



**Training course for policy
makers on productivity and
working conditions in SMEs**



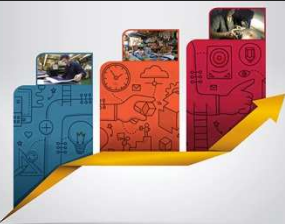
Agenda

- 1. OECD SME Policy Index**
- 2. SME Policies and Productivity**
- 3. SME Access to Finance**
- 4. Case Study: Training Levy in South Korea**



SME Policies: Role and Rationale





OECD SME Policy Index

21/06/2017



Evaluating SME Policies



Discussion

What do you think are the most important criteria to evaluate SME Policy effectiveness?



Some Ideas for Evaluating SME Policies

Reach

- Number of SMEs participating
- Profiles of SMEs (size, sector, high-growth, innovative, women-owned)
- Amount of funds distributed

Impact

- Productivity increases
- Jobs created, sales growth, firms' survival rate
- SME surveys of effectiveness
- New products or patents registered (innovation)
- New markets (export intensity)

Cost/Benefit

- Costs associated
- Number of administrative steps
- Impact assessments



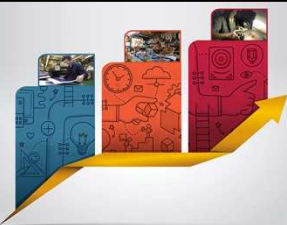
Policies and SMEs

1. General Policies relevant for SMEs

Making economic and industrial policy more sensitive to SME needs

2. Policies targeted to SMEs

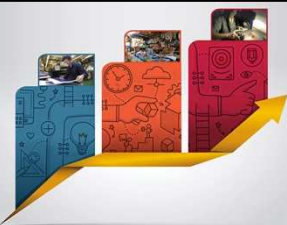
Policy interventions that are specifically addressing SMEs



Policies Targeted to SMEs

Two main rationales:

1. Overcome **market failures** that limit the performance and productivity of SMEs
2. Boost the **special contribution** of SMEs to economic development and inclusive growth



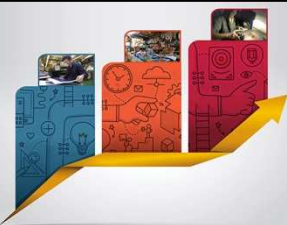
SME Policies and Productivity: What is the evidence?

Inter-American Development Bank 2009 Study

- Finds a positive correlation between SME productivity and several key drivers and policy areas
- Use of credit, training, innovation, quality certification, and technologies all had significant effects

World Bank Study of Mexico and Chile 2009/2010

- Participating in SME policies and programmes led to the following:
- **Chile:** Increases of 9% sales, 8% wages, 7% labor productivity, and 2% export sales.
- **Mexico:** 6% higher value-added and increases of 5% gross production, 5% sales, and 6% employment.



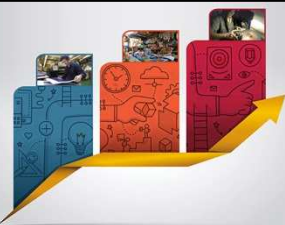
Main Areas of SME Policy Interventions

Policy Areas

- Access to finance
- Skills training and BDS
- International market expansion
- Promoting innovation
- Upgrading technology
- Clusters/Agglomerations

Policy Mechanisms

- **Financial** (tax incentives, subsidies, grants/loans, vouchers)
- **Information** (e.g., web portals, help lines, focal points)
- **Regulation**
- Direct programmes or through partnerships



Policy Areas – Template Slide (Facilitator Notes)

Impact:

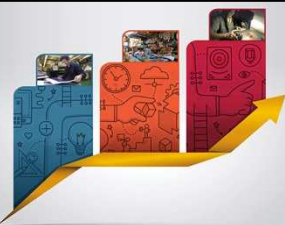
- Evidence of the link between this policy area and productivity

Activities:

- Main activities

Examples:

Specific SME policies
from different countries



Access to Finance

Impact:

- **European Commission (2015)**
EU credit guarantees for SMEs
increased annual sales 20% and
increased workforce 17% within 5 years

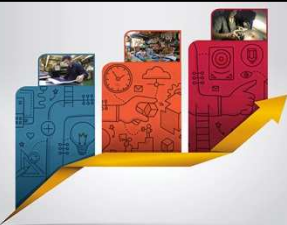
Activities:

- Loan and grant programs
- Credit guarantees
- Export credit
- Second chance against bankruptcy
- Micro-credit providers

