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FINANCING SUSTAINABLE GROWTH FOR SMEs GLOBALLY

The case for a coordinated G20 policy approach

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FOREWORD

The global economy continues to perform below potential and suffer from significant uncertainty. Despite G20 leaders committing, in 2014, to measures aimed at raising GDP by 2% by 2018 a lack of structural reform and serious constraints for financing along Global Value Chains (GVCs) continue to drag on growth.

Meeting the G20's 2% growth scenario by 2018 requires the rapid implementation of strong and well targeted measures to encourage entrepreneurship and private sector led growth. This is particularly true for small and medium-sized enterprises (SMEs) whose participation in GVCs fundamentally supports growth in our economies, while also enhancing their own productivity and innovative potential.

Poorly designed, or implemented, regulation creates significant barriers to market and can have unintended consequences. This is evident in, but not limited to, the financial sector, where necessary regulatory change has often led to unintended consequences such as reduced flows of finance to some sectors and to SMEs. The response to these challenges must be consistent across borders and the need for greater international co-operation and good global governance is clear.

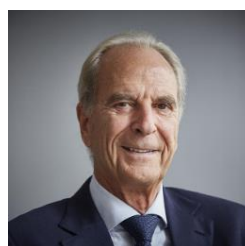
To promote a better understanding of these interactions, Business at OECD and the B20 launched a focused dialog with stakeholders, including B20 Taskforces, SME associations, governments, financial institutions, business and international organisations. The primary goal was to identify G20 priorities for enhancing finance for growth. Participants examined links and common denominators across all B20 recommendations to develop a holistic understanding of finance for growth, and in particular of SMEs and their markets. The conclusions informed actions by G20 leaders at their 2015 Antalya and 2016 Hangzhou Summits.

We are now progressing our work under the German Presidency with a third edition of this dialog on 22 March 2017 at the OECD. This publication leverages the insights of previous editions and covers topics including digitalization, cyber security, innovation, financial inclusion, green finance and financial regulation. Coordinated G20 action in these areas is essential to support the financing of SMEs in global markets thereby fuelling investment and growth.



Mr Bernhard Welschke

Secretary General Business at OECD



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RECOMMENDATIONS TO G20 LEADERS: MOVING FROM “WHAT” TO “HOW”

In 2016, participants at the Business at OECD (BIAC)-B20 Roundtable on *Financing Growth: SMEs in Global Value Chains* agreed **three overarching recommendations** for G20 Leaders under the Chinese Presidency (building on recommendations issued under the Turkish Presidency):

1. *Focus on coordination and consultation in implementation, supported by independent impact assessment, in order to minimize cross-border and cross-policy inconsistencies and thereby minimize direct and indirect compliance costs for SMEs*
2. *Raise SME access to finance and skills through an integrated financing approach, better leveraging on opportunities offered by digital and green finance*
3. *Maximize access to data and sharing of information through digital platforms for a coordinated response to global challenges, including cyber security.*

Common to each of these areas is the need in the current economic climate for **governments to expand their focus from guardians of financial stability towards enablers of growth and investment**. In turn, the **private sector** should take more ownership of actions.

Today these recommendations remain valid and should be pursued, even strengthened, in the new political environment where protectionist pressures are rising. In 2017, the German Presidency has prioritised G20-B20 work that focuses on “pragmatic actions”. As a result, **this year’s Business at OECD-B20 event (agenda at the end of this report) shifted its attention from the “what”, enshrined in the recommendations, to the “how” of ensuring these aims can be achieved.**

THE ISSUE: THE “LOW GROWTH TRAP” AND CHALLENGES FOR GLOBAL VALUE CHAINS

Since the 2008-09 global economic and financial crisis, governments and regulators have taken decisive actions to prevent a similar crisis from occurring in the future. The outcome on both sides of the Atlantic has been a return to growth and the avoidance of deflation. However there has been mixed results at individual country level with both growth and credit markets increasingly diverging between the two economic areas.

