

Preface

As we aim to optimise the strength of the economic recovery from the COVID-19 crisis, the attention of governments worldwide is turning towards small and medium-sized enterprises (SMEs) and entrepreneurs, and how best to help maximise their contribution to stronger, sustainable, cleaner, more inclusive growth.

A little more than a year ago, SMEs and entrepreneurs found themselves in uncharted waters. Confronted with health restrictions that triggered an unprecedented recession, and with many having only limited liquidity, most had to rely on government support to survive. Thanks to that support combined with SMEs' remarkable resilience, the worst has been averted. The feared wave of bankruptcies has not materialised, at least not yet. Jobs, assets and viable firms have been preserved. In addition, following an initial collapse at the height of containment measures, firm creation is on the rise in most countries, driven by innovative and entrepreneurial ventures responding to new needs and opportunities presented by the pandemic. Over 50% of SMEs, for example, have increased their use of digital tools during the pandemic. New opportunities for the integration of SMEs within global value chains have also emerged.

However, despite these positive signals, challenges remain. Many support mechanisms involved more debt. There is a risk that a rapid unwinding of support could precipitate a wave of bankruptcies which would jeopardise the recovery. Whilst there will be a need to begin to repair public finances again, withdrawal policies need to ensure that structurally viable SMEs and entrepreneurs are able to continue to thrive. Similarly, there is a need to address pre-existing challenges that the crisis has exacerbated. Government support has been less effective at reaching smaller and younger firms, the self-employed, women and minority entrepreneurs. Despite the reduction in some digital gaps, the self-employed and micro firms still lag in the digital transition. Moreover, it is still unclear how resilient the increase in entrepreneurial activity will prove to be, or whether it has rather been driven by rising unemployment.

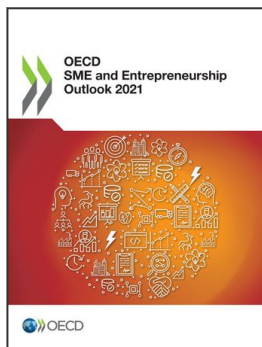
Fortunately, governments around the world recognise these challenges. A number of recovery packages are designed to transform the crisis into an opportunity, driving a forward-looking agenda to help drive stronger, sustainable growth, offering opportunities to all. Due to their collective scale, adaptability, and innate entrepreneurialism, SMEs and entrepreneurs are a central ingredient of this transition. Through their local roots, SMEs and entrepreneurs are also able to anchor the recovery specifically to their territories.

The *SME and Entrepreneurship Outlook 2021* takes a deep-dive into these challenges and opportunities to inform policy makers about the transformations at play that can help drive the recovery to build back better. The report presents new data and evidence on the state of entrepreneurship, as well as the vulnerabilities, resilience and growth potential of SMEs.

Along with the creation of a new OECD Committee on SMEs and Entrepreneurship, an OECD Strategy for SMEs and Entrepreneurship, and a dedicated knowledge infrastructure, the SME and Entrepreneurship Outlook is a cornerstone of the OECD's capacity to monitor SME and Entrepreneurship business conditions and performance. Reaching beyond analysis, the Outlook provides sound, tangible policy recommendations to allow governments to best leverage their heterogeneous populations of SMEs and entrepreneurs.



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