



# 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

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- **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

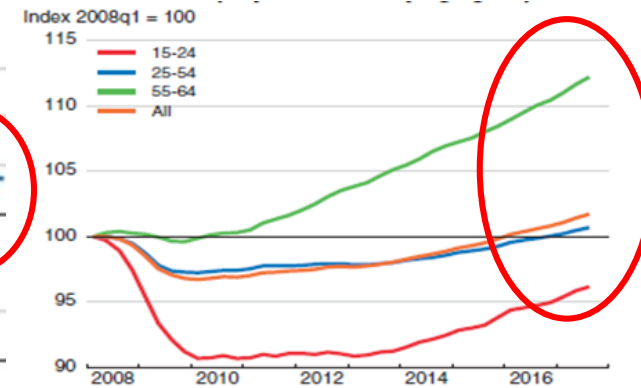
## Business and consumer confidence



## Industrial production



## Employment rate at all ages



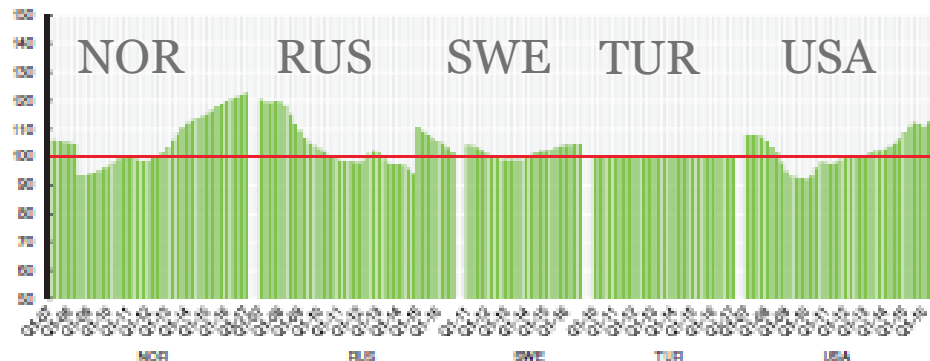
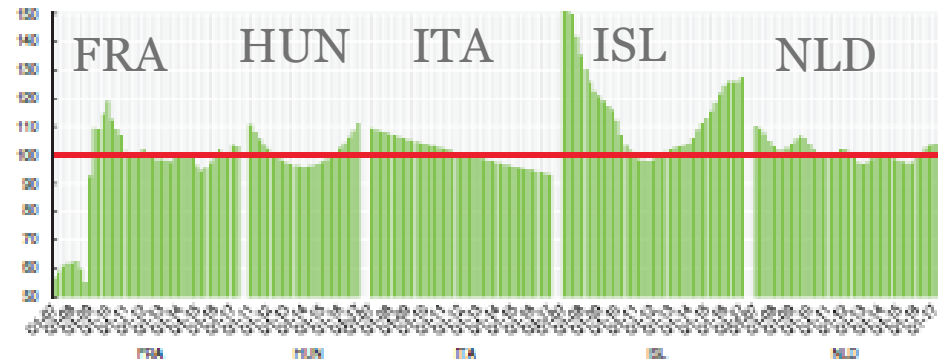
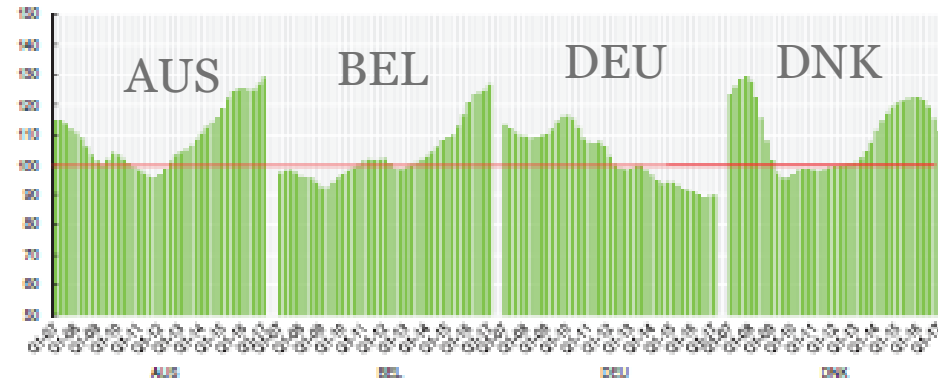
- Broad-based growth, but modest by past standards and subdued in emerging economies
- Driven by upturn in business investments and trade.
- Prospects remain fragile (inflation, low interest rates, rising households and corporate debt).
- Productivity gains still limited.

Source: OECD (2018 forthcoming), SME and Entrepreneurship Outlook; based on OECD Economic Outlook, preliminary version, May 2018.



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

**New firm creations**  
Trend cycle 2012=100



Source: OECD (2017),  
Entrepreneurship at a Glance 2017,  
[http://dx.doi.org/10.1787/entrepreneur\\_aag-2017-en](http://dx.doi.org/10.1787/entrepreneur_aag-2017-en).



