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OECD SME & Entrepreneurship

Ministerial Meeting

Managing Shocks and Transitions

Future-Proofing SME and Entrepreneurship Policies

Key Issues Paper



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This Key Issues Paper provides background information for discussion at the OECD SME and Entrepreneurship Ministerial Meeting.

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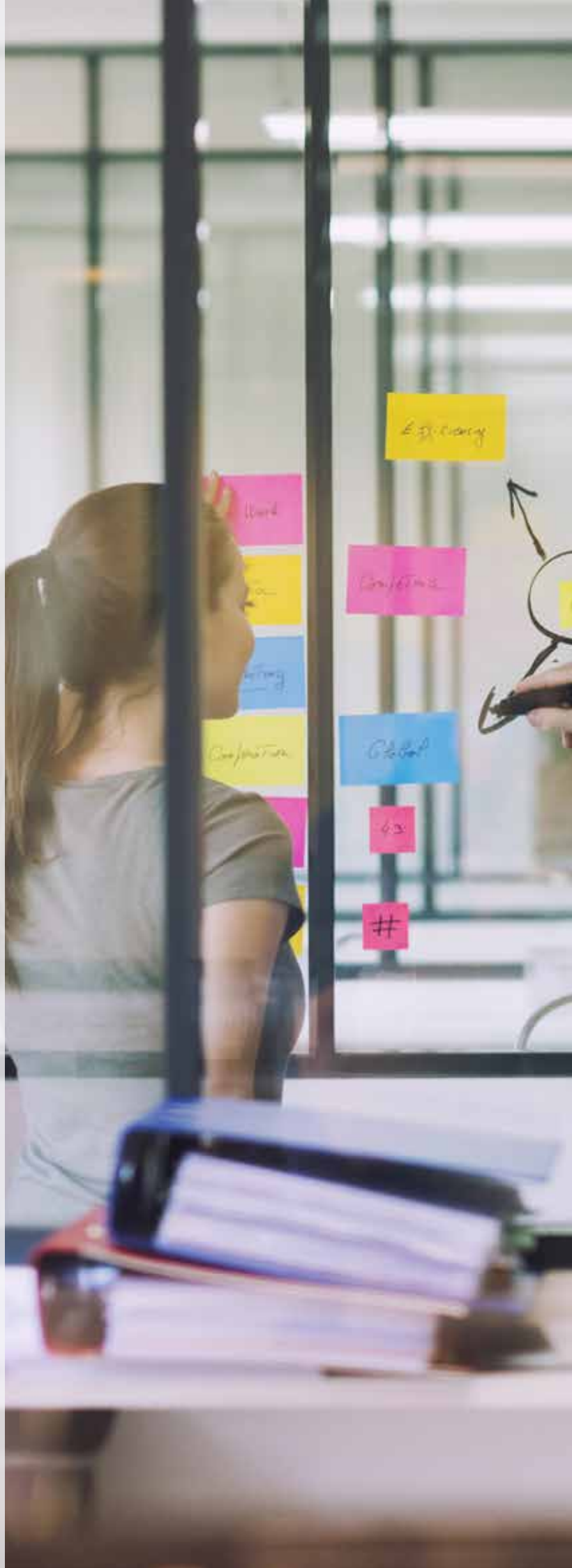




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14:00-14:30

Location: CC1

Opening Ceremony

Ginny Andersen, Minister, Digital Economy & Communications, Seniors, Police and Small Business, New Zealand
Mathias Cormann, Secretary-General, OECD

14:30-16:00

Location: CC1

PLENARY SESSION 1**Strengthening SMEs and entrepreneurs' resilience to future crises and shocks**

SMEs and entrepreneurs have suffered from the COVID-19 crisis and fallout from Russia's aggression against Ukraine. They were disproportionately affected by liquidity shortages and supply chain disruptions, with some groups, such as women, youth, and the self-employed, particularly vulnerable. In this adverse environment, governments have stepped up and provided unprecedented support. However, supply chain disruptions, energy and food price volatility, and inflationary pressures remain. Building the resilience of SMEs and entrepreneurs to address the challenges of tomorrow is critical. Policies may need to evolve to support viable SMEs without compromising new entries, shift from blanket to targeted approaches, and aid small businesses transition to energy efficiency and adapt to an increasingly digital world.

16:00-16:30**Coffee break****16:30-18:00****PARALLEL BREAKOUT SESSIONS****Breakout 1**

Location: CC2

Improving access to finance

Access to finance is critical to enable SMEs and entrepreneurs to start-up, invest, grow, and respond to shocks. SMEs were hit hard during the COVID-19 crisis due to weaker liquidity buffers. Many came out of the crisis with higher levels of debt. Macro-economic developments in 2022 and 2023, notably sluggish growth, inflation, and higher interest rates have weighed again on both debt and non-debt financing for SMEs. Going forward, Governments must continue to enable the diversification of financing instruments, including by leveraging financial technologies. The implementation of the *OECD Recommendation on SME Financing* will support these efforts.

Breakout 2

Location: CC7

Upskilling and reskilling SMEs and entrepreneurs to drive recovery and transformation

SMEs and entrepreneurs are highly dependent on skills to remain competitive but face greater challenges than larger firms in accessing and retaining skilled labour. They are disproportionately affected by skills shortages which can result in a reduced capacity to buffer through re-organisation, outsourcing, or automation. The traditional challenges SMEs and entrepreneurs face in accessing skills is magnified by the scale and rapidity of structural transformations taking place. Rapid technological changes are creating new skills gaps, while the demand for soft skills is also increasing. Skills ecosystems, encompassing local entities like incubators, accelerators, education and training institutions, can help SMEs access expertise and knowledge.

Breakout 3

Location: CC13

Tapping into all talents: inclusive SMEs and entrepreneurship policies

Entrepreneurship and business development continue to be hampered by inequality of opportunities. These entrepreneurship gaps are costing economies in missed opportunities for job creation, growth, and innovation. Underrepresented and disadvantaged groups in particular face institutional barriers, limited access to finance, lack of skills, and small networks. Inclusive entrepreneurship policies have been implemented to address these gaps, but more government action is needed to unleash the untapped entrepreneurial potential in the population, including tailored support for underrepresented groups.

18:15 -20:00

Cocktail for Delegations – Location: Salon du Parc
Ministerial dinner hosted by France



9:30-11:00

Location: CC1

PLENARY SESSION 2
Fostering the contribution of SMEs and entrepreneurs to the green and digital transitions

Governments face the challenge of managing immediate crises while driving long-term economic, societal, and environmental transitions. Given their sheer contribution to the economy and their collective environmental footprint, SMEs and entrepreneurs are crucial to this effort. However, they need to adapt their business models. The pandemic has presented opportunities for digitalisation, but SMEs face challenges such as skills gaps, limited financial access, and keeping pace with innovation, which are similarly encountered during the green transition. Governments should make them front and centre in their policy agendas. This involves adopting an SME and entrepreneur lens in the development of policies that affect the green and digital transitions, improving SMEs and entrepreneurs' awareness of opportunities from the green and digital transitions and enhancing their access to support and strategic resources, such as finance, skills, advisory services, technology, and data. Digitalisation and greening should be addressed in tandem to capitalise on synergies.

11:00-11:30
Coffee break
11:30-13:00
PARALLEL BREAKOUT SESSIONS
Breakout 4

Location: CC2

Rebooting start-up and scale-up policies to exploit and create new opportunities

Start-ups and scale-ups are vital for economic growth and job creation, but recent crises have decreased survival rates and weakened innovation, investment and networks. Recovery packages have focused on these firms. Going forward, policies need to target better high potential start-ups and scale-ups. At the same time, capturing the scale up potential of the wider business population – notably the vast population of non-high-tech businesses – requires informing policy making with better data on start-up and scale-up profiles and trajectories.

Breakout 5

Location: CC7

No net zero without SMEs: boosting SMEs participation in the green transition

As Governments prioritise environmental sustainability after COVID, it is becoming urgent to engage the large and diverse SME and entrepreneur population in the efforts towards net-zero. It is especially important because of their sizeable collective environmental footprint and their potential to innovate and provide solutions to environmental issues. However, they face challenges in offering green products or investing in resource efficiency. Policies often side-line them and financing remains a challenge. A stronger focus on SMEs in climate policies and enhancing their access to sustainable finance is necessary for a successful green transition.

Breakout 6

Location: CC13

Revisiting broad-based policies from a SME and entrepreneurship lens

Current policy frameworks often fail to capture the diversity of SMEs and entrepreneurs by considering an average firm. This can result in significant complexity and administrative burden, as well as be ineffective in changing corporate behaviours. Delivering on ambitious recovery plans and long-term reform objectives requires cross-cutting and coherent approaches across the diverse policy areas that influence SME prospects and outcomes. This means adopting an SME and entrepreneur lens in policy design and delivery, fostering policy coherence across levels of government, better evaluation tools, and active engagement with SMEs and entrepreneurs.

13:00-14.30
Lunch – Location: George Marshall + Roger Ockrent – Chateau

14:30-16:00

Location: CC1

PLENARY SESSION 3
Enabling SMEs and entrepreneurs to navigate the changing global trade and investment landscape

SME access to foreign markets is an important driver of growth and productivity in countries and regions, and their integration into global value chains a significant source of innovation and knowledge. However, not all SMEs have the capacity to tap into international markets. SMEs' ability to engage in GVCs is constrained by internal capacity (e.g. managerial skills) and external factors (e.g. the quality of logistics services and infrastructure, and regulatory barriers). Governments have started rethinking smart specialisation and internationalisation policies with resilience in mind, aiming to protect strategic SMEs and reinforcing their positioning in GVCs, e.g. by keeping trade channels open and reducing costs of trading; intensifying export support measures; and reinforcing SME international business linkages.

16:00-16:30
Coffee break
16:30-17:30

Location: CC1

Summary of the Ministerial outcomes and closing remarks by Secretary General Mathias Cormann and Minister Ginny Andersen

The Chairs of the break-out sessions will provide a brief summary of the discussion and Ministers will be invited to adopt the *Declaration on Enhancing SMEs and Entrepreneurship Policies for Greater Resilience and Successful Transitions*.



INTRODUCTION

Since the last OECD Ministerial Conference on SMEs and Entrepreneurship in 2018, SME and entrepreneurship activity in the global economy has been marked by two global shocks. First, the COVID-19 pandemic, which shut down many sectors of the economy world-wide. On its heels, Russia's large-scale aggression against Ukraine disrupted a nascent recovery. Both impacted severely and disproportionately SMEs and entrepreneurship.

Given the unprecedented nature of the pandemic in particular, quick, and significant government support proved crucial in supporting the survival of millions of SMEs and entrepreneurs, millions of jobs around the world, and, in turn, the foundations for an inclusive recovery with SMEs and entrepreneurs delivering on their full potential.

However, shocks are a regular feature of the economy, and governments need to ensure that the right framework conditions and enabling environments are in place to support the resilience of SMEs and entrepreneurship to future shocks and their ability to drive the green and digital transitions and navigate a changing international trade and investment landscape.

There are important linkages across these spaces. For example, measures that boost resilience to shocks by encouraging innovation or ensuring that people from all social groups have opportunities to start businesses can also support more sustainable, digital and inclusive growth. There are also potential trade-offs. For example, long-run financial support aimed at all SMEs could sustain weaker performers, weigh down on SME productivity growth and constrain new firm entry. More understanding of the policy trade-offs and synergies is needed.

SME and entrepreneurship policies need to evolve in new directions in this changed global context. Governments can support this evolution by learning from recent international experiences in crisis resilience, managing the green and digital transitions and adjusting to changing supply chains.

SME policies also need to become more granular and more people centred. SMEs cover a rich spectrum of firms and entrepreneurs, from the sole self-employed and entrepreneurs operating in the informal economy to micro-, small, and medium-sized firms. They include both new and established enterprises, firms across a range



of sectors, and enterprises owned and managed by people from different social groups, such as women and youth, with different needs, ambitions, skills, and motivations. They include firms driven by business models with a social purpose through to high-growth scale-ups, both young and old, that generate between half and two-thirds of all jobs created by SMEs, and many SMEs on the frontier of digital and green innovations. SMEs and start-ups have some common defining features in terms of a lack of broad market power, limited managerial structures and internal resources, and a lack of ownership linkages or formal partnerships with large firms, and all will tend to benefit from improvements in framework conditions such as reducing regulatory costs. However, there are also many differences across different groups of SMEs and entrepreneurs and some distinct, tailored policies are needed to address their specific needs, including in relation to access to finance, skills, innovation and networks. At the same time, targeted policies should also look to leverage on the full potential of the highly innovative SMEs and start-ups that generate substantial growth and employment.

Policies also need to recognise and release the potential of all parts of society as entrepreneurs in start-ups and SMEs. There are currently large gaps in entrepreneurship rates between women and men and between youth and adults and great opportunities to increase business start-ups and SME innovation by parts of society that face particular obstacles in areas such as skills, finance, knowledge and networks. Policies also need to recognise the importance of mental resilience in entrepreneurship, and securing the well-being of entrepreneurs who are on the forefront of risk taking and decision making in the firm, and who were put under severe strain during the pandemic. Although individually small, collectively, they and start-ups have a significant impact on our economies and constitute the livelihood of many communities and territories.

The OECD SME and Entrepreneurship Ministerial provides the opportunity for Ministers to drive the renewal of these policy agenda while reaffirming the key role of SMEs and entrepreneurs in economies and societies. It aims to identify priorities for national government actions and for international co-operation on SME and entrepreneurship policy and inform future OECD work.

2

Managing shocks and transitions: **FUTURE-PROOFING SME AND ENTREPRENEURSHIP POLICIES**





STRENGTHENING SMEs' AND ENTREPRENEURS' RESILIENCE TO FUTURE CRISES AND SHOCKS

SMEs account for over 99% of firms in OECD economies, over 60% of business sector employment and the majority of value-added and new job creation in our economies. They are also important sources of innovation and, although not always able to benefit from economies of scale of their larger counterparts, are often able to capitalise on their smaller size to be more flexible, reactive, and responsive to change and shocks. They are also the lifeblood of communities, providing essential goods and services, often in places too small for larger firms to engage, and, so, have a significant social impact too.

However, recent global shocks – and a range of further local shocks, including natural disasters – have had significant impacts on SME and entrepreneurship activity and tested the limits of SME adaptability. Compared with larger firms, new and small enterprises are often relatively vulnerable, reflecting more specialised markets and suppliers, weaker financial buffers and more limited availability of certain specialised human resources and intellectual assets (OECD, Forthcoming^[1]). Moreover, there is a growing realisation of the toll that shocks have on the mental health of entrepreneurs and small business owners and managers, with increased anxiety and depression rates reported in many countries in the wake of recent crises (United Kingdom Research and Innovation, 2022^[2]). However, despite the scale of these shocks, and the unprecedented nature of the pandemic in particular, they have also highlighted the innate potential of many new and small firms to use their flexibility and rapidity to deliver solutions to new problems – e.g. developing new medical devices

during the pandemic or exploiting data in energy-saving applications. Furthermore, SME and entrepreneurship activity is highly diverse, covering for example micro-firms, the self-employed, and entrepreneurs in the informal economy as well as small businesses and medium-sized businesses with greater capabilities and a range of knowledge-intensive and high potential start-up companies (OECD, 2022^[3]).

There have been many lessons derived from these recent shocks but perhaps the most critical is for policy to build resilience to future shocks across a broad diversity of entrepreneurs and businesses. It can do this by developing the capabilities of SMEs and entrepreneurs to absorb adverse impacts such as short-term demand downturns, cost increases or drying up of funding and to innovate and adapt in their products and services and business models in response to market changes.

