



# OECD Platform on Financing SMEs for Sustainability

## Activity Report 2024

With the support of:



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## Members and partners

Members:



Industrial  
Bank of Korea



Knowledge partners:



# About the Platform

## OECD Platform on Financing SMEs for Sustainability

- Forum for dialogue and knowledge sharing
- Driving data and analytical work on financing SMEs for sustainability
- Linking up ecosystem actors

The OECD Platform on Financing SMEs for Sustainability aims to make it easier for small and medium-sized enterprises (SMEs) to access sustainable financing and increase momentum towards the green transition. We bring together a diverse group of participants, including public and private financial institutions, policy makers, ESG (environmental, social, and governance) actors and SME representatives.

Through this collaboration, we aim to address knowledge gaps and promote dialogue on policies that support sustainable finance for SMEs. Our unique Platform assists members in integrating environmental and climate considerations into their SME portfolios, providing them with valuable data, analysis and practical solutions. By enhancing awareness and engagement among SMEs, we help our members make strides towards sustainability while also showcasing their leadership in this important area.



# Knowledge sharing and dialogue

## Webinar series

Bridging SME sustainability data and reporting gaps: What data do banks need?

20 February 2023

This [webinar](#) explored the sustainability-related data needs of financial institutions and emerging innovative approaches to address those needs with respect to their SME clients. It brought together speakers from the British Business Bank, Bankers for Net Zero, the International Sustainability Standards Board (ISSB), Bpifrance and the European Banking Federation.

**Key takeaways:** Speakers discussed how to bridge sustainability data and reporting gaps. They reflected on how the ISSB non-financial disclosure requirements and the Corporate Sustainability Reporting Directive (CSRD) will affect SMEs in terms of sustainability reporting. The panel discussed how financial institutions are extending support to SMEs to measure and report on their sustainability performance through tools such as carbon trackers, automated data collection and advisory services. Fostering interoperability among the different supranational regulations and reporting tools emerged as a critical theme. Collaboration among key stakeholders, including governments, legislators and public and private banks, is needed to facilitate sustainability reporting, support SMEs, and facilitate financing for sustainability.



## The road to the OECD Ministerial on SMEs and Entrepreneurship: Building a robust sustainable finance ecosystem for SMEs

25 May 2023

The discussions at this [roundtable](#) explored the key actions governments and other actors must take to foster a sustainable finance ecosystem to support SMEs' net-zero transition and resilience to future shocks, as a contribution to the OECD SME and Entrepreneurship Ministerial Meeting in June 2023. The panel brought together KfW, NatWest, the European Banking Federation and the SME Climate Hub.

**Key takeaways:** Discussions focused on the challenges and strategies for SMEs navigating the net-zero transition. The panel explored how to enhance the sustainable finance ecosystem for SMEs to support their green transition, the steps governments and stakeholders could take to support and guide SMEs through this transition and the role of the OECD Platform in advancing SMEs' sustainability financing. The discussion emphasized the need for reskilling, financial assistance, and simplified reporting to manage the risks and seize opportunities in the green transition. Proposals included tailored financing solutions, streamlined reporting and access to advisory services to ease SMEs' shift towards sustainability.

## How can we unlock transition finance for SMEs?

26 September 2023

The [webinar](#) explored the key issues for financial institutions around the provision of transition finance for SMEs, and challenges and opportunities for SMEs in accessing this type of finance. It featured experts from SMEUnited, Bankers for Net Zero, Bpifrance, Intesa Sanpaolo and the British Business Bank.

**Key takeaways:** The webinar discussed the challenges and solutions for SMEs in securing transition finance for net-zero goals. SMEs, especially in high-emitting or hard-to-abate sectors, struggle to develop credible climate transition plans due to complex data demands and greenwashing concerns, compounded by a lack of simplified planning frameworks and inadequate recognition in financial taxonomies. The discussion outlined the need for simplified reporting frameworks, stakeholder collaboration, and standardised data and benchmarks to enhance SMEs' ability to obtain transition finance and support their net-zero ambitions.

# Events on the **global stage**

OECD Forum for Green Finance and Investment: Is sustainable finance leaving SMEs behind?

2 October 2023

This [forum](#) explored the emerging challenges facing SMEs in the sustainable finance ecosystem and the role that different actors- at national and regional levels- can play in supporting SMEs in their net-zero transition. The event was a dedicated session to SMEs as part of a high-level event on green finance and investment. The discussion included speakers from the British Business Bank, the Business Development Bank of Canada, Finance in Motion and Accountancy Europe.

**Key takeaways:** Because there can be no net zero without SMES, we need to ensure that these firms are not left behind in this urgent transition to net zero. Discussions underlined the critical importance of tailoring financial and non-financial support mechanisms to the diverse profiles and needs of SMEs, and of identifying effective packages of financial and non-financial support and incentives. Participants underscored the indispensable role of public-private partnerships and blended finance in mobilizing resources, highlighting the need for equipping SMEs with the necessary tools to measure and showcase their sustainability efforts. Furthermore, the need for a coherent framework for data collection and reporting for SMEs, based on objective operational needs of financial institutions, and aligned with the limited capacities of SMEs for measurement and reporting, is crucial.



## COP28 First Abu Dhabi Bank Pavilion: How can we unlock finance to drive the SME green transition?

5 December 2023

At the request of the COP28 Secretariat, the OECD co-hosted a collaborative event with First Abu Dhabi Bank (FAB) entitled “How can we unlock finance to drive the SME green transition?” during COP28. The event featured a presentation by the OECD, followed by a panel discussion featuring representatives from the British Business Bank, Bpifrance and First Abu Dhabi Bank.

