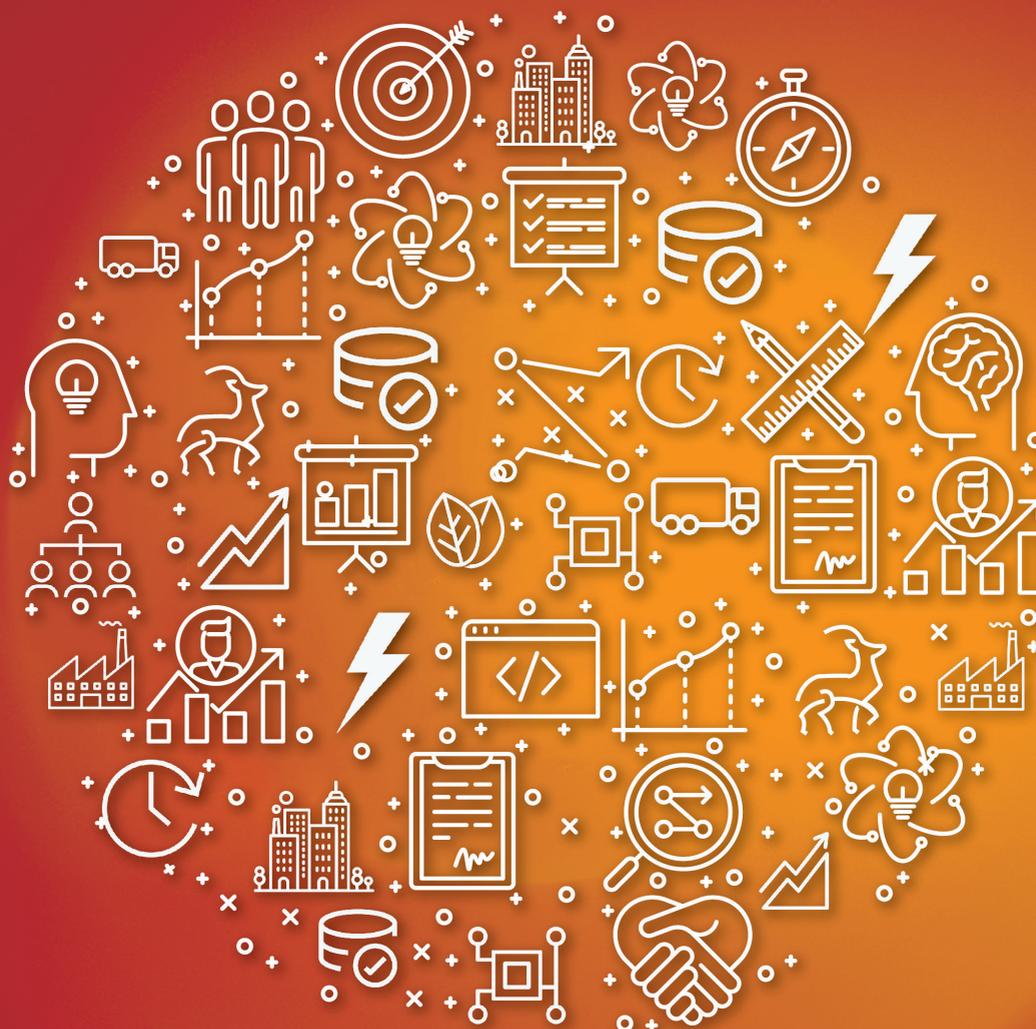




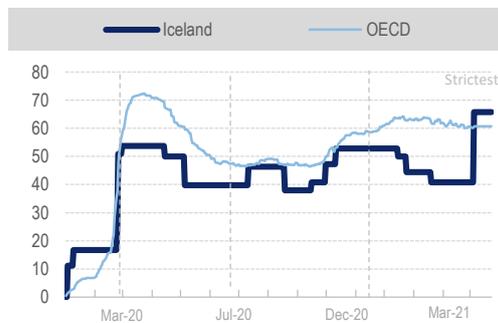
OECD SME and Entrepreneurship Outlook 2021



