



Towards better SME finance policies: The G20/OECD High Level Principles on SME Financing

G20 Workshop "Helping SMEs go global – Moving forward in
SME finance"

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Background

- **April 2015:** Request from G20 Finance Minister 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.





Principle 1: Identifying gaps and improving the evidence base

- Identifying gaps, with relevant stakeholders
- Statistical information
- Transparency in definitions, comparability within and across countries

Approaches

- All governments engage in efforts to identify gaps
- Data sources include reporting requirements from financial institutions, surveys and private sector organisations.
- Significant scope for data collection improvements:
 - Data disaggregated by gender of the owner, firm size, firm age
 - Representative survey data are not universally available





Principle 2: Strengthening bank financing

- Measures to support bank lending (guarantees, securitization, credit insurance, provision for loan losses)
- Risk mitigation
- Effective insolvency regimes
- Broader set of assets to secure loans, including intangibles

Approaches

- Several models to enhance access and use of credit information by lenders
- Policies to stimulate the use of intellectual property as collateral are still in the nascent stage





Principle 3: Promoting alternative sources of financing

- Complementary nature of different financing channels
- Best form and volume according to needs and stage
- Increase SME awareness
- Wider range of investors
- Asset based finance, supply chain and trade finance, alternative debt, hybrid tools and equity, VC and private equity

Approaches

- Support for equity finance: tax policies, matchmaking, direct financing, co-financing, advisory services, accelerators/incubators, ...
- Most countries provide support to raise awareness of the range of financing options
 - But often rely heavily on placing information on websites
 - Outreach through business associations, chambers of commerce, local bodies, ... is less common





Principle 5: Designing appropriate regulation

- Regulation, financial stability and investor protection
- Legal, tax and regulatory frameworks and regulatory certainty
- Consider combined effects of regulation
- Proportionality and red tape
- Good corporate governance
- International regulatory coordination

Approaches

- Specific regulation on crowdfunding is becoming more common
 - Need to balance between stimulating alternatives for SMEs and providing investor protection and financial stability
- The impact of (financial) regulation on SME access to finance is commonly assessed ex ante
 - Usually in consultation with business representatives and the financial sector





Thank you.

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See

<https://www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf>