





Center
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in Finance

A practitioner's experience in assessing and proposing indicators - the case of SME policy

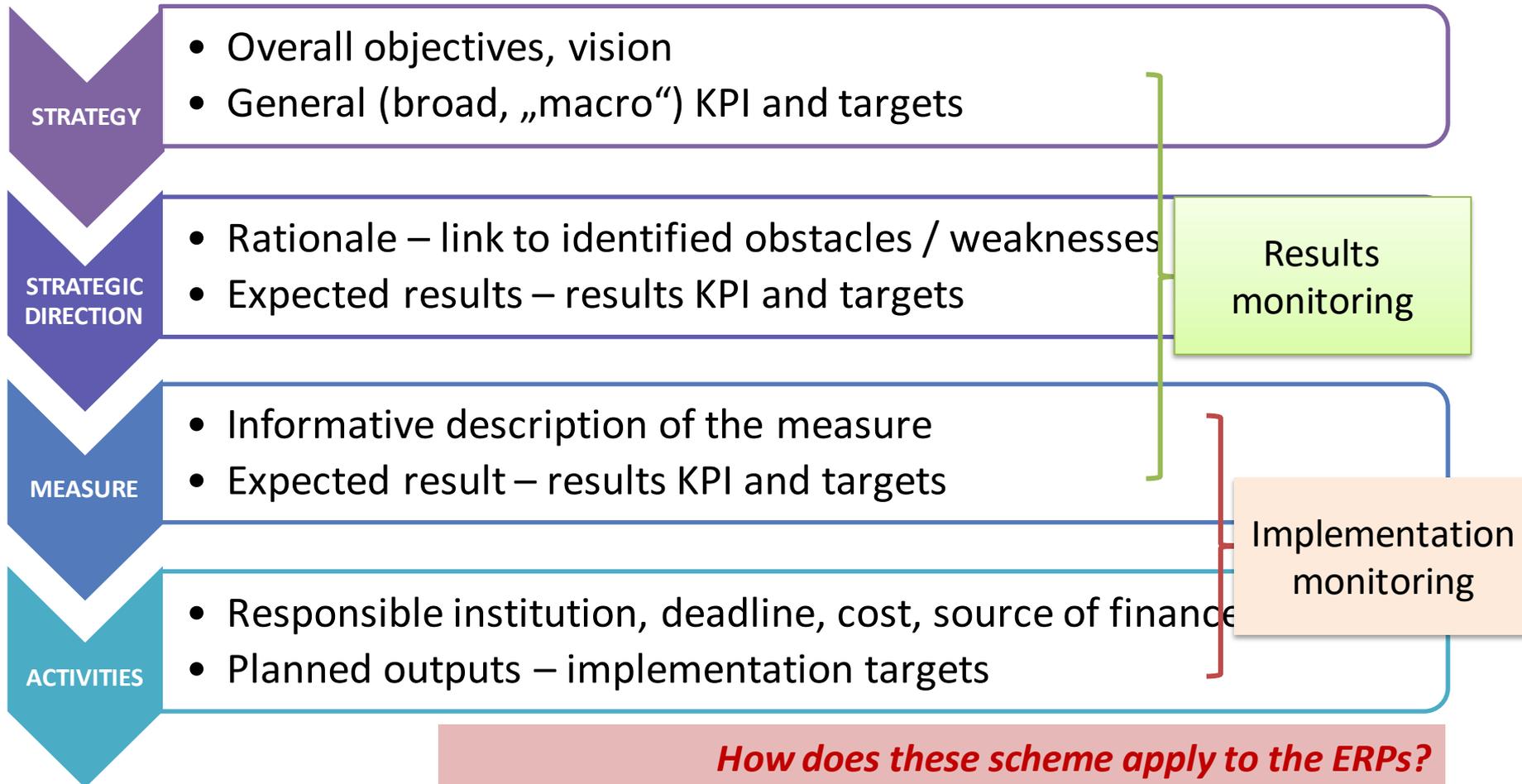
Janez Šušteršič



Funded by the European Union.