Eight years ago, OECD economies faced a moment of maximum peril – and the Eurozone economies went through another acute round of crises in the years that followed. Output plummeted and unemployment soared. We have now, largely, recovered and many of the major economies, including the United States, Germany and the United Kingdom, have exceeded their pre-crisis per capita real GDP and have unemployment rates that are consistent with pre-crisis levels. The Eurozone saw some growth pick up in 2015 relative to 2014. We are beginning to see indications that the pre-crisis “normal”, where export growth outpaced global GDP, may be in reach once again, with trade ultimately regaining its role as a major engine of economic growth and value-creation.

However, one should not overstate the progress made since the financial crisis, nor overlook the uncertainty of projected improvements (such as those by the IMF and OECD). Growth remains elusive in many advanced economies, well below pre-crisis norms, and has slowed down in emerging market economies, especially for commodity exporters. Political shocks in 2016, such as Brexit or the Italian referendum, and backlashes against globalisation, technological change and migration in some countries, increase uncertainty and contribute to downside risks. Indeed, **global GDP growth** is projected to **remain flat at around 3%** in 2016 with only a modest improvement projected in 2017.ⁱ

This low growth is also benefiting from the decisive and unprecedented **monetary policy stimulus** implemented by central banks in major OECD countries. Aimed at restoring access to the bank credit channel for businesses and households, and preventing deflation, this stimulus cannot be maintained indefinitely. Indeed, the positive effects of extraordinary accommodation have been through currency depreciation and related foreign exchange

volatilities, which are likely to have **offsetting negative effects** on trading partner economies, perhaps reinforcing protectionist sentiment and damaging global trade.

Issues highlighted to better understand, and tackle, the “**low Growth trap**” have consistently been:

Low Productivity

- OECD economies face the twin structural challenges of **low productivity growth** and **rising inequality**. Productivity growth generally is projected to be lower than it was prior to the financial crisis and has slowed in most of the OECD economies. Even in the United States, a relative strong performer, it remains slow, continuing a long-term trend that pre-dates the crisis.ⁱⁱ
- This productivity shortfall (though its definition has evolved with the advent of technology and process improvement techniques) has resulted in output growth rates being consistently below the projections by the OECD and others.
- Since the crisis, diverging trends have emerged between large enterprises and SMEs. In most countries, before 2007 labour productivity grew at a comparable rate in both SMEs and large firms but in the post-crisis period, growth in SMEs has been weaker.ⁱⁱⁱ Against this backdrop, there has been unbalanced wealth distribution, which may contribute to keeping productivity low and fuel backlashes against globalisation. For example, in 2012, the average income of the top 10% of earners in the OECD area grew to just under 10 times that of the bottom 10%, up from around seven times in the mid-1980s.

International Trade and GVCs

- Recent OECD^{iv} analysis of the slowdown in trade has identified that the international fragmentation of production processes has reached a limit. They seem likely to remain or return to being regional production networks rather than globally distributed supply chains^v. The rate of growth in trade continues to be significantly below that of GDP.
- Following two decades of expansion in vertical specialisation trade, (i.e. trade in goods that incorporate imported inputs) the support of GVCs to world trade growth seems to have stalled. This is concerning as GVCs support innovative growth through the transfer of technologies, knowledge and skills. Stagnating intermediate imports are reflected in the recent slowdown in world trade, with the growth rate of trade in goods declining more sharply than that of services. In 2015, the world import volume of goods grew only by about 2.3%, while trade in services grew by 4.3%, against historic averages above 5%. The moderation of China growth rates and protectionism may be a contributor. Global trade agreements are vital to reap the benefits of globalization, particularly in the case of SMEs. However, the recent policies of some countries risk unwinding GVCs. Measures such as the implementation of the Trade Facilitation Agreement (TFA) and the creation of an SME Advisory Group at the WTO are important in counteracting this risk and would ensure SME's are represented.
- G20 members have addressed issues related to SMEs at each meeting since the 2009 Pittsburgh Summit. Impediments to SMEs are twofold, as established during the Turkish presidency: financial and non-financial. Non-financial impediments, such as lack of governance and transparency, require focussed globally co-ordinated attention, as they also negatively impact availability of finance, both debt and equity capital, for SMEs.
- Occupational Health and Safety concerns from employers have regularly been highlighted. Important initiatives like the Vision Zero Fund “will help prevent and reduce the unacceptable number of workplace-related deaths, injuries and diseases. Gaining access to global supply chains can be an important part of strategies for poverty reduction. The Fund will help to make this route safer”.^{vi}
- Integrating SMEs into GVCs helps to tackle the threat of rising inequality, which has significant human, economic, political, and security implications. There is an urgent need to remove artificial regulatory and practical barriers that prevent SMEs based in developing countries, particularly Africa, from integrating into GVCs.