Iceland

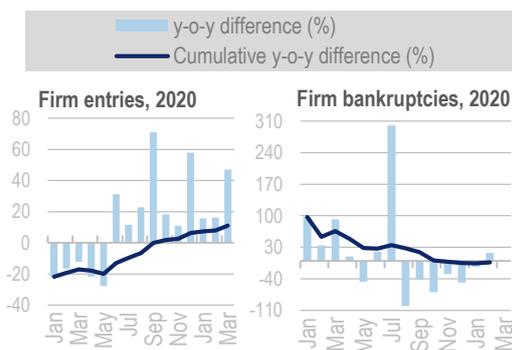
Figure 6.46. COVID-19 impact on business dynamics and policy responses in Iceland

Stringency of government measures



Iceland implemented looser restrictions over 2020, with signs of a tightening as of March 2021.

Business dynamics



After a decrease in early 2020, firm entries have increased steadily throughout the year, largely exceeding the 2019 level in cumulative terms. Bankruptcies have receded, with overall less firms exiting the market than the year before.

Policy spotlight

Key measures to support SME and entrepreneurs' liquidity include a **USD 1.6 billion Support Package** with state-backed bridging loans; deferral of tax payments; financial support for tourism sector; access to third-pillar pension savings; VAT refund for construction projects; or accelerated public investment in technical infrastructure.

In addition, **Icelandic Tax Authority** allows self-employed to apply for temporary suspension of operations and unemployment benefits.

Structural measures have also been implemented:

- **Smá Hjálp Community Platform** supports local businesses and SMEs hit by the pandemic to help them link up with each other at national level.

- **EUR 20 million loan guarantees** for the Icelandic Regional Development Institute (Byggðastofnun) to increase lending possibilities with a focus on green loans, innovation, female entrepreneurs, young farmers, and fisheries in fragile communities (backed by the EU's "COSME" programme).

- **Increasing R&D Tax Relief** with a new headline rate of 35% for SMEs in 2020 (as compared to 20% previously).

National SME and entrepreneurship policy framework

SME&E policies in Iceland are defined **as part of wider strategies and policy frameworks**.

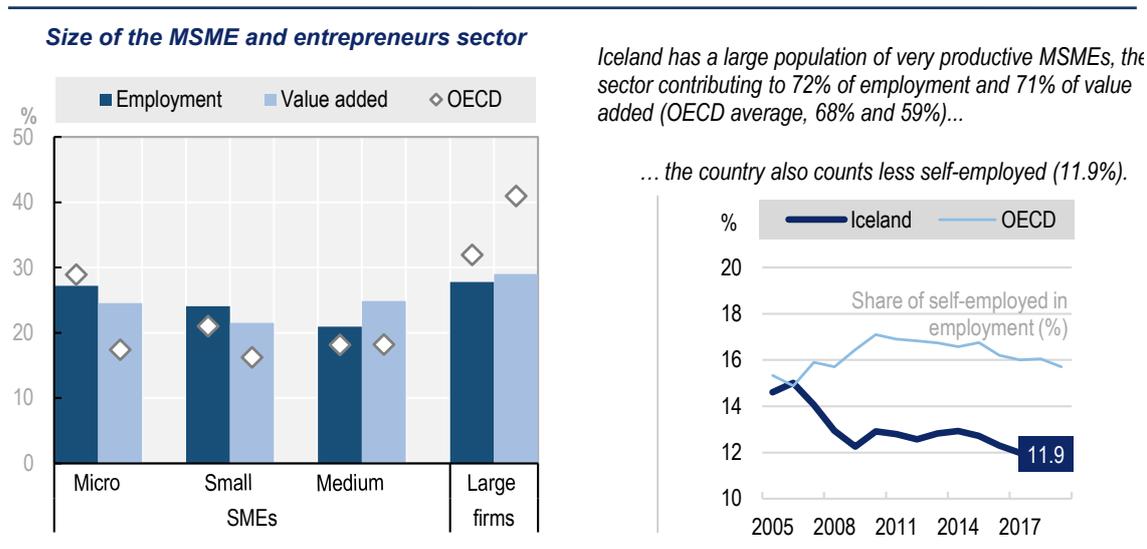
"**Iceland 2020**", for example, is the country's policy statement for an efficient economy and society. It includes policies directed at the business community at large across a number of dimensions such as digitalisation, innovation, trade and investment.

