Elements of SME-Charter
(German Contribution to the IGF 2019)

Small and medium-sized business play a highly significant role in the national economies of many countries in the world, and for society at large – especially in the global south. According to World Bank estimates, some 90% of the world's businesses fall into this category, employing approx. 50% of the global workforce.

These figures show in no uncertain terms that strong SMEs beget a strong economy. This makes it all the more important for SMEs to brace themselves for the enormous transformation that is happening in the national and global markets. The main drivers here are the internet and digitisation. These are causing business models to change and are opening up the competitive race. As they address the challenges resulting from this, SMEs must find the right answers that will allow them to fully harness the potential for growth, efficiency and innovation.

Many SMEs are already investing in digital projects that will help them respond to new consumer needs, reorganise internal processes to make them more efficient, improve the quality of their products and services, and adjust their business models or create new ones.

A better economic framework and various different government support services are needed to successfully drive the process of digital transformation in SMEs, strengthen their competitiveness and prepare them for the future.

There was a general consensus at Day Zero of the IGF that more must be done to feed SMEs' interests into the global debate on internet governance. It emerged from the discussions that the following **actions**, in particular, are needed for the digital transformation to be successful:

1. **Ease the burden** on start-ups and SMEs and **provide them with financial support** so they can **invest more in digitisation**. This could be achieved for instance by introducing more advantageous depreciation rules for digital innovation goods, tax breaks for research activities, or government grants for investments made in digital technologies and digital skills. Financial support and a reduction of red tape are needed to foster start-ups. Attention must also given to seed financing and financial support during the growth phase, for instance by improving the framework for venture capital.

2. **Cut red tape**: All potential for using digital technologies to further ease the burden on SMEs must be used to allow them to meet their administrative obligations in a more efficient way. The long-term aim must be to **fully digitise the services provided by the public administration** and to streamline and expedite the relevant processes.

3. **Provide access to powerful digital infrastructure**: By 2025, high-speed internet must be available in all regions, if possible reaching full coverage, and at an affordable price.[1] Distributed cloud solutions and data pools that are

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[1] This was already agreed by the G20 Digital Ministers at their 2017 meeting in Düsseldorf under the German Presidency.

trustworthy, user-friendly and secure can help SMEs become more competitive and future-proof thanks to optimised processes and value chains, and on the basis of new business models.

4. **Rights relating to data and data use:** Digitisation causes change in the value chains and has an impact on supplier-customer relations. Data plays a key role in this. It is an important source for successful marketing, efficiency, and competitiveness. The debate on data-related rights and data use must take into account SMEs' interests. Access to customer data is essential for fully harnessing the advantages of developments such as online retail. The objective must be a data economy that works for SMEs and provides a level playing field for all companies.

5. **Uphold interoperability across the global internet**: **Free flow of data** is extremely important here, especially for SMEs, as it is a prerequisite for serving global markets. For SMEs to be able to fully tap the cross-border potential for growth and employment, care must be taken to give them better opportunities to contribute to the development on international **standards**. Any re-nationalisation of cyberspace and any fragmentation of the internet presents a significant risk.

6. Guarantee **cyber security**: **IPR protection** and the protection of corporate data and other business secrets is highly important to SMEs. Protecting one's own IT infrastructure often requires a great deal of resources. Existing and cost-efficient solutions for SMEs must be highlighted more and made more easily accessible; new practical and easy-to-use mechanisms must be developed to support SMEs, raise awareness, and build skills.

7. **Coordinate internationally on tax rules**: Targeted and balanced tax schemes for the digital economy must be put in place to strengthen competition in a way that is fair for SMEs. The aim is to develop standards that are internationally agreed, provide a level playing field and afford legal certainty.

8. **Provide information**: Existing ways to support projects, research cooperation, workshops and also other public and private-sector support mechanisms must be better highlighted and SMEs informed about the latest developments in digitisation. Cooperation between SMEs and higher education institutes must be improved and the **transfer of research findings** into business expedited.

9. **Blueprints for sharing**: For SMEs, in particular, it is important to pool and share knowledge. This means establishing the relevant institutional structures for cooperation, but also sharing schemes (e.g. for software) for different companies, shared digital sales platforms for products and services, and other options including access to open-source software. Information sharing and cooperation between established SMEs and start-ups must also be fostered.

We, the host of the XIVth United Nations Internet Governance Forum, invite all decision-makers, government representatives, members of parliament, and all multipliers – particularly those who attended the 2019 IGF, to use their respective powers and positions to call for the above actions, take them up, and put them into practice.