



LESSONS FROM SME SUPPORT DURING THE COVID-19 CRISIS

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SMEs have been at the epicenter of the COVID-19 pandemic



SMEs represent **close to 75% of all jobs in the most affected sectors**, compared to 60% in the total business economy

Across the world, 180 SME surveys showed...

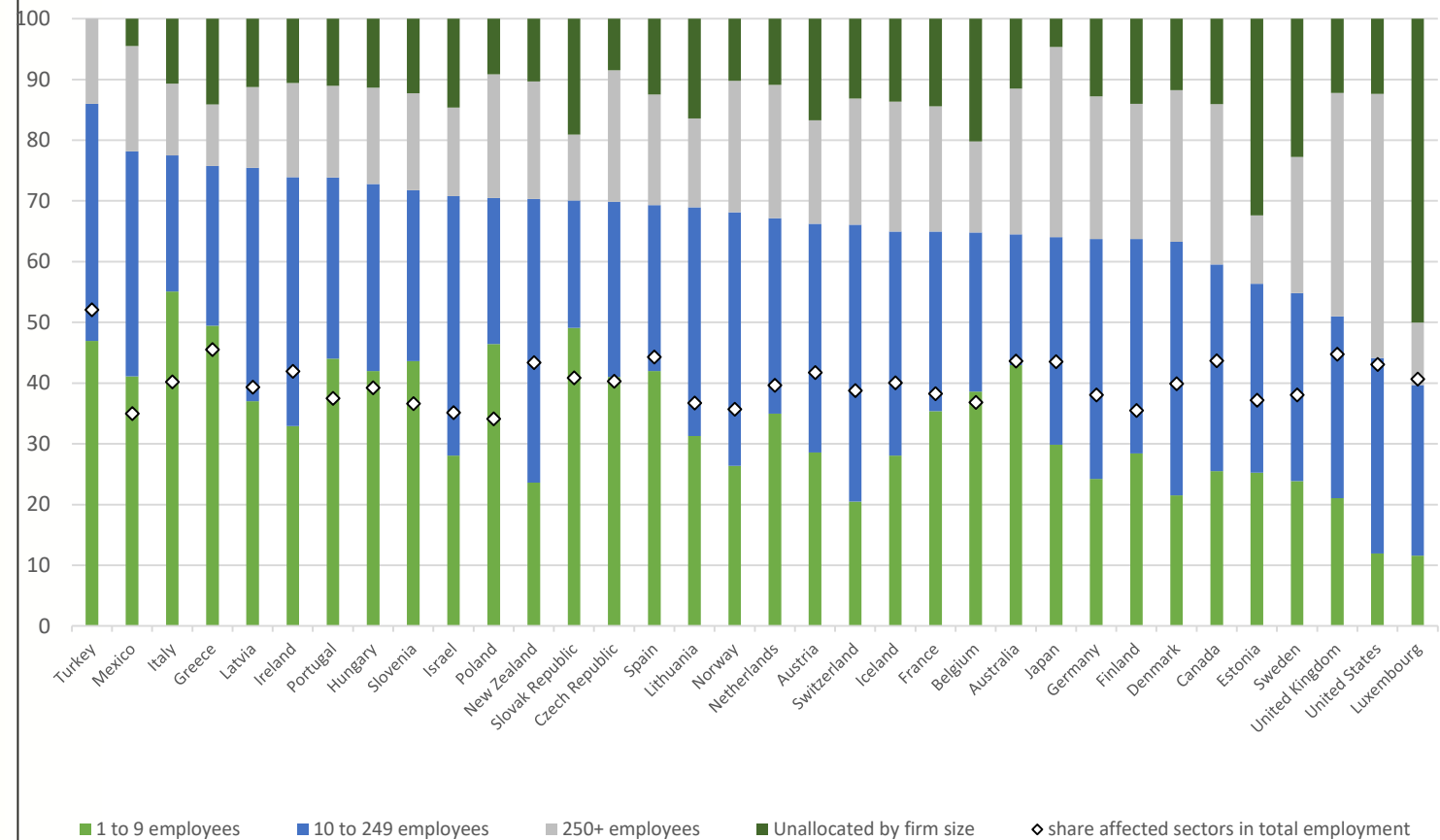


Over 70-80% of SMEs experienced a **strong drop in revenue** of between 30-50%



40% of SMEs **stopped operating** during the pandemic

Share of employment in the most adversely affected sectors by firm size (%)



Source: OECD Annual National Accounts and Structural Business Statistics databases, OECD calculations.



The pandemic crisis exposed structural vulnerabilities

■ Financial fragility

- Small cash buffers
- Constraints in accessing external finance and over-reliance on traditional bank debt
- Gaps in finance management skills and planning

■ Weak supply chain capabilities

- Small inventories and dependence on few supplier and buyer networks
- Limited bargaining power to enforce attractive payment conditions
- Preparedness to changes in Global Value Chains (trade frictions, Brexit, demand-driven..)

