



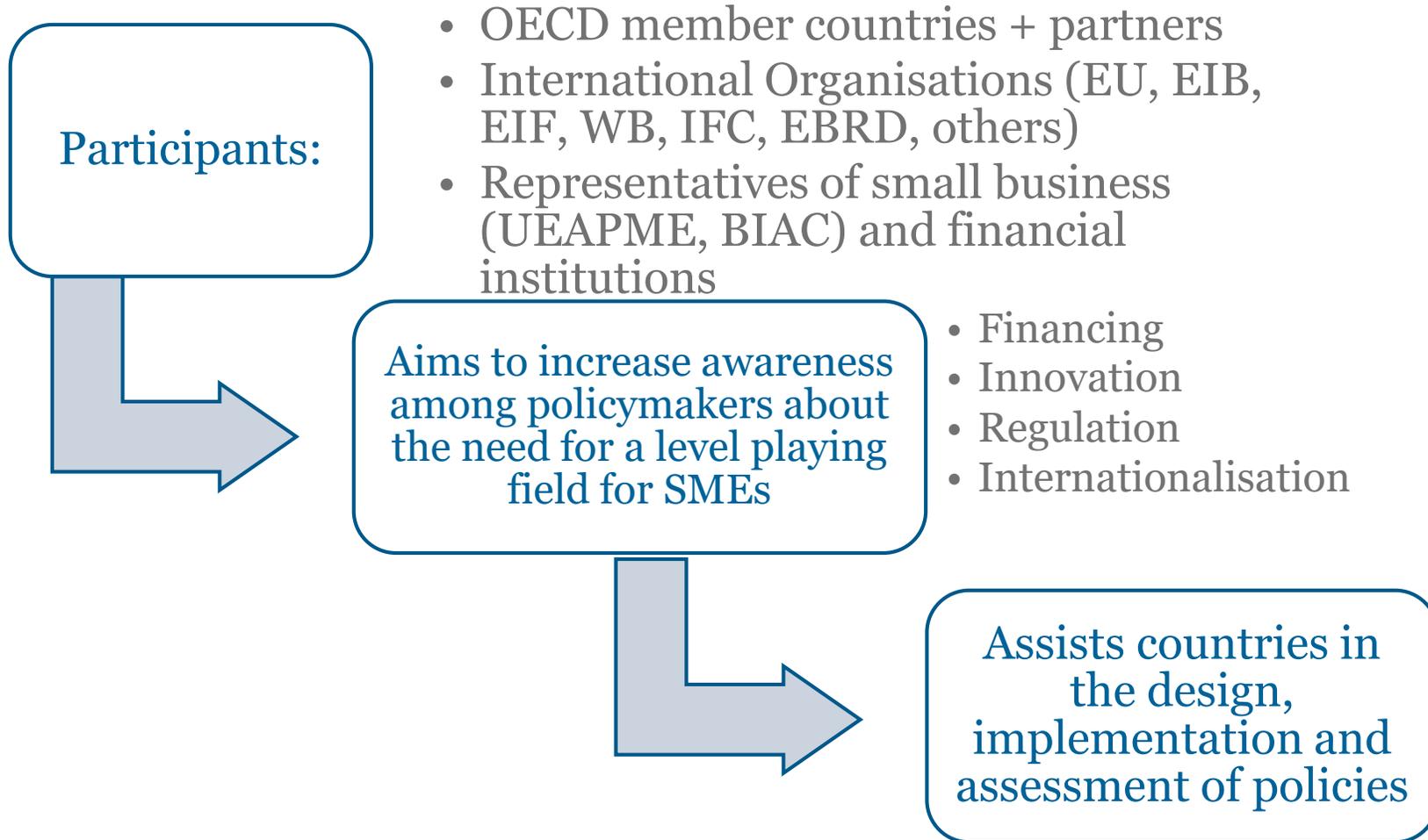
OECD Work on SMEs and Entrepreneurship

WTO Informal Working Group on SMEs, 28 June 2019

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The Working Party on SMEs and Entrepreneurship (WPSMEE)





Overview of the WPSMEE programme

- **SME and Entrepreneurship Outlook:** benchmark of SME structure and performance, business dynamism, business framework conditions and targeted policies
- **SME Financing:** Scoreboard, G20/OECD High-level Principles, Alternative financing instruments (trade finance, intangible assets)
- **Country-level analysis:** Reviews of SME and Entrepreneurship Issues and Policies, Support for the design of national SME Strategies, HEInnovate
- **Thematic work:**
 - Enhancing SME digitalisation and promoting SME innovation
 - Fostering SME internationalisation and participation in GVCs
 - Strengthening SME productivity
 - Enabling SME to scale up
 - Business transfer as an engine for SME growth
 - Missing Entrepreneurs, local entrepreneurship ecosystems
- **Monitoring and evaluation of SME and entrepreneurship Programmes**
- **An OECD Strategy for SMEs**

