Implementation Toolkit
The OECD Recommendation on SME and Entrepreneurship Policy
THE OECD RECOMMENDATION ON SME AND ENTREPRENEURSHIP POLICY

The OECD Recommendation on SME and Entrepreneurship Policy [OECD/LEGAL/0473] (hereafter the “Recommendation”), adopted by the OECD Council at Ministerial level on 10 June 2022, aims to provide an evidence-based and holistic framework to support OECD Members and non-Members having adhered to it (hereafter the “Adherents”) in developing coherent, effective and efficient SME and entrepreneurship policies.

The Recommendation responds to long-standing demand by countries for frameworks and tools to improve the effectiveness of SME and entrepreneurship policies, accounting for the diversity of the SME and entrepreneurship population. This has become even more urgent in the wake of global and local shocks, including the COVID-19 crisis, the aftermath of Russia’s war of aggression against Ukraine, natural disasters, and the rapid progression of mega trends. As governments strive to support SMEs and entrepreneurs in their recovery, adapt to the digital and green transitions, and navigate evolving trade and investment landscapes, a comprehensive approach becomes crucial. This approach manages trade-offs between short-term and long-term objectives while strengthening the contributions of SMEs and entrepreneurs to inclusive and sustainable growth.
The Recommendation is composed of 15 principles, structured around three inter-related pillars:

i) **Cross cutting principles** related to **policy co-ordination and governance** reflect transversal issues on how policy-making and implementation should be organised to deliver effectively, efficiently and coherently on the objectives of SMEs and entrepreneurs.

ii) **Principles related to transitions and resilience** reflect the way public policy can accommodate ongoing transformations and enable SMEs and entrepreneurs to thrive in the rapidly changing environment.

iii) **Resource-related principles** reflect the access of SMEs and entrepreneurs to critical resources they need to flourish and grow, such as skills, finance, innovation and networks.

Source: OECD elaboration.
WHY IS THE RECOMMENDATION RELEVANT?

**SMEs and entrepreneurship are essential for inclusive and sustainable growth.** In OECD countries, SMEs represent approximately 99% of all firms. They provide the main source of business sector employment, accounting for about 60% of jobs in the manufacturing sector and 75% in services; they generate between 50% and 60% of business sector value-added on average. Moreover, SMEs and entrepreneurs are of critical importance for the social cohesion of local communities and play a crucial role in the adaptation of economies and societies to major transitions, including towards more sustainable practices.

However, **SMEs and young firms often face challenges related to business size and age.** Typically, young and smaller business entities have lesser access to resources such as skills, finance, knowledge networks or innovation assets. They are also especially vulnerable to imperfections in framework conditions and in the functioning of markets, including for their entry and exit. At the same time, the population of SMEs and entrepreneurs is very diverse with respect to their background, capacities and aspirations, as well as ability to overcome inefficiencies in the business environment and policy sphere.

**A wide and varied range of policies impact on SMEs and entrepreneurs.** In recognition of their role, all OECD Members have policy frameworks in place of relevance to SMEs and entrepreneurs, which often have a broad scope and include a large number of actors at different levels of government. Relevant policies and instruments range from reforms that shape framework conditions to policies for the business population at large to SME-targeted measures. Effective SME and entrepreneurship policy frameworks need to ensure coherence and synergy across such varied policy areas and actors. They should also be comprehensive and inclusive towards the diverse SME and entrepreneurship population and provide clarity to the entrepreneurs whom the policies address and should benefit.

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**Figure 1. SMEs play a pivotal role in overall employment**

SME share of total employment in business sector, 2020 (in %)

Note: Data refer to Business Sector, except financial and insurance activities. Data for Israel refer to 2019.

