



Recommendation of the Council on SME and Entrepreneurship Policy



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Background Information

The Recommendation on SME and Entrepreneurship policy was adopted by the OECD Council at Ministerial level on 10 June 2022 on the proposal of the Committee on SMEs and Entrepreneurship (CSMEE). As part of a broader OECD SME and Entrepreneurship Strategy, the Recommendation aims to provide an evidence-based and holistic framework to support Adherents in developing coherent, effective and efficient SME and entrepreneurship policies, to foster their contribution to inclusive and sustainable growth and for the benefit of all.

Rationale for the Recommendation

Governments around the world have long recognised the importance of small and medium-sized enterprises (SMEs) in economic growth, job creation, local development, inclusion and social cohesion. SMEs and entrepreneurs also play a crucial role in the adaptation of economies and societies to major transitions, including digitalisation, globalisation, demographic shifts, labour market transformations and the transition to more sustainable practices and models. At the same time, the SME and entrepreneur population is very diverse with respect to their size, sector, age, location, background, capacities, and aspirations, as well as ability to overcome inefficiencies in the business environment and policy sphere. Such diversity has important implications for the design and implementation of policies.

Countries worldwide have diverse policy frameworks in place of relevance to SMEs and entrepreneurs, which often have a broad scope and engage a large number of actors, ranging from reforms that shape framework conditions to policies for the business population at large to SME-targeted measures.

Building on more than two decades of OECD work, the Recommendation responds to a long-standing demand for frameworks and tools to improve SME and entrepreneurship policy effectiveness, ensuring coherence and synergy across varied policy areas and actors and accounting for the diversity of the SME and entrepreneurship population. This has taken a new urgency as governments strive to support SMEs and entrepreneurs in the recovery from the COVID-19 crisis and to adapt to the digital and green transitions.

A co-operative and inclusive process for developing the Recommendation

Since 2019, the Working Party on SMEs and Entrepreneurship (WPSMEE, now the CMSEE) advanced work towards an OECD Strategy for SMEs and Entrepreneurship, with the aim to help countries develop coherent, effective and efficient SME and entrepreneurship policies. The COVID-19 pandemic, which strongly affected SMEs and entrepreneurs world-wide and triggered unprecedented government action, made the ambitions of the Strategy even more important and urgent.

Against this background, in 2021-22, the CSMEE developed through an iterative process a set of guiding principles for SME and entrepreneurship policies, subsequently embodied in the Recommendation. An informal Steering Group, composed by CSMEE Delegates, supported the development of the guiding principles, which benefited from comments from other OECD policy communities.

In addition, over February-March 2022, a public consultation was held online with outreach to a broad range of stakeholders, gathering 180 responses across 33 OECD Members and 15 non-OECD Members.

Scope of the Recommendation

The Recommendation offers a coherent and strategic approach to SME and entrepreneurship policies, encompassing a mix of targeted and horizontal policy dimensions and placing emphasis on effective governance mechanisms. While aiming to be widely applicable, it recognises the different circumstances, institutional contexts and stages of development across jurisdictions, and that countries use a variety of policy frameworks to support their SMEs and entrepreneurs.

The Recommendation is structured around three inter-related pillars:

- *policy coordination and governance*: this pillar focuses on how policy making and implementation should be organised to deliver effectively, efficiently and coherently on the objectives that policies towards SMEs and entrepreneurs aim to achieve. It reflects the importance of ensuring a whole of government approach, of taking the perspective of SMEs and entrepreneurs into account in policy making from design to implementation, of taking due account of the differences among SMEs and entrepreneurs, and of developing robust mechanisms for policy evaluation and monitoring.
- *transitions and resilience*: this pillar reflects ongoing trends and relevant changes in the SME and entrepreneurship policy domain and in the wider economic environment. It acknowledges that these transitions present both opportunities and challenges for SMEs and entrepreneurs, and that failing to address transition challenges for large shares of the business population is likely to fall short of achieving broader policy objectives. It also recognises that, although such trends concern all the business population, they do so in a differentiated way, which policy makers need to take into account.
- *accessing resources*: this pillar reflects the importance for SMEs and entrepreneurs to access critical resources to start and flourish, including finance, skills, innovation, public procurement, networks and the wider entrepreneurial ecosystem. It acknowledges that policy action may be needed to address size-related constraints, information asymmetries or externalities, and promote a level playing field.

