



**Asia-Pacific  
Economic Cooperation**

**“APEC High Level Meeting on Driving SMEs’  
Growth to Promote Local Development”  
Proceedings**

**March 31-April 1, 2008  
Chinese Taipei**

**APEC Small and Medium Enterprises Working Group**

**May 2009**

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**26<sup>th</sup> APEC  
SMEWG**  
Kaohsiung, Chinese Taipei



**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

March 31-April 1, 2008

The Ambassador Hotel Kaohsiung, Chinese Taipei

**Agenda**

<b>March 31 (MONDAY)</b>	
08:30~09:00	<b>REGISTRATION</b>
<b>OPENING SESSION</b> 09:00~09:10	<b>OPENING REMARKS I</b> <i>Yen-Shiang SHIH (施顏祥), Vice Minister, Ministry of Economic Affairs, Chinese Taipei</i>
09:10~09:20	<b>OPENING REMARKS II</b> <i>Tai-San CHIU (邱太三), Deputy Mayor, Kaohsiung, Chinese Taipei</i>
09:20~09:30	<b>OPENING REMARKS III</b> <i>Juan Carlos CAPUÑAY, Executive Director, APEC Secretariat</i>
09:30~09:50	<b>Launching Ceremony of the OVOP Web Platform</b>
09:50~10:15	<b>KEYNOTE SPEECH I</b> Policy on Local Economic Development <b>Johann SPITZER</b> , General Director, Ministry of Production, Peru
10:15~10:40	<b>KEYNOTE SPEECH II</b> Kaohsiung: An Investor's Paradise <b>Tai-San CHIU (邱太三)</b> , Deputy Mayor, Kaohsiung, Chinese Taipei
10:40~10:50	<b>COFFEE BREAK</b>
<b>SESSION I</b>	<b>LOCAL DEVELOPMENT STRATEGIES, TOOLS AND INSTRUMENTS</b>
10:50~10:55	<b>Chair: Robert S.Q. LAI (賴杉桂)</b> , Director General, Small and Medium Enterprise Administration, Chinese Taipei
10:55~11:15	<b>Edsel CUSTODIO</b> , Ambassador and APEC Senior Official, Philippines
11:15~11:35	<b>Theng-Dar TENG (鄧騰達)</b> , CEO, Singapore Business Federation, Singapore
11:35~11:55	<b>Patricia DEL RIO JIMENEZ DE OLAVIDE</b> , Counselor, Municipality of Miraflores, Peru
11:55~12:10	<b>Q&amp;A</b>
12:10~13:30	<b>LUNCHEON</b>
<b>SESSION II</b>	<b>BETTER LOCAL GOVERNANCE FOR SME GROWTH</b>
13:30~13:35	<b>Chair: David S. HONG (洪德生)</b> , President, Taiwan Institute of Economic Research, Chinese Taipei
13:35~13:55	<b>I Gusti Ngurah SUDHIARSA MM</b> , Deputy Mayor, Jembrana, Bali, Indonesia
13:55~14:15	<b>Gerrit McGOWAN</b> , Senior Associate, EcoPlan International Inc., Canada

14:15~14:35	<b>Patricio E. CHELLEW</b> , Advisor for International Affairs, SEROTEC, Chile
14:35~14:50	<b>Q &amp; A</b>
14:50~15:00	<b>COFFEE BREAK</b>
<b>SESSION III</b>	<b>PROMOTING LOCAL INNOVATION AND ENTREPRENEURSHIP</b>
15:00-15:05	<b>Chair: Johann SPITZER</b> , General Director, Ministry of Production, Peru
15:05~15:25	<b>Sergio ARZENI</b> , Director, OECD Centre for Entrepreneurship, SMEs and Local Development
15:25~15:45	<b>Yoshio KISHIMOTO</b> , Director, Business Support Division of the Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan
15:45~16:05	<b>Tae-Yong YANG</b> , Chairman, Business Economy of KAIST in Korea, Korea
16:05~16:20	<b>Q &amp; A</b>
16:20~16:30	<b>COFFEE BREAK</b>
<b>SESSION IV</b>	<b>FINANCIAL SUPPORT FOR LOCAL SMEs</b>
16:30~16:35	<b>Chair: Ying-Hsiung LIN (林英雄)</b> , Vice President, First Commercial Bank, Chinese Taipei
16:35~16:55	<b>Jack S. C. HUANG (黃新吉)</b> , President, Taiwan Business Bank, Chinese Taipei
16:55~17:15	<b>Desmond Hoon Kiong CHOO</b> , Managing Director of Enterprise Banking Corporate & Investment Banking, DBS Group Holdings Ltd, Singapore
17:15~17:35	<b>Yih-Yaw JAN (詹益燿)</b> , President, Small & Medium Business Credit Guarantee Fund, Chinese Taipei
17:35~17:50	<b>Q&amp;A</b>
19:00~21:00	<b>WELCOME DINNER</b>
<b>April 1 (TUESDAY)</b>	
<b>SESSION V</b>	<b>SME STRATEGIES TO DEVELOP LOCAL MARKETS</b>
09:00~09:05	<b>Chair: Johnny Yun-Lung YEH (葉雲龍)</b> , Deputy Director General, Small and Medium Enterprise Administration, Chinese Taipei
09:05~09:25	<b>Takao WATANABE</b> , Chairman, Association for the Promotion of Traditional Craft Industries, Japan
09:25~09:45	<b>Ming-Sheng WANG (汪銘生)</b> , Professor, Graduate School of Public Affairs Management, National Sun Yat-Sen University, Chinese Taipei
09:45~10:05	<b>Nitnirun SUWANNAGATE</b> , Deputy Director General, Office of SMEs Promotion, Thailand
10:05~10:20	<b>Q &amp; A</b>
10:20~10:30	<b>COFFEE BREAK</b>
<b>SECTION VI</b>	<b>BUILDING PARTNERSHIP FOR LOCAL DEVELOPMENT</b>
<b>10:30-10:35</b>	<b>Chair: Chih-Peng HUANG (黃志鵬)</b> , Director General, Bureau of Foreign Trade, Ministry of Economic Affairs, Chinese Taipei
10:35~10:55	<b>Ivan ORNELAS DIAZ</b> , Director, International Affairs, Ministry of the Economy, Mexico
10:55~11:15	<b>Borhan SIDIK</b> , Deputy Chief Executive Officer, Small & Medium Industries Development Corporation, Malaysia
11:15~11:35	<b>Chin-Ho SU (蘇錦夥)</b> , President, Corporate Synergy Development Center, Chinese Taipei
11:35~11:50	<b>Q &amp; A</b>
12:00~13:30	<b>LUNCHEON</b>



13:30~	<b>FIELD TRIP</b>
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**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

**Opening Remarks**

## **APEC High Level Meeting on Driving SMEs' Growth to Promote Local Development**

Salutations to:

Mr. Yeng-Shiang SHIH, Deputy Minister of Economic Affairs, Chinese Taipei.

Mr. Tai-San CHIU, Vice Mayor of Kaohsiung, Chinese Taipei.

Mr. Johann Spitzer, Acting Chair of S MEWG and Director General of Industry, Ministry of Production, Peru.

Mr. Robert LAI, Director General, Small and Medium Enterprise Administration of Chinese Taipei.

### **Main Ideas/Introduction:**

- SMEs promote private ownership, stimulate innovations and develop entrepreneurial skills.
- Their flexibility enables them to match quick changes in market demands.
- They generate the majority of jobs, promote diversification of economic activities, support sustainable development and make a significant contribution to exports and trade.
- SMEs are the key players in local economy and also a key force to local development.
- SMEs bring employment and prosperity to local society
- SMEs are able to increase social cohesion and stability in the communities
- Local environment conducive to SMEs' growth is needed in order to grasp the advantage brought by them.
- SMEs' contribution to local development depends on a good governance and policy environment on the local level.

### **Background:**

- In 2003 SME Ministerial Meeting, the Ministers encouraged member economies to expand the local sponsorship of investment fora on a regional basis and supported the development of regional networking conferences and activities where venture markets are already advanced.
- In 2003 AMM, the Ministers also commended the initiative to promote micro-enterprises development with emphasis on economic growth and shared prosperity.
- In 2004 SME Ministerial Meeting, the Ministers identified the need for member economies to continue their efforts to strengthen both the local and international markets to which SMEs provide products and services through the removal of regulatory impediments to business development and trade.
- In 2006 SME Ministerial Meeting, the Ministers recognized the importance to assist those SMEs and micro-enterprises in local cultural industries that have high potential but lack a channel to conduct export.
- In 2006 AMM, the Ministers stressed the need to realize the potential of local communities in the APEC region by, among others, promoting local knowledge and principles that inspire innovation and productivity.
- The Seminar "*One Village One Product*" organized by Japan in 2007 referred to the development of local and cottage industries through sharing experiences.
- CT project 2007 Enhancing the Market Development of Local Cultural Industries in APEC included actions:
  - APEC Local Cultural Industry Virtual Exposition (ALCIVE); action taken to expand markets and conduct export through the buildup of e-Commerce capacity and transform digital divides into digital opportunities.
  - APEC OVOP Training Workshop on e-Commerce that seeks to train exporters and assist enterprises in local cultural industries in the APEC region to sell their products overseas through e-Commerce.

### **Importance of the project:**

- APEC High Level Meeting on Driving SMEs' Growth to Promote Local Development is a project proposed by Chinese Taipei and co-sponsoring by Peru and Mexico.
- Aim s:
  - explore the local development strategy driven by SMEs in the APEC region,
  - search the best practices guidelines on SMEs and local development especially suitable for the APEC economies.
- Good opportunity to exchange their experience on the SMEs and local development and discuss the ways to promote SMEs growth in the local context.

**Beneficiaries:**

- Local community that provides guidance to S MEs and creates a favorable pro-business friendly environment.
- SMEs and Micro enterprises
- National and lo cal a gencies dea ling with SMEs cooperating among them and sharing experiences and best practices.



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**Keynote Speeches**

## At the roots of local economic development

Mr. Johann Spitzer  
Chair, SMEWG  
2008 – Kaohsiung



“The strength of free peoples resides in the local community. Local institutions are to liberty what primary schools are to science; they put it within the people's reach; they teach people to appreciate its peaceful enjoyment and accustom them to make use of it. Without local institutions a nation may give itself a free government, but it has not got the spirit of liberty.”



Alexis  
DeTocqueville

## Defining local development

It is a political process which enhances community partnership in order to improve, through human-centered policies, the development of society's well-being by preserving human dignity.

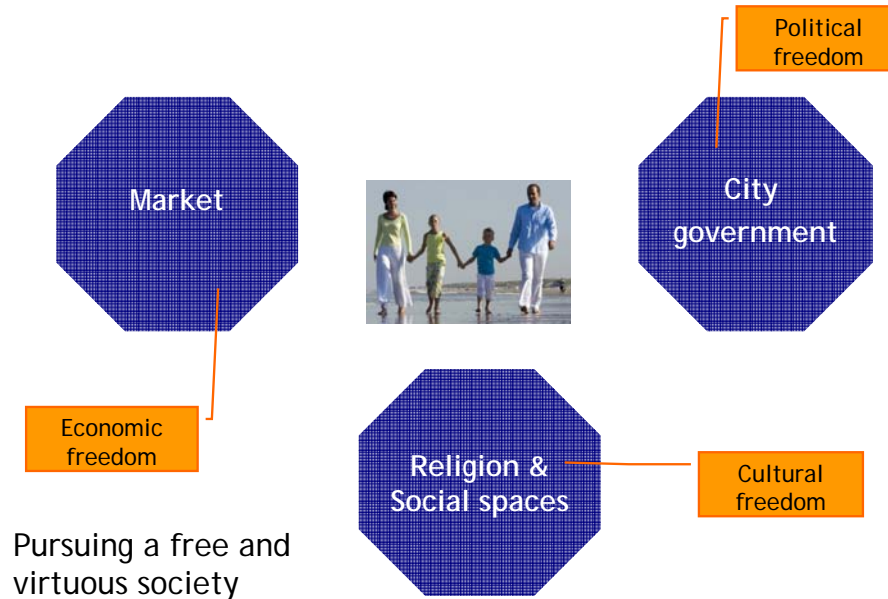


## Local development - political process: considering Politeia (πολιτεία)

- Polis: a city-state which enhances local development at social and economic levels.
- Politeia – government, policies, rules and institutions that pursue the well-being of society.
- It is a process where social agents govern a particular polis, often centered around a citadel.



## Citadel: the axis where the polis revolves



## Sound local market economy

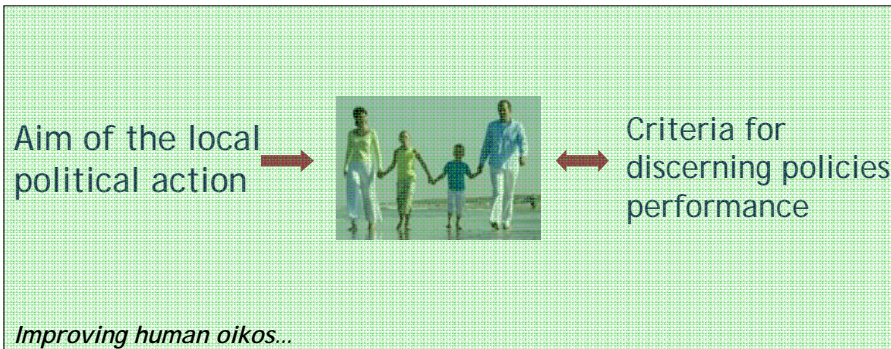
To encourage a local market economy, we should consider human freedom at its three levels; if we don't, economic development will be deterred due to antagonistic policies which create instability and conflict.

“ The development is the new name for peace”  
Paul VI





## Human being at the center of policies



## Community partnership and entrepreneurship

Local Government	Set up the socio-economic environment
Private sector	Foster economic entrepreneurship
Third sector	Foster social entrepreneurship



**Principles for Local Economic Development  
through SMEs: considering the human-centered  
approach**

1. **Principle of aim:** Local economic development as a way to foster human development.
2. **Principle of holistic freedom:** “One is bound to the other” we cannot pursue economic development without considering correlation among the other spheres of freedom.
3. **Principle of human capacity:** The human being is capable of doing good; a Leviathan is not required to enforce the well-being of society.



**Principles for Local Economic Development  
through SMEs: considering the human-centered  
approach**

4. **Principle of realism:** Local problems require local solutions.
5. **Principle of community and partnership:** Common problems are not resolved through individual solutions.
6. **Principle of subsidiarity:** The central authority should have a subsidiary role, performing only those tasks which cannot be performed effectively at a more immediate or local level.



## Subsidiarity and SME promotion

Dimensions	Characteristic	Consequences
Vertical	Decentralizes decision-making, competency and diverse political institutions function from the national to the local level.	Foster freedom and responsibility and check and balance for central government
Horizontal	gives the person the right and responsibility to attend his/her needs and the needs of their community.	Foster social entrepreneurship

It is beyond a decentralization process; it is a bottom-up process. It impels social creativity and responsibility with your locality.

## Subsidiarity and SME promotion

Outsourcing of economic services :

- Trade facilitation
- Business licenses
- Business environmental enforcement
- Business strategies implementation
- Research services (tech-vouchers)
- Business formalization
- Taxation services

## Subsidiarity and SME promotion

Outsourcing of public services :

- Health services
- Education services
- Social work
- Infrastructure (project selection and financing)

## Subsidiarity and SME promotion

When public government and its support go beyond its limits and do not share with SMEs the challenge of social-economic development; governments lead to a **loss of human energy** which is dominated by bureaucracy; the **entrepreneurship potential is weakened, responsibility with the community is undermined**, the citizen is no longer the owner of its future and the **spirit of liberty gets lost**.

# Gracias!

Mr. Johann Spitzer

2008 – Kaohsiung

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**APEC High Level Meeting on  
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*Chinese Taipei, 31 March – 1 April 2008*

*Session 1*

**Local Development Strategies,  
Tools and Instruments**

# Trading in Services

## *A Whole New Game*

***APEC High Level Meeting on Driving SMEs'  
Growth to Promote Local Development***

**Edsel T Custodio**

**Philippine APEC Senior Official**

@Kaohsiung, Chinese Taipei \* 31 March 2008



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## Outline

- I. Services Trade and Its Importance to the Philippine Economy
- II. RP Service Competitiveness
- III. RP Service Negotiations
- IV. Market Opportunities in Services Trade
- V. How to Optimize Opportunities
- VI. Philippines Global Business Training Program for Services SMEs



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## What is Services Trade

### ■ GATS

- A new agreement in the WTO which recognizes the intangible and incorporeal product called “services” and prescribes the terms of modalities for this global trade, including a negotiating platform for liberalization and development



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## What do we know about services?

- Services are the fastest growing component of international trade, made possible by the revolution in ICT
- Among developing regions, Asia leads service exports by accounting for 69% of the total
- In the Philippines, the 2004 revenues for IT-enabled services exports alone were estimated at US\$ 1.08 Billion and employment was close to 100,000. These figures do not include as yet services exported through other means (consumption abroad, commercial presence, movement of natural persons)
- Philippine households spend an average of more than 20% of its income on services—biggest expenditure item after food



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## Philippine Human Capital Resources: Among the Most Valuable in the World

- ❑ Skilled labor force of 29 million
- ❑ English proficiency
- ❑ Competent senior managers
- ❑ Literacy Rate of 94%
- ❑ Western-patterned educational system
- ❑ Strong work ethic, customer-oriented mind set
- ❑ Easily trainable and low attrition rate
- ❑ Superior, competitive educational infrastructure
- ❑ Natural inclination for innovation and creative thinking
- ❑ Adherence to global standards



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## Philippine Human Capital Resources: Prospects

- ❑ Challenge is the current state to beef up our manpower resources, quality certification and security compliance.
- ❑ The Philippines can excel in all of the e-services sectors because of its quality of service that we provide.
- ❑ English proficiency is the key to success, as it is required by all sectors of the industry.



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## Services-GDP: Regional Comparison

**Table 1. Share of value added to GDP**

	1990-1994	1995-1999	2000-2004
<b>OECD (average)</b>			
Agriculture	5.3	4.5	3.7
Industry	32.3	30.5	29.5
Services	62.4	65.0	66.8
<b>ASEAN 5 (average)</b>			
Agriculture	16.3	11.7	10.1
Industry	38.3	38.9	40.8
Services	45.3	49.4	49.1
<b>Philippines (average)</b>			
Agriculture	21.7	19.0	15.0
Industry	33.3	31.7	32.4
Services	45.0	49.3	52.6

Services is now the dominant sector in many economies, both in contribution to economic activity...

Source: World Bank, *World Development Indicators* (2005)



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## Services Sector – ASEAN Context

**2007 GDP grew by 7.3% whereas Services grew by 9%**

**Table 1b: % Share of value added to GDP**

	2006	2005
<b>Singapore</b>	65.2	66.1
<b>Philippines</b>	53.2	53.4
<b>Indonesia</b>	46.3	42.0
<b>Thailand</b>	44.4	45.9
<b>Malaysia</b>	40.1	39.6

Source: *World Development Indicators* database, April 2007



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## Services – Employment: Regional Comparison

Table 2 % Share of total employment

	1990-1994	1995-1999	2000-2004	...and total number of jobs
<b>OECD (average)</b>				
Agriculture	9.9	8.4	7.4	
Industry	29.7	28.1	27.5	
Services	60.0	63.0	64.8	
<b>ASEAN 5 (average)</b>				
Agriculture	36.0	30.8	29.9	
Industry	22.3	23.1	22.8	
Services	41.6	46.0	47.1	
<b>Philippines (average)</b>				
Agriculture	45.3	40.8	37.4	
Industry	15.7	16.2	15.8	
Services	39.0	43.0	46.8	

Source: World Development Indicators, 2005

2000 ASAS BOULEVARD, PASAY CITY, PHILIPPINES 1300



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## Staying Globally Competitive



ITC research in 25 developing countries indicate they are already exporting 68 different services categories to an average of 33 export markets. The following sectors covered by GATS are most familiar to Filipinos...

- ☒ Business and professional services
- ☒ Communication
- ☒ Construction and engineering
- ☒ Distribution services
- ☒ Education and training services
- ☒ Environmental services
- ☒ Financial, insurance and banking
- ☒ Health services
- ☒ Tourism and travel
- ☒ Recreational, cultural, sporting services
- ☒ Transport services
- ☒ Other Services

Accountancy, Architectural services, Computer services, Computer software development, Data processing, Design services, Geographic information services, internet related services, Legal, Maintenance, Management consulting, Marketing, Oil and gas, Research and development, Security, logistics services, Surveying, Transcription, Translation, and Utilities management

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THE PHILIPPINES IS COMPETENT IN MOST, IF NOT ALL, THESE SERVICES.



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## Competitiveness of Philippine Services Sectors, by four Modes of Supply



	Mode 1- Cross Border	Mode 2 – Consumption Abroad	Mode 3 – Domestic Presence	Mode 4 – Movement of Natural Persons
Accounting	High through shared services, financial data encoding, data analysis (outsourcing)	Low	Moderate to High depending on the level of development of the market, i.e., for countries with lower economic development – high prospects	High
Architecture and Engineering Services	High for engineering and architecture but needs connection with host country local or internationally established firm	Low	Moderate through joint ventures	High both for skilled and unskilled engineering / construction work

## Competitiveness of Philippine Services Sectors, by four Modes of Supply



	Mode 1- Cross Border	Mode 2 – Consumption Abroad	Mode 3 – Domestic Presence	Mode 4 – Movement of Natural Persons
Medical and Health Services	Low to medium (Med. Tourism)	High medical tourism; spa facilities; retirement villages	Low	High nurses, doctors and medical practitioners
Education Services	Low	High for courses like nursing, English as a second language	Moderate tie ups with universities in LDCs	High English and nursing professors; also business and management teachers
Franchising	Low	Low	High in countries with large Filipino / Asian immigrant population	Low
Shipcrewing	N.A.	Low	Low	High

## Snapshot of Services Negotiations

- **Construction Services:**
  - Highly sensitive; market access not liberalized
  - Important part of industrial sector
- **Financial Services:**
  - Highly regulated by BSP
  - Existing regulations make it difficult to make deeper plurilateral/multilateral commitments
- **Logistics Services:**
  - Constitutional limitation on public utilities: 60-40
  - But cargo handling, storage, container services, etc less restrictive market access requirements



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## Snapshot of Services Negotiations

- **Education:**
  - Constitutional restriction on establishment: 60-40
  - Otherwise, fairly liberal; Filipino students study abroad
- **Audio-Visual:**
  - Constitutional limitations on ownership of mass media and advertising
- **Legal Services:**
  - Highly regulated by Supreme Court
  - Least liberal services sector



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## Opportunities for RP Services in a Nutshell

- ❑ There is a gap between recognized competitive services sectors (on the ground) and defensive interests in sensitive services sectors (at the negotiating table)
- ❑ Contact Centers have the highest demand...
- ❑ ... but Knowledge-Based Outsourcing and Non-voice operations have more potential for Human Capital Development
- ❑ Areas of opportunity for employing large numbers of workers: Back Office Operations & Medical Transcription
- ❑ Niche area for creative talent: Animation, games and MLT media



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## Opportunities for RP Services in a Nutshell

- ❑ Leveraging on our level of IT and Technical proficiency in Software Development and Engineering Design
- ❑ Opportunities would be in Finance & Accounting (F&A) as 28% of the Philippine graduates are coming from Business Administration and related courses
- ❑ Opportunities in moving up the value chain in doing more high value added services like, Knowledge Process Outsourcing (KPO)
- ❑ Health Services/Medical Tourism : Emerging Sector and one of the brighter spots for services
- ❑ Retirement Villages



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## How do we optimize opportunities for Philippine Services Sector? The Roadmap for Improving Global Competitiveness

Recommendations	Objectives
a. Domestic Policy Reforms	To address internal weaknesses and external threats
b. Innovations	To build business capability of industry players, including SMEs
c. Export promotion	To market RP's competencies
d. Trade Negotiation	To reduce barriers to entry in foreign markets



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## How do we optimize opportunities for the Philippine Services Sector? Domestic Policy Reforms