Towards a Toolkit for Implementing the Recommendation

The Implementation Toolkit aims to put the Recommendation into action. It provides hands-on guidance on the underlying 15 principles to Adherents, as well as broader information to non-Adherents, interested stakeholders and the public at large. It responds to the OECD Council’s instruction to the OECD Committee on SMEs and Entrepreneurship (CSMEE) to support the efforts of Adherents to implement the Recommendation. It is also intended to support the CSMEE reporting to Council on the implementation, dissemination and continued relevance of the Recommendation, which is expected in 2027.

The Toolkit intends to leverage OECD-wide expertise across the policy areas covered by the Recommendation. For more than two decades, the OECD has been at the forefront of international SME and entrepreneurship policy dialogue, data collection and evidence-based analytical work. It has developed extensive expertise in developing actionable guidance to policy makers, to level the playing field for SMEs and entrepreneurs and enable their contributions to sustainable and inclusive growth.

The Toolkit represents a living resource, which will develop incrementally and evolve over time. It will build on established OECD resources and tools, and incorporate new ones, as further knowledge and operational guidance in any of the areas set out by the Recommendation become available. It will benefit from the work of the CSMEE and other OECD committees and will adapt to the needs of policy makers, SMEs, entrepreneurs and relevant stakeholders. The Toolkit will also serve as an overarching framework to relate future operational tools with the principles set out in the Recommendation.

Website preview: Implementation Toolkit for the OECD Recommendation on SME and Entrepreneurship Policy

The Recommendation is structured around three inter-related pillars:

- **Policy co-ordination and governance**
- **Transitions and resilience**
- **Accessing resources**

Adherents to the Recommendation

Note: Illustration of the Toolkit webpage, the final design is subject to change.
PRINCIPLE 1. Whole of government and multi-level governance

“Co-ordinate [e] and [align] SME and entrepreneurship policy across government entities and levels through effective governance mechanisms and place-based approaches, in line with each country’s institutional setting, circumstances and needs.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- The SME and entrepreneurship policy space is multi-level and includes various policy areas and instruments. These areas often cut across the boundaries of ministries and government agencies, as well as across levels of government, with considerable variation across countries.
- While governance mechanisms are essential, a one-size-fits-all perspective on governance guidelines cannot respond to differences in countries’ institutional arrangements, policy preferences and SME and entrepreneurship ecosystems. Synergies and trade-offs in the use of different types of governance and mainstreaming mechanisms in different country contexts need to be assessed.
- SMEs are often embedded in local ecosystems, which represent their primary source of knowledge, skills, finance, business opportunities and networks. Furthermore, within countries, local factors, including approaches by regional and local authorities, affect business framework conditions and entrepreneurial opportunities, often resulting in cross-regional disparities in rate of activity and performance. Thus, effective and coherent policies towards SMEs and entrepreneurs benefit from a place-based approach that takes the territorial and spatial dimension of policy making into account.

Related tools

The Toolkit for Effective Public Investment across Levels of Government is an online resource to support the implementation of the OECD Recommendation on Effective Public Investment across Levels of Government [OECD/LEGAL/0402], which offers a framework to setting priorities for improving the co-ordination mechanisms and capacities of subnational governments in the management of public investment. The Toolkit allows comparisons of indicators and provides good practices in use in numerous countries, regions and municipalities. It includes a self-assessment instrument, to help governments assess the strengths and weaknesses of their public investment capacity, with a focus on the sub-national level.

OECD resources:

- SME and entrepreneurship policy frameworks across OECD countries
- Making decentralisation work: A handbook for policy-makers
PRINCIPLE 2. Cross-cutting approach

“Ensure that implications for SMEs and entrepreneurs are considered across the diverse policy areas that influence their prospects and outcomes, in order to enhance policy synergies, address potential trade-offs and reduce administrative burdens, including through increased attention to their specificities and circumstances in policy and regulatory design, SME tests and evaluations, consultation mechanisms, streamlined processes and user-centric approaches in implementation.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- Smaller firms tend to be more heavily impacted by red tape and framework conditions set by public policy when these entail fixed costs (e.g., regulation, taxation, public procurement, judicial efficiency) and have less of a voice in shaping these conditions compared to large firms.

