



2019 SBA Fact Sheet

North Macedonia

Key points

Past & future SME performance¹:

In 2017, SMEs generated roughly three out of every four jobs (74.2 %) and nearly two-thirds (63.4 %) of total value added in North Macedonia. In recent years, SMEs in the ‘non-financial business economy’ of North Macedonia have achieved consistent growth. SME value added increased by 28.0 % in 2012-2017 and SME employment grew by 12.3 % in the same period. Most recently, in 2016-2017, the rise of 3.3 % in value added of SMEs in North Macedonia was similar to the average increase of 3.8 % generated by EU SMEs. SME employment in North Macedonia also grew in the same period, but at a slower rate of 1.1 %, comparable to the average EU SME employment rise of 1.7 %.

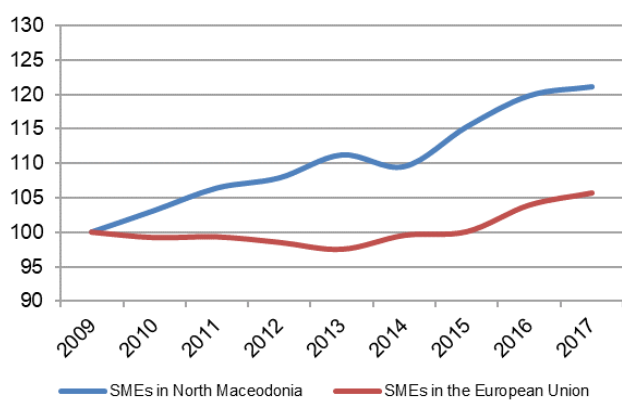
Implementing the Small Business Act for Europe (SBA):

North Macedonia presents a mixed picture in terms of its SBA performance. Entrepreneurship, skills & innovation and environment are below the EU average. ‘Responsive administration’, access to finance and internationalisation are in line with the EU average. ‘Second chance’ is the only policy area above the EU average. However, the constraints in data availability need to be kept in mind when interpreting the overall results of the performance of the country.

SME policy priorities:

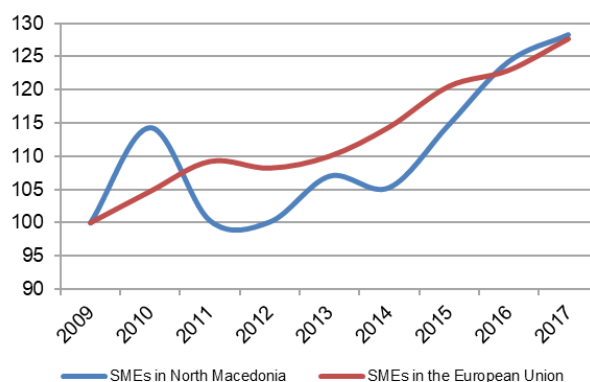
The businesses in the country are still faced with weaknesses in the business environment and large informal economy. Rather than tackling underlying issues in the business environment, the government’s flagship policy to improve the competitiveness of domestic firms is providing various forms of state aid to businesses under the Economic Growth Plan. The cost-effectiveness and the efficiency of this policy remains under-investigated and unclear partially given the insufficient data available. The strategic and policy documents as well as the institutions that guide public interventions in the sectors relevant for SMEs are complex and without a clearly defined coordinative body. Given the aforementioned, the government should in particular focus on reducing the still large informal sector and on establishing a coordinative mechanism to guide the implementation of SMEs related policies. The mechanism to further incorporate the voices of micro and smaller enterprises in policymaking should be developed. More efforts should be invested to monitor the cost-effectiveness of business support schemes and ensure the coordination of different programmes. Underlying motivation and obstacles for introduction of domestic companies in global value chains should be further investigated.

Number of persons employed in SMEs



Value added of SMEs

(index: 2009=100)



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	North Macedonia		EU-28	North Macedonia		EU-28	North Macedonia		EU-28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	49 372	89.9 %	92.9 %	122 402	31.6 %	29.4 %	880.0	20.7 %	20.5 %
Small	4 576	8.3 %	5.9 %	87 555	22.6 %	20.2 %	950.7	22.4 %	17.6 %
Medium-sized	797	1.5 %	1.0 %	78 000	20.1 %	16.9 %	864.4	20.3 %	18.1 %
SMEs	54 745	99.7 %	99.8 %	287 957	74.2 %	66.5 %	2 695.2	63.4 %	56.3 %
Large	151	0.3 %	0.2 %	99 950	25.8 %	33.5 %	1 555.5	36.6 %	43.8 %
Total	54 896	100.0 %	100.0 %	387 907	100.0 %	100.0 %	4 250.7	100.0 %	100.0 %

These are data for 2017 provided by the State Statistical Office North Macedonia and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE REV. 2 Sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

