B20 Cross-thematic Group Small and Medium Enterprises (SMEs)

Small and medium-sized enterprises (SME) represent the vast majority of enterprises worldwide. They are an essential pillar of innovation, economic and social progress as well as job creation. At the same time, they face a multitude of challenges, such as access to finance or the complex regulatory business environment. Access to markets abroad and shortage of skilled labor in a more and more digitalized economy are further concern for SMEs.

These concerns have been increasingly accounted for by many governments. But we need to do more. How can SME be further empowered? How can a better participation of SME in global value chains be facilitated? Specific attention also needs to be given to the implementation of SME-friendly regulations and agreements as well as ensuring full access to the financial markets. The G20 can and has to contribute to a level-playing field that enables SMEs.

Relevance of Cross-Thematic Group Recommendations for the G20 Focusses “Ensuring stability”, “Improving viability for the future”, and “Accepting responsibility”
Key Recommendations

Facilitating SME Participation in Cross-Border Trade

Recommendation 1: G20 members should facilitate SME access to cross-border trade and global value chains (GVCs) by systematically including their voice and needs in trade agreements, by capacity building, and by easing business travel.

Policy Action 1.1: Strengthening the SME Voice in Trade Agreements – The G20 should facilitate the inclusion of SME needs in trade agreements, including in the implementation of the TFA, by recommending a stronger SME representation in the WTO, and by strengthening knowledge of as well as clarifying priorities on SME market access impediments.

- G20 should recommend the WTO to establish an SME Advisory Group with representatives from the private sector, international organizations such as the OECD, and SME associations such as the WSF.
- G20 members should adopt the “think small first” principle in trade policy focused on transparent and simple rules, reducing unnecessary regulatory divergences, abolishing administrative barriers through trade facilitation, and simplifying rules of origin.
- G20 members should focus on SMEs in the implementation of the TFA and create national trade facilitation committees with a strong presence of SME associations.
- The G20 should request international organizations to better coordinate SME ease of doing business and trade reports, in order to create a better basis for informed policy-making.

Policy Action 1.2: Boosting Trade Capacity Building for SMEs – The G20 should request multilateral and national development institutions as well as business and SME associations to strengthen SME trade capacity building by providing and enabling access to funding and expertise.

- G20 members need to increase support for trade capacity building programs which place a strong focus on SMEs. To lower information and legal costs related to the participation in trade, G20 members should set up contact centers and export/import helpdesks.
- The G20 should encourage the WBG and the ITC to serve as interlocutors for Mentoring Programs between large and small companies.
- The B20 recommends conducting a “Lab of Tomorrow” pilot project focusing on cross-border trade.

Policy Action 1.3: Easing Business Travel – The G20 should discuss a G20 Business Travel Card to allow fast track clearance across G20 members to promote a freer flow of skills and talent across borders.

- G20 members should reduce the administrative burden associated with entry and exit to free-up resources.
- G20 members should build on existing bilateral and plurilateral initiatives for visa facilitation and elicit potential consolidation.
Building Digital Capacities and Capabilities

Recommendation 2: G20 members should facilitate SME access to the digital economy by strengthening digital infrastructure outside industrial centers, leveraging support for international multi-stakeholder initiatives on e-commerce, and enhancing the knowledge base on SME needs.

Policy Action 2.1: Improving Internet Access Outside Industrial Centers – G20 members should foster SME Internet access by strengthening digital infrastructure outside industrial centers, incorporating comprehensive and targeted Digital Strategies, as well as raising SME awareness and capabilities through Innovation Hubs.

- G20 members should endorse targets and draw up long-term national broadband strategies, providing a country-specific framework for the coordination and organization of broadband development activities.
- G20 members should implement sound policies in the telecommunication area, with a strong focus on competition and fair access, to ensure that returns on network investments are predictably attractive.
- Investment in ICT infrastructure should be prioritized in G20 Investment Strategies.
- G20 members should establish SME Innovation Hubs to encourage usage and knowledge of new applications, technologies, and innovation.

Policy Action 2.2: Advancing Participation in Digital Trade – G20 members should foster SME participation in digital trade by reducing regulatory barriers and enhancing SME e-commerce readiness, leveraging support for international multi-stakeholder initiatives on e-commerce such as the eWTP and the SME Market Link of the World SME Forum.

- G20 members should adapt their e-commerce-related policies to international standards and best practices, and engage in international multistakeholder dialogues on regulation.
- G20 members should enhance e-commerce readiness through streamlined Aid for Trade as well as knowledge and information exchange.

Policy Action 2.3: Better Measurement of the Digital Economy – G20 members, together with the respective international organizations such as the OECD, should improve measurements of key characteristics of the digital economy, including size, scope, global reach and economic value-creation by market, sector and segment, with particular attention to SMEs, to create a better basis for SME policy-making.

