



FDI-SME Ecosystems to boost productivity and innovation

A joint project of the Organisation for Economic Co-operation and Development (OECD), in collaboration with the European Commission





SMEs in the age of an ever-evolving trade landscape

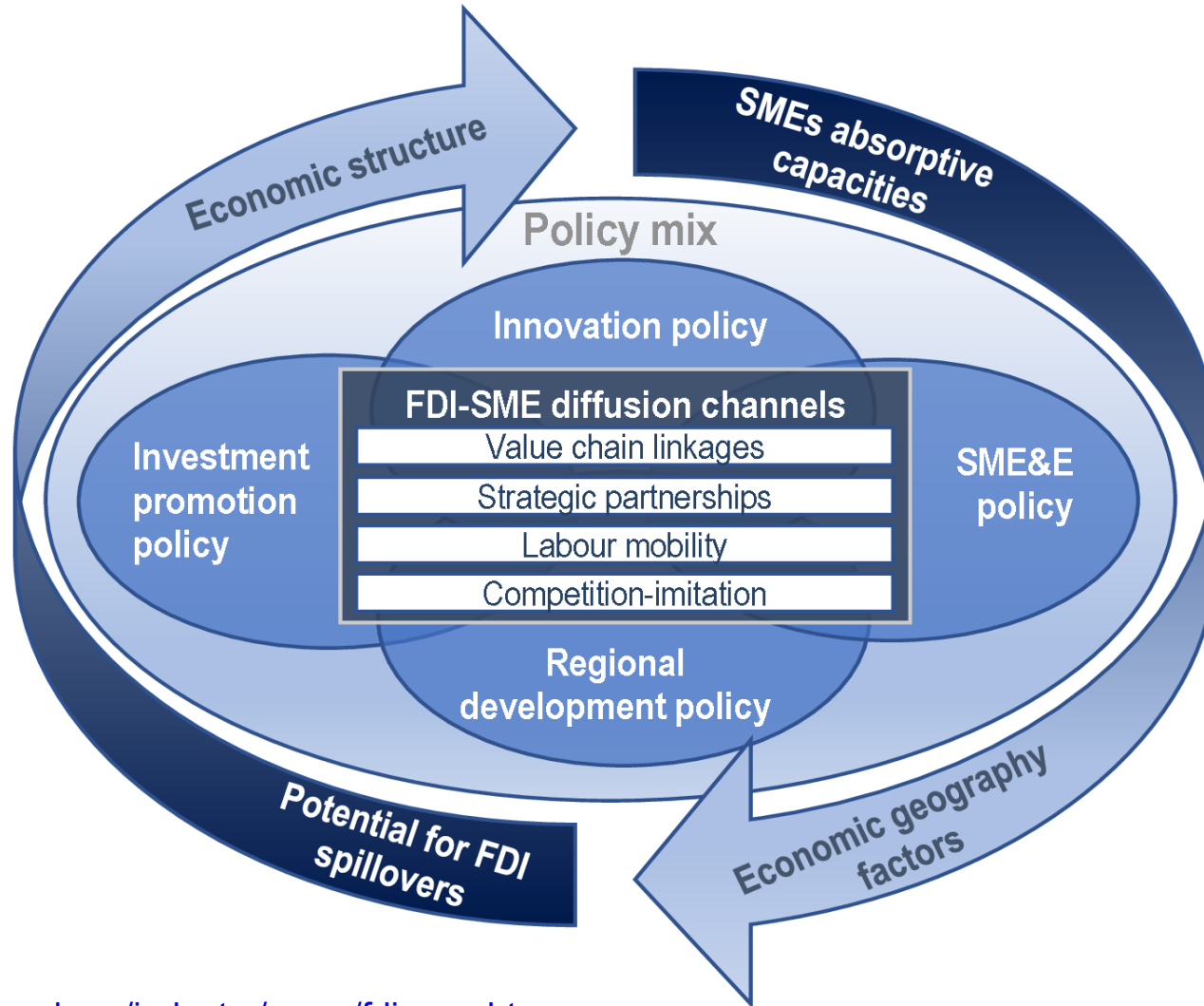
Challenges/trends	Implications for SMEs
Rising tariffs, shifting trade rules	SMEs often lack capacity to absorb shocks; less flexibility to reroute supply chains
Complex customs, regulatory barriers	Compliance cost burden disproportionately affects smaller firms
Fragmented / regionalizing supply chains	New windows for regional / near-shore sourcing and markets
Emerging SME-friendly trade agreements	Increasing inclusion via SME chapters, transparency, technical assistance