### Key takeaways:

**Lamia Kamal-Chaoui**, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities delivered a keynote speech to launch the new Platform report “Financing SMEs for Sustainability – Financial Institution Strategies and Approaches.” She highlighted the critical role SMEs play in achieving global climate goals and the challenges they face in advancing on their sustainability journey. The report revealed that while many financial institutions offer some form of sustainable finance to SMEs, data is a key barrier holding back further integration of climate considerations in banks’ SME operations.

**Tony Greenham**, Managing Director of Sustainability at the British Business Bank, highlighted barriers faced by SMEs in accessing green and transition finance, including lack of awareness, short-term business concerns, and policy uncertainty. He emphasized the need for innovative financial products, such as guarantees for green assets, to unlock private sector finance.

**Xavier Tessier**, Strategy Director at Bpifrance, discussed the role of public institutions in supporting SMEs on their journey towards green transition. He emphasized the tools and support systems available through Bpifrance to assist SMEs in this transition process.

**Akram Makarem**, Head of Corporate Banking at First Abu Dhabi Bank (FAB), addressed the challenges SMEs face in accessing finance for green initiatives and discussed solutions provided by FAB and other banks to support SMEs in accessing green funding. He emphasized the importance of financial institutions in facilitating SMEs’ access to relevant resources for their green transition efforts.

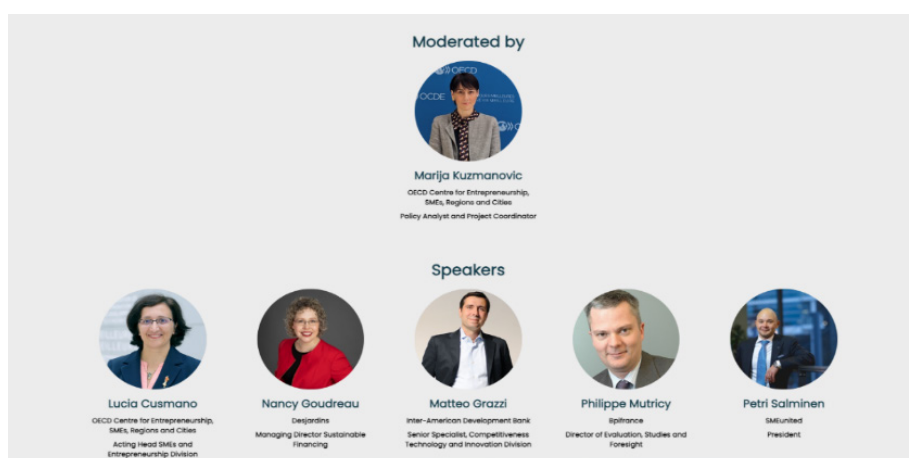


**COP28**  
**UAE**

## COP 28 panel : “No net zero without SMEs: Accelerating the green transition of SMEs”

5 December 2023

The Platform hosted a [panel discussion](#) at the OECD COP28 Virtual Pavilion featuring speakers from Bpifrance, Desjardins, the Inter-American Development Bank and SMEUnited. The session underscored the vital contribution of SMEs in attaining sustainability goals and achieving net-zero.



**Key takeaways:** Discussions highlighted the critical role of SMEs in achieving sustainability and net-zero emissions, emphasizing the need for non-financial support, regulatory simplification, and cross-sector collaboration. Key takeaways include the importance of innovative financing and educational support tailored to SMEs, and the need for coordinated policies that facilitate their green transition. The discussion underscored the collective effort required from governments, financial institutions, and businesses to support SMEs, recognising their pivotal contribution to the global economy and the environmental challenges they face.



# 2<sup>nd</sup> Annual Conference : From standards to action - Fostering a holistic approach to sustainable finance for SMEs

14 December 2023, Paris

## Key stakeholders

The [conference](#) convened over 100 participants from public and private financial institutions, governments, SME associations and other stakeholders.

## Featured topics

- The role of FIs in enabling the SME journey to sustainability
- Challenges and solutions for SMEs to fund their green transition
- CEO roundtable: How can public financial institutions deliver on sustainable finance for SMEs?
- Towards greater collaboration in the collection of climate and other environment-related data from SMEs



## Key takeaways from the 2<sup>nd</sup> Annual Conference

The Second Annual Conference of the OECD Platform on Financing SMEs for Sustainability centred on the theme From standards to action: Fostering a holistic approach to sustainable finance for SMEs. The Conference was opened by Lamia Kamal-Chaoui, Director of the OECD Centre for Entrepreneurship, SMEs Regions and Cities, who underscored the critical need to foster equitable access to sustainable finance for SMEs. Paula Crofts, Director of Business Growth at the Department for Business and Trade and Chair of the OECD Platform, made some further opening remarks highlighting the critical role that the Platform plays in facilitating knowledge exchange and promoting analytical efforts geared towards enhancing SMEs' access to sustainable finance. Martin Godel, Head of SME Policy at the State Secretariat for Economic Affairs (SECO) and Chair of the OECD Committee on SMEs and Entrepreneurship (CSMEE), echoed these sentiments, highlighting the Platform's pivotal role in advancing initiatives aimed at improving SMEs' access to and uptake of sustainable finance solutions.

### State of play of SME sustainable finance

**SMEs collectively represent the overwhelming majority of businesses worldwide.** They play a critical role in the green transition. SMEs are important drivers of innovative solutions to the climate challenge, and they have a significant aggregate environmental footprint. According to recent OECD estimates, SMEs account for approximately 40% of GHG emissions of the business sector in Europe. We see similar trends in Canada, where 30-40% of GHG emissions are estimated to stem from SME-related activities. It is therefore clear that there can be no net zero without SMEs.

