

ABAC SME AND MICRO-ENTERPRISE & ENTREPRENEURSHIP WORKING GROUP MATRIX

Agenda Item		ABAC USA Action	
2. Report on Kyoto APEC SME Summit		Monitor	
Issue			
No document available at this time.			
Deliverable/Objective		Status	
No document available at this time.			
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC USA Position/Talking Points/Recommendations			
No document available at this time.			

Agenda Item		ABAC USA Action	
3. Promoting Creation of New Businesses and New Business Models: Japanese policies to promote SME development		Monitor	
Issue			
No document available at this time.			
Deliverable/Objective		Status	
No document available at this time.			
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC USA Position/Talking Points/Recommendations			
No document available at this time.			

Agenda Item		ABAC USA Action	
4.a. Promoting SME Access to Finance		Presentation by Rob Fiddick	
Issue			
Access to financial services is vital in developing a vibrant SME sector in any economy.			
Deliverable/Objective		Status	
Include these priority issues in the ABAC Framework for SME Financing		Similar recommendations have been endorsed in past ABAC Reports to Leaders or Finance Ministers.	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Broad Support.	None		
ABAC USA Position/Talking Points/Recommendations			

1. APEC should promote and implement reforms to ensure a clear legal infrastructure for lending.
2. APEC should support fully transparent credit information systems to incentivize lenders to significantly expand more affordable credit to SMEs in the region.
3. APEC should support dialogue on these standards as part of the proposed Asia-Pacific Financial Forum (APFF) to align IFRS principles with the interests of SMEs.
4. APEC should also be mindful of developments in G20 and Basel III and ensure that these issues do not limit SME access to finance.
5. Migrant remittances have been shown to play an increasingly important role in the economic development of remittance-receiving nations. By lessening liquidity constraints, entrepreneurs and SMEs can use remittances when the financial system does not help them start productive activities (because of high lending costs or a lack of collateral)

Agenda Item		ABAC USA Action	
4.b. APEC Framework for SMME Financing		Monitor	
Issue			
Development of an ABAC Framework for SME Financing			
Deliverable/Objective		Status	
Develop Framework in Q1 2014		ABAC USA is actively coordinating with ABAC Canada on messaging.	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC Canada, Malaysia, China leads. Broad ABAC Support	None		
ABAC USA Position/Talking Points/Recommendations			
Encourage incorporating remittances, credit bureaus, legal architecture, IFRS, G20/Basel III recommendations in the Framework			

Agenda Item		ABAC USA Action	
5. Use of IT to Promote Internationalization of SMEs		Monitor	
Issue			
No document available at this time.			
Deliverable/Objective		Status	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Broad Support	None		
ABAC USA Position/Talking Points/Recommendations			
- As noted in our 2012 Letter to SME Ministers, ABAC supports the development of ICT platforms, such as the APEC Next Generation Interactive Tariff Database and the Services Trade Access Requirements (STAR) Database to help SMMEs take advantage of export opportunities.			

Agenda Item		ABAC USA Action	
6. Women In Business		Presentation by Barbara Hazzard	
Issue			
Provide update on the Women in the Economy report			
Deliverable/Objective		Status	
Provide members with a deadline for comments			
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Japan, Chinese Taipei, NZ,	none	Supportive	
ABAC USA Position/Talking Points/Recommendations			
Several US companies such as Walmart, Qualcomm and Chevron have contribute case studies.			

Agenda Item		ABAC USA Action	
7. SME Ethics		Presentation by Rob Fiddick	
Issue			
Implementation of three sectoral codes of ethics:			
<ul style="list-style-type: none"> - Kuala Lumpur Principles for the Medical Device Sector - Hanoi Principles for the Construction and Engineering Industries - Mexico City Principles for the Biopharmaceuticals industry 			
Deliverable/Objective		Status	
<ul style="list-style-type: none"> - Endorse on-going support for the implementation project as detailed in this paper. - Endorse inclusion of language in the ABAC Report to Leaders 		<p>ABAC has been an active participant in the development of these principles, and will be asked to provide guidance and participation in the project.</p> <p>An APEC train-the-trainer workshop is scheduled to take place in Kuala Lumpur from August 26-30 to raise the number of sector-based ethics trainers throughout APEC</p>	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Broad Support	None	The Commerce Department strongly supportive of the SME Ethics program.	
ABAC USA Position/Talking Points/Recommendations			
ABAC should continue to support the implementation of these principles and include language in the ABAC Report to Leaders.			

