

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

# ACTIVITIES OF THE OECD WORKING PARTY ON SMES AND ENTREPRENEURSHIP

**WTO Informal Working Group on MSMEs**

18 February 2021

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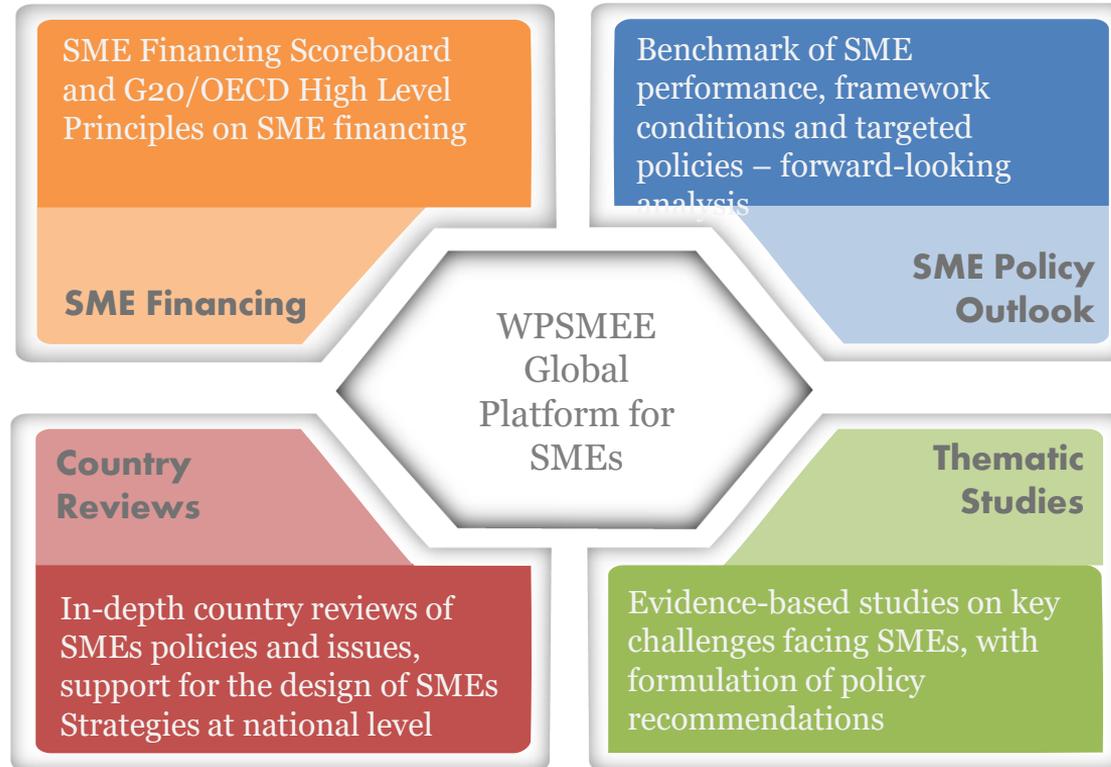
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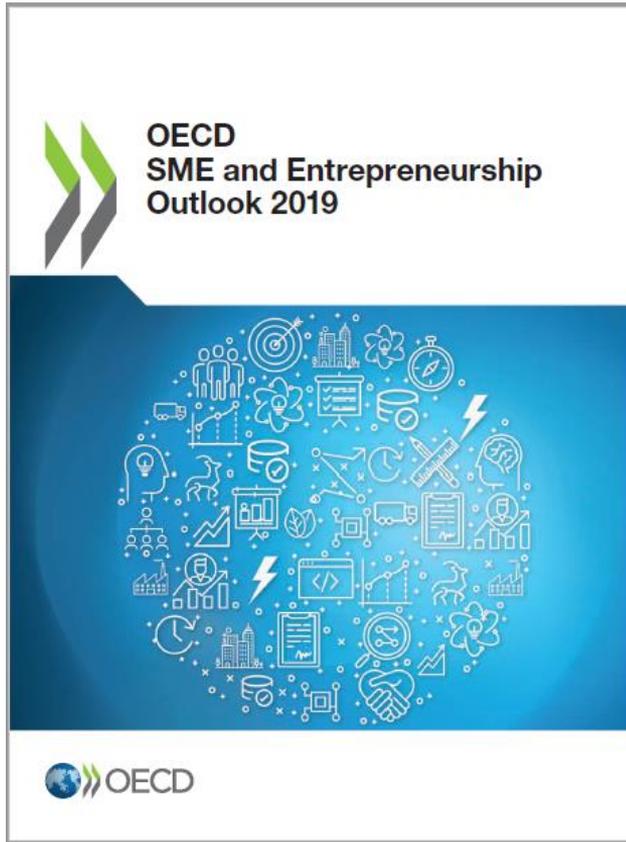


