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"Good policies are essential to enhance SME contributions to inclusive growth."

The role played by SMEs in our economies and societies is colossal. At a time of slow productivity growth and increasing or persistently high inequalities, SMEs are key to strengthening productivity, delivering more inclusive growth and adapting to the major transformations of our time, including demographic change, digitalisation and the new industrial revolution, the changing nature of work and the transition to a low-carbon economy.



However, the SME picture is not entirely rosy. Many SMEs, particularly micro-enterprises, struggle to rise from low levels of productivity, and are missing the opportunities of digitalisation and globalisation. In many emerging and developing economies, the productivity gap between large firms and SMEs – and the resulting income gaps - are especially large, due in particular to a disproportionate concentration of employment in micro and small firms, often informal ones, with relatively little employment in medium-sized firms.

Good policies are essential to enhance SME contributions to inclusive growth. To start up, develop and grow, SMEs are more dependent than large companies on the business ecosystem. Despite wide-ranging reforms, in many countries regulatory complexities and high compliance costs remain a major obstacle to entrepreneurial activity and a source of competitive disadvantages for SMEs vis-à-vis large firms. Alongside framework conditions, policies targeted to SMEs can foster access to critical resources, such as skills, finance, technology and knowledge.

This is particularly important for MSMEs in Developing economies, where micro enterprises are a very substantive part of the total number of enterprises existing in such countries and can contribute, with the appropriate support policies, to solve many of the existing needs at the base of the pyramid, helping with the right actions to alleviate poverty and protect the environment.

At the third OECD Ministerial Conference on SMEs, hosted and chaired by Mexico City last February, Ministers, Vice Ministers and senior policy makers from 68 Delegations including, 12 international organisations and associations (including ICSB), discussed how to Strengthen SMEs and Entrepreneurship for Productivity and Inclusive Growth.

Ministers shared their priorities and experiences to enable SMEs to seize the benefits of a digital and globalised economy and discussed in particular the importance of enabling SMEs to scale up, access diversified financing instruments and fostering greater SME participation in a global integrated economy.

Ministers also acknowledged the role that entrepreneurship plays for strengthening social inclusion and explored policies to broaden entrepreneurship opportunities to different social groups, including youth and women. They also recognised the importance of strengthening entrepreneurship competencies at all education and training levels, including to address the entrepreneurship gap that, in some countries, with the ageing of entrepreneurs, puts many sound SMEs at risk of closure.

Ministers recognised that, while national settings are crucial for SME development, multilateral efforts are needed to foster a level playing field in global markets and to ensure that the benefits of globalisation and technological progress are fairly shared across firms of all sizes. The rise of Global Value Chains and digitalisation amplify the importance of rules of the game and business conditions that cut across national boundaries. SMEs and entrepreneurs stand to benefit from an open and interconnected economy, but coordinated policy efforts are needed for them to capitalise on these opportunities. In particular, greater international cooperation is needed to address global challenges for SMEs and entrepreneurs, from traditional standards to new regulatory issues in the digital age, from unfair competition and tax avoidance by larger groups to regulatory inconsistencies across countries.

Ministers also called for strengthening stakeholder engagement, including direct engagement with SMEs, which is often a challenge. In fact, the voice of SMEs is not always well heard in international discussions, such as in trade policy negotiations or discussions on financial sector reform.

Ministers also highlighted that delivering effective SME policies calls for breaking down policy silos, and understanding and managing trade-offs, synergies and complementarities, including across levels of government. An integrated, cross-cutting policy approach is crucial to level the playing field, and effective monitoring and evaluation of policies are essential to deliver strong outcomes.

The Ministerial Declaration on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth, adopted by 55 countries, calls for the OECD to support countries in delivering more effective and efficient SME policies, toward fairer and more inclusive globalisation and growth.



"The role played by SMEs in our economies and societies is colossal."

Alejandro Gonzalez, Chair of the OECD Working Party on SMEs and Entrepreneurship

The OECD Working Party on SMEs and Entrepreneurship (WPSMEE) is stepping up efforts to monitor SME trends and performance worldwide and enhance understanding about the implications of mega-trends for SME policy.

- In 2018, the WPSMEE will be launching a new SME and Entrepreneurship Outlook flagship report. This will provide a tool to benchmark SME trends and policies internationally and to better identify links between SME policies and performance.
- Discussions are also ongoing on the development of an OECD Strategy for SMEs, which would support domestic whole-of- government approaches to SME development. At the same time, it would provide a frame of reference to assess areas in which stronger international cooperation can favour a conducive environment for entrepreneurship and SME growth.

The 2018 SME Ministerial Conference has represented a new milestone in a journey that started in 2000, in Bologna, with the first OECD Ministerial Conference – and Declaration on SME. The Bologna Process is a dynamic political mechanism involving more than 80 economies around the world at different levels of development, and a large number of international organisations, institutions and non- governmental organisations (NGOs). It seeks to strengthen dialogue and co-operation to foster the entrepreneurship agenda and SME competitiveness at the global level, and encourages increasing cooperation in this area.

The UN-ICSB Conference reflects very well this spirit and contributes to drive this agenda forward. You can count on the OECD in the next phase of this journey, to design, develop and implement better SME policies for better lives and contribute to the ICSB's Guiding Principles to support SMEs.



About ICSB Gazette:

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editor of the ICSB Gazette is Ms. Jordyn Murphy, ICSB Operational Manager. She will be soliciting ideas and articles from ICSB members world-wide.

ICSB Executive Director Comment:

This Gazette issue is part of the Partner Reports from the MSME Report.

Dr. Ayman El Tarabishy



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Contribute:

Have a topic you would like to see or an article to share? Please submit for consideration to jordyn@icsb.org