- Concerted efforts to take SME and entrepreneurship perspectives into account across diverse policy areas can contribute to a well-functioning and effective institutional and regulatory environment and the reduction of red tape, ensuring a level playing field for new firms and SMEs. This includes assessing mechanisms to reduce administrative burdens, while taking into account implications on SME growth and the broader policy objective the policy or regulation intends to achieve.

- Effective integration of diverse SME and entrepreneurship perspectives requires awareness of such perspectives at all levels of government. This can be strengthened through regular engagement with SMEs and entrepreneurs and their representative organisations from an early stage in the policy making process and throughout implementation.

Figure 2. SMEs face sizeable regulatory burdens
Barriers to Entrepreneurship, 2018, scores from 0 (least restrictive) to 6 (most restrictive)

Related tools

The OECD Best Practice Principles on Regulatory Impact Assessment (RIA) provide policy makers, civil servants and other public sector practitioners with a practical instrument for better designing and implementing RIA systems and strategies. The Principles cover a wide range of institutional organisations, tools and practices and present a list of critical steps, as well as “dos and don’ts” for developing RIA frameworks. The Annex to the Principles on The SME Test: Taking SMEs and entrepreneurs into account when regulating presents policy makers with practices and policy references to help design and improve their SME tests, as to produce regulations in alignment with SMEs’ particular characteristics and needs.

OECD resources:
- Taxation of SMEs in OECD and G20 countries

PRINCIPLE 3. Diversity of SMEs and entrepreneurs

“Take[ing] account of the diversity of SMEs and entrepreneurs throughout policy making by assessing implications for different types of SMEs, entrepreneurs and self-employed, adopting policy relevant typologies and collecting granular data on SME and entrepreneur key features, performance and behaviour.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- While large differences exist between SMEs and large firms, the SME population itself is typically composed of very diverse businesses, which result in a differentiated impact of policies. Rapid transformations in the business environment offer substantial opportunities to the most innovative and agile businesses but also tend to widen gaps between large firms and SMEs, and within the SME population itself.
- Taking diversity of SMEs and entrepreneurs into account in policy design and implementation is crucial in the light of the different opportunities and challenges that diverse groups of SMEs and entrepreneurs encounter in their business environment and in accessing policy support measures.
- A refined and granular understanding can support the assessment of where specific SME and entrepreneurship support may have the greatest impact, the development of tailored policy approaches, and an improved understanding about the balance needed between broad-based support versus targeting of selected groups of SMEs.

OECD resources:
- Understanding SME heterogeneity: Towards policy relevant typologies for SMEs and entrepreneurship
PRINCIPLE 4. Monitoring and evaluation

“[Set] up robust monitoring and evaluation mechanisms that systematically assess policies for their SME and entrepreneurship impacts, using relevant data and methodologies and feeding results in new policy initiatives.”
– See full text: [OECD/LEGAL/0473]

Why is this important?

- Monitoring and evaluation (ex-post evaluations and ex ante impact assessments) are essential for effective and efficient SME and entrepreneurship policies. This concerns policies and programmes that explicitly target SMEs and entrepreneurs, as well as more generic policies and regulatory frameworks that may have an impact on them. It concerns policy design, delivery enforcement and inspections.

- The significant growth in surveys of SMEs as well as the availability of new data offer an opportunity to improve monitoring and assessment, including in areas where data are scarce.

- For sound monitoring and evaluation, a number of technical aspects are important, including the clarity of objectives, the use of control groups, comprehensiveness, and data analytics, as well as mechanism that feed lessons learned back into policy making.

Related tools

The OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes 2023 provides guidance on how governments can promote reliable SME and entrepreneurship policy evaluation. It emphasises established and emerging practices and shows that reliable evaluation of SME and entrepreneurship policy is increasingly accessible given improvements in data and techniques in recent years. It illustrates this with 50 examples of high-quality evaluations from a variety of OECD Members and across different policy areas. It profiles the methodology used for each evaluation, which can serve as inspiration for other evaluators and policy makers commissioning evaluations.
PILLAR 2: TRANSITIONS AND RESILIENCE
Facilitate the transition and resilience of SMEs and entrepreneurs

PRINCIPLE 5. Digital transformation

“[Support] the adoption of digital technologies, services and data by all SMEs and entrepreneurs in line with their needs, digital maturity and aspirations by enhancing access to digital infrastructure; strengthening digital skills, data literacy and management of digital security risk; and ensuring open and well-functioning markets for digital goods and services.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- Digitalisation of SMEs is fundamental for building inclusive and resilient economies and societies. Access to digital technologies provides SMEs with opportunities to innovate, grow, integrate into supply chains, tap into talent and expertise, access new markets and transition to more sustainable business models and practices.

- Despite the steady upward trend in the uptake of digital technologies by SMEs over the last decade, the gaps with large businesses remain large, contributing to inequalities among firms, and, in turn, people and places. At the firm level, digital gaps are strongly associated with gaps in productivity, scaling up, innovation and growth, all of which impact aggregate economic growth, inclusion and societal well-being.

- SMEs face several barriers in their journey to digitalisation, such as lack of information, awareness and skills, and insufficient capital to finance the transformation. In addition, smaller firms face heightened difficulties in overcoming challenges in the broader business environment, such as accessing high quality and affordable digital infrastructure, rapidly changing regulatory frameworks, and dealing with digital security and privacy issues.
The OECD Going Digital Toolkit helps countries assess their state of digital development and formulate policies in response. Data exploration and visualisation are key features of the Toolkit, which is structured along the 7 policy dimensions of the OECD Going Digital Integrated Policy Framework: 1) Access to communications infrastructure, services and data; 2) Effective use of digital technologies and data; 3) Data-driven and digital innovation; 4) Good jobs for all; 5) Social prosperity and inclusion; 6) Trust in the digital age; and 7) Market openness in digital business environments.

**OECD resources:**
- OECD Digital for SMEs Global Initiative
- The Digital Transformation of SMEs
- OECD Artificial Intelligence Policy Observatory

**PRINCIPLE 6. Green transition**

“Encourag[e] and enabl[e] SMEs and entrepreneurs to transition to sustainable business models, practices and technologies, and to drive green innovations, taking into account their specificities and needs in environmental policies; fostering their access to resources, including sustainable finance; and supporting their adoption of circular economy strategies.” – See full text: [OECD/LEGAL/0473]

**Why is this important?**

- Collectively small businesses have a significant environmental footprint. Their participation in more sustainable patterns of production and consumption is thus crucial for the greening of economies. Entrepreneurs and SMEs also contribute to green innovation and can play a pioneering role in introducing sustainable business practices and models. SMEs need to introduce and certify their green practices in order to compete in supply chains and markets and to continue to access finance from financial institutions adopting stricter environmental practices and reporting.

- SMEs are taking steps to reduce their environmental footprint but continue to lag behind larger enterprises across a wide range of environmental actions, hindered by lack of information and awareness, regulatory hurdles, limited access to knowledge networks and innovation assets, skills gaps and financing constraints. Lack of data remains a challenge to fully incorporate an SME perspective into environmental and climate analyses.

- Achieving climate targets demands aligning policy frameworks across diverse areas with the pursuit of the transition to a low-carbon economy. In this regard, it is crucial to integrate a clear SME and entrepreneurship perspective in climate, environmental and circular economy policies and to mainstream an environmental perspective in broader strategies for SME development and entrepreneurship.
Figure 3. SMEs contribute to a considerable portion of greenhouse gas emissions (GHG)

SME Share of total GHG emissions in the business sector, 2018

Note: Estimates correspond to the weight of SME share of value added applied at two-digit sector level.