Agenda Item		ABAC USA Action	
8. Report on Young Entrepreneurs Summit		Monitor	
Issue			
No document available at this time.			
Deliverable/Objective		Status	
No document available at this time.			

Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)
ABAC USA Position/Talking Points/Recommendations		
No document available at this time.		

Agenda Item	ABAC USA Action	
9. Draft Letter to SME Ministers/Contributions to Report to Leaders	NCAPEC Staff to Comment as Necessary	
Issue		
Determine final language for the ABAC Letter to APEC SME Ministers.		
Deliverable/Objective		Status
Endorse the Letter to SME Ministers		The letter will be endorsed in Closing Plenary on July 11, 2013.
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)
Broad support	None	N/A
ABAC USA Position/Talking Points/Recommendations		
ABAC USA has submitted language on credit bureaus, SME financing, ICT platforms in the letter.		

Agenda Item	ABAC USA Action	
10. Report of APEC SME Working Group	Monitor	
Issue		
No document available at this time.		
Deliverable/Objective		Status
No document available at this time.		
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)
ABAC USA Position/Talking Points/Recommendations		
No document available at this time.		

SME and Micro-enterprise (SMME) & Entrepreneurship Working Group
Third ABAC Meeting for 2013, Kyoto
Time: 16.45-18.45, Tuesday 9 July, 2013

AGENDA

Agenda Item No.	Issue	Lead Economy/ Speaker	Doc. No.
1.	Welcome and introductory remarks from the Chair 1.1 Approval of the ABAC II SMMEEWG meeting minutes 1.2 Approval of the ABAC II 2013 Agenda	ABAC China Dr. Yang Yunsong	SMMEEWG 33-027 SMMEEWG 33-028
2.	Report on Kyoto APEC SME Summit	ABAC Japan Mr. Yoshihiro Watanabe	SMMEEWG 33-034
3.	Support Policy Development in Promoting Creation of New Businesses and New Business Models		
	Support for SMEs' new business activities in Japan	ABAC Japan	SMMEEWG 33-033
4.	Policy Development in Promoting Sustainability of Businesses, in particular in Access to Finance		
	Promoting SMEs access to finance	ABAC USA	SMMEEWG 33-030
	An APEC Framework for SMME Financing Proposal	ABAC Canada	SMMEEWG 33-031
5.	Policies that Facilitate the Use of IT to Empower SME Access to International Markets		
	Use of IT to promote internationalization of SMEs	ABAC China	
	Any other business		
6.	Women in Business	ABAC Chinese Taipei ABAC Japan ABAC New Zealand	
7.	SME Ethics	ABAC USA	SMMEEWG 33-032
8.	Report on Young Entrepreneurs' Summit	ABAC China Ms. Diane Wang	
9.	Draft Letter to SMEs Ministers and SMMEEWG contribution to the Report to the Leaders	ABAC China Dr. Yang Yunsong	SMMEEWG 33-029
10.	Report of APEC SME Working Group	Mr. Tu Anh Tuan APEC Secretariat	

Meeting Document Summary Sheet

Document Title:

Report to ABAC – APEC SME Summit : Kizuna - collaboration with innovation

Purpose:

For Information

Issue:

APEC SME Summit held in Kyoto on July 8, 2013

Background:

In conjunction with ABAC meeting in Kyoto, ABAC Japan organized **APEC SME Summit: Kizuna ; collaboration with innovation** on July 8, 2013, 9:00am to 3:00pm as part of a continuing effort to support the development of SMEs.

The summit aimed to inspire and encourage SMEs to improve and create the way they promote the business to help go beyond the barriers of getting into local and global markets. It hoped to build the cooperation and collaboration between small & medium enterprises in Kyoto and in the APEC region focusing on the innovation for SMEs.