Key support measures:

- **Trade agreements and simplification** → SME chapters, streamlined customs, and regulatory alignment to reduce barriers
- **Capacity building and support** → Training, compliance assistance, trade finance, and logistics packages
- **Digital infrastructure and platforms** → Expand SME access to global buyers and manage trade digitally
- **FDI-SME linkages and ecosystems** → Supplier development, connections to MNEs, and local integration



Strengthening FDI and SME Linkages



Check out our website: www.oecd.org/industry/smes/fdi-sme.htm



Supporting countries to strengthen the linkages between **foreign investment** and **small and medium-sized enterprises**

☐ **Understanding FDI trends** and **SME performance**:

- **Benchmarking** of FDI trends/impacts and SME performance, and a **diagnostic** of the potential for FDI spillovers in domestic SMEs.
- **An assessment of the policies and institutions** enabling FDI-SME spillovers from a national and cross-border perspective
- **Policy recommendations** to attract productivity-enhancing FDI and enhance its impact on SMEs for regional development.

☐ The work also **facilitates policy dialogue** among government agencies and support **capacity building** as well as **peer-learning** with other EU countries.



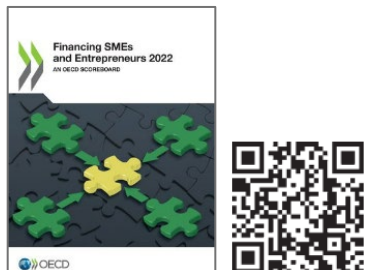
SME and entrepreneurship performance : OECD tools

Flagship publications:

- SME&E Outlook



- Financing SMEs and Entrepreneurs: An OECD Scoreboard



A data infrastructure in support of SME&E policy making:

- OECD Data Lake on SME&E policy



Pilot dashboard with experimental policy indicators + dataviz + user interfaces

www.oecd.org/cfe/smes/datalake.htm

Policy networks:

- OECD Platform for the Entrepreneurship Education Collaboration and Engagement Network



www.oecd.org/cfe/smes/eecole.htm

- OECD Digital for SMEs Global Initiative



www.oecd.org/digital/sme/

OECD Council Recommendation on SME and Entrepreneurship policy



Offers a coherent and strategic approach to SME&E policies, encompassing a **mix of targeted and horizontal policy dimensions**, and placing emphasis on effective governance mechanisms.

www.oecd.org/cfe/smes/oecdrecommendationsmeandentrepreneurshipolicy/



FDI Qualities: OECD tools on sustainable investment



The **FDI Qualities Initiative** provides governments with the tools to encourage **sustainable investment**

FDI Qualities Indicators



Measure impact and outcomes across countries and SDGs

FDI Qualities Policy Toolkit



Identify the right policy mix and institutional setting

FDI Qualities Network



Engage with national and global stakeholders

OECD Council Recommendation on FDI Qualities

- ✓ Commitment to using policy and institutions to increase sustainable investment and deliver on the 2030 SDGs
- ✓ First government-backed agreement to help policy makers to leverage FDI to finance the SDGs and optimise the strength and quality of the recovery

Check out our website: [OECD FDI Qualities Initiative](https://www.oecd.org/fdi-qualities/)



LESSONS LEARNT



Key Lessons Across Countries

Shared Lessons

- **Quality of FDI > Quantity:** Spillovers depend on sector, tech intensity, and local embedding.
- **SME Absorptive Capacity is Critical:** Skills, digitalisation, innovation, and scale are needed everywhere.
- **Diffusion is not automatic:** Linkages, partnerships, labour mobility, and competition require proactive policies.
- **Governance & Coordination matter:** Fragmentation across ministries/agencies weakens impact.
- **Regional disparities:** Place-based approaches are essential.