■ Lags in adoption of digital technologies

- Accelerated digitalisation, but challenges remain



Restrictions hit some places harder than others

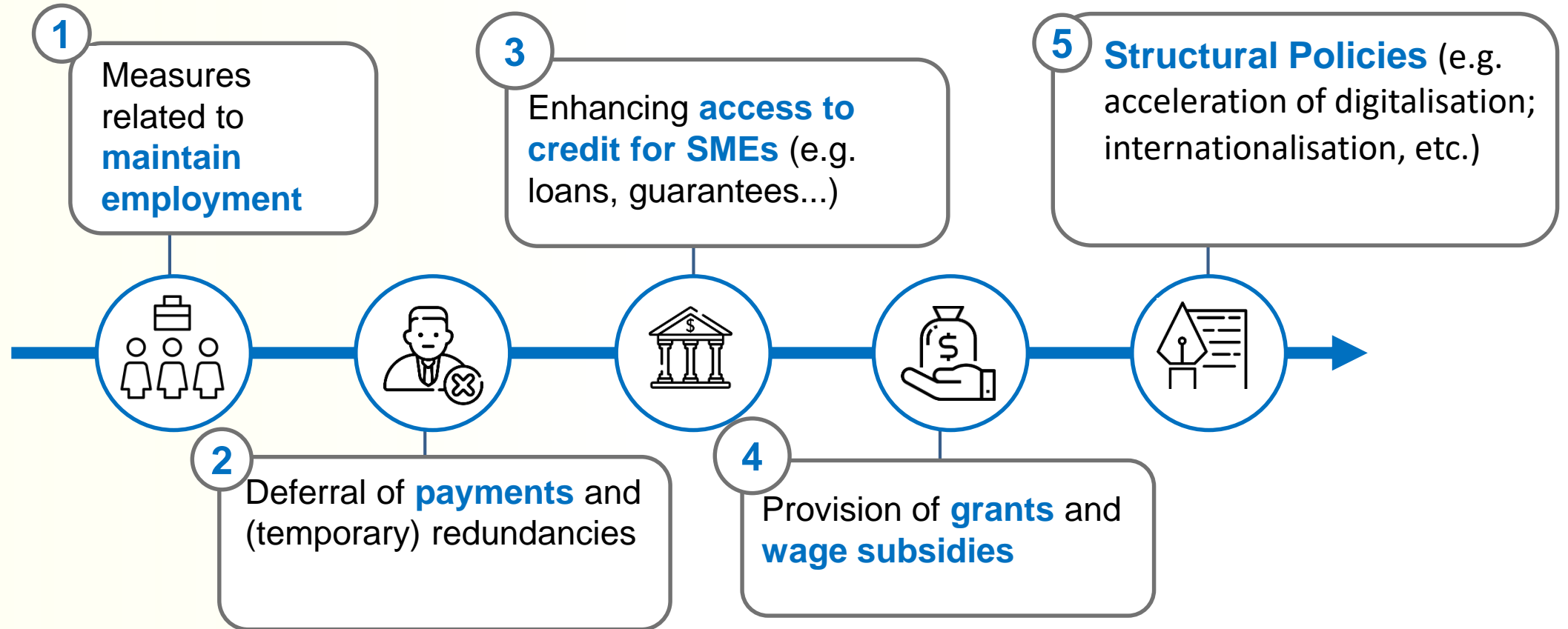
Asymmetric impact:
dense urban areas,
cities with large
catchment areas, high
streets, business,
transportation and
logistics hubs have
been disproportionately
affected



Source: Cities Outlook 2022, Centre for Cities



An unprecedented crisis has led to an unprecedented policy response

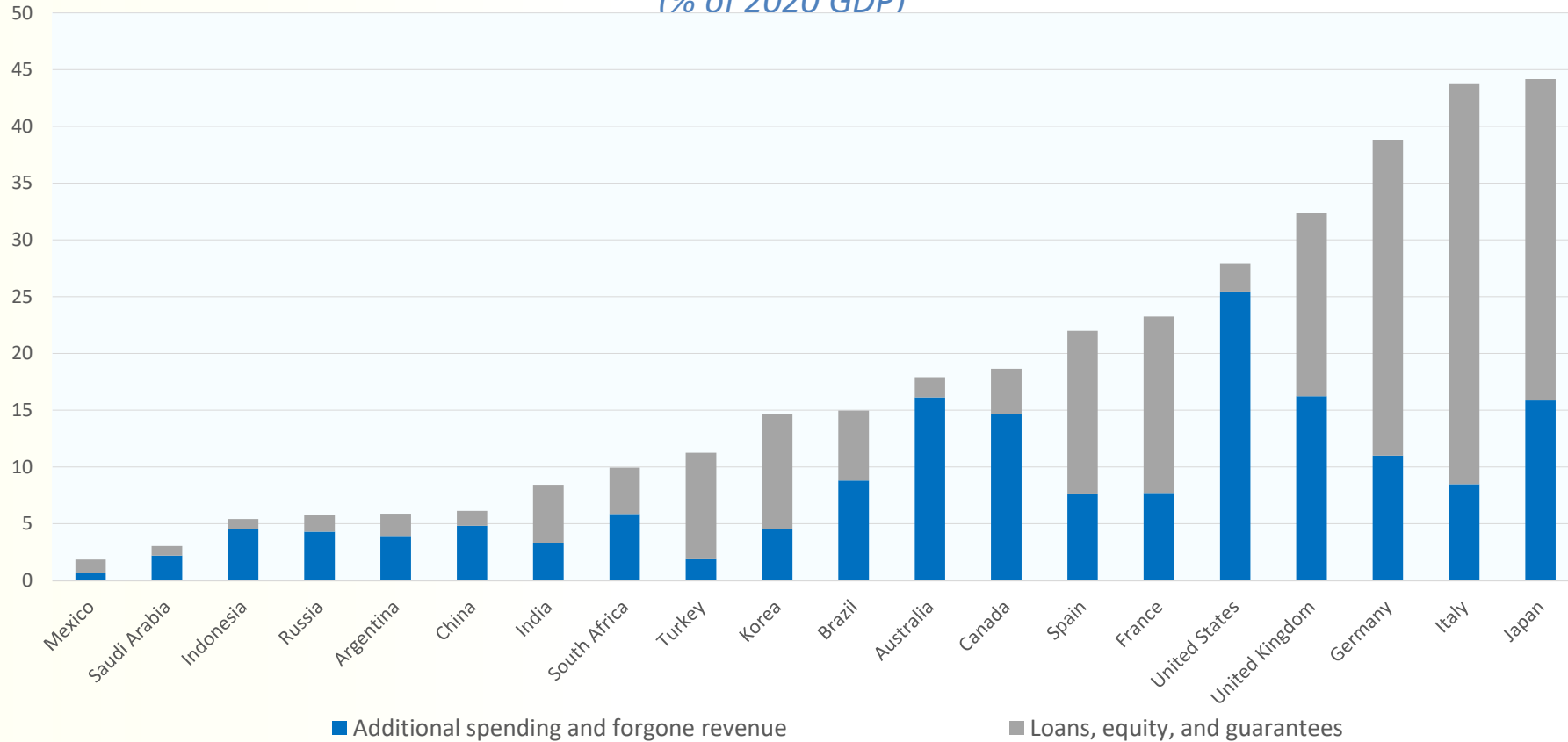


Source: OECD (2021), One year of SMEs and Entrepreneurship Responses to COVID-19



... although with diverse intensity

Size of Fiscal Support in response to COVID-19
(% of 2020 GDP)