The summit was divided into four main sessions:

- **Road to Success**
Sharing of success stories and best practice for the audience to break through the limitations
- **Access to New Markets**
Sharing of forerunners' experiences and business models for the audience to expand businesses into new markets
- **Access to Innovative Technologies**
Conveying the information on the innovative technologies and operations of Japanese SMEs to the audience
- **Extra Session**
Exhibition of the innovative technology and products made by 19 Japanese SMEs

This summit was very well received by 200 participants, comprised of ABAC delegates and Non-ABAC delegates (India and Colombia), as well as local SME managements.

Proposal /Recommendations:

- For Information

Decision Points:

- N/A

APEC SME Summit

Kizuna - Collaboration with Innovation

~ Building cooperation and collaboration between small & medium enterprises in Kyoto and in the APEC region ~

**July 8, 2013
Kyoto, JAPAN**

Program

Time	Program	
08:30 - 09:00	Registration	
09:00 - 09:05	Opening Remarks	Mr. Yoshio Tateishi Vice Chairman, The Japan Chamber of Commerce and Industry Chairman, The Kyoto Chamber of Commerce and Industry
09:05 - 09:10	Welcoming Remarks	The Small and Medium Enterprise Agency
09:10 - 09:15	Welcoming Remarks	Mr. Kiyoshi Sono Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Session 1 : Road to Success		
09:15 - 09:20	Moderator	Mr. Yoshihiro Watanabe ABAC FEWG Co-Chair Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
09:20 - 09:50	Panel Discussion - Mr. Masao Horiba , Supreme Counsel, HORIBA Ltd. - Mr. Yoshikazu Takada , Partner, PricewaterhouseCoopers Kyoto	
09:50 - 10:05	Coffee Break	
Session 2 : Access to New Markets		
10:05 - 10:10	Moderator	Mr. Anthony Nightingale ABAC APAWG Chair Director, Jardine Matheson Holdings Ltd.
10:10 - 11:00	Panel Discussion - Mr. Hisami Mitsumori , Chairman, OOTOYA Holdings Co., Ltd. - Mr. Kunio Nambu , Chairman CEO, NABEL Co., Ltd. - Mr. Takeshi Watanabe , Chairman, Watanabe Giichi Seisakusho Co., Ltd. - Prof. N. Krishnaswami , President, Indo-Japan Chamber of Commerce and Industry	

Session 3 : Access to Innovative Technologies

11:00 - 11:50

Speaker on New Innovative Technology

- **Mr. Hiromichi Fujimoto**, President, Active Link Co., Ltd.
- **Mr. Fumio Kamiyama**, President CEO, CosMED Pharmaceutical Co., Ltd
- **Mr. Shigeaki Suzuki**, CEO, SAIJOINX Co., Ltd.
- **Mr. Noboru Toshima**, GM of R&D, Nakanuma Art Screen Co., Ltd.
- **Mr. Gang Xu**, CEO, 3D MEDiA Co.,Ltd.

11:50 - 11:55

End of Program

Dr. Yang Yunsong

ABAC SMMEEWG Lead Co-Chair
Chairman, XY Group International

11:55 – 12:00

Closing Remarks

Mr. Daisaku Kadokawa

Mayor, City of Kyoto

Extra Session and Reception

12:15 - 15:00

**Exhibition of Technology and Products made by Kyoto SMEs
Interaction between Kyoto SMEs and ABAC**

Welcoming Remarks

Mr. Yoshihiro Watanabe

ABAC FEWG Co-Chair
Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Organizer

The Japan Chamber of Commerce and Industry

Co-Organizer

**The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN
The Shoko Chukin Bank, Ltd**

Supporter

Ministry of Economy, Trade and Industry

Cooperator

ABAC Japan

Venue

Kyoto Hotel Okura 4F Meeting Room “Gyoum”

Meeting Document Summary Sheet Template

Document Title:

Presentation to ABAC – Support for SMEs' new business activities in Japan

Purpose:

For consideration

Issue:

Introduction of frameworks and policies for the promotion of new business for SMEs in Japan

Background:

The sustainable development of SMEs and continuous development of high value added products and services to satisfy new market requirements are critically important for the overall development of economic capacity and strength of Japan's economy. Various legal frameworks have been in place to support such undertakings. There are various measures to assist and support SMEs through consulting, subsidies, financing, providing back up guarantees for credit and various trade financing and guarantees. There are other legal frameworks to facilitate the collaboration between SMEs and farming and fishing industries so as to create new business for growth and yet another framework that encourages SMEs to make use of local industrial resources to create new areas of demand. New types of collaborations are sought through another legal framework that encourages synergetic arrangements among SMEs to mutually compensate lacking resources for the development of new areas of business for all participating SMEs.