# The OECD WPSMEE is a global platform for policy discussion on SME policy





# OECD SME and Entrepreneurship Outlook



## TRENDS

Recent and emerging trends in entrepreneurship and SME performance. 2021 focus on COVID-19

## FORWARD-LOOKING

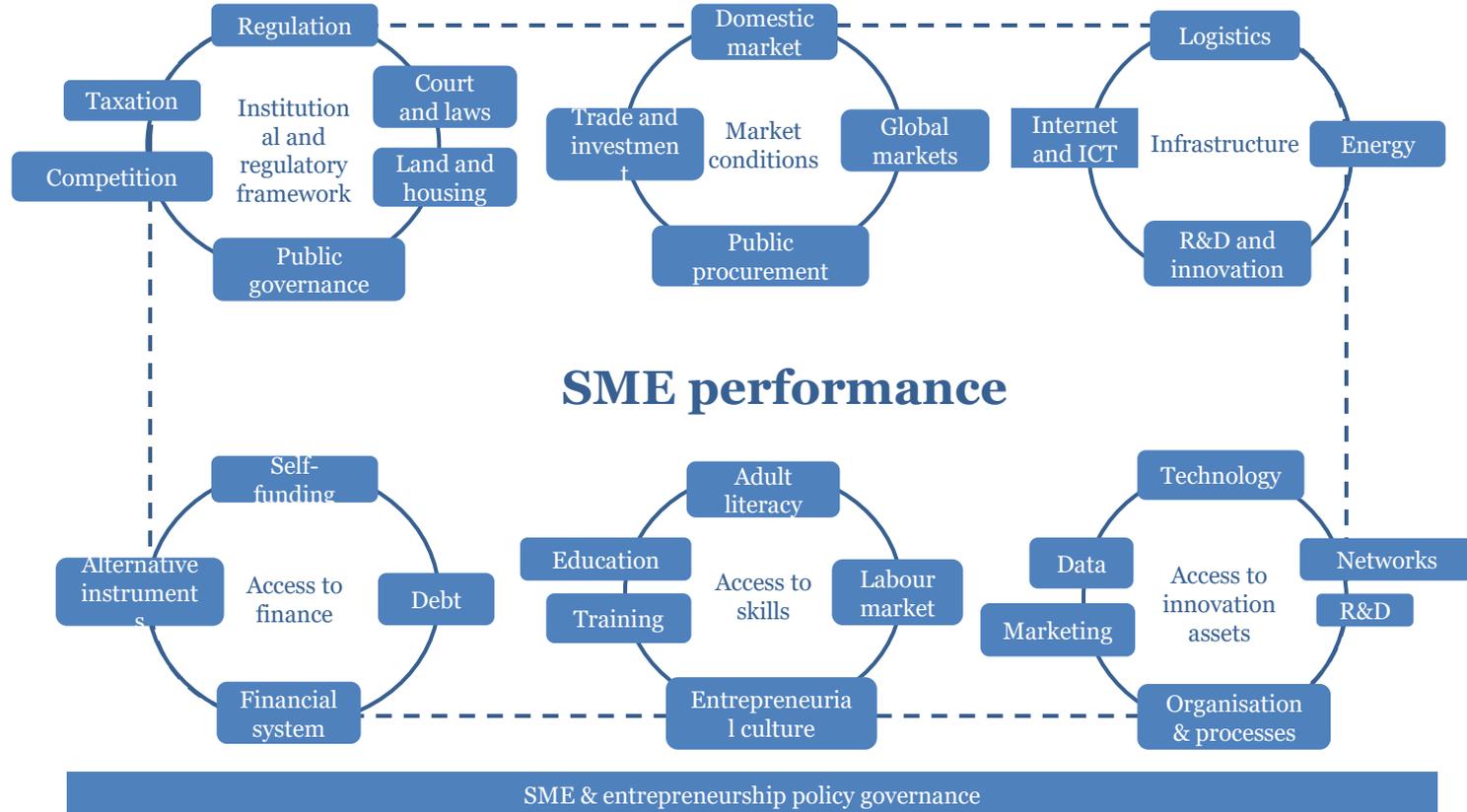
Opportunities and challenges for SMEs and entrepreneurs in a digitalised and global economy

## POLICIES

Comparative analysis of regulatory frameworks and policies that impact SMEs and entrepreneurs, and latest national developments (country profiles)



# SMEE Outlook conceptual framework





# OECD Scoreboard on Financing SMEs and Entrepreneurs

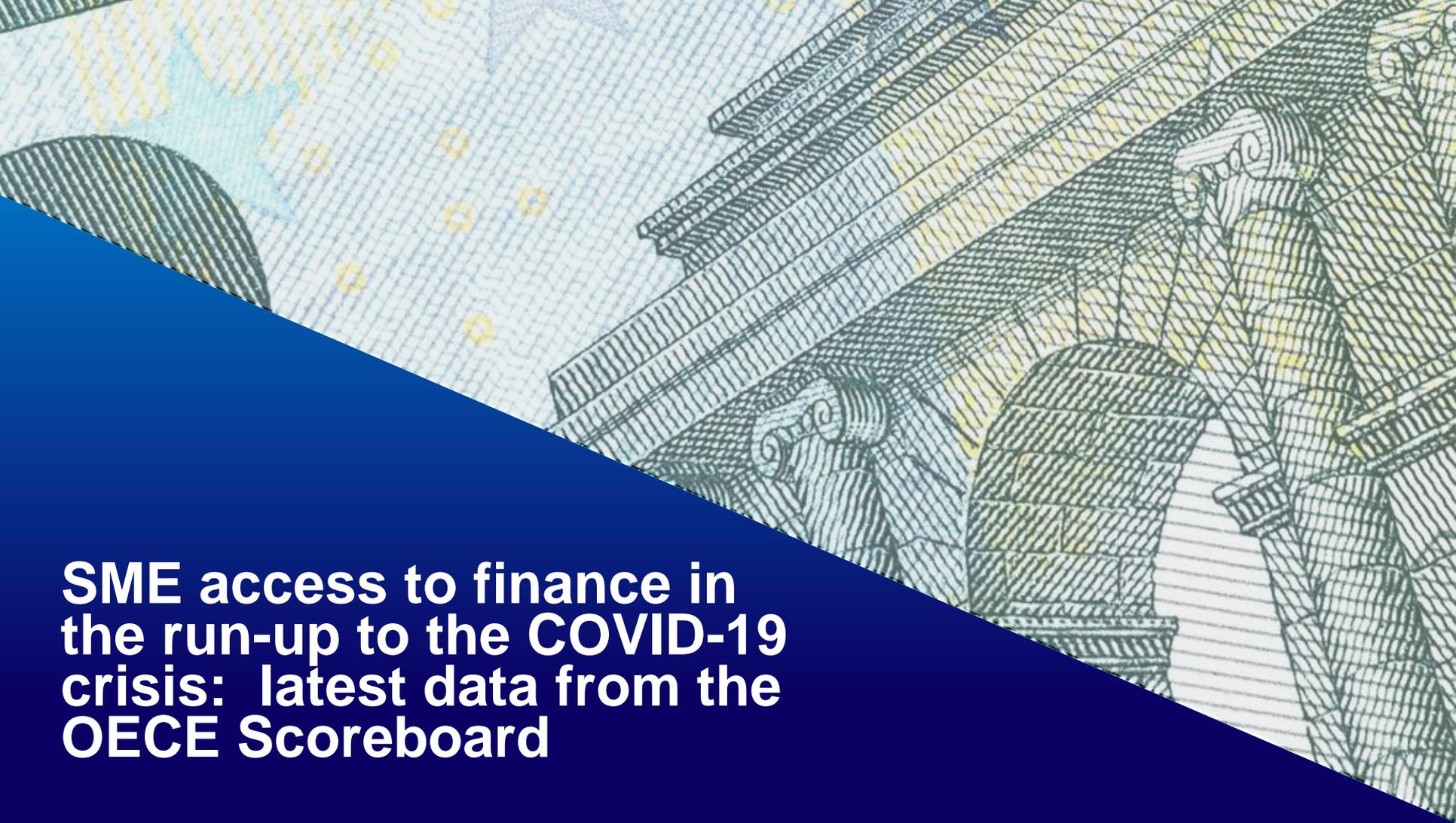


2020 edition covers **48 countries** and **data from 2007-18**

Includes:

- Chapter on **emerging trends and policies**
- **Thematic chapter** (e.g. evolution of SME financing policies since the global financial crisis)
- Individual **country profiles** (abridged and full)
- **Methodological annex** (recommendations for data improvement)

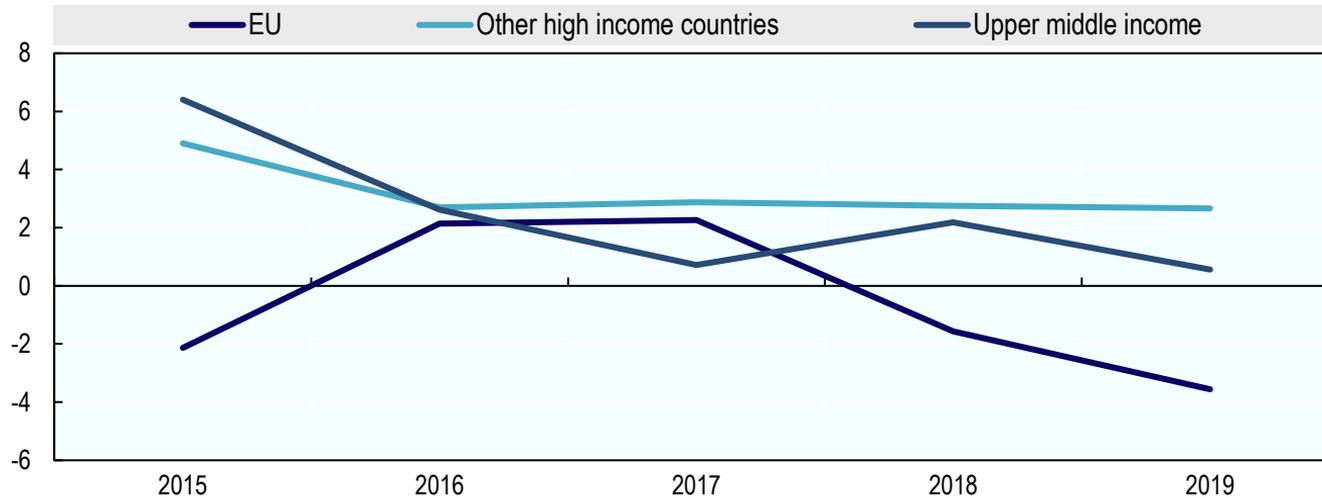
**Special 2020 edition on COVID-19 impact and policy responses**



