



中国—中东欧国家全球伙伴中心
GLOBAL PARTNERSHIP CENTER OF CEECs AND CHINA

**IMPACT OF THE COVID 19 PANDEMIC ON SMEs
IN CHINA, CROATIA, NORTH MACEDONIA AND SLOVENIA –
RECOMMENDATIONS FOR IMPROVEMENT OF POLICY
MEASURES**

CEPOR – SMEs & Entrepreneurship Policy Centre (Croatia)

The Centre for Polish and Central and Eastern European Studies, School of International
Studies, Sichuan University (China)

ESTIMA – Association for Strategy Creation, Research, Education and Promotion and
International Values (North Macedonia)

December, 2021

CONTENTS

1. INTRODUCTION AND METHODOLOGY DESCRIPTION	4
2. COUNTRY REPORT – CHINA	7
2.1. SME sector in China in 2020.....	7
2.2. Development difficulties and opportunities for Chinese SMEs in the post-pandemic era	8
2.3. Policy measures supporting SMEs in China during the COVID-19 pandemic	9
2.4. Recommendations for the improvement of policy support for SMEs during the pandemic	11
2.5. Entrepreneurial response to opportunities emerged during the crisis caused by the COVID-19 pandemic - case studies from China	12
3. COUNTRY REPORT – CROATIA	17
3.1. Quantification of the impact of the pandemic on the SME sector in Croatia	17
3.2. Policy measures supporting Croatian SMEs during the COVID-19 pandemic.....	28
3.3. Review of the adopted government measures for supporting SMEs during the pandemic in Croatia.....	32
3.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from Croatia	32
4. COUNTRY REPORT – NORTH MACEDONIA.....	37
4.1. Quantification of the impact of the pandemic on the SME sector	37
4.2. Policy measures supporting SMEs in North Macedonia during the COVID-19 pandemic	39
4.3. Impact of the adopted government measures and recommendations for a successful economic recovery	42
4.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from North Macedonia.....	44
5. COUNTRY REPORT – SLOVENIA	48
5.1. Quantification of the impact of the pandemic on the SME sector in Slovenia	48
5.2. Policy measures supporting SMEs during the COVID-19 pandemic.....	52
5.3. Review of the adopted government measures for supporting SMEs during the pandemic in Slovenia	56

5.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from Slovenia.....	59
6. CONCLUSION AND RECOMMENDATIONS	62
6.1. Impact of the pandemic on the small and medium enterprise sector in China, Croatia, North Macedonia and Slovenia	62
6.2. Government measures to support the economy during the pandemic	63
6.3. Review of the policy measures to combat the negative effects of pandemic on SMEs and recommendations	65

1. INTRODUCTION AND METHODOLOGY DESCRIPTION

Global Partnership Center of Central and Eastern European Countries and China (GPC) is a non-profit think tank association founded in 2019 that brings together organizations representing 17 Central and Eastern European Countries (CEEC) and China. The aim of the association is to encourage the exchange of information, implement joint research and education projects for the benefit of the countries involved, through cooperation of the organizations that are signatories to the Cooperation Agreement. GPC activities include support for the implementation of research focusing on key issues in the pragmatic cooperation between CEECs and China, which aims to promote the quality and efficiency through in-depth research on policies, laws and regulations, investment, business environment, etc.

In August 2021, an internal tender process was conducted among GPC member organizations for research projects aimed at researching:

- 1) China-CEECs Economic Cooperation in the Post-Pandemic Era;
- 2) Current Business Policies of CEECs and China, and Improvement Measures.

In October 2021, with the support of the GPC, a consortium composed of four organizations: *CEPOR – SMEs & Entrepreneurship Policy Centre from Croatia, The Centre for Polish and Central and Eastern European Studies, School of International Studies, Sichuan University from China, International Cooperation Centre – National Development and Reform Commission from China and ESTIMA – Association for Strategy Creation, Research, Education and Promotion of International Values from North Macedonia*, started the implementation of the project “*Impact of the COVID-19 pandemic on SMEs in China, Croatia, North Macedonia and Slovenia – recommendations for improvement of policy measures*”.

The aim of the research project was to provide a deeper insight into the impact of the pandemic on the small and medium enterprise (SME) sector in the four observed countries of focus (China, Croatia, North Macedonia and Slovenia), to provide an overview and critical review of the measures taken by governments to support the sustainability of small and medium enterprises during the pandemic, and point to examples of good practice in entrepreneurial responses to recognized pandemic opportunities leading to innovative products, services, processes or business models. The conducted research generated conclusions and recommendations based on good practice in supporting the small and medium enterprise sector in times of crisis.

The research conducted within the project included primary and secondary sources of information. Secondary sources of information relate to the collection of quantitative data on the performance of the SME sector in the pre-pandemic 2019 and pandemic 2020, and the comparison of indicators to identify the impact of the pandemic on sector performance. Sources of data for quantifying the impact of the pandemic on the SME sector included public institutions in the four observed countries. Publicly released (secondary) sources were also used to identify measures taken by governments to support the sustainability of the SME sector. Primary sources in the form of interviews with entrepreneurs were used to present examples of good practice related to innovative products, services, processes or business models created as a result of the perceived opportunity during the crisis. Innovative examples were identified through media records and, in accordance with needs and capabilities, information was further collected by conducting semi-structured interviews with entrepreneurs. Entrepreneurs, together with identified economic analysts, were also the primary source of information for a critical review of government measures to support small and medium enterprises during the pandemic and to identify recommendations for better sizing and tailoring thereof, according to the needs of the sector. In addition to interviews with entrepreneurs and economic experts, data and reflections on the adequacy of measures and their effectiveness were collected through media statements by the representatives of entrepreneurs' associations as well as data from published research on the subject.

Through discussion, the concluding part of the study compares the impact of the crisis on the SME sector in the four observed countries, identifies positive aspects of government measures to support the SME sector during the crisis, and identifies recommendations in the form of lessons learned that can be useful to policy makers in situations where support for the sustainability of the sector is necessary due to the impact of external adverse conditions.

COUNTRY REPORT

CHINA

2. COUNTRY REPORT – CHINA

2.1. SME sector in China in 2020

On March 1st 2020, the Center for Urban and Competitiveness Research of the Chinese Academy of Social Sciences and the Enterprise Chacha Big Data Institute jointly released the “2020 China Enterprise Development Data Annual Report” which showed that as of February 2021, there were 144 million market entities in operation in China, including 44.572 million enterprises and 96.046 million individual industrial and commercial households.

The China Household Finance Survey and Research Center of Southwest University of Finance and Economics conducted a nationwide survey on the impact of the Covid-19 pandemic on SMEs in August 2020 and December 2020. The survey data showed that among SMEs¹, there were 11 percent micro, 17 percent small and 72 percent medium companies. The number of micro, small and medium enterprises in China, and the share of employment in micro, small and medium companies is indicated in Table 1.

Table 1: Number of enterprises and employees with regard to size

Economic criterion	Enterprise size		
	Micro	Small	Medium
Number of enterprises (approximation)	93.6 million	22.1 million	14.3 million
Median number of employees	5	11	29
Proportion of employed persons	41%	22%	37%

Sources: China Household Finance Survey and Research Center of Southwest University of Finance and Economics

On January 27, 2020, the Ministry of Finance released the publication on “Economic Operation of State-owned and State-controlled Enterprises Nationwide from January to December 2020”. The report showed that the total business income of the state-owned enterprises in 2020 amounted to 8,283.61 billion EUR. According to the official website of

¹ According to the VAT threshold and the criteria for identifying small-scale taxpayers, SMEs can be classified into three categories according to their annual business income: medium (annual business income of over \$5 million), small (annual business income of \$1.2 million to \$5 million) and micro (annual business income of less than \$1.2 million).

the Central Government of the People's Republic of China, the total business revenue of the top 500 private enterprises in 2020 is 4.6 trillion EUR. According to the same source, there are more than 750 million employees in China, with almost half of them working in the tertiary sector (Table 2).

Table 2: Number of employees in China in 2020

2020 Employed persons	Numbers
2020 Employed persons (10,000)	75,064
Employed in the primary sector (10,000)	17,715
Employed persons in the secondary sector (10,000)	21,543
Employed in the tertiary sector (10,000)	35,806

Sources: The Central People's Government of the People's Republic of China. <http://www.gov.cn/>

2.2. Development difficulties and opportunities for Chinese SMEs in the post-pandemic era

The sudden COVID-19 pandemic had significant impact on many private enterprises, especially SMEs. While the SMEs have encountered difficulties, the pandemic led to the emergence of new business models. Therefore, the post-pandemic era brings both difficulties and opportunities for SMEs.

Difficulties

- (1) **Economic downward pressure:** In recent years, with the slowdown of the global economy and the decline in export growth caused by trade frictions, the downward pressure on China's economy has intensified. SMEs were already facing great difficulties and the pandemic further amplified the downward pressure on the economy.
- (2) **Global economic changes:** The pandemic further emphasized the need for companies to embrace digitalization in order to survive. The financial dilemma of ultra-low interest rates and high leverage appeared. The breakage and restructuring of global industry chains affected SME development. The pandemic also affected SMEs imports and exports, as well as cross-border investment.
- (3) **Cash flow management dilemma:** The pandemic has led to a reduction or transfer of orders. The flow of raw materials, labor and other production factors required by enterprises is not smooth, the upstream and downstream supply chains are not connected and production cannot be carried out normally. Sales channels are blocked, and finished products cannot be sold as usual. Rigid expenses cannot be avoided.
- (4) **Difficulties in financing:** The enterprises' either lack or have imperfect risk

mechanisms to cope with the pandemic.; Low loan approval rates and low quotas make it difficult to meet financing needs in the post-pandemic era. The lack of matching financial institutions further affects SMEs which face an inability to raise funds and insufficient financing under the impact of the pandemic.

- (5) **Difficulty in implementing government policies:** According to relevant studies, the State promulgated many measures to help SMEs during the pandemic, but 2/3 of SMEs still indicated that they did not enjoy preferential subsidies. Formalities in the process of implementing government policies at all levels need to be improved, and the gap between policy expectations and implementation needs to be reduced.

Opportunities

- (1) **Strong government policy support:** Measures have been targeted to help SMEs reduce tax burden, lower operating costs, reduce expenses and increase job stabilization efforts.
- (2) **Digital transformation presents opportunities:** The companies' own awareness of digital transformation has increased significantly. The foundations for digital transformation are more solid.
- (3) **The high-tech industry has seen opportunities:** It has promoted the use of 5G, big data and artificial intelligence; the development of medical equipment, medical materials and other pharmaceutical industries; the rapid development of industrial Internet, artificial intelligence, biomedicine, medical equipment and other emerging industrial technologies; and the development of the Internet economy.
- (4) **International trade opportunities:** The post-pandemic era has facilitated the development of digital trade and lowered the entry barriers to international trade. This will provide a convenient platform and valuable opportunities for product innovation and brand creation for the SMEs, potentially reshape the status of the global industrial division of labor and promote the industry in the middle and high end of the value chain.

2.3. Policy measures supporting SMEs in China during the COVID-19 pandemic

In order to strengthen the capacity of small and medium enterprises to ensure business sustainability despite the changed business environment affected by the pandemic, support measures for entrepreneurs were introduced at the national and local level, which primarily focused on four key areas:

- 1) Enhancing financial support;
- 2) Reducing the burden of taxes and fees;
- 3) Reducing operating costs;
- 4) Increasing efforts to stabilize jobs.

Increasing financial support

For small, medium and micro enterprises in cultural and creative industries that have suffered large losses in project investment during the pandemic and have difficulty to resume normal operations within a short period of time, provinces opened green channels for financial services, helping them to overcome economic difficulties with measures such as lowering loan interest rates, extending loan terms, reducing or waiving financial service fees, and extending the collection of financial lease rentals.

Implementing and improving tax incentives

The State Taxation Administration issued the Notice on Optimizing Tax Payment Services in line with the Prevention and Control of the New Coronavirus Infection Pneumonia Epidemic. They proposed that the deadline for filing tax returns be extended according to the needs to ensure epidemic prevention and control. Taxpayers and withholding agents affected by the pandemic could also apply for further extensions in accordance with the law if they still have difficulties to process the tax returns after the deadline for filing tax returns was extended in February 2020.

Further reducing the social burden on SMEs

The Ministry of Information Technology's "Notice on Measures Aimed to Help SMEs Resume Work and Production to Overcome the Difficult Period in Response to the New Coronavirus Pneumonia Epidemic" proposes 20 measures in terms of tax reduction, fiscal support, financial support, innovation and public services, requiring relevant departments and local authorities to actively introduce policies to support SMEs from various aspects.

Policy provisions to support SMEs to accelerate technological transformation

Shanghai's Opinions on "Actively Responding to the Epidemic to Promote the Steady and Healthy Development of Cultural Enterprises" vigorously develop new cultural industries such as digital publishing, digital reading, animation and games, short video, e-sports, intelligent broadcasting, digital entertainment, online education, and digital cultural blogs, and promote the digitalization and intelligent transformation of traditional cultural industries.

In order to support the sustainability of the small and medium enterprise sector during the COVID-19 pandemic, in addition to government measures at the national level, measures at the level of provinces / municipalities have also been created. Policies and measures by Chinese local government to support the SMEs' deal with the effects of the COVID-19 pandemic in 2020 could be found at official websites of China's local governments.

2.4. Recommendations for the improvement of policy support for SMEs during the pandemic

Small and medium enterprises (SMEs) are the foundation of people's livelihood. An SME in operation solves the employment of a few, a dozen, dozens or even hundreds of people, and fulfils people's basic livelihood needs. But the SMEs were most affected during the pandemic. The necessary quarantine measures taken to prevent and control the pandemic led to the stagnation of economic operations, with SMEs bearing the brunt of the impact. As foreign pandemics are not controlled and imported pandemics occur from time to time, local quarantine measures are taken to restrict the movement of people and economic operations. Support for SMEs is also the basis of the "Six Stabilities" and "Six Guarantees", especially in terms of employment, ensuring people's livelihood and protecting market players are the foundation of the "Six Guarantees". In this regard, the government should introduce some effective policies to support SMEs².

First, providing fiscal support. It is important to provide SMEs with tax cuts, fee reductions, financial subsidies and related subsidies to reduce the burden of enterprises, as well as to improve relevant laws and regulations, speed up the establishment of a comprehensive disaster management system and financial emergency mechanism, so that various support policies can be put in place quickly. As the pandemic disaster is a force majeure, enterprises should be allowed to use the extension of tax declaration procedures in accordance with the regulations, and the taxation department should not fine for overdue tax, impose administrative penalties, or adjust the tax credit evaluation. There should be increased support for re-employment through fiscal policies, unemployment insurance stabilization rebates, vocational training subsidies and support for the SMEs human resources, so that those unemployed due to the pandemic can quickly resume employment.

² The policy recommendations were identified based on the interview conducted with Chinese economist Zhu Fangming.

Second, offering financial support. Active financial policies should be adopted, alongside an increase in the financial support for the enterprise production after the disaster. In coordination with commercial banks, the Central Bank has adopted favorable policies for enterprises severely affected by the pandemic, service industries, labor-intensive enterprises that absorb a large number of jobs and relevant high-tech enterprises, and has implemented liberal financial policies to support them. It opened a "green channel" for post-disaster reconstruction loans, so that those enterprises with good credit records and in urgent need of funds can obtain loans as soon as possible, due to the "force majeure" nature of the pandemic disaster. SMEs that are affected by the pandemic and have difficulties to repay loans should not be withdrawn, cut off or penalized, and should be supported by renewing loans on expiry and given appropriate support in the form of lower interest rates.