In recent crises, in particular during the pandemic, the first port of call of governments has been to secure enterprise survival through the supply of broad-based liquidity support (OECD, 2020^[4]). However, governments also need to keep an eye to longer-term structural change objectives, including facilitating the entry of new innovative and higher-productivity businesses and supporting the green and digital transitions. Start-ups face difficult conditions during crises requiring appropriate policy responses (see Break-out session 4: Rebooting start-up and scale up policies to exploit and create new opportunities). SMEs also need incentives



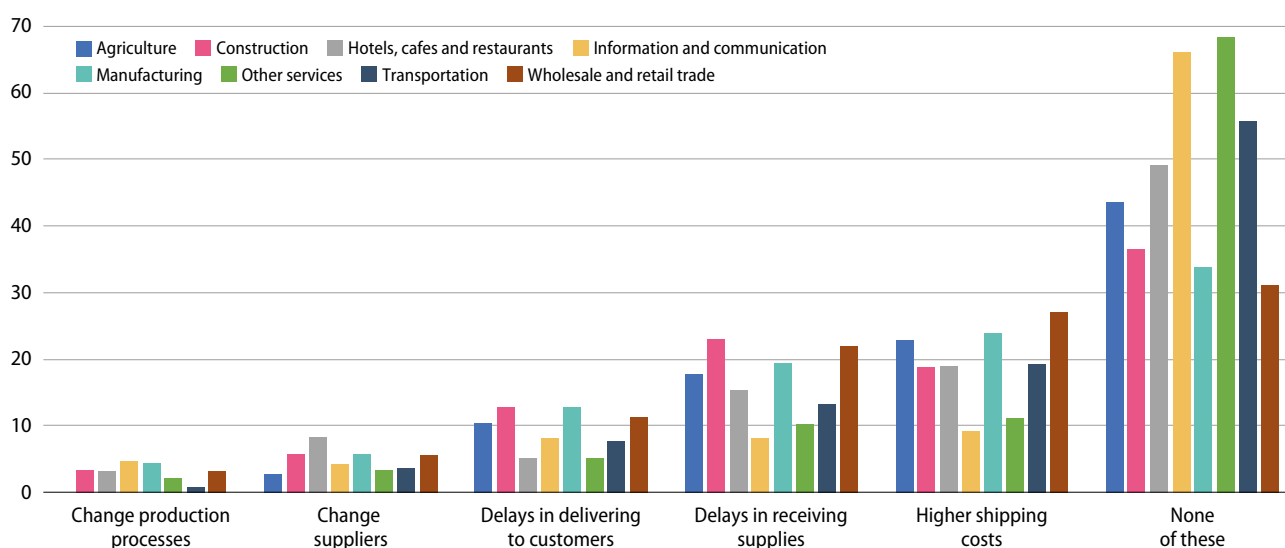
to adopt more green and digital business models, which are not necessarily built into broad-based liquidity support. As recovery strengthens, governments also need to take effective steps to phase out temporary support, including better targeting of measures.

CRISES CREATE MAJOR IMPACTS ON SMEs AND ENTREPRENEURS

Crises, including pandemics, wars, and natural disasters, have impacts on SMEs and entrepreneurship through several channels. SMEs and entrepreneurs were hit hard by the

COVID-19 crisis, for example. From the outset, a liquidity crisis threatened firm survival. Revenues fell away – surveys across the world showed that 70% to 80% of SMEs experienced a substantial decline in revenues in the first year of the crisis (OECD, 2021^[5]). In consequence, SME cash reserves came under severe strain. Start-ups, the self-employed and women and minority businesses were particularly affected. For example, 27% of women-led businesses had to close between January and May 2020, compared with 20% of men-owned businesses (OECD/European Commission, 2021^[6]) (see Break-out session 3: Tapping into all talents: inclusive SMEs and Entrepreneurship policies).

Figure 2.1. Form of supply chain disruptions in SMEs in 2021



Note: Share of firms by supply chain challenges for the year 2021. Shares obtained using the: “Which of the following disruptions, if any, did your business experience in your supply chain in 2021?” question. The subpopulation of analysis are SMEs—firms with up to 250 employees—operating in 33 OECD countries (excludes Estonia, Iceland, Luxembourg, Latvia, and Slovenia).

Source: Author’s calculations based on (Meta, OECD, World Bank, 2020^[8])

The sectoral structure of the SME economy was an exacerbating factor. SMEs are over-represented in the sectors most affected by the pandemic confinement measures, such as accommodation, restaurants, real estate, services, and retail trade (OECD, 2021_[17]). SMEs account on average for 75% of jobs in these sectors compared to 60% in other sectors (OECD, 2021_[5]). Women-owned businesses are also more frequent in these sectors. On the other hand, SMEs and entrepreneurs with higher skills and digital connectivity were less affected.

SMEs also tended to face more acute supply chain disruptions than large firms. This owed notably to their more limited inventories. According to the Future of Business Survey, more than 62% of SMEs reported supply chain disruptions in 2021 (OECD, Forthcoming_[11]). However, SMEs with a greater diversity of suppliers and access to a broader range of technologies were less affected than those with a dominant dependence on single suppliers and markets (OECD, 2021_[5]).

While the global economy was showing signs of recovery towards the end of 2021, Russia's unprovoked aggression against Ukraine resulted in a new shock. Energy and food prices increased abruptly, in some cases reaching unprecedented levels (e.g., natural gas). This exacerbated pre-existing inflationary pressures that accompanied the initial recovery from the COVID-19 pandemic. While energy prices have recently stabilised due to a combination of factors (i.e., high levels of gas stocks in Europe and a generally mild winter in the northern hemisphere), they have not yet led to significantly lower energy bills. As a result, the OECD's latest forecasts predict that global GDP growth will slow to 2.7% in 2023.¹

The return of high inflation has brought an end to 15 years of expansionary monetary policies, as many central banks in OECD countries have increased their main policy interest rates. Higher interest rates impact the cost of financing for SMEs. They may also contribute to a rise in the number of SME bankruptcies, which had been kept artificially low thanks to the COVID-related emergency support measures (OECD, 2022_[10]). The critical need to improve SME finance to underpin recovery and the digital and green transitions in a difficult economic landscape is discussed in a dedicated break-out session (see Break-out session 1: Improving access to finance).

Both the COVID-19 and energy crises have taken a toll on the well-being of the population in general, with a rise in financial insecurity, unemployment, fear and loss of social connection (OECD, 2021_[11]). SME owners and managers and entrepreneurs were especially impacted, reflecting their particular risks and responsibilities. Entrepreneurs were already more prone to experience mental health issues than the rest of the working population (Freeman, 2015_[12]), and the crises put them under greater strain (United Kingdom Research and Innovation, 2022_[2]). For example, 66% of small business owners in Australia reported that the COVID-19 pandemic had negatively impacted their mental wellbeing, while in the United Kingdom 83% of small business owners reported suffering from anxiety due to the pandemic (Cinar and Bilodeau, 2022_[13]). More recently, surveys conducted after the onset of the energy crisis show that small business owners and managers are particularly concerned about the increased cost of energy and supply-chain disruptions, both of which increase uncertainty and cast a negative outlook on future business prospects (SMEunited, 2022_[14]) (Eurochambres, 2023_[15]) (Business at OECD, 2022_[16]).

Natural disasters also cause many challenges for SMEs and entrepreneurs. For example, the earthquakes experienced in Türkiye in February 2023 affected more than half a million enterprises directly and indirectly. These enterprises have faced many problems, including disruption of business continuity, loss of workforce and capital leading to drops in production, disruption of the supply chain, and a decline in demand. It is estimated that the cost of disaster may amount to 9% of GDP in 2023.²



1. See the preliminary version of Volume 2023 Issue: <https://www.oecd-ilibrary.org/sites/ce188438-en/index.html?itemId=/content/publication/ce188438-en#:text=We%20project%20global%20growth%20to,stronger%20and%20more%20sustainable%20growth>.

2. <https://www.sbb.gov.tr/wp-content/uploads/2023/03/2023-Kahramanmaraş-ve-Hatay-DepremLeri-Raporu.pdf>

GOVERNMENT CRISIS-RESPONSE SUPPORT FOR SMEs HAS BEEN MASSIVE AND WIDE-RANGING

Prompt and large-scale government business support measures – including wage subsidies, support for short-time working, grants, tax and payment deferrals or waivers and loan guarantees – protected jobs and saved many SMEs from insolvency during the COVID-19 pandemic (OECD, 2022^[17]). For example, the United States *Paycheck Protection Program* (PPP) alone cost USD 800 billion in uncollateralised, low-interest small business loans, almost all of which were eventually forgiven. As many as 93% of all US small businesses received a PPP loan. In Finland, a stimulus of EUR 15 billion was provided, amounting to 6% of GDP, two-thirds involving loan guarantees. Overall, in 2020, in most OECD countries, between 20% and 40% of SMEs received government support in one form or another (OECD, 2021^[5]).

Governments also took significant actions to cushion the impacts of rising energy prices that followed Russia's large-scale aggression against Ukraine (OECD, Forthcoming^[11]) (OECD, 2022^[9]). Policy responses broadly consisted of price support (typically energy price caps or rebates) and, to a lesser degree, income support (grants or preferential credit) (OECD, Forthcoming^[18]). Initially, SMEs were not the main

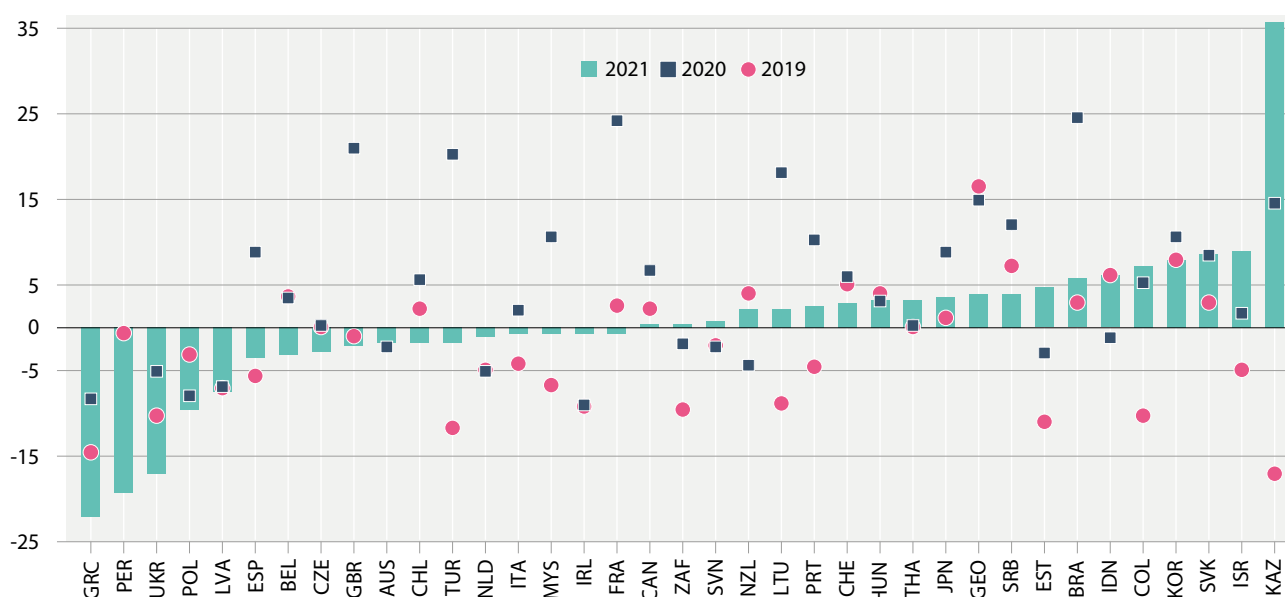
At the peak of the crisis, in 2020, the stock of outstanding SME loans increased by 5.7% compared to an average annual increase of 1.3% in the previous five years.

target of these policies, which typically focused on energy-intensive sectors, including heavy industries, where SMEs are generally underrepresented. However, as awareness that many SMEs were once again at serious risk of folding grew, governments increasingly covered SMEs in their emergency programmes, for example by lowering the energy consumption threshold for programme eligibility or by extending household benefits to micro enterprises.

In both crises, rapid delivery of the policy support was of the essence. Timely delivery was secured by using digital delivery systems and limited *ex ante* screening, often based on previous tax returns. The challenge was ensuring that the support was used in line with objectives and was accessible to the more vulnerable segments of the SME population, including women, minority entrepreneurs and new entrepreneurs, who may not have had existing digital connections with government (OECD/European Commission, 2021^[6]).

Figure 2.2. Outstanding stock of SME loans

Year-on-year growth rate, as a percentage



Note: Data from Peru are not shown due to the scale used. In 2019, the growth of outstanding stock of SME loans was 62.9%. All data are adjusted for inflation using the GDP deflator of each country published in the OECD Economic Outlook database using base year 2007. GDP deflators for non-OECD countries were extracted from the World Development Indicators from the World Bank.

Source: Data compiled from individual country Scoreboards.

Flexibility in private lending was also important. At the peak of the crisis, in 2020, the stock of outstanding SME loans increased by 5.7% compared to an average annual increase of 1.3% in the previous five years (Figure 2.2). This growth was supported by government-backed lending, debt moratoria and credit restructuring as part of the crisis response (OECD, 2023_[19]).

However, while data for 2021 show lending activities gradually returning to pre-pandemic trends, it is likely that many SMEs have accumulated debts that could constrain their, and in turn the broader, recovery (OECD, 2023_[19]). SME over-indebtedness in these situations can be limited by developing a broader range of finance interventions, including grants, wage subsidies, and forms of finance such as equity and quasi-equity, as well as paying attention to the form of debt build up, e.g. favouring longer term repayment patterns and delaying the start of debt repayments (OECD, 2021_[7]) (OECD, 2022_[17]). The OECD Recommendation on SME Financing under development includes a principle dedicated to strengthening the resilience of SME finance in times of crisis.

A further issue affecting SME finance is late payments by public and private customers. This has been aggravated both by the pandemic and by recent increases in inflation. A central part of increasing the financial resilience of the economy is to strengthen the rights and powers of SMEs and entrepreneurs to obtain payments due to them.

Governments also need to take effective steps to phase out temporary support, including better targeting of measures, when the recovery is sufficiently strong. Otherwise, there is a danger of supporting “zombie firms” in the longer term, i.e. firms that are not viable in normal economic conditions.

While the government focus in times of crisis is largely on ensuring the survival of the fabric of small companies that provide for the livelihood of a large share of the population through broad-based liquidity support, governments have also adopted accompanying measures that are of more structural nature to foster the capabilities of companies to adapt to changing conditions. For example, support for SME uptake of digital technologies was a core dimension of emergency and recovery packages during the pandemic. Many countries mobilised resources to provide ICT software and equipment to SMEs, set up digital services voucher programmes (that subsidised SMEs’ uptake of digital

services), and programmes to subsidise SME hiring of digital talent (OECD, 2022_[10]) (Bianchini and Kwon, 2021_[20]).

Similarly, during the energy crisis, many governments have accompanied price caps with measures to accelerate the green transition of the business sector, including programmes to foster investments in renewable energy, energy efficiency or energy saving measures (OECD, Forthcoming_[18]). These measures help achieve both the objective of enabling SMEs to weather a temporary price shock and promoting the green and digital transitions.

GOING FORWARD, GOVERNMENTS SHOULD MANAGE TRADE-OFFS BETWEEN SHORT-TERM AND LONG-TERM OBJECTIVES AND IMPROVE THEIR WHOLE OF GOVERNMENT APPROACH

Alongside the emergency support, recent crises have stimulated reflection in governments about how to “build back better.” This has led many countries to launch economic recovery plans³, where much attention has been placed on stimulating innovation and productivity growth and encouraging the twin transitions (green and digital) (OECD, 2022_[9]) (OECD, 2022_[17]).



3. At the EU level, for example, they have taken the form of National Recovery and Resilience Plans which each Member States has adopted and is currently implementing.



Indiscriminate energy price interventions, such as price caps, were widely adopted by countries as the quickest and most effective way to protect businesses and individuals from rising energy prices.

However, trade-offs may exist between providing emergency support and achieving longer-term structural objectives. A case in point is the recent energy crisis. Indiscriminate energy price interventions, such as price caps, were widely adopted by countries as the quickest and most effective way to protect businesses and individuals from rising energy prices. Such price interventions keep energy demand high and reduce the incentive for investments in environmental sustainability. By contrast, income support measures require more administrative capacity to deliver but are more likely to drive SMEs and entrepreneurs to invest in energy efficiency and deploy new green technologies. Introducing compensating measures that correct for adverse incentives, sequencing the interventions, and getting the right policy package is of the essence.

Likewise, while the COVID-19 experience suggests that emergency liquidity support was essential for avoiding the collapse of millions of SMEs and entrepreneurs, the strength, duration and targeting of emergency support needs to be considered with a view to continuing the entrepreneurial processes of creative destruction, and not unduly crowding out new and growing firms driving innovation and productivity growth.

It is also important to note that emergency support measures could have both positive and negative effects on the strength and shape of the recovery. More systematic and frequent evaluations of the impacts of emergency support measures would help inform an effective policy toolkit for the next crisis, notably in terms of their effects on the SME survival rate, the start-up rate, and employment and turnover growth in new and small firms (see Break-out session 4: Rebooting start-up and scale up policies to exploit and create new opportunities).

Policy responses to crises also need to be designed to effectively reach different segments of the population of entrepreneurs and small businesses and make sure that they do not unintentionally fall through the cracks of policy support. For example, self-employed people, micro entrepreneurs, women entrepreneurs, new entrepreneurs, and entrepreneurs operating in full or in part in the informal economy may have difficulties obtaining support aimed at business and employment protection. This can reflect issues such as lacking business tax payments in previous years that governments used as a rapid way of identifying the population of firms needing support. Women entrepreneurs have suffered disproportionately from these issues. Close attention needs to be paid to the scope and eligibility criteria for generic support, to ensure that population groups are not unintentionally excluded. In doing so, it is also important to take into consideration the mental well-being of SME owners and entrepreneurs, including micro and informal entrepreneurs, who are more exposed to risk and uncertainty than the broader population of managers and employees. This implies implementing more granular and people-centred responses to shocks and crises.