KEY MILESTONES FOR 2019-20



Flagships: *SME and Entrepreneurship Outlook (2019) & Financing SMEs and Entrepreneurs. An OECD Scoreboard (2019, 2020)*



OECD Strategy for SMEs



Digital for SMEs
Women Entrepreneurship (WE) Initiative

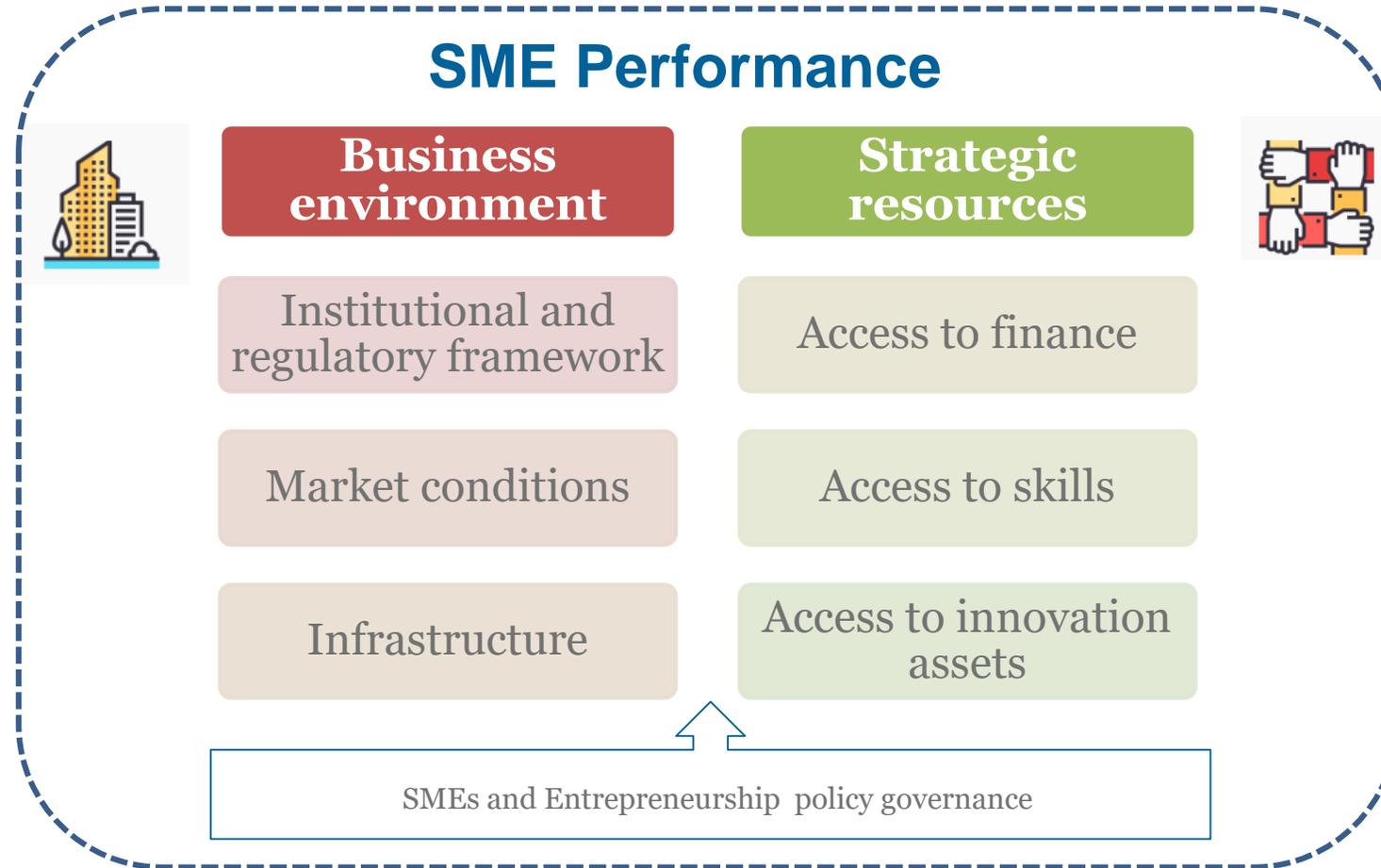


INSIGHTS FROM THE

***OECD SME AND
ENTREPRENEURSHIP OUTLOOK:
PERFORMANCE, BUSINESS CONDITIONS AND
POLICIES***



A comprehensive framework to assess SME-specific challenges

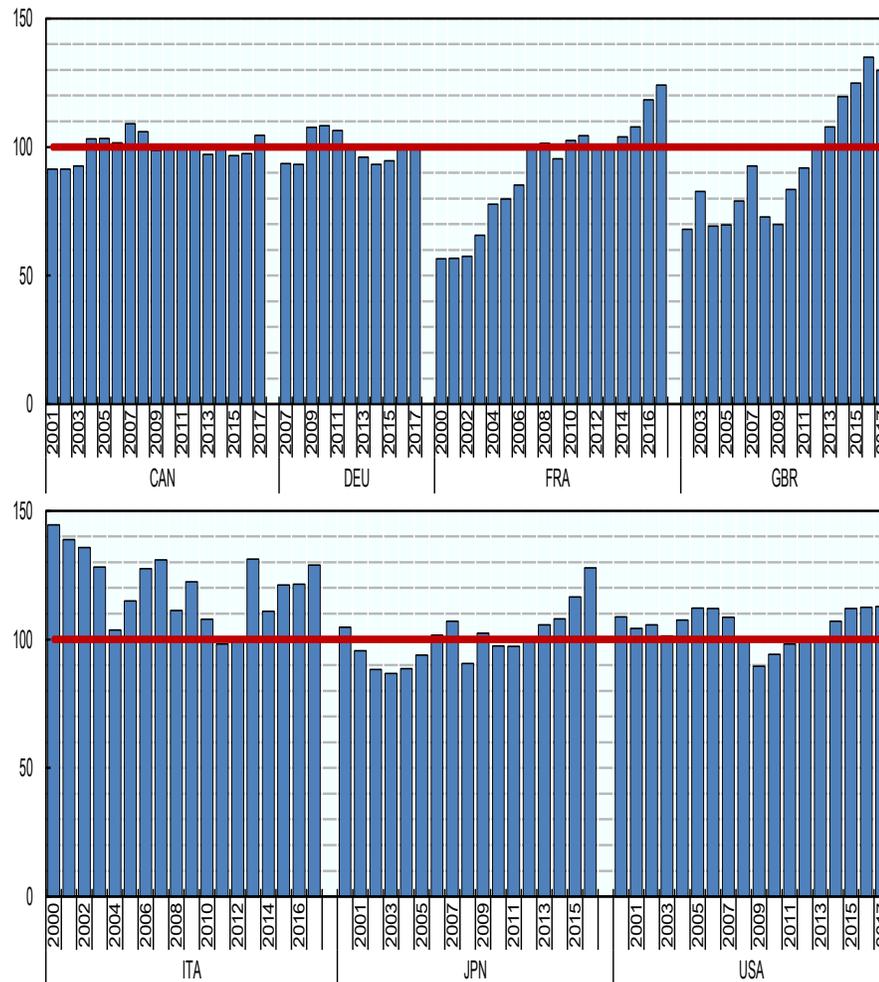




Business dynamism is picking up

Enterprise creations are back to pre-crisis levels

New enterprise creations, 2012=100

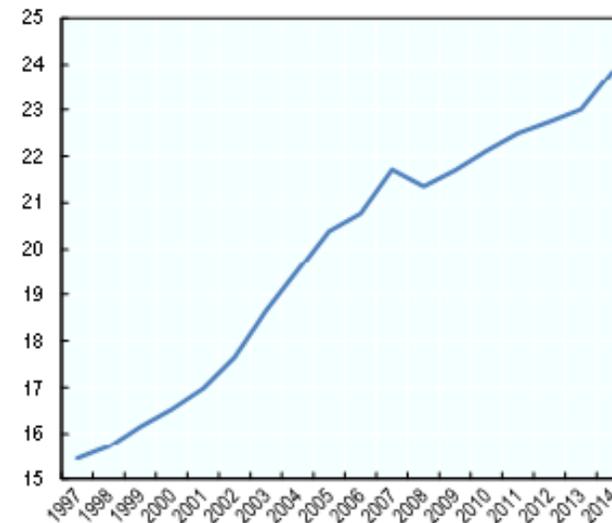


Firm creation is back to pre-crisis levels in many countries

- doubling over the last 15 years in France and the UK.