The new **Economic Activity Plan (EAP) for Iceland** aims at facilitating the foundation and operation of companies through simplified regulation and a strong and easy-to-navigate innovation environment, including a focus on the needs of SMEs.

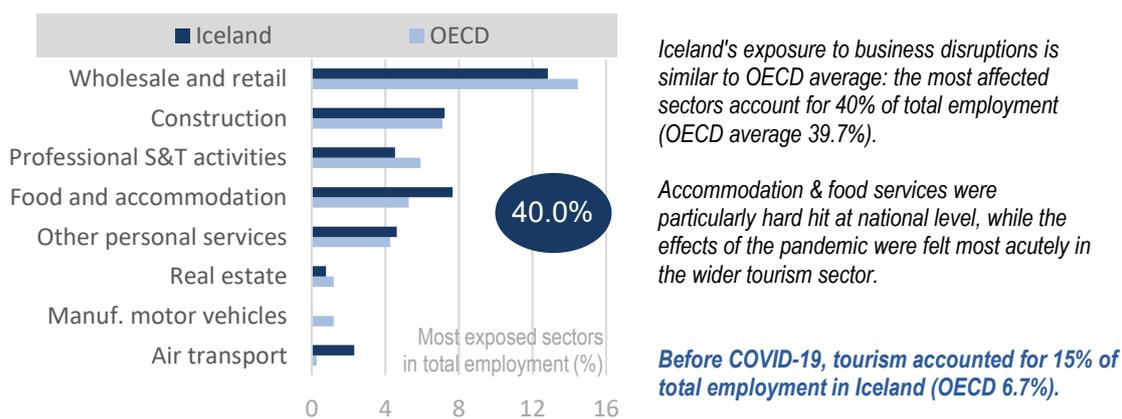
Source: Oxford stringency Index (April 2021); OECD TEI database 2021; and national sources (see country-specific references and definitions).

StatLink  <https://doi.org/10.1787/888934251181>

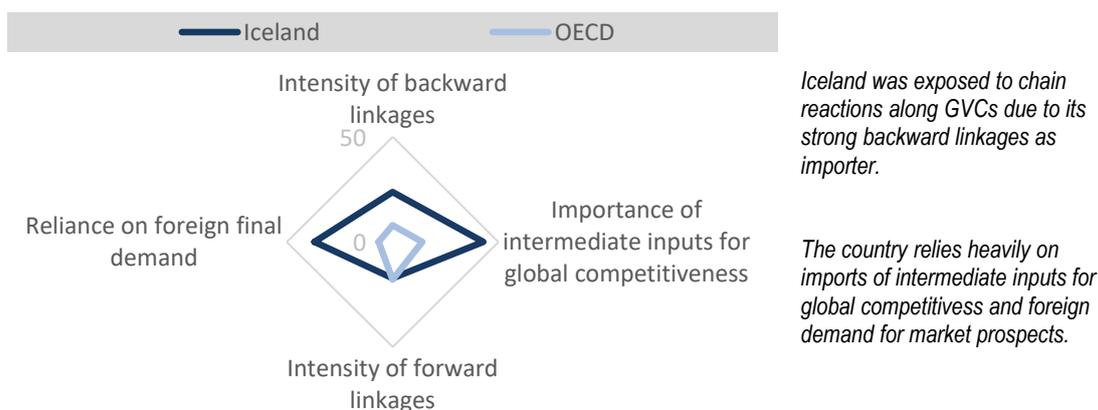
Figure 6.47. Factors of SME&E structural vulnerability in Iceland



