About this document

This document contains the proceedings of the First OECD Roundtable on “Digital for SMEs”, which took place at the OECD Headquarters in Paris, France, on 29 November 2019. The Roundtable formally launched the Digital for SMEs (D4SME) Global Initiative, which is organised jointly by the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) of the OECD, led by Lamia Kamal-Chaoui (Director), and Business at OECD, led by Russel Mills (Secretary-General).

The core team organising the Roundtable was coordinated by Marco Bianchini (Economist, CFE), under the guidance of Lucia Cusmano (Head of the SME and Entrepreneurship Policy Division, CFE) and Sandrine Kergroach (Senior Economist and Deputy Head of the SME and Entrepreneurship Policy Division, CFE), with the support of Insung Kwon and Madison Lucas (Junior Analysts, CFE) and in cooperation with Frederik Lange (Policy Manager, Business at OECD). Thanks go to Lora Pissareva (Advisor of the CFE Director), who provided substantive support in coordinating the preparation of the Roundtable. The contributions of Alexandra Taylor, Pauline Arbel, François Iglesias and Pilar Philip from the CFE Communications team are gratefully acknowledged, as are the contributions of all colleagues in the CFE SMEE Division and of the whole CFE.

About the Roundtable

The Roundtable was held in the presence of the OECD Secretary-General, Angel Gurría, and chaired by Stuart Nash, Minister of Police, Fisheries, Revenue, and Small Business of New Zealand and Chair of the D4SME initiative, Young Sun Park, Minister of SMEs and Start-ups of Korea and Pat Breen, Minister of State for Trade, Employment, Business, EU Digital Single Market and Data Protection of Ireland, acted as co-chairs.

Amazon (represented by Mr. Nicholas C. Denissen, Vice President Small Business) and Facebook (represented by Mr. Nathan Naidoo, Director, Policy Programs and Government Outreach EMEA) acted as private sector partners of the Roundtable and Initiative and provided financial support, while the European Commission (represented by Kristin Schreiber, Director for COSME Programme and SME Policy, DG GROW) participated as a knowledge partner. The Roundtable brought together over 100 representatives of SMEs and tech start-ups, as well as governments, large companies, SME associations, development agencies, incubators, financial institutions, research organisations and academia. Under Chatham House Rules, participants discussed opportunities and challenges related to the digitalisation of SMEs, and the role governments can play in enabling their transformation.

More information are available at www.oecd.org/going-digital/sme
Digital technologies offer new opportunities for start-ups and established small and medium-sized enterprises (SMEs) to spur efficiency, participate in the global economy, innovate and grow. Start-ups and large firms are leading the transformation. At the same time, a large “missing middle” of more traditional SMEs is lagging behind. Ensuring the uptake and effective use of digital technologies by all SMEs and entrepreneurs is central to fully unlocking the potential of the digital revolution.

The OECD Digital for SMEs Global Initiative (D4SME) is a response to a call from Ministers and high-level representatives from over 50 countries and 12 international organisations at the OECD Ministerial Conference on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth (Mexico City, 22-23 February 2018). At the Conference, Ministers stressed the importance of “fostering conditions for SME adoption and diffusion of innovative and digital technologies, investment in complementary knowledge-based assets and digital security.” In particular, they asked the OECD to strengthen multi-stakeholder dialogue to inform policies that shape conducive framework conditions and remove obstacles to SME digitalisation.

The D4SME Global Initiative aims to promote knowledge sharing and learning on how to enable all SMEs to make the most of the digital shift, placing specific emphasis on the diverse opportunities and needs of the large “missing middle” of SMEs and entrepreneurs and on their role for an effective, inclusive and sustainable digital transition. The initiative is doing so by promoting dialogue on key thematic areas of relevance for SME digitalisation, under different forms and through different channels, such as high-level Roundtables, thematic workshops, policy hackathons, and digital fora, among others. It also intends to generate useful insights for the work programme of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) in this area, and in particular to:

- Enhance understanding on how different types of SMEs can seize the benefits of digitalisation to innovate, become more competitive, participate in Global Value Chains and harness the ongoing transformations in business models and relations;
- Promote knowledge sharing and learning among policy-makers, businesses, researchers and institutions at a global scale;
- Offer insights to policy-makers and regulators for designing and implementing better policies to foster SME participation in a digital and globalised economy.

The first Roundtable’s discussions were organised across four thematic sessions: 1) SME access to digital infrastructure and platforms, 2) Artificial Intelligence for SMEs, 3) Blockchain for SMEs and entrepreneurs, and 4) Fintech for SMEs.