With Self-employment growing strongly too

Number of US non-employer firms. millions

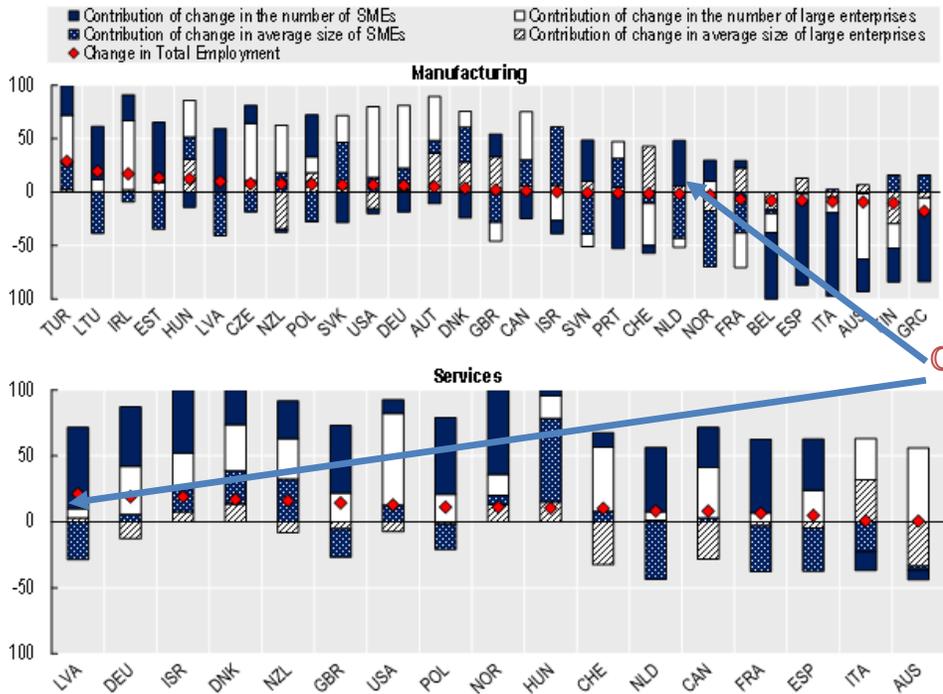




New SMEs have been driving employment growthbut mainly in low wage/productivity sectors

... especially in the service sector

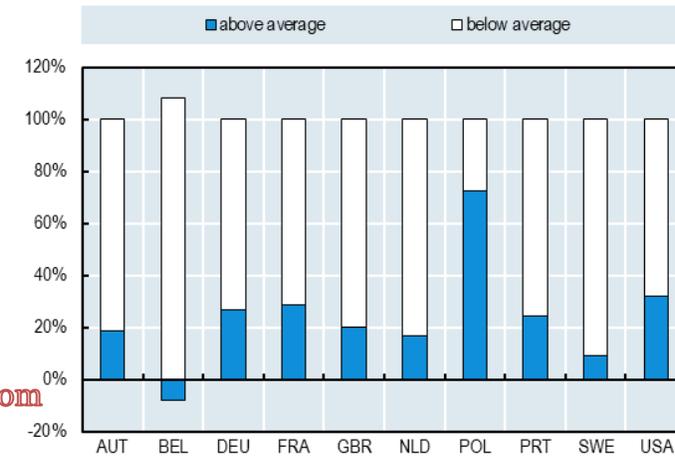
Employment growth by sector and size class, Contributions and percentage change between 2010 and 2016