# A new production revolution is underway



## INDUSTRIAL REVOLUTIONS AND “INDUSTRY 4.0”



1.0

The advent of steam-powered mechanical production equipment

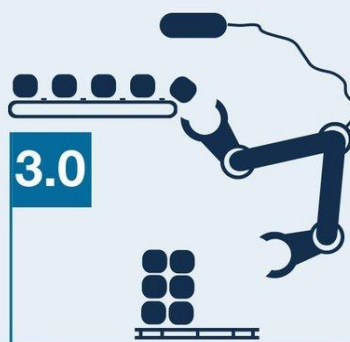
1780s, or thereabouts



2.0

Electrically powered mass production

1870s



3.0

Electronically based, automated production

1960s



4.0

Use recent and often interconnected digital technologies enabling new and more efficient processes in industrial production, which in some cases yield new goods and services

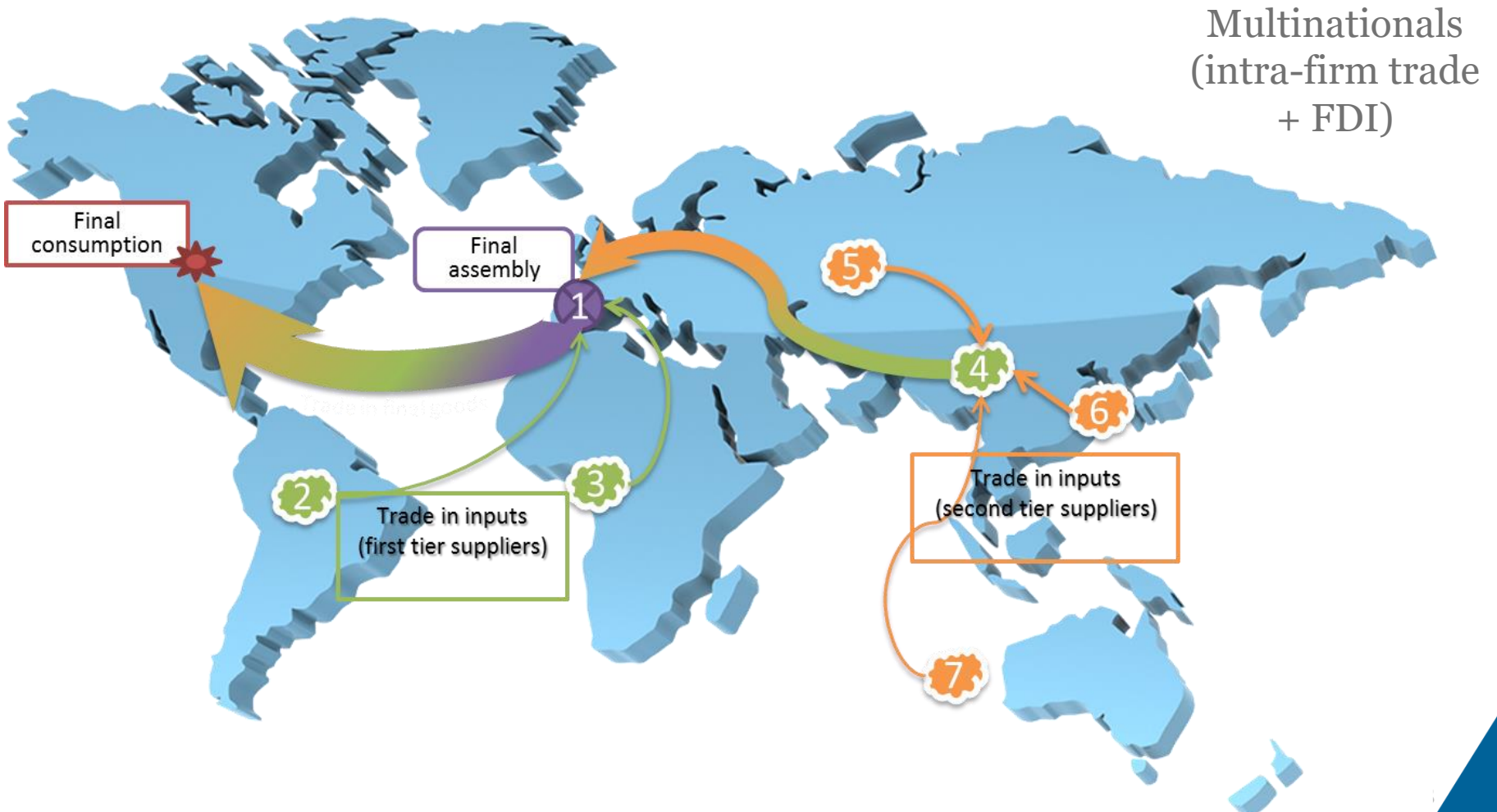
Now

- 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

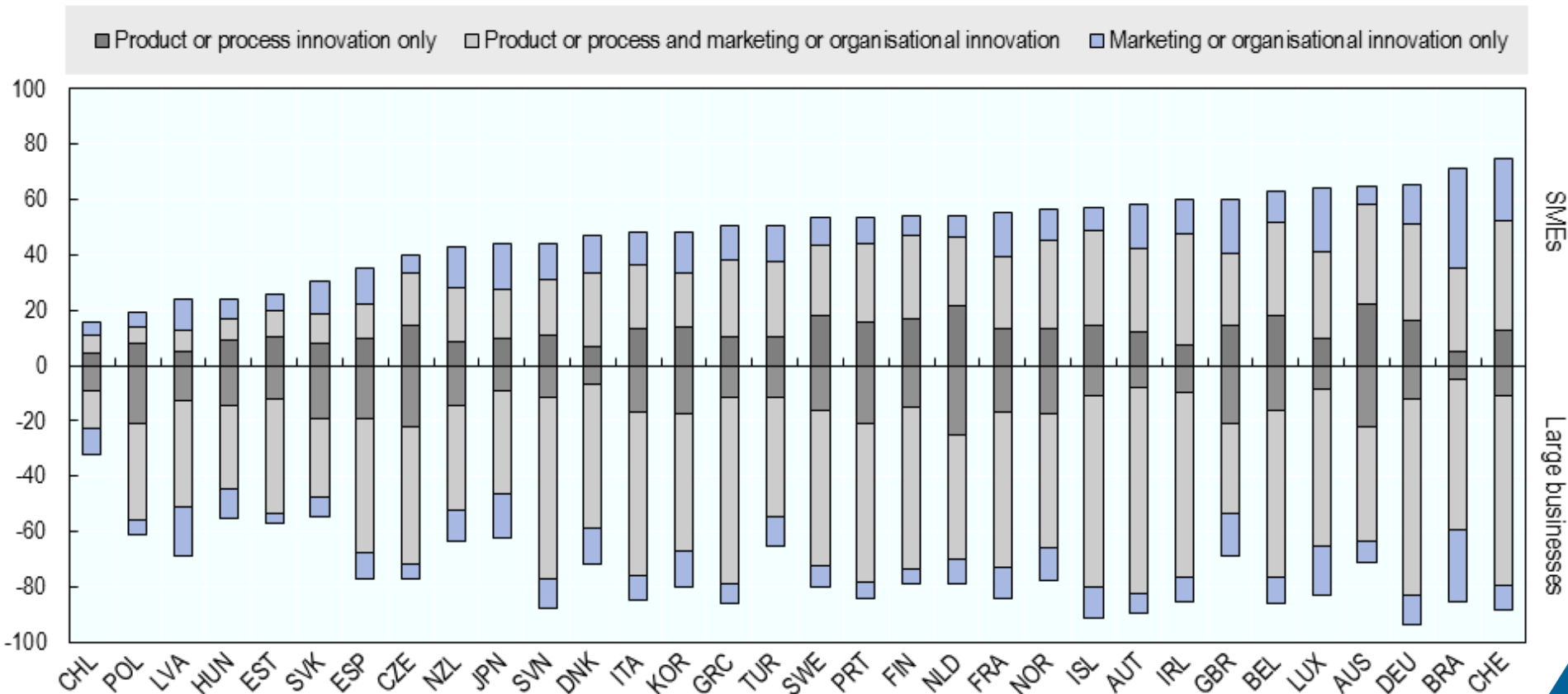


- Move along the value chain towards segments of higher VA and job creation - the key: INNOVATION



# The changing nature of innovation: an opportunity for SMEs to engage in innovation

% of all businesses by mode of innovation



Source: OECD (2018 forthcoming), SME and Entrepreneurship Outlook 2018. Based on CIS data and national innovation surveys 2012-14.



## SME potential in global outlook?

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- 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

## Sustainable Development Goals

 <b>SUSTAINABLE DEVELOPMENT GOALS</b>	<b>1 NO POVERTY</b> 	<b>2 ZERO HUNGER</b> 	<b>3 GOOD HEALTH AND WELL-BEING</b> 	<b>4 QUALITY EDUCATION</b> 	<b>5 GENDER EQUALITY</b> 
<b>6 CLEAN WATER AND SANITATION</b> 	<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	<b>10 REDUCED INEQUALITIES</b> 	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	<b>13 CLIMATE ACTION</b> 	<b>14 LIFE BELOW WATER</b> 	<b>15 LIFE ON LAND</b> 	<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> 	<b>17 PARTNERSHIPS FOR THE GOALS</b> 



# Most “economic” of the SDGs

## Sustainable Development Goals



- 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

## Sustainable Development Goals



1 NO POVERTY



2 ZERO HUNGER



4 QUALITY EDUCATION



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



- 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

## Sustainable Development Goals



3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



11 SUSTAINABLE CITIES AND COMMUNITIES

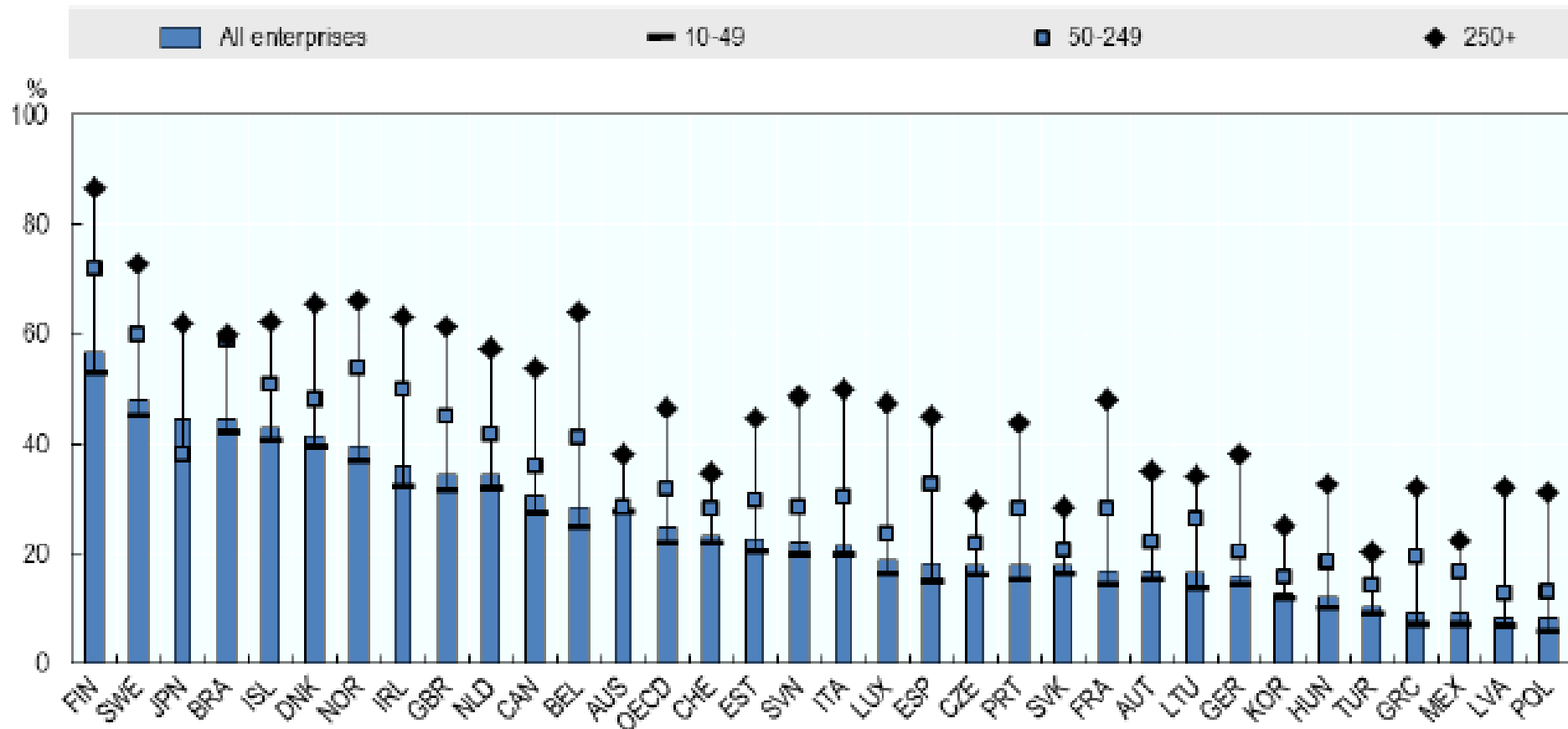


- Local actors with environmental footprint
- Greening of processes and products
- Key R&D actors in biotechnology, nanotech. and pharmaceuticals
- Circular economy
- Delivering public services, e.g. health and healthcare (proximity)
- Agents in smart cities and smart grids



# SMEs lag behind in the adoption of more sophisticated digital technologies

Enterprises using cloud computing services by size, as a percentage of enterprises in each employment size class, 2016.