OECD resources:
- No net zero without SMEs. Exploring the key issues for greening SMEs and green entrepreneurship
- Financing SMEs for Sustainability: Drivers, Constraints and Policies
- Assessing SMEs’ carbon emissions and energy consumption
- Policies to support green entrepreneurship

PRINCIPLE 7. Internationalisation and participation in global value chains

“Enhanc[e] SMEs and entrepreneurs’ participation in international trade and global value chains through open markets; conducive regulatory frameworks; trade facilitation and trade finance; and by strengthening their access to services and networks, including with foreign partners and multinationals.” – See full text: [OECD/LEGAL/0473]

Why is this important?
- In recent decades, changes in the global environment, such as the rise in global value chains and the increasing relevance of trade via digital channels, have offered new opportunities for a diverse population of SMEs to participate in global markets.
- Participation in international trade and investment, directly (as exporters and importers) or indirectly (via global value chains), creates opportunities for SMEs and entrepreneurs to scale up and accelerate innovation, facilitates technology diffusion and improvements in managerial know-how, enables the development of broader and deeper skill sets, and can contribute to higher productivity.
- However, the increasingly complex investment and trading environment calls for whole of government approaches to address SME constraints in internationalising and to seize emerging opportunities to access international markets. Access to services and networks can support successful internationalisation of SMEs. Strengthening linkages between foreign direct investors and local SMEs can boost productivity and innovation across countries and regions.
The **Policy Toolkit for Strengthening FDI and SME Linkages** offers policy advice to national and subnational governments on how to increase knowledge and technology benefits from FDI on domestic SMEs and the local economy. It presents a conceptual framework for understanding the main enabling conditions and diffusion channels of FDI-SME linkages and spill overs, and a set of diagnostic tools to assess spill over potential. It also provides an assessment tool for policy and institutional frameworks enabling FDI-SME linkages.

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**PRINCIPLE 8. Business dynamics, start-ups and innovative entrepreneurship**

“Enable entrepreneurship by reducing barriers to entry, exit, business transfer and business succession, and by easing possibilities to re-start for entrepreneurs who fail. Ensure that policies and the regulatory environment support competition and provide incentives and support for innovative entrepreneurs to scale up.” – See full text: [OECD/LEGAL/0473](https://www.oecd.org/)

**Why is this important?**

- Across OECD Members and non-OECD Members, **start-ups** play a key role in job creation, innovation, and long-run growth. They are critical for introducing new products and services to the economy, forcing existing firms to innovate in turn, and they are an essential engine for renewal at times of profound economic and societal transformation.

- **Reducing red tape and unnecessary barriers to entry and exit** contributes to enabling the start-up of businesses and their scaling-up and eases the exiting of non-viable firms. In recent years, across many countries, reforms have been enacted to ease business creation processes.

- On the other hand, sizeable obstacles remain for growth-oriented small businesses to **scale up**, which calls for increased policy attention on scaling-up enablers, including in areas of high societal relevance, such as sustainability.

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Figure 4. SMEs are deeply embedded into global value chains through international trade

SME Share of Trade Value, imports and exports, 2020

PRINCIPLE 9. Fostering inclusive entrepreneurship

“Encourag[e] and [support] under-represented or disadvantaged groups to participate in entrepreneurship, by taking into account structural barriers, specific challenges and needs through appropriate targeted measures, where necessary; equal access to wider entrepreneurship support programmes, and by raising awareness about and deconstructing stereotypes hampering equal access to entrepreneurship.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- Some social groups are under-represented or disadvantaged in entrepreneurship, including women, youth, migrants and indigenous populations among others. Increasing entrepreneurship among these groups, as well as improving the quality of their business start-ups, represent opportunities to raise participation in the labour market, create jobs, fight social and financial exclusion, as well as boost economic growth and innovation.

