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Think Big for Small

Small and Medium Enterprises as Pillar for Future-oriented, Sustainable Growth

B20 CROSS-THEMATIC GROUP

SMALL AND MEDIUM ENTERPRISES (SMEs)

POLICY PAPER 2017

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Foreword by the Cross-thematic Group Chair Rudolf Staudigl

SMEs Matter!

Small and medium-sized enterprises (SMEs) are the main pillar of nearly every national economy around the world. They generate roughly 50 to 70 percent of jobs and income. SMEs compete and collaborate with one another. But more importantly, they form a perfectly working ecosystem with larger companies and multinationals. This is primarily due to the key characteristic of SMEs: they move ideas from concept to production in a very short time. SMEs foster creativity and enable innovation in all parts of the market regardless of the development stage of the economy. SMEs help to build a stable source of sustainable regional employment and income. Therefore, the challenge for governments is to provide and nurture an ecosystem for SMEs, which allows them to interact with suppliers, partners, and customers on a level playing field worldwide. There is no doubt about it: “SMEs matter!”

Our cross-thematic group set the focus on three major aspects for SMEs today and in the future: cross-border trade, digital economy, and access to finance. Our recommendations cover actions the G20 should take to guarantee the resilience of SMEs worldwide and to allow them to grow beyond the levels reached in recent decades. The G20 also needs to accelerate the improvement of conditions for SMEs in the markets where barriers still exist.

The last point is becoming more important in light of the trends towards isolationism and protectionism present in many markets today. Unfortunately, migration from poor to rich countries combined with weak economic conditions is exacerbating the situation. Free and fair trade between developed and developing countries as well as small and large companies with the target of achieving a sustainable increase of wealth is an important part of the solution. I firmly believe this is the right approach based on my personal experience in international business as the CEO of a globally active German enterprise.

Sincerely,

Dr. Rudolf Staudigl

Chairman of the B20 SME Cross-thematic Group

CEO, Wacker Chemie AG

Recommendations

Recommendation 1: Facilitating SME Participation in Cross-Border Trade – G20 members should facilitate SME access to cross-border trade and global value chains (GVCs) by systematically including their voice and needs in trade agreements, by capacity building, and by easing business travel.

Policy Action 1.1: Strengthening the SME Voice in Trade Agreements – The G20 should facilitate the inclusion of SME needs in trade agreements, including in the implementation of the TFA, by recommending a stronger SME representation in the WTO, and by strengthening knowledge of as well as clarifying priorities on SME market access impediments.

Policy Action 1.2: Boosting Trade Capacity Building for SMEs – The G20 should request multilateral and national development institutions as well as business and SME associations to strengthen SME trade capacity building by providing and enabling access to funding and expertise.

Policy Action 1.3: Easing Business Travel – The G20 should discuss a G20 Business Travel Card to allow fast track clearance across G20 members to promote a freer flow of skills and talent across borders.

Recommendation 2: Building Digital Capacities and Capabilities – G20 members should facilitate SME access to the digital economy by strengthening digital infrastructure outside industrial centers, leveraging support for international multi-stakeholder initiatives on e-commerce, and enhancing the knowledge base on SME needs.

Policy Action 2.1: Improving Internet Access Outside Industrial Centers – G20 members should foster SME Internet access by strengthening digital infrastructure outside industrial centers, incorporating comprehensive and targeted Digital Strategies, as well as raising SME awareness and capabilities through Innovation Hubs.

Policy Action 2.2: Advancing Participation in Digital Trade – G20 members should foster SME participation in digital trade by reducing regulatory barriers and enhancing SME e-commerce readiness, leveraging support for international multi-stakeholder initiatives on e-commerce such as the eWTP and the SME Market Link of the World SME Forum.

Policy Action 2.3: Better Measurement of the Digital Economy – G20 members, together with the respective international organizations such as the OECD, should improve measurements of key characteristics of the digital economy, including size, scope, global reach and economic value-creation by market, sector and segment, with particular attention to SMEs, to create a better basis for SME policy-making.

Recommendation 3: Advancing Financial Inclusion – G20 members should ensure the implementation of the G20/OECD High Level Principles on SME Financing, the G20 Action Plan on SME Financing and the G20 High Level Principles on Digital Financial Inclusion, in particular by strengthening financial market infrastructure, enhancing access to diversified financial instruments, and advancing digital financial technologies.

Policy Action 3.1: Strengthening Financial Market Infrastructure for SMEs – G20 members should strengthen financial market infrastructure for SMEs by consulting with the private sector on the reform of the credit reporting framework, collateral registries, and insolvency rules, as well as by mandating the Financial Stability Board (FSB) to improve the impact assessment of financial regulation with respect to lending to SMEs.

Policy Action 3.2: Facilitating Access to Diversified Financial Instruments – G20 members should improve access to various forms of financing and take specific and targeted measures to boost the financial literacy of SMEs by encouraging the establishment of mentorship and financing networks.

Policy Action 3.3: Enhancing Digital Financial Inclusion – The G20 members should implement the G20 High Level Principles for Digital Financial Inclusion, ensure that SME specific needs are sufficiently addressed, and boost SME awareness of and ability to engage in digital finance, including electronic invoicing and settlement, as well as digital trade and supply chain finance.

Introduction

In most countries, Small and Medium-sized Enterprises (SMEs) contribute over 50 percent to gross domestic product (GDP) and two thirds to formal employment. SMEs, which often form the backbone of the middle class, are important for social stability, innovation, inclusive growth, and poverty alleviation. They are indispensable for a future-oriented, sustainable global economy.

- SMEs make up 95 percent of all enterprises in OECD countries and 93 percent in non-high income, non-OECD countries.[1]
- SMEs account for 55 percent of GDP in developed economies and 35 percent in developing economies (median GDP contribution of SMEs).[2]
- SMEs make up the majority of employment in almost all economies: 67 percent in emerging and developing countries[3] and 63 percent in OECD countries plus Brazil (median share of employment in the formal non-agricultural private economy).[4]
- In the EU, SME exporters contribute 34 percent of total exports; in the United States, they represent 34 percent of total export revenue. Evidence for ten South-East Asian countries shows that SMEs contribute approximately 30 percent of total export value.[5]
- SMEs provide opportunities for the economic empowerment of women and indigenous people through entrepreneurship. There are nine million SMEs registered worldwide that are owned by women, which is 34 percent of all SMEs.[6]
- SMEs play a particularly important role in developing and emerging countries, where they account for around 95 percent of job creation.[7]

However, SMEs are confronted with a number of disadvantages compared to larger firms. OECD studies suggest that SMEs tend to innovate less and have greater difficulties adopting and using new technologies.[8] They often struggle with access to finance as well as qualified personnel and have fewer resources to invest in research and development (R&D).[9] SMEs often struggle with administrative burdens. For example, tax compliance, complex rules of origin (RoO), and export procedures disproportionally affect small businesses.

In recent years, policy-makers have started to pay more attention to SMEs. The World Bank Group (WBG) finds that in the OECD high-income area, governments have made significant progress reducing the regulatory burden for SMEs. For example, the days required to start a business decreased over the last five years from an average of 11 days in 2011 to 8 days in 2016.[10] However, sizeable cross-country differences remain.[11] Overall, much more has to be done.

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[1] WTO, *World Trade Report 2016. Levelling the Trading Field for SMEs* (Geneva: 2016), 15, accessed January 5, 2017, https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf.
[2] Analysis done on a sample of 33 countries. WTO, *World Trade Report 2016 (2016) op. cit*.
[3] In a sample of 99 countries.
[4] In a sample of 17 countries. WTO, *World Trade Report 2016*. (2016), 5; op. cit.
[5] ITC, *SME Competitiveness Outlook 2015* (Geneva: 2015), 2, accessed March 24, 2017, http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/SME_Comp_2015_Jan_version_low_res.pdf.
[6] WTO, *World Trade Report 2016* (2016), 18, op. cit.; ITC, *SME Competitiveness Outlook 2015* (Geneva, 2015), 14.
[7] ITC, *SME Competitiveness Outlook 2015* (Geneva: 2015), 13, op. cit.
[8] OECD, *SMEs, Entrepreneurship, and Innovation* (2010), 16-18, accessed March 24, 2017, http://www.oecd.org/cfe/smesentrepreneurshipandinnovation.htm.
[9] Ibid.
[10] The World Bank, *New Zealand Tops Doing Business Ranking as OECD Economies Remain Most Business Friendly* (October 25, 2016), accessed January 11, 2017, http://www.worldbank.org/en/news/press-release/2016/10/25/new-zealand-tops-doing-business-ranking-as-oecd-economies-remain-most-business-friendly.
[11] The World Bank, *Doing Business 2017. Equal Opportunity for All* (Washington: World Bank Group, 2016), accessed March 24, 2017, http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf.

The WBG has begun to track regulatory performance through Global Indicators of Regulatory Governance as part of the Good Regulatory Practices program. The study Global Indicators of Regulatory Governance finds that there are great differences in regulatory transparency between higher-income and poorer countries. Whereas all OECD high-income countries publish drafts of business regulations, most of them through a unified website, poorer countries are much less transparent. Roughly 50 percent of countries in Sub-Sahara Africa and in the Middle East and North Africa give no notification at all. Many of the high-income countries also actively seek stakeholder input on their proposed regulations, which governments in many poorer countries often fail to do.[12] This lack of transparency is especially disadvantageous to SMEs in poorer countries.

The SMEs Cross-thematic Group (CTG) of B20 Germany is convinced – based on experiences across countries and industries – that promoting SMEs would massively increase the wealth in G20 countries and provide a recipe for healthy, inclusive economic growth. The work of the CTG builds on that of the B20 China 2016 and the B20 Turkey 2015, when the SME Taskforces had identified key challenges to SME development, resulting in the G20 endorsing a number of recommendations. In particular, 2015 saw the creation of the World SME Forum (WSF).

B20 China's SME Development Taskforce developed four main recommendations to the G20: 1) facilitate the access of SMEs to bank financing and alternative funding, 2) lower compliance costs and improve access to public procurement markets in order to support SME growth, 3) endorse the concept of the Electronic World Trade Platform (eWTP) to incubate cross-border electronic trade (e-trade) rules and aid e-trade development, and 4) develop coordinated capacity-building and certification programs to ease the inclusion of SMEs into global value chains (GVCs).

The International Chamber of Commerce's (ICC's) G20 CEO Advisory Group assesses annually to what extent B20 recommendations have been responded to by G20 leaders. According to the latest B20 Scorecard,[13] policy responsiveness to B20 China's recommendations is unfortunately rated as "poor". The only exception is facilitating SMEs access to bank financing and alternative funding, which is rated "fair". Overall, G20 governments have neither supported SMEs as much as B20 has been asking for, nor as much as the political discourse on the topic would suggest. A lot of good plans have not been implemented, mostly because of lack of accountability, commitment, and funding.[14]

According to the B20 Germany SME CTG, G20 members need to redouble efforts in implementing G20 commitments (also delegating the necessary resources). Three areas should be paid particular attention to:

- *Access to cross border business*: An important precondition for SMEs to flourish and grow is their integration in trade – either directly through SME-to-SME trade relations and direct-to-customer sales or indirectly through participation in supply chains. In Hangzhou, the G20 Leaders endorsed the G20 Action Plan on the 2030 Agenda for Sustainable Development, in which they committed themselves to using the new Trade and Investment Working Group to "support activities to help low income and developing countries and SMEs to better integrate into the Global Value Chains (GVCs)."[15] In July 2016, the G20 trade ministers stressed at their meeting in Shanghai that G20 countries, which have the necessary capacity, would help

[12] The World Bank, *Global Indicators of Regulatory Governance. Key Findings*, accessed January 9, 2017, http://rulemaking.worldbank.org/key-findings.
[13] ICC, *ICC B20 Business Scorecard. Sixth Edition* (Paris: ICC, 2016), accessed March 24, 2017, https://cdn.iccwbo.org/content/uploads/sites/3/2017/01/ICC-G20-Business-Scorecard-December-2016.pdf.
[14] Ibid., 58-66.
[15] G20 China, *G20 Action Plan on the 2030 Agenda for Sustainable Development*, 10, accessed January 11, 2017, https://www.b20germany.org/fileadmin/user_upload/G20_Action_Plan_on_the_2030_Agenda_for_Sustainable_Development.pdf.

developing countries and SMEs follow international standards and regulations.[16] But not enough action has followed. As the ICC CEO Advisory Group points out, "there was no response to the B20's call for coordinated capacity building and certification programs, or the setting of ambitious targets for SMEs [sic] admittance to regional and GVCs."[17]

- *Access to the digital economy:* Digitalization is both opportunity and challenge for SMEs. It allows SMEs to be active far beyond their traditional geographic reach and to win customers as well as suppliers and employees beyond their home market. At the same time, digitalization exposes SMEs to more international competition. Without state-of-the-art access to digital infrastructure and equipment they risk falling behind. The emergence of new models for internationalization, especially suitable for micro enterprises, is therefore gaining attention among policy-makers. The development of e-commerce promises new export opportunities for SMEs and gives them a global presence that was once reserved for large multinational firms.[18] B20 China has therefore strongly recommended the establishment of an Electronic World Trade Platform (eWTP). On such a platform, businesses could discuss rules for digital trade and the challenges SMEs face. In the Hangzhou Summit Communiqué, the G20 Leaders stated: "We welcome the B20's interest to strengthen digital trade and other work and take note of its [sic] initiative on an Electronic World Trade Platform (eWTP)."[19] As pointed out by the ICC, however, the G20 has paid insufficient attention to SME and digital trade.[20]
- *Access to finance*: Access to finance remains one of the primary challenges for SMEs. SMEs are perceived to be riskier than larger enterprises. They tend to require more support and coaching, and are thus by definition more expensive to service, whilst generating relatively modest opportunities for profit-motivated financial institutions. There are also not enough alternative forms of financing available to SMEs. New financial and banking regulations, which put an emphasis on financial stability, sometimes exacerbate the problem.[21] The G20 has acknowledged the financing gap and agreed on action plans, such as the G20 Financial Inclusion Action Plan (G20 Summit in Seoul in 2010), the G20 Action Plan on SME Financing (G20 Summit in Antalya in 2015), and the G20 Action Plan on SME Financing Implementation Framework (Hangzhou Summit in 2016). However, for these efforts to be successfully implemented, they need to be more fully monitored.