Fiscal Implications of Structural Reforms

Link between policy planning and indicators



Example 1

Checking the overall targets of a strategy



SME development strategy for 2012-2020

Indicator	Unit	Base-line 2010	Evolution of indicator values										Target 2020	
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Number of SMEs per 1000 persons	#	12.8	13.3	13.9	14.3	14.7/ 14.5	14.4/ 14.2	14.5	15.1					25.0
Share of workers employed in SME	%	58.8	57.7	57.7	56.8	56.2/ 55.6	55.1/ 62.1	61.2	61.2					65.0
Share of SME in GDP	%	28.3	29.5	28.7	32.2	32.8	33.5	31.4						38.0

Are these KPI relevant - well related to the SME Strategy vision and objective?

Are they clear? Reliable?

Were targets well set?

Do all indicators make sense economically?

Vision:

SME serve as a factor of steady economic growth and national competitiveness.

Objective:

Creation of a favourable business environment, promotion of business culture in the course of SMEs support and assurance of social unity.



SME development strategy for 2016-2020

Original formulation of targets

Targets of effective implementation of Development Strategy are as follows (baseline – 2013):

1. Growth of SMEs output by average 10% annually by 2020;
2. Growth of number of employees in SMEs by 15% by 2020;
3. Productivity growth by 7% by 2020.



Clear?