When designing support packages, it is also important to adopt a whole-of-government approach, that builds synergies between actions taken by different ministries and agencies of government and across the national and sub-national levels of government. SMEs are embedded in local ecosystems, and draw on their surroundings for business opportunities, skills, and services. Sub-national governments and actors often have the necessary information on how local ecosystems are being stretched by shocks and can develop their own initiatives or partner with national governments to develop locally tailored responses. In line with the OECD Recommendation on SME and Entrepreneurship Policy, countries need a whole-of-a-government approach (at various levels) to effectively implement SME and entrepreneurship policies and support measures (see also Break-out session 5: Revisiting broad-based policies from a SME and entrepreneurship lens).

POLICY CONCLUSIONS

- Governments should reflect on instruments and tools that strengthen SME capacity to anticipate and respond to crises and natural disasters. Such instruments could include business continuity plans to ensure a business can quickly resume activities following a shock or disaster. At the same time governments should also focus on regulations, practices and policies that may be inadvertently holding SMEs back from delivering on their full potential, including for example in new business creation, bankruptcy laws, and access to finance and foreign markets (particularly for innovative knowledge intensive SMEs).
- Governments need to strike a balance between rapid and broad emergency support for protecting jobs and businesses in the short term, and more targeted interventions aimed at longer-term structural change objectives, including facilitating the entry of new, higher productivity start-ups and supporting the green and digital transitions. Effective steps are also needed to phase out temporary support.
- Public financial support to SMEs and entrepreneurs during crises should be designed to avoid over-indebtedness of recipients, by introducing alternatives to loans and loan guarantees and paying attention to repayment schedules.
- Governments should ensure that all segments of the population of SMEs and entrepreneurs are addressed appropriately by policy support and that specific groups do not unintentionally fall through cracks in crisis response measures.
- Governments should take account of the mental health pressures caused by shocks on SME owners and entrepreneurs, who are disproportionately exposed to risk compared to the population as a whole.
- Crisis response measures should favour complementarity between national and local policy support measures in order to facilitate place-sensitive responses.
- Evaluations must be undertaken on the impact of crisis support measures and lessons drawn for future crisis responses.

QUESTIONS FOR DISCUSSION

- What lessons can be learned from international policy experiences in overcoming the challenges of crises (the pandemic, war, natural disasters) affecting SMEs and entrepreneurs?
- How are governments enabling their various populations of SMEs and entrepreneurs to prepare for future shocks?
- How can governments support the mental well-being of entrepreneurs?
- What role can the OECD play in translating country experiences of crises into guidance for policy makers on reducing damage to the economy and building back better?





FOSTERING THE CONTRIBUTION OF SMEs AND ENTREPRENEURS TO THE GREEN AND DIGITAL TRANSITIONS

Given their large weight in economic value added, and their key role in communities, SMEs and entrepreneurs will be critical in the response to the climate change emergency and broader environmental imperatives, such as managing natural resources or addressing biodiversity loss. SMEs and entrepreneurs can provide diverse contributions to the green transition, such as by greening their own activities, or by introducing green innovation and creating new businesses that address environmental challenges.

SMEs' transition to sustainable business models and practices is essential for countries to achieve ambitious climate objectives, in light of their substantial environmental footprint on aggregate. SMEs also need to introduce and certify their green practices in order to compete in supply chains and markets where adoption of stricter environmental practices is mandated or expected (OECD, 2021^[21]) (see Plenary session 3: Enabling SMEs and entrepreneurs to navigate the changing global trade and investment landscape. Green start-ups also help combat climate change by developing and diffusing new environmental solutions in the economy, creating new markets and driving change in the business sector, with impacts far beyond the operations of the start-ups themselves.

Uptake of sustainable digital technologies can support the transition of SMEs to greener business models, as well as boost their competitiveness and their reach to markets and partners (OECD, 2021^[22]). Ideally, the green and digital

transitions can reinforce each other, but pursuing the two requires that existing SMEs make major investments including in technologies, data and intangible assets, behavioural changes, such as adapting management practices and organisational models, and developing their workforce skills. At the same time, new innovative green and digital firms need to obtain resources for start-up, including entrepreneurial finance and innovation-related knowledge.

Building more green and digital SMEs and start-ups is critical to the challenge of increasing the resilience of our economies to shocks and future-proofing the economy as well as enabling transition to sustainable economic development. The stakes are high. Lack of innovation and investment across the large and diverse SME population can jeopardise progress towards greening and digitalisation across the economy and have profound implications for individual business performance and survival, the performance of production networks and supply chains, and the competitiveness of national and regional economies.

DIGITALISATION IS A SOURCE OF PROFOUND TRANSFORMATIONS AND, INCREASINGLY, A BASIC REQUIREMENT FOR DOING BUSINESS ...

Over recent decades, digital technologies have come to power an increasing share of the economy, enabling businesses to facilitate their processes, tap into new markets, and innovate in goods, services and business models at an unprecedented pace (OECD, 2022^[23]^[24]) (OECD, 2021^[22]).

This trend accelerated strongly during the COVID-19 pandemic, when digital activities emerged as a fundamental condition for many firms to continue operating. Consequently, in 2020, 30-50% of SMEs across OECD countries increased their use of digital technologies in their business processes (OECD, 2021_[22]). Digitalisation has also supported many businesses to address inflationary pressures and supply chain disruptions stemming from – or amplified by – Russia’s war of aggression on Ukraine, by easing the adoption of more efficient business practices, innovative products and services, and diversified markets and suppliers. Digitalisation can therefore be seen as one means of developing resilience to shocks.

Digital technology adoption also has a wide range of other advantages for SME development. Fintech, for example, has become a powerful tool for stimulating the access of digitalised SMEs and entrepreneurs to alternative forms of financing. Peer-to-peer lending and crowdsourced equity platforms offer new financing solutions to SMEs and entrepreneurs, employing alternative data, machine learning models and digital networks for credit risk assessment and outreach to SMEs and investors (OECD, 2022_[25]).

Similarly, many service sector businesses are being transformed by the emergence of hybrid models, which combine online and offline processes, as in the case of the retail sector’s evolution towards “hybrid” retailing, integrating digital and physical sales channels (OECD, 2023_[27]). Meanwhile, manufacturing is undergoing profound changes driven by Industry 4.0 technologies (e.g. artificial intelligence, the internet of things, 3D printing, robotics, and distributed ledger technologies) (OECD, 2017_[28]), which are enhancing production flexibility and supply chain management.

Underlying these transformations is the emergence of data as a key strategic asset, where the ubiquitous use of digital tools

in business processes and transactions and the falling costs of data storage and processing technologies have made it easier for firms to collect and leverage data (OECD, 2022_[29]). Effective data governance can create unprecedented opportunities for SMEs and start-ups to scale up their business activities and grow (OECD, 2022_[30]).

Digital technologies and data are also transforming the way governments provide services to businesses, opening up large opportunities to reduce red tape, transaction costs and delays in government-business interactions, tailor content and communications to the needs of different types of businesses, and strengthen consultation processes with diverse SME stakeholders. The digitalisation of government services and their consolidation in digital one-stop shops are especially relevant for SMEs, which tend to face disproportionate difficulties in navigating bureaucratic complexity and in interacting with public administrations. The digital transformation of the public sector can also incentivise greater digital uptake by small businesses (OECD, forthcoming_[31]).

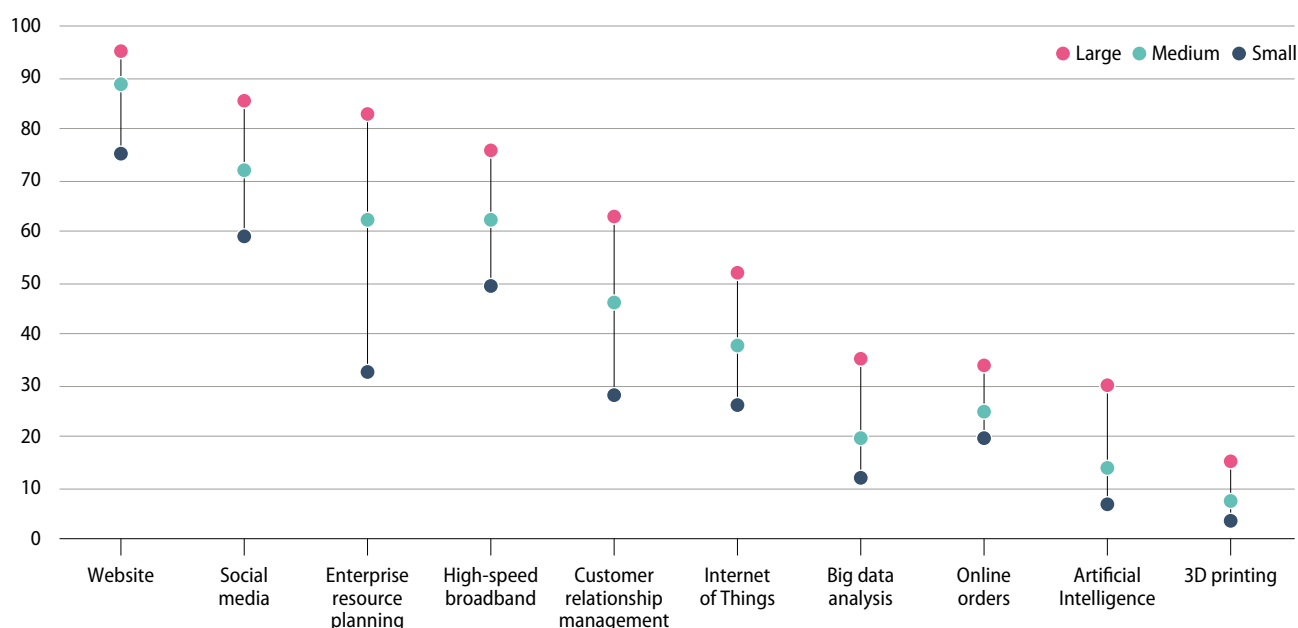
... BUT PRESENTS CHALLENGES FOR SMES AND ENTREPRENEURS

There are large differences in levels of digital literacy and maturity across the population of SMEs and entrepreneurs, and many firms are still left behind. There is evidence, for example, of a widening divide between those SMEs that have made the digital leap and others, especially among micro-enterprises, which are struggling to adapt to the digital transformation.

Furthermore, SMEs continue to lag behind larger firms in accessing and using data and digital technologies (OECD, 2022_[30]). Digital adoption is lower for SMEs than for larger firms across a wide spectrum of technologies and applications (Figure 2.3). For example, in 2021, only 20% of small



Figure 2.3. An SME gap in digital adoption exists across technologies



Note: OECD average of enterprises using respective digital technologies, 2021 or latest year available.

Source: OECD ICT Access and Usage by Business Database

There is evidence, for example, of a widening divide between those SMEs that have made the digital leap and others, especially among micro-enterprises, that are struggling to adapt to the digital transformation.

businesses used online orders compared to 25% of medium-sized firms and 34% of large ones (OECD, 2023_[27]). Moreover, twice as many large firms use cloud computing as SMEs, and the gap has widened in recent years (OECD, Forthcoming_[1]). The large-small firm gaps in adoption are especially large for applications that require more sophisticated use of data, such as “big data analysis” and Artificial Intelligence.

When adopting digital tools, SMEs in digitalisation need to put in place appropriate skills, operational systems, data governance and security packages in order to unlock their full potential, which can be challenging due to a lack of resources (OECD, 2021_[32]). Investments in digital security and data governance represent a priority for SMEs’ effective participation in the data economy. During 2020 and 2021, data breaches in small businesses, globally, jumped 152%, compared to a 75% increase in larger organisations (CXOtoday.com, 2022_[33]). In this respect, the needs of SMEs should be taken into account by governments when supporting the development of new norms

on data access and use, recognising the difficulties for SMEs to navigate complex obligations and manage liability risks.

These challenges add to longstanding, structural barriers to SME digitalisation, such as in relation to connectivity (especially for SMEs located in rural areas), access to financial resources (see Break-out session 1: Improving access to finance), and organisational and skills deficiencies (see Break-out session 2: Upskilling and reskilling SMEs and entrepreneurs to drive recovery and transformation). Fast broadband connection is crucial for firms to fully capitalise on the opportunity of the digital transformation, in particular to engage with advanced technologies such as Blockchain, Artificial Intelligence and Internet of Things (IoT). Yet, across OECD countries, only 45% of small firms have access to high-speed broadband, compared to 65% of medium-sized firms and 81% of large ones (OECD, 2021_[32]).

THE DIGITAL TRANSFORMATION CAN SUPPORT THE GREEN TRANSITION

Digitalisation is important not just for SMEs to survive and compete but is also a tool for SME greening. For example, smart grids, sensors and digital tools that track carbon emissions can help optimise resource use and energy consumption and help companies comply with sustainability requirements along their

supply chains (OECD, 2022^[34]). In addition, digital technologies that support the tracing of products and components, the transition from product supply to service supply, and the increased reuse, repair or refurbishment of equipment (e.g. IoT, blockchain, and digital twins technologies) can favour a more circular economy (ECERA, 2020^[35]).

At the same time, it needs to be recognised that there can be trade-offs, since digital technologies can have a negative environmental impact themselves, due to the amount of energy needed for their production and use and the emissions that may result. Most digital devices and technologies produce electronic waste and contain non-renewable resources that are often not recycled. Responsible digitalisation therefore needs to be encouraged in order to support and not undermine greening.

SMES ARE TAKING STEPS TO REDUCE THEIR ENVIRONMENTAL FOOTPRINT

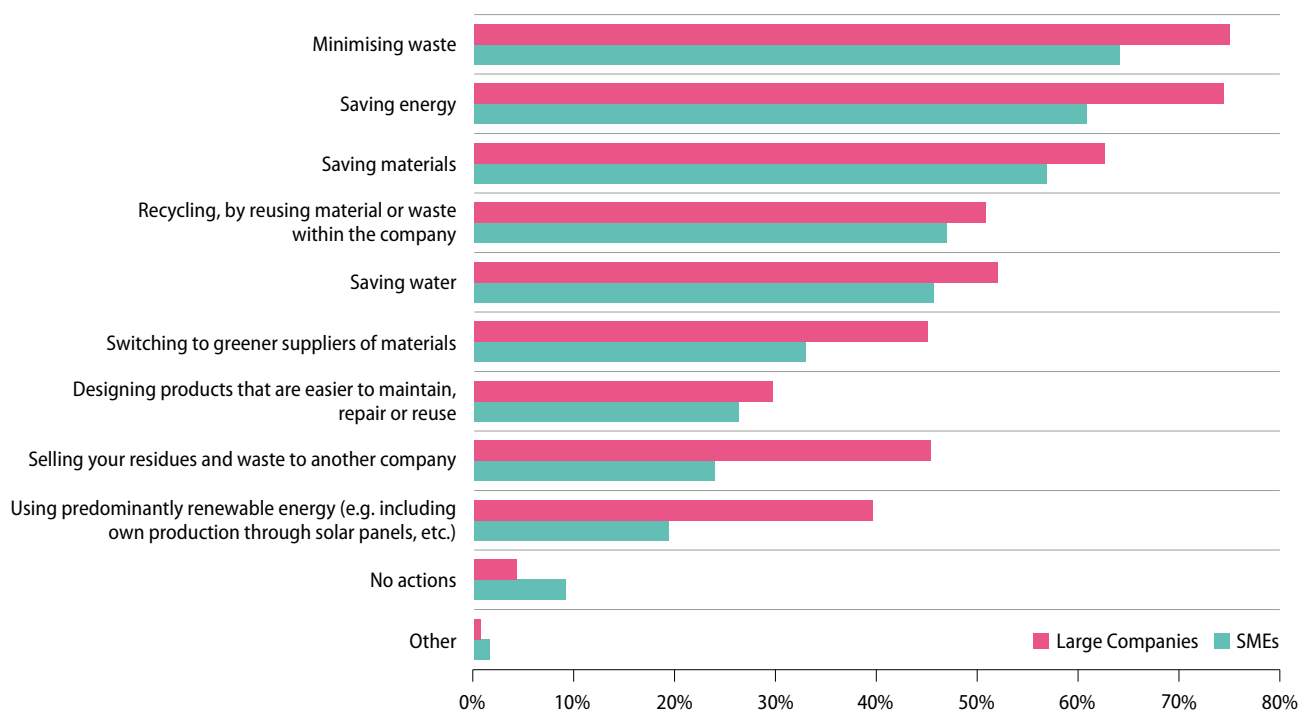
Rising energy prices, ambitious policy targets and witnessing the tangible effects of climate change, are putting pressure on SMEs to accelerate the transition to more energy-efficient and sustainable business models by designing and implementing long-term strategies and mobilising adequate resources.