[16] G20, *G20 Trade Ministers Meeting Statement*, 7, accessed January 11, 2017, https://www.b20germany.org/fileadmin/user_upload/documents/G20/g20-trade-ministers-statement-strategy-guidelines-investment-policymaking.pdf.
[17] ICC, *ICC B20 Business Scorecard. Sixth Edition* (Paris: ICC 2016), 66, op. cit.
[18] WTO, *World Trade Report* (Geneva: 2016), op.cit.
[19] G20, *G20 Leaders' Communique Hangzhou Summit*, accessed January 11, 2017, http://europa.eu/rapid/press-release_STATEMENT-16-2967_de.htm.
[20] ICC, *ICC B20 Business Scorecard. Sixth Edition*, op. cit.
[21] ICC, *ICC B20 Business Scorecard. Sixth Edition*, op. cit.

Recommendation 1: Facilitating SME Participation in Cross-Border Trade

G20 members should facilitate SME access to cross-border trade and global value chains (GVCs) by systematically including their voice and needs in trade agreements, by capacity building, and by easing business travel.

Policy Actions

1.1 Strengthening the SME Voice in Trade Agreements – The G20 should facilitate the inclusion of SME needs in trade agreements, including in the implementation of the TFA, by recommending a stronger SME representation in the WTO, and by strengthening knowledge of as well as clarifying priorities on SME market access impediments.

- G20 should recommend the WTO to establish an SME Advisory Group with representatives from the private sector, international organizations such as the OECD, and SME associations such as the WSF.
- G20 members should adopt the "think small first" principle in trade policy focused on transparent and simple rules, reducing unnecessary regulatory divergences, abolishing administrative barriers through trade facilitation, and simplifying rules of origin.
- G20 members should focus on SMEs in the implementation of the TFA and create national trade facilitation committees with a strong presence of SME associations.
- The G20 should request international organizations to better coordinate SME ease of doing business and trade reports, in order to create a better basis for informed policy-making.

Owner G20[22], G20 members[23], WTO, OECD, WSF, SME and business associations **Timing** 2017-2019

1.2 Boosting Trade Capacity Building for SMEs – The G20 should request multilateral and national development institutions as well as business and SME associations to strengthen SME trade capacity building by providing and enabling access to funding and expertise.

- G20 members need to increase support for trade capacity building programs which place a strong focus on SMEs. To lower information and legal costs related to the participation in trade, G20 members should set up contact centers and export/import helpdesks.
- The G20 should encourage the WBG and the ITC to serve as interlocutors for Mentoring Programs between large and small companies.
- The B20 recommends conducting a "Lab of Tomorrow" pilot project focusing on cross-border trade.

Owner G20, G20 members, WBG, WSF, ITC, SME and other business associations **Timing** 2017-2018

1.3 Easing Business Travel – The G20 should discuss a G20 Business Travel Card to allow fast track clearance across G20 members to promote a freer flow of skills and talent across borders.

- G20 members should reduce the administrative burden associated with entry and exit to free-up resources.
- G20 members should build on existing bilateral and plurilateral initiatives for visa facilitation and elicit potential consolidation.

Owner G20, G20 members **Timing** 2017-2019

[22] Ownership by G20: Collective action via the G20 process (such as elaborating principles, action plans, or toolkits.)
[23] Ownership by G20 governments: Differentiated action by individual governments in their own right.

Context

SMEs would benefit greatly from the creation of a more business-friendly and integrated international economy. The specific impact of internationalization on SMEs' profit, productivity, innovation, and growth are firm-specific, as empirical research suggests, depending on factors such as company size and sector, among others. Generally, however, internationalization creates many opportunities to SMEs. According to the WTO's World Trade Report 2016, internationalization enables SMEs to realize economies of scale.[24] It also makes SMEs less dependent on their home market. Integration in GVCs can foster knowledge and information exchange, among others, on foreign markets and product preferences, and thus also boosts productivity.[25]

Nevertheless, studies show that SMEs are generally much less involved in international activities than larger companies. The untapped potential is evident: across the OECD, no more than five percent of micro enterprises are exporters while typically 50 percent of large enterprises export.[26] The direct trade participation of SMEs in developing countries is not in line with their importance at the domestic level.[27] SMEs face considerable challenges when they engage in international markets. Barriers to SME internationalization can be divided into internal and external constraints.[28] The WTO finds that most obstacles SMEs face are internal, for example workforce capacity. However, external obstacles also play an important role, such as the lack of information on regulatory barriers to trade, diverging customs procedures, and complex rules of origin requirements. A survey conducted by the European Commission and the International Trade Centre (ITC) showed that a 10 percent increase in regulations results in a reduction in exports of 1.6 percent for large companies and of 3.2 percent for SMEs.[29] This is particularly the case in developing economies, where the competitiveness gap between SMEs and large firms is considerably bigger than in developed countries.[30]

Traditionally, SMEs are rarely mentioned in trade agreements; explicit references to SMEs have become more frequent in Free Trade Agreements (FTAs) only in the last few years. For a trade agreement to be genuinely effective also for smaller businesses, it needs to address many issues that larger firms view simply as 'costs of doing business'.

The WTO finds that the role of SMEs in international trade is insufficiently documented and understood and that more research in this field is necessary,[31] including research into which provisions in trade agreements really benefit SMEs (see Exhibit 1).

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[24] WTO, *World Trade Report 2016* (Geneva 2016), op. cit.
[25] Ibid: 150.
[26] OECD, *Entrepreneurship at a Glance* 2013, 36, accessed March 24, 2017, http://www.oecd-ilibrary.org/industry-and-services/entrepreneurship-at-a-glance-2013_entrepreneur_aag-2013-en.
[27] WTO, *World Trade Report 2016* (Geneva 2016), 51, op. cit.
[28] OECD, *SME Internationalization: Characteristics, Barriers and Policy Options* (2014), accessed March 24, 2017, http://mddb.apec.org/Documents/2014/SOM/ISOM-SYM/14_isom_sym_014.pdf.
[29] ITC, *SME Competitiveness Outlook, Zusammenfassender Bericht – Den Standards des Handels gerecht werden* (Schweiz: International Trade Centre 2016), 14, accessed April 5, 2017, http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/ExeSumm%20SMECO%202016-German.pdf.
[30] Ibid.
[31] WTO, *World Trade Report 2016* (Geneva: 2016), 150-151, op.cit.

Exhibit 1 | SMEs and Free Trade Agreements: Case Study CETA, TTIP, TPP

Comprehensive Economic Trade Partnership (CETA)

The Comprehensive Economic and Trade Partnership (CETA) between the European Union (EU) and Canada was signed in October 2016 and is currently in the ratification process. CETA does not feature a specific chapter on SMEs. While all companies based in one of the contracting parties, including SMEs, will benefit from better access to the EU or Canadian market, CETA contains certain provisions that are especially helpful to SMEs. In the area of regulatory cooperation, the EU and Canada introduced the possibility to have the conformity assessments for certain sectors done by conformity assessment bodies of the other party, yet based on the standards of the importing country. Companies can thus do the conformity assessment for the EU and the Canadian market at the same time with the same conformity assessment body which saves time and costs.

Transatlantic Trade and Investment Partnership (TTIP)

Since 2013, the EU and the United States have been negotiating the Transatlantic Trade and Investment Partnership (TTIP). TTIP is the first FTA, in which the EU is negotiating an entire chapter dedicated to SMEs. The chapter is supposed to ensure that the agreement is especially beneficial to SMEs and implemented in an SME-friendly way. A "SME Committee" is envisaged to follow up on the implementation of priority areas for SMEs across the agreement. The EU Commission has also proposed that the SME chapter establishes a comprehensive online database listing all regulatory requirements for exporters to help SMEs to achieve regulatory compliance without further research costs.

Trans-Pacific Partnership (TPP)

The Trans-Pacific Partnership (TPP), which was negotiated between twelve Pacific Rim countries (the United States, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru) was signed in 2016. It is currently unclear, whether TPP will ever be ratified by all signatories. U.S. President Trump has announced in late January that the United States would pull out of the agreement. If the TPP is implemented, it would be one of the first FTAs with a specific chapter on SMEs. In this chapter, all TPP parties would have committed themselves to creating an online platform which lists all SME-relevant provisions in their country. This would include specific information on regulatory barriers for imports as well as rules and regulations regarding intellectual property, tariffs, and non-tariff barriers. Furthermore, the chapter envisioned an SME Committee, whose task would have been to continually examine how SMEs could be supported further.

Policy Action 1.1: Strengthening the SME Voice in Trade Agreements

The G20 should facilitate the inclusion of SME needs in trade agreements, including in the implementation of the TFA, by recommending a stronger SME representation in the WTO, and by strengthening knowledge of as well as clarifying priorities on SME market access impediments.

Until recently, the large majority of trade agreements paid little attention to the specific needs of SMEs. Finally, their concerns have been given more attention. For example, the EU and the United States were negotiating a chapter on SMEs in the context of TTIP. The TPP, signed by twelve Pacific Rim countries in 2016, also features a chapter on SMEs. The TTIP negotiations have stalled; whether TPP will ever come into force is uncertain in light of the retraction of U.S. President Trump from the agreement.

It is clear, however, that trade agreements need to be updated to foster the integration of SMEs into global markets. The importance of GVCs should be emphasized by a "whole of the value chain" approach that spans across a range of sectors including transport and distribution services, border protection and management, product health and safety, as well as foreign direct investment. Furthermore, trade agreements should address the movement of business people and service providers to facilitate GVC participation of SMEs.

The WTO's World Trade Report 2016 was a step in the right direction. It identifies several key elements for SME inclusive trade: digital trade, trade facilitation, and capacity building. The simplification of trade includes transparency (clear information about policies, rules and regulations), increased certainty about trading conditions (commitments to lowering trade barriers should be legally binding), as well as simplification and standardization of customs procedure as well as centralized databases of information.

To strengthen the focus on SMEs, G20 members should recommend to the WTO to establish an SME Advisory Group. The Advisory Group should be tasked with monitoring the participation of SMEs in trade and issue recommendations on SME-specific provisions and initiatives. This could form the basis for dedicated multilateral work on SMEs in the framework of the WTO. The Advisory Group should include representatives from the private sector (foremost SMEs), international organizations (such as the OECD), and SME associations (such as the WSF). In conjunction with the OECD, the Advisory Group should conduct an annual survey on barriers to SME business abroad. Furthermore, the annual WTO`s World Trade Report should regularly feature a SME-focused section.

Given the vast potential of further SME integration into GVCs for inclusive growth and jobs, trade policy should in general be guided by a holistic "think small first" principle from the process of negotiations to the implementation of agreements (see Exhibit 2). If trade agreements are not adequately constructed, for instance due to overly complex RoO, liberalization efforts will have been in vain.

Exhibit 2 | Adopting "Think Small First" in All Trade Negotiations

- Focus on the elimination of unnecessary hurdles to access foreign markets especially in areas where SMEs face disproportionally high compliance cost, such as divergences in regulations and standards.
- Ensure that SMEs can really benefit from tariff liberalization by simplifying RoO, for instance through horizontal RoO.
- Engage in a dialog at the WTO to foster harmonization of RoO and coherence of FTAs.
- Reduce the administrative burden associated with customs procedures (single windows, raising the de minimis threshold, reducing unnecessary double customs controls, reducing paperwork etc.).
- Increase the mobility of workers and access to qualified skills by liberalizing Mode 4 trade in services (movement of natural persons).

Source: Eurochambres, *Views and Priorities for the Renewed EU Trade Strategy*, 2015: 3-4, accessed March 27, 2017, http://www.eurochambres.eu/custom/ECH_Position_Paper_New_Trade_Strategy_FINAL-2015-00347-01.pdf.

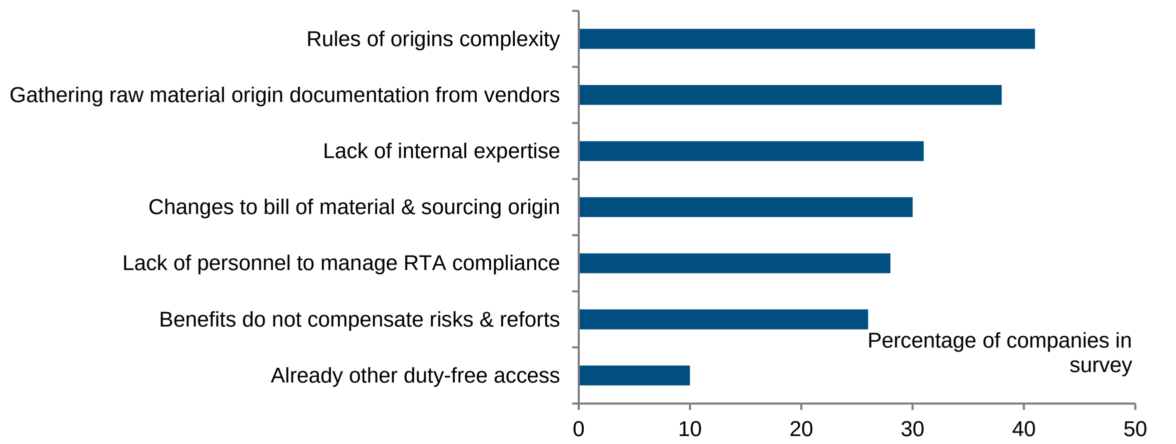
While in 2010 Preferential Trade Agreements (PTAs)[32] covered nearly half of global trade flows, only around 16 percent of global trade with goods was based on the utilization of preferential tariffs[33] (see Exhibit 3). From the outset of trade negotiations, there needs to be a focus on how to make trade easier, faster, and less expensive through more transparent and simpler rules, which can be applied easily by all companies.[34]

Trade facilitation offers particular benefits for SMEs. In December 2013, the WTO members concluded negotiations on an agreement aimed at removing trade barriers related to customs and administrative trade procedures: The Trade Facilitation Agreement (TFA). The TFA went into force in February 2017. The agreement focuses on removing barriers to the movement, release and clearance of goods.[35] If fully

[32] PTAs include FTAs and Customs Unions. The WTO calls them Regional Trade Agreements. As a large percentage of them is across regions, we have decided to use the broader term of PTA in this paper.
[33] Theresa Carpenter and Andreas Lendle, *How Preferential is World Trade*? (2010), 7, accessed March 24, 2017, http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/working_papers/CTEI-2010-32.pdf.
[34] Please also refer to the recommendation of the B20 Germany Trade and Investment Taskforce on regulatory cooperation and non-tariff barriers.
[35] WTO, *Trade Facilitation*, accessed January 5, 2017, https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm. Please also

implemented, the TFA can reduce worldwide trade costs on average by 12.5 to 17.5 percent.[36] Benefits promise to be especially high for developing countries.[37] The TFA can help to promote export diversification, attract investment, improve revenue collection, and support the engagement of SMEs in the global economy. The ITC, the WBG, United Nations Conference on Trade and Development (UNCTAD), regional banks, bilateral donors, and other specialized agencies are jointly supporting developing countries through the Trade Facilitation Support Program (TFSP).[38] The TFSP has two main components. Through the provision of technical assistance (TA), developing countries are supported in reforming their trade facilitation laws, procedures, processes, and systems. The second component is the sharing of knowledge, learning, and measurement. Also, businesses play an important role to sustain TFA implementation, for instance through the public-private Global Alliance for Trade Facilitation. The G20 should recommend that SME associations, such as the WSF and Chambers of Commerce and Industry, are invited to participate in the TFSP to foster SME friendly implementation of the TFA.

Exhibit 3 | Reasons for Not Using Available PTA Preferences



Note: Survey among trade professionals in eleven countries across the Americas and Asia.

Source: Thomson Reuters and KPMG International, *2015 Global Trade Management Survey* (2015), 12, accessed March 27, 2017, https://assets.kpmg.com/content/dam/kpmg/pdf/2015/11/2015-global-trade-management-survey.pdf.

A prerequisite for successful TFA implementation are national trade facilitation committees. Although the requirements of the TFA are relatively straightforward and guidelines have been developed by several international organizations and other donors, some WTO members have found it difficult to determine how best to structure a national committee and to identify the key issues that need to be considered. More sessions at the WTO to share experience and best practices could help to overcome this problem. One lesson learnt is the critical importance of private sector involvement in the establishment and work of the national committees. The G20 should thus recommend that representation of SMEs in national trade facilitation committees is ensured. Furthermore, the G20 needs to encourage the deployment of policies that guarantee that SME associations are appropriately informed when attending the respective

see B20 Germany Taskforce on Trade & Investment.

[36] OECD, *Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs* (2015), 1, accessed March 24, 2017, https://www.oecd.org/trade/WTO-TF-Implementation-Policy-Brief_EN_2015_06.pdf.

[37] WTO, *Trade Facilitation Agreement. Easing the Flow of Goods across Borders* (2015), 5, accessed March 24, 2017, https://www.wto.org/english/thewto_e/20y_e/wto_tradefacilitation_e.pdf.

[38] WBG, *Trade Facilitation Support Program*, accessed January 6, 2017, http://www.worldbank.org/en/programs/trade-facilitation-support-program.

national committees.

To foster SME friendly implementation of the TFA (see Exhibit 4), the WTO together with TFA Parties should seek to join forces with the World Customs Organization (WCO) on providing further guidance to the respective customs administrations. This should be done through a model checklist to review implementation, policy, and programs from the perspective of SMEs – without adding to notification requirements or burdens for SMEs.

Exhibit 4 | TFA Provisions Concerning SMEs

The TFA includes two provisions on SMEs. In article 3, 9 (d) on advance ruling, it requires members to consider the specific needs of SMEs while setting the framework for legal representation or registration in its territory. Article 7, 7.2 (b) requests members to make the criteria to qualify as an authorized operator as SME-friendly as possible.

Implementation of the TFA has the potential to increase global merchandise exports by up to $1 trillion per annum, according to the WTO's World Trade Report released 26 October 2015. The Report also found that developing countries will benefit significantly from the TFA, capturing more than half of the available gains.

Source: WTO, *World Trade Report* (2015), 80, accessed March 27, 2017, https://www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf.

A prerequisite for SME-friendly regulation is good information. While there is a wealth of well-prepared information on SMEs published by different international organizations, policy-makers at country level rightly often ask for better coordination, reduction of overlaps, as well as an overarching framework regarding reporting on SME.

a. To identify NTMs that are problematic to companies and to specify why they are problematic, the ITC, which is also publishing regular SME competitiveness reports, has been conducting business surveys. In these business surveys, it asks companies about barriers when complying with NTMs at product-, sector- as well as partner country-level.[39] The ITC NTM Business Surveys data shed light on the market access conditions of approximately 15,000 small and medium sized exporting and importing businesses in more than 25 countries.[40]
b. The WBG publishes an annual Doing Business report.[41] The report provides a ranking of 190 different economies on the ease of doing business, which takes into account ten different topics: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting minority investors; paying taxes; trading across borders; enforcing contracts and resolving insolvency. "Trading across borders" takes into account the time and cost to export and import, measured in documentary compliance and border compliance hours and costs.[42]

The B20 recommends that the different reports become more strongly linked with each other to create a better basis for informed policy-making and for allowing policy-makers to "think small first".

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[39] ITC, *NTM Business Surveys*, accessed January 11, 2017, http://ntmsurvey.intracen.org/what-we-do/ntm-business-surveys/.
[40] A map with countries that have been covered by the survey can be found here: ITC, *Countries Covered by the ITC NTM Surveys*, accessed January 11, 2017, http://ntmsurvey.intracen.org/ntm-survey-data/survey-coverage/.
[41] WBG, *Doing Business 2017. Equal Opportunity for All* (2016), 13, accessed March 24, 2017, http://www.doingbusiness.org/reports/global-reports/doing-business-2017.
[42] WBG, *Economy Rankings*, accessed January 11, 2017, http://www.doingbusiness.org/Rankings.

Policy Action 1.2: Boosting Trade Capacity Building for SMEs

The G20 should request multilateral and national development institutions as well as business and SME associations to strengthen SME trade capacity building by providing and enabling access to funding and expertise.

To foster the participation of SMEs in global value chains, capacity building is indispensable. Several international organizations such as the WTO[43], the WBG[44], UNCTAD[45] and the ITC as well as regional and national development organization offer capacity building programs – "aid for trade" (see Exhibit 5). The Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC) is ramping up efforts to increase eTrade capacity of SMEs in the Asia-Pacific through their Cross-Border E-commerce Training program – the CBET Program. The WSF and its affiliate chambers are also starting to provide technical assistance to SMEs, for example on standards, managerial skills, and e-commerce. Crucial disadvantages of SMEs are high information costs. Contact centers and helpdesks for SMEs have shown to be an essential tool to lower barriers to their participation.

Exhibit 5 | Trade Capacity Building Programs: Some Examples

The **WTO** offers different capacity-building programs, of which many focus on SMEs: The aim of the Aid for Trade program is to help developing countries overcome infrastructure constraints that keep them from engaging in international trade. The Enhanced Integrated Framework is the main mechanism through which least-developed countries (LDCs) access the Aid for Trade program. It helps LDCs formulate their needs for assistance and matches them with potential donors.[1] The Standards and Trade Development Facility adds to this initiative through specific projects and monitoring of aid flows.[2]

UNCTAD offers different capacity building programs. Empretec, for example, supports entrepreneurs in establishing competitive SMEs through local business support centers.[3] The program was launched in 1988. Since then, it has been initiated in 26 countries, assisting more than 70,000 entrepreneurs. The Business Linkage Program connects large enterprises to local suppliers in developing countries so that they transfer technology, knowledge, and skills to these countries.[4]

ITC is a joint organization of the WTO and the United Nations. Its main goal is to help SMEs in developing countries to internationalize and become more competitive, thereby enhancing economic opportunities in poorer countries. ITC offers a large range of capacity building trainings and other services, which cater to the particular needs of the participants.[5]

CBET is a cross-border e-commerce training program endorsed by APEC, initiated in 2013. CBET aims to provide SME with professional, practical industry knowledge on cross-border e-commerce to encourage entrepreneurship and incubate innovative business solutions.

The **Export Helpdesk** of the EU facilitates the access of developing countries to the European market. Although it is possible for companies in least developing countries to export to the EU without quota restrictions or duty payments, some specific technical requirements remain. Through an online platform, the Export Helpdesk provides detailed information on import requirements, such as:

- specific requirements (e.g. plant health, public health, labelling, etc.);
- internal taxes (VAT and excise duties) applicable in the 28 EU Member States;
- relevant laws, national authorities, border inspection posts.

Sources: 1) WTO, *Enhanced Integrated Framework*, accessed January 10, 2017, https://www.wto.org/english/tratop_e/devel_e/teccop_e/if_e.htm. 2) Standards and Trade Development Facility, *Standards and Trade Development Facility*, accessed January 10, 2017, http://www.standardsfacility.org/.

[43] WTO, *Aid for Trade*, accessed January 10, 2017, https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm.
[44] WBG, *Brief: Aid for Trade*, accessed January 10,2017, http://www.worldbank.org/en/topic/trade/brief/aid-for-trade.
[45] UNCTAD, *Capacity Building*, accessed January 10, 2017, http://unctad.org/en/pages/DIAE/Enterprise%20Development/Capacity-Building.aspx.

Aid for Trade: WBG, *Fifth Global Review of Aid for Trade*, accessed January 10, 2017, http://www.worldbank.org/en/events/2015/06/23/fifth-global-review-of-aid-for-trade. 3) UNCTAD, *Empretec*, accessed January 10, 2017, http://empretec.unctad.org/. 4) UNCTAD, *Business Linkage Programme*, accessed January 10, 2017, http://unctad.org/en/Pages/DIAE/Enterprise%20Development/Business-Linkage-Programme.aspx. 5) ITC, *Development Results*, accessed January 10, 2017, http://www.intracen.org/development-results/technical-assistance/capacity-building/#output/1.

But more could be done. As a pilot project, the B20 recommends the conduction of a "Lab of Tomorrow" on SME Internationalization and barriers to trade (see Exhibit 6).[46]

Companies could also more strongly help each other. Large companies (Multi-National Companies [MNCs] or domestic) could provide mentoring to SMEs to help them internationalize and/or upgrade their technologies (see Exhibit 7). Mentorship programs could be organized in the context of supply chains and GVCs, where a large buyer client could mentor its own community of SME suppliers.

Exhibit 6 | "Lab of Tomorrow" on SME Internationalization and Barriers to Trade

Today, many companies want to engage in overseas business operations. However, they often lack the necessary insights into local conditions, the right partners, and a good business idea. The "Lab of Tomorrow" – an initiative by the GIZ of the German Ministry of Economic Cooperation and Development – tries to address this.

Concept

In interdisciplinary working groups, assisted by professional coaches, companies work together to formulate solutions for pressing issues. The groups develop an initial solution in the form of a prototype. The companies involved conduct small-scale tests to assess the prototype's suitability. Participants spend three days working together with other local and overseas entrepreneurs and experts on a solution for a concrete development problem (challenge). The ready prototype is tested on site under real conditions, where appropriate with the support of GIZ's projects in the given country. If the test is successful, there is the possibility for further cooperation with GIZ.

- Duration: The lab of tomorrow consists of two 3-day workshop modules; the first in Germany and the second in the partner country. For a successful outcome, full participation on all 3 days of the modules is required. After the first workshop, participants choose whether they want to test and iterate their prototypes in the second module.
- Preparation by participants: Prior to the workshop, participants will receive a briefing paper containing relevant background information on the topic.

Benefits for SMEs

- Identifying new business opportunities through in-depth analyses;
- exploring a new market and developing a promising business case;
- meeting local and international experts, relevant decision-makers and potential customers;
- collaborating with other entrepreneurs and finding new business partners;
- receiving further support when testing ideas in the partner country;
- working together to develop intelligent business solutions;

Source: GIZ, *Lab of Tomorrow*, accessed December 9, 2016, https://www.giz.de/Wirtschaft/de/html/2570.html.

The ICC's CEO roundtable, the Business and Industry Advisory Committee to the OECD (BIAC), and the B20 could be a conduit for such pledges. These pledges should also be expanded to countries beyond the G20 (developing countries, where inclusiveness issues are even more pressing), and to

[46] Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, *Lab of Tomorrow*, accessed December 9, 2016, https://www.giz.de/Wirtschaft/de/html/2570.html.

more vulnerable SME segments (e.g. youth, minorities, women). This would be a very valuable component of the Africa Compacts, which the German G20 Presidency is proposing.[47] An international organization such as the ITC or the WBG could serve as interlocutor.

SMEs might also help each other by combining their market power in a jointly-owned and jointly-managed structure, such as a cooperative. Commonly-owned structures like cooperatives might allow SMEs to maintain their independence and identity. At the same time, delegating certain business functions (e.g. sourcing, marketing) to a larger entity can enable SMEs to negotiate better market conditions through the power of the collective. When formulating public policies for the development of SMEs, G20 members should take into consideration the specificities of these structures.

Exhibit 7 | Case Studies: Mentoring Programs

Fit for Partnership with Germany: The Managerial Training Program of the German Federal Ministry of Economics and Energy (BMWi) is aimed primarily at SMEs enterprises abroad which are interested in economic cooperation with German companies. Under the motto "Fit for Partnership with Germany", executives of these companies prepare for the initiation of business and economic cooperation with German companies. At present, the cross-sectoral program is being implemented with 18 partner countries from Asia, Eastern Europe, North Africa and Latin America, and more than 11,000 managers have participated.[1]

Erasmus for Young Entrepreneurs: Erasmus for Young Entrepreneurs is a cross-border exchange program which gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs running small businesses in other participating countries. The exchange of experience takes place during a stay with the experienced entrepreneur, which helps the new entrepreneur acquire the skills needed to run a small firm. The host benefits from fresh perspectives on his/her business and gets the opportunity to cooperate with foreign partners and learn about new markets.[2]

Coaching for start-ups: When preparing a start-up project, founders can be assisted by an experienced company or business start-up advisors. The BMWi business start-up portal summarizes those offers throughout Germany. These consultancy services are subject to charges. A number of federal states offer a subsidy to the consultancy costs. Others offer free advice for founders.[3]

Sources: 1) GIZ, *Fit for Partnership with Germany*, accessed November 28, 2016, http://www.managerprogramm.de/en; 2) Unterstützungsbüro Erasmus für Jungunternehmer, *Erasmus for Young Entrepreneurs*, accessed November 28, 2016, http://www.erasmus-entrepreneurs.eu/; 3) BMWi, *Starting Your Own Business*, accessed November 28, 2016, http://www.existenzgruender.de/EN/Home/inhalt.html.

Policy Action 1.3: Easing Business Travel

The G20 should discuss a G20 Business Travel Card to allow fast track clearance across G20 members to promote a freer flow of skills and talent across borders.

Mobility is an important part of assuring international market access for SMEs. Through greater market reach and the exposure to international best practices, businesses are able to boost productivity, efficiency, and wages. If entrepreneurs go abroad to start a business, they contribute to job and skill creation.

Significant obstacles to “going global” still remain. While 89 percent of developed nation country-pairs do not require a visa for tourism purposes, this number drops to 21 and just 10 percent for mixed country- and developing country-pairs, respectively. In 2010, 30 percent of American SMEs identified visa requirements as impediments to internationalization.[48] Based on prior proposals such as those issued

[47] Please see B20 Germany Taskforce on Financing Growth and Infrastructure.
[48] WTO, *World Trade Report 2016: Levelling the trading field for SMEs* (2016), op. cit.

in the policy paper of the B20 Turkey "SME & Entrepreneurship" Taskforce[49], the B20 would like the G20 to discuss a G20 Entrepreneur Visa to provide multilateral long-term visa and fast-track clearance within G20 countries to promote a freer flow of innovative talent across borders.

Many such initiatives exist bilaterally or regionally (see Exhibit 8), but they have so far not been consolidated. One potential form of the visa should be a multiple-entry visa for a certain duration (to be defined), which would significantly ease the restrictions currently placed upon entrepreneurs under more restrictive regimes.[50] Acknowledging the vital role of SMEs as job creators, the B20 Germany SME CTG supports the initiatives of the B20 Employment and Education Taskforce, which asks the G20 to create a more conducive environment for SMEs to create jobs and spur innovation.[51]

Exhibit 8 | Bilateral and Regional Visa Regimes

In 2016, the **United States** introduced a new program for international entrepreneurs trying to grow their business in the United States. The "International Entrepreneur Rule" would allow the Department of Homeland Security (DHS) to grant temporary leave of stay to entrepreneurs of start-ups for up to five years on the basis of sufficient ownership (at least 15 percent) of an enterprise that provides public goods in the form of investments or job creation.

France has recently begun season 2 of its French Tech Ticket, which provides selected start-ups with 45,000 euro in funding, as well as a broader range of incubator and guidance services.

The **United Kingdom** allows for a visa with a maximum initial stay of three years and four months, with the possibility of extension for another two. Eligibility requirements condition that an individual can raise 50,000 or 200,000 pounds and prove that she wants to establish a business.

In 2010, **Chile's** "Start Up Chile" program was successful in bringing 22 start-ups of 14 nationalities to the country, providing each with 40,000 dollar capital, as well as a one-year visa.

The **APEC** Business Travel Card (ABTC) remains one of the most extensive examples, granting holders of the card pre-cleared, fast-track stay of 60 to 90 days in 20 countries. When the economic benefits of the card were assessed in 2011, the scheme was found to have reduced ABTC card-holder's transaction cost by 38 percent between March-July 2010 and March-July 2011, which amounted to 3.7 million dollars in savings.

[49] See Policy Action 1.2. "Initiating the development of G20-wide entrepreneurship visa programs to facilitate international mobility for entrepreneurs and SME executives". B20, *B20 SMEs & Entrepreneurship Taskforce Policy Paper* (September 2015), accessed April 5, 2017, http://www.g20.utoronto.ca/b20/B20-2015-sme.pdf.
[50] G20 Young Entrepreneurs' Alliance, 2016 Beijing Communiqué, 3, accessed April 12, 2017, http://www.g20yea.com/images/communique/2016-G20-YEA-Beijing-communiqu-FINAL-signed.pdf.
[51] Initiatives by the B20 Germany Employment and Education Taskforce in this regard include Policy Action 1.1., which calls for governments to reduce "structural and legal barriers" to employment, such as contractual issues and regulatory barriers. Moreover, the Taskforce explicitly calls for more migration-friendly labor laws that facilitate employment and reduce skill shortages under Policy Action 1.3.

Recommendation 2: Building Digital Capacities and Capabilities

G20 members should facilitate SME access to the digital economy by strengthening digital infrastructure outside industrial centers, leveraging support for international multi-stakeholder initiatives on e-commerce, and enhancing the knowledge base on SME needs.

Policy Actions

2.1 Improving Internet Access Outside Industrial Centers – G20 members should foster SME Internet access by strengthening digital infrastructure outside industrial centers, incorporating comprehensive and targeted Digital Strategies, as well as raising SME awareness and capabilities through Innovation Hubs.

- G20 members should endorse targets and draw up long-term national broadband strategies, providing a country-specific framework for the coordination and organization of broadband development activities.
- G20 members should implement sound policies in the telecommunication area, with a strong focus on competition and fair access, to ensure that returns on network investments are predictably attractive.
- Investment in ICT infrastructure should be prioritized in G20 Investment Strategies.
- G20 members should establish SME Innovation Hubs to encourage usage and knowledge of new applications, technologies, and innovation.

Owner G20, G20 members, SME associations	**Timing** 2017-2020

2.2 Advancing Participation in Digital Trade – G20 members should foster SME participation in digital trade by reducing regulatory barriers and enhancing SME e-commerce readiness, leveraging support for international multi-stakeholder initiatives on e-commerce such as the eWTP and the SME Market Link of the World SME Forum.

- G20 members should adapt their e-commerce-related policies to international standards and best practices, and engage in international multistakeholder dialogues on regulation.
- G20 members should enhance e-commerce readiness through streamlined Aid for Trade as well as knowledge and information exchange.

Owner G20, G20 members, UNCTAD, WTO, eWTP, WSF, SME associations	**Timing** 2017-2018

2.3 Better Measurement of the Digital Economy – G20 members, together with the respective international organizations such as the OECD, should improve measurements of key characteristics of the digital economy, including size, scope, global reach and economic value-creation by market, sector and segment, with particular attention to SMEs, to create a better basis for SME policy-making.

- G20 members should build on the G20 Data Gaps Initiative to elaborate a set of specific actions needed to develop more adequate and relevant cross-country comparable metrics on the digital economy.
- The OECD should publish annually a SME Digital Access and Usage report, to highlight specific SME requirements and provide SMEs with relevant information.

Owner G20, G20 members, OECD	**Timing** 2017-2020

Context

Remarkable developments in the digital economy in recent years have created unprecedented opportunities for growth and inclusiveness for SMEs (see Exhibit 9). The Internet promotes inclusion of firms in the global economy by expanding trade, raising the productivity of capital, facilitating extraordinary levels of collaboration, and intensifying competition and innovation. Digitalization offers opportunities to households by creating jobs, leveraging human capital, and boosting consumer welfare. It enables citizens to access public services, strengthens government capabilities, and serves as a platform for citizens to tackle problems collectively. These benefits are neither automatic nor guaranteed, but in many cases, digital technologies can bring significant gains in growth, jobs, and services.

Exhibit 9 | Potential Benefits of Digitalization for SMEs

Greater access to markets: The Internet allows firms easier access to global markets. E-Commerce and the Internet lower costs for transaction, marketing, communication, and information while reducing the need for physical infrastructure and presence in target markets. According to econometric analysis, in 2011 the export revenue share of web-savvy SMEs was twice as high as that of SMEs that barely use the Internet.[1] Other studies show that SMEs that use e-commerce platforms are around five times more likely to export than those that do not.[2]

More access to financing: Various types of online crowdfunding offer new opportunities for entrepreneurs and SMEs to obtain funding.

Better access to skills: Recruitment through the Internet, outsourcing, and online task hiring can make it easier for SMEs to find people with required skills and remain flexible.

Better collaboration and communication: Digital technologies allow SMEs to collaborate with others in ways that were not possible before due to a lack of time, resources, or connections. This includes collaboration for example via incubators, research clusters, and online tools. Crowdsourcing provides a way for SMEs to design and develop products, as well as work around traditional barriers to expensive research and development.

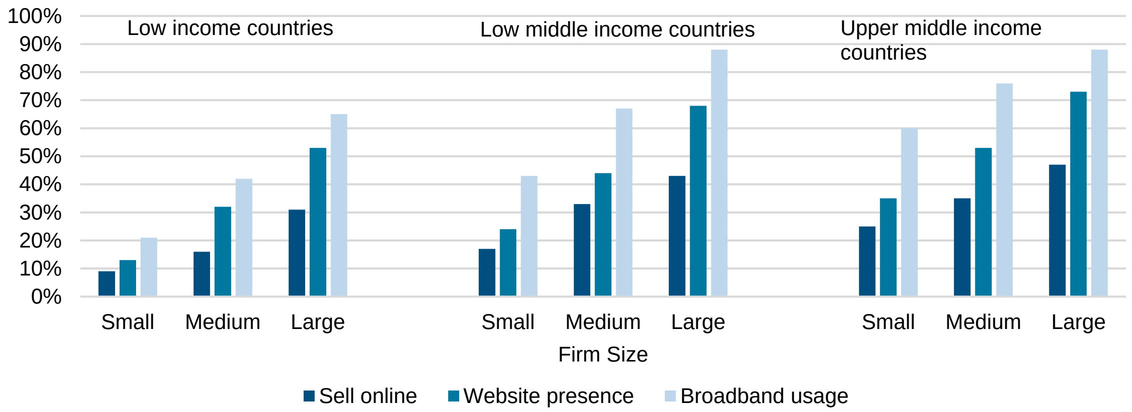
Greater access to technology and applications: Through cloud services SMEs can access a wide range of technologies and applications, including big data analytics, helping them to solve problems at a lower cost.

Source: 1) McKinsey Global Institute, *The Great Transformer: The Impact of the Internet on Economic Growth and Prosperity* (2011), 4, accessed March 24, 2017, http://www.mckinsey.com/industries/high-tech/our-insights/the-great-transformer; 2) WTO Business Focus Group, *MSMEs and E-commerce* (2016), 2, accessed March 24, 2017, https://iccwbo.org/publication/wto-business-focus-group-1-msmes-and-e-commerce/; 3) Adapted from OECD, *Key issues for Digital Transformation in the G20* (2017), 116, accessed March 24, 2017, https://www.oecd.org/g20/key-issues-for-digital-transformation-in-the-g20.pdf.

While digitalization and new technologies provide significant opportunities, SMEs are struggling to fully leverage the digital transformation. Adoption and use of more advanced technology applications vary significantly by firm size, with smaller firms lagging significantly behind (see Exhibit 10).[52] In both developing and developed countries, small firms are less likely to use broadband or engage in e-commerce.[53] If not addressed by governments and businesses, digitalization might thus increase existing disadvantages of SMEs, increase entry barriers, and reduce market dynamism. In its 2016 *G20 Digital Economy Development and Cooperation Initiative* (DEDCI), the G20 committed to promote policies that support SMEs to use ICT technology for innovation, improved competitiveness, and new distribution channels in markets.[54]

[52] OECD, *Key Issues for Digital Transformation in the G20* (2017), op. cit.
[53] World Bank, *World Development Report 2016: Digital Dividends* (2016), 55, accessed March 24, 2017, http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-Replacement-PUBLIC.pdf.
[54] G20, *G20 Digital Economy Development and Cooperation Initiative* (2016), accessed March 24, 2017, http://www.g20chn.com/xwzxEnglish/sum_ann/201609/P020160912341422794014.pdf.

Exhibit 10 | Larger Firms Use the Internet More Intensively



Source: Source: Hussain, based on World Bank Enterprise Surveys (2015), accessed March 29, 2017, http://pubdocs.worldbank.org/en/38551451931382135/Fig1-6.csv.

The prerequisite for using new technologies, such as cloud computing and big data analytics, connecting with the global economy, and leveraging digitalization for new business models and productivity is affordable quality Internet access. The quality of connections is particularly critical to receive or offer digitized services. According to the ITC, among all factors determining firms' ability to internationalize, the biggest gap between small and large firms is in e-connectivity.[55] While in developing countries both costs and availability constitute a significant barrier for SMEs, in developed countries SMEs are especially affected by the lack of investment in broadband access in rural areas. The expansion of digital infrastructure outside of industrial centers is thus essential.

Digital trade can significantly boost SME cross-border trade and GVC-integration.[56] However, across all regions, SMEs tend to engage considerably less in e-commerce than larger firms (see Exhibit 10). Substantive barriers still prevent SMEs from taking full advantage of emerging opportunities in digital trade. All businesses are affected by digital protectionism, inconsistency of trade rules, high customs costs for low value e-transactions, and impediments on cross-border data flows. The B20 Germany Trade & Investment Taskforce and the B20 Germany Digitalization Taskforce have developed recommendations in this regard. However, SMEs are disproportionally affected by regulatory burdens, lack of transparency and information, and administrative barriers.[57] In addition to Internet access, adequate legal frameworks, and easy access to information, SMEs require basic components of e-commerce readiness such as digital skills, secure servers, availability of online payments, and postal reliability. If these issues are not tackled, the "digital divide" between dynamic, export-driven, high capacity SMEs and an unfortunate sizeable portion of SMEs worldwide, which are not taking full advantage of the digital revolution, could easily widen.

[55] ITC, *SME Competitiveness Outlook 2015* (2015), 130, op. cit.
[56] WTO. *World Trade Report 2016. Levelling the Trading Field for SMEs* (2016), 3, op. cit.
[57] OECD, *Key issues for Digital Transformation in the G20* (2017), 24, 115, op. cit.

Policy Action 2.1: Improving Internet Access Outside Industrial Centers

G20 members should foster SME Internet access by strengthening digital infrastructure outside industrial centers, incorporating comprehensive and targeted Digital Strategies, as well as raising SME awareness and capabilities through Innovation Hubs.

The most effective way for governments to facilitate SME Internet access is improving digital infrastructure. In the 2016 DEDCI, G20 members committed to promote affordable digital infrastructures needed for digitization of SME operations. To follow up on this and implement the *Connect 2020 Agenda*[58], which the DEDCI also supported, G20 members should foster and facilitate expansion of digital infrastructure beyond industrial centers (see Exhibit 11). This includes the provision of broadband for all, as well as better access to knowledge. The B20 encourages G20 members to endorse targets and draw up long-term national broadband strategies, providing country-specific frameworks for the coordination and organization of broadband development activities. National broadband policies should be supported by the provision of information and a network of appointed organizations in each country.

Furthermore, comprehensive and targeted digital strategies of G20 members need to incentivize private investment outside industrial centers by:

- implementing sound policies in the telecommunication area, with a strong focus on competition and fair access;
- complementing private investments with public contributions for unprofitable business cases in more rural and remote areas;
- prioritizing investment in ICT infrastructure in investment strategies.[59]

In its 2016 *New Industrial Revolution Action Plan* (NIRAP) the G20 agreed to facilitate SMEs' access to information and resources on developing digital operations.[60] To follow up on the NIRAP and encourage usage of new applications, technologies, and innovation, G20 members should establish SME Innovation Hubs. These would focus on raising awareness on digital technologies and opportunities, the exchange of knowledge, capacity building, use cases, and best practices, as well as virtual business development portals, corporate e-mentorship programs, and coaching. Innovation Hubs could:

- facilitate dialogue and peer to peer learning at the global level;
- create and exchange knowledge and disseminate best practices;
- develop new tools and evidence-based approaches and making them more broadly available to all SMEs;
- undertake rigorous and in-depth research that could be disseminated as a case study for SMEs;
- build strategic alliances among SMEs.

[58] International Telecommunication Union (ITU), *Connect 2020 Agenda for Global Telecommunication/ICT Development*, accessed January 12, 2017, https://www.itu.int/en/connect2020/Pages/default.aspx.
[59] The B20 Digitalization Taskforce developed general recommendations on improving ICT infrastructure, infrastructure for the Industry 4.0 and the Industrial Internet, and the roll out and use of smart infrastructure.
[60] G20, *G20 New Industrial Revolution Action Plan* (2016), accessed March 24, 2017, http://www.g20.utoronto.ca/2016/160905-industrial.html.

Exhibit 11 | Creative Economy and Innovation Centers in Korea & Mittelstand 4.0 Initiative in Germany

South Korea has opened numerous **Creative Economy and Innovation Centers** around the country. These are integrated facilities that focus on regional specialties to enhance South Korea's creative economy. The centers support individuals and entities with creative ideas for commercialization, facilitate innovation, nurture specialized regional businesses, provide a business platform for start-ups and SMEs to innovate and grow in collaboration with large corporations, and create or match jobs for young people using the network of each Innovation Centre. To achieve those ends, South Korea carried out a number of regulatory reforms to lay the legal basis for the centers.

As part of the German national digital agenda, **the Mittelstand 4.0 Initiative** supports SMEs in Germany to become digitized, to network, and to use Industry 4.0 applications. The initiative acknowledges that while SMEs could be major benefiters of the digital transformation, they are not yet fully aware of the efficiency gains and business opportunities that digital processes can offer. As part of the initiative, four specified Mittelstand 4.0 agencies are funded to develop solutions for overarching issues of digitalization, which they share with knowledge multipliers, such as associations:

- the *Mittelstand 4.0 Agency for the Cloud* provides support on the application and use of cloud computing technologies;
- the *Mittelstand 4.0 Agency for Processes* offers help with the use of digital process and resource management;
- the *Mittelstand 4.0 Agency for Communication* supports innovation management and raising the use of digital communication processes;
- the *Mittelstand 4.0 Agency for Trade* advises on new technologies in digital trade and on production-related trade.

Furthermore, ten *Mittelstand 4.0 Competence Centers* and one *Digital Skilled Crafts Competence Centre* are being set up across various regions. They are supposed to raise awareness about digitalization among SMEs and provide information, training, and the opportunity for companies to test new solutions.

Source: OECD, *Key Issues for Digital Transformation in the G20* (2017), 142; Federal Ministry for Economic Affairs and Energy (BMWi), *Mittelstand 4.0 – Digital Production and Work Processes Funding Initiative* (2016), accessed March 27, 2017, https://www.mittelstand-digital.de/MD/Redaktion/DE/PDF/faktenblatt-mittelstand4.0-englisch,property=pdf,bereich=md,sprache=de,rwb=true.pdf.

Policy Action 2.2: Advancing Participation in Digital Trade

G20 members should foster SME participation in digital trade by reducing regulatory barriers and enhancing SME e-commerce readiness, leveraging support for international multi-stakeholder initiatives on e-commerce such as the eWTP and the SME Market Link of the World SME Forum.

Divergence, incompatibility, or even direct discrimination between different countries' legislation on e-commerce all increase compliance and information costs. Regulatory burdens, administrative barriers, lack of transparency, and insufficient information on relevant legislation in cross-border e-commerce affect SMEs more than larger firms.[61]

To reduce discrimination and unnecessary regulatory divergences, G20 members should adapt their

[61] OECD, *Key issues for Digital Transformation in the G20* (2017), 24, 115, op. cit.; Kommerskollegium, *E-Commerce – New Opportunities, New Barriers* (2012), 6, accessed March 27, 2017, http://www.kommers.se/Documents/In_English/Publications/PDF/E-commerce-new-opportunities-new-barriers.pdf; European Commission, *Eurobarometer – Companies Engaged in Online Activities* (2015), 13, accessed March 27, 2017, http://ec.europa.eu/public_opinion/flash/fl_413_en.pdf; UNCTAD, *Information Economy Report* (2015), 69, accessed March 27, 2017, http://unctad.org/en/PublicationsLibrary/ier2015_en.pdf.

e-commerce-related policies, for instance on digital authentication, online payment, and consumer protection to international standards and best practices. For this purpose, they might consider model legislation and principles developed by UN bodies, the OECD, and regional organizations such as APEC.[62]

In order to further facilitate cross-border e-commerce, G20 members should encourage multistakeholder-initiatives such as the eWTP.[63] The design of the eWTP, which is currently being built up, was developed through recommendations of the B20 China SME Development Taskforce in 2016.

To reduce information costs, G20 members should make available contact centers that give easy access to required information for SMEs on relevant legislation (see Recommendation 1.2). They should also work with the WFS, its partners and affiliates to decrease costs related to information on export and import opportunities, for example through the WSF's upcoming SME Market Link electronic platform. The SME Market Link will be an online platform and aggregator for SMEs to boost their productivity and growth, through increasing their skills, visibility, and funding.

Furthermore, SMEs, especially in developing economies, need basic e-commerce readiness in order to make use of the opportunities of GVC-integration. While Internet access constitutes the most crucial requirement in this regard, attention also has to be paid to digital literacy, managerial skills, raising awareness of opportunities, trade logistics, and access to finance (see Exhibit 12).

G20 members should also streamline their aid for digital trade efforts and cooperate with business in this regard. Specific attention should be given to the *eTrade for All initiative* of UNCTAD (see Exhibit 13). The *6th Global Review of Aid for Trade* at the WTO[64] in July 2017 will have the theme "Promoting Connectivity" and thus offers another opportunity to increase effectiveness of support to e-commerce readiness. The Review and the hereafter published joint OECD/WTO report should put a focus on SME capacity building in cross-border e-commerce. Results should be integrated into G20 members' work on e-commerce readiness.

Exhibit 12 | E-Commerce Genie

The PECOS4SMEs is a project sponsored by the European Commission that provides personalized training system for SMEs to improve their e-commerce skills. The project has also set up a "Genie" that is supposed to provide personalized e-commerce strategies for SMEs. SMEs can create a profile with their location information, what they want to sell, and where they would like to sell. The Genie provides information specifically required for their business.

Sources: B20 Turkey, *B20 Digital Economy Paper* (2015), accessed March 27, 2017, http://b20turkey.org/policy-papers/b20turkey_digital.pdf, 17; PECOS4SMEs Project.

The majority of financially excluded are women. Promoting access to digital trade and electronic payment methods can contribute to increasing the participation of SME run by women into the global economy.[65]

[62] For instance, *UNCITRAL Model Law on Electronic Commerce, UNCITRAL Model Law on Electronic Signatures, UN Convention on the Use of Electronic Communications in International Contracts, OECD Guidelines for Consumer Protection in E-Commerce, APEC Privacy Framework.*

[63] B20 China SME Development Taskforce Report (2016), 6-10, accessed March 27, 2017, http://upload.b20-china.org/upload/file/20160810/1470799105296044614.pdf.