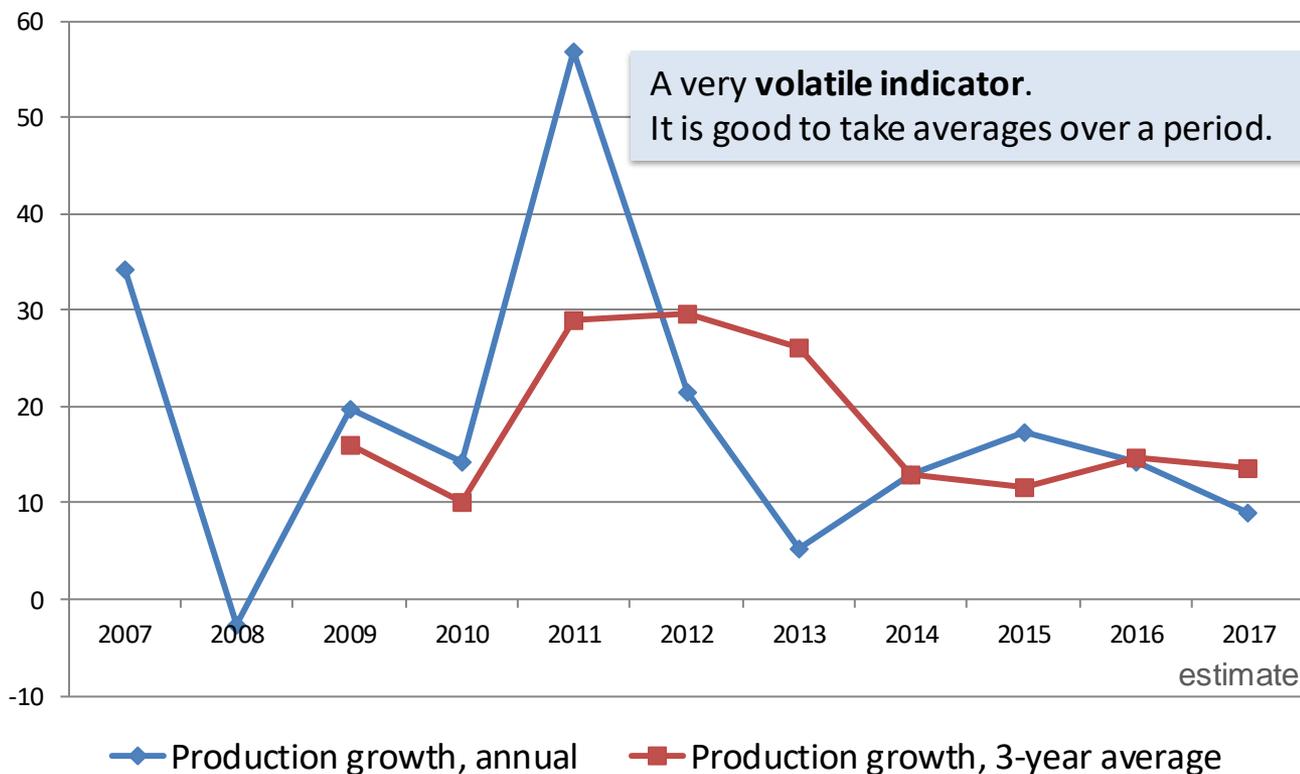
Re-formulation of indicators

1. Average annual growth of production value of SMEs over the last three years;
2. Increase in the number of persons employed in SMEs since 2013;
