G20/OECD PROGRESS REPORT ON THE DEVELOPMENT OF EFFECTIVE APPROACHES TO SUPPORT THE IMPLEMENTATION OF THE G20/OECD HIGH-LEVEL PRINCIPLES ON SME FINANCING

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This document provides an update on the development of effective approaches to support the implementation of the G20/OECD High-level Principles on SME Financing.

This report was circulated to the G20 Finance and Central Bank Deputies Meeting held in Xiamen, China, for information and consideration and is now being transmitted to the G20 Finance Ministers and Central Banks Governors and the G20 leaders at their July and September meetings, respectively.

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I. Background

1. At the G20 Leaders Summit in Antalya, in November 2015, G20 Leaders welcomed the *G20/OECD High-Level Principles on SME Financing*, which were developed by the OECD, together with other relevant international organisations (IOs), at the request of G20 Finance Ministers and Central Banks Governors (see Annex I).

2. The Principles which are voluntary and non-binding, are addressed to G20 and OECD members and other interested economies, and can apply to diverse circumstances and different economic, social and regulatory environments. They provide broad guidelines for the development of cross-cutting policy strategies, efforts to benchmark policies and the assessment of current initiatives on SME financing at the local, national and international levels. The Principles also aim to encourage dialogue, exchange of experiences and coordination, including regulatory coordination, among stakeholders in SME finance, including policy makers, financial institutions, research institutions and SME management on how to enhance SME access to finance and increase their contribution to resilient and inclusive growth.

3. In their 2015 Antalya Action Plan, G20 Leaders called for work to identify effective approaches to facilitate the implementation of the Principles. In February and April 2016, G20 Finance Ministers and Central Banks Governors reiterated the call for effective approaches for the implementation of the Principles and looked forward to the first results of this work.

II. Developing effective approaches to support the implementation of the G20/OECD High-Level Principles on SME Financing

4. The OECD is working, together with G20 and OECD countries and other IOs, to develop more detailed policy guidance to help governments operationalise the Principles and to provide support in monitoring their implementation. The work builds on the experience from recent exercises carried out to develop effective approaches for other G20/OECD High-Level Principles, including those on long-term investment financing by institutional investors[1] and on financial consumer protection[2]. Along these lines, a survey-based process is proposed, which would, for each Principle and its sub-components, identify a set of effective approaches (see Annex II). By gathering and analyzing information from a broad range of countries and institutions, the exercise will identify approaches that can be considered common, i.e. well-

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[1] See *Report on Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on Long-term Investment Financing by Institutional Investors*, September 2014, at http://www.oecd.org/finance/principles-long-term-investment-financing-institutional-investors.htm

[2] See *Update report on the work to support the implementation of the e G20/OECD High-Level Principles on Financial Consumer Protection*, September 2013, at https://www.oecd.org/g20/topics/financial-sector-reform/G20EffectiveApproachesFCP.pdf

established across a broad range of jurisdictions; or innovative or emerging, i.e. in place in a limited number of countries, only recently implemented or applying only to some specific policy areas or measures. The findings of available evaluations of these measures will also be considered.

5. There are several benefits to such a survey-based approach. Seeking information from countries ensures that a broad range of approaches are captured, which might be suited to different economic and political circumstances. It also ensures that the results are bottom-up and country driven. Furthermore, the exercise will contribute to enhancing the evidence base and may spur improvements in data collection on SME finance and SME finance policies.

6. In addition, a Self-Assessment Checklist will be developed covering the main policy areas identified in the Principles. Such a checklist could be a useful tool for countries to see where they stand in terms of policy and strategy development in the area of SME finance.

7. Consultation with relevant stakeholders on the draft Survey and Checklist will be carried out. In order to reach the full range of constituents, it is proposed to conduct the survey via the G20/OECD Task Force on Institutional Investors and Long-term Financing and the OECD Working Party on SMEs and Entrepreneurship. Additional countries interested in taking part in the exercise could also be included.