**SMEs play a variety of different roles in the green transition and they need to be front and centre in the policy debate and action.**

The majority of SMEs act as eco-adopters, implementing green technologies and transition plans. Given their high collective footprint they must accelerate their transition to achieve the goals of the Paris Agreement. Others serve as eco-innovators and enablers, pioneering novel sustainability models and green technologies. Public and private actors need to holistically incorporate SMEs into their transition plans, utilising their specific expertise and market position to further the green transition.

**Despite their pivotal role, SMEs are lagging behind in the green transition.**

There is a clear interest among SMEs to improve their sustainability practices, with a Eurochambres survey indicating that 60% of EU SMEs are already investing in sustainability. However, a significant proportion of SMEs have not yet taken concrete steps to assess their environmental impact or to develop measurable plans to achieve net zero. A Canadian bank study, for example, has found that only 24% of SMEs have a viable and credible transition plan. This gap between interest and action underscores the need to understand and address the key drivers and constraints for SMEs in accessing financing for sustainability initiatives.



**Public and private financial institutions offer a growing range of green and sustainable finance products to facilitate the net-zero transition.**

A 2023 OECD survey found that nearly three quarters of finance providers are already offering green or sustainable financing products. A 2021 survey from the European Banking Federation (EBF) found similar results in the EU: 63% of surveyed banks had launched products, services or commercial initiatives based on the SDGs and other sustainability benchmarks. Financial products geared towards sustainability are attracting significant interest from the private sector, with the Business Development Bank of Canada (BDC) generating a 6:1 crowd-in ratio of private capital for clean-tech investments. The overall share of green finance is anticipated to grow further, becoming a larger share of total financing, with a survey from the SME Finance Forum showing that 70% of financial institutions plan to offer more green and sustainable finance going forward. The International Finance Corporation (IFC), which is part of the World Bank Group, estimates that green finance is a \$23 trillion investment opportunity over the next five to seven years.

**However, SMEs face challenges in tapping into the growing pool of sustainable finance, with access becoming more complex.**

According to the IFC, the share of sustainable finance for SMEs represents less than 1% of total financing in the financial sector. SMEs and entrepreneurs often face challenges accessing sustainable finance due to a range of factors, including difficulties in meeting associated reporting requirements, implementing environmental solutions and navigating the complex regulatory landscape. Furthermore, there are scale disincentives in lending to SMEs: administrative and transaction costs for lending to SMEs are often equal to costs borne when lending to larger firms, however SMEs tend to generate a lower return for financial institutions.

**Data is a major barrier for SMEs' access to sustainable finance.**

Financial institutions need granular sustainability data on their SME clients to meet various operational and reporting needs. Yet SMEs struggle to provide data on their sustainability performance (electricity usage, scope 1,2 and 3 emissions, etc.) due to limited resources and capacities (e.g. limited skills, staff, time and other resources). The data challenge is compounded by the lack of a standardised approach to measuring and reporting on sustainability performance. The data requested by financial institutions and corporations can vary considerably. SMEs find it increasingly challenging to identify the indicators they need to measure, understand how to report this information, and know which standards to adhere to.

**The data challenge is becoming even more important in light of emerging reporting requirements.**

While unlisted SMEs are currently exempt from sustainability reporting (e.g. the Corporate Sustainability Reporting Directive (CSRD) in Europe), SMEs will increasingly be required to disclose sustainability data to banks and large enterprises in their value chains seeking to comply with their own reporting requirements. This trickle-down effect has significant negative implications for SMEs, including potentially a lack of access to sustainable finance and to markets, as well as to talent and business opportunities. There is also a risk that SMEs which are unable to report on their environmental performance could face difficulties accessing traditional forms of finance from banks.



**Regulatory and policy action is being taken to address these challenges to SME access to sustainable finance.** There are several initiatives underway to create reporting guidelines and frameworks that are proportionate to enterprises' sizes and capacities. For example, the International Sustainability Standards Board (ISSB) is developing a simplified set of reporting standards for non-listed SMEs. Likewise, the European Financial Reporting Advisory Group (EFRAG) is developing a streamlined voluntary standard for unlisted European SMEs. The Transition Plan Task Force in the UK is also exploring how SMEs can use simplified transition plans to access transition finance, providing guiding principles for private sector banks investing in SMEs and trying to establish a set of interoperable baseline metrics.

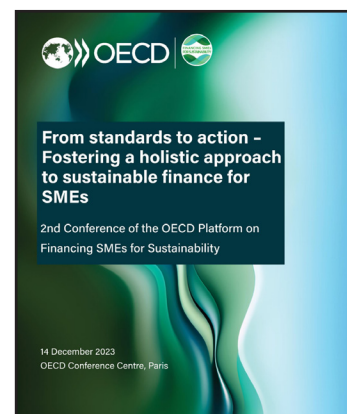
**Various tools and platforms are being developed to help reduce the reporting burden on SMEs.** These include accounting platforms and emissions calculators to automate the collection and reporting of sustainability data for SMEs, with the aim of delivering higher quality emissions data at scale. For example, the SME Climate Hub launched a new reporting tool for carbon disclosures that offers SMEs a simplified framework for reporting on their sustainability performance. Wallonie-Entrepreneurs' scoring platform allows for easier reporting for SMEs, tailoring requirements based on the scale and sector of the SME through easy-to-understand questionnaires. With increasingly stringent sustainability metrics in Europe, La Banque Postale has created a CSRD guidebook outlining forthcoming obligations and available resources for measurement for distribution to all clients. They not only advise but also offer solutions through strategic partnerships to facilitate carbon footprint calculations. Additionally, their collaboration with banking experts enables the provision of valuable benchmarking insights, highlighting areas of improvement relative to industry standards.

