

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INNOVATION
STEEL COMMITTEE**

**PROGRAMME OF WORK AND BUDGET 2015 -2016
PROPOSAL FOR OUTPUT AREA 1.2.5 (STEEL)**

This document is a revised version of document DSTI/SU/SC(2014)12 that was submitted to delegates in July 2014. There has been no change to substance in terms of the Outputs that were agreed by the Steel Committee to be delivered during 2015-16. This document contains a fully-costed draft PWB for the period 2015-16 in Appendix A, and is submitted to delegates for endorsement through the written procedure. Should your delegation have any comments, please submit them to the Secretariat by 29 October 2014. Otherwise, endorsement of the PWB will be assumed. The Budget Committee and Council will soon consider Output proposals and priorities across the Organisation, following which further adjustments to the PWB may be made. The Organisation-wide PWB submission will be finalised for consideration and decision by Council by the end of the year.

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Summary

This document is a revised version of document [DSTI/SU/SC\(2014\)12](#) that was submitted to delegates in July 2014 for information. That document informed delegates of the outcome of the Steel Committee's Programme of Work and Budget (PWB) priority-setting exercise (the ranking of Outputs for 2015-16) and explained the next steps of the PWB process. The OECD's Programme, Budget and Financial Management Service (PBF) has now provided the final budget parameters for 2015 such as indirect costs and overheads for Part II Programmes such as Steel, allowing a draft PWB with final figures for the period 2015-16 to be submitted to delegates for endorsement through the written procedure at this time.

This document is essentially the same as the one sent to delegates in July, with the exception that the tables in Annex A are now updated to include indirect costs and overheads. In other words, there has been no change to substance in terms of the Outputs that were agreed by the Steel Committee to be delivered during 2015-16.

Given a budget that will remain unchanged (in nominal terms) during 2015-16, since the Steel Committee operates under so-called "zero nominal growth," or ZNG, and in light of the resources necessary to perform the Outputs that Members and Associates ranked, it will not be possible to undertake all of the Outputs during the course of 2015-16 and the Workshop in a non-Member economy which was the Output that received the fewest votes, will not be organised. Appendix A presents the standard PWB template for the Steel Committee, showing the Outputs that can be accomplished based on the current budget.

Because delegations have also showed interest in learning more about work taking place within the Directorate for Science, Technology and Innovation (STI) during 2015-16, particularly those projects with relevance for steel as well as projects where the Steel Committee's own work could possibly contribute to, Appendix B provides a description of five projects that will be conducted by the Committee for Industry, Innovation and Entrepreneurship (CIIE) under the CIIE's PWB for 2015-16. This is provided for your information.

Action

Delegates will find the Steel Committee's fully-costed draft PWB for the period 2015-16 in Appendix A of this document for endorsement through the written procedure. Should delegations have any comments, please provide them in writing by 29 October 2014. Otherwise, we will assume endorsement of the draft PWB. The Budget Committee and Council will soon consider Outputs and priorities across the Organisation, following which further adjustments to the PWB may be made. The Organisation-wide PWB submission will be finalised for consideration and approval by Council by the end of the year.

Related documents

[DSTI/SU/SC\(2014\)9](#)

Programme of Work and Budget of the Steel Committee for 2015-2016:
Prioritisation of Work Items

[DSTI/SU/SC\(2014\)12](#)

Programme of Work and Budget 2015-2016 Proposal for Output Area
1.2.5 (Steel)

The outcome of the PWB voting exercise

1. At its meeting on 5-6 June 2014, the Steel Committee discussed its proposed programme of work for 2015-16. The Committee discussed document [[DSTI/SU/SC\(2014\)9](#)], which describes ten projects proposed by the Secretariat and several delegations. At that time, the Committee noted that there was some overlap in certain project proposals, namely those focussed on steelmaking capacity and related government policies.

2. At the June 2014 meeting, approximately half of the Committee's delegations had confirmed their Output priorities. The Secretariat, therefore, asked delegations that had not yet voted to do so as soon as possible. The Secretariat has now received the voting sheets of most of the Committee's Members and Associates.

3. The Committee-average ranking of the 10 proposed Outputs is the following (from highest to lowest priority):

1. Ongoing monitoring of steel markets and trade
2. Raw materials restrictions
3. Framework for reporting of capacity developments and government support in the steel sector
4. Analysis of policies with implications for capacity
5. Compiling information on recent/current/planned investment projects
6. Global value chains in the steel industry
7. Industrial transformation and the role of the steel industry
8. Energy efficiency in the steel industry: policies and outcomes
9. Boosting productivity in the steel industry: the role of investments in R&D and innovation
10. Workshop in a non-Member economy

4. Given the overlap and complementarity between the three items on capacity (the items ranked 3, 4 and 5 above), the Secretariat has combined the three into one broad project group entitled "Steelmaking Capacity". Doing so, the items ranked above become as follows:

1. Ongoing monitoring of steel markets and trade
2. Raw materials restrictions
3. Steelmaking capacity
 - a. Framework for the reporting of capacity developments and government support in the steel sector
 - b. Compiling information on recent/current/planned investment projects (i.e., a database)
4. Global value chains in the steel industry
5. Industrial transformation and the role of the steel industry
6. Energy efficiency in the steel industry: policies and outcomes
7. Boosting productivity in the steel industry: the role of investments in R&D and innovation
8. Workshop in a non-Member economy

5. Based on these rankings, this document develops a draft PWB for 2015-16. Appendix A presents the standard PWB template for the Steel Committee based on the current budget (more on the budget is provided below). The tables indicate each Output Result that can be undertaken during 2015-16.

A few words about the budget

6. To provide some background, the Steel Committee has been operating under a budget constrained by so-called “zero nominal growth” (or ZNG) since 2008, which, given cost increases each year, has meant a decline in real resources to perform its work. Over the last few years, some Members have left the Committee: Greece withdrew at the end of 2011, and Denmark and Norway both left in March 2013. On the other hand, one non-OECD Member has recently become an Associate (Ukraine at the end of 2012), thus contributing to the budget. In addition, a number of Participant economies that partake in the Committee have helped to offset some of the pressure on resources, though their contributions are not counted as part of the budget of the Committee, they can provide additional resources to facilitate the work of the programme.

7. The Steel Committee agreed to maintain its budget at ZNG for 2013 (EUR 678 630) but slightly below ZNG for 2014 (EUR 676 400). The decline in 2014 reflected the fact that Denmark and Norway still contributed a pro-rated amount in 2013 but no longer contributed in 2014. Under ZNG, the budget in 2015 and 2016 remains at the level of 2014.