An entrepreneur or SME-manager and an OECD government representative opened each session by presenting their experience. These two spotlight presentations were followed by open discussion among all participants. To wrap up, an OECD rapporteur recalled key messages and takeaways at the end of each session.
Opening Remarks

Lamia Kamal-Chaoui, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) opened the Roundtable by calling on strengthened multi-stakeholder cooperation for fostering the participation of SMEs in the digital economy. She highlighted the importance of listening to the voice of small businesses, which are often not well-represented in international public debate. In this regard, she also emphasised how the participation of SMEs, and of the various stakeholders that shape their ecosystem, made the D4SME Initiative unique in the space of international policy dialogue and cooperation.

The OECD Secretary-General Angel Gurría delivered a keynote speech, in which he equally insisted on the much-needed creation of a dedicated space for governments to hear directly from SMEs and entrepreneurs, and welcomed the important role taken by Business at OECD as co-organiser of the Roundtable and initiative.

Mr Gurría stressed the crucial role of SMEs for our economies and societies, highlighting their important contributions to employment and value added, as well as the tremendous opportunities that digitalisation offered to them. These opportunities include easier access to strategic resources, such as finance, skills and innovation assets, but also access to new markets and a greater capacity to integrate global value chains. Nonetheless, SME digital potential remains under-exploited. OECD evidence shows that many SMEs are lagging behind in the ongoing digital transition, with implications for productivity and inclusiveness. The latest OECD SME and Entrepreneurship Outlook shows that, in recent years, new jobs were mainly created in low productivity sectors. By promoting technology upgrading and uptake by SMEs, such as through training, financial and technical assistance, governments can sustain the creation of higher-productivity jobs.

Mr Gurría highlighted that the Roundtable will help deepen the understanding of the drivers and barriers to the digital transformation of SMEs and the role that governments and other stakeholders can play in unleashing this potential. He reiterated that the OECD stands ready to offer its support through evidence based analysis and by facilitating international cooperation and mutual learning, to achieve “better policies for better SMEs and, therefore, for better lives”.

Final opening remarks were provided by the Chair of the Digital for SME Initiative, the Hon Stuart Nash, New Zealand’s Minister of Police, Fisheries, Revenue, and Small Business. Minister Nash emphasised that, in a rapidly changing world, the current generation of entrepreneurs was the last one that would be able to thrive without relying on digital technologies. He argued that it was necessary for governments to act not only as regulators but also as enablers for SMEs in this transition, in particular by articulating compelling value propositions. Governments need to support a culture of change and work to enhance SMEs’ trust in the digital environment, and particularly in the organisations that are storing and managing their data.
Minister Nash also acknowledged that the digitalisation path for SMEs is not an easy one to walk, but insisted on the need to engage in a broad dialogue with the many diverse entrepreneurs and small businesses, as well as with other key players that can provide support in this transition. In this regard, he pointed to the key role that communication plays for the visibility and relevance of the D4SME Initiative and stressed that the OECD was the ideal place for this type of dialogue.
Opening remarks by the Chair

Minister Nash opened the first session by highlighting how access to reliable digital infrastructure was critical for SMEs to compete in just-in-time and data-driven production systems, and to scale up internal capacity (e.g. by accessing platform services such as cloud computing). In fact, digital platforms are already transforming industries, where SMEs are in the majority, such as wholesale and retail trade, transport and logistics or food and accommodation. Minister Nash also pointed out that SME access to digital platforms can help them lower transaction costs (e.g. related to finding information, negotiating prices, monitoring transactions or trading) and reach new markets. But although digital infrastructure has developed in reach, speed and sophistication, smaller firms remain less connected and the gap between SMEs and large firms has increased across all OECD countries in recent years. At the same time, digital platforms raise a number of risks and challenges for policy makers.

Country Spotlight: Japan

Mr. Irino, Director General for International Affairs and Public Relations of the Small and Medium Enterprise Agency at the Ministry of Economy, Trade and Industry of Japan, presented his government’s efforts to help Japanese businesses internationalise, including through better access and use of digital tools. He explained that Japan’s strategy addressed two distinct categories of firms, the competitive start-ups that are high-tech oriented with growth potential, and the non-high-tech firms that have trouble accessing platforms and that lack knowledge resources.

For the former, the government has put an emphasis on start-up support programmes, such as to help them interact and learn from larger companies. For the latter, a different approach was adopted, providing space and online platforms for business matching, along with free translation support and ICT skills training. A translation service enabling SMEs to set up a website in English represents a recent example in this regard. Mr. Irino also stressed that the design of these programmes was adapted to the level of digital skills in the target companies.