### To address internal weaknesses and external threats:

- Rationalize the education system
  - Adapt education and training policies to rapidly changing requirements
  - Improve basic education and communication skills
  - Provide for vocational training and other forms of alternative/lifelong education in accordance with market needs
  - Incorporate values education in the curriculum
  - Address the mismatch between labor skills and 21<sup>st</sup> century business needs



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## How do we optimize opportunities for the Philippine Services Sector? Domestic Policy Reforms

### To address internal weaknesses and external threats:

- Promote a paradigm shift in government and private sector
  - Shift from traditional view of RP as a supplier of manpower to positioning RP as a provider of institutional/bundled services
  - Strengthen coordination within the government bureaucracy and promote public/private sector partnership
  - Turn the “threat” posed by liberalization of trade in goods into a “win-win” situation via the four modes of supply in services trade
- Integrate services trade into the national export development strategy



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## How do we optimize opportunities for Philippine Services Sector? Intensify Export Promotion

### To market RP's competencies:

- Broaden awareness and information campaign on the GATS and its opportunities for export of services;
- Provide shared/common service facilities website as a tool for marketing, networking, market research, business matching;
- Conduct roadshows; organize and participate in fairs and exhibitions;
- Sustain one-on-one contacts with identified services customers;
- Design/innovate new services export delivery systems as “solutions” to the needs of services customers: e.g., networking, one-stop-shop, bundling, and value added concepts
- Keep in step with technological developments in the ICT sector



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## How do we optimize opportunities for Philippine Services Sector? Proactive Trade Negotiation

### To reduce barriers to entry in foreign markets:

- Negotiate Mutual Recognition Arrangements (MRAs) and similar international accreditation/recognition/licensing arrangements
- Identify and pursue Philippine interests in bilateral, regional, and multilateral negotiations (including GATS) and cooperation networks
- Address mismatch in skills and labor market demands



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## How do we optimize opportunities for the Philippine Services Sector? Enhance Capacity of Players

### To build the business capability of industry players, including SMEs:

- Develop a culture of entrepreneurship, innovation, excellence, and “transcultural orientation”;
- Organize services providers into a consortium/bundling to synergize competencies
- Global business training programs for SME services providers and prospective entrepreneurs



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EDSA VERAS BOULEVARD, PASAY CITY, PHILIPPINES 1300



# Tale of the Tape: 1st & 2nd Runs of Training Program

## **Global Business Training I: International Trade for Service Providers**

27-28 September 2007, Cebu City, Philippines

### **Objective(s):**

To upgrade the capability of service-oriented SMEs in the Philippines

- By fostering awareness on services trade
- By upgrading the competitiveness and capacity of services SMEs

### **Participants:**

42 representatives from services SMEs (private businesses), government agencies, trade support organizations, industry/professional organizations, and academic institutions



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# Tale of the Tape: 1st & 2nd Runs of Training Program

## **Global Business Training I: International Trade for Service Providers**

27-28 September 2007, Cebu City, Philippines

### **Project Partners:**

- Department of Foreign Affairs (DFA)/Philippine Services Coalition (PSC)
- WTO/UNCTAD International Trade Centre (ITC)
- US Agency for International Development (USAID)/ Partnership and Advocacy for Competitiveness and Trade (PACT)
- Department of Trade and Industry (DTI-BSMED and DTI-Cebu)
- Association of Training Institutions for Foreign Trade in Asia and the Pacific (ATIFTAP)



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## Tale of the Tape: 1st & 2nd Runs of Training Program

### **Global Business Training II: International Marketing of Services for Government and Business Support Groups**

13-14 March 2008, Manila, Philippines

**Objective(s):**

To enhance the capability of participants to facilitate, promote, and market Philippine SME services exports

- By fostering awareness on services trade
- By upgrading their capacity to do marketing and trade promotion

**Participants:**

31 representatives from government agencies and business support organizations



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## Tale of the Tape: 1st & 2nd Runs of Training Program

### **Global Business Training II: International Marketing of Services for Government and Business Support Groups**

13-14 March 2008, Manila, Philippines

**Project Partners:**

- DFA/PSC
- WTO/UNCTAD ITC (Geneva)
- USAID/PACT
- DTI BSMED
- ATIFTAP



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# Tale of the Tape: 1st & 2nd Runs of Training Program

Topics Covered:



## GBT 1: International Trade for Service Providers

- Opportunities in the Services Industry
- Upgrading the Capability of Services SMEs (Issues Internal to SMEs)
- Upgrading the Capability of Services SMEs (External Support for SMEs)

## GBT II: International Marketing of Services for Government and Business Support Groups

- Opportunities and Challenges for Services SMEs
- Understanding services industries (issues internal to SMEs)
- Promoting Services Trade (External Support for SMEs)



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## GBT I

### *Opportunities in the Services Industry*



- Overview of the international services industry
- Taking advantage of the General Agreement on Trade in Services (GATS)
- Upgrading the global competitiveness of Philippine services
- Examples of best practices for services: India (software development) and Thailand (health and wellness)
- Case studies for Philippine services
  - Health and wellness industry
  - Knowledge Process Outsourcing (KPO)
  - Telecommunications support for IT-enabled services



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**GBT I**

***Upgrading the Capability of Services SMEs  
(Issues Internal to SMEs)***

**GBT I**

- Innovating for export success
- Networking effectively
- Working with strategic allies
- Overview of service marketing
- Supporting the service sector
- Relationship marketing
- Marketing approach to services
- Establishing credibility as a service provider
- Preparing the service plan
- Organizing for service leadership



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**GBT I**

***Upgrading the Capability of Services SMEs  
(External Support for SMEs)***

**GBT I**

- Aligning government policies to support service exporting
- Supporting service firms through e-trade initiatives



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## **GBT II**

### ***Opportunities and Challenges for Services SMEs***

GBT II

- National vision and objectives of SME development
- Overview of the international services industry
- Taking advantage of the General Agreement on Trade in Services (GATS)
- Market opportunities from FTAs/RTAs, EPAs, and MRAs
- Barriers to service exports
- SWOT analysis



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## **GBT II**

### ***Understanding services industries (issues internal to SMEs)***

GBT II

- How customers see relational benefits in services industries
- Establishing credibility
- Relationship marketing
- Marketing approach to service
- The icing on the cake matters: supplementary services
- New services development



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## **GBT II**

### ***Promoting Services Trade (External Support for SMEs)***

GBT II

- Raising awareness of your service exports
- Supporting services exports
- Aligning your policies to support service exporting
- Understanding services marketing
  - Overview of services marketing
  - The 8Ps of integrated service management
  - Classification in services marketing
- Case studies
  - Experience of an exporting company working with a government agency
  - Anecdotes on marketing to government agencies
  - A service exporter (franchise)
- Developing key marketing success factors



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**- End -**



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# *Local Development Strategies, Tools & Instruments*

Presented by:  
**Mr Teng Theng Dar**  
ABAC Co-Chair  
CEO, Singapore Business Federation



## *OUTLINE*

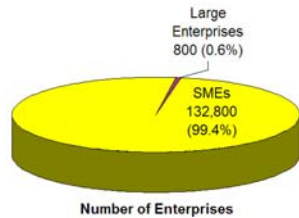
- SME Sector's Contributions in Singapore
- Key Challenges Faced by SMEs
- Approach to SME Development
- Key SME Development Strategies
- Public-Private-Partnership
- Tools & Instruments in SME Development



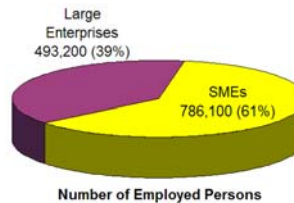


## SME Sector's Contributions in Singapore

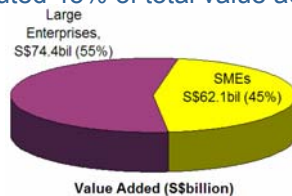
99% of all enterprises are SMEs...



...they employ 61% of the workforce...



...and contributed 45% of total value added



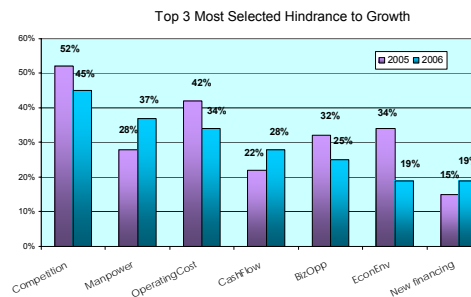
SMEs are defined as:

- manufacturing enterprises with net fixed assets investment less than \$15mil
- services enterprises with less than 200 employed persons



## Key Challenges Faced by SMEs

- Increase in competition
- Manpower Issues – difficulty in hiring, developing and retaining talents
- Rising operating costs
- Insufficient cashflow
- Access to business opportunities (ie. new customers, markets, etc)
- Access to financing



Source: DP Information Group, SME Development Survey 2006



# APPROACH

## --- SMEs Development---



# APPROACH

## ---Principles---

### ● Partnership

- Build a network of valued relationships and resources
- Partner with business chambers, industry associations and market players

### ● Self-help

- Adopt a self-help approach (where possible) in the delivery of Government services to SMEs

### ● Consultative

- Consult extensively with partners and market players when developing market-based solutions to address SMEs' needs

### ● Cost Sharing

- Adopt a cost-sharing arrangement between the private sector and government



# *APPROACH*

## *--- 3-Pronged ---*

- Provide Broad-based Support
  - Nurture a pro-business environment by partnering public agencies and market players
- Build Industry Capabilities
  - Partner lead industry associations to develop critical capabilities and infrastructure for SMEs in key industries
- Develop Enterprise Capabilities
  - Develop key capabilities
  - Groom SMEs with high growth potential to become future home-grown MNCs



# *STRATEGIES*

## *--- SMEs Development---*



## *Key SME Development Strategies*

### ● Broad-based Strategies

- Facilitate access to information and services
- Enhance SME financing
- Promote entrepreneurship
- Improve access to market and business opportunities

### ● Industry Level Strategies

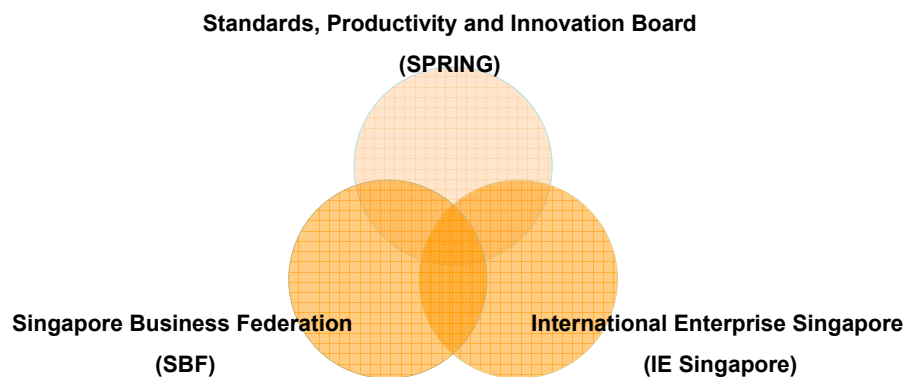
- Strengthen Industry Leadership
- Set Up Critical Industry Infrastructure

### ● Enterprise Level Strategies

- Develop key capabilities in people, management and systems



## *Public-Private-Partnership*

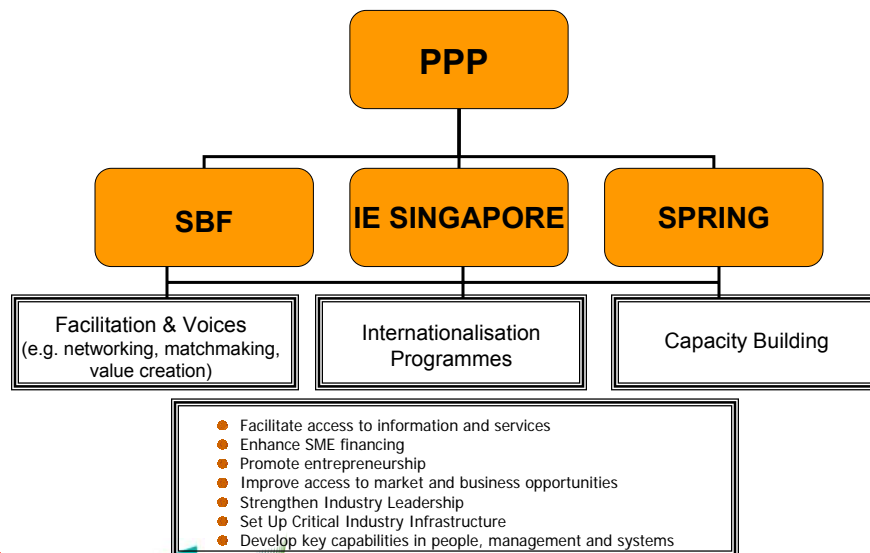


# *Tools & Instruments*

## *--- SMEs Development---*



## *Tools & Instruments*



## Facilitation & Voices



As the APEX business chamber, the **Singapore Business Federation (SBF)** champions the interests of the business community in Singapore in trade, investment and industrial relations.