**SME access to finance in  
the run-up to the COVID-19  
crisis: latest data from the  
OECE Scoreboard**

# SME lending remained weak in 2019, despite broadly favourable conditions...

The median growth rate in the outstanding stock of SME lending in three groups of countries in year on year growth, from 2015 to 2019, as a percentage



*Note:* The other high-income country category in this sample are Canada, Chile, Japan, New Zealand, Switzerland, and the United States. *Source:* Data compiled from information received from individual country Scoreboards

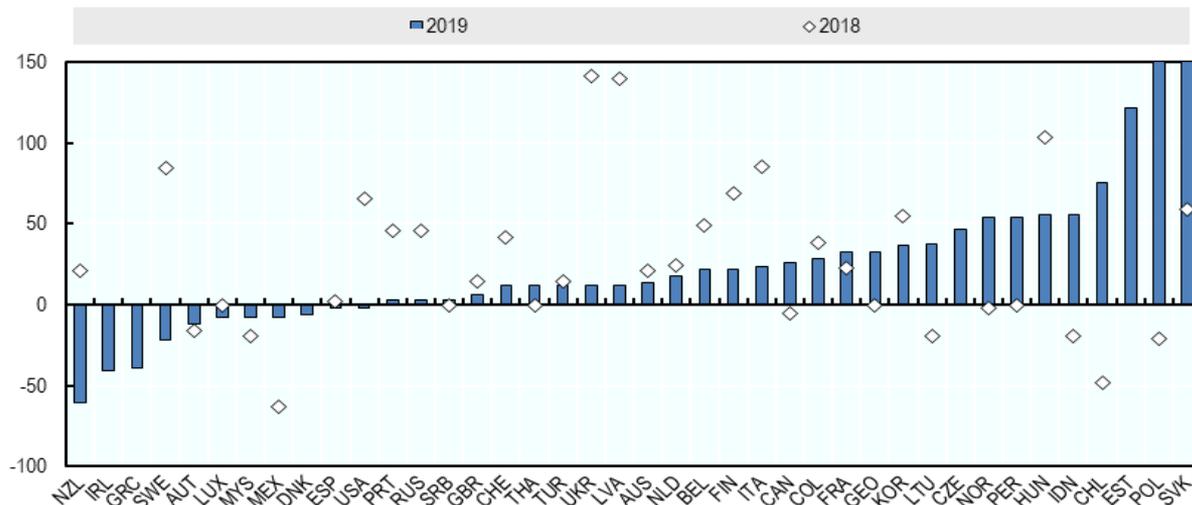


# ... while SME uptake of non-bank financing instruments continued to grow

- **Leasing, hire purchases and factoring activities** all increased
- **Online alternative finance** likely increased (comprehensive data forthcoming)
- **Venture Capital Investments** expanded in 29 out of 40 countries

## Growth in Venture capital investments, 2018-19

Year to year change as a percentage (%)