Country-Specific Nuances

- **Slovak Republic:** Needs stronger innovation system & skills upgrade.
- **Czechia:** Czechia's policies prioritize boosting domestic SMEs' ability to benefit from FDI rather than actively creating new channels to amplify FDI's impact.
- **Portugal:** SMEs more digitally advanced, but micro-firm dominance and COVID-19 risks slow spillovers.
- **Poland:** Large productivity gap + weak R&D FDI → incentives should target knowledge-intensive investment.



Main Conclusions: FDI–SME Linkages in Europe

Slovak Republic

- Strong FDI (particularly the automotive industry), but **weak SME linkages**
- Spillovers limited by **low SME absorptive capacity**
- **Significant regional disparities** in terms of employment, output, foreign investment levels and business conditions.
- **Fragmented policy coordination**

Czechia

- **High FDI inflows**, but 46% inputs imported → weak local sourcing
- **Foreign affiliates are mainly export-oriented**, few local buyer linkages
- **Productivity gap persists between foreign and domestic firms**. Foreign-owned firms in Czechia are twice as productive as domestic firms, particularly in low-technology services
- **Policy focus is more on enabling conditions** than direct diffusion

Portugal

- **More extensive sourcing of foreign affiliates** from local suppliers (often SMEs) than in peers (e.g. Ireland and Hungary).
- **Strong value-chain linkages** in manufacturing and services
- **SMEs are relatively innovative**, but micro-firms have much lower absorptive capacity
- **Governance is strong but needs better coordination** and regional tailoring

Poland

- FDI in Poland is mostly in **medium-productivity sectors**, with R&D-intensive investment
- **Productivity gap between foreign and domestic SMEs** remains wide
- **Exports are strong**, but forward linkages and tech depth limited
- **FDI is concentrated in developed regions**; fragmented governance & weak M&E



Find out more

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OECD Recommendation on SME and Entrepreneurship Policy
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Fostering FDI-SME ecosystems to boost productivity and innovation

The OECD in collaboration with the European Commission is conducting a multi-year project to offer tailored policy advice to countries and regions on how to develop linkages between foreign direct investment (FDI) and local small and medium-sized enterprises (SMEs), and how to strengthen FDI-SME ecosystems that can create more opportunities of productivity and innovation spillovers in heterogeneous contexts for local economic development and resilience.

Understanding FDI-SME spillovers: A conceptual framework

Economic structure

- Specialisation
- Tech exploitation
- Proximity in GVCs

Policy mix

- Size, age, sector
- Tech knowledge and capital intensity
- Access to strategic resources
- Business environment

FDI-SME diffusion channels

- Value chain linkages
- Strategic partnerships
- Labour mobility
- Competition-imitation

Investment promotion policy

SME policy

Regional development policy

Potential for FDI spillovers

- FDI flows
- FDI local embeddedness, networks and characteristics
- Governance mode in GVCs

Regional development policy

- Clusters
- Regional development
- Agglomeration

Objectives

The pilot phase (2019-22) of the FDI-SME project aimed to better understand how FDI can affect the productivity and innovation capacity of local SMEs, and how governments can increase the potential of FDI spillovers, the absorptive capacity of SMEs and the efficiency of diffusion channels between the two. The second phase (2022-24) will build on this.

Consult the project website:
www.oecd.org/industry/smes/fdi-sme.htm



THANK YOU

**OECD Centre for Entrepreneurship, SMEs,
Regions and Cities:**

✉ Zofia.Polakiewicz@oecd.org

✉ Marco.Bianchini@oecd.org