**SBF Global Sourcing Hub**  
Instant access to global business opportunities

### Business Facilitation Services to the SMEs:

- Briefings, Seminars, Conference, Workshops
- Business Matching
- Missions
- Feedback and Networking sessions
- Meeting with Overseas Delegations
- Market Advisory Service And SME Helpdesk



## Internationalisation Programmes



Helping Singapore enterprises internationalise

### FRAMEWORK OF ASSISTANCE

#### COMPETENCY

Developing capabilities

Building robust competencies to help SMEs overcome international competition in the long-term

#### CONNECTIONS

Enhancing market access

Through a network of 35 overseas offices and other resources, support is available to help SMEs enhance their global network

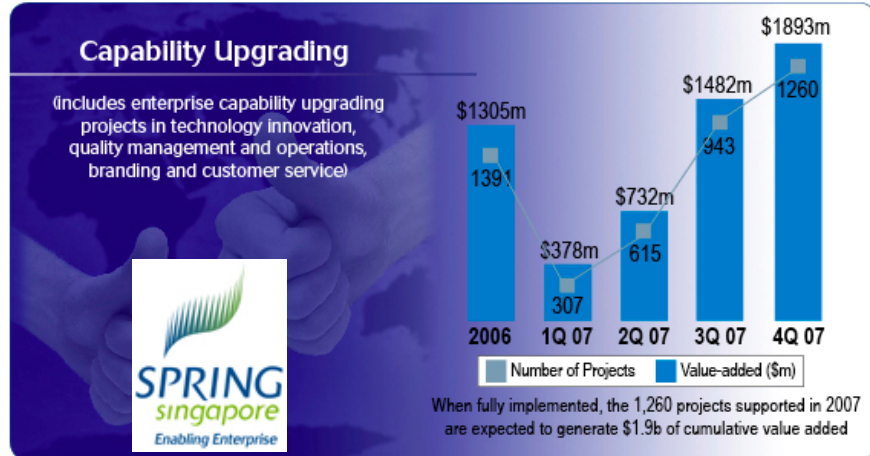
#### CAPITAL

Facilitating access to finance

Access to and understanding of various funding and financial resources available to support international expansion



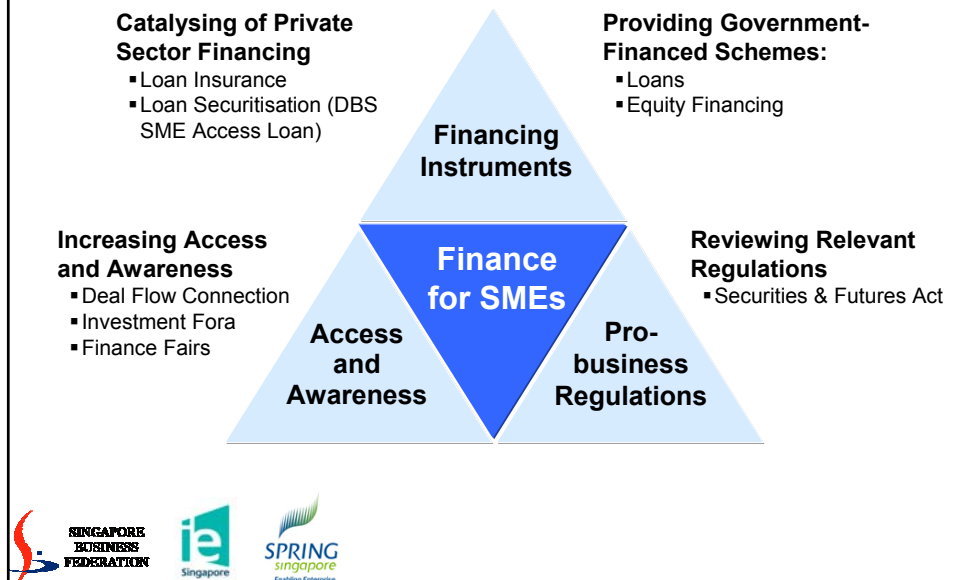
## Capacity Building



## Facilitate Access To Information And Services



## Enhance SME Financing



## Promote Entrepreneurship



- Promote Entrepreneurial Culture and Mindset
  - e.g. BlueSky Exchange and Evening, Annual BlueSky Festival
  - Educating entrepreneurs-to-be e.g. ACE Speakers' Circuit, Enterprise Day
- Catalyse Start-up Formation and Develop Entrepreneurial Talent
  - e.g. SPRING SEEDS – for innovative start-ups, Entrepreneurial Talent Development Fund – for students' start-ups and EntrePass Scheme – to attract foreign entrepreneurs to set up business in Singapore
- Facilitate Review of Rules and Regulations
  - Pro-Enterprise Ranking Survey





## *Improve Access To Market And Business Opportunities*

- Broaden Access to Government Procurement Market
  - Review of government procurement rules and regulations
- Get Connected to Opportunities
  - SBF Global Sourcing Hub
  - Business networking platforms e.g. Network China, Network India and Network Indonesia
- Help to Overcome Export Requirements
  - Export Technical Assistance Centre (ETAC)
  - FTA Guides and Assistance



## *Strengthen Industry Leadership*

### Local Enterprise and Association Development (LEAD) Programme

- A 3-year programme launched in May 05 to groom Industry Associations to lead in industry development
- Key activities supported – Technology & Infrastructure, Expertise & Managerial Competence, Business Collaboration, Intelligence & Research, Advisory & Consultancy



## *Set Up Critical Industry Infrastructure*



### **Marine Centre of Excellence**

- Offshore construction & processing
- New processes for inspection & testing
- Component design & analysis

### **Environment & Water Technology COI**

- Water, waste treatment & remediation technology
- Alternative energy & energy management
- Monitoring & instrumentation control
- Air pollution control



### **SINGAPORE POLYTECHNIC source Centre**

- Proof-of-Concept, Product & Process Development
- Shelf-life extension & packaging
- Market testing of prototypes



## *Develop Key Capabilities In People, Management And Systems*

- Systems & Processes Development and Upgrading
  - Business Excellence Programme
  - Implementation of CRM, ERP, Quality Management, etc.
- Management Competencies
  - SME Executive Management Programme
- Technology Innovation
  - A 5-year programme to strengthen technology innovation in local enterprises
- Capability Development Programme
  - A 5-year programme to upgrade SME capabilities in supporting MNCs



For more information, please visit the following websites:

- [www.sbf.org.sg](http://www.sbf.org.sg)
- [www.iesingapore.com](http://www.iesingapore.com)
- [www.spring.gov.sg](http://www.spring.gov.sg)



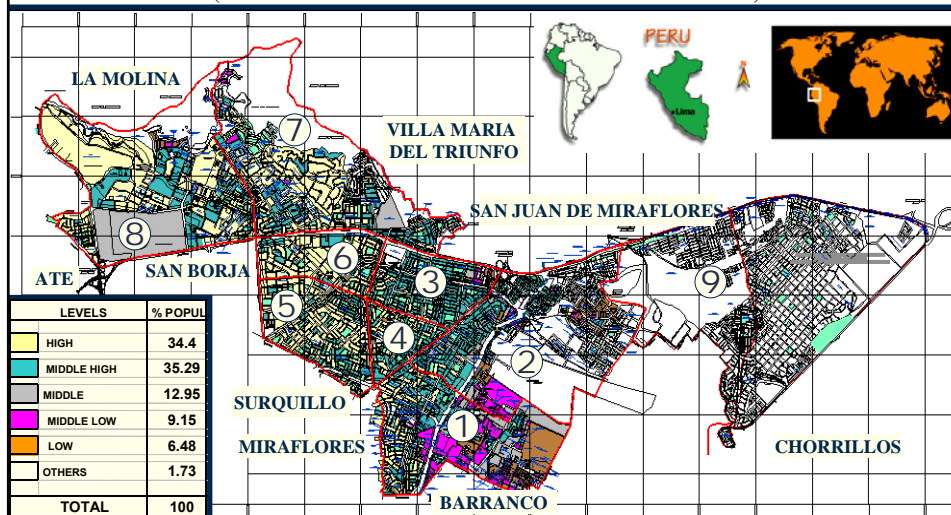


**MUNICIPALIDAD DE SANTIAGO DE SURCO**  
Lima - Perú

## **MUNICIPAL ADMINISTRATION EXPERIENCE**



## SANTIAGO DE SURCO DISTRICT ECONOMICAL LEVEL MAP (ACCORDING TO SOCIAL ECONOMIC LEVELS)



Fuente: INEI – Planos Estratificados de Lima Metropolitana (Marzo 2004)

## GENERAL DATA

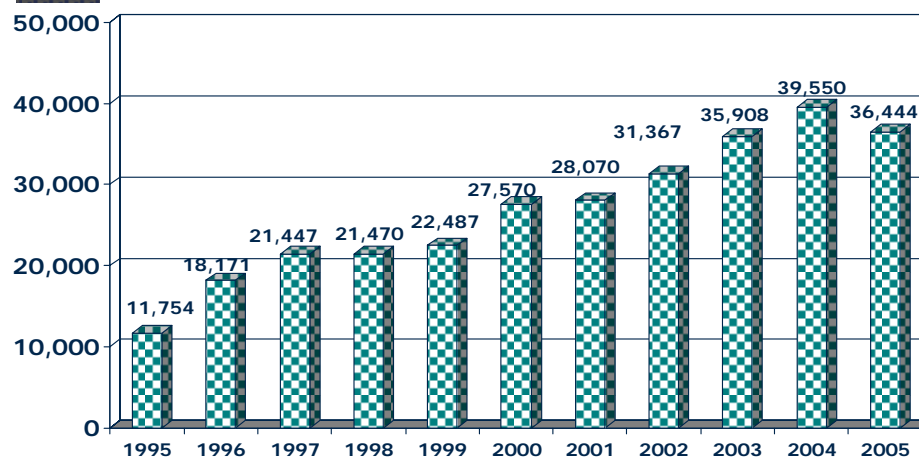


- ✦ Location : West Center of City of Lima
- ✦ Limits: La Molina, Ate Vitarte, Villa Maria del Triunfo, San Juan de Miraflores, Chorrillos, Barranco, Miraflores, Surquillo y San Borja.
- ✦ Area : 42 Km<sup>2</sup>
- ✦ Population : 272 690 Hab.
- ✦ Budget 2006 : US\$ 32 400 000
- ✦ Solid Residues : 245 Ton. / d
- ✦ Green Areas : 1 952 658 m<sup>2</sup> (7.2 m<sup>2</sup>/hab.)
- ✦ Weeds and Pruning Material Collection : 40 Ton. / d



## MUNICIPAL INCOME EVOLUTION

(Thousand of US Dollars)



# Surco's Preferential Neighbor VSP



## TRAVEL WITH VSP

Alojamientos Exclusivos lo están esperando

Viaje con el 10% de descuento

AL NORTE, CENTRO, SUR Y ORIENTE DEL PAIS

¡Use su tarjeta VSP y Ahorre!