[64] The *Global Review of Aid for Trade* is a biennial high level meeting of the trade and development community to monitor and review the status quo of aid for trade and trade facilitation.

[65] G20, *G20 High Level Principles for Digital Financial Inclusion* (2016), accessed March 27, 2017, http://www.gpfi.org/publications/g20-high-level-principles-digital-financial-inclusion.

Exhibit 13 | eTrade for All

The eTrade for All Initiative seeks to support developing countries, especially SMEs, in their efforts to develop capacity to conduct e-commerce. The goals are:

- to raise awareness about the benefits of e-commerce, track the challenges, and develop solutions to better facilitate e-commerce in developing countries;
- to mobilize resources to support e-commerce in developing countries;
- to strengthen synergies among the various organizations supporting e-commerce development to avoid duplication of work and improve aid efficiency.

Its main tool will be the eTrade for All Online Platform. This platform, which is scheduled to launch in April 2017, will serve as a hub to help developing countries identify e-commerce assistance, help donors find relevant projects to support, and provide all parties information about best practices and resources.

Increasing awareness of, and access to, digital trade opportunities for individuals and companies will drive business development and contribute to sustainable economic growth. And by utilizing a unified digital platform to support capacity building efforts, the eTrade for All Initiative will ensure effective cooperation and knowledge transfers between developed and developing economies.

Source: UNCTAD, *About the eTrade for All Initiative* (2016), accessed March 27, 2017, http://unctad.org/en/Pages/DTL/STI_and_ICTs/eTrade-for-All/eTrade-for-All-About.aspx.

Policy Action 2.3: Better Measurement of the Digital Economy

G20 members, together with the respective international organizations such as the OECD, should improve measurements of key characteristics of the digital economy, including size, scope, global reach and economic value-creation by market, sector and segment, with particular attention to SMEs, to create a better basis for SME policy-making.

Reliable and comparable data is key for designing better and more evidence-based policies. For the digital economy, however, comparable statistics on issues such as cross-border e-commerce and technology usage are often not available. In its 2016 DEDCI, the G20 asked international organizations including the OECD to intensify efforts to measure the digital economy.[66] This will include voluntary good practices surveys of national statistical organizations and organizing workshops for statisticians and digital companies.[67] To develop more adequate and relevant cross-country comparable metrics on the digital economy, G20 members should build on the *G20 Data Gaps Initiative* (see Exhibit 14)[68] to elaborate a set of specific actions needed.

The OECD should work closely together with SMEs, SME associations, and Chambers of Commerce in this regard. Particular attention should be given to comparable metrics to e-commerce activities and business use of sophisticated digital technologies, such as big data analytics and cloud computing. Emerging areas such as artificial intelligence should also be explored.[69] The OECD should furthermore develop and publish annually a SME Digital Access and Usage report, to highlight specific SME requirements and provide SMEs with relevant information. In this regard, the OECD could build on its "Measuring the Digital Economy" reports and data provided by other international organizations such as the ITU or the WBG. Consultation with SMEs, such as in the Australian Communications and Media

[66] G20, *G20 Digital Economy and Cooperation Initiative* (2016), accessed March 27, 2017, http://www.g20.utoronto.ca/2016/160905-digital.html.
[67] Ibid.
[68] IMF & FSB, *The Financial Crisis and Information Gaps* (2009), accessed March 27, 2017, https://www.imf.org/external/np/g20/pdf/102909.pdf.
[69] See also recommendation of B20 Germany Taskforce Digitalization.

Authority's (ACMA) "SMEs and Digital Communication Technologies" report, would be highly desirable.[70] Initiatives to measure the digital economy and the role SMEs play in it must, however, not lead to more bureaucracy and reporting requirements for SME.

Exhibit 14 | G20 Data Gaps Initiative

The financial crisis highlighted the need of broader macroeconomic and financial datasets for policy-makers to adequately assess the evolution of the economy as well as required policy responses. The G20 Data Gaps Initiative (DGI) is a set of 20 recommendations on the enhancement of macroeconomic and financial statistics. In 2009, the G20 Finance Ministers and Central Bank Governors asked the International Monetary Fund (IMF) and the Financial Stability Board (FSB) to identify major financial and economic information gaps that needed to be filled. The FSB and IMF presented a report including 20 recommendations how to improve the availability of economic and financial data, which was consecutively adopted by the G20. The recommendations ranged from general reporting advice to communication as well as monitoring of specific financial market instruments and government finance statistics. The DGI entered a second phase in 2015 (DGI-II) with a new set of recommendations. These are supposed to reflect the evolving policy needs for datasets that support the monitoring of risks in the financial sector and the analysis of the interlinkages across the economic and financial systems.

Sources: Robert Heath and Evrim Bese Goksu, *G-20 Data Gaps Initiative II: Meeting the Policy Challenge* 2016, accessed March 27, 2017, https://www.imf.org/external/pubs/ft/wp/2016/wp1643.pdf; Eurostat, *G20 Data Gaps Initiative – Background* 2015, accessed March 27, 2017, http://ec.europa.eu/eurostat/statistics-explained/index.php/G20_Data_Gaps_Initiative_(DGI)_%E2%80%93_background.

[70] ACMA, *SMEs and digital communication technologies* (2014), accessed March 27, 2017, http://www.acma.gov.au/~/media/Regulatory%20Frameworks%20and%20International%20Engagement/Information/pdf/SMEs%20and%20digital%20communications%20technologies%20pdf.pdf.

Recommendation 3: Advancing Financial Inclusion

G20 members should ensure the implementation of the G20/OECD High Level Principles on SME Financing, the G20 Action Plan on SME Financing and the G20 High Level Principles on Digital Financial Inclusion, in particular by strengthening financial market infrastructure, enhancing access to diversified financial instruments, and advancing digital financial technologies.

Policy Actions

3.1 Strengthening Financial Market Infrastructure for SMEs – G20 members should strengthen financial market infrastructure for SMEs by consulting with the private sector on the reform of the credit reporting framework, collateral registries, and insolvency rules, as well as by mandating the Financial Stability Board (FSB) to improve the impact assessment of financial regulation with respect to lending to SMEs.

- G20 members should quickly and comprehensively complete the diagnostic self-assessment, as per the G20 SME Financing Action Plan, particularly on improvements in relation to credit reporting, movable assets, and insolvency regimes.
- G20 members should commit to address the deficiencies identified in the self-assessments.
- G20 should call on the FSB to consult with relevant SME associations, such as the SME Finance Forum and the WSF on the potential impact of financial regulatory reform on SME access to finance.

Owner G20, G20 members, SFB **Timing** 2017-2018

3.2 Facilitating Access to Diversified Financial Instruments – G20 members should improve access to various forms of financing and take specific and targeted measures to boost the financial literacy of SMEs by encouraging the establishment of mentorship and financing networks.

- The G20 members should support – with public programs (country-specific, no “one-fits all” approach) – multiple sources of finance for SMEs.
- G20 members should support the development of multiple sources of finance for SMEs through public programs, adapted to particular country circumstances.
- G20 members should use public programs to leverage private resources and competencies and develop appropriate risk-sharing and mitigating mechanisms.
- G20 members should enhance the information infrastructure for credit risk assessment and support the development of specific SME credit-risk management skills (both financial and digital).
- The G20 should foster, with the help of the OECD and the World Bank Group, the development of best practices to support the development of new markets and instruments.

Owner G20, G20 members, OECD, World Bank Group **Timing** 2017-2020

3.3 Enhancing Digital Financial Inclusion – The G20 members should implement the G20 High Level Principles for Digital Financial Inclusion, ensure that SME specific needs are sufficiently addressed, and boost SME awareness of and ability to engage in digital finance, including electronic invoicing and settlement, as well as digital trade and supply chain finance.

- The G20 should mandate the Global Partnership for Financial Inclusion (GPFI) to identify good practices in moving SMEs from cash-based to electronic transactions, and other areas for reform within tax and other regulatory systems.
- The G20 should ask the IMF, the World Bank, the GPFI, the OECD and the Alliance for Financial Inclusion (AFI) to improve the availability and quality of data on demand and supply of finance to

individuals and SMEs in underserved markets. • The G20 members should adapt 'know your customer' (KYC) compliance requirements to specifically support financial inclusion and by leveraging so-called simplified models based on volume, size and nature of customer transaction. • The G20 should mandate the OECD, the World Bank Group, and other implementing partners to intensify work on the SME dimension of financial literacy strategies. • The G20 members should support measures to enhance both financial and digital skills among SMEs, including elements of book-keeping, sales, asset management, risk management, taxation and compliance, budgeting, and cash flow management.	
Owner G20, G20 members, GPFI, OECD, World Bank, IMF, Alliance for Financial Inclusion	**Timing** 2017-2020

Context[71]

Limited access to finance is one of the key impediments to SME growth. Access to finance has been a long-standing problem for SMEs, but worsened with the recent financial and economic crisis. In 2015, the World Bank found that 50 percent of SMEs do not have access to formal credit. While the gap varies considerably between countries and regions, it is particularly wide in Africa and Asia. According to the International Finance Corporation (IFC) Enterprise Finance Gap Database, of 400 million MSMEs in developing countries, 15 percent have access to finance, 40 percent are unserved, 10 percent underserved, and for 25 percent access to finance is a major constraint. Access to trade finance is a case in point. According to the WTO, the estimated value of unmet demand for trade finance in Africa is $120 billion (one-third of the continent's trade finance market) and $700 billion in developing Asia (see Exhibit 15). The forthcoming 2017 OECD Scoreboard on Financing SMEs and Entrepreneurs also shows that SMEs continue to face inadequate access to finance, with modest credit growth in some countries and relative contraction in others. Certain types of companies have particular difficulties in getting finance, such as start-ups and young companies, small businesses with a high-risk profile, and companies in periods of transition.

The causes of the finance gap are well established and include[72]:

- information asymmetries between external creditors and SMEs;
- higher risk associated with SMEs (also due to the perceived informal management of SMEs);
- considerable transaction costs, associated with SME financing;
- lack of collateral or capital held by SMEs;
- lack of adequate legal protection for creditors for example bankruptcy laws that favour debtors' rights vis-à-vis creditor rights;
- weak definitions of property rights that prevent the ability to use property as collateral, and in general weak contract enforcement;
- deficiencies in financial literacy in SMEs for example business planning capabilities to support credit/loan applications.

Many of these problems are more pronounced in developing countries.

[71] Recommendation 3 has been developed in close conjunction with the B20 Germany Task Force Financing Growth and Infrastructure.
[72] World Bank, *Facilitating SME Financing through Improved Credit Reporting* (Washington 2014), accessed March 27, 2017, https://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1395933501015/Facilitating_SME_financing_through_CR_public_comments_web.pdf, 14.

Exhibit 15 | Examples on Trade Finance Reports

ICC Global Survey on Trade Finance

Each year, ICC publishes a Global Survey on Trade Finance. The latest survey found that trade finance is declining, especially for SMEs and in Africa. SMEs depend on access to banking services to unlock new markets. Trade finance is crucial for expanding in international trade. Today, bank-intermediate transactions represent more than a third of world trade. Since SMEs are the backbone of the global economy, their access to trade finance is essential for economic growth.[1]

WTO Report on Trade Finance

The WTO`s 2016 "Trade Finance and SMEs" report underlines the importance of trade finance for SMEs and highlights persistent access impediments. According to the study, up to 80 percent of trade is financed by credit or credit insurance. Insufficient trade finance can pose as significant non-tariff barrier to trade. In particular, in developing countries, SMEs face considerable challenges accessing affordable trade financing. Globally, over half of the applications by SMEs for trade finance is rejected. For multinational companies this is the case only for seven percent of applications. Trade financing gaps are caused by a mix of structural and development factors. SME can be empowered by increasing the volume of available trade finance. But more also needs to be done to educate SMEs how to successfully apply for credit and guarantees.[2]

Sources: 1) ICC, *Global Survey on Trade Finance* (2016), accessed March 27, 2017, https://iccwbo.org/global-issues-trends/banking-finance/access-trade-finance/; 2) World Trade Organization, *Trade Finance and SMEs – Bridging the Gaps in Provision* (2016), accessed March 27, 2017, https://www.wto.org/english/res_e/booksp_e/tradefinsme_e.pdf.