Some SMEs are at the forefront of actions to reduce their environmental footprints, such as in minimising waste and saving energy, or sourcing from greener suppliers. However, overall, SMEs are less likely than large firms to have taken environmental actions (Figure 2.4) (see Break-out session 5: No Net Zero without SMEs).

It is critical that SMEs take strong actions for greening their activities if countries are to deliver on their ambitious policy commitments, notably to achieve carbon neutrality. While the environmental footprint of individual SMEs may be small, their aggregate impact is substantial. For instance, at the EU level, SMEs account for around 40% of business-driven greenhouse gas (GHG) emissions and 64% of industrial waste production (OECD, 2022^[37]) (see also Break-out session 6: No Net Zero without SMEs). Greening is also a pathway for small businesses to reduce their costs and increase their productivity. Accelerating energy efficiency in SMEs could lead to cost savings in the range of 10 to 30 percent of their energy demand, reducing exposure to energy price volatility and uncertainty (IEA, 2015^[38]).

However, a large share of SMEs face challenges to their green transition, such as a lack of information and awareness of opportunities and support options, regulatory hurdles, and

Figure 2.4. Environmental actions by firm size



Note: Chart shows responses of business to the question “which of the following actions is your enterprise taking?”

Source: (European Commission, 2021^[35])

limited access to knowledge networks, innovation assets and resources. The upfront costs of the transition are a deterrent to greening for many SMEs, especially as uncertainties related to technologies, markets and regulations can negatively affect perceived payoffs and payback periods. Small businesses also face challenges in financing their sustainability investments. There is a growing pool of finance for sustainability, driven by a search for environmentally friendly investments. For SMEs to benefit from this type of financing, it is important that they can report on the environmental performance of their portfolios. But it is equally important that the development of standards also take into account SME capacities to report on them. Lack of data and the potential costs and burdens of providing data on SMEs' environmental performance is expected to become an increasing constraint for their access to sustainable finance, and more broadly for compliance with increasingly stringent standards being imposed by large firms in their supply chains (OECD, 2022_[39]).

THERE IS STRONG POTENTIAL IN GREEN ENTREPRENEURSHIP

Green entrepreneurship also has major potential for supporting the green transition. Many start-up enterprises have introduced important eco-innovations into the market, especially in some

technology-intensive sectors (OECD, 2022_[40]). For instance, the role of fast-growing start-ups in the clean energy sector is projected to increase significantly soon, as energy technologies increasingly rely on digital and “deep-tech” advances (IEA, 2022_[41]). Despite this, green entrepreneurs face many obstacles, particularly in scaling up, due to factors such as insufficient access to finance and small domestic markets (OECD, 2022_[40]).

POLICIES HAVE A CRITICAL ROLE TO PLAY TO SUPPORT THE TWIN TRANSITION OF SMES AND ENTREPRENEURS

A policy priority for fostering the contribution of SMEs to the green and digital transition involves addressing the resource constraints that many SMEs face. Policy support can be developed for SME skills, and financing for greening and digital technology adoption. Advice and information for SMEs is also important, as well as the development of appropriate regulations.

The role of fast-growing start-ups in the clean energy sector is projected to increase significantly soon, as energy technologies increasingly rely on digital and “deep-tech” advances.





To stimulate green entrepreneurship, dedicated one-stop shops for green start-ups and specialised incubators and accelerators can help (OECD, 2022^[40]). It is also important to increase gender equality in green and digital entrepreneurship. For example, lack of digital skills and role models have been identified as compounding traditional barriers limiting female entrepreneurship in the digital space (OECD and EU, 2019^[42]) (see also Break-out session 3: Tapping into all talents: inclusive SMEs and Entrepreneurship policies).

Fostering broad SME participation in the digital and green transition also demands attention to a large variety of attributes, conditions and needs among highly diverse SMEs and entrepreneurs (Raes, 2021^[43]). Micro businesses tend to have lower levels of digital maturity and awareness about the business case for greening, as well as greater constraints in accessing skills and finance. Many smaller firms lack a digital culture, particularly at the management level (OECD, 2021^[32]). For SMEs in rural regions, lack of high quality, reliable and affordable connectivity typically represents a major obstacle to the digital shift (OECD, 2022^[34]). Better understanding of this diversity can help identify how framework policies can level the playing field and where targeted support may have the greatest impact. The OECD Digital for SMEs (D4SME) Global Initiative promotes knowledge sharing and learning amongst governments, large and small businesses, academia, and industry associations on how to enable all SMEs to seize the benefits of digitalisation.

For SMEs in rural regions, lack of high quality, reliable and affordable connectivity typically represents a major obstacle to the digital shift.

At the same time, achieving the twin transition for SMEs and entrepreneurship demands action across a broad range of policy areas. These cut across the boundaries of ministries and government agencies (e.g. taxation, competition, trade, infrastructure, environment, education, innovation) as well as across levels of government (supra-national, national, sub-national). Regulatory complexity across layers of government and lack of policy coordination can result in an increased administrative burden, which weighs disproportionality on SMEs. Strengthening policy coordination and governance, adopting an SME and entrepreneur lens early on in policy design and delivery, such as through SME Tests that assess the impact of new policies or norms on SMEs, and improving consultation processes are key to enabling SMEs and entrepreneurs to contribute to a digital and green future (see also Break-out session 5: Revisiting broad-based policies from a SME and entrepreneurship lens).

Furthermore, greater cooperation among financial institutions and governments is needed to identify effective ways to accompany SMEs on the journey to net zero. The OECD Platform on Financing SMEs for Sustainability brings together public and private actors with the aim of strengthening SME access to and uptake of finance for sustainability instruments.

POLICY CONCLUSIONS

- SMEs should take front stage in policy agendas for the green and digital transition. Longstanding gaps and emerging challenges need to be addressed in SME investments and transformations, which weigh on broader policy objectives for sustainability, resilience of productive networks and supply chains, and long-term competitiveness of national and regional economies.
- Governments should adopt an SME and entrepreneur lens to the development of measures and policies that affect the green and digital transitions, taking a people-centred approach, including consultations with diverse populations of SMEs and entrepreneurs to assess the impact of new policies and regulations. Specific attention will need to be paid to the development of multiple environmental and other disclosure requirements that may impose disproportionate costs on SMEs if developed in isolation. Governments could also consider the development of digital one-stop shops, to support administrative simplification for SMEs and entrepreneurs and tailor services and communications to diverse needs.
- Government should also ensure policy coordination across different ministries and government agencies (e.g. taxation, competition, trade, infrastructure, environment, education, innovation) and levels of government, as well as all relevant stakeholders, in order to reduce regulatory complexity and ease SMEs' participation in the twin transition.
- Policy measures should aim to improve the awareness of SMEs and entrepreneurs of opportunities from the green and digital transitions and enhance their access to support and strategic resources, such as diverse financing instruments, including sustainable finance, workforce, and management skills (including digital skills), advisory services, technology, data, and intangible assets, taking into account their diversity.
- Governments should implement measurement frameworks to monitor SMEs' contributions to the green and digital transition and assess progress over time
- Governments should promote digital and green start-ups by improving regulations, building entrepreneurial skills, and improving access to resources such as finance, skills and networks. Dedicated incubators and accelerators and one-stop shops for start-ups could form part of the package. Policy should target start-ups and potential entrepreneurs who can drive the transition, aiming at those with important potential impacts, whilst being inclusive and supporting diverse entrepreneurs.

- Policies should encourage the responsible use of digital technology in businesses, raising awareness of the environmental impact of digital devices and technologies and facilitating adoption of circular economy practices by SMEs.

QUESTIONS FOR DISCUSSION

- What public actions are needed to address the resource challenges of SMEs and entrepreneurs in their green and digital transitions, notably in access to skills, finance, knowledge, and technology?
- How can the differentiated needs, challenges, and opportunities of diverse SMEs and entrepreneurs be addressed by policy makers and regulators to enable the green and digital transition?
- How can the OECD support countries in their efforts to enable SMEs and entrepreneurs to drive and benefit from the twin transition?





ENABLING SMEs AND ENTREPRENEURS TO NAVIGATE THE CHANGING GLOBAL TRADE AND INVESTMENT LANDSCAPE

SMEs and start-ups undertaking international activities tend to have better productivity and growth performance than SMEs and start-ups in general, including in employment generation and innovation spillovers (OECD, 2019^[43]) (OECD, 2021^[5]) (OECD, 2023^[44]). While access to foreign markets is an important driver of that higher growth, integration into global value chains (GVCs) and networks of multinational enterprises (MNEs), and the associated knowledge and innovation spillovers, are also important determinants. Furthermore, internationalisation can act as a source of resilience. Although SMEs operating in GVCs were highly exposed to the immediate impacts on supply chains from COVID and Russia's war of aggression, they also recovered faster (OECD, Forthcoming^[1]), (Giglioli et al., 2021^[45]), (Constantinescu et al., 2022^[46]).

As suppliers, internationalised SMEs and start-ups also have critical roles to play in the development of more resilient, sustainable, and circular GVCs (see section: Strengthening SMEs' and entrepreneurs' resilience to future crises and shocks) and in the digital and green transitions (see Fostering the contribution of SMEs and entrepreneurs to the green and digital transitions. Moreover, SMEs may be particularly well placed to support the deployment of circular models, due to their greater reactivity, local footprint, and proximity to end markets. Anecdotal survey evidence shows that most of the firms providing and trading services in the circular economy in Finland are indeed "global" SMEs (Tamminen et al., 2020^[47]).

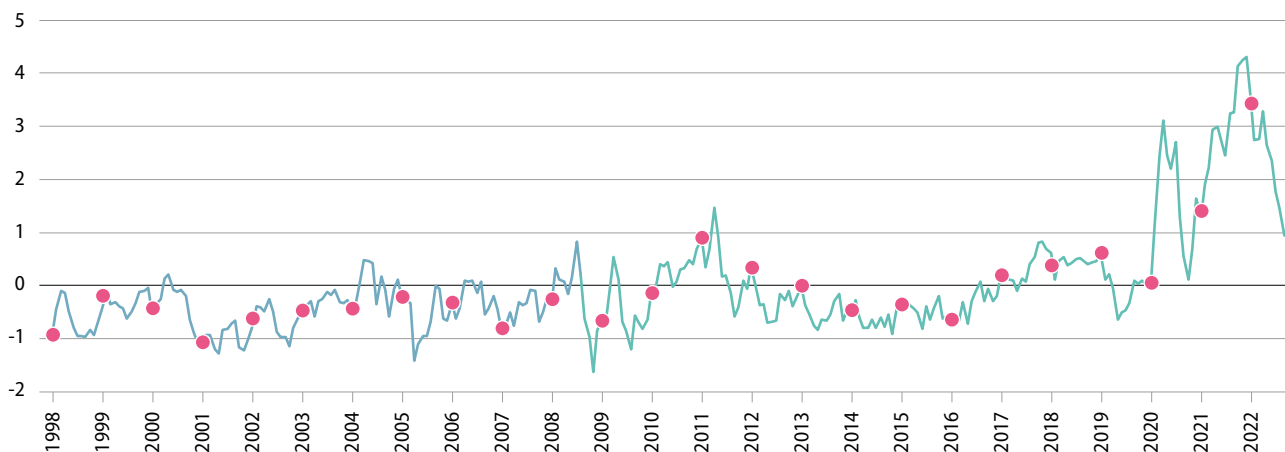
Internationalised SMEs and start-ups can also attract quality inward foreign direct investment (FDI) to sub-national regions and are necessary components of FDI-SME ecosystems that support regional development (OECD, Forthcoming^[1]) (OECD, 2022^[48]). Moreover, foreign affiliates are less likely to disinvest in regions where they have already developed strong and reliable customer/supplier relationships, especially those that align with environmental, societal and governance (ESG) or responsible business conduct (RBC) standards, not least as these also impact on MNE reporting.

SMEs AND START-UPS FACE BARRIERS TO INTERNATIONALISATION

While a few start-ups are "born global", and a significant minority of SMEs export, there are substantial gaps with large firms in the extent of their international activities. Across the OECD, between 5% and 40% of SMEs in industrial activities export directly for example, compared with virtually all large industrial firms (OECD, 2019^[43]). The gaps partly reflect barriers in the internal capacities of SMEs and start-ups as well as barriers external to the firm that disproportionately affect SMEs and start-ups compared to large firms. There are also significant gender differences, with only 11% of women-led firms exporting compared with 19% of men-led firms (OECD, Forthcoming^[1]). Whilst these differences can be partly explained by sector differentiation, significant gender gaps remain after accounting for sector, pointing to equally significant untapped opportunities of internationalisation.

Figure 2.5. **Global supply chain conditions may have returned to normal after a massive setback**

Global supply chain pressures index (GSCPI), standard deviation from average value, Jan 1998-Feb 2023



Note: the GSCPI is a composite index based on two sets of data. Global transportation costs are measured by using data on ocean shipping costs (the Baltic Dry Index (BDI), the Harpex index and BLS airfreight cost indices for freight flights between Asia, Europe, and the United States), and supply chain-related components are drawn from Purchase Manager Index (PMI) surveys—"delivery times," "backlogs," and "purchased stocks"—for manufacturing firms across seven interconnected economies: China, the euro area, Japan, South Korea, Taiwan, the United Kingdom, and the United States.

Source: (OECD, Forthcoming_[1]) based on (Federal Reserve Bank of New York, 2022_[50])

A number of internal capacity issues can constrain SMEs and start-ups in engaging in international trade and GVCs. These include access to managerial skills, technology, and innovation assets, difficulties finding markets and partners abroad, and difficulties financing international expansion (OECD, 2019_[43]). Furthermore, even when SMEs do participate in value chains, the extent to which their GVC integration translates into upgrading of their efficiency, quality or products and services depends on various factors, including their sector and activities, their position in global production networks, the nature of their inter-firm linkages and the mode of governance of the GVC (OECD, 2023_[44]).

SMEs and start-ups are also differentially affected by weaknesses in the external environment for business, including access to trade finance, the quality of logistic services and infrastructure, and regulatory complexity, including international standards and behind-the-border rules. For example, the fixed costs related to collecting information on diverse regulatory requirements across different countries, adapting products accordingly, and demonstrating compliance through conformity assessment processes are comparatively higher for smaller scale producers (OECD, 2017_[49]) (OECD, Forthcoming_[1]). Trade facilitation reforms can therefore deliver similar benefits to SMEs, in particular through automation, and easing procedures and reducing delays at borders, especially for women-led firms that tend to be smaller and where reduced border procedures also reduce opportunities for harassment.

RECENT GLOBAL SHOCKS HIGHLIGHT THE NEED FOR GREATER SUPPLY CHAIN RESILIENCE

The COVID-19 pandemic and Russia's war of aggression against Ukraine created important strains in global supply chains (Figure 2.5). Various local shocks, including natural disasters, extreme weather, pandemic, wars, terrorism and political instability, and cyberattacks, have added to these concerns because of significant global ripple effects. These affect a large population of SMEs as suppliers and end-users, with SMEs accounting for 39% of exports and 46% of imports in value-added terms across OECD countries in 2020. According to the OECD-Meta-World Bank Future of Business Survey 2022, six out of ten SMEs reported supply chain problems in 2021, including high shipping costs and supply delays (OECD, Forthcoming_[1]).

These developments have revealed vulnerabilities in how GVCs are designed and rekindled a debate about the resilience of GVCs ([C(2023)31/REV1]). Today's GVCs have been shaped in a context of relatively stable conditions, based on an underlying logic of minimising costs. However, recent disruptions including impacts on information flows across supply chains, delays in receiving supplies, and vulnerabilities to cyber-attacks, are testing that logic.

Today's GVCs have been shaped in a context of relatively stable conditions, based on an underlying logic of minimising costs.



Even before the COVID-19 pandemic, there were signs of a slowdown in the pace of global fragmentation of production through more disintegrated supply chains (OECD, Forthcoming_[51]). For each dollar of output in the world, there has been less trade in intermediate goods and services, while GVCs have been becoming shorter (Miroudot and Nordström, 2019_[51]). A number of trends are in play in these developments. They include the growth of services sold alongside manufactured products and included as inputs to manufacturing, and the growing share of intellectual assets in value creation often favouring reshoring to advanced economy locations. Additional influences include increased digitalisation of production, political tensions and growing economic nationalism, and environmental concerns about supply chain sustainability and decarbonisation. These new developments, as well as a greater appreciation of potential economic and political shocks in long and fragmented GVCs, have heightened reflections on GVCs that build in greater resilience and sustainability, and in turn, shorter more localised or regional GVCs.