8. The Steel Committee has benefitted in the past from a voluntary contribution, in the form of a staff secondment from the Japan Iron and Steel Federation (JISF). JISF’s most recent secondment extends until August 2015. This will continue to provide resources needed to deliver the programme of work, at least over the coming year. The Secretariat does not know for certain whether another secondment will be made by JISF starting in September 2015.

9. Looking ahead, the Steel Committee may wish to consider ways to secure its revenue base, over the longer term, to support its Outputs. One possibility is to increase the number of Associates, which would allow costs to be spread over a larger number of countries.

Other work within STI that is relevant for steel

10. At the Committee’s meeting in June 2014, delegations showed interest in learning more about work taking place within the Directorate for Science, Technology and Innovation (STI) during 2015-16, particularly those projects with relevance for steel as well as projects where the Steel Committee’s own work could possibly contribute to. Appendix B provides a description of five projects that will be conducted by the Committee for Industry, Innovation and Entrepreneurship (CIIE) under the CIIE’s PWB for 2015-16, which may be of interest to delegates of the Steel Committee in this context. The five projects are *i)* Productivity and Competitiveness: Policy Lessons from the Analysis of Sectoral and Firm-level Data, *ii)* GVCs: Extensions and Upgrading, *iii)* Evaluation of the Effectiveness of Industrial Policies, *iv)* Enabling the Next Industrial Revolution: The Future of Manufacturing and Services, and *v)* Entrepreneurship Finance Issues and Policies: Firm Demographics and Dynamics.

Next steps

11. Since the OECD’s Programme, Budget and Financial Management Service (PBF) has recently provided the final budget parameters such as indirect costs and overheads for Part II Programmes such as Steel, a fully costed draft PWB for the period 2015-16 is now being submitted to delegates for endorsement through the written procedure. Should delegations have any comments, please provide them in writing by 29 October 2014. Otherwise, we will assume endorsement of the draft PWB. The Budget Committee and Council will soon consider all Output proposals and priorities across the Organisation, following which further adjustments to the PWB may be made. The Organisation-wide PWB submission will be finalised for consideration and approval by Council by the end of the year.

appendix A: budget template

NAME OF PROGRAMME:		STEEL		
STRATEGIC OBJECTIVE:	1	Promote Sustainable Economic Growth, Financial Stability and Structural Adjustment		
OUTPUT GROUP:	1.2	Industrial and Sectoral Policies		
OUTPUT AREA:	1.2.5	Steel		
			K EUR	
			2014	2015
			2016	
		Direct Part II Budgeted Resources	616	618
		<i>% change per year</i>	<i>-0.2%</i>	<i>+0.4%</i>
		Overhead Charges paid to Part I	61	58
		<i>% change per year</i>	<i>+0.2%</i>	<i>-5.1%</i>
				<i>+1.0%</i>
		Total Part II Budget	676	676
		<i>% change per year</i>	<i>-0.2%</i>	<i>-0.1%</i>
				<i>+0.1%</i>
		Total Estimate of Voluntary Contributions Planned	57	-
		Total Estimated Cost (Part II Budget + Estimated Voluntary Contributions)	733	676
				676
RESPONSIBLE MANAGER:		Deputy Secretary-General William DANVERS		
RESPONSIBLE HEAD OF PROGRAMME:		Mr. Andrew WYCKOFF		
MEMBERS AND ASSOCIATES:		Austria, Belgium, Brazil, Canada, Czech Republic, Finland, France, Germany, Hungary, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, Poland, Portugal, Romania,		

	Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, United States; European Commission
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COMMITTEE INFORMATION:			MANDATE or SUNSET:
Steel	Committee	(STEEL)	31/12/2018
<i>Participants:</i> Bulgaria, Chinese Taipei, Egypt, India, Malaysia, South Africa			

Overview:

The Steel Committee provides a unique forum for governments and industry to come together to discuss multilateral steel issues and ways to foster open markets for steel. Policy dialogue, transparency, and commitment have been the driving forces governing this Committee. The Committee benefits from the participation of the world's largest steel-producing economies, which together account for the majority of global steel production and trade.

Ultimately, the Committee aims to support the viability of the steel industry, through policies that reduce market distortions and promote competitive and open markets for steel. The Committee's mandate calls on governments to work together in order to reduce trade barriers, deal with crisis situations in close consultation with trading partners, facilitate needed structural adaptations that reduce pressures for trade actions and promote rational allocation of productive resources, avoid encouraging economically unjustified investments, ensure that state-owned enterprises (SOEs) act in accordance with market principles, and facilitate multilateral co-operation consistent with the need to maintain competition. The tools for reaching these objectives include closely monitoring market conditions, developing common perspectives regarding emerging problems in the steel sector, and reviewing and assessing government policies.

The work of the Steel Committee over the last two years has covered areas such as steel and raw material market developments, excess capacity and industry viability, trade policies (including non-tariff measures and export restrictions on raw materials), and challenges related to the industry's environmental performance. More recently, however, participants of the Steel Committee have become increasingly interested in the issue of how to address global excess capacity, given its growing magnitude and impacts it is having on trade and the industry's economic viability. Governments are interested in learning the causes of excess capacity, particularly the role of government interventions in creating or sustaining excess capacity, as well as the policies being implemented to ease the situation.

Governing Board Approval/Endorsement of this Draft PWBSteel Committee [[DSTI/SU/SC\(2014\)12](#)]**Policy Environment:**

The policy environment has become challenging for the steel industry. Although the industry is emerging from a severe cyclical downturn triggered by the global economic and financial crisis of 2008/9, the recovery has been uneven across economies. While some emerging economies have experienced a rapid recovery in steel demand, recent projections suggest that many developed economies will register steel demand levels in 2015 that are still below levels posted in 2007. In some countries, there are concerns that steel demand may have shifted permanently downwards, reflecting changes in the industrial structure of these economies or generally weak economic prospects.

At the same time, investment in new steel projects continues to take place at a rapid pace, which, combined with comparatively moderate demand growth, is leading to historically high levels of excess capacity. Excess capacity, in turn, is weakening the economic health and sustainability of the industry, with the industry's financial performance currently as weak, or weaker, than it was during the steel crisis of the late 1990s.

So far, company responses to overcapacity appear to have been short-term in nature, for example by reducing costs and focussing on high-end products, rather than fundamental steps to close facilities permanently. While the opening and closure of plants is usually based on the commercial decisions of private companies, it is widely accepted that government interventions in steel markets are contributing by either promoting new investment or maintaining uneconomic capacity. There are also concerns regarding the behaviour of SOEs (whose share of global steel production has increased significantly over the past decade) and their contribution to excess capacity. It is clear that governments should not provide support measures that contribute to the building of new capacities or that sustain companies that are making losses and would otherwise exit the market.