Economic exposure to lockdowns and business disruptions



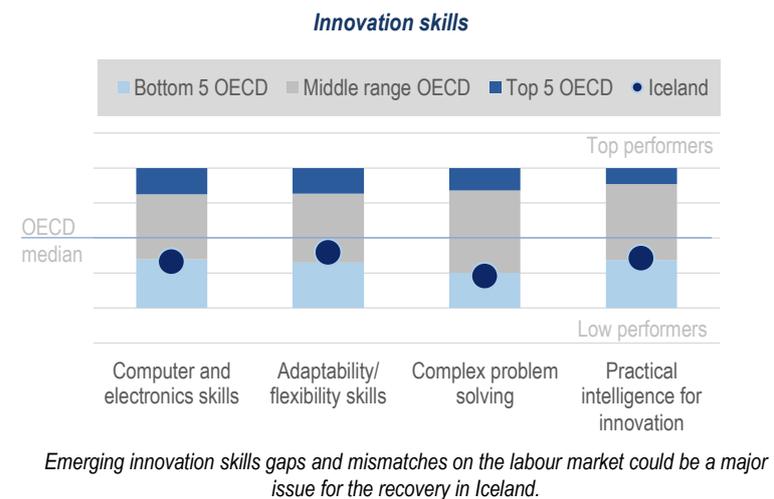
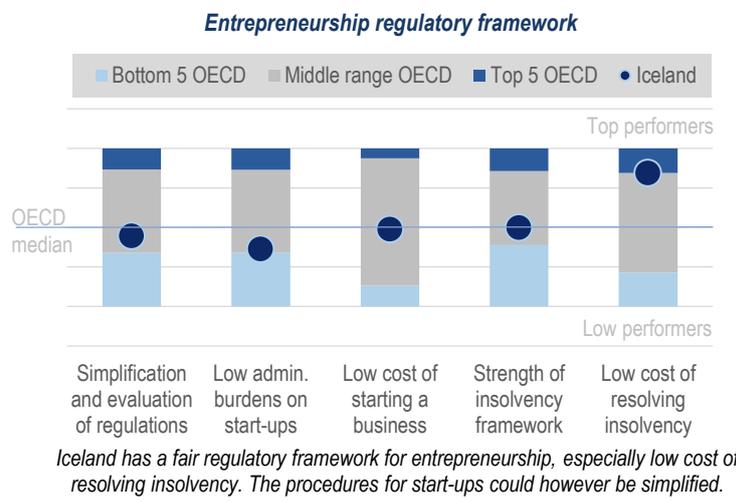
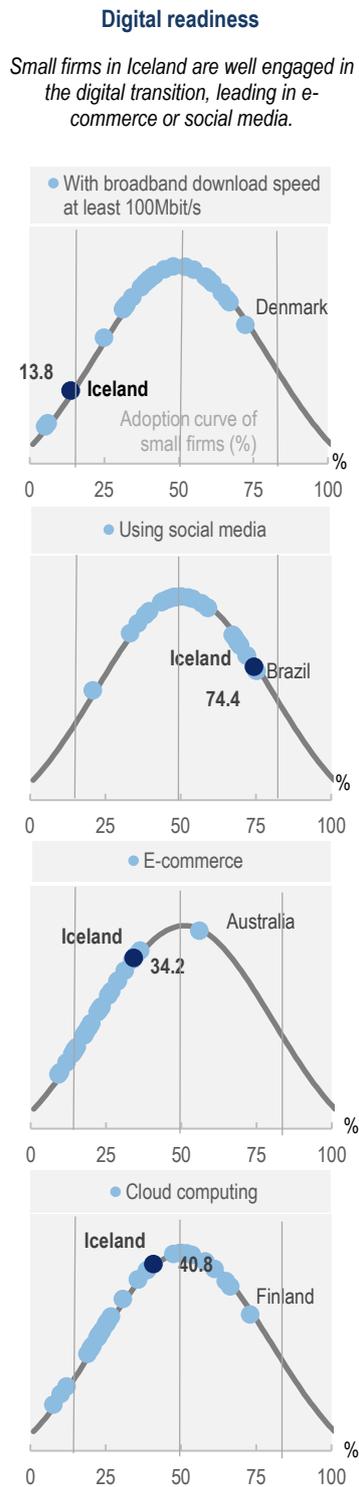
International trade and GVC exposure