Examples:

Jordan Loan Guarantee Corporation
Enhancing Productivity
Loan Guarantee

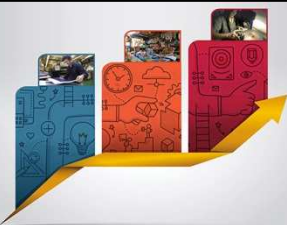
Singapore Productivity and Innovation Credit
Tax Deductions, Cash Payout, Matching Funds



Singapore Productivity and Innovation Credit



- SMEs can claim up to 400% tax deduction credits for investments in productivity areas
- **Activities covered:** Equipment costs, training of employees, licensing fees, patent registration, R&D activities, design projects



International Market Expansion

Impact:

- **European study (2014)** of 100,000 SMEs found SMEs that export have 13% higher labor productivity
- **Learning-by-exporting (Atkins 2014)**
Rug manufacturers in Egypt increased productivity 20-25% by exporting

Activities:

- Information on export markets
- Trade missions/Trade shows
- Export training
- Export credit guarantees

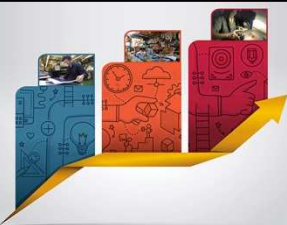
Examples:

Pro Ecuador

Export promotion of SMEs through trade missions & trade shows

MATRADE Malaysia

Trade information provided through online web portal and SMS



Skills training and BDS

Impact:

- **Mexico (Karlan & Shoar 2012)** SMEs provided with subsidized consulting services increased sales 80% and productivity 120%
- **India (Bloom 2013)** Textile SMEs provided with management training increased productivity 17%

Activities:

- Skills upgrading for workers
- Management training
- Consultancy services, Certifications

Examples:

**Malaysia
SME@University
Programme**

Management training
for CEOs of SMEs

**Singapore Innovation &
Capability Voucher**
Covers costs of
consultancy projects



Malaysia SME Training Programme



- Run by the Malaysian SME Corporation
- Management training for Owners & CEOs of SMEs
- **Topics:** Leadership, Performance Management, Human Resources, Marketing, Accounting, Entrepreneurship, Growth Modeling, Law & Ethics, Operations Management



Innovation and Technology

Activities:

- Funds for R&D, patents, technology
- Technology Parks, Innovation Clusters
- Start-up financing, Incubators
- Entrepreneurship
- Connectivity/Digitalization
- Clean technology

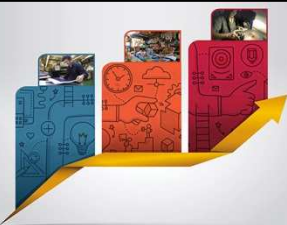
Examples:

Mexico INADEM

National Institute for
Entrepreneurs
coordinates policies

SPRING Singapore

Pre-diagnosis of
intellectual property



Clusters and Agglomerations

Impact:

- **Italy 2016 impact evaluation** found SME members of innovation poles who received R&D subsidies increased their TFP and LP by 50-60%

Activities:

- Joint R&D activities
- Inter-firm cooperation & Associations
- Partnerships with universities
- Industrial parks/Ecosystems

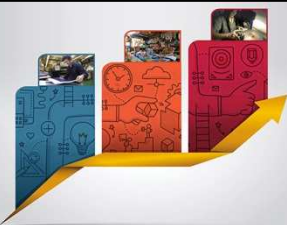
Examples:

Chile SME Associations (PROFO)

Funding for shared group projects

Italy "Innovation Poles"

Networks of support services for SMEs including R&D subsidies



Chile SME Associations

PROFOR: *Programa de Proyectos Asociativos de Fomento*

- Groups of 3 or more SMEs
- Subsidizes up to 70% of costs to solve joint management challenges
- E.g., consultant fees, technical assistance, training, promotion, etc.

Implemented by:

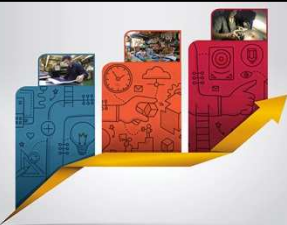


**Corporacion del
Fomento de la
Produccion**



Policies and SMEs

1. SMEs have unique needs and face special barriers
2. There are many different areas of policy intervention linked to several drivers of productivity
3. SME policies often have common and complimentary goals
4. Importance of evaluating the impact of policies on SMEs



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