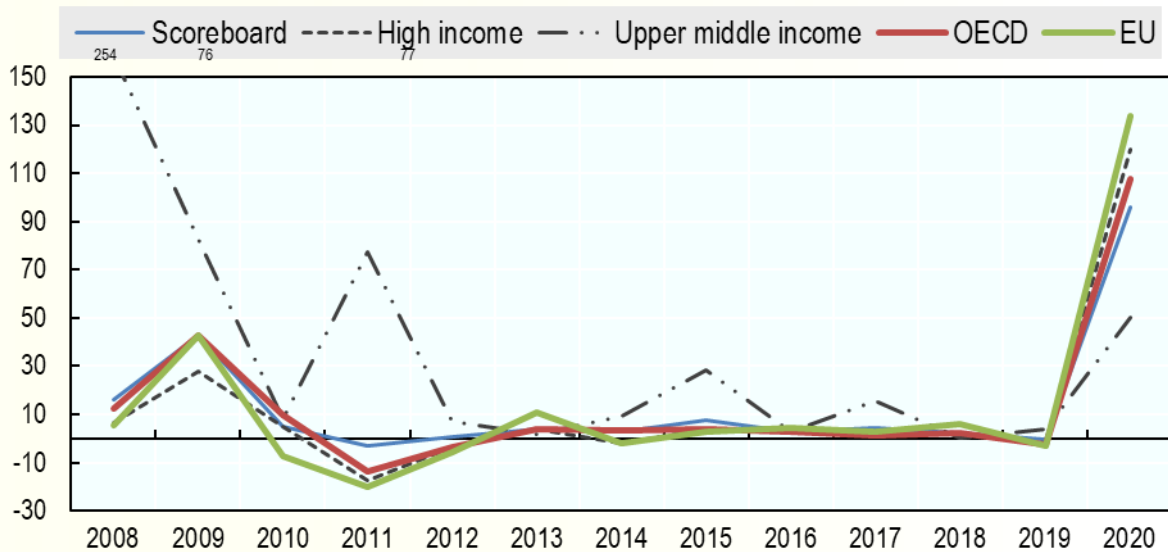
Source: IMF Fiscal Monitor, April 2021



Governments made overwhelming use of debt and credit guarantees

Government loan guarantees

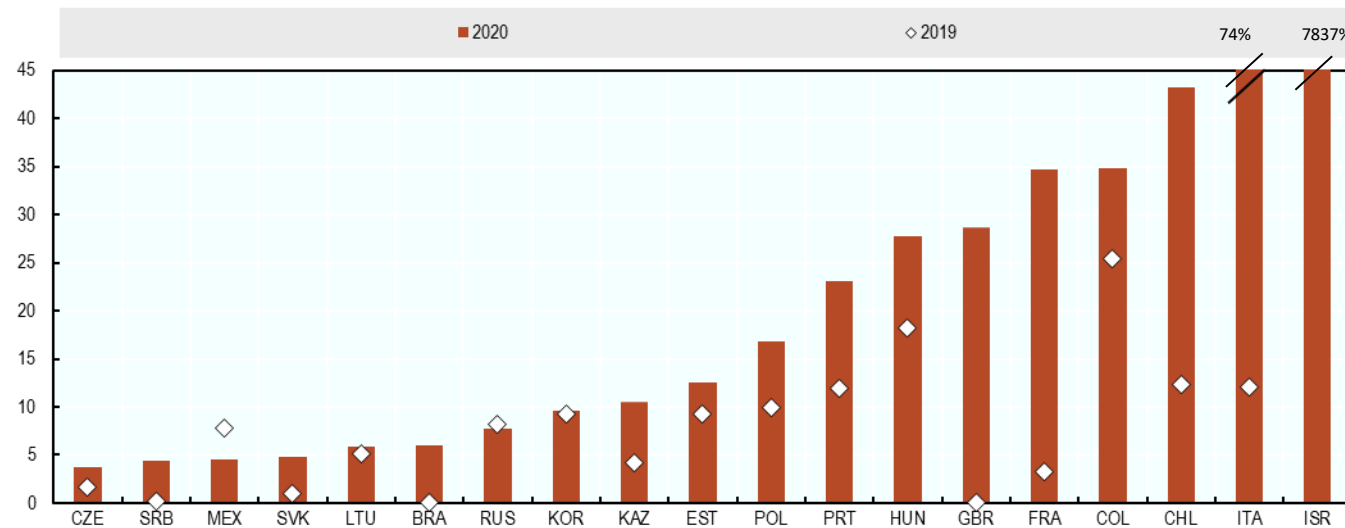
As a percentage, y-o-y growth



Source: Data compiled from the individual country profiles.

Government guaranteed loans as a share of loan stock

As a percentage, y-o-y growth



Source: Data compiled from the individual country profiles.

Source: OECD (2022), Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard



Regional and local authorities played an important role in sustaining SMEs

Through direct support

- Consulting services to SMEs
- Funding schemes (eg mutual aid fund)
- Tax breaks, commercial rents and fiscal exemptions
- Subsidies (eg teleworking equipment, training)
- Support to local productions (eg connecting SMEs with logistics, physical and virtual market places)