In some countries, domestic production is being displaced by excess, inefficient capacity in other regions of the world. The risk is that a period of prolonged, chronic global excess capacity will lead to unstable market conditions and perhaps trigger a wave of government support and market-distorting trade practices. These actions can create further distortions on world steel markets and exacerbate the excess capacity situation, reducing the dynamism and efficiency of the global industry.

An emerging policy priority, therefore, is centred on the need, globally, to remove government interventions in steel markets that contribute to uneconomic, excess capacity. In this context, the OECD Steel Committee can provide a useful forum for reporting and raising transparency of capacity developments as well as government support in the steel sector, with a view to establishing common perspectives on ways to avoid practices that create harmful trade and competitive distortions.

Another priority will be to enhance trade policies to deal with non-market behaviour. Policymakers should consider ways to enhance and strengthen enforcement of these rules, work together to discuss and discourage violation of the rules, and prepare taking formal action where necessary to remedy violations.

The steel industry also has a large role to play in climate change mitigation. As one of the largest industrial emitters of carbon dioxide, the industry will be called on to make further efforts to reduce emissions significantly from current levels. A major concern is the loss of competitiveness in cases where an energy- and trade-intensive industry such as steel is subject to strict carbon constraints while the same industry in other parts of the world is not. With international competition high and prices set globally, steel companies that are subject to specific, regional environmental regulations are not able to pass on the additional costs to consumers, and are thus at a competitive disadvantage vis-à-vis their competitors. The need to improve energy efficiency, transfer best available technologies, and develop breakthrough technologies will continue to be high on the agenda of the industry in the future.

Expected Outcomes:

Awareness/Understanding:

- Greater transparency of policies that distort markets for steel and raw materials
- Better understanding of global value chain patterns in the steel sector and their implications for competitive conditions, overcapacity, trade flows and trade policies applied in the steel sector
- Improved awareness of energy efficiency policies and their impacts on energy efficiency in the steel industry
- Better knowledge of the implications of industrial transformation on the steel industry and how the latter might have to adapt
- Greater awareness of the potential gains from increased investment in R&D and innovation and the long-term viability of the steel industry

Usage:

- Improved policy responses to major challenges and structural changes occurring in the steel industry
- Evidence of policy approaches that contribute to fewer distortions in steel and related raw material markets

Effects:

- Contribute to more open markets in steel and raw materials
- Better prepare policy makers for structural changes that are occurring in steel markets
- Contribute to green growth from an industry perspective

			2015 (K EUR)				2016 (K EUR)			
2015-16 Expected Output Results in Priority Order	Accountable Committee/ Subsidiary Body/ Global Forum	Ongoing/ Time Bound (end-date)	Total Estimated Cost (TEC)[1]	Part II Budget	VCs in Hand	New VCs	Total Estimated Cost (TEC)[1]	Part II Budget	VCs in Hand	New VCs
1. Eight Reports on Ongoing Monitoring of Steel Markets and Trade	STEEL	Time Bound Q4 2016	180	180	-	-	201	201	-	-
1.1. Eight reports on ongoing monitoring of steel markets and trade	STEEL	Time Bound Q4 2016	180	180	-	-	201	201	-	-
2. One Report on Raw Materials Restrictions	STEEL	Time Bound Q4 2016	-	-	-	-	83	83	-	-
2.1. One report on raw materials restrictions	STEEL	Time Bound Q4 2016	-	-	-	-	83	83	-	-
3. Framework and Database on Steelmaking Capacity	STEEL	Time Bound Q4 2016	180	180	-	-	180	180	-	-
3.1. Framework for the reporting of capacity development and government support in the steel sector	STEEL	Time Bound Q4 2016	90	90	-	-	90	90	-	-
3.2. Database on recent/current/planned investment projects	STEEL	Time Bound Q4 2016	90	90	-	-	90	90	-	-
4. One Report on Global Value Chains in the Steel Industry	STEEL	Time Bound	103	103	-	-	-	-	-	-

		Q4 2015								
4.1. One report on global value chains in the steel industry	STEEL	Time Bound Q4 2015	103	103	-	-	-	-	-	-
5. One Report on Industrial Transformation and the Role of the Steel Industry	STEEL	Time Bound Q4 2016	-	-	-	-	51	51	-	-
5.1. One report on industrial transformation and the role of the steel industry	STEEL	Time Bound Q4 2016	-	-	-	-	51	51	-	-
6. Energy Efficiency in the Steel Industry: Policies and Outcomes (database)	STEEL	Time Bound Q4 2016	103	103	-	-	103	103	-	-
6.1. Energy efficiency in the steel industry: policies and outcomes (database)	STEEL	Time Bound Q4 2016	103	103	-	-	103	103	-	-
7. One Report on Boosting Productivity in the Steel Industry: The Role of Investments in R&D and Innovation	STEEL	Time Bound Q4 2015	51	51	-	-	-	-	-	-
7.1. One report on boosting productivity in the steel industry: the role of investments in R&D and innovation	STEEL	Time Bound Q4 2015	51	51	-	-	-	-	-	-
TOTAL			618	618	-	-	618	618	-	-

[1] TEC is equal to the sum of the Direct Part II Budget Resources, Voluntary Contributions in Hand and New Voluntary Contributions.

Programme and Resource Changes:

The Steel Committee has been operating under a budget constrained by so-called “zero nominal growth” (or ZNG) since 2008, which, given cost increases each year, has meant a decline in real resources to perform its work. Over the last few years, some Members have left the Committee: Greece withdrew at the end of 2011, and Denmark and Norway both left in March 2013. On the other hand, one non-OECD Member has recently become an Associate (Ukraine at the end of 2012), thus contributing to the budget. In addition, a number of Participant economies that partake in the Committee have helped to offset some of the pressure on resources, though their contributions are not counted as part of the budget of the Committee, they can provide additional resources to facilitate the work of the programme. Under ZNG, the budget in 2015 and 2016 remains at the level of 2014.