**The conference further highlighted the interplay between the twin transition to a digital and green economy.** Recognising the significance of data, many banks are actively engaged in centralising ESG data and developing dedicated management systems for enhanced oversight and analysis. Digitalization provides new innovative tools such as using biomass satellite readings to automate ratings for rural farmers or using AI to aggregate and harmonize different streams of SME data, easing SME reporting and improving institutions' access to data. New forms of collaboration and data sharing are also being explored. Project Perseus in the United Kingdom is seeking to automate the provision of electricity consumption data from energy providers directly to financial institutions with the client's consent. France's CSR Portal is formulating a user-led platform that allows for the joint sharing of data between institutions.

**Knowledge-sharing platforms are also being deployed to help advise SMEs and bridge knowledge gaps.** The SME Climate Hub's ClimateFit course educates SMEs on how sustainability affects supply chains, finance, and employee engagement. They also provide action plans targeted specifically at SMEs in different industries, having recently just launched their guidance for SMEs in the film industry. Bpifrance also provides a range of free trainings through their University for SMEs. Through their climate maturity index, Bpifrance offers sectorized consultation for SMEs. This consultation helps SMEs understand and act on climate-related issues, ultimately providing SMEs with a roadmap for improvement. Other institutions are seeking to act as a repository of information on the sustainable finance landscape. EIB's Green Gateway serves to compile eligibility guidelines and best practices depending on the sector or type of investment. Furthermore, knowledge tools, such as the training Wallonie-Entrepreneurs provides, are being bundled with financing instruments to build SMEs' internal capacity while facilitating their transition.

## Lessons learned so far on policy, regulatory, financial and non-financial support for SMEs

**There is significant heterogeneity across SMEs, ranging from size, sector and location, and thus, tailored support for financing their green transitions is needed.** SMEs have varying sector-specific needs, obligations, technical capacities and environmental impacts. One-size fits all solutions will therefore have limited impact. Various initiatives are being put in place to address these considerations. They include, for example, defining what is material for SMEs across sizes and sectors and developing sector roadmaps and transition planning frameworks that both SMEs and financial institutions can use.



**A bottom-up approach can help in developing these standards or regulatory requirements that directly consider the capacities and needs of SMEs.** Such an approach involves considering the realistic reporting capabilities of SMEs and aligning them with the demands of suppliers and financial institutions. Reporting must centre on data that is meaningful and useful for meeting operational and reporting needs of both the SMEs and financing providers. Since SMEs need a compelling business case for engaging in the green transition, reporting frameworks must also consider the ground-level perspective from which SMEs operate. Potential drivers include utilizing sustainability data to improve firm decision-making processes, establish competitive benchmarks, incentivise SMEs to adopt greening initiatives, and report on their performance.

**Knowledge sharing networks play a vital role in the transition by disseminating best practices, facilitating learning across different regions, and ensuring comprehensive coverage.** Speakers noted their interest to expand and deepen engagement with various stakeholders. Partnerships are essential for driving the green transition of SMEs, providing financial support and ecosystem development. Bpifrance's partnership with the French Agency for Ecological Transition (ADEME), for example, extends their reach further, providing non-financial services that would be too costly otherwise. The BBB and Bankers for Net Zero joint initiatives like Project Perseus also enable the development of better solutions because they can leverage both the public and private sectors' expertise. The expertise of communities must also be leveraged to drive forward the green transition for SMEs. Institutions like the SME Climate Hub have utilised partnerships with local stakeholders to improve accessibility, convey a stronger business case for SMEs and ultimately inform their decision making so that they can best represent SME interests.



The CEO roundtable brought together leaders of public financial institutions serving SMEs: Isabelle Hudon, CEO of Business Development Bank of Canada, Louis Taylor, CEO of the British Business Bank and Jean-Pierre Di Bartolomeo, Deputy CEO of Wallonie-Entreprendre. They discussed the pivotal role of public financial institutions in facilitating SMEs' transition to net zero. Isabelle Hudon highlighted the importance of building awareness and capacity within financial institutions and developing tailored financial products to support SMEs in adopting greener practices. Louis Taylor highlighted the British Business Bank's strategy of supporting SMEs as innovators and adopters of green technology, pairing financial support with advisory services to enhance SME awareness and capacity. Jean-Pierre Di Bartolomeo emphasized the key role public institutions can play in facilitating ESG compliance for SMEs.

**Business Development Bank  
of Canada**



**Wallonie-Entreprendre**



**British Business Bank**



**There was a strong call for the OECD and the Platform on Financing SMEs for Sustainability to continue advancing the agenda on these issues.** Participants underlined the value that the Platform had brought in its first years of operation and considered that the OECD was the right place to bring together the ecosystem actors, to undertake analytical work, policy dialogue and sharing of good practices. They highlighted the role the OECD could play in hosting a dialogue to foster convergence and interoperability of sustainability reporting requirements and helping financial institutions devise a streamlined set of data points to support SMEs in accessing sustainable financing.

Paula Crofts, Chair of the Platform, closed the Conference by underlining the pivotal role of the ecosystem of financial institutions and other actors in supporting its growth. The establishment of public-private partnerships is critical to provide tailored support to SMEs to facilitate their green transition. Nadim Ahmad, Deputy Director of CFE, reiterated the urgent need for action and collaboration. There was a resounding call for the OECD and the Platform on Financing SMEs for Sustainability to continue advancing the agenda on these issues. The call to action urges all stakeholders to collaborate more closely to ensure SMEs receive the support required for a green transition. By filling knowledge and data gaps, aligning public and private needs and objectives, and leveraging knowledge-sharing networks, we can collectively drive accelerate SME contributions towards a more sustainable future.