In North Macedonia, SMEs play an important role in the 'non-financial business economy'. In 2017, they generated roughly three out of every four jobs (74.2 %) and nearly two-thirds (63.4 %) of total value added. In comparison, the average shares for EU SMEs were noticeably lower, at only 66.5 % of total employment and 56.3 % of total value added. Most SMEs of North Macedonia (40.7 %) operate in the *wholesale and retail trade* sector, accounting for 30.3 % of total SME employment and almost one-third (31.6 %) of total SME value added. In the EU, *wholesale and retail trade* is also the most important SME sector, accounting for an average of 22.1 % of total SME value added and 24.6 % of total SME employment. Annual SME productivity in North Macedonia, measured as value added per person employed, is only EUR 9 360, in stark contrast to the almost five times greater average of EUR 43 604 achieved by EU SMEs. SMEs of North Macedonia employ an average of 5.3 people, significantly more than the EU average of 3.9.

In recent years, SMEs in 'non-financial business economy' of North Macedonia have achieved consistent growth. SME value added increased by 28.0 % in 2012-2017 and SME employment grew by 12.3 % in the same period.

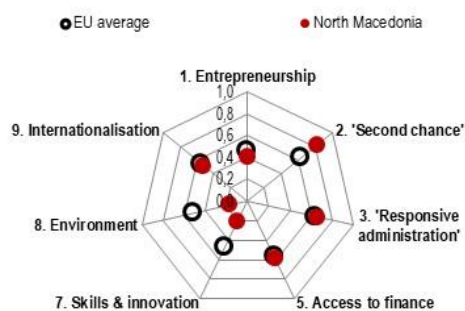
One of the fastest growing SME sectors in North Macedonia in 2012-2017 was *information and communication*. SMEs in this sector generated striking value added growth of 64.4 %, and even higher employment growth of 65.9 %. Another fast growing SME sector was *professional activities*, which generated increases of 40.1 % in value added and 41.8 % in employment in the same period. The *wholesale and retail trade* sector also achieved solid SME growth in 2012-2017, with SME value added rising by 26.2 % and SME employment by 7.2 %. Although the growth of *wholesale and retail trade* was substantially slower than that of *information and communication* and *professional activities*, SMEs in *wholesale and retail trade* were the main

drivers of overall SME value added growth in the ‘non-financial business economy’. This was due to the high share contributed by the sector to total SME value added.

Most recently, in 2016-2017, the rise of 3.3 % in the value added of North Macedonia’s SMEs was similar to the average

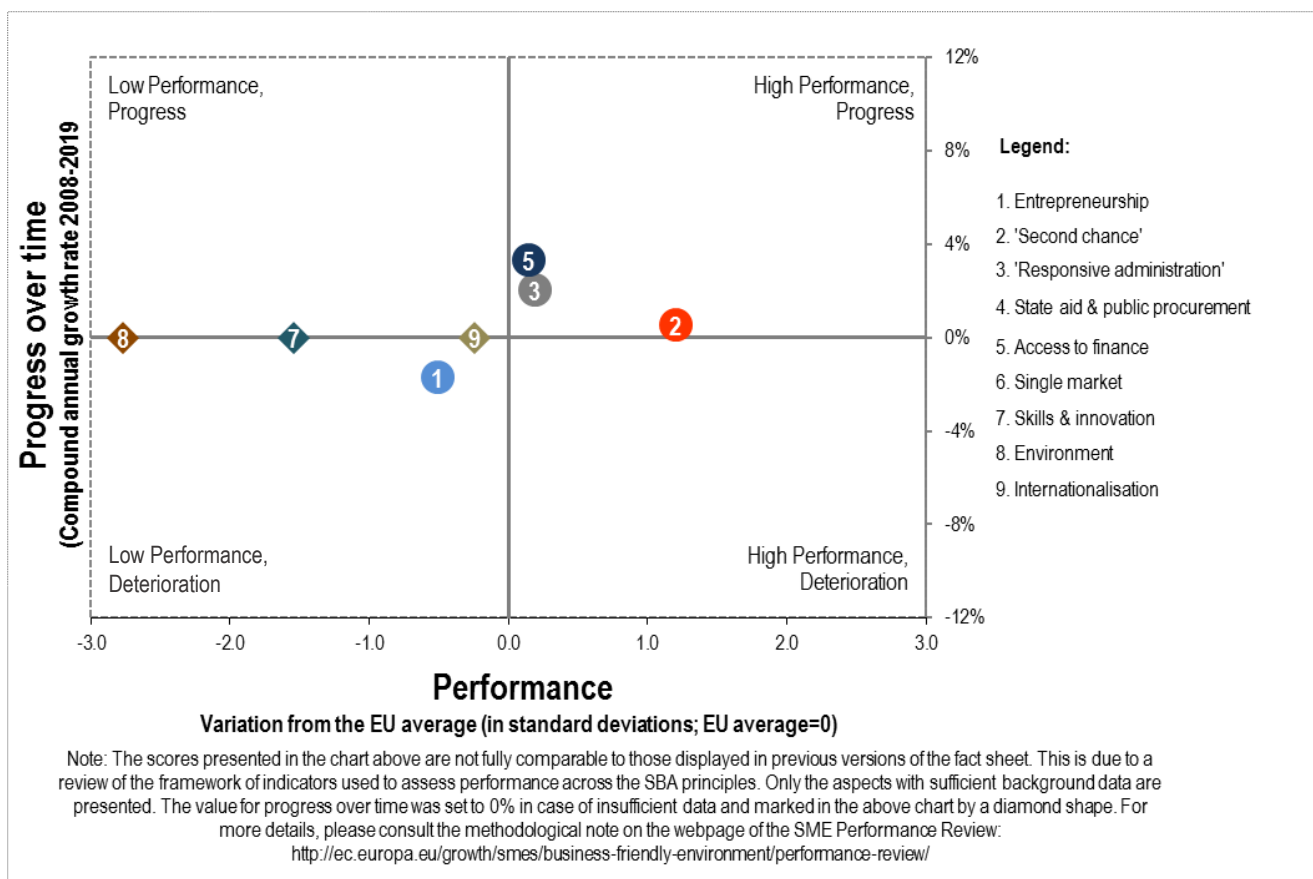
increase of 3.8 % generated by EU SMEs. SME employment in North Macedonia also grew in the same period, but at a slower rate of 1.1 %, comparable to the average EU SME employment rise of 1.7 %. Annual SME productivity in North Macedonia increased by 2.2 % in 2016-2017, consistent with average EU SME productivity growth of 2.1 % in the same period.