Channelling national support

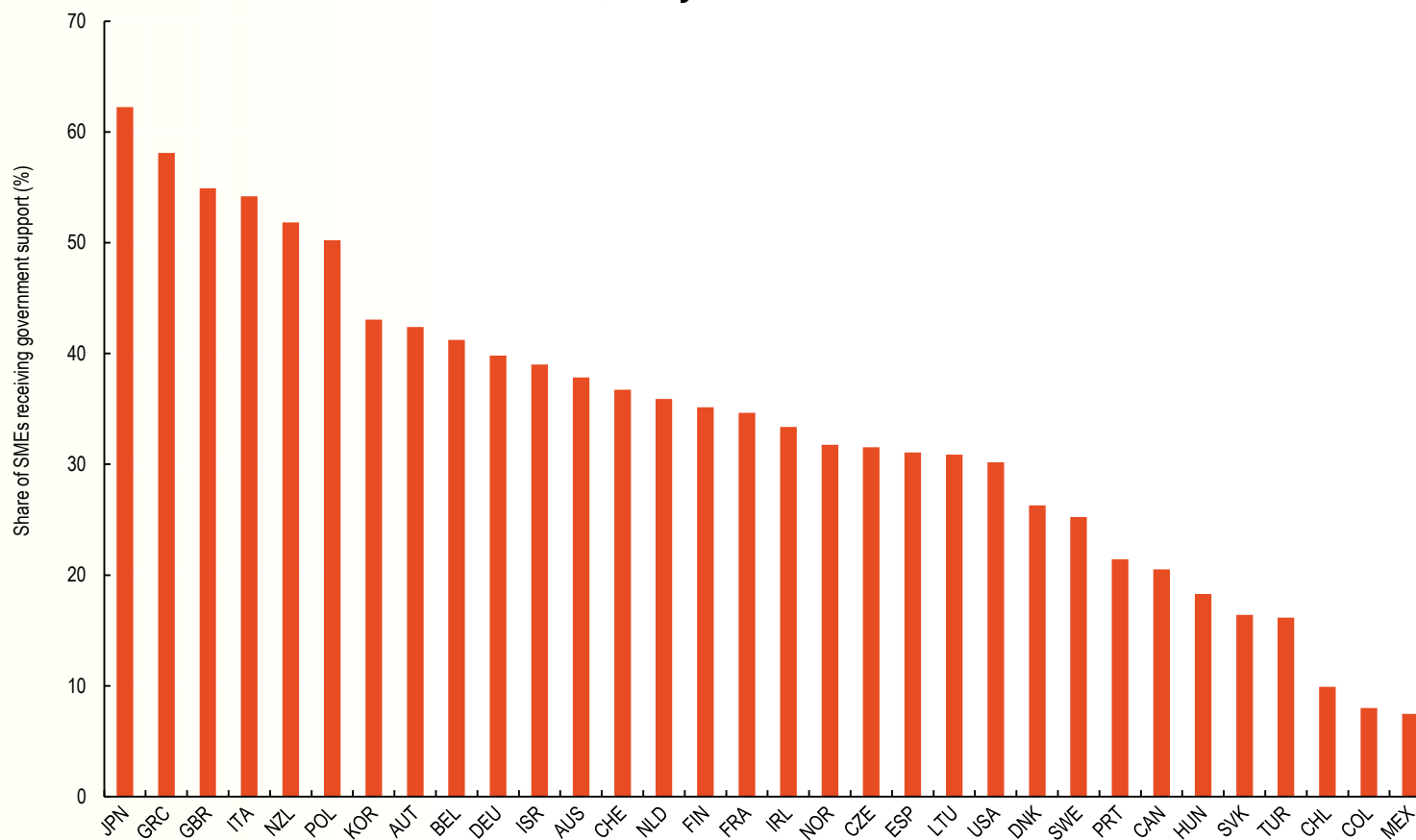
Source: OECD (2020), City policy responses



Public support reached millions of SMEs ...

Share of SMEs receiving financial or non-financial government support

%, May-December 2020



Source: OECD SME and Entrepreneurship Outlook 2021 based on Facebook/OECD/World Bank survey December 2020.



.. and avoided a sharp increase in bankruptcy, including by acting on insolvency regime

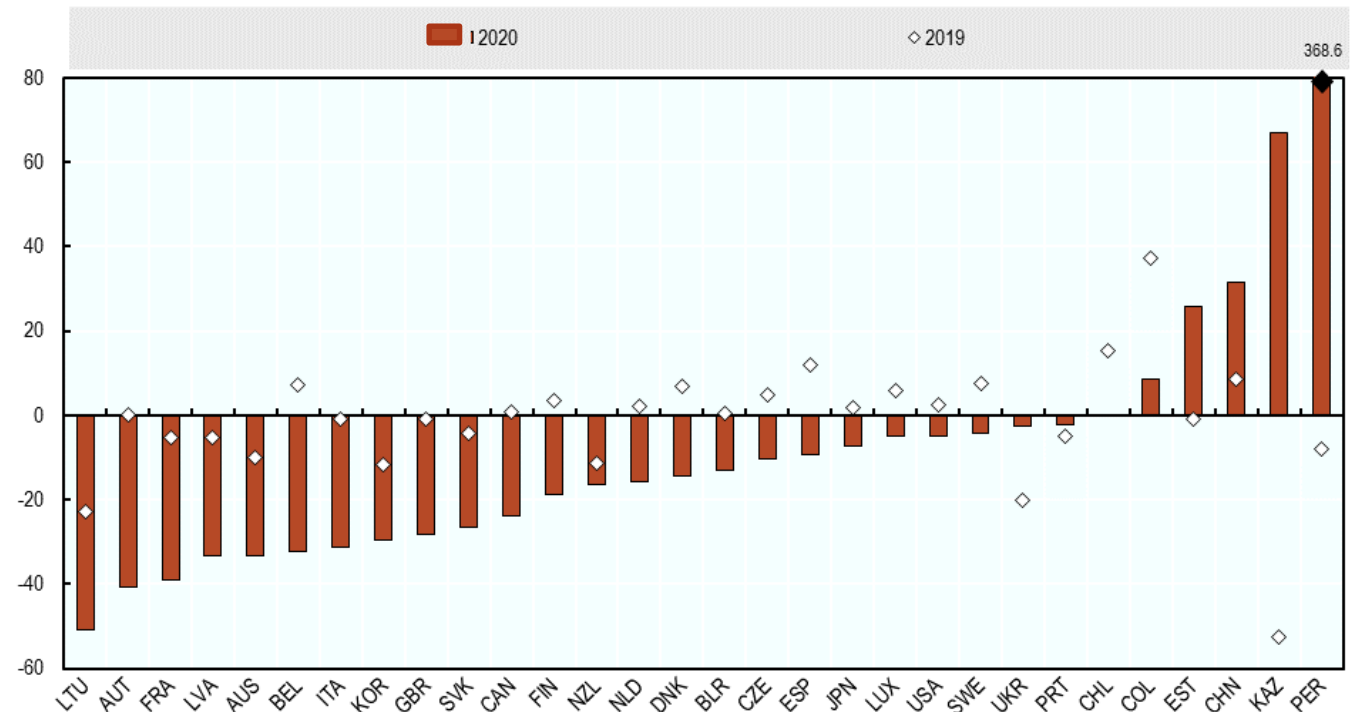
Rescue

In some countries, companies provided with more time and flexibility for room to recover before they file for bankruptcy

