ensuring that co-ordination platforms translate strategic priorities into operational programmes, supported by clearer monitoring systems and regular reporting on SME digital transformation outcomes.

- **For economies with less structured digital governance arrangements**, priority should be given to establishing formal co-ordination mechanisms or lead institutions responsible for SME digital transformation, with a mandate to align policy objectives, funding streams and implementation tools across ministries responsible for digitalisation, innovation and SME development.
- **Expand accessible, demand-driven financial instruments that support SMEs across the full digitalisation trajectory, and reflect differences in firm size, sector and digital maturity.** While financial support for SME digitalisation is gradually expanding, existing instruments remain unevenly distributed across stages of digital maturity and are not consistently accessible to less digitally advanced firms. Governments should pursue a more balanced instrument mix: scaling up small grants and demand-driven digitalisation vouchers to lower the threshold for initial adoption among less digitally mature SMEs while simultaneously developing more sophisticated instruments, including low-interest loans for IT infrastructure, integrated finance-and-advisory packages, and “test before invest” mechanisms. The effectiveness of demand-driven instruments depends on the availability of a sufficiently developed local ecosystem of qualified digital service providers capable of responding to SME needs (OECD, 2021^[4]). Ensuring continuity across these instruments is critical: support should be structured to accompany firms progressively from initial adoption to more advanced transformation stages, rather than being delivered through isolated schemes. Reducing dependence on externally financed programmes requires building domestically anchored financing frameworks, including through dedicated budget lines, development bank partnerships and private co-financing arrangements, to deliver predictable and scalable support over time.
- **Develop targeted SME workforce development programmes to strengthen firm-level digital absorptive capacity.** Despite widespread integration of digital skills in education and labour market strategies, practical instruments supporting SMEs in upgrading workforce capacities at the firm level remain limited. Dedicated SME-oriented programmes are needed to close this gap, including modular training courses, digital apprenticeships and work-based learning schemes delivered through vocational institutions, business support organisations and industry partnerships. To maximise their value for SMEs, such programmes should be highly practical and flexible in format; grounded in day-to-day business realities; and designed to be directly applicable to the specific tools, processes and workflows that participating firms use in their operations. Co-financed advisory services should also be expanded to support SME managers in translating digital investments into operational and organisational improvements (Box 3.1). Strengthening alignment between education systems, labour market institutions and SME support organisations is necessary to close the gap between general digital literacy provision and the firm-level absorptive capacity that deeper digital transformation requires.

Box 3.1. Good practice example: Supporting employer-led skills development through co-ordinated training incentives in Latvia

Latvia has sought to increase employer investment in workforce skills development through a co-ordinated policy package combining financial incentives, regulatory tools and capacity-building measures. Implemented with support from the European Union's Technical Support Instrument, the initiative aims to address the low levels of enterprise training by reducing financial, informational and co-ordination barriers, particularly among small and medium-sized enterprises (SMEs).

The Latvian approach is built around several complementary elements:

- **Financial incentives for training:** Enterprises can access subsidised training projects funded by EU Structural Funds, as well as tax exemptions on training expenditures. These measures help reduce the direct cost of employee training, which is a key barrier for SMEs.
- **Training vouchers and active labour market programmes:** The State Employment Agency provides vouchers for training, including digital and online courses, supporting unemployed individuals and workers at risk of displacement.
- **Employer-centred support instruments:** The policy package includes tools such as additional training agreements, payback clauses and planned sectoral skills funds, which pool resources across firms to co-finance training and reduce the risk of employee poaching.
- **Capacity-building and co-ordination measures:** The reform emphasises the role of diagnostic tools, coaching, competence centres, and co-operation between enterprises and education providers, recognising that financial incentives alone are insufficient without support for organisational learning and skills planning.

Latvia's experience shows that improving enterprise training requires a balanced mix of financial support, regulatory incentives and institutional co-ordination, illustrating how integrated policy packages can stimulate SME investment in workforce skills and support more sustained, productivity-enhancing digital transformation.

Sources: OECD (2022^[16]); European Commission (2022^[17]).

- **Strengthen the diagnostic and evidence base for SME digital transformation to support more targeted policy design.** OECD findings point to limited firm-level evidence on digital capacity gaps, weak outcome-oriented monitoring and an over-reliance on self-reported constraints, which may underestimate the scale of support needed. Addressing these shortcomings requires action across three complementary areas. First, governments should strengthen diagnostic tools by systematically assessing SME digital maturity, including through regular enterprise surveys that go beyond basic ICT usage to capture the depth of digital integration, organisational readiness and productivity effects. Second, monitoring frameworks should place a greater emphasis on firm-level outcomes, with indicators linked to measurable targets within strategic frameworks, enabling authorities to assess the effectiveness of support instruments and identify structural gaps. Third, stronger feedback loops between programme design and business performance should be established to ensure that policy responses are continuously adjusted based on evidence, rather than driven by assumptions about SME needs.

3.2. Increasing SME productivity through digitalisation

Once the foundational conditions for digital adoption are established, the central question shifts from access to impact: whether digitalisation translates into measurable productivity gains for SMEs. Evidence shows that productivity improvements depend less on the mere use of digital tools and more on how effectively firms integrate them into their core business functions, including sales, innovation, organisational processes and market expansion (OECD, 2023^[13]; 2021^[4]).

The expansion of e-commerce and digital business models, in particular, has strengthened SMEs' ability to reach new customers, diversify revenue streams and increase operational efficiency. Productivity gains thus depend not on digital presence alone, but on how effectively online sales activity, innovation and internal process upgrading are combined to enable firms to scale and compete in digitalised value chains (OECD, 2024^[18]; 2021^[19]).

This section examines how e-commerce adoption and firm-level innovation contribute to SME productivity across the WBT region, and whether current policy and ecosystem conditions are sufficient to support the transition from operational digital use toward more transformative, market-expanding outcomes.

3.2.1. Leveraging the use of e-commerce and online platforms to drive SME growth

E-commerce represents one of the most direct channels through which digital transformation can translate into measurable productivity gains for SMEs. When integrated into core business operations rather than deployed as a complementary or ad hoc activity, online sales can reduce transaction costs, expand customer reach and generate data that support more informed strategic decisions (OECD, 2023^[20]; 2025^[21]). SMEs that combine physical and digital sales channels tend to achieve stronger efficiency gains and have greater resilience, particularly as digital platforms increasingly shape trade patterns and value chain participation (OECD, 2023^[20]). Evidence from the EU retail sector illustrates the scale of this opportunity and the unevenness of its realisation: between 2013 and 2023, e-commerce adoption among retail SMEs nearly doubled from 23% to 43%, yet uptake of more advanced tools such as CRM systems remained limited, and EU firms using web technologies tend to show stronger performance than those that do not (OECD, 2026^[22]). However, transitioning to integrated e-commerce models is not straightforward: it requires organisational adjustments, including changes to logistics, payment systems, customer service processes and data management, that many SMEs find difficult to manage alongside day-to-day operations (OECD, 2026^[22]).

A gap persists between formal General Data Protection Regulation compliance and effective data governance in SMEs

Progress in regulatory modernisation across the WBT region should be understood across two related but analytically distinct dimensions. The first concerns alignment with the EU *acquis* (the adoption of legislation governing e-commerce transactions, electronic identification, digital signatures and payment services in line with EU frameworks such as the Electronic Identification, Authentication and Trust Services Directive [eIDAS] and the revised Payment Services Directive [PSD2]), which facilitates cross-border transactions and regulatory interoperability. Several economies have made meaningful progress in this regard: Albania, Montenegro, North Macedonia and Serbia have updated their core legislation, strengthening the legal framework for cross-border online transactions. Kosovo has similarly adopted legislation on information society services, electronic identification and data protection that is partially aligned with EU regulatory principles.

The second dimension relates to domestic regulatory modernisation (updates to marketplace regulation, licensing requirements and platform governance rules), which reflects economy's policy priorities but does not necessarily constitute alignment with the *acquis*. Türkiye illustrates this distinction: its e-commerce

framework has been substantially strengthened through marketplace regulation and updated payment service rules, representing significant domestic regulatory development, while formal alignment with the *acquis* remains partial, highlighting that regulatory progress can follow different pathways, with distinct implications for cross-border integration. By contrast, Bosnia and Herzegovina remains the only WBT economy without an e-commerce law, and while reform efforts have recently accelerated at the entity level, including a draft law under development in the Federation of Bosnia and Herzegovina and recent consumer protection updates in Republika Srpska, the division of regulatory responsibilities across state and entity levels has contributed to a slower overall pace of reform.

Across these two dimensions, progress has been concentrated in framework modernisation, while implementation capacity has advanced more slowly. This gap is particularly visible in the limited development of monitoring systems tracking SME engagement in digital trade. Most WBT economies do not systematically monitor SME engagement in e-commerce or its contribution to firm performance. While some economies track basic indicators such as the share of SMEs selling online or adopting digital tools, including Albania, North Macedonia, Serbia and Türkiye, others report limited or no available benchmarks for these measures (Table 3.3). Indicators linking digital adoption to SME productivity performance are particularly scarce across the region, highlighting a broader evidence gap that constrains governments' ability to assess the economic impact of SME digital transformation and calibrate policy responses accordingly.

Table 3.3. Overview of established benchmarks across the Western Balkans and Türkiye for SME productivity in the context of SME e-commerce adoption and digital transformation

	ALB	BiH	BiH – FBiH	BiH – RS	KOS	MNE	MKD	SRB	TUR
Percentage of SMEs adopting digital tools (e.g. ERP, CRM2, cloud computing) ¹	✓	X	✓ ²	✓ ³	✓	X	✓	✓	✓
Share of SMEs selling online or participating in e-commerce	✓	X	X	✓	✓	X	✓	✓	X
SME labour productivity growth linked to digital adoption	X	X	X	X	X	X	X	✓ ⁴	X
Number of SMEs using advanced technologies (artificial intelligence, Internet of Things, big data)	✓	X	X	X	X	X	✓	✓	✓

Notes:

1. ERP: enterprise resource planning; CRM: customer relationship management.

2. Tracked as a part of different strategies of the Federation of Bosnia and Herzegovina.

3. Tracked by the Institute for statistics of Republika Srpska as a use of computer and use of social networks but without any segmentation by type of digital tools used.

4. Not tracked through a dedicated statistical framework but assessed qualitatively based on project-level evidence, including outcomes from initiatives such as the Digital Advisors for SMEs programme and digital skills training schemes.

Source: Information provided by the governments of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye during the 2026 assessment cycle.

SME engagement in e-commerce across the WBT region remains limited despite recent improvements in the regulatory environment

OECD survey evidence suggests that SMEs in the WBT region have not yet fully leveraged e-commerce as a channel for growth and market expansion. On average, about 33% of surveyed SMEs report no engagement in e-commerce (OECD, forthcoming^[2]). While the headline share of WB6² SMEs selling online is broadly comparable to the EU average (21% and 19%, respectively), e-commerce turnover in the region remains considerably weaker (5.3% in the WB6 and 12% in the European Union) (Regional Cooperation Council (RCC), 2024^[23]), suggesting that participation in online sales does not translate into equivalent commercial depth or scale and monetisation of e-commerce remains limited. OECD survey findings also show that even where online sales occur in the WBT region, SMEs are often confined to basic channels such as social media or firm websites rather than scalable marketplace platforms (OECD, forthcoming^[2]). While website presence among WB6 businesses has been improving, this has not consistently translated into more digital transactions or increased cross-border commercial activity (Regional Cooperation Council (RCC), 2024^[23]). In parallel, participation in third-party marketplaces remains very low across most WBT economies, suggesting that structured and cross-border e-commerce models are still underdeveloped (OECD, forthcoming^[2]). This limited progression is not only a supply-side challenge: low consumer trust in online payments, relatively weak use of digital payment instruments and limited awareness of consumer rights in e-commerce reduce the depth of the online market itself, lowering SMEs' incentives to invest in more structured and scalable digital sales models (OECD, 2025^[15]). These findings indicate that regulatory modernisation is a necessary but insufficient condition for widespread SME e-commerce adoption and that complementary measures (e.g. supporting firms in developing digital sales capabilities, navigating platform ecosystems where fees and visibility rules can affect SMEs' ability to compete and scale, and accessing cross-border markets) are needed to translate policy efforts into direct outcomes for SMEs.

3.2.2. Fostering innovation and collaboration for SME productivity

Digitalisation enhances SME productivity not only through expanded market access, but through its interaction with innovation and knowledge diffusion at the firm level. SMEs that combine digital tools with product, process or organisational innovation tend to have stronger productivity gains, higher resilience and greater growth potential, as innovation enables technologies to be embedded into core business models rather than layered on top of existing processes (Hall, Lotti and Mairesse, 2012^[24]; Mohnen, Polder and Van Leeuwen, 2018^[25]). However, these gains are consistently uneven: firms with stronger managerial capabilities, workforce skills and access to finance are better positioned to leverage digital technologies for innovation while less-prepared SMEs remain confined to incremental improvements (McAfee and Brynjolfsson, 2011^[26]). Across OECD and EU countries, this dynamic has contributed to widening productivity gaps between frontier and lagging firms, reinforcing the importance of policy frameworks that enable broad-based digital innovation rather than concentrating gains among already digitally advanced enterprises (Andrews, Criscuolo and Gal, 2016^[27]).

The main challenge is not the lack of digital innovation strategies, but the limited capacity to translate them into SME-level productivity gains

The main challenge in the WBT region is not the absence of digital innovation strategies, but the limited capacity to translate these strategic ambitions into productivity gains for SMEs. Digital innovation is increasingly embedded within development, industrial and smart specialisation strategies across the region, with several economies (e.g. Montenegro, North Macedonia, Serbia and Türkiye) positioning it as a central driver of competitiveness through priorities such as ICT, advanced manufacturing, AI and research collaboration. However, these frameworks largely operate at a strategic level and tend to prioritise research excellence and technology development, placing less emphasis on the instruments required to support firm-level adoption and diffusion. As a result, innovation support systems remain only partially

aligned with the needs of the broader SME population. Instruments linking capacity building, financing, advisory support and commercialisation are often underdeveloped or weakly co-ordinated, limiting SMEs' ability to move from experimentation to scaling. In effect, the policy system lacks a clear "translation layer" linking innovation priorities to SME-level outcomes. In practice, support tends to be more accessible to technologically advanced or research-connected firms, while less mature SMEs face fewer entry points and limited support for incremental innovation and productivity upgrading.

This gap is also reflected in firm-level evidence. OECD survey findings indicate that interest in digital innovation is present among SMEs in the WBT region, with about 32% of surveyed SMEs reporting plans to adopt digital innovation in the near future (OECD, forthcoming^[2]). At the same time, 37% of surveyed SMEs report moderate rather than extensive use of innovation, suggesting that where digital innovation does occur, it tends to be incremental rather than transformative. These patterns suggest that the barriers to deeper digital innovation among SMEs lie less in awareness or ambition than in the practical conditions needed to act on them, including access to finance, advisory support and implementation capacity, pointing to the need for more structured and integrated policy responses.

The way forward

- **Strengthen SME integration into structured e-commerce ecosystems by building coherent support systems that enable progression from basic online presence to scalable and cross-border digital trade.** Survey evidence indicates that many SMEs across the WBT region continue to rely on informal or low-scale online sales channels, limiting their ability to reach new markets, participate in cross-border trade or scale commercial operations (OECD, forthcoming^[2]). The priority is to establish structured pathways that enable SMEs to transition from a basic online presence to integrated e-commerce models, including participation in digital marketplaces and the adoption of interoperable payment, logistics and platform solutions (Box 3.2). This requires aligning advisory support, capacity building and market access mechanisms within a coherent delivery framework.
 - **For economies where regulatory frameworks are broadly aligned with EU standards (Albania, Montenegro, North Macedonia, Serbia and Türkiye),** focus on the implementation support and SME capacity building. This includes developing practical guidance and onboarding support to help SMEs navigate existing digital trade frameworks, select appropriate payment and logistics solutions, and access domestic and cross-border marketplaces. Support should be co-ordinated across SME agencies, chambers of commerce and marketplace platforms, and complemented by publicly accessible inventories of interoperable e-commerce solutions, covering payment, invoicing, delivery and platform integration, to further reduce the information and search costs that deter less digitally experienced firms from adopting scalable online sales models.
 - **For economies where e-commerce legislation remains incomplete or fragmented (Bosnia and Herzegovina and, to some extent, Kosovo),** prioritise legislative consolidation alongside practical SME support measures, including advisory services, marketplace onboarding programmes and accessible e-commerce toolkits, to ensure that legal improvements translate into tangible firm-level capacities rather than remaining confined to the regulatory layer. Strengthening monitoring systems is essential to track SME participation in e-commerce, including marketplace use, cross-border sales and links to firm performance, enabling support measures to be continuously adjusted.

Box 3.2. Good practice example: Strengthening SME e-commerce through co-ordinated infrastructure and platform support in France

As part of its COVID-19 response, France introduced an E-commerce Recovery Plan led by the Ministry of the Economy, Finance and Recovery, aimed at helping small and medium-sized enterprises (SMEs) overcome practical barriers to online sales. The initiative focused on enabling conditions for e-commerce adoption rather than awareness-raising alone. The key elements of the approach included:

- **A centralised, practical e-commerce guide for SMEs**, providing step-by-step instructions on setting up or improving websites, using online marketplaces, managing digital payments, organising logistics and delivery, and communicating with customers online.
- **Integration with the national digital portal, France Num**, which hosts thematic guidance, links to specialised tools and SME case studies illustrating effective e-commerce adoption.
- **A co-ordinated call to private sector platform and service providers** to offer free or preferential access to e-commerce services for SMEs, including website development, marketplace access, payment solutions, communication tools and logistics services.
- **A public inventory of interoperable solutions** allowing SMEs to identify suitable digital payment, invoicing and delivery tools in a transparent and comparable way.
- **A focus on reliable order fulfilment**, with particular attention to payments, logistics and last-mile delivery, which were recognised as critical bottlenecks for SMEs' participation in online markets.

France's experience shows how governments can strengthen the enabling environment for SME e-commerce by co-ordinating platforms, infrastructure and guidance, rather than relying solely on training or promotional campaigns.

Sources: French Ministry of Economy, Finance, and Industrial and Digital Sovereignty (2025^[28]; 2020^[29]); French Directorate General for Enterprise (2020^[30]).

- **Strengthen innovation support systems to enable SMEs to translate digital innovation into scalable and productivity-enhancing outcomes.** While digital innovation is widely embedded in strategic frameworks across the WBT region, existing support systems do not consistently enable SMEs to move from experimentation to scaling and commercialisation. The core gap is that support instruments are rarely designed to accompany firms progressively in their digital innovation journey, from identifying opportunities to testing, scaling and bringing solutions to market. Innovation support should, therefore, be structured as a coherent and progressive pathway, combining capacity building, financing, advisory support and collaboration mechanisms. This includes expanding access to innovation vouchers enabling SMEs to access specialised expertise from research organisations and technology providers, “test-before-invest” programmes providing access to prototyping facilities and demonstration environments, and advisory schemes supporting firms in identifying digital innovation opportunities and bringing new solutions to market while ensuring that these instruments are connected and designed to accompany firms from initial experimentation through to commercialisation and scaling. A particular emphasis should be placed on continuity across support measures, enabling SMEs to build on early-stage innovation and integrate it into their core business processes.

