Small and medium-sized enterprises (SMEs) and entrepreneurs have been hit hard during the COVID-19 crisis. Policy responses were quick and unprecedented, helping cushion the blow and maintain most SMEs and entrepreneurs afloat. Despite the magnitude of the shock, available data so far point to sustained start-ups creation, no wave of bankruptcies, and an impulse to innovation in most OECD countries. However, government support has been less effective at reaching the self-employed, smaller and younger firms, women, and entrepreneurs from minorities. Countries were not all even in their capacity to support SMEs either. As vaccine campaigns roll out and economic prospects brighten, governments have to take the turn of a crisis exit and create the conditions to build back better. The OECD SME and Entrepreneurship Outlook 2021 brings new evidence on the impact of the crisis and policy responses on SMEs and entrepreneurs. It reflects on longer-term issues, such as SME indebtedness or SME role in more resilient supply chains or innovation diffusion. The report contains country profiles that benchmark impact, factors of vulnerability, and sources of resilience in OECD countries, and give a policy spotlight on liquidity support and recovery plans for SMEs.
Israel

Figure 6.52. COVID-19 impact on business dynamics and policy responses in Israel

Policy spotlight

Key measures to support SMEs and entrepreneurs’ liquidity include the State Guarantee Fund for Small Businesses, with a NIS 10 billion support package to finance working capital needs, and the NIS 5 billion Supply of Credit Plan through which the Bank of Israel provides the banking system with fixed-rate 3-year loans for SMEs.

Structural measures have also been implemented:

- "Growth Engines" Boost Package with a specific NIS 1.5 billion support to SMEs in the high-tech sector;

- Efforts to integrate SMEs in public procurement markets and encourage local authorities to buy from local SMEs;

- A national project to support SME digitalisation, developed jointly with Facebook Israel, the Israel Social Economic Forum and 2B Friendly, along with other efforts in this area, such as a NIS 1000 grant scheme for small business to acquire a fibre optic internet connection.

National SME and entrepreneurship policy framework

SME&E policies in Israel are defined as part of a multi-annual Action Plan and developed by several Ministries and agencies, with an overall emphasis on innovation and new entrepreneurship.

The Agency for Small and Medium Sized Businesses (SBA) publishes an annual overview of the various initiatives, entitled the “Periodic Report on the State of Small and Medium Sized Businesses in Israel”. The SBA also plays a wider role in policy coordination and delivery, e.g. by consulting businesses, co-operating with other government players, and providing an entry point to a range of government support. The Agency also runs a network of business development service centres throughout the country.

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

StatLink https://doi.org/10.1787/888934251295
Figure 6.53. Factors of SME&E structural vulnerability in Israel

**Economic exposure to lockdowns and business disruptions**

The pandemic may widen productivity disparities in Israel, between the vibrant high-tech sector and more traditional sectors, that employ most of the workforce and account for most of the productivity shortfall vis-à-vis the best performing OECD countries.

High-tech sectors have been less affected, partly due to the resilience of global demand and greater ability to adapt to

**Before COVID-19, tourism accounted for 3.8% of total employment in Israel (OECD 6.7%).**

**International trade and GVC exposure**

Israel was exposed to chain reactions along GVCs due to its integration in international trade, especially as importer (backward linkages).

The country relies heavily on imports of global competitiveness (e.g. high-tech components), and on foreign demand for market outcome.

Yet, much of exports are made of high-tech services that have been resilient during the crisis.


StatLink  
https://doi.org/10.1787/888934251314
**Figure 6.54. Sources of SME&E resilience in Israel**

**Digital readiness**

Israel has a world class IT sector, with a vibrant ecosystem of start-ups connected to large digital players, one of the most intensive system of business research in the world, and a revealed comparative advantage in ICT technologies.

Nonetheless, challenges remain in digital technology and innovation diffusion, such as achieving a broad mobile broadband coverage.

**Cash reserves and government liquidity support**

39% SMEs in Israel have been able to access and combine government support (as compared to 33.6% in the OECD). Non-repayable forms of support have been the most popular (37% of SMEs).

**Entrepreneurship regulatory framework**

Israel has a favourable regulatory framework for business creation and dynamics, but the costs of resolving insolvency could be reduced.

**Innovation skills**

The adult population in Israel has a low perception of its capabilities to start a business, which could raise barriers to the recovery.

The country also counts adults with outstanding skills together with a large share of adults without basic skills. This high skills dispersion contributes to a segregated labour market.

There are also larger mismatches on the labour market in Israel, than in other OECD countries.