III. Next steps

8. The work is proposed to be carried out through the following steps:

- ***July-August 2016***: Consultation on the draft Survey and Self-Assessment Checklist. It is proposed to consult the G20/OECD Taskforce on Institutional Investors and Long-term Financing, the OECD Working Party on SMEs and Entrepreneurship (WPSMEE), the G20 Infrastructure and Investment Working Group (IIWG), the G20 Global Partnership for Financial Inclusion (GPFI), relevant international organisations (IOs) and the business community. The draft Survey and Checklist will be revised in line with comments received.
- ***September 2016***: launch of the Survey and Self-Assessment Checklist, through the G20/OECD Task Force on Institutional Investors and Long-term Financing and the OECD WPSMEE, for response by October 2016.
- ***November-December 2016***: analysis of results and preparation of a draft report on *Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on SME Financing.*
- ***Q1 2017***: Discussion and revision of the draft report.
- ***Q2 2017***: Finalisation of the report.

ANNEX I. G20/OECD HIGH-LEVEL PRINCIPLES ON SME FINANCING

9. *These high level principles are addressed to G20 and OECD members and other interested economies, to support their efforts to enhance access to a diverse range of financing instruments by SMEs, including micro-enterprises, and entrepreneurs. The principles are voluntary and non-binding, and build on existing international financial principles and guidelines*.

10. *Cross-cutting policy strategies to enhance SME access to finance are needed to provide a coherent framework for government actions in this area, within the broader policy ecosystem for SMEs. Such strategies are instrumental to define specific policy objectives; design, coordinate and implement policy measures; and to provide a framework for monitoring and evaluation.*[1]

11. The principles that follow may serve the development of such strategies. They can apply to diverse circumstances and different economic, social and regulatory environments. More detailed policy guidance is under development to support governments in operationalising the high-level principles.

Box 1. G20/OECD High-level Principles on SME Financing

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional bank financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness.
11. Monitor and evaluate public programmes to enhance SME finance.

I. Identify SME financing needs and gaps and improve the evidence base

12. As a first step in developing a strategy to enhance SME access to finance, governments should assess the extent to which SMEs' financing needs are met and where gaps exist, in cooperation with relevant stakeholders, including central banks and financial supervisory authorities, financial and research institutions and SME representatives. This requires a strong evidence base and a better understanding of SME financing needs and challenges by public authorities and financial suppliers.[2] Efforts should be placed on improving statistical information on SME financing, particularly in developing economies, where a lack of reliable evidence constrains policy design, implementation and assessment. This calls for cooperation at the national and international levels (including through an expansion of the OECD Scoreboard on Financing SMEs and Entrepreneurs) to increase transparency regarding definitions, improve

the comparability of data and indicators, within and across countries[3], facilitate international benchmarking[4] and regulatory coordination, and shed light on outstanding financing gaps and issues.

II. Strengthen SME access to traditional bank financing.

13. As a main source of external finance for most small businesses, efforts to improve banks' capacity to lend to SMEs should be pursued. Measures may include credit guarantees, securitization[5], credit insurance and adequate provisioning for loan losses. Risk mitigation measures should be strengthened, making use of new technologies and mechanisms for underwriting risk[67]. Effective and predictable insolvency regimes should ensure creditor rights while supporting healthy companies and offering a second chance for honest entrepreneurs. Likewise, SMEs should be afforded credit on reasonable terms and with appropriate consumer protection measures in place. Policy makers should consider enabling SMEs to use a broader set of assets beyond fixed collateral, such as movable assets, to secure loans. The feasibility of expanding the use of intangibles as collateral should be carefully considered, to ease access to lending particularly by knowledge-based companies, while taking into account potential risks. The use of credit information should also be enabled to improve risk management for lenders and access for borrowers.