SME Spotlight: Building Workshop (UK)

Ms Scrimgeour, co-founder of the Building Workshop (UK) provided some insights from a rural micro-enterprise’s perspective. Mrs Scrimgeour runs a family business providing architectural services, located in the North Eastern part of Scotland. Digital technology has
been instrumental to the business development since inception. The use of building information modelling (BIM) software and a 3D model approach, as well as social media, cloud storage and video conferencing have been key to overcome the challenges related to the firm’s rural location. Here, the support provided by local business development services and the firm’s internal culture of continuous learning and questioning, have been two enablers for business development. On the other hand, weak broadband connectivity in the area has been a key barrier to doing business, sometimes requiring her to physically relocate to a family home in the neighbourhood during working hours for a stronger broadband connection to back up to the cloud. Ms. Scrimgeour further highlighted how current educational systems did not prepare young people for the digital revolution, nor for the different skillsets that were needed. She also suggested that flexible working arrangements, such as teleworking, could encourage a stronger participation of SMEs in the digital economy, but that a mentality shift was needed to make such arrangements more acceptable among firms.

Open discussion and key takeaways

- **The diverse nature of SMEs should be central to the analysis and policy making process.** Acknowledging the important role of different kinds of SMEs - traditional alongside high-tech ones - and their varied experiences with regard to their digitalisation process, strategy, ambitions, resources and challenges.

- **The accessibility, reliability and affordability of digital infrastructure is particularly critical for SMEs to be competitive and scale up.** Entrepreneurs argued that strategies for SMEs could not be successful without reliable connectivity, cybersecurity and fair access to data. These important issues still require more adequate attention in many countries and regions. A representative of a Spanish tourism firm, for example, operating a travel distribution platform that connects travel agencies with travel SMEs, such as hotels and small airlines, highlighted how ensuring non-discriminatory access to transport and hotel data was critical to levelling the playing field in the tourism sector. The representative further asserted that legislators have the responsibility to facilitate non-discriminatory access to data – be it public or private.

- **Acquiring knowledge and developing or attracting skills are critical for SME digitalisation.** Learning in formal education institutions, but also, learning by doing and learning from others in the ecosystem is strongly linked to digital success. Ensuring that SMEs can acquire the skills they need is not just essential for competitiveness and productivity, but also for trust. The CEO of an Irish pharmaceutical store shared her experience of transitioning from a traditional bricks and mortar pharmacy business to an innovative e-commerce business that delivers many pharmaceutical services digitally. Going digital has increased their efficiency, helped reduce costs and freed up administration time. Beyond this, the firm now has access to new markets and consumers across Ireland and globally. However, the representative noted that as her team was primarily composed of chemists, the greatest barrier to going digital was the lack of digital skills among staff. The CEO also stressed how within Ireland it was difficult to compete with multinationals for talent and that if she had had guidance on how to access digital skills and finance a digital strategy, her journey would have been less complicated. In this regard, many entrepreneurs argued that education and training should be a policy focus
SMEs should be able to operate on equal footing with larger players. The co-founder of an independent French fashion brand highlighted how this digital-only business model solved three common issues of the retail sector; i.e. cash flow to advance for the season ahead, leftover stock and concerns over sustainability. Still, the representative explained that there was still much to do to level the playing field in the fashion industry. The co-founder noted in particular that it was harder for small independent brands to compete with large retail players, who can offer immense discounts and cut prices, often at the expense of quality and sustainability. Multinational corporations and other large businesses suggested that partnerships would be mutually beneficial for all stakeholders. Moreover, the CEO of a Lithuanian textile business, selling primarily through their e-commerce platform, highlighted the importance of levelling the playing field on an international level, noting how SMEs operating in smaller countries were often at a disadvantage. The CEO shared, for instance, how as a Lithuanian business they incur greater costs for online payment and courier services, compared to firms operating out of the United States or the UK.

Governments also have a role to play through their own digitalisation. By digitising themselves, through ‘e-government’ initiatives, and by reducing red tape and regulatory burdens for SMEs, governments can create a more accessible digital environment for entrepreneurs. A representative from a SME sector association, for example, urged governments to implement the "only once principle" to reduce the administrative burden from regulation and analogue administration by only having to provide relevant information on their business once for various administrative matters.

The rapporteur Ms. Sandrine Kergroach, Senior Economist at the OECD, closed the session by recalling the benefits of digitalisation for SMEs in terms of efficiency gains and rise of new business models. Ms. Kergroach outlined the barriers that exist for SME digitalisation brought forward during the discussion, including the skills gap and the lack of connectivity. Ms Kergroach emphasised how governments have a role to play in overcoming these challenges and levelling the playing field. Moreover, she pointed to the enabling role of digital SMEs, which assist or service the digitalisation of other traditional SMEs in their ecosystem.
Ms Young Sun Park, Minister of SMEs and Start-ups of Korea and co-Chair of the Roundtable, opened Session II on Artificial Intelligence for SMEs, noting that we were at the dawn of a new industrial era, in which data access and management had become crucial factors of competitiveness. Through the Internet of Things (IoT, i.e. hyper-connectivity of sensors, devices, and systems that support machine-to-machine communication), we are now able to gather data in a way that is unprecedented, both in terms of quantity and quality. In addition, the 5th Generation of broadband (5G) will enable larger and faster data exchange, while artificial intelligence and data analytics will make this previously unmanageable volume of data usable and empower new data-driven business models.

At the same time, for SMEs to tap into the tremendous market opportunities opening up thanks to the many different applications of AI, data access and protection was becoming strategic to these firms, with potentially huge implications for business models and practices. Minister Park noted, however, that SMEs remained at a disadvantage in this area. First, due to their size and smaller networks, they generate and access smaller volumes of data, whereas machine-learning algorithms usually require larger datasets in order to infer patterns. Second, SMEs are less likely to protect their data and effectively manage data risks in compliance with regulations. The issue is particularly relevant in the service sector, where SMEs tend to process data that are more personal.

In this context, Minister Park stressed the importance for policy makers to act as catalysts and brokers for data partnerships and sharing across the economy. This would ensure that SMEs did not ‘miss out’ on emerging opportunities in this area and support broader AI adoption among them, as well as address key concerns about privacy protection and accountability.

Country Spotlight: Korea

Mr Hanku Park, President of the Korean Smart Manufacturing Office (KOSMO) provided an overview of the planned policy actions of the Korean government to support the uptake of AI by SMEs. KOSMO has identified three main phases and organised its implementation plan accordingly. First, KOSMO aims to create a digital infrastructure that can help manufacturing SMEs to gather high quality data. To this aim, KOSMO supports firms in identifying and integrating the most useful technologies (Internet of Things, Machine-to-Machine communication) to digitalise their production processes in the factories. Second, KOSMO is building a cloud-based data centre that should go online in 2020, to allow SMEs to store, manage and organise the data gathered in this way. Third, by 2022 KOSMO plans to allow for AI providers to propose AI solutions on the platform, ensuring easier access to such software for manufacturing SMEs in the country.
SME Spotlight: Indust.ai (France)

Indust.ai is a French SME, providing consulting services and deep AI resources for the uptake of AI solutions by other SMEs. Mr Benoit Bergeret, CEO, argued that there is a “blind spot” in policy making in Europe related to the uptake of AI technology. While large companies have the means to develop or acquire the software they need, public support for R&D in the sector, as well as private venture capital funds focus almost exclusively on innovative tech start-ups, thereby excluding “traditional” manufacturing SMEs. Mr Bergeret also pointed to the shortage of AI experts at global level, which makes them even less accessible by small companies with limited financial resources. In addition, he stressed that while it can be relatively easy to adopt a “one-size-fits-all” AI solution for non-core activities, it is extremely complicated to develop a tailor made solution that can be embedded in a firm’s core production process. To address these challenges, Mr Bergeret called for a public awareness campaign by governments, a strong push on education in the field, as well as the creation of a European Network of small AI labs that could support SMEs and fill the “blind spot” of current policies.

Open discussion and key takeaways

Participants discussed many different applications of artificial intelligence and how these can affect SME business models and practices, how SMEs can support broader AI adoption, how their data management and analytics capacity could be improved, and how policy makers could ensure SMEs will not ‘miss out’ on emerging opportunities in this area. Some of the main points raised during the discussion included:

- **Access to data and funding at an appropriate scale play a particularly relevant role for the uptake of AI solutions by SMEs.** A representative from a Canadian AI company noted that whereas machine-learning algorithms require large datasets in order to detect patterns, due to their size and more limited networks, SMEs generate and access smaller volumes of data. A key challenge for the future is therefore how to apply AI to smaller data sets, to make these solutions more accessible and relevant for SMEs. A large emphasis was also placed on cooperation between governments, large and small firms to foster the creation of an ecosystem to overcome scale limitations for SMEs.

- **In artificial intelligence, limited training and awareness are creating a knowledge gap between frontier firms and the rest.** There is an urgent need for better communication, education and training, to raise SMEs’ awareness about the value of AI, as well as the potential sources of growth it could unlock for their business.

- **Access and use of good quality and safe data by SMEs is crucial for their uptake of AI technologies.** The possibility to extract relevant business and market information leveraging AI applications could grant SMEs important productivity gains. A manufacturer of air conditioners and heaters explained, for instance, how his business had used AI and data analytics to develop a platform that connects their customers with the manufacturer if their product is broken, using sensors to detect and automatically report the issue. The development of their platform was the result of an initiative developed by the Serbian government to support SME digitalisation. Governments can thus play a role by publishing data they collect and that could be leveraged by SMEs free of charge. However, the quality, safety and reliability of data can be challenging to assess and guarantee for SMEs. In fact, they often lack proper data management and security strategies, which can be crucial, especially when dealing with
personal and confidential data from clients and partners, whose handling often requires compliance to heavy regulations. Furthermore, when inserted in global value chains, SMEs often lack access to data generated by other chain players, which could help them improve products and processes.