- G20 members should build on the G20 Data Gaps Initiative to elaborate a set of specific actions needed to develop more adequate and relevant cross-country comparable metrics on the digital economy.
- The OECD should publish annually a SME Digital Access and Usage report, to highlight specific SME requirements and provide SMEs with relevant information.
Advancing Financial Inclusion

Recommendation 3: G20 members should ensure the implementation of the G20/OECD High Level Principles on SME Financing, the G20 Action Plan on SME Financing and the G20 High Level Principles on Digital Financial Inclusion, in particular by strengthening financial market infrastructure, enhancing access to diversified financial instruments, and advancing digital financial technologies.

Policy Action 3.1: Strengthening Financial Market Infrastructure for SMEs – G20 members should strengthen financial market infrastructure for SMEs by consulting with the private sector on the reform of the credit reporting framework, collateral registries, and insolvency rules, as well as by mandating the Financial Stability Board (FSB) to improve the impact assessment of financial regulation with respect to lending to SMEs.

- G20 members should quickly and comprehensively complete the diagnostic self-assessment, as per the G20 SME Financing Action Plan, particularly on improvements in relation to credit reporting, movable assets, and insolvency regimes.
- G20 members should commit to address the deficiencies identified in the self-assessments.
- G20 members should consult with relevant SME associations, such as the SME Finance Forum and the WSF on the potential impact of financial regulatory reform on SME access to finance.

Policy Action 3.2: Facilitating Access to Diversified Financial Instruments – G20 members should improve access to various forms of financing and take specific and targeted measures to boost the financial literacy of SMEs by encouraging the establishment of mentorship and financing networks.

- The G20 members should support – with public programs (country-specific, no “one-fits all” approach) – multiple sources of finance for SMEs.
- The G20 members should support the development of multiple sources of finance for SMEs through public programs, adapted to particular country circumstances.
- The G20 members should use public programs to leverage private resources and competencies and develop appropriate risk-sharing and mitigating mechanisms.
- The G20 members should enhance the information infrastructure for credit risk assessment and support the development of specific SME credit-risk management skills (both financial and digital).
- The G20 members should foster, with the help of the OECD and the World Bank Group, the development of best practices to support the development of new markets and instruments.

Policy Action 3.3: Enhancing Digital Financial Inclusion – The G20 members should implement the G20 High Level Principles for Digital Financial Inclusion, ensure that SME specific needs are sufficiently addressed, and boost SME awareness of and ability to engage in digital finance, including electronic invoicing and settlement, as well as digital trade and supply chain finance.

- The G20 members should mandate the Global Partnership for Financial Inclusion (GPFI) to identify good practices in moving SMEs from cash-based to electronic transactions, and other areas for reform within tax and other regulatory systems.
- The G20 members should ask the IMF, the World Bank, the GPFI, the OECD and the Alliance for Financial Inclusion (AFI) to improve the availability and quality of data on demand and supply of finance to
individuals and SMEs in underserved markets.

- The G20 members should adapt ‘know your customer’ (KYC) compliance requirements to specifically support financial inclusion and by leveraging so-called simplified models based on volume, size and nature of customer transaction.

- The G20 should mandate the OECD, the World Bank Group, and other implementing partners to intensify work on the SME dimension of financial literacy strategies.

- The G20 members should support measures to enhance both financial and digital skills among SMEs, including elements of book-keeping, sales, asset management, risk management, taxation and compliance, budgeting, and cash flow management.
Business 20

The Business 20 (B20) is the official G20 dialogue with the global business community. On September 4, 2016, the leading German business associations BDI, BDA, and DIHK, mandated by the German Chancellery, assumed the B20 presidency. Chair of B20 Germany is Dr. Jürgen Herzog.

Since September 2016, more than 800 representatives from companies and business associations developed recommendations for the G20 on a consensual basis. B20 Germany is organized in seven working groups: Trade and Investment, Energy, Climate & Resource Efficiency, Financing Growth & Infrastructure, Digitalization and Employment & Education, Responsible Business Conduct & Anti-Corruption and SMEs. In February, the B20 Health Initiative was launched. Each group is headed by a chair and several co-chairs. The approximately 100 members of each group represent all G20 countries and sectors of the economy.

Cross-thematic Group Small and Medium Enterprises (SMEs)

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<th>Chair</th>
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<td>Co-Chairs</td>
<td>Mary Andringa, Chair of the Board, Vermeer Corporation</td>
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Knowledge Partner

| EY |

Network Partners

| World SME Forum |
| G20 Young Entrepreneurs’ Alliance |

The group consists of 129 members from 24 countries (including the category “international”).

April 12, 2017