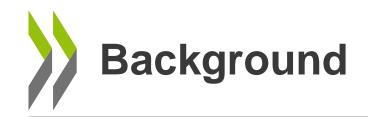
## Approaches to implementing the G20/OECD High-level Principles on SME Financing

#### GLOBAL CONFERENCE ON GUARANTEE INSTITUTIONS FOR SME FINANCING Madrid 2 JUNE 2017

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- 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

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