GVCs are diverse, and potential restructuring strategies can take many forms. Possible trajectories for reconfiguration include reshoring, diversification, and regionalisation (Zhan et al., 2020_[52]), each having differing impacts on SMEs. Indeed, there is no one size fits all approach to managing supply chain risk and the implications of GVC reconfiguration for SMEs and start-ups vary. For example, adaptation could require further SME digital technology adoption (e.g. better monitoring of supply chains, flows and traceability, easier and cheaper exchange of information between actors along the chain, more transparency in contracts and certification, secure

transactions etc.), or changes in production processes (e.g. by substituting materials and components with new materials such as 3D printed or green inputs). Increasing supply chain resilience may also transform SME relationships with MNEs from transactional to cooperative, increasing the chances of knowledge spillovers for SMEs that are in, but increasing the technological lag of SMEs that are out. Or it may reinforce FDI-SME linkages within strong local FDI-SME ecosystems as well as the interconnections between different regional FDI-SME ecosystems with complementary GVCs (Miroudot and Nordström, 2019_[53]) (Anràs, 2020_[54]), whilst potentially leaving a number of regions and SMEs behind in the transition.

Some countries, are developing reshoring strategies at the national or territorial level, as a way of reducing dependence on third countries, preserving sovereignty in strategic areas, or supporting local employment (OECD, 2021_[5])⁴, with benefits for domestic SMEs in, and as upstream suppliers to, those strategic areas; but with implications for SMEs in other countries that may have previously integrated into now reshored supply-chains, and also potential implications on broader international competitiveness and productivity.

Many governments are also aiming to reinforce the positioning of their SMEs in GVCs by helping them access new markets abroad and diversify their global integration patterns with financial, training and advisory support services. There is also room for policy to improve SME awareness in supply chain compliance, where SMEs may also have sized-related challenges in complying with standards. For example, an EU-funded advisory service helps SMEs with minerals and metals due diligence procedures in

4. Reshoring policies target either national companies that have offshored part or all their production; foreign companies with an interest in locating their activities in the territory; or local companies aiming to support import substitution (OECD, 2021_[5]).

Many governments are aiming to reinforce the positioning of their SMEs in GVCs by helping them access new markets abroad and diversify their global integration patterns with financial, training and advisory support services.

their supply chains through the creation of a portal where SMEs can have access to webinars and other training materials and tailored advisory services. Another approach in Canada has been developed with the recent implementation of a “Responsible Business Conduct Abroad Canada’s Strategy for the Future”. Supporting SMEs and entrepreneurs to strengthen (and start reporting on) their ESG and RBC performance will facilitate their insertion into GVCs. It can also help SMEs to have better control over their supply chains and comply with the growing due diligence requirements of their (larger) partners (OECD, 2021^[55]) (see also Break-out session 1: Improving access to finance and Break-out session 6: No Net Zero without SMEs).

In addition to national government actions, creating a supportive environment for the participation of SMEs and start-ups in GVCs can also leverage on subnational level support to build healthy regional FDI-SME ecosystems. This requires cooperation across diverse institutions and agencies and across a number of policy areas, including investment promotion, trade and investment facilitation, intellectual property (IP) protection, contract enforcement, innovation and industrial policies, and targeted SME and entrepreneurship. This implies the need for strong coordination and multilevel governance arrangements in this area (Kergroach, 2019^[56]) (EC/OECD, 2022 forthcoming^[57]) (OECD, 2022^[58]).

POLICY CONCLUSIONS

- Governments and partners (including chambers of commerce, business associations, investors and others) should work together to support SMEs and start-ups to overcome internal capability constraints in internationalisation of their activities, such as in finding markets and partners abroad, and financing international expansion.
- Governments should improve SME access to information on technical regulations and standards underpinning trade, including through digital one stop shops, cooperate internationally to align administrative procedures that constitute obstacles to SME trade, and take more account of the SME perspective in the development of the rules-based international trade system.
- Governments should support the globalisation of start-ups with relevant policy measures such as targeted export support, training for internationalisation, and participation in international incubator and accelerator networks.
- Governments should seek to strengthen those FDI-SME linkages that provide opportunities for knowledge and technology spill overs to domestic SMEs and to strengthen sustainable value chains. Relevant tools include programmes that foster strategic partnerships, value chain linkages and labour mobility between MNEs and local SMEs, strengthening intellectual property regimes for SMEs and SME-sensitive application of supply chain legislation.
- Governments should foster innovation and digital technology adoption by SMEs and start-ups that can facilitate trade and global value chain participation, including data, tools and practices for digital supply chain management and knowledge exchange, e-commerce, and access to digital marketplaces.
- Governments should facilitate the SME adoption of RBC and ESG considerations, in line with OECD standards. This involves strengthening SME capacities in these areas and phasing-in adapted reporting requirements to help SMEs integrate resilient, sustainable and circular supply chains.

QUESTIONS FOR DISCUSSION

- What are the main challenges of GVC reconfigurations for SMEs and entrepreneurs? And how could they best prepare for new global market rules?
- What policies and support mechanisms can foster SME integration into more sustainable, responsible, and circular value chains, such as trade facilitation, trade finance and export and matchmaking services?
- How can governments help SMEs navigate regulatory and behind-the-border barriers to trade, as well as meet the ESG and RBC standards for value chain participation? How can the OECD support?
- How can public policies raise the attractiveness of territories for hosting value chains, create resilient FDI-SME ecosystems and link them across regions and borders with complementary ecosystems and GVCs?

3

IN-DEPTH FOCUS ON THE ENABLERS – BREAK-OUT SESSION NOTES





Break-out session I: IMPROVING ACCESS TO FINANCE

ISSUES, TRENDS AND CHALLENGES

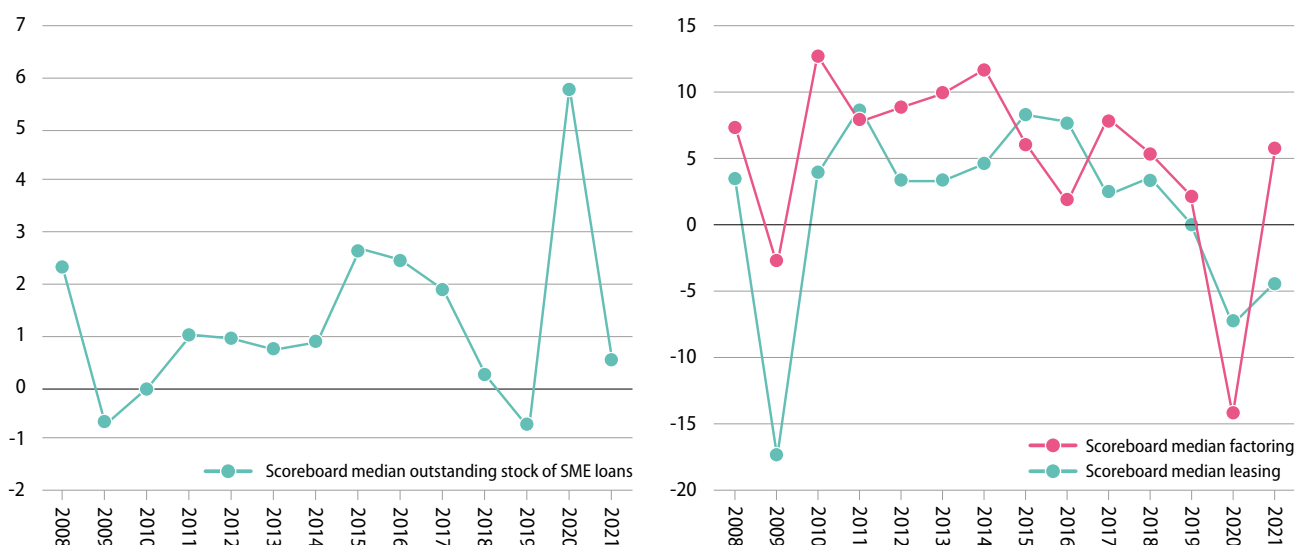
Access to finance is a critical enabler for SMEs to start operations, invest and grow, withstand shocks, transition to the green and digital economy and participate in supply chains. Yet many SMEs face problems obtaining bank finance. Furthermore, most sources of finance beyond straight bank debt are at the reach of only a small share of SMEs, especially in economies where private capital markets are thin and SMEs lack the scale, knowledge and skills to access alternative

sources of finance. Nevertheless, recent years have seen strong progress in the advancement of alternative forms of finance, the crisis year of 2020 notwithstanding.

In 2020 and 2021, SME finance policy developments were mainly shaped by the COVID-19 pandemic. Strong support from governments bolstered SME finance in 2020, in particular debt finance. The year 2021 saw a gradual return to pre-crisis trends, with a drop in lending and the pick-up of alternative finance (Figure 3.1).

Figure 3.1. SME financing trends 2008-21

Median growth, as a percent, outstanding stock of SME loans (left), leasing and factoring (right)



Source: OECD 2023 SME Financing Scoreboard Highlights, https://www.oecd-ilibrary.org/finance-and-investment/oecd-financing-smes-and-entrepreneurs-scoreboard-2023-highlights_a8d13e55-en.

Furthermore, financial technologies (Fintech) have continued to develop in recent years, demonstrating their ability to improve the reach and delivery of SME finance. Across both high-income and middle-income economies, the use of online banking has continued to spread, both in traditional banks that offer an increasing number of services online, and through the proliferation of fully online banks. The use of digital credit scoring methodologies has also been growing, while collateral registries and credit bureaus have increasingly gone online, making financial information easier to access. Fintech platforms, such as those dedicated to peer-to-peer lending and crowdfunding, have also seen rapid growth in recent years.

Harnessing SME finance to achieve structural change is a growing priority for governments. Finance is essential for investments in net zero, but SMEs face challenges in tapping into the growing pool of sustainable finance (OECD, 2022^[114]). The market for sustainable finance is growing rapidly, with several sustainable finance instruments offered by public and private actors. Likewise, large multinational enterprises play an increasing role in providing finance to

The market for sustainable finance is growing rapidly, with several sustainable finance instruments offered by public and private actors.

support their suppliers' greening efforts. By one estimate, sustainable lending alone reached over USD 300 billion in 2021, accounting for more than 10% of total business lending (Kim et al., 2021^[122]). Yet more than a quarter of SMEs surveyed cite finance as one of the top constraints to climate action. Finance is likely to present an even larger challenge for SMEs going forward, as financial institutions seek to comply with mandatory environmental reporting requirements.

POLICY IMPLICATIONS

Against the backdrop of these recent trends, macro-economic developments in 2022 and 2023 are likely to weigh on both debt and non-debt financing for SMEs. Persistently high inflation and rising interest rates, in the context of already fragile liquidity positions, are hampering SMEs' capacity and willingness to invest. Going forward, the policy landscape needs to respond to both structural issues and to this new set of challenges negatively impacting the trajectory of SMEs' recovery, and in some cases threatening their survival.

In addition to continued targeted support, government efforts should focus on strengthening the resilience of SME financing, in particular by pursuing diversification of financing instruments, sources and channels. This will help to reduce the vulnerability of SMEs to changes in credit market conditions, strengthen their capital structure, seize



growth opportunities and boost long-term investment. Public support needs to be responsive and adaptable in addressing the liquidity constraints of SMEs; in reducing the social and economic consequences of crisis; and in ensuring that otherwise viable businesses can survive.

Governments need to place greater efforts on better understanding the differentiated needs of different types of SMEs. There has been a growing demand by policy makers for more disaggregated information on SME access to finance, in order to strengthen the evidence base and design policy responses tailored to different business needs, for example at regional or sector level, or based on the gender of the business owner. These issues warrant additional attention in the context of efforts to improve demand- and supply-side data collection on SME finance.

Governments should better leverage financial technologies (Fintech) and Fintech institutions to strengthen the efficiency of allocation of finance, reach underserved segments and regions, and improve affordability of finance for SMEs. In contexts characterised by high information asymmetries, Fintech can be a powerful tool for financial inclusion, by leveraging the speed, security and transparency of digital technologies.

Likewise, governments should mobilise SME finance to achieve important structural transitions, in particular the green transition. Governments have an important role to play in crowding in private sector financing for SMEs, through the provision of credit guarantees for green or sustainability-linked lending, and by supporting the provision of equity finance for innovative green ventures through intermediaries and partnerships. Financial support should go hand in hand with broader measures to raise awareness and stimulate demand for sustainable finance in order to strengthen SME awareness about the steps towards net zero and provide the necessary tools that can enable them to embark and stay on the journey. Mobilising all actors in the sustainable finance ecosystem is important to accompany SMEs effectively. The *OECD Platform on Financing SMEs for Sustainability* provides such a global forum to advance knowledge and cooperation in this area.

The new *OECD Recommendation on SME Financing*, building on the 2022 Updated G20/OECD High-Level Principles on SME Financing, provides important guidance in all these areas. The Recommendation emphasises the need to strengthen SME access to traditional bank financing, while also promoting

non-bank finance. It can apply to different economic, social and regulatory environments. It provides broad guidelines for the development of cross-cutting policy strategies, policy benchmarking and the assessment of initiatives on SME financing at the local, national and international levels. The Recommendation also aims to encourage dialogue, exchange of experiences and coordination, including regulatory coordination, among stakeholders in SME finance, including policy makers, financial institutions, research institutions and SME management.

QUESTIONS FOR DISCUSSION

- How can SMEs strengthen their financial positions to face future shocks, and what enabling actions and framework conditions should governments put in place?
- How can SME financing be leveraged to achieve major structural transitions such as the journey to net zero and the digital transition?
- How can the OECD support countries in the implementation of the OECD Recommendation on SME Financing?





Break-out session 2: UPSKILLING AND RESKILLING SMEs AND ENTREPRENEURS TO DRIVE RECOVERY AND TRANSFORMATION

ISSUES, TRENDS AND CHALLENGES

Skills underpin the competitiveness and resilience of SMEs and entrepreneurs. Yet SMEs and start-ups face many barriers in obtaining, developing and retaining skilled workers. SMEs are often less attractive for highly-skilled workers, since they frequently offer lower salaries and fewer opportunities for continued skills and career development than larger firms (OECD, Forthcoming_[1]). SMEs also tend to have more limited resources than larger firms to train employees. For example, missing an employee for a few hours can be more prejudicial to a firm with fewer employees. Evidence from the European Union's Continuing Vocational Training Survey (CVTS) shows that SMEs struggle to upskill and reskill their workers, and that in many countries, relatively few SME employees have access to Continuing Vocational Training (education or training activities which are financed in total or partly by enterprises) compared to employees working in larger firms (Figure 3.2).

The consequences of these structural challenges for SMEs and start-ups are highlighted by recent developments. Many labour markets in OECD countries are currently experiencing acute skills shortages, and SMEs and start-ups are less likely than larger firms to have the capacities to respond, for example by re-organising or outsourcing activities, or increasing automation.

Furthermore, the digital and green transitions require new skills. However, SMEs often lack these skills and the

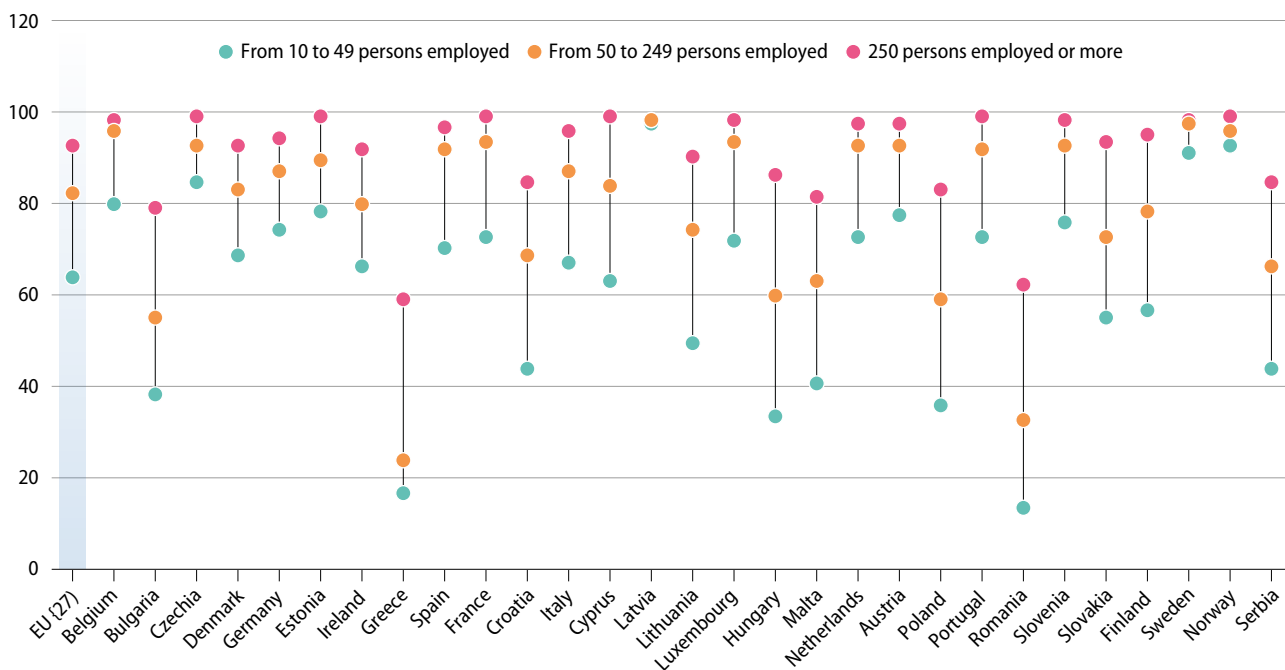
capacities to develop them (OECD, Forthcoming_[1])(OECD, 2022_[63]). In the area of digital skills, only half of medium-sized firms and less than a quarter of small firms in some OECD countries train their (non-ICT-specialist) employees to use ICT, compared with 9 out of 10 large firms (OECD, 2021_[32]). Often, this stems from a lack of digital culture and capacity to handle information about the existence, and potential, of new digital technologies in small firms rather than a lack of financial resources for investment in training. Management can be resistant to change, unaware of the digital solutions that might suit their needs, or unsure about what to pick within a large and variegated offer. For example, Customer Relationship Management (CRM) software can offer significant benefits to a small business, but its correct implementation requires appropriate staff upskilling and process improvement (OECD, 2021_[71]).

Furthermore, in order to adopt digital technologies, SMEs also need transversal skills. For instance, OECD analysis of the skills bundles demanded in artificial intelligence (AI)-related job postings, shows that, alongside technical and digital skills (e.g., skills related to open-source programming, management of big data and data analysis, machine learning and robotics), there is growing demand for transversal soft skills (project management,

The acute skills shortages currently observed in labour markets across OECD countries may affect SMEs and entrepreneurs disproportionately.

Figure 3.2. Firms providing Continuing Vocational Training in the EU

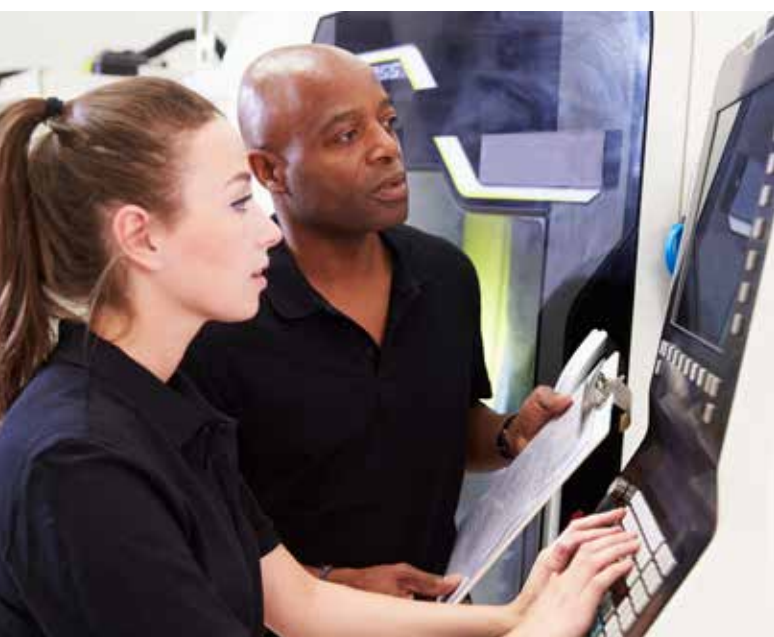
Percentage of enterprises in EU countries providing Continuing Vocational Training by size, in 2020



Source: (Eurostat, 2020_[61])

communication skills, creativity, teamwork collaboration) (Samek, Squicciarini and Cammeraat, 2021_[64]). According to the World Economic Forum, problem solving, critical thinking, and creativity are amongst the top ten skills that will be needed by 2025 (World Economic Forum, 2020_[65]). In addition, management and leadership skills will be a strong requirement for SMEs to anticipate needs and embed digital tools.

The green transition will also increase the demand for certain skills. It will affect almost all business sectors and will require businesses to adjust by adapting their processes and products, complying with regulation, addressing new supply chain requirements, or soliciting access to finance for sustainable projects. This will require not only data management, financial literacy, and green-related technical



skills but also more transversal skills (such as management, problem-solving, communication and negotiation skills as well as adaptability and creativity) that would enable workers to deal with changing environments and manage conflicting interests (OECD, Forthcoming_[1]). SMEs are often at a disadvantage compared to larger firms in this respect, often lacking the ability to anticipate and train workers (for more information see Break-out session 6: No Net Zero without SMEs).

POLICY IMPLICATIONS

Governments should help SMEs and entrepreneurs to attract and train more skilled workforces and to continuously upskill and reskill in the face of ongoing transformations affecting skills needs, including the digital and green transitions.

SMEs and entrepreneurs cannot always bear the cost of internalising integrated skills bundles. Therefore, policies should also support SMEs' access to skills and research developed by local knowledge providers (universities, research centres, accelerators and incubators, competence centres, digital hubs etc.). These knowledge institutions are pioneers that can help SMEs upskill and reskill their human capital. With the help of national and regional governments, universities are also investing in incubation and acceleration facilities and mentoring and networking activities to train the next generation of young entrepreneurs and upskill SMEs with a focus on digital technologies (OECD, 2022_[66]). For example, through their acceleration facilities, Tecnológico de Monterrey

and University of Anahuac in Mexico offered courses for SMEs on emotional intelligence and stress-management during the pandemic (OECD/IDB, 2022_[67]), while Memorial University of Newfoundland in Canada offers SMEs ICT training (artificial intelligence, and cybersecurity).

It is also important to generate more transversal skills for SMEs. This can be supported by tailored continuous vocational training programmes adapted to SMEs' time and financial constraints. Furthermore, HEIs could be also involved in adult and life-long learning programmes promoting entrepreneurship, especially in connection with local comparative advantages and innovation capabilities.

QUESTIONS FOR DISCUSSION

- What does it take to adopt a holistic policy approach to SME and entrepreneurs' skills, which positively affects their performance and resilience?
- How can relevant players in the SMEs' and entrepreneurs' networks and communities, including education, research and training entities, better work together to support upskilling, reskilling, and talent services?
- What can the OECD do to support governments in reskilling and upskilling SMEs?





Break-out session 3: TAPPING INTO ALL TALENTS: INCLUSIVE SMEs AND ENTREPRENEURSHIP POLICIES

ISSUES, TRENDS AND CHALLENGES

Entrepreneurship and business development continues to be hampered by inequality of opportunities. While many people are interested in becoming an entrepreneur, not everyone has the same opportunity to start a business. Data sourced from the Global Entrepreneurship Monitor show that about 7% of the overall adult population (18-64 years old) were actively trying to start a new business between 2016 and 2020, but that this share varied greatly by personal characteristics such as gender, age and whether they were born in the country they reside in (OECD/European Commission, 2021_[6]). For example, women were about 60% as likely as men to be involved in business creation. If the gaps in activity rates across the population were closed (i.e. if everyone was as active in business creation as 30-49 year old men), there could be 35 million more entrepreneurs across OECD countries. About three-quarters of these “missing” entrepreneurs are women (OECD/European Commission, 2021_[6]). Moreover, businesses started by people from under-represented and disadvantaged groups appear to be smaller and less likely to grow. Self-employed women for example are 60% less likely than self-employed men to have employees.

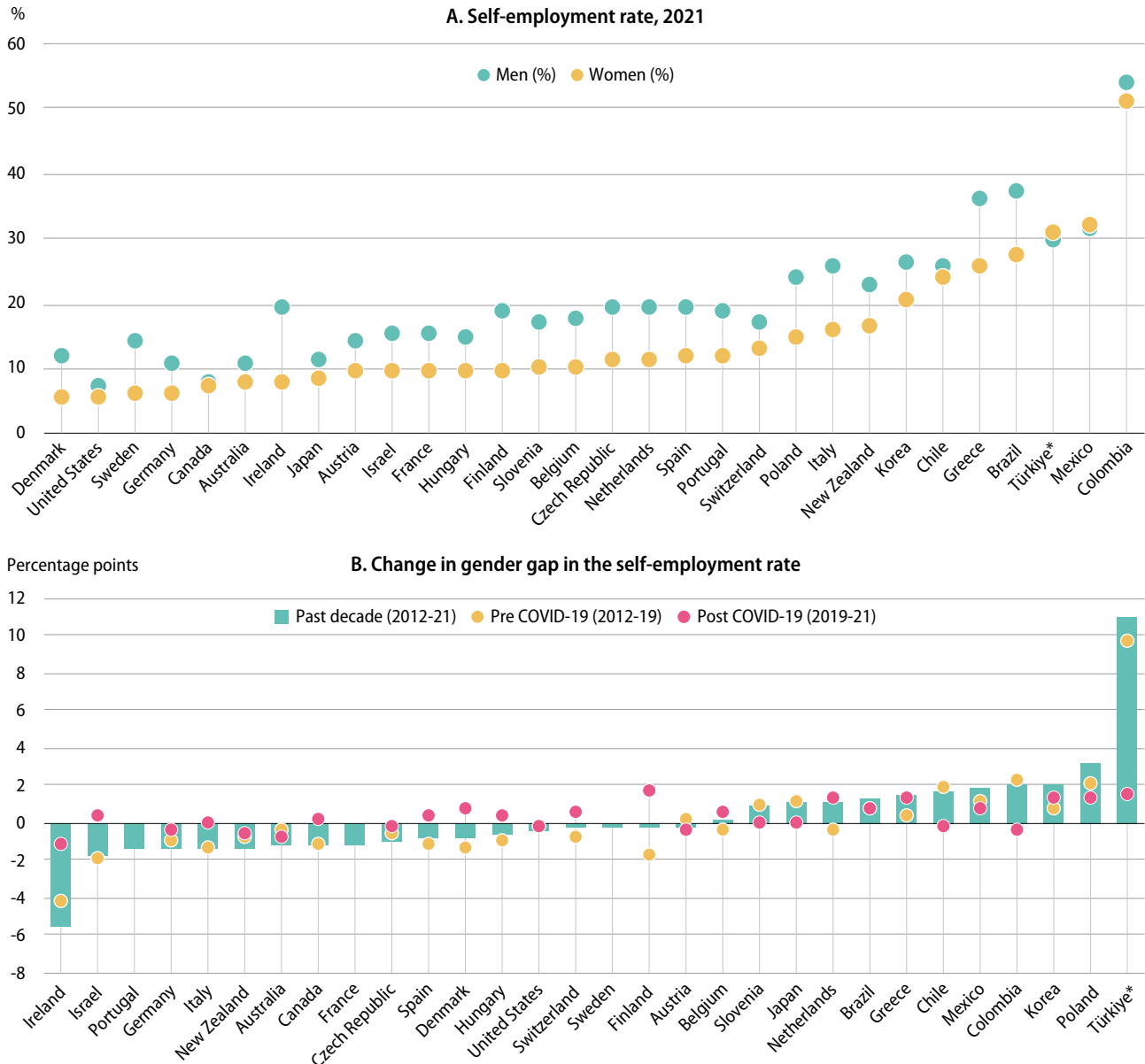
There are several causes of these entrepreneurship gaps. One important factor is the number and scale of obstacles faced in business creation by people in under-represented and disadvantaged groups. These obstacles are commonly

in the areas of institutional barriers (e.g. social attitudes), difficulties accessing to finance, a lack of entrepreneurship skills, and small or ineffective networks. Many of these barriers are inter-related and impact entrepreneurs’ ambitions and the performance of their business. Women, for example, are 60%-70% as likely as men to expect that their business would create 20 jobs or more over the next five years (OECD/European Commission, 2021_[6]).

Progress has been made to “level the playing field” in entrepreneurship in recent decades but the COVID-19 pandemic has undone some of this success. For example, the gender gap in the self-employment rate has closed in the majority of OECD countries over the past decade but increased in about half of OECD countries since 2019 (Figure 3.3). This reversal is largely explained by sector effects as there was a higher concentration of female led-businesses operating in the hardest hit sectors (e.g. Personal services, Accommodation and food services, Arts and entertainment, Retail Trade) (Graeber, Kritikos and Seebauer, 2021_[67]) (OECD/European Commission, 2021_[6]). A number of other factors also played a role including increased household responsibilities

Businesses started by people from under-represented groups appear to be smaller and less likely to grow. Self-employed women for example are 60% less likely than self-employed men to have employees.

Figure 3.3. The closing of the gender gap in entrepreneurship reversed in many countries due to the COVID-19 pandemic



Note: The self-employment rate is defined as the share of the working population who work as a self-employed workers. Data for Türkiye are for 2020 in both panels.
Source: (OECD, 2023_[70])

taken on by women entrepreneurs (e.g. home-schooling) and greater difficulties accessing support programmes for businesses during the early stages of the pandemic (OECD/ European Commission, 2021_[6]).

Entrepreneurship is also constrained by difficulties in transferring businesses between owners. This is a major issue for small businesses owned and managed by seniors and family members who wish to retire or stand down. Without a mechanism to transfer the business to new owners,

firm-specific capital may be lost and people discouraged from becoming entrepreneurs, either because of lack of opportunities to take over existing business models or because of concerns about being able to access the value of the business on retirement. Some of the businesses could be taken over by people from under-represented or disadvantaged groups in entrepreneurship – including young people – with appropriate packages of public support, including skills development, mentorship, advice and finance, with benefits both for the economy and inclusion.

POLICY IMPLICATIONS

The gaps in entrepreneurship activity are costing economies in missed opportunities for job creation, growth and innovation. For example, if women started and scaled businesses at the same rate as men, up to CAD 150 billion (EUR 105 billion) could be added to the Canadian economy (ISED, 2022_[68]) and up to GBP 250 billion (EUR 293 billion) to the United Kingdom's economy (Rose, 2019_[69]).

Many governments have responded with inclusive entrepreneurship policies that aim to ensure that all people, regardless of their personal characteristics and background, have opportunities to create and manage businesses by (OECD/European Commission, 2021_[6]):

- Ensuring that people in these groups are aware of the potential that entrepreneurship may have for them as a labour market activity and to build motivations for pursuing them.
- Addressing market, institutional and behavioural failures that disproportionately affect people in under-represented and disadvantaged groups.
- Approaches to inclusive entrepreneurship policy vary greatly across countries according to political priorities, cultural attitudes towards inclusion and equality, budget allocations for entrepreneurship policy and approaches to active labour market policy. Nevertheless, common features of inclusive entrepreneurship policy as developed since the 2008-09 financial crisis have been identified. However, many inclusive entrepreneurship policies share common features, including the increased use of dedicated coaching and mentoring schemes and greater investment in dedicated support measures for growth-oriented businesses operated by people from under-represented groups.

Despite the strengthening of inclusive entrepreneurship policy, more action is needed from governments to unleash the untapped entrepreneurial potential across the population to uncover new ideas, create jobs and contribute to economic growth. This involves mainstream entrepreneurship programmes becoming more inclusive. This will require reviewing selection and in-take mechanisms to reduce any biases that may not appropriately account for differences in businesses operated by different groups. For example, women are often excluded from growth-oriented support programmes because women-owned businesses are often

smaller than those operated by men and operate in low-growth sectors. It is also important to increase diversity within the policy development process and among entrepreneurship support organisations.

Strengthening policy frameworks for inclusive entrepreneurship, especially for women's entrepreneurship is also critical. Policy frameworks are important because they establish guidelines to inform the design of programmes and other activities, such as mechanisms to collect gender disaggregated data to inform decisions and monitor resources associated with programming (Henry, Coleman and Lewis, 2023_[71]). Actions for government include investing more in data collection, monitoring indicators and policy evaluation to better-understand the need for policy interventions and working with more diverse policy stakeholders to set policy objectives and design measures.

Finally, the use of dedicated entrepreneurship support schemes could be increased, for example in the areas of financing, training and advice for women and youth entrepreneurs and other groups where there is sufficient demand. Evaluations typically find that dedicated support schemes have higher take-up rates, high satisfaction levels and more positive outcomes than general support schemes (OECD/European Commission, 2021_[6]; OECD/European Union, 2016_[73]). Priority areas of action include increasing the supply of microfinance, public procurement schemes, using training and coaching to address skills gaps for women and youth, strengthening support for senior entrepreneurs and adapting support schemes for immigrant entrepreneurs to their changing profile (OECD/European Commission, 2021_[6]) as well as support for business transfer.