Third, establishing a good insurance payout mechanism. It is essential to provide timely insurance claims to give enterprises the financial compensation they need to recover and develop, as well as to promote innovation in the insurance system and introduce new varieties suitable for pandemic disasters to provide insurance support to enterprises and people for post-disaster reconstruction. They could include adding insurance to cover business interruption caused by the pandemic, thus solving the problem of widespread work stoppage, long downtime and serious losses caused by the pandemic.

Fourth, sustaining demand and creating a good macroeconomic operating environment. It is necessary to strengthen demand-side management, open up blockages, make up for shortcomings, cut through production, distribution, circulation and consumption, and form a good macroeconomic operating environment in which demand pulls supply and supply creates demand. Expanding domestic demand is closely related to and complementary to livelihood projects and the development of the SMEs. Improving people's livelihood is an important focus point for expanding consumer demand, hedging the impact of the pandemic and promoting high-quality domestic economic development. In the post-pandemic period, apart from providing support to the SMEs through various fiscal and financial instruments, expanding domestic demand is one of the most sustainable relief measures. By expanding domestic demand, enterprises can gain access to production opportunities in the market and provide people with employment opportunities, hence it is more dynamic and sustainable than fiscal subsidies and funding.

2.5. Entrepreneurial response to opportunities emerged during the crisis caused by the COVID-19 pandemic - case studies from China

Seizing opportunities to advance digital transformation and develop digital trade

Throughout the pandemic, the companies that managed to surmount the crisis share some common characteristics. They all fall within the online, digital and intelligent trends, showing the new economy industry traits. Some examples include AI temperature measurement and robot food delivery to support the front line of pandemic prevention; or cloud video conferencing tools and cloud document collaboration tools to provide tools for enterprises to resume work remotely.

Joint production with foreign enterprises (i.e. collaboration in the production of anti-pandemic materials, etc.) to open up overseas markets

After the pandemic, the business world will enter the Open 2.0 phase. Hema Fresh has "shared staff" with restaurants such as Yun Hai Yao and Youth Restaurant (Beijing) to meet its own surging demand for orders and to help restaurants absorb costs. Meituan also quickly followed this cooperation manner, reaching "shared staff" cooperation with Putian Restaurant, Lugang Town, Xiao Nan Guo and other catering companies, while Walmart, Fresh Legend, Jingdong, Suning, Lenovo, 58 Tongcheng and many other companies launched similar "shared staff" measures. It can be said that openness is the best “moat”.

Upgrading and improving the industry chain to adapt to the pandemic and move to the middle and high end of the value chain

Starting from the supply chain system “Internet of Everything”, the application of 5G, IoT, big data, AR/VR and other emerging technologies with great potential can help enterprises collaborate remotely and empower them to match the dynamic changes in supply and demand and scientific scheduling.

During the pandemic, considerable number of SMEs went bankrupt, especially those which mainly do offline business such as restaurants and hotels. However, there were many companies which survived the pandemic owing to their type of business and the creative measures they undertook during the pandemic. Here are two companies in Chengdu which ran their business well throughout the pandemic.

CHENGDU LIGENG CULTURE COMMUNICATION CO. LIMITED

CHENGDU LIGENG CULTURE COMMUNICATION CO. LIMITED is a small and medium-sized enterprise, established in April 2018, with a shareholding structure jointly funded by two private person shareholders, with a shareholding of 70% and 30% respectively. The company belongs to the cultural communication industry and its main business direction

is to provide public cultural services, the publication and distribution of books and the organization and planning of cultural activities for the society.

At the beginning of the pandemic, the company was more passive in waiting or expecting an early end of the pandemic. But, as the pandemic continued to spread globally and as the management gained a new understanding of the pandemic, they started planning to open up a new scenario of cultural services in June 2021. The company already opened a new model of cultural services in the community – Yumei Space. It is expected to be officially start in January 2022. They expect this new model of cultural services to be accepted by the market and to better serve every societal group.

There is no doubt about the positive impact of the company’s innovations on its performance, notably through the shift from offline to online activities. During the pandemic, in order to meet the obligations stemming from the service contracts, the company had to carry out their activities online in order to ensure that the contracts were effectively implemented and the income was protected. They are also confident in their new cultural service business, “Yumei Space”, which will be launched in January 2022.

CHENGDU LONG YUAN NETWORK TECHNOLOGY CO.

Longyuan Network Technology Co. Limited was founded in 2013 and currently employs over 600 people. The company is a leading mobile game developer and operator in China, and has launched a number of products popular with players since its inception. In 2019, Longyuan Network created Duo Duo Auto Chess, the first Chinese original and globally popular e-game. Duo Duo Auto Chess has shown phenomenal popularity worldwide since its launch. It won the Google App Store 2019 Most Innovative Game of the Year award in 17 countries around the world. In addition, the company launched games such as Gathering Explosion, Wanxiang Story and Music World Cytus 2. The company has won 40 industry awards and honors.

The pandemic affects industries and company operations in two ways: first, employees are unable to work together, which affects productivity. Second, the uninterrupted risk in multiple regions of the country has an impact on the possibility to travel, thus communication with the upstream and downstream of the industry is not as convenient as before.

The company introduced protection measures where possible, with staff temperature testing, ledgers, going to work with masks, regular daily disinfection and active attention to health

and travel. Second, they actively promoted the widespread use of teleconferencing and building a good VPN for the company's intranet to facilitate employees to do their work remotely or from home.

The use of teleconferencing and telecommuting may not have a direct impact on a company's performance, but it does make it easier for people to work and interact with each other. Things that were previously difficult to explain clearly by telephone could be better explained by teleconferencing, while looking at the presentation material over and over again. It has a positive impact on productivity.

COUNTRY REPORT

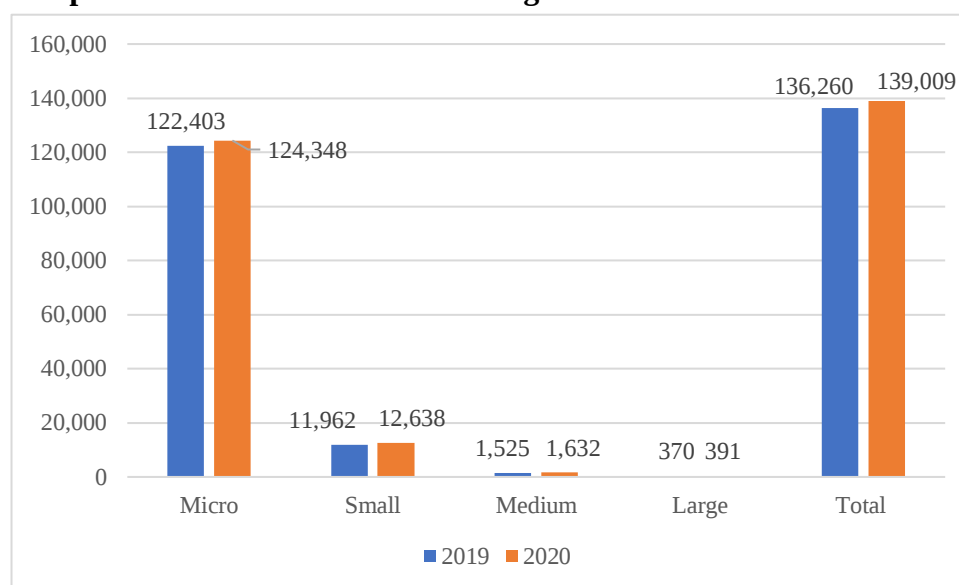
CROATIA

3. COUNTRY REPORT – CROATIA

3.1. Quantification of the impact of the pandemic on the SME sector in Croatia

In Croatia, as in most of the world, the small and medium enterprise sector has by far the largest share in the total number of enterprises (99.7 percent). In 2020, almost 140,000 enterprises operated in Croatia, and as many as 89.5 percent of the total number were micro enterprises. Despite significant changes in business conditions as a result of the COVID-19 pandemic, the growth trend in the total number of enterprises did not stop even in 2020, when 2,749 new companies were registered, which represents a growth of slightly more than 2 percent (Figure 1).

Figure 1: Enterprise structure in Croatia with regard to size in 2019 and 2020

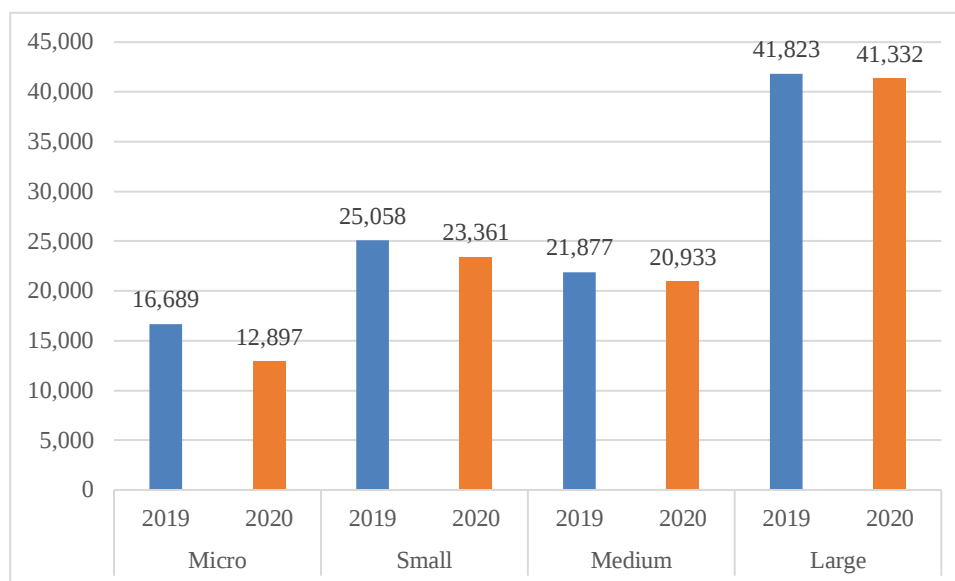


*Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020
“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021*

In 2020, under the influence of the pandemic, there was a decrease in the total income³ of all categories of business entities in Croatia. The largest decrease in total income was recorded by micro enterprises (23 percent), and the smallest by large enterprises, whose income decreased by 1.2 percent. Total income in small enterprises decreased by 7 percent, and in medium enterprises by 4 percent compared to 2019 (Figure 2).

³ Original data related to the amounts of total income and exports expressed in HRK were obtained from the Financial Agency – FINA. For the purposes of preparing this report the exchange rate of 1 EUR=7,55 HRK was used for currency conversion and the amounts were rounded without decimal places. This methodology was applied in the entire chapter Country report - Croatia when converting HRK into EUR.

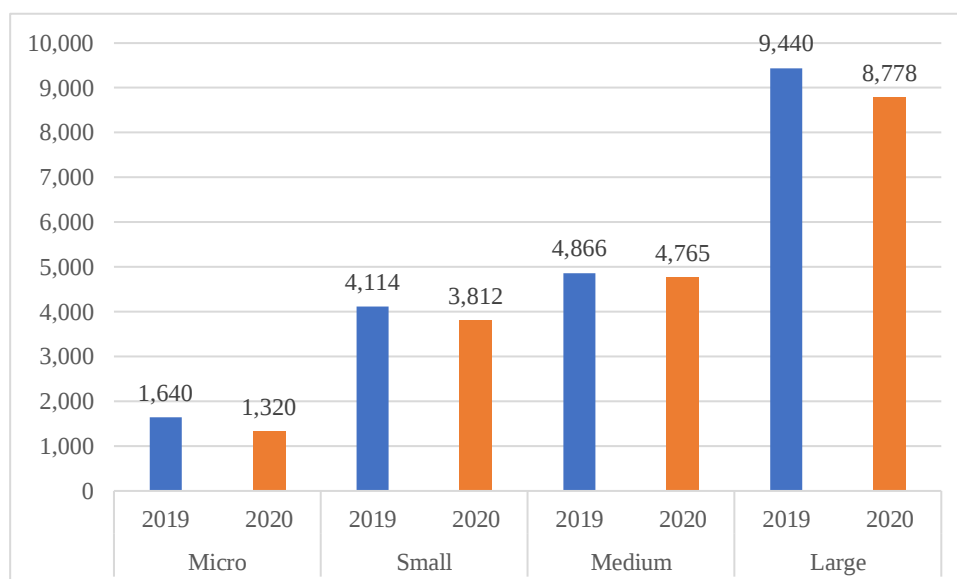
Figure 2: Enterprise size and total income (million EUR) in 2019 and 2020 in Croatia



Sources: Adapted from: “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020
“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

Due to significant restrictions on business activities in the conditions of the pandemic, there was a decrease in export activities in 2020. The largest decline in exports was recorded by micro enterprises (19.5 percent). In small and large enterprises, export activities fell by about 7 percent, while decline in exports was the least pronounced in medium enterprises, where it was 2 percent (Figure 3).

Figure 3: Enterprise size and exports (million EUR) in 2019 and 2020 in Croatia

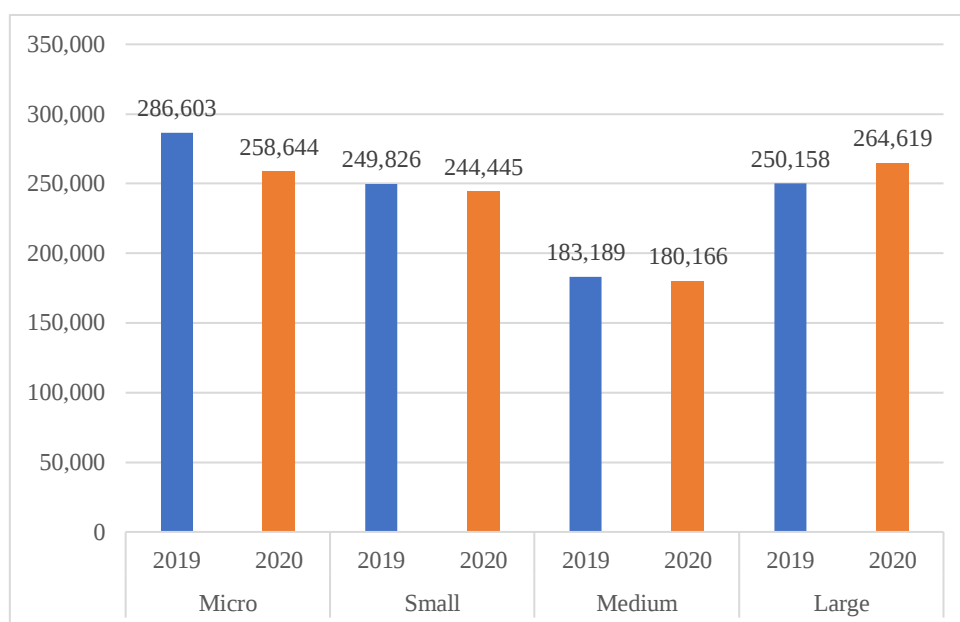


Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020
“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

As a consequence of the pandemic and the reduction of income, in 2020 the number of employees in the micro, small and medium enterprise sector decreased by 5 percent compared to 2019, which reduced their share in the total number of employees in business entities in Croatia by 2 percentage points (Figure 4).

