SME finance: Stepping up to the challenge

Small and medium-sized enterprises (SMEs) and entrepreneurs are important engines of growth, jobs and social cohesion in countries around the world. Access to finance represents one of the most significant challenges for the creation, survival and growth of these firms, especially innovative ones. Addressing this recurrent structural problem is imperative in order to improve the well-being of societies.

The importance of SME finance is now widely recognised, and has been receiving increasing attention at the highest levels of policy making. At the Pittsburgh Summit in 2009, G20 Leaders recognised that access to finance provides stability and progress to families and businesses, and the economy as a whole. Financial Inclusion is a pillar of the G20 Multi-Year Action Plan on Development, and the G20 Global Platform for Financial Inclusion (GPFI) was launched in Korea in December 2010, establishing financial inclusion as a permanent priority within the G20. The need to address the financing hurdles to SME growth was also underlined by G8 Leaders, who, at the 2011 Deauville Summit, invited the OECD, in cooperation with other relevant international institutions, to identify impediments to SME growth, including the issue of private funding.

On the occasion of the 41st Session of the Working Party on SMEs and Entrepreneurship (WPSMEE), the OECD and the G20 are organising a special event on SME finance, which will bring together leading experts in the field to discuss various dimensions of the issue.

The event’s keynote address will be delivered by H.R.H. Princess Máxima of the Netherlands, the UNSG’s Special Advocate for Inclusive Finance for Development and Honorary Patron of the G20 Global Partnership for Financial Inclusion (GPFI). OECD Deputy Secretary-General Yves Leterme will present the 2012 first edition of Financing SMEs and Entrepreneurs: An OECD Scoreboard. The European launch of the G20 Global Partnership for Financial Inclusion’s SME Finance Forum will follow, with representatives of the G20 Presidency and the Co-Chairs of the GPFI SME finance subgroup, followed by a roundtable discussion on “SME finance: Advancing entrepreneurship and growth in a continuing crisis”.

1. Monitoring the global landscape for SME finance: Financing SMEs and Entrepreneurs: An OECD Scoreboard

Despite the widespread attention the issue of SME finance has garnered in recent times, governments continue to face a major and longstanding obstacle to the design of effective policies in this area – insufficient current, reliable and comparable data on the finance available and used by SMEs.

Better data can improve the understanding of business financing needs and provide a sound basis for informed policy discussion. It can facilitate assessment of whether firms’ financing needs are being met and target-setting, along with the design and evaluation of government policies and programmes. What is more, better data can give the suppliers of finance a more comprehensive understanding of their clients’ needs and enable them to design better products and services.

The OECD has pioneered efforts to develop data and statistical information on SMEs’ and entrepreneurs’ access to finance. As early as 2006, the “OECD Brasilia Action Statement for SMEs and Entrepreneurship Financing” stressed that a lack of data impedes a complete analysis of the financial situation of SMEs, and
urged the OECD to take the lead in developing better statistical information and establishing international benchmarks in this area. This call has since been echoed by both G20 and G8 Leaders.

Following a pilot exercise in 2010, the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) will launch the first edition of its new annual report *Financing SMEs and Entrepreneurs: An OECD Scoreboard*. The Scoreboard is an important step forward in filling the information gap on SME finance. It provides an original framework to monitor trends in SMEs’ and entrepreneurs’ access to finance – at the country level and internationally – and a tool to support the formulation and evaluation of policies.

TheScoreboard analyses trends in access to finance over the period 2007-2010, based on annual and quarterly data provided from central banks and national statistical agencies. It contains a thematic chapter on the potential impacts of Basel III on SME lending. It presents detailed profiles for 18 countries, including 13 indicators of debt, equity and framework conditions for SME and entrepreneurship finance, along with information on public and private initiatives to support SME finance. It also contains a discussion on methodological issues – including recommendations for data improvements – as well as statistical resources on SME finance. As country coverage expands, and progress is made on methodological issues, the Scoreboard is expected to become the international reference for monitoring developments and trends in SME finance.