2. SBA profile²



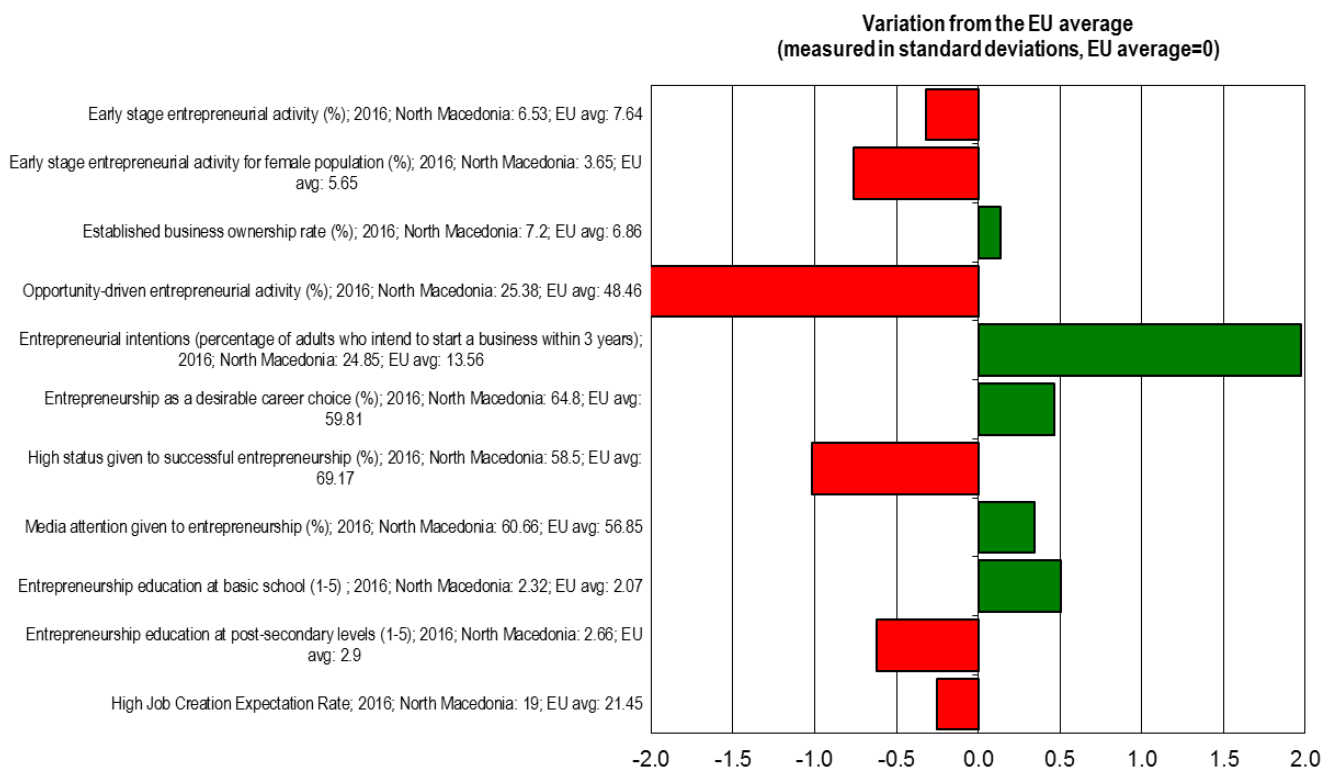
North Macedonia presents a mixed picture in terms of its SBA performance. Entrepreneurship, skills & innovation and environment are below the EU average. ‘Responsive administration’, access to finance and internationalisation are in line with the EU average. ‘Second chance’ continues to be the strongest policy area for the country and this year is the only SBA area above the EU average. The policy areas entrepreneurship, ‘responsive administration’ and access to finance have deteriorated compared to the previous reference period. However, the constraints in data availability need to be kept in mind when interpreting the overall results of the performance of the country.

