



OECD



# OECD Platform on Financing SMEs for Sustainability

## Activity Report 2023

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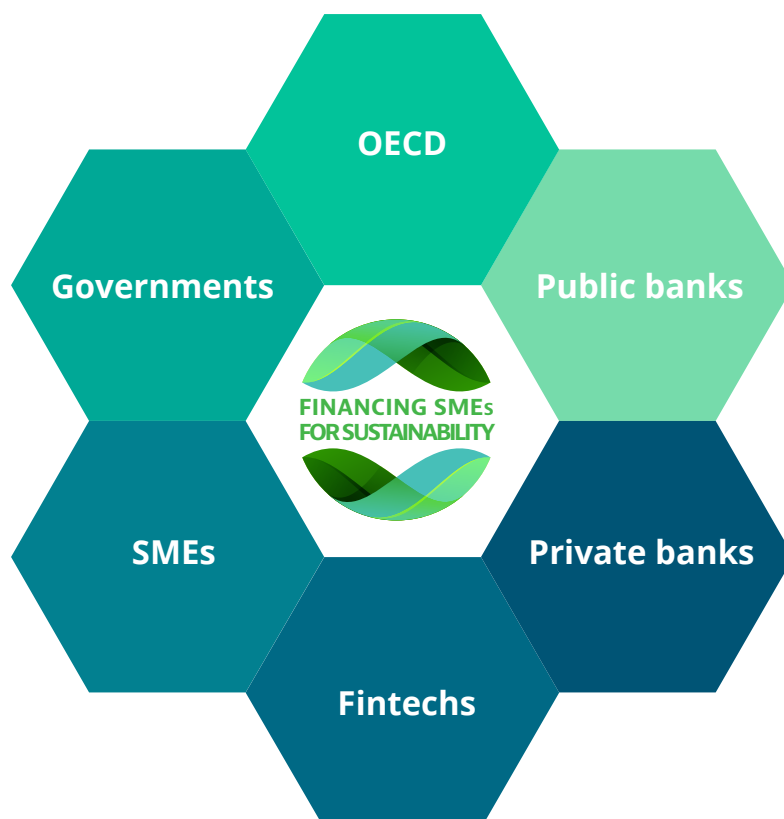
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# About the Platform

The OECD Platform on Financing SMEs for Sustainability provides a forum for global collaboration, research, knowledge sharing and implementation of good practices among public and private financial institutions, policy makers and SME representatives to enhance the provision and uptake of SME sustainable finance for a successful climate transition.

The Platform was launched at the margins of COP26 in November 2021 by the OECD, the British Business Bank, the Business Development Bank of Canada, and the Industrial Bank of Korea. The Platform contributes to strengthening the evidence base and developing comparable indicators on SME sustainable finance. It seeks to operationalise sound sustainable finance approaches and instruments for SMEs, enhance dialogue with policy makers and provide high level guidance to governments. The Platform also offers opportunities for creating meaningful networks among banks, ESG intermediaries, Fintech companies, SME representatives and other actors in the sustainable finance ecosystem. The Platform is hosted by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities, a global reference in the area of SME and entrepreneurship data, policy analysis and dialogue.



# Members and partners

Members:



Knowledge partners:



# Launch of the Platform


The Platform was launched on 2 November 2021 at a [high-level event](#) at the OECD COP26 Virtual Pavilion. The event brought together the founding members of the Platform, the OECD and other stakeholders to discuss the key challenges of boosting SMEs' access to and demand for sustainable finance and to launch the Platform. It was attended by over 180 participants from the public and private sector, including government representatives, financial institutions, SME associations, and others.

## The event featured interventions by:

- **Catherine Lewis La Torre,**  
CEO of the British Business Bank (BBB)
- **Gemma Peck,**  
Director for Business Growth at the Department for Business and Trade
- **Hanni Rosenbaum,**  
Executive Director of Business at OECD (BIAC)
- **Isabelle Hudon,**  
CEO of the Business Development Bank of Canada (BDC)
- **Jong-Won Yoon,**  
Chairman and CEO of the Industrial Bank of Korea (IBK)
- **Lamia Kamal-Chaoui,**  
Director of the OECD Centre for Entrepreneurship, SMEs, Regions, and Cities (CFE)
- **Pascal Lagarde,**  
Executive Director of Bpifrance



The discussions brought forth a clear message: there can be no net zero without SMEs. SMEs may have a small individual carbon footprint, but together they account for over 50% of GHG emissions of the business sector. Financing SMEs journey to net zero requires addressing supply-side constraints related to the provision of tailored financing for SME net zero investments. There is also a need to tackle significant demand-side constraints, including knowledge gaps and capacity and resource constraints. Participants agreed on the value of international cooperation to address these important challenges and welcomed the creation of the OECD Platform as a structured space for dialogue, good practice exchanges, mutual learning and advancement on analytical work related to SME sustainable finance.