Source: Size of the MSME sector (2018): OECD SDBS database 2021; Share of self-employed (2005-19): OECD LFS database 2020 and ILO ILOSTAT database 2020; Most exposed sectors (2018): (OECD, 2020), based on OECD ANA data; Tourism employment (2019): OECD Tourism database 2021; GVC exposure (2016): OECD TiVA database 2018 (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251200>

Figure 6.48. Sources of SME&E resilience in Iceland



Source: Broadband (2013), social media (2019), e-commerce (2020), cloud computing (2014): OECD ICT Usage by Businesses database 2021; Entrepreneurship regulatory framework (2018 and 2019): OECD PMR database 2018 and WB Doing Business 2020; Innovation skills (2015): OECD Skills for Jobs database 2018 (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251219>

Country notes

- Structural business statistics come from the OECD SME&E Outlook 2019 and refer to 2015.
- Structural business statistics (profit) refer to 2011 instead of 2018.
- Information on digital uptake come from a dedicated OECD report on blockchain in Israel (Bianchini and Kwon, 2020).
- Information on skills mismatches come from the OECD Economic Surveys of Israel 2018 (OECD, 2018).

Country-specific sources

- Bianchini, M. et I. Kwon (2020), *Blockchain for SMEs and entrepreneurs in Israel*, OECD SME and Entrepreneurship Papers, n° 18, Éditions OCDE, Paris, <https://doi.org/10.1787/b6d380ed-en>.
- OECD (2018), *OECD Economic Surveys: Israel 2018*, Éditions OCDE, Paris, https://doi.org/10.1787/eco_surveys-isr-2018-en.
- OECD (2021), *Going Digital Toolkit - Israel*, <https://goingdigital.oecd.org/countries/isr>.
- OECD (2021), "Israel" in *Economic Policy Reforms 2021: Going for Growth*, <https://www.oecd.org/economy/growth/Israel-country-note-going-for-growth-2021.pdf>.

References

- Facebook, OECD and World Bank (2020), *Global State of Small Business Report*, [6]
<https://dataforgood.fb.com/wp-content/uploads/2020/07/GlobalStateofSmallBusinessReport.pdf>.
- OECD (2021), *SDBS Structural Business Statistics (ISIC Rev. 4)*, [4]
http://stats.oecd.org/Index.aspx?DataSetCode=SSIS_BSC_ISIC4.
- OECD (2021), *The Digital Transformation of SMEs*, OECD Studies on SMEs and [3]
Entrepreneurship, OECD Publishing, Paris, <https://dx.doi.org/10.1787/bdb9256a-en>.
- OECD (2021), *Timely Indicators of Entrepreneurship (ISIC4)*, [5]
http://stats.oecd.org/Index.aspx?DataSetCode=TIMELY_BDS_ISIC4.
- OECD (2020), "The territorial impact of COVID-19: Managing the crisis across levels of [1]
government", *OECD Policy Responses to Coronavirus (COVID-19)*,
<http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government-d3e314e1/>.
- OECD (2020), "*Tourism Policy Responses to the coronavirus (COVID-19)*", OECD Policy [2]
Responses to Coronavirus (COVID-19), OECD Publishing, Paris,
<https://doi.org/10.1787/6466aa20-en>.
- OECD (2020), "Youth and COVID-19: Response, recovery and resilience", *OECD Policy [11]
Responses to Coronavirus (COVID-19)*, <http://www.oecd.org/coronavirus/policy-responses/youth-and-covid-19-response-recovery-and-resilience-c40e61c6/> (accessed 07 March 2021).
- OECD (2020), "The impact of COVID-19 on SME financing: A special edition of the OECD [8]
Financing SMEs and Entrepreneurs Scoreboard", *OECD SME and Entrepreneurship Papers*,
No. 22, OECD Publishing, Paris, <https://dx.doi.org/10.1787/ecd81a65-en>.
- OECD (2020), *Women enterprise policy and COVID-19: Towards a gender-sensitive response - [10]
OECD webinar*.