- **Coordination between national AI policies and global AI principles to guide new technology developments, including on ethics, cybersecurity and privacy.** The growing impact of AI applications should be taken into account by government agencies responsible for SMEs policies, along with the risk to data privacy posed by their rapid spreading across most sectors of the economy. International efforts to set standards will be crucial in facing the disruptive effects of this pervasive technology, and in providing guidance to policy makers and practitioners alike. The CEO of a small Austrian Hotel explained for instance, how it was difficult for SMEs to keep abreast of existing regulation for cutting edge technologies such as AI that rely on data. Specifically, the representative noted how at her hotel, where her guests came from all around the world, each country had their own individual regulations for data privacy, which made it challenging to navigate the field.

The rapporteur of Session II, Mr Dirk Pilat, Deputy Director of the OECD Science, Technology and Innovation Directorate (STI), closed the session by highlighting the importance of infrastructure, data, software and talent in democratising artificial intelligence. Mr Pilat explained that there is an essential role for government in this transition, especially related to the implementation of digital infrastructure. Mr Pilat commented on the [2019 OECD Principles on Artificial Intelligence](https://www.oecd.org/ieaf/minimal qos/qsr/4-digit-barricades-2019-8570167025961000520-4047294202013336561.pdf) and highlighted their value as a point of guidance for regulators. These principles promote an innovative and trustworthy AI that respects human rights and democratic values. They also recognise the importance of considering the SME perspective, when policies are developed.
Networking Lunch

The Secretary General welcomed participants and invited the Initiative’s main partners to deliver a few remarks.

Mr Russel Mills, Secretary General of Business at OECD and co-organiser of the D4SME Roundtable, reiterated the importance of this type of initiative to reinforce the dialogue between policy makers and entrepreneurs.

Ms. Kristin Schreiber, Director of COSME Programme and SME Policy, highlighted the support of the EU Commission as formal knowledge partner.

Mr Nicholas Denissen, Vice-President for Small Businesses at Amazon and Mr. Nathan Naidoo, Director of Policy Programs EMEA at Facebook, founding and financing partners of the D4SME Initiative, both highlighted the important role that large companies can play for the digitalisation of SMEs worldwide.

Mr Denissen emphasised how Amazon's support of the D4SME initiative reflects their strong history of empowering small business, by providing SMEs with flexible access to a digital infrastructure which require large fixed cost investments (e.g. international logistics networks, selling platform with automated listing services, cloud storage) and connects SMEs with millions of customers internationally.

Mr Naidoo, Head of EMEA SME Policy at Facebook, reiterated how going digital enables small businesses to expand their market opportunities, with platforms like Facebook providing a cost efficient alternative to traditional advertising.

Both companies expressed their commitment to enabling evidence-based policy making and a richer dialogue between all relevant stakeholders in the discussion around SME digitalisation.
Opening remarks by the Chair

Mr Pat Breen, Minister of State for Trade, Employment, Business, EU Digital Single Market and Data Protection of Ireland chaired Session III on Blockchain for SMEs, highlighting the opportunities that Blockchain, and Distributed Ledger Technologies (DLTs) more generally, can unlock for SMEs. By allowing an immediate and secure transfer of value and ownership within a decentralised digital network, without an intermediary and in total transparency, DLTs can help SMEs overcome structural disadvantages related to asymmetric information and high transaction costs. In particular, smart contracts open up opportunities for SMEs to access new markets and develop new business models (e.g. chain logistics managed through applications based on smart contracts, proofs of compliance to labour and environmental standards registered on blockchains, or certifications of authenticity in cross-border trading).

Minister Breen thus pointed to the potential of Blockchain to transform a wide range of industries. While financial services and system architecture are currently the primary focus for the development of blockchain-based solutions, experimentation also exists in service sectors such as healthcare, social services, advertising, education, food and logistics.

However, important challenges remain for the technology to develop further and spread its benefits to SMEs. A lack of understanding of what the blockchain technology is, the benefits it can bring, as well as the specific regulatory requirements involved, all represent important obstacles. Minister Breen argued that there was room for better defining regulatory frameworks in order to control risks, especially regarding money laundering and the financing of terrorism, and to simplify business operations in the area.

Country Spotlight: Italy

Mr Marco Bellezza, Senior Counsellor at the Ministry of Economic Development of Italy, argued that starting from a ‘blank page’ in this area, could offer policy makers an opportunity to create enabling conditions, especially regulatory ones, for the development of the technology. Mr Bellezza explained how Italian policy focused on encouraging SMEs to insert Blockchain and Distributed Ledged Technologies (DLT) into their business processes. He presented several use cases, such as the use of Blockchain technologies for the certification of a product’s origin and the protection of the “Made in Italy” trademark. The government has gathered a group of experts from the Italian civil society and is now developing a National Blockchain Strategy, which is expected to be released in 2020, and which will include a key focus on SMEs. Moreover, the Italian government has implemented incentive schemes for companies using the technology, and state-owned companies have equally been encouraged to develop Blockchain projects. Mr Bellezza further highlighted the importance of
international cooperative initiatives such as the European Blockchain Partnership and projects such as the OECD country study on “Blockchain for SMEs and Entrepreneurs in Italy”, which will be published in 2020.