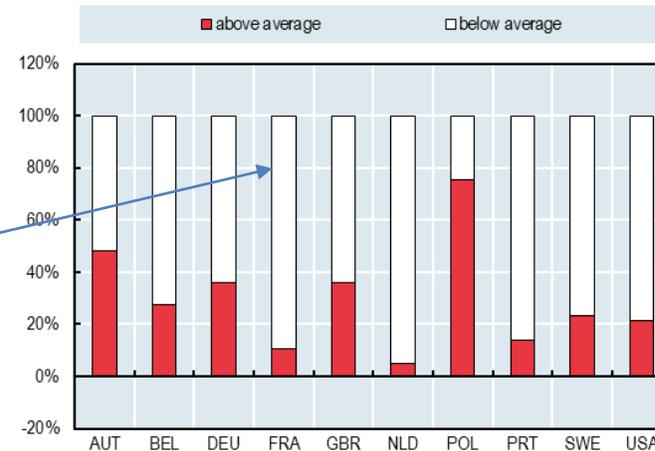
Contribution from new SMEs

Net jobs created/destroyed in industries with

Labour productivity above/below average



Wages above/below average



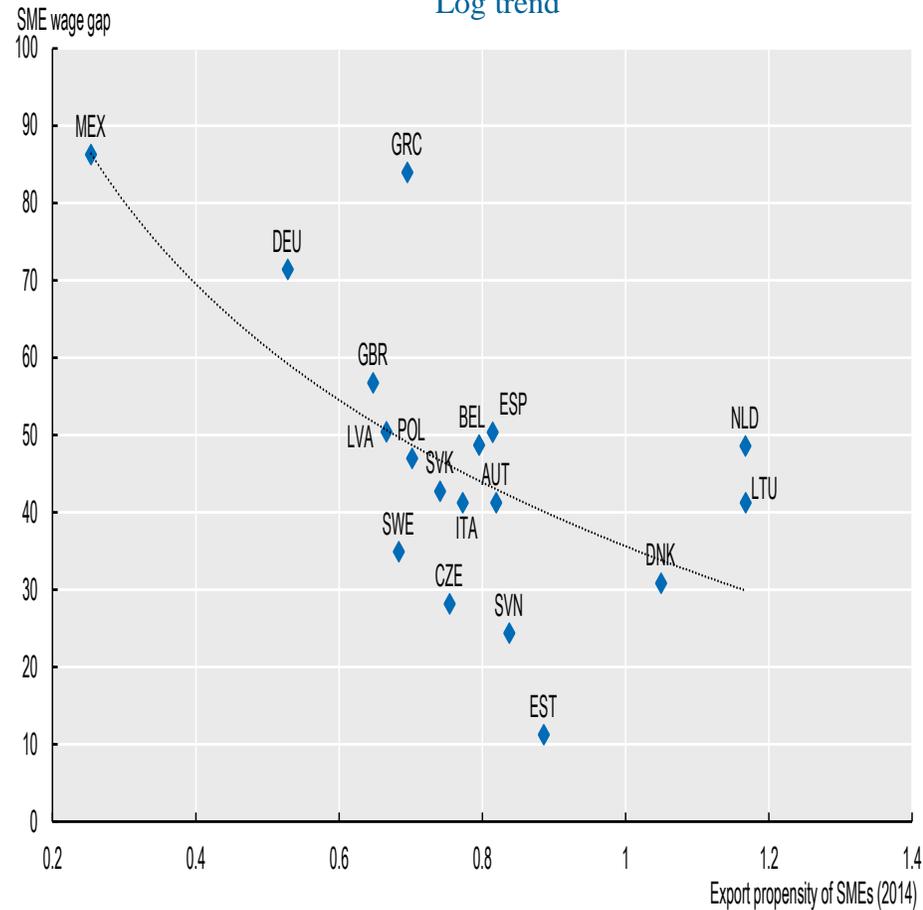
Between 2010 and 2016, close to 90% of all new jobs in France were created in activities with below average wages, close to two-thirds in Germany and the United Kingdom, and over three-quarters in the United States.



Trade can help reduce wage gaps, and indirect trade matters too

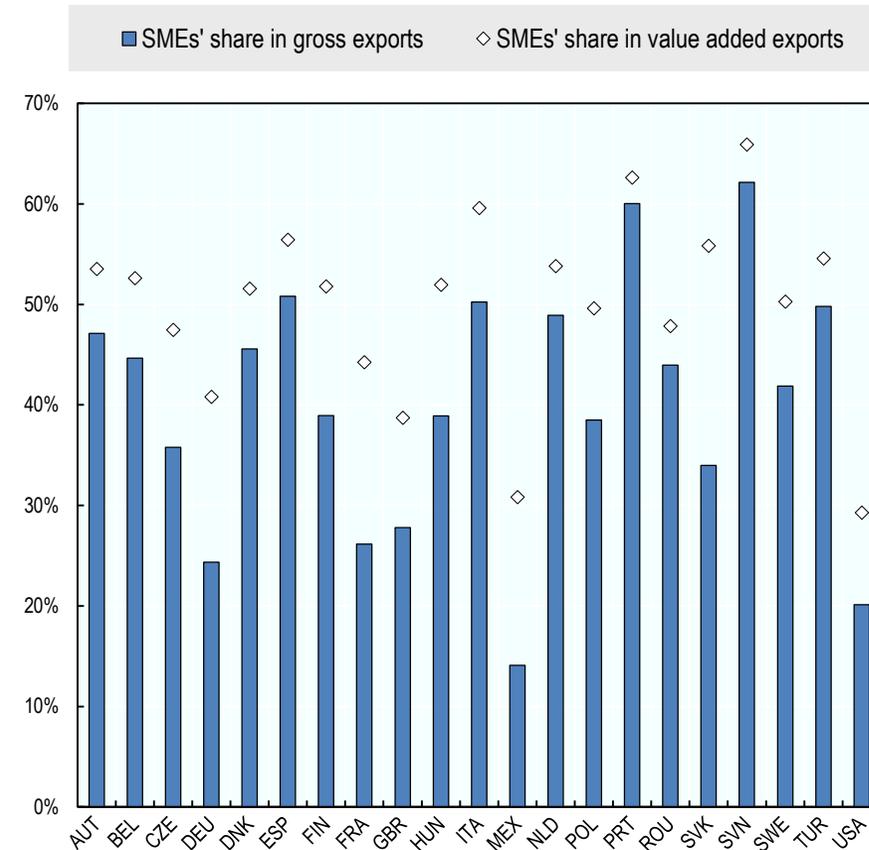
Manufacturing wage gaps and SME trade, 2014