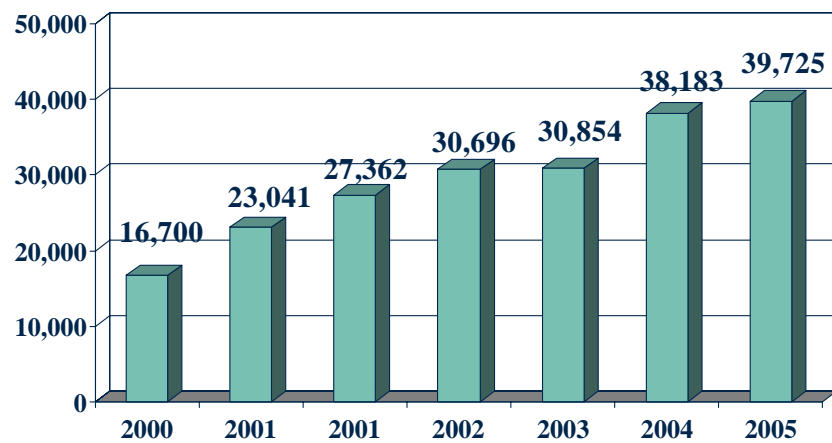
✓ Atención Preferente.  
✓ Sorteos y Premios.  
✓ Descuentos en establecimientos comerciales afiliados al sistema VSP.

¡Por que usted se lo merece!

An advertisement for VSP travel benefits. It features a blue VSP card in the foreground. In the background, there is a map of Peru with a red line indicating a travel route. Above the map, there are logos for airlines: ICA, TACA, and MAGENTA AIR. The text 'Alojamientos Exclusivos lo están esperando' is at the top. Below the map, there is a list of benefits: 'Atención Preferente.', 'Sorteos y Premios.', and 'Descuentos en establecimientos comerciales afiliados al sistema VSP.' The phrase '¡Por que usted se lo merece!' is written in a stylized font at the bottom right.



## EVOLUTION OF VSP

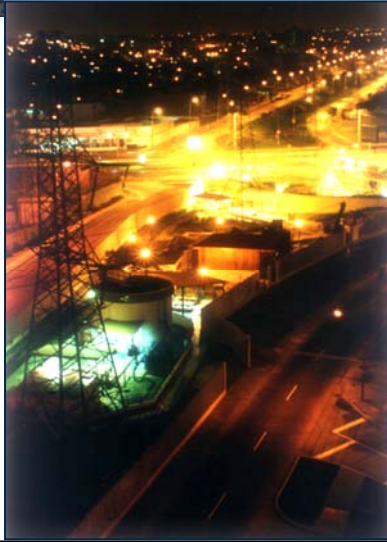


## SURCO'S RIVER WATER RECOVERY PLANT INTIHUATANA





## SURCO'S RIVER WATER RECOVERY PLANT



## WATERING SYSTEM YACUMOVIL II



## PUBLIC CLEANING



## 1997 NEW FLEET



**YEAR 2000**  
**RECYCLING: A NEW CHALLENGE**



**In Surco, Garbage is Useful**

**En Surco la Basura Sirve**







## FIRST EXPERIENCE OF INERT RESIDUES CLASSIFICATION SYSTEM



## FIRST EXPERIENCE OF INERT RESIDUES CLASSIFICATION SYSTEM



## EVOLUTION OF INERT RESIDUES CLASSIFICATION SYSTEM



## NEW INERT RESIDUES CLASSIFICATION PLANT SANTIAGO DE SURCO

COLLECTION CENTER AND TRANSFERENCE STATION



## ORGANIC RESIDUES PILOT PLAN IN ORIGIN



### ORGANIC FLOUR



### COMPOST





## MUNICIPAL DINING ROOM "COMVO" PROJECT



## CENTRAL KITCHEN "COMVO" PROJECT



## MUNICIPAL DINING ROOMS ("COMVO")



## THE TRAIN OF KNOWLEDGE (Public Educational Project)





## THE TRAIN OF KNOWLEDGE

(Public Educational Project)



## FRIENDSHIP PARK



CULTURAL CENTER



RAILWAY STATION IN THE PARK

## FRIENDSHIP PARK MICAELA 811





**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

*Session 2*

**Better Local Governance  
for SME Growth**

# THE EMPOWERMENT OF MICRO, SMALL MEDIUM ENTERPRISE AT JEMBRANA REGENCY-BALI-INDONESIA



By  
Prof Dr drg I GEDE WINASA  
THE REGENT OF JEMBRANA

## GENERAL DESCRIPTION

Jembrana lies at the west tip of Bali Island, relies on Agriculture, Animal Husbandary and Fishery as the resources of regional income.

Width Area : 841,80 KM2 or 84.180 Hectares = 14,94 % width of Bali

Population in 2007 : 260.791 with population density 309 lives/KM2

Population Number per Doctor : 3300

Population Number per Midwife : 2.519

Number of Student per Teacher : 15

Number of Farmer

And Fisherman Groups: 568

Cooperative : 102

Administration Territory Disribution :

5 Subdistricts.

42 Villages, 9 Political District Administration.

209 Cluster of Villages, 35 environment

64 Oldcustoms and Tradition Village, 261 Oldcustoms and Tradition Subvillage.

The Population  
Composition Based  
on Religion :

Hindhu 76,11%.

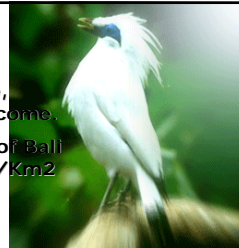
Moeslem 17,35 %.

Protestant 2,93 %.

Catholic 2,77 %.

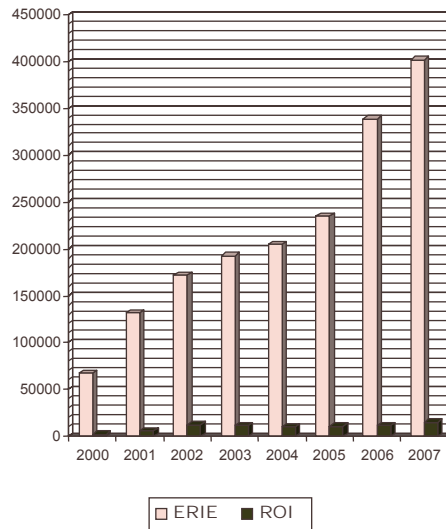
Buddhist 0,85 %.

The Area Utilizing :  
7,79 % Ricefields  
92,11 % Dry Soil  
0,09 % Others.



### ERIE AND ROI Region JEMBRANA

THE ESTIMATE OF REGIONAL INCOME EXPENSE  
AND THE REGIONAL ORIGINAL INCOME OF JEMBRANA



YEAR	ERIE/ROI
2001	ERIE Rp. 131.599.246.286,-
	ROI Rp. 5.540.224.419,-
2002	ERIE Rp. 171.703.401.395,-
	ROI Rp. 11.555.147.609,-
2003	ERIE Rp. 193.157.562.548,-
	ROI Rp. 11.055.956.008,-
2004	ERIE Rp. 205.000.287.634,-
	ROI Rp. 9.785.500.000,-
2005	ERIE Rp. 234.957.648.400,-
	ROI Rp. 10.474.690.000,-
2006	ERIE Rp. 339.300.329.908,-
	ROI Rp. 11.202.092.565,-
2007	ERIE Rp. 402.145.893.653,90
	ROI Rp. 14.989.351.825,-
2008	ERIE Rp. 451.314.741.887,00
	ROI Rp. 15.700.000.000,00

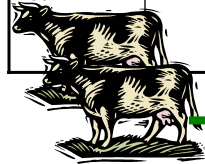
Annualy Ratio ERIE per population:  
**Rp. 1.742.023,-**

### NUMBER OF POVERTY

Year	Number of Poverty
2000	12.206 (19,4 %)
2001	9.146 (14,2 %)
2002	9.210 (14,1 %)
2003	7.216 (11,98 %)
2004	6.034 (8,15 %)
2005	6.999 (8,85 %)
2006	6.502 (8,00 %)
2007	5.386 ( 6,00%)

### INCOME PER CAPITA

Year	Income Per Capita
2001	5.480.000
2002	6.060.000
2003	6.332.000
2004	6.978.000
2005	7.403.000
2006	7.850.000
2007	8.400.000



BREEDER



FARMER



FISHERMAN

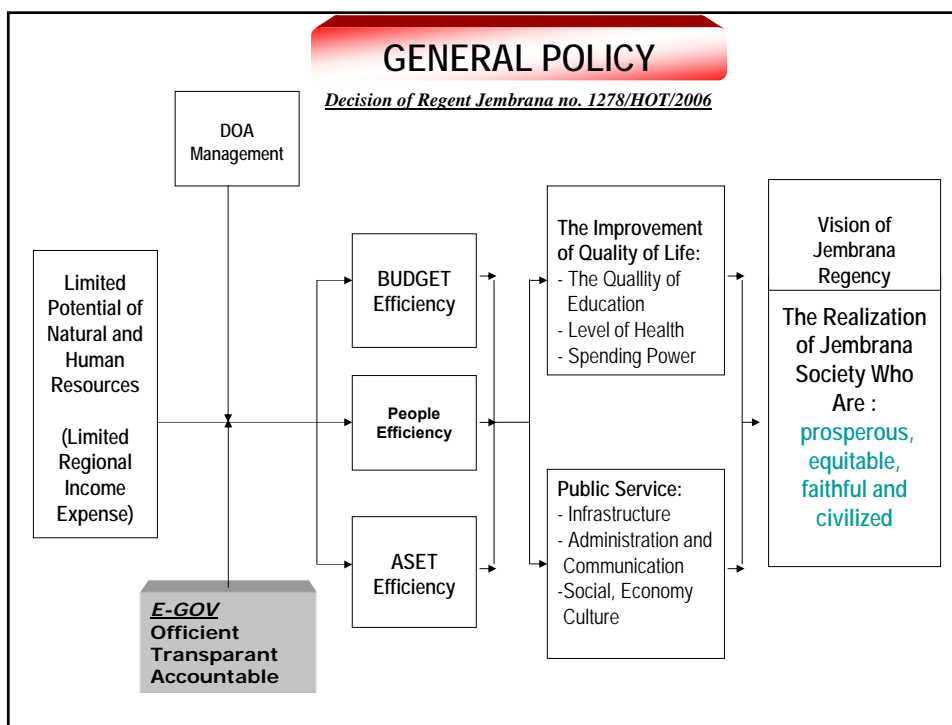
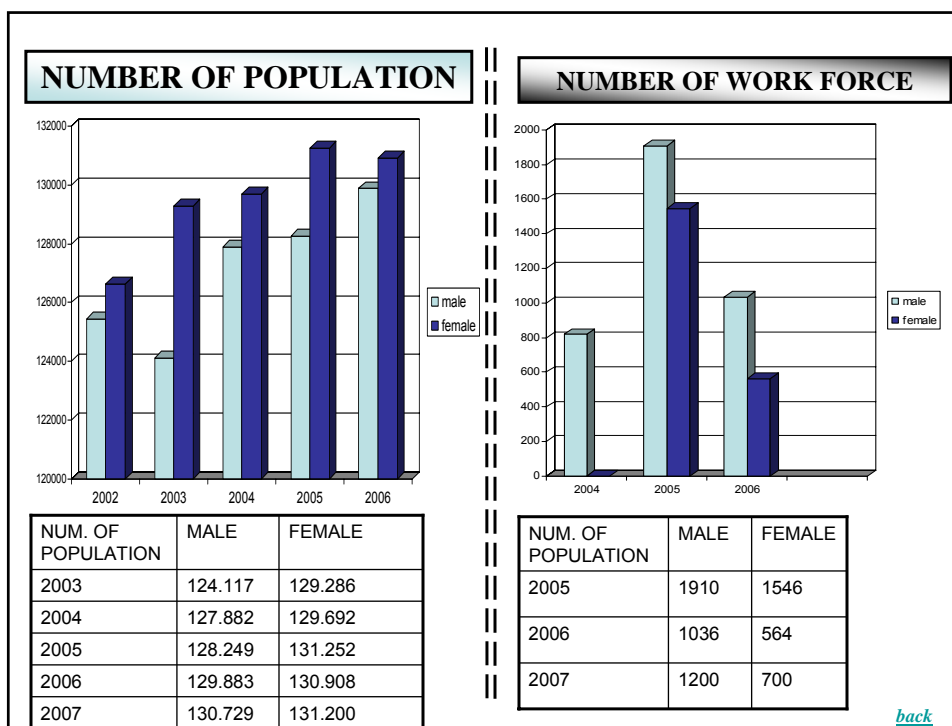


MERCHANT



SERVICE AND  
OTHERS

**CLUSTER**





## THE IMPROVEMENT OF SPENDING POWER

### INDICATORS :

1. Income Per Capita
2. Poverty Number.

### STRATEGIES :

1. Increasing Income.
2. Broadening Working Opportunity.
3. Decreasing Family Borden.



### PROGRAMS

#### The Improvement Of Income

1. The Empowerment of Community Group.
2. The Empowerment of Cooperative.
3. The Empowerment of Family Member.

#### Technical Aid :

- Production.
- Marketing.
- Capital.
- Management

#### Financial Capital Assistance:

"Loan is Given with fund moving form and line of monitoring".