3.3. Establishing a trustworthy and safe business environment

As SMEs deepen their reliance on cloud computing, e-payments, digital platforms and data-driven business models, digital risks become increasingly intertwined with firm performance and competitiveness. While digitalisation creates opportunities for market expansion and innovation, it also heightens exposure to data breaches, cyberattacks and regulatory compliance challenges. SMEs are particularly vulnerable, as limited financial resources, informal internal procedures and scarce specialised staff constrain their ability to implement structured data governance and cybersecurity practices (OECD, 2021^[4]; Bianchini, 2025^[12]). At the same time, gradual alignment with the European Union's digital trust and security framework is raising baseline expectations for data protection and cyber resilience, making compliance and risk management increasingly central conditions for participation in digital markets and cross-border value chains (European Commission, 2024^[31]).

While most WBT economies have introduced legislation broadly aligned with EU standards and established supervisory or cybersecurity authorities, implementation gaps persist, particularly in translating formal obligations into practical, affordable and proportionate support for smaller firms. This section examines the regulatory frameworks, institutional arrangements and enterprise-level practices shaping SME data protection and cybersecurity readiness across the WBT region.

3.3.1. Adapting data protection to evolving digital threats

The protection of personal and commercial data has become a central pillar of digital trust and a practical condition for SME competitiveness. Robust data protection frameworks clarify rights, responsibilities and accountability mechanisms in data-intensive markets, strengthening confidence among customers, business partners and public authorities (European Data Protection Board (EDPB), 2025^[32]). Smaller firms are particularly exposed to data breaches due to limited technical and organisational capacity, and even an isolated incident can generate substantial financial, operational and reputational damage (Vergara Cobos and Cakir, 2024^[33]; KPMG, 2016^[34]). Effective data governance is, therefore, not only a matter of regulatory compliance, but also a prerequisite for maintaining customers' trust and enabling secure participation in digital value chains.

A gap persists between formal General Data Protection Regulation compliance and effective data governance in SMEs

EU accession dynamics, including approximation requirements and alignment with the General Data Protection Regulation (GDPR), have driven significant legislative progress across the WBT region. Several economies (e.g. Albania, Bosnia and Herzegovina, and North Macedonia) have adopted new or substantially revised GDPR-inspired legislation, strengthening data subject rights, clarifying obligations for controllers and processors, and introducing stricter breach notification and accountability requirements. Others, like Kosovo and Serbia, operate earlier generation frameworks that are broadly aligned with GDPR principles but now face updating or implementation challenges. As reflected in Table 3.4, regulatory convergence with EU data protection standards is advancing across the region, though differences in institutional capacity and resources constrain consistent enforcement.

Table 3.4. Overview of SME data protection mechanisms across the Western Balkans and Türkiye

	ALB	BiH ⁴	BiH – FBiH	BiH – RS	KOS	MNE	MKD	SRB	TUR
Centralised reporting platforms for data breaches	✓	✓	X	✓	✓	✓	✓	✓	✓
Dedicated hotlines for emergency assistance	X	✓	X	✓	✓	X	✓	✓	X

	ALB	BiH ⁴	BiH – FBiH	BiH – RS	KOS	MNE	MKD	SRB	TUR
On-site assistance or consultations for data breaches	X	X	✓	X	X	X	X	✓	X
Funding/grants for SME recovery following a data breach	X	X	X	X	✓	X	X	X	X
Legal assistance in navigating data protection laws	X	✓	✓	✓	✓	X	✓	✓	X
Advanced monitoring and evaluation ³	X	X	X	X	✓ ²	✓	X	X	✓ ¹
Awareness raising	✓	✓	✓	✓	✓	✓	✓	✓	✓

Notes:

1. Monitoring and evaluation mechanisms in Türkiye operate primarily at the overall data protection and cybersecurity policy level rather than being specifically tailored to SMEs.

2. In Kosovo, monitoring is conducted by the Information and Privacy Agency through annual reports, but it applies to all data controllers and is not SME-specific.

3. Monitoring and evaluation are assessed as “advanced” only where structured monitoring frameworks with defined indicators and evaluation mechanisms are in place. Monitoring may apply to all organisations including SMEs; however, general regulatory oversight without systematic monitoring or evaluation mechanisms is not considered advanced monitoring.

4. Bosnia and Herzegovina has a multi-level governance structure. Data protection legislation and supervision are regulated at the state level, while SME policy design and support mechanisms are largely implemented at the entity level (Federation of Bosnia and Herzegovina and Republika Srpska). As a result, the availability of SME support mechanisms may differ between levels of government.

Source: Information provided by the governments of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye during the 2026 assessment cycle.

Despite this legislative progress, data protection frameworks remain predominantly horizontal in design, with limited differentiation of compliance pathways according to firm size or capacity. Few economies (e.g. Albania and Serbia) have introduced SME-specific compliance guidance, simplified toolkits or proportionate implementation mechanisms that reflect smaller firms’ resource constraints. At the same time, supervisory authorities in several economies (e.g. Bosnia and Herzegovina and Montenegro) face capacity constraints that limit proactive business outreach and the provision of tailored compliance support. As a result, formal regulatory alignment does not consistently translate into effective firm-level data governance. OECD survey evidence suggests that while around 71% of SMEs report having a data privacy policy in place, indicating relatively widespread formal compliance, adoption varies considerably across economies, ranging from 59% in Bosnia and Herzegovina to 81% in Montenegro (OECD, forthcoming^[2]). Critically, the presence of a formal policy does not necessarily reflect effective data governance practices. In the region, an average of 15% of surveyed SMEs report uncertainty regarding how their data are stored or managed, indicating that compliance frequently remains procedural rather than embedded in day-to-day business operations. This points to a structural gap that legislative alignment alone cannot close: translating formal regulatory progress into meaningful firm-level data governance requires more targeted outreach, practical guidance and capacity-building support directed at smaller firms.

3.3.2. Strengthening SME cybersecurity resilience

The growing digitalisation of business operations has significantly expanded the attack surface for cyber threats targeting SMEs. Cyber incidents tend to affect smaller firms more severely than larger enterprises, as SMEs often lack dedicated IT staff, structured risk management systems and the financial buffers needed to absorb operational disruptions (OECD, 2021^[4]). Beyond direct financial losses, weak cybersecurity can also function as a market barrier: firms unable to demonstrate adequate security safeguards risk exclusion from public procurement, cross-border value chains and partnerships with larger companies applying stricter digital security standards (OECD, 2023^[11]). Strengthening SME cybersecurity

is, therefore, not only a matter of mitigating technical risks, but a prerequisite for sustaining competitiveness, trust and market access in increasingly regulated and interconnected digital ecosystems.

Cybersecurity systems are strengthening, but policy transmission to SMEs remains limited

Cybersecurity capacity across the WBT economies reflects differing stages of institutional development and strategic co-ordination, rather than simply variation in performance. According to the National Cyber Security Index, Albania, North Macedonia, Serbia and Türkiye demonstrate relatively advanced preparedness, supported by more developed strategic frameworks, operational structures and technical capabilities (National Cyber Security Index (NCSI), 2026^[35]). Montenegro occupies an intermediate position, while Bosnia and Herzegovina and Kosovo remain at earlier stages of their cyber system development. These differences point not only to varying levels of strategic ambition, but more fundamentally to the uneven consolidation of core cybersecurity functions, including incident response, co-ordination and risk management.

Across the WBT region, most economies have established the foundational elements of cybersecurity systems. Dedicated strategies are in place in Albania, Kosovo, Montenegro, North Macedonia, Serbia and Türkiye, typically recognising the role of the private sector and emphasising awareness-raising, public-private co-operation and resilience building (Table 3.5). Computer emergency response team (CERT) or computer security incident response team (CSIRT) structures have also been set up in most cases, providing incident response capabilities as well as technical alerts and general guidance to businesses. At this stage, policy efforts remain primarily oriented towards strengthening institutional capacity and protecting critical infrastructure, a sequencing that is consistent with international practice and reflects the logic underpinning the European Union's Network and Information Security 2 Directive (NIS) and NIS2 Directives, which similarly establish the protection of essential services and critical entities as a first-order priority. In this respect, the overall direction of reform across the region is well-aligned with the EU framework. As these systems mature, the more pertinent question is whether cybersecurity frameworks are evolving beyond this foundational phase to systematically encompass the broader business ecosystem. In the WBT region, this second phase remains at an early stage. While CERT and CSIRT structures provide a growing volume of technical information and awareness materials, these resources are generally designed for a broad audience and do not systematically translate into actionable, firm-level guidance for SMEs. Dedicated support mechanisms such as tailored advice, sector-specific tools or advisory services adapted to smaller firms remain limited across most economies in the region.

OECD survey evidence suggests that this gap in policy transmission is reflected in firm-level outcomes. Although around 81% of SMEs report adopting at least one basic cybersecurity measure, protection remains concentrated in entry-level tools such as passwords or antivirus software (OECD, forthcoming^[2]). At the same time, a non-negligible share of surveyed firms reports no cybersecurity measures at all, ranging from 14% in Serbia to as much as 47% in North Macedonia (OECD, forthcoming^[2]). This pattern is broadly consistent with evidence from the OECD country survey, where only around 16% of SMEs demonstrate a robust level of digital security. Adoption remains concentrated in basic protections, such as passwords and two-factor authentication, while more advanced practices (including staff training, external security assessments and systematic access reviews) are far less widespread (Bianchini, 2025^[12]).

Table 3.5. Overview of SME cybersecurity mechanisms across the Western Balkans and Türkiye

	ALB	BiH	BiH – FBiH	BiH – RS	KOS	MNE	MKD	SRB	TUR
Dedicated policy framework on cybersecurity	✓	X	X	X	✓	✓	✓	✓	✓
SMEs as a target group	X ¹	X	X	X	X	X	✓	X	X

	ALB	BiH	BiH – FBiH	BiH – RS	KOS	MNE	MKD	SRB	TUR
Co-ordination mechanisms in place	✓	✓	✓	✓	✓	✓	✓	✓	✓
Programmes focusing on SME cyber resilience	X	✓	X	✓	✓	✓	X	X	✓
Financial support for SME cyber upgrading	X	X	X	X	X	X	X	X	X
Established CERT/CSIRT ²	✓	✓	X	✓	✓	✓	✓	✓	✓
Advanced monitoring and evaluation	X	X	X	X	X	X	X	X	X
Awareness raising	✓	✓	X	✓	✓	✓	✓	✓	✓

Notes:

1. The strategy contains a measure to support businesses financially in cyber preparedness, but there are no details of how this would be exercised, and how SMEs would be targeted with the measure.

2. CERT: computer emergency response team; CSIRT: computer security incident response team.

Source: Information provided by the governments of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye during the 2026 assessment cycle.

The way forward

- Strengthen SME-focused implementation mechanisms within data protection frameworks to translate formal compliance into effective data governance.** While most economies have strengthened data protection legal frameworks in line with EU standards, survey evidence indicates that SME compliance frequently remains formal rather than operational, with many firms holding data privacy policies without the understanding or capacity to implement them effectively (OECD, forthcoming^[2]). The priority is thus to embed practical compliance support within the design and delivery of data protection systems, ensuring that regulatory requirements can be translated into day-to-day business practices. This includes developing simplified guidance, standardised compliance templates and sector-specific toolkits that reflect the resource constraints and risk profiles of SMEs, enabling proportionate and cost-effective compliance. Supervisory authorities should strengthen co-ordination with SME support organisations, business associations and digitalisation agencies, delivering compliance support through existing business support channels rather than as a stand-alone regulatory function. Emphasis should be placed on integrating data protection guidance into broader digitalisation and business advisory services, ensuring that compliance is embedded within routine business operations.
- Enable the diffusion of cybersecurity systems to SMEs through stronger delivery mechanisms, targeted support and effective incentives.** Strengthening SME cybersecurity requires moving beyond centrally produced guidance towards delivery models that effectively translate frameworks into firm-level practices (Box 3.3). This includes embedding cybersecurity support within existing SME-facing ecosystems such as business advisory services, digital innovation hubs and chambers of commerce to ensure that technical guidance is adapted to operational business needs. Improving effectiveness also depends on more granular targeting of firms. Introducing segmentation frameworks based on digital maturity, sectoral exposure and risk profiles would better align support with SMEs' actual needs, rather than relying on uniform approaches. In parallel, demand-driven instruments should be expanded to incentivise progression from basic to more systematic cybersecurity practices. These may include co-financed cybersecurity audits, integrated advisory and finance packages, and conditional support schemes linked to the implementation of concrete security improvements.

Box 3.3. Good practice example: KMU.DIGITAL: Operationalising SME cybersecurity and data governance in Austria through staged diagnostics, certified advice and co-funded implementation

Austria's KMU.DIGITAL programme, implemented by the Federal Ministry of Economy, Energy and Tourism in co-operation with the Austrian Economic Chambers, addresses the capacity gap between cybersecurity awareness and practical implementation among small and medium-sized enterprises (SMEs). The programme structures digital adoption as a graduated pathway, recognising that information asymmetries and upfront costs prevent smaller firms from adopting enterprise-grade security practices. IT security and data governance are embedded as core support areas, with diagnostic assessment, expert advisory services and implementation co-funding linked through conditional sequencing to reduce informational and financial barriers.

The programme's effectiveness rests on three design features:

1. First, **certified consultant-led assessments** are subsidised at 80% for status and potential analysis (up to EUR 400 per tool) and 50% for strategy consulting (up to EUR 1 000 per tool), with a combined ceiling of EUR 3 000 per firm.
2. Second, **implementation support is conditionally tied to prior diagnostics**: firms may access implementation funding only after completing a supported consultation, preventing premature investment misaligned with organisational readiness.
3. Third, the **implementation module co-funds investments and external expertise**, including software licences. Since 2017, the programme has supported over 25 000 digitisation initiatives, disbursing more than EUR 25 million in grant funds.

Austria demonstrates how data protection and cybersecurity can become a repeatable SME journey through standardised diagnostics, trusted intermediaries translating legal obligations into operational practices and conditional co-funding linking implementation to demonstrated readiness.

Sources: KMU Digital (2026^[36]); Digital Austria (2024^[37]).

- **Establish targeted SME cybersecurity support instruments to operationalise strategies.** Governments across the WBT region should complement existing cybersecurity frameworks with dedicated instruments that help SMEs strengthen their cyber resilience in practice. While most economies have adopted strategic frameworks recognising the importance of private sector cybersecurity, survey findings indicate that many SMEs rely primarily on basic safeguards and lack systematic cyber-risk management practices, leaving a significant share of firms exposed to preventable risks. Governments should, therefore, prioritise accessible support measures that enable SMEs to move beyond entry-level protection toward more structured and preventive cybersecurity practices.
 - **In the economies with more advanced cybersecurity systems (Albania, North Macedonia, Serbia and Türkiye),** the priority is to deepen system effectiveness by strengthening the interfaces between cybersecurity institutions (including CERT/CSIRT structures) and SME-facing support networks, ensuring that existing capacities translate into firm-level adoption at scale.
 - **In the economies at earlier stages of system development (Bosnia and Herzegovina and Kosovo, with Montenegro in transition),** efforts should continue to focus on consolidating core institutional capacities while simultaneously embedding basic transmission channels to SMEs early on to avoid a structural gap between system development and business uptake.

3.4. Supporting the sustainable uptake of advanced technologies

As SMEs move beyond basic digital adoption, the key question becomes whether they can integrate advanced technologies in ways that strengthen productivity and competitiveness while remaining economically and environmentally sustainable. Technologies such as AI, the Internet of Things, advanced data analytics and automation are increasingly reshaping how firms innovate, optimise production processes and develop new products and services (OECD, 2023^[38]). Yet their diffusion remains uneven, as SMEs often face binding constraints, including limited financial resources, shortages of specialised skills and weaker organisational capacity to manage complex technological change that slow adoption relative to larger firms change (OECD, 2026^[39]; 2025^[40]). These technologies also introduce new governance and sustainability challenges, including cybersecurity risks and the growing environmental footprint of energy-intensive digital systems, making the green-digital transition an increasingly central dimension of SME technology policy (OECD, 2024^[41]; IEA, 2023^[42]).

Across the WBT region, governments are increasingly recognising the strategic importance of emerging technologies and the green-digital transition, but SME-oriented support frameworks remain largely underdeveloped. This section examines how SMEs in the WBT region are adopting AI and emerging technologies and the extent to which policy instruments support a sustainable and energy-efficient uptake, identifying progress made and remaining bottlenecks.

3.4.1. Encouraging SME adoption of artificial intelligence and emerging technologies

AI and other emerging digital technologies are increasingly reshaping how firms organise production, deliver services and take operational decisions, creating new opportunities for efficiency gains, innovation and data-driven business models (OECD, 2022^[43]). The emergence of generative AI has significantly lowered barriers to adoption, enabling SMEs to access AI tools at a lower cost and with fewer technical requirements than earlier generations. As a result, nearly a third of SMEs across OECD Member countries now report using such tools (OECD, 2025^[44]). Effective adoption, however, requires complementary assets that many SMEs still lack, including robust data infrastructure, digital and managerial skills, and the organisational capacity to integrate advanced tools into core business processes (OECD, 2021^[4]). As a result, SME engagement with emerging technologies frequently remains limited to basic or off-the-shelf applications, while more transformative gains tend to occur only where SMEs are supported by targeted policy measures and capacity-building initiatives.

Policies increasingly reference AI and emerging technologies, but SME pathways from experimentation to integration remain underdeveloped

Across the WBT region, strategic frameworks increasingly recognise AI and other emerging digital technologies as drivers of productivity growth and structural transformation. These priorities are typically embedded within broader digitalisation, innovation or industrial policy frameworks, with a strong emphasis on ecosystem development, research capacity and technology-intensive sectors. However, this policy model remains predominantly supply- and ecosystem-oriented and does not yet provide structured pathways for SMEs to adopt and integrate emerging technologies into their core business operations. While existing frameworks acknowledge the importance of private sector uptake, they rarely translate this ambition into mechanisms that support firms in identifying use cases, experimenting with technologies and scaling their application. As a result, a common structural bottleneck emerges across the region: the absence of effective transmission channels between innovation systems and the SME base. Existing policy approaches tend to prioritise upstream enablers such as R&D, innovation infrastructure, and regulatory alignment while placing less emphasis on downstream adoption processes at the firm level, such as helping firms identify relevant use cases, providing hands-on implementation support or facilitating access to demonstration environments where technologies can be tested in a business context. Intermediary

actors capable of translating technological capabilities into operational business solutions, including digital innovation hubs, advisory services or sectoral networks, remain insufficiently mobilised for this purpose.