The presentation will shed some light on the various arrangements and frameworks that help promote new business for SMEs in Japan.

Proposal /Recommendations:

- ABAC should encourage each economy to pick the most suitable examples of measures or frameworks for the development of their own economy
- ABAC is encouraged to monitor the development of SMEs in Japan and see the correlations between policy measures and legal frameworks and SME developments
- ABAC members in economies not implementing measures to promote SME development should draw their governments' attention to the potentially damaging impact of such neglect and seek their commitment to their prompt enactments .

Decision Points:

- Endorse the recommendations outlined above.

Document Title:

SME Financing

Purpose:

For consideration

Issue:

Small and medium enterprises (SMEs) are critical for the economic and social development of emerging markets. They play a major role in creating jobs and generating income for low income people; they foster economic growth, social stability, and contribute to the development of a dynamic private sector. As such, access to financial services is vital in developing a vibrant SME sector in any economy.

Background:

ABAC has consistently stated that access to finance is a fundamental challenge for SME development, and has identified several hurdles to increasing SME access to finance. In many emerging markets, however, access to financial services for SMEs remains severely constrained.

1. Many APEC economies lack simple, transparent systems for filing security interests in collateral, and in searching the availability of prior interests. APEC should promote and implement reforms to ensure a clear legal infrastructure for lending.
2. Credit information systems are also often limited to negative information and segmented, not reflecting a borrower's full credit file. Fully transparent credit information systems will incentivize lenders to significantly expand more affordable credit to SMEs in the region. When this activity takes place across international boundaries, it is important that economies work together to ensure regulatory regimes don't hinder cross-border credit information flows.
3. Common accounting standards such as International Financial Reporting Standards (IFRS) have the potential to enhance development of capital markets in the APEC region. APEC should support dialogue on these standards as part of the proposed Asia-Pacific Financial Forum (APFF) to align IFRS principles with the interests of SMEs.
4. APEC should also be mindful of developments in G20 and Basel III and ensure that these issues do not limit SME access to finance. The recent financial crises demonstrated that a wider range of nonbank financial institutions can minimize the danger of overburdening the banking system. Non-bank finance companies play an important role in lending to higher risk credits, such as SMEs, and ensuring that such higher risk lending occurs within the regulated sector, as opposed to being forced into the informal sector or not occurring at all.
5. Migrant remittances have been shown to play an increasingly important role in the economic development of remittance-receiving nations. According to the World Bank, remittance flows to developing countries reached an estimated \$401 billion in 2012, growing by 5.3 percent compared with 2011. Remittance flows are expected to grow at

an average of 8.8 percent annual rate during 2013-2015 to about \$515 billion in 2015. By lessening liquidity constraints, entrepreneurs and SMEs can use remittances when the financial system does not help them start productive activities (because of high lending costs or a lack of collateral).

Proposal /Recommendations:

- ABAC should call on APEC SME Ministers and APEC Leaders to reaffirm their commitment improving SME access to financing
- ABAC should incorporate the recommendations outlined above in the ABAC Framework for SME Financing

Decision Points:

- Endorse the recommendations outlined above.

