SMEs in Economies in Transition: Challenges, Opportunities and UNECE Tools

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This research paper

**Objective**
- Provide a general overview of SMEs in the economies in transition in UNECE region,
- Outline challenges for SMEs and supporting UNECE tools.

**Key questions**
- What are the key challenges for SMEs in the economies in transition in UNECE region?
- How to support SMEs in the economies in transition, including through the use of UNECE tools?

**Approach**
- Desk research based on articles and public policy documents
Figure 2: Percentage of GDP derived from SMEs, in selected UNECE member States with economies in transition

Figure 1: Percentage of employment in the SME sector in selected UNECE member States with economies in transition

Key challenges for SMEs

- Weaknesses in regulatory and institutional framework
- Lack of an innovation culture/system
- Challenges with access to domestic and foreign markets
- Shortcomings in access to finance and technology
- Shortages in human capital
Challenges and opportunities: human capital

**Human capital**

- Human capital is central for innovation and economic modernization of SMEs
- Specific challenges for economies in transition:
  - Emotional challenges (fear of failure)
  - Less attractive than ‘traditional’ employment
  - A dominant role of SOEs (Belarus, Kazakhstan)

**Actions**

1. Support of women’s entrepreneurship (gender-responsive partnerships in Armenia, Azerbaijan, Moldova, Georgia)
2. Promotion of skills development and entrepreneurial learning
3. Business and financial literacy
UNECE tools to address the key challenges

Specific attention to challenges and further research:

- Entrepreneurial spirit and female-owned SMEs
  - UNECE inter-agency trainings

- Agricultural sector
  - UNECE hosts over 100 agricultural quality standards

- Supporting the green agenda
  - Role of circular economy
  - Climate change mitigation policies
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<tr>
<th>Challenges</th>
<th>UNECE SME-specific tools</th>
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<tr>
<td>Weaknesses in regulatory and institutional framework</td>
<td>• Economic and Social COVID-19 Impact Assessments on MSMEs in selected countries&lt;br&gt;• Toolkit on Enhancing Transparency and Traceability of Sustainable Value Chain in the Garment and Footwear Sector</td>
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<td>Challenges with access to domestic and foreign markets, including trade facilitation</td>
<td>• White Paper on Integrated Services for MSMEs in International Trade (ISMIT)&lt;br&gt;• White Paper on Blockchain in Trade Facilitation&lt;br&gt;• Regional Report on Digital and Sustainable Trade Facilitation&lt;br&gt;• Report on Post-pandemic COVID-19 Economic Recovery: Harnessing E-commerce for the UNECE Transition Economies</td>
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<td>Lack of an innovation culture/system</td>
<td>• Policy Handbook on Supporting IHGEs in Eastern Europe and South Caucasus (EESC)&lt;br&gt;• Handbook on Business Incubators for Sustainable Development in the sub-region of the Special Programme for the Economies of Central Asia (SPECA)</td>
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<td>Shortages in human capital (skills, gender, and financial literacy)</td>
<td>• Online training on the use of international standards to help MSMEs better recover from COVID-19&lt;br&gt;• Online training course on agricultural quality and food loss (forthcoming)&lt;br&gt;• Inter-agency training and interventions highlighted in the Economic and Social COVID-19 Impact Assessments on MSMEs in Central Asia</td>
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