MSMES: OPPORTUNITIES AND CHALLENGES FOR THE SDG AGENDA

Global Symposium on the role of micro-, small- and medium-sized enterprises (MSMEs) in the achievement of Sustainable Development Goals (SDGs)

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Outline

• Recent economic trends and mega trends: implications/opportunities for SMEs?

• SME contributions to achieving the SDGs

• Challenges to unleashing SME potential

• The way forward: an integrated approach.
Market conditions are favourable for SMEs to grow

Business and consumer confidence

Industrial production

Employment rate at all ages

- Broad-based growth, but modest by past standards and subdued in emerging economies
- Driven by upturn in business investments and trade.
- Prospects remain fragile (inflation, low interest rates, rising households and corporate debt).
- Productivity gains still limited.

Enterprise creations are picking up and are above pre-crisis highs in many countries.

**New firm creations**

Trend cycle 2012=100

A new production revolution is underway

- Confluence of new technologies
- Underpinned by digital tech. (big data, IoT, cloud computing)
- Pace and scale

New & Customised products and services
Safer – Faster - Cheaper
Greener
Fragmentation of production: an opportunity for SMEs to access and compete in new markets

➢ Move along the value chain towards segments of higher VA and job creation - the key: INNOVATION

- Multinationals (intra-firm trade + FDI)
The changing nature of innovation: an opportunity for SMEs to engage in innovation

% of all businesses by mode of innovation

SME potential in global outlook?

- Achieving scale without mass and overcoming size-related barriers
- Large scope for cost reduction (ICT)
- Niche markets
- Accessing knowledge and finance within supply chains
- Technological leapfrog and frugal innovation
SME potential contributions to achieving the SDGs
Most “economic” of the SDGs

- Channels for ICT diffusion (to the whole economy and society)
- Key actors of a sustainable industrialisation
- Key drivers of innovation and productivity – (especially at the tech. frontier) -> wage increases
- SMEs provide the main source of business employment
SMEs are central to efforts to ensure growth is more inclusive

- Inclusion by serving locations, populations and markets that do not have enough scale to attract larger firms
- Sustainable agriculture and micro-farms
- SMEs as a place of lifelong learning and training
- SMEs and entrepreneurial education
- Inclusive entrepreneurship: enhanced economic and social participation and upward mobility
- Women entrepreneurs
SMEs are key actors in the transition towards a low-carbon economy

• Local actors with environmental footprint
• Greening of processes and products
• Key R&D actors in biotechnology, nanotech., and pharmaceuticals
• Circular economy
• Delivering public services, e.g. health and healthcare (proximity)
• Agents in smart cities and smart grids
SMEs lag behind in the adoption of more sophisticated digital technologies

SMEs are under-represented in global trade

Source: OECD Structural and Demographic Business Statistics and Trade by Enterprise Characteristics databases.
Requires complementary investments in ICT, skills and KBC for which being small is a barrier.

Distribution of skills across countries by firm size and sector.

Source: Grundke et al. 2017, based on OECD Survey of Adult Skills (PIAAC) data.
The gap in credit costs between SMEs and large enterprises has widened.

Women believe they are less likely to access finance

Proportion of individuals who answered “yes” to the question “Do you have access to the money you would need if you wanted to start or grow a business?” by gender, 2013

SMEs tend to pay lower wages and offer less attractive working conditions.

Unleashing the potential of SMES?

SME performance

SME & entrepreneurship policy governance
A complex policy space

- **Heterogeneity** of SMEs, trajectories, sectors/ geographical areas
- **Cross-cutting issues** (policy domains, ministries, departments, agencies etc.)
- **Multilevel governance** as to account for the influence of local eco-systems on SME and entrepreneurship activities

➢ **Requires a whole-of-government approach**

➢ **Building capacity and broadening our knowledge and evidence base**
  - The **OECD SME&E Outlook** (and infrastructure)
  - International co-operation and knowledge sharing – **OECD Strategy for SMEs**
OECD Ministerial Conference on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth - a global conference bringing together 68 Delegations including IOs (UN, EC) and development banks.

55 countries adopted the Declaration on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth.


G20/OECD High-Level Principles on SME financing: effective approach to implementation (to be delivered to G20 Finance Ministers and Central Bank Governors next month)
Thanks

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