This gap is reflected in firm-level engagement with emerging technologies. OECD survey findings show that about 41% of surveyed SMEs in the WBT region report using some form of AI, in line with the OECD sample average (OECD, forthcoming^[2]; Bianchini, 2025^[12]). However, this headline figure masks important qualitative differences in how technologies are used. In most cases, adoption is limited to accessible, general purpose tools, particularly generative AI applications used for content creation, translation or information retrieval. By contrast, more advanced applications, including machine learning models or custom AI systems, remain rare in the WBT. Beyond AI, engagement with other emerging technologies remains very limited across the region: blockchain is used by around 2% of surveyed SMEs, the Internet of Things by about 10%, while more than 82% report not using any other form of emerging technologies (OECD, forthcoming^[2]). Taken together, these patterns suggest that engagement with emerging technologies in the WBT region is characterised by broad but shallow adoption. SMEs are increasingly exposed to and experimenting with these tools, but lack the capabilities, support structures and incentives required to integrate them into their core business processes. These figures are broadly consistent with patterns observed across a sample of OECD Member countries, where adoption of data-dependent and advanced digital technologies also remains low and concentrated among larger, more digitally mature firms (Bianchini, 2025^[12]).

3.4.2. Promoting a sustainable digital transformation

As digitalisation and digital transformation progress, interaction with environmental performance is becoming an increasingly important determinant of SME competitiveness. In practice, digital technologies are already enabling firms to improve energy efficiency, optimise resource use and reduce operational costs, thereby supporting more sustainable business practices and facilitating compliance with evolving environmental standards (OECD, 2024^[5]; 2023^[11]). However, these benefits are accompanied by growing environmental trade-offs. The expansion of data-intensive applications and digital infrastructure is increasing electricity demand, highlighting that digitalisation can simultaneously support and strain environmental performance if not accompanied by appropriate efficiency and sustainability measures (OECD, 2024^[5]). Aligning digital upgrading with sustainability objectives is, therefore, not only an environmental imperative, but an increasingly important factor in ensuring that SME digital transformation contributes to long-term productivity and resilience. This alignment is further supported by evidence showing a positive correlation between energy and labour productivity, suggesting that significant efficiency gains remain within reach (De Lyon and Dechezleprêtre, 2025^[45]) and that digital upgrading, when well-governed, has the potential to reinforce resource efficiency and overall firm performance.

The environmental footprint of SMEs' digital transformation remains insufficiently addressed

Across the WBT region, digital transformation is not yet systematically steered towards environmentally sustainable outcomes. While sustainability considerations are increasingly acknowledged in policy discussions, they remain weakly embedded in the design of digitalisation frameworks, particularly in relation to how digital technologies are selected, used and managed at the firm level. As a result, environmental impacts are rarely integrated into SMEs' digital investment decisions, and the sustainability of digital use remains largely unaddressed in practice.

SME-level evidence from the OECD survey points to a clear gap between awareness and structured implementation. Only around 25% of surveyed SMEs in the WBT region report having a formal strategy or action plan to reduce their environmental footprint, while 15% indicate no intention to adopt such measures (OECD, forthcoming^[2]). Although nearly half of firms report plans to develop such strategies, this reflects emerging awareness rather than established practice. Environmental monitoring practices further highlight the early-stage nature of sustainability management. While over half of surveyed SMEs track energy

consumption (52%), more advanced practices remain limited: 37% track energy efficiency, and just over 10% monitor their carbon footprint, while more than 20% of firms does not track any environmental indicators (OECD, forthcoming^[2]). This indicates that most surveyed SMEs lack the capacity or incentives to assess and manage the broader environmental implications of their activities. Similar patterns of low carbon footprint tracking and limited adoption of digitally enabled sustainability practices (e.g. eco-friendly packaging, waste tracking, sustainable sourcing and water use monitoring) are observed across OECD countries (Bianchini, 2025^[12]), suggesting that this is not only a regional gap, but a broader structural challenge affecting SME digital sustainability.

At the level of ICT use, the evidence reveals a pronounced life cycle inconsistency in sustainable digital practices. While around 72% of surveyed SMEs report considering the environmental impact of ICT equipment and services when taking procurement decisions, this awareness does not translate into consistent practices across the full life cycle of digital technologies. Only around one-third of surveyed SMEs use dedicated electronic waste channels to dispose of ICT equipment while an equal share retains obsolete equipment (often due to data security concerns) and a further 28% reports uncertainty about how unused devices are ultimately handled (OECD, forthcoming^[2]). In parallel, only 7% of SMEs report disposing of ICT equipment with general non-recyclable waste (OECD, forthcoming^[2]). These patterns suggest that procurement stage environmental awareness has not yet translated into structured end-of-life practices, pointing to a gap between stated intentions and actual behaviour across the full digital technology life cycle.

More broadly, SMEs in the WBT region lack access to tools, metrics and advisory support that would allow them to monitor and manage the environmental footprint of their digital activities. This limits their ability to make informed trade-offs, particularly as the expansion of data-intensive applications and digital infrastructure contributes to rising energy demand. As a result, digitalisation may generate efficiency gains in some areas while simultaneously increasing resource use in others, without a structured approach to managing these effects.

The way forward

- **Integrate SME adoption pathways into artificial intelligence and emerging technology policy frameworks, moving from strategic recognition to system-level delivery.** Across the WBT region, strengthening SME engagement with AI requires moving beyond high-level strategic commitments towards the development of concrete adoption systems that support firms in progressing from initial exposure to effective integration. This entails explicitly embedding SME adoption pathways within AI and emerging technology frameworks, including clear implementation responsibilities, delivery mechanisms and monitoring indicators aligned with SME productivity and innovation objectives. Without such pathways, the expansion of AI use risks remaining superficial, with limited impact on productivity and a widening gap between digitally advanced firms and the broader SME population. Operationalising these pathways requires the development of experimentation and translation infrastructures that enable SMEs to identify, test and scale relevant use cases. This includes expanding access to experimentation platforms (e.g. testbeds, sandboxes); strengthening advisory services that translate technological capacities into business applications; and leveraging intermediaries such as digital innovation hubs, clusters and business support organisations to bridge the gap between innovation systems and SMEs (Box 3.4).
- **At the same time, scaling SME adoption of AI and emerging technologies requires appropriate safeguards to address potential risks.** These include the environmental footprint associated with increased data processing and digital infrastructure, as well as risks related to data protection, algorithmic bias and the transparency of AI systems. In addition, growing reliance on externally developed technologies may create dependencies and limit firms' control over critical digital capacities. Policy frameworks should, therefore, ensure that support for SME adoption is

aligned with principles of responsible, secure and sustainable use, including through guidance, standards and awareness measures adapted to smaller firms.

- **For economies where artificial intelligence strategies or related frameworks already exist or are under preparation (Albania, Montenegro, North Macedonia, Serbia and Türkiye),** the priority is to strengthen implementation by embedding these delivery mechanisms in existing frameworks, ensuring that strategic objectives translate into actionable SME adoption pathways at scale.
- **For economies where artificial intelligence frameworks are underdeveloped or absent (Bosnia and Herzegovina and Kosovo),** efforts should focus on establishing foundational policy frameworks that integrate SME adoption from the outset, including the identification of sectoral use cases, co-ordination with SME support systems, and early development of experimentation and advisory infrastructures.

Box 3.4. Good practice example: Germany: Accelerating adoption of artificial intelligence by SMEs through compute access, applied testbeds and workforce engagement

Germany's artificial intelligence (AI) strategy combines a strong emphasis on trustworthy, human-centred AI with a clear focus on small and medium-sized enterprises (SMEs). Since the launch of its AI Strategy in 2018, public funding has increased from EUR 3 billion to EUR 5 billion by 2025, with implementation co-ordinated across ministries to translate research excellence into practical SME adoption.

Germany's approach centres on lowering technical and skills barriers for SMEs through shared infrastructure and applied support:

- **AI Factories and compute access:** As a host of the EuroHPC AI Factories, Germany provides SMEs with access to advanced computing and expertise. The Jupiter AI Factory, linked to Europe's first exascale supercomputer, and HammerHAI at the High Performance Computing Center at the University of Stuttgart offer cloud-based access to AI tools, curated datasets, pre-trained models and hybrid AI simulation workloads, enabling SMEs to experiment without heavy upfront investment.
- **AI service centres** (since 2022): Four centres provide SMEs with advisory support and computing resources for applied AI use cases, particularly for firms lacking in-house AI capacity.
- **Targeted funding programmes:** The KI4KMU programme supported SME-led AI innovation with grants covering up to 50% of project costs, while the "Generative AI for SMEs" programme (EUR 30 million, launched in 2025) targets concrete applications such as predictive maintenance, automated design and natural language interfaces.
- **Hands-on skills and adoption support:** AI Studios, funded by the Ministry of Labour, provide low-threshold, practical learning environments for employees, using fixed and mobile units to reach SMEs nationwide, with a target of 2 600 firms by 2026. These efforts are reinforced by Mittelstand-Digital Innovation Hubs and the Cybersecurity for SMEs initiative.

Germany's model focuses on access rather than ownership: shared compute, applied testbeds, co-funded projects and worker-centred learning environments enable SMEs to adopt AI incrementally, manage risk and build internal capacities without large upfront investments.

Source: OECD (2025^[40]).

- **Embed environmental sustainability across the life cycle of digital technologies in SME digitalisation policies.** Policy efforts should focus on three priority levers across the ICT life cycle:
 1. **Procurement:** Introduce guidance, standards and labelling schemes to help SMEs assess the environmental footprint of digital equipment and services and integrate sustainability criteria into public digitalisation support schemes.
 2. **Use:** Support SMEs in improving the energy efficiency of digital operations through monitoring tools, advisory services and incentives for resource-efficient digital solutions.
 3. **End-of-life:** Expand access to trusted recycling and disposal channels, including solutions that address data security concerns and facilitate responsible management of obsolete equipment.

Across all stages, governments should strengthen decision-support tools, including simplified metrics and advisory services, to help SMEs integrate environmental considerations into digital investment decisions. Efforts should focus on establishing basic guidance, awareness measures and accessible recycling solutions while progressively introducing sustainability criteria into digital support policies.

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Notes

¹ In line with constitutional competencies, SME digital transformation is overseen by the Federal Ministry of Development, Entrepreneurship and Crafts in the Federation of Bosnia and Herzegovina, and by the Ministry of Economy and Entrepreneurship in Republika Srpska.

² The analysis considers the six Western Balkan economies (WB6) without Türkiye.

4

Harnessing human and social capital for SME development in the Western Balkans and Türkiye

At the core of SME competitiveness is the knowledge and skills of the workforce. This cluster examines how these are developed across the lifecycle, starting with how education systems foster entrepreneurial skills and align practical training with SME needs. It then considers how SMEs access relevant skills, leveraging skills intelligence, upskilling and reskilling, and empowering women entrepreneurs. It also explores the role of the social economy and support for social enterprise development.

4.1. Building foundational human capital for SME competitiveness

The world of work is undergoing profound transformation. The green and digital transitions, alongside demographic change, are reshaping how economies function and the skills required across industries. In the Western Balkans and Türkiye (WBT), where small and medium-sized enterprises (SMEs) form the backbone of economic activity, these shifts create opportunities and pressure. To remain competitive and productive in an increasingly complex economic landscape, SMEs must continuously adapt, drawing on their workforce's skills, knowledge and capabilities to innovate, respond to technological change and navigate new market demands.

Education systems are at the centre of this transformation. They shape the human capital that underpins SME competitiveness, not only by equipping learners with foundational and technical skills, but by fostering entrepreneurial mindsets that enable future generations to create and grow their own businesses.

Yet across the region, evidence suggests that education and training are not fully keeping pace with these evolving demands. Foundational learning outcomes remain significantly below OECD averages: in the latest Programme for International Student Assessment (PISA) assessment, the regional average score¹ stands at 402 in mathematics (compared with 472 for the OECD) and 393 in reading (versus an OECD average of 476). Moreover, performance has declined since the previous PISA cycle, with average scores falling by around 20 points in mathematics and reading – sharper drops than those observed across the OECD as a whole (OECD, 2023^[1]).² While these declines partly reflect global disruptions to education systems, they also underscore the persistent learning gap between WBT and OECD economies, highlighting significant scope for convergence. Businesses themselves echo these concerns: across the region,³ more than 30% of firms reported that the skills developed through formal education do not meet the needs of their company (RCC, 2023^[2]).

Against this backdrop, strengthening the connection between education systems and SME ecosystems has become a key policy priority. This section examines how education and training systems can better support SME development, by both fostering entrepreneurial capabilities among learners and strengthening the alignment between education pathways and the evolving skills needs of SMEs.

4.1.1. Fostering entrepreneurial skills and mindsets through education

Nurturing entrepreneurial skills and mindsets among students is becoming increasingly important as global demand for these competencies continues to grow, with projections suggesting a 32% increase in Europe alone by 2030 compared to 2016 (European Commission, 2024^[3]). Building these foundations begins within the education system and relies on progressive approaches to teaching and assessment that embed entrepreneurship across the learning process.

Entrepreneurship is formally recognised as a cross-curricular competence across most of the region

Across the WBT region, entrepreneurship education is increasingly aligned with the European Union's (EU) Reference Framework for Key Competences for Lifelong Learning, where "entrepreneurship" has been positioned as a transversal competence rather than a standalone subject area (European Commission, 2018^[4]).⁴ Five of the seven WBT economies formally designate it as a cross-curricular key competence within pre-university education frameworks (Table 4.1). Such integration is significant, as it positions entrepreneurship as a transferable capability, linked to problem-solving, creativity and initiative, rather than as narrowly business-oriented knowledge. Embedding it across subjects enables repeated exposure in varied learning contexts, reinforcing competence development through application rather than isolated instruction.

Two notable deviations illustrate alternative models. In Kosovo, entrepreneurship is not formally recognised as a distinct key competence but is instead embedded indirectly within broader competences such as “Thinking”, “Learning”, and “Life, work and environment”, which may reduce its policy visibility and coherence. Albania, on the other hand, formally recognises entrepreneurship but primarily delivers it through mandatory standalone subjects rather than a cross-curricular approach. While this ensures dedicated instructional time, it risks confining entrepreneurship to specific courses rather than embedding it systematically across the curriculum. Taken together, regional trends suggest convergence toward EU-aligned cross-curricular integration, though differences in implementation models may shape the intensity and consistency of student exposure.

Table 4.1. Entrepreneurship as a key competence in the Western Balkans and Türkiye region

	Formally recognised as a key competence?	Name of competence	Mode of integration
ALB	✓	“Life, entrepreneurship, and the environment”	Primarily delivered through mandatory stand-alone subjects (“Citizenship” in primary/lower secondary; “Economy” in upper secondary)
BIH	✓	“Self-initiative and entrepreneurship”	Cross-curricular approach
KOS	X (implicit)	Not applicable	Embedded indirectly within broader competences (“Thinking”, “Learning”, “Life, work and environment”)
MNE	✓	“Entrepreneurial learning, financial literacy and social entrepreneurship”	Cross-curricular approach
MKD	✓	“Technics, technology and entrepreneurship”	Cross-curricular approach
SRB	✓	“Entrepreneurship and orientation towards entrepreneurship”	Cross-curricular approach
TUR	✓	“Sense of initiative and entrepreneurship”	Cross-curricular approach

Source: Adapted from information provided by WBT governments during the assessment period.

Insufficient teacher training hinders the effective implementation of entrepreneurship as a key competence

Formal recognition of entrepreneurship as a key competence has expanded across the region, but translation into classroom practice remains uneven. A central constraint lies in limited pedagogical support to help teachers operationalise curriculum objectives through concrete, experiential learning approaches. Across most WBT economies,⁵ professional development offerings rarely include dedicated training on entrepreneurship as a cross-curricular competence. Provision is often either absent (e.g. in Kosovo and North Macedonia) or uneven. Where it exists, this unevenness may reflect geographic disparities – as in Bosnia and Herzegovina, where provision varies across entities and cantons – or differences across education levels, as in Albania, where annual modules on entrepreneurial skills are limited to vocational education and training (VET) teachers.

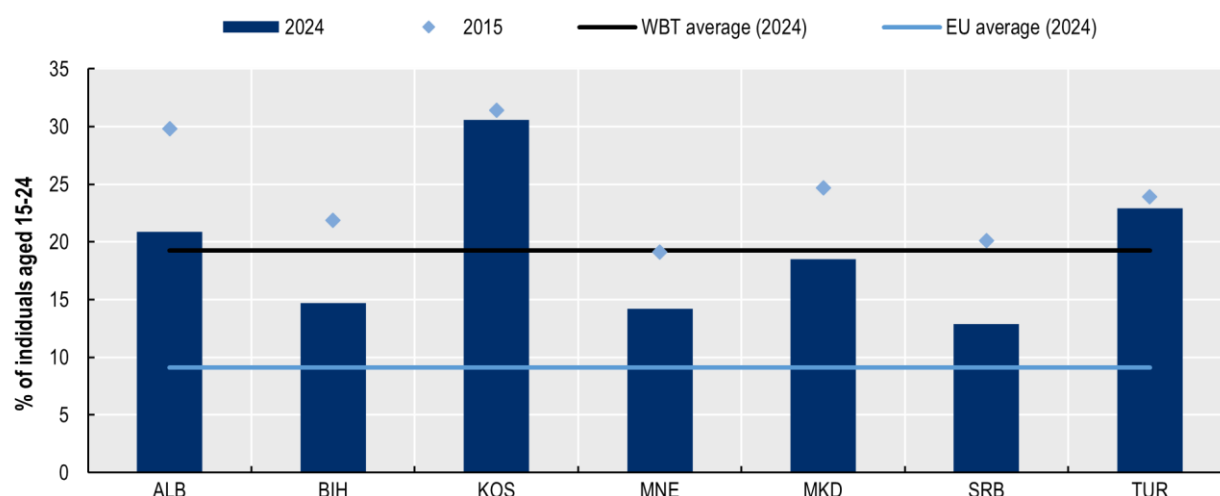
Such gaps have direct implications for instructional quality. Evidence consistently shows that, without structured pedagogical models and hands-on training, teachers struggle to translate entrepreneurial competences into meaningful classroom activities (Gracia-Zomeño et al., 2025^[5]). Even in economies with comparatively more developed tools and formal frameworks, like Montenegro and Türkiye, surveys indicate that teachers frequently report low confidence in delivering entrepreneurship education effectively (Taşyürek and Metin Göksu, 2023^[6]; Montenegro Ministry of Economic Development, 2025^[7]). Together, these patterns suggest that curriculum reform alone is insufficient: without systematic investment in teacher capacity, including targeted training and sustained support, the formal recognition of entrepreneurship as

a key competence risks remaining largely declarative, limiting its potential to equip students with the necessary skills and knowledge.

4.1.2. Bridging the divide between education and training systems and SMEs

Equipping students with relevant skills is critical to facilitating a smooth transition from education to employment and ensuring alignment with labour market needs. Across the WBT region, trends in rates of youth not in employment, education or training (NEET) reveal uneven progress: while several economies (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia) have recorded substantial declines over the past decade, the others (Kosovo and Türkiye⁶) continue to face persistently high levels. Even the region's strongest performers, Serbia and Montenegro, remain well above the EU average of 9.1% in 2024, underscoring ongoing structural challenges in school-to-work transitions (Figure 4.1).