Recovery

Simplify insolvency processes for SMEs and provide means to restructure debt

SME bankruptcies, growth rate by country
As a percentage



Source: OECD (2022), Financing SMEs and entrepreneurs 2022. An OECD Scoreboard

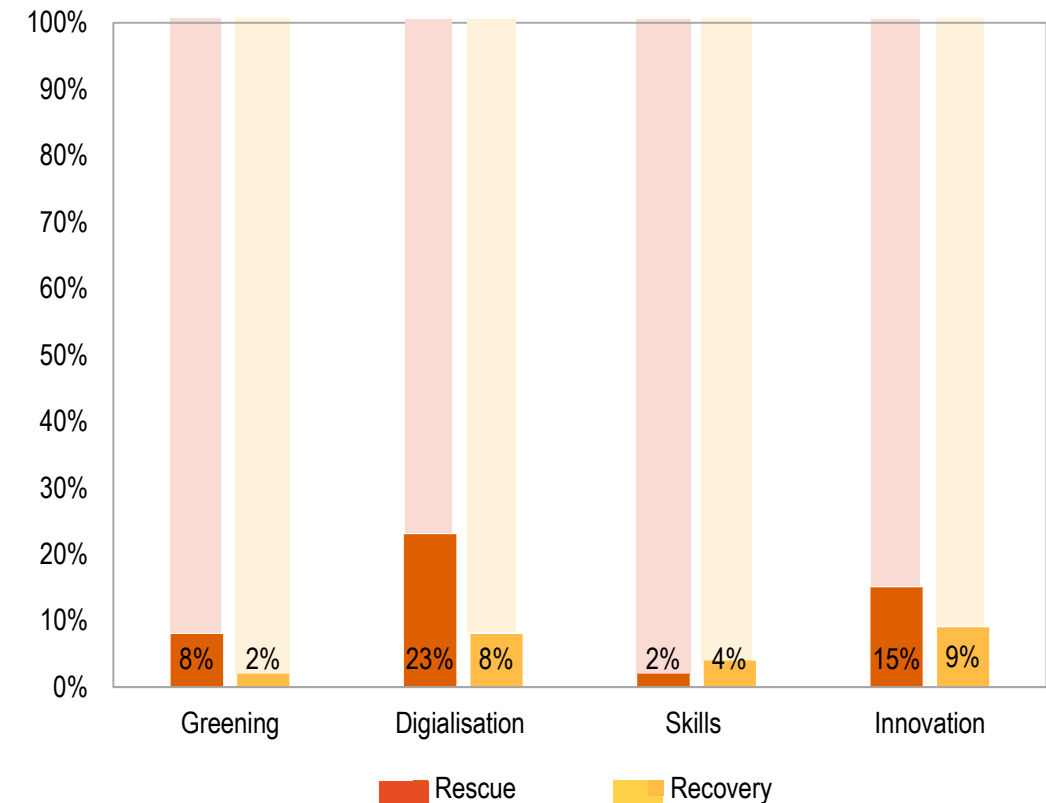


Digitalisation has been an area of strong focus, though recovery measures are less SME-targeted than rescue ones

- The SME orientation in the Covid-19 policy response evolved from rescue to recovery
- The share of targeted SME policies in greening, innovation, and digitalisation is considerably lower in recovery packages than in rescue packages.
- What complementary measures are needed to close the digital gap for

Share of SME related policies in rescue and recovery packages by policy domain

Value announced for policies as a percentage



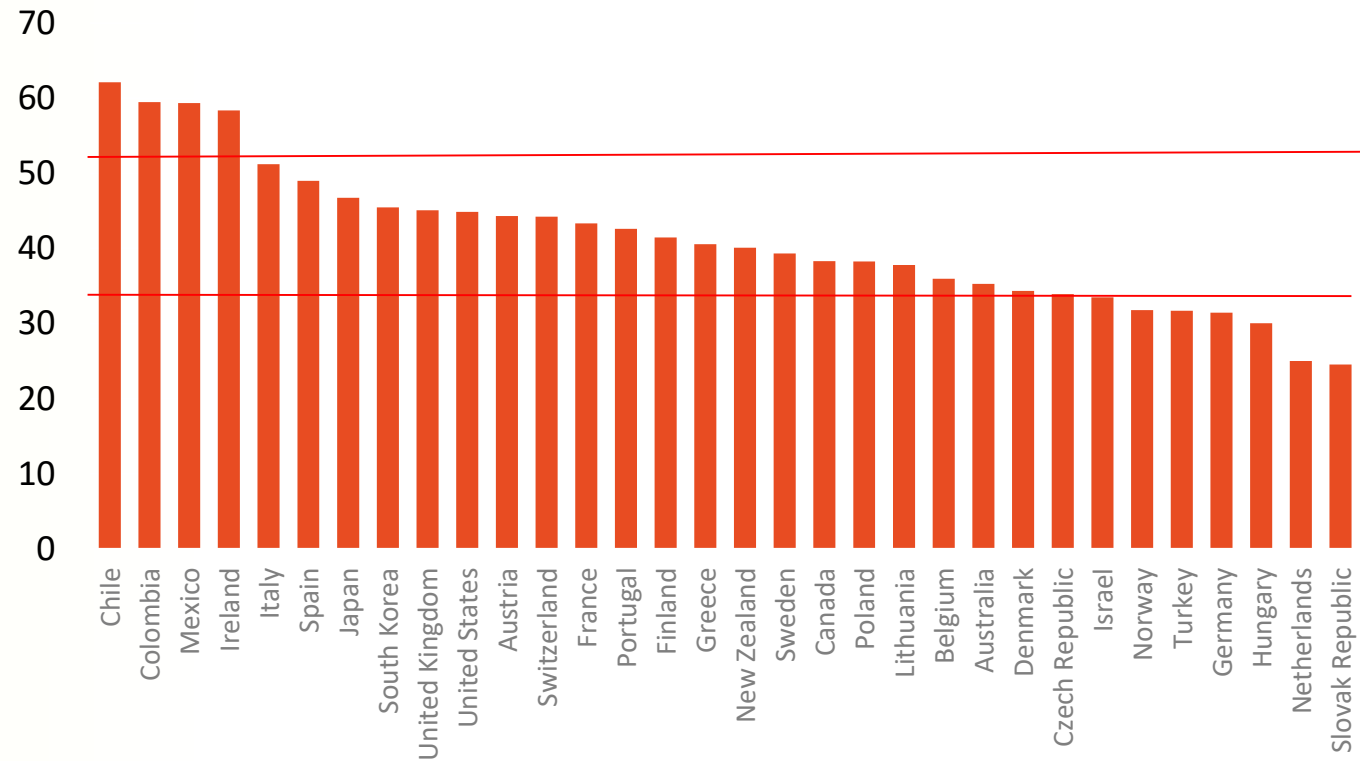
Source: OECD (2022), Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard



SME digitalisation accelerated, though at different pace

- **30%-50% of SMEs increased their use of digital tech** during the crisis.
- **Online platforms** mitigated the impact of the crisis, especially for selling.
- But the transition is **not yet complete**, and there are threats emerging (e.g. digital security)

