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“Go Global”

[Click](#) to read the message from SMEDC Chairman.

SMEDC to hold break-out session at CACCI Conference

The SME Development Council (SMEDC) will convene its annual Break-out session on October 30, 2015 in Hong Kong.

To be held as part of the 29th CACCI Conference hosted by Kowloon Chamber of Commerce (KCC). The session will be chaired by George Abraham and will discuss the current status of the SME sector in the Asian region.

The session be divided into two parts. Part one will see participants exchanging experiences and information on trends and opportunities for SME growth in selected CACCI countries.

Part two will consider future SMEDC activities, including membership expansion, networking plans, and training programs, among others.

CACCI members are encouraged to attend the breakout session in Hong Kong and share their ideas on how to further promote the growth and development of the region's SME sector.



For more information on this year's 29th CACCI Conference, please visit:
<http://www.hkccc.org.hk/cacci>

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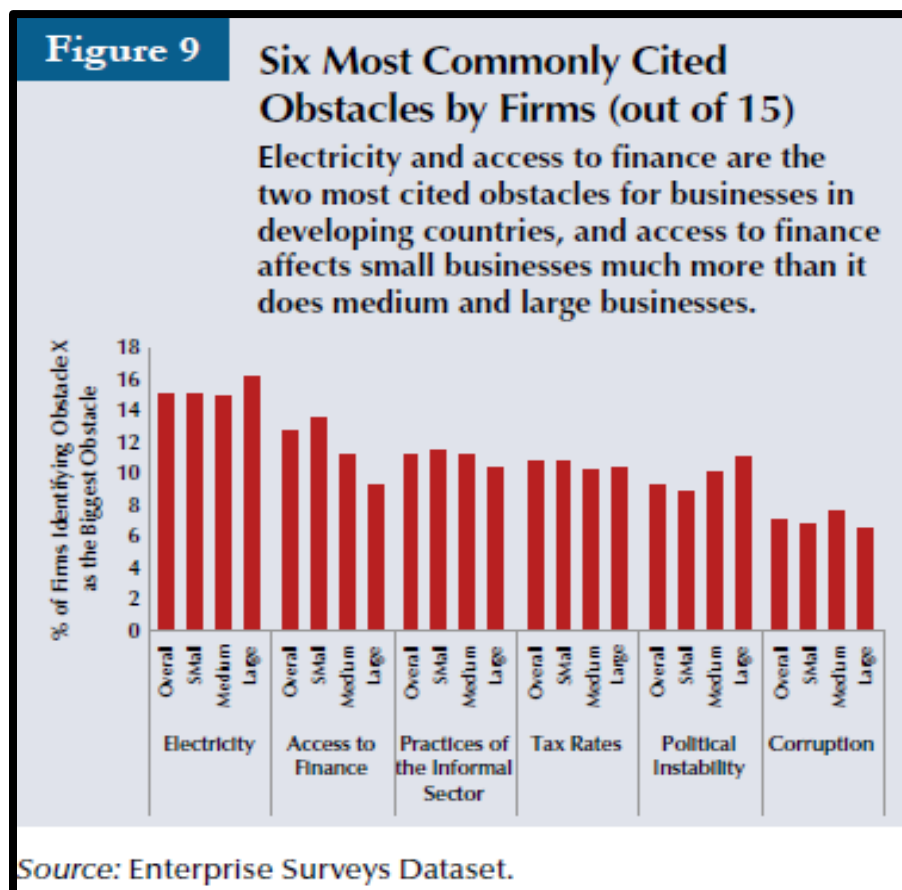
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Kushnir, Khrystyna; Mirmulstein, Melina Laura and Ramalho Rita. *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?* MSME Country Indicators. International Finance Corporation. Web. 2010.

<http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-CI-AnalysisNote.pdf?MOD=AJPERES&CACHEID=9ae1dd80495860d6a482b519583b6d16>

SME internationalization is vital, concludes APEC study

SME Internationalization and Measurement Study authored by Zhang Yuhua, published by the APEC Policy Support Unit, in March 12, 2015, showed the different methods that SMEs are using to internationalize their business and mentioned the advances of some countries' SME in exporting or expanding overseas.

This APEC study shows that advances in telecommunication, transportation and lower trade barriers have decreased cross border trade cost and risk for small and medium sized enterprises (SMEs) and enabled them to pursue international strategies, many other problems remain such as lack of resources and international expertise.



Generally internationalization refers to the process of increasing involvement in international markets and it offers many benefits such as:

First, it helps SMEs disperse business risk across different markets, second, SMEs generate more revenue, third, SMEs gain access to more advanced technology, and fourth, SMEs improve operational efficiency

International SMEs grow faster

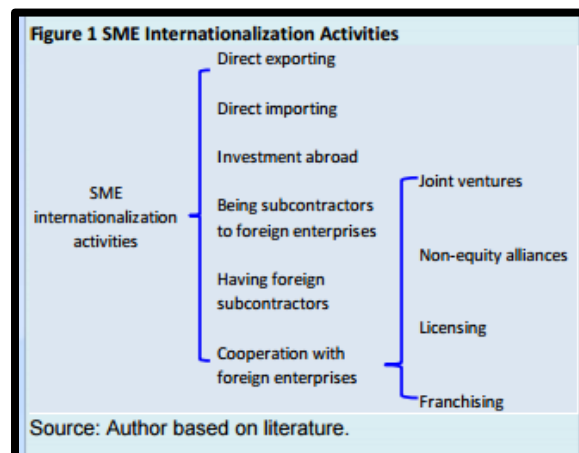
However, SMEs may not have sufficient resources and expertise to deal with international business risks. The most significant challenges faced by SMEs in external markets are the compatibility of standards, protection of intellectual property rights, political risk, corruption and graft, as well as transparency of the rule of law

In terms of the forms of internationalization, SMEs' internationalization can be classified into six categories, namely:

- 1) Direct exporting.
- 2) Direct importing.
- 3) Investment abroad.
- 4) Being subcontractors to foreign enterprises.

5) Having foreign subcontractors.

6) Cooperation with foreign enterprises under joint ventures, non-equity alliances, licensing, and franchising.



Since more than half of APEC economies do not collect information on SME internationalization, it is difficult to arrive at a region-wide conclusion. Nonetheless, the survey offers some insights into SME internationalization in the nine APEC member economies that reported some data availability:

- Japan has been publishing a white paper on SMEs on an annual basis since 1964. The 2014 White Paper analyzed the structures and business scope of Japanese SMEs, as well as the challenges facing them³¹. The paper shows that only 3.0% of manufacturing SMEs were involved in direct export, and 13.4% of all SMEs (18.9% of manufacturing SMEs) owned an overseas subsidiary or an affiliated company (investment abroad) at the end of the fiscal year 2011.

- In 2013, Korea reported 87,800 SMEs exporting goods and services directly with a value of USD 95.9 billion, 33 SMEs imports accounted for USD 70.9 billion. As for FDI, Korean SMEs made 4,265 overseas investments and invested in 1,351 new overseas enterprises in 2013. SMEs' total investment abroad was equivalent to USD 2.4 billion.

- In Malaysia, more than 6,000 SMEs in the manufacturing sector exported directly in 2013 and their direct exports were equal to MYR 136.8 billion (USD 43.4 billion). 32 Japan SME data do not cover micro enterprises. 33 Only goods trade are covered.

- In the Philippines, SME-related data is gathered from the Annual Survey of Philippine Business and Industry. In 2010, 72,321 SMEs in agriculture, forestry, fishery, manufacturing, wholesale and retail trade exported directly, with a value of USD 1.2 billion.

- Since 2004, Chinese Taipei has been publishing a white paper on SMEs on an annual basis. In the 2014 edition³⁴, Chinese Taipei reported that 68,639 SMEs exported goods and services, reaching NTD 1,424 billion (around USD 47.5 billion).

- SMEs in Thailand engage actively in exporting and importing activities. In 2013, 24,944 Thai SMEs exported THB 1.8 trillion (USD 57.3 billion) of goods, and 44,684 Thai SMEs imported THB 2.4 trillion (USD 77.1 billion).

- SMEs in the United States have been active in international markets. In 2012, 298,000 SMEs exported goods with a value of USD 499 million and 180,358 SMEs imported goods with a value of USD 620 million.

In its Conclusions and Recommendations section, the study claims that internationalization is of vital importance to SMEs and for the competitiveness of the local economy. Internationalized SMEs perform better than SMEs that focus only on their domestic market. Moreover, there are various channels for SMEs to internationalize as presented in the graphics above, and they may internationalize their business activities either gradually (i.e. incremental internationalization SMEs) or immediately after the business establishment (i.e. born-global SMEs).

Research on the extent and process of SME internationalization still lags. It is clear that deficiencies in SME-related data restricts the analysis on internationalization of SMEs in the APEC region and hinder effective government policies to develop SME.

For the complete report see:

Zhang, Bernadine Yuhua. *SME Internationalization and Measurement*. APEC Policy Support Unit. Policy Brief No. 12. Web. March 2015.

http://mddb.apec.org/Documents/2015/SMEWG/SMEWG40/15_smewg40_004.pdf

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ITC, ISO, UNIDO launch guide to help SMEs upgrade energy efficiency

A [new guide](#) to help small and medium-sized enterprises understand how to upgrade energy efficiency in line with a key international standard was published June 5th, on World Environment Day, by the International Trade Centre (ITC), the International Organization for Standardization (ISO) and the United Nations Industrial Development Organization (UNIDO).



One of the ISO's thousands of global standards setting out specifications for products and industrial processes, ISO 50001, called 'Energy management systems – Requirements with guidance for use', outlines management systems and processes for companies to boost energy efficiency and reduce consumption.



Greater energy efficiency is not just good for the environment, it makes good business sense: optimizing resource use saves costs. In addition to boosting profits, enhanced energy efficiency can enhance companies' prestige and customer trust and loyalty.

SMEs lag on energy efficiency

Yet SMEs, including those in fast-growing developing countries, often lag behind in implementing energy efficiency measures. This is partly due to a lack of information, inadequate competencies and resources. Closing this

efficiency gap would represent major productivity and environmental gains.

The new handbook, ISO 50001: Energy Management Systems: A practical guide for SMEs, provides practical guidance to SMEs, in the form of a checklist, to develop and implement an energy management system based on ISO 50001, which would help them improve performance and reduce costs.

Liam McLaughlin, the guide's principal author, said "It is often easier for SMEs to implement energy-saving principles than for larger organizations. This is because a small business usually has fewer layers of management.

ITC Executive Director Arancha González said. "This guide will help governments assist SMEs to reduce operating costs and minimize their environmental impact."