The G20 has repeatedly acknowledged the need to address the financing need of SMEs. At the G20 Summit in Seoul, the Leaders of the G20 recognized financial inclusion as one of the main pillars of the global development agenda. A positive step forward was the establishment of the Global Partnership for Financial Inclusion (GPFI) in 2010, with its dedicated Subgroup on SME Finance. The importance of SMEs was reconfirmed in 2015, when the Antalya Summit endorsed the G20/OECD High-level Principles on SME Financing[73], while in parallel the GPFI SME Finance Subgroup and the G20 Investment and Infrastructure Working Group (IIWG) developed a Joint G20 Action Plan on SME Financing[74]. Under the Chinese Presidency, the G20 endorsed the progress reports on both the High-level Principles and the Action Plan.[75]

B20 China highlighted challenges in two particular areas:

1) evaluation of the impact of existing and proposed financial regulation on lending to SMEs;
2) development of alternative (non-bank) sources of financing for SMEs.[76]

Findings from the forthcoming 2017 OECD Scoreboard on Financing SMEs and Entrepreneurs confirm the above challenges. However, the report also stresses the role, which weak demand and insufficient investment opportunities play in holding back a stronger recovery in SME lending and other non-bank

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[73] G20/OECD, *G20/OECD High-level Principles on SME Financing* (2015), accessed March 27, 2017, https://www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf.
[74] GPFI, *Joint G20 Action Plan on SME Financing* (2015), accessed March 27, 2017, http://www.gpfi.org/sites/default/files/documents/01-G20%20Joint%20Action%20Plan%20on%20SME%20Financing.pdf.
[75] OECD, *OECD Progress Report on the Development of Effective Approaches to Support the Implementation of The G20/OECD High-Level Principles on SME Financing* (2016), accessed March 27, 2017, https://www.oecd.org/g20/topics/financing-for-investment/G20-OECD-Progress-Report-on-SME-Financing.pdf; G20/OECD, *G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs* 2016, accessed March 27, 2017, https://www.oecd.org/g20/topics/financing-for-investment/G20-OECD-Guidance-Note-Diversification-Financial-Instruments.pdf; GPFI, *Action Plan on SME Financing Implementation Framework* (2016), accessed March 27, 2017, http://www.gpfi.org/sites/default/files/documents/G20%20Action%20Plan%20on%20SME%20Financing%20Implementation%20Framework.pdf.
[76] B20, *B20 China SME Development Taskforce Report* (2016); ICC, *ICC B20 Business Scorecard. Sixth Edition* (2016).

financing instruments.[77] More specifically, there is evidence that mature, profitable and larger SMEs benefit to a greater extent from improved credit conditions, while start-ups and young SMEs, micro-enterprises and innovative firms still face considerable hurdles in attracting credit.

The OECD is currently working on identifying effective approaches to support the implementation of the G20/OECD High-level Principles on SME Financing. The GPFI is expected to deliver a baseline report on the self-assessments to the G20 in 2017 to be updated every two years.[78] The B20 supports these efforts and calls on the OECD and GPFI to work in close cooperation with the private sector.

Policy Action 3.1: Strengthening Financial Market Infrastructure for SME

G20 members should strengthen financial market infrastructure for SMEs by consulting with the private sector on the reform of the credit reporting framework, collateral registries, and insolvency rules, as well as by mandating the Financial Stability Board (FSB) to improve the impact assessment of financial regulation with respect to lending to SMEs.

Shortcomings in the financial market infrastructure and information asymmetries increase risk to lenders, thereby constraining the supply of finance to SMEs.[79] The G20 Action Plan on SME Financing has identified three key reforms to address these problems:

- *Improving the credit reporting framework for SMEs*: More and better data on SMEs is crucial to improve their overall access to finance. Credit reporting systems play a key role in providing more and better quality data.
- *Allowing banks and non-banks to lend to SMEs against movable collateral*: Allowing for the use of movable assets such as equipment, accounts receivable, inventory and intellectual property rights instead of fixed assets (such as land and buildings), would significantly improve access to finance.
- *Reforming bankruptcy procedures*: Establishing simplified bankruptcy procedures for SMEs would reduce the cost and inefficiencies in SME restructuring. Early warning tools would help SMEs to identify risks in time to seek further information, advice, or remedies.

The B20 recognizes the ongoing work by the GPFI in this regard and calls on G20 members to quickly and comprehensively complete the diagnostic self-assessment, set-out in the G20 SME Financing Action Plan.[80] Sharing the results of the self-assessment with relevant stakeholders in each country would be important to allow for a "reality check" and to devise better policies. Furthermore, G20 members should commit to address the deficiencies identified in their self-assessment through concrete action plans.

Financial regulation greatly impacts access to finance for SMEs. Since the recent financial and economic crisis, comprehensive reform of financial regulation and supervision has improved the stability and resilience of financial markets. Well-designed financial regulation is essential for economic growth. It supports the flow of capital to investment opportunities, promotes greater and fair competition, and

[77] OECD, *Financing SMEs and Entrepreneurs 2017. An OECD Scoreboard* (forthcoming April 2017).
[78] GPFI, *Global Partnership for Financial Inclusion. Germany 2017 Priorities Paper* (2017), accessed March 27, 2017, https://www.gpfi.org/sites/default/files/documents/GPFI%20GER%20Priorities%20Paper%202017.pdf.
[79] GPFI, *G20 Action Plan on SME Financing* (2016), accessed March 27, 2017, http://www.gpfi.org/publications/g20-action-plan-sme-financing-joint-action-plan-g20-gpfi-sme-finance-sub-group-and-iiwg.
[80] The assessment is done against aspects of international good practices, in the area of Insolvency and Creditor/Debtor Rights ("ICR"), which includes both insolvency and secured transactions, the World Bank ICR Principles (2015), together with the UNCITRAL Legislative Guide on Insolvency (2015), the General Principles for credit reporting have been included in the Financial Stability Board (FSB) compendium of standards as relevant standards for financial system soundness.

reduces compliance costs.[81] However, the B20 is also concerned about the impact of these reforms on SMEs. The G20 has repeatedly highlighted the need for stronger monitoring of the impact of financial regulatory reforms on SMEs. In Hangzhou, G20 Leaders welcomed the second annual report of the Financial Stability Board (SFB) on the implementation and effects of financial regulatory reforms. However, the report does not include a single reference to SMEs.[82] While, the GPFI Subgroup on Regulation and Standard-Setting Bodies (SSBs) explores ways to embed financial inclusion more strongly in financial system assessments, the GPFI March 2016 report "Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape" makes no specific reference to SMEs.

Therefore, B20 repeats its recommendation that the G20 should call on the FSB to consult more strongly with relevant SME associations such as the SME Finance Forum and the WSF on the impact of regulatory reform and to take SME concerns more into account.[83] Basel III and its impact on trade finance is a case in point. Current capital and liquidity guidelines in Basel III do not sufficiently reflect the low risk of trade finance, which is an important source of funding for SMEs. The G20 should therefore mandate the FSB and other international financial standard-setting bodies to include cross-policy impact assessments on SMEs (ex-ante and ex-post) in their monitoring of regulatory reforms.[84]

Policy Action 3.2: Facilitating Access to Diversified Financial Instruments

G20 members should improve access to various forms of financing and take specific and targeted measures to boost the financial literacy of SMEs by encouraging the establishment of various forms of supporting networks, including in areas such as mentorship and financing networks.

Banks are still the main source of external financing for SMEs. However, since the financial crisis and subsequent restricted access to bank credit, a variety of non-traditional bank financing instruments and channels for SMEs has emerged (see Exhibit 16).[85]

Supply Chain Finance (SCF) can play an important role in facilitating access to timely and affordable financing for SMEs (see Exhibit 17). Payables Finance, a particular technique within the wider realm of SCF, effectively allows qualified SME suppliers to access working capital financing on the basis of the credit and borrowing capacity of their large buyer client at commensurately attractive costs. Attempts to deploy such programs have met with varying rates of success and are directly impacted by capital, compliance and accounting treatment of these SCF structures – all of which can, and should, be directly influenced through G20 regulatory and policy initiatives.

Likewise, traditional trade finance mechanisms, such as Documentary Letters of Credit, can be a viable source of risk mitigation and financing for SMEs. These have, however, been adversely affected by the unintended consequences of capital adequacy requirements, which have been placed on banks providing these solutions.

Venture capital, as well as growth capital, also plays an important role for SMEs. Young companies in

[81] Brad Carr and Matthew Ekberg, *International Regulatory Standards: Vital for Economic Growth Institute for International Finance* (Washington 2017), accessed March 27, 2017, https://www.iif.com/publication/regulatory-report/international-regulatory-standards-vital-economic-growth.
[82] FSB, *FSB Report, Implementation and Effects of the G20 Financial Regulatory Reforms* (March 2016), accessed March 27, 2017, http://www.fsb.org/2016/08/implementation-and-effects-of-the-g20-financial-regulatory-reforms-2/.
[83] ICC, *ICC B20 Business Scorecard. Sixth Edition* (2016), op. cit.
[84] BIAC, B20 China, World SME Forum and SME Finance Forum, *Financing Growth; SMEs in Global Value Chains* (2016), accessed March 27, 2017, http://biac.org/wp-content/uploads/2016/06/Financing-Growth-SMEs-in-Global-Value-Chains.pdf.
[85] OECD, *New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments* (2015), accessed March 27, 2017, https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf.

particular need venture capital, including angel investment (see Exhibit 18). Without it they are often not in a position to implement their innovative ideas, and banks often cannot finance product innovations in uncharted market segments due to regulatory constraints, as risky credits involve higher capital requirements.

Exhibit 16 | Alternative External Financing Techniques for SMEs

Asset-Based Finance	Alternative Debt	"Hybrid" Instruments	Equity Instruments
• Asset-based lending • Factoring • Purchase Order Finance • Warehouse Receipts • Leasing	• Corporate Bonds • Securitized Debt • Covered Bonds • Private Placements • Crowdfunding (debt) • Debt Funds / Loan Funds	• Subordinated Loans/Bonds • Silent Participations • Participating Loans • Profit Participation Rights • Convertible Bonds • Bonds with Warrants • Mezzanine Finance	• Private Equity • Venture Capital • Business Angels • Specialised Platforms for Public Listing of SMEs • Crowdfunding (equity)

Source: OECD, *New Approaches to SME and Entrepreneurship Financing. Broadening the Range of Instruments* (2015), accessed March 27, 2017, https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf.

However, a number of challenges persists that limit SME uptake of non-bank-financial instruments, both on the demand and the supply-side.[86] Many entrepreneurs and business owners lack financial knowledge, strategic vision, resources, and sometimes even the willingness or awareness to successfully secure financing other than straight debt. The lack of appetite by SMEs for alternative financial instruments, equity in particular, can also in part be attributed to their tax treatment vis-à-vis debt. Awareness of alternative options is a matter of education of SMEs and enabling regulatory and accounting treatment for suppliers, particularly banks, to allow, even encourage, banks to provide these solutions to SMEs.

Exhibit 17 | Supply Chain Finance

Supply Chain Finance (SCF) describes the optimization of financial structures and cash flows of one or several companies in a supply chain. Different concepts allow companies to unlock trapped working capital in their supply chain and decrease financing costs. One example is dynamic discounting, whereby the supplier grants a cash discount for early payment of its invoices. Another concept is "reverse factoring", whereby a bank takes over the interim financing between the supplier and the buyer. SCF has great potential to help close the finance gap for SMEs.

Source: KPMG, *Supply Chain Finance – Instrument zur Steuerung der Liquidität 2015*, accessed March 8, 2017, https://home.kpmg.com/de/de/home/themen/2015/03/supply-chain-finance.html.

Support through risk mitigation and guarantee options is critically important to their uptake, for example the provision of receivables insurance and other forms of security to providers of SCF and receivables finance. Digital trade and digital (trade) finance should be facilitated by G20 members through supporting policy initiatives, tax incentives, regulatory treatment, and related compliance and capital adequacy requirements, as they offer significant opportunity for SMEs across all markets, from OECD

[86] OECD, *Financing SMEs and Entrepreneurs 2017. An OECD Scoreboard* (forthcoming April 2017).

economies to frontier markets.

Exhibit 18 | Angel Investing

Angel investing is basically the transfer of entrepreneurial experience on to a next generation of founders. Angel investors invest in early stage or start-up companies in exchange for an equity ownership interest. Business Angel investing, especially in start-ups, has exploded in the last years – more in the United States than in Europe. The capital, which angel investors provide, may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company through its difficult early stages. High-profile success stories are Uber, WhatsApp, and Facebook.

To overcome these challenges, the B20 recommends the following:

- G20 members should improve banking capacity and incentives to lend to SMEs, for example through credit guarantees, trade receivables, Supply Chain Finance, securitization, co-finance and credit insurance, while reinforcing bank resilience (adequate provision for loan losses and better capital positions) where still necessary.
- G20 members should support multiple and competing sources of finance for SMEs through public programs and adapted to particular country circumstances. These sources include asset based finance, for example factoring, leasing, asset-based lending; alternative forms of debt such as corporate bonds, private placements, debt funds; crowdfunding; hybrid tools, for example, subordinated loans, mezzanine finance; and equity instruments, with special consideration for venture capital and growth capital/private equity financing, including business angels.
- G20 members should enhance the information infrastructure for credit risk assessment, including through providing the conditions for the development of credit bureaus; credit rating agencies and data warehouses, with loan-level granularity; broadening the availability of transparent, reliable and consistent credit information; and supporting the development of SME-specific credit-risk management skills.
- G20 members should use public programs to leverage private resources and competencies and develop appropriate risk-sharing and mitigating mechanisms, for example through co-investment/guarantee schemes; guarantee banks and private-public equity funds; and participative funding platforms, via co-financing agreements with the banking sector.
- G20 members should help develop the financial literacy of SMEs, for example the capability to adequately manage financial resources, products and services, by encouraging the establishment of supporting networks, including mentorship and financing networks.
- The G20 should foster, with the help of the OECD, the World Bank Group, the IMF, the Alliance for Financial Inclusion and other implementing partners, the harmonization of regulations and the development of best practices to support the development of new markets and instruments.