SME Spotlight: Wave (Israel)

Mr Gadi Ruschin, CEO and Co-founder of the WAVE (Israeli tech SMEs serving clients in logistics) explained how Blockchain could be relevant to traditional sectors and industries, and in particular in supporting cross-border trade. Mr Ruschin noted that, while it was easier for larger companies to engage in cross-border trade, Blockchain represented an opportunity to bridge the trade finance gap and facilitate SMEs’ access to global value chains. Specifically, with digitalisation of payment systems fitting well within anti-money laundering and know-your-customer (AML/KYC) objectives, he pointed out that Blockchain and DLTs can mimic paper documents that are essential in trade. In this sense, the digitalisation of trade documents enabled by DLTs can reduce costs, whilst also reducing ‘grey areas’ in customs procedures.

Open Discussion and key takeaways

- Understanding and awareness of the technology among “traditional” SMEs is crucial. The discussion highlighted the many benefits that the technology can provide SMEs, including its potential for international trade facilitation, supply chain management, payments and transparency, among others. A number of SMEs shared how they saw Blockchain fitting into their own business model. This included e.g. an SME, which uses Blockchain technology to certify origin and authenticity in the production of wine, as well as the founder of an innovative travel product, who uses e-commerce as its primary means of retail, and who highlighted how blockchain has the potential to address the issue of counterfeiting in global trade flows. However, these potential benefits need to be clearly communicated to traditional small business owners, whose awareness is a pre-condition to any significant investment in the skills needed for the effective use of the technology.

- Blockchain can have a significant impact on SMEs’ access to finance. In addition to the potential benefits related to improved productivity and reduced transactions costs for small businesses, blockchain-based solutions can enhance ecosystem collaboration, including with small and large financial institutions. Blockchain can help address SMEs’ opacity, which typically represents a limiting factor in their access to finance.

- Developing clear and effective regulation should be a clear focus for policy makers in the short-medium term. This would signal the legitimacy of the technology (going past the first “hype” that included a large number of deceitful organisations) and provide a framework for its use by all kinds of institutions. In this regard, the CEO of a French Blockchain SME emphasised how policymakers needed to differentiate between Distributed Ledge Technology (DLTs) and cryptocurrencies such as Bitcoin. A Tech SME from Israel also warned that over-regulation of the sector could be detrimental to innovation.

- Governments are placing increasing attention on blockchain development, including through targeted approaches. Interesting policy approaches include, for example, establishing technology hubs, encouraging SMEs to use blockchain in their processes by
funding feasibility studies and incentivising pilot projects.

- **Global policy coordination remains crucial to enabling proactive approaches towards the new technology development.** In particular, the CEO of a Norwegian Fintech stressed the need for global standardisation to avoid regulatory inconsistencies between countries. This would also foster an exchange between policy makers, regulators, SMEs, technology developers, Academia and CSOs.

- **The technology is still at an early stage of development and questions remain on the future role of blockchain for SMEs’ business models.** However, there is a general view that SMEs will need to adapt and adopt this technology, as it is possible that in the near future it will become widespread across a number of sectors and activities.

The rapporteur, Mr Greg Medcraft, Director of the OECD Directorate for Financial and Enterprise Affairs (DAF), stressed the importance of educating and convening policy makers, regulators and entrepreneurs to increase awareness about the technology and dialogue on conducive conditions for its development. He also highlighted recent OECD research in relevant areas for SME financing (e.g. ICOs) to provide education, guidance and knowledge sharing opportunities for regulators and policy makers across the OECD. Mr. Medcraft further stressed the need to set international standards for firms to invest, as blockchain is inherently a global technology that needs legal certainty across borders. In this regard, the OECD has set up an expert advisory group that is working to develop Policy Principles on DLTs, focusing on governance, interoperability, privacy, security transparency, scalability and accessibility.
Opening remarks by the Chair

Minister Nash opened the fourth session of the Roundtable on Fintech for SMEs. He pointed out how financial inclusion and traditional SME lending were deeply impacted by the many digital applications that fall under the definition of ‘Fintech.’ The financial sector has been one of the fastest in digitalising its services, due to the immediate gains in terms of flexibility, cost reduction, timeliness and the strong competition dynamics. Many innovative and disruptive solutions have been introduced, in particular for banking and payment services, thus pushing traditional public and private financial institutions to create new partnerships or acquire Fintech start-ups to keep up with the rapid evolution of the market. In this context, financial regulations have also played an important role in lowering the barriers to entry for innovative Fintech firms. SMEs and entrepreneurs have benefited from these developments by gaining access to a broader range of financing sources that better meet their needs in terms of ease and access.