## WORKING OPPORTUNITY PROGRAMME FOR THE SOCIETY

### *Create and Open Working Opportunity*

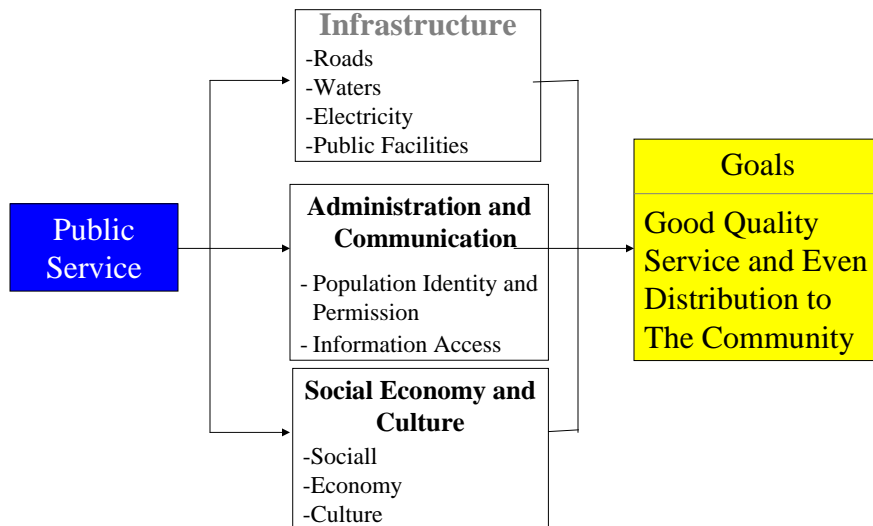
#### *a. Domestic*

To Empowerment The Community Group,  
To Establish PROFFESIONAL COOVERATIF

#### *b. Overseas*

To Facilitate to Work For Cruises  
and Apprentice to Japan

## ILLUSTRATION OF PUBLIC SERVICE AT JEMBRANA



[back](#)



## INFRASTRUCTURE

### Infrastructure Service

#### Construction and Maintenance Of Public Roads

- Project Aid for Regent Roads
- Aid for Village Roads
- Aid for Remote Area Roads

#### Drinking Water Supply for The Community

- Aid of Pump and Clear Watertunnel for The Community
- Aid of Irrigation

#### Electricity Supply

- Aid of Lights at Village Public Roads
- Aid of Electricity for House

#### Public Facilities Supply

- Construction of General Market
- Construction of Bus Terminal
- Construction of City Park

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## ADMINISTRATION AND COMMUNICATION

### The Shape of Administration and Communication Service

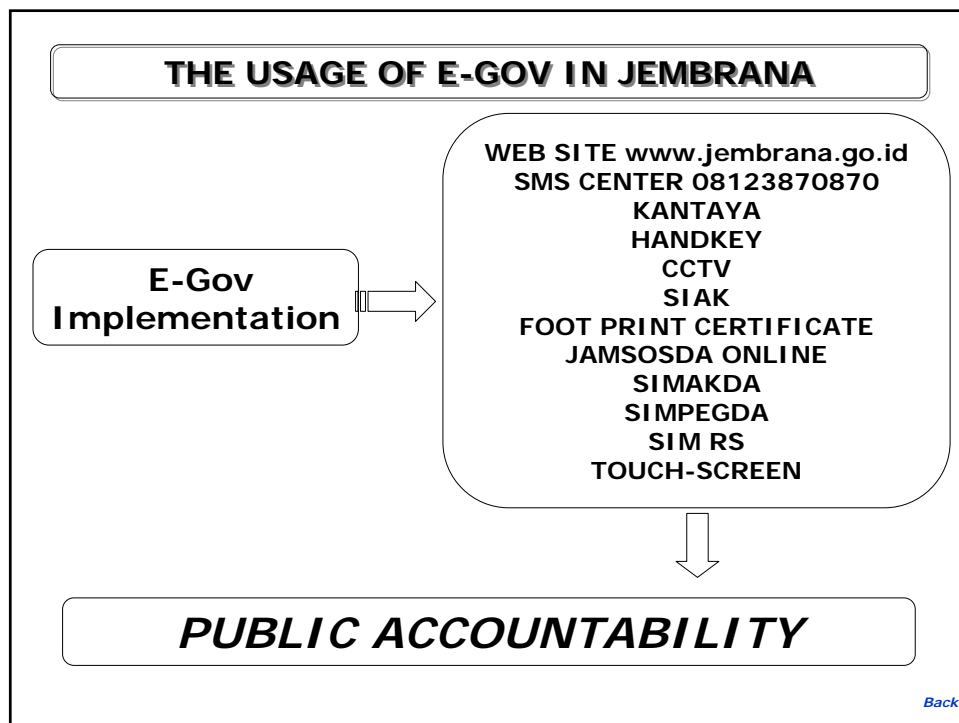
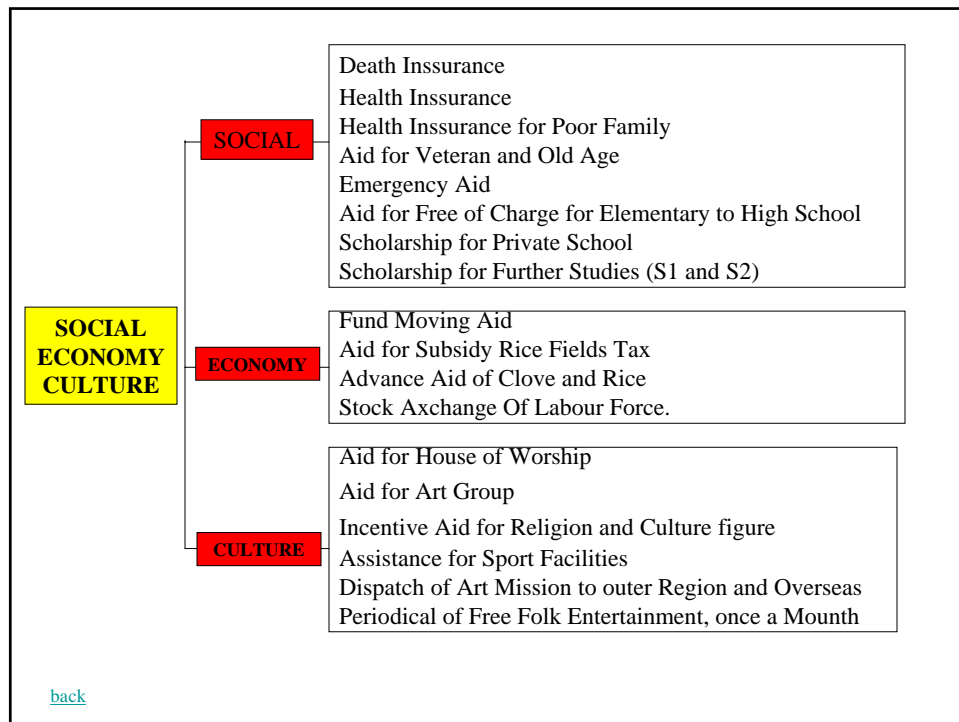
#### ADMINISTRATION

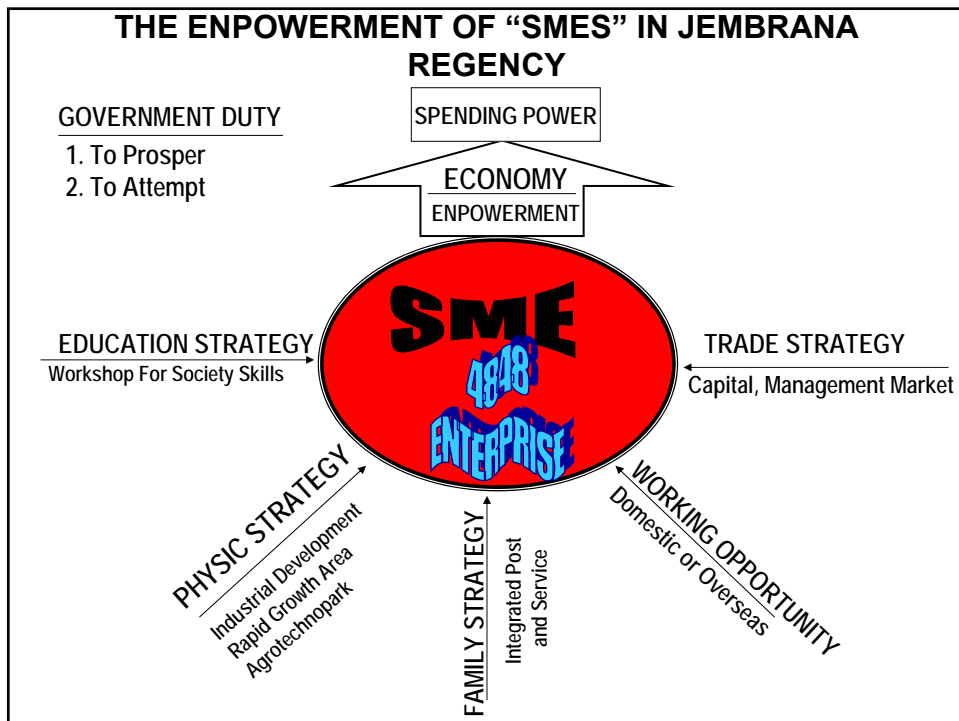
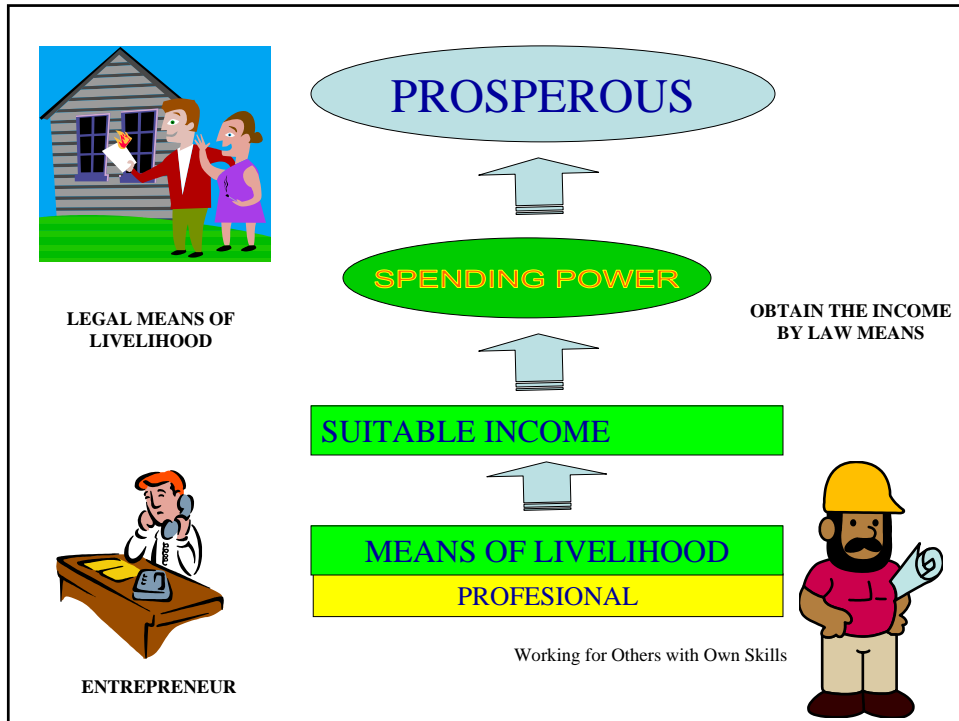
- Population Identity (Birth Certificate, Identity Card, Family Card and Marriage)
- One Stop Permission