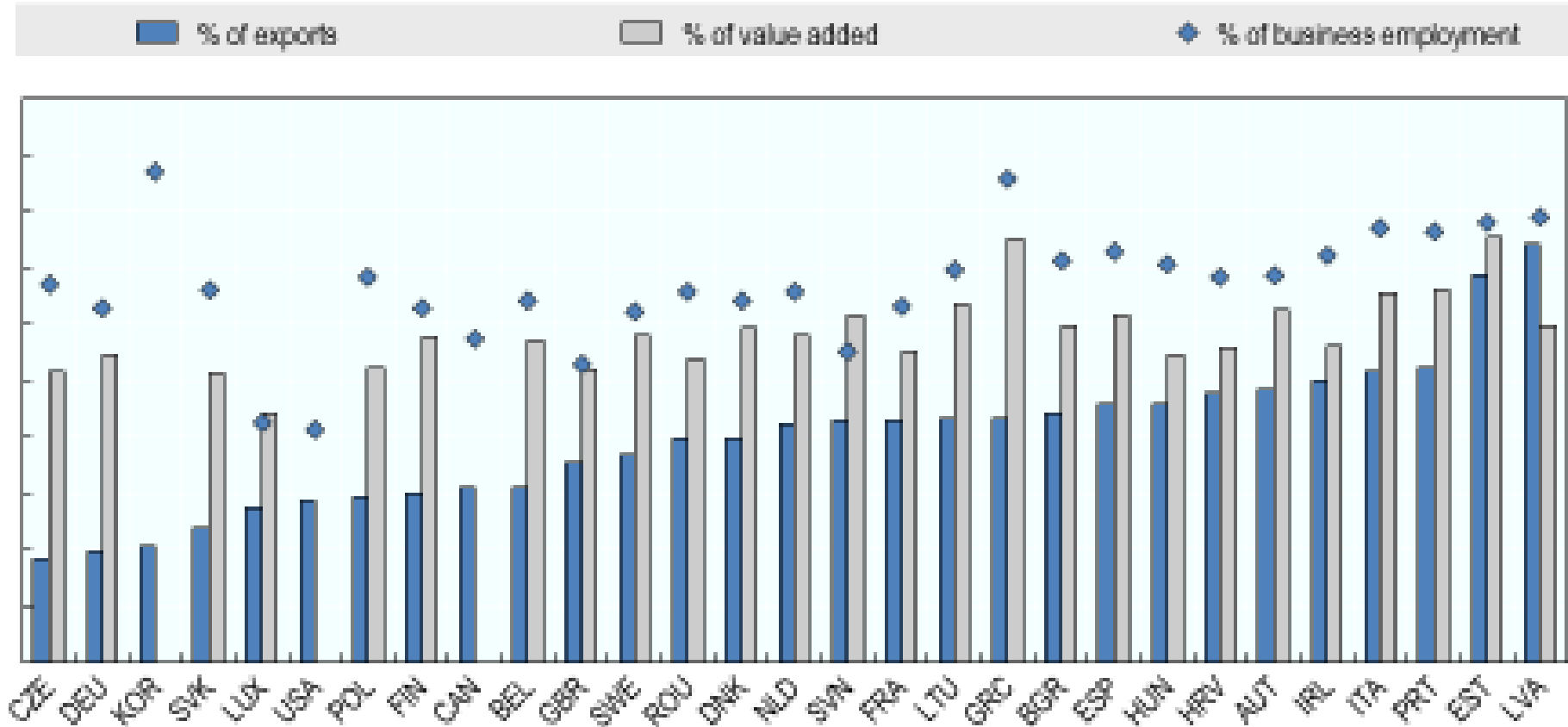


Source: OECD (2017e), Going Digital: Making the Transformation Work for Growth and Well-Being, <https://www.oecd.org/mcm/documents/C-MIN-2017-4%20EN.pdf>.



# SMEs are under-represented in global trade

SME export activity, value added and employment shares, as a percentage, 2013

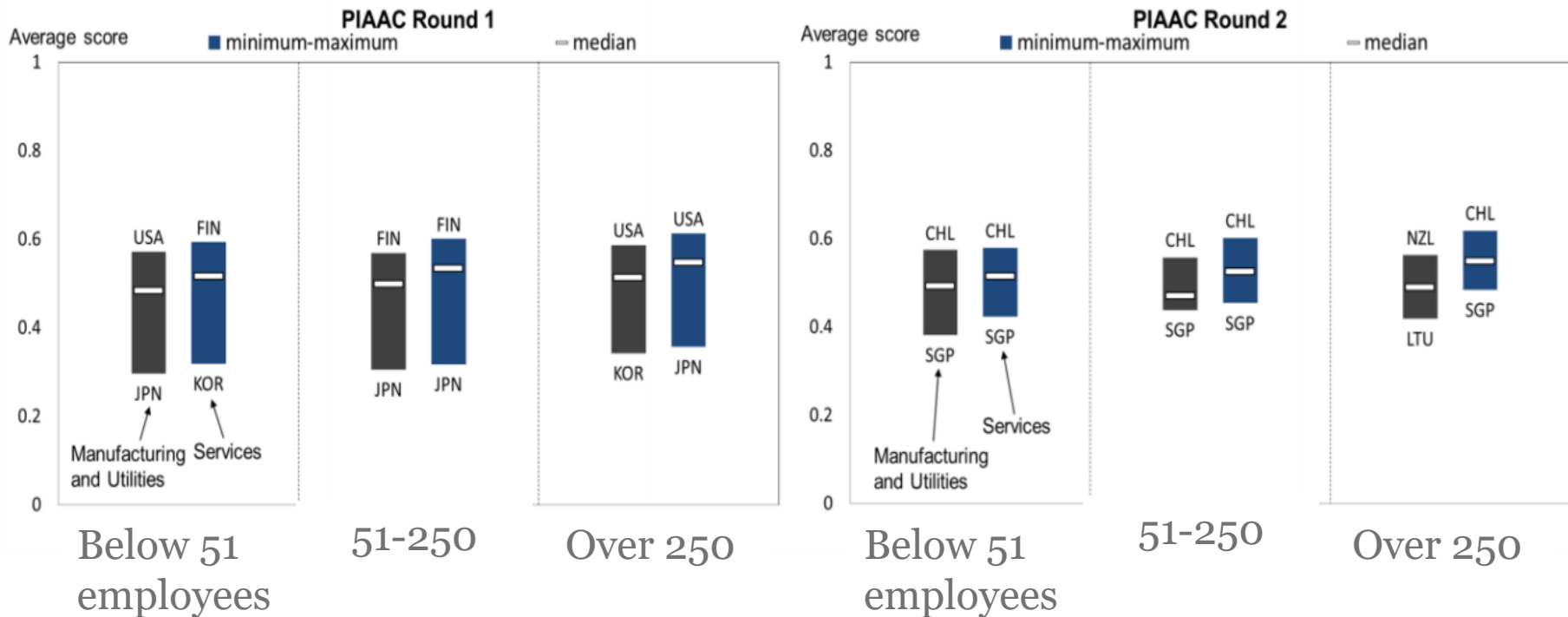


Source: OECD Structural and Demographic Business Statistics and Trade by Enterprise Characteristics databases.