Figure 4.1. Youth NEET rates in the Western Balkans and Türkiye region, 2015 and 2024



Notes: NEET: youth not in employment, education or training. Given that data were drawn from different sources, full comparability cannot be ensured due to potential methodological differences. Although all data points refer to the 15-24 year-old age group, other variations may exist, including differences in reference periods or the treatment of vocational education students. As a result, the regional average should be interpreted as indicative only.

Sources: OECD (2025^[9]); Eurostat (2024^[9]); INSTAT (2025^[10]); MONSTAT (2025^[11]); World Bank (2026^[12]).

StatLink  <https://stat.link/57eox4>

Dual VET is gaining momentum, supported by recent legal and regulatory reforms that clarify its implementation

Against this backdrop, strengthening the integration of work-based learning within formal education systems has become a central policy priority, with **dual VET** emerging as a key instrument to narrow the gap between education provision and labour market demand. Indeed, in recent years, all WBT economies have revised their VET legislation to better regulate the core elements of dual provision. In most cases, reforms have involved amendments to existing VET laws; however, some systems, notably Serbia and Sarajevo Canton in Bosnia and Herzegovina, have introduced dedicated dual VET legislation. These stand-alone laws can offer advantages by consolidating provisions on contracts, remuneration, insurance and mentor qualifications, thereby enhancing legal clarity and predictability for employers. They may also signal increasing policy maturity, reflecting a shift from pilot-based experimentation toward more institutionalised work-based learning systems. Nonetheless, regardless of legislative format, the

effectiveness of reform ultimately hinges on parallel improvements in implementation capacity, financing mechanisms and quality assurance.

Despite this legislative momentum, scope remains to further align with international benchmarks⁷ regarding the intensity of workplace learning. Progress is visible in some systems: Kosovo, for example, has increased the share of programme time spent in placements from 28% to 50% following recent reforms (European Training Foundation (ETF), 2025^[13]). In economies at the upper end of the regional range – such as Serbia⁸ and Türkiye, where placement shares approach 60% – programme design is broadly aligned with these good practice thresholds. However, emerging evidence suggests that actual exposure to workplace learning may remain below intended levels. Initial monitoring from Serbia indicates that the placement duration reported by students may fall short of the levels prescribed in legislation (Renold et al., 2025^[14]). Although comparable data are not systematically available across all economies, structural constraints, including limited employer participation and uneven regional access to placements, suggest that similar implementation gaps may arise elsewhere. These limitations are likely reflected (at least partially) in employer perceptions, with firms across the region frequently reporting that graduates lack sufficient hands-on experience (RCC, 2023^[2]).

Employer incentive schemes to offset the costs of dual VET placements are expanding across the region, though their scale and accessibility continue to evolve

Ensuring sustained employer participation in dual VET remains a persistent challenge across much of the region.⁹ This reflects, in part, structural characteristics of the WBT economies, where SMEs dominate and often operate under significant human and financial resource constraints, making the provision of student placements difficult to sustain. In parallel, relatively high levels of business informality¹⁰ further limit firms' ability to engage in formal training arrangements (see Cluster 1). These constraints are compounded by mandatory student remuneration requirements in most economies (Table 4.2), which increase the direct costs associated with hosting trainees. Taken together, these factors constrain both the capacity of and incentives for firms to participate, leaving some unable to offer placements and others discouraged where the perceived costs outweigh the expected benefits. This limited participation contributes to a self-reinforcing cycle, whereby restricted access to placements reduces students' opportunities to develop practical competencies, reinforcing concerns about workforce readiness and further discouraging firms from engaging given the associated costs.

Table 4.2. Remuneration for dual vocational education and training students across the Western Balkans and Türkiye region

Economy		Mandatory compensation?	Amount
ALB		Pilot phase	30% of minimum wage
BIH	FBiH	Varies by canton	Compensation is not uniformly mandatory across the FBiH, and no standardised amount is defined at the entity level. Only in three cantons (Bosnian-Podrinje Canton, West Herzegovina Canton and Central Bosnia Canton) is remuneration for students obligatory
	RS	✓	No minimum amount is fixed by law; instead, remuneration is determined through an individual contract between the employer, the school and the student/parent
	Brčko District	X	n.a.
KOS		Pilot phase	Year 1: 20% of average net salary Year 2: 25% of average net salary Year 3: 30% of average net salary
MNE		✓	Year 1: 10% of average net salary Year 2: 15% of average net salary Year 3: 20% of average net salary
MKD		✓	No minimum compensation amount is fixed by law.
SRB		✓	70% of minimum wage
TUR		✓	30% of minimum wage

Note: n.a.: not applicable.

Sources: GOPA Worldwide Consultants (2024^[15]); Serbia Ministry of Education, Science and Technological Development/Centre for Educational Policies (2021^[16]); ETF (2025^[17]); information provided by WBT governments during the assessment period.

In response, WBT economies have begun introducing financial incentives to encourage employer engagement, using a diverse mix of instruments (Table 4.3), ranging from tax exemptions and wage reimbursement schemes to grant programmes and emerging dedicated dual VET funds. Montenegro stands out for its efforts to establish a more structured funding mechanism through its dedicated Fund for the Support for Dual Education. While such incentives represent an important step in addressing cost barriers, particularly given relatively low employer participation levels across most of the region with the notable exception of Türkiye, their effectiveness may be limited if implemented in isolation. Financial subsidies inherently carry risks of deadweight effects, whereby public funding supports training that employers might have undertaken regardless (OECD, 2023^[18]). Moreover, smaller firms often face difficulties accessing available support due to limited awareness of funding opportunities, eligibility requirements and administrative application processes. As a result, existing incentive schemes may not fully reach the segment of firms most cost-constrained, limiting their capacity to independently expand participation in dual VET arrangements.

Table 4.3. Government incentives for employers providing dual vocational education and training in the Western Balkans and Türkiye economies

Mechanism	Examples
Tax incentives	BIH-RS: Remuneration paid to students is exempt from income tax (up to 50% of minimum wage)
Subsidies	BIH-FBiH: In Sanski Most municipality (Una-Sana Canton), companies providing training can apply for reimbursement for student remuneration (for a maximum of ten students per provider)
	SRB: Employers offering dual VET placements can receive subsidies covering up to 50% of the compensation paid to learners
	TUR: Reimbursement of two-thirds of student remuneration to small and medium-sized enterprises with fewer than 20 employees; one-third for larger enterprises
Public grants	KOS: Innovation grant scheme launched to encourage businesses to implement dual vocational education and training (VET)
Dedicated funds	MNE: Fund for Support of Dual Education

Mechanism	Examples
Preferential treatment in public calls	BIH-RS: Companies providing placements can receive an additional 1-5 points in public calls.

Source: Adapted from information provided by the WBT governments during the assessment period.

The way forward for building foundational human capital for SME competitiveness

- **Strengthen the implementation of entrepreneurship as a cross-curricular competence through systematic teacher capacity-building and structured pedagogical support.** To translate curriculum reform into meaningful learning outcomes, governments should institutionalise dedicated, mandatory professional development on entrepreneurship as a cross-curricular competence across all pre-university levels. This should include practical training on experiential and project-based learning methods, structured teaching toolkits aligned with national curricula, and continuous peer learning mechanisms to support application in diverse classroom contexts. Moreover, entrepreneurship pedagogy should be embedded in initial teacher education programmes as well as the provision of regular, rather than ad hoc, in-service modules to ensure a comprehensive foundation.
- **Strengthen employer engagement in dual VET systems through more targeted support to SMEs, enabling them to participate in and deliver high-quality workplace training.** In particular, efforts should focus on adapting dual VET arrangements to the operational realities of SMEs, thereby enhancing the accessibility and attractiveness of participation.
 - **For economies with more advanced implementation of their dual VET systems (e.g. Serbia, Türkiye and parts of Bosnia and Herzegovina):** The priority should be ensuring that students meet the legally required duration and learning outcomes of in-company training. Achieving this will require sustaining strong engagement of firms and ensuring a sufficient supply of placement opportunities. One effective approach could be to expand pooled training models or training alliances that allow multiple SMEs to jointly host or “rotate” trainees, helping smaller firms overcome limited in-house training capacity (Box 4.1). In parallel, governments could more systematically promote and replicate successful company-led training models (e.g. through structured roadshows, peer learning platforms or case study dissemination) to encourage wider uptake among SMEs.
 - **For economies where dual VET systems remain at the pilot or early expansion stages (e.g. Albania, Kosovo, Montenegro, North Macedonia, and parts of Bosnia and Herzegovina):** Policy efforts should focus on scaling participation gradually while building employer confidence in the system. In several cases, including North Macedonia and some jurisdictions in Bosnia and Herzegovina, incentives for employer participation remain limited or absent. Introducing targeted measures, such as tax incentives, wage subsidies for trainees or preferential access to public support programmes, could help encourage SME engagement and facilitate broader roll-out. Alongside financial incentives, awareness-raising campaigns should highlight the long-term productivity, recruitment and retention benefits of dual VET, helping reposition apprenticeship participation as a strategic investment in workforce development rather than as a short-term cost for employers.

Box 4.1. Good practice example: Enabling SME participation in dual vocational education and training in Germany

Germany's dual vocational education and training (VET) system incorporates several collaborative training arrangements designed to enable small and medium-sized enterprises (SMEs) to offer work-based learning placements for students. One such approach is the use of training alliances ("*Ausbildungsverbünde*"), in which multiple firms jointly organise and deliver apprenticeship training. These alliances allow companies to pool resources and share training responsibilities, enabling apprentices to acquire the full set of competencies required by a given occupation even when individual firms cannot provide all the elements of the training programme internally.

In practice, training alliances typically involve a lead training company that co-ordinates the programme, while partner firms provide training modules covering specific skills or production stages. In some cases, external training centres ("*überbetriebliche Ausbildungsstätten*") or chambers of commerce and crafts support the delivery of specialised training components. This model is particularly valuable for SMEs, which may lack the equipment or specialised staff needed to deliver the full training curriculum independently. By participating in a training alliance, SMEs can host apprentices for specific phases of training while relying on partner organisations to provide complementary skills development.

For Western Balkan and Türkiye economies seeking to further expand employer engagement, Germany's pooled training models offer a useful example of how SMEs can overcome capacity constraints while maintaining high-quality training. Such arrangements help create a mutually beneficial framework in which SMEs gain access to a reliable workforce pipeline while students benefit from exposure to a broader range of practical skills across multiple firms.

Sources: Federal Institute for Vocational Education and Training (2024^[19]); ibw Austria (2016^[20]).

4.2. Developing SME workforce knowledge and skills

Ensuring that SMEs have access to a skilled workforce begins in the education system, but in today's rapidly evolving economy this starting point alone is no longer sufficient. Technological change, shifting production processes and new business models are continuously reshaping the types of skills that employers need and the nature of many occupations. As a result, workers increasingly need to adapt over the course of their careers, whether by moving into new roles or by updating their skills to keep pace with changes within their current jobs. Global estimates suggest that by 2027 around 60% of employees will require some form of additional training to remain effective in a technology-driven labour market (World Economic Forum, 2025^[21]). In the WBT economies, this makes continuous upskilling and reskilling¹¹ particularly important to ensure that workers remain employable while businesses maintain their productivity and competitiveness.

Yet, businesses across the region continue to report substantial difficulties in finding workers with the skills required for their operations. Surveys consistently show that a large share of businesses across the region report difficulties recruiting skilled labour, ranging from around 40% of firms in Bosnia and Herzegovina to nearly 75% in Montenegro, with four of the seven economies recording rates above 60%.¹² These shortages reflect not only limited participation in adult learning, but also deeper structural challenges. Training provision does not always keep pace with emerging market demands linked to the green and digital transitions, the growing role of artificial intelligence (AI) and broader structural shifts in sectoral composition. At the same time, weak systems for anticipating future skills needs limit policymakers' and education providers' abilities to prepare the workforce for upcoming changes.

Recognising the importance of addressing these challenges, and reflecting the priorities set in the European Union's Union of Skills (European Commission, 2025^[22]), the human capital pillars of the reform agendas across the WBT economies emphasise the need to strengthen the responsiveness of skills systems and improve the alignment between labour market demand and the supply of skills. Building on this objective, this section examines how the SME skills ecosystem can become more responsive and inclusive, focusing on four inter-related dimensions: 1) strengthening skills intelligence systems; 2) expanding adult learning opportunities; 3) developing targeted upskilling initiatives to address the impacts of AI; and 4) supporting the entrepreneurial potential of women.

4.2.1. Understanding and anticipating skills needs

Meeting the evolving demands of the labour market requires more than reacting to change as it occurs; it requires anticipating future shifts by assessing current needs and imbalances and projecting how they are likely to evolve over time. In this context, skills intelligence¹³ (which includes assessment and anticipation tools) plays a central role, providing the evidence base needed to align education and training systems with real-world labour market demand. However, despite widespread recognition of its importance, skills intelligence systems across the WBT region are still in relatively early stages.

Despite progress in expanding skills assessment tools, weak institutional ownership and limited integration into policy frameworks constrain their overall utility

Across the WBT region, efforts to institutionalise skills intelligence have primarily focused on strengthening short-term assessment mechanisms. Most notably, employer surveys and training needs analyses (TNAs) are now widespread and increasingly regularised, reflecting growing recognition of the need for structured labour market feedback. While their predominance provides a useful foundation for collecting key market data, reliance on these tools alone does not yield a comprehensive picture. Such surveys risk overlooking supply-side dynamics, including education outputs and migration trends, and may lack the sector-specific and occupation-level granularity when not complemented by tools such as sector skills councils and industry round tables. In addition, their periodic nature limits continuous engagement with the private sector, reducing the ability to capture rapidly evolving skills needs in real time.

A more structural concern is the sustainability and institutional ownership of skills assessment mechanisms. Several tools developed during previous reform cycles, often with donor support, have not been updated or formally integrated into national governance frameworks, reducing what were intended to be foundational instruments into one-off exercises. For instance, Kosovo's Barometers (Labour Market Barometer, VET Barometer and Skills Barometer), once considered a regional good practice, have not been updated since 2022. In North Macedonia, sectoral analyses undertaken by donors have yet to be institutionalised within domestic structures. This pattern reflects a broader regional trend: where tools are not embedded within national institutions, backed by stable funding and incorporated into regular policy cycles, their relevance diminishes rapidly in the face of evolving labour market dynamics. At the same time, even when assessments are conducted, their results are not consistently used to inform the design or updating of education and training programmes, limiting their contribution to evidence-based policymaking.

Skills anticipation systems are underdeveloped, limiting their ability to effectively forecast future labour market and demographic needs

Although the development and use of skills assessment tools are gradually advancing, skills anticipation and forecasting mechanisms remain comparatively underdeveloped. Although several economies have expressed policy commitments to strengthen anticipation frameworks, operationalisation has been modest. Recent initiatives point to incremental progress, such as Albania's development of a forecasting tool with support from the employment services of Lithuania and Sweden, and Serbia's inclusion of

projections of knowledge and skills needs through 2027 in its 2025 Employer Survey; however, these efforts remain largely short-term in scope. Institutional fragmentation further constrains system development, as responsibility for labour market data collection is often dispersed across multiple ministries and agencies, and in the absence of a clearly mandated co-ordinating body, data compilation, harmonisation and strategic analysis remain weak. Persistent technical limitations compound these challenges, as data are not consistently aligned with Eurostat standards; are insufficiently disaggregated, including by sector and gender; and are not always collected on a regular or longitudinal basis.

These weaknesses are particularly consequential because effective skills anticipation must extend beyond labour demand analysis to incorporate structural shifts in labour supply. Demographic trends across the region, including population decline, rapid ageing, and sustained emigration of youth and skilled labour,¹⁴ are fundamentally reshaping the size of the workforce and its composition. Population projections suggest substantial contraction across most WBT economies by 2050 (Table 4.4), with the working-age population expected to decline even more sharply, by around 20%¹⁵ (World Bank, 2025^[23]). Emigration plays a significant role in this trend, as an estimated 70-80% of emigrants from the region are of working age (Ayerst et al., 2025^[24]).

As a result, labour shortages have emerged as one of the most significant constraints on business activity, with firms reporting workforce shortages as the primary obstacle to doing business in the region in 2024 (RCC, 2024^[25]). Without systematically integrating demographic projections into forecasting models, planning risks overestimating future labour availability and underestimating emerging shortages. The absence of integrated, cross-sectoral data frameworks therefore limits the capacity of anticipation systems to capture the combined effects of technological change, sectoral transformation and demographic contraction. Strengthening skills forecasting in the region will thus require not only more sophisticated modelling tools, but also improved institutional co-ordination and broader data integration that encompasses labour market, education and demographic indicators.

Table 4.4. Projected total population in the Western Balkans and Türkiye, by economy, 2025-2050

Total population

Economy	2025 population	2050 population (forecasted)	Percentage change
ALB	2 771 508	2 240 166	-19.2%
BIH	3 140 096	2 455 167	-21.8%
KOS	1 674 125	1 643 619	-1.8%
MNE	632 729	533 295	-15.7%
MKD	1 813 791	1 512 688	-16.6%
SRB	6 689 039	5 532 870	-17.3%
TUR	87 685 426	91 258 061	+4.1%

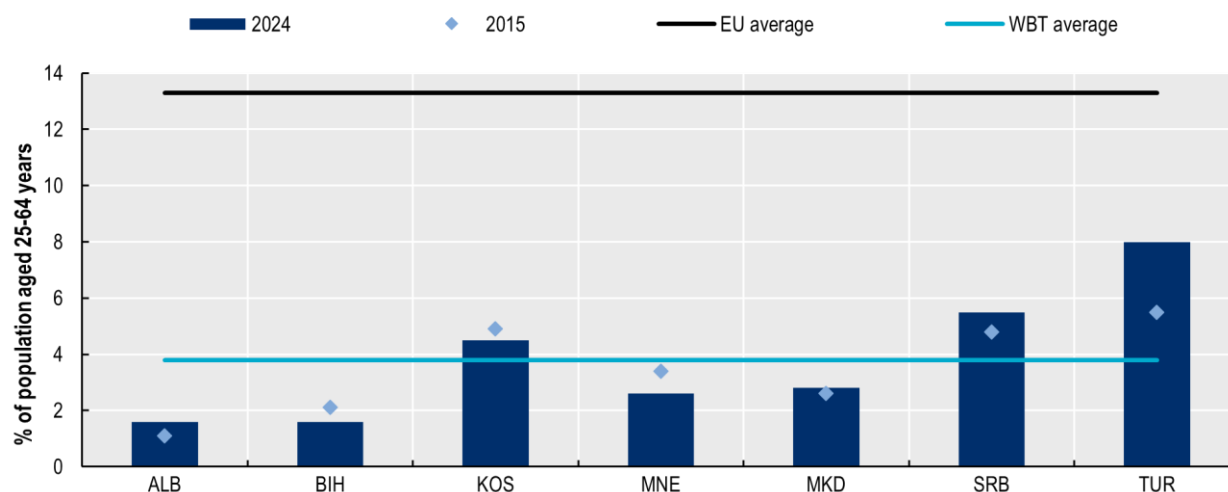
Source: Adapted from United Nations (2024^[26]).

