

OECD WORKING PARTY ON SMEs AND ENTREPRENEURSHIP
(WPSMEE)



‘BOLOGNA+10’ HIGH-LEVEL MEETING
ON
LESSONS FROM THE GLOBAL CRISIS AND
THE WAY FORWARD TO JOB CREATION AND GROWTH



Chair’s Summary: Technical Annex

Note by the OECD Secretariat and the French Government

This document is based on contributions from the participants at the “Bologna+10” High-Level Meeting and the delegates of the OECD Working Party on SMEs and Entrepreneurship and OECD Committee on Industry, Innovation and Entrepreneurship.

It is a statement by its Chair, Mr Frédéric Lefèbvre, Secretary of State for Trade, Crafts, Small and Medium-sized Enterprises (SMEs), Tourism, Services, Liberal Professions and Consumption, France. An earlier draft benefitted from comments and inputs by the delegates of the OECD Working Party on SMEs and Entrepreneurship and of the Committee on Industry, Innovation and Entrepreneurship.

TECHNICAL ANNEX

I. Innovative SMEs and Entrepreneurship for Job Creation and Growth

Participants stressed that pre-requisites for significant job generation by innovative SMEs and entrepreneurs are favourable framework conditions and a healthy business environment. Without these, targeted support policies and programmes will be ineffective. In this regard, macroeconomic stability is essential and financial institutions must be well-supervised, well-capitalized and both willing and able to mobilize savings and allocate credit to productive uses.

Of particular concern to smaller firms:

- i. Much can be done to streamline and simplify administration and regulations, such as establishment of one-stop-shops relating to new firm creation and compliance obligations for existing SMEs. Although it has become easier in many countries to create a firm, significant regulatory barriers to firm growth remain to be addressed.
- ii. Tax and social security systems can be simplified to reduce compliance burdens and ensure that SMEs do not suffer from an inability to use efficient tax strategies often available to larger firms.

Much of the discussion focused on four important issues: the role of high growth firms, SMEs' participation in clusters and global value chains, their innovative use of intellectual assets and the importance of improving entrepreneurial culture.

Furthermore, the participants underlined the importance of innovative firms with high potential for growth and job creation. While these firms are only a small sub-set of all SMEs, they account for a large share of growth and job creation. Special policies are appropriate to encourage the growth of these firms, in particular in stimulating and fostering access to equity funding, notably venture and other forms of risk capital. Participants discussed good practices in this area, including business angels.

SMEs are generally under-represented in the international economy, so participants focused on ways to reduce barriers to their participation and assist them to seize more of the opportunities the globalised economy offers. Suggested policy approaches included:

- i. Identification of opportunities for foreign collaboration and sales.
- ii. Participation of SMEs in international collaborative research programmes, especially where these are publicly financed.

- iii. Promoting SME participation in global value chains and local clusters, which can efficiently provide indirect access to export markets and sources of technology upgrading.
- iv. Targeted financial support in the form of export credit and working capital instruments.

However, in the context of increased public debt and tightened fiscal possibilities, participants discussed the need to reduce the costs and enhance the efficiency of support measures.

Moreover, better intellectual asset-based management and improved systems to value intellectual assets can make a crucial contribution to enhancing SME growth and competitiveness. Among the policy approaches suggested are the creation of specialised intellectual property courts, the use of arbitration, a localised system of access to patenting procedures, and fee structures that discourage excessive numbers of patent applications and improve the quality of patents. There was also broad support for efforts to develop a market for advisory and consultancy services to provide professional guidance for SMEs about how to manage their intellectual assets.

Finally, participants stressed that successful entrepreneurial efforts ultimately depend on the skills and expertise of the people carrying them out. Better entrepreneurial education and training programmes stressing strategic skills and using interactive methods that incorporate practical experience can do much to remedy the skills gap; and will also contribute to improving entrepreneurship awareness and cultures.

II. Better Financing for SMEs and Entrepreneurship

Participants cautioned that while the business environment has improved, more stable financial markets have yet to be re-established:

- Central banks in many countries are providing the banking system with unconventional monetary support to mitigate stress¹.
- Many SMEs have been financially damaged.
- Property price declines have reduced the collateral value of real estate.
- Funding high-growth firms through venture capital remains a challenge.

¹ This includes near-zero short-term interest rates, provision of excess reserves to the banking system and central bank purchases of non-traditional financial assets.

Reflecting the variations in conditions across countries, views were mixed about whether it is now time to start phasing out temporary support measures that enabled SMEs to access financing during the worst of the crisis. They also noted that the proposed new Basel III regime may increase the difficulty of SMEs to obtain loans and that this should be taken into account in policy frameworks. The importance of reducing payment delays (notably in public contracts) was noted as an effective method of responding to the liquidity problems encountered by certain SMEs.