3. Increase in productivity (value added per person employed) in SMEs since 2013.

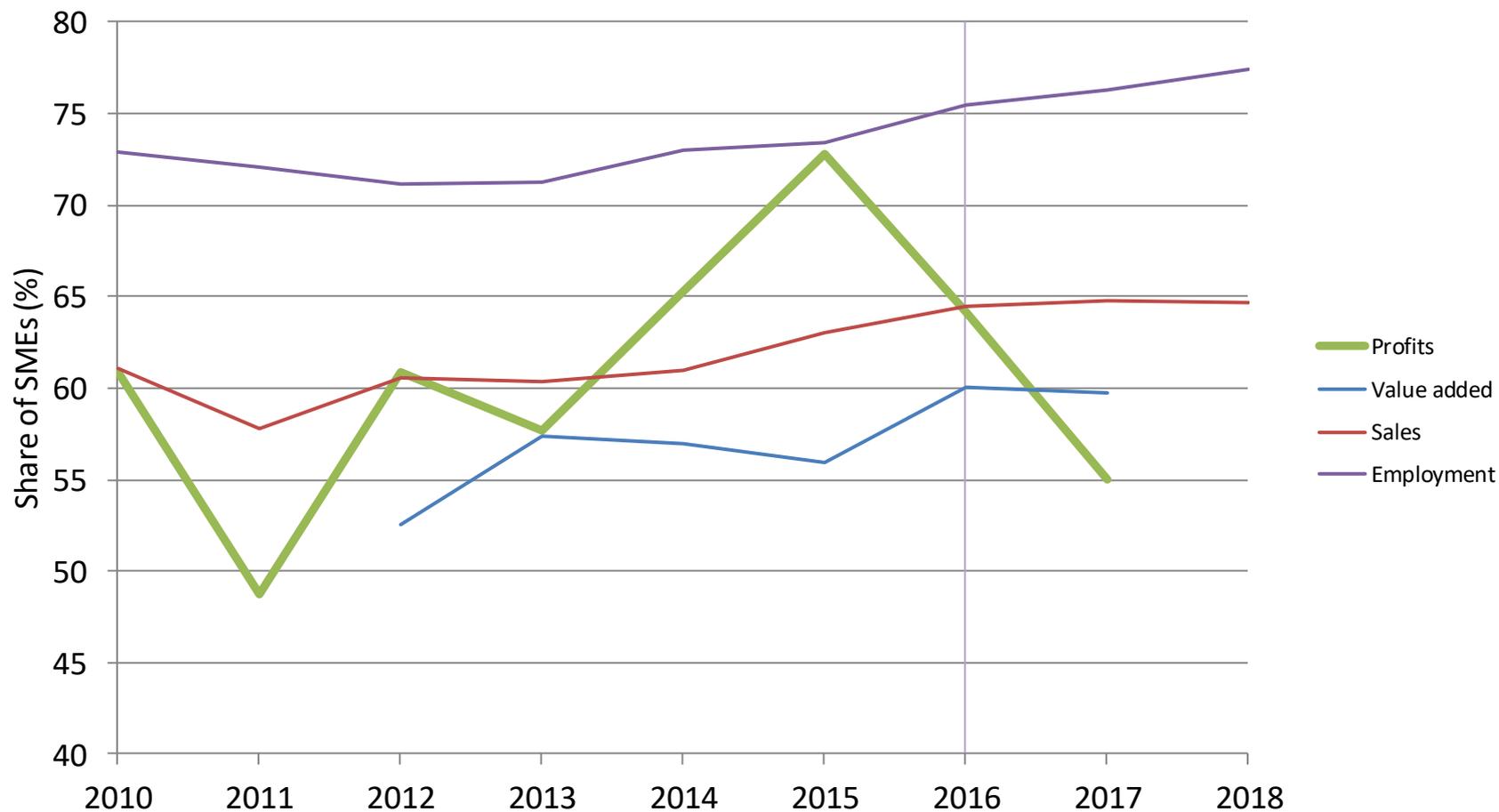
Checking the realism and ambition of targets