Financial stability and Liquidity

- In many OECD economies there are signs that the prolonged period of slow growth, with extended unemployment, foregone investment, weak trade and low productivity growth, is harming the longer-run supply-side potential.
- Emerging economies remain vulnerable to high private debt burdens, sudden stops and reversals of capital inflows and weaker-than-expected growth. In addition to regulatory burdens, small business owners in

emerging markets need support in financial planning/literacy, preparing business plans, and in accessing capital (which is not always available or affordable). Advanced countries in the G20 can help emerging markets by establishing credit bureaus in these areas.

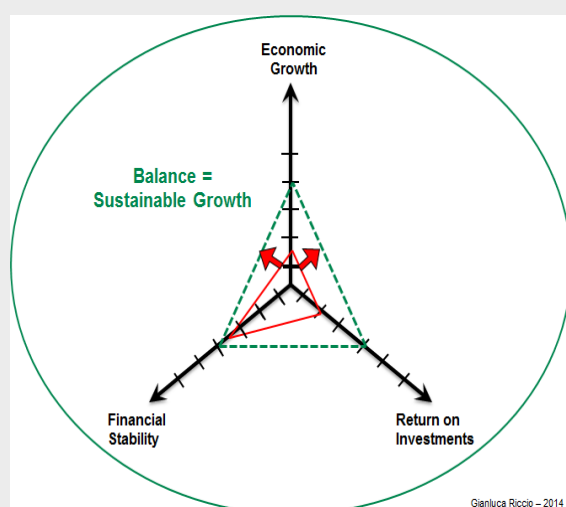
- In continental Europe, in contrast to the US, firms' dependence on bank loans has made them more vulnerable to banks' credit rationing. This has been an unintended consequence of post-crisis financial regulation and the delayed emergence of alternative market-based financing sources, which for the most part operate outside of risk-weighted capital concerns.
- As such, the policy challenge is to find ways to channel more liquidity, current and future, towards entrepreneurial activity, especially to SMEs and innovative firms, without adding volatility effects on bank capital requirements. The answer does not lie exclusively with the ECB and the diversification of SME financing away from bank credit, or its provision through new supply chain finance structures providing financing to SMEs. There is also merit in avoiding further tightening in financial regulation, such as the proposed finalization of Basel III (sometimes called Basel IV), or the uncorrected impacts of Expected Credit Loss provisioning under new accounting standards (IFRS9 and the US CECL standard), which considerably curtails longer-term and infrastructure financing. Another solution in emerging markets is directed lending, which may help small business owners' access credit, but can lead to the creation of perverse incentives.

THE METHOD: THE CRITICAL IMPORTANCE OF “JOINING THE DOTS”

Business at OECD-B20 work has focused on examining the links and common denominators across all B20 recommendations. This spans trade, investment, employment, entrepreneurship, financing, and more, to develop a truly holistic understanding of the financing of SMEs and the markets in which they compete. Put simply, participants took a first step to “**join the dots**”, as it is our belief that the issues highlighted above are not caused by a lack of policies or scarcity of ideas or efforts, but to the fact that these are too frequently run in silos. In a globalised world this generates at best the dispersion of efforts and too frequently unintended consequences. This overshadows the benefits of individual policy reform and contributes to the creation of the “low growth trap.”