Meeting Document Summary Sheet

<p>Document Title: Update: Promotion SMMES and their access to finance</p>
<p>Purpose: For discussion</p>
<p>Issue: An APEC Framework for SMME Financing</p>
<p>Background: At ABAC 2, ABAC Canada, Peru, China, and Malaysia agreed to further develop a proposal for an APEC Framework for SMME Financing. The proposed framework would make a case for adequate government attention and policies to improve SMME access to finance, and make specific recommendations to improve SMMEs access to finance in the APEC region.</p> <p>ABAC Canada has since conducted a literature survey on SMME financing reports in the Asia Pacific and worked with others to develop a proposed outline and next steps for the report.</p> <p>The report will (a) build on existing and notable reports on SMME financing in the Asia Pacific region and (b) both consolidate and expand on ABAC's work and recommendations on this issue over the past 5-years.</p>
<p>Proposal / Recommendations:</p> <p><u>Proposed outline for the report:</u></p> <ul style="list-style-type: none"> • Introduction • Business Case for APEC economies to encourage the development of greater SMME financing tools/options <ul style="list-style-type: none"> – What are the barriers to financing for SMMEs and how they different from larger companies – Is there and what is the gap in SMME financing? – A framework to improve SMME financing: debt and equity financing options and capacity building initiatives • Recommendations and best practices/examples from APEC economies <p><u>Focused on 6 Areas and drawn from ABAC discussions to date:</u></p> <ul style="list-style-type: none"> • Angel/seed funding <ul style="list-style-type: none"> – E.g.; Recommendations from ABAC in 2012 to bring wealthy individuals and corporations into schemes to fund and help SMMEs • Venture capital <ul style="list-style-type: none"> – E.g.; Recommendations from ABAC in 2013 to help seed/build private sector-led venture capital ecosystem though APEC-oriented Funds-of Funds

- Bank lending
 - E.g.; Recommendations on financial inclusion documented in the ABAC financial architecture report
- Collaboration between SMMEs and large corporations
 - E.g.; ABAC Korea’s study and recommendations in 2012
- Trade financing and use of online technology
 - E.g. ABAC Peru 2011 and ABAC China 2012
- Government support policies
 - E.g.; SME Corp

Timelines:

July-Sept	Identify a coordinating author for the report
Oct	Provide update at ABAC 4
Oct-Dec	Compile information; Develop skeletal report
Jan/Feb 2014	Review first draft at ABAC 1
Feb-Apr	Receive ABAC input and develop recommendations
Apr/May	Review second draft and ABAC 1
May-July	Finalise report
July/Aug	Approve report and recommendations for Report to Leaders

Next Steps:

- Budget, funding, sponsorship:
 - Estimated US\$7.5 - 10K stipend for coordinating author; author to make a present to ABAC via teleconference
 - Funding sources TBD
- Input and feedback from ABAC economies on:
 - Report outline
 - Best practices, case studies and examples
 - Potential coordinating authors or sponsors
 - Recommendations

Decision Points:

Endorse the recommendations outlined above and establish next steps.

An APEC Framework for SMME Financing Proposal

DRAFT as of June 2012
SMEEWG meeting, July 9
Prepared by ABAC Canada

Recap

- At ABAC 2, ABAC Canada, Peru, China, and Malaysia agreed to further develop a proposal for an APEC Framework for SMME Financing
- The proposed framework would:
 - Make a case for adequate government attention and policies to improve SMME access to finance
 - Include recommendations
- ABAC Canada has since conducted a literature survey on SMME financing reports in the Asia Pacific and worked with others to develop a proposed outline and next steps for the report

Preliminary Literature Search

Notable Reports

- “A New Regime of SME Finance in Emerging Asia: Empowering Growth-Oriented SMEs to Build Resilient National Economies”, ADB (2012).
- “Strategic Framework for Financial Services: Bolstering APEC’s Regional Financial Architecture”, National Center for APEC (2012)
- “A New Regime of SME Finance in Emerging Asia: Empowering Growth-Oriented SMEs to Build Resilient National Economies”, ADB Working Paper Series on Regional Economic Integration (2012)
- (Article) “Addressing the Supply Side of SME Financing in ASEAN”, ASEAN (2005)
- “Experiences from Japan and Emerging Markets”, Bank of Japan-IFC Workshop on SME Finance (2012)
- “What Role Can Financial Policies Play in Revitalizing SMEs in Japan?”, IMF Working Paper (2012)
- “Gaps in SME Financing: An Analytical Framework”, Small Business Policy Branch-Industry Canada (2002)
- “The Supply of Financing to Canada’s Small and Medium-Sized Enterprise Market”, Business Development Bank of Canada (2010)

Takeaways

1) Is there real or perceived a gap in SME financing?