Minister Nash argued that, at the same time, challenges remained in terms of ensuring a level playing field between new and traditional actors, and for guaranteeing that transparency, correct management of sensitive information, consumer protection and appropriate Anti-Money Laundering (AML) and Know Your Customer (KYC) practices were applied by all players.

Country Spotlight: Switzerland

Mr. Martin Godel, Head of SME Policy at the Swiss State Secretariat for Economic Affairs, illustrated the recent experience of Switzerland in this area and shared four relevant use cases of Fintech for SMEs: deposits, lending, banking infrastructure and payments. Mr Godel stressed that, in the Fintech ecosystem, SMEs were not only the customer of the service but also often the provider. He highlighted the importance for governments and regulators to continuously analyse and adapt regulation, in close dialogue with the financial industry and other key stakeholders, to ensure it responds to evolving conditions and enable new developments. As a concrete example, Mr Godel cited crowdfunding as a Fintech practice, which holds great potential for SMEs, but needs the appropriate regulation. He highlighted the experience of Switzerland where, in recent years, regulatory measures have greatly improved SMEs' access to crowdfunding.

SME Spotlight: Capassa (Norway)

Ms Marit Wetterhus, CEO and founder of Capassa, a Norwegian SME that proposes fintech services to SMEs through its mobile APP (including credit risk assessment and a “financial performance” index, leveraging various indicators) commented on their business journey and key challenges faced. Among those were notably the access to talent and the current lack of skills of operators, which all the stakeholders in the ecosystem
(regulators, financial institutions, SMEs etc.) would need to address cooperatively. Furthermore, Ms Wetterhus stressed the global nature of fintech activities and the strategic importance of data access in this context, and called for more international standardisation of financial regulations to level the playing field for all entrepreneurs. She also highlighted the importance of ensuring gender balance in the financing industry, and for gender diversity to be adequately considered in the funding of SMEs.

Open discussion and key takeaways

The open discussion revealed different stakeholders’ perspectives on how the evolving financing landscape impacts SME access to diversified sources of finance. In addition, the session put a spotlight on how policy makers can tackle issues related to regulation, financial education and Fintech innovation diffusion.

Some of the main points raised included:

- **Fintech provides SMEs with better access to finance and is ultimately a key tool in the financial inclusion of small businesses.** Fintech is of high relevance to SMEs, especially in relation to investment management, including lending and deposits. While a number of participants mentioned the significant uptake of crowdfunding among small businesses and entrepreneurs, a Spanish manufacturing SME recalled how the majority of small firms still relied heavily on traditional bank lending, thus highlighting the gap to large firms and that much of Fintech’s potential for SMEs remained unexplored to date.

- **SMEs are both users and providers of Fintech services.** The definition of ‘Fintech’ includes a wide range of applications, produced and developed by both large financial institutions, start-ups and established SMEs.

- **Many small Fintech operators already successfully cooperate with traditional financial institutions and multinational companies.** A representative from a large bank in Italy shared, for instance, how their organisation had collaborated with Fintechs to create a new credit scoring model and an Innovation Fund, and noted how this multi-stakeholder cooperation was mutually beneficial. Many other discussants joined in the call for further cooperation.

- **A lack of skills among SMEs remains prevalent.** This challenge prevents the broad adoption and adaptation of Fintech.

- **Governments face the challenge of levelling the playing field between traditional financial institution and newcomers, all while guaranteeing investor and consumer protection, Anti-Money Laundering/Know-Your Customer (AML/KYC) practices.** The debate on the appropriate way to regulate Fintech is ongoing and should take into account the role of this industry in providing alternative forms of financing to SMEs.

- **More data is key.** Large volumes of high quality data would play a crucial role in better understanding and further developing the alternative finance market, as well as to design and implement effective policies. Beyond access to finance, a Tech SME from Israel suggested that Fintech also holds the potential to help SMEs better manage cash flows, noting how an Israeli Fintech, for example, had
created marketplace for businesses without a credit history.

The rapporteur of Session IV on Fintech for SMEs, Ms Lucia Cusmano, Head of the SME and Entrepreneurship Division of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), underlined that the financial sector is at the forefront of digital innovation and that Fintech has already largely transformed the industry. Ms Cusmano noted that Fintech holds promises for different types of SMEs, including innovative SMEs and start-ups, underserved segments and established SMEs that use traditional lending channels but can benefit from lower transaction costs, better credit risk assessment and customised and rapid services. Although recourse to Fintech services is still highly concentrated in a specific section of the SME population, namely high-growth firms with a global outlook, it is important for policy makers and regulators to consider how fintech developments can respond to the diverse needs in the broader SME population. Ms Cusmano stressed the importance of regulation that allows experimentation, while safeguarding consumer and investors, digital security and privacy, and increased financial literacy and skills development among SMEs. She also highlighted the need for more and better data to improve policy design, evaluation and adaptation.
Brainstorming on the next steps of the initiative

The final session offered the opportunity to take stock of the discussions held throughout the day and highlight key emerging issues in this area, as well as to invite participants to reflect on the next steps of the OECD D4SME Global Initiative.