Share of SMEs that increased use of digital tools in 2020

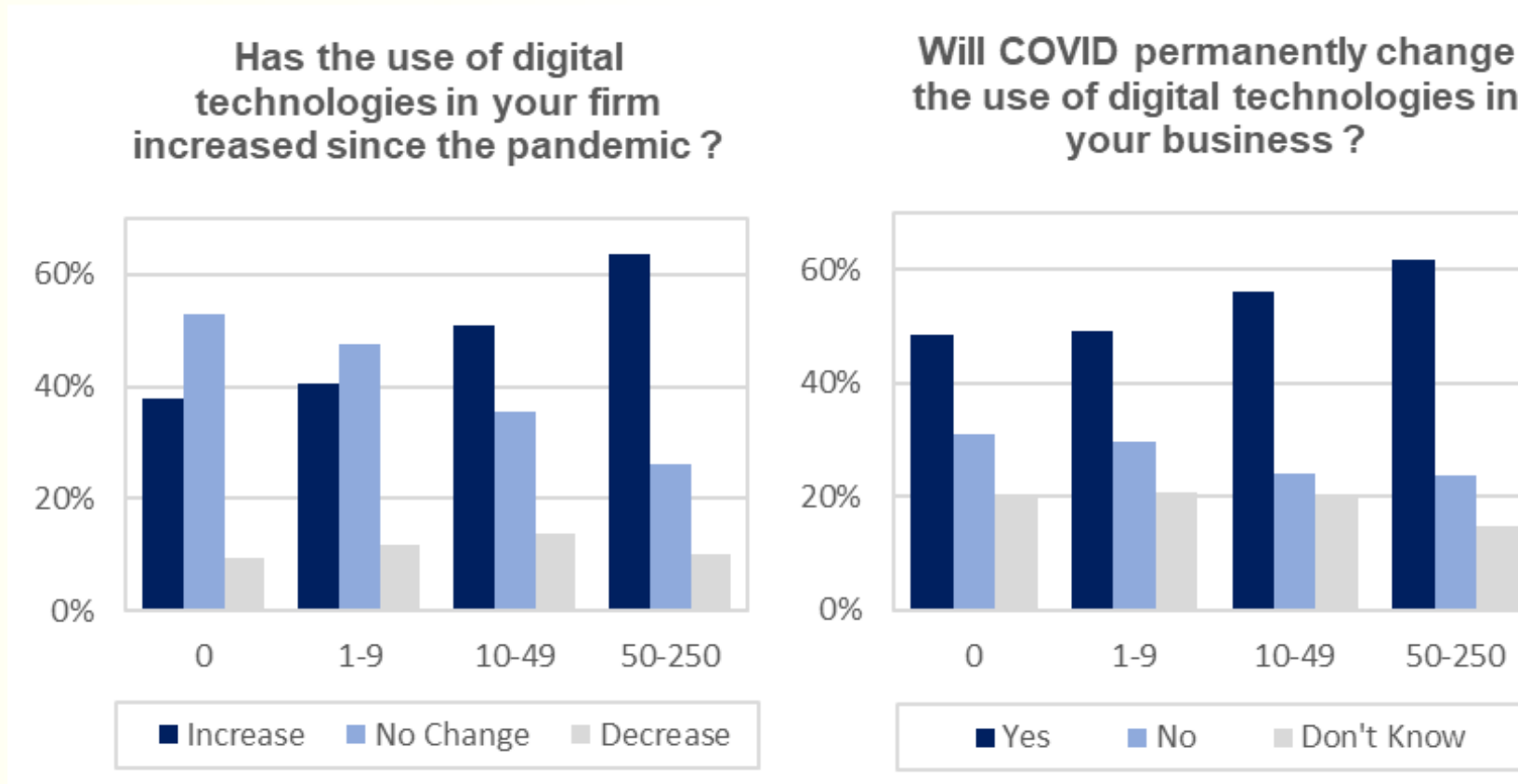


Source: OECD SME and Entrepreneurship Outlook 2021, based on Facebook/OECD/World Bank survey Dec. 2020.



... and there is evidence of widening gaps

Share of SMEs with a Facebook page respondents (%)



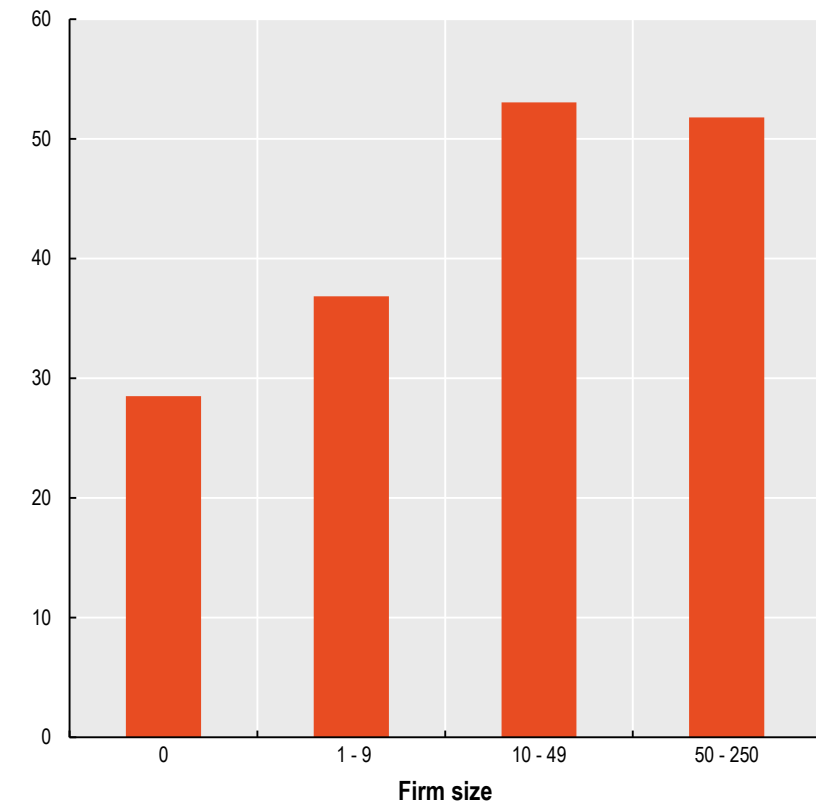
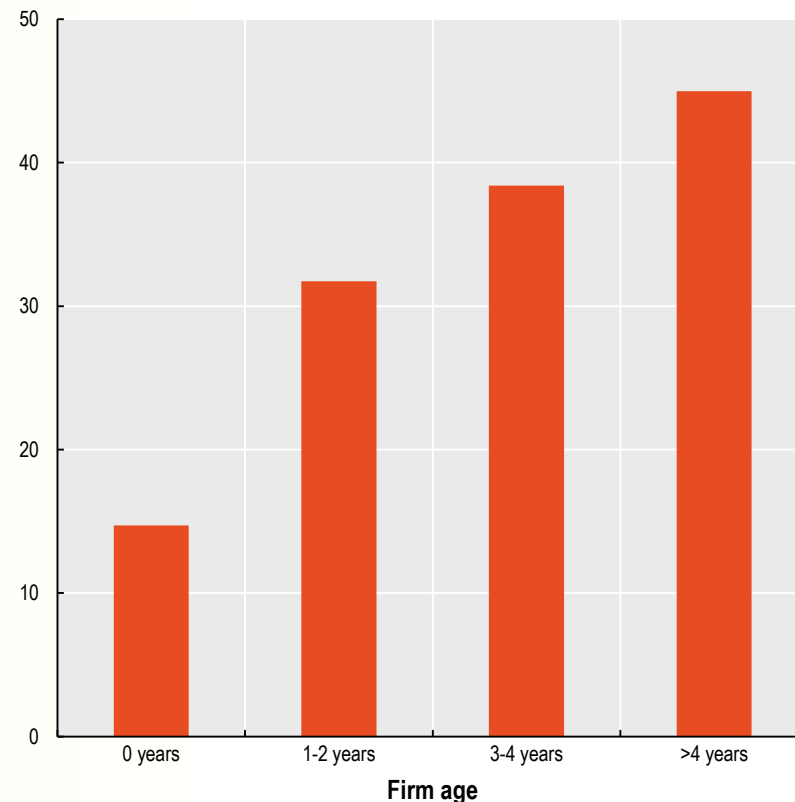
Source: OECD SME and Entrepreneurship Outlook 2021, based on Facebook/OECD/World Bank survey Dec. 2020.