The ISO 50001 standard

The ISO 50001 standard sets out a framework of requirements for organizations to develop policies for more efficient energy use; set targets to meet the policy objectives; use data to better understand and make decisions about energy use; measure results; and keep improving energy performance and management.

Based on the management system model of continual improvement used in other widely applied ISO standards, ISO 50001 provides organizations with a template for how to integrate energy management into their overall quality and environmental management.

Increasing energy efficiency is central to balancing developing countries' need for economic growth to boost living standards with the global imperative to reduce humanity's collective environmental footprint.

For the complete information see:

ITC, ISO, UNIDO launch guide to help SMEs upgrade energy efficiency. International Trade Center News. Web. June 5 2015.

<http://www.intracen.org/news/ITC-ISO-UNIDO-launch-guide-to-help-SMEs-upgrade-energy-efficiency/>

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Why is energy efficiency important for small businesses (SMEs)?

Rising energy costs can lead to higher production and distribution costs for businesses, eroding long-term competitiveness and profitability. SMEs are particularly vulnerable due to limited resources and tight operating margins. Cutting energy waste can be a quick way for them to reduce costs, but they often lack the knowledge, financing and dedicated personnel needed to identify efficiency opportunities and implement improvements. Local Financial institutions (FIs) can help SMEs finance energy efficiency projects through investments that often pay for themselves and also offer a healthy return over time.



What do energy efficiency projects involve?



Energy efficiency projects typically include improvements

to production lines, energy generation processes, and regulation of energy use:

Energy efficiency in production process

- i) Replacing obsolete and energy inefficient production lines
- ii) Waste heat recovery
- iii) Improved regulation and control of the production process

Efficient generation of energy inputs

- iv) Combined heat and power production (CHP), also known as cogeneration
- v) High efficiency boilers and decentralization of heat production
- vi) Improved insulation of heat/steam pipes
- vii) Fuel switching and/or renewable energy utilization

Efficient use of energy in the workplace

- viii) Improved regulation of indoor temperature
- ix) Improved thermal insulation of buildings
- x) High efficiency lighting systems

What are the opportunities for FIs?

Large potential market: Energy efficient technologies are tried-and-tested and widely available on the market, making projects broadly attractive to SME clients.

Sample SME Project: Heating System Upgrades for Construction Company, Czech Republic	
Purpose	Replacement of old and inefficient coal-fired heating system with new, decentralized natural gas-fired system
FI	IFC partner bank, Czech Republic
Borrower	Established manufacturer of construction materials
IFC role	Risk sharing and technical assistance
Project size	US\$ 150,000
Loan amount	US\$ 133,000
Loan maturity	4 years
Simple payback	6 years
Environmental impact	713 tons of carbon dioxide annually

Improved client cash flow: Cash flow from implementation of efficiency measures often completely or partially covers necessary financing costs, allowing investments to pay for themselves over time.

Increased debt capacity: Cash flow generated by energy savings, together with the company's enhanced competitive position in the market, may increase a client's credit quality to finance investment necessary for further growth.

Value-added services to clients: FIs can incorporate energy efficiency products into SME lending practices to improve the competitiveness and profitability.

Market differentiation: FIs that develop products featuring energy efficiency technologies are likely to benefit from "first-mover" advantages in the market; they will also enjoy reputational benefits with all stakeholders.



What are the key issues—questions to ask?

What is the SME borrower's knowledge of energy efficiency?

Since energy efficiency improvements are not usually the primary activity of SMEs, do they possess the know-how and skills necessary to operate new equipment?

What are the SME's key objectives?

Are energy efficiency upgrades focused on generating energy savings and increased cash flow for the SME? If efficiency upgrades focus on process improvements, the borrower should be aware that energy savings and increased cash flow may not be immediate, and are often realized over time.

Is local technical expertise available?

Is an energy audit necessary to identify specific energy saving measures for the SME borrower? Are local specialists available to assist with this technical aspect of projects?

How can IFC help?

IFC, supported by world class experts, has ten years of experience working with partner FIs in the area of sustainable energy finance. IFC's offering includes:

Partnership: IFC partners with selected client FIs to develop approaches to take advantage of energy efficiency and renewable energy market opportunities.

Product design and structuring: IFC can provide sector expertise to FIs to assist in product design and financial structuring.

Financial offering: IFC offers flexible finance options to FIs that develop sustainable energy lending portfolios, including medium to long term credit lines and guarantees. IFC may also offer

special financial enhancements such as partial first loss coverage on portfolios and performance incentives.



Technical assistance: IFC may provide customized technical assistance, including advisors, market analysis, feasibility studies, energy savings calculations, project preparation assistance, audits, engineering support, and capacity building programs.

Ongoing innovation: IFC continues to develop sustainable energy finance products based on extensive experience, client needs, and market developments. Future product offerings will enable client FIs and their customers to access carbon credit revenue streams as an additional benefit to implementing sustainable energy projects. For more details please contact Eva Szalkai evszalkai@ifc.org.

For the complete information see:

Financial markets sustainability, Energy efficiency finance, Energy efficiency for SMEs. International Finance Corporation. Web. January 2015.

<http://www.ifc.org/wps/wcm/connect/7854880049585e7c9caabd19583b6d16/FMS-EO-EEF-SME-EE.pdf?MOD=AJPERES>

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SMEs need to diversify funding amid credit constraints, OECD reports

Small and medium-sized enterprises (SMEs) are fundamental for inclusive growth and jobs, but they need to broaden their sources of finance to reduce their vulnerability, two new OECD reports indicated.

Both studies: [Financing SMEs and Entrepreneurs 2015: An OECD Scoreboard](#) and [New approaches to SME and entrepreneurship financing: Broadening the range of instruments](#), underline that alternative funding options must be developed and promoted to support investment. The reports were presented during the G20 Finance Ministers in Washington.



*Ali Babacan, Deputy Prime Minister of Turkey and Angel Gurría, Secretary-General of the OECD at the launch of the OECD SME Scoreboard 2015, Washington, DC.
Photo: OECD*

“Access to finance will remain a challenge for years to come,” OECD Secretary-General Angel Gurría said.



Financing SMEs and Entrepreneurs 2015: An OECD Scoreboard, says

bank lending to SMEs has still not recovered to pre-crisis levels in many countries, putting the brakes on business growth and investment. Credit remains tight.

Some alternative instruments such as crowdfunding and factoring are gaining traction but venture capital investment and leasing have yet to recover to 2007 levels in most countries.

The OECD warns that high levels of non-performing loans among SMEs have a negative effect on banks' willingness to lend in the countries most affected by the financial crisis.

However, payment delays and bankruptcies among SMEs were no longer on the rise in 2013. Bankruptcies remained on average at their 2012 levels while payment delays fell in a majority of the 34 countries surveyed in the Scoreboard.

Financing SMEs and Entrepreneurs 2015: An OECD Scoreboard is an annual report that analyses indicators on SME finance, complemented by demand-side information and an overview of the latest public and private initiatives.

New approaches to SME and entrepreneurship financing: Broadening the range of instruments highlights the fact that traditional bank finance poses challenges to SMEs, in particular to newer, innovative and fast-growing firms with a higher risk profile.

The report considers that diversified funding sources for SMEs can better serve the needs of firms at different stages of their life cycle, as well as help to mitigate systemic risk, strengthen the economy's resilience to critical shocks and foster new sources of growth.

The report indicates that it is essential to address the obstacles of SMEs:

- Addressing the SME skills gap in finance;
- Designing regulation that balances financial stability, investor protection and the development of innovative financing channels for SMEs;
- Creating information infrastructures to improve credit risk assessment; and
- Increasing participation of private actors in SME finance.

To find out more about the OECD's work on SMEs and entrepreneurship, please visit: <http://www.oecd.org/cfe/smes>.

For the complete information see:

SMEs and entrepreneurs need to diversify their funding amid continued credit constraints.

Organization of Economic Cooperation and Development. Web. April 16 2015.

<http://www.oecd.org/newsroom/smes-and-entrepreneurs-need-to-diversify-their-funding-amid-continued-credit-constraints.htm>

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Banking Asia's unbanked – ADB President Nakao

Simple acts such as withdrawing money from an ATM or taking a loan to expand the family business are beyond many people in Asia. But nearly everyone at the region's wealthier countries like Singapore has a bank account, often linked to other services.



But in less developed countries like Cambodia and Tajikistan fewer than

5% of people have bank accounts. Across developing Asia only 27% of people are banked, 10% below the global median.

ATMs number about 75 per 100,000 people in Brunei Darussalam and Thailand, but less than five per 100,000 in Bangladesh and Uzbekistan. Just a third of developing Asia's firms have a line of credit or loan from a financial institution compared with 54% in Latin America, and 16% of companies don't have a checking or savings account.

The lack of inclusive financial systems means poor households cannot save and invest and SMEs must rely on earnings to growth, missing out on bigger opportunities.

Inclusive growth can only occur when accompanied by robust measures to enhance access to finance for the millions of "unbanked" people in Asia.

Financial inclusion

Many Asian governments have made financial inclusion a priority. India recently launched the "Prime Minister's People's Wealth Scheme", which has led to more than 140 million new bank accounts — nearly double the original target.

The scheme also offers new account holders an overdraft and insurance coverage.

The Philippines has made remarkable progress, in part by tripling since 2012 the number of banks which offer micro-deposit accounts. These usually have low or no minimum deposits and no service charge. The People's Republic of China (PRC) cut the number of unbanked towns and villages almost by half between 2009 and late 2011. These initiatives provide services such as savings, loans, insurance products and money transfers.

ADB has supported financial inclusion in Asia through more than 300 projects over 40 years.

Still, more needs to be done. The first step is to give the poor opportunities to save and borrow. Savings programs at schools and companies can help. In Indonesia, the People's Business Credit Program addresses difficulties faced by small business in obtaining collateral for bank loans by offering a government guarantee for 70% of the loan amount.

Micro-insurance

Micro-insurance is a second key to financial inclusion. Insurance helps the poor cope with income shocks, but only 4% of Asians are covered. Thailand and Malaysia have seen fast growth of micro-insurance, especially for health, life, crop, and livestock protection. Coverage for poor households needs to be expanded, and products should be designed to pay out quickly — particularly after natural disasters — to build trust with customers.

A third step is mobile money because it is a cheaper and faster way to receive and make payments. In the Philippines the number of e-money accounts, which provide holders with access to a stored value of “electronic money”, grew by a third over two years to 27 million in 2013. A new online business registration system in the Solomon Islands is helping companies apply for loans using boats, cars, or farm equipment as collateral.

Finally, SMEs need more reasonably priced finance. Across Asia, the need for more assistance is particularly acute for SMEs run by women in the developing world, 70% of which are unserved or underserved by financial institutions. Partial credit guarantees by governments would widen their access to bank

credit. The PRC has promoted SME bond issuances, and SME equity listing on the Shenzhen Stock Exchange.

