

THE GROWING IMPORTANCE OF SMEs & ENTREPRENEURSHIP

Governments worldwide increasingly recognise the growing role of SMEs and entrepreneurship as drivers of growth and job creation, and as effective tools for poverty alleviation. Furthermore, new firms, by their nature being innovative, have lent a special impetus to overall innovation:

- **SMEs account for over 95 %** of the business population, and are therefore an increasingly dominant form of business organisation in all countries.
- **SMEs constitute 60 – 70 %** of total employment.
- **Micro-enterprises** (<10 employees) represent more than 90% of all business in certain activities, such as computer services, in many OECD countries.

Increasingly globalisation and the rising importance of information and communication technologies (ICTs) represent major challenges and opportunities for SMEs. To succeed entrepreneurs and SMEs need the proper entrepreneurial business environment (EBE) that allows them to access financing, human capital, networks, technology, innovation and international markets.

Identifying and implementing the policies that can achieve these goals has become a priority objective for governments of industrialised and developing countries alike.

THE OECD BOLOGNA PROCESS

In June 2000, the OECD organised the 1st Ministerial Conference on SMEs in Bologna, Italy culminating in the Bologna Charter on SME Policies adopted by 48 member and non-member economies. The Bologna Charter provides a frame of reference for efficient SME policies aimed at strengthening SME competitiveness worldwide and furthering economic growth and social enhancement.

In pursuit of these aims, the OECD subsequently launched the OECD Bologna Process on SME and Entrepreneurship Policies, a dynamic political mechanism which:

- Fosters the entrepreneurial and SME agenda at the global level through extended analytical work
- Promotes high-level dialogue on SME and Entrepreneurship policies worldwide
- Encourages co-operation between OECD countries and non-member economies, other international organisations/institutions, and non-governmental organisations in the field of SMEs and entrepreneurship.

The OECD enables governments, entrepreneurs and SMEs worldwide to meet the growing challenges and reap the benefits of globalisation. For instance, governments benefit increasingly from OECD work on best practices for the evaluation of SME policies and programmes. Also, SMEs confronted with e-business challenges can take advantage of OECD work on alternative dispute resolution on line (ADR) and, in particular, get answers on how to deal with consumer complaints and business disputes.

Currently, the OECD Bologna Process involves more than 80 economies, including all OECD countries and APEC economies, and a number of other Asian, African and Latin American countries and more than 60 international organisations, institutions and NGOs.

With the OECD Bologna Process, the OECD now enjoys an undoubted edge as the only institution that effectively deals with SME and entrepreneurship-related issues on a global scale.

LANDMARKS IN THE OECD BOLOGNA PROCESS

The internationalisation of the SME policy debate spurred by globalisation and the related need to enhance SME competitiveness worldwide were the central topics of the 2nd OECD Ministerial Conference on SMEs, held in Istanbul, Turkey in June 2004.

A Business Symposium held in conjunction with the Ministerial Meeting stimulated policy dialogue with the private sector on issues related to the knowledge-based economy.

For the first time during an OECD Ministerial Meeting, Ministers discussed issues related to women's entrepreneurship. Furthermore, a special event highlighting best practices in women's entrepreneurship was organised by the private sector following the Ministerial Meeting.

In the Istanbul Ministerial Declaration, Ministers committed to:

- Working co-operatively to achieve progress in reducing barriers to SMEs' access to international markets;
- Considering SME needs, including for simplified, streamlined and integrated administrative processes, when formulating new legislation, regulations and product standards;
- Assessing the effects of globalisation on SMEs and in particular examine issues related to SME access to financing and to support for innovation;
- Recognising and building on SMEs' role as engine for growth, employment and poverty alleviation, particularly in developing countries.

In order to achieve these aims, Ministers invited the OECD to deepen and broaden its analytical work, thereby improving the basis for coherent policy making. In particular Ministers called on the OECD for the first time to establish a robust and comparable statistical base on which effective SME and Entrepreneurship policies can be developed.

Building on this momentum, the OECD established in July 2004 the Centre for Entrepreneurship, SMEs and Local Development (CFE)

Overall, governments must strive for a business environment, which is apt to stimulate entrepreneurship, innovative activity and firm creation. Not only does this call for sound macroeconomic policies, but it also involves, in concordance with OECD recommendations, taking targeted actions with a view to:

- Improving SME access to financing at all stages of their development, including, in the context of a globalised economy, both debt and equity financing. The OECD is organising a major global conference on this theme, Better Financing for Entrepreneurship and SME Growth, to be hosted by Brazil in 27-30 March 2006.
- Identifying ways to remove barriers to SME access to global markets. The OECD will undertake, jointly with APEC (Asia Pacific Economic Cooperation), a study to identify ways of removing these barriers, the results of which will be presented at a global conference hosted by Greece in Fall 2006.
- Enabling SMEs to fully benefit from global value chains. To this end, the OECD is currently undertaking a joint study with UNCTAD and other partners to better understand the role SMEs can play in global value chains.
- Promoting a *culture of evaluation* of SME and entrepreneurship policies and programmes. To this end, building on the work carried out by the Working Party on SMEs and Entrepreneurship for some years now, as well as contributions from member and non-member economies and international organisations, the OECD is developing and will test a handbook of best practices for the evaluation of SME policies and programmes.
- Promoting the development of Women's Entrepreneurship, and sharing the leading edge experience acquired by the OECD in this domain.

The OECD Bologna Process on SME & Entrepreneurship Policies



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