Emergency support did not reach as effectively all the SME population

- **Younger and smaller SMEs were less likely** to receive government support.
- Across 32 OECD countries, **only 15% of SMEs that started operating in 2020 were supported** compared to 45% of SMEs with at least five years of activity
- **29% of SMEs with no employees received support**, compared to more than 50% of SMEs with 10+ employees.

Share of SMEs receiving government support by firm age and size group
%, May-December 2020



Source: OECD SME and Entrepreneurship Outlook 2021, based on Facebook/OECD/World Bank survey (May-Dec. 2020).



Lessons learnt and key priorities ahead



15 Lessons learnt to build back better

1

Ensure rapid, accountable and effective delivery

2

Focus on viable firms and start-ups

3

Reboot startup policies

4

Reach vulnerable segments of SMEs

5

Rethink policy approach to self-employed

6

Avoid SME debt overhang exploring equity support

7

Prepare exit strategies of liquidity measures

8

Support second-chance entrepreneurship

9

Think small first in the recovery programmes

10

Include digitalization as cornerstone to recovery

11

Improve resilience of SMEs and startups

12

Strengthen forward looking capacity of SMEs

13

Ensure inclusive multi-level governance tools

14

Ensure representativeness of SMEs in decision-making

15

Monitor and evaluate SME policy responses



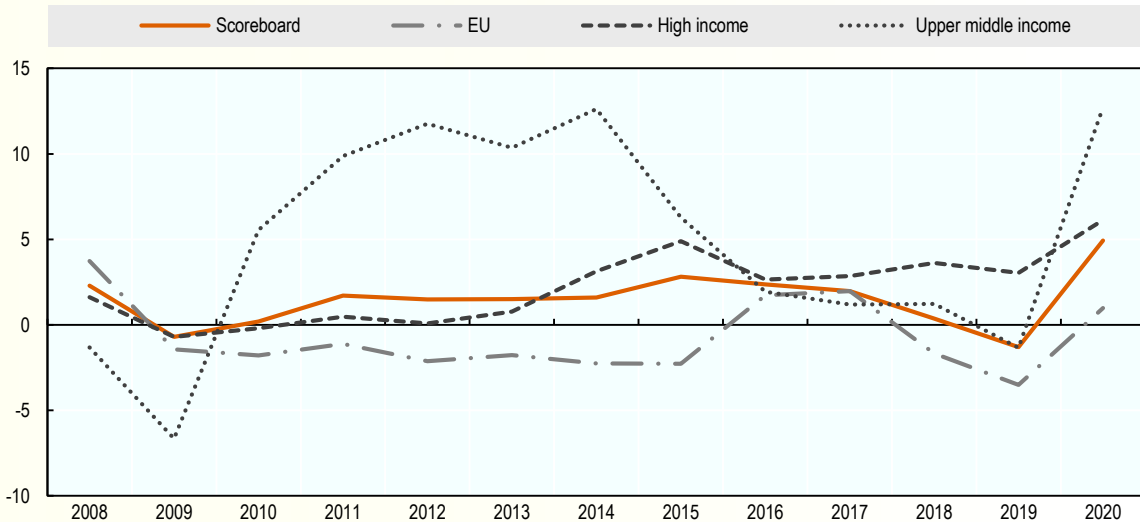
Never waste a good crisis: learn and innovate (and look ahead)

- Recovery plans should tackle **longer term structural issues**
 - Boost productivity
 - Sustain scale up
 - Foster SME participation to the digital and green transitions
 - Help SMEs adapt to changing configuration in Global Value Chains
 - Strengthen SME resilience (under high uncertainty)
 - Promote innovative and inclusive entrepreneurship
- **Policy delivery can be substantially enhanced**
 - Access to measures can be simplified, but safeguarding accountability remains important
 - Well-developed digital infrastructure is essential, but digital exclusion is a risk (and can exacerbate challenges in supporting most vulnerable groups)



Do not let the liquidity crisis end in an SME solvency crisis (and mobilise resources for the twin transition)