Financial inclusion is key to Asia's future. Policymakers must redouble their efforts to help bank the unbanked.

For the complete information see:

Nakao, Takehiko. *Banking Asia's unbanked*. Asian Development Bank. Web. May 3 2015.

<http://www.adb.org/news/op-ed/banking-asia-s-unbanked-takehiko-nakao>

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Why do SMEs not borrow more from banks?

Drawing on firm-level data in the PRC, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam, a recent paper issued by the Asian Development Bank (ADB) investigated the reluctance of SMEs to borrow from commercial banks.

This study examined the relationship between firm characteristics and borrowing from commercial banks by small and medium-sized enterprises (SMEs) in the People's Republic of China (PRC) and five Southeast Asian economies (Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam).



Analysis of microdata from enterprise surveys highlights key

aspects of SME finance since the global financial crisis, including sources of credit, lender types, and collateral types.

First, SMEs typically resort to internal sources rather than external finance (including borrowing from banks) and trade credit.

Second, when it comes to external finance, SMEs typically use informal non-bank credit sources more than banks.

Third, there is a positive and significant association between bank borrowing and certain characteristics of SMEs, notably financial audits, firm age, and export participation.

Fourth, personal assets of SME owners tend to matter more as collateral for SME borrowing from banks than other collateral types.

Improving credit guarantee systems, enhancing monitoring and credit scoring by banks, and widening the scope of collateral are possible ways to increased bank borrowing by SMEs.

Policy implications and conclusions

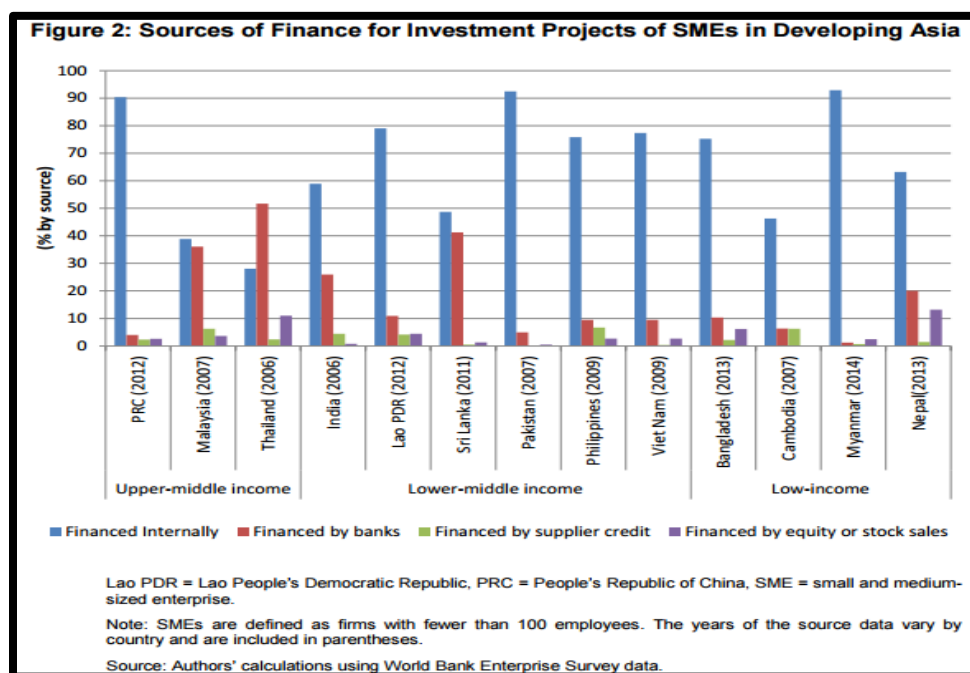
Using World Bank Enterprise Survey data, this study examined the relationship between firm characteristics and SME finance. Several aspects of financial access, including bank borrowing, line of credit availability, and collateral, credit, and lender type, are found to be correlated with firm characteristics.

The main results suggest that SME status (having fewer than or equal to 100 employees) has a significant large and negative economic influence on bank borrowing and line of credit

availability, while export participation, firm age, and financial audit have opposite and significantly positive effects on SME finance.

While the focus is on firms in the PRC and Southeast Asia, our main findings suggest both similarities and differences to previous studies on other economies and sample periods. In Germany, the evidence suggests that SMEs, known as “Mittelstand,” become less reliant on bank borrowing and more on equity finance and future cash flows, while capital market instruments (i.e., Mittelstand bonds) remain available to only large firms (Böttcher 2013).

SMEs in the sample countries dependent on internal funds, implying that financial access of SMEs in developing Asia is challenging. This is largely due to a lower level of capital market development, underdeveloped SME financing institutions, and perhaps a lack of information between SME lenders and borrowers.



For the complete information see:

Wignaraja, Ganeshan and Jinjarak, Yothin. *Why Do SMEs Not Borrow More from Banks? Evidence from the People's Republic of China and Southeast Asia*. Asian Development Bank Institute. Working Papers 509. Web. January 2015

<http://www.adb.org/sites/default/files/publication/156364/adb-wp509.pdf>

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SME internationalization through global value chains and Free Trade Agreements: Malaysian evidence

Regionalism in Asia, led by global value chains (GVCs) and free trade agreements (FTAs), has increasingly put the spotlight on small and medium-sized enterprises (SMEs) according to a recent study of the Asia Development Bank (ADB.)

Now, more than ever, SMEs in Asia have the opportunity to engage in international trade due to falling barriers to trade and fragmentation of production, whereby the production of final goods is spread over firms located in several countries, with each one undertaking an individual “task” in the overall process. Firms no longer need to have the expertise to export to a modern market; instead, they can simply support the value chain as suppliers of intermediate inputs, such as parts and components, and act as subcontractors several levels down from the ultimate buyer (Lim and Kimura 2010).

Increased internationalization through participation in GVCs and international trade provides SMEs in Asia the opportunity to achieve economies of scale, expand market share, and increase productivity. Additionally, participation in GVCs and cooperation within a network of upstream and downstream partners can enhance a firm’s information flows and learning possibilities, as well as introduce new business practices and more advanced technology, leading to greater growth and earning potential (UNCTAD 2010).

Despite the substantial gains from internationalization, SMEs are underrepresented in international trade even in middle-income economies in Asia (Harvie 2010). In Malaysia, SMEs account for 97% of all enterprises but only 19% of total exports. Furthermore, despite the increasing number of FTAs to smooth the flow of trade, there is mixed evidence of FTA utilization (Kawai and Wignaraja 2011, 2013; Tambunan and Chandra 2014).

At the firm level there can be notable benefits of joining GVCs and using FTA preferences, but there are also costs, and SMEs are particularly disadvantaged given their size and available

resources. With the increased availability of micro data, we can better understand the firm-level characteristics associated with successful participation in GVCs and use of FTA preferences as well as the barriers facing SMEs.



This paper examines the characteristics of SMEs that have

successfully internationalized through participation in GVCs and FTAs, with reference to Malaysia using enterprise survey data of 234 exporters and importers collected in 2012. It seeks to improve our understanding of the internationalization of SMEs in Malaysia and contribute to the scant literature in this area. Policy implications from the research are also explored.

To the best of our knowledge, this is the only study that has attempted to examine the internationalization of SMEs in Asia both in terms of participation in GVCs as well as in FTAs. Malaysia is an interesting case study of SME internationalization.

The country and its enterprises have considerable engagement in GVC trade and are actively pursuing liberalization through various routes, including unilateral liberalization and FTAs (Kam 2013; WTO 2014). Although the People’s Republic of China (PRC) is increasingly dominating Asia’s GVC trade, Malaysia is also an active participant and accounted for 2.7% of global and 5.2% of Asian GVC trade over the period 2009–2013.

Interestingly, Malaysia ranks as the fourth most active Asian economy in GVC trade and is only behind the PRC, Japan, and the Republic of Korea. The electronics sector is particularly well-integrated and is the key driver of Malaysia’s participation in these chains.

Impediments to Free Trade Agreement Use and Support Sought the perceived barriers by SMEs to using FTAs and the support sought is the final research question. The survey results suggest that the most significant barrier to FTA use among SME firms is lack of information, with 114 SMEs ranking lack of information as one of their top three reasons for not using FTAs (see Figure 1 on the next page). Two other major barriers are that firms do not see the need to use FTAs and are not interested in trading with current FTA partners.

The FTAs under implementation, and enhanced consultations before, during, and after FTA negotiations (see Figure 2). This suggests there is a real role for public policy in addressing limited FTA use.

The most sought public sector organizations for FTA-related issues were Malaysia’s Ministry of Trade and Customs department (see Figure 3). Among private sector institutions were business and industrial associations and chambers of commerce.

Figure 1: Impediments to FTA Use (number of firms)

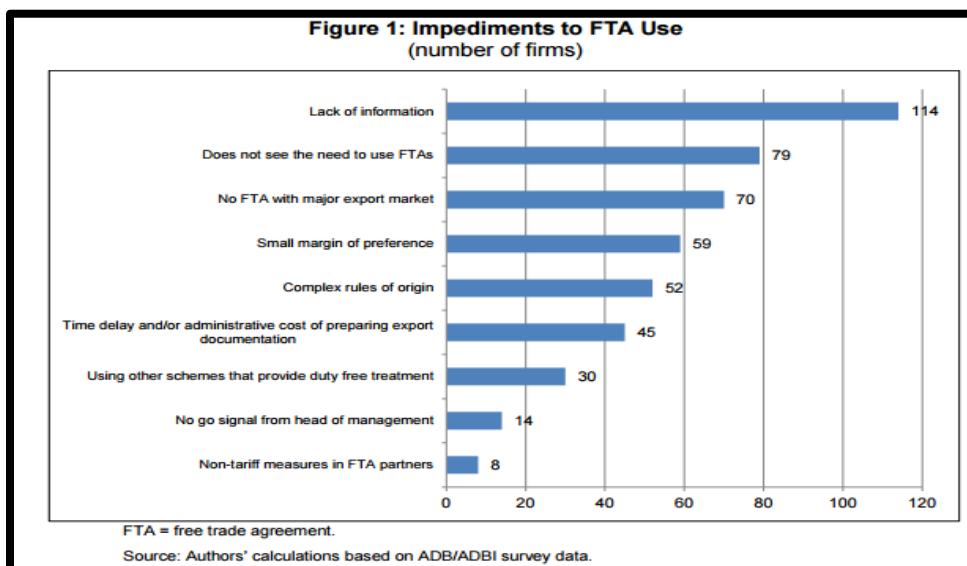
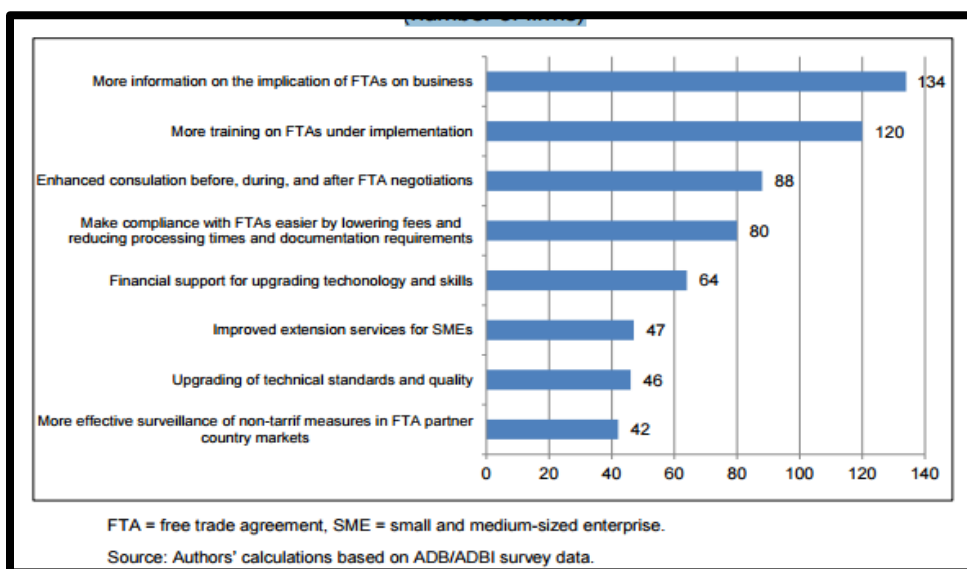


