

SMEs and SDGs: Supporting Small and Medium Enterprises to Achieve the Sustainable Development Goals



– Insights from a BlueOrchard survey



The 17 Sustainable Development Goals (SDGs), ratified by the United Nations General Assembly in September 2015, were presented as “a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity”. Not surprisingly, strengthening the capacity of small and medium-sized enterprises (SMEs) – typically, though not exclusively, through greater access to finance – is identified as a key target in specific SDGs. In addition, SMEs involved in specific sectors can also make a significant contribution to the achievement of other SDGs. These

sectors include in particular agriculture, affordable healthcare, education, clean energy and water & sanitation. Contributing to the growth and development of the SME sector has therefore both important economic and social impacts. Their impact is particularly strong through employment creation, providing significant opportunities for populations in developing countries.

Nevertheless, the SME sector faces significant challenges: While SMEs in emerging markets do contribute to job creation, their contribution to overall

economic growth, even when accounting for the weight of the informal sector in emerging markets, lags behind the examples of OECD economies. Access to financing sources for SMEs in their respective local markets is still a challenge for many companies. In addition, financing needs are only a piece of the puzzle of a number of challenges and policy responses required to develop the SME sector looking at both the demand and the supply sides.

Exploring how SMEs can be supported to achieve the SDGs and the challenges

and opportunities they face, helps to point to the most effective means to provide support to the SME sector. BlueOrchard has therefore conducted a survey on a sample of financial institutions which lend to SMEs across different regions with the objective of identifying differences and commonalities between SME markets and the needed improvements in terms of services and financing for SMEs in emerging and frontier markets. The main findings of the survey show that:



Credit remains the main source of SME financing, with loan sizes and maturities varying by region and being almost always collateralised;



SMEs are impacted by commodity prices and the development of natural resources sectors;



When financing is combined with business advisory services and capacity building the impact of financing can be enhanced and credit risk mitigated;



Credit unions, cooperatives and microfinance institutions tend to have greater outreach to informal sector SMEs compared to banks;



Legal, regulatory, market and political stability is required and in some regions supersedes other requirements for further developing;



Start-ups and those SMEs that operate in the informal sector are most limited in the access to credit.

Based on these findings and its longstanding experience, BlueOrchard's action plan to support the development of the SME market in cooperation with its partners pivots around a threefold approach: I) innovative product structuring with the enhancement of portfolio securitisations of specialised SME lenders and financing companies; II) combination of tailored funding for lenders of SMEs with advisory services and capacity building to multiply the benefits achievable with the financing; and III) technological focus to achieve sustainable development and inclusive solutions across sectors.

Having participated in the evolution of the inclusive finance sector as it has expanded beyond the financing of traditional microfinance institutions to include a broad range of lenders to SMEs, an important role is envisaged for BlueOrchard's current mandates under management and future new initiatives to contribute to fulfill the SME financing agenda in emerging and frontier markets ensuring that this is responsible, inclusive, and sustainable.

The study is available at:

<http://www.blueorchard.com/smes-sdgs-supporting-small-medium-enterprises-achieve-sustainable-development-goals-insights-blueorchard-survey/>