Annex A. Sources and definitions of benchmarking indicators

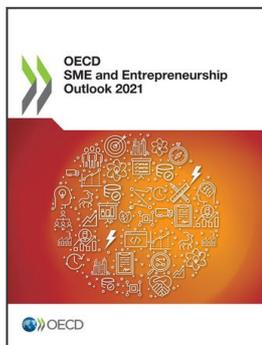
COVID-19 impact			
Stringency of government measures	Oxford Government Stringency Index	Government response stringency index, as a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. Country values from January 2020 to April 2021.	https://ourworldindata.org/grapher/covid-stringency-index
Business dynamics	Firm entries (%)	New enterprise creation January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of enterprise creation, see methodology in primary source.	OECD Timely Indicators of Entrepreneurship (TIE) database
	Firm exits (%)	Bankruptcies, January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of bankruptcies, see methodology in primary source.	OECD Timely Indicators of Entrepreneurship (TIE) database
Factors of vulnerability			
Size of the SME&E sector	Share of SMEs in total employment (%)	Employment by enterprise size as a percentage of all persons employed in business economy. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
	Share of SMEs in total value added (%)	Value added by enterprise size as a percentage of total business economy value added. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
	Share of self-employed in total employment (%)	Self-employment is defined as the employment of employers, workers who work for themselves, members of producers' co-operatives, and unpaid family workers. It is expressed as a percentage of total employment. Trends between 2005 and 2019.	OECD Annual Labour Force Statistics database
Economic exposure to lockdowns and business disruptions	Most affected sectors, share in total employment (%)	The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available.	OECD Statistical Insights: Small, Medium and Vulnerable (2020) , calculations based OECD Annual National Accounts database.
	The region most at risk	Regions with the highest share of jobs at risk by country, TL2 regions, 2017.	OECD (2021), Regional Outlook 2021 based on OECD Job Creation and Local Economic Development 2020: Rebuilding Better
	Direct contribution of tourism in total employment (%)	Tourism as a % of total employment, 2019 or latest year available.	OECD Tourism database
International trade and GVC exposure	SMEs as exporters (%)	Share of SMEs in trade value, exports, 2015 or latest year available	OECD Trade by Enterprise Characteristics database

	SMEs as importers (%)	Share of SMEs in trade value, imports, 2015 or latest year available	OECD Trade by Enterprise Characteristics database
	SME exporters in long GVCs (%)	Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	SME importers in long GVCs (%)	Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	Foreign affiliates (FAs) sourcing locally (%)	Sourcing structure of foreign affiliates, percentage of foreign affiliates' sourcing that comes from domestic multinationals (MNEs) and non-MNEs, total economy, 2016.	OECD Analytical AMNE database
	FAs output used locally (%)	Output use of foreign affiliates, as a percentage of the output of foreign affiliates that is used by domestic MNEs and non-MNEs for intermediary consumption, total economy, 2016	OECD Analytical AMNE database