Log trend



Direct and indirect exporting activity of SMEs in OECD countries

As a percentage of gross exports, 2014



Notes: Current prices, US Dollars - converted using period average exchange rate.

SME wage gaps are measured as the difference between average salaries per employee in large firms and SMEs as a ratio of average salaries in SMEs. Export propensity of SMEs is measured as the share of exports by SMEs divided by the share of output by SMEs.

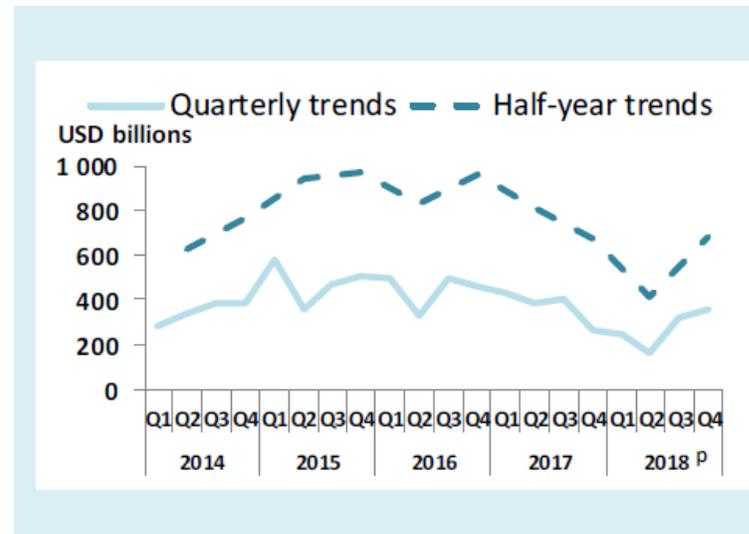


But trade tensions and the global economic slowdown could dampen the SME business outlook

- **GVCs have lost momentum** with FDI at its lowest levels since 2013 (-35% in from Q3 2017 to Q2 2018).
- **Digitalisation** can help (e.g. platforms, lower border costs) but also raises **uncertainty** (e.g. reconfiguring GVCs, reshoring?)
- The **concentration of FDI on digital assets** is likely to reinforce the importance of MNE-SME linkages for tech upgrading.

