

# **SME Sector Monitoring: Conceptual Recommendations for Belarus**

**Alexander Knuth**

German Economic Team Belarus

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## A. Introduction

- Belarus aims to renew its SME promotion policy. Therefore, reliable data about the SME sector are needed in order to identify areas for policy intervention.
- Information about the SME in Belarus are currently insufficient
  - Data basis is fragmented and hardly comparable
  - Data are insufficient, especially not enough time series and panel data
  - Methodologies of data collection and data processing differ from those of EU and other countries
- Consequently, it is difficult to
  - Analyse the SME sector comprehensively and thoroughly
  - Benchmark the Belarusian SME sector with other countries
  - Monitor the impact of SME policy measures
- This policy briefing proposes a way to improve the situation in a pragmatic and efficient way.

## **B. Objectives of a SME Sector Monitoring for Belarus (1)**

The SME sector monitoring is an instrument that collects data, processes data, proposes interpretation of the data and publishes the results. In doing so, it helps the government, relevant authorities and development partners to:

1. Improve SME sector analysis
  - a) Analyze situation of SME sector
  - b) Monitor development of SME sector
  - c) Forecast development of SME sector
2. Compare and benchmark Belarusian SME sector with that of other countries
3. Measure the impact of SME policy

## Objectives of a SME sector monitoring for Belarus (2)

The overall objective of the SME sector monitor is to contribute to a more efficient SME policy. Therefore, such an instrument must fulfill the following requirements:

- Data are unbiased
- Data cover the “big picture”, i.e. not only partial analysis
- Data are reliable, i.e. using state-of-the-art methodology
- Results are easy to understand
- The costs of data collection and processing are adequate
- Data and results are updated regularly (at least yearly)

## C. Recommendations for Research Design: Overview

We propose a pragmatic research design:

A cumulative composition consisting of at least six indicators:

1. SME general statistics
2. SME access to bank loans
3. SME related macro-economic trend indicator
4. SME opinion barometer
5. SME innovation indicator
6. SME expert survey

## Recommendations for Research Design: Details (1)

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**Name of the indicator**    **SME general statistics**

**Explanation**

Number of SME  
Number of start-ups  
Number of insolvencies  
Share of GDP  
Share of employment  
Share of export  
Regional distribution  
Sectoral distribution

**Sources**

Existing statistics of  
National Statistical Committee of Belarus

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## Recommendations for Research Design: Details (2)

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**Name of the indicator**    **SME access to bank loans**

**Explanation**

The volume, terms and conditions of bank loans issued to SME:

- Credit growth,
- Interest rates and maturity structure
- Currency structure,
- Collateral rules,
- Development of lending standards

This is mainly for the early detection of credit constraints. When such an indicator differs significantly from the market average, then policy intervention might be considered.

**Sources**

National Bank of Belarus

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## Recommendations for Research Design: Details (3)

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**Name of the indicator**    **SME related macro-economic trend indicator**

**Explanation**

Forecast growth of domestic demand  
Forecast growth of exports  
Forecast inflation, interest rates, exchange rate  
Etc.

**Sources**

Use of existing instruments, i.e. institutions that already provide such information

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## Recommendations for Research Design: Details (4)

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**Name of the indicator**    **SME opinion barometer**

<b>Explanation</b>	Opinion poll survey regarding SME assessment of future business  Examples for questionnaire <ul style="list-style-type: none"><li>• „Do you plan to invest in the next year?“</li><li>• „Do you plan to hire people in the next year?“</li><li>• ...</li></ul>
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<b>Sources</b>	Use of existing instruments, e.g. institutions that already provide such information
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## Recommendations for Research Design: Details (5)

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**Name of the indicator**    **SME innovation indicator**

**Explanation**

Shows innovation activity of SME

Survey data

Model: Community Innovation Survey of EU (Annex)

**Sources**

New surveys must be created

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## Recommendations for Research Design: Details (6)

**Name of the indicator** SME expert survey

**Explanation**

Key experts in the field of SME are interviewed  
 Advantage: Draw on compromised knowledge  
 a) Qualitative evaluations of the SME sector  
 Experts explain how they see the situation and the future development.  
 b) A standardised grade  
 Each expert gives an assessment in the form of a number between 1 and 10. The average grade of the survey can be compared with the average grade of former years.

**Sources**

New survey must be created

## D. Implementation

In order to achieve the objectives and fulfill the requirements named above, the institution responsible for the implementation should show the following characteristics:

- Independent, meaning not involved in SME promotion activities and not under the institution that is responsible for SME promotion *(in order to ensure reliable, unbiased data)*
- Sufficient research competency
- Connected to the international scientific community *(in order to use international expertise, thus minimizing costs)*
- Stable institution with a long-term focus *(in order to ensure continuous work, availability of data in the future)*

## E. Summary & Outlook

- The proposed SME sector monitoring would provide a reliable data basis for SME policy formulation and impact analysis.
- The recommended research design draws on existing data and instruments in Belarus, thus minimizing costs of implementation.
- We recommend to contract an independent institution for the design and implementation of the SME sector monitor (via public tender).
- Belarus can use experience from other countries, including Germany regarding research methodologies.
- International experience shows that continuous monitoring increases the efficiency of SME policy tremendously.

## Contact

**Dr. Alexander Knuth**

knuth@berlin-economics.com

German Economic Team Belarus

c/o BE Berlin Economics GmbH

Schillerstr. 59, D-10627 Berlin

Tel: +49 30 / 20 61 34 64 0

Fax: +49 30 / 20 61 34 64 9

E-mail: info@get-belarus.de

www.get-belarus.de

Follow us on Twitter @BerlinEconomics



## Annex: EU Community Innovation Survey

The Community Innovation Survey is part of the EU science and technology statistics. It covers most EU member states and has been carried out frequently since 2003. It provides information on:

- Innovativeness of sectors by type of enterprises
- Different types of innovation
- Various aspects of the development of an innovation
  - Objectives
  - Sources of information
  - Public funding
  - Innovation expenditures etc.

### Example from questionnaire

**During the three years 2008 to 2010, did your enterprise introduce:**

New or significantly improved goods (exclude the simple resale of new goods and changes of a solely aesthetic nature) Y/N

New or significantly improved services Y/N