SBA performance of North Macedonia: state of play and development from 2008 to 2019³



SBA principles⁴

3.1 Entrepreneurship

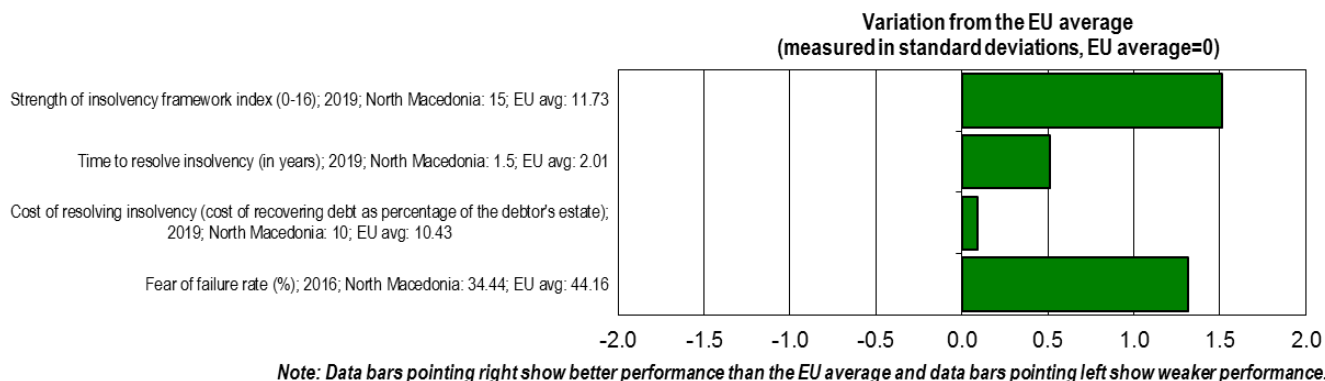


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

North Macedonia's performance in entrepreneurship is below the EU average. The performance of the country has deteriorated compared to the previous reference period, mainly due to changes in the EU average scores. Early stage entrepreneurial activity in North Macedonia, especially for female population, remains lower than the EU average. Entrepreneurial learning and women entrepreneurship also remain below the regional average. By contrast, entrepreneurial intentions are more than

10 percentage points higher than the EU average. Opportunity-driven entrepreneurial activity in North Macedonia is the lowest compared to all EU and non-EU countries. The newly introduced indicator on high job creation expectation rate, which measures the percentage of early-stage entrepreneurs that expect to create six or more jobs in five years, is still within the EU average.