Average annual growth of production value of SMEs over the last three years.

Target set for 2020: 10%.



Another example of a volatile indicator



Example 2

Finding and choosing indicators

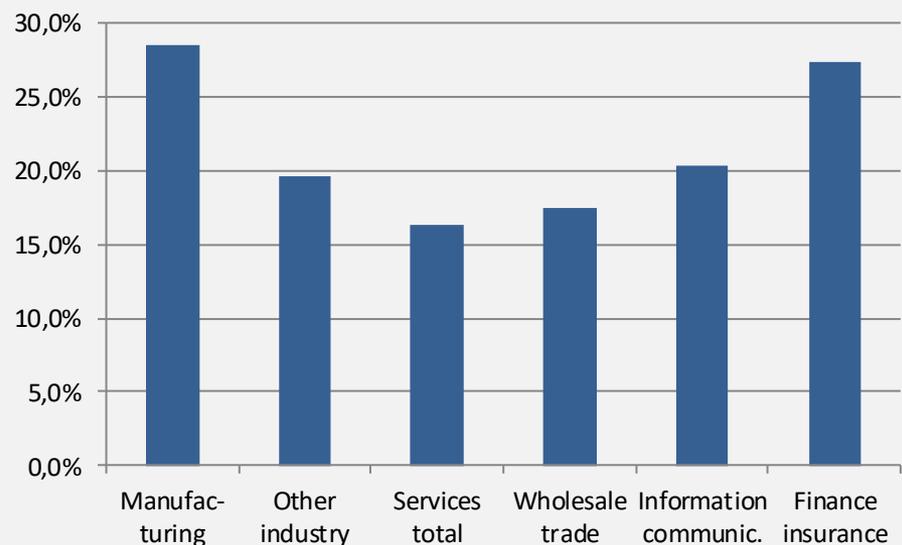


Strategic direction: Increase of SME competitiveness and innovation spirit

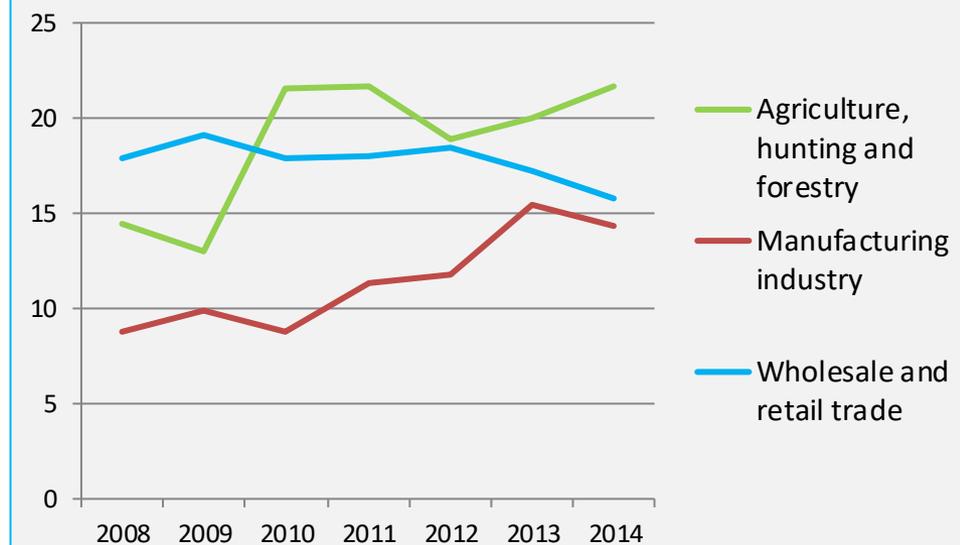
OBJECTIVES	EXPECTED IMPACT
Improvement and development of technical and innovation potential of SMEs.	Direct and obvious effect of work in this priority direction will be growth of the GDP share contributed by SMEs and increase of investments and fixed capital.
Assistance in the formation of SMEs clusters , development of business incubators, etc.	
Support of intellectual property for SMEs.	
Facilitation of access for SMEs to domestic and foreign markets .	
Implementation of management systems based on the international and European standards.	