Source: Data compiled from Scoreboard country profiles



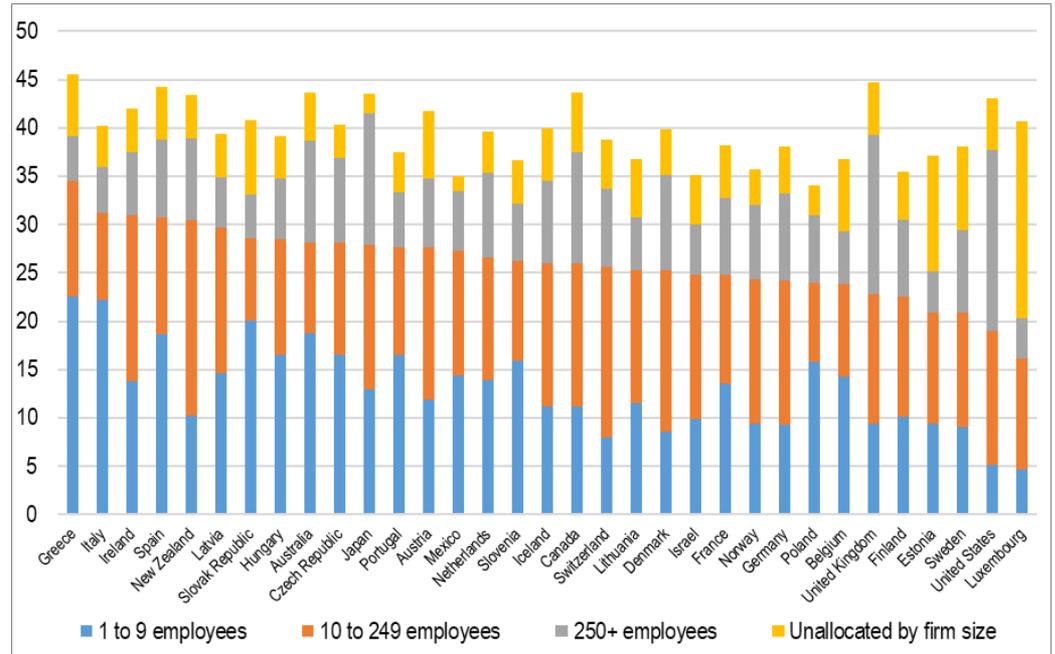


# COVID-19 impact and SME policy responses

# SMEs have been at the center of the Covid-19 pandemic

- SMEs represent close to **75% of all jobs** in the most affected sectors, compared to **60% in the total business economy**
- Across the world, 40+ business surveys show that **over 50% of SMEs** experienced a **strong drop in revenue** and were at risk of being put **out of business in less than three months**

Share of total employment in the most adversely affected sectors by firm size (%)



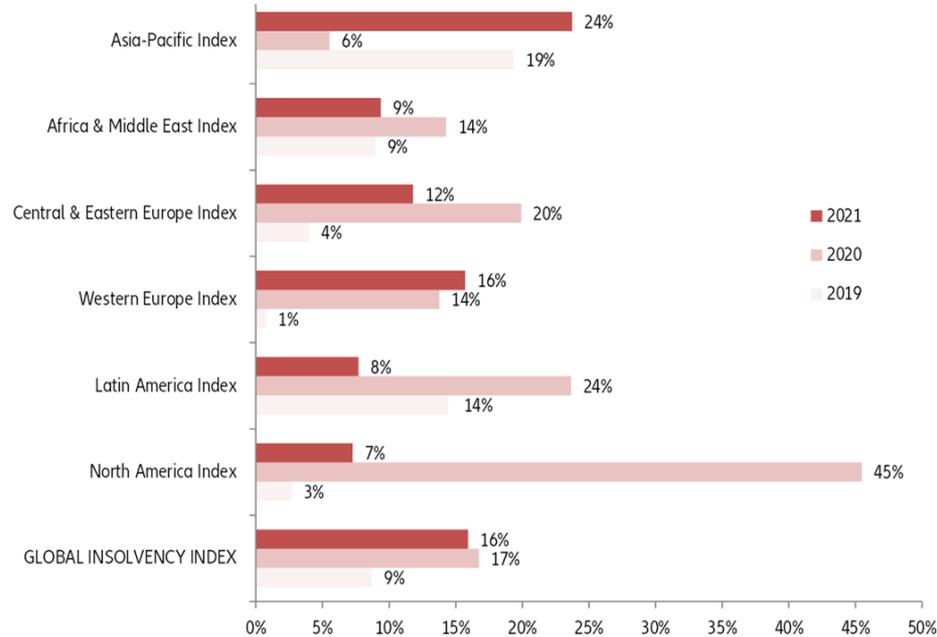
Source: OECD Annual National Accounts and Structural Business Statistics databases, OECD calculations, 15 April 2020

Note: Employment data from 2017 and 2018.