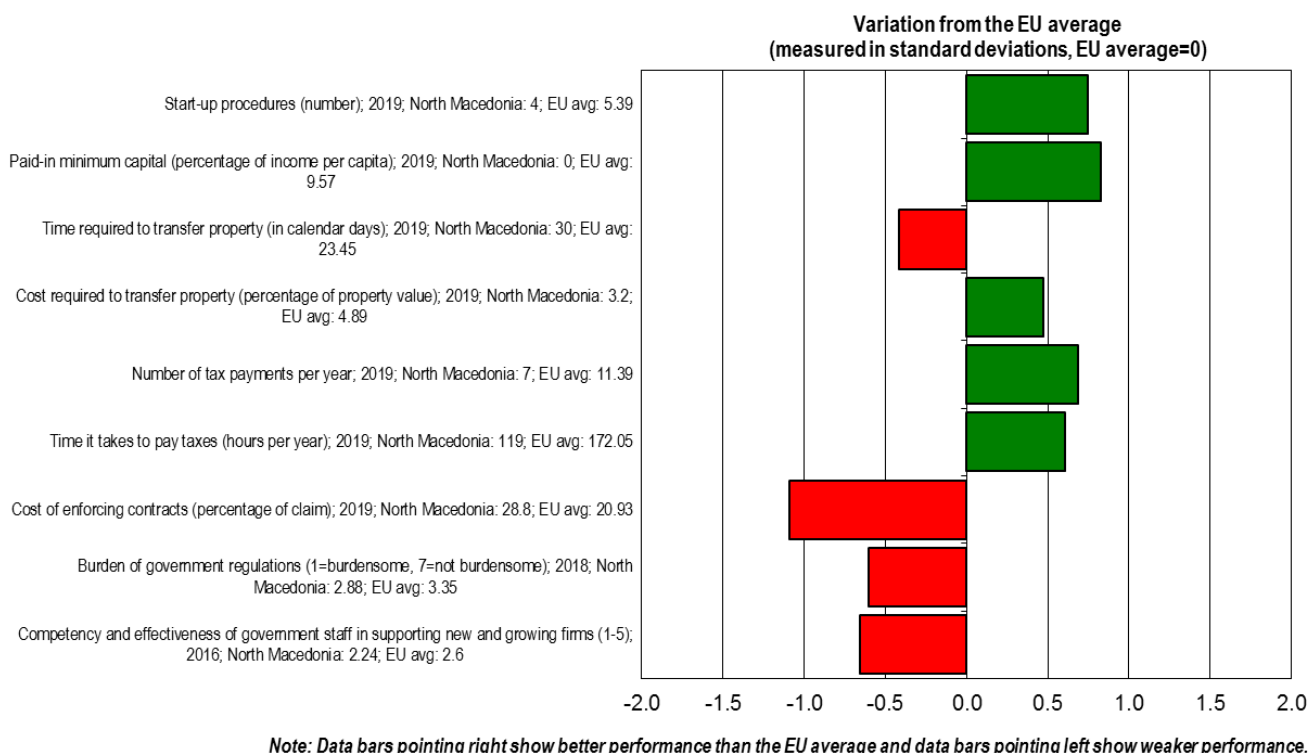
3.2 ‘Second chance’



‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Overall, North Macedonia performs well above the EU average. Indeed, ‘second chance’ is North Macedonia’s best performing SBA policy area. The strength of the insolvency framework index has slightly improved compared to the previous reference period and continues well above the EU average. In fact, North Macedonia

has one of the highest scores compared to all other countries. The efficiency of resolving insolvency – in terms of time and cost – remains slightly better than the EU average. The fear of failure in North Macedonia also continues to be considerably better than the EU average.

3.3 ‘Think Small First’ and ‘Responsive administration’



The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be

made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs.

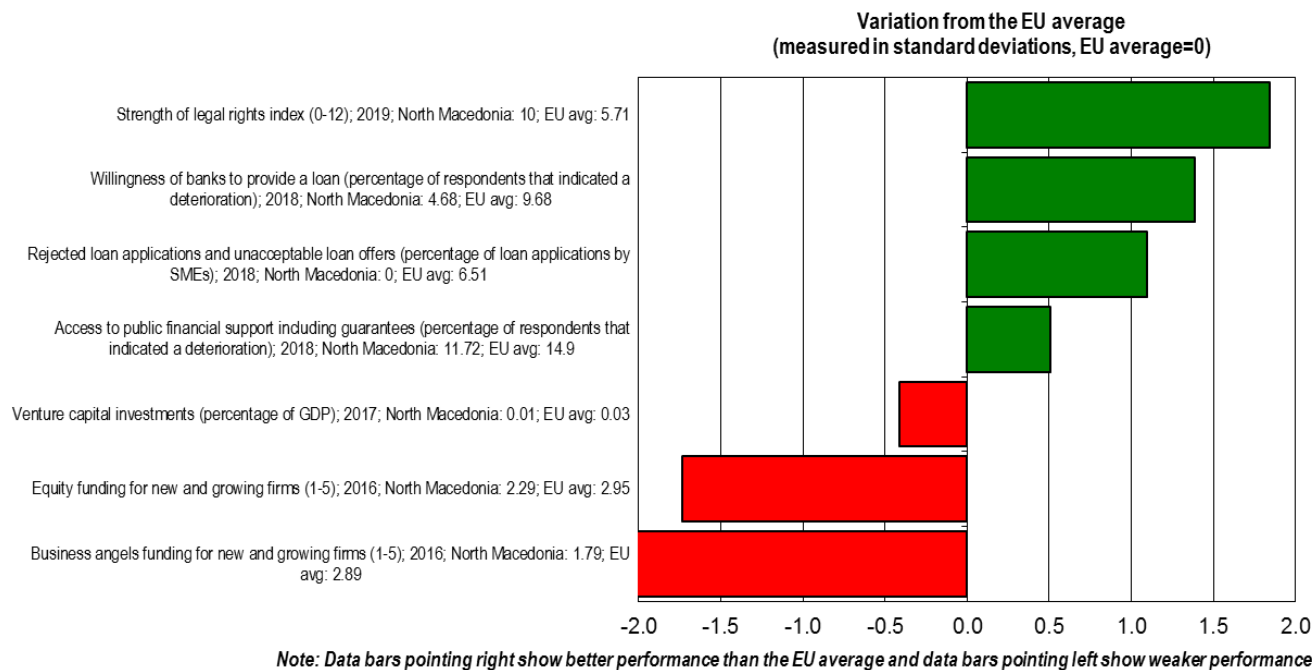
Although North Macedonia performs overall in line with the EU average, the performance deteriorated compared to last year – when the country’s overall performance was above the EU average. Contrary to ‘think small first’ principle the country’s economic growth plan introduces various forms of state aid primarily targeted to large companies. The paid-in minimum capital remains among the lowest of all countries. In addition,