Global FDI flows

USD billion, Q1 2014-18

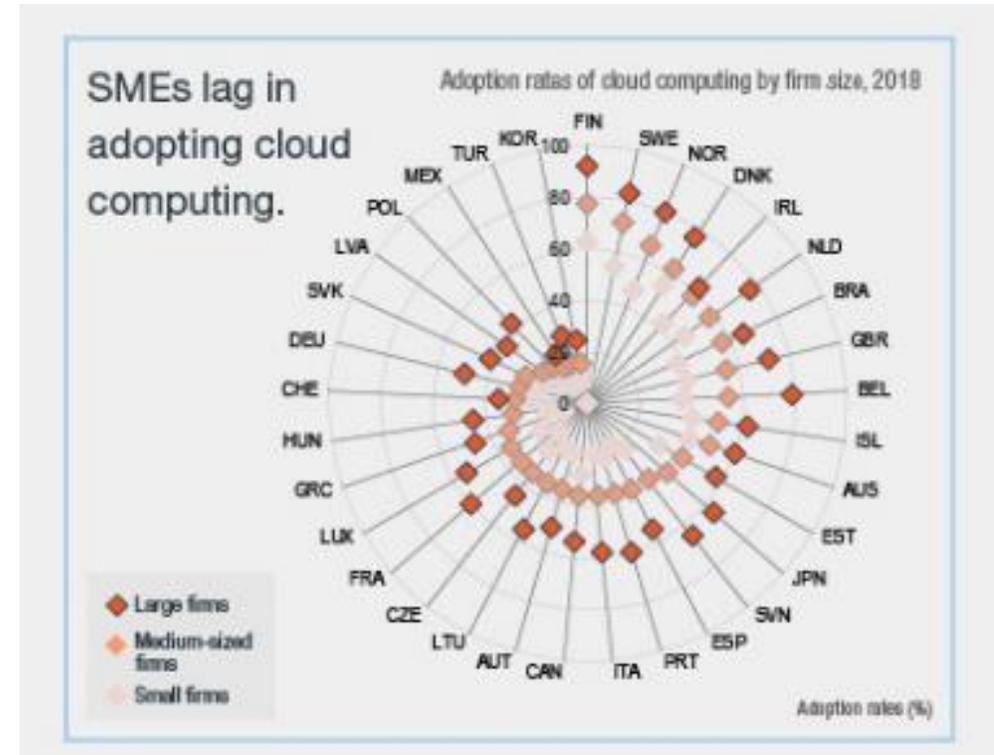


Source: OECD SMEE Outlook 2019 based on OECD International Direct Investment Statistics.



There will be no digital revolution without SMEs!

- SMEs struggle **keeping pace** with the digital transformation.
- SMEs are less proactive in **protecting their data** and not as prepared to face **cybersecurity** threats
- SMEs struggle **combining different modes of innovation** that are needed to go digital.



Source: OECD SMEE Outlook 2019 based on OECD ICT Access and Usage by businesses database.



Policy responses in a nutshell...

Going global



- High-level export strategies, new industrial policy
- Reforming export support system to facilitate SME access
- Export guarantees, incl. for specific SME profiles (first-time exporters, women, start-ups), strengthening linkages to MNEs and FDI

Getting institutions right



- Levelling the playing field: Product markets, procurement
- Pro-growth reforms: “one-in, one-out” types of rules, public consultation, flexible regulation
- Digitalisation of public services: One stop shops, including for licenses or tax compliance

Innovation diffusion



- High-level strategies, e.g. on smart specialization, entrepreneurship, or innovation
- Financial support for tech adoption and innovation uptake, e.g. digital vouchers, innovation loans
- Scaling-up networks: clusters, accelerators/incubators

Upskilling



- Broader reform efforts, e.g. of the VET system
- Financial support for reducing training costs, collective training facilities, local employer associations
- Strengthening management skills
- Developing entrepreneurial skills and mindsets, e.g. for women, or older/low-skilled workers



INSIGHTS FROM THE

FINANCING SMES AND

ENTREPRENEURS 2019: AN OECD

SCOREBOARD



Core indicators of the OECD Scoreboard

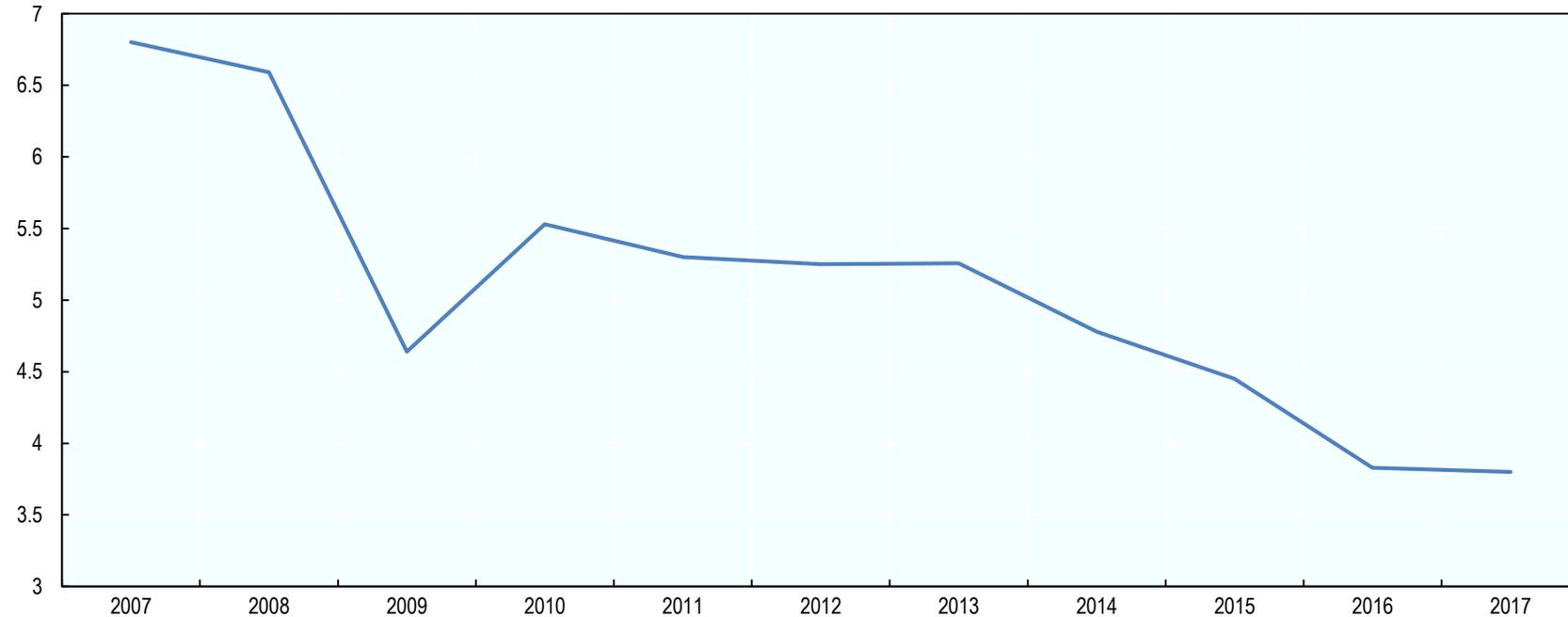
DEBT	
1. Outstanding business loans, total and SMEs	7. Interest rates, SMEs and large firms
2. New business lending, total and SMEs	8. Collateral, SMEs
3. SME short-term and long-term loans (stock or flow)	9. SME loan applications
4. Government loan guarantees, SMEs	10. Rejection rate, SMEs
5. Government guaranteed loans, SMEs	11. Utilisation rate
6. Direct government loans, SMEs	
ALTERNATIVE	OTHER
12. Venture and growth capital investments	15. Non-performing loans, total and SMEs
13. Leasing and hire purchases	16. Payment delays, B2B
14. Factoring and invoice discounting	17. Bankruptcies, SMEs