Thus, the key questions participants asked themselves in 2015 were: Are objectives for financial stability, inclusive growth, and returns on investment sufficiently aligned to sustainably support our economies and societies? **Therefore, what are the recommendations needed to achieve a sustainable balance?**

Box 1: A conceptual framework developed in 2014^{vii} and updated to capture the G20 priorities in 2017^{viii}



Building Resilience – the G20 has set itself the task of growing economies and strengthening stability of their financial architecture. Both are needed, but it is their balance that ensures resilience. Focussing only on **financial stability** without proportionate **economic growth** policies, may result in safe but stagnating economies.

Improving Sustainability – Growth is not only important in itself; the type and quality of growth also matters. Good quality **economic growth** is achieved through longer-term investments (e.g. digital, infrastructure, global health, climate and energy), which can only be obtained by ensuring proportionate **return on such investments**.

Assuming Responsibility – in an increasingly interconnected world, such **return on investments** need to be balanced with the required **stability** (not just financial) of the affected markets, as impacts go beyond the investments' immediate boundaries. Hence tackling the causes of displacement, fighting anti-corruption and terrorism, and targeting agriculture / food security.

THE ACTIONS: CONSISTENCY, END-TO-END ANALYSIS, IMPLEMENTATION

The 2017 G20 Leaders' Summit Communiqué should recognize that only an **integrated approach**, coordinating efforts from businesses and governments, can offer an adequate response to such global challenges. Isolated national initiatives, new protectionist programmes or layers of uncoordinated rules are likely to fail, intensifying risks and regulatory arbitrage opportunities.

We summarise below the priority actions that can be implemented to deliver on the relevant recommendations. We also encourage non-G20 countries to initiate similar consultations with their governments.

Recommendation 1: Focus on coordination and consultation in implementation, supported by independent impact assessments, in order to minimize cross-border and cross-policy inconsistencies (also ensuring alignment between regulation 1.0 and 2.0) and thereby minimize direct and indirect compliance costs for SMEs.

1.1 Cross-policy, quantitative and qualitative, **impact assessments** (ex-ante and ex-post) **independent** from those bodies setting the policies are critical. Reflecting the core principle of continuity, the G20 Leaders' Summit Communiqué should recognize the **need for broader and independent economic impact assessments on the cumulative effects of G20 policy** and other regulatory initiatives – both domestically and across borders – within the nexus of further reinforcing financial stability, economic growth, and return on investment. This is essential for building a competitive environment where companies of all sizes can conduct business across a global level playing field. Additionally, as FinTech regulation evolves it is critical to ensure alignment between regulation 1.0 and 2.0. Inconsistency will fuel the potential for regulatory arbitrage and illicit financing.

The G20 emphasis on **data coordination and harmonization** in SME finance is hugely important (particularly through the *G20 Action Plan on SME Financing* that provided a framework to facilitate a dialogue between the relevant international fora and G20 work stream). We encourage the OECD to expand and strengthen its analysis and guidance in this field, building on the **OECD Scoreboard** on Financing SMEs and Entrepreneurs^x and the *G20/OECD High-level Principles on SME Financing*^x to encourage greater peer review and closer monitoring of regulatory reforms. Robust coordination with other global players gathering similar data, such as the International Monetary Fund, the Alliance for Financial Inclusion, the International Chamber of Commerce and others would help to deliver this.

Owner	Ask to next Presidency	Reference to BIAC-B20 work for further detail
<ul style="list-style-type: none"> G20 Leaders G20 to appoint independent entities such as the FSB or OECD 	Review independent analyses, combining inputs from government and business stakeholders in defining actions	BIAC-B20 (2016) – Chapters 1, 3, 5 BIAC-B20 (2015) – Chapters 2, 4, 6

1.2 An **international principles-based implementation process** for financial and tax regulation should be introduced, possibly based on a **Memorandum of Understanding (MoU)** model for regulatory cooperation. This also provides opportunities for cross-border consultation and mutual recognition. Consistent policy implementation plays an essential role in mitigating any unintended consequences of policies and regulations. A new dialogue system should formalize the current ad hoc approach to consultation and discussion and seek to address upfront any possible unintended consequences from conflicting regulatory objectives.