4.2.2. Addressing skills needs of SMEs through adult education

Equally important to gathering skills intelligence is ensuring that the insights it generates translate into accessible and responsive adult learning opportunities. Although lifelong learning is widely recognised as a policy priority across the region, participation remains structurally weak. In 2024, adult learning rates ranged from 1.6% of adults aged 25-64 in Albania and Bosnia and Herzegovina to 8.0% in Türkiye, placing the regional average at 3.8 – just 29% of the EU average (13.3%) (Figure 4.2). Such low uptake indicates that adult learning systems are not yet operating at the scale required to support continuous upskilling and reskilling. Persistent informality across the region further compounds this challenge, as workers operating outside the formal economy are less likely to benefit from government-led skills development initiatives or

employer-supported training (see Cluster 1).¹⁶ As a result, workers face limited opportunities to update their competences, and firms struggle to adapt their workforce to technological change, shifting sectoral demand and the green and digital transitions.

Figure 4.2. Participation in adult education (within the last four weeks) among Western Balkan and Türkiye economies, 2015 and 2024



Notes: 2015 data were not available for Bosnia and Herzegovina; 2016 data were used. For Kosovo and North Macedonia, 2024 data were not available at the time of writing, so 2023 figures were used for comparison.

Sources: Eurostat (2025^[27]); OECD (2025^[8]); additional data provided by national statistical offices.

StatLink  <https://stat.link/k7ywl3>

Provision of training for skills for twin transition has continued to expand, although large-scale delivery of green transition skills has yet to be fully operationalised

Training provision across the WBT region increasingly reflects the growing importance of skills linked to the green and digital transitions. However, progress across these two domains has been uneven: while programmes aimed at strengthening digital skills have expanded considerably and are now relatively well developed in most economies (see Cluster 3), initiatives focused on building skills for the green transition remain far less advanced – a pattern also observed in broader OECD trends (Pissareva et al., 2025^[28]). This gap is particularly notable given the scale of labour market adjustment expected in the coming years. Around 20% of total employment in the region is estimated to be affected by the green transition, either because workers are currently employed in carbon-intensive “brown” sectors threatened by decarbonisation (see Cluster 2) or because their roles will require significant reskilling as production processes evolve (World Bank, 2025^[23]). Despite this, existing green skills training provision remains fragmented and largely ad hoc. Many initiatives are delivered through chambers of commerce or development agencies and operate at a relatively small scale, meaning that the number of beneficiaries remains far below the workforce potentially affected by structural change. Policy frameworks such as national Reform Agendas and Just Transition Plans increasingly recognise the importance of reskilling, but their focus has tended to concentrate on supporting workers displaced from carbon-intensive industries, particularly coal, rather than systematically developing training pipelines for emerging green sectors such as renewable energy, sustainable agriculture, energy-efficient construction or circular economy activities. While some promising initiatives are emerging, including Türkiye’s Green Industry Academy and the RisiAlbania programme in Albania, these remain isolated examples rather than components of a broader, co-ordinated regional approach.

Policy incentives further reinforce this imbalance between digital and green skills development. Whereas schemes supporting digital upskilling are relatively widespread, policy instruments linked to the green transition tend to prioritise financial support for technological upgrades and equipment investments, with comparatively limited attention to workforce reskilling. This gap is particularly problematic given that the labour market impacts of the green transition are expected to fall disproportionately on lower-skilled workers. In several economies – including Kosovo, Bosnia and Herzegovina, North Macedonia and Serbia – between 25% and 30% of workers with low levels of education are estimated to be employed in occupations at risk of disruption as decarbonisation progresses (World Bank, 2025^[23]). At the same time, international evidence consistently shows that adults with lower levels of education and those employed in lower-skilled occupations are less likely to participate in adult learning (OECD, 2025^[29]). As a result, a structural mismatch emerges: those most exposed to labour market disruption are also those least likely to access training opportunities that could help them adapt. Without more targeted, accessible and large-scale reskilling initiatives, current training systems risk falling short of equipping vulnerable workers with the competencies required to navigate the green transition while maintaining competitiveness and inclusive labour market participation.

Uptake of micro-credentials remains extremely low across the region

Micro-credentials are increasingly promoted at the EU level as a flexible instrument to support modular, demand-driven upskilling and reskilling, including under the European Commission's Union of Skills (European Commission, 2025^[22]). In the WBT region, however, regulatory and institutional frameworks have yet to evolve in a way that would allow microcredentials to perform this function at scale. Only three of the seven economies (Montenegro, Serbia and Türkiye) formally recognise micro-credentials in their legal frameworks, and even in these cases, operationalisation remains partial. Namely, in Montenegro and Serbia, guidance does not sufficiently define core elements, including clear linkages to the respective National Qualifications Frameworks (NQFs). Without such alignment, micro-credentials risk lacking credibility, comparability and stackability, limiting their recognition by employers and reducing their value as a tool for addressing skills gaps within firms.

In the remaining four economies, micro-credentials are neither legally defined nor formally recognised, and initiatives are largely confined to donor-supported pilot projects. The absence of a coherent regulatory anchor and government-led strategic direction suggests that micro-credentials have yet to be positioned as a central instrument for workforce development. This limits the availability of short, flexible training pathways that could help SMEs, particularly those seeking rapid, targeted skill upgrades, adapt more quickly to technological change and evolving market demands.

4.2.3. Upskilling to support AI adoption and use

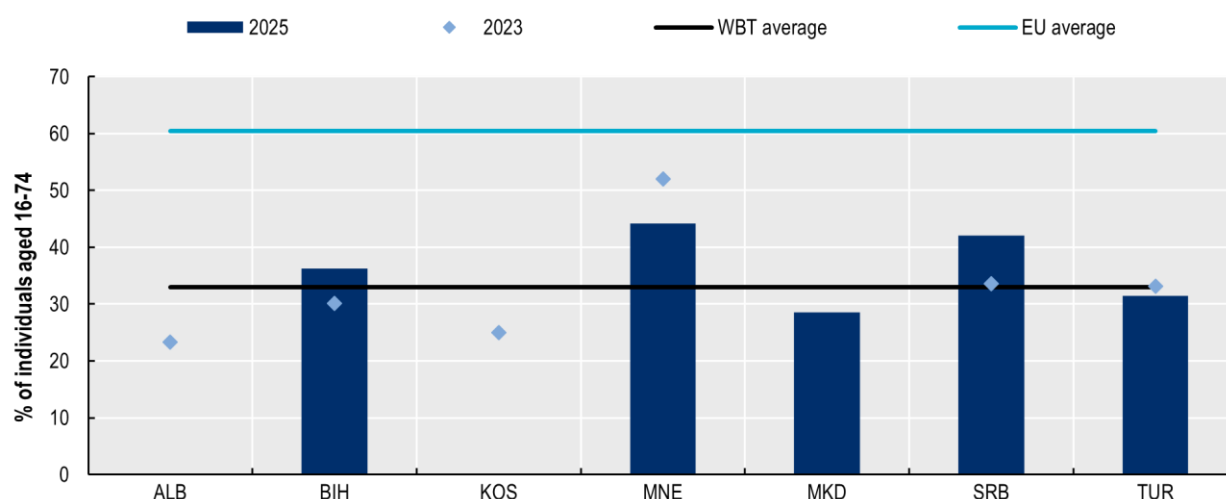
Globally, businesses are anticipating significant shifts in jobs and skills, with around 60% expecting expanded digital access to transform business operations (World Economic Forum, 2025^[21]). The rapid emergence and diffusion of artificial intelligence (AI) is a key driver of this transition, increasing demand for technology-related skills, including AI, big data and broader digital literacy. WBT SMEs are no exception. Firms across the region report evolving job profiles, with routine tasks increasingly exposed to automation, while new roles and opportunities are emerging. Realising these gains, however, will depend on the extent to which SMEs and their workforce possess the knowledge and skills required to adapt.

Low levels of foundational digital skills constrain the potential impact of AI upskilling and limit the ability of SME workforces to adapt to a labour market increasingly shaped by AI

Foundational digital competencies constitute the essential precondition for training in AI-related applications in the workplace. However, across the WBT region, the share of the population with at least basic digital skills remains substantially below the EU average. In several economies, including Albania

and Kosovo, this share stands at around one quarter of the population, while even the strongest performers in the region— Montenegro and Serbia – reach only slightly more than 40%. The regional average of 33% represents roughly 55% of the EU average (60.4% in 2025), underscoring a pronounced structural gap (Figure 4.3). In this context, efforts to promote AI upskilling, whether focused on basic operational uses or more advanced data-driven applications, risk being constrained by insufficient absorptive capacity among the general workforce. Without a broader digital literacy base, SMEs may struggle to identify complementarities between human capital and AI technologies, limiting productivity gains and potentially widening competitiveness gaps as AI adoption accelerates across the European Union.

Figure 4.3. Population with at least basic digital skills in the Western Balkans and Türkiye region, 2023 vs. 2025



Notes: Data are unavailable for Albania (2025) and North Macedonia (2023). Data are not collected for Kosovo, but the OECD imputed a value to give a starting, albeit imperfect, comparison point.

Sources: Eurostat (2026^[30]); OECD (2025^[8]).

StatLink  <https://stat.link/nz7y6s>

AI training programmes are expanding but remain too generic, failing to target the workers and sectors most vulnerable to automation

In response to growing recognition of AI's transformative potential, economies across the region have introduced AI training programmes aimed at supporting the practical application of AI in business contexts. Public provision has expanded relatively quickly, and, in most cases, courses are offered free of charge— or, as in Montenegro, fully subsidised for SMEs – to ensure broad accessibility. However, while the availability of these programmes is increasing, they remain largely generic in design and have paid limited attention to differences in workforce composition or to which groups of workers are likely to be the most affected by AI-driven change. While AI exposure is often concentrated in higher skilled sectors such as ICT and finance, where complementarities between advanced skills and AI technologies are stronger (World Bank, 2025^[23]), the structure of employment in the Western Balkans differs markedly from that of more advanced EU economies. A significant share of employment in the region remains concentrated in lower- and mid-skilled occupations, particularly in manufacturing, agriculture, construction and trade, where routine tasks are prevalent and automation risks are higher (World Bank, 2025^[23]). This makes the region structurally more vulnerable to displacement effects, even as the capacity to leverage AI for productivity gains remains uneven. Some early efforts to address this gap are emerging, including sector-

specific upskilling initiatives targeting SMEs in manufacturing in Türkiye and Bosnia and Herzegovina (Republika Srpska), which aim to support the practical integration of AI tools in production processes and industrial operations.

These challenges are compounded by unequal access to training opportunities. In the WBT economies, like elsewhere, lower educated workers are less likely to engage in training, reflecting limited access and weaker incentives for employer-sponsored upskilling. International evidence points to a negative relationship between automation exposure and participation in training (Lassébie, Marcolin and Quintini, 2022^[31]), a problematic dynamic in economies where large shares of the workforce are employed in routine-intensive sectors. As AI adoption gradually extends beyond ICT and finance into more traditional industries, many of which are central to economic output in the region, the absence of targeted, sector-specific upskilling risks widening productivity gaps and deepening labour market polarisation. Without deliberate efforts to tailor AI training to vulnerable occupational groups and key sectors, current initiatives may reinforce existing inequalities rather than supporting inclusive technological adaptation.

4.2.4. Improving talent availability by empowering women entrepreneurs

In the context of persistent skills gaps and labour shortages, the underutilised entrepreneurial potential of women represents an important opportunity to help mitigate these challenges and ensure that SMEs have access to the right skills in sufficient quantity. However, women remain significantly underrepresented among entrepreneurs and business owners across the WBT economies, ranging from 18% of entrepreneurs in Türkiye to 34% in Serbia. Even at the upper end, this only represents around one-third of total entrepreneurs, highlighting substantial untapped potential for further progress.

Sectoral segregation and persistent data gaps limit women's entrepreneurship as a driver of innovation and higher value growth

Across the region, women's entrepreneurship is primarily embedded as a cross-cutting policy priority, reflected in its integration across employment, SME, innovation and, in some cases, specific sectoral strategies. In certain contexts, such as Montenegro and Bosnia and Herzegovina (Republika Srpska), the adoption of dedicated strategies for women entrepreneurship signal even stronger institutional recognition. Yet, Smart Specialisation Strategies, key documents guiding national economic policy, show little evidence that women or women entrepreneurs are explicitly considered, neither during the preparatory stages nor in the final strategy documents. The prevailing policy framing at the economy level tends to emphasise entrepreneurship primarily as a labour market activation tool for inactive or unemployed women. While this serves an important inclusion objective, it risks under-positioning women entrepreneurs as drivers of innovation, productivity and structural transformation.

As a result, policy support tends to concentrate on entry-level or micro-business creation, with a comparatively limited focus on high-growth sectors or innovation-intensive activities, specifically those in ICT or STEM fields. Although explicit references to increasing women entrepreneurs' representation in these sectors are evident in certain strategies in select economies,¹⁷ promotion remains uneven and often insufficiently linked to broader competitiveness agendas. Structural barriers to finance reinforce this pattern: expansion into capital-intensive sectors requires greater upfront investment, yet women entrepreneurs (particularly those in rural areas) are often less likely to possess collateral,¹⁸ established credit histories or access to investor networks. Lower levels of financial literacy and familiarity with complex financing instruments can further constrain the uptake of available credit.

Monitoring these shifts is further constrained by significant data gaps. Only around half of the economies (Albania, Kosovo, Montenegro and Serbia¹⁹) systematically collect and publish data on the sectoral distribution of women entrepreneurs or women-led firms. In the absence of consistent, gender-disaggregated sectoral data, governments lack a reliable baseline against which to assess whether policy

efforts are diversifying women's participation into higher value-added sectors. Reliance on ad hoc donor-funded surveys, often based on limited samples and varying methodologies, further weakens comparability and continuity. The result is not only an evaluation challenge but a structural weakness in data architecture that limits the ability to design, target and refine policy interventions toward growth-oriented women's entrepreneurship.

Weak care infrastructure and limited family support policies reduce women's ability to start and sustain entrepreneurial ventures

Across all sectors, women entrepreneurs in the WBT region face constraints linked to the disproportionate burden of care responsibilities. While most economies provide relatively robust maternity leave protections, the extent to which these rights apply to self-employed women varies. In five of the seven economies, self-employed women are entitled to the same maternity leave benefits as salaried employees. In contrast, gaps remain in Kosovo and Serbia, where protections are less comprehensive, either lacking a guaranteed entitlement or a minimum allowance, respectively (Table 4.5). Furthermore, even where equal rights are formally in place, uptake can be limited. Evidence points to barriers such as low awareness of entitlements (particularly among women in rural areas, as observed in Albania (Cinque et al., 2022^[32])) as well as fragmented or unclear procedures for claiming benefits, as reported in the Bosnia and Herzegovina (Federation of Bosnia and Herzegovina).

Table 4.5. Maternity leave in the Western Balkans and Türkiye

Economy	Maternity leave allowance	Compensation rate (% of salary)	Self-employed eligible?	Key differences for entrepreneurs
ALB	365 days	80% (first 6 months); 50% (second 6 months)	✓	Same rules apply
BIH	365 days	FBiH: 50-80% (canton-dependent) RS: 100% Brcko District: 100%	✓	Same rules apply
KOS	270 days	70% (first 6 months); 50% (next 3 months)	X	No guaranteed entitlement; draft law proposes 6 months of government-funded maternity leave (50% of average wage)
MNE	98 days	100% (12+ months contributions); sliding scale thereafter	✓	Same rules apply
MKD	270 days	100% (capped at 4x average wage)	✓	Same rules apply
SRB	365 days	100%	X	Contribution base divided by 1.5; no guaranteed minimum allowance
TUR	112 days	67%	✓	Same rules apply

Note: This table refers only to paid maternity leave.

Source: Adapted from information provided by WBT governments during the assessment period.

Beyond maternity protections, structural gaps in childcare provision are a significant constraint on women's entrepreneurship. Namely, limited availability, uneven geographic coverage and affordability challenges directly restrict women's capacity to enter and sustain business activity. In many rural municipalities, childcare provision is insufficient: in Kosovo and North Macedonia, some municipalities lack public facilities altogether. In urban areas, by contrast, offerings tend to be in place, but demand still vastly outstrips supply, resulting in waiting lists and limited access. This leaves mothers with few alternatives: either absorb the high cost of private childcare – which can be prohibitive, particularly for early-stage entrepreneurs – or rely on informal care networks of family and friends, which may limit flexibility and working hours. Although targeted support measures exist, such as Belgrade's monthly subsidy of approximately RSD 33 000 (around EUR 280) for families whose children were not admitted to public kindergartens (Jovanovic, 2025^[33]), these initiatives remain localised rather than systemic.

The way forward for developing SME workforce knowledge and skills

- **Institutionalise and strengthen forward-looking skills anticipation systems.** This requires embedding forecasting tools within national governance structures, assigning clear institutional responsibility for skills intelligence co-ordination, and ensuring stable funding and regular update cycles. Existing instruments such as employer surveys or TNAs should be integrated into broader anticipation systems that generate medium- and long-term projections of labour market needs. Embedding these tools within regular policy processes would help ensure that skills intelligence informs education, training and employment policy in a systematic and sustained manner rather than remaining a series of ad hoc or donor-driven exercises.
 - **Ensure that skills anticipation tools systematically identify emerging skills needs related to the twin transitions.** Forecasting tools should explicitly assess the implications of digitalisation and the green transition for labour demand across sectors, including the emergence of new occupations and the transformation of existing ones. Integrating these insights into policy planning would support the timely adaptation of curricula, training programmes and reskilling initiatives, ensuring that education and training systems are better aligned with the evolving skills requirements of the digital and green transitions. France's National Observatory for Jobs and Occupations of the Green Economy provides a useful example of such an approach (Box 4.2).
- **Expand and better target training systems to support workers and SMEs most vulnerable to disruption from the green and digital transitions, including artificial intelligence.** Upskilling and reskilling efforts should be tailored to sectors facing higher risks of displacement or transition, such as manufacturing in the context of AI and “brown” sectors such as mining in the green transition. Training should be delivered through accessible formats, including modular and workplace-based learning, and supported by co-financing mechanisms to reduce participation costs for SMEs. Clear outcome and impact indicators should be embedded to assess effectiveness and inclusiveness, while systematic monitoring and evaluation can support the refinement and scaling of programmes to ensure they deliver meaningful labour market outcomes and strengthen SMEs' adaptive capacity.
- **Scale up the use of micro-credentials as flexible, modular upskilling pathways for SMEs and their workforce.** To support broader uptake of micro-credentials, efforts should focus on strengthening their integration into national systems. In some economies (Montenegro, Serbia and Türkiye), this will require further formalisation through the introduction of clear standards, quality assurance mechanisms and alignment with NQFs. In others (Albania, Bosnia and Herzegovina, Kosovo, and North Macedonia), the priority will be to establish a clear legal basis recognising micro-credentials within the NQF. Strengthening this regulatory anchoring would enable micro-credentials to function as recognised and portable qualifications, offering SMEs accessible, short form training options better aligned with evolving skills needs.