Minister Nash presented the results from the poll proposed to participants at the beginning of the Roundtable, which asked: “What is the one thing that the D4SME Initiative could deliver that would be useful to you?”

- 34% of participants voted for “Creating awareness” (e.g. governments getting a deeper understanding of SMEs’ needs and the challenges they are facing in digital adoption and how they can reach out and create incentives for SMEs);
- 25% voted for “Provide Guidance and recommendations” (e.g. develop clear roadmaps with strong commitment on the issue, share best practices, ideas, interesting SME success stories and providing usable indicators),
- 21% prioritised “Promote Long Term Cooperation” (e.g. need for international regulatory harmonization, promoting dialogue and this type of Roundtable discussions), and
- 20% indicated “Focus on Skills and Education” (e.g. promoting a dialogue on how to upgrade the skills in the workforce, redesigning education including financial literacy to reap the benefits of digitalisation).

Minister Nash invited governments to carefully listen to these messages, which could also provide interesting input for the focus of the upcoming agenda of the OECD D4SME Initiative.

Ms Lamia Kamal-Chaoui noted the strong demand for creating awareness and communicating effectively with SMEs as well as with governments, and acknowledged that these should be key objectives for the Initiative moving forward. She asserted that giving SMEs a platform to share their views and experiences was the number one value addition of the D4SME Initiative, which should aim to provide an important feedback loop and two-way dialogue between the policy-making community and the SMEs themselves, as well as between SMEs, large firms and other key stakeholders. Ms Kamal-Chaoui also reiterated the value of focussing on the ‘missing middle’ and of helping the highly diverse SME population to “adapt and adopt”. In this regard, she suggested that an important contribution of the Initiative could be to compile a set of compelling case studies that businesses can relate to, and she stressed the importance that these insights feed back into the work programme at the OECD. Ms Kamal-Chaoui underlined the role that the OECD can play in facilitating dialogue, leveraging the data and giving visibility on the activities of this group to a wider audience. She also invited participants to suggest additional stakeholders that could be included in future activities of the Initiative.

Mr Russel Mills suggested that the initiative should also reflect on how governments could communicate with SMEs. In this regard, they should pay particular attention to avoiding an ‘information overload’, which may entail consulting more closely with private sector stakeholders to understand how to better target policy to SME activities and needs. He also invited participants to reflect on how the initiative could help deepen understanding of the interplay between the adoption of new digital technologies and the stratified artisanal skills that characterise many of today’s SMEs. Finally, he pointed to the importance of a continuous reflection on the wider range of issues that was discussed, including the skills gap, cash flow management, access to finance, and cybersecurity, among others, and on how the initiative could play a role in identifying standards in these areas and disseminate them to the international community.
During the open discussion, many participants offered interesting perspectives and ideas on how the Digital for SME initiative could most effectively move forward. For instance, it was suggested that local authorities (e.g. mayors, regional policy makers), chambers of commerce, accountants and other professionals working alongside entrepreneurs should be engaged. Participants also proposed to form thematic groups to discuss more the challenges that SMEs are facing in different countries in more detail, as well as share knowledge about how governments are taking action in these areas.

The general sentiment during the discussion was overwhelmingly positive, and there was a great push for the D4SME imitative to move forward and broaden its scope.
Closing remarks

The OECD Deputy Secretary-General, Mr Ulrik Vestergaard Knudsen, welcomed all participants to the closing reception by emphasising how this initiative is of paramount importance for the OECD and for its efforts to enable all businesses to seize the benefits of digitalisation. He noted that the Roundtable discussions had brought to the fore the unique opportunities that the ongoing digital revolution presents for new and small businesses, but also made it clear that much still needs to be done to fully exploit the potential of digital technologies.

Building on some of the discussion’s key takeaways, Mr Knudsen asserted that the OECD stands ready to help governments design and deliver sound policies, placing SMEs and entrepreneurs at the centre of the policy dialogue, and engaging the many other stakeholders that shape conditions and policies for SMEs to embark on the digital transition. He noted how the inaugural Roundtable of the Digital for SMEs Global Initiative has set the founding stone for creating a dedicated space for entrepreneurs and small businesses to exchange with governments, large firms and international experts on the key drivers of the SME digital transition and the role policy can play in this regard. Mr Knudsen stressed that the OECD looks forward to continuing to work together with all stakeholders to design, develop and deliver better SME policies for better lives.