One contributing factor for the relatively poor growth is that pro-growth policies have compensated for the unintended consequences of financial regulations. Clearly there are many complex interactions that continue to weigh on the global economy, but it is important to consider the extent that the regulatory drive towards financial stability has been sufficiently coordinated with objectives aimed at strengthening growth and investment; in addition to the continuing need to combat financial crime and terrorist financing.

An example of the unintended consequences of regulation is the upcoming implementation of the new International Financial Reporting Standard (IFRS9 and its US GAAP analogue, CECL), the impacts from which are significantly pro-cyclical unless measures are taken to mitigate their effects on bank capital requirements. The wide range of interpretations makes its implementation unnecessarily complex and opaque, thereby defeating its intent of providing greater comparability^{xi}. Similar examples can be identified in capital and compliance-related

regulations and their adverse impact on trade financing and on the health of global correspondent banking networks, critical to the engagement of SMEs and developing markets in international commerce.

The purpose of a MoU solution is not to mitigate the regulatory instruments' impacts or compensate for the relative unintended consequences, but rather to offer a framework that can be applied globally to ensure that the implementation of such regulatory instruments is delivered on a comprehensive and consistent basis.

Owner	Ask to next Presidency	References to BIAC-B20 work for further detail
G20 to mandate FSB to draft the MoU in consultation with Basel Committee staff, OECD/BIAC, and private stakeholders such as the GFMA and the IIF. (A logical complement of the FSB work to study the impacts of the G20 program)	Review progresses and endorse draft MoU.	BIAC-B20 (2016) – Chapters 6, 7, 8 BIAC-B20 (2015) – Chapters 4, 9

1.3 End-to-end independent analyses and implementation of the MoU can be applied across a wide range of topics. For example, by better **integrating the debate on tax and SMEs**. The participation of SMEs in GVCs depends in part on their ability to navigate complex international tax rules, including the G20 BEPS project. Special provisions that proved successful in domestic tax systems – e.g. thresholds below which SMEs are exempt, and safe harbours for firms below a certain size (high enough not to hinder SMEs growth) – should be extended internationally. Without such provisions, there is a real danger that tax could act as a barrier to the effective integration of SMEs into GVCs (Chapter 13, BIAC-B20 (2015) and Chapter 15 – BIAC-B20 (2016)). As the G20 develops its ambitious tax agenda, it is essential to consider how any new tax rules may act as a barrier to SME going global.

Recommendation 2: Raise SME access to finance (both debt and equity) and skills through an integrated financing approach, fostering timely payments, better leveraging on opportunities offered by digital, trade finance and green finance.

All actors should take action, rather than only focusing on the measures to be taken by governments and public entities. The growing willingness of **private and public stakeholders to undertake their own distinct voluntary initiatives** should be encouraged and undertaken in a coordinated manner. Success hinges on G20 policy approaches that enable, not hinder, private sector-led initiatives. This does not mean a change of roles, but rather leveraging and promoting initiatives and experiences. Current work on identifying effective approaches for the implementation of G20/OECD High Level Principles on SME Financing can help to identify and share good practices in this regard. As a result:

2.1 All players should **take full advantage of available tools and opportunities**, which are currently not fully exploited. This is particularly true in the **digital world**, whose high potential can be achieved by leveraging the contributions of long-term investors and equity finance, cyber risk insurers, and Fintech firms. Equally, players should unlock the opportunities offered by emerging techniques of supply chain finance, green finance and green bonds that can provide critical win-win opportunities for the health of both SMEs and the planet.

2.2 **G20 Leaders should look to foster a predictable and enabling global policy environment** that supports different actors to undertake voluntary approaches that *ensure seamless financing* to SMEs in GVCs. This can be achieved through an **integrated approach to GVCs** that combines diverse forms of initiatives and fit-for-purpose finance. To drive improvements in this space, we suggest having:

- Chains where **cash flow** moves steadily (with **invoices paid in a timely manner** – a known low hanging fruit), as financing can be easily directed to investments, with banks and other financing institutions connected to support the chain end-to-end (including public sector procurement and settlement practices across the G20). SMEs would then be positioned to invest in best practices, sustainable techniques, state-of-the-art technology, and other steps that boost economic growth and competitiveness. This is a challenge in developing and emerging markets, and so improved access to finance is essential to trigger and enhance their development.
- The B20, Business at OECD and other recognised business entities (e.g. the SME Finance Forum and the World SME Forum) within the G20 process formally logging the main obstacles, with the G20 Leaders taking coordinated action to address them.