#### COMMUNICATION INFORMATION

- SMS Centre dan Call Centre (08123870870)
- Ananta Praja Radio
- Ge-M Tabloid
- Independen News
- Independen Magazine
- Website [www.jembrana.go.id](http://www.jembrana.go.id)

[back](#)





***PATTERNS WHICH ARE DEVELOPED TO GROW "SME" IS BY  
DEVELOPING TRADE WEBS IN CLUSTERING SISTEM***

- *Geographic edequacy, commodity movement and sectoral movement*
- *Local movement industrial sector unit and commodity movement*
- *Similarity commodity covers the activity of regional movement*

1. *Market Enlargement*
2. *Capital Improvement*
3. *The Increasing of Community Investment*
4. *The Improvement of Working Opportunity*
5. *The Improvement of People Income Even Distribution*

## **TRADE DEVELOPMENT**

- Pengembangan Industrial Region
- Western Part of Bali Rapid Growth Region
- Agrotechnopark (Melaya)
- Handicraft Centre spread at five sub district
- Home Industry

## OPPORTUNITIES FOR EMPLOYMENT PROGRAMME FOR THE SOCIETY

*Create and open opportunities for employment*

### *a. Domestic*

To enforcement the community groups,  
To setup professional cooperative

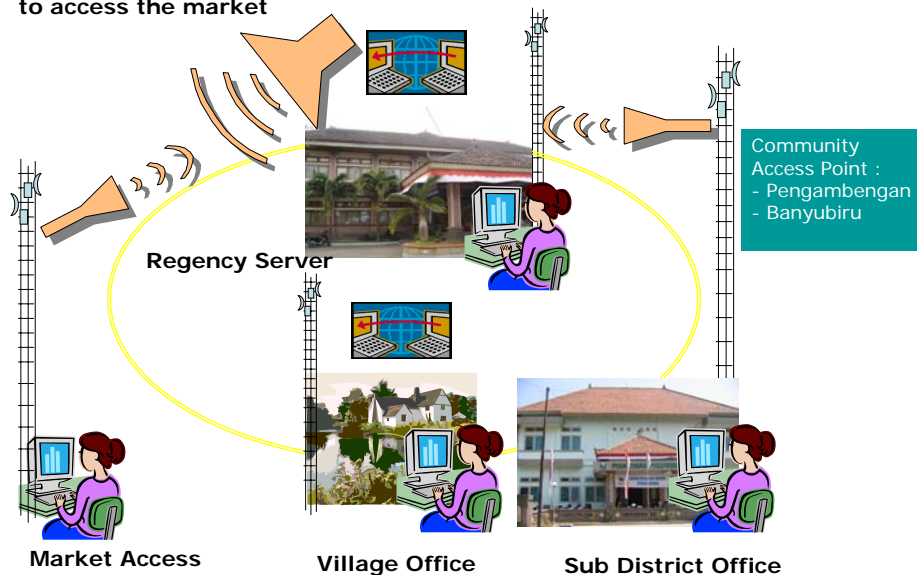
### *b. Overseas*

To facilitate to work for cruises and  
apprentice in Japan  
(Decision Of Regent No. 770/DTKCK/2005)

[back](#)

## J-Net Usage in Access Trade

To connect to the whole villages sub districts, regency and other regions  
to access the market





## THANK YOU

### **The Government of Jembrana Regency**

Jalan. Surapati No.1, Negara, Bali  
Tel. 0365-41210 Fax. 0365-41010  
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### **B I O D A T A**

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1. Elementary School, Tegalcangkring, Jembrana (1967)
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4. Three Year Undergraduate Programme Degree in Social and Politic Faculty, Marhaen University, Denpasar ( 1982 )
5. Bachelor Degree in Social and Politic Faculty, Marhaen University, Denpasar (1984).
6. Postgraduate-work Degree in Management Program , Udayana University, Denpasar (2005).

***Employment :***

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2. Social Politik Supervisor Propince Bali ( 1984 )
3. Development Supervisor Province Bali(1987)
4. Supervisor at Education culture and religion sector Province Bali (1992)
5. Subdistrict Head at South Denpasar Municipality (1994)
6. Village Government Supervisor, Denpasar ( 1999 )
7. The Chief of Regional Development Planning Board at Jembrana Regency ( 2000 – 2003 )
8. The Chief of Information and Communication Official at Jembrana Regency ( 2003 -2006 )
9. The Chief of Local Supervisor Board at Jembrana Regency ( 2006 – up to now)

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I Gusti Ayu Kristya Dewi Rusmianti

I Gusti Ngurah Khrisna Artha Sadewa

# Better Local Governance for SME Growth: Strategic Planning, Local Economic Development, and the Role of Local Government

Gerrit J. McGowan – Senior Associate  
EcoPlan International, Inc.  
Vancouver, British Columbia, Canada

APEC High Level Meeting on  
Driving SME's Growth to Promote  
Local Development

March 31 – April 1, 2008



## Who We Are

**EcoPlan International (EPI)** is a multidisciplinary firm of planners, economists and decision analysts with global experience in:

- ▣ Strategic planning and decision support
- ▣ Local economic development
- ▣ SME development and feasibility
- ▣ Community and regional planning
- ▣ Resource & environmental planning
- ▣ Tourism and ecotourism.

Our innovative approach incorporates structured decision-making, participatory planning, facilitation and negotiation, and has been successfully applied in over 150 communities across the globe.





## Award-Winning Approach to LED

- ❑ ***Promoting Local Economic Development through Strategic Planning: A Resource Guide***
- ❑ Partnership between UN-Habitat and EcoPlan
- ❑ 2007 Canadian Institute of Planners Award for Innovation in Economic Development



## Strategic Planning for LED

**Local economic development (LED)** is a participatory process in which local people from all sectors (public, private, civil society) work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized.



## Strategic Planning for LED

"If you don't know where you're going,  
any road will take there"



## A Brief History of LED

- Local economic development is not new
- What is new?
  - Intentional, holistic, local economic activities that are bottom-up and based on local values
  - Participatory and people-driven/centred
  - Capacity building of local officials and staff
    - not expert driven



## A Brief History of LED

- ❑ Traditionally, economic development is top-down and driven by national policy
  - Local economies dependant on state controlled companies
  - In western democracies, largely dependant on direction from higher level governments
  - Government driven; involving few actors
  - Early strategies limited to:
    - ❑ Promotion
    - ❑ Infrastructure development
    - ❑ Attraction of outside investment
    - ❑ Retention of existing businesses



## A Brief History of LED

- ❑ In Western democracies in the 1960's and 70's:
  - Capital becoming highly mobile
  - Many local economies in decline
  - Many communities left out of national strategies
  - Still government initiated, few actors
  - Evolving (from infrastructure, promotion, investment) to more local strategies (business retention, local business support services, training)
  - Still government initiated, few actors
  - Growing activist movements with Community Economic Development and environmentalism



## Brief History of LED

### □ Global Trends 1980's to 90's:

- Cold war ending + Free markets growing =  
**Economic Development**
- Economic + Social + Environmental =  
**Sustainable Development**
- Sustainable Development + Institutional Capacity =  
**Good Governance**
- Decentralization + Globalization + Poverty reduction =  
**Local Economic Development**
- Recognition Today =

**local problems need local solutions**

(World Bank; ILO; UN-HABITAT all have recent LED programs)



## Concept of Good Governance

- **Governance** is not government.
- **Governance** recognizes power both inside and outside the formal authority and institutions of government.
- **Governance** is the ability to coordinate and promote policies, projects and programs that credibly represent a broad range of interests (e.g. government, private sector, civil society).
- **Governance** includes the institutional capacity in management and administration, and the role of politics in development



## Issues of Governance

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- ❑ Public involvement
- ❑ Institutional development
- ❑ Transparency of decision-making procedures
- ❑ Interest representation
- ❑ Conflict resolution
- ❑ Limits of authority
- ❑ Leadership accountability



## Roles of Local Government in LED

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- ❑ A democratically elected **local government** is accountable to its citizens and can therefore add legitimacy to the LED process
- ❑ **Local government** is involved in developing complementary and competing plans for local development, and is well-positioned to integrate these plans, including social and environmental objectives.
- ❑ **Local government** is already deeply involved in local business activity as suppliers of infrastructure, tax collectors, and regulators of land, buildings, and activities. With an increasing move toward decentralization and the devolution of service delivery to local authorities, the roles and responsibilities of local governments continue to increase.



## Local Development and Decentralization

- ❑ Today it is widely recognized that supporting local economic development must accompany the process of decentralization to strengthen local democracy.
- ❑ Examples:
  - Philippines: Local Government Code
  - Indonesia: Law 22/1999
  - Paraguay: Law of Departmental Decentralization
  - Bosnia: The Dayton Accord
  - Uganda: Decentralization Policy of 1993
  - Zambia: Decentralization Implementation Plan of 2005
  - Canada: Alberta Metis Settlements Accord Legislation



## Local Government and SME Support

- ❑ **Local governments** should plan for creating linkages and networks among the local agencies concerned with different components of small and medium enterprise.
- ❑ **Local governments** role in SME development planning should strive to build sustainable partnerships among stakeholders to ensure continuing support for enterprises to grow, sustain and expand their businesses.
- ❑ **Local Governments** should strive to create an enabling business environment for SME growth and development.



## Creating an Enabling Business Environment

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- ✓ Combine Governance with Culture
- ✓ Clear Decision Rules and Procedures
- ✓ Safe Political Environment
- ✓ Ease of Business Entry and Efficient Regulation Enforcement



## Creating an Enabling Business Environment

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- ✓ **Combine Governance with Culture**
  - Having cultural foundations for institutions means that the local government is less likely to be a source of conflict and a vehicle for personal gain. In addition, local government is more likely to gain respect, legitimacy, and acceptance from local citizens.



## Creating an Enabling Business Environment

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### ✓ Clear Decision Rules and Procedures

- Includes effective business codes and land-use zones that promote long-term plans rather than politically expedient, short-term decisions
- Should be pro-market, not pro-business or favoring a particular firm



## Creating an Enabling Business Environment

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### ✓ Safe Political Environment

- Local government should establish a political environment in which investors and businesses feel secure
- Consistency, predictability, and clarity of government policies and regulations are critical
- Risks and production costs are affected when:
  - Investment opportunities and key government posts are given to unqualified friends and relatives of the political party in power
  - Bribes are extorted from businesses and entrepreneurs, holding them hostage to politicians
  - Tax rates or regulations are uncertain and change with each new administration





## Creating an Enabling Business Environment

### ✓ Ease of Entry/Efficient Regulation Enforcement

- Heavy regulation and weak enforcement =
  - higher rates of corruption
  - larger informal economy
  - more likely to be poor

#### **For an entrepreneur to get a licence to operate,**

- Mozambique it takes 19 procedures, 149 business days, and US\$256
- Italy it takes 16 procedures, 62 business days, and US\$3946
- Canada it takes 2 procedures, 2 days, and US\$280

#### **To enforce a contract in**

- Tunisia requires 7 days
- Guatemala this takes 4+ years



## Creating an Enabling Business Environment

### □ Local Governments need to:

- Simplify Bureaucratic procedures
- Create regulatory certainty (including property rights)
- Encourage local business networks
- Support training to meet market demands
- Support linkages with the informal economy
- Pursue broadly supported actions
- Take a value-focused, context specific approach

**Local governments** should focus the use of public resources & interventions (e.g. public spending, regulation, access to services) on improving the business environment in a way that reaches all levels of society rather than supporting individual companies.