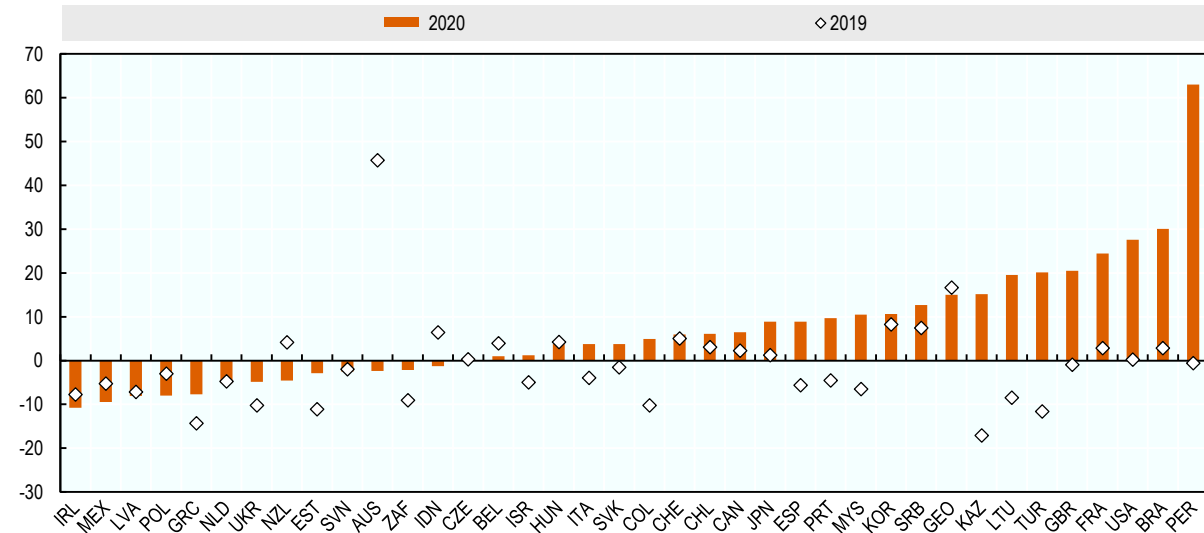
Median growth rate in the outstanding stock of SME lending in four groups of countries
2008-2020, y-o-y growth, as a percentage



Note: Countries are categorized according to the World Bank country classification by income level. Russian and Belarus data included in median calculations.

Source: Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard

Growth outstanding SME loans by country
y-o-y growth, as a percentage



Note: All data are adjusted for inflation using the OECD GDP deflator (2007 base year). Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.

Source: Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard



Strengthen efficiency and coherence of policy across government bodies and government levels

Effective multi-level governance and place-based approaches

- Pandemics showed importance of a coordinated policy approach across levels of government for **rapid delivery** of support and **targeted approaches** where the impact of containment measures differed across territory.
- Effective SME support for recovery and resilience should be embedded in **local and regionally specific ecosystems**.

Cross-cutting perspective

- Ensure that implications for SMEs and entrepreneurs are considered **across the diverse policy areas that influence** their prospects and outcomes (SME tests, consultation mechanisms, etc).

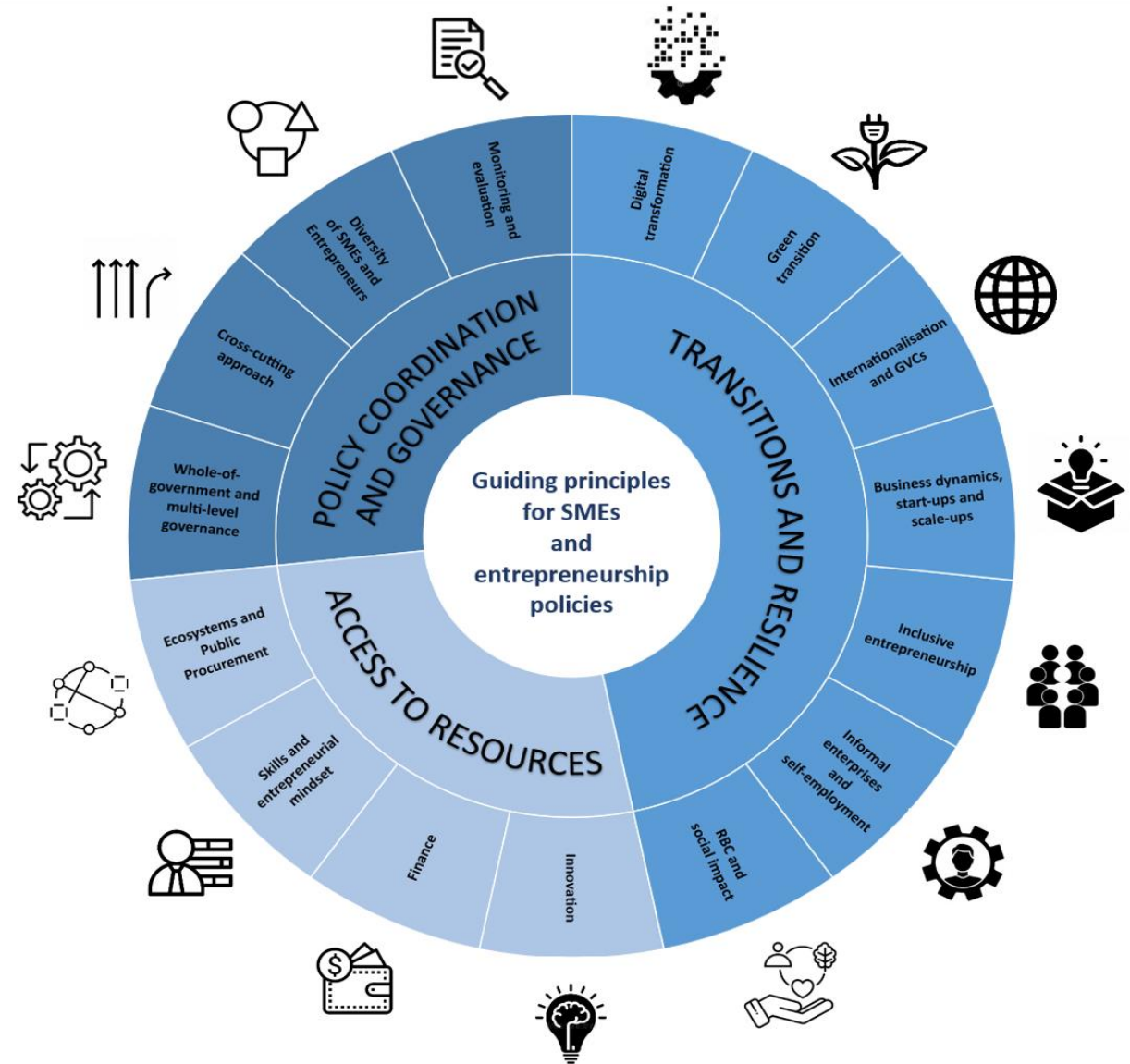
OECD SME and Entrepreneurship Strategy

Objective

Framework to support countries in taking a coherent approach to policies which impact and/or target SMEs, including across levels of government; enhance policy synergies; and address potential trade-offs.

Key deliverables

- Actionable guiding principles for SME and entrepreneurship policies
- Implementation tools





THANK YOU

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