- 2002 report from Canada emphasizes the importance of establishing whether market gap in SME financing really does exist and the value of this information in shaping effective policy responses. Notes that precise data is difficult to obtain.
- 2012 ADB report estimates the value of the credit gap between formal SMEs in 2010 to be:
 - East Asia: between \$250-\$310 billion dollars (11-14%) for 11.2 - 13.6 million firms
 - South Asia: even higher (percentage-wise), at between \$30-\$40 billion dollars (29-35%) for 2 - 2.8 million firms
- 2012 NCAPEC report estimates:
 - 45-55% of formal SMEs “in emerging markets are financially unserved” and “21-24% are underserved”
 - The credit gap for formal SMEs “is roughly US \$1.3-1.6 trillion globally”

Takeaways

2) Arguments for improved SMME financing:

- 2012 ADB report: “Capital market financing is not a realistic option for SMMEs and many rely on informal borrowing”; informal borrowing limits the of ability of SMEs to invest in and grow their business
- 2012 Bank of Japan-IFC workshop report: “Emerging markets, such as those found in the Asia Pacific, “continue to drive the recovery of the global economy” and SMEs in those countries “contribute to about 85 percent of new employment”

Takeaways

2) Arguments for improved SMME financing:

2012 ADB report:

“Improving financial access for SMEs is expected to bring many benefits, including enhancing production quality, increasing new business opportunities, stimulating investment and consumption at the national level, and mobilizing excess corporate savings. Financing the SME cluster will improve the business efficiency of smaller export-oriented manufacturers. Enhancing access to finance for subcontracted SMEs will promote intraregional trade. Furthermore, establishing financial infrastructure to support micro start-ups and microenterprises will stimulate income gains in low-income households and thus contribute to poverty alleviation, social welfare enhancement, and even the development of the corporate base.”

Takeaways

3) Increase financing tools and options for SMMEs:

- 2012 ADB report: “An alternative financial structure can be an effective way for SMEs to mitigate the impact of external shocks such as financial crises”
 - Recommends encouraging the growth of non-bank financial instruments (credit unions, pawnshops, NGOs) to complement bank lending, fostering a venture capital industry, supporting professional to help SMEs (e.g.; CPAs, SME consultants) tap into capital markets, microfinance initiatives etc.
- 2002 Canada report outlines a two-pronged framework for SME Financing: debt v. equity financing options
- Other reports highlight importance of capacity building initiatives such as:
 - Management support to increase financial and business literacy
 - Assess to electronic and mobile banking to reduce transaction costs

Takeaways

4) Distinguish between micro enterprises and SMEs

- Bank of Japan-IFC workshop report suggests that a distinction between micro-small and medium enterprises needs to be made as their financial characteristics and needs are different and banks’ willingness to extend credit to medium-sized enterprises is markedly greater than for micro and small-sized ones

Proposed Report Outline

- Introduction
- Business Case for APEC economies to encourage the development of greater SMME financing tools/options
 - What are the barriers to financing for SMMEs and how they differ from larger companies
 - Is there and what is the gap in SMME financing?
 - A framework to improve SMME financing: debt and equity financing options and capacity building initiatives
- Recommendations and best practices/examples from APEC economies

Building on ABAC's work to date

Reports, studies, presentations
(TBC)

Building on ABAC's work to date

Recommendations have focused on:
(TBC)

Recommendations and best practices/ examples from APEC economies

Focused on 6 Areas and drawn from ABAC discussions to date:

- Angel/seed funding
 - E.g.; Recommendations from ABAC in 2012 to bring wealthy individuals and corporations into schemes to fund and help SMMEs
- Venture capital
 - E.g.; Recommendations from ABAC in 2013 to help seed/build private sector-led venture capital ecosystem through APEC-oriented Funds-of Funds
- Bank lending
 - ??
- Collaboration between SMMEs and large corporations
 - E.g.; ABAC Korea's study and recommendations in 2012
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Next Steps

Budget, funding, sponsorship:

- Estimated US\$7.5 - 10K stipend for coordinating author; author to make a present to ABAC via teleconference
- Funding sources TBD

Input and feedback from ABAC economies on:

- Report outline
- Best practices, case studies and examples
- Potential coordinating authors or sponsors
- Recommendations

Meeting Document SMMEEWG – ABAC III 2013, Kyoto

Document Title: Report to ABAC – Update on the <u>Economic Empowerment and Inclusion of Women in APEC</u> Report
Purpose: For review and comments
Issue: Update and review of draft report
Background: At ABAC II in Singapore, ABAC officially agreed to develop a report on Women’s Economic Empowerment that highlights the “business case” for this issue and its impact on economic growth in the region. Functionally the report will be used to raise the profile of this issue and convey the ABAC’s, and by extension business community’s, recommendations to the policymakers and officials who engage in the APEC process.
Proposal /Recommendations: <ul style="list-style-type: none">• Comments on this draft to be submitted to Barbara Hazzard at the U.S. National Center for APEC via email bhazzard@ncapec.org by Friday, July 19, 2013.
Decision Points: <ul style="list-style-type: none">•

Document Title: 2013 Update on Business Ethics for APEC SMEs
Purpose: For information
Issue: Implementation of three sectoral codes of ethics: <ul style="list-style-type: none">• Kuala Lumpur Principles for the Medical Device Sector• Hanoi Principles for the Construction and Engineering Industries• Mexico City Principles for the Biopharmaceuticals industry
Background: <p>The projects specifically target corruption in sectors where SMEs are vulnerable to requests for bribes and to help SMEs meet their ethics obligations under UNCAC and other anti-bribery conventions and agreements. All three principles were approved by SME Working Group, and endorsed by both Foreign and Trade Ministers at the APEC Leaders' Meeting held in Honolulu, Hawaii in November 2011. Ministers' endorsement then facilitated SMEWG endorsement of a Multi-Year Project proposal submitted by the United States to make the three sets of principles functional and operational for SMEs.</p> <p>The United States applied for Multi-Year Funding under the new APEC pilot program to “take the principles off of paper” and make them practical and operational for SMEs. Implementation of these principles will be achieved through a three step process:</p> <ol style="list-style-type: none">1. Technical assistance to help national associations write codes of ethics for their SME members using the voluntary principles as the foundation;2. 2013 train-the-trainer workshops to geometrically increase the number of sector-based ethics trainers throughout APEC economies to help associations and SMEs comply with their voluntary code; and3. Workshops to raise awareness by the unique stakeholders in each sector who are critical to ensuring support for and compliance with the voluntary codes.
Proposal /Recommendations: <ul style="list-style-type: none">• ABAC has been an active participant in the development of these principles, and will be asked to provide guidance and participation in the project. ABAC should continue to support the implementation of these principles.
Decision Points: <ul style="list-style-type: none">• Endorse on-going support for the implementation project as detailed in this paper.• Endorse inclusion of language in the ABAC Report to Leaders.

ABAC Letter to APEC SME Ministers

His Excellency

Dr. Syarifuddin Hasan

Chair, APEC SME Ministerial Meeting &
Minister of Cooperatives and SMEs
Republic of Indonesia

Dear Minister Hasan:

On behalf of the APEC Business Advisory Council, I would like to share our key recommendations related to small, medium and micro enterprises (SMMEs) and entrepreneurship. ABAC members strongly believe that SMEs are the backbone of our economies, and recognize the importance to develop policies that foster their continued growth and development and promote entrepreneurship throughout the APEC region. In this regard, ABAC has prioritized areas such as entrepreneurship and innovation, access to finance, as well as access to international markets as they are crucial factors to enhance APEC SMEs' global competitiveness.

ABAC supports an efficient policy development to promote the creation of new businesses and new business models. APEC economies should promote innovation and, in this regard, support start up programs as a mechanism to create incentives for entrepreneurship development. ABAC supports the **APEC Start-up Accelerator (ASA) Initiative** – a platform that strengthens access to finance, investments and international markets for innovative SMEs and start-ups through mentorships from managerial, financial, and technical experts in the private sector. The Initiative builds on existing early-stage APEC start-up programs and provides support for more matured start-ups in the global markets. The ASA Initiative is a private-public sector collaboration dedicated to the business development of APEC start-ups. The ASA Initiative will be launched in Taipei in August 2013 and will rotate annually among participating APEC member economies.