the number of tax payments per year and the time it takes to pay taxes (hours per year) are still better than the EU average. However, the burden of government regulations has substantially deteriorated compared to the previous reference period and is now worse than the EU average.

3.4 State aid & public procurement

There are no sufficient data available in this SBA area to analyse and draw general conclusions on the performance of the country.

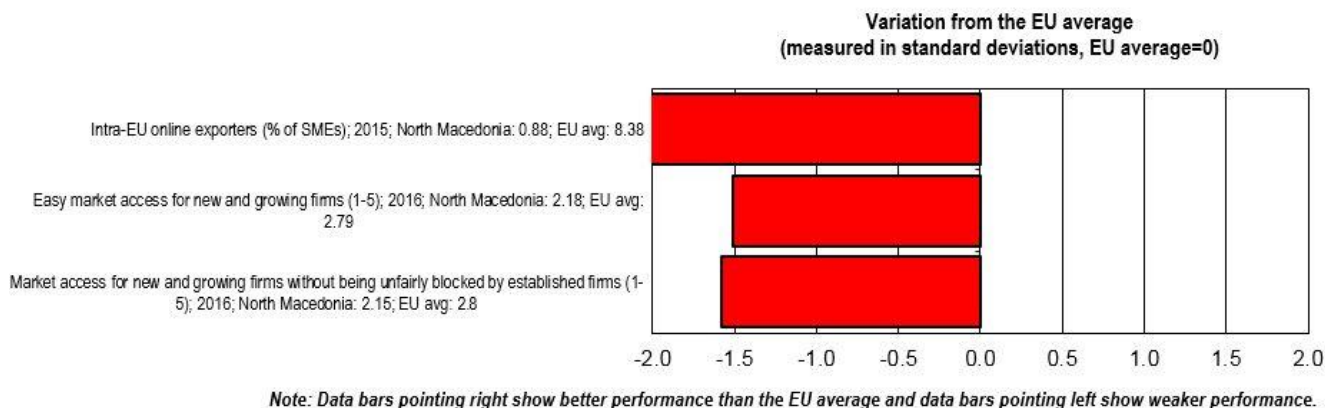
3.5 Access to finance



The performance of North Macedonia in access to finance is in line with the EU average. However, the performance of the country has slightly deteriorated compared to the previous reference period, where it was above the EU average. Data are available only for a limited number of indicators. North Macedonia has some of the strongest legal rights of all

countries. In addition, the willingness of banks to provide loans has diminished less than the EU average. However, there is a significant lack of alternative financing sources such as equity and business angels funding for new and growing firms. Both indicators are among the lowest of all countries.