# Data collection and research

## Survey on financing SMEs for sustainability: Financial institution strategies and approaches

In 2023, the Platform undertook the first comprehensive [survey of financial institutions](#) aimed at understanding approaches to sustainable finance for SMEs.

Nearly 70 public development banks and private financial institutions serving SMEs took part. Among these respondents, 18 institutions have assets greater than EUR 100 billion, while 31 institutions have assets ranged between EUR 10 billion and EUR 100 billion.

### Featured topics

- **Strategies**, net-zero targets, transition plans
- **Climate integration** in SME operations
- **Financing instruments** for SME net-zero investments
- **Non-financial support** for SMEs
- **Data requirements** from SMEs

# Key messages

## Strategies, targets, transition plans and climate integration in operations:

- Most financial institutions have sustainability strategies. However, nearly half of public and private financial institutions have neither developed specific emissions reduction targets nor transition plans outlining concrete actions to reach them. The development of targets and transition plans is constrained by limited data, methodologies and expertise related to measuring current and future emissions.
- Most financial institutions have taken steps to integrate climate considerations in their operations. Over 60% of financial institutions consider climate implications when developing broad strategies and business plans (e.g. plans for financing, risk management, marketing, human resources, etc.). Nearly half set climate-related criteria for their suppliers. 66% of institutions also assess the climate-related impacts of some or all financing/investment decisions.
- Key drivers for net-zero action in financial institutions include regulatory requirements, the implications of climate action/inaction for long-term financial and operational performance, and demand from various internal and external stakeholders, including shareholders and clients.
- Key constraints for net-zero action include the lack of data and limited internal capacities, expertise and assessment frameworks. Access to data on SME clients' sustainability performance stands out as a critical constraint, identified by over 80% of financial institutions.
- To address existing constraints, financial institutions are investing in management and employee training, seeking external advice, providing incentives and strengthening internal awareness, knowledge and skills on climate-related topics. They are also setting up internal frameworks and methodologies for measurement, and reporting; devising strategies to diversify data collection sources and improve data quality, including through digital solutions; strengthening client engagement, including through non-financial support; and engaging with other financial institutions to share knowledge and solutions.





## Financing instruments and non-financial support for SME clients

- The majority of financial institutions already offer green and sustainable financing instruments<sup>1</sup>. On the other hand, sustainability-linked instruments<sup>2</sup> and transition finance<sup>3</sup>, are more nascent and offered by fewer than 50% of financial institutions.
- Most of the financing for SMEs' net-zero investments is provided through debt instruments: medium- and long-term loans (over 80% of public and 65% of private banks) and short-term loans and factoring (43% of public and 35% of private banks). 67% of public banks use guarantees to mobilise private financing for SMEs' net-zero investments.
- Most public and private financial institutions provide non-financial support to help SME clients build capacities to measure, report and take action on climate change and net zero. Support is provided through workshops, consulting services, training, tools and other means.

## Sustainability-related data requirements from SME clients

- Financial institutions already seek sustainability-related data from SMEs clients. About 60% of public and private financial institutions get these data directly from clients. Approximately 40% of public and 25% of private financial institutions use intermediaries, such as other financial institutions, or ESG data or rating providers. Furthermore, the vast majority of financial institutions that currently do not ask for any granular data from their SME clients plan to introduce such requirements in the short to medium term.
- Sustainability-related data requirements differ depending on the size and sector of the financing recipient, the type of investment and the type of financing instrument.
- Importantly, there is no common approach among financial institutions in the type of data and information they seek from SME clients, either at the stage of assessment of the financing opportunity or during the monitoring phase. Some of the surveyed financial institutions use pre-defined frameworks (e.g. ESG ratings) while others use or are still developing their own assessment/reporting frameworks. In this context, SMEs face a multitude of data requirements, which increases their reporting burden and acts as an additional barrier to finance. This is notwithstanding the fact that many SMEs, particularly micro firms, may already be operating at net zero, but may not be able to report on their performance.

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1 Green and sustainable finance instruments provide financing for investments in activities that are green and sustainable according to relevant taxonomies.

2 Sustainability-linked instruments relate financing conditions to the sustainability performance of the financed entity, regardless of the type of activity that is financed.

3 Transition finance is provided to entities across all types of activities conditional on the provision of a credible transition plan

# Sustainable finance for SMEs: Challenges and opportunities

[Thematic chapter](#) of the 2024 Financing SMEs and Entrepreneurs Scoreboard

## Key messages

The supply of sustainable finance is growing rapidly in response to regulatory and stakeholder demand and management of risks in the net-zero transition. In a 2023 survey by the OECD Platform on Financing SMEs for Sustainability, both public and private financial institutions (FIs) stated that they are increasingly integrating climate considerations in their operations, including in developing institutional objectives and plans and assessing some or all financing/investment opportunities. Some FIs are also providing dedicated financing programmes or more advantageous conditions for investments focused on green objectives. Most FIs are providing tailored financing solutions for SMEs' investments in net zero and greening, including through medium- and long-term loans, short-term loans and factoring, credit guarantees, and other financing instruments.



However, SMEs may not be able to tap into this growing pool of sustainable finance. Financial institutions increasingly need and seek out granular data on their clients' sustainability performance to manage risks, develop financing instruments and meet reporting requirements. Yet SMEs are not as well equipped to provide these data as large entities due to their relatively limited capacities to identify, measure and report on their environmental performance. This poses potential risks to SMEs' ability to access financing in the future. SMEs also risk losing access to finance if they cannot advance (sufficiently rapidly) on the journey to net zero and/or cannot demonstrate credible transition plans. This is a particularly strong risk for SMEs in high-emitting and hard-to-abate sectors.