Box 4.2. Good practice example: Strengthening skills anticipation for the green transition: France's National Observatory for Jobs and Occupations of the Green Economy

France's National Observatory for Jobs and Occupations of the Green Economy provides a structured example of how skills anticipation tools can be used to identify labour market implications of the green transition and inform policy planning. Established in 2010 under the Ministry for Ecological Transition, the Observatory operates through a distinctive governance model that brings together a wide range of public institutions across policy domains and levels of government. Members include the French Agency for the Environmental Transition, the Centre for Studies and Research on Employment and Skills, the National Institute of Statistics and Economic Studies, the Directorate General for Employment and Vocational Training, and regional employment and training observatories. This multi-institutional structure facilitates co-ordination between environmental, labour market, statistical and training authorities, strengthening the capacity to monitor how environmental policies and the shift toward a low-carbon economy affect employment and skills needs.

The Observatory analyses labour market trends associated with the green transition by identifying “green jobs” (occupations directly linked to environmental protection) and “greening jobs” (occupations undergoing transformation as environmental requirements reshape production processes). Through the use of labour market statistics, sectoral studies and occupational analysis, the Observatory tracks how the demand for skills evolves across sectors and regularly publishes indicators and analytical reports to inform policy discussions.

For the WBT economies, similar arrangements could help strengthen skills anticipation systems by integrating analysis of digital and green transitions into labour market forecasting exercises. Establishing dedicated analytical functions, whether through observatories (as planned in Albania and North Macedonia), specialised units within ministries or co-ordinated inter-institutional platforms, could help systematically identify emerging skills needs and inform adjustments to education, training and reskilling policies.

Sources: OECD (2025^[34]; 2024^[35]); France Ministry of Ecological Transition and Territorial Cohesion (2025^[36]).

- **Strengthen policy support for SMEs that actively invest in employee upskilling, professional development and retention.** Given the low levels of adult learning across the region, policy frameworks could recognise and incentivise SMEs that play a direct role in building workforce skills, particularly where firms compensate for gaps in formal education through in-company training. Targeted instruments could include co-financing schemes for workforce development, support for firm-level training initiatives (including internal training programmes) or more favourable tax treatment of employee benefits aimed at improving retention and attraction.
- **Continue to expand support for fostering women entrepreneurs' participation in high-growth, innovation-intensive fields.** Strengthening such support requires a stronger evidence base to understand the current sectoral distribution of women-led businesses and to track whether policy measures effectively expand women's participation in higher value-added and innovation-driven activities.
 - **In economies where sectoral data for women entrepreneurs is not yet collected (Bosnia and Herzegovina [Federation of Bosnia and Herzegovina], North Macedonia, Türkiye):** priority should be given to establishing mechanisms to collect, harmonise and regularly publish data on the sectoral distribution of women-led businesses. Integrating these indicators into national business registers, statistical surveys and SME monitoring frameworks would provide

policymakers with a stronger evidence base to assess whether support measures are effectively expanding women's participation in higher value-added and growth-oriented sectors.

- **In economies with sectoral data (Albania, Bosnia and Herzegovina [Republika Srpska], Kosovo, Montenegro, and Serbia):** policy efforts should focus on targeted measures to reduce sectoral segregation and support women entrepreneurs in technology-intensive fields. These may include dedicated financial instruments, such as grants or seed funding for women-led start-ups in ICT and STEM sectors, alongside specialised incubation or acceleration programmes that combine technical mentoring with business development support. Strengthening linkages between universities, research institutions and women entrepreneurs can further facilitate the commercialisation of STEM-based innovations.
- **Address care-related constraints affecting women's entrepreneurship** by taking steps to reduce structural barriers to business creation and growth. One key action would be to strengthen maternity leave protections for self-employed women where these remain less favourable than those available to salaried workers (Kosovo and Serbia), thereby reducing financial disincentives that may discourage women from pursuing entrepreneurship. In parallel, all economies should expand the availability of affordable childcare infrastructure, particularly in rural municipalities where provision remains limited, through a combination of public investment, targeted subsidies and reduced regulatory thresholds for employer-provided childcare services.

4.3. Strengthening social capital by advancing social entrepreneurship

A small business rarely succeeds in isolation. For many SMEs, competitiveness depends not only on the skills of their workforce, but also on their ability to rely on trust-based relationships, local networks and collaborative norms (i.e. "social capital"). Yet, SMEs across the WBT region often operate under structural constraints linked to limited scale, financing and internal capacities, which can restrict access to talent, learning opportunities and knowledge exchange. In this context, the social economy²⁰ constitutes an important institutional channel through which SMEs in the region can build and mobilise social capital, supporting human capital development and strengthening their capacity to adapt, innovate and grow.

While the social economy is expanding globally, encompassing over 4.3 million organisations and 6.3% of the European workforce (European Commission, 2025^[37]), it remains at a very early stage of development in the WBT region. Indeed, in the six Western Balkan economies, it is estimated that there are only around 1 080 social enterprises operating,²¹ in addition to another 9 000 operating in Türkiye alone, showcasing significant scope for further development of the sector. Namely, strengthening the social economy could contribute to sustainable competitiveness by fostering innovation in economic and social spheres and supporting the creation of quality jobs (OECD/European Union, 2025^[38]), which can help reduce inequalities and support economic convergence between WBT economies and the European Union.

Against this backdrop, this section examines the key building blocks for strengthening the social enterprise ecosystem, focusing on improved mapping alongside the development of a more supportive legal and institutional environment.

4.3.1. Mapping the social enterprise landscape

Understanding the structure and scope of the social enterprise landscape is a necessary first step toward fostering the broader development of the social economy. Yet, across the WBT economies, systematic identification and mapping of social enterprises remain uneven, resulting in incomplete registration coverage and limited availability of reliable information on the sector.

Registers of social enterprises are either underdeveloped or not yet established, leaving efforts to map the social economy ecosystem at an early stage

Registers of social enterprises are beginning to emerge as an administrative mechanism to formalise social enterprises, with systems established in Albania, Bosnia and Herzegovina (Republika Srpska), Kosovo and Serbia (Table 4.6). However, the absence of comparable mechanisms across the remaining economies limits the consistency and completeness of registration practices across the region. Even where registers exist, their institutional design often constrains their scope. Registers are typically maintained as internal administrative lists within individual ministries rather than as centralised or interoperable systems, and are rarely publicly accessible. In addition, registration frameworks frequently lack standardised data requirements, with limited and uneven collection of basic information such as legal form, sector of activity or employment size (with the exception of Bosnia and Herzegovina [Republika Srpska]).

Table 4.6. Official registers of social enterprises in the Western Balkans and Türkiye

	ALB	BIH		KOS	MNE	MKD	SRB	TUR
		FBIH	RS					
Register is in place	✓	In progress (2026)	✓	✓	In progress (2027)	X	✓	X
Register is publicly accessible	X	n.a.	X	X	In progress (2029)	n.a.	X	n.a.
Register includes legal form of social enterprise	X Must be NPO	n.a.	✓	✓	n.a.	n.a.	✓	n.a.
Register includes scope/sector of activity of the social enterprise	✓	n.a.	✓	✓	n.a.	n.a.	X	n.a.
Register includes number of employees	X	n.a.	✓	X	n.a.	n.a.	X	n.a.
Register includes data on turnover	X	n.a.	✓	X	n.a.	n.a.	X	n.a.

Notes: n.a.: not applicable. NPO: non-profit organisations. Years shown in parentheses indicate the target year for completion of the benchmark. Sources: Adapted from information provided by WBT governments during the assessment period.

Moreover, registration uptake remains low and often diverges from estimates of social enterprises operating in practice. While the relative novelty of social enterprise legislation partly explains limited registration, additional structural factors contribute to weak participation. For example, many organisations remain cautious about formal registration due to additional obligations, such as profit reinvestment rules or enhanced reporting requirements, particularly where registration does not confer clear operational advantages. In the absence of explicit incentives or differentiated treatment, registration frameworks risk remaining underutilised and incomplete as a basis for sector identification (OECD/European Union, 2025^[39]).

Incomplete registration systems translate into structural data gaps that reinforce the statistical and policy invisibility of social enterprises

The absence of comprehensive registration data prevents social enterprises from being systematically captured in official statistical systems, limiting the ability of national statistical offices and competent line ministries to produce reliable evidence on the sector's size, structure and economic contribution. In policy environments where the allocation of resources and institutional support is increasingly evidence-driven, this lack of visibility weakens the sector's standing relative to more established economic actors. As a result, social enterprises are often treated as a residual subset of the non-profit or SME landscape rather than as a distinct category with specific development needs and policy potential.

These data gaps have direct consequences for policy effectiveness and accountability. Ex ante, limited information constrains government's capacity to diagnose structural challenges, including financing constraints, skills needs or regional concentration. Ex post, it restricts the ability to monitor and evaluate whether public interventions lead to increased formalisation, improved sustainability, or growth in employment and economic activity. Moreover, registers function as a key entry point for integrating social enterprises into broader policy systems, including skills intelligence, SME support instruments and labour market programmes. In their absence, social enterprises remain structurally excluded from mainstream policy frameworks, perpetuating a cycle in which limited data constrains policy action, and limited policy action reinforces sector invisibility.

4.3.2. Creating an enabling environment for social enterprises

Advancing the social economy ecosystem requires a comprehensive enabling environment that combines clear and functional legal frameworks with access to financing, skills development and capacity-building support. These elements are critical to enabling social enterprises and social entrepreneurs not only to establish viable operations, but also to scale, innovate and remain competitive within evolving market conditions.

Governments have made progress in advancing legal frameworks for social enterprises

WBT economies increasingly have a dedicated legal framework for social enterprises, although coverage remains uneven. Legislation is currently in force in Albania, Bosnia and Herzegovina (Republika Srpska), Kosovo and Serbia, while draft frameworks are under development in Bosnia and Herzegovina (Federation of Bosnia and Herzegovina), Montenegro and North Macedonia. These frameworks establish the formal parameters of social enterprise activity, but their practical impact depends less on their existence than on how definitions are operationalised.

Table 4.7 points to two distinct definitional design choices that shape the inclusiveness of social enterprise frameworks: the scope of the social mission and eligibility by legal form. In several cases, namely in Albania and Kosovo, legislative definitions remain closely anchored in work integration models that prioritise employment of disadvantaged groups, often through specific workforce thresholds. Although such models play a critical role in advancing labour market inclusion, narrow mission definitions risk overlooking those organisations that pursue broader social or environmental objectives through alternative business models. A second design element concerns eligibility across legal forms. Inclusive frameworks, which prevail across most WBT economies with dedicated legislation (with the notable exception of Albania), allow a broad range of organisational structures to obtain social enterprise status and support the formal recognition of *de facto* social enterprises. Variations across these two dimensions influence not only regulatory clarity, but also the extent to which legal frameworks capture the full diversity of social enterprise activity and support sector growth.

Table 4.7. Overview of legal frameworks governing social enterprises across the Western Balkans and Türkiye

	ALB	BIH		KOS	MNE	MKD	SRB	TUR
		FBIH	RS					
Dedicated legal framework in place?	✓	In progress	✓	✓	In progress	In progress	✓	X
Eligible legal forms?	Only NPOs	n.a.	All forms	All forms	n.a.	n.a.	All forms	n.a.

	ALB	BIH		KOS	MNE	MKD	SRB	TUR
		FBIH	RS					
Social mission defined beyond WISE?	X	n.a.	✓	X	n.a.	n.a.	✓	n.a.
WISE employment threshold?	≥30% of employees	n.a.	None	≥30% of employees (Category B)	n.a.	n.a.	None	n.a.
Secondary legislation in place?	✓	n.a.	✓	✓	n.a.	n.a.	✓	n.a.

Notes: n.a.: not applicable. WISE: work integration and social enterprise. NPO: non-profit organisation. There are two types of social enterprises in Kosovo: Category A (must provide social and care services for vulnerable groups) and Category B (broader production and service activities but must employ at least 30% of workers from vulnerable groups).

Sources: Government of Albania (2016^[40]); Government of Serbia (2022^[41]); Government of RS (2021^[42]); Government of Kosovo (2018^[43]).

Public support for social enterprises is expanding, but existing instruments remain largely generic and insufficiently adapted to the sector's dual economic and social mission

Social enterprises' hybrid business models create structural financing and capacity-building needs that conventional SME support systems are not designed to address. For instance, traditional lending instruments are generally designed for businesses with predictable revenue generation and profit-maximising models, making them poorly suited to social enterprises, which often reinvest earnings, operate under mission-driven governance and face less stable income streams. As a result, social enterprises tend to rely heavily on public funding, primarily through mainstream SME support programmes. While these programmes can provide valuable support, they are not specifically tailored to the needs of social enterprises and often face high demand, placing social enterprises in direct competition with conventional SMEs that may be better positioned to meet eligibility criteria. Dedicated and institutionalised financing mechanisms for social enterprises remain rare, with financial support frequently delivered through short-term, project-based initiatives. Although some economies have begun exploring more structured approaches, including commitments in Albania to establish a dedicated support fund and legislative provisions in Bosnia and Herzegovina (Republika Srpska) allowing for the creation of Social Entrepreneurship Fund(s), implementation remains limited, hindering the development of stable and predictable financing ecosystems for social enterprises (Government of Albania, 2023^[44]; Government of RS, 2021^[42]).

Capacity-building support reflects many of the same structural shortcomings observed in financing support. Although social enterprises are generally eligible to participate in mainstream entrepreneurship and SME training programmes, these initiatives are rarely designed to reflect the distinct operational and governance models characterising social enterprises. Tailored training initiatives remain limited in scale and continuity, leaving persistent gaps in specialised capacity-building support. Such limitations are particularly evident in social impact measurement and reporting. Across economies like Albania, Kosovo and Serbia, regulatory frameworks increasingly require social enterprises to demonstrate social outcomes as part of registration or ongoing reporting obligations, yet these expectations have not been accompanied by systematic technical assistance or training provision. As reporting requirements expand, registered social enterprises will face growing compliance challenges that can restrict access to financial support, limit participation in public procurement or place formal social enterprise status at risk. More broadly, increasing compliance obligations without corresponding capacity-building support may discourage potential social enterprises from pursuing formal registration, ultimately weakening sector formalisation and reducing the effectiveness of policy frameworks intended to support social enterprise development.

The way forward for strengthening social capital by advancing social entrepreneurship

- **Strengthen data infrastructure through interoperable and comprehensive social enterprise registers.** WBT governments should accelerate the establishment and upgrading of social enterprise registers so they function as strategic policy tools rather than administrative lists.
 - **For economies with existing registers (Albania, Bosnia and Herzegovina [Republika Srpska], Kosovo, and Serbia):** Efforts should focus on strengthening the operational and analytical value of existing systems. Registers should be made publicly accessible in searchable formats to enhance transparency and visibility, while technical interoperability with national statistical offices and broader business registers should be established to enable systematic data exchange and integration into official statistics. Clear procedures for regular updating and verification of entries should also be introduced to ensure data accuracy and policy relevance.
 - **For economies without operational registers (Bosnia and Herzegovina [Federation of Bosnia and Herzegovina], North Macedonia, and Türkiye):** Priority should be given to establishing a formal legal and institutional framework for social enterprise registration. From the outset, registers should include clearly defined eligibility criteria and mandatory core data fields (e.g. legal form, sector of activity, employment, turnover and social objectives) and, in line with the recommendations above, be designed to ensure interoperability and integration with national statistical and administrative systems to support future policy monitoring and analysis.
- **Develop tailored financing and capacity-building instruments aligned with the hybrid nature of social enterprises.** Governments across the region should establish permanent and institutionalised financing mechanisms, such as social enterprise funds, blended finance schemes or impact investment facilities, to reduce reliance on short-term and donor-driven project funding (Box 4.3). Financing instruments should reflect social enterprises' reinvestment obligations, governance structures and variable revenue patterns. In parallel, governments should expand specialised capacity-building programmes focused on governance, business sustainability, scaling and impact management. Particular attention should be paid to strengthening training and technical support on social impact measurement and reporting, especially in economies where regulatory frameworks require evidence of social outcomes.

Box 4.3. Good practice example: Portugal Social Innovation initiative: A model for dedicated and structured social enterprise financing

Launched in 2015, the Portugal Social Innovation initiative aims to strengthen the social economy by supporting social innovation and social entrepreneurship projects that generate new solutions to pressing societal challenges. Within this overarching objective, a core aim is to develop financing instruments tailored to the specific needs and hybrid models of social economy entities.

Specifically, the initiative combines four complementary instruments:

1. **Capacity building for social investment:** lump-sum grants (up to EUR 50 000, 18 months) to strengthen the organisational and management capacities of early-stage social innovation and entrepreneurship initiatives.
2. **Partnerships for impact:** matching grants (70% public, 30% private co-financing) exceeding EUR 50 000 for projects lasting 1-3 years, supporting early growth and scaling.
3. **Social impact bonds:** outcome-based financing in priority public policy areas (e.g. employment, health, education), with full reimbursement of eligible costs upon verified achievement of the agreed-upon outcomes.
4. **Social Innovation Fund:** financial instruments, including guarantee mechanisms and co-investment facilities, designed to address market failures in access to finance for more mature social enterprises.

During its first cycle (2015-2022), the programme launched 8 open calls, receiving 1 244 applications, of which 693 were approved, mobilising approximately EUR 148 million. It is estimated that the supported projects reached around 1.4 million beneficiaries.

Portugal Social Innovation provides a strong example of how governments can institutionalise dedicated financing mechanisms while embedding structured capacity building. Its life cycle approach, combining grants, matching funds, outcome-based instruments and blended finance, ensures that support evolves with the maturity of social enterprises, reducing reliance on short-term donor funding and strengthening long-term ecosystem sustainability.

Sources: European Commission (2022^[45]); Pedro and Bomba (n.d.^[46]); OECD (2025^[47]).

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Notes

¹ This average excludes Bosnia and Herzegovina, which did not participate in the PISA 2022 cycle.

² It is important to note that the regional averages and regional trends in performance are impacted by the decline observed in Albania, which is among the largest recorded across participating systems. OECD analysis suggests that factors such as student test engagement may have influenced the results, which should consequently be considered when interpreting changes over time. For more information, see: https://www.oecd.org/en/publications/2023/12/pisa-2022-results-volume-i_76772a36/full-report/how-much-effort-do-students-put-into-the-pisa-test_4a45c973.html.

³ This figure excludes any estimate of Türkiye.

⁴ The entrepreneurship key competence is underpinned by the EU Entrepreneurship Competence Framework (EntreComp) to guide competence development.

⁵ One clear exception is Montenegro, where dedicated trainings are available through the national Digital Education Platform.

⁶ It is worth noting that there is a substantial gender gap in Türkiye that is not observed in the other WBT economies: indeed, the NEET rate among young women was nearly double that of young men in 2024 (30.0% versus 16.3%, respectively).

⁷ The European Framework for Quality and Effective Apprenticeships stipulates that work-based learning should constitute 50% of programme duration.

⁸ These efforts are ongoing in Serbia. Namely, starting from the 2026/2027 school year, the proportion of time spent in work-based learning will gradually increase to amount to at least 60% of total instruction time in three-year VET programmes (and 40% for four-year programmes). For more information, see: https://www.etf.europa.eu/sites/default/files/2025-09/WBL-Serbia-edited_clean.pdf.