- While these social groups are heterogeneous, their members typically face greater barriers to business creation than the mainstream population. Challenges include a lack of entrepreneurship skills, difficulty in accessing finance for business start-up and in navigating the regulatory framework, a fear of failure and a lack of confidence.

- Governments can promote inclusive entrepreneurship by easing access to broad entrepreneurship programmes by disadvantaged groups and with a range of tailored instruments that enhance access to finance, assist in dealing with compliance obligations, strengthen entrepreneurship skills, and help build entrepreneurial networks.

Note: Data referring to Total industry, construction and market services except holding companies. Calculated as the number of enterprise births in the reference period 2020 divided by the number of enterprises active in 2020. Rates for the following OECD countries missing in the average: Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, United Kingdom, United States.

Related tools
The **Better Entrepreneurship Policy Tool** is an online tool to support youth, women, migrants and the unemployed in business creation, self-employment and the development of social enterprises. It is designed for policy makers and interested partners at all levels of government and strives to foster reflection on the design and implementation of inclusive and social entrepreneurship policies.

**OECD resources**
- Entrepreneurship Policies through a Gender Lens
- Youth Entrepreneurship Policy Academy

**PRINCIPLE 10. Transitions related to informal enterprises and self-employment**

> “Facilitate the transition from informal to formal entrepreneurship, easing access to resources where needed; and ensure a level playing field and enabling conditions for productive employment and decent work for the self-employed and for all kinds of entrepreneurship, including in the platform economy.” – See full text: [OECD/LEGAL/0473]

**Why is this important?**
- Across a large number of countries, a sizeable share of SMEs and entrepreneurs, particularly micro-enterprises, operate in the **informal sector** reducing their key resources, social protection and policy support, skills development opportunities and capacity to invest and grow. It also leads to suboptimal tax income for governments.
- An important challenge in this regard is to create the circumstances that allow entrepreneurs to formalise their activities, while avoiding the sudden increase in costs that could put them out of business or discourage formalisation in the first place.
- Other transition challenges exist with respect to **self-employment** and new activities in the context of the platform economy. Institutional and regulatory frameworks need to allow for meaningful access and contributions to social security, also vis-à-vis employees and other forms of entrepreneurship.
PRINCIPLE 11. Enhancing responsible business conduct and social impact

“Promot[e] responsible business conduct and the engagement of SMEs and entrepreneurs in avoiding and addressing adverse environmental and social impacts and improving social outcomes associated with their activities and business relations along value chains and within their local communities.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- SMEs and entrepreneurs play a significant role in maintaining the vitality of local communities, inner cities, rural and peripheral areas. They contribute to job and income creation, and social inclusion, including outside their country.

- While SMEs have the potential for positive social impact, their operations can also generate adverse impacts related to workers, human rights, including labour rights, the environment, bribery, consumers and corporate governance.

- To identify and respond to these adverse environmental and social impacts and increase their positive contributions, businesses – including SMEs – are increasingly expected to behave responsibly and carry out risk-based due diligence. This is particularly relevant for SMEs’ access to global markets and participation in global value chains. Facilitating SMEs’ compliance with Responsible Business Conduct (RBC) standards through policy tools may improve their stakeholder relationships, open access to new markets, finance opportunities and skills upgrade.

Related tools

The OECD Due Diligence Guidance for Responsible Business Conduct provides practical support to enterprises in their observance of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct [OECD/LEGAL/0144] by giving plain language explanations of its due diligence recommendations and associated provisions. Observance of these recommendations can help enterprises avoid and address adverse impacts related to workers, human rights, the environment, bribery, consumers and corporate governance that may be associated with their operations, supply chains and other business relationships. The Guidance includes tips and illustrative examples of due diligence. This Guidance also seeks to promote a common understanding among governments and stakeholders on due diligence for responsible business conduct.

OECD resources:

- Introductory paper on SMEs and Responsible Business Conduct in the Garment and Footwear Sector
- OECD e-learning Academy on Responsible Business Conduct
PILLAR 3: ACCESS TO RESOURCES
Enhance SMEs and entrepreneurs’ access to resources

PRINCIPLE 12. Innovation

“Provide adequate incentives for SMEs and entrepreneurs to innovate and foster their capacity to benefit from innovation diffusion, through conducive market conditions; robust and inclusive innovation ecosystems, local networks and infrastructure; and appropriate targeted measures, where necessary.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- **Innovation**, in products and processes, in technology and business models is key for **SME growth and resilience**. Conversely, through their innovation activities, entrepreneurs and SMEs can contribute to **inclusive growth** and to finding solutions for societal challenges.

- Governments can leverage the innovation potential of SMEs and entrepreneurs by fostering a **sound business environment**, helping SMEs to develop and use effectively their **internal strategic resources** (e.g. managerial and workforce skills, ICT, R&D), and favouring the development of an **innovation system** – encompassing large and small enterprises, universities, research centres, financial institutions and other stakeholders – that is effective in the commercialisation of research and inclusive of a large range of SMEs.

- Whether SMEs and entrepreneurs operate at the **technological frontier** or **adopt** practices developed elsewhere, the support for innovation should be easily accessible. It should take SMEs and entrepreneurs circumstances into account, by providing effective and diverse incentives that are tailored to their needs and ambitions.
PRINCIPLE 13. Finance

“Enhance SMEs and entrepreneurs’ access to a diverse range of financing instruments, sources and channels that are adapted to their needs in terms of development, growth and sustainability, by implementing evidence-based policies and regulatory approaches conducive to transparent and resilient SME finance markets; leveraging the role of new technologies; encouraging timely payments; and strengthening SME financial skills and vision.”

– See full text: [OECD/LEGAL/0473]

Why is this important?

• A lack of appropriate access to diverse forms of finance is a long-standing hurdle for SMEs and start-ups, which are typically at a disadvantage with respect to large firms when accessing finance, owing to opacity, under-collateralisation, high transaction costs and lack of financial skills.

• It follows that SMEs generally face higher interest rates and tighter borrowing terms and are more likely to be credit-rationed than large firms. Informal SMEs, in particular, may be unserved or underserved by financial institutions. Capital gaps also exist for innovative and growth-oriented firms, as well as for medium-sized enterprises that seek to invest and expand, and for SME seeking to undertake green investments.

• While bank financing continues to be crucial for SMEs, there is a pressing need to pursue the diversification of financing options, particularly in the aftermath of the COVID-19 crisis, which saw SMEs take on additional debt, in order to reduce their dependency on banks, vulnerability to changes in credit market conditions, and to strengthen their capital structure, seize growth opportunities and boost long-term investment, including for the digital and green transitions.
Related tools

Building on the 2022 Updated G20/OECD High-Level Principles on SME Financing, the OECD Recommendation on SME Financing emphasises the need to strengthen SME access to traditional bank financing, while also promoting the development of non-bank finance for SMEs. It supports the development of coherent national SME financing strategies by helping to define specific policy objectives, design and implement coherent policy measures, and provide a framework for monitoring and evaluation. The 14 policy recommendations set out in the Recommendation span from the macro level (e.g. providing guidance on the regulatory framework) to the micro level (e.g. addressing policy design and implementation). In addition to providing guidance on traditional debt and equity instruments, they address the rise of Fintech, the need to strengthen access and uptake of sustainable finance by SMEs and the importance of strengthening the resilience of SME finance, including in times of crisis.

OECD resources:
- OECD Financing SMEs and Entrepreneurs Scoreboard: 2023 Highlights
- Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard
- OECD Platform on Financing SMEs for Sustainability

PRINCIPLE 14. Skills and an entrepreneurial mindset

“Encourage[e] the development of an entrepreneurial mindset throughout society, and create adequate incentives for SMEs and entrepreneurs to invest in skills; in particular promote the development of and access to skills that are transversal across jobs and contexts, such as management, problem-solving and digital skills.”