QUESTIONS FOR DISCUSSION

- How can governments address the biases and barriers to entrepreneurship in framework conditions and better tailor dedicated support schemes?
- How can governments better target entrepreneurs who are seeking support?
- How can governments build and maintain a stronger pipeline of future women entrepreneurs, notably for those with growth-oriented and innovative businesses?



Break-out session 4: REBOOTING START-UP AND SCALE-UP POLICIES TO EXPLOIT AND CREATE NEW OPPORTUNITIES

ISSUES, TRENDS, AND CHALLENGES

A healthy stream of start-ups and scale-ups is central to a dynamic economy, because substantial levels of value creation, job creation and innovation take place within these firms (Bravo-Biosca, 2010_[74]) (Criscuolo, Gal and Menon, 2016_[75]) (OECD, 2019_[76]). Business start-ups, i.e. firms aged 5-years old or younger, have been estimated to account for around 20% of employment and create almost half of new jobs (Calvino, Criscuolo and Menon, 2016_[77]). These start-ups can stimulate economic growth by introducing novel products, services and business models, as well as spark competition within industries, particularly if they undertake innovation, have good survival prospects and a growth orientation (OECD, 2021_[5]) (Kritikos, 2014_[78]).

Although they represented only 13-15% of SMEs, scale-ups contributed as much as 47% to 69% of all new jobs by SMEs between 2015 and 2017 across a range of OECD countries (OECD, 2021_[79]).⁵ Moreover, those scale-ups that grow faster than 20% annually (one-third of all scalers) accounted for over half of the jobs created by all scalers.

While the start-up and scale-up populations are related, they do not necessarily form part of a continuum. In general, start-ups are more likely than SMEs to scale up and are often

seen as the future scalers. But not all scale-ups were start-ups when they scaled up. Most of them were in fact mature firms before embarking on their growth journey. Furthermore, most start-ups do not scale. Indeed, many close within their first few years of life. Survival rates on average are only just above 60% after three years from entry (Figure 3.4). Survivals then drop to about 50% of starters after five years, and to just over 40% after seven years, with the probability of exiting being highest when businesses are two years old (Calvino, Criscuolo and Menon, 2015_[80]).

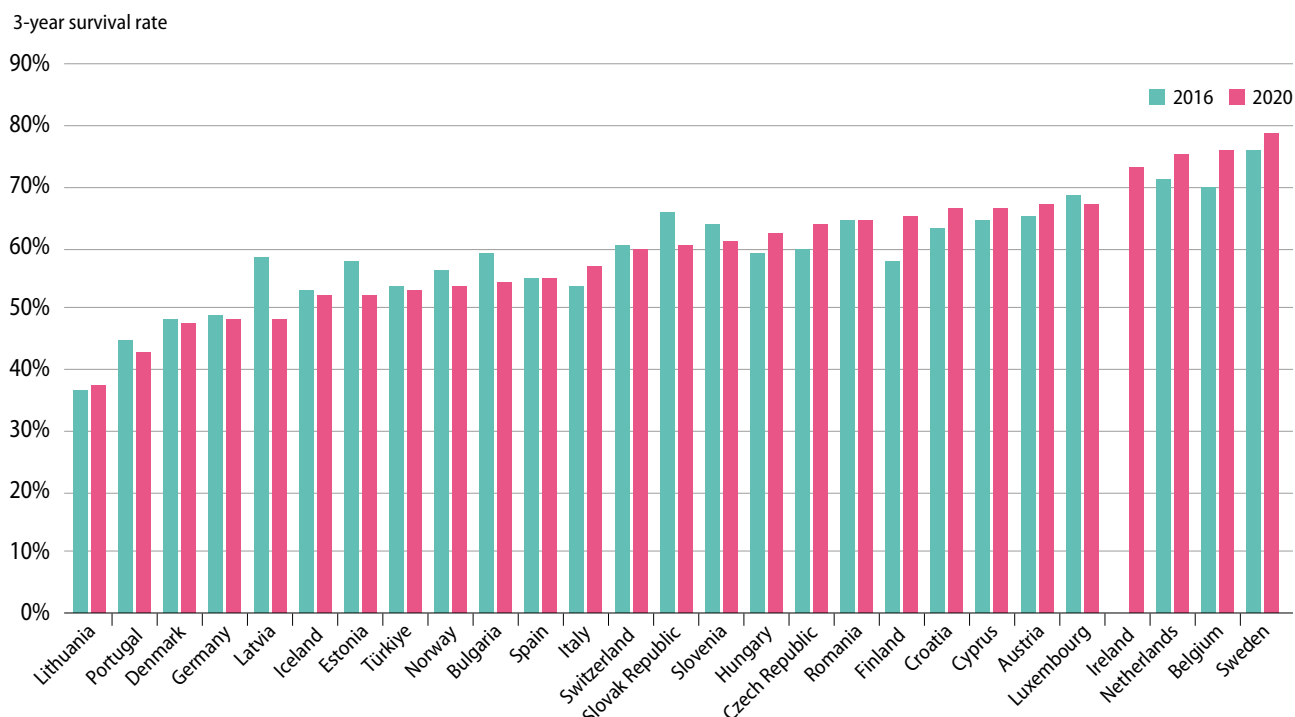
In the past decade or so, some concerning signals have emerged of slowing business dynamics, which which have likely contributed to slow productivity growth and job creation in the economy (Calvino, Criscuolo and Menon, 2016_[77]). Furthermore, recent crises stemming from the COVID-19 pandemic and Russia's war of aggression against Ukraine have raised further concerns about start-up and scale-up performance. On the one hand, the number of business start-ups was 27% higher during the year to Q1 2022 than in the year to Q4 2019 (the first four-quarter period before the onset of the pandemic) (OECD, 2022_[82]), demonstrating

Most start-ups do not scale. Indeed, many close within their first few years of life.

5. See the Eurostat-OECD Manual on Business Demography Statistics for definitions (Eurostat and OECD, 2007_[111]) as well as (OECD, 2021_[79]) and (OECD, 2022_[106]) on the different approaches to measuring firm growth and the need for broadening the concept of SME scale up.

Figure 3.4. **Start-up survival rates dipped in many countries as the pandemic hit**

New business start-up survival rate 3 years after business creation, 2016 and 2020



Source: (OECD, 2022_[80]), OECD Structural and Demographic Business Statistics.

some degree of recent resilience. On the other hand, scale-up rates fell significantly in 2020 (the last year for which data are available), reflecting the difficulties associated with maintaining growth in the context of the pandemic. This impression is confirmed by recent survey evidence, suggesting that the growth potential of start-ups has fallen since the onset of the pandemic. Indeed, 16 out of the 22 OECD countries participating in the Global Entrepreneurship Monitor (GEM) survey had a lower share of entrepreneurs expecting to create at least six jobs over the next 5 years in 2021 than was the case in 2019 (OECD, 2022_[121]).

It is important to develop healthy entrepreneurial ecosystems and appropriately targeted policies to promote impactful start-ups and scale-ups to help drive economic growth, job creation and economic transition.

POLICY IMPLICATIONS

Scale-ups and high-potential start-ups have recently become a focal point of attention in the SME policy domain reflecting the above anticipated benefits, sometimes attracting substantial public support (OECD, 2022_[30]). During the pandemic, business support measures were often less targeted on these firms,

reflecting the urgent need to ensure the survival of firms under exceptional circumstances. For instance, out of the 17% of policies developed as part of the COVID-19 rescue packages targeted towards SMEs, only 10% were targeted at start-ups or entrepreneurs (OECD, 2022_[7]). However, a greater focus was given to start-ups in many countries' recovery packages, as compared to the early stages of the pandemic (OECD, 2021_[85]). Support for scale-ups was also expanded, often with a focus on alleviating liquidity constraints and strengthening access to innovation and growth capital (OECD, 2021_[5]). In addition, increasing the diversity of people involved in business start-ups and scale-ups has become a growing area of focus for policy makers, with a range of measures targeted at under-represented groups, including for example dedicated funding for growth-oriented women entrepreneurs (OECD, 2021_[86]).

Going forward, it is important that a sufficient share of SME and entrepreneurship policy resources is directed to measures that specifically target high potential start-ups and scale-ups. A range of financing and other support can be provided, including business angel and venture capital finance, access to first markets in the public sector for innovative products and services through public procurement for innovation schemes, as well as advice, mentoring and leadership

support. Dedicated programmes for start-ups and scale-ups in specific sectors may also be appropriate to reflect the differing characteristics and circumstances of businesses across different industries in policy design (OECD, 2022_[87]).

At the same time, little is known about who the high-potential start-ups and scale-ups are, the conditions of their success and the nature of their transformation(s). Indeed, scalars can mobilise and combine different drivers of change – innovation, investment or network expansion – in different ways and at different times, resulting in a broad diversity of growth trajectories (OECD, 2022_[30]). It is therefore difficult to predict which firms are going to grow and to target them before their transformation as well as to understand which particular barriers policy should help them to address. This makes high-potential start-up and scale-up policy design particularly complex and outcomes uncertain.

Out of the 17% of policies developed as part of the COVID-19 rescue packages targeted towards SMEs, only 10% were targeted at start-ups or entrepreneurs.

Recent OECD work analysing government intervention in support of scale-ups took a deep-dive into two areas: i) financing growth and ii) turning data into business (OECD, 2022_[30]). The cross-country analysis of relevant policies and institutions undertaken as part of this work shows that public action to foster scale-up often falls beyond the SME and entrepreneurship policy domain. In fact, only 54% of government institutions involved in promoting growth finance for SMEs, and 26% of those aiming to improve SME data governance, have SMEs in their core mandate, and even fewer support both agendas. This calls for sound coordination across the board at national level as well as across different levels of government (local, regional, national, and even supra-national).

The diversity in scaling profiles, trajectories and conditions, and the difficulty of targeting specific high-potential start-ups and scale-ups in advance implies a need to avoid an overly narrow focus on specific sectors (e.g., high-tech), or segments of firm population. Rather, it implies the need for an appropriate balance between targeted support, aimed at start-ups and scale-ups (e.g. for finance, skills, and leadership), and broader policies to develop supportive

entrepreneurial ecosystems from which high potential start-ups and scale-ups can emerge.

Furthermore, striking the balance between directing resources towards those businesses with the highest potential, while avoiding missing out on the scale-up potential of the wider business population, requires better data on start-up and scale-up activity and an improved understanding of how to identify high potential start-ups and scale-ups; the factors that drive their transformation, business growth and survival; the trade-offs between the various transformations firms go through as they start up and grow; and the impacts and effectiveness of different start-up and scale-up policies.

Start-ups and scale-ups can also help to develop and propagate the new technologies that will be integral to creating a greener economy. Stimulating green entrepreneurship is therefore an important lever that governments can use to accelerate the move towards a more sustainable economy. The green transition has become a priority issue for many governments in recent years, leading to a corresponding rise in the use of policies and programmes that aim to unlock this potential, such as financing instruments for green start-ups (OECD, 2022_[40]). It is important that policies and programmes are tailored to address the specific challenges faced by green start-ups and scale-ups, which include long development timelines and high levels of policy, regulatory, technological and market uncertainty.

QUESTIONS FOR DISCUSSION

- What policies are effective in strengthening the creation and growth of start-ups and scale-ups?
- How should start-ups and scale-ups be selected for support? Which businesses should be targeted? On which criteria, metrics, and evidence?
- How can policies and programmes unlock the potential of green start-ups and scale-ups as drivers of the green transition? How could environmental or societal performance be reflected in scale up metrics, performance, and policy focus?
- How can the OECD support countries to monitor international trends in start-up and scale-up activities and policies to facilitate knowledge exchange and the spread of best practice policy approaches?



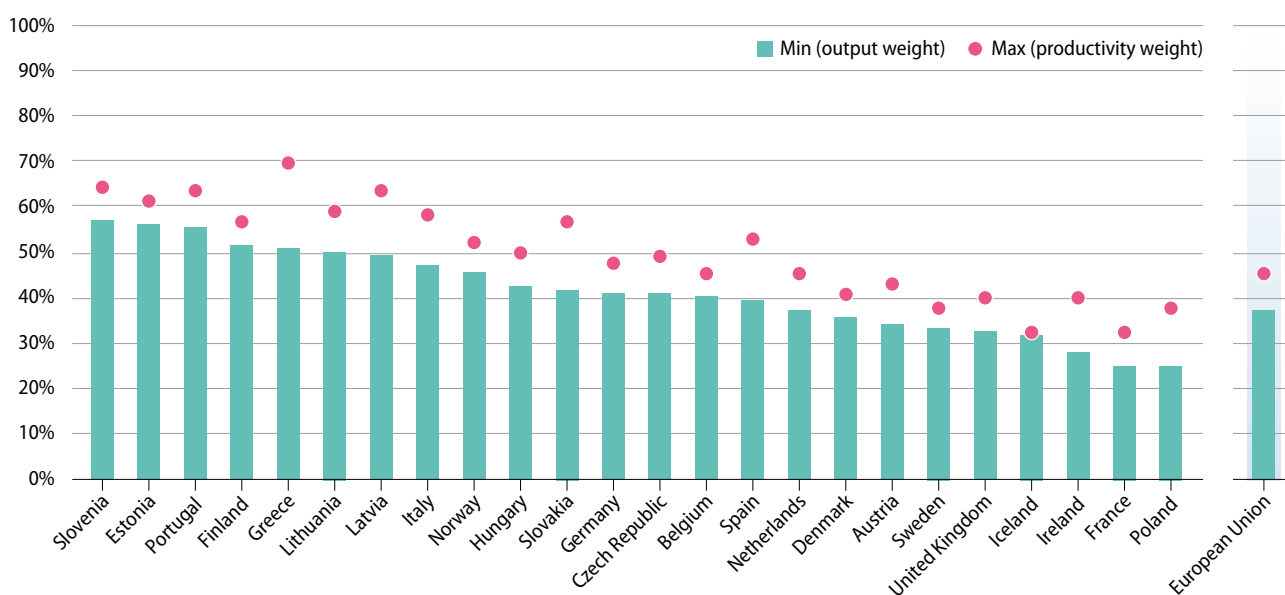
Break-out session 5: NO NET ZERO WITHOUT SMEs: BOOSTING SMEs PARTICIPATION IN THE GREEN TRANSITION

ISSUES, TRENDS AND CHALLENGES

As governments make environmental sustainability a priority of the post-COVID recovery phase, it has become urgent to engage the large and diverse population of SMEs and entrepreneurs in the green transition, in particular in supporting the net zero agenda (OECD, 2021^[21]). This is especially important because of the sizeable environmental footprint SMEs

have on aggregate, given their substantial share of output in the economy. Recent OECD estimates point out that SMEs generate between 37% and 45% of business-driven greenhouse gas (GHG) emissions at the EU level (Figure 3.5). Data from the manufacturing energy consumption survey in the United States show that firms employing fewer than 250 workers represent 36% of total energy consumption in this sector.

Figure 3.5. SME share of GHG emissions in the business sector, 2018



Note: Minimum values correspond to the output weight (i.e., SME share of value added) applied at two-digit sector level. Maximum values reflect an additional productivity weight (i.e., the labour productivity gap between SMEs and large companies), always applied at two-digit sector level, which increases the amount of emissions assigned to SMEs, based on the assumption that lower average productivity also results in lower energy efficiency and higher emissions

Source: Marchese, M. and Medus, J. (Forthcoming, 2023^[132]) (OECD calculations based on Eurostat's Air Emissions Database and Structural Business Statistics).

Entrepreneurs and SMEs can also be a significant engine towards sustainability through their capacity to develop and propagate innovative green solutions and respond to emerging demand (OECD, 2022^[39]). According to recent OECD analysis, green start-ups account for about 3% of total start-ups across OECD countries, a share that has remained fairly stable over the last 10 years. Green start-ups also appear more likely than others to secure venture capital (Dechezleprêtre, Sarapatkova and Bioret, 2023^[90]).

The engagement of start-ups and small businesses in the path to sustainability has important implications for the overall competitiveness of economies and industrial systems. It conditions their ability to tap into global supply chains, where adoption of stricter environmental practices are increasingly mandated or expected of suppliers, to attract and retain talented employees that seek sustainable organisations, and to leverage the opportunities offered by sustainable finance (OECD, 2022^[114]).

It has become urgent to engage the large and diverse populations of SMEs and entrepreneurs in the green transition. This is especially important because of the sizeable environmental footprint SMEs have on aggregate.