⁹ The exception is Türkiye, where employers with more than 10 employees are obligated to host student trainees.

¹⁰ For more details on the informal economy and its impact on SME development in the region, see Section 1.2.1, “Reducing informal competition for SMEs,” in Cluster 1 of the regional profile.

¹¹ Upskilling involves short, focused training aimed at enhancing or updating existing knowledge, skills, or competences developed through prior learning. Reskilling, often referred to as retraining, involves acquiring an entirely new set of skills to enable individuals to transition into a different occupation or field of work. For more information, see: <https://unevoc.unesco.org/home/sandbox-tvetipedia/lang=en/filt=all/id=462>; <https://unevoc.unesco.org/home/TVETipedia+Glossary/lang=en/show=term/term=Retraining#start>.

¹² These economies include Serbia (60%), North Macedonia (70%), Türkiye (72%) and Montenegro (75%). It should be noted that these figures are not fully comparable, as they are derived from nationally developed methodologies and data sources. Nonetheless, they provide a useful indicative baseline for illustrating the scale of the challenge across the region. Further details on the underlying data and calculation methods for each economy are provided in the respective economy profiles.

¹³ “Skills intelligence” can be defined as the “process of identifying, collecting, analysing, synthesising and presenting quantitative or qualitative information on skills and the labour market to: (i) identify key trends and demands in the labour market, (ii) assess, anticipate and forecast skills needs, (iii) address skills gaps and mismatches and (iv) adapt provision of education and training accordingly.” For more, see: <https://www.cedefop.europa.eu/en/tools/vet-glossary/glossary/kompetenzanalytik>.

¹⁴ The sustained outflow of skilled migrants from the WBT region poses a major obstacle to SMEs, given its direct impact on talent availability. For more information on the dynamics of labour migration in the Western Balkan economies, see: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/05/labour-migration-in-the-western-balkans_c885a35f/af3db4f9-en.pdf.

¹⁵ This regional projection excludes Türkiye.

¹⁶ For more details on the informal economy in the region, see Section 1.2.1, “Reducing informal competition for SMEs”, in Cluster 1 of the regional profile.

¹⁷ These include Montenegro’s Strategy for the Development of Women’s Entrepreneurship 2025-28, Türkiye’s 2030 Industry and Technology Strategy, and RS’s Strategy for the Development of Entrepreneurship of Women 2025-31.

¹⁸ Data, when available, confirm this trend. For instance, in Montenegro, women hold only about 25% of registered assets; in North Macedonia, women own only 26% of property; in Serbia, 25.6% of women hold sole ownership of immovable property, and 12.8% co-own. More details on these figures and their implications for women entrepreneurs can be found in the individual economy profiles.

¹⁹ It is worth noting that Republika Srpska does collect gender-disaggregated data; however, Bosnia and Herzegovina is excluded from this list due to the absence of comparable data in the Federation of Bosnia and Herzegovina and the lack of consolidated statistics at the state level.

²⁰ The OECD defines the social economy as “made up of a set of organisations such as associations, cooperatives, mutual organisations, foundations, and, more recently, social enterprises. In some cases, community-based, grassroots and spontaneous initiatives are part of the social economy in addition to non-profit organisations, the latter group often being referred to as the solidarity economy. The activity of these entities is typically driven by societal objectives, values of solidarity, the primacy of people over capital and, in most cases, by democratic and participative governance.” For more, see: <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0472>.

²¹ This estimate is based on figures presented in each economy profile: 379 in Albania; 50 in Bosnia and Herzegovina (derived from an estimate of 25 in the FBiH and doubled to approximate national coverage due to the absence of estimates for RS); 50 in Kosovo (midpoint of the estimated 30-70 range); 50 in Montenegro; 57 in North Macedonia; and 500 in Serbia. Data for each economy were provided by governments and/or other relevant institutions to the OECD during the assessment cycle. It is important to note that these estimates are not based on a fully comparable methodology and should therefore be interpreted with caution. Differences in legal definitions, where such definitions exist, as well as variations in registration systems may affect comparability across cases.

Annex A. Methodology

The assessment framework of the *SME Policy Index 2026: Western Balkans and Türkiye* is aligned with the Small Business Act (SBA) for Europe and structured around 13 policy dimensions covering the breadth of SME policy. The methodology has been jointly developed by the OECD, the European Commission, the European Bank for Reconstruction and Development and the European Training Foundation, ensuring a consistent and co-ordinated approach grounded in internationally recognised practices.

Building on lessons from previous assessment cycles and reflecting evolving regional and global dynamics, the methodology has been updated for this edition. These revisions expand the scope of the analysis to capture emerging policy areas and place greater emphasis on policy delivery, particularly implementation and monitoring.

Revision of the scoring methodology

Key considerations informing the methodological revision

The OECD has revised the methodology used to calculate scores in the *SME Policy Index*, guided by four key principles aimed at enhancing its effectiveness, relevance and usability.

1. **Reducing response burden and streamlining data collection:** A comprehensive revision of the questionnaire was undertaken to simplify the data collection process. Respondents were provided with access to their previous assessment submissions to facilitate continuity and reduce duplication. Obsolete or repetitive questions were removed, and, where possible, open-ended questions were replaced with multiple-choice formats to improve clarity and consistency of responses.
2. **Capturing emerging policy trends and priorities:** The revised methodology reflects the evolving environment in which SMEs operate, shaped by intensifying geopolitical fragmentation, supply chain reconfiguration, the rapid diffusion of artificial intelligence, the acceleration of the green and digital transitions and rising economic uncertainty. New questions have been introduced to better capture these dynamics, with a particular emphasis on digitalisation. This is reflected in the introduction of a dedicated policy dimension on the digital transformation of SMEs (Dimension 11), as well as the integration of digital considerations across other dimensions, including business support services (Dimension 5a), access to finance (Dimension 6), enterprise skills (Dimension 8a) and internationalisation (Dimension 10). In addition, the updated framework incorporates priorities aligned with European Commission initiatives, including the Green and Digital Agenda, Reform Agendas and the Union for Skills.
3. **Strengthening the focus on policy delivery:** The revised methodology places greater emphasis on the effectiveness of policy implementation. To this end, the weighting of the policy cycle stages has been adjusted, increasing the importance of monitoring and evaluation while reducing the relative weight of planning and design (with implementation remaining a central component). This shift allows the assessment to better capture how policies perform in practice, rather than focusing primarily on their existence, and reflects both rising performance levels and increasing policy ambition across the region.

4. **Maintaining comparability across assessment cycles:** While introducing methodological improvements, preserving comparability with previous editions remains a core priority. Maintaining consistency in the assessment framework enables tracking of progress over time and supports meaningful comparisons across evaluation cycles.

Taken together, these guiding principles ensure that the revised SME Policy Index methodology provides a more robust and policy-relevant framework, supporting governments in assessing SME policies and fostering increased alignment with and convergence towards EU SME policy standards.

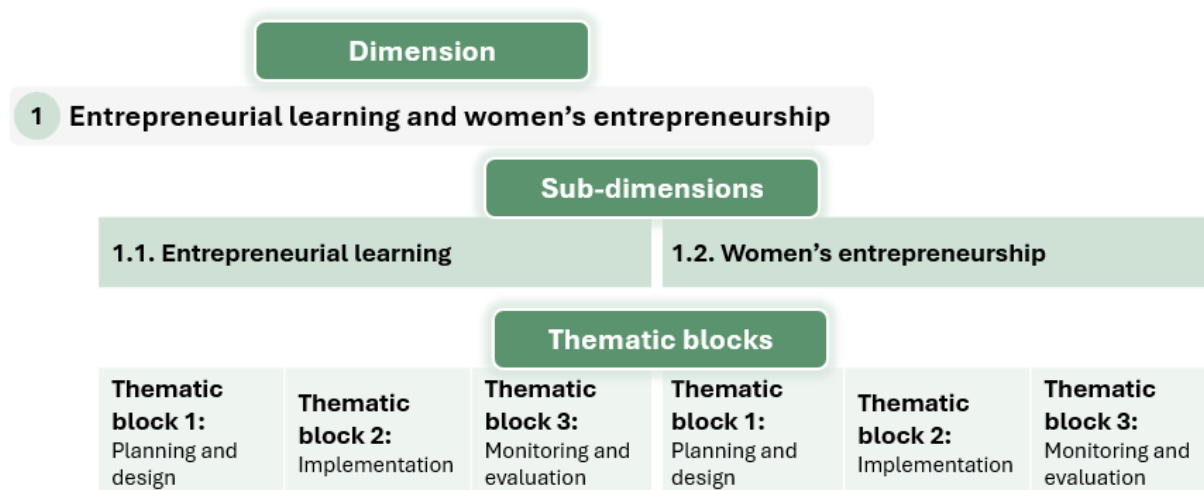
Scoring methodology

Scores assigned to economies across policy dimensions (and their constituent sub-dimensions and thematic blocks) under the *SME Policy Index* are derived from a multi-source assessment process combining OECD evaluation, government self-assessment and validation through stakeholder consultations to address information gaps and ensure accuracy.

Data collection, evaluation and verification processes

The information underpinning the SME Policy Index is collected through 13 questionnaires, corresponding to each policy dimension. Most dimensions are further structured into sub-dimensions, which are divided into thematic blocks containing sets of related questions. These thematic blocks generally reflect the key stages of the policy cycle: design, implementation, and monitoring and evaluation (Figure A A.1). Each block includes two types of questions: (i) multiple-choice questions used to calculate assessment scores, and (ii) open-ended questions that capture additional descriptive evidence and contextual information.

Figure A A.1. Structure of policy dimensions



There are several exceptions to this structure:

- Both Dimension 5b (Public procurement) and Dimension 8a (Enterprise skills) are organised solely around thematic blocks and do not include sub-dimensions.
- For certain dimensions and sub-dimensions, they are not structured around the typical three thematic blocks. These include:
 - Dimension 6 (Access to finance)
 - Dimension 7 (Standards and technical regulations)

- Dimension 8b (Innovation policy for SMEs)
- Sub-dimensions 2.1 (Preventive measures) and 2.3 (Promoting second chance)
- Sub-dimension 3.3 (Public-private consultations)
- Sub-dimensions 4.3 (Business licensing) and 4.4 (Tax compliance procedures for SMEs)

The assessment questionnaires were distributed to appointed government representatives (the “SME Policy Index co-ordinators”) in each of the seven Western Balkans and Türkiye economies,¹ through which governments conducted a self-assessment of their policy frameworks. The process was broad-based, engaging more than 600 representatives from both government and non-government stakeholders across the region. In parallel, the OECD carried out an independent assessment, drawing on extensive desk research and follow-up consultations with key stakeholders to address information gaps and resolve inconsistencies, while authorities were asked to provide supporting evidence for each response to facilitate verification. The assessment further benefited from inputs provided by a team of local experts, as well as subject-matter experts from relevant OECD directorates and partner organisations, including the European Bank for Reconstruction and Development and the European Training Foundation.

Scoring responses from the questionnaires

Qualitative information collected through multiple-choice questions was converted into quantitative scores. Each question was assigned a specific point range, typically between 0.25 and 1 point.

In some cases, scoring remains binary, with points awarded based on a yes/no response. However, in this assessment cycle, greater emphasis has been placed on incorporating **quality criteria** into the scoring methodology. This approach ensures that scores reflect not only the existence of a policy or measure, but also its depth, effectiveness and level of development, allowing for clearer differentiation between more and less advanced policy frameworks.

For certain questions, this has meant moving beyond binary responses to assess levels of advancement based on evidence, with predefined answer categories reflecting increasing levels of policy maturity (Figure A A.2). In other cases, previously binary questions have been complemented with a quality assessment. For example, when assessing whether a policy framework is in place, a base score (50% of the total points) was awarded for its existence, while the remaining score reflected the extent to which defined quality criteria were met (e.g. a clear timeline, allocated budget, well-defined, measurable objectives). A similar approach was applied to other questions, such as those related to evaluation, as illustrated in Figure A A.3.

Figure A A.2. Example of graded scoring

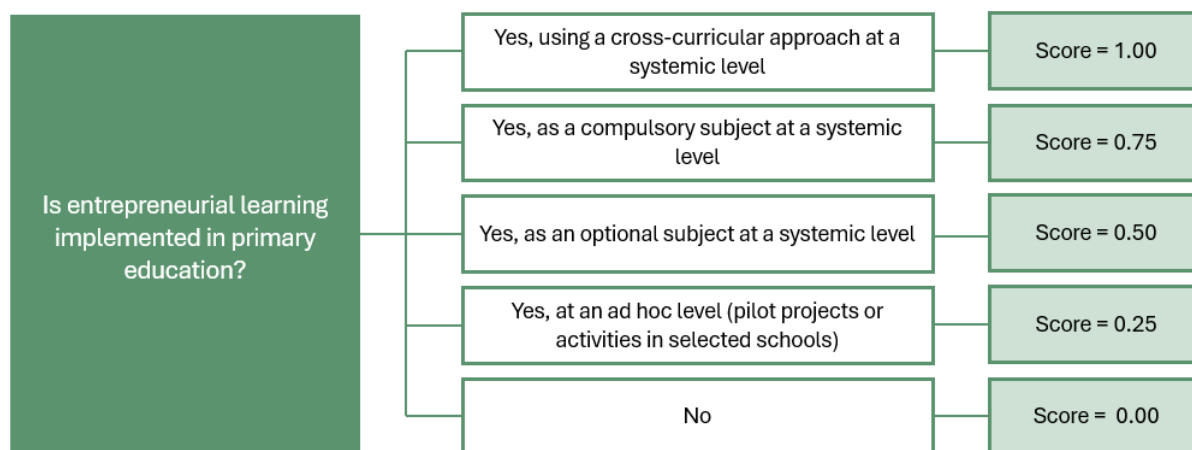
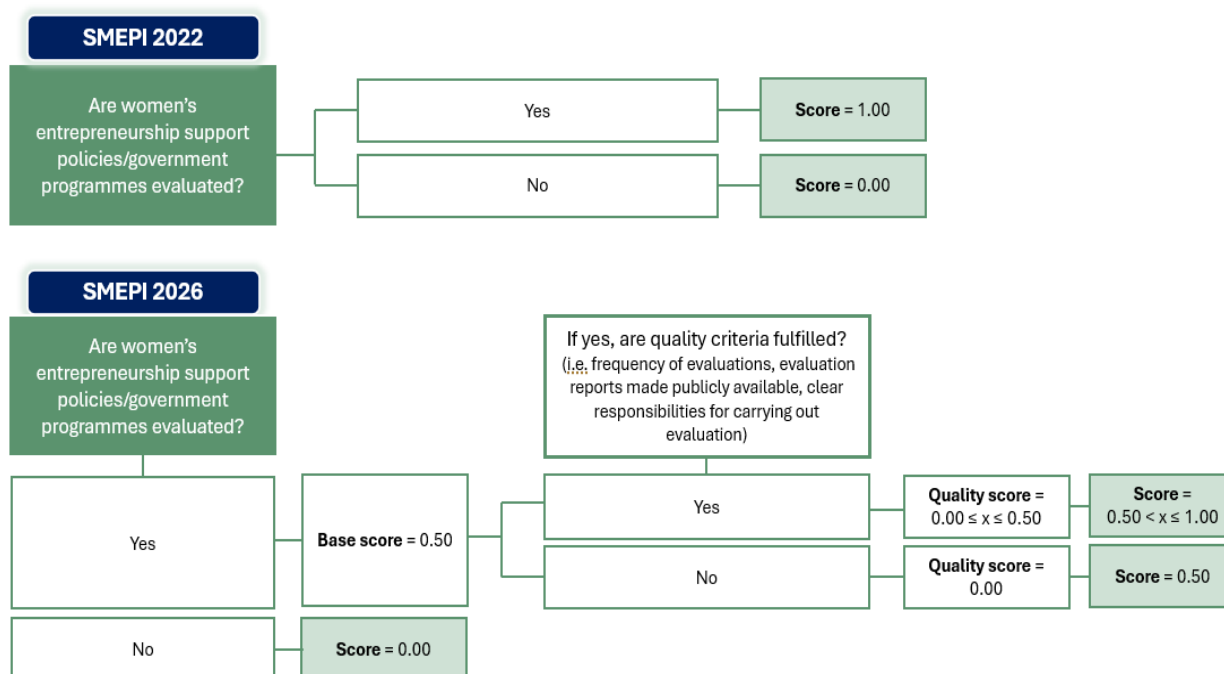


Figure A A.3. Example of a question where quality criteria were introduced



Final scores by policy dimension

Once scores had been assigned to all scored questions, a simple average was used to compute scores at the thematic block level.

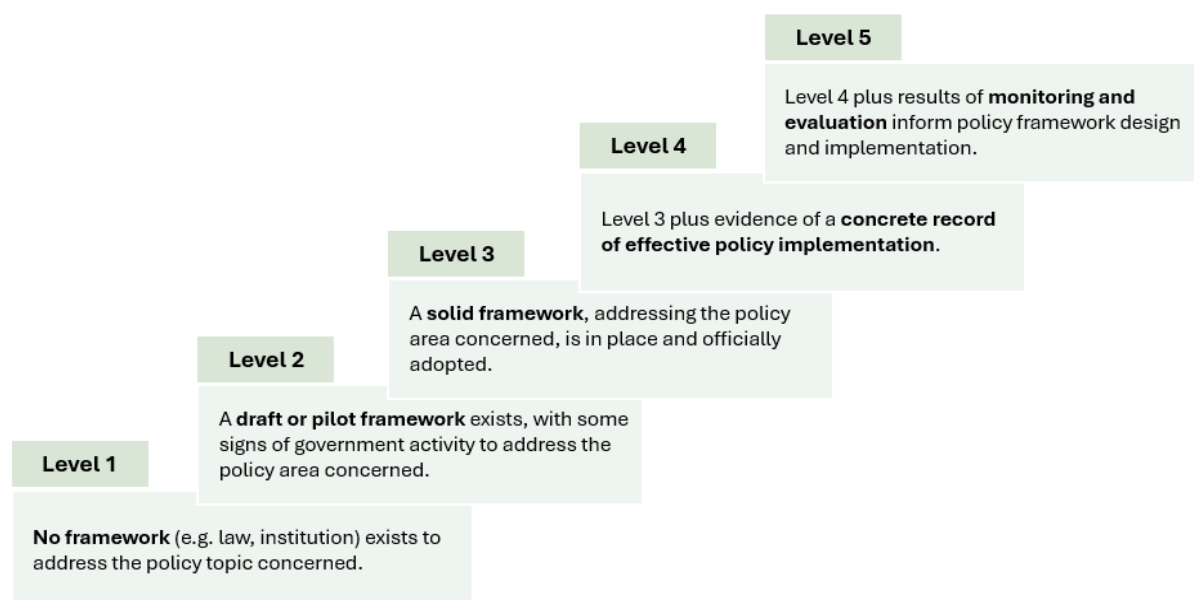
As noted earlier, the weighting applied to dimensions with standard thematic blocks has been adjusted in this assessment cycle. Previously, weights were distributed as 30% for policy design, 50% for implementation and 20% for monitoring and evaluation; this has now been revised to 25% for policy design, 50% for implementation, and 25% for monitoring and evaluation (Table A A.1). An exception is made for Dimension 11, where greater emphasis continues to be placed on the policy planning stage, reflecting the relatively early stage of development of this area across the region.