G20 governments should either take ownership of SME support measures or empower organizations that are appointed to do so. Entities such as the OECD, the World Bank, the ITC, the World SME Forum and the SME Finance Forum^{xii} should collaborate more effectively to improve the coordination of SME support programs, making optimal use of research and investment.

Risk in SME financing is reduced by the improved availability of information on SMEs' creditworthiness (and credit information systems), standardized information about risks, movable assets registries and insolvency regimes. These have been acknowledged and pledged by the G20, and now need to be implemented.

A case in point is the need for consistent policy to facilitate long term investments:

- Investments – it is not sufficient to provide public funding; it is critical that funding is available in a regulatory environment that supports the long-term nature of such investments
- Critical too is supporting the role of Multilateral Development Banks (MDBs), and the role of “public” financial Institutions, such as the Italian Cassa Depositi e Prestiti (CDP).^{xiii} These should catalyse private sector investment by developing common evaluation guidelines, reporting on crowding-in private sector capital, and expanding equitable risk-sharing mechanisms^{xiv}.
- Investments, SME finance, pension funds and the largest clients of many asset managers, have been struggling to meet their liabilities in the current low interest rate environment. This has been exacerbated by de-risking away from active investment in equities back to index-based passive investing, which is less effective in channelling institutional funds to SMEs than private equity, venture capital and debt funds that actively engage with well-run SMEs and invest in “high quality” securitizations of SME loans. These are important as a safety valve for the pressure faced by banks, with the possibility of shifting capital intensive SME loans off balance sheets. This would be mutually beneficial for SMEs looking for financing and for pension funds and other institutional investors looking for higher returns.
- Regulation should reconsider personal data privacy rules to meet actual privacy expectations while avoiding overly restrictive rules that obstruct the use of data by creating unnecessary barriers (e.g. by making AML compliance the burden of doing business with certain sectors and countries).

Such approaches should leverage the *G20 Action Plan on SME Financing*, which provides a framework to extend, as appropriate, successful G20 endorsed reforms and policy measures in G20 and willing non-G20 countries, focusing on core GVC themes:

	GVC Theme	References to BIAC-B20 work for further detail
1.	Human Talent – support <i>measures for investing</i> both financial and digital skills. SMEs need additional financial as well as human capital and new technologies due to the role they play in job creation.	BIAC-B20 (2016) – Chapters 13,14,16, 17
2.	Raising the quality of products .	BIAC-B20 (2016) – Chapter 11, 12, 13, 14, 17 BIAC-B20 (2015) – Chapters 4, 9
3.	Encouraging women and youth entrepreneurship .	BIAC-B20 (2015) – Chapter 5
4.	Financing – a predictable and enabling policy environment that allows and supports different actors to undertake voluntary approaches that ensure seamless financing to SMEs in GVCs – through an integrated approach along GVCs that combines diverse forms of fit-for-purpose finance.	BIAC-B20 (2016) – Chapters 7, 10, 18 BIAC-B20 (2015) – Chapters 8, 11, 12
5.	Long term Investments – The concept of “long term” is not just about duration, but it also refers to both the nature of the investment and the standing of the investor, both contribute to building sound projects and producing systemic externalities. Consistent recognition of projects in their own merits is essential for entrepreneurship. Recent financial stability efforts delivered unintended consequences curtailing such longer term visions.	BIAC-B20 (2016) – Chapters 6, 11, 12
6.	Ability to fail - consistent recognition of entrepreneurship risk-taking culture is needed, where failures are accepted in line with bankruptcy laws. It is significant that the G20 is supporting its members who are moving their regimes to adopt internationally recognized best practices.	