End-users:

Steel Committee participants, China, People's Republic of

Stakeholders:

BIAC, TUAC, EBRD, UNCTAD, World Steel Association

Expected Contributions from other OECD Output Areas:

1.2.1 Entrepreneurship, Industry and Local Development, 3.1.1 Trade Liberalisation, 3.1.3 Trade and Domestic Policies, 4.2.1 Competition, SHIP

Co-ordination with Other International Organisations:	
Name:	Planned Co-ordination:
International Energy Agency (IEA)	Co-ordination on energy efficiency policies
European Bank for Reconstruction and Development (EBRD)	Co-ordination on the environmental performance of the steel industry and investing financing issues
UN Conference on Trade and Development (UNCTAD)	Co-operation with the Iron Ore Trust Fund on issues relating to raw materials

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Business and Industry Advisory Committee (BIAC)	Co-operation with the BIAC Committee on Raw Materials
World Steel Association (WSA)	Co-ordination on steel statistics and market analyses

Gender Mainstreaming:

Not applicable.

ADDITIONAL INFORMATION

Voluntary Contributions Expenditure in Previous Years and Planned for 2015-16:						
	(K EUR)					
	2011	2012	2013	2014[2]	2015	2016
Previous Voluntary Contributions:	29	10	53	-		
Voluntary Contributions in Hand:					-	-
New Voluntary Contributions:					-	-

[2] Voluntary Contributions expenditure as at 19 September 2014.

Global Relations Summary:**New Initiatives**

South Africa has demonstrated an increased interest in the work of the Steel Committee. Given this increased commitment, the Committee wishes to extend an invitation to South Africa to upgrade its status in the Committee from Participant to Associate. South Africa has demonstrated interest in this possibility during informal discussions with the Secretariat, but will need more time to consider.

Strategies and Participation Plan

- The Committee seeks to invite selected South American steel-producing economies to participate as Invitees in the Steel Committee.
- The current Global Relations Strategy and Participation Plan require updating to include Colombia and Latvia as Invitees, in accordance with the Council's directive to all Committees to invite these Accession countries to meetings [conclusion 162(g) of [C/M\(2013\)16](#) for Colombia and conclusion 184(f) of [C/M\(2013\)17](#) for Latvia].
- Philippines will be invited as an Invitee to participate in Committee discussions.

Associate Status

The Committee wishes to extend an invitation to South Africa to upgrade its status in the Committee from Participant to Associate

Other Issues

Argentina withdrew from the Steel Committee as a Participant, effective in September 2014.

Contribution to Development:

The Steel Committee is an important forum for developing economies, many of which participate in the Committee as Associates, Participants and Invitees. For instance, major steel-producing developing economies that participate actively in the Steel Committee include Brazil, China, India, Russia and South Africa. With a policy goal of resisting protectionism and avoiding trade-restrictive and distorting measures in the steel and related raw material industries, the Steel Committee is expected to contribute to the economic development of emerging economies that have steel activity.

Consideration of Sustainable Development Perspectives in the Programme of Work

A key priority for the OECD is to contribute to a better understanding of the risks of climate change and identifying the policies needed to mitigate and manage these risks. The steel industry has a major role to play in climate change mitigation. As the largest industrial emitter of carbon dioxide, and second-largest industrial energy consumer (accounting for 22% of total industrial

energy use in 2011), the industry faces the challenge of reconciling growth in demand for steel (particularly in emerging economies) with the need to cut emissions significantly from current levels. The need to improve energy efficiency, transfer best available technologies and develop breakthrough technologies will have significant impacts on the structure, competitiveness and viability of the steel industry. By working on energy efficiency policies in the steel industry, and their outcomes for the industry's energy efficiency performance, the Steel Committee will be well-positioned to make contributions to OECD work on climate change.

Budget Appropriations:

	(K EUR)	
Appropriations	2015	2016
Staff	379	391
Non Staff	239	227
Overheads Charges paid to Part I	58	58
Total	676	676
Financing		
Member and Associate contributions (Standard Part II Scale) [3]	676	676
Other Contributions	-	-
Other Income	-	-
Publication Income	-	-
Use of Reserve	-	-
Total	676	676

[3] Revised annually in the first quarter; for 2014, please see [BC\(2014\)2](#).

APPENDIX B: CIIE PROJECTS WITH RELEVANCE FOR STEEL

Project 1. Productivity and Competitiveness: Policy Lessons from the Analysis of Sectoral and Firm-level Data

12. As evidenced in the *OECD Science, Technology and Industry Scoreboard 2013*, the development of indicators of job creation and other economic outcomes increasingly relies on micro-aggregated firm-level data. Policy analysis to be undertaken in 2015-16 will continue to exploit the richness of micro-data as well as the policy variation across member (and partner) countries. This will involve the analysis of the effects of a wide variety of different policy settings on firm performance along different dimensions/characteristics. The focus will be on policies that have important implications for firm age and size and for economic outcomes, with a particular focus on jobs and productivity, including innovation policies, product market and labour regulations, etc.

13. As a complement, the project will attempt to improve our understanding of long-run productivity. First, it will assess the plausibility of scenarios that emphasise significantly different rates of long-run productivity growth in the future. Second, it will identify key policy and structural factors that will shape future productivity trends. Relevant policy variables will be constructed, working in collaboration with ELS, ECO and others. The project will develop a new collection of micro-aggregated data on productivity and productivity dispersion.¹ The work will contribute to the identification of “better regulation”, identifying those policy conditions which lead to increased productivity and economic/jobs growth outcomes.

14. The project will draw upon WPIA work undertaken in 2013-14 on “knowledge-based capital”. The work will continue to examine the role of knowledge-based assets in value creation and extend it to: a) consider the economy as a whole, going beyond industry to include the public sector; and b) have a focus on sectoral analysis. The aim would be to identify factors that support new sources of growth taking into account sector-specificities, i.e. the environment in which firms operate at the industry-level, in terms of technological sophistication, skills sophistication, propensity to innovate, market structure and the regulatory framework. The extent to which investment in knowledge-based assets in a particular sector relates to that of another sector, the productivity of the sector considered, and the productivity of other upstream and downstream industries, could also be analysed.

15. Finally, the development of new indicators in the context of the biennial flagship publication, the *OECD Science Technology and Industry Scoreboard*, will continue to shed light on the role of technology, innovation and entrepreneurship on economic performance and competitiveness in OECD and Partner economies. In addition, work undertaken in the course of 2013-14 on the value of technological inventions might allow for more fine-grained analysis of the implications of innovation on economic outcomes.

16. This project will be an important contribution to the NAEC Initiative on “Horizon Scanning for New Economic Tools”. The use of micro-data in combination with variation in policy settings will provide

¹ Data extraction will be undertaken at the level of the individual establishment or enterprise, and then aggregated across different vectors (sector, size, age, etc...) in order to ensure confidentiality, but ensuring variation relevant for policy analysis.

the tools to build the evidence base needed for much more robust and granular policy advice. For example, the project will allow for a better assessment of the effects of size-contingent regulations, of financial support mechanisms, and of measures that encourage or discourage entry and/or exit. Collaboration with other Directorates (e.g. ECO, ELS, STD, TAD) working on the links between policy frameworks and productivity and competitiveness would be ensured.