III. Enable SMEs to access diverse non-traditional financing instruments and channels

14. Recognising the complementary nature of the role of banks and other financing channels, access to a sufficiently broad range of SME financing instruments is desirable in order to obtain the form and volume of financing best suited to SMEs specific needs and the stage of the firm life-cycle. Multiple and competing sources of finance for SMEs should be supported, and efforts should be made to increase entrepreneurs' awareness of the available financing options through targeted outreach initiatives. The development of alternative financial instruments for SMEs should also aim to attract a wider range of investors, including institutional investors[8], and to enhance their understanding of SME markets. Asset-based finance[9] could be fostered to enable young and small firms to access working capital on rapid and flexible terms, as well as supply chain and trade finance to support their integration in global value chains. Alternative forms of debt[10] could be cultivated to enable SMEs to invest, expand and restructure. Adequate policy attention should go to the development of hybrid tools[11] and equity instruments[12] to strengthen SMEs' capital structure and boost investment in innovative start-ups and high-growth SMEs[13]. Special consideration should be given to venture and private equity financing, including capital for seed, early and later stage investments, as well as to trade finance instruments.

IV. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms

15. Policy should aim to maximise the number of SMEs which have access to and use mainstream financial services and products at a reasonable cost. Financial inclusion is an important tool to reduce informality[14], and national financial inclusion strategies should include reviewing the legal and regulatory framework of the financial sector; defining a public intervention strategy and identifying appropriate delivery instruments; and ensuring the existence of tools for groups excluded from the formal banking sector.[15] Microfinance schemes should be given adequate attention, particularly in developing countries, as a means to enhance entrepreneurs' access to small amounts of funding at an affordable cost.

V. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection

16. Policy makers and regulatory authorities should ensure that regulation is designed and implemented that facilitates SMEs' access to a broad range of financing instruments without compromising financial stability and investor protection, and enables a return on investment. Regulatory certainty is needed to ensure a predictable and stable operating environment for firms and investors. The combined effects of different regulations should also be considered. Regulations should be proportionate to the risks of different financing instruments. Efforts should be made to avoid undue administrative burdens (including through digitalisation), cut red tape and facilitate bankruptcy resolutions. Particularly in the equity space, flexibility provided to SMEs should be compatible with investor protection, integrity of market participants, corporate governance and transparency. Good corporate governance in SMEs should be encouraged, to enhance their access to equity markets. Legal, tax and regulatory frameworks (including tax policies which provide incentives to encourage both debt and equity financing) should contribute to foster diverse sources of finance.[16] International regulatory coordination can serve to promote cross-border financing for SMEs.[17]

VI. Improve transparency in SME finance markets

17. Information asymmetries in finance markets should be minimised to increase market transparency, encourage greater investor participation and reduce financing costs for SMEs. Information infrastructures for credit risk assessment[18] should aim to support an accurate evaluation of the risk in SME financing. To the extent possible and appropriate, credit risk information should be standardised and made accessible to relevant market participants and policy makers to foster both debt and non-debt SME financing instruments. Accessibility of this information at the international level should be supported to foster SMEs' cross-border activities and participation in global value chains.

VII. Enhance SME financial skills and strategic vision

18. To enable SMEs to develop a long-term strategic approach to finance and improve business prospects, public policies should champion SMEs' enhanced financial literacy[19]; their awareness and understanding of the broad range of available financial instruments; and changes in legislation and programmes for SMEs.[20][21] SME managers should be encouraged to devote due attention to finance issues, acquire skills (including digital skills) for accounting and financial and risk planning, improve communication with investors and respond to disclosure requirements.[22] Efforts should also aim to improve the quality of start-ups' business plans and SME investment projects, especially for the riskier segment of the market.[23] Programmes should be tailored to the needs and financial literacy levels of different constituencies and target groups, including groups that are underserved by financial markets, such as women, young entrepreneurs, minorities, and entrepreneurs in the informal sector, and to different stages in the SME business cycle.