Access to financing for SMEs is likely to remain an issue even when recovery is widely established. Looking beyond the recent crisis, participants considered what support might be appropriate after emergency measures are withdrawn. Some of the main anti-crisis measures (e.g. loan guarantees, direct official loans and export facilitation) have transferred risk from markets to the public sector. Most participants in the High-Level Meeting considered that this transfer should be temporary. Banks and SMEs themselves should bear a larger share of the risk in any support arrangements that remain in place on a permanent basis.

Although many SMEs are favourable to support in the form of direct loans from the public sector, particularly for long-term investment, most participants judged that it is also desirable to propose other forms of support in order to balance the sharing of risks and to strengthen capital structures in particular for innovative and high growth enterprises. Delegations were in favour of guarantee systems; public-private partnerships and the use of well-regulated equity-related instruments, such as convertible bonds.

Conditions for medium-sized companies have generally recovered more rapidly than those for small ones, and some participants believed that the phase-out of support for smaller firms should be more gradual than for medium-sized firms. Others suggested that some anti-crisis instruments, notably credit mediation², could usefully be maintained, in particular for small firms.

Another approach that received support is to enable Mutual Guarantee Societies, used extensively by small firms in some countries, to play a more active role in the future.

Furthermore, partly in order to lessen their vulnerability to international market influences, emerging markets have tended to discourage financial innovation and instead stress conservative risk management techniques. However, as a result, SMEs in emerging markets are often obliged to rely on self-finance and informal markets. A

² Credit mediation is a technique introduced in France in November 2008 and Belgium in February 2009 (and subsequently introduced in Germany and Spain). Under credit mediation, SMEs that have been rejected by banks can appeal to a mediation panel in which governments, business associations and banks are represented. The mediator seeks to improve communication and information flow between SMEs and banks.

balance is needed between strict risk management norms and more experimentation with lending to SMEs by local financial institutions.

III. Promoting “Green Growth”

The last session of the meeting focused on the rising importance of “green growth” or sustainability issues for SMEs and start-up firms. The transition of SMEs to sustainable practices is critical to the large scale transition to green growth.

The identification and implementation of new green solutions, eco-innovation, and green industries were also emphasized, as well as the SME dimension to the “Green Growth Strategy” which is being developed by the OECD for delivery to the May 2011 OECD Ministerial Council Meeting.

There was broad agreement that an important first step is to strengthen the awareness of SMEs and entrepreneurs of the scale and implications of the transition to a greener economy. Knowledge networks and training will be important in facilitating the adaptation of SMEs, both in developing production methods that meet the requirements of a greener economy and in recognising the market opportunities that this transition will provide.

Consistent and clear regulations that provide stable and predictable market signals to SMEs are needed. Skills need to be developed and adapted to the new conditions. Environmental management systems need to be more diffused and access to public procurement strengthened.

Obtaining maximum benefits from potential “eco-innovation” will require policies to encourage radical changes beyond incremental progress and to nurture new partnerships among leading businesses, SMEs, local governments, universities and public research organisations, targeting and promoting green activities and support in the area of training and financing.

List of Heads of Delegations

Chair of the “Bologna” + 10 High-Level Meeting

M. Frédéric LEFEBVRE (France) *Secretary of State for Trade, Crafts, SMEs, Tourism, Services, Liberal Professions and Consumption*

Heads of Delegations

Australia

Mr. Richard SNABEL *General Manager
Industry Policy and Economic Analysis Branch
Industry and Small Business Policy Division
Department of Innovation, Industry, Science and Research*

Austria

Mr. Herbert PREGLAU *Director-General for Enterprise
Federal Ministry of Economy, Family and Youth*

Belgium

Mme Sabine LARUELLE *Minister for SMEs, Independents, Agriculture, and Scientific Policy*

Canada

Ms. Karen KASTNER

*Assistant Vice-President
Corporate Planning and Strategy Management
Business Development Bank of Canada*

Chile

Mrs. Ximena CLARK

*Head of Division, SME Division
Ministry of Economy*

Czech Republic

M. Jirí MICHOVSKÝ

*Deputy Director
Department of Entrepreneurship
Ministry of Industry and Trade*

Finland

Ms. Tuija OIVO

*Director General
Department of Employment and Entrepreneurship
Ministry of Employment and the Economy*

France

M. Frédéric LEFEBVRE

*Secretary of State for Trade, Crafts, SMEs,
Tourism, Services, Liberal Professions and
Consumption*

Germany

Dr. Eckhard FRANZ

*Director-General
Head of Directorate-General of SME-Policy
Federal Ministry of Economics and Technology
(BMWi)*

Greece

Mr. Michalis CHRYSOCHOIDES *Minister for Economy, Competitiveness and Shipping*

Hungary

Dr. Balázs HIDVÉGI *Deputy State Secretary for International and EU Affairs
Ministry for National Economy (NGM)*

Indonesia

Mr. Neddy Rafinaldy HALIM *Deputy Minister
Department for Marketing & Business Networking
Ministry of Cooperatives and SMEs*