Next steps

The CSMEE will support the implementation of the Recommendation and report to Council in 2027.

A set of operational tools to support Adherents in implementing the Recommendation will be developed by the CSMEE in cooperation with other OECD policy communities, building on the work undertaken under the OECD SME and Entrepreneurship Strategy, existing OECD tools and best practices.



Relevance to COVID-19 Response and Recovery

SMEs and entrepreneurs were hit hard by the COVID-19 pandemic, which revealed important structural vulnerabilities and brought significant risks for economies at large. In addition, the COVID-19 crisis further compounded the need and urgency to address the challenges posed by other global megatrends.

The crisis also exposed weaknesses in current policy approaches and provided a stress test for SME and entrepreneurship policy frameworks. Governments adopted support packages that were unprecedented both in size and in speed of deployment, as well as ambitious recovery and resilience plans. The crisis underlined the need for governments to take an SME and entrepreneurship perspective into account in these recovery packages and policy making at large to build back better their economies.

While it is anchored in the urgency of recovery from COVID-19, the Recommendation has a longer term perspective that can support a new generation of SME and entrepreneurship policy frameworks and function as a compass to assist policy makers in navigating major transitions.

*For further information please consult: [OECD SME and Entrepreneurship Strategy - OECD](#).
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THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the standards developed by the OECD in the area of Small- and Medium-sized Enterprises (hereafter “SME”) and entrepreneurship, regulatory policy, public governance, corporate governance, innovation, digitalisation, green growth, multinational enterprises, responsible business conduct and public procurement;

RECOGNISING the importance of SMEs and entrepreneurs for economic growth, job creation, regional and local development, sustainability and social cohesion;

CONSIDERING the drastically changing environment in which SMEs and entrepreneurs operate through digitalisation, climate change and internationalisation, and the need for policies to address these;

RECOGNISING that SME and entrepreneurship policies have a broad and varied scope, ranging from measures specifically targeted to SMEs to strengthening framework conditions and supporting the wider business community, and involve a variety of actors across governments at central and sub-national level;

RECOGNISING the need for effective and comprehensive SME and entrepreneurship policy frameworks to ensure coherence and synergy across the different policies and actors, and for considering the diversity of the SME and entrepreneurship population;

RECOGNISING the role of diverse stakeholders in the SME and entrepreneurship ecosystem, including SME representatives and business associations, large firms, financial institutions, civil society, academia and research organisations, and the value of social dialogue and public-private sector cooperation for effective policy design and implementation;

RECOGNISING that, through the work of the OECD, international co-operation on SME and entrepreneurship data, analysis and policies has become an essential building block for effective, efficient and coherent SME and entrepreneurship policies;

RECOGNISING that Members and non-Members having adhered to this Recommendation (hereafter the “Adherents”) have different approaches to SME and entrepreneurship policies depending on legal, institutional and cultural contexts as well as differing ways in which they address the need for coherent, effective and efficient SME and entrepreneurship policies.

On the proposal of the Committee on Small- and Medium-Sized Enterprises and Entrepreneurship:

I. RECOMMENDS that Adherents promote and implement effective, efficient and coherent policies for SME and entrepreneurship to foster their contribution to inclusive and sustainable growth and for the benefit of all. To that effect, Adherents should:

1. Put in place cross-cutting and coherent approaches to SME and entrepreneurship policy design and implementation by:

- a. Co-ordinating and aligning SME and entrepreneurship policy across government entities and levels through effective governance mechanisms and place based-approaches, in line with each country’s institutional setting, circumstances and needs.
- b. Ensuring that implications for SMEs and entrepreneurs are considered across the diverse policy areas that influence their prospects and outcomes in order to enhance policy synergies, address potential trade-offs and reduce administrative burdens, including through increased attention to their specificities and circumstances in policy and regulatory design, SME tests and evaluations,

consultation mechanisms, streamlined processes and user-centric approaches in implementation.