# 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 .

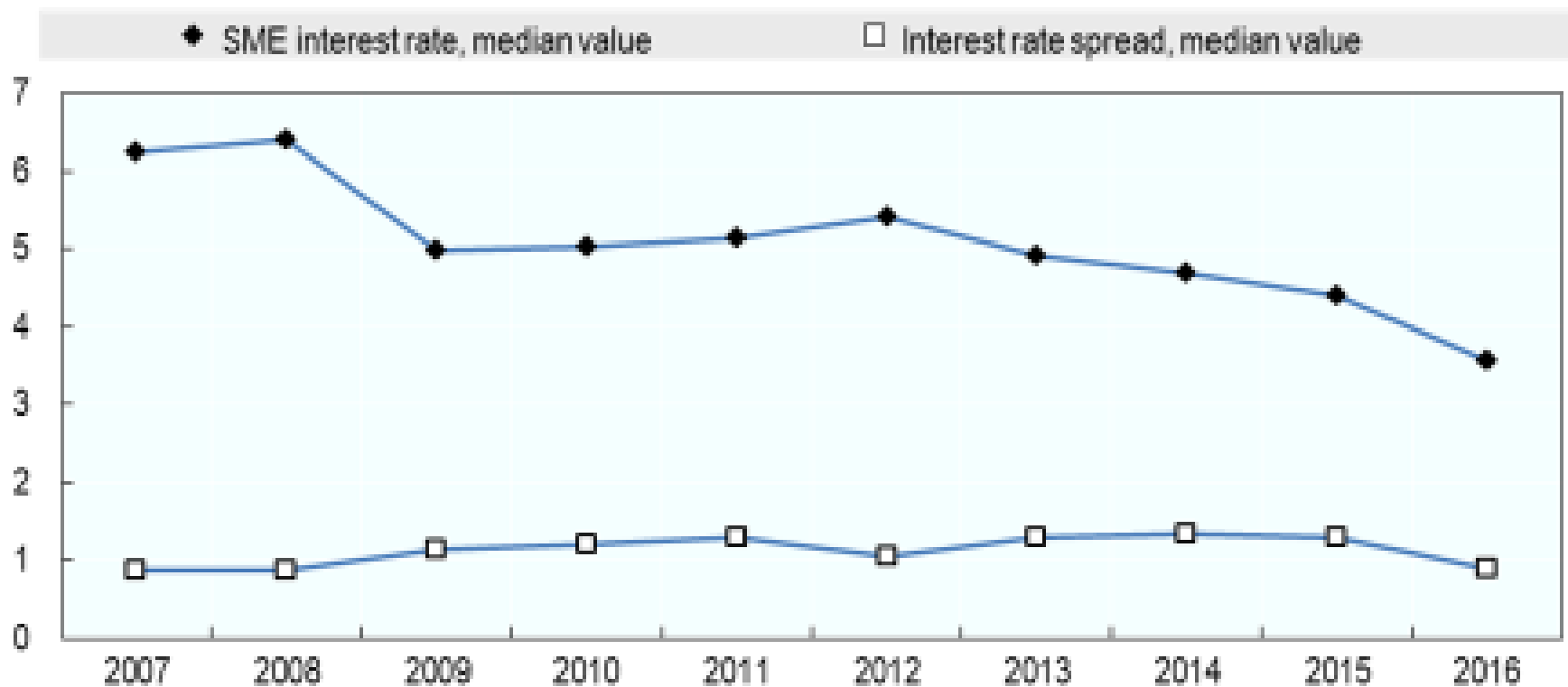


Source: Grundke et al. 2017 , based on OECD Survey of Adult Skills (PIAAC) data.



# The gap in credit costs between SMEs and large enterprises has widened

Average interest rate charged to SMEs and average spread between interest rates charged to SMEs and large enterprises, median values



