

## **Roundtable on Financing SMEs in Global Value Chains**

### **Session on “G20 Actions to Build a Policy and Regulatory Agenda Conducive to Value Chain Finance”**

Remarks by Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RSPP)

Ladies and gentlemen, colleagues.

It is an honor and a pleasure to have the opportunity to address you today. Let me start by thanking B20 China, Business and Industry Advisory Committee to the OECD and the World SME Forum for your continued efforts for SMEs advancement.

We have had a very useful exchange here today on B20 actions to unlock the SMEs potential for inclusive and productive growth. One impressive outcome of B20 dedication to the issue and the legacy from the Turkey presidency is the World SME Forum.

In fact a lot has been achieved through B20/G20 cooperation.

As you know G20 members have addressed issues related to SMEs at each meeting since the 2009 Pittsburgh Summit. In Pittsburgh, Toronto, Seoul, Cannes, St. Petersburg, and Brisbane G20 pledged to ensure better access to finance for SMEs.

To the G20 credit, its members' compliance with the relevant SMEs commitments was high with the average of 93 percent for St. Petersburg and the average of 85 percent for Brisbane.

However, convergence of the SME and GVC-related issues on the G20 agenda has been a gradual process.

Responding to the G20 Turkey Presidency priority of Inclusiveness, in 2015 G20 promised to support SMEs integration into GVCs.

Many G20 economies have already taken steps to deliver on the Antalya commitment.

The Chinese G20 Presidency invited its partners to formulate initiatives which would substantially improve participation of SMEs and developing countries in GVCs and their capabilities to trade and invest, building a rules-based, consistent and inclusive GVCs system.

Thus the G20 has gone a long way to bring SMEs into the heart of its trade and investment agenda.

G20 should build continuity and keep on delivering. Why?

The simple answer to the question is that both SMEs and GVCs are drivers of growth. This is true for advanced, emerging and developing economies. In high income economies SMEs contribute more than 60 percent to both GDP and employment. In developing countries and emerging economies, on average, SMEs employ up to 45 percent of formal sector workers and contribute about a third of GDP. Although at first sight these figures are lower than in advanced economies, they become comparable or even higher if adjustment is made to take into account the estimates for SMEs operating in the informal sector.

In Russia the SMEs contribution to the GDP amounts to 20%, they employ up to 25 %. Our objective is to double these indicators. To achieve this, Russian Corporation on SMEs Development and the Fund for Industry development support investment-active SMEs operating in industrial high tech sectors. New technologies and products produced with support of these development institutes help SMEs compete for demand from the large corporations, including TNCs. The Russian Export Centre facilitates SMEs entrance onto external markets, thus contributing to their integration into the GVCs.

GVCs support innovative growth through transfer of technologies, know-hows and skills. GVCs constitute the nexus between investment and trade, have a high potential to contribute directly and indirectly to GDP, employment generation, and long-term industrial development.

All stakeholders win.

- GVCs provide local SMEs in developing countries with opportunities to link into activities both upstream and downstream in the value chain.
- SMEs adapt to the contractors' requirements and get the opportunities for an accelerated growth.
- Transnational companies (TNC) cut their costs through outsourcing to SMEs.
- The state benefits from SMEs integration into GVCs through emergence of a stable tax base and reduction of tax erosion risks.

Thus linked together SMEs and GVCs can constitute a powerful source of innovative and inclusive growth.

To keep on delivering we must define the way forward.

And I think that the B20 SME Development Taskforce recommendations provide a good foundation for G20 future actions: "G20 should set ambitious targets and action plans for SMEs's inclusion in regional and Global Value Chains and provide regular reporting of performance". This should be done in close coordination with relevant international organizations (the World SME Forum, World Bank, OECD, International Trade Center.

Much remains to be done and we should stay engaged.