



Approaches to implementing the G20/OECD High-level Principles on SME Financing

**GLOBAL CONFERENCE ON GUARANTEE INSTITUTIONS FOR
SME FINANCING**

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Lucia Cusmano
Senior Economist

OECD Centre for SMEs, Entrepreneurship, Local Development and Tourism



Background

- **April 2015:** Request from G20 Finance Ministers and Central Bank Governors
 - Broad guidelines for the development of cross-cutting policy strategies, policy assessment and benchmarking
 - Built on work from the OECD and other international organisations
 - Voluntary and non-binding
- **November 2015:** G20 Leaders
 - Welcomed ***G20/OECD High-Level Principles on SME Financing***
 - Called for the development of **effective approaches for implementing the Principles**



G20/OECD High-Level Principles on SME Financing

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness.
11. Monitor and evaluate public programmes to enhance SME finance.



Identifying effective approaches

Objective

- Develop a menu of policies to help governments operationalise the Principles and monitor implementation

Methodology

- Survey-based approach: bottom-up, country driven
- Categorisation into
 - **Common approaches:** well-established across a broad range of jurisdictions
 - **Innovative/Emerging approaches:** limited number of countries, recently implemented, or applying to some specific policy areas or measures



Principle 1: Identifying gaps and improving the evidence base

- ***Common approaches***
 - Importance of evidence-based SME financing policy increasingly recognised
 - Established frameworks to collect quantitative data:
 - Reporting requirements to financial institutions
 - Demand and supply surveys, *but* very different coverage, methodologies and representativeness
 - Consultation with financial institutions and private sector to assess SME financing needs and challenges
 - International benchmarking



Principle 1: Identifying gaps and improving the evidence base

- ***Other approaches***

- Granular data on firm's and entrepreneur's characteristics
- Complementary insights from data for different purposes (e.g. tax administration, labour regulation)

Portugal: granular data from central credit register, financial statements, tax administration; database on employees' remuneration, education and training

- Data on alternative instruments

UK: Small Business Equity Investment Tracker



Principle 2: Strengthening bank financing

- ***Common approaches***
 - Credit guarantees most widespread policy instrument
 - New schemes and changes to existing ones (endowment, eligibility, new instruments, counter-guarantees)
 - Credit insurance
 - Diversity of measures to enhance credit risk management and mitigation
 - Broader information in credit public registries, data quality assessment and data protection regulation
 - Improved monitoring of bank losses and provisions
 - Changes in regulation to broaden set of assets SME can use to secure loans
 - Enhancing speed and efficiency of insolvency procedures



Principle 2: Strengthening bank financing

- ***Other approaches***

- Support to securitisation of SME loans
- Enhance operating efficiency in banking markets (e.g. ICT adoption, organisation and management skills, good governance rules)
- Greater transparency in credit relations with SMEs

Spain: Law 5/2015 imposing greater transparency on credit application process and credit rating, standardised credit reporting and advanced notification of credit reduction

- Requirement for designated financial institutions to share information with alternative finance providers

UK: Bank referrals to designated financial platforms



Principles 3: Promoting alternative sources of financing

- ***Common approaches***
 - Public investment vehicles and co-investment schemes
 - Broadening the base of SME investors through:
 - regulatory changes
 - tax incentives
 - easing access to credit information

France: access to Banque de France's standardised credit rating assessment system (FIBEN) to insurance companies

- Use of guarantees for non-debt instruments



Principles 3: Promoting alternative sources of financing

- ***Other approaches***
 - Raising awareness by SMEs about broad range of offering
 - Developing digital exchange platforms

Chile's Bolsa de Productos: public market for receivables with special investor protection

- Improving SME investor-readiness

Belgium: life-cycle coaching initiatives by Flanders Innovation and Entrepreneurship

- Easing networking with alternative investors



Principle 5: Designing appropriate regulation

- ***Common approaches***
 - Structured consultative mechanism with the private sector to assess regulation and reforms, focused or broad in scope
 - Assessment of tax policy implications on SMEs' use of diverse instruments, with increasing focus on equity
 - International exchange of experiences and good practices
 - Regulatory coordination to ease cross-border investment
 - Specific regulation on crowdfunding becoming more common



Principle 5: Designing appropriate regulation

- ***Other approaches***
 - Regulatory impact studies
 - SME test for new legislation
 - Advice and training to SMEs on financial management and reporting to allow more informed decisions by investors
 - Support to SME adoption of corporate governance principles

EU CMU Action Plan: mapping of local or national support and advisory capacities and identification of best practices



Thank you

lucia.cusmano@oecd.org

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