- c. Taking account of the diversity of SMEs and entrepreneurs throughout policy making, by assessing implications for different types of SMEs, entrepreneurs and self-employed, adopting policy relevant typologies and collecting granular data on SME and entrepreneur key features, performance and behaviour.
- d. Setting up robust monitoring and evaluation mechanisms that systematically assess policies for their SME and entrepreneurship impacts, using relevant data and methodologies and feeding results in new policy initiatives.

2. Facilitate the transition and resilience of SMEs and entrepreneurs by:

- a. Supporting the adoption of digital technologies, services and data by all SMEs and entrepreneurs in line with their needs, digital maturity and aspirations by enhancing access to digital infrastructure; strengthening digital skills, data literacy and management of digital security risk; and ensuring open and well-functioning markets for digital goods and services.
- b. Encouraging and enabling SMEs and entrepreneurs to transition to sustainable business models, practices and technologies, and to drive green innovations, taking into account their specificities and needs in environmental policies; fostering their access to resources, including sustainable finance; and supporting their adoption of circular economy strategies.
- c. Enhancing SMEs and entrepreneurs participation in international trade and global value chains through open markets; conducive regulatory frameworks; trade facilitation and trade finance; and by strengthening their access to services and networks, including with foreign partners and multinationals.
- d. Enabling entrepreneurship by reducing barriers to entry, exit, business transfer and business succession, and by easing possibilities to re-start for entrepreneurs who fail; and ensuring that policies and the regulatory environment support competition and provide incentives and support for innovative entrepreneurs to scale up.
- e. Encouraging and supporting under-represented or disadvantaged groups to participate in entrepreneurship, by taking into account structural barriers and specific challenges and needs through appropriate targeted measures, where necessary, and through equal access to wider entrepreneurship support programmes.
- f. Facilitating the transition from informal to formal entrepreneurship, easing access to resources where needed; and ensuring a level playing field and enabling conditions for productive employment and decent work for the self-employed and for all kinds of entrepreneurship, including in the platform economy.
- g. Promoting responsible business conduct and the engagement of SMEs and entrepreneurs in avoiding and addressing adverse environmental and social impacts and improving social outcomes associated with their activities and business relations along value chains and within their local communities.

3. Enhance SMEs and entrepreneurs' access to resources by:

- a. Providing adequate incentives for SMEs and entrepreneurs to innovate and fostering their capacity to benefit from innovation diffusion, through conducive market conditions; robust and inclusive innovation ecosystems, local networks and infrastructure; and appropriate targeted measures, where necessary.
- b. Enhancing SMEs and entrepreneurs' access to a diverse range of financing instruments, sources and channels that are adapted to their needs in terms of development, growth and sustainability, by implementing evidence-based policies and regulatory approaches conducive to transparent

and resilient SME finance markets; leveraging the role of new technologies; encouraging timely payments; and strengthening SME financial skills and vision.

- c. Encouraging the development of an entrepreneurial mindset throughout society, and creating adequate incentives for SMEs and entrepreneurs to invest in skills; in particular promote the development of and access to skills that are transversal across jobs and contexts, such as management, problem-solving and digital skills.
- d. Strengthening entrepreneurial ecosystems at national and local level, including by developing networks and linkages along supply chains, between SMEs and with large firms, within and across sectors; and by enhancing SME access to and participation in public procurement.

II. INVITES the Secretary-General to disseminate this Recommendation.

III. INVITES Adherents to disseminate this Recommendation at all levels of government.

IV. INVITES non-Adherents to take account of and adhere to this Recommendation.

V. INSTRUCTS the Committee on SMEs and Entrepreneurship to:

- a. Serve as a forum for exchanging information and experience with respect to the implementation of this Recommendation through a multi-stakeholder and interdisciplinary dialogue on SME and entrepreneurship;
- b. Support the efforts of Adherents to implement this Recommendation through the development of a toolkit;
- c. Report to Council on the implementation, dissemination and continued relevance of this Recommendation no later than five years following its adoption and at least every ten years thereafter.

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