In recent years, SMEs and entrepreneurs have increased efforts to become more energy-efficient, to limit their GHG emissions and to green their practices more generally. However, even as incentives and aspirations are growing, challenges remain. At the EU level, for example, even before the recent energy crisis, SMEs were less likely than large firms to invest in resource saving actions (8% vs 30% of turnover), and to offer green products or services (24% vs 49% of firms) (European Commission, 2018^[91]). Challenges include a lack of information and awareness of opportunities, regulatory hurdles, and limited access to key resources, in particular finance and skills, as the green transition is leading to a shift in the skills required for a broad range of job profiles (OECD, 2023^[92]) (OECD, Forthcoming^[91]). Furthermore, uncertainty about the business case for greening continues to weigh on business actions.

The energy crisis triggered by the Russian invasion of Ukraine risks further slowing down the green transition of the business sector. Since mid-2022, governments have introduced a wide range of price-support measures (e.g., price caps,

tax reductions) to help businesses address soaring energy prices (Marches M., 2023^[133]). However, in the long run, these measures can discourage investments in energy efficiency and renewable energy sources. Against this background, measures that foster energy efficiency, by raising awareness about opportunities, as well as providing access to tools and resources, can contribute to longer term objectives towards resilience and sustainability.

POLICY IMPLICATIONS

International and national climate policies have so far not had a strong focus on SMEs. They have mainly addressed structural objectives such as the decarbonisation of electricity and road transport, reducing carbon emissions from oil and gas production, improving the energy performance of buildings, and setting adequate carbon pricing systems, with a focus on large scale emitters following a risk-based approach. According to a large database of the International Energy Agency (IEA), as of mid-2021, out of more than 6 000 environmental and energy policy measures, less than 100 concerned specifically SMEs and 150 start-ups and entrepreneurship (OECD, 2021^[21]). Similarly, OECD analysis of the EU National Recovery and Resilience Plans suggests that SME-specific policies represent only about 5% of the total number of climate-related policies (OECD, 2022^[17]).

Nevertheless, smaller companies are under growing pressure to comply with GHG emissions reduction, energy efficiency requirements as well as broader Environmental, Social and Governance (ESG) principles and responsible business



conduct⁶. While mostly still exempted from direct regulatory ESG requirements, SMEs are increasingly affected, via their participation in global supply chains led by larger companies that have to report on the sustainability performance of their entire value chain, or through the tightening of criteria that banks and financial institutions (themselves under growing regulatory obligations) establish to supply sustainable finance⁷. This demands SMEs to strengthen their ESG performance and reporting capacity (OECD, 2022_[114]).

Governments are supporting access to sustainable finance by SMEs in different ways, including grants, concessional loans (e.g., Korea), credit guarantees (e.g., Sweden), equity, and semi-equity instruments (e.g., France). At the same time, governments should consider exercising proportionality when developing nonfinancial disclosure requirements for SMEs and provide targeted support to help SMEs comply with these requirements. Transparency and inter-operability across different jurisdictions of sustainability-related data and standards are also important to limit the administrative burden on SMEs and ease their access to sustainable finance and global supply chains (OECD, 2022_[114]).

Indeed, many SMEs still have limited awareness and lack the capabilities to meet these explicit or implicit requirements, calling for targeted government interventions in particular in the areas of awareness-raising, skills development and capacity-building. The green transition is expected to lead to a shift in the skills required for a broad job range throughout the economy – from construction to fashion to scientific research (OECD, 2023_[92]).

Information and advice are two areas in which governments and other stakeholders have been particularly active in recent years, and which will continue to play a key role for the SME transition. Global initiatives, such as the SME Climate Hub, are helping SMEs to measure their environmental footprint, set emissions reductions targets, and implement actions to meet these targets. At national level, many governments are offering consulting and training services to assist SMEs in improving their environmental performance (e.g., Ireland's Green for Micro programme), adopting energy management systems (Austria), achieving eco-certification (e.g., Norway's Eco-Lighthouse programme), and partnering together to achieve

more ambitious energy-saving targets (e.g., Germany's Energy Efficiency Networks). An emerging approach has been the offer of integrated support packages through dedicated cleantech or climate tech incubators and accelerators programmes with a view to develop green-related technical and managerial skills in nascent entrepreneurs, as done, for example, in Denmark, Germany and Israel (OECD, 2022_[39]).

Governments should also pay due attention to supporting the development of green demand including through lead market initiatives (LMIs) and green public procurement (GPP), which leverage the role of the government as first buyer of green products and services or involves giving preferential access to public contracts for companies which meet higher environmental standards. Austria, Belgium, Chile, Denmark, Finland, and Ireland are among the OECD countries which have experimented with different forms of green public procurement (OECD, 2017_[93]).

QUESTIONS FOR DISCUSSION

- What are the most common barriers that prevent SMEs' investments in environmental sustainability?
- What policies has your government introduced to support the green transition of SMEs and green entrepreneurship? What have been the main achievements of these policies? What have been the main implementation challenges?
- How has the energy crisis shaped climate change policies, especially those targeting SMEs?



6. Declaration on Promoting and Enabling Responsible Business Conduct in the Global Economy, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0489>.

7. Sustainable finance goes beyond green finance (i.e., the provision of capital to undertake green investments) to include all instruments whose financing conditions are linked to environmental criteria or performance (e.g., better credit conditions for companies that meet higher environmental standards, including lower energy consumption).



Break-out session 6: REVISITING BROAD-BASED POLICIES FROM A SME AND ENTREPRENEURSHIP LENS

ISSUES, TRENDS AND CHALLENGES

The highly diverse nature of the SMEs and entrepreneurs' populations, as well as their cross-cutting relevance for a wide range of policies, represent important challenges for policy frameworks.

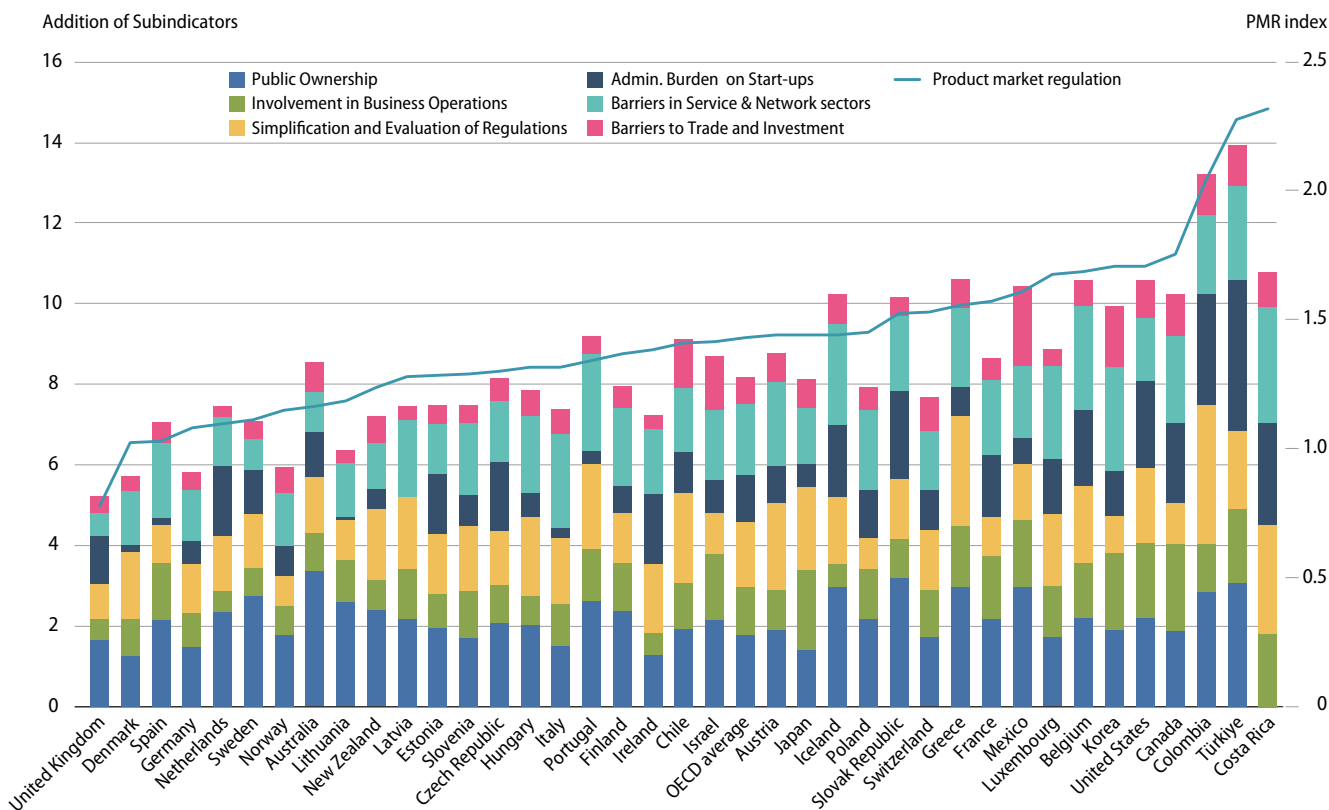
Policies and instruments of relevance to SME development and entrepreneurship are wide and varied, ranging from broad-based policies that impact on framework conditions and the wider business environment (e.g. tax, labour market, trade, education, environment, innovation or infrastructure), sectoral policies that have a defined remit and may focus on a specific industry or sector (industrial policies), to measures specifically targeted to SMEs or entrepreneurs. These areas often cut across the boundaries of ministries and government agencies, as well as across levels of government (international, national or sub-national), with considerable variation across countries depending on their institutional arrangements and degree of decentralisation (OECD, 2021^[87]). Within countries, territorial factors, including regional and local authorities' interventions, affect business framework conditions and entrepreneurial opportunities, often resulting in cross-regional disparities in rate of activity and performance.

The multiplicity of policy areas and government levels that influence the prospects and outcomes of SMEs and entrepreneurs calls for sound coordination and place-based approaches that take the territorial and spatial dimension

of policy making into account. It also demands that the diverse attributes, behaviours and needs of various SMEs and entrepreneurs' populations are considered broadly in policy design and implementation. SMEs and entrepreneurs are numerous (99% of business population) and contribute an important share of the economy (60% of business sector value added). They however differ largely with respect to size (from micro to medium-sized enterprises) as well as other attributes, such as characteristics of the entrepreneur (e.g. age, gender, background), business organisation (e.g. age, sector, technological intensity, ownership type, domestic and foreign linkages), and behaviour (opportunity recognition, creation, evaluation and exploitation, strategy, motivation). These characteristics influence firm opportunities, challenges and performance, as well as responsiveness to policies (Raes, 2021^[42]).

Despite this diversity and multiplicity, policies are often developed with an average firm in mind and rarely granular enough to capture the differentiating features in the business population that have implications for policy effectiveness. They are also often the result of siloed policy design and implementation. Lack of policy coordination and consideration of business diversity are costly for SMEs and entrepreneurs, as they typically result in increased complexity and administrative burden. SMEs are typically less efficient than large firms in screening the policy environment, including the applicable laws and regulations, and complying with a wide range of norms. Smaller firms and start-ups

Figure 3.6. Barriers to entrepreneurship



Note: All PMR subindicators range between between 0 and 6 from most to less competitive regime

Source: (OECD, 2018_[88]). Data include Colombia and Costa Rica among the OECD countries (the first country joined the organisation in May 2020 and the second in May 2021).

are more heavily impacted by red tape and framework conditions set by public policy when these entail fixed costs (e.g. regulation, taxation, competition, public procurement, judicial efficiency, etc.) (Figure 3.6).

Addressing the challenges SMEs and entrepreneurs face requires better accounting for their diverse conditions and perspectives in policy design and implementation across a wide range of policy areas that go beyond the portfolio of SME and entrepreneurship policy makers. This is all the more relevant that 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. In this framework, governments are increasingly called to balance policy trade-offs and leverage complementarities to achieve different policy objectives.

Many countries have established mechanisms to better account for smaller firms and the diversity of entrepreneurs in their policy making, including through establishing dedicated institutions with coordination functions, collecting granular

data on key features, performance and behaviours of various populations of businesses and entrepreneurs, adopting SME lens or “think small first” principle and conducting SME tests in rule-making, strengthening consultation processes to include voices that are less heard, and undertaking *ex post* evaluations to assess the effectiveness of policies and programmes for specific populations of businesses. It is an area where there is no one-size-fits-all solution and different approaches, and mechanisms can be adopted to fit the countries’ specific institutional set-up.

Addressing the challenges SMEs and entrepreneurs face requires better accounting for their diverse conditions and perspectives in policy design and implementation across a wide range of policy areas.

It is timely to revisit broad-based policies from a SME and entrepreneurship lens and take stock of options to improve the consideration of SMEs and entrepreneurs in policy design

and delivery. SMEs and entrepreneurs have been at the epicentre of the impact of the COVID-19 pandemic. They are again affected by a highly volatile business environment, rising energy prices and inflation, which however produces different impacts across the business population. More granular policy approaches that consider the specificities of SMEs and entrepreneurs are needed to support recovery and address the important transformations ahead.

POLICY IMPLICATIONS

Better understanding and reflecting SME and entrepreneurship diversity can improve policy effectiveness and support a more dynamic recovery by levelling the playing field for new and smaller businesses. It can help identify where specific SME and entrepreneurship support may have the greatest impact and the balance needed between measures to strengthen framework conditions and measures targeted to a specific subset of the business population (OECD, 2021_[87]).

Mainstreaming and better taking into account the perspective of SMEs and entrepreneurs in government strategies is at the core of the Recommendation of the Council on SME and Entrepreneurship Policy and its accompanying implementation toolkit, including the OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes (OECD, Forthcoming_[1]) (OECD, 2022_[89]). It involves adopting an SME and entrepreneur lens early on in policy design and delivery across a wide range of policy areas. It also involves understanding how diversity in the business

population affect policy effectiveness through better data collection and evaluation tools, as well as engaging actively with SMEs and entrepreneurs and a variety of regional and local actors.

Understanding the differentiated impacts of policies on SMEs and entrepreneurs is crucial to improve policy design and implementation and manage policy synergies and trade-offs. Relevant dimensions to consider depend on the policy objectives and measures, but may typically concern specific firm characteristics, such as sector, age, location or (digital) technological intensity, and characteristics of entrepreneurs, including attention to specific groups, such as women, seniors or youth. This understanding should extend beyond the existing businesses to the impact on business dynamics, including start-up trends and capacity to scale up, as well as composition and location of the business population. This requires granular data and a sensitivity among policy makers of these differences.

Implications for SMEs and entrepreneurs should be considered across the diverse policy areas that influence their prospects and outcomes, including through increased attention to their specificities and circumstances in policy design and approaches in implementation. The SME and entrepreneurship perspective should be included early, at the stage when policy makers set the policy objectives and consider the alternative options to achieve them. This should be done at all levels of governments, including at the international one.



There can be important reasons for SMEs to be exempted from policies or be offered a lighter regime. However, exemptions also come with a cost. For example, size-contingent policies may generate ‘threshold effects’, whereby firms opt to remain below certain size thresholds, to avoid incurring in higher administrative costs. Also, exemptions may reduce incentives to invest in new business models and practices to fit evolving regulatory and business environments, which can result in longer-term loss of competitiveness. There are alternative approaches, such as simplified procedures or progressive regimes, and support mechanisms that can limit disincentive to grow, while encouraging compliance and providing a clear framework for investment and innovation.

Better accounting for the voices of smaller businesses and entrepreneurs also involves the consultation of and engagement with a range of stakeholders at an early stage in the policy making process. Engagement and consultation should be inclusive and accessible. They should acknowledge the possible gaps in representation of smaller businesses, including specific groups of entrepreneurs (e.g. women, youth, migrants, minorities, rural) and include pro-active formats to ensure that the variety of business voices are heard.

Monitoring and evaluation are essential for effective and efficient SME and entrepreneurship policies. They are equally important for more generic policies that may affect SMEs and entrepreneurs. This involves putting in place 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.

A user-centred perspective that takes the perspective and needs of SMEs and entrepreneurs into account can contribute to ensuring adherence and policy compliance. For entrepreneurs and SME-owners, ease of access to relevant rules, administrative requirements as well as to the supports they might be entitled to, are important enablers of implementation. Digital government and one stop shop portals represent important progress in this respect [CFE/SME(2022)15]. The application of the “once only” principle helps to reduce administrative burdens for companies to deal with governments and access support.

QUESTIONS FOR DISCUSSION

- How to ensure that the perspective of various business populations and entrepreneurs, including of start-ups and future entrepreneurs, is accounted for in policy making?
- How to engage SMEs and entrepreneurs effectively in consultation processes to develop appropriate policies?
- How to reduce administrative burdens and compliance costs for SMEs while avoiding the side-effects on SMEs of systematic exemptions, which can limit policy makers capacity to reach policy objectives?
- How to strengthen monitoring and evaluation to enhance SME and entrepreneurship policies?



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