VIII. Adopt principles of risk sharing for publicly supported SME finance instruments

19. Public programmes for SME finance should help catalyse and leverage the provision of private resources, especially in risk capital markets. Under certain conditions[24], public schemes can be effective in kick-starting the offer of financing tools for SMEs. Nevertheless, leveraging private resources and competencies may be essential to enhance the resilience[25] of SME financing in the face of rapid economic

and regulatory change. Policies should aim at encouraging the participation of private investors and developing appropriate risk-sharing and mitigating mechanisms with private partners which ensure proper functioning of public measures, including the allocation of government resources to their most efficient use. Policies should also be designed to avoid "moral hazard", i.e. excessive risk-taking against the public interest, and potential crowding-out effects. [26] Multilateral development banks (MDBs), national development banks (NDBs) and other public funds should be encouraged to promote SME financing, directly and indirectly.

IX. Encourage timely payments in commercial transactions and public procurement

20. Timely payments in Business to Business (B2B) and Government to Business (G2B) transactions could be encouraged to enhance the cash flow of small business suppliers. Policy makers and regulators should ensure that SMEs, which are particularly vulnerable to late payments or non-payment[27], are offered clear and appropriate payment terms. Norms could be designed, implemented and enforced to discourage late payments in commercial transactions, including for cross-border trade.[28]

X. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness

21. The design of public programmes to enhance SME access to finance should ensure financial and economic additionality[29], along with cost effectiveness. Policy coherence[30] across levels of government and between government and non-government bodies dealing with SME finance should be pursued, based on reliable evidence. The target population, eligibility criteria, credit risk management and fees structure should be considered carefully and defined clearly when designing programmes, which should be easy to understand for SMEs. The administrative burden and compliance costs of new and existing policies, should be proportionate to the service provided, the impact on beneficiary firms and the broader economy, as well as to the nature and size of the targeted businesses.

XI. Monitor and evaluate public programmes to enhance SME finance

22. Monitoring and evaluation of policies to ease SMEs' access to finance should be promoted. Ex ante and ex post evaluation should be performed regularly based on clearly defined, rigorous and measurable policy objectives and impacts and in co-operation with financial institutions, SME representatives and other stakeholders. Evaluation findings should feed back into the process of policy making, in particular when measures fail to meet their stated objectives or are found to have undesirable impacts. Regional, national and international policy dialogue and exchange of experiences on how to monitor and evaluate public programmes to enhance SME finance should be encouraged.

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1 Strategies may be developed at various geographical and sectoral levels.

2 Evidence on SME financing, including micro data and micro analysis is needed for informed policy discussion; the evaluation of policies; monitoring the implications of financial reforms on SMEs' access to finance and for a better understanding by financial suppliers' of SME financing needs. Evidence on financing needs and gaps by firm size and stage in the firm life cycle is especially important to tailor policy strategies. In this regard, regular quantitative demand-side surveys can represent an important source of

information, but their harmonisation at the national, regional and international level should be encouraged to improve the quality of information and cross-country comparability.

3 At the international level, comparison of data on SME finance is significantly hampered by differences in definitions and methodology.

4 Strengthening the ability to document differences in SME access to finance across countries can shed light on policy experiences and facilitate the exchange and adaptation of good policy practices.

5 High-quality, transparent and standardised securitization of SME loans is one means to strengthen banks' balance sheets and foster their lending to SMEs.

6 To gather more accurate information about businesses, banks may also make use of external experts, particularly for technology-based business models.

7 The use of credit scoring models may also serve to facilitate bank lending to MSMEs by reducing costs and increasing service levels.

8 See also the G20/OECD High level Principles of long term investment financing by institutional investors and their related effective approaches.

9 Asset based finance includes, for example, asset-based lending, factoring, purchase order finance, warehouse receipts, and leasing.

10 Alternative forms of debt include corporate bonds, private placements, direct lending by non-bank institutions, and peer-to-peer lending.

11 Hybrid instruments include subordinated loans and bonds, silent participations, participating loans, profit participation rights, convertible bonds, bonds with warrants, and mezzanine finance

12 Equity instruments comprise venture capital, business angel investing, other private equity instruments, specialised platforms for public listing of SMEs and equity-based crowdfunding

13 The existence of appropriate channels for exit can help increase the attractiveness of these instruments for investors.