## Approaches for Supporting SME Growth

### □ Common Approaches

- Policy and Regulation
- Marketing and Promotion
- Incubators
- Skills Training Centres
- Small Business Development Centres
- Physical Infrastructure Investment
- Business Area Upgrading
- Local Procurement



## Approaches for Supporting SME Growth

### Policy and Regulation

- Land and Property
  - Land Title; Property rights enforcement; Property registration; zoning; expropriation
- Planning and Development Control / Permitting
  - Real estate development permits; Building plans (new and improvements)
- Taxes, User Fees, and Collection
  - Property taxes; Infrastructure
- Infrastructure Provision and Maintenance
  - Transportation (roads, rail, ports); Electricity; Water and sewer; Garbage collection
- Regulations and licensing
  - Business; Health and safety (environmental standards, occupational health)
- Services
  - Policing; Fire and emergency



## Approaches for Supporting SME Growth

### Marketing and Promotion

#### □ Possible Marketing Actions:

- Developing an inventory of land and buildings available for expansion
- "Buy local" campaigns
- Producing packages and publications sent to potential investors
- Internet marketing
- Community branding
- Market linking

#### □ Possible Promotion Actions:

- Radio and television advertising
- Signs, posters, and banners
- Festivals and community events
- Exhibits at regional fairs and conferences
- Logos and slogans



## Approaches for Supporting SME Growth

### Incubators

#### □ Making incubators work:

- Ensure qualified managerial support
- Provide access to financing and seed capital
- Accept only firms with good business plans
- Draw upon graduated businesses' knowledge to assist new businesses
- Monitor the incubator



## **Approaches for Supporting SME Growth**

### **Skills Training Centres**

#### **□ Making Skills Training Centres Work:**

- Identify training needs and develop an appropriate plan
- Identify partners and take community context into account
- Monitor and evaluate the Centre's success
- Link skills training to job placement



## **Approaches for Supporting SME Growth**

### **Small Business Development Centres**

#### **□ Making Small Business Development Centres work:**

- Develop equitable service fees
- Ensure accessibility
- Match programs with local business needs



## Approaches for Supporting SME Growth

### Physical Infrastructure Investment

#### □ Typical projects and programs include:

- Building or improving key access roads
- Improving or expanding telecommunications systems
- Improving railway for passenger and goods services
- Developing, improving, expanding the local airport
- Developing, improving, expanding the local sea port
- Developing, improving, expanding industrial and commercial sites and buildings
- Increasing the availability of industrial and potable water
- Improving and/or expanding the sewage disposal system
- Improving and/or expanding energy systems
- Environmental enhancements



## Approaches for Supporting SME Growth

### Business Area Upgrading

#### □ Making Business Area Upgrading work:

- Understand triggering events
- Identify all stakeholders
- Incremental enhancement
- Create local employment



## Approaches for Supporting SME Growth

### Local Procurement

#### □ Making Local Procurement work:

- Develop a transparent tendering process
- Maintain expectations
- Upgrade skills
- Promote local products



## What is it all about?

### Making Smart Choices



*"When you come to a fork in the road, take it."*

Yogi Berra



## Thank You

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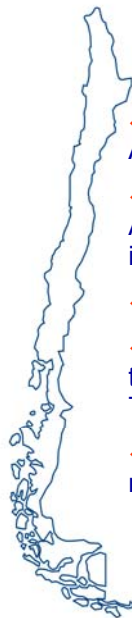


# **“SMEs and Local Development in Chile”**



**Background Chile**  
**Economical Context**  
**Social Context**  
**Situation of the SMEs**  
**Chile Emprende**

## **Background Chile**



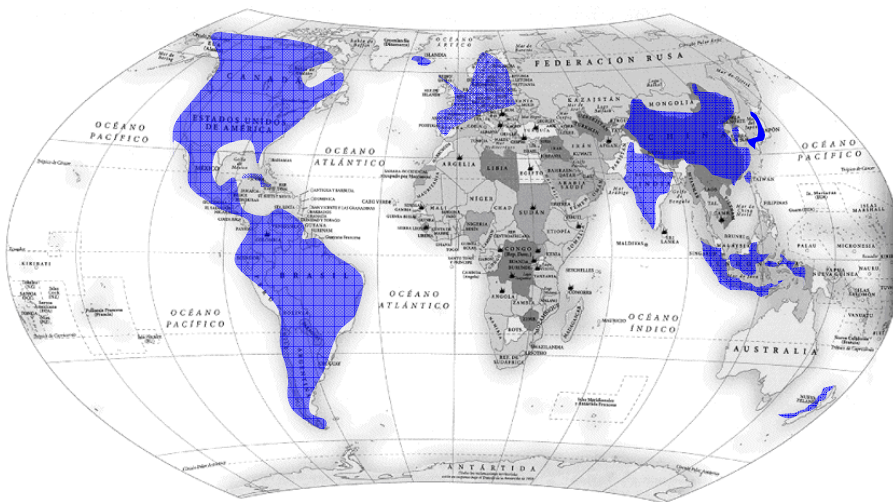
- ◆ Chile is located in the margin of southwest of South America
- ◆ Its surface is over 2 millions km<sup>2</sup>. It has territories in the American, Oceanic and the Antarctic continents. Its coast is over 8.000 km long
- ◆ 16,5 millions inhabitant
- ◆ It has a remarkable landscape: from the driest desert in the North to the rainy thick vegetation in the cold South. The central zone has a Mediterranean climate
- ◆ It is a unitary State, divided into 15 regions – two of them recently created- and 345 communes (municipalities)



## An open economy

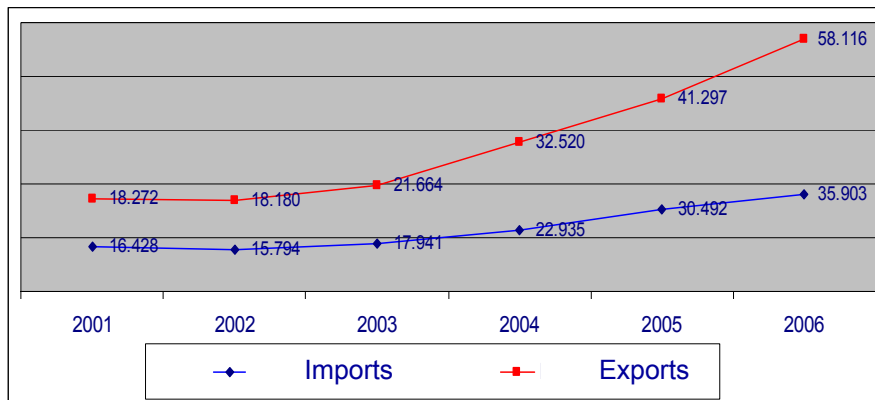
- ◆ Chile GDP (2006) 146 billions of US \$
- ◆ Chile is a small economy that agreed to be opened to the world. The restoration of the democracy boosted this measures
- ◆ Nowadays, Chile has Free Trade Agreement (FTA) with 60 countries, some of them with the largest economies of the world. It represents a potential universe of 3 thousand millions consumers, nearly half of the world population
- ◆ In the year 2006, the exports represent 44.4% of the GDP. The copper represents 56.6% of the total exported value
- ◆ Three quarters of the Chilean foreign trade is under FTA
- ◆ After three years of the agreements, the exports with USA raised 42.2%, and after four years, the exports with Europe raised 65.7%

## Free Trade Agreement Map



## Balance of trade evolution

(MMUS\$)



## Social Context (Poverty)

- ◆ Poverty reduction: from 38,6 to 13,7 % between 1990 and 2006
- ◆ In the same period of time, the extreme poverty or indigence, was reduced from 12,9 to 3,2 %
- ◆ Improvement in the infrastructure coverage
- ◆ Improvement in the educational scope, although still lack information and communications technology coverage. An improvement in educational quality is needed.

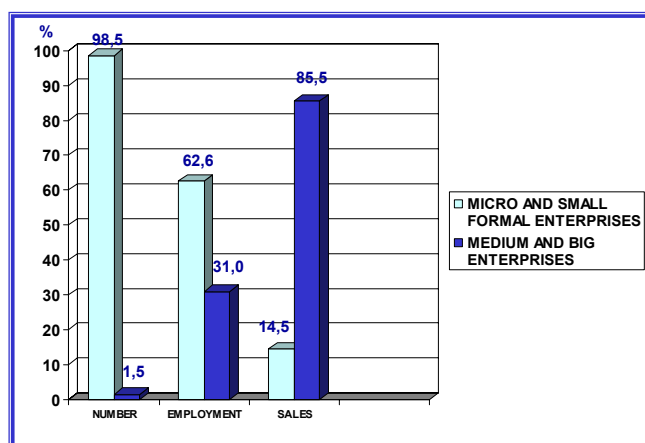
## Enterprise Distribution by Size

(by Net Sales in US \$ )

<b>MICRO</b>	From 1 to 110.000
<b>SMALL</b>	From 110.001 to 1.160.000
<b>MEDIUM</b>	From 1.161.000 to 4.600.000
<b>BIG</b>	Over 4.601.000

## Enterprise Distribution

by size, number, sales and employment (In %)



## Advance to equity

- ◆ Policies to remove inequality, sustaining high growth rates and decreasing poverty.
- ◆ Change in the public policies and programs support of small enterprises and their territorial environment: design, governance and management.
- ◆ In this context emerge “**Chile Emprende**”

## What is Chile Emprende?

- ◆ Chile Emprende is a governmental initiative to boost business opportunities development for Micro and Small enterprises within a well defined territories.
- ◆ The program consider as territories:
  - ◆ Council groups (municipalities) with basic elements for a common identity,
  - ◆ They should have a relative geographic, social, cultural and a productive coherence that let them have a common and complementary set of opportunities.
  - ◆ They have a critical mass of private & public actors and municipalities, willing to work and invest to capture and take advantage of development opportunities.

## Participants

### ◆ National

Solidarity and Social Investment Fund(FOSIS)  
Agricultural Development Institute (INDAP)  
Training and Employment National Service(SENCE)  
Technical Corporation Service (SERCOTEC)  
Chilean Development Agency (CORFO)  
Under Secretary for Regional and Administrative Development

### ◆ Regional

Regional Governments, Public Services Regional Directions

### ◆ Territories

Municipalities, Entrepreneurs

## The Program's Actions

- ◆ Promote cooperation among entrepreneurs and their relationships with markets, based on a public-private management.
- ◆ This management is expressed through territorial working groups denominated Consejo Público Privado (Public-Private Council) in which entrepreneurs, municipal delegates, and managers of regional promotion productive services make decisions on priorities, projects and budgets.
- ◆ Through these councils, a shared development project is built and conducted: The Territorial Plan.
- ◆ The Plan works around development opportunities in which small enterprises can be inserted, based on the territory's potentialities and its entrepreneurial base.
- ◆ The Government supports the development of instruments to help enterprises to achieve the required standards to compete in the global markets.

## Some results

- ◆ Presently, 39 territories participate in Chile Emprende, which gather 176 municipalities or councils, where live a third part of the Chilean population, nearly 6 millions people.
- ◆ In some territories where the program is operated, there have been some advances:
  - ◆ Overcoming the poverty conditions of some hundreds of families, and increase de sales and the incomes of the Micro and Small entrepreneurs.
  - ◆ Productive and commercial links between SMEs and bigger enterprises and integration of SME entrepreneurs in chains for exports.
  - ◆ Creation and development of new tourist destinies and new innovative products to reach highly competitive markets,
  - ◆ Creation of favourable new environment for the development of entrepreneurs .

## Evolution of the Program

- ◆ It started as a experimental experience in 2001, boosted by four services - INDAP, FOSIS, SENCE y SERCOTEC-, which were looking for the development of public policy options to go forward equity.
- ◆ It institutionalizes at the end of 2004 . Considering the initial results and the evaluations, the Government decided to change the experimental initiative to an ample public policy.
- ◆ In 2005 it expands from 10 to 24 territories.
- ◆ In 2006 operate in 27 territories and it has its own item in the national budget law.
- ◆ In 2007, President Bachelet decided to extend it to 15 new territories.
- ◆ In 2008 operate in 39 territories.

## Debate and proposal

- ◆ To a successful insertion to the global market , the smaller enterprises have to increase their competitiveness and to introduce Innovation in products and process.
- ◆ To make this possible, it is needed cooperative relationships among the small enterprises, public institutions and academic centres of research and training
- ◆ In this framework, to establish a territorial institutionality, which boost these relationships to use well their specifics potentials in a productive local structure, is fundamental.
- ◆ It is not enough to have just groups of sectorial enterprises. It is necessary provide the territory with an environment which facilitate the innovation, opening