

Financing SMEs in Global Value Chains

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G20 ACTION PLAN ON FINANCING GROWTH AND SUPPORTING SMEs: WHAT HAS WORKED AND WHERE ARE THE PINCH-POINTS TODAY?

Ladies and gentlemen,

It is a pleasure to have the opportunity to discuss the G20 agenda on SMEs today. Let me start by highlighting the positive outcomes achieved so far.

1. Support to SMEs has been a priority on the G20 agenda for strong, sustainable and balanced growth since the third summit in Pittsburgh. In Pittsburgh, Toronto, Seoul, Cannes, St. Petersburg, and Brisbane G20 pledged to ensure better access to finance for SMEs. In Antalya the G20 promised to support SMEs` integration into Global Value Chains. In Hangzhou G20 reiterated the commitments on SMEs finance and integration into GVCs, making all in all 17 SME-related commitments.¹

Numerical evidence confirms the G20 rising attention to SMEs supportive policies. Given SMEs` role in generating growth and employment, it is not surprising that 45 of the 1721 G20 decisions are related to SMEs (2.6% of all commitments). The last two years saw a rise in the number and share of G20 commitments to promote SMEs role in global economy (4.4% and 8.2% in Antalya and Hangzhou respectively).

2. The G20 compliance performance on the SMEs-related commitments has been high with an average of about 90%.

A comprehensive and flexible system of instruments has been created, including G20/OECD High-Level Principles on SME Financing, G20 Joint Action Plan on SME Financing and the World SME Forum, to name a few. The OECD Scoreboard on Financing SMEs and other SMEs–related studies provide a valuable intellectual support to G20 decision-making.²

One of the important outcomes of the Turkish G20/B20 presidencies was establishment of the World SME Forum to help unlock SMEs contribution for economic growth and employment.

¹ However this is only 8% of more than 200 commitments made in Hangzhou.

² Other instruments include: OECD International Network on Financial Education (INFE) activities on financial education for micro, small and medium-sized enterprises (MSMEs), SME Finance Compact of the Global Partnership for Financial Inclusion, G20/OECD Guidance Note on Diversification of Financial Instrument for Infrastructure and SMEs, OECD Secretary-General Report on Taxation of SMEs, G20/OECD Support Note on Diversification of Financial Instruments for SMEs, SMEs Anti-Corruption Education Toolkit, WTO report to the G20 on Trade Finance & SMEs

3. The G20 brought SMEs and GVCs to the heart of its economic agenda, and rightly so. Both are drivers of growth and employment. Linked together they constitute a powerful source of innovative and inclusive development, and are indispensable for attaining the G20 Action Plan on the 2030 Agenda for Sustainable Development.

4. Going forward G20 should prioritize support to SMEs in harnessing the benefits of digital technologies. The first steps have been already made. At the Hangzhou summit the leaders committed to enhance digital inclusion of SMEs. They also launched the G20 Digital Economy Development and Cooperation Initiative which identified support to MSMEs access to digital technologies as one of the key areas.

Building on the accumulated experience and drawing on the insights from the OECD, G20 should put SMEs in the focus of its digital transformation agenda.

G20 Digital Economy Development and Cooperation Initiative could be supplemented by an Action plan facilitating SMEs access to digital infrastructure, technologies and skills. It will help translate digital divide into digital dividends³.

5. G20 political will and its continued engagement with international organizations and outreach and social partners are indispensable for harnessing digitalization for inclusive and interconnected development.

G20 should retain the focus on SMEs, deliver on the commitments made and put the SMEs at the core of its digital transformation agenda.

³ Digital Dividends is the WB Report. <http://www.worldbank.org/en/publication/wdr2016>