Additional insights: demand-side information, capital market financing, online alternative financing, government initiatives...



Access to finance remains an issue but has improved in many countries

- **SMEs have restored their margins** (internal financing capacity)
- **Bank credit has become cheaper:** historically low interest rates, easing credit conditions, more robust banking system.
- **Alternative sources of funding on the rise:** VC markets and new asset-based funding (e.g. leasing).
- **Fintech** (e.g. ICOs, crowdfunding etc.). Online markets x2 to x3



*Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019,.*



Volumes of non-bank finance instruments have been rising

- **Factoring** volumes in 2017 were up by **3.3%**, as in previous years
- **Private debt** is on the rise globally (**+10%**), and especially in Europe (**+27%**)
- **VC investments** were up in 26 out of 39 countries in 2017, in line with the 2016 trend
- 2017 **SME listings** on stock exchanges expanded by 16.7% in terms of market capitalisation, after a drop in 2016
- **Business angel investments** rose in Europe (+9%) and in the United States (+12.6%)
- **SME online alternative financing** has been doubling annually since 2015

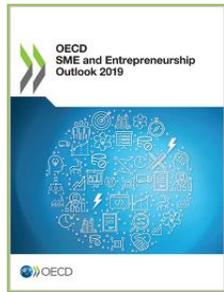


SME finance policies have evolved in recent years....

	<u>Aftermath of crisis</u>➔	<u>Recent years</u>
Targeting of SME support	<ul style="list-style-type: none"> • Broad SME population 	<ul style="list-style-type: none"> • Innovative firms, start-ups, lagging regions, women entrepreneurs • Creation of SME banks
Support for debt financing	<ul style="list-style-type: none"> • Strong increase in credit guarantee volumes • Direct lending • Credit mediation 	<ul style="list-style-type: none"> • More focus on the delivery and eligibility criteria of support measures
Support for equity financing	<ul style="list-style-type: none"> • Existing equity instruments broadly kept in place 	<ul style="list-style-type: none"> • Tax incentives • Establishment of funds/funds of funds
Regulatory measures	<ul style="list-style-type: none"> • Emphasis on financial stability • Supply-side regulation (bank capital requirements) 	<ul style="list-style-type: none"> • Regulation of Fintech industry • Emergence of regulatory sandboxes



Thank you!



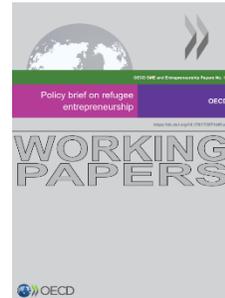
OECD SME and Entrepreneurship Outlook 2019



Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth



Financing SMEs and Entrepreneurs 2019



The role of managerial skills, workforce skills and business linkages in enhancing SME productivity

Access our reports at <http://www.oecd.org/cfe/smes/>

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