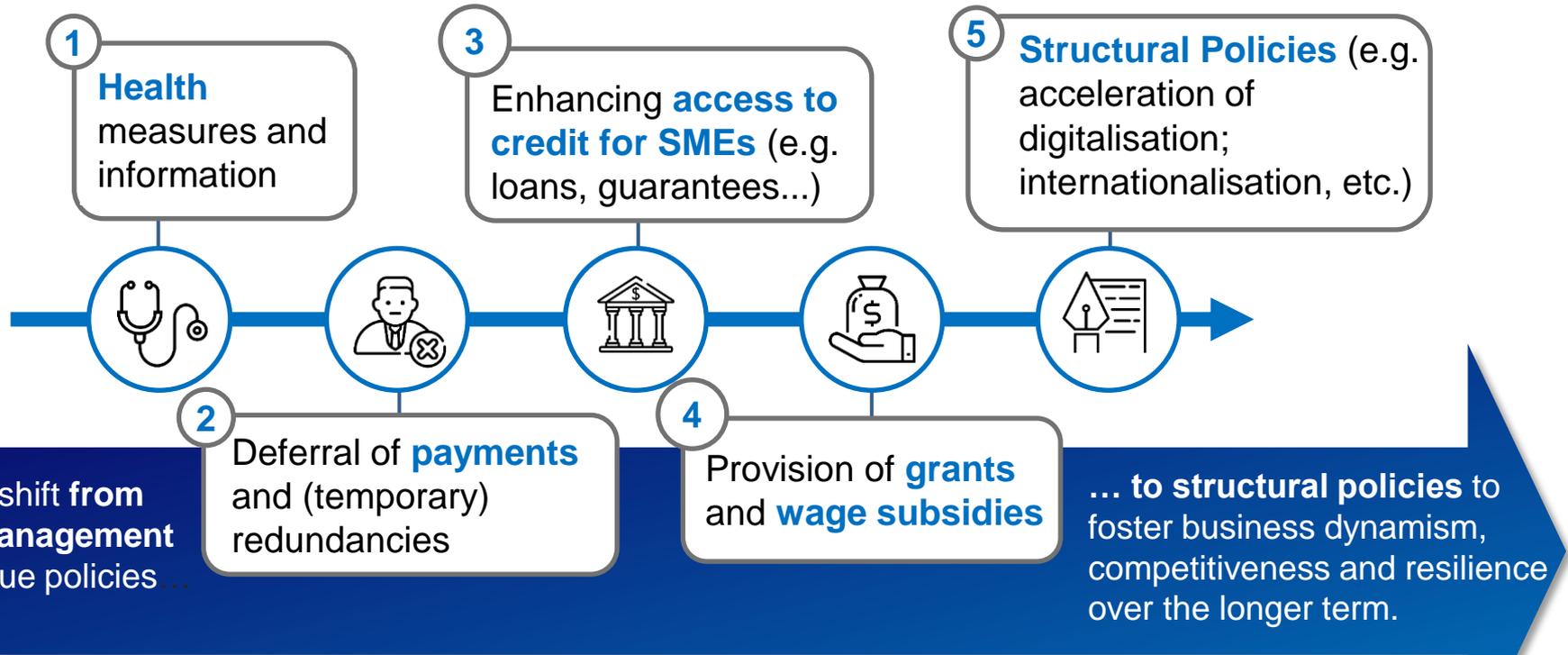


# Bankruptcies are expected to rise substantially in 2021

## Regional Insolvency indices (yearly change in percentage)

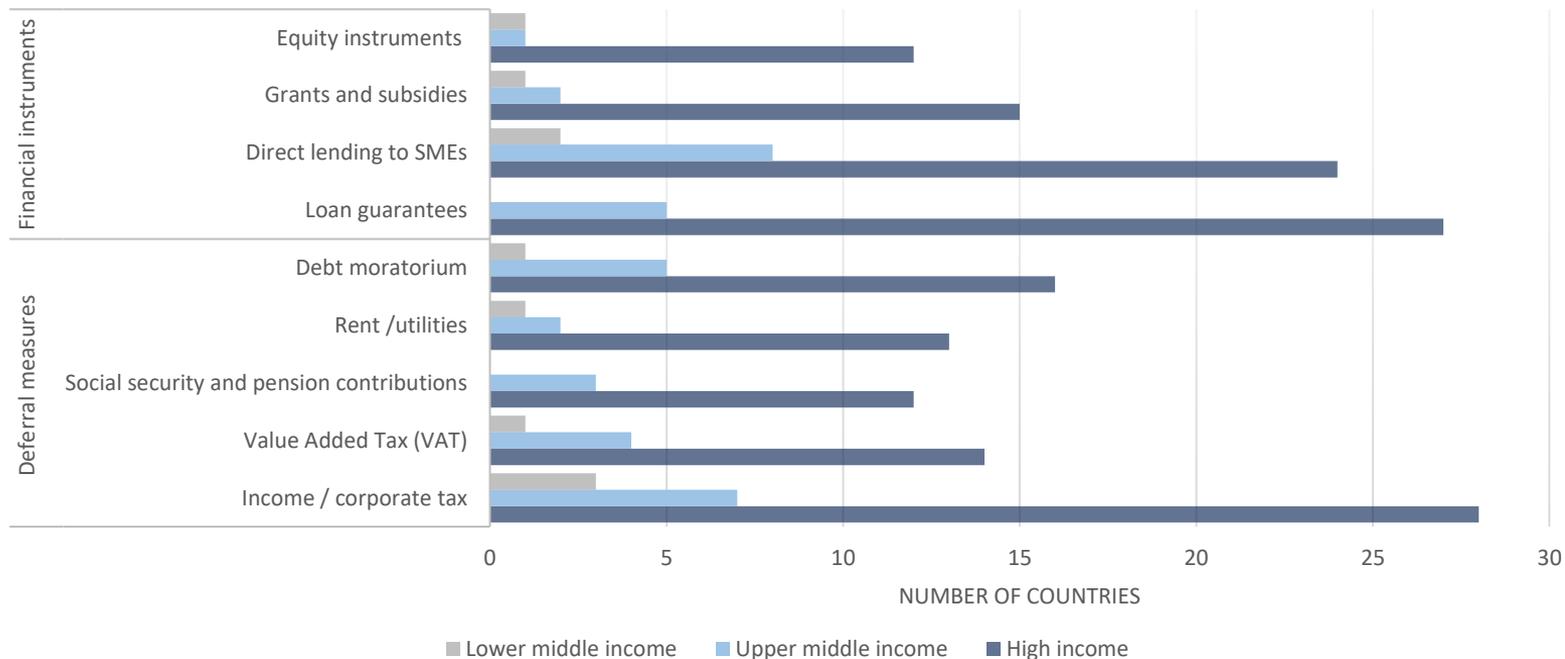


# In most countries, measures were sequenced to address the crisis



# Governments took swift access in the area of SME financing, but more diversification would be welcome

Policy measures adopted by groups of countries according to their income level



Note: The graph includes the measures of 55 countries categorized by income level based on the World Bank Country and Lending Groups classification.



# Going forward, it is critical to connect short-term and long-term responses



**Access:** How to ensure a **fast-track access** to support for SMEs and the self-employed, while ensuring **accountability**? How can instruments reach all **viable SMEs**?



**Sustainability:** How can **alternative financing mechanisms** and channels be leveraged to avoid over-indebtedness of SMEs? How can equity and growth capital be mobilised?



**Business dynamism:** Support for **innovative entrepreneurship, second chance entrepreneurship and creation of start-ups** (e.g. fostering conducive regulatory frameworks)



**Moving towards structural responses:** How to move **from crisis management to structural policies** that can enhance SME resilience and competitiveness over the longer term? For example, digitalization, reskilling, new markets and GVCs



# OECD report on “The digitalisation of SMEs”

- SME access to digital infrastructure and tools
- Digital security
- Online platforms
- AI diffusion
- Blockchain for SMEs and entrepreneurs