Figure

4:



Enterprise size and number of employees in 2019 and 2020 in Croatia

Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size” FINA, 2020
“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

Compared to 2019, almost 28,000 jobs were lost in the micro enterprise sector in 2020, about 5,400 jobs in small enterprises, about 3,000 jobs in medium enterprises, while almost 14,500 new jobs were created in large enterprises, which partially mitigated the decline in total employment in 2020 compared to 2019, which amounted to 2.2 percent or almost 22,000 jobs (Table 4).

Table 3: Enterprise size and employment, total income and exports in 2019 and 2020 in Croatia

Economic criterion for sector evaluation	Enterprise size							
	Micro		Small		Medium		Large	
	2019	2020	2019	2020	2019	2020	2019	2020
Number of employees	286,603	258,644	249,826	244,445	183,189	180,166	250,158	264,619
<i>Employment (share)</i> ⁴	29.6%	27.3%	25.8%	25.8%	18.9%	19 %	25.8%	27.9%
Total income (million EUR)	16,689	12,897	25,058	23,361	21,877	20,933	41,823	41,332
<i>Total income (share)</i>	15.8%	13.1%	23.8%	23.7%	20.7%	21.2%	39.7%	42%
Exports (million EUR)	1,640	1,320	4,114	3,812	4,866	4,765	9,440	8,778
<i>Exports (share)</i>	8.2%	7.1%	20.5%	20.4%	24.3%	25.5%	47.1%	47%

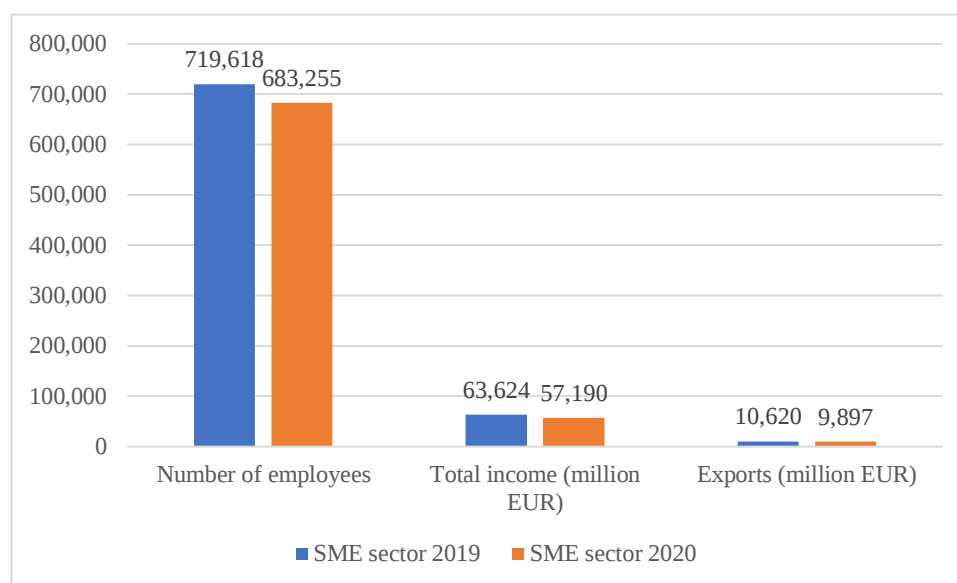
Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020

“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

Based on aggregate data related to operations of the small and medium enterprise sector, it can be seen that the pandemic affected a decrease in the number of employees by 5 percent, i.e. that there were 36,363 fewer jobs in the small and medium enterprise sector in 2020 compared to 2019. Total income generated at the sector level in 2020 was 10 percent lower than in 2019, which is EUR 6.4 billion less, while the value of exports decreased by EUR 723 million, or almost 7 percent. (Figure 5).

⁴ Slight deviations in the sum of the total share (100%) are possible due to rounding of amounts.

Figure 5: Number of employees, total income and exports in the small and medium



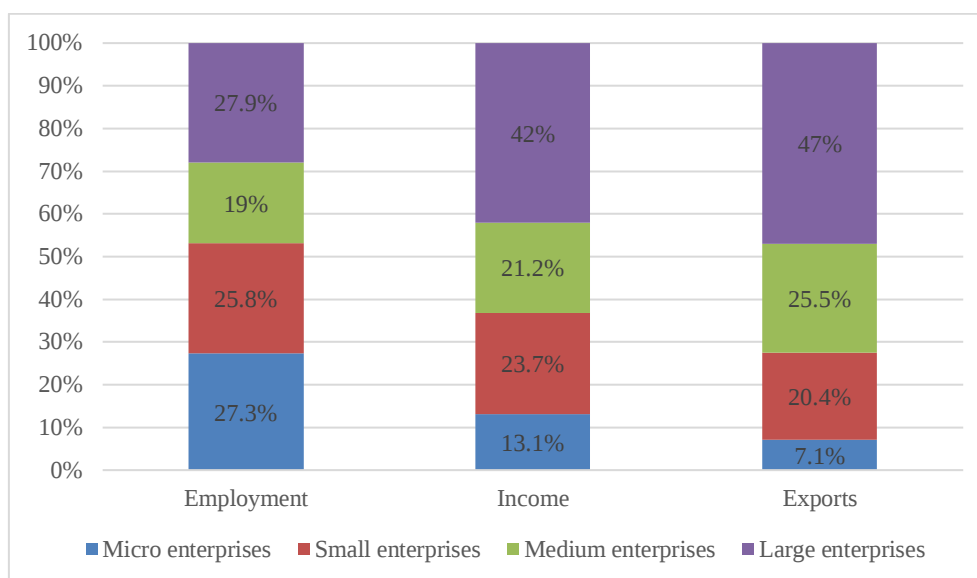
enterprise sector in 2019 and 2020 in Croatia

Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020

“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

Figure 6 shows the differences between micro, small, medium and large enterprises in terms of their contribution to employment, total income and exports in 2020. In 2020, the small and medium enterprise sector employed 72 percent of the total number of employees and generated 51 percent of total income and 53 percent of the total Croatian exports.

Figure 6: Total employment, income and exports by enterprise size in 2020



Source: “Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

In 2020, the Croatian business sector achieved a positive consolidated result, but lower by almost 33 percent compared to 2019. The decrease in this indicator is the result of a decrease in total profit in 2020 by 6 percent with a simultaneous increase in total loss by 42 percent compared to the previous year (Table 5). As with previous indicators, after two consecutive years of growth in the amount of total net profit at the level of all Croatian companies, in 2020, under the influence of the pandemic, there is a change in the financial performance of enterprises. Despite the reduction in net profit, in 2020 all categories of enterprises achieved a positive financial result, which was not the case in 2019, when micro enterprises reported a loss that was higher than the generated profit.

Table 4: Financial efficiency of enterprises in 2019 and 2020

Enterprises	2019		2020	
	Million EUR	%	Million EUR	%
Micro				
Profit	1,372	21.2	1,296	21.3
Loss	1,392	59.7	1,290	39.0
Consolidated result – Net profit/loss	-20	0.5	6	0.2
Small				
Profit	1,522	23.5	1,544	25.4
Loss	383	16.4	537	16.3
Consolidated result – Net profit/loss	1,139	27.5	1,007	36.3
Medium				
Profit	1,244	19.2	1,246	20.5
Loss	301	12.9	529	16.0
Consolidated result – Net profit/loss	943	22.8	716	25.8
Large				
Profit	2,335	36.1	1,996	32.8
Loss	254	10.9	949	28.7
Consolidated result – Net profit/loss	2,081	50.2	1,048	37.7
Total⁵				
Profit	6,473		6,082	
Loss	2,330		3,305	
Consolidated result – Net profit/loss	4,143		2,777	

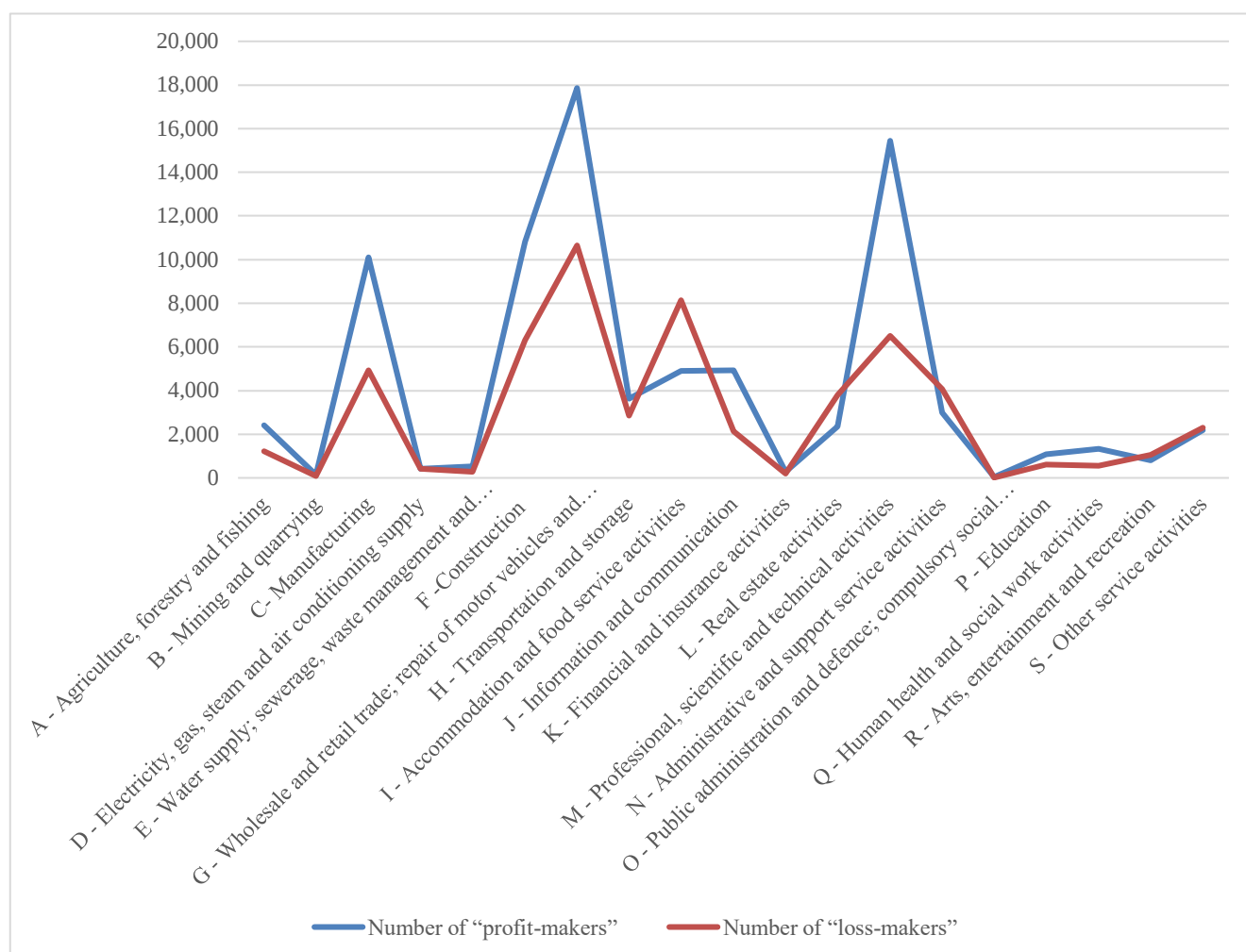
Sources: Adapted from “Results of Croatian entrepreneurs in 2019 classified by size”, FINA, 2020

“Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

Based on the presented data, it can be concluded that the negative effects of the pandemic had the greatest impact on financial operations of large enterprises. Their consolidated result in 2020 is 50 percent lower compared to 2019. On the other hand, according to the presented data, the negative effects of the pandemic had the least impact on the operations of micro and small enterprises. These results can be explained by the agility and flexibility of micro and small enterprises, which are reflected in the rapid adaptation of their business to changes, but the Government’s economic support measures certainly also mitigated the negative economic consequences of the pandemic, at least in the short term, as presented in this analysis.

⁵ Slight deviations in the sum of the total share (100%) are possible due to rounding of amounts.

Figure 7. Number of “profit-makers” and “loss-makers” in the small and medium



enterprise sector in 2020, by area of activity

Source: Adapted from “Financial results of entrepreneurs in 2020 - classified by size”, FINA, 2021

In the small and medium enterprise sector, out of the total number of enterprises that made a profit in 2020, the largest share of enterprises was engaged in wholesale and retail trade, repair of motor vehicles and motorcycles (22 percent), professional, scientific and technical activities (19 percent), and construction (13 percent). The largest number of enterprises that reported losses in 2020 also operated in wholesale and retail trade, repair of motor vehicles and motorcycles (19 percent) and accommodation and food service activities (15 percent) (Figure 7). The difference between “profit-makers” and “loss-makers” was greatest in the manufacturing industry, construction, wholesale and retail trade, and repair of motor vehicles and motorcycles in which the number of “profit-makers” greatly exceeded the number of “loss-makers”. On the other hand, activities in which the number of “loss-makers” was higher

than the number of “profit-makers” were accommodation and food service activities, real estate activities, administrative and support service activities, arts, entertainment and recreation, and other service activities. These results can be explained by the changes that have marked operations of companies in 2020 in several areas. The consequences of the earthquake in March 2020 in Zagreb and the surrounding area affected the work of companies in the construction sector and indirectly the real estate companies. Epidemiological measures in the fight against the COVID-19 pandemic and the suspension of operation of catering facilities, cultural activities, service activities and sports competitions, as well as the ban on holding public events and gatherings, affected the work of companies providing accommodation and food service activities, administrative and other service activities, and arts, entertainment and recreation activities.

In 2020, according to the Croatian Bureau of Statistics (2021) data, 12,948 legal entities were established in Croatia, i.e. 22 percent less compared to 2019. In the same period, 656 legal entities were terminated, which is 51 percent less than in 2019 (Table 6).

Table 5: Establishment and termination of registered legal entities in 2019 and 2020

Establishment	2019	2020	Difference
Trade companies	14,805	11,518	- 22.2%
Other	1,766	1,430	- 19%
Total	16,571	12,948	- 21.9%
Termination	2019	2020	Difference
Enterprises	6	7	16.7%
Trade companies	939	444	- 52.7%
Other	389	205	- 47.3%
Total	1,334	656	- 50.8%

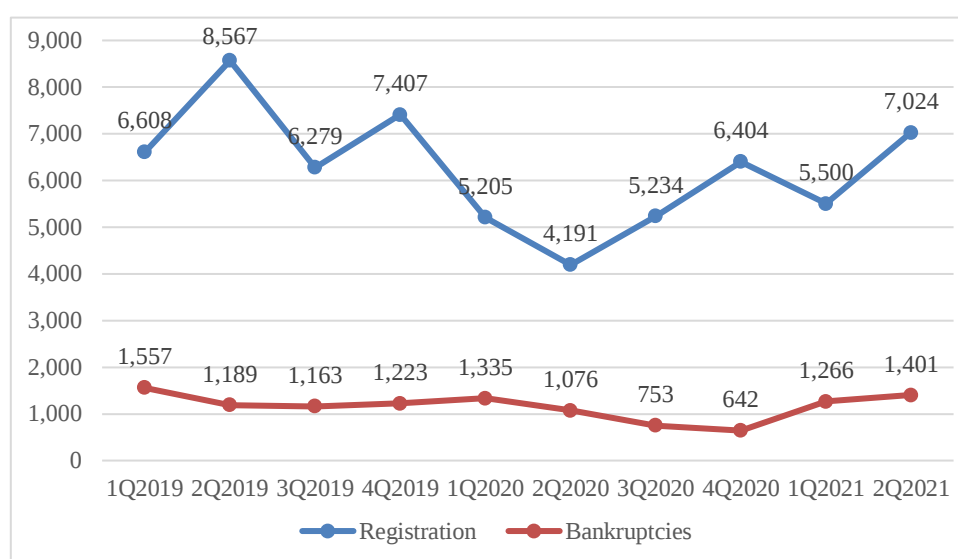
Source: Number and structure of business entities, December 2020, First Release no. 11.1.1/4., 2021, Croatian Bureau of Statistics

The Central Bureau of Statistics collected and analyzed data related to the effects of the COVID-19 disease pandemic on socio-economic indicators. In the context of business entities, it is possible to analyze statistics of registrations and bankruptcies⁶ that includes business entities operating on a market basis. According to existing data, there is a significant decline in the number of registrations of business entities in the first and second quarters of 2020, which can be explained by a decrease in normal business activities and increased

⁶ The number of registrations also includes crafts, while the number of bankruptcies applies only to trading companies.

measures to combat the contagion that marked the period. Although the number of registrations of business entities increased in the third and fourth quarters of 2020, the number was still lower than in 2019 due to uncertain economic situation that is still ongoing. Regarding the number of open bankruptcy proceedings, the first quarter of 2020 saw an increase, while other quarters were marked by a decrease in the number of bankruptcies. In 2021, that number approached the 2019 level (Figure 8).