SUGGESTIONS:

- **Investment by SME:** [business financial statements](#) could be used to calculate it
- **GDP share of SME:** [sectoral structure](#) from NBS
- **Innovative spirit:** NBS now conducts an [innovation survey](#). In 2015-15, 20.8 % all companies were innovative. Out of these, 62.1 % were small (10-49 empl.)
- **Intellectual property:** number of [patent applications](#) (by SME): Intellectual Property Office?
- **Access to markets:** [share of SME in total exports](#): add to business survey or balance sheets



Share of innovative enterprises
in selected sectors



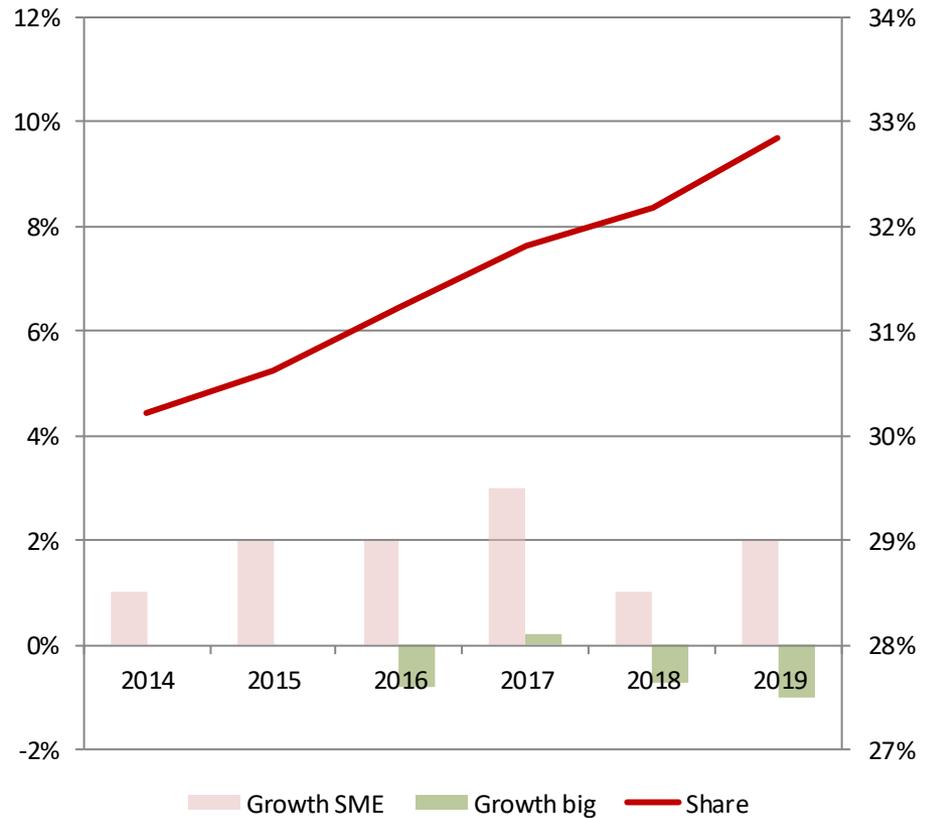
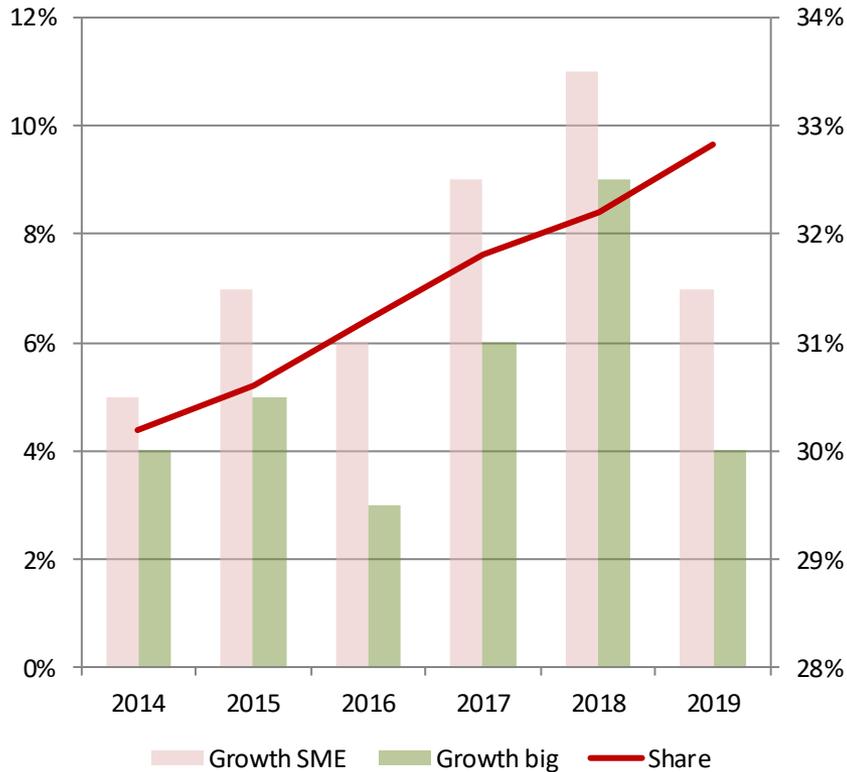
Sectoral structure of GDP produced by SME