Ireland

Ms. Críona BRASSILL *Economic Analysis
Competitiveness, Tax and Finance Department
(Forfás)*

Israel

Mr. Ran KIVITI *Head of the SME Agency
Ministry of Industry, Trade & Labor*

Italy

Dr. Ludovica AGRÒ *Director General
Ministry for Economic Development*

Japan

Mr. Hitoshi ITO *Director General
Business Environment Department
Small and Medium Enterprise Agency*

Korea

Mr. Tae-il KIM

*Director-General
Technology Innovation Bureau
Small and Medium Business Administration*

Luxembourg

Mme Françoise HETTO-GAASCH *Minister of Tourism and Equal Opportunities*

Mexico

Mr. Miguel MARÓN MANZUR

*Undersecretary for Small and Medium Business
Ministry of Economy*

Netherlands

Mr. Rinke ZONNEVELD

*Director
Enterprise Department
Directorate-general for Enterprise and Innovation
Ministry of Economic Affairs, Agriculture and
Innovation*

New Zealand

Ms. Jo DOYLE

*Manager
Industry and Regional Development Branch
Ministry of Economic Development*

Norway

Mr. Reier SØBERG

*Secretary General
Ministry of Trade and Industry*

Poland

Mr. Rafal BANIAK

*Undersecretary of State
Ministry of Economy*

Portugal

Mr. Luis Filipe COSTA

*President
Institute of Support to Small and Medium-Sized
Enterprises and Innovation (APMEI)*

Russian Federation

Mr. Andrei SHAROV

*Head of the Department of State Regulation in the
Economy
Ministry of Economic Development and Trade*

M. Mikhail KOPEIKIN

*Management Board Member
Deputy Chairman
State corporation, "Bank for Development and
Foreign Economic Affairs" (Vnesheconombank)*

Slovak Republic

Mr. Martin LINER

*First Secretary
Trade, Industry, Investment, Competition, Economy
Permanent Delegation of the Slovak Republic to
the OECD*

Slovenia

Mr. Janko BURGAR

*Head of Competitiveness Unit
Directorate for Entrepreneurship and
Competitiveness
Ministry of Economy*

Spain

**Mrs. Fátima MINGUEZ
LLORENTE**

*Deputy Director-General
General Directorate of Policy for SMEs
Ministry of Industry, Tourism and Trade*

Sweden

Mr. Göran MARKLUND

*Deputy Director General
Research and Innovation for Sustainable Growth
(VINNOVA)*

Switzerland

M. Christian WEBER

*Head
E-Government for SMEs
State Secretariat for Economic Affairs*

Thailand

Ms. Wimonkan KOSUMAS

*Deputy Director General
Office of SMEs Promotion (OSMEP)*

Turkey

Mr. Niyazi ILTER

*Deputy Undersecretary
Ministry of Industry and Trade*

United Kingdom

Mr. David WILSON

*Deputy Director
Enterprise Directorate
Business, Innovation and Skills (BIS)*

United States

Ms. Marie JOHNS

*Deputy Administrator
US Small Business Administration*

Business and Industry Advisory Committee (BIAC)

Mr. Tadahiro ASAMI *Secretary General*

European Association of Mutual Guarantee Societies (AECM)

Mr. Michel COTTET *Vice-Chairman*

European Investment Bank (EIB)

Mr. Richard PELLY *Chief Executive*

European Union (EU)

Mr. Christian WEINBERGER *Entrepreneurship and SME Policy Adviser
Enterprise & Industry Directorate-General*

G-20 SME Finance Sub-Group

Ms. Susanne DORASIL *Co-Chair
Financial Sector*

Inter-American Development Bank (IADB)

Ms. Carmen PAGES-SERRA *Chief
Labor Markets Unit*

International Council for Small Business (ICSB)

Dr. David SMALLBONE *President*

International Finance Corporation (IFC)

Mr. Lars THUNELL *Executive Vice President and CEO*

International Network for SMEs (INSME)

Mr. Paolo ANSELMO *President*

International Trade Center (ITC)

Mrs. Patricia FRANCIS *Executive Director*

Portuguese Association for Economic Development and Co-operation (ELO)

Mr. Francisco MANTERO *President*

Trade Union Advisory Committee (TUAC)

Mr. John EVANS *Secretary General*

United Nations Conference on Trade and Development (UNCTAD)

Ms. Fulvia FARINELLI *Economic Affairs Officer*
Enterprise Development Branch

United Nations Industrial Development Organisation (UNIDO)

Dr. Mohamed-Lamine DHAOUI *Senior Industrial Development Officer*
Investment Promotion and Technology Branch

World Bank-IFC

Mr. Peer STEIN *Senior Manager*

World Intellectual Property Organisation (WIPO)

Mr. Guriqbal Singh JAIYA *Director*
SMEs Division