Figure 8. Number of registrations and bankruptcies of business entities in the period from 2019 by quarters, in Croatia to 2021,



quarters, in Croatia

Source: *Effects of the COVID-19 pandemic on socioeconomic indicators, Croatian Bureau of Statistics, 2021*

In the observed period, the highest number of registrations of business entities was in the areas of financial activities and insurance activities, real estate, professional, scientific and technical activities, and administrative and support service activities, while the lowest

number of registrations was in the activity of transport and storage. The highest number of open bankruptcies was in wholesale and retail trade, repair of motor vehicles and motorcycles, and accommodation and food service activities, while the lowest was in education, health and social welfare, arts, entertainment and recreation, and other service activities.

3.2. Policy measures supporting Croatian SMEs during the COVID-19 pandemic

In Croatia, State aid measures for entrepreneurs affected by the COVID-19 pandemic⁷ were prescribed on the basis of the “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak” adopted by the European Commission on March 19, 2020. Its further amendments enabled the continuation of allocation of state aid until December 31, 2021. The types of state aid defined by the provisions of the “Temporary Framework” are as follows⁸:

- 1) Aid totaling up to EUR 1,800,000 per entrepreneur in the form of direct grants, tax reliefs and more favorable payment terms, or in some other form;
- 2) Aid in the form of loan guarantees and in the form of subsidized interest rates on loans exceeding EUR 1,800,000 per entrepreneur;
- 3) Aid in the form of guarantees and loans through credit institutions or other financial intermediaries;
- 4) Short-term loan insurance;
- 5) Aid for research and development in the field of COVID-19;

⁷Measures to help the economy due to the COVID-19 epidemic, available at: <https://mingor.gov.hr/mjere-za-pomoc-gospodarstvu-uslijed-epidemije-covid-19-7731/7731> and Tax information related to the state of emergency caused by the spread of the COVID-19 virus, available at: https://www.porezna-uprava.hr/Stranice/COVID_19_informacije.aspx

⁸ Categories of state aid to support the economy during the COVID-19 pandemic, available at: <https://mfin.gov.hr/istaknute-teme/koncesije-i-drzavne-potpore/drzavne-potpore/drzavne-potpore-za-podrsku-gospodarstvu-tijekom-pandemije-covid-a-19/3044>

- 6) Aid for investment in construction or upgrading of testing infrastructures and for the improvement of processes from the laboratory to the production level;
- 7) Aid for investments in the production of products essential for the control of the spread of COVID-19;
- 8) Aid in the form of deferrals of taxes and / or social security contributions;
- 9) Aid in the form of subsidies for employees' salaries or the income of self-employed persons equivalent to salary;
- 10) Recapitalization measures for non-financial entrepreneurs;
- 11) Aid in the form of aid for uncovered fixed costs.

Following these conditions, the Government of the Republic of Croatia adopted its own package to help the economy. On March 20, 2020, the Croatian Employment Service adopted measures of direct financial support to employers with the aim of retaining jobs with employers whose economic and business activity has been disrupted or reduced due to extraordinary circumstances.

The application for support in the first quarter (March-May 2020) could be submitted by⁹: (a) entrepreneurs prevented from performing their activity by decisions of the Civil Protection Headquarters, (b) entrepreneurs in accommodation and food and beverage service activities, and transport and storage activities, and labor-intensive activities within the manufacturing industry (textiles, clothing, footwear, leather, wood and furniture), and (c) other entrepreneurs that can demonstrate the impact of "special circumstances". Already in the first month of aid allocation, March 2020, the number of recipients exceeded 500,000 employees, and their growth continued in April and May 2020.

Despite significant pressure on the state budget to meet these obligations (it was calculated that the net support for the period will amount to EUR 821 million, with another EUR 371 million for mandatory contributions), social actors linked to the economy assessed the whole change package as extremely positive. It is considered that these interventions successfully prevented numerous bankruptcies of business entities, a large number of layoffs and generally eliminated the ultimate scenario of economic collapse and social instability.

⁹ Aid for preservation of jobs (Ivica Urban), available at: <http://www.ijf.hr/hr/publikacije/casopisi/12/osvrti-instituta-za-javne-financije/109/potporna-za-ocuvanje-radnih-mjesta/1595/>, <http://www.ijf.hr/upload/files/1131.pdf>

After that, the Government of the Republic of Croatia extended the period of application of these measures, and in the period from September to December 2020, they were divided into¹⁰:

- 1) Aid to micro-entrepreneurs intended for all economic entities (including craftsmen) employing up to 10 workers, if their income was reduced by 50% in the comparative period. The aid amounts to EUR 265 per employee, but they had to be employed prior to August 31, 2020.
- 2) Aid to employers from explicitly listed activities for the sectors most at risk, such as transport and storage (with special emphasis on air transport) and a wide range of activities related to the service and catering sector. The condition for receiving financial assistance was a drop in turnover of at least 60% for the previous month and it amounted to EUR 530 per worker.
- 3) Aid to employers who are organised for the employment of persons with disabilities, regardless of the registered activity, which amounted to EUR 530 per worker, provided that the turnover of the related business entity fell by at least 50% for the previous month.
- 4) Aid for shortening work hours for employers employing 10 or more workers, regardless of the registered activity, due to a temporary reduction in the scope of work. The precondition was a drop in turnover of at least 20% of the full-time fund if they employ 10 to 50 workers, and at least 10% if they employ 51 or more workers. The amount of aid is EUR 265 per worker.

The only exception in this case are those micro-entrepreneurs and employers who have been prohibited or prevented from working by the provisions of the *Civil Protection Headquarters* at the local, regional or national level. Also, some of the defined measures can be implemented by self-employed persons (including craftsmen) if they meet the prescribed conditions. For the period until December 31, 2021, the amount of aid was EUR 530 per worker (in the period from January to February 2021, this included aid for the preservation of jobs for areas affected by the earthquake). As part of aid to employers, in cases when there had been a temporary reduction in the scope of work, a subsidy in the amount of EUR 477 per worker was paid.

¹⁰ Review of financial assistance measures to employers for preservation of jobs until the end of 2020, available at: <https://www.rif.hr/pregled-mjera-novcanih-pomoci-poslodavcima-za-ocuvanje-radnih-mjesta-do-kraja-2020-godine/>

In addition to financial aid for job preservation, other measures to help entrepreneurs in activities affected by the coronavirus include approval of loans with favorable interest rates for micro and small entrepreneurs under the auspices of the Croatian Agency for SMEs, Innovations and Investments (HAMAG BICRO). This type of aid is divided into “COVID-19 loans” for amounts up to EUR 50,331 (including the group of medium-sized entrepreneurs) and “Micro loans for working capital for rural development” and “ESIF Micro loans for working capital” for amounts from EUR 1,000 to 25,000. The Croatian Bank for Reconstruction and Development also enables the use of various types of loans as temporary measures within the lending program for small, medium and large entrepreneurs¹¹.

The National Recovery and Resilience Plan 2021-2026 of the Republic of Croatia was adopted in July 2021, based on the establishment of the Recovery and Resilience Facility at the European Union level. Its measures and activities are aimed at helping the national economy recover after the crisis caused by the COVID-19 disease pandemic and creating a more resilient and sustainable society in the event of new economic shocks.¹² By the end of 2021, Croatia expects a disbursement of about EUR 808 million, which is an advance of 13% of the total amount of grants provided under the Plan.

The National Recovery Plan is structured through 6 components:

- 1) Economy;
- 2) Public administration, judiciary and public property;
- 3) Education, science and research;
- 4) Labor market and social protection;
- 5) Health care;
- 6) Initiative: Renovation of buildings.

With regard to strengthening the productivity and competitiveness of the economy, special attention has been paid to reforms and investments aimed at “green” and digital transformation and achieving smart, sustainable and inclusive growth in general. In order to achieve optimal performance when implementing the Plan and spending the available funds, specific projects within these broadly defined goals should be aimed at increasing employment, growth and development of micro, small and medium enterprises, encouraging innovation and technological development, i.e. high-return investments that will significantly contribute to strong economic growth in the medium and long term, thus annulling the initial negative impact on the budget.

¹¹ Measures to help the economy due to the COVID-19 epidemic, available at: <https://mingor.gov.hr/mjere-za-pomoc-gospodarstvu-uslijed-epidemije-covid-19-7731/7731>

¹² Recovery Plan: About the plan, available at: <https://planoporavka.gov.hr/o-planu/9>

3.3. Review of the adopted government measures for supporting SMEs during the pandemic in Croatia

One of the most used measures during the COVID–19 pandemic is aid for job preservation. Entrepreneurs who used these measures believe that the measure was an adequate response of the Government to the new situation in March 2020, and that they saved many jobs or at least delayed layoffs. But, in the long run, entrepreneurs believe that measures will not help them save businesses from collapsing. Even if they don't have a single employee or if they lay off everyone, entrepreneurs have fixed costs that they have to pay and that they won't be able to cover. For this reason, in the opinion of entrepreneurs, these measures alone were not sufficient to prevent companies from going into bankruptcy. In the national budget for 2021, not enough funds are allocated for investments in the economy and new projects that would stimulate the economy and the consumption.

Regarding the adoption of measures related to the prevention of the disease spread and accompanying measures related to operations of business entities from certain industries, it is noticeable that some entrepreneurs were dissatisfied by inconsistency, incoordination and delays with the implementation regulations, as well as the omission of certain activities when defining measures, which further confused entrepreneurs.

Following the above, the Economic Council of the Voice of Entrepreneurs association proposed the following proposals for a successful economic recovery:

- A higher relative ratio of funds in the National Recovery and Resilience Plan should be directed to the private sector and citizens to recover demand, in line with the plans of other comparable countries in the European Union;
- Create models to help citizens who lost their jobs due to the pandemic;
- Implement aid to private companies;
- Tax relief for the affected sectors;
- Investment in renewable energy;
- Full transparency of the allocation process.

3.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from Croatia

By innovating, companies bring new products to the market, achieve growth and ensure long-term competitiveness. During normal functioning of the economy, companies try to fight the

competition by innovating, but in the conditions of crisis and unpredictable market movements, innovation becomes even more important. The global health crisis caused by the COVID-19 epidemic in the first wave prompted many economies to close, and consequently many companies were unable to continue their normal operations. Some of the companies recognized the opportunity and created new products, services and processes that meet the customers' needs resulting from the changed circumstances of living and working in a pandemic.

ALARM AUTOMATIKA
(www.alarmautomatika.com)

Through more than 30 years of market presence, since its foundation in 1989, Alarm Automatika has been developing its business operations in 11 countries, covering at the end of 2021 the whole Southeast Europe region. Alarm Automatika has more than 150 employees that provide support for more than 2,000 regular customers. The offer includes products from more than 200 global manufacturers, but also the company's own brands, with their characteristics tuned for the specific markets.

As stated on the company's website: *“The company’s mission is to create a value proposition that includes high quality, innovative products, services and complete solutions which fulfil individual customer needs in order to reduce risk to customers and business partners, to support smooth business operations and faster growth by using the common platform.”*

The position of regional market leader is built by continuous investment in technical, economic, organizational, engineering, IT and management competencies of employees. In order for the company's portfolio to be maximally competitive and technologically advanced, integrated and adapted to the users' specific needs, the entire team of engineers is constantly monitoring new technologies, developing new products, services and software, as well as its own brands. The company has been repeatedly awarded for the developed solutions and realized projects.

Both the company and the employees have all the necessary authorizations in the field of technical security, construction and informatics, as well as the Business Security Certificate. Operations are in accordance with the ISO 9001: 2015 certificate for business management and the ISO 27001 certificate for the information security. The success of the work has been verified by the 3A Creditworthiness certificate from Company Wall Business for more than 15 years.

In 2020, Alarm Automatika saw the coronavirus pandemic as an opportunity to look for solutions that they can offer on the market and thus fight the upcoming crisis. The company has created several products to help its clients cope more successfully with the challenges that the pandemic has brought to everyone. The ACC terminal is a unified solution for access control, temperature measurement and recognition of wearing a face mask, which enables contactless control of the entrance to the premises. Integration of systems that limit the number of people in a space by counting entrances and exits in, for example, shopping centers, but also in public transport, has been designed.

Furthermore, a practical solution that enables contactless communication between people in separate rooms (e.g. banks, public buildings) has been devised. The company also offers a medical thermal camera for body temperature detection, which also enables video recording at a distance of up to 12 meters, as well as real-time analytics, which can be of significant benefit to hospitals and airports.

One of the latest innovations was the solution that was implemented in November 2021 for the needs of organizing the Interliber book fair at the Zagreb Fair. Limiting the number of people is an essential measure to prevent the spread of coronavirus and a condition for larger gatherings to take place at all. In order to be able to organize fairs, the Zagreb Fair has implemented an Alarm Automatika's solution for determining the number of people in its exhibition pavilions. Alarm Automatika designed the solution, delivered the necessary equipment and implemented the solution. Special Vivotek 3D cameras and recorders are used for counting people, as well as software for calculating and displaying the current and maximum allowed number of people in the space. The solution was implemented on the eve of Interliber, one of the most visited events at the Zagreb Fair, and will continue to be used at other fairs. Thus, the Zagreb Fair has increased the level of safety of visitors and provided a permanent tool for accurate collection and analysis of data on visitors, which will enable them to better organize the events.

Through a quick response and the use of its innovation capacity, the company continued to successfully operate and grow even in difficult times.

Company Grad-Export Ltd. was founded in 1992 with its headquarters in Vinkovci, in the Eastern part of Croatia. Since its establishment, the company has been continuously developing and growing by investing in process and product innovation. Its main business operations are focused on the production of decorative ALU, PVC and HPL panels for entrance doors. Manufacturing facilities are located in the Industrial zone of Vinkovci on 38.000 m².

Grad-Export is exporting its products to 26 countries all over Europe and beyond, and is one of the leading European manufacturers of decorative front door panels. Their product portfolio consists of 13 lines of decorative panels with over 250 different models that are the result of many years of work, 180 experienced and trained employees as well as modern technologies used in the production.