14 Informal enterprises are defined on a country specific basis as the set of unincorporated enterprises owned by households which produce at least some products for the market but which either have less than a specified number of employees and/or are not registered under national legislation referring, for example, to tax or social security obligations, or regulatory acts.

15 To promote financial inclusion, the introduction of technological platforms which enable the delivery of a broad variety of financial products and services, drive down the costs of financial access and reach previously untapped markets could be considered.

16 This may be of particular importance to attract private investors to early stage investments.

17 In addition, international exchange of experiences on regulation for new sources of finance can be particularly beneficial.

18 Credit bureaus or registries or data warehouses with loan-level granularity may be part of the information infrastructures for credit risk assessment.

19 Financial literacy is defined as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve financial wellbeing by the OECD/International Network on Financial Education (INFE) and G20.

20 The OECD/INFE on financial education for micro, small and medium enterprises has developed work in this area which can provide additional guidance. See also the OECD/INFE High Level Principles on National Strategies for Financial Education endorsed by G20 Leaders in 2012.

21 SME awareness about alternative lending options should also be improved, to enable them to obtain the most favourable credit terms and conditions.

22 Efforts should be made to improve awareness and understanding by SMEs of the information required by creditors and other investors in order to consider their demand for finance. This should include feedback from financial institutions on how to improve the quality of applications for external financing. Entrepreneurs' financial literacy and skills can be improved either through the education system, as part of a more general effort to teach entrepreneurship skills, or through specific programmes and advocacy, including in cooperation with the private and not-for-profit sector. Approaches such as training, mentoring and coaching can help SMEs understand how different instruments serve different financing needs at specific stages of the life cycle; the advantages and risks implied; the complementarities and possibility to leverage different sources of finance; and how to approach different types of investors and meet their information requirements.

23 Investment readiness programmes can support start-ups and SMEs in understanding investors' specific needs, gathering information and developing business plans so as to address these needs appropriately. Furthermore, accompanying support to financing, such as mentoring and coaching, including by investors, can improve the survival and growth of new and small firms.

24 Public policy may be essential to maintain offer of finance to SMEs under certain conditions, such as economic crises or natural disasters. Due to information asymmetries, public policy may also be important to kick-start or boost offer of financial products and services to specific types of SMEs and entrepreneurs, which are typically underserved by financial markets, including young and growth-oriented enterprises.

25 Resilience is the capacity of individuals, communities and systems to resist, adapt, and grow in the face of stress and shocks. Resilience involves being prepared for uncertainty, but also developing the capacity to cope with change and emerge stronger than before.

26 Mechanisms for the development of effective public-private partnerships in SME financing may include co-investment schemes, private-public equity funds, the delivery of public support through private sector intermediaries and the provision of credit guarantees where risks are shared by the public and private sector.

27 Late payments typically force SMEs to seek external finance in order to cover cash flow gap and/or to cut back investment and hiring plans.

28 Possible policy actions to encourage timely payments in commercial transactions include the restriction of the contractual freedom to pay invoices, the automatic entitlement to compensation for late payments, the possibility for SMEs to challenge unfair terms and practices, and the simplification of debt recovery procedures, including for transnational transactions.

29 Financial additionality means that public support reaches viable enterprises which would not otherwise have had access to finance or would have accessed finance at tighter conditions (e.g. higher financing cost, shorter debt maturity). Economic additionality implies that the intervention produces a net positive impact on the economy.

30 Policy coherence is defined as the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives. Within national governments, policy coherence issues arise between different types of public policies, between different levels of government, and between different stakeholders.