Figure 2: Services requested by firms to adjust to FTAs (number of firms)



Conclusion

This analysis was carried out using survey data of 234 exporters and importers. Three findings come out of the analysis.

Firstly, SME size matters in GVC participation. Even among SMEs, firm size was found to be positively and significantly associated with participation in GVCs. This key result highlights that economies of scale and firm resources, which are positively linked with size, are important in overcoming the initial fixed costs of entering the value chain. In addition to size, technological capability of enterprises, as captured by the ownership of a foreign technology license and R&D share of sales, was found to be positively and significantly associated with SME participation in GVC trade. Surprisingly, foreign ownership was not found to be a significant predictor of value chain participation.

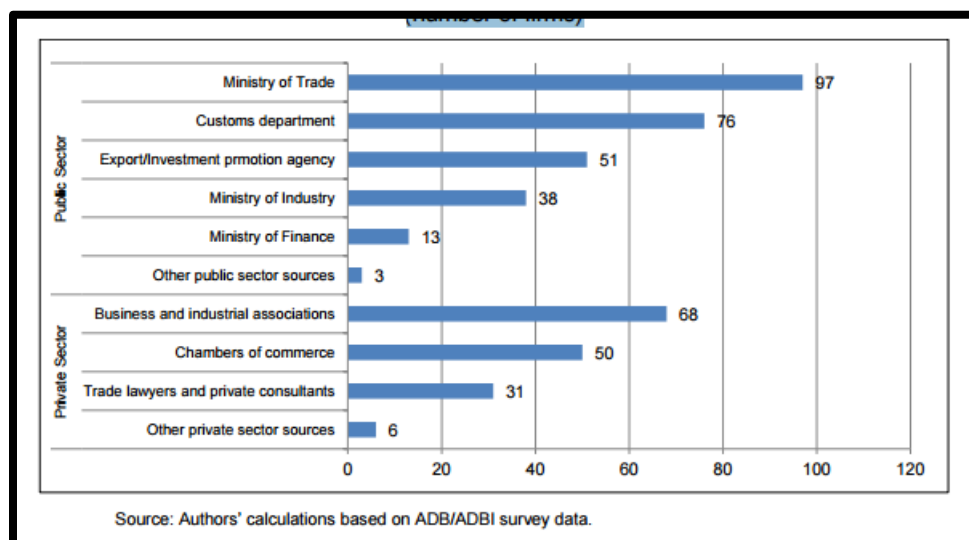
Secondly, size was also found to be positively associated with FTA use capturing perhaps the

costs associated with understanding the complex and lengthy legal documents. Firms that invest time in acquiring relevant in house FTA expertise and that actively build linkages with FTA support institutions were found to be more likely to use FTAs. This result is not surprising since the greater the outward orientation, the higher the likelihood the firm is aware of international markets and trade regulations (including import tariffs, FTA preferences, rules of origin, and customs procedures).

Additionally, firms with higher exposure to international trade have more to gain from using the preferences made available in FTAs.

Finally, the descriptive analysis on the barriers to FTA use found that lack of information is the predominant reason for not utilizing preferences under an FTA. The above results reinforce what researchers have known from micro-level studies of international trade—importing technology from abroad and investment in R&D are positively related to business internationalization.

Figure 3: Institutional support sought by SMEs when facing problems with FTAs (number of firms)



For the complete information see:

Arudchelvan, Menaka and Wignaraja, Ganeshan. *SME Internationalization through Global Value Chains and Free Trade Agreements: Malaysian Evidence*. Asian Development Bank Institute. Working Papers 515. Web. February 2015.

http://publications.apec.org/publication-detail.php?pub_id=1524

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APEC wants to integrate MSMEs in global supply chain

In making growth equitable and inclusive, APEC's **Boracay Action Agenda** centers on the development of the region's small and medium enterprises (SMEs) as an important component of APEC's efforts is to bolster their ability to take advantage of cross-border business. The emergence of global supply chains and the proliferation of preferential trade agreements have created opportunities for SMEs to participate in international trade.

The Boracay Action Agenda aims **to** promote the internationalization of MSMEs and integrate them into global value chains, and will address barriers to trade and investment that disproportionately impact MSMEs. Efforts to reduce and eliminate tariffs and non-tariff barriers in the region will be best served by implementing the WTO Trade Facilitation Agreement.



Whether as a participant in global value chains, or a direct exporter of goods and services, or as a start-up, APEC would be an enabler of global MSMEs through

specific actions to address barriers to their internationalization as identified by APEC MRT and SME Ministers in 2011. Trade facilitation, trade finance, e-commerce, and institutional support are priority areas of cooperation where APEC actions are needed to foster MSMEs' participation in global and regional markets. Thus, APEC agrees to the following actions:

1. Facilitate the access of MSMEs to FTAs/RTAs by simplifying and streamlining rules of origin (ROO) procedural and documentary requirements and harnessing IT to ease documentation and procedures.
2. Streamline customs-related rules and regulations and assist in the compliance of MSMEs
3. Provide timely and accurate information on export and import procedures and requirements.

4. Widen the base of Authorized Economic Operators (AEO) and trusted trader programs (TTP) to include SMEs in order for them to contribute to security, integrity and resiliency in supply chains.

5. Support measures to widen options on financing for MSMEs and further develop the infrastructure to facilitate lending to them.

6. Expand internationalization opportunities for micro and small enterprises providing goods and services through ICT and e-commerce.

7. Strengthen institutional support for MSMEs

8. Strengthen focus on MSMEs led by women

As a common goal towards 2020, APEC will grow dynamic, global MSMEs by widening and deepening their involvement in international markets and global value chains. To this end, APEC will identify indicators in order to track the region's progress to "go global".

By 2016 – 2020, APEC will update the 2010 OECD-PSU study to identify future challenges and as a basis for additional work. By 2018, stocktake and mid-term review of progress. By 2020, final review and reporting of progress.



For the complete information please visit:

Boracay Action Agenda to Globalize MSMEs.
Asia Pacific Economic Forum. Web. May 24 2015.

http://www.apec.org/Meeting-Papers/Ministerial-Statements/Trade/2015_trade/2015_mrt_standalone.aspx

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Country reports

Australia

SMEs growth needs strategy

Small and medium sized enterprises (SMEs) are facing a tough landscape and forced to focus on daily issues around cashflow, funding and HR instead of looking at the bigger picture, Scottish Pacific chief executive Peter Langham says.

In late January, national SME working capital specialist Scottish Pacific commissioned research firm East & Partners to interview senior managers of 1253 SMEs from a diverse range of industries around Australia with annual turnover between A\$1-20 million.

"Four out of ten businesses have a trade sale as the ultimate goal for their business, but an alarming 34.9 percent of small business owners do not have any concrete long term plans, which suggests a short term focus amongst small business owners and decision makers," Langham said.

"SME owners also indicated they are broadly untrusting of outside advice, with 38.6 percent nominating no trusted business advisor.

"The fact they were more likely to trust a friend to provide advice about their business than their well qualified banker or accountant shows there is a real opportunity for finance brokers, accountants and lawyers to step up and fill this gap for SMEs, to make the process easier for them," Langham said.

More SMES are now predicting negative growth - 16 percent, up from 13.2 percent in September 2014. Further analysis indicates significant disparity between growth forecasts for SMEs based in different states.

The overwhelming majority of SMEs (89.6 percent) do not look beyond their own funds and unsecured lending sources to fund growth.

Growth by merger and/or acquisition remains firmly on the agenda for 25.5 percent of growth SMEs in the first half of 2015, up from 23.7 percent.

High taxes and multiple taxes were key barriers to growth for the whole SME market (65.8 percent) ahead of challenging credit conditions (63.8 percent) and outright availability of credit (54.7 percent).

For SMEs who indicated they were growing, red tape (53.8 percent) and cash flow issues (51.8 percent) were also high on the list of barriers to growth, along with the three barriers listed above.

For more complete information see:

SMEs growing, but lacking concrete long term plans. East & Partners. Web. March 23 2015.

<http://east.com.au/publications/banking-news/smes-growing-but-lacking-concrete-long-term-plans>

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Azerbaijan

Access to finance: essential for jobs and diversification



Azerbaijan has traveled a long way since independence twenty years ago. In the past decade alone the economy has grown five times, thanks in great part to a wealth of oil-based revenue. However, Azerbaijan now faces some new challenges as the income generated from oil exports is decreasing and the fallout from Russia's economic downturn damages Azerbaijan's immediate growth prospects.

To help mitigate these risks, the government of Azerbaijan is looking at economic diversification.

To achieve this, however, the financial sector needs to grow and increase its intermediation capacity to serve the needs of the economy. Access to finance is key to the growth of small and medium-sized enterprises (SMEs) and jobs creation, but it remains constrained – with private credit to GDP at a modest 31 percent (2014) in Azerbaijan, compared with countries of similar economic size.