17. Intermediate outputs from this project will be the following:

1. *Updated and Increased Coverage of the STAN (and Related Sectoral) Databases.* The STAN database for industrial analysis provides analysts and researchers with a tool for analysing industrial performance at a relatively detailed level of activity across countries. It includes annual measures of output, labour input, investment and international trade which allow users to construct a wide range of indicators to focus on areas such as productivity growth, competitiveness and general structural change. Through the use of a standard industry list, comparisons can be made across countries. The industry list provides sufficient detail to enable users to highlight high-technology sectors and is compatible with those used in related OECD databases. This work will also involve the maintenance of related databases such as the AMNE database on multinational enterprises.
2. *OECD Science Technology and Industry Scoreboard 2015.* Science, technology, innovation and entrepreneurship – which foster competitiveness, productivity, and job creation – are important mechanisms for encouraging sustainable growth. The most recent Scoreboard published in 2013 includes 260 indicators and shows how OECD and partner economies are performing in a wide range of areas to help governments design more effective and efficient policies and monitor progress towards their desired goals. In the 2015-16 Programme of Work and Budget the 12th edition would be produced. The indicators would be further developed and refined. Particular attention will be paid to the development of indicators which can be used in empirical policy analysis.
3. *Report on Policies and Determinants of Productivity: Analysis Based on Micro-aggregated Data.* Productivity growth is at the core of the current policy discussion, as it plays a central role in shaping the competitiveness of countries and ultimately the welfare of societies. Drawing on the experience of the *DynEmp* (Dynamics of Employment) project, which provides harmonised micro-aggregated data to analyse employment dynamics, the OECD is coordinating a follow-up project aimed at studying productivity patterns. The study will analyse the role that public policy plays in bringing about increased productivity performance and growth and in explaining observed differences across countries. The specific goal of this work is to investigate the extent to which different policy frameworks can shape firm productivity dispersion. In particular, a growing literature has unveiled a large heterogeneity in firm-level productivity, even within narrowly defined industries. Countries might display the same average productivity levels, but very different underlying distributions. For example, a low average productivity can be explained by too few firms at the top (lack of innovation) or too many firms at the bottom (weak market selection), situations that would entail very different policy responses. The analysis will seek to assess the extent to which resources are efficiently allocated within a country, and ultimately unveil the ingredients of dynamism at the heart of economic growth. A report will be prepared summarising the results and drawing out policy conclusions. This will be a key input for policy makers as firm productivity and allocative efficiency are the engines of future growth.
4. *Knowledge-based Capital and Economic Performance: Analysis based on Aggregate and Sectoral Data.* In the 2011-2012 and 2013-14 Programmes of Work and Budget considerable work has been undertaken on the development of a rich variety of measures of knowledge-based

capital, drawing upon a wide variety of data sets developed and maintained by the Directorate for Science Technology and Industry. At the same time the STAN database provides the possibility to look at a number of measures of economic performance (i.e. labour productivity, value added share of production, etc...). In 2015-16 empirical analysis of the effects of KBC on economic outcomes at the sectoral level would be undertaken. A report would be prepared summarising the main results and drawing out important policy implications.

Project 2. GVCs: Extensions and Upgrading

18. In the 2013-14 Programme of Work and Budget the Trade in Value Added (TiVA) database has been used in the context of trade policy. However, there is increasing demand for the analysis of a variety of other policy-relevant questions drawing upon the database, and its supporting data infrastructure. In order to allow for this, on-going development of the TiVA database in the course of the 2015-2016 PWB will be undertaken. This output will involve the improvement, maintenance and extension of the existing TiVA platform in terms of country coverage (presently 57, soon to be 60) by continuing to add a number of key developing countries), industry detail (presently 18, potentially 37) and timeliness (currently a 4-year time lag, potentially reduced to 3 years).

19. A particularly important policy-relevant extension of the work will be undertaken on the relationship between integration in GVCs and skills. Working in collaboration with the Directorate for Employment, Labour and Social Affairs and the Directorate for Education and Skills, the project will assess the links between vocational/workplace training, employee qualifications, employee characteristics (occupations and skills) and upgrading in GVCs. This work will draw upon the TiVA database, the PIAAC database, and other sources of sector-level data on occupation, skills and labour compensation. This would allow for the analysis of the impact of policy incentives on upgrading within GVCs, in order to address fears of “hollowing out” of different skill levels in the face of increasingly fragmented production.

20. The project will also examine the SME dimension to the development of GVCs. GVCs are creating new opportunities for SMEs to participate in global markets by acting as subcontractors or suppliers of specialist inputs into goods and services sold by other domestic or foreign companies. There are a number of important factors that influence the ability of SMEs to participate in and extract value from GVCs, including their ability to specialise, respond flexibly to changing demand, develop production and sales networks, engage in the digital economy and virtual platforms, meet product and process standards imposed by contractors and protect their intellectual property. These in turn are underpinned by SME technology development, workforce and management skills, and access to finance. The work will examine the extent to which SMEs participate in GVCs, the methods and channels of their participation, the barriers they face, and the role of policy.

21. As noted in the descriptions of the individual intermediate outputs set out below, collaboration with relevant Directorates (STD, TAD, EDU and ELS) would be ensured. The intermediate outputs from this project will be the following:

1. *Updated, Increased Coverage and Extensions of the Trade-in-Value Added (TiVA) Database*². While the TiVA project is horizontal in nature (with extensive collaboration with the Trade and Agriculture Directorate and the Statistics Directorate), much of the core data infrastructure work is undertaken by STI. On-going development of the TiVA database in the course of the 2015-2016 PWB will be undertaken. Improving the quality of TiVA estimates will remain an on-going task and will require resolving inconsistencies in bilateral trade statistics, including trade in services and intangibles. Quality will also be improved through the integration of firm-level data

²

Intermediates into TiVA include STAN and BTDIxE and is dependent upon updates of the ICIO tables.

that classifies firms based on their direct exposure to international trade. The work will also require improved data integration of the key data (input-output tables, bilateral trade data, and industry-level data) into the underlying Inter-Country Input Output (ICIO) model, including through improvements in the modelling and strengthening and streamlining of the necessary quality control. In order to carry out the analysis on jobs and skills discussed below, work will continue to extend the TiVA infrastructure with data on employment and skills at the sectoral level. Depending upon receipt of financing, other critical extensions to the TiVA platform to provide data relevant for addressing a range of policy interests beyond trade include investment [notably as regards the role of multinational firms in global value chains – also relevant for Base Erosion and Profit Shifting (BEPS)], innovation (KBC), and the environment (CO₂). The main outcome of this work will be an improved and extended TiVA database that will underpin analysis on GVCs across the Organisation for a wide variety of policy domains in the next biennium and beyond.