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

References


Annex A. Sources and definitions of benchmarking indicators

### COVID-19 impact

<table>
<thead>
<tr>
<th>Stringency of government measures</th>
<th>Oxford Government Stringency Index</th>
<th>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.</th>
<th><a href="https://ourworldindata.org/graper/covid-stringency-index">https://ourworldindata.org/graper/covid-stringency-index</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business dynamics</td>
<td>Firm entries (%)</td>
<td>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.</td>
<td><a href="https://oecd-ilibrary.org/environment/entrepreneurship">OECD Timely Indicators of Entrepreneurship (TIE) database</a></td>
</tr>
<tr>
<td></td>
<td>Firm exits (%)</td>
<td>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.</td>
<td><a href="https://oecd-ilibrary.org/environment/entrepreneurship">OECD Timely Indicators of Entrepreneurship (TIE) database</a></td>
</tr>
</tbody>
</table>

### Factors of vulnerability

<table>
<thead>
<tr>
<th>Size of the SME&amp;E sector</th>
<th>Share of SMEs in total employment (%)</th>
<th>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.</th>
<th><a href="https://stats.oecd.org">OECD Structural and Demographic Business Statistics database (SDBS)</a></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share of SMEs in total value added (%)</td>
<td>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.</td>
<td><a href="https://stats.oecd.org">OECD Structural and Demographic Business Statistics database (SDBS)</a></td>
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<tr>
<td></td>
<td>Share of self-employed in total employment (%)</td>
<td>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.</td>
<td><a href="https://stats.oecd.org">OECD Annual Labour Force Statistics database</a></td>
</tr>
<tr>
<td>Economic exposure to lockdowns and business disruptions</td>
<td>Most affected sectors, share in total employment (%)</td>
<td>The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available.</td>
<td><a href="https://www.oecd-ilibrary.org">OECD Statistical Insights: Small, Medium and Vulnerable. (2020), calculations based OECD Annual National Accounts database</a></td>
</tr>
<tr>
<td></td>
<td>The region most at risk</td>
<td>Regions with the highest share of jobs at risk by country, TL2 regions, 2017.</td>
<td><a href="https://www.oecd-ilibrary.org">OECD (2021), Regional Outlook 2021 based on OECD Job Creation and Local Economic Development 2020: Rebuilding Better</a></td>
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<td></td>
<td>Direct contribution of tourism in total employment (%)</td>
<td>Tourism as a % of total employment, 2019 or latest year available.</td>
<td><a href="https://stats.oecd.org">OECD Tourism database</a></td>
</tr>
<tr>
<td>International trade and GVC exposure</td>
<td>SMEs as exporters (%)</td>
<td>Share of SMEs in trade value, exports, 2015 or latest year available</td>
<td><a href="https://stats.oecd.org">OECD Trade by Enterprise Characteristics database</a></td>
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<tr>
<td>Source of resilience</td>
<td>Description</td>
<td>Data source</td>
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<tr>
<td><strong>SMEs as importers (%)</strong></td>
<td>Share of SMEs in trade value, imports, 2015 or latest year available</td>
<td><strong>OECD Trade by Enterprise Characteristics database</strong></td>
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<tr>
<td><strong>SME exporters in long GVCs (%)</strong></td>
<td>Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available</td>
<td><strong>Calculations based on OECD Trade by Enterprise Characteristics database</strong></td>
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<tr>
<td><strong>SME importers in long GVCs (%)</strong></td>
<td>Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available</td>
<td><strong>Calculations based on OECD Trade by Enterprise Characteristics database</strong></td>
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<tr>
<td><strong>Foreign affiliates (FAs) sourcing locally (%)</strong></td>
<td>Sourcing structure of foreign affiliates, percentage of foreign affiliates’ sourcing that comes from domestic multinationals (MNEs) and non-MNEs, total economy, 2016</td>
<td><strong>OECD Analytical AMNE database</strong></td>
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<tr>
<td><strong>FAs output used locally (%)</strong></td>
<td>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</td>
<td><strong>OECD Analytical AMNE database</strong></td>
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</tr>
</tbody>
</table>

**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 financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).
  - **OECD (2021), The Digital Transformation of SMEs**
<table>
<thead>
<tr>
<th>Index</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low cost of starting a business (in % of income per capita)</td>
<td>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.</td>
<td>World Bank Doing Business 2020 – Starting a business</td>
</tr>
<tr>
<td>Strength of insolvency framework (index)</td>
<td>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.</td>
<td>World Bank Doing Business 2020 – Resolving insolvency</td>
</tr>
<tr>
<td>Low cost of resolving insolvency</td>
<td>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.</td>
<td>World Bank Doing Business 2020 - Resolving insolvency</td>
</tr>
<tr>
<td>Innovation skills</td>
<td>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.</td>
<td>Global Entrepreneurship Monitor (GEM) - Adult Population Survey</td>
</tr>
<tr>
<td>Computer and electronics skills</td>
<td>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.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Adaptability/ flexibility skills</td>
<td>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.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Complex problem solving skills</td>
<td>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.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Practical intelligence for innovation</td>
<td>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.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
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