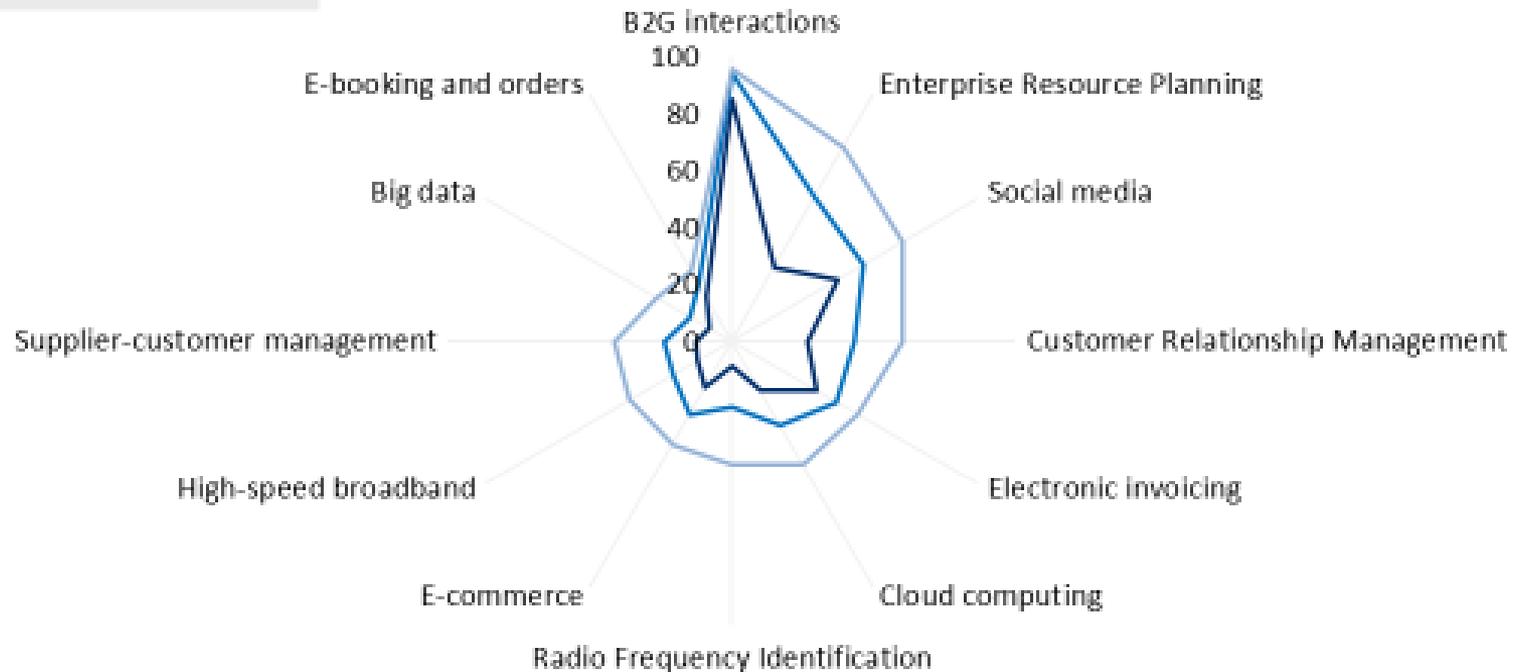




# SMEs have been lagging in the race to digital

Average technology diffusion rates, OECD median, by firm size, 2015-18

— Small — Medium — Large



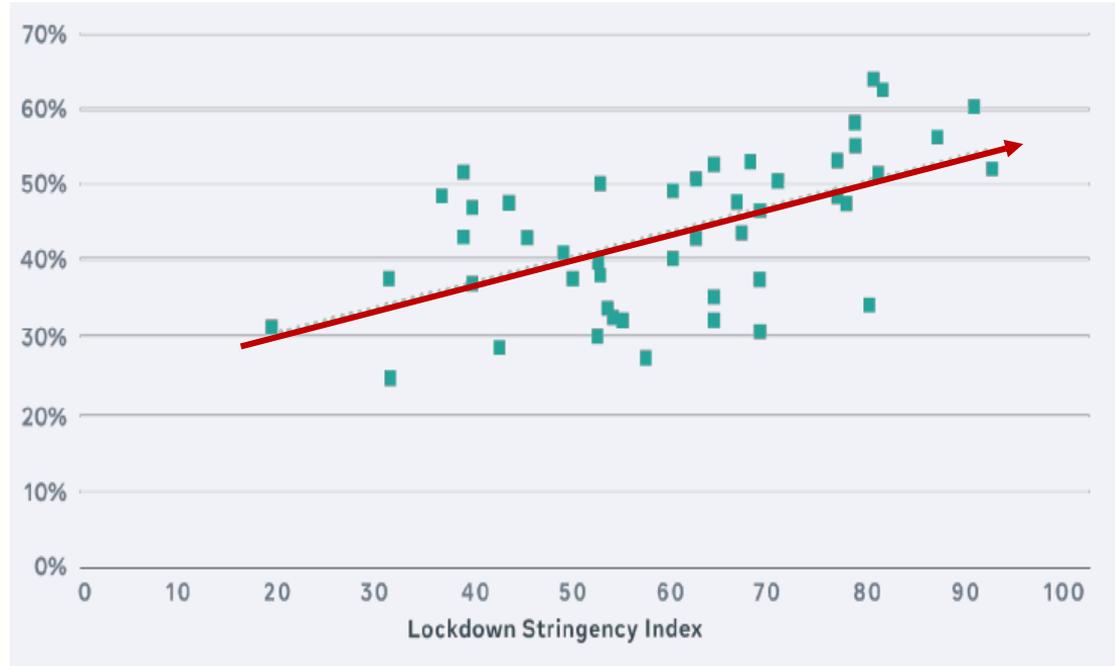


# The COVID-19 crisis gave momentum to the SME digital transformation

70%

Business surveys conducted worldwide since the beginning of the pandemic converge : **up to 70% of SMEs may have adopted new digital practices to survive**, from smart working solutions to online sales (OECD SME policy responses to COVID-19).

**Online platforms** have played a key role in connecting SMEs to markets and helping them maintain operations.





# Building on the momentum to re-build better

**Large policy consensus** on the need to speed the digital transformation of SMEs

## Scaling up SME internal capacity

- Technology support and assistance
- Training and upskilling
- Building a data culture in SMEs
- Raising the digital security profile of SMEs

## Creating the right business environment

- Regulatory framework
- E-government and e-services for SMEs
- High-quality digital infrastructure

## Easing SME access to strategic resources

- Fintech and alternative sources of finance
- Business innovation and supply of new digital solutions
- SME linkages to knowledge networks
- Hubs and platforms for learning and testing

## Promoting a whole-of-government approach

- Long-term strategic frameworks
- Governance arrangements in emerging policy areas,
- Setting consultative instances and advisory groups

# Trade finance for SMEs in the digital era (1)

## Key challenges

- Only parts of the trade and trade finance process are subject to digital innovation, end-to-end digitalisation across the trade value chain remains fragmented
- Solutions are often not interoperable, and efforts in this area remain nascent.
- Banks remain reluctant to view technology as the solution to the trade finance gap.
- SMEs have to ramp up internal digitisation



# Trade finance for SMEs in the digital era

## Policy priorities

- Establish a conducive regulatory environment that fosters the adoption of innovative solutions, in particular the wider acceptance of electronic documents
- Facilitate coherent industry-wide solutions that can operate at scale and are interoperable
- Develop tailor-made policy approaches to enable SMEs to harness the potential of digitalisation to improve access to trade finance
- Support efforts to generate a sound evidence base to better understand the benefits for SMEs and challenges impeding uptake



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# Thank you

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