An aerial photograph of a dense, vibrant green forest. A winding river or stream flows through the trees, forming a large, stylized number '6' shape. The water is a clear, light blue color, contrasting with the deep greens of the foliage. The overall scene is bright and natural, suggesting a healthy, sustainable environment.

**There  
can be no  
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**6**

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# Knowledge sharing events

In its first year of operations, the Platform organised a series of knowledge-sharing events that brought together a wide range of stakeholders and fostered discussions around key topics related to SME sustainable finance.

## Webinar series

### The road to net zero: Where do SMEs stand?

4 February 2022

The [first webinar](#) in the series took stock of the current landscape, opportunities and challenges that SMEs face in their journey to net zero. It featured the latest research from the British Business Bank (BBB), the Business Development Bank of Canada (BDC) and Industrial Bank of Korea (IBK) and the OECD.

**Key takeaways:** Although a large share of SMEs in the countries of member institutions have a reasonable awareness of key net zero concepts, most of them are still at an early stage in their transition to net zero. Key challenges holding SMEs back from advancing on the road to net zero include high costs, feasibility issues, concerns over maintaining profitability, etc.

Moreover, there are also challenges in the financial ecosystem of ESG investing, such as inconsistencies in ESG ratings across providers and lack of alignment between scores and emissions performance.

**“Many SMEs are aware of the urgency of addressing the climate crisis, but most are only at the early stages of the journey to net zero.”**

## Engaging SMEs in sustainability: Tools and approaches


17 June 2022



The [webinar](#) explored approaches and tools to increase SME awareness and incite them to take actions and invest in sustainability. It featured presentations from the British Business Bank, B-Corp (non-profit network for sustainability), Industrial Bank of Korea and Talsom (a management consulting firm specialised in digital transformation).

**Key takeaways:** Even when SMEs know how to transition to net zero, many perceive those actions as challenging to implement. On the other hand, once SMEs have begun their sustainability journey, they become more open to undertaking further actions and are more aware of the benefits for their business. The self-assessment tools provided through sustainability-related certifications, such as B-Corp, which has been used by more than 200,000 companies worldwide, can be an effective means to raise awareness among SMEs and prompt their first steps toward sustainability. Public financial institutions can support SMEs through comprehensive programmes that combine financial and non-financial services.

IBK has successfully implemented this model in response to SME demand for knowledge on the assessment and implementation of ESG practices. The OECD will also play an essential role in continuing to place financing SMEs for sustainability at the centre of the global agenda, as well as bridging the knowledge gaps on the topic.

A photograph of a small, vibrant green plant with several leaves growing out of the center of a weathered, grey tree stump. The background is the textured, cracked wood of the stump, with concentric growth rings visible. The lighting is natural, highlighting the contrast between the fresh green and the aged wood.

“Even when SMEs know how to transition to net zero, many perceive those actions as challenging to implement. On the other hand, once SMEs have begun their sustainability journey, they become more open to undertaking further actions”



## Sustainable finance: Which instruments for SMEs?

29 September 2022

This [webinar](#) explored approaches and instruments for financial institutions to boost SME access to sustainable finance. It featured presentations from Strategic Banking Corporation of Ireland (SBCI), Bpifrance and the European Investment Fund.

**Key takeaways:** Financial institutions have already started to expand their services to finance and support the low-carbon transition of SMEs. They provide SMEs not only with financial services such as debt products, grants, and guarantees for risk-sharing, but also with non-financial services like advisory services and training. Venture capital can also play a useful role in facilitating the development of innovative clean technologies and scaling-up and deployment of existing products and solutions.



## The global energy crisis: What implications for SME sustainable finance?

10 November 2022

This [webinar](#) examined the implications of the energy crisis for SME investments in resource efficiency and greening, as well as the policies, financing instruments and non-financial support to catalyse these investments. It featured presentations from the Directorate-General for Economic Activities of Portugal, SMEunited and Climate Strategy & Partners.

**Key takeaways:** The energy crisis is having clear impacts on SMEs' profitability and their ability to invest in sustainability. According to a survey of Spanish SMEs, 78% are feeling the impacts of the energy crisis, and 60% see climate change as a clear risk to their business. Even if SMEs don't have always have a clear strategy in this area, many of them are taking individual actions towards energy efficiency and greening. To meet the current challenges, a more structural approach for SMEs, with the aim of identifying common steps can help accelerate SMEs' decarbonization. Governments are taking action to support their SMEs through the crisis and towards greater energy efficiency. In 2022, Portugal introduced a support programme to provide energy-intensive companies, including SMEs, with support, and to create the conditions to accelerate their carbon neutrality targets from 2050 to 2045. Continued cooperation among the members of the European Union will also be important.



# Annual Conference

The [first annual conference of the OECD Platform on Financing SMEs for Sustainability](#) was held on 7 December 2022 at the OECD Conference Centre in Paris. The Conference was attended by over 100 participants from OECD and partner country governments, public and private financial institutions, Fintech companies, SME associations, providers of climate- and ESG-related advisory services, and others.

The Conference provided an opportunity to reflect on key challenges and opportunities in financing SMEs net zero transition through the presentation of the first analytical report of the platform Financing SMEs for Sustainability: Drivers, Constraints and Policies, as well as through the substantive discussions among the Platform members, knowledge partners and other participants across four panel sessions. The Conference was also the occasion to announce Bpifrance's joining as a new member of the Platform, along with the establishment of knowledge partnerships with Bankers for Net Zero; the European Banking Federation; the Montreal Group and the SME Climate Hub.

**Key takeaways:** There can be no net zero without SMEs; yet SMEs often lag behind larger firms in the green transition, owing to resource and capacity constraints. While most SMEs appreciate the risks associated with climate change and they recognise the imperative for climate action, few have taken steps to assess their climate impact or have measurable plans to get to net zero.

**Finance is essential for investments in net zero, but SMEs face challenges in tapping into the growing pool of sustainable finance.** Even in EU economies where the traditional SME funding gap may not be as large compared to more developing countries, access to finance is likely to become an important constraint as sustainability considerations are increasingly linked to financing decisions and as FIs face non-financial reporting requirements.

**Many public and private financial institutions offer financing for SMEs' net zero transition.**

Currently this takes place predominantly through banks' traditional financing instruments and schemes. However, FIs are also increasingly developing dedicated green or sustainable finance instruments. These include guarantees, loans, equity, leasing and other relevant instruments.



**However, data is a critical challenge for financial institutions to provide dedicated green and sustainable finance for SMEs.** In the absence of data on SMEs' sustainability performance with which to link financing conditions, financial institutions cannot design and implement sustainability-linked instruments for SMEs. Likewise, concerns about perceived "greenwashing" are preventing banks from creating dedicated green or sustainable instruments if they do not have sufficient data from clients to measure and demonstrate the sustainability impact of their financing and investments.

**Bridging the existing data gaps is essential to boost SME access to sustainable finance and accelerate their net zero transition.** SMEs need access to simplified solutions to measure and report on their climate performance in order to be able to access sustainable finance solutions or access and engage in the value chains of large enterprises that face non-financial reporting requirements.

**The provision of public financial support is also critical for advancing SMEs' net zero transition.** In addition to short-term support to help SMEs weather the current crisis, long-term financial support for net zero investments is essential to move the needle on climate change. Financial support can help close financing gaps and enable net zero investments by mobilising public and private financing toward net zero. It can also provide incentives for SMEs to direct more of their own financial resources toward these types of investments.

**Strengthening awareness and the demand for sustainable finance and investment is another important challenge,** especially in the current challenging economic context. Many SMEs in OECD countries have been hard-hit by the energy crisis, supply chain disruptions, weaker demand and other recent developments, with many facing severe challenges that are threatening their survival. SMEs also face other structural constraints to investing in greening, including regulatory uncertainty and technological change.

**Combining non-financial support and advisory services is a powerful way to boost both the supply and uptake of sustainable finance.** Non-financial support is also critical to boost SMEs' awareness and capacity to collect data and reporting on their sustainability performance. Advisory support can also benefit other actors in the ecosystem such as financial institutions.



**Effective delivery and scaling of solutions require a better understanding of SMEs’ highly heterogeneous profiles and needs.**

Public financial institutions are already seeking to understand the relevant characteristics that distinguish SMEs’ attitudes and paths to net zero and are segmenting their clients accordingly. Some PFIs are also exploring what kind of communications strategies are needed to most effectively gain SMEs’ attention and spur them to take actions on climate. Others are leveraging their large network to provide tailored support. Finally, many institutions are fostering collaboration with different stakeholders in order to reach SMEs in an effective way. The OECD Platform on Financing SMEs for Sustainability also provides an important forum for dialogue, knowledge sharing and dissemination of good practices among actors in the ecosystem.

**A stable, transparent, and predictable regulatory regime is critical for strengthening both the supply and demand for sustainable finance.** SMEs need regulatory certainty in order to undertake investments, especially

those with high upfront costs and benefits that accrue over the long-term. Regulatory certainty can also strengthen FIs’ incentives to allocate more financing toward greening or to provide more favourable financing conditions to investees with better sustainability performance or those that demonstrate credible commitments to improve their sustainability performance.

**Greater clarity and interoperability is needed among taxonomies and standards to facilitate the ability to comply.** Participants underlined that the proliferation of standards, methodologies, taxonomies and data requirements can cause considerable confusion and an unnecessary burden on SMEs, as well as FIs and large enterprises. Efforts should therefore be made to promote greater interoperability, and many participants called for the Platform to support such efforts.





**Similarly, mandatory or voluntary disclosure requirements or other regulatory demands on SMEs should be streamlined and simplified.** SMEs are currently not subject to disclosure requirements but are increasingly impacted by them via value chains and the financing channel. Yet the multiplication of different and uncoordinated requirements and guidelines also creates considerable burden and confusion as FIs and corporates are asking for different data and reporting from SMEs. Whether disclosure is voluntary or mandatory, it is important to converge around the key sustainability-related data that are needed by financial institutions and other entities to ensure that data requirements are simplified for SMEs.

**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 year 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, in particular, the role the OECD could play in identifying and developing a core set of simplified and streamlined indicators that financial institutions would need from SMEs in order to facilitate SME access to sustainable finance.



# Research and analysis

## **Financing SMEs for Sustainability: Drivers, Constraints and Policies**

The OECD Committee on SMEs and Entrepreneurship and the Platform delivered a major analytical report that examines the sustainable finance landscape for SMEs, the various actors in the ecosystem and the key drivers and barriers affecting the supply of and demand for sustainable finance. It provides an overview of the key policies and instruments in place to support SME access to sustainable finance and identifies considerations for future public support and policy making.

Addressing the climate crisis requires the net zero transition of millions of SMEs globally. SMEs have a significant aggregate environmental footprint and need to adopt cleaner business models. As eco-entrepreneurs and eco-innovators, they also have a key role to play in devising innovative climate solutions. Access to finance is essential for SME investments in net zero, but small businesses face considerable challenges in tapping into the growing pool of sustainable finance. This challenge is likely to grow as financial institutions seek to comply with mandatory environmental reporting requirements.

SMEs risk losing out on sustainability-linked finance due to their limited capacity to produce data on their sustainability performance, including ESG assessments. On the other hand, tapping into this large pool of resources offers opportunities for SMEs to accelerate their investments in net zero.

SMEs need access to appropriate forms of financing for their net zero investments. There is a growing range of sustainable finance instruments being developed by public and private actors. Governments can support SMEs' access to sustainable finance by crowding in private sector financing through credit guarantees for green or sustainability-linked lending, and by supporting the provision of equity finance for innovative green ventures through intermediaries and partnerships. They can also support SME participation in green capital markets and provide financial incentives for SME greening, such as subsidies and tax incentives.

Financial support should go hand in hand with broader measures to raise awareness and stimulate demand for sustainable finance. Non-financial support is key to strengthen SME awareness about the steps towards net zero and provide the necessary tools that can enable them to embark and stay on the journey. This includes technical support, such as online tools, mentorship and consulting services, as well as access to data and information to help SMEs make more informed decisions and establish timelines for greening.

It is crucial to address persistent data gaps. Policy design and targeting can be improved by access to better data. Solutions should also enable financial institutions to collect granular data on SMEs without overburdening these businesses (e.g. a set of core sustainability-related indicators, and tools to measure SME sustainability performance). Public-private partnerships will be critical in this endeavour.

Mobilising all actors in the sustainable finance ecosystem is important to accompany SMEs effectively. SMEs need to interact with a growing number of actors in the ecosystem, including traditional actors – finance providers and policy makers – but also various sustainability-related intermediaries, including

ESG ratings providers, auditing and advisory services, accountants and others. Fostering closer collaboration, networking, and dialogue between these different actors, at both national and international levels, is critical to strengthen both the supply of sustainable finance and uptake by SMEs. The OECD Platform on Financing SMEs for Sustainability provides such a global forum to advance knowledge and cooperation in this area.





## Contributions to the G20

The OECD Platform contributed to the 2022 Updated G20/OECD High-Level Principle on SMEs Financing, which provide guidance to governments to strengthen the evidence base on SME financing, enhance access to debt financing and create the conditions for the development of a diverse range of financing instruments for SMEs. The Update features a new principle on sustainable finance for SMEs (see Box). The Updated Principles were approved by the OECD Committee on SMEs and Entrepreneurship in June 2022 and welcomed by the G20 Leaders in November 2022.



## 2022 Updated G20/OECD High-Level Principles on SME Financing – A focus on sustainable finance

### Principle 9. Strengthen the availability and uptake of sustainable finance for SMEs

Governments should strengthen the availability and uptake of sustainable finance for SMEs in order to help reach environmental, social and governance (ESG) objectives. Governments and public financial institutions can facilitate SME access to a range of tailored sustainable finance instruments suitable to their diverse needs and ambitions. Financial support should be complemented with non-financial support in order to close gaps in SME awareness and knowledge of sustainable finance, improve SME reporting capabilities, strengthen investment-readiness and boost SME demand for and access to sustainable finance. Governments should also promote the inter-operability of definitions, data and methodologies related to the integration and measurement of ESG standards to support the demand for and supply of sustainable finance. Proportionality in ESG reporting requirements could be considered, in line with SMEs' ability to measure and report on their ESG performance and efforts. Governments could also consider flexible timelines for the implementation of ESG considerations in SME business practices, while supporting capacity building for reporting and compliance.

Note: Sustainable finance takes into consideration environmental, social and/or governance factors into the investment decision. In the area of the environment, it involves the provision of direct financing for sustainability (e.g. green grants, repayable or not, green concessional loans, direct equity, green bonds, green credit lines for on-lending etc.), as well as crowding in private sustainable finance (green loan guarantees, first-loss capital, etc.).

Source: 2022 Updated G20/OECD High-Level Principles on SME Financing.

# Steering Committee meetings

The first meeting of the Steering Committee, which provides strategic guidance to the Platform, was held virtually on 21 April 2022. The Committee endorsed the Platform's Terms of Reference and Programme of work for 2022 and identified priorities for analytical work and outreach for the first year of the Platform's operations.

with participant included:

- Gemma Peck, Director for Business, Growth at the UK Department for Business and Trade, Chair of the Platform Steering Committee
- Isabelle Hudon, the CEO of the Business Development Bank of Canada (BDC)
- Jong-Won Yoon, Chairman and CEO of the Industrial Bank of Korea (IBK)
- Judith Hartley, CEO of the British Business Bank's two commercial subsidiaries, British Business Investments and British Patient Capital
- Lamia Kamal-Chaoui, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)





The second meeting of the Steering Committee of the Platform was held in person on 6 December 2022. The Committee members reviewed and commented on the Platform's key achievements of 2022, endorsed the Programme of work for 2023 and provided inputs on the strategic priorities for the Platform's work in 2023.

with the participation of:

- Gemma Peck, Director for Business Growth at the UK Department for Business and Trade, Chair of the Platform Steering Committee
- Jong-Won Yoon, Chairman and CEO of the Industrial Bank of Korea (IBK)
- Louis Taylor, CEO of the British Business Bank
- Karen Kastner, Vice President for Strategy and Government Relations, Business Development Bank of Canada
- Sandra Odendhal, Senior Vice President and Head of Sustainability and Diversity, Business Development Bank of Canada
- Lamia Kamal-Chaoui, Director of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)

# Communications and media presence

## COGITO blogs

The Platform members contributed blogs to COGITO, the OECD Centre for Entrepreneurship, SMEs, Regions and Cities' high-profile blog series.

### **We must unlock sustainable SME Finance for a sustainable net zero transition** **Gemma Peck and Miriam Koreen**

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.



[Full article](#)

### **A sound investment: Financing the green transition of small and medium-sized enterprises (SMEs)** **Jong-Won Yoon**

Action to protect our environment is an investment in our future. To make the transition to net zero, SMEs need to be able to finance green investments. How do we map out our collective journey to meet our climate objectives?



[Full article](#)



### Is financial diversification the key to SME resilience?

Miriam Koreen

Small- and medium-sized enterprises (SMEs) and entrepreneurs were hit extremely hard by the COVID-19 pandemic. Many remain vulnerable to renewed pressures from high prices in energy and raw materials, financial market volatility and disruptions in supply chains and trade. To invest in growth and greening and play a full part in the recovery, we need to enable them to tap into alternative financial instruments.



[Full article](#)

### Speeches and presentations

The OECD Secretariat presented the Platform and its activities at over 30 events in national and international fora. These included the International Chamber of Commerce's Make Climate Action Everyone's Business Forum (November 2022), the Tri Hita Karana Future Knowledge Summit (November 2022), the European Business and Nature Summit 2022 (October 2022), the CSR Europe SDG Summit (October 2022), among many others.





# What's next for the Platform?

In 2023, the Platform will continue to contribute to closing data and knowledge gaps in the area of SME sustainable finance. Key areas of focus include:

- **Bridging SME data and reporting gaps**
- **Fostering SME demand for sustainable finance and investment**
- **Ensuring transition finance is available for SMEs in hard to abate sectors**
- **Understanding how global trends impact SMEs' access to and uptake of sustainable finance**

The Platform will implement a survey of public and private financial institutions to gather data and insights on their strategies and approaches to integrating sustainability considerations in their SME operations, as a way to benchmark future developments and progress.

Knowledge-sharing events will include quarterly webinars, including one in the run-up to the meeting of the OECD Committee on SMEs and Entrepreneurship at Ministerial Level, and one on the margins of COP28. The 2023 Annual Conference of the Platform will take place in the fall of 2023.

## Outreach

Expanding the Platform's membership and partnerships was an important priority for the Platform in 2022. Outreach efforts focused on public and private financial institutions and relevant national and international initiatives. Bpifrance joined as a member of the Platform in December 2022, while Bankers for Net Zero (B4NZ), European Banking Federation (EBF), The Montreal Group and the SME Climate Hub became knowledge partners.

The expansion of the Platform was recognised by G20 Leaders in 2022. The Annex on G20 Action for Strong and Inclusive Recovery of 15-16 November, 2022 includes the following statement: "Expansion of the OECD Platform on Financing SMEs for Sustainability (OECD). It aims to bring together public and private financial institutions, as well as other actors in the sustainable finance ecosystem, from around the world to exchange knowledge and good practices on how to accompany SMEs through the green transition and enable them to obtain the finance needed to green their business models and operations."

## Benefits of becoming a member

- Make your voice heard with policymakers on issues pertaining to financing SMEs for sustainability
- Provide inputs and high-level policy guidance to OECD, G20 and partner governments
- Showcase and promote initiatives and good practices in sustainable finance for SMEs
- Stay abreast of new developments, innovative projects, and initiatives in other institutions around the world
- Identify and implement operational approaches and instruments based on members' experiences with ESG integration, SME financial and non-financial support and engagement
- Gain a better understanding of SMEs' diverse financing needs, to identify and address demand-side constraints to SME sustainable finance
- Benchmark activities and progress in this area relative to other members
- Collaborate on collective research projects with OECD and other members of the Platform

## Join us



<https://oe.cd/greening-smes>

Please contact the team  
to learn more:

**Miriam Koreen:** [Miriam.Koreen@oecd.org](mailto:Miriam.Koreen@oecd.org)

**Marija Kuzmanovic:** [Marija.Kuzmanovic@oecd.org](mailto:Marija.Kuzmanovic@oecd.org)



**Stay in touch**

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