SMEs' limited demand for sustainable finance is also an important challenge, which often stems from lack of information and awareness, as well as capacity and resource constraints. SMEs also face high technical, market and regulatory uncertainty. This has several important implications for policy and finance. SMEs need a stronger business case and external support to boost their investments in sustainability and to seek the related financing. In the absence of SME demand, public and private FIs have limited incentives to develop tailored financing solutions for financing SMEs' net-zero and other investment needs. Furthermore, if they do not invest in improving their sustainability performance or cannot provide credible transition plans, SMEs risk losing access to finance even for other investment needs, as noted above.

Public actors have an important role to play in establishing a stable and conducive regulatory and policy environment for sustainable finance and investment and providing relevant financial and non-financial support to enhance SME access to and uptake of sustainable finance. Financial support can entail the provision of direct financing through loans, equity, grants and other instruments; or it may entail the mobilisation of private financing through credit guarantees and other de-risking instruments. Public financial institutions can also help SMEs by facilitating their participation in capital markets and supporting financial innovation to foster the development of relevant digital financial solutions. Non-financial support may include information and tools to help SMEs in strengthening their awareness about the sustainability journey, the available technologies and resources they can tap into, and the ways in which they can measure and report on their sustainability performance.

Private actors, too, need to drive the transition. The large financing gap cannot be filled by the public sector alone. Private financial institutions, Fintechs, ESG intermediaries, such as rating agencies, accountants and other relevant stakeholders, all need to contribute toward creating a conducive ecosystem that provides the right information, incentives and conditions to drive SME investment in greening and their uptake of relevant financing instruments to meet these needs.

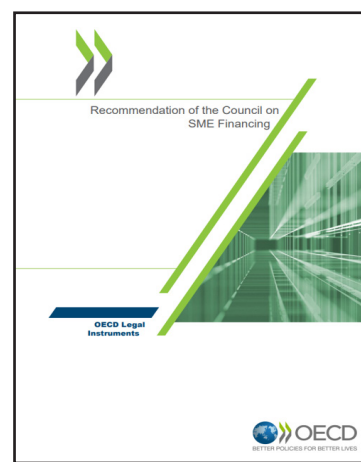
In order to help foster the provision and uptake of sustainable finance for SMEs, and to maximise the potential for private actors to contribute to the transition, public institutions need to take into account the following considerations:

- Understand SMEs' diverse needs and pathways to net zero and nature positive;
- Devise sustainability-related policies and regulations that take into consideration the impact on SMEs;
- Strengthen the transparency and interoperability of sustainability-related data, definitions and standards;
- Ensure that a stable, transparent and comprehensive policy and regulatory framework is in place to support investment and financing of the green transition;
- Provide financial support to address challenges impeding SME access to sustainable finance;
- Provide non-financial support for SMEs to foster their access to, but also uptake of sustainable finance;
- Foster the sustainable finance ecosystem for SMEs by promoting dialogue and knowledge-sharing among the diverse actors.

# High-level guidance

## OECD Recommendation on SME Financing

The [Recommendation](#) was adopted at the OECD Council meeting at Ministerial level on 8 June 2023 on the proposal of the Committee on SMEs and Entrepreneurship (CSMEE). The Recommendation aims to support adherents in their efforts to enhance SME access to a diverse range of financing instruments. It supports the development of coherent national SME financing strategies by helping define specific policy objectives, design and implement coherent policy measures, strengthen the evidence base and provide a framework for monitoring and evaluation. Platform members provided inputs to the guidance aimed at strengthening the availability and uptake of sustainable finance for SMEs.



### Strengthen the availability and uptake of sustainable finance for SMEs by:

- a. facilitating SMEs' access to a range of tailored sustainable finance instruments suitable to their diverse needs and ambitions to enable them to contribute to reaching climate and other sustainability-related objectives;
- b. complementing financial support with non-financial support, including resources, tools, digital and Fintech solutions and educational services, in order to close gaps in SMEs' awareness and knowledge of sustainable finance, improve SMEs' reporting capabilities, strengthen investment-readiness and boost SMEs' demand for and access to sustainable finance;
- c. promoting the inter-operability of definitions, data, taxonomies, and methodologies related to the measurement of environmental, social and governance (ESG) factors and integration of ESG standards to support the demand for and supply of sustainable finance;
- d. considering proportionality in sustainability reporting requirements, including for SMEs in the supply chains of reporting enterprises, in line with SMEs' ability to measure and report on their ESG data performance and efforts; and flexible timelines for the implementation of climate- and sustainability-related disclosures and considerations, including transition plans, in SMEs' business practices, while supporting capacity building for reporting and compliance.

# Platform Statement to the Meeting of OECD Committee on SMEs and Entrepreneurship (CSMEE) at Ministerial Level

27-28 June 2023, Paris

The Platform delivered a [statement](#) to the OECD Committee on SMEs and Entrepreneurship Ministerial Meeting outlining the critical role of SMEs in transitioning towards net-zero emissions and the necessity of sustainable finance to facilitate this shift. The statement highlights the OECD Platform on Financing SMEs for Sustainability as a vital forum for facilitating global collaboration and knowledge sharing to boost SMEs' access to and uptake of sustainable finance. Moreover, it calls for international cooperation and innovative solutions in sustainability reporting, advocating for a finance ecosystem tailored to SMEs, particularly those in sectors that are difficult to decarbonise. The Platform Statement was agreed by all members and knowledge partners. In addition, Louis Taylor, CEO of the British Business Bank represented the Platform at the official Ministerial Stakeholder event on 26 June 2023.