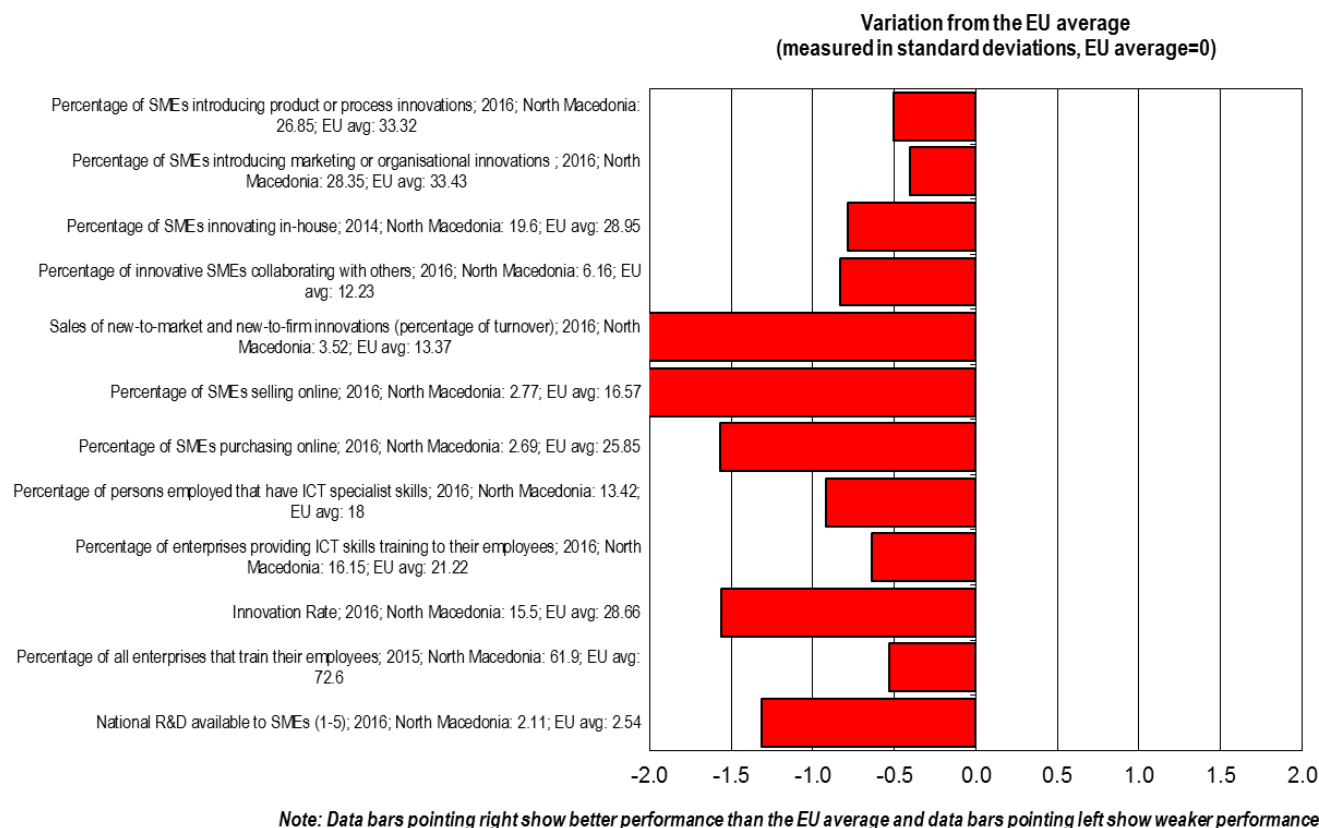
3.6 Single market



As North Macedonia is not an EU Member State, no relevant comparable data on EU legislation transposition and trade within the single market is available. Only three indicators for 2015 and 2016 are available. North Macedonia has the lowest share

of SMEs exporting online to EU countries compared to the rest of the countries. The available data also indicate that new and growing firms have relatively more difficulties accessing markets than their average counterparts in the EU.

3.7 Skills & innovation



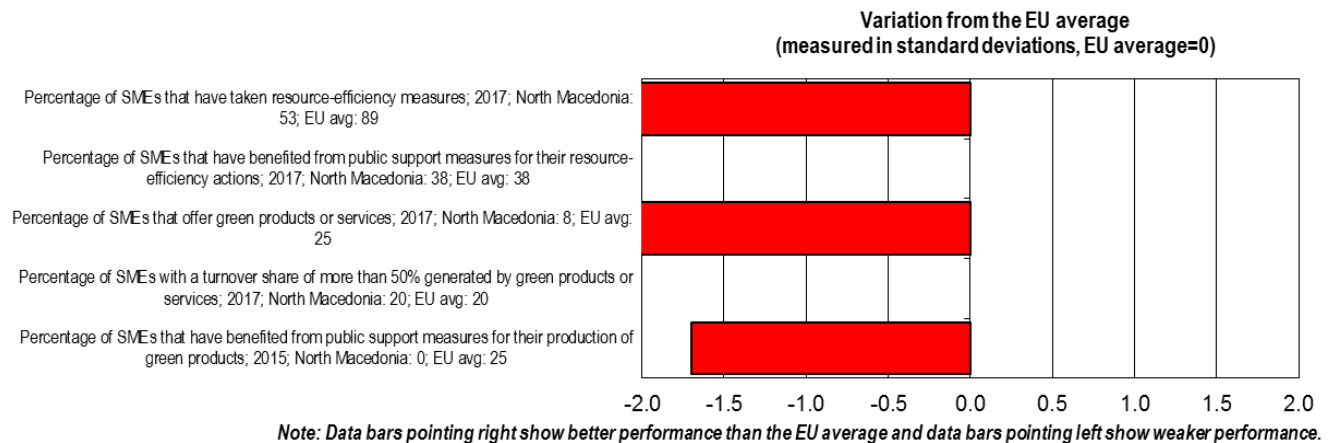
North Macedonia's performance is below the EU average in skills & innovation. Indeed, not one indicator is better than the EU average. Sales of new to market and new to firm innovations as a percentage of turnover are significantly below the EU average. In addition, North Macedonia has one of the lowest shares of

SMEs selling and purchasing online of all countries. Only 3% of SMEs sell on line, that is lowest percentage in the region and well below the EU average of 18%. The share of SMEs introducing product or process innovation has dropped by 13 percentage points against the previous reference period. The

newly introduced indicator on the innovation rate, an indicator that measures the degree to which products or services are new to at least some customers and that few/no businesses offer the same product, is also below the EU average. Significant public

resources were allocated for boost innovation in SMEs in 2018. The results of subsidy schemes remain to be assessed in 2019. The skills indicators also exhibit poor performance.