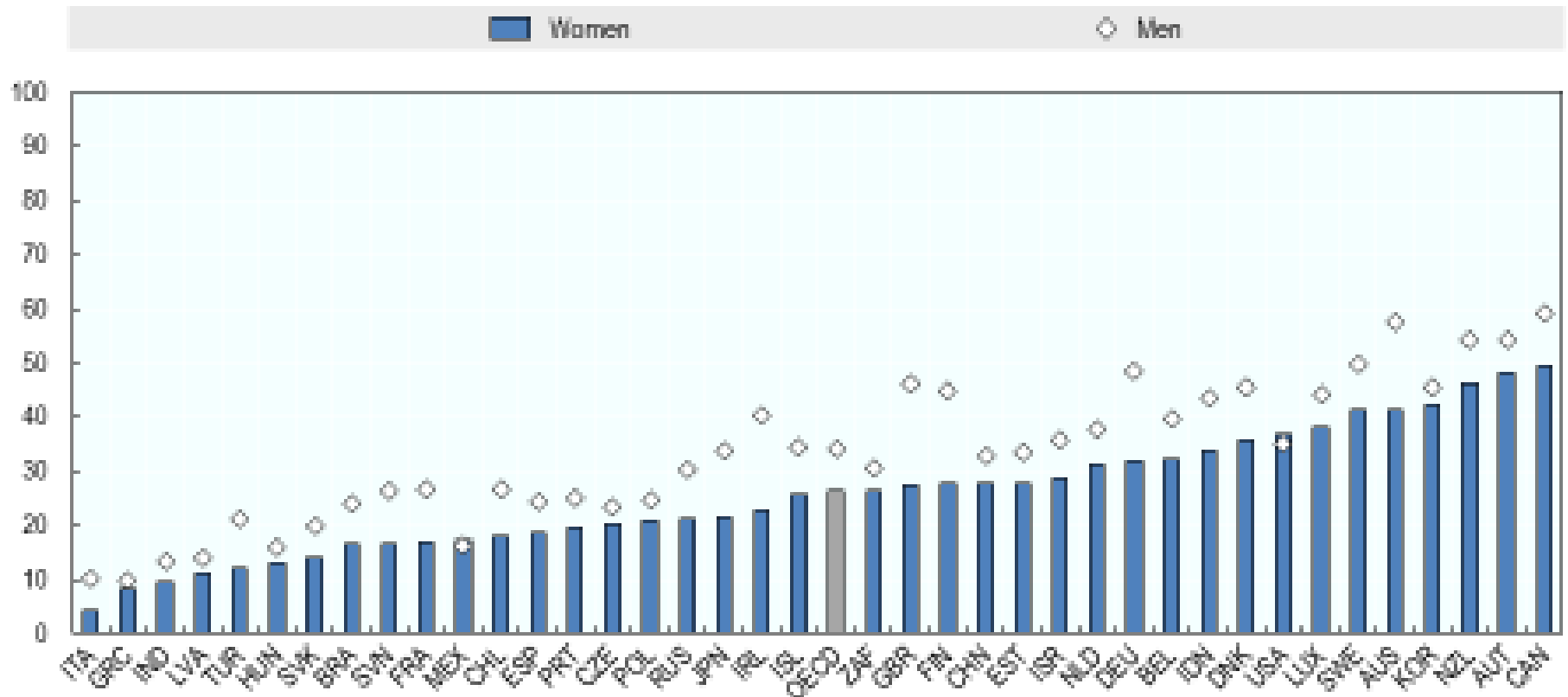
Source: OECD (2018), Financing SMEs and Entrepreneurs: an OECD Scoreboard.





# 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



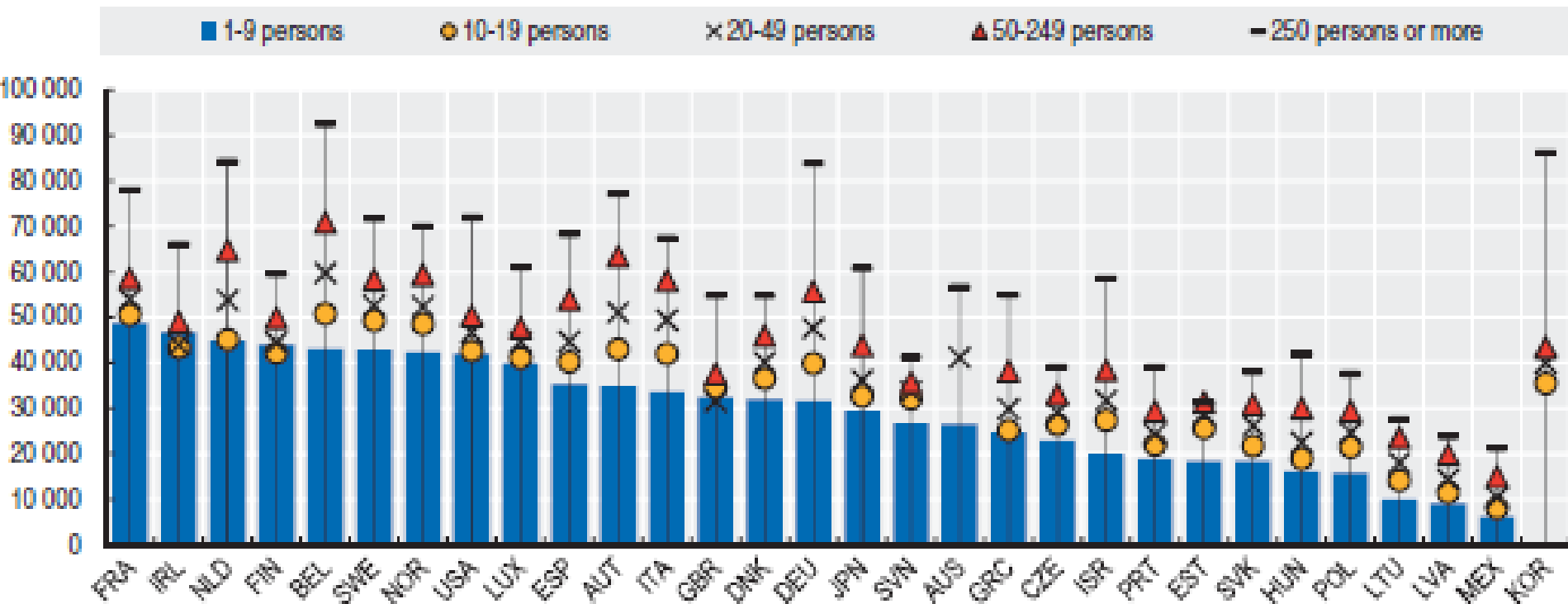
Source: OECD (2016), Entrepreneurship at a Glance 2016.