The financial sector remains relatively small and bank-centric, with the state playing a dominant role in ownership and financing. Gaining access to finance, therefore, has often proved challenging for micro, small and medium enterprises (MSMEs), especially entrepreneurs and young businesses; thus the SME sector remains small (10 percent of GDP).

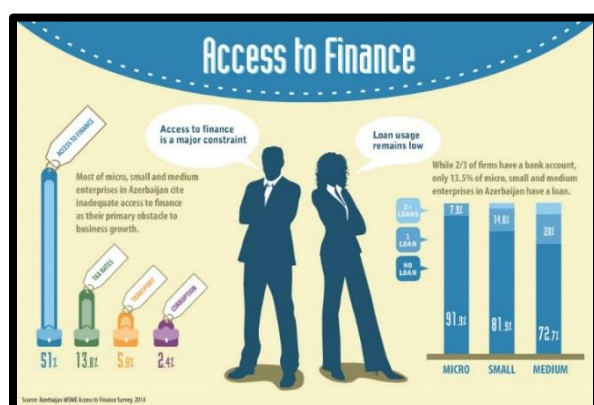
According to a 2014 World Bank “MSME Access to Finance Demand Survey”, around 51 percent of MSMEs in Azerbaijan cite inadequate access to finance.

The survey, carried out across the sectors of agriculture, manufacturing, construction and trade, and services and tourism.

Complex credit application procedures, lack of collateral, high lending costs, and short maturities in the backdrop of low financial capability prevent MSMEs from accessing finance. While roughly two thirds of MSMEs currently own a bank account, only 14 percent have an outstanding loan or a line of credit. Around three quarters of MSMEs have never applied for either.

Very few MSMEs have access to other types of credit such as credit cards (2.4 percent) and overdrafts (0.3 percent), while letters of credit, trade insurance, leasing, and factoring remain rarely used, with only 4.1 percent and 1.7 percent of MSMEs using leasing and factoring in 2013, respectively.

Four factors in particular contribute to high financing constraints and low usage of credit instruments by MSMEs.



1. Inaccessible traditional loans

Complex application procedures, high collateral requirements, and high costs are discouraging to enterprises and generally result in loan rejections. Availability of longer term finance for more than 3 years also remains limited.

2. Limited development and Lack of awareness of non-traditional sources of financing

Letters of credit, trade insurance, leasing, and factoring are also limited by both supply and demand factors. Although two thirds of MSMEs are familiar with supplier credit and more than half received such credit in 2013, awareness or access to other products remains limited.

While 32 percent of MSMEs are familiar with leasing, only 5.8 percent sought this form of financing, and just 4.1 percent received it, in 2013.

3. Inadequate financial capability skills to secure financing

Less than half of MSMEs prepare financial statements, only a quarter prepare written business plans, and more than one third of MSMEs do not keep ongoing financial records at all.

Lack of reliable financial statements and low financial capability of MSMEs – both in understanding financial products and their benefits, as well as managing their finances – increases lending risks, weakens loan application credibility by MSMEs, and leads to higher loan rejection rates.

4. Limited impact of government programs on access to finance

Despite a high level of awareness of the Government programs, only 5.1 percent of surveyed MSMEs applied for state sponsored programs and only 1.7 percent received the support. There is room, therefore, to increase the scale and scope of Government support, while enhancing the design of the programs and products, expanding intermediation instruments and partners, and multiplying the impact through mobilization of private sector funds.

The way forward

It is critical to undertake reforms aimed at reducing risks to lenders and at enhancing lenders' skills and risk management practices.

Reforms aimed at creating an efficient secured transactions framework for movable assets collateral and advancing credit reporting systems, with the introduction of a private credit bureau and development of clients' credit histories, will help expand financing to smaller and younger MSMEs.

A government MSME support strategy should be developed and access to finance programs should be streamlined to increase outreach.

To address the low financial capability levels of MSMEs, particularly in new sectors and among agri-businesses, financial consumer protection and awareness programs need to be launched. In addition, there should be simplified business and financial training for MSMEs, through a dedicated and well-coordinated program of state support for SMEs and entrepreneurship.

For the complete information see:

Access to Finance – Essential for Job Creation and Diversified Growth in Azerbaijan. World Bank. Web. May 12 2015

<http://www.worldbank.org/en/news/feature/2015/05/12/access-to-finance---essential-for-job-creation-and-diversified-growth-in-azerbaijan>

The future will depend on SMEs' skills:

<http://www.digitalnewsworld.com/news/access-to-finance-in-core-of-azerbaijans-diversified-growth.html>

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Cambodia

IFC Invests in Cambodia's Amret Co. to expand lending for Micro SME

The International Finance Corporation (IFC) has acquired 19.9 percent of the share capital of Amret Co., the third-largest microfinance institution in Cambodia by gross outstanding loans, to increase lending to micro and smaller businesses. This will help raise incomes, expand businesses, and create jobs in Cambodia.



In addition to the equity investment, IFC has also provided a senior loan of up to \$10 million to Amret, which was established in 1991 and has the 2nd highest number of borrowers among microfinance institutions in Cambodia. IFC will also help Amret transform into a commercial bank.

Over the past two decades, Cambodia's microfinance sector has been developing rapidly with annual growth rates of more than 30 percent, benefiting more than 1.9 million borrowers. Yet, many microfinance institutions' operations remain small in scale and do not have national reach.

"Several key microfinance institutions are planning to transform into either deposit-taking lenders or commercial banks offering a wider range of banking products," said Adel Meer, IFC's Financial Institutions Group Manager for East Asia and the Pacific.

IFC's support to Amret follows its success in assisting the transition of ACLEDA Bank from a microfinance institution funded by NGOs into Cambodia's largest bank by assets today. Please visit www.amret.com.kh

For the complete information see:

Kea, Kunthea. *IFC Invests in Cambodia's Amret Co. to Expand Lending for Micro and Smaller Businesses.* International Finance Corporation. Web. March 13 2015.

<http://ifcext.ifc.org/IFCExt/pressroom/IFCPressRoom.nsf/0/E61930DBE860404985257E0700265964?OpenDocument>

ASEAN integration will help SMEs:

<http://www.phnompenhpost.com/sme-policy-needed-aec>

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China

China helps Asian LDCs boost trade capacity

International Trade Centre (ITC) is working with the Chinese government to help equip small and medium-sized enterprises (SMEs) from six Asian least-developed countries (LDCs) with the awareness and technical knowledge they need to take full advantage of preferential access to the continent’s largest market.



China is already the world’s biggest market for LDCs, accounting for nearly a quarter of all merchandise exported by LDCs in 2013 - worth some US\$59.4 billion - albeit with oil and other mineral products accounting for almost nine-tenths of the total.

Beijing extended duty-free, quota-free market access to LDCs on 95% of its tariff lines in 2013, according to the World Trade Organization, and has announced its intention to expand this coverage to 97% of products by 2015. But tariff-free access alone is often not enough to

jumpstart trade – especially for SMEs, which struggle to understand prospective markets, connect to buyers and comply with still-mandatory non-tariff measures. They must also bear the fixed costs these entail.

Khemmani Pholsena, minister of industry and commerce of Lao PDR, has noted that her country’s exports to neighbouring China were a modest US\$2.7 billion in 2013 despite a variety of tariff preferences. ‘This might reflect two possibilities: one is the exporting country’s domestic supply side constraints and the other is the importing country’s domestic regulation restrictions as well as non-tariff barriers,’ she said.

“China has become the largest economy in the world in purchasing power terms. This creates enormous export opportunities for neighbouring developing countries”

Sylvie Bétemps Cochin,
ITC project manager



Building supply capacity and overcoming trade obstacles could create virtuous circles

of production, trade growth and job creation, especially where SMEs are concerned. In Asia, SMEs account for more than 90% of businesses and 80% of the workforce. The more they are able to connect to regional value chains, the greater the potential for job creation and broad-based income growth.

This three-year project, launched in 2014, seeks to diminish the obstacles SMEs from the six LDCs face in penetrating the Chinese market through a combination of customized information about trading with China, capacity building and facilitating direct contact with potential Chinese partners and buyers.

To accomplish these objectives, ITC is partnering with trade and investment support institutions such as chambers of commerce and trade promotion organizations in Afghanistan, Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal. This is being done to help SMEs build familiarity with Chinese import regulations,

customs procedures, certification requirements and market entry strategies.

This project is funded by China's Ministry of Commerce (MOFCOM), which is responsible for trade, investment and international economic cooperation, underscoring the growing role that emerging economies play in trade-related technical assistance.

Key steps in the project include demand-side surveys in China and supply-side surveys in the Asian LDCs; the creation of an awareness-raising roundtable on export potential and trade-related constraints vis-à-vis China; training workshops and advisory support on Chinese market conditions and requirements; and participation in trade fairs and other business-to-business events. An additional study looked at how businesses in Cambodia, Lao PDR, and Myanmar – the three LDC members of the Association of Southeast Asian Nations (ASEAN) - stand to be affected by the bloc's free trade agreement with China.

SMEs in the LDCs will benefit from customized trade-related information including a business guide book; match-making events to connect with potential buyers and investors; and field visits and participation in trade fairs in China.

The capacity of trade support institutions in the Asian LDCs to support their local SMEs in making inroads into China's vast market will be enhanced through more targeted information and SME-specific tools to disseminate more widely in their countries.



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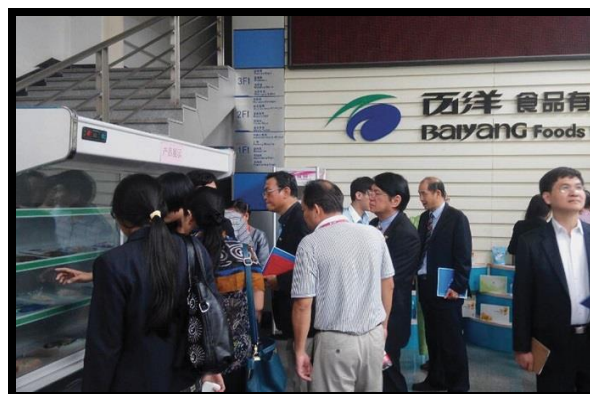
The project has already brought together ministers and top public and private sector representatives

from China, Cambodia, Lao PDR and Myanmar in the southern Chinese city of Nanning to explore opportunities to bolster trade and development and discuss practical ways to support SMEs. Gathering on the sidelines of the China-ASEAN Business Summit, they discussed issues such as trade facilitation, customs procedures and best practices with regard to standards, labelling and certification requirements.

At the Nanning meeting, U Zaw Min Win, vice president of the Union of Myanmar Federation of Chambers of Commerce and Industry, said the

SMEs making up the overwhelming majority of businesses in Myanmar struggle to understand Chinese import rules and regulations. Additionally, many would-be exporters suffered from a lack of timely market information. ITC could make valuable contributions through training programmes and the provision of trade-related information, he suggested.