- See full text: [OECD/LEGAL/0473]

Why is this important?

- **Skills and an entrepreneurial mindset are critical resources for businesses** to thrive and adapt to fast changing markets. Skills are especially relevant for the competitiveness and resilience of SMEs, which, compared to larger organisations, typically have more limited ability to leverage on other sources of capital and productivity.

- **Skills shortages**, including in management skills, can be particularly challenging for innovative and growth-oriented SMEs and for businesses that participate in international markets, as these firms have more sophisticated skills needs and compete for talent with larger enterprises and institutions that can offer more attractive wages and working conditions. These challenges may be exacerbated by changes in job content driven by the digital and green transitions, which increase demand for transversal skills.

- Raising awareness on skills needs, promoting workplace training and reducing training costs for SMEs, strengthening cooperation between SMEs and education institutions, and enhancing SME linkages with local **skills ecosystems** can contribute to improve the access of SMEs and entrepreneurs to indispensable sets of skills.
Figure 7. A major gap in ICT training exists between small, medium-sized, and large enterprises
Enterprises that provided training to develop/upgrade ICT skills of their personnel (in %), 2022

Note: Small-sized enterprises are defined as firms employing between 10 and 49 employees, medium-sized firms between 50 and 249 employees, and large firms with more than 250 employees. UK data refer to 2020.


Related tools

Jointly developed by the European Commission and the OECD, HEInnovate is a self-reflection tool that provides guidance to Higher Education Institutions (HEIs) on how to explore their innovation potentials through a process of identification, prioritisation, and action planning within 8 key areas. It diagnoses areas of strengths and weaknesses, opens up discussion and debate on the entrepreneurial nature of HEI while offering access to tangible results, learning materials and a pool of experts.

OECD resources:
- OECD Platform for the Entrepreneurship Education Collaboration and Engagement Network – EECOLE
- Advancing the entrepreneurial university: Lessons learned from 13 HEInnovate country reviews
- Upskilling, Reskilling and Finding Talent: The Role of SME Ecosystems
PRINCIPLE 15. Ecosystems, networks and public procurement

“[Strengthen] entrepreneurial ecosystems at national, regional and local level, including by developing networks and linkages along supply chains, between SMEs and with large firms, within and across sectors; and by enhancing SME access to and participation in public procurement.” – See full text: [OECD/LEGAL/0473]

Why is this important?

- Well-functioning entrepreneurial ecosystems are a key resource for SMEs and entrepreneurs to start and scale. Ecosystems refer to a loosely interconnected network of companies and other entities that coevolve capabilities around a shared set of technologies, knowledge, or skills, and work cooperatively and competitively to develop new products and services.

- To overcome SME-specific barriers in accessing resources, markets, subcontracting and technologies, and allow for mutual learning and diffusion of knowledge, it is crucial to strengthen linkages and networks between SMEs and entrepreneurs themselves, as well as with larger entities along supply chains, knowledge institutions and intermediary organisations.

- Public procurement markets provide SMEs with attractive business opportunities, representing more than 12% of GDP in OECD countries and one third of government expenditures. It is however essential to address longstanding barriers to SME participation in public procurement, including limited information as well as the complexity and the extent of the administrative burden of public procurement systems.

OECD resources:

- SMEs in Public Procurement: Practices and Strategies for Shared Benefits
- Networks for SME Innovation, Growth and Resilience
OECD SME and Entrepreneurship Outlook
Financing SMEs and Entrepreneurs: An OECD Scoreboard
The Missing Entrepreneurs
OECD Data Lake on SMEs and Entrepreneurship Policy
Indicators of Product Market Regulation
OECD.Stat Structural Business Demography Indicators


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