Example 3

Shares or growth rates?



Share of SME in total value added – two scenarios



Example 4

Data sources

- Statistical offices
- Central banks
- International reports

Check comparability of data

Definitions of SME

National definitions typically include different thresholds for turnover and number of employees. Why?

Eurostat, by convention, produces SME data based on employment-only definition:

- 1-9 & individual entrepreneurs
- 10-49 (small)
- 50-249 (medium)

Example from one of the countries [SME employment share in 2017]

Long enough time-series of data based on the national definition.
[72.7 %]

OECD, with national statistics, produced internationally comparable data, but published only for 2017 and partly 2016.
[63.7 %]

National statistics published backward time series on employment-only definition, but did not include individual entrepreneurs in the 1-9 category.

[49.3 %] Fiscal Implications of Structural Reforms



Example 5

No-change indicators

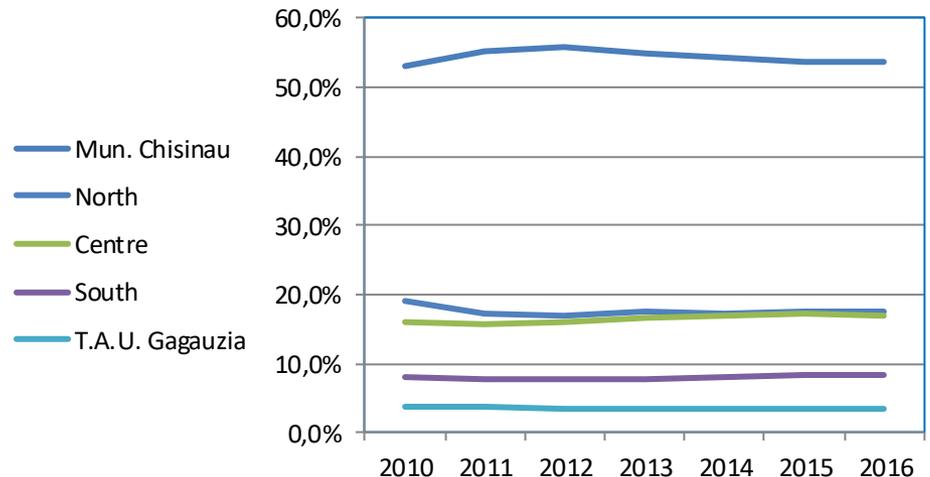


Strategic direction: Facilitation of SME development in regions

OBJECTIVES	EXPECTED IMPACT
Stimulation of balanced and long-term development of SMEs all over the territory of the country.	The impact will be indirect within overall impact of the Strategy as provided in the chapter Vision and Mission of the Sector.
Assurance of SMEs support infrastructure development in the regions.	
Stimulation of SMEs participation in trans-border and regional cooperation.	

POSSIBLE KPI:
Regional distribution of SME number, employees and turnover.

CHART: regional share of SME in employment



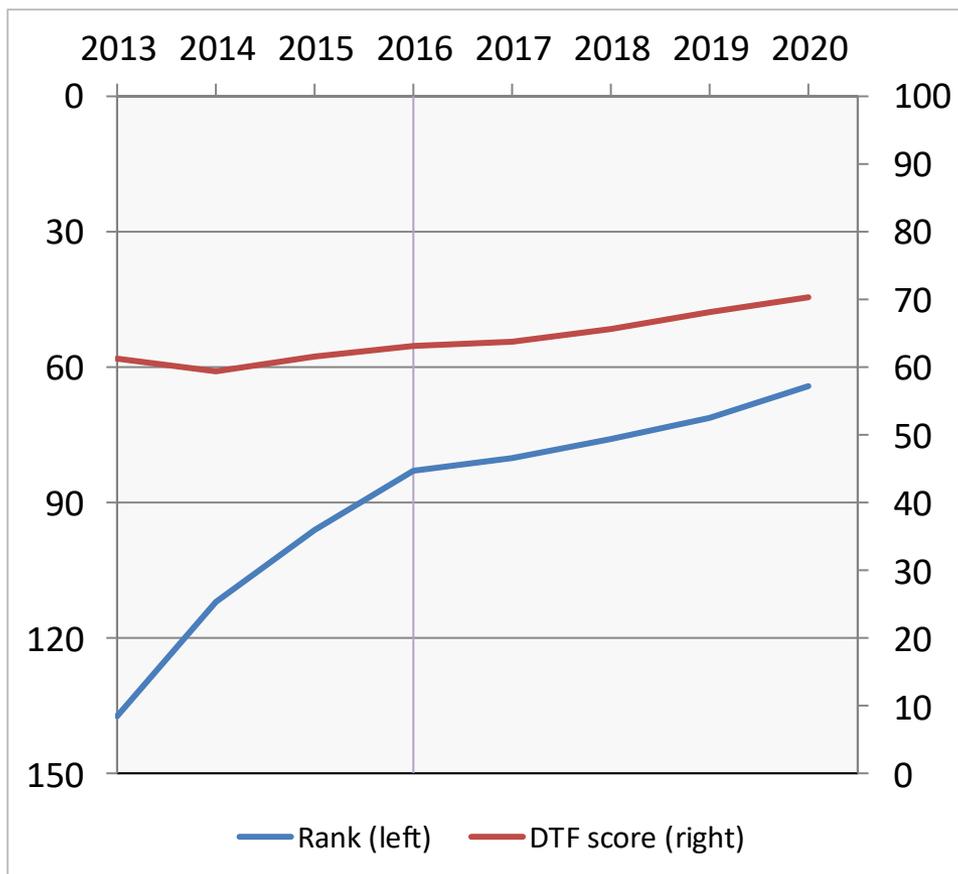
Example 6

Rankings or scores?



WB Doing Business – Ukraine – Rank vs. score

Score = DTF = distance to frontier (best performer 100)



Rank and DTF over time