Table A A.1. Changes to the weights of thematic blocks

	Weighting of SME Policy Index 2022	New weighting of SME Policy Index 2026	Exception: Dimension 11 (SME Policy Index 2026)
Thematic block 1: Planning and design	30%	25%	40%
Thematic block 2: Implementation	50%	50%	40%
Thematic block 3: Monitoring and evaluation	20%	25%	20%

For policy dimensions with sub-dimensions, scores for each thematic block were then aggregated to obtain a score for the sub-dimension. Sub-dimension scores were finally aggregated using expert-determined weightings (based on the relative significance of each policy area) to reach an overall dimension score. This score ranges from 1 to 5, wherein a score of 1 represents the weakest performance, while a score of 5 reflects the most advanced level of policy development across all stages of the policy cycle as well as a high degree of alignment with OECD and EU good practices and standards (Figure A A.4).

Figure A A.4. Overview of score levels for policy dimensions



Computing comparable scores with previous SME Policy Index editions

Despite revisions to weighting of thematic blocks across dimensions to place less weight on planning and design and more on monitoring and evaluation, scores between the 2022 and 2026 edition of the *SME Policy Index* remain broadly comparable, as the majority of the questions across policy dimensions remain common to both assessments and thus allow for broad comparability. When changes in score are due to weighting change, specific explanations are offered in dimension chapters.

However, for certain dimensions, comparability with previously published editions is not possible. Namely:

- **Dimension 6 (Access to finance):** This dimension underwent significant structural and methodological changes to reflect the emergence of new policy instruments supporting access to

bank finance, the diversification of financing instruments available to firms, and the increasing policy emphasis on monitoring, evaluation and effective implementation. These changes were also introduced to ensure closer alignment with the latest OECD and EU standards and good practices in assessing access to finance policies.

As a result of these changes, the 2026 scores are not directly comparable to the published version of the *SME Policy Index 2022*. However, to preserve the benchmarking nature of the exercise and ensure analytical continuity, the 2022 scores for Dimension 6 and its sub-dimensions were recalculated using the 2026 assessment framework and structure. This enables an illustrative assessment of score evolution between the two cycles, subject to the limitations arising from the revised structure and methodology of the dimension.

- **Dimension 11 (Digital transformation of SMEs):** As indicated earlier in this annex, Dimension 11 is new to the *SME Policy Index 2026* assessment cycle and therefore has no predecessor against which to benchmark progress.

Policy cluster approach

Another novelty of the SME Policy Index 2026 is the introduction of a cluster-based, rather than dimension-based, narrative across both the regional report and the seven economy profiles. These clusters draw on inputs from all 13 policy dimensions (Table A A.2) and are designed to be mutually complementary. This approach enhances the readability and usability of the report, while enabling a more integrated, cross-cutting and dynamic analysis of policy issues facing SMEs.

Table A A.2. Clusters and constituent policy dimensions

Cluster	Description	Dimensions
Creating an enabling environment for SMEs and entrepreneurs	Assesses the extent to which regulatory frameworks, institutional arrangements and support programmes are adapted to SME needs and contribute to reducing administrative and operational burdens.	Institutional and regulatory framework for SME policymaking
		Operational environment for SMEs
		Support services for SMEs
		Public procurement
		Access to finance for SMEs
		Standards and technical regulations
		Innovation policy for SMEs
		Internationalisation of SMEs
Fostering SME sustainability and resilience	Evaluates policies that support firms in responding to economic shocks, transitioning towards greener business models and adapting to changing trade and environmental conditions.	Bankruptcy and second change for SMEs
		Access to finance for SMEs
		SMEs in a green economy
Supporting the digital transformation of SMEs	Examines the policy environment for digital adoption, including access to digital infrastructure, development of digital skills, uptake of emerging technologies and cybersecurity readiness.	Digital transformation of SMEs
		Access to finance for SMEs
		Innovation policy for SMEs
Harnessing human and social capital	Explores how policies support the development of skills and entrepreneurial competences across the life cycle, while also considering the role of the social economy in fostering a skilled and adaptable workforce.	Entrepreneurial learning and women's entrepreneurship
		Enterprise skills

Notes

¹ For Bosnia and Herzegovina, to reflect the constitutional arrangement of the economy, one state-level co-ordinator was appointed in addition to two entity-level co-ordinators (one from the Federation of Bosnia and Herzegovina and one from Republika Srpska).

Annex B. The SME Policy Index 2026 scoring model for Bosnia and Herzegovina

Constitutional set-up of Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) is governed at the state level by its central institutions, whose competences are prescribed by Article III of the Constitution of Bosnia and Herzegovina. The governance structure further comprises two territorial and administrative entities – the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) – as well as Brcko District (BD)¹. At entity level, both the Federation of Bosnia and Herzegovina and Republika Srpska have significant constitutional autonomy, independently regulating matters which are not explicitly assigned in the Constitution to the state-level.² The entities' parliaments have jurisdiction over a range of policy areas, including healthcare, education, agriculture, culture, labour, police and internal affairs. Both entities have a president, prime minister and 16 ministries. The Federation of Bosnia and Herzegovina is furthermore divided into ten cantons, each with its own constitutions that prescribe their legislative, executive and judicial authority, and the functioning of their government institutions.

The SME Policy Index 2026 Assessment of Bosnia and Herzegovina

Bosnia and Herzegovina submitted three assessment questionnaires for the SME Policy Index 2026 assessment, one for the state and one for each entity. Information from all three questionnaires has been taken into account in the analysis. Given that Brcko District represents approximately 1% of the total population of Bosnia and Herzegovina, it has not been included in the scoring; however, information on policy developments in the Brcko District has been included in the narrative where relevant.

SME policy making in Bosnia Herzegovina is more decentralised than in the other economies covered by the assessment. Accordingly, information from the two entities has been taken into account in the calculation of the total scores. Policy recommendations have been formulated to emphasise the importance of policy co-ordination in Bosnia and Herzegovina, particularly to prevent local policy measures from infringing on the principle of a single domestic market and distorting competition among enterprises based in different entities.

Based on these considerations and the availability of data, a scoring system involving four models has been developed (Table A B.1).

Table A B.1. Overview of the four scoring models for SME Policy Index 2026

Model 1	Model 2	Model 3	Model 4
1/2 (FBiH) 1/2 (RS)	2/3 (state) 1/6 (FBiH) 1/6 (RS)	1/3 (state) 1/3 (FBiH) 1/3 (RS)	State level only

For most dimensions (Entrepreneurial learning and women's entrepreneurship, Bankruptcy and second chance, Operational environment for SMEs, Support services for SMEs, Enterprise skills, Innovation policy

for SMEs, and SMEs in a green economy), scores were derived by calculating a simple average of the two entities' scores. This approach (Model 1) has been adopted principally because major policies, mechanisms and institutions under these areas exist mainly at the entity level and therefore needed to be reflected in the scoring.

For two dimensions (Access to finance, and Standards and technical regulations), the second model was selected, giving two-thirds of the weight to the state and one-sixth to each entity, reflecting that responsibilities under these dimensions lie primarily at the state level. Entity-level inputs were nonetheless recognised and incorporated into the scoring.

For two other dimensions (Institutional and regulatory framework for SME policy making and Internationalisation of SMEs), Model 3 was applied, allocating one-third of the weight equally across the two entities and the state.

The new Digital transformation of SMEs dimension applies a combination of Models 1 and 3. Model 1 is used for two of its sub-dimensions, where responsibilities rest primarily at the entity level. However, for the Digital safety sub-dimension, Model 3 is applied, as jurisdiction over this area is shared across all three levels of government.

Finally, the Public procurement dimension applies Model 4, only taking state-level information into consideration.

Table A B.2 gives a more detailed overview of all the SMEPI 2026 dimensions, providing the rationale for the selection of the scoring models.

Table A B.2. Application of the scoring models to SME Policy Index 2026

SMEPI dimension	SMEPI 2026 assessment models	Rationale
1. Entrepreneurial learning and women's entrepreneurship	Model 1	Competencies for this dimension are mainly held at the entity-level. However, inputs from the state level are also recognized and included in the scoring.
2. Bankruptcy and second chance	Model 1	In Bosnia and Herzegovina there are no state-level responsibilities or programmes for this dimension.
3. Institutional and regulatory framework for SME policy making	Model 3	Legislative simplification efforts are being undertaken at the entity level. However, all three levels of government in Bosnia and Herzegovina have legal frameworks in place that define the general principles and procedures on conducting regulatory impact assessment (RIA) and public-private consultations (PPCs).
4. Operational environment for SMEs	Model 1	In Bosnia and Herzegovina, entities are responsible for their own company registration process. Moreover, there are no services available for obtaining licenses for SMEs at the state level. Although the state level has competences for tax compliance procedures, this policy area was not scored in this assessment cycle. State-level inputs were taken into account for sub-dimension 4.1 on digital government services as there has been some progress in co-ordinating public administration reform, and were factored into the score for this sub-dimension.
5a. Support services for SMEs	Model 1	Support services for SMEs are designed and implemented at the entity level. Moreover, a dedicated agency for provision of support services exists in each of the entities.
5b. Public procurement	Model 4	Public procurement is regulated by the state Law on Public Procurement.
6. Access to finance for SMEs	Model 2	Responsibilities under this dimension are dominantly at the state level. However, inputs from the entities are also recognised and included in the scoring.
7. Standards and technical regulations	Model 2	The greater weight (2/3) is given to the state to recognise its competences in overall policy co-ordination and transposition of standards and technical regulations. However, entity performance was also scored, as the initiatives and programmes to facilitate SMEs access to standardisation are dominantly at the entity level.
8a. Enterprise skills	Model 1	Competencies for this dimension are mainly at the entity level.
8b. Innovation policy for SMEs	Model 1 ¹	Since the mechanisms and institutions to support SMEs in innovative activities are generally at the entity level, the scoring model accounts for their performance. Collaboration between SMEs and research institutions is also established and supported at the entity level. However, the

SMEPI dimension	SMEPI 2026 assessment models	Rationale
		scoring model also recognises the importance of the state, particularly for overall policy co-ordination and intellectual property rights.
9. SMEs in a green economy	Model 1	SME greening policies are devised and implemented at the entity level and there are no institutions at the state level that are in charge of promoting a green economy. Moreover, strategies and action plans that include goals for the green economy are adopted at the entity level.
10. Internationalisation of SMEs	Model 3	This dimension covers policies which can be introduced at both the state and the local level. In Bosnia and Herzegovina, institutions that play a role in export promotion exist at both levels, however, programmes to support SME integration into global value chains and programmes to promote e-commerce, are implemented at the entity level.
11. Digital Transformation of SMEs	Model 1 & Model 3	As policies and programmes supporting the digital transformation of SMEs fall primarily within the competence of the entities, Model 1 is applied for the majority of sub-dimensions, reflecting the role of the Federation of Bosnia and Herzegovina and Republika Srpska as the main drivers of SME digitalisation. However, for the Digital safety sub-dimension, Model 3 is applied, recognising that jurisdiction over digital safety frameworks is shared across all three levels of government. The economy profile narrative takes into account relevant policy developments and initiatives across all levels of government.s

Note: 1. For Dimension 8b, model 1 is applied, with the sole exception of the thematic block on intellectual property rights which took into consideration state-level-inputs as well.

Notes

¹ Brčko District is a self-governing administrative unit under the sovereignty of Bosnia and Herzegovina, formally shared by both entities but operating independently of their jurisdiction, with its own institutions and broad administrative competences.

² The competences of the institutions of Bosnia and Herzegovina are prescribed by Article III(1) of the Constitution of Bosnia and Herzegovina. Entity competences are prescribed by Article III(2), while Article III(3) stipulates that all competences not expressly assigned to the state-level government belong to the entities.

Annex C. Western Balkans Business Survey - Navigating the Digital and Green Transition

Purpose and analytical scope of the survey

Objective

The Western Balkans Business Survey: Navigating the Digital and Green Transition was designed to assess the level of digital and green maturity among SMEs across the region, identify key gaps and bottlenecks, and highlight enabling factors to inform policy priorities. For the SME Policy Index 2026, its scope was exceptionally expanded to include Türkiye. Covering a broad range of topics relevant to SME development in the context of the twin transitions, the survey offers a structured overview of current practices and challenges, while capturing first-hand insights from private sector respondents on their motivations, constraints and investment drivers.

Policy relevance

The survey strengthens the evidence base on how SMEs in the WBT region are engaging with the digital and green transitions, while identifying areas requiring further policy attention and in-depth analysis. By generating comparable quantitative data across economies, it enables benchmarking both within the WBT region and against OECD and EU member countries. Furthermore, the survey highlights priority areas for policy dialogue, supporting evidence-based discussions that can inform the adaptation of reform priorities.

Geographical coverage

The survey covers the Western Balkan economies, and Türkiye, gathering comparable evidence for the SME Policy Index 2026 flagship report. Consequently, the sample includes SME respondents from Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Türkiye.

Target population

The target population consists of SMEs from the aforementioned economies as per the EU definition based on staff headcount (Table A C.1):

Table A C.1. SME target population in Western Balkans and Türkiye, 2025

Category	Micro	Small	Medium-Sized
Staff	< 10	< 50	< 250

Source: (European Commission, 2026^[1]).

An additional category for “self-entrepreneurs” was included, capturing firms without employees beyond the survey respondent.

Reference period

The Western Balkans Business Survey: Navigating the Digital and Green Transition was conducted between April and June 2025, whereas data collection for Türkiye was undertaken separately between July and September 2025.

Survey design and questionnaire structure

Overall structure

The questionnaire was structured around three main sections: general characteristics, digital transformation and green transformation (Table A C.2). These were further divided into thematic modules reflecting the key analytical dimensions of the digital and green transitions.

Table A C.2. Western Balkans Business Survey: Navigating the Digital and Green Transition - Sections and subsections

Section	Sub-section
General questions	Business structure and operations
Digital transformation	E-commerce
	Digital tools
	Skills and training for the digital transition
	Cybersecurity and data
	Digital innovation and use of advanced tools
	Artificial intelligence
	Government support for business digitalisation
Green transformation	Green products and services
	Environmental footprint
	Environmental monitoring
	Skills and training for the green transition

Question types

The questions were selected based on their relevance to SMEs and to the twin digital and green transitions, while ensuring cross-economy comparability. Minor adaptations were introduced in the Türkiye survey to enhance contextual relevance while preserving overall comparability. The questionnaire included several types of questions:

- **Single-choice list:** Respondents could select one option from a predefined list
- **Multiple-choice list:** Respondents could select multiple options from a predefined list
- **Binary response:** Respondents could choose between two options (e.g. Yes/No)
- **Five-point Likert scale:** Respondents could indicate the strength of their opinion, with responses ranging from “Strongly disagree” to “Strongly agree”

In addition, several list-based questions included an “other” option, allowing respondents to provide open-ended answers in their local language.

Data collection and sample

Data collection method

The survey was administered online using LimeSurvey, enabling broad dissemination and facilitating data processing and analysis. The online format also allowed partially completed questionnaires to be retained and included in the dataset, thereby maximising response use.

Language

The survey was developed in English and subsequently translated into Albanian, Bosnian/Croatian/Montenegrin/Serbian (BCMS), Macedonian and Turkish. All language versions were disseminated alongside the original English questionnaire.

Economy-level implementation

The survey was disseminated through a multi-channel outreach strategy to ensure broad regional coverage. It was initially circulated to a stakeholder network of approximately 400 contacts across the Western Balkans, supported by coordination with SME Policy Index 2026 focal points and representatives of the Digital and Green SMEs project. In Türkiye, dissemination was facilitated through KOSGEB, which shared the survey materials directly with its network of SME stakeholders. To further expand the respondent pool, the team conducted targeted outreach to regional, national and international chambers of commerce, and promoted the survey via LinkedIn, X (formerly Twitter) and the OECD South East Europe Division newsletter. The survey received strong representation from Türkiye, while participation from other economies varied (Table A C.3).

Table A C.3. SME respondent sample in the Western Balkans and Türkiye, 2025

Economy	Responses	% of all responses
Albania	148	17%
Bosnia and Herzegovina	47	5.4%
Kosovo	77	8.9%
Montenegro	40	4.6%
North Macedonia	28	3.2%
Serbia	149	17.2%
Türkiye	377	43.5%

Notes: Response rate varies by question. The above table outlines the unique respondents by economy. A further 409 respondents did not report their location of operations and their response rate was very low across all questions.

Data processing and quality assurance

Prior to analysis, the dataset was cleaned and processed to ensure consistency and alignment with the target population of SMEs. As the survey focused exclusively on SMEs, large firms (i.e. those with more than 250 employees) were excluded from the sample (20 in Albania, 4 in Montenegro, 2 in Bosnia and Herzegovina, 2 in North Macedonia, 1 in Kosovo and 17 in Türkiye). Free-text responses were translated using AI-supported tools and, where feasible, recoded into existing structured response categories; responses that could not be reliably classified were retained under “other”. A series of data validation and logic checks were subsequently conducted. All available responses were retained, including partially completed questionnaires, with each item analysed based on the number of valid (non-missing) responses.

Limitations and caveats

This survey is subject to several limitations that should be considered when interpreting the results. The sample is non-random and based on voluntary participation, introducing potential self-selection bias. As the survey focuses on the digital and green transitions and was administered online, firms that are more digitally engaged or have a stronger interest in these topics may be overrepresented.

Sample sizes vary significantly across economies and do not reflect the relative distribution of SME populations, with some country samples too limited to support robust conclusions. In addition, partial completion of questionnaires results in varying numbers of observations across questions.

Finally, the data are self-reported and may therefore be subject to reporting inaccuracies or social desirability bias. Taken together, these limitations imply that, while the survey provides valuable and original insights into SME digital and green maturity in the region, the findings should not be interpreted as representative of the overall SME population in the surveyed economies.

References

European Commission (2026), *SME Definition*, https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en.

[1]

SME Policy Index for Western Balkans and Türkiye 2026

Regional Profile

Small and medium-sized enterprises (SMEs) underpin the economies of the Western Balkans and Türkiye, accounting for the majority of employment and value added. Their competitiveness and resilience are therefore central to sustainable growth and economic convergence with the European Union.

Yet SMEs operate in an increasingly demanding environment shaped by global uncertainty, the digital and green transitions, and demographic change. While these shifts create opportunities, they also expose persistent weaknesses—including fragmented policy frameworks, limited greening, uneven digital adoption and skills gaps—that constrain firm-level resilience and adaptability. Addressing these challenges requires policies that not only support growth, but strengthen enterprises' capacity to anticipate shocks, adapt to changing market conditions and sustain performance over time.

The seventh edition of the SME Policy Index for the Western Balkans and Türkiye provides a comprehensive assessment of SME policy progress since 2022, based on the OECD's established methodology and aligned with OECD and EU good practices. It identifies achievements, remaining gaps and actionable recommendations to strengthen policy effectiveness.

The regional profile synthesises findings across four thematic policy clusters, complemented by seven economy-specific profiles covering policy development and performance in each participating economy.



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