Recommendation 3: Maximize access to data and sharing of information through digital platforms for a coordinated response to global challenges, including cyber security.

The 2016 newly adopted **G20 High Level Principles for Digital Financial Inclusion** complements the *G20 Action Plan on SME Financing*, and provides best practices as a basis for individual country action plans to leverage the potential offered by digital technologies, which offer affordable solutions for the financially excluded.

Leveraging both digital technologies and information exchange enhances the flows of financing, skills, and investment throughout GVCs. This is no longer just an opportunity, but a **“must” requirement** in today’s world and we must turn the digital divide into a digital dividend. The results can be a massive expansion of the electronic footprint of individuals and SMEs. However, these opportunities also have material pitfalls, with **cyber security** related risks at the top of the list (Chapter 19 - BIAC-B20 (2016)).

Action is needed in two directions:

3.1 G20 Leaders should encourage the responsible sharing of timely information between actors, including SMEs, large corporates, and financial service providers, both in and across borders. Continued efforts are therefore needed to **counter the forced localization of data** while also addressing legitimate security and privacy concerns. It is worth noting that while only a small fraction of FinTech focuses on SME finance, a significant portion of investments concern data mining technologies which can be applied in SME finance.

- The amount of data produced is growing exponentially, and has no borders by definition. Google calculates humans produced 5 exabytes of data from the dawn of civilization to 2003. We now generate 2.5 exabytes of data every single day, and IDC estimates that the amount of data will double every two years to 2020!
- Data is diverse, created by the billion people using social networks or digital cameras, by businesses connecting employees, suppliers and customers through their digital platforms, by the millions of sensors, connected objects and communications’ devices sending and receiving data over the Internet.
- Identifying and pursuing cyber criminals poses a unique challenge to law enforcement as criminals operate across international borders but the direct reach of domestic law enforcement is restricted by national boundaries. **The threat is not restricted to international boundaries** and governments and law enforcement across the globe must work together to share intelligence and do more to ensure cyber-criminals are pursued, disrupted, and prosecuted.
- The current international regime for countering money laundering and terrorist finance is extremely expensive, cumbersome, and not very effective at achieving its goals. It also creates compliance cost and risk for financial institutions, resulting in disincentives to provide essential services to certain sectors and countries.

3.2 G20 Leaders should help pave the way for the creation of **global online platforms for data and information exchange**. These should facilitate business-to-business trade among SMEs with robust and standardised governance, avoiding monopolistic control of access to data. Existing platforms should be reviewed to raise awareness and strengthen coordination, in particular among private sector-led voluntary initiatives for e-finance, e-insurance, e-logistics and skills.

NEXT STEPS

On the road to the G20 Leaders’ Summit in July 2017 in Hamburg, we *encourage G20 Sherpas to use this publication as an important point of reference in preparing the G20 Leaders’ Summit Communiqué*. Looking beyond 2017, we encourage the Argentinian G20 and B20 Presidencies in 2018 (and beyond into 2019 under future Presidencies) to ensure continued attention to issues affecting business participation in GVCs and SME financing in particular. The importance of *continuity* between G20 Presidencies (in both ensuring adequate review of the work of past task forces, and ensuring adequate forward momentum between Presidencies) cannot be overstated in order to ensure policy consistency for long-term financial stability, economic growth, and return on investment.

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- ^{vii} The 3-axis (Economic Growth, Financial Stability & Return on Investment) equilibrium concept was developed by Gianluca Riccio in 2013 as part of the BIAC work on unintended consequences of Financial Regulation – BIAC (2014) “The case for a more coordinated approach to financial regulation: A BIAC discussion paper.”
- ^{viii} G20 (2017), Priorities of the 2017 G20 Summit.
- ^{ix} OECD (2017), Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard, forthcoming.
- ^x OECD (2015), “G20/OECD High-Level Principles on SME Financing.”
- ^{xi} For example the issue of how to reconcile “expected credit loss” provisioning with “expected loss” in Basel capital requirements remains under debate: this is a classic example of the need to reconcile two strands of change mandated by the G20 in order to avoid excessive and unexpected impacts.
- ^{xii} The SME Finance Forum and the World SME Forum are entities created by the G20 and the B20 respectively that compliment each other: the SME-FF looks at the SME world from a “lending” perspective, hence garnering views from finance providers, WSF observes it from a perspective of “borrower” leveraging on connections with SME associations.
- ^{xiii} Other examples include the French Caisse des Dépôts et Consignations (CDC) and the German Kreditanstalt für Wiederaufbau (KfW)
- ^{xiv} The role of export credit agencies can also include provision of financing and risk mitigation solutions in support of SME aspirations in international markets.