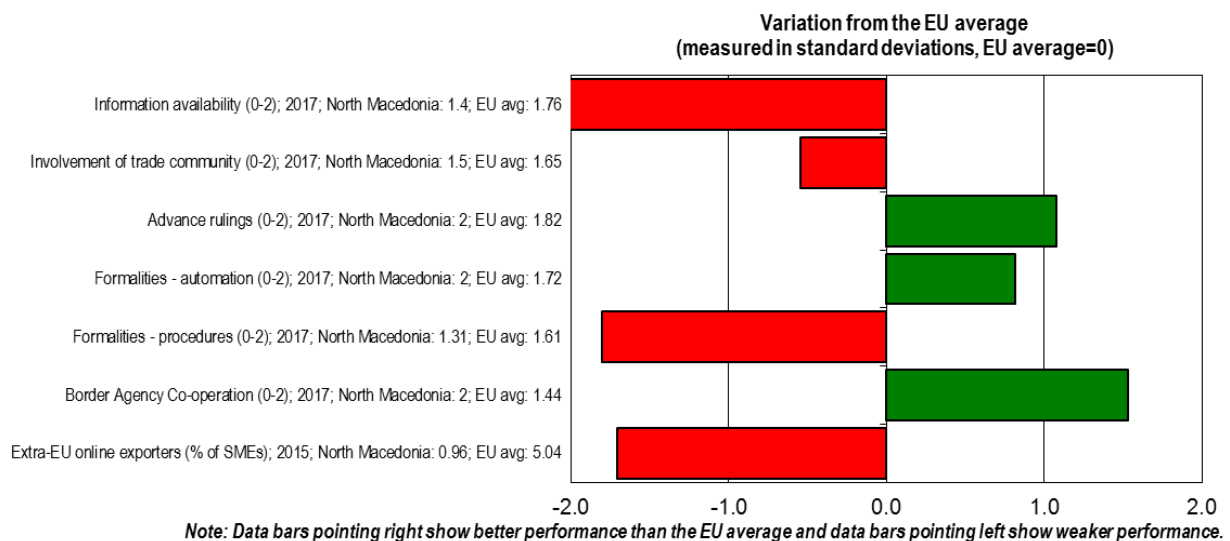
3.8 Environment



No updates have been made since last year’s fact sheet. North Macedonia is the worst performer of all countries in this SBA area. Indeed, environment is the most challenging SBA area for North Macedonia. The country has one of the lowest shares of SMEs that have taken resource-efficiency measures of all countries. Although the percentage of SMEs that have benefitted

from public support for resource efficiency measures matches the EU average, the percentage of SMEs that have benefited from public support measures for their production of green products is considerably lower than the EU average. At the same time, the share of SMEs that offer green products or services is substantially lower than the EU average.

3.9 Internationalisation



North Macedonia continues to perform in line with the EU average for internationalisation. However, SMEs contribution to exports stands at 31.6% in 2018 the lowest of the Western Balkan economies. Indeed, there are some key indicators broadly below the EU average and others above the EU average. Three key indicators remain above the EU average: ‘advance rulings’, ‘formalities – automation’ and ‘Border Agency Co-operation’. By contrast, North Macedonia has one of the lowest scores for information availability of all countries. In addition, the share of SMEs in North Macedonia exporting online outside the EU is considerably lower than the EU average.

3. Interesting initiative

Below is an example of an initiative from North Macedonia to show what governments can do to support SMEs.

The Republic of North Macedonia has made a commitment to set up a fully operational “One-stop-shop” system (OSS) for all business-related permits and licenses. There are already some public services for companies available on-line. For example, it is already possible to obtain a construction permit or establish a company online, without any paper processing. The Central Register operates a digitalised platform allowing the possibility to establish a company without papers or visiting the counter for only 4 hours.

Committed toward further simplification of environment for operation of companies, the Government continues to work on further digitalisation of business licenses and permits for companies. It plans to set up One stop shop as an on-line platform to enable companies to obtain all necessary information and apply for all permits and licences. It will integrate all current on- line platforms for info and licences and further expand the offer of online services provided by public administration bodies for companies. An EU funded project, to start by end of 2019, will create platform for on line application and processing of 50 additional licenses and permits for companies.

Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

³ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

⁴ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.