Looking ahead, ITC project manager Sylvie Bétemps Cochin observed that 'China has become the largest economy in the world in purchasing power terms. This creates enormous export opportunities for neighbouring developing countries. It has become a strategic market for Asian LDCs to gradually integrate into international value chains, and serves as an incubator for export and diversification.



'This innovative south-south cooperation project should facilitate new connections between Chinese enterprises and SMEs in Asian LDCs and lay the groundwork for greater participation by SMEs in continental commerce'.

For the complete information see:

China helps Asian LDCs boost trade capacity.
International Trade Centre. Web. June 8 2015.

<http://www.intracen.org/news/China-helps-Asian-LDCs-boost-trade-capacity/>

High manufacturing requires high SMEs in China:

http://www.chinadaily.com.cn/china/2015-06/15/content_21011458.htm

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Georgia

World Bank supports Georgia's efforts to increase private sector competitiveness

WASHINGTON, April 28, 2015 – The World Bank Board of Executive Directors approved an IBRD (International Bank for Reconstruction and Development) loan of US\$60 million for the First Programmatic Private Sector Competitiveness Development Policy Operation for Georgia. This is the first in a series of three Development Policy Operations (DPOs) aimed at strengthening shared prosperity and eliminating extreme poverty in Georgia through policies that stimulate private sector productivity, foster investment and create a fair business environment that enables growth by small and medium enterprises (SMEs) and new firms.



The development objective is to increase private

sector competitiveness through second generation business environment reforms, financial sector deepening and diversification, and increasing firms' capacity to innovate and to export.

"These policies have been prioritized in the Government's development strategy Georgia 2020, which sets out its vision for inclusive development. The DPO series is also a core element of the World Bank Group Country Partnership Strategy (CPS) for 2014-2017, and contributes to the CPS goal of enabling the private sector to become the main driver of employment creation and provider of income opportunities for the bottom 40 percent of the population," said Henry Kerali, World Bank Regional Director for the South Caucasus.

"The policies supported by this DPO are expected to improve the living conditions of Georgian households by enhancing private sector" said John Gabriel Goddard, World Bank Senior Economist and Task Team Leader for this Program.

This DPO series will support the reforms addressed in the Government's strategy by strengthening public-private dialogue, connecting small and medium sized enterprises (SMEs) to markets and information, and enhancing the public procurement system. Reforms are also being introduced to strengthen social and financial safety nets, particularly through comprehensive pension reforms and the introduction of a deposit insurance system. Reforms in the capital and insurance markets will help to address supply and demand-side constraints to accessing financial services. Reforms to upgrade the telecommunications sector; the introduction of an innovation support framework aligned with European Union (EU) practices; and upgrading of the services provided by state institutions in the areas of metrology, standards and accreditation, will underpin long-term productivity growth and leverage the benefits of membership in the Deep and Comprehensive Free Trade Area (DCFTA) and the Association Agreement with the EU.

This DPO is part of a larger package of reforms supported by the World Bank Group. The Inclusive Growth DPO that is being implemented in parallel supports reforms to strengthen fiscal oversight of public institutions and improve the coverage and quality of health and education services.

This is an IBRD flexible loan of US\$60 million with a 25 years maturity and 14 years grace period.

World Bank commitments to Georgia since 1992 total approximately US\$ 2.27 billion.

For the complete information see:

World Bank Supports Georgia's Efforts to Increase Private Sector Competitiveness. World Bank. Web. April 28 2015.

<http://www.worldbank.org/en/news/press-release/2015/04/28/world-bank-supports-georgias-efforts-to-increase-private-sector-competitiveness>

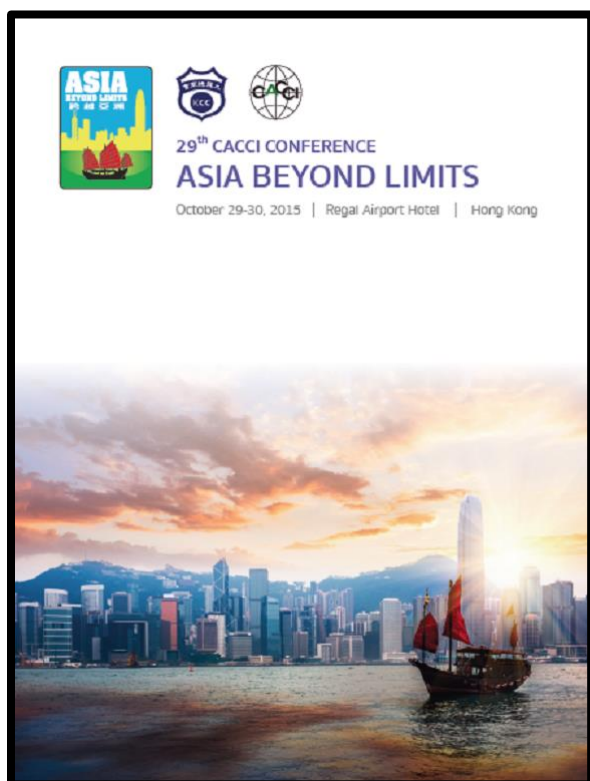
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Hong Kong

CACCI Conference to discuss internationalization of SMEs

This year's 29th CACCI Conference to be held on 29-30 October 2015 in Hong Kong will address the important topic of "Promoting the Internationalization of SMEs". Invited speakers representing the academe, the policymakers, and the business sector will examine ways of assisting SMEs tap into the international market.

CACCI recognizes that the continuing progress in information technology, telecommunications, and transportation has caused markets to expand globally. The distinction between domestic and foreign markets is losing its relevance. This offers opportunities as well as challenges to all business concerns, especially to SMEs in this region. Opportunities because they can sell more, invest more freely across borders, and eventually make more money.



While these are very encouraging signs, SMEs now face more competition than before within these expanded markets. They will have to

improve their products, recognize marketing strategy and develop new technologies, in order to remain competitive. The continuing trend towards borderless economies and globalization has made it imperative for SMEs to pursue technological improvements and information networking by establishing new forms of partnerships among themselves and with large enterprises.



CACCI members will gather in Hong Kong and exchange views with invited experts on how to help and provide support to SMEs in their efforts to expand and reach out into the international market. The support should not be limited to exporting their products and services, but also to attracting investors and business partners. Participants will share their perspective on why it is essential of SMEs in this region to accept the reality of the globalization of markets, and how they can enhance their growth by exploiting this new economic environment.

For more information please visit:

<http://www.hkcc.org.hk/cacci>

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India

ICICI Bank partners with Alibaba offering trade finance for Indian SMEs

ICICI Bank, India's largest private sector bank announced its association with Alibaba.com for the launch of the Trade Facilitation Center, a single window facility to provide easier trade finance to the small and medium enterprises in India.



Indian entrepreneurs who are members of Alibaba.com will get quick access to an

array of integrated business services from ICICI Bank including business loans, cash management solutions, foreign exchange transactions, bank guarantees and cross-border remittances, in addition to privileges and discounts.

ICICI Bank executive director Rajiv Sabharwal said "We will offer to the members of Alibaba.com special propositions across our entire spectrum of business services ranging from accounts, letter of credit, bank guarantees, remittances, forex, loans and cash management solutions.

Bhushan Patil, Channels director, Alibaba.com in India said; "We have also worked to sweeten this proposition by enabling Alibaba.com's members in India to enjoy better rates and discounts on ICICI Bank's products and services"

This cooperation comes close on the heels of a slew of technology-led innovative services introduced by ICICI Bank.

The list includes new apps for mobile banking, fully automated and round-the-clock 'Touch Banking' branches, Tab Banking, banking on Facebook and Twitter, the country's first contactless debit and credit cards, and 'Pockets', India's first digital bank on mobile phone.

For the complete information see:

ICICI Bank partners with Alibaba offering trade finance for Indian SMEs. ICICI Bank. Web. June 25 2015.

<http://www.icicibank.com/aboutus/article.page?id=entifier=news-icici-bank-partners-with-alibabacom-to-offer-easier-trade-finance-for-indian-20152206155845289>

In India, family is the business:

<http://www.economist.com/news/special-report/21648171-far-declining-family-firms-will-remain-important-feature-global-capitalism>

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Indonesia

IFC Invests over \$22 Million in Bank Mayora to expand lending to MSME

Jakarta, Indonesia, March 10, 2015—IFC, a member of the World Bank Group, has made an equity investment of over 290 billion Indonesian rupiah (more than \$22 million) in PT Bank Mayora, a member of leading Indonesian food manufacturing company Mayora Group, to provide greater access to finance to micro, small and medium enterprises in Indonesia.



There are about 55 million micro, small, and medium

businesses in Indonesia, providing 97 percent of all jobs and contributing close to 60 percent to the country's gross domestic product. Yet, many of them struggle to obtain loans to expand their businesses. IFC's investment will help Bank Mayora increase lending to address this financing gap and strengthen its market presence in the food and consumer goods industry.

"IFC's investment will increase our total capital to more than 1 trillion Indonesian rupiah, enabling us to provide a greater variety of banking services and enhancing our competitiveness in the banking industry," said PT Bank Mayora's President Director Irfanto Oeij. "We look forward to rolling out our expansion plan into the small and medium enterprise sector and microfinance, with IFC as our partner."

The bank's growth strategy is to increase its reach among Mayora Group's extensive value-chain network of food suppliers and sub-distributors, who provide access to 11,500 modern sales channels for mini markets and supermarkets, more than 250,000 wholesalers and retailers, and around two million traditional small shops.

"Bank Mayora is our partner in widening access to financial products for micro and small enterprises to increase rural incomes and promote sustainable urbanization in Indonesia,"

said IFC Country Manager in Indonesia Sarvesh Suri.

For the complete information see:

Lumban Gaol, Helen. *IFC Invests More than \$22 Million in Indonesia's Bank Mayora to Expand Lending to Micro and Smaller Businesses*. International Finance Corporation. Web. March 10 2015.

<http://ifcext.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/360794F71D3F497D85257E04002A8EC3?opendocument>

Big telecom cares about small business:

<http://thejakartaglobe.beritasatu.com/press-release/telkoms-digital-sme-village-launches-bandung/>

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Kazakhstan

World Bank to help Kazakhstan SMEs become more Competitive

The World Bank Group's Board of Executive Directors recently approved a US\$40 million loan to help enhance the competitiveness and management capacity of small and medium sized enterprises (SMEs) in Kazakhstan.