ANNEX 2. TOWARDS IDENTIFYING EFFECTIVE APPROACHES: ELEMENTS FOR A SURVEY ON EFFECTIVE APPROACHES FOR THE IMPLEMENTATION OF THE G20/OECD HIGH-LEVEL PRINCIPLES ON SME FINANCING

23. In order to identify effective approaches for the implementation of the *G20/OECD High-Level Principles on SME Financing,* a survey will be submitted to OECD and G20 countries and other interested economies, to investigate their current and planned approaches to address the main areas for policy action outlined throughout the Principles.

24. Building on the experience from recent exercises carried out to develop effective approaches for other G20/OECD High-level Principles, such as on long-term investment financing by institutional investors and on financial consumer protection, the survey will look into each Principle and its sub-elements, in order to identify a broad range of approaches. In more detail, the survey-based process aims to differentiate approaches that are "common", i.e. regulatory measures, policies, programmes and practices that are consistent with well-established approaches developed by a broad range of jurisdictions, from "innovative or emerging approaches", i.e. regulatory measures, policies, programmes and practices that are not representative across a broad range of jurisdictions, but which address some key aspects of the Principles or tackle some emerging challenge to support their implementation, and are worth further consideration.

25. The following draft list provides the various elements, under each Principle, which would be addressed by the Survey:

Principle 1. Identify SME financing needs and gaps and improve the evidence base

- Assessing SME financing needs
  - Monitoring and assessment mechanisms
  - Reporting requirements for financial institutions
  - Consultation of stakeholders

- Building the evidence base
  - Adoption of a consistent national SME definition
  - Reporting requirements for financial institutions
  - Collection of statistical data on SME access to finance at the national level and international benchmarking
  - Participation in international efforts to improve comparability of data and indicators

Principle 2. Strengthen SME access to traditional bank finance

- Credit enhancement and risk mitigation
    - Measures to improve banks' capacity to lend to SMEs (e.g. credit guarantees, securitization, credit insurance)
    - Measures to reinforce bank resilience
    - Support for the adoption of new technologies for assessing risk

- Collateral
    - Regulation on the use of a broader set of assets beyond fixed collateral to secure loans (e.g. movable assets, intangibles)
    - Rules of ownership and priority for competing claims or rights
    - Methods of notice (e.g. system of registry)

Principle 3. Enable SMEs to access diverse non-traditional financing instruments and channels

- Broadening the base of SME investors
    - Regulation concerning institutional and retail investors
    - Measures to enhance the understanding by diverse investors of the SME market
    - Measures to improve SME awareness of available financing options

- Asset-based finance

    Asset-based lending
    - Commercial law on collateral
    - Development of specialised expertise for the appraisal of specific assets in SME finance markets

    Factoring and Purchase Order Finance
    - Regulation on accounts receivables
    - Tax treatment
    - Measures to support the development of supply-chain finance

    Warehouse receipts
    - Regulation on warehouses and warehouse receipts
    - System of grades and standards
    - Development of specific expertise on commodities in SME finance markets

    Leasing
    - Regulation on leasing
    - National asset register
    - Tax treatment

- Alternative forms of debt: corporate bonds and private placements
    - Trading and clearing conditions of debt securities
    - Support for the development of electronic platforms
    - Standardisation of documentation and information
    - Risk-mitigation instruments (e.g. guarantees)

    - Access to credit scoring on private placement issuances
    - Regulation for bonds issuance by non-listed SMEs

- Hybrid instruments
    - Standardisation and securitization of mezzanine instruments
    - Support for mezzanine finance to lower-tier SMEs (e.g. direct funding, participation in investment funds)
    - SME access to advice and mentoring on hybrid financing tools

- Equity finance
    - Investor-readiness programmes
    - Tax treatment
    - Support for the development of exit channels for SME equity investors (e.g. IPO, secondary market, trade sales)

      Seed and early-stage financing
        - Tax incentives
        - Regulatory limitations (e.g. for banks, pension funds, insurance companies)
        - Public investment policy (e.g. direct funding, funds-of funds, co-investment)
        - Support for investors' networks
        - Development of skills for equity investors
        - Openness to foreign investors

      SME equity listing
        - Regulatory approaches and support for the development of platforms
        - Support to liquidity in SME public listings
        - Policies towards retail investors
        - Support for cross-border investments

