



Declaration on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth

OECD Ministerial Conference on SMEs

23 February 2018
Mexico City



WE, THE MINISTERS AND REPRESENTATIVES of Algeria, Argentina, Australia, Austria, Belgium, Belize, Brazil, Bulgaria, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Egypt, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Panama, Peru, Poland, Portugal, Romania, Singapore, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States, Uruguay, Viet Nam and the European Union, in the context of the OECD Ministerial Conference to discuss strengthening SMEs and entrepreneurship for productivity and inclusive growth which took place on 22-23 February 2018 in Mexico City, Mexico:

In many countries, governments are seeking opportunities to enhance productivity growth, foster quality job creation, strengthen trade and investment, and reduce inequalities.

We consider the need to deepen our understanding of the underlying causes of current economic challenges, as well as create the conditions that enable the benefits of globalisation, open markets and technological progress to be enhanced and shared more broadly across the economy and society.

Small and medium-sized enterprises (SMEs) are a major component of the world economy, accounting for more than half of formal employment globally and contributing on average between 50% and 60% of national GDP in OECD Member countries.

SMEs and start-ups provide an important stimulus to employment and productivity growth. They can play an important role for meeting specific market needs including in regions and sectors where scale may be limited or of lesser relevance, and can help foster competition in established sectors. SMEs, including those that scale up and innovate, benefit the economy, stimulating markets, making available new and innovative products and services – delivering benefits to consumers and wider society, and contributing to productivity growth and job creation. SMEs are often strongly linked to their local economies, contributing to social cohesion and integrating diverse populations into the economy.

The population of SMEs is very diverse in terms of age, size, business model, performance, and the profile and aspirations of entrepreneurs. These differences, including across sectors, regions and countries, affect their contributions to innovation, productivity, quality job creation and growth. Firm heterogeneity also has important implications for the design of policies across countries and for different types of SMEs..

While not all SMEs aspire to grow, many continue to face challenges related to their size; limited resources (such as skills and finance); or industry and market conditions, including within supply chains and with larger enterprises, which may impact the firm's ability to fulfil its growth potential, scale up, and take advantage of regional and global value chains.

Strengthening SMEs and entrepreneurship, including women- and youth-owned businesses, is important for achieving more inclusive societies and growth; particularly at a time when digitalisation, the next production revolution, demographic trends and, last but not least, in some cases, the circular economy and the transition to a low-carbon economy are changing the opportunities and challenges for firms to start up and grow.

An enabling and evidence-based policy environment and supportive SME infrastructure are needed to offer opportunities for diverse firms and a level playing field for all enterprises. Such conditions are critical to enable SMEs and entrepreneurs to thrive, scale up and contribute to an open, digitalised and inclusive economy. This includes an effective regulatory environment, effective contract enforcement and civil justice systems, and transparency and integrity in the public sector.

The field of SME and entrepreneurship policy is complex. We recognise the usefulness of a coordinated and integrated approach that fosters synergies across different ministries and government agencies and different levels of government, while ensuring consultation with stakeholders, including representatives of the business and financial sectors, trade unions, and education and research institutions.

WE RECALL the outcome of the first OECD Ministerial Conference on SMEs on "Enhancing the Competitiveness of SMEs in the Global Economy: Strategies and Policies", held in Bologna, Italy, in 2000; as well as the outcome of the second OECD Ministerial Conference on SMEs in Istanbul, Turkey in 2004, focusing on the need to enhance SME competitiveness worldwide.

WE NOTE that the "Bologna Charter on SME Policies" provides a frame of reference for the design of SME policies to contribute to economic growth and social development, in OECD Member countries and around the world. We note that the "Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs" advanced the agenda to enhance entrepreneurship and SME innovation as drivers of growth in a global economy.

WE WELCOME the third OECD Ministerial Conference on SMEs, convened by the OECD and hosted and chaired by Mexico in Mexico City on 22-23 February 2018, which marks an important moment for sharing good practices across countries and in informing a forward-looking, global policy agenda on SMEs and entrepreneurship.

WE WILL ENDEAVOUR TO PURSUE EFFORTS in the following areas, taking into account SME heterogeneity and relevant policy considerations, as well as our national context and circumstances:

- continuing the development, implementation and evaluation of effective policies for SMEs, which enable SMEs to increase their contributions to sustainable and inclusive growth, with due attention to creating a business environment that promotes competition, integrity in the public sector, quality employment and decent work, healthy firm dynamics and the formalisation of businesses;
- enhancing SME participation in the national and global economy, including through transparent policies and trade facilitative procedures, that enable SMEs to: seize the opportunities offered by regional, national and global value chains and by public procurement; innovate; scale up; broaden and deepen their skill-set; and increase their productivity;
- enabling SMEs to make the most of the digital transition by fostering conditions for SME adoption and diffusion of innovative and digital technologies, investment in complementary knowledge-based assets and digital security;
- creating the right conditions, including through effective and innovative policies or regulation, that enable businesses to start, grow and thrive in established and emerging sectors, including through collaborative practices;

- enabling access to appropriate forms of finance by SMEs and entrepreneurs, including by implementing the G20/OECD High Level Principles on SME Financing, to address diverse financing needs in varying circumstances;
- considering the importance of local and regional ecosystems, networks and clusters for strengthening SME integration in value chains and increasing economic competitiveness, including by fostering greater cooperation among actors in the SME support network, such as incubators, accelerators, small business development centres, export assistance centres, and others as appropriate;
- promoting inclusive growth by enhancing entrepreneurial opportunities for all segments of the population, and better understanding and addressing the unique challenges faced by women and other underrepresented entrepreneurs, such as youth, seniors or certain ethnic groups;
- promoting entrepreneurship education to build the competencies needed for successful start-up and growth of enterprises, and strengthening training and upskilling of entrepreneurs and workers to participate in a digital, creative and knowledge-based economy, while fostering SME dynamism and the right conditions to attract and retain talent;
- continuing multi-stakeholder dialogue on effective policies to support development, growth and competitiveness of SMEs in a global and digitalised economy;
- improving our understanding of the drivers of SME productivity and growth and how policies can ensure that SMEs and entrepreneurship strengthen their contributions to quality job creation and inclusive growth.

WE ENCOURAGE the OECD to consider, without prejudice to its future Programme of Work and Budget, the following areas moving forward:

- supporting a better understanding of the heterogeneity of SMEs and entrepreneurs, including contributions to the economy and society; the drivers of business creation and growth; and the implications for policy across different countries;
- deepening understanding, including through firm-level analysis, of the combined effects of structural reforms on the SME business environment, of the role and impact of targeted SME policies, such as those focusing on business dynamics, SME growth, access to finance, innovation, employment creation, entrepreneurship competencies, management skills and workforce training;
- fostering entrepreneurship that contributes to social inclusion, including by pursuing analysis on entrepreneurship by women and other underrepresented groups;
- analysing key levers for enhancing SME contributions to sustainable and inclusive growth, including policies that help SMEs scale up, innovate, and take advantage of new opportunities such as those presented by the digital economy, regional and global value chains, and the transition to a low-carbon economy; and that takes account of firm heterogeneity and specific national contexts;
- continuing to promote the sharing of best practices and the development of evidence-based policy advice to support governments in planning, developing, monitoring and evaluating SME and entrepreneurship policy approaches, including across different levels of government.