"Small and medium sized enterprises are widely identified as

important sources of economic growth and employment and, therefore, an essential foundation for shared prosperity," said **Ludmilla Butenko, World Bank Country Manager for Kazakhstan**. "The project is expected to increase the competitiveness of Kazakhstani SMEs to contribute to diversification of the economy by reducing its reliance on extractive industries."

Lack of professional and management skills as well as limited market linkages are among key obstacles the Kazakhstan's private sector is

facing today. The SME Competitiveness Project is aimed at strengthening the management capacity of SMEs to grow and create more and better jobs. For this, the existing SME advisory programs will be enhanced in terms of quality and methodology in line with international standards. Several hundred business consultants will be trained and certified to deliver in turn professional consulting to several thousand entrepreneurs and SMEs.

The project will also focus on increasing market linkages for SMEs in non-extractive sectors with a market-based growth potential. To facilitate the process, the project aims at piloting a supplier development program and enhancing the capacity of policy making authorities in developing competitive sectors in emerging areas of the economy. The evidence-based policy making will be strengthened through improved existing monitoring and evaluation frameworks and public-private dialogue.

All these activities will result in increased firm productivity and revenues as well as overall contribution of SMEs to the country economy.

The implementation of the five-year project (2015-2020) will start after the country approval process is completed.

The SME Competitiveness Project will be financed through a US\$40 million IBRD loan, with a 15-year maturity period and a 5-year grace period, with US\$6 million in co-financing from the Government of Kazakhstan.

For the complete information see:

World Bank to Help Kazakhstan SMEs Become More Competitive. World Bank. Web. March 2, 2015.

<http://www.worldbank.org/en/news/press-release/2015/03/02/world-bank-kazakhstan-smes-competitive>

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Malaysia

Malaysia launches wholesale guarantee plan to finance SMEs

The Credit Guarantee Corporation (CGC) Malaysia Berhad and the OCBC Al-Amin Bank in April 2014 launched the first ever 'Islamic Wholesale Guarantee' (WG-i) valued at RM 250 million (USD 69 million). This augurs well for the development of the unsecured SME financing business in Malaysia and is best suited for capital improvement and investment needs such as machinery and raw materials, and to support business growth where additional working capital is required.

The innovation of WG-I aims to capture the participation of other financial institutions by providing capital relief in accordance with Basel II while, at the same time, allowing them to obtain additional security to unsecured or partially-secured SME loans. WG-i also provides a new edge for the banking industry by reducing risk on books of financial institutions and freeing up capital to allow increased capacity for more SME financing.



In addition, the strength of WG-i lies in its simple implementation method of providing blanket guarantee on loans already underwritten by the participating financial

institution via a thorough understanding on the underwriting standards and performance of such loans. As the portfolio would have been seasoned for a period of time, loan quality is made more predictive, hence no further credit assessment is required upon submission.

The financial institution only needs to submit the qualifying accounts per the agreed terms. WG-i also allows better certainty in outreach and fee income as this is derived from a pool of existing customers in the financial institution's books. The WG-i program has already reached out to a total of 2,297 SMEs since it was launched. CGC

and Al-Amin Bank are expecting the demand for wholesale guarantee to increase this year.



The Credit Guarantee Corporation (CGC) Malaysia Berhad and the OCBC Al-Amin Bank in April 2014 launched the first ever 'Islamic Wholesale Guarantee' (WG-i) valued at RM 250 million (USD 69 million). This augurs well for the development of the unsecured SME financing business in Malaysia.

The 'WG-I' program won the 2015 ADFIAP Outstanding Development Project Awards under the SME Development Category.

For the complete information see:

CGC Malaysia's Wholesale Guarantee Scheme: Supplementing SMEs' Access to Finance. Association of Development Financing Institutions in Asia and the Pacific. Web. June 8, 2015.

<http://www.adfiap.org/news/members-news/cgc-malaysias-wholesale-guarantee-scheme-supplementing-smes-access-to-finance/>

More loans for grab:

<http://www.thestar.com.my/Metro/SMEBiz/News/2015/06/15/RM50mil-in-loans-up-for-grabs/>

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Pakistan

Guidebook, training help Pakistani SMEs use EU trade preferences

ITC News, June 5 2015

At the start of 2014, the European Union (EU) accorded Pakistan enhanced market access concessions that went beyond the general trade preferences Brussels offers to developing countries.

It became clear, however, that many companies in Pakistan were struggling to take advantage of the new trade opportunities. The enhanced preference scheme lowers tariffs on several products, but compliance with non-tariff measures, including proof of origin requirements, remains mandatory.



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Understanding those requirements, not to mention complying with them, is particularly difficult for

small and medium-sized enterprises (SMEs) and new exporters. Unless more companies understand how the new tariff rates apply to their products and what they need to do to comply with non-tariff measures and documentation requirements, improved access to European markets will fall short on its potential to deliver broad-based economic and developmental benefits in Pakistan.



ITC prepared a guide based on consultations with multiple stakeholders in Pakistan, spelling

out how Pakistani companies in key export sectors can boost sales and employment by taking advantage of the EU's Generalized System of Preferences-Plus (GSP+) scheme. Published in October 2014, the guide is available online free of cost in both English and Urdu and has been accompanied by training workshops for companies, government officials and business groups.

'The Urdu version would allow a very wide readership and thereby a greater possibility of increasing the number of exporters to the EU,' added Azher Ali Chaudhry, additional secretary with the national Ministry of Commerce. 'I am sure that a new class of exporters will emerge taking the benefit of the guidelines and thereby contribute to job creation and poverty alleviation.'

The new report explains what exactly GSP+ status entails for Pakistani exporters and outlines the procedures to be followed at home to export to the EU under this scheme.



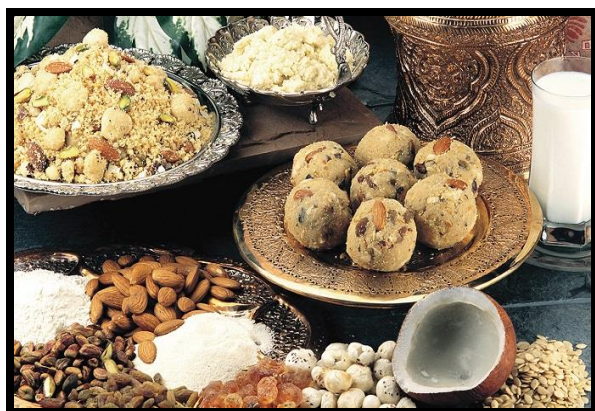
For companies in key export sectors for Pakistan – clothing, footwear, fruits and nuts, ethanol and dairy – the guide sets out step-by-step instructions for how to use the scheme. It explains how would-be exporters must go about finding their products' tariff classification under the EU's Combined Nomenclature (CN) system. It then explains how to determine the correct preferential rate, origin criteria, regulatory requirements, labelling and licensing rules, and documentation requirements in both Pakistan and the EU.

'The guide book and training on EU GSP+ scheme were both effective steps forward towards addressing the information requirement of businesses at large,' said Qaisra Sheikh, a director at General Machines, which makes packaging machinery. 'Pakistani businesses are

in dire need of such initiatives to take advantage of [the] GSP+ scheme up to its maximum potential.'



Naveed Farooki, director of Ecko Textiles Pvt Limited and a member of the managing committee of the Karachi Chamber of Commerce and Industry, described the guide as 'a perfect lexicon to understand the market, conventions and trade of the EU.'



With the new guide, ITC's GSP-related work with Pakistan came full circle: ITC previously worked with Pakistan to help it secure GSP+ status, commissioning assessments of what Pakistan needed to do to meet the eligibility criteria and building public and private sector awareness of the potential benefits of expanded market access to the EU.

ITC developed the GSP+ guide within the context of a programme being implemented in Pakistan by ITC, the World Intellectual Property Organization and the United Nations Industrial Development Organization.



The guide builds on years of ITC work with Pakistan to improve public-private dialogue in formulating trade policies and build institutional capacity to help businesses navigate non-tariff measures in export markets.

GSP vs. GSP+

The EU's regular Generalized System of Preferences (GSP) scheme offers developing country exporters reduced tariffs across roughly two-thirds of EU tariff lines. The GSP+ variant grants additional tariff preferences to developing countries that have adopted 27 international conventions relating to sustainable development and good governance.

GSP+ preferences are extended to some 13 developing countries including Pakistan. They cover key developing country exports such as certain agricultural and fisheries products, tobacco, chemical products, plastic, rubber, raw hides and skins and leather, wood, textiles, apparel, footwear, and articles of stone. The funder of this program is the EU.

For the complete information see:

Guidebook, training help Pakistani SMEs use EU trade preferences. International Trade Centre. Web. June 3 2015

<http://www.intracen.org/news/Guidebook-training-help-Pakistani-SMEs-use-EU-trade-preferences/>

But SME cannot pay their debts:

<http://www.dawn.com/news/1176859>

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The Philippines

Credit rating system may decrease banks' aversion to small business lending

Access to finance is the lifeline of small and medium enterprises (SMEs). Majority of Asian economies, however, have bank-dominated financial systems that are cautious to lend to SMEs.

This challenge confronting SMEs was underscored by policy researchers present at the APEC Study Centers Consortium (ASCC) Conference 2015 held on May 12-13 in Boracay Island.

The absence of credit data and the perceived risks in lending to SMEs are concerns inherent to SMEs. But Naoyuki Yoshino of the ADBI and Keio University in Japan said a credit rating system for SMEs may solve these issues.

A useful model is now being used in Japan wherein 52 credit guarantee corporations from the government collected data from Japanese SMEs. The data are now stored in a private corporation called Credit Risk Database (CRD), which now contains information on 14.4 million SMEs, including default data from 1.7 million SMEs.

If similar systems could be established in other parts of Asia to accumulate and analyze credit risk data and to measure each SME's credit risk accurately, banks and other financial institutions can use the information to categorize SME customers based on their financial health. SMEs would also benefit as they could both raise funds from the banks more easily and gain access to the debt market by securitizing their claims, Yoshino explained.

Meanwhile, Eunsook Seo of Sangmyung University in South Korea suggested the need to establish an equity market-based support system that specifically caters to the needs of SMEs in individual countries.

For the complete information see:

Credit rating system may decrease banks' aversion to small business lending. Philippine Institute for Developmental Studies. Web. May 15, 2015.

<http://asccc.pids.gov.ph/index.php/credit-rating-system-may-decrease-banks-aversion-to-small-business-lending>

One sweet but not sour SME story:

<http://www.businessmirror.com.ph/the-sweet-smell-of-success/>

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Russian Federation

Russian CCI supports Institute for SMEs



The President of the CCI of Russia Mr. Sergey Katyrin said that the Chamber supports the creation of a new institute for SME development and will cooperate with it.