At the very beginning of the COVID-19 disease pandemic in 2020, the company saw the emerging crisis as an opportunity to seek new solutions that they could offer in the market and keep the business stable. The company has created the DS barrier, i.e. a disinfection barrier that is made in different dimensions and can be attached to a variety of surfaces. By creating a new product using the existing resources and technology, the company has recognized the trend of production of protective equipment and has adapted to the market situation. Successful sales of the new product continued in 2021 and, in cooperation with the existing foreign partners, the company exports disinfection barriers to foreign markets such as Spain, Ireland and Italy.

Through a quick reaction to the new situation of the global pandemic and using the company's existing resources and innovation capacity, the company continued to successfully operate and grow even in difficult times.

COUNTRY REPORT

**NORTH
MACEDONIA**

4. COUNTRY REPORT – NORTH MACEDONIA

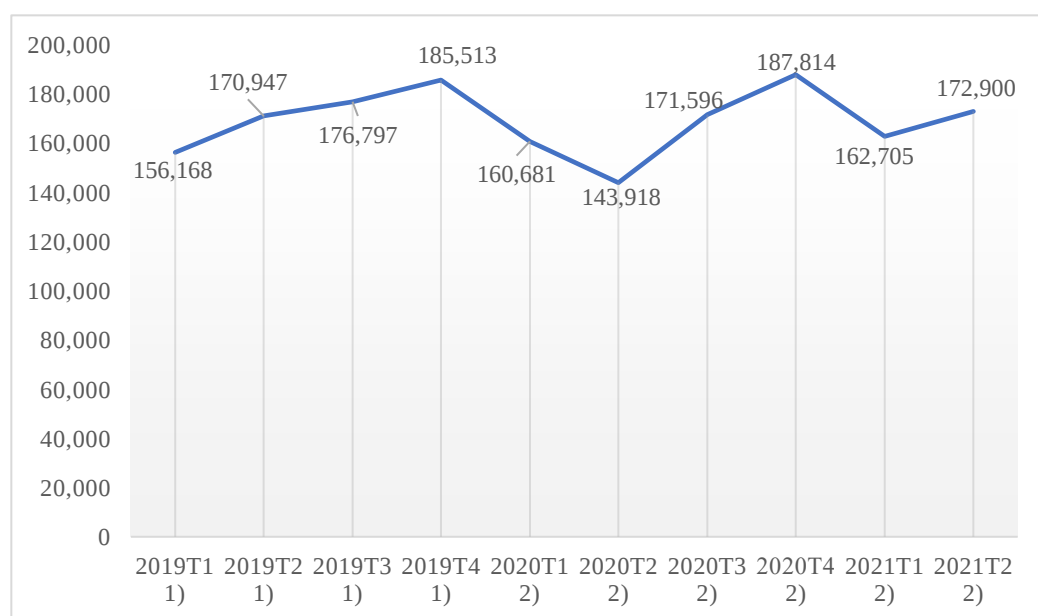
4.1. Quantification of the impact of the pandemic on the SME sector

SMEs in North Macedonia represent the lynchpin of the economy. In 2019, they constituted 99.7% of all business entities, employed 74% of the private sector workforce and accounted for 65.4% of the income (turnover).

Source: State Statistical Office of North Macedonia (MAKSTAT database <https://makstat.stat.gov.mk/>)

North Macedonia was one of the most affected European countries by the pandemic in terms of sanitary and economic impact, while at the same time the fiscal response provided by the Government was one of the weakest, amounting to only 3.5% of GDP.¹³ The drop of the GDP in the second quarter of 2020 of almost 15% is unprecedented in the country's history. While the growth picked up by the end of 2020 as a result of the government measures, it has been largely contingent upon the state support. Hence, as the support was discontinued in the beginning of 2021, there was another severe drop in the GDP.

Figure 9: Quarterly GDP in the period 2019-2021, in million EUR



Source : State Statistical Office of North Macedonia (MAKSTAT)

¹³ Jovanovik, B.et al. 2021. "Inequality in times of corona: The effects of the COVID-19 pandemic on the Macedonian economy". Westminster Foundation for Democracy in North Macedonia. 4.

database)

The pandemic affected 3/4 of the companies in North Macedonia and most of the employers resorted to reduction in salaries and all additional payments to their employees, as well as laying off staff in the more serious cases.¹⁴ Given that unemployment has continuously been the most serious socio-economic challenge for the country since its independence in 1991, most of the government measures were designed to support the companies not to reduce their number of employees. However, despite the measures, the unemployment rate which had been constantly declining from a record 38% in 2005 to around 17% in 2019 increased again by 53% between January 2020 and February 2021 . (Source: *Employment Agency of North Macedonia*)

The biggest portion of SMEs in North Macedonia operate in retail trade, processing industry, hospitality, tourism and transport, sectors which, by the very nature of their activities, were mostly affected both by the global implications of the pandemic and by the national sanitary measures aimed to prevent the spread of the virus. In addition, according to a study by the European Central Bank, small companies have significantly less access to external financing, compared to of medium and large enterprises, which makes them particularly vulnerable to external shocks.¹⁵ Hence, around 4% of all registered business entities in North Macedonia, or a total of 2,846, had to cease their activities as a result of the pandemic and all of them fall within the category of micro and small enterprises.

Source: *State Statistical Office of North Macedonia (MAKSTAT database)*

The downward economic tendencies have been also reflected in the declining number of employees across all company sizes. While the private sector workforce shrank by 3.2%, micro and small enterprises saw a decline of 1.6% and 2.9% respectively, while medium and big companies laid off 4.8% and 4% of the workforce respectively.

Source: *State Statistical Office of North Macedonia (Structural business statistics published for 2019 and 2020)*

When it comes to income, while the overall drop in the turnover amounts to 7.8%, micro and small companies lost 5 and 5.8% in comparison to 2019, medium companies faced minor

¹⁴ Finance Think. 2020. "Economic effects of the corona-crisis".

¹⁵ Moder, Isabella, Bonifai, Niccolò. September 2017. "Access to finance in the Western Balkans". European Central Bank, Occasional Policy Paper.

losses of an average of 0.5%, while large enterprises seem to be worst hit with a 12.7% drop in their income.

Source: State Statistical Office of North Macedonia (Structural business statistics published for 2019 and 2020)

4.2. Policy measures supporting SMEs in North Macedonia during the COVID-19 pandemic

The first COVID-19 cases in North Macedonia were registered in the first half of March 2020. A general state of emergency was declared by the President on March 18 and it was extended several times throughout the following one-year period. In a state of emergency and as the Assembly was dissolved, the Government initiated the adoption of decrees with legal force.

The first introduced measures included a ban on movement from March 21 onwards, which, depending on the development of the pandemic in North Macedonia, covered different time intervals throughout 2020. A complete ban on movement on weekends was introduced during the contagion peaks. The border crossings and the airports were closed, except for strictly defined categories of passengers, for transit and freight vehicles. Besides that, additional occupational safety measures were introduced which demand the maintenance of distance between workers, wearing personal protective equipment – disposable masks and gloves, providing higher hygiene standards (access to water, soap, waste management, disinfectants, etc.) Given that schools and childcare facilities were closed between March and the end of the school year in June 2020, companies had to allow to some of their employees who had children at a young age to either stay at home or work from home whenever possible, in order to be able to take care of their children.

On one hand, the measures contained in the decrees introduced restrictions related to the movement of people and the operations of different non-essential businesses. On the other hand, they introduced different types of assistance targeting the most affected businesses and citizens in order to mitigate the economic repercussions of the restrictions. A total of 6 emergency assistance packages have been adopted so far amounting to around 1.2 billion EUR.¹⁶

The first set of measures announced at the end of March targeted the tourism, hospitality and transport sectors since those companies were ordered to cease all their economic activities.

¹⁶ This report focuses only on the most important measures targeting companies on the basis of the financial implications and outreach (number of SMEs concerned).

An interest-free credit line amounting to a total of EUR 5.7 million was put at the disposal of SMEs through North Macedonia's Development Bank. The loans ranged between EUR 3,000 and 30,000, depending on the number of employees, with a grace period of 6 months and repayment over 2 years. Subsidies were offered for the most affected companies, in the amount of up to 50% of the average salary paid in 2019 (or around EUR 240 net), provided that the company does not lay off staff at least until September 2020, does not pay dividend or bonuses. The Central Bank reduced the basic interest rate to 1.75% and the mandatory interest rate on late payments was halved. Additional measures were taken related to freezing the prices and the reduction of custom duties for certain important commodities and products (flour, oil, dairy, eggs, some medicines, medical products and equipment).

The second set of measures extended the assistance and other measures until May 2020 and introduced several novelties. Some liberal professions and freelancing activities (sports, arts etc.) were included in the most affected categories eligible for assistance, as well as the media. As an alternative to salary subsidies, companies were allowed to ask for subsidies only to cover fringe benefits in the amount of up to 50%. Monthly unemployment fee of 50% of their average salary in the past 2 years was introduced for people who lost their jobs as a result of COVID-19, during a period contingent upon their paid work experience. The Law on forceful execution of payments was suspended until the end of June 2020.

With a landmark decision, the Central Bank amended its methodology on loan risk management in order to allow the banks and other financial enterprises to postpone or extend the maturity of the loans issued to physical and moral persons and to introduce more favorable terms for loan reprogramming, lowering interest rates and extending grace periods of the loans issued to companies. Additional EUR 8 million were put at the disposal of the most affected SMEs in the form of interest-free loans and EUR 50 million were disbursed through the commercial banks at an interest rate of around 1.5%, targeting SMEs willing to launch new projects, open new jobs or increase exports. The Government also banned the initiation of bankruptcy procedures during the state of emergency and 6 months after its end (announced for 31 December 2021).

The third set of measures (May 2020) directly targeted natural persons in socially disadvantaged categories. However, indirectly, it was supposed to help domestic companies by stimulating the consumption of their products and services. It provided citizens with EUR 100 vouchers they could use in hotels in North Macedonia and EUR 50 debit cards which could only be used to purchase domestic products. Moreover, a VAT-free weekend was organized during which all citizens were able to buy domestic products exempt of VAT charges in pre-determined sectors.

The fourth set of measures (September 2020) re-introduced the option for subsidizing salaries (which applied between March and May), for additional three months October-December 2020. This time, the amount of the subsidy was contingent upon the decrease of the company's turnover and could reach up to EUR 350. The estimate was that a total of 250,000 employees would benefit and 83,000 jobs would be saved, given that the condition was for companies not to lay off staff until 31 July 2021. The European Investment Bank supplied the Government with EUR 100 million in low-interest rates loans to be disbursed through the commercial banks. The grace period for the previously issued interest-free loans was extended for additional 3 months. The state also issued a guarantee of EUR 10 million as collateral aimed to help the companies secure additional EUR 65 million in loans from the commercial banks.

Additional support was provided to the tourism, hospitality and transport sectors through grants for the travel agencies amounting between EUR 3000-7000, return of the tourist tax paid by accommodation capacities for 2019, 3 months of minimum wage for the tour guides, grants for specialized wedding reception facilities, extension of the operating licenses for night clubs and transport companies. VAT of artisans' products was reduced from 18% to 5% in order to strengthen their competitiveness, and VAT for restaurant services was reduced from 18% to 10%. VAT exemption was also announced for donations of public character. SMEs were also able to use exemption from payment of profit tax advance payment for a period of 3 months, deferral of VAT payment by 1 week and an increase of the threshold to enter the regime of total income taxation from EUR 50,000 to 80,000.

The fifth set of measures (February 2021) included subsidies to the salaries for February and March 2021; interest-free loans with a potential grant component of 30-50%, in the total amount of EUR 10 million, targeting sectors such as tourism, event industry, hospitality, transport and private healthcare providers; specific financial support for media and broadcasters, crafts, liberal professions and companies with a reduction in turnover exceeding 50% in the previous year; state guarantee scheme of EUR 5 million to support the disbursement of EUR 30 million in loans from the commercial banks and another extension of the grace period for the previous interest-free loans. The government also created a EUR 10 million fund to support export-oriented companies, EUR 6 million fund to support the technological development of SMEs and reduced or suspended custom duties on around 100 raw materials,

The sixth set of measures was announced in April 2021 and amounts to EUR 17,8 million. It specifically targets the most affected companies with grants and loans, such as the event industry and the hospitality sector, fitness centers, photo studios and travel agencies.

4.3. Impact of the adopted government measures and recommendations for a successful economic recovery

There seems to be a consensus among national experts that the value of the government's response was adequate compared to the overall size of the budget, represented an important boost and helped many SMEs survive the initial wave of the pandemic. However, there is also a consensus that had the design and implementation of the measures been better, its impact could have been much stronger.

According to university professor Tamara Jovanov,¹⁷ the measures should have been adopted in a timelier manner in order to mitigate the initial and strongest impact of the pandemic. One of the more serious shortcomings is related to the high level of “red tape” (forms and documents) that companies were supposed to collect and submit in order to be eligible for assistance, as well as the often unclear and/or changing procedures and guidelines. This turned out to be a significant administrative burden for SMEs who generally have few employees and often lack the knowledge to prepare complex applications. Furthermore, the criteria for receiving assistance initially excluded companies which had been profitable before the pandemic, leaving some of the most vulnerable sectors ineligible. At the same time, there were also allegations of “informal corruption”, with some companies close to the ruling government coalition receiving government assistance despite the fact that they were profitable throughout the pandemic.

For the president of the Business Confederation of Macedonia,¹⁸ the support measures had predominantly a social component and did not take into full account the longer-term needs of the SMEs. While on the short term the subsidies, loans and tax relief measures served as a way to relieve “the headache” of many entrepreneurs who faced both a decrease in the demand and reduced liquidity, the uncertainty whether, when and how (much) they will need to return the received funds left a strong feeling of bitterness among entrepreneurs who had been paying taxes and sustaining the economy for years, hence expected more support in return. Moreover, the measures did not help to restore the much-needed trust in the economy and stimulate domestic consumption. Instead, faced with the imminent threat to their health and life, consumers prefer to save money and not to purchase non-essential goods and services.

¹⁷ Personal interview with professor Tamara Jovanov (PhD), Economic Faculty, University Goce Delchev – Shtip, who is also a member of the advisory board of the National Platform for Women Entrepreneurship, 26.11.2021.

¹⁸ Personal interview with Mr. Mile Boshkov, President of the Business Confederation of Macedonia, 25.11.2021

But according to professor Jovanov, the crisis mostly affected the middle and low classes, while the higher-end of the society maintained its purchasing power. Hence, the strong decrease in domestic consumption was partly due to the lack of adaptability of SMEs and their lack of skills and know-how to reinvent their offer and target new consumers and markets. Namely, the specific features of SMEs in North Macedonia as a combination of internal factors (entrepreneurs out of necessity and not out of opportunity, underdeveloped business skillset and digital competences among both managers and staff, not diversified company portfolios) and external factors (highly dependent on both imports and exports, limited access to finance opportunities) acted as an impediment for many of them to swiftly adapt and find a way out of the crisis.

A survey conducted by ILO at the end of 2020¹⁹ revealed that slightly more than half of all enterprises (52%) offered new products or services, or modified the existing ones. About a third decreased the price of selected products/services with a view to increasing sales and revenues (assuming customers were highly price sensitive). A quarter of the enterprises reached out to customers by providing delivery and/or online purchasing. According to the same survey, 61% of the enterprises were not satisfied with the government measures and suggest there could have been improvements in terms of their criteria, inclusiveness and targeting.²⁰ Around 1/3 of all active companies used the government measures, especially those supporting jobs which benefited a total of 31% of the private sector workforce. In terms of registered companies 44% of all small companies used the government support, 41% of medium, 36% of micro and 31% of large companies, but when it comes to supporting jobs, the statistics go largely in favor of large enterprises where 50% of the jobs were supported, as opposed to 29-32% of the salaries in SMEs.²¹

Job subsidies were the most popular support measure among SMEs and largely contributed to prevent an even bigger increase in the unemployment rate, followed by the subsidized loans. However, due to the fact that salaries were paid to the companies, and not to the workers directly, there were 181 cases of abuse when employers received state aid, but did not pay salaries to their employees. Until present day, no sanctions have been undertaken against those employers.