2. *Analytical and Policy Report on Upgrading in GVCs: Skills and Innovation.* As noted above, as a specific application of the work in the next biennium, policy analysis will be undertaken on the impact of GVCs on employment, as well as the role of skills on upgrading within GVCs. This will be undertaken in collaboration with the Directorate for Employment, Labour and Social Affairs, as well as the Directorate for Education and Skills. This will be complemented by work on innovation, drawing upon a number of measures of the internationalisation of science presented in the OECD Science, Technology and Industry Scoreboard. The motivation for this work is a recognition that in order to participate in the global economy and create value, as well as maintain and improve jobs and living standards, and increase resilience to economic shocks, economies must position themselves strongly in global value chains. “Upgrading” to those points in the chain will require concerted policy efforts, in particular by placing greater emphasis on skills development to ensure that engagement in GVCs contributes to high-quality jobs and to inclusive growth. This work will deepen and extend work on GVCs launched following the 2013 MCM and in the context of the G20 and responds to requests by the 2013 MCM and by the G20 Leaders meeting in St. Petersburg. The main output result of this work is a synthesis report on Global Value Chains, Jobs and Skills, that will include better data and evidence based on an extended TiVA database which allows for analysis of the links between global value chains and occupations and skills at the sectoral level, and the role that different policy measures play. The work on GVCs, jobs and skills will also contribute to the 2016 edition of the OECD Skills Outlook.
3. *Analytical and Policy Report on SME Participation in GVCs.* The report would examine selected key issues affecting the participation of SMEs in GVCs. It would scope out as far as possible the extent to which SMEs participate in GVCs, the key channels they deploy for their participation (e.g. cross-border sales and purchases, establishment of new foreign direct investment operations, or the temporary movement of employees to foreign countries) and how they differ from large firms, the various barriers that SMEs face (including in skills, management, technology and finance) and the policy implications (in terms of both SME-targeted policies and trade regulations). This work would also seek to identify recent changes in how GVCs function and their implications for SMEs, for example new methods through which SMEs seek to participate in supply chains, e.g. with digital platforms. One strand of the research could involve exploiting firm-level datasets such as ORBIS to examine SME participation in trade in selected countries. A second strand could comprise in-depth case studies of particular sectors in which SMEs have become dynamic participants (e.g. tourism, ICT, and professional services), which could involve a limited number of interviews with large firms and SMEs and small-scale surveys of SMEs in selected countries. The work would be undertaken in collaboration with the Trade Committee.

Project 3. Evaluation of the Effectiveness of Industrial Policies

22. In times of constrained public finances and reduced levels of productivity growth, there is a premium on ensuring the most efficient design of public policies and particularly those that relate to the mandate of the CIIE – i.e. industrial, innovation, and entrepreneurship policies. Fortunately, in recent years there has been significant progress in both *ex ante* and *ex post* evaluation techniques. On the one hand, *ex ante* evaluation techniques can help policy-makers assess the consequences of different aspects of policy design on outcomes. On the other hand, *ex post* evaluation techniques can help ensure that necessary reforms (or even abrogation of the policy itself) are undertaken if outcomes differ from those anticipated.

23. However, robust evaluation is for nought in the absence of close links between evaluation and the policy design, implementation and reform cycle. Therefore, this project would take forward the work of the “Expert Group on the Evaluation of Industrial Policy” in the 2013-14 PWB. An informal expert group could be established involving both academics and government officials responsible for the design and implementation of evaluations in different countries. Knowledge would be shared on evaluation design and analysis, as well as the place of evaluation in the policy cycle.

24. The project would allow for sharing of experience during the process of evaluation design and implementation.³ For example, in terms of *ex ante* evaluations, a set of related field trials could be co-ordinated in an area of industrial and/or innovation policy in which governments are considering alternative designs for a given instrument or, more broadly, considering alternative policy intervention models – grants, tax concessions, co-funding, loans, etc. Alternatively, *ex post* evaluations of past industrial policy initiatives might be undertaken – i.e. some of the industry-support policies for mature sectors, such as the automotive sector bailouts. The cases of the steel and shipbuilding sectors (for which the Secretariat also has responsibility) could also be considered. Possible policy measures to be included range from single instrument measures to more complex policy packages. Examples of single instrument measures might include capital market interventions, discretionary public procurement or support for R&D.⁴ For more complex policy packages, cluster or local and regional development policies might be considered.⁵ Such cases will draw upon a systems approach to policy evaluation.

25. Regular country reviews of SME and entrepreneurship issues and policies would also be carried out by the WPSMEE in selected volunteer countries. The reviews help shed light on the specific challenges to the growth and development of SMEs and entrepreneurship in specific countries and offer detailed, context-specific policy recommendations to the participating countries. The peer review of each country report undertaken in the WPSMEE leverages the learning potential of the exercise, allowing countries to share experiences and best practices in addressing common challenges.

26. At the same time, work would be undertaken to pilot an international tool to benchmark policies for stronger SME performance. The tool would highlight the quality of SME business environments, identify important business environment constraints on SME performance and assess the design and application of SME-targeted policies. It would gather together in a single reference report data from a range of OECD Directorates on SME business environments and programmes in areas including skills, innovation, regulatory reform, taxation, environmental management, e-commerce and global value chains,

³ In order to ensure that the burden on governments is not excessive it is assumed that the countries involved would identify evaluations that are already in the policy “pipeline” during the course of the PWB 2015-16.

⁴ This would complement work on “The Incidence and Impact of Tax Incentives and Other Government Financial Support for R&D and Innovation in Business” being undertaken by NESTI under the oversight of the CSTP.

⁵ This would complement work on “place-based policies” within the proposed CSTP Programme of Work and Budget [see [DSTI/STP\(2014\)3](#)].

complemented by external information. The output will fill gaps in existing international benchmarking tools by focusing specifically on SMEs, where possible, broken down for different sizes of SMEs (micro, small and medium). Second, it would assess the impact of the business environment and framework conditions on SMEs. Third, it would focus on the outcomes of the policies and programmes on SME performance, and draw out what is most important to SME performance.