B20 Germany Policy papers - <https://www.b20germany.org/documents/policy-papers/>

B20 Germany (2017), “Investing in Resilient, Future-oriented Growth: boosting infrastructure investment and balancing financial regulation,” B20 Task Force on Financing Growth and Infrastructure Policy Paper

B20 Germany (2017), “Think Big for Small: small and medium-sized enterprises as pillar for future-oriented, sustainable growth,” B20 Cross-Thematic Group on Small and Medium-Sized Enterprises (SMEs) Policy Paper

B20 Germany (2017), “Creating Benefits for All: driving inclusive growth through trade and investment,” B20 Task Force on Trade and Investment Policy Paper

B20 Germany (2017), “Digitization for All: future-oriented policies for a globally connected world,” B20 Task Force on Digitization Policy Paper

Financing SMEs in Global Value Chains

22 March 2017 | OECD Conference Centre, Paris

08.30-08.35 SETTING THE SCENE: THE JOURNEY TO DATE

- Gianluca Riccio, Chair of the roundtable

08.35-08.40 INTRODUCTORY REMARKS

- Phil O'Reilly, Chairman, Executive Board, BIAC

08.40-08.50 SMEs AND FINANCE: PERSPECTIVE FROM THE G20 PRESIDENCY

- Jörg Stephan, Federal Ministry of Finance (BMF), Germany

08.50-09.30 G20 ACTION PLAN ON FINANCING GROWTH AND SUPPORTING SMEs: WHAT HAS WORKED AND WHERE ARE THE PINCH-POINTS TODAY?

Format & Objective: Roundtable discussion to identify the synergies and trade-offs associated with past G20 actions and different regulatory approaches as well as agreeing a shared view of the current landscape and pinch-points for SME finance today.

Moderator: Kent Andrews, Senior Vice President, Regulatory Risk and Risk Capital, TD Bank and Chair BIAC Finance Task Force

Kick-off speakers:

- Alexander Shokhin, President, Russian Union of Industrialists & Entrepreneurs
- Miriam Koreen, Deputy Director, Head SME and Entrepreneurship Division, OECD
- Tunc Uyanik, CEO, World SME Forum
- Erol Kiresepi, Member of the Governing Body TISK, Turkey; Chief Executive Officer and Chairman, Santa Farma Pharmaceuticals

09:30-10:20 B20 RECOMMENDATIONS ON DRIVING SME COMPETITIVENESS IN GLOBAL VALUE CHAINS

Format & Objective: Roundtable discussion to identify and prioritize B20 recommendations that support sustainable SME financing and participation in GVCs. This includes agreeing where the synergies and trade-offs exist between B20 actions and between different regulatory approaches including those that support the diversification of SME finance, the role of digital platforms, improved access to data, greater financial inclusion, and mitigating challenges such as cyber risk.

Moderator: Rudolf Staudigl, President & Chief Executive Officer, Wacker Chemie AG and Chair B20 Cross Thematic Group on SMEs

Kick-off speakers:

- José Manuel González-Páramo, Executive Board Member, BBVA, and Co-Chair B20 Task Force on Financing Growth and Infrastructure
- Andreas Haindl, CEO, MainFirst Bank AG, and Member B20 Cross Thematic Group on SMEs
- Volker Treier, Deputy Chief Executive Officer, Association of German Chambers of Commerce and Industry (DIHK), B20 Executive Committee

10:20-10:30 CONCLUSIONS AND B20 PRIORITIES

- Gianluca Riccio, Chair of the roundtable