Conclusions and recommendations

¹⁹ Mojsoska Blazhevski, Nikica. 2021. "Evolving challenges and expectations facing Macedonian enterprises during the COVID-19 pandemic (Second edition)." International Labor Organization. 19.

²⁰ Mojsoska. 2021. 8.

²¹ Jovanovik. 2021. 14.

- It is important to increase consumers' trust and target domestic consumption as a component which can be easily stimulated by policy makers on the short term. This was done to a certain extent, although it could have been more efficient had the scope of products and the criteria for support to citizen categories been broader.
- The criteria to obtain financial support should have been better designed to ensure that it will go into the hands of those entities which need it most and are unable to secure other funding to overcome the crisis, while taking into account the profitability as well.
- Applications for recovery and long-term support measures should bear in mind the administrative capacity of SMEs and include only the strict minimum of bureaucracy.
- There should be an oversight mechanism to ensure that the financial support is spent for the right purpose and there is no abuse.
- The State should help SMEs develop their flexibility and adaptability to external shocks by envisaging continuous support for their investments in equipment, research and innovation, digitalization, staff training and re-qualification.

4.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from North Macedonia

GALINA

GALINA²² is a small enterprise established in Bitola in 2016 as a clothing manufacturer-subcontractor for foreign textile brands. Its products, predominantly tops and shirts, have been exported to a number of EU Member States, mostly Germany, Sweden and France. Although the restrictive sanitary measures did have an impact on enterprises because of the requirements related to distancing, wearing masks, providing higher sanitary conditions and restrictions on shifts, the apparel sector was once of the worst hit economic activities in the country mostly due to the closure of borders, the disruption of supply chains and the lower global demand for apparel products. At the outbreak of the pandemic, GALINA faced a decrease in its orders and serious difficulties to supply the necessary production materials. Hence, its manager decided to explore other options in order to find intermediary short-term solutions to overcome the crisis without laying off staff. Having extensive experience in the textile industry, she familiarized herself with the fabric specifications necessary to produce face masks and quickly re-oriented the production. She also sought to establish new

²² Personal interview with Roza Vasilevska, general manager, 11.11.2021.

distribution channels and offered Galina's face masks to public entities in the Bitola region who at the time needed large quantities of face masks.

Given the uncertainty regarding the duration of the crisis, Galina's manager conducted market research in order to identify textile products which demand is likely to remain despite the pandemic. She decided to start a production line of casual underwear multipacks and seized an opportunity offered through the USAID Business Ecosystem Project to obtain a donation of 3 sewing machines for this particular purpose. Having trained the employees to manufacture the new products herself, she contacted the companies she used to work with in the Western European countries to offer them the new products.

Source: Personal interview with GALINA's general manager

Introducing new products was the key to the company's survival at a time when most companies in the apparel sector faced huge losses. In 2020, at the peak of the pandemic, the number of its employees increased by 80% and the turnover doubled, with the same tendency continuing in 2021. The company did not use any of the measures provided by the Government because they were not targeted to meet its needs. Instead, it leveraged the flexibility, adaptability and team spirit both of the manager and the staff as the key assets not only to overcome the crisis, but also to transform it into a growth opportunity.

GRADITEL-B

GRADITEL-B²³ is a small enterprise established in Ohrid in 1996 in the hospitality sector. They operate the restaurant Sajgija with a capacity of around 500 people which is open on regular basis and also hosts wedding receptions as the most important share of its usual income. The number of employees in the past several years has been constantly 13, despite the fact that the hospitality sector was one of the worst hit with the pandemic. Furthermore, the very fact that the restaurant is located in Ohrid, the Macedonian "tourism capital", it was additionally adversely affected with the border closure and the lack of foreign tourists.

With the restrictions on movement and assembly, between March and May 2020, all restaurants, bars, night clubs and coffee shops were completely closed. As the first wave of the pandemic weakened and the weather improved, the restrictions were partially lifted and

²³ Personal interview with Slagjana Kotevska, general manager, 24.11.2021.

restaurants were allowed to open their terraces at the end of May 2020, but only up to 30% of the capacity. They were also operating at reduced working hours and were not allowed to host any celebrations (no more than 4 people could be seated at one table, initially only from the same family). The full restrictions returned during the fall 2020 and in the spring of 2021 at the peak of the second and the third wave of the pandemic when the restaurant was again closed for several weeks. But, even in the meantime the entire hospitality sector was operating at significantly reduced capacities and most of the time only in the outdoor parts (terraces). Moreover, given the looming risk of the contagion, many citizens did not feel comfortable eating out, which also affected the consumption/demand.

In order to save the business and not to lay off any staff, Graditel-B introduced a take-away and delivery service in May 2020. Moreover, in August 2020, they introduced a variety of home-made winter food products – which could be purchased in the restaurant. Macedonian people have a long tradition of preparing winter preserves – pickled vegetables, pepper paste (so-called ajvar and pindjur) and smoked meat. But, in the past years, as the pace of life accelerated and given that the winter preserves require time and skills (canning, preserving etc.), the new generations have been increasingly reluctant to prepare winter stock themselves. At the same time, the market offer for such products is usually higher in prices and lower in quality compared to the customer expectations. Hence, these products turned out to be a big success. After the initial sale of 20 jars the first week, the sale increased to 300 jars per week, allowing the restaurant to fully cover the operation costs and survive.

At the same time, the enterprise used three types of State assistance: salary subsidies during the months when they were available, a subsidized loan and 2 grants targeting wedding reception facilities. While such measures were helpful, they were much lower than the turnover generated through normal operations and insufficient to cover all the expenses, especially those related to ensuring decent salaries. In order to stimulate domestic consumption and increase the turnover, the VAT on restaurant services was reduced from 18% to 10%.

The hospitality sector and especially wedding reception facilities only resumed work at full capacity in the summer of 2021. However, with the fourth wave of the pandemic and the new restrictions in terms of vaccine certificates introduced in September 2021 (whereas only fully vaccinated people are able to go to restaurants and bars), it remains in a precarious position. To illustrate, as the restaurants' turnover picked up during the summer of 2021, increasing from EUR 6,800 in July to EUR 10,000 in August, it marked a severe drop in September to EUR 3,300.



5. COUNTRY REPORT – SLOVENIA

5.1. Quantification of the impact of the pandemic on the SME sector in Slovenia

In 2020, there were 68,125 enterprises operating in Slovenia (Table 7). As is the case in most world economies, 99.4 percent of the total number of enterprises belonged to the Slovenian small and medium enterprise sector. A total of 67,683 enterprises operated in the small and medium enterprise sector, and the largest share belonged to micro enterprises (84.7 percent).

Table 6: Enterprise structure, employment and total income with regard to size in 2019 and 2020 in Slovenia

Economic criterion for sector evaluation	Enterprise size							
	Micro		Small		Medium		Large	
	2019	2020	2019	2020	2019	2020	2019	2020
Number of entities	57,146	57,722	8,521	8,846	1,095	1,115	416	442
Number of entities (share) ²⁴	85.1%	84.7%	12.7%	13%	1.6%	1.6%	0.6%	0.6%
Number of employees	94,886	93,204	141,399	140,171	105,023	101,221	178,197	175,105
Employment (share) ²⁵	18.3%	18.3%	27.2%	27.5%	20.2%	19.9%	34.3%	34.4%
Total income (000 EUR)	9,963,457	9,364,247	22,644,057	21,839,493	19,201,471	17,946,912	52,083,463	48,371,512
Total income (share)	9.6%	9.6%	21.8%	22.4%	18.5%	18.4%	50.1%	49.6%

Sources: Adapted from "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2019", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2020 & "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2020", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2021

²⁴ Slight deviations in the sum of the total share (100%) are possible due to rounding of amounts.

²⁵ Slight deviations in the sum of the total share (100%) are possible due to rounding of amounts.

Although 2020 was marked by the pandemic and its characteristics that affected business conditions, 947 new enterprises were registered in Slovenia, which is an increase of 1.4 percent compared to the previous year.

Nevertheless, the negative impact of the pandemic is visible in 2020, which resulted in the reduction of the number of employees in the entire business sector of Slovenia by almost 2 percent compared to 2019. In 2020, 1,682 jobs were lost in the micro enterprise sector, 1,228 jobs in small enterprises, 3,802 jobs in medium enterprise, and 3,092 jobs were lost in large enterprises.

Due to significant restrictions on business activities in the conditions of the pandemic, there was a decrease in the total income for all categories of business entities in 2020. The decrease in income was most pronounced in large enterprises (7.1 percent), and least in small enterprises (3.6 percent). Total income in micro enterprises decreased by 6 percent, and in medium enterprises by 6.5 percent compared to 2019.

In 2020, enterprises in the small and medium enterprise sector employed 65.7 percent of the total number of employees, and they accounted for 50.4 percent of total income generated at the level of the entire business sector. Within the small and medium enterprise sector, small enterprises stand out with a share in total employment of 27.5 percent and a share in total income of 22.4 percent.

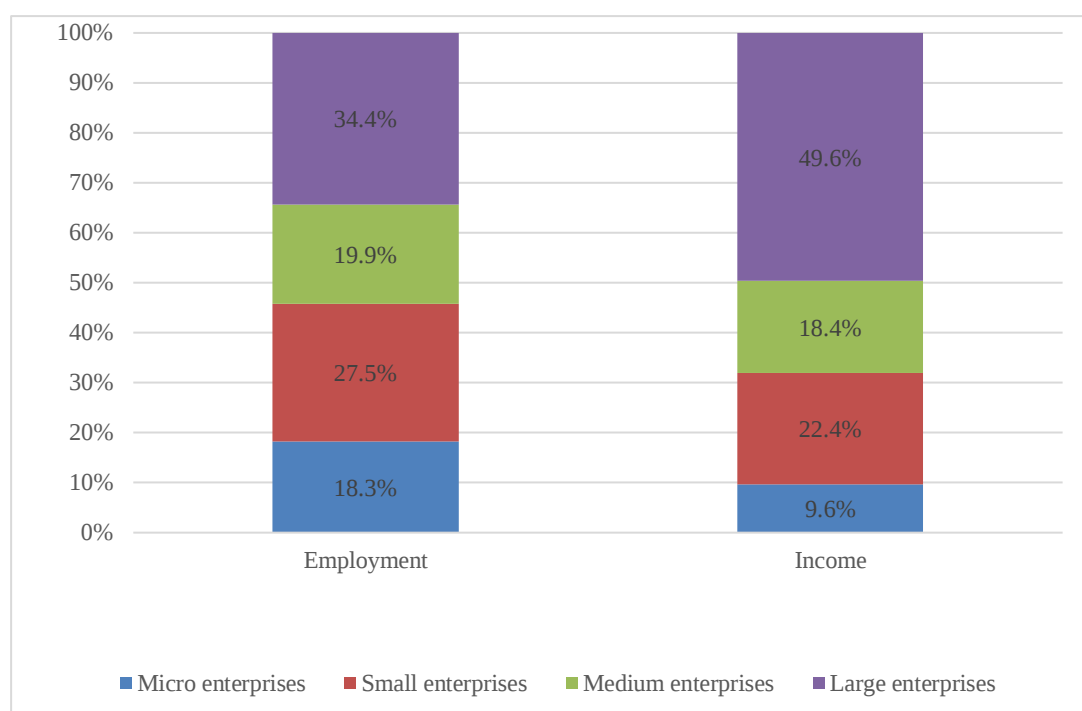


Figure 10: Total employment and income by enterprise size in 2020 in Slovenia

Sources: Adapted from "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2019", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2020

"INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2020", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2021

The consequences of the pandemic also affected the enterprises' financial results. In 2020, 41,666 enterprises operated with a profit, which is 8.6 percent less than in 2019. On the other hand, 24,469 operated with a loss, or 25.4 percent more than in 2019.

Sources: Adapted from "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2019", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2020

"INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2020", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2021

In 2020, the Slovenian business sector generated a profit of EUR 4.6 billion, which is a decrease of 15 percent compared to 2019. On the other hand, the total reported losses of the entire business sector amounted to EUR 1.8 billion, which is 2.3. times higher than the amount reported in 2019. These results also affected the total consolidated result, i.e. net profit, which was 39.3 percent lower than in 2019, and amounted to EUR 2.8 billion.

Sources: Adapted from "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2019", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2020 & "INFORMATION ON BUSINESS OPERATIONS OF COMPANIES IN THE REPUBLIC OF SLOVENIA IN 2020", Agency of the Republic of Slovenia for Public Legal Records and Related Services, Ljubljana, 2021

Numerous challenges and changes that marked operations of enterprises during 2020 affected the financial performance of the entire business sector and resulted in a simultaneous reduction in the amount of generated profit and an increase in the amount of reported losses in enterprises of all sizes. Nevertheless, regardless of the mentioned changes, in 2020 all categories of enterprises achieved a positive consolidated result, i.e. net profit.

Micro enterprises generated EUR 705.2 million in profit and reported losses in the amount of EUR 472.9 million in 2020. Compared to 2019, profits decreased by almost 14 percent, while losses of micro enterprises increased by 37.2 percent. The small enterprise sector generated a profit of EUR 1.1 million in 2020, which is a decrease of 6.1 percent compared to the result achieved in 2019. Losses of small enterprises amounted to EUR 221.5 million, which is as much as 90.5 percent more than the previous year. Medium enterprises made a profit of EUR 837 million during 2020, which is 6.3 percent less than in 2019. The amount of reported losses in the medium enterprise sector amounted to EUR 156.6 million, which is 63.3 percent more than in 2019. Large enterprises made a profit of more than EUR 1.9 billion in 2020, and this result represents a decrease of 22.5 percent compared to the previous year. In addition to the decrease in profits, operations of large enterprises in 2020 were marked by a significant increase in losses. Large enterprises reported a loss of EUR 928.9 million, which is almost 4.4 times more than in 2019.

These financial results affected changes in the structure of the share of individual enterprises in total profit and loss at the level of the entire Slovenian business sector. Micro, small and medium enterprises in 2020 increased their shares in total profit with their business results and reduced their shares in total losses at the level of the economy. The most significant reduction is visible in the category of micro enterprises, whose share in total losses decreased by 18.2 percentage points compared to 2019. With their results, large enterprises took the biggest share in the profits at the level of the economy in 2020, although this share decreased by 4.1 percentage points compared to 2019. Unlike the previous year, when micro enterprises participated with the largest share (44.8 percent) in total losses, in 2020 the share of large enterprises in total losses of the economy increased by 24.6 percentage points, whereby large enterprises took the majority share (52.2 percent).

Although the consequences of the pandemic affected the operations of all business entities in Slovenia during 2020, it can be seen, based on the above data, that they had a more pronounced impact on the operations of large enterprises than on the small and medium enterprise sector.

5.2. Policy measures supporting SMEs during the COVID-19 pandemic

Slovenia's Recovery and Resilience Plan (RRP)²⁶ pursues the general objective of the Recovery and Resilience Facility to promote economic, social and territorial cohesion within the European Union by introducing reforms and investments focused on attaining digital and green transition. Slovenia will thus improve and strengthen the resilience of the economy and achieve the level of economic growth, recorded before the pandemic, at a faster rate. This will be achieved through the digital transformation of certain sectors of the economy and society, reduced administrative burdens and greater openness and flexibility of the Slovenian economy, and by strengthening the innovation potential of all relevant stakeholders. Slovenia will also invest in environmental, transport, energy, education, healthcare, social and other infrastructures which can make a significant contribution to economic growth in the coming years and help pursue the objective of climate neutrality by 2050. The recovery instrument NextGenerationEU makes a total of EUR 5.7 billion available to Slovenia, of which EUR 3.6 billion loans and 2.1 billion grants (EUR 312 million from REACT-EU, EUR 134 million from the Just Transition Fund, EUR 1.6 billion from the Recovery and Resilience Facility and EUR 68 million for Rural Development). Slovenia's RRP allocates the available funding to the following four key development areas: 1) Green Transition, 2) Digital transformation, 3) Smart, sustainable and inclusive growth and 4) Healthcare and social security. Each component within an individual development area includes interrelated reforms and investments. The relevant milestones and objectives are defined for each measure, which will enable implementation monitoring.

Due to the severe negative shock that the restrictions pose for the economy and the income of the population, the Government adopted and drafted an array of measures to limit negative consequences. To this end, the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP) or the so-called anti-corona package 1 and its amendments, and the Act on Additional Liquidity to the Economy to Mitigate the Effects of the COVID-19 Infectious

²⁶ Republic of Slovenia – Government Office for Development and European Cohesion Policy (2021). *Recovery and Resilience Plan*. Available at: <https://eu-skladi.si/en/post-2020-1/recovery-and-resilience-plan>

Disease Epidemic (the so-called anti-corona package 2 were adopted.²⁷ The specific objectives of the measures proposed are the preservation of jobs and business operations; improvement of the social security of individuals, particularly of those affected the most by the COVID-19 disease; extraordinary assistance for the self-employed; improvement of corporate liquidity; assistance to science and research projects to combat the COVID-19 epidemic; reduction of attendance fees and salaries of public officials at the state level; exemption from payment of distribution services and assistance to agriculture. Package 2 included key measures that enabled companies to revive investment activities and thus preserve jobs.

To support measures to mitigate consequences of the COVID-19 pandemic, the Government of the Republic of Slovenia also adopted decisions relating to the implementation of the cohesion policy on 24 March 2020. The budget users involved in the implementation of the cohesion policy had to submit proposals to redistribute funds from the European Social Fund (ESF) and the European Regional Development Fund (ERDF) into measures to assist companies and preserve jobs and health care, and were invited to draft new or adjusted measures due to the epidemic. As an urgent and speedy measure, the Government of the Republic of Slovenia also enhanced commodity reserves and purchased special equipment to fight COVID-19.

An advisory group has been established to assist ministries in the preparation of the first legislative package with the following orientations that are part of the Anti-Corona Package 1 guidelines²⁸:

- 1) Measures to preserve jobs – a new scheme for co-financing wage compensations, providing for the rewarding of persons employed and activated in critical sectors, sick pay and additional funds for already subsidized employment;
- 2) Measures to improve the social situation of people – the status of employees who were unable to work due to force majeure, unemployment benefit from the first day of unemployment, waiving the payment of fees for public services that are not provided, solidarity bonus for pensioners;
- 3) Measures to provide emergency assistance to self-employed persons - emergency assistance, basic monthly income amounting to 70% of the net minimum wage, writing off contributions while maintaining rights, suspending the prepayment of income tax;
- 4) Measures to keep businesses in operation - all contributions for pension insurance of employees who work to be covered by the state;

²⁷ Republic of Slovenia (2020). 2020 Stability Programme – April 2020, the COVID – 19 scenario

²⁸ OECD (2020). Inclusive Entrepreneurship Policies, Country Assessment Notes – Slovenia, page 26

- 5) Measures to improve the liquidity of businesses and provide assistance to scientific research projects aimed at fighting the epidemic - purchasing claims against Slovenian companies, suspending the prepayment of corporate income tax and the payment of self-employment income tax, reducing deadlines for payments to private suppliers in the public sector, redirecting unused ESF funds;
- 6) Reduction of meeting fees and wages and exemption from paying fees for distribution services;
- 7) Providing aid to the agriculture sector; and
- 8) Measures related to public procurement.

The second legislative package included measures to ensure the liquidity of the economy and adjustments to the first package. By December 2021, the Government adopted eight packages of measures to mitigate the consequences of the pandemic for citizens and the economy.²⁹ Those packages include provisional measures in the areas of labor, public finance, the economy, agriculture, forestry and food, scholarships, subsidized student meals, higher education, infrastructure, and public procurement. Table 9 presents the relevant support measures in response to COVID -19 related to the small and medium enterprise sector in Slovenia.

Table 7: SME-Support Measures in Response to COVID-19 implemented by the Slovenian Government

Type of support	Instrument	Description
Business costs	Reduction or waiver of administrative and government fees	Credit payments to the state have been deferred by 12 months. State suppliers were paid within 8 days instead of a minimum of 30 days.
Debt finance	New lending – under concessional terms	The state-owned Export and Development Bank made additional funding, totaling 2¾ % of GDP, available.
		Liquidity release in the amount of EUR 115 million.
		Legislation passed allowing a 12-month loan holiday to businesses and farmers.
Employment support	Provide wage as alternative to direct payments to individuals	Wage subsidies for suspended workers due to pandemic-related closures and quarantined people (about EUR 50 million).
		Persons employed and activated in sectors that

²⁹ <https://www.gov.si teme/koronavirus-sars-cov-2/odpravljanje-posledic-epidemije/osmi-paket-ukrepov-za-omilitev-posledic-epidemije-pkp8/>

		are key in overcoming the epidemic were rewarded with an increase in their basic salary between 10% and 200%, based on the decision of their superiors, in the form of hazard pay and higher workload bonuses.
		The Government will pay all social security contributions for firms that continue operations during the crisis. Moreover, the state will co-finance 20% of employees' net compensation. In case of quarantine, the state covers 80% of wages.
		All contributions for temporarily laid-off employees paid into the healthcare and pension insurance schemes were covered by the state, and the insured persons' rights were preserved. The measure was in place until May 31, 2020, with the possibility of an extension.
	Subsidies for employee sick leave	The national health insurance fund financed employers' obligation to pay sick leave for the first 30 days of sickness for people falling sick during the crisis.
		Sick pay for all workers during the pandemic from the first day onwards was covered by the Health Insurance Institute of Slovenia, not the employer.
		Parents who stayed home to care for their children were entitled to 50% wage compensation
	Support for informal or self-employed workers	Self-employed workers who were unable to operate due to the crisis or whose operations have been significantly reduced were entitled to a monthly cash transfer in the amount of 70% of the minimum net wage.
		Self-employed workers were guaranteed a minimum income of 70 percent of the minimum net wage and no longer subject to social security contributions.
Tax	Unemployment benefits	Unemployed persons were entitled to benefits from the first day of unemployment.
	Corporate tax rate reductions, credits, waivers, and/or deferrals	On 18/3/2020, the tax burden on businesses was eased with a 12-month deferral of credit payments.
		Corporate income tax payments have been deferred for up to 24 months without incurring interest.

Source: Adapted from <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>

In addition to the Government's measures and laws, the Slovenian Export and Development Bank (SID Banka) and the Slovene Enterprise Fund (SPS) also adopted measures to provide support to the companies. Together with the Ministry of Economic Development and Technology, SID Banka offers financial products to small and medium enterprises and large companies in the total amount of EUR 800 million. The funds are intended to address liquidity problems, including liquidity in the supply of services and products, problems due to a drop in demand, production fall-out, supply chain difficulties and investment difficulties. Measures also include insurance and bank loan refinancing. Furthermore, the Slovene Enterprise Fund in cooperation with the Ministry of Economic Development and Technology, offers a package of measures for micro companies and SME sector related to liquidity loans, guarantees for bank loans with interest rate subsidy, microloans for companies in problematic areas and other measures intended to support the SME sector during the COVID – 19 pandemic.³⁰

5.3. Review of the adopted government measures for supporting SMEs during the pandemic in Slovenia

In the fall of 2020, research³¹ on the effectiveness of anti-corona aid packages (PKP) was conducted among members of the Association of Employers of Slovenia. The survey was answered by 204 employers operating in various industries, with the majority coming from the manufacturing industry (32 percent), followed by the catering industry (8 percent), professional activities (7.3 percent) and trade (7 percent).

The employers projected that the pandemic will have a very negative impact on both, the European and Slovenian economies, and that their revenues will decrease by at least 17 percent, with some even reporting a 100% drop in revenue. Most employers were convinced that the economic crisis triggered by the pandemic will last for more than two years. According to the survey results, employers carried out a number of activities to combat the negative effects of the pandemic, but still, the crisis was expected to reduce investment in tangible assets (by 75 percent), intangible capital (by 67 percent) and investment in new product development (by 53 percent). Furthermore, the pandemic seriously affected the labor

³⁰ <https://selih.si/en/covid-19-en/measures-to-support-slovenian-economy/>

³¹ The research was conducted within the project "School of Negotiation - Training of Employers for Social Dialogue (Negotiating School 2)" in the period from 15th October – 8th November 2020. Source: Franca, V., Domadenik, P. i Redek, T. (2020). *Research on the effectiveness of anti-corona measures – PKP* (slo. *Raziskava o učinkovitosti protikoronskih ukrepov – PKP*). Ljubljana

market. More than 60 percent of employers reported a reduction in the number of employees and companies reduced their investment in training. Adjustments to the pandemic are reflected in the introduction of work from home (remote work), the use of protective equipment, the payment of crisis allowances with an exemption from pension and disability insurance, restrictions on business travel, the introduction of new means of communication and the like. The biggest challenge for employers in 2020 was managing insecurity, mental health of employees and maintaining/increasing employee productivity.

Regarding anti-corona government measures, it was found that employers mostly benefited from measures related to the payment of wage compensation and social security contributions, including reimbursement for workers whose enterprises were closed due to the sanitary restrictions and reimbursement of 100 percent of compensation in case of quarantine due to contact with an infected person in the workplace. From the viewpoint of employers, the most appropriate measures in the first anti-corona aid package included the entitlement to compensation for temporary absence from work at the expense of compulsory health insurance and reimbursement of labor costs for workers on forced leave and quarantined workers, which 90% of employers rated as useful or very useful. The least useful measures, according to employers, were those related to court proceedings, the establishment of additional credit lines through public funds and SID Bank and the postponement of self-employment contributions for two years. Many respondents did not benefit from any measure because, in their view, they were not eligible for aid.

Employers also provided their suggestions related to the improvement in government measures to help their company cope more effectively with the COVID-19 pandemic: measures should have been simpler, faster and include as few exceptions as possible. Furthermore, the most common suggestions were related to reduction in the payment of taxes or refunds of salary compensations. Employers also emphasized the need to help companies provide liquidity through unconditional grants, facilitate access to credit, defer contributions and taxes and, above all, ensure a transparent system of all applicable measures without excessive bureaucracy.

Based on the research results, authors Franca et al (2020) provided a set of recommendations for improvement of the government response in supporting the sustainability of businesses in a time of crisis:

- resources need to be directed to funding smart containment strategies, which will include intensive testing and tracking, restrictions on mobility in case of infections and real-time risk assessment;

- incentive schemes should be created for both start-ups and companies that have good business models and identified products or services, but do not have sufficient financial resources for further development;
- employment of young people and the elderly needs to be encouraged and better matched with the needs of the labor market through retraining and upskilling programs.

Finally, it was concluded that too rapid reduction in fiscal measures aimed at helping businesses would prolong the recession and exacerbate poverty and inequality.

5.4. Entrepreneurial response to opportunities emerged during the crisis caused by COVID-19 pandemic – case studies from Slovenia

LOTRIČ Metrology
(www.lotric.si/si)

LOTRIČ Metrology, a family business in the Selška Valley, has been operating in the area of measurement, calibration, product development and implementation of metrological solutions for three decades. As an entrepreneur, the current owner and general manager Marko Lotrič started the craft in 1991, working mainly in the field of calibration of scales, weights and pipettes. Today, his group unites over 170 experts in the field of metrology, employed in seven countries. In addition to the parent company LOTRIČ Metrology, which operates since its beginnings in Selška valley, there are four companies in Slovenia which operate in Železniki - LOTRIČ Certificiranje, Ljubljana - PSM merilni sistemi and Puconci - Mikro Medica. Subsidiaries are operating in Austria, Germany, Croatia, Bosnia and Herzegovina, Serbia and North Macedonia, where they are established as accredited laboratories.

During the coronavirus epidemic, the company demonstrated traditionally strong attributes of family businesses that respond well to crises by displaying their flexibility and resilience. At the announcement of the epidemic, the company immediately set up a test laboratory and certification body to help start the Slovenian production and self-sufficiency in terms of face masks. In parallel, together with the companies Domel, EKWB, BPMC, Technology Park Ljubljana and Zavod 404, they developed a new, Slovenian medical ventilator called DIHAM. They joined forces with the goal of developing a prototype of a life-saving respirator that could be completely self-sufficiently produced in Slovenia, with Slovenian components and Slovenian knowledge. Along the way, they have developed a culture of cooperation, sacrifice, agility and help and finally, they managed to bring this initiative from complete chaos to a working prototype. It is a so-called turbine pressure respirator (without inflatable bellows). The device is designed in such a way that it can operate both in a hospital environment and in mobile hospitals or even independently. Furthermore, in response to the pandemic, company started testing protective masks and measuring CO₂ in indoor areas. Together with the National Institute of Biology, they started testing protective masks, conducting over 150 tests for 50 various models of masks and materials and became a certified body for FFP protective masks. In view of the pandemic, they also decided to implement a project related to the measurement of carbon dioxide levels indoors, which is one of the main indicators of air quality. In cooperation with the local school in Selca, the Exactum system was installed, which gives teachers insight into real-time measurements and thus more efficient ventilation of the premises.

LOTRIČ Metrology was recipient of the Excellence Award for Family Business in 2020, awarded by EY Slovenia to the best Slovenian family businesses. Looking ahead, as it celebrated its 30th anniversary in 2021, LOTRIČ Metrology wants to become a company with a zero negative impact on the environment by 2031. In the future, it will continue to focus on the development of its own metrology products and customer-tailored solutions which allow for a higher degree of production and business automation.

OPTIFARM SMART

(www.optifarm.net)

Optifarm Smart is an IT managing system for short food-chain optimization, which connects all the participants in the market. Farmers, who sell agricultural products and buyers, who seeking transparency of their demands, ease of use and orderly distribution, with all the logistics already covered. Optifarm Smart connects those different factors and unites them in a common point. Farmers produce the products and buyers buy them, the management is in charge of orderly management, local stores provide support through the logistics department. Optifarm Smart supports transparency, traceability and safe purchase of high-quality local and 'eco' fruit, vegetables and other products. Short food chains and optimization of farmers/producers' businesses are the company's primary focus, as well as providing farmers with modern sales channels in terms of IT support to sell their products.

The company, founded in 2016, and was originally intended to connect local suppliers of agricultural products with public institutions. But once it was developed, they realized that the stakeholders already operating in the public procurement market do not need this system. After this experience, the company decided to switch to retail, and so they developed the Optifarm Smart app. The coronavirus epidemic greatly accelerated its debut. They originally planned to put it into use in September 2020, but when having realized in March last year how quickly food shopping had moved online, they were in a hurry. Hence, the app become operational as early as April.