# Platform Steering Committee meetings

The Platform Steering Committee brings together the Platform Chair, senior management of member institutions and the OECD Secretariat to chart the strategic directions of the Platform. During the two Steering Committee meetings in May and December 2023, Members noted the important value added of the Platform, the need to expand the range of stakeholders engaged in the Platform and the objective of gradually broadening the approach to sustainability, beyond the environmental dimension, to include social and governance aspects.



# Outreach

## External presentations

From discussions on supporting SMEs in their transition to greener practices to insights into financial institution strategies for sustainability, our engagements spanned diverse sectors and audiences.

- **Enterprise Europe Network:** Access to Finance Conference, 27 March 2023
- **European Banking Federation:** Chief Sustainability Officer Roundtable, 20 June 2023
- **EU Platform on Sustainable Finance:** Financing SMEs for Sustainability- Financial Institutions Strategies and Approaches, 5 July 2023
- **EFRAG-OECD:** Financing SMEs for Sustainability- Financial Institutions Strategies and Approaches, 29 August 2023
- **CSMEE Informal Steering Group on SME and Entrepreneurship Financing,** 6-7 September 2023
- **European Economic and Social Committee,** 15 September 2023
- **The Montreal Group:** Presentation of Financial Institution Survey Results, 29 November 2023
- **Euro-Mediterranean Guarantee Network:** Scaling Up Financing for the Green Economy, 17 January 2024
- **Accountancy Europe:** Is sustainable finance leaving SMEs behind?, 21 February 2024
- **AECM:** Supporting SMEs in the Green Transition, 27 March 2024
- **European Banking Federation:** ESG Reporting Task Force, 9 April 2024
- **Enterprise Europe Network,** 11 April, 2024



# Knowledge partnerships

Over the past year, we are pleased to have welcomed AECM and SME Finance Forum as new knowledge partners.



## COGITO blogs



We must unlock **sustainable SME finance** for a **sustainable net-zero transition**

4 January 2023

There can be no route to net zero without bringing smaller businesses with us. Some will enable the transition directly, as suppliers of low-carbon goods and services, and all will participate in the unprecedented changes that will be necessary over the next few decades.



**From standards to action-** Fostering a holistic approach to sustainable Finance for SMEs

13 December 2023

SMEs are key for a sustainable climate transition – there will be no net zero without SMEs. Find out more about how banks and other financial institutions have a central role to play in financing SMEs' green and sustainable investments.



# What's next for the Platform?

In 2024, the Platform will continue to provide a forum for dialogue, knowledge sharing and research. It will engage a broad range of stakeholders in the SME sustainable finance ecosystem, including public and private banks, policy makers, regulators and standard-setters, Fintechs, providers of SME advisory and support services, academia and SME representatives.

## **Launch of a global dialogue to foster convergence on financial institution data requirements from SMEs, including a stocktake of existing measurement approaches and tools**

There is currently no harmonised approach to collecting a streamlined set of data on SMEs' environmental performance for the purposes of meeting financial institutions' operational and reporting needs. Some banks ask their SME clients 20 questions, while others ask up to 250 questions. This places a large burden on SMEs. If SMEs cannot meet the increasing wave of demands for sustainability-related data, they risk being cut off from critical sources of financing. In the absence of data, FIs cannot understand SME green investment needs, develop tailored sustainable finance products or offer better financing conditions for better sustainability performance. Stakeholders have called upon the OECD Platform to host a global dialogue aimed at addressing the lack of coordination in terms of the type of data on environmental performance that financial institutions require from SMEs, and how to collect this information. This will entail a stocktake of current approaches and of the various measurement and reporting tools available for SMEs. The aim is to deliver guidance a streamlined set of data requirements that meet banks' needs while not overburdening SMEs.

## **Identifying good practices in financial institutions' offer of green, sustainable and transition finance instruments, through policy mapping and assessment**

There is no time to waste in accelerating the green transition of SMEs, and public and private financial institutions are seeking effective approaches to meet their SME clients' green investment needs. Building on the results of the 2022 survey of financial institutions, the OECD Platform will map and assess different emerging practices of financial institutions with respect to the provision of tailored green, sustainable and transition finance instruments for SMEs. This will close an important knowledge gap and help improve understanding of the mix of financial and non-financial support needed to incentivize SMEs to undertake green investments, with a focus on the demand side in order to meet SME needs. The work will identify emerging good practices that can be replicated by financial institutions around the world.

## **Development of frameworks for SME transition planning, to unlock transition finance for small businesses**

Transition finance has the potential to support the transition of SMEs to net zero. It is particularly relevant for firms in high-emitting or hard to abate sectors. Yet policy makers, regulators, standard setters, public and private financial institutions and other actors across many jurisdictions are still grappling with the frameworks for this type of finance – there is no universally agreed definition of transition finance, and existing frameworks do not take the specificities of SMEs into account. Tailored approaches to transition planning are needed for SMEs, as they may require more flexibility when it comes to the development of their transition plans, given capacity constraints and lack of existing guidance. Work could also provide additional guidance on how to assess credibility and Paris alignment of transition plans for SMEs and implications for verification of their plans. This work could be done jointly with the Finance for Climate Action team in the OECD Environment Directorate (ENV).