The business community is actively debated Presidential

Decree on the establishment of joint-stock company "Federal Corporation for the Development of Small and Medium Enterprises." Russian Entrepreneurship hopes that the new institute in collaboration with major business associations of the country, especially with the Chamber of Commerce and Industry of the Russian Federation, will be able to dramatically change the situation with the development of small and medium-sized businesses for the better.

The CCI of Russia certainly supports the creation of a new Institute for the Development of Small and Medium Enterprises said the President of the Chamber of Commerce and Industry of Russian Federation Mr. Sergey

Katyrin. Such organization will contribute to the country's transition to an innovative path of development and the implementation of objectives of the new industrialization.

The CCI of Russia will participate in the new organization, analyze trends in the development of SMEs and make appropriate proposals said Mr. Sergey Katyrin.

For the complete information see:

President of the CCI of Russia Mr. Sergey Katyrin said that the Chamber supports the creation of a new institute for SME development and will cooperate with it. Chamber of Commerce and Industry of the Russian Federation. Web. June 15 2015.

<http://tpprf.ru/en/news/president-of-the-cci-of-russia-mr-sergey-katyrin-said-that-the-chamber-supports-the-creation-of-a-ne-i73080/>

Turkish share SME know-how with Russians:

<http://www.dailysabah.com/economy/2015/06/14/russia-will-use-turkish-model-for-smes>

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Singapore

Conference on New ASEAN Economic Community (AEC) to foster SME opportunities

The Singapore Business Federation (SBF), together with founding partners United Overseas Bank (UOB), Rajah & Tann, RSM Chio Lim, strategic partners International Enterprise (IE) Singapore and Spring Singapore and KADIN Indonesia, are organising the ASEAN Conference 2015. Themed "Growth Opportunities in an Integrated ASEAN", it aims to look at the opportunities and challenges arising from the realisation of the ASEAN Economic Community (AEC) this year.



To be held at the Raffles City Convention Centre, the conference will be graced by Guest of Honour, Mr Lim Hng Kiang, Minister for Trade and Industry, Singapore. Special remarks will also be delivered by Dr Sofyan A. Djalil, Coordinating Minister for Economic Affairs,

Indonesia and Dato' Sri Idris Jala, Minister in the Prime Minister's Department and CEO of PEMANDU, Malaysia.

Bringing together key decision makers from both the private and public sectors, ASEAN Conference 2015 will present a macroeconomic outlook of ASEAN, as well as policy updates pertaining to AEC 2015. Panel discussions will also highlight business insights into operating an effective hub in ASEAN and opportunities in the Greater Mekong Sub-region (GMS).

As a region, ASEAN has a growing population of over 620 million people and make up the third largest combined GDP in Asia at US\$2.3 trillion in 2013. ASEAN is also the second fastest growing economy in Asia after China.

The goal of the AEC is regional economic integration by 2015. It envisages a highly competitive economic region with a single market and production base, a region of equitable economic development and one that is fully integrated with the global economy. There has been good progress towards the formation of AEC.

Coupled with the bullish growth prospects in key Southeast Asian markets such as Indonesia and the Philippines, SMEs can tap into the wealth of trade and investment opportunities, while increasing their competitiveness arising from the abundant local resources and lower manufacturing costs.

To help SMEs capitalise on the opportunities resulting from the AEC, the Singaporean government will be committing more resources to assist businesses. Through this conference, participants will also be updated on the progress of the AEC, learn how their businesses can benefit from growth opportunities in ASEAN and

be apprised of the risks, business and legal issues in the region. In addition, there will be a dedicated panel session on the Greater Mekong Subregion (GMS), where the panellists will be sharing on the growth potential for local companies in the GMS and how they can tap on the opportunities there.

For the complete information see:

ASEAN Conference 2015 looks at growth opportunities in an integrated ASEAN.
Singapore Business Federation. Web. May 20, 2015.

<http://www.sbf.org.sg/asean-conference-2015>

Singapore government walks the talk with respect to supporting SME policy:

<http://www.businesstimes.com.sg/government-economy/majority-of-singapore-public-tenders-won-by-smes-study>

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Sri Lanka

Sri Lanka needs strategy for exports, investments & education

The Ceylon Chamber believes that the proposals outlined in the interim budget reflect the commitments in the election manifesto of President Maithripala Sirisena.



Considering that the growth in average per capita household income has been low in the preceding years, the chamber believes that the relief measures will ease peoples' economic hardships.

We also note that endeavours have been made to finance the new expenditure proposals

through new revenue measures - albeit targeting a relatively small segment of the public - thereby containing the budget deficit to what was initially envisaged. Overall, given the benign inflationary environment at present and the modest levels of household consumption, the chamber believes there is space to accommodate the relief measures and since they have been financed with new revenue sources, macroeconomic stability is unlikely to be undermined.

Notwithstanding the above, some of the taxes imposed are both distortionary and entity-based and may send confusing signals to investors leading to a reallocation of resources. These are not desirable features of a competitive economy (which thrives on consistency) and a modern tax system (which ensures consistency).

Thus, the Chamber hopes that they are short term transitional measures aimed at maintaining a reasonable fiscal position. In terms of revenue generation, we call for an efficient tax structure and administration.

The chambers believes that a strategy centered on exports, investment and education would be best for a competitive & productive economy.

For the declaration see:

The Ceylon Chamber calls for a strategy centered on exports, investment & education to meet the economic aspirations of the people.
Ceylon Chamber of Commerce. Web. February 1 2015.

<http://www.chamber.lk/news-a-events/news-archive/402-statement-by-ccc-on-budget-2015.html>

Paying on installments facilitates e-commerce:

<http://cbr.lk/economics/wow-lkpartners-amana-bank-offer-sri-lankas-first-online-non-credit-card-based-instalment-scheme/>

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Taiwan

DBS crafts a suite of financial solutions to satisfy SME needs

DBS Bank (Taiwan) is dedicated to providing various financial solutions to help Taiwanese small- and medium-sized enterprises (SMEs) grow their business, and live out promises, said DBS yesterday.

According to Kenneth Cheng, the head of Institutional Banking Group at DBS Taiwan, SMEs have always been one of the engines spearheading Taiwan's economic development. In fact, the loan balance's rapid increase in the past 10 years shows that SMEs in Taiwan are growing at a fast pace. Hence, DBS Bank (Taiwan) brings innovative products and services to cater to the needs of SMEs.

DBS Bank (Taiwan) is introducing new "Speedy Loan" and "Entrepreneur's Account" services to solve issues that SMEs frequently face. The "Speedy Loan" service can respond to customers' financing needs; as long as customers have the required documentation ready, and the company is in good credit standing with its revenue greater than NT\$10 million, the approval process can be done within five working days, with a loan cap of NT\$15 million, DBS stated.

For the complete information see:

DBS crafts a suite of financial solutions to satisfy SME needs. The China Post. Web. May 27 2015.

<http://www.chinapost.com.tw/taiwan-business/2015/05/27/436976/DBS-crafts.htm>

Taiwan is building bridges across the sea:

<http://www.economist.com/news/asia/21642319-japanese-companies-have-come-see-taiwan-bridge-china-bridging-gap>

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Turkey

G20 effect on small business

The G20 meetings taking place in Turkey throughout the year have highlighted a number of problems affecting SMEs. However, due to their size, SMEs are often left out of these global conversations, yet SMEs are crucial to both the global and Turkish economy. According to the European Commission, the number of SMEs in Turkey doubled between 2009 and 2011, and they account for 99.9 percent of all businesses in the country, spanning all sectors.



TURKISH
HERITAGE
ORGANIZATION

When Turkey assumed the presidency of the G20, it laid out three

priorities for the year: inclusiveness, investment and implementation. For Turkey, inclusiveness is to include these SMEs in G20 activities. In late May, the G20 took a major step in improving SMEs when Deputy Prime Minister Ali Babacan unveiled World SME Forum alongside the International Chamber of Commerce.

This new initiative mirrors Turkey's own commitment to SME by easing opening and setting up of SMEs. Moreover, Turkey helps SMEs succeed: start-ups can apply for grants, the government funds techno-parks and research hubs.

Turkey has a passion for SME entrepreneurship and has become a champion for SMEs.

For the complete information see:

Danismaz, Halil. *G20 effect on small business.* Turkish Heritage Organization. Web. June 23 2015.

<http://www.turkheritage.org/en/news/g20-effect-on-small-business>

SMEs are growing rapidly online:

<http://www.dailysabah.com/economy/2015/01/21/smes-increased-sales-through-ecommerce-by-30-pct>

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Message from the SMEDC Chairman: “Go Global”

With great pleasure I present to you the latest issue of the “SME newsletter” for 2015. This new volume is a compendium of relevant news, reports, and analysis, many of them abbreviated from relevant sources, concerning the SME sector in the region.

The articles contained in this newsletter will indicate that despite the obstacles faced by SMEs (which, according to the World Bank, include unstable electrical supply, lack of finance, heavy taxation, practices of informal sector, political instability and corruption), we see a dynamic SME region and overall improvements all across Asia Pacific.

We learn that NGO's such as World Bank, IFC, IMF and others are executing plans from the ground up to alleviate SMEs' conditions. Many governments are nurturing, financing and organizing SMEs. Other NGOs are launching entrepreneur training forums, project finance, corporate governance and taxation projects for SMEs.

The regional media and academic literature indicates that countries individually are receiving much-needed support and are doing well. Azerbaijan is receiving training, Georgia gets financing, Malaysia and Singapore are directly financing SMEs, Philippines' economic growth can be felt in the vitality of SME encouraged to export.

Moreover, India is dismantling regulations, the Chinese government is facilitating SMEs' overseas expansions, Taiwanese SMEs are already abroad and Japanese banks are helping their SMEs move abroad and along with them building the local supply line.

A lot of good things are happening in our region but the challenges remain to make Asia Pacific a sustainable region of growth.

However, one key theme is emerging notably for all SMEs: The need to “Go global.”

SMEs' contribution to GDP in our region range from 20 percent to 50 percent in the majority of APEC economies. However, they only account for 35 percent or less of the direct exports.

CACCI considers that exporting SMEs will enable them to overcome many of the key obstacles shackling entrepreneur's innovation and to improve their economic situation.

New markets overseas must be exploited. The internet and new communication technologies are available for them to use to facilitate this process. No better example than Alibaba.com which has provided Chinese SMEs the opportunity to flourish.

CACCI members are therefore encouraged to promote the expansion of their SME sectors above and beyond the local market and reap the benefits of the continuing globalization.

We look forward to your presence at this year's CACCI meeting in Hong Kong where we can take these ideas and more for very fruitful discussions. Thank you.



*George Abraham
Chairman
SME Development Council, CACCI*

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