Another crucial issue for SME development is related to the sustainability of businesses. **ABAC has prioritized the need for new policy development to promote sustainability of businesses, in particular in access to finance.** SMMEs are recognized as the drivers of economic activities in the APEC region and easing SMMEs access to trade finance is crucial for their growth. ABAC is concerned that the application of current Basel III regulations, building on Basel II, will have negative impact on the availability of trade finance, cost of finance, and the behavior of banking sector in lending for the SMMEs. We recommend that regulators review the risk, LGD (loss given default) of trade finance and the impacts of these regulations. Transparent credit information systems are also important to expanding affordable credit to SMMEs in the region. Economies must work together to ensure regulatory regimes don't hinder cross-border credit information flows. Appropriate measures should be taken on the regulatory side to ensure a clear legal infrastructure for lending that facilitates SMMEs to access trade finance. Common accounting standards such as International Financial Reporting Standards (IFRS) have the potential to enhance development of capital markets in the APEC region. APEC Ministers should support dialogue on

these standards as part of the proposed Asia-Pacific Financial Forum (APFF) to align IFRS principles with the interests of SMMEs.

For 2014, ABAC will develop an **APEC Framework for SMEs financing**. This framework will include recommendations of policies and programs to: a) improve SMME access to bank financing; b) encourage private and institutional investors to invest in SMMEs; and c) empower SMMEs to help themselves.

On our third priority, **ABAC calls for policy development to facilitate the use of IT to empower SME access to international markets**. In this regard, we consider it important to promote the acknowledgment of existing ICT's platforms to bring SMEs closer to international markets, and enable their access to more competitive prices. As noted in our 2012 Letter to SME Ministers, ABAC supports the development of ICT platforms, such as the APEC Next Generation Interactive Tariff Database and the Services Trade Access Requirements (STAR) Database to help SMMEs take advantage of export opportunities. Furthermore, APEC economies should promote the development of **"All in one" electronic Supply Chain Financing platforms**. Traditional trade financing requires high credit history and extensive order delivery information and documentation. These requirements are not suitable for most of SMEs and could be avoided by using an integrated platform for Supply Chain Financing. These platforms will benefit SMEs, banks and global trade itself by: speeding up turnover of inventory and accounts, improving cash flows, lowering entry barriers for applying for loans, reducing credit risk by having visibility on operating activity, and improving financial management efficiency of global supply chain.

ABAC is strongly committed to continue **promoting the organization of APEC SME Summits** throughout the APEC region. These events are a unique opportunity for education, exchange of best practices and contribute to policy decision making.

ABAC is committed to further promote the participation of women and young people in business as a unique source for sustained economic growth and development. In this regard, ABAC is preparing a Report on Women and the Economy as an efficient way to convey the interests of the business community to leaders and policy makers. This Report, which will be presented at the CEO Summit in Bali, covers fundamental issues such as: a) APEC's potential to contribute to the policy discussion; b) the need to collect economic data and measure performance; c) the impact of encouraging women to pursue STEM (Science, Technology, Engineering, Mathematics) education; d) factors that promote success for SMEs owned by women, and iv) steps companies can take to facilitate a diverse workforce. Also, ABAC believes on the role of the young as a crucial source for innovation and entrepreneurship. In this regard, ABAC applauds the successful holding of the Second APEC Young Entrepreneurs' Summit (YES). Under the theme of "Care, Share, Inspire", it sought to brief young entrepreneurs on useful tools for their businesses' development and to share successful entrepreneurs' testimonies with them.

ABAC believes that these recommendations will strengthen APEC SMMEs' and foster their sustained growth and development. We strongly support and call for a dedicated and SME-oriented work, between private and public sector, to secure the wellness of our economies. We look forward to participating at your meeting in Bali in September to further discuss these recommendations.

Sincerely,

Wishnu Wardana
ABAC Chair 2013