      Crowdfunding
        - Regulatory approaches
        - Requirements on platforms
        - Support to industry networks

Principle 4. Promote financial inclusion for SMEs and ease access to formal financial services including informal firms

- Financial inclusion strategy
    - Mechanisms to monitor and assess access to finance by diverse social and business groups, including informal firms
    - Development of a national strategy to promote financial inclusion
    - Support to the provision of financing instruments to groups excluded from the formal banking sector
    - Measures to enhance access to finance by women, young entrepreneurs, minorities, migrants, and senior entrepreneurs

- Microfinance
    - Measures to enhance microfinance
    - Integration of microfinance in the country's mainstream financial services
    - Policies towards donors' funds for microfinance

Principle 5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection

- Legal, tax and regulatory approaches to facilitate SMEs' access to a broad range of financing instruments (e.g. predictability, stability, level playing field)
- Policies to safeguard financial stability and investor protection and enable returns on investment
- Mechanisms to monitor the effects of regulation
- Measures to avoid undue administrative burdens and excessive red tape for SMEs
- Policies to encourage good corporate governance in SMEs
- Efforts to enhance international regulatory coordination
- Participation in the international exchange of experiences on regulation for new sources of finance

Principle 6. Improve transparency in SME finance markets

- Identification and monitoring of information asymmetries in financial markets and assessment of implications for SME financing
- Legal and regulatory framework for credit reporting systems
- Policies to improve the information infrastructure for credit risk assessment (e.g. credit bureaus, credit registries, credit rating agencies, data warehouses)
- Standardisation of credit risk information and accessibility to policy makers and market participants, at the national and international level

Principle 7. Enhance SMI financial skills and strategic vision

- Financial literacy
    - Measures to promote financial literacy
    - Measure to enhance financial skills by groups that are underserved by financial markets (e.g. women, young entrepreneurs, minorities, migrants, informal entrepreneurs)

- SME financial skills and strategic vision
    - Policies to enhance financial skills by SME owners and managers
    - Measures to enhance SMEs' ability to approach different types of investors and meet their information requirements
    - Measures to improve the quality of start-ups' business plans and SME investment projects
    - Cooperation with the private and non-for-profit sector
    - Raising SME awareness about changes in legislation and programmes targeted to them
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Principle 8. Adopt principles of risk sharing for publicly supported SME finance instruments

- Public programmes which catalyse and leverage private resources, especially in risk capital markets
- Measures to assess and avoid potential crowding-out effects
- Development of risk-sharing and mitigating mechanisms
- Measures to leverage private sector competencies when designing, implementing and assessing public schemes to enhance SME access to finance
- Measures to encourage the promotion of SME financing by MDBs, NDBs and other public funds

Principle 9. Encourage timely payments in commercial transaction and public procurement

- Measures to ensure that SMEs are offered clear ad appropriate payment terms, in Business-to-Business and Government-to-Business transactions
- Regulation on late payments in commercial transactions
- Reporting requirements for public bodies on late payments
- Measures to address late payments for public sector suppliers

Principle 10. Design public programmes for SME finance which ensure additionality, cost-effectiveness and user-friendliness

- Elements aimed at ensuring financial additionality
- Elements aimed at ensuring economic additionality
- Elements aimed at ensuring cost-effectiveness
- Approaches to ensure policy coherence across levels of government and between government and non-government bodies dealing with SME finance
- Transparency and communication to potential beneficiaries of public SME finance programmes
- Measures to limit administrative burdens and compliance costs for SMEs

Principle 11. Monitor and evaluate public programmes to enhance SME finance

- Approaches to monitor and evaluate of SME finance programmes
- Consideration of unintended and undesired impacts
- Cooperation with financial institutions, SME representatives and other stakeholders
- Steps to ensure the evaluation findings feed back into the process of policy making
- Participation in regional, national and international policy dialogue on evaluation practices for SME finance programmes