The Optifarm Smart application enables an overview of providers and their products. The user puts products in the cart, selects the method of payment and transport, and pays. The application takes care of the delivery to the last kilometer, using different types of services,

connecting with transport service providers and products, enabling pick-up at local markets, home delivery, and supporting traveling shopping. In the spirit of promoting short delivery routes, it offers the user products close to him, depending on his location.

In general, the business model is based on the payment of sales commission and their approach is comprehensive: at the regional level or at the state level. By partnering with providers and presenting their individual stories, they are also trying to influence people's mindset about where to get food and who produces it. Given their contribution to entrepreneurship and innovation in the field of food self-sufficiency, Optifarm won the award in the category for the best example of integration and cooperation in the Agrobiznis competition 2021. The long-term goal of the company is to connect all the stakeholders in local markets with local customers, support the local economy and participate in developing solutions for a smart society.

6. CONCLUSION AND RECOMMENDATIONS

The concluding part of the study compares the impact of the crisis on the SME sector in the four observed countries, identifies positive aspects of government measures to support the SME sector during the crisis, and recommendations in the form of lessons learned that can be useful to policy makers in situations where support for the sustainability of the sector is necessary, due to the impact of external adverse conditions.

6.1. Impact of the pandemic on the small and medium enterprise sector in China, Croatia, North Macedonia and Slovenia

The COVID-19 pandemic has left a significant mark on the health, social and economic picture of most countries, including China, Croatia, North Macedonia and Slovenia, which are the focus of this study.

The small and medium enterprise sector is an important part of the economy in all the four observed countries. In China, the SME sector provides jobs for 130 million people. In Croatia, 72% of employees work in small and medium enterprises, 74% in North Macedonia, and 66% in Slovenia.

In all the four countries, the companies faced a significant disruption in business activity. The flow of raw materials, labor and other production factors required by enterprises was interrupted and production could not be carried out smoothly. Sales channels were blocked and finished products could not be sold. The pandemic revealed an absence of SMEs' own risk mechanisms to cope with the pandemic, but it also increased the need for an entrepreneurial answer to newly emerged opportunities coming from changed environment and needs. The awareness on the importance of digital transformation grew significantly and, in some industries, like health and IT, the barriers for international trade were lowered due to increased need for the products. This study presents 8 cases³² of companies from all four observed countries which identified an opportunity and successfully created new products, services and processes that meet the customers' needs, resulting from the changed circumstances of living and working in a pandemic.

³² Companies that are presented in the report as an example of good practice are: CHENGDU LIGENG CULTURE COMMUNICATION CO. LIMITED, CHENGDU LONG YUAN NETWORK TECHNOLOGY CO., ALARM AUTOMATIKA, GRAD EXPORT, GALINA, GRADITEL – B, LOTRIČ METROLOGY, OPTIFARM SMART

Due to this pressure and the negative impact of the pandemic on the economy, especially on the small and medium enterprise sector, governments around the world, including China, Croatia, North Macedonia and Slovenia, recognized the economic and social importance of the small and medium enterprise sector. Soon after the pandemic broke out, special packages of measures to help the economy were created in all the four countries, with a special focus on small and medium enterprises.

6.2. Government measures to support the economy during the pandemic

Epidemiological measures to contain the pandemic have led to a reduction of economic activity and a decline in sales in companies that were directly or indirectly subjected to these measures. In order to overcome the challenges, many countries implemented measures to mitigate the economic consequences of the pandemic, with a special focus on small and medium enterprises (SMEs), which make up a dominant part of national economies of most countries.

The measures introduced by governments shortly after the outbreak of the pandemic included direct grants, tax reliefs and more favorable payment terms; loan guarantees and subsidized interest rates on loans; short-term loan insurance; deferrals of taxes and / or social security contributions; subsidies for employees' salaries or the income of self-employed persons equivalent to salary; interest free loans, etc.

Some of the measures were aimed directly at companies that were helping to find the answers to the health aspects of the COVID-19 pandemic. In Croatia, the government prescribed measures to provide aid for research and development in the field of COVID-19; aid for investment in construction or upgrading of testing infrastructures and for the improvement of processes from the laboratory to the production level; and aid for investments in the production of products essential for the control of the spread of COVID-19.

In Slovenia, too, the government introduced measures to improve the liquidity of businesses and provide assistance to scientific research projects aimed at fighting the epidemic - purchasing claims against Slovenian companies, suspending the prepayment of corporate income tax and the payment of self-employment income tax, reducing deadlines for payments to private suppliers in the public sector, redirecting unused ESF funds.

Other government measures in Slovenia included support to preserve jobs, measures to improve the social situation of people (e.g. employees who were unable to work due to force majeure), measures to provide emergency assistance to self-employed persons - emergency

assistance, basic monthly income amounting to 70% of net minimum wage, writing off contributions while maintaining rights, suspending the prepayment of income tax; measures to keep businesses in operation - all contributions for pension insurance of employees who work to be covered by the state, etc.

Some of the measures in North Macedonia related to direct support to the population, especially vulnerable groups in society, with indirect support to domestic companies by stimulating the consumption of their products and services (e.g. a VAT-free weekend was organized during which all citizens were able to buy domestic products exempt of VAT charges in pre-determined sectors).

In addition to measures at the national level, additional measures to support the sustainability of business and jobs have been created at the regional and local levels. In China, for example, some provinces introduced measures aimed at:

- Increasing financial support (such as lowering loan interest rates, extending loan terms, reducing or waiving financial service fees, and extending the collection of financial lease rentals);
- Implementing and improving tax incentives;
- Reducing the social burden on SMEs (tax reduction, fiscal support, financial support, innovation and public services, requiring relevant departments and local authorities to actively introduce policies to support SMEs from various aspects);
- Policy provisions to support SMEs to accelerate technological transformation (promotion of digitalization and intelligent transformation of traditional industries).

The support for EU Member States was insured through EU funds and mechanisms, and the European Investment Bank supplied the Government of North Macedonia with 100 million EUR in low-interest rates loans to be disbursed through the commercial banks.

Based on the establishment of the Recovery and Resilience Facility at the European Union level (whose measures and activities are aimed at helping the national economy recover after the crisis caused by the COVID-19 disease pandemic and creating a more resilient and sustainable society in the event of new economic shocks), Croatia and Slovenia, as EU Member States adopted the National Recovery and Resilience Plan 2021-2026 in Croatia and the Recovery and Resilience Plan in Slovenia respectively.

Slovenia's Recovery and Resilience Plan (RRP) responds to the urgent need of fostering a strong recovery. The reforms and investments in the plan will help Slovenia become more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions, with 42% of the plan intended to support climate objectives and 21% of

the plan to foster the digital transition. The plan consists of 55 investments and 33 reforms. They will be supported by EUR 1.8 billion in grants and EUR 0.7 billion in loans. Slovenia's RRP allocates the available funding to the following four key development areas: 1) Green Transition, 2) Digital transformation, 3) Smart, sustainable and inclusive growth and 4) Healthcare and social security.

For its National Recovery and Resilience Plan 2021-2026 under the Facility, Croatia was provided with financial resources in the amount of almost EUR 9.9 billion, of which EUR 6.3 billion are grants, and about EUR 3.6 billion are soft loans. Croatia will allocate its recovery funds on 1) Economy, 2) Public administration, judiciary and public property, 3) Education, science and research, 4) Labor market and social protection, 5) Health care 6) Initiative: Renovation of buildings.

6.3. Review of the policy measures to combat the negative effects of pandemic on SMEs and recommendations

There seems to be a consensus among experts and entrepreneurs in the four observed countries that the governments' response represented an important boost for the economy and helped many SMEs survive the initial wave of the pandemic. However, there is also a consensus that if the design and implementation of the measures were better, its impact could have been much stronger.

Most of the objections to the measures adopted by the governments were not related to the content of support measures, but to the definition and implementation of epidemiological measures that affected various activities. Because of their inconsistency, incoordination and delays with the implementation regulations, as well as the omission of certain activities when defining the measures, entrepreneurs experienced significant difficulties in adapting their operations to the changing conditions.

While in the short-term the subsidies, loans and tax relief measures served as a way to help the entrepreneurs who faced both a decrease in the demand and reduced liquidity, the long-term needs of SMEs should be taken into account since the recovery of consumption is dependent on their recovery (SMEs as an important, and in most countries the largest employer).

The following are the key recommendations for improvement of policy response for SMEs in crisis, especially in the forthcoming period:

Recommendation 1:

Fiscal support for SMEs and its implementation mechanisms

The main measures of government support for SMEs in crisis should include tax cuts, fee reductions, financial subsidies and related subsidies to reduce the burden of enterprises. When a crisis breaks out, a comprehensive disaster management system and financial emergency mechanism with various support policies should be established as fast as possible.

Recommendation 2:

Creating good macroeconomic operating environment to stimulate domestic demand

Apart from providing support to SMEs through various fiscal and financial instruments, expanding domestic demand is one of the most sustainable relief measures. By expanding domestic demand, enterprises can gain access to production opportunities in the market and people can gain access to employment opportunities, which is more dynamic and sustainable than fiscal subsidies and funding.

Recommendation 3:

Cutting the “red tape” in policy support measures

Applications for recovery and long-term support measures should bear in mind the administrative capacity of SMEs and include only the strict minimum of bureaucracy. However, there should be an oversight mechanism to ensure that the financial support is spent for the right purpose and there is no abuse. Measures should be simple, fast and include as few exceptions as possible.

Recommendation 4:

Principle of fairness in the implementation of policy support measures

The criteria to obtain financial support should be designed in a way to ensure that it will go into the hands of those entities which need it the most and are unable to secure other funding to overcome the crisis, while also taking profitability into account.

Recommendation 5:

Establishing a good insurance payout mechanism

Innovation in the insurance system should be promoted so that new varieties of insurance products suitable for pandemic disasters are introduced.

Recommendation 6:

Support for the unemployed due to the crisis

Increasing the support of fiscal policies for re-employment and vocational training subsidies so that those unemployed due to the pandemic can quickly resume employment.

Recommendation 7:

Developing SMEs' own risk mechanisms to cope with external shocks

The Government should help SMEs develop their flexibility and adaptability to external shocks by envisaging continuous support for their investments in equipment, research and innovation, digitalization, staff training and re-qualification.

Recommendation 8:

Support for SMEs after the pandemic: post-pandemic reconstruction loans

Too rapid reduction in fiscal measures related to SME support would prolong the recession and exacerbate poverty and inequality. Financial support for SMEs after the disaster should be prolonged, especially for those severely affected by the pandemic (post-disaster reconstruction loans).

**International Cooperation Centre,
National Development and Reform Commission (China)**

“The International Cooperation Center (ICC) of the National Development and Reform Commission (NDRC) is a directly affiliated institution of NDRC and a major institution of international cooperation.

As a decision-making advisory body serving the NDRC to study major strategies, coordinate major policies, promote large projects, analyze major trends, and cooperate with the NDRC to implement the “Belt and Road” construction and international capacity cooperation, the main implementation of a series of international cooperation mechanisms the organization has provided macro-decision support around the work of the Party Central Committee, the State Council, and the NDRC. It has played an important supporting role in providing policy advisory services to domestic and foreign enterprises and governments at all levels, and has formed comprehensive advantages such as policy research, international cooperation, planning consulting, forum training, and public diplomacy.

Facing the future, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, under the correct leadership of the Party committee of the NDRC, the ICC closely focuses on the overall work of the Party and the country's opening up and the work of the NDRC, and always insists on down-to-earth, enterprising and innovative work principles. It is committed to building thinkers, explorers, and practitioners who work together to build the “Belt and Road”, and promote the high-quality development of local economies and enterprises. We have always been committed to being a thinker, practitioner and promoter of making a more open China positively engaged with the world.”

**The Centre for Polish and Central and Eastern European Studies,
School of International Studies,
Sichuan University (China)**

“The Center for Polish, Central and Eastern European Studies of School of International Relations, Sichuan University, was established in 2016. In 2017, the center was registered as a base of region and country-specific studies of the Department of International Cooperation and Exchanges of the Ministry of Education. It is an important unit for research and policy consultation on Poland, Central and Eastern Europe. Since its establishment, the Center has concentrated its resources and actively carried out academic research, decision-making consultation and international exchanges.

The center aims to serve the country's "Belt and Road" construction, and serve national diplomacy, economy and humanities cooperation as its own responsibility. Based in Sichuan, facing the world, oriented to major national and local needs, we strive to become an important base for research and talent training in Poland and Central and Eastern Europe and a high-end platform for exchanges between China and Central and Eastern Europe. Since its establishment, the center has pooled its superior resources and actively carried out academic research, decision-making consultation and external exchanges. The center will strengthen contacts with research institutions and think tanks of world-class universities, and jointly build an international cooperation network.

In recent years, our school has established a close cooperative relationship on teaching and scientific research with the University of Warsaw, Jagiellonian University, Lodz University in Poland; Charles University in Czech Republic; University of Pecs and Corvinus University of Budapest in Hungary; University of Ljubljana in Slovenia; University of Latvia in Latvia and other renowned universities in Central and Eastern Europe.

The Center holds the "Sichuan University- University of Warsaw International Relations Research Roundtable" twice a year to promote mutual recognition and academic cooperation between China and Central and Eastern European countries. So far, five sessions have been held.

CEPOR – SMEs & Entrepreneurship Policy Centre (Croatia)

CEPOR – SMEs and Entrepreneurship Policy Center is an independent policy center which deals with issues of small and medium enterprises in Croatia. CEPOR was established in 2001, based on an agreement between the Government of the Republic of Croatia and Open Society Institute Croatia. Institutional founders of CEPOR are: Institute of Economics, Zagreb, Josip Juraj Strossmayer University of Osijek – Faculty of Economics in Osijek, Institute for International Relations Zagreb, Croatian Chamber of Economy, Croatian Chamber of Crafts and Trades, REDEA Development Agency Međimurje – Čakovec, IDA Istrian Development Agency – Pula, Center for Entrepreneurship Osijek, Open Society Institute Croatia and UHIPPP, Croatian Institutions for Promotion of Entrepreneurship Association. CEPOR's mission is to influence the public-political environment emphasizing the role of entrepreneurship and small and medium enterprises in the development of Croatian economy. CEPOR wants to contribute to the shaping of entrepreneurial culture and to creation of stimulating institutional and regulatory framework for entrepreneurial activity.

**ESTIMA –
Association for Strategy Creation,
Research, Education and Promotion and International Values
(North Macedonia)**

ESTIMA is a civic association established in 2016, specialized in policy research, analysis and advocacy, with a geographic focus on the Western Balkans, the EU and China. Founded by knowledge enthusiasts in North Macedonia, it strives to challenge the existing regional standards in the area of knowledge creation and exchange and to define new, higher ones. Its mission is to establish and develop the first globally recognized knowledge-brand in the country and the broader region.

Its analysts have a background in economic and development issues, focusing on private sector, particularly SMEs and women entrepreneurship. Their recent publications include the first Women Entrepreneurship Barometer in North Macedonia (November 2021), a set of 3 policy briefs related to the EU's Single Market (Digital Single Market, Access to Finance for SMEs and Protection of Intellectual Property Rights, November 2021), The Sofia Summit – Takeaways and Lessons Learnt (assessment of the Western Balkans Common Regional Market, November 2020), The impact of COVID-19 on the construction industry in North Macedonia (June 2020), Macedonian companies in the Belt and Road Initiative (April 2020), etc.