Sources of resilience

Digital readiness	Broadband connection (%)	Percentage of small businesses [10-49] with a broadband download speed at least 100 Mbit/s (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs .
	Use of social media (%)	Percentage of small businesses [10-49] using social media (%). All activities in manufacturing and non-financial market services. Data refer to 2019 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	E-commerce (%)	Percentage of small businesses [10-49] receiving orders over computer networks (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	Cloud computing (%)	Percentage of small businesses [10-49] purchasing cloud computing services (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
Cash reserves	SME profit, as a share of production (%)	Gross operating surplus of firms with less than 250 employees as a percentage of their production. Industry (excluding construction) only. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
Liquidity support	SMEs receiving government support, total (%)	Percentage of SMEs with a Facebook page that received government support, December 2020.	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving grants and subsidies (%)	Percentage of SMEs with a Facebook page that received government support in the form of grants or subsidies, December 2020.	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving credits and deferrals (%)	Percentage of SMEs with a Facebook page that received government support in the form of credit or deferral of payments, December 2020.	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving non-financial support (%)	Percentage of SMEs with a Facebook page that received non-financial government support (e.g. information, technical assistance or advisory services), December 2020.	Facebook/OECD/World Bank (2020), Future of Business Survey
Entrepreneurship regulatory framework	Simplification and evaluation of regulations (index)	Composite index that captures the government's communication strategy and efforts to reduce and simplify the administrative burden of interacting with the government, including impact assessment on competition, interaction with interest groups and the complexity of regulatory procedures. Scores from 0 - least restrictive - to 6 - most restrictive. Data refer to 2018.	OECD Product Market Regulation Indicators
	Low administrative burdens on start-ups	Component of the composite index "Barriers to domestic and foreign entry". Covers the administrative burden on joint-stock companies and personally-owned enterprises, as well as administrative burden related to licenses and	OECD Product Market Regulation Indicators

	(index)	permits procedures. Scores from 0 - least restrictive - to 6 - most restrictive. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the administrative burdens are). Data refer to 2018.	
	Low cost of starting a business (in % of income per capita)	Captures the cost (in % of income per capita) for starting a business, registering property and to prepare, file and pay taxes. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the cost). Data refer to 2019.	World Bank Doing Business 2020 – Starting a business
	Strength of insolvency framework (index)	Measures the insolvency law de jure. Calculated as the sum of the scores on 4 other indices: i) commencement of proceedings index (with a range of 0–3), ii) management of debtor’s assets index (0–6), iii) reorganization proceedings index (0–3) and iv) creditor participation index (0–4). The strength of insolvency framework index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for the rehabilitation of viable firms and the liquidation of nonviable ones. Data refer to 2019.	World Bank Doing Business 2020 – Resolving insolvency
	Low cost of resolving insolvency	Resolving insolvency (cost, % of estate). Indicator on the actual cost (in % of estate) to close a business. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the cost). Data refer to 2019.	World Bank Doing Business 2020 - Resolving insolvency
Innovation skills	Perceived capabilities to start a business (%)	Perceived entrepreneurial capabilities among adult population (%), as a percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business. Scoring from 0 (low) to 100 (high). Data refer to 2019 or latest year available.	Global Entrepreneurship Monitor (GEM) - Adult Population Survey
	Computer and electronics skills	Skills shortage or surplus of computer and electronics skills, i.e. knowledge of circuit boards, processors, chips, electronic equipment, and computer hardware and software, including applications and programming. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Adaptability/ flexibility skills	Skills shortage or surplus of adaptability/flexibility skills. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Complex problem solving skills	Skills shortage or surplus of complex problem solving, i.e. developed capacities used to solve novel, ill-defined problems in complex, real-world settings. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Practical intelligence for innovation	Skills shortage or surplus of practical intelligence for innovation (workstyle). Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database



From:
OECD SME and Entrepreneurship Outlook 2021

Access the complete publication at:

<https://doi.org/10.1787/97a5bbfe-en>

Please cite this chapter as:

OECD (2021), "Country Profiles", in *OECD SME and Entrepreneurship Outlook 2021*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/1fd332c9-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.