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

## Compensation per employee

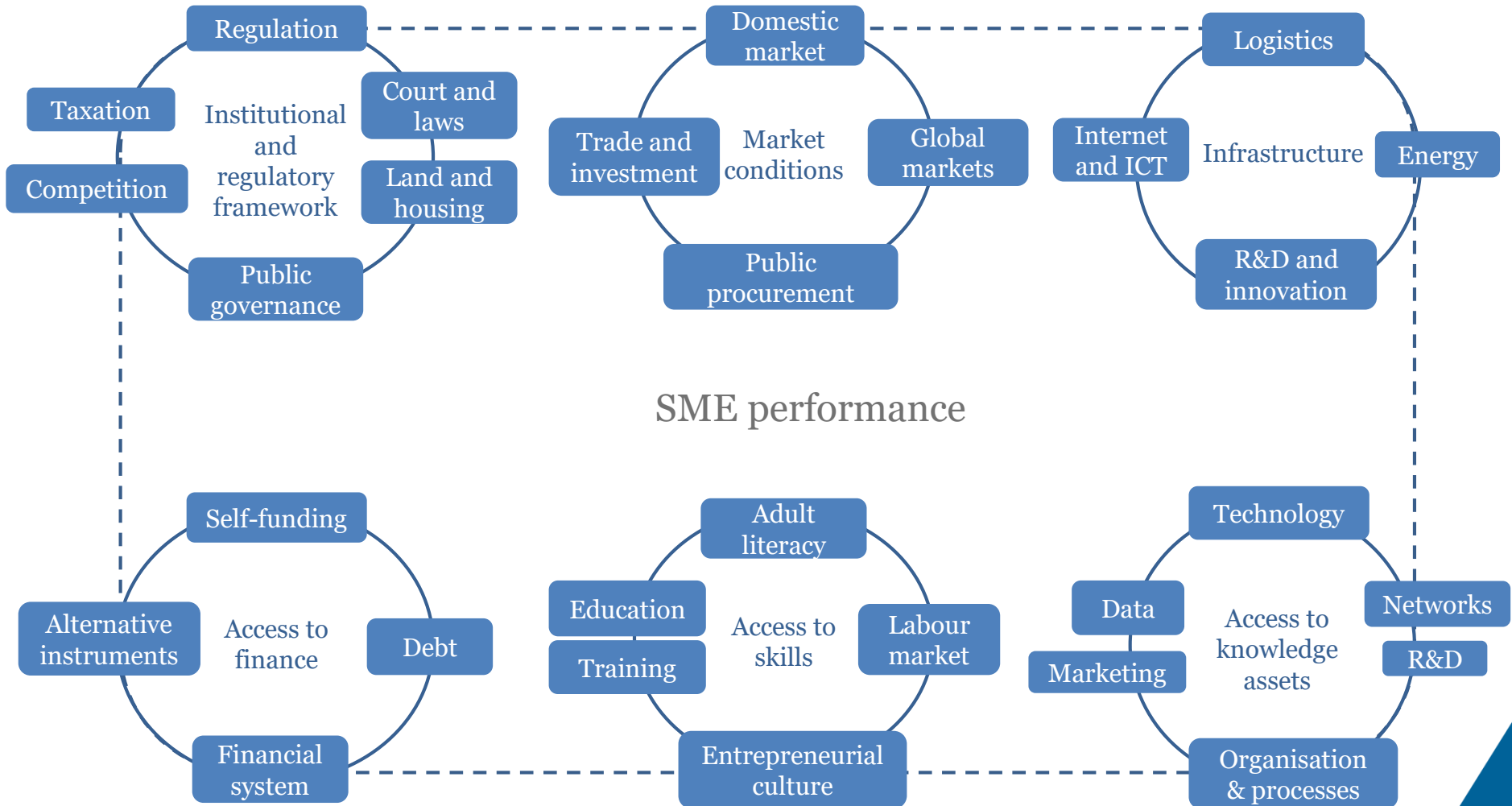
Thousands of USD, current PPPs for actual individual consumption, 2014, or latest available year



Source: OECD (2017), Entrepreneurship at a Glance 2017, [http://dx.doi.org/10.1787/entrepreneur\\_aag-2017-en](http://dx.doi.org/10.1787/entrepreneur_aag-2017-en)).



# Unleashing the potential of SMES?





## A complex policy space

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- **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**



Requires political engagement and cooperation



OECD SME Ministerial Conference

22-23 February 2018 Mexico City #OECDsme



- **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**.

<http://www.oecd.org/cfe/smes/ministerial/SME-Ministerial-Declaration-ENG.pdf>

- **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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