27. The project could also draw upon insights from evaluations undertaken in policy spheres addressed by ELS (health and employment), ENV and EDU (skills policy, adult education, etc.); as well as those of the CFE (e.g. finance for SMEs, entrepreneurship incentives). This project relates closely to the work under the NAEC Initiative on “Horizon Scanning for New Economic Tools”. It could be undertaken jointly with GOV and other Directorates with interests in *ex ante* policy evaluation (ELS, EDU, DEV, CFE).

28. Intermediate outputs from this project will be the following:

1. *Report on Industrial Policy Evaluations: Methodological and Policy Lessons.* This report will summarise the main results of work undertaken on industrial, innovation, and entrepreneurship policies. This project would be implemented through the establishment of a successor group to the “Experts’ Group on Industrial Policy”, but with a core set of countries actually engaging in relevant policy evaluations over the course of 2015-16. Members of the group would share information on methodological aspects of policy evaluation exercise, as well as the links between policy evaluation and the policy development, implementation and reform cycle. The intention would be to identify at least two policy instruments or strategies for which policy evaluations will be undertaken by a minimum number of countries (i.e. approximately 6-10), and which are of wide relevance to the CIIE membership as a whole. Possibilities include support measures for R&D⁶ and regional/cluster policies. The evaluation of policy “mixes” might also be assessed. The Secretariat would prepare a report summarising the lessons learned.
2. *Report on a Pilot Exercise to Benchmark Policies for Stronger SME Performance* This project would pilot an international tool to benchmark policies for stronger SME performance and explore the links between policies and outcomes, which could lead to a new annual OECD publication. The project would contribute to policy coherence across the OECD in areas impacting SMEs’ contribution to the economy. The benchmarking tool would assess the quality of the business environment for SMEs across countries, covering selected areas that have particular bearing on SME performance (e.g. regulations, competition, labour market flexibility, administrative barriers, among others). It would seek to identify some of the most important influences on SME performance in the business environment within and across countries using binding constraints analysis. A methodology would be developed to guide the selection and production of indicators for an initial set of participating countries. The report would include a description of the methodology and conceptual framework used for the pilot exercise and recommendations for the conduct of subsequent work. It would provide a basis for a refined and expanded benchmarking exercise in a future programme of work covering additional policy areas, indicators and countries.
3. *Country Reports on the Assessment of SME and Entrepreneurship Policies and Programmes.* The WPSMEE would continue to undertake national reviews of SME issues and policies upon the request of specific countries. Each review would result in a country report covering SME and entrepreneurship performance, framework conditions, the strategic framework for policy design

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In the event that R&D support measures are selected as one of the policy measures, this would be undertaken jointly with NESTI in the context of their proposed project on “the incidence and impact of R&D tax incentives and other government financial support for R&D”. [[DSTI/EAS/STP/NESTI\(2013\)14](#)].

and delivery, national programmes, local programmes, and issues of special interest raised by the participating countries.

Project 4. Enabling the Next Industrial Revolution: The Future of Manufacturing and Services

30. In order to promote resilient and sustainable economic growth and job creation, governments seek to enhance the structural characteristics of their economies and encourage the transition from declining areas of economic activity to areas of emerging growth. The challenge of a (possible) new industrial revolution is high on the policy agenda in OECD countries as new and converging technologies will drastically reshape the outlook for manufacturing and services in the next decade(s). General purpose technologies like ICT, robotics, biotechnology, nanotechnology have been in development for quite some time but are expected to dramatically change the industrial structure and dynamics in OECD and emerging economies. As these technologies will also alter the conditions for production across countries thereby changing the dynamics of GVCs, this new industrial revolution will have truly global effects.

31. The focus of the work in this area would be two-fold. On the one hand, it would analyse the extent and direction of structural change in manufacturing and services driven by new and converging technologies, but also by demographic changes (e.g. ageing society), growing resource constraints and environmental challenges, etc. What do these changes mean for (national) policy? What are the effects of these game-changing trends on different policy domains like innovation, skills, entrepreneurship, regulation, etc.? What could be done to guarantee that national policies are developed in a holistic approach that accommodate rather than inhibit these changes in the business environment?

32. Given the focus of the work on far-reaching changes in the structure of OECD economies, this work would contribute to all four pillars (structural, social, green, institutional) of the Organisation's policy advice as set out in the Secretary-General's strategic priorities. It will build further on OECD work on global value chains and knowledge-based capital. In particular, far-reaching structural transformation has implications for the institutional capacities of governments, including the need to take into account associated social (e.g. ageing) and environmental (e.g. climate change) impacts. The project would involve close interaction with the CSTP⁷ as well as with the ICCP and is dependent upon the continued development of the STAN database as well as the further development and exploitation of the Microdata Lab databases, containing information on e.g. patents and scientific publications.⁸

⁷ For example, the proposed projects on “Fostering Science to Address Global and Societal Challenges” and “Enabling the Next Industrial Revolution: Harnessing Technologies for Social and Economic Benefit” [see [DSTI/STP\(2014\)3](#)].

⁸ The STI Micro-Data Lab, a micro-data infrastructure that exploits and links administrative data such as patents, trademarks, scientific publications and company information, allows the development of a new generation of policy-relevant indicators and analysis. This rich data infrastructure allows analysis of the emergence and co-development of new advanced technologies, in addition to exploring issues such as the innovative practices of firms; the role of radical innovation and young firms in economic performance; the role of IP assets in firms' performance and the depth and breadth of knowledge spillovers across scientific fields and between science and technology.

33. Intermediate outputs from this project will be the following:⁹

1. *Technological Innovation and the Next Industrial Revolution.* Building off work undertaken by CSTP on converging and emerging technologies, this work would explore how radical and disruptive technological changes affect the economy and society more broadly (e.g. ageing, environment, health), and what complementary policies will be needed to ensure that the expected technological changes contribute to resilient, inclusive and sustainable growth. This work would complement a related project overseen by CSTP, but with a focus on the economic outcomes associated with such innovations.
2. *Business Models and Strategies and the Next Industrial Revolution.* This work would assess what non-technological changes in business models and organisational structures would be needed to enable the adoption of emerging technologies. It would also examine the links between innovative business models and the integration of firms in GVCs, against the backdrop of the “next industrial revolution”, and analyse the extent and direction of structural change in manufacturing and services. The objective would be to analyse the link between the different business models and participation and the positioning of firms along the value chain, and how in turn the characteristics of its suppliers and customers (e.g. location; technological development; dynamism; distance; etc.) affect learning patterns, innovation rates and industry dynamics. The project would be forward-looking, seeking to draw out lessons from emerging trends and good practice that supports free trade. Case studies on particular innovations (technological and non-technological) and government policy and facilitation would be undertaken, with a view to improving our understanding of how globalised firms are transforming the production function, and the role of policy and facilitation in bringing about the consequent changes.