2. **Building a global network on SME finance: the G20 Global Partnership for Financial Inclusion’s SME Finance Forum**

In 2011, G20 Leaders in Cannes agreed to create the SME Finance Forum (SMEFF), an inclusive knowledge sharing platform for SME finance data, research and experiences, as part of the work of the Global Partnership on Financial Inclusion. The SME Finance Forum will offer key stakeholders resources in their efforts to improve the effectiveness of SME funding. It will facilitate global access to a network of peer institutions. The aim is to increase collaboration and the exchange of best practices. Key stakeholders include financial institutions serving SMEs, international and development finance institutions, policy makers, and development agencies, state and publicly owned financial institutions, central banks, regulators, other relevant private sector institutions, and think tanks.

The SME Finance Forum will promote the dissemination of good practice guidance to agencies, groups of funders and regional networks to improve the effectiveness of SME finance. The Forum will promote tools and approaches tailored to policy makers and funders of the SME industry to share knowledge and build networks to improve good practices in the industry. Tools and resources would encourage innovation in the industry and promote the scale-up of successful SME finance models.

3. **SME finance: Advancing entrepreneurship and growth in a continuing crisis**

The global crisis has exacerbated the financing constraints on SMEs. In 2008-2009, they suffered a double shock: a drastic drop in the demand for the goods and services they provide and a credit crunch. These events have had a severe effect on SMEs’ cash flows and liquidity, forcing many into bankruptcy and contributing to record levels of unemployment in many OECD countries. Today, the crisis continues in many parts of the world, with the risk of a double dip a reality in many countries. In order for SMEs and entrepreneurs to fulfil their potential to contribute to an inclusive and sustainable recovery, governments and private actors need to ensure that finance continues to flow to the businesses which can create growth and jobs.

A special roundtable will offer a platform to discuss some of the key risks, opportunities and actions needed in the area of SME finance. It will bring together panellists from the policy making, regulatory, banking and employer association communities in OECD and non-OECD countries.
Draft Agenda for the Joint OECD / G20 GPFI Special Event on SME Finance
19th April 2012, 14:30 – 18:00

14:30 – 14:40 Welcome and introductory remarks
Yves Leterme, OECD Deputy Secretary-General

14:40 – 14:55 Keynote address
H.R.H. Princess Máxima of the Netherlands, UNSG’s Special Advocate for Inclusive Finance for Development and Honorary Patron of the G20 Global Partnership for Financial Inclusion (GPFI)

Yves Leterme, OECD Deputy Secretary-General

15:20 – 15:35 Q&A

15:35 – 16:00 Coffee break

16:00 – 16:30 Launch of the G20 Global Partnership for Financial Inclusion SME Finance Forum

- H.E. Agustín García-López, Permanent Representative of Mexico to the OECD
- H.E. Kadri Ecvet Tezcan, Permanent Representative of Turkey to the OECD
- H.E. Johannes Westerhoff, Permanent Representative of Germany to the OECD
- Ms. Jeri Guthrie-Corn, Deputy Permanent Representative of the United States to the OECD

H.R.H. Princess Máxima of the Netherlands will activate the SME Finance Forum platform.

16:30 – 17:45 Roundtable discussion: SME finance: Advancing entrepreneurship and growth in a continuing crisis
Moderators: Matthew Gamser, Business Line Leader, Access to Finance, IFC
Miriam Koreen, Deputy Director of the OECD Centre for Entrepreneurship, SMEs and Local Development

Panelists
- Dr. Muliaman Hadad, Deputy Governor, Bank Indonesia
- Professor Salvatore Zecchini, Chair of the OECD Working Party on SMEs and Entrepreneurship, Italy
- Ms. Susanne Dorasil, Co-Chair of the G20 SME Finance Sub-group, Head of Division, Economic Policy; Financial Sector, Federal Ministry for Economic Cooperation and Development (BMZ), Germany
- Mr. Gianluca Riccio, Head of Strategy and Framework, Wholesale & International Credit Risk, Lloyds Bank, United Kingdom
- Mr. Bernard Cohen-Hadad, President of the Enterprise Finance Commission, Confederation of SMEs (CGPME), France

17:45 – 18:00 Wrap up, conclusions and next steps
Sergio Arzeni, Director, OECD Centre for Entrepreneurship, SMEs and Local Development

18:00 Cocktail reception hosted by the Permanent Delegations of the Netherlands and Italy to the OECD