Policy Action 3.3: Enhancing Digital Financial Inclusion

The G20 members should implement the G20 High Level Principles for Digital Financial Inclusion, ensure that SME specific needs are sufficiently addressed, and boost SME awareness of and ability to engage in digital finance, including electronic invoicing and settlement, as well as digital trade and supply chain finance.

According to the McKinsey Global Institute, two billion individuals and 200 million businesses in emerging economies lack access to savings and credit.[87] This is particularly the case in Sub-Saharan Africa, where more than 70 percent of the adult population is without access to formal financial services. Financial inclusion (meaning that financial products and services are readily available to consumers and meet their specific needs) is a key enabler to reducing poverty and boosting prosperity (see Exhibit 19). The level of a county's financial inclusion is influenced by many factors, including income per capita, good governance, the quality of institutions, availability of information, the regulatory environment, and technological developments. While a number of initiatives can improve financial inclusion, digital finance, has significant potential. The McKinsey Global Institute estimates that it could provide 1.6 billion people in emerging economies with access to financial services, more than half of them women. It has the potential to transform the economic prospects of billions of people, reduce poverty, empower women, and help to build stronger institutions. It could increase the GDP of all emerging economies by 6 percent, or a total of $3.7 trillion, by 2025, through increased productivity, as a result of digital payments and wider investment across more people and businesses.[88] Digital finance could thus serve as powerful lever to reach the UN's Sustainable Development Goals (SDG).

Exhibit 19 | Components of Digital Financial Inclusion

Digital financial inclusion can be a game changer for unserved and under-served micro- and small enterprises.

Digital transactional platform: A digital transactional platform allows buyer and supplier businesses to connect, transact and collaborate. It can be used to make or receive payments and transfers, as well as to store value electronically.

Retail agents: Customers can interact directly with their financial provider to access financial products. However, it is more common that services are accessed through third party retail agents.

Device: A device – such as a mobile phone – used by the customer to electronically connect to platform and to perform financial transactions.

Source: Consultative Group to Assist the Poor (CGAP), *Digital Financial Inclusion: Implications for Customers, Regulators, Supervisors, and Standard-Setting Bodies* (CGAP Brief 2017), accessed March 27, 2017, http://www.cgap.org/sites/default/files/Brief-Digital-Financial-Inclusion-Feb-2015.pdf.

Financial inclusion has been a long-standing issue on the G20 agenda. At their Pittsburgh Summit in September, 2009, the G20 Leaders committed to improving financial services for the poor. At the 2010 Toronto Summit, the Leaders endorsed nine high level Principles for Innovative Financial Inclusion. These Principles lie at the heart of the multi-year Financial Inclusion Action Plan, approved by the Leaders at the Seoul Summit in November, 2010. In Hangzhou 2016, the G20 endorsed the G20 High-Level Principles for Digital Financial Inclusion[89] (see Exhibit 20), building on the G20 Principles for

[87] Jacques Bughin, James Manyika, Jonathan Woetzel, *Digital Finance for All. Empowering Inclusive Growth in Emerging Economies, McKinsey Global Institute* (September 2016), accessed March 27, 2017, http://www.mckinsey.com/global-themes/employment-and-growth/how-digital-finance-could-boost-growth-in-emerging-economies.
[88] Jacques Bughin, James Manyika, Jonathan Woetzel, *Digital Finance for All. Empowering Inclusive Growth in Emerging Economies* (2016).
[89] GPFI, *G20 High-Level Principles for Digital Financial Inclusion* (2016), accessed March 27, 2017, http://www.gpfi.org/sites/default/files/documents/G20%20High%20Level%20Principles%20for%20Digital%20Financial%20Incl

Innovative Financial Inclusion of 2010.[90] The Chinese G20 Presidency made digitalization a centerpiece of the G20's financial inclusion agenda, responding to the B20's call for the G20 to stimulate financial inclusion by embracing digital innovation.

Exhibit 20 | High Level Principles for Digital Financial Inclusion

1	**Promote a Digital Approach to Financial Inclusion** Promote digital financial services as a priority to drive development of inclusive financial systems, including through coordinated, monitored, and evaluated national strategies and action plans.	2	**Provide an Enabling and Proportionate Legal and Regulatory Framework for Digital Financial Inclusion** Provide an enabling and proportionate legal and regulatory framework for digital financial inclusion, taking into account relevant G20 and international standard setting body standards and guidance.
3	**Balance Innovation and Risk to Achieve Digital Financial Inclusion** Balance promoting innovation to achieve digital financial inclusion with identifying, assessing, monitoring and managing new risks.	4	**Expand the Digital Financial Services Infrastructure Ecosystem** Expand the digital financial services ecosystem - including financial and information and communications technology infrastructure - for the safe, reliable and low-cost provision of digital financial services to all relevant geographical areas, especially underserved rural areas.
5	**Establish Responsible Digital Financial Practices to Protect Consumers** Establish a comprehensive approach to consumer and data protection that focuses on issues of specific relevance to digital financial services.	6	**Strengthen Digital and Financial Literacy and Awareness** Support and evaluate programs that enhance digital and financial literacy in light of the unique characteristics, advantages, and risks of digital financial services and channels.
7	**Facilitate Customer Identification for Digital Financial Services** Facilitate access to digital financial services by developing, or encouraging the development of, customer identity systems, products and services that are accessible, affordable, and verifiable and accommodate multiple needs and risk levels for a risk-based approach to customer due diligence.	8	**Track Digital Financial Inclusion** Progress Track progress on digital financial inclusion through a comprehensive and robust data measurement and evaluation system. This system should leverage new sources of digital data and enable stakeholders to analyze and monitor the supply of - and demand for - digital financial services, as well as assess the impact of key programs and reforms.

Source: Global Partnership for Financial Inclusion, *G20 High-Level Principles for Digital Financial Inclusion* (2016), accessed March 27, 2017, http://www.gpfi.org/publications/g20-high-level-principles-digital-financial-inclusion.

However, accessibility, usability, affordability, and sustainability remain challenges. Although technology has contributed to improved accessibility and affordability, the design of viable business models remains elusive, and the effort to align financial services and their providers' operations to customer needs and behavior is an ongoing journey.

The B20 recognizes the value of the G20 High Level Principles for Digital Financial Inclusion and welcomes the work plan of the German G20 Presidency on digital financial inclusion.[91] The B20 asks G20 members to reaffirm their commitment to digital financial inclusion and to take concrete actions in this regard:

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usion%20-%20Full%20version-.pdf.

[90] GPFI, *G20 Principles for Innovative Financial Inclusion*, accessed March 19, 2017, http://www.gpfi.org/sites/default/files/documents/G20%20Principles%20for%20Innovative%20Financial%20Inclusion%20-%20AFI%20brochure.pdf.

[91] GPFI, *Global Partnership for Financial Inclusion. Germany 2017 Priorities Paper* (2017), accessed March 27, 2017, https://www.gpfi.org/sites/default/files/documents/GPFI%20GER%20Priorities%20Paper%202017.pdf.

- The G20 should mandate the GPFI to examine good practices in moving SMEs from cash-based to electronic transactions thus reducing barriers to adoption of digital commerce.
- G20 should ask the IMF, the World Bank Group, the GPFI, the OECD, and the Alliance for Financial Inclusion (AFI) to improve the availability and quality of data on demand and supply of finance to individuals and SMEs in underserved markets. This would help increase the level of understanding on financial inclusion and allow a better customization of financial services to customer needs.
- G20 members should adapt 'know your customer' (KYC) compliance requirements to specifically address financial exclusion, by leveraging so-called simplified models, based on volume, size, and nature of customer transaction.
- G20 should mandate the OECD and its INFE Program to work on the SME dimension of financial literacy strategies, including by identifying what may be different in financial literacy and consumer protection consideration when SMEs, not individuals, are the customers for the new financial products and services.
- G20 members should support measures to enhance skills among SMEs, both financial and digital, including for example elements of book-keeping, sales, asset management, risk management, taxation and compliance, budgeting and cash flow management pension and retirement benefits.
- G20 members should encourage coordination between stakeholders in the financing eco-system to support SMEs' financial literacy, for example by establishing networks and platforms. Stakeholders include financial regulators, central banks, ministries of education, banks, associations, SME support providers, and intermediary organizations, schools, accelerators, local governments, and others.

To measure progress, the GPFI should closely monitor the implementation of the G20 High Level Principles for Digital Financial Inclusion.

Annex

Acronyms

ABAC	APEC Business Advisory Council
ABTC	APEC Business Travel Card
ACMA	Australian Communications and Media Authority's
APEC	Asia-Pacific Economic Cooperation
BIAC	Business and Industry Advisory Committee to the OECD
BMWi	Federal Ministry of Economics and Energy
CBET	Cross-Border E-Commerce Training
CETA	Comprehensive Economic Trade Partnership
CGAP	Consultative Group to Assist the Poor
CTG	Cross-Thematic Group
DEDCI	Digital Economy Development and Cooperation Initiative
DGI	Data Gaps Initiative
DHS	Department of Homeland Security
EU	European Union
eWTP	electronic World Trade Platform
FSB	Financial Stability Board
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPFI	Global Partnership for Financial Inclusion
GVCs	Global Value Chains
ICC	International Chamber of Commerce
IFC	International Finance Corporation
IIWG	G20 Investment and Infrastructure Working Group
IMF	International Monetary Fund
ITC	International Trade Center
ITU	International Telecommunication Union
MSMEs	Micro, Small and Medium-sized Enterprises
NIRAP	New Industrial Revolution Action Plan
NTMs	Non-tariff measures
OECD	Organization for Economic Co-operation and Development
PTAs	Preferential Trade Agreement
RoO	Rules of Origin
R&D	Research and Development
SCF	Supply Chain Finance
SMEs	Small and Medium-sized Enterprises
SSBs	Standard-Setting Bodies
TFA	Trade Facilitation Agreement
TFSP	Trade Facilitation Support Program
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
WBG	The World Bank Group
WCO	World Customs Organization

WSF	World SME Forum
WTO	World Trade Organization

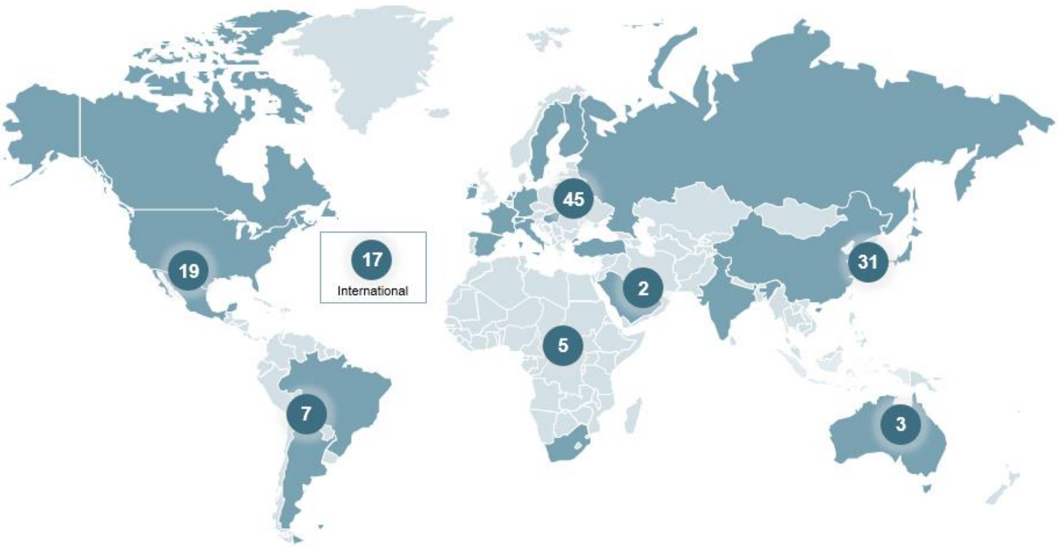
Cross-thematic Group

Schedule of CTG Exchanges

#	Date	Location	Theme
1	November 9, 2016	Conference call	Discussion of CTG Priorities
2	December 2, 2016	Berlin	Meeting of the CTG to discuss 1st policy paper draft
3	February 6, 2017	Conference call	Discussion of 2nd policy paper draft
4	March 2, 2017	Conference call	Discussion of 3rd policy paper draft
5	March 22, 2017	Paris	Joint B20 Meeting – Presentation of Final Paper
6	May 2/3, 2017	Berlin	B20 Summit

Distribution of Members

Country	#	Country	#	Country	#	Country	#
Argentina	6	Germany	14	Mexico	2	Switzerland	1
Australia	3	India	5	Russia	4	Turkey	7
Brazil	1	Indonesia	3	Saudi Arabia	2	United Kingdom	3
Canada	5	Italy	6	Singapore	2	United States	12
China	19	Japan	1	South Africa	5	European Union	5
France	3	Korea	1	Spain	2	International	17
						Total	129



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IFG Industrie-Förderung Gesellschaft mbH
Gertraudenstraße 20
10178 Berlin
Deutschland
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