## **Provision of country tailored analysis and support**

The provision of country-tailored analysis and support is a cornerstone of our efforts to facilitate SMEs in their transition to sustainable practices. Leveraging our expansive SME network, the platform will continue to conduct assessments of countries' regulatory frameworks and sustainable financing instruments available to SMEs. By understanding the unique challenges and opportunities facing SMEs in specific countries, we can develop targeted support mechanisms and strategies. This includes identifying gaps in sustainable finance and coordinating best practices to bridge them effectively.

# OECD PLATFORM ON FINANCING SMEs FOR SUSTAINABILITY



Did you know that SMEs are key drivers of innovation, providing solutions for the green transition? But they also have a significant collective environmental footprint, with SMEs in Europe accounting for about 40% of total business greenhouse gas (GHG) emissions according to new OECD estimates.

## There can be **no net zero without SMEs** – and sustainable finance...

The **OECD Platform on Financing SMEs for Sustainability** aims to make it easier for small and medium-sized enterprises (SMEs) to access sustainable financing and increase momentum towards the green transition.

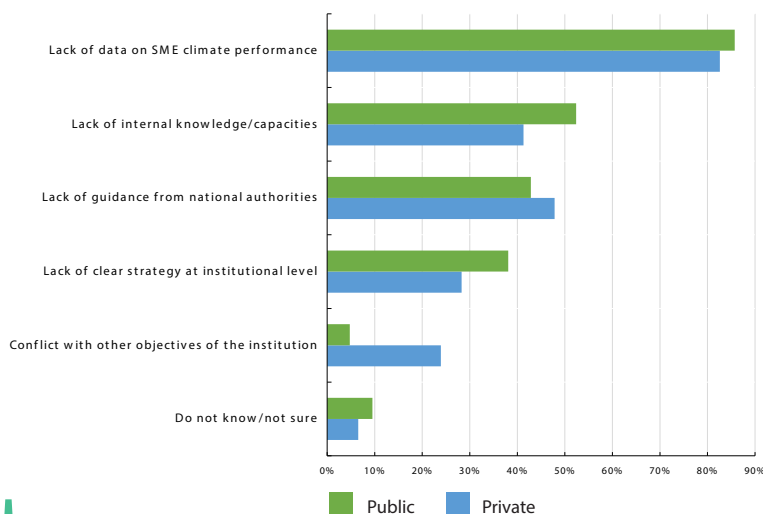
We bring together a diverse group of participants, including both public and private financial institutions, policy makers, ESG (environmental, social, and governance) actors and SME representatives. Through this collaboration, we aim to address knowledge gaps and promote dialogue on policies that support sustainable finance for SMEs.

Our unique Platform assists members in integrating environmental and climate considerations into their SME portfolios, providing them with valuable data, analysis and practical solutions.

By enhancing awareness and engagement among SMEs, we help our members make strides towards sustainability while also showcasing their leadership in this important area.

### Data is the biggest challenge banks face in integrating climate change considerations in SME financing decisions

*What are the key challenges you face in integrating climate change considerations in financing/ investment decisions regarding SME clients? (% of respondents, multiple answers possible)*



Source: Financing SMEs for Sustainability - Financial Institution Strategies and Approaches, OECD, 2023

### What's new?

In 2024, the Platform is working to remove barriers to sustainable finance for SMEs and to accelerate the implementation of good practices at national and international levels:

- Launch of a **global dialogue** to foster convergence on financial institutions' data requirements from SMEs, including a stocktake of existing measurement approaches and tools;
- Identifying **good practices** in financial institutions' offer of green, sustainable and transition finance instruments, through policy mapping and assessment;
- Development of **frameworks for SME transition planning**, to unlock transition finance for small businesses; and
- Provision of tailored **country analysis** and support.



# JOIN THE OECD PLATFORM ON FINANCING SMEs FOR SUSTAINABILITY

We empower our members and partners to learn, network, engage in collective projects, gain access to policy makers and promote their own good practices and initiatives:

**Connect with a growing global network:** Join a community of institutions that prioritise sustainability, expanding your reach and influence in this important area.

**Influence policy makers:** Have a say in discussions with policy makers regarding financing for sustainable SMEs, ensuring your voice is heard on critical issues.

**Shape policy guidance:** Contribute inputs and offer high-level policy guidance to the OECD, G20, and partner governments, helping to shape future initiatives and regulations.

**Showcase your initiatives:** Highlight and promote your sustainable finance initiatives and best practices, gaining recognition for your contributions to SME sustainability.

**Stay informed:** Keep up to date with the latest developments, innovative projects and initiatives from institutions worldwide, ensuring you remain at the forefront of sustainable finance.

**Implement action:** Learn from members' experiences and implement effective operational approaches and instruments related to ESG integration and SME support.

**Understand diverse financing needs:** Gain insight into the varied financing requirements of SMEs, enabling you to better address demand-side constraints and provide tailored support.

**Benchmark progress:** Compare your activities and progress in sustainable finance with other members, identifying areas for improvement and best practices.

**Collaborate on research:** Engage in collective research projects with the OECD and fellow members, contributing to the advancement of knowledge and understanding in this field.



## How we work



Webinars on timely topics and an annual conference.



Regular exchanges with members and knowledge partners.



Analytical work on financing SMEs for sustainability.



Benchmarking surveys and discussions on data and reporting.



Brown-bag lunches that inform the debate.

## Join the campaign on #NoNetZeroWithoutSMEs



@OECD\_local



<https://oecdcoigito.blog/>

### Our members:



Industrial Bank of Korea



### Our knowledge partners:



### About us

We are a member-funded initiative launched at COP26 in 2021. We are hosted by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities, a global reference in the area of SME and entrepreneurship finance data, policy analysis and dialogue.



Interested in joining the Platform?



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[oe.cd/greening-smes](https://oe.cd/greening-smes)