Project 5. Entrepreneurship Finance Issues and Policies: Firm Demographics and Dynamics

34. Access to finance represents a major challenge for SMEs and “start-ups” internationally, despite an increase in policy attention to their needs following the 2008-09 global financial and economic crisis. The challenges faced by SMEs and “start ups” are likely to differ in important respects, as will the policy responses. At the same time, public finance constraints have given rise to new financing models in order to meet pressing social and economic challenges. This project will bring together work undertaken on finance.

35. Framework conditions for SME and entrepreneurship finance need to be improved and the range of financing instruments available to and used by SMEs and entrepreneurs needs to be broadened to enable them to play their full part in growth, innovation and employment.¹⁰ This project will strengthen the evidence base on SME and entrepreneurship finance conditions and policies, through the OECD annual publication on Financing SMEs and Entrepreneurs: An OECD Scoreboard. During 2015-16, significant improvements will be made to the Scoreboard in terms of methodology – refining indicators and increasing their international comparability – extending the range of indicators to cover more non-debt financing instruments, and extending coverage to all OECD countries and a substantial number of partner economies.

⁹ While the two intermediate outputs are distinguished, they are of course closely related. Separation is for clarity and bundling of work to seize on relative expertise between Committees. In addition, with limited resources, distinguishing between the two allows for the production of a preliminary output from this work. Based on the two IO’s a synthesis report could be issued.

¹⁰ At the St. Petersburg G20 summit in September 2013, G20 Leaders welcomed progress made by the Global Partnership for Financial Inclusion (GPII) on advancing financial inclusion, but indicated that *the need for SME financing in the global economy remains large, and called upon governments to strengthen the financial markets infrastructure to lower costs of serving SMEs, and to find innovative approaches and tools to address the SMEs finance challenges and constraints.*

This would strengthen the role of the OECD as a focal point for national and multilateral efforts to improve the knowledge base on SME and entrepreneurship finance.

36. In addition, in 2015-16, work could continue to monitor the effects of regulatory changes on SME and entrepreneurship finance and assess innovative policy approaches and public infrastructures aimed at increasing the access of SMEs and entrepreneurs to financing and diversifying their financing sources. The project would focus in particular on policies that address demand-side constraints stemming from information asymmetries, lack of resources, limited awareness and knowledge about alternative financing instruments. As such, the analysis would cover policies to support the valuation of intellectual property in new and small firms, financial education for SMEs and entrepreneurs, and the development of services and platforms to enable greater access to instruments alternative to traditional debt, such as crowd-funding, among others.

37. In a related strand of work the project would build on work undertaken in the 2013-14 PWB that is assessing the contributions of firms with different demographic characteristics (age, size, sector) to job creation and destruction. Insights from this work will be taken forward with a focus on the implications of access to finance for firms with different demographic characteristics. Particular attention will be paid to the case of start-ups, with a focus on the analysis of market conditions and policy measures on their access to finance. The work undertaken by the WPSMEE on policy conditions would be a key input into this work.

38. The work would be undertaken by CFE and STI, with collaboration with DAF and STD where relevant. Intermediate outputs from this project will be the following:

1. *Financing SMEs and Entrepreneurs: An OECD Scoreboard.* The annual WPSMEE Scoreboard provides country-level data on SME and entrepreneurship financing trends and gaps and relevant public policies. The work in 2015-2016 would continue the collection and publication of this information. The following improvements would be delivered in future editions of the Scoreboard: i) extending the range of indicators to improve evidence about the costs of accessing debt finance (e.g. loan fees) and to cover non-debt financing instruments, such as asset-based finance and equity financing; ii) expanding the coverage of countries, particularly from Asia and Latin America; iii) increasing the quality and harmonisation of data; and iv) conducting in-depth analysis of policy-relevant trends based on a subset of core-indicators and complementary sources of information. The effort to strengthen the methodology will focus in particular on improving the comparability of data. For that purpose, core indicators will be further refined, with a common streamlined definition being applied across countries. The collection of both stock and flow data will be pursued, to the extent possible, in order to improve the interpretation of trends. The work will also aim at updating and broadening the repository of surveys and statistical resources on SME finance. This would strengthen the role of the OECD as a focal point for national and multilateral efforts to improve the knowledge base on SME and entrepreneurship finance.
2. *Report on Demand-side Policies for SMEs and Entrepreneurship Financing.* In recent years, the WPSMEE has produced extensive work on policies that support the access of SMEs and entrepreneurs to finance, focusing mainly on supply-side instruments, such as credit guarantee schemes to ease access to bank lending, products and services provided by public financial institutions to address diverse financing needs, and new financing instruments available to SMEs and entrepreneurs. This activity would complement this largely supply-side evidence, by focusing on innovative policy approaches and infrastructures that address demand-side challenges in accessing finance (i.e. challenges to do with the capacities and behaviour of SMEs). These challenges include weak information provision to the market (including poor

administrative capacity and financial reporting), poor financial literacy, limited resources for financial planning and limited awareness and knowledge about alternative financing sources. These constraints affect a large proportion of SMEs but are especially binding for new and innovative firms. Accordingly, the report will examine services aimed at reducing the information asymmetry in financial markets, such as credit bureaus and credit registries, which allow borrowers to build a credit history and use it as “reputation collateral”, policies to support the valuation of intangible assets in new and small firms, financial education, and advice and mentoring services for SMEs and entrepreneurs. The study will also investigate innovative policies and services that address the lack of resources and capabilities by SMEs to diversify their financing sources and access financing instruments alternative to traditional debt, such as corporate bonds and equity instruments, or new financing mechanisms, such as peer lending and crowd funding.

3. *Report on the Implications of Access to Finance for Start-ups and SMEs: Market Conditions and Policy Incentives.* In the 2013-14 PWB work has been undertaken on the observed cross-country differences in firm demographics, with a particular focus on the implications of firm size, age (and sector) for employment creation. The work would also build off previous work undertaken on seed and early-stage financing. These two elements have laid the groundwork for more focused empirical policy analysis in the 2015-16 PWB. In particular, this project will assess, by an empirical as well as qualitative approach, how policy measures and framework conditions affect the availability of early-stage financing, and the subsequent implications for business dynamics, and in particular the performance of young and small firms. Depending upon receipt of voluntary contributions, an additional strand of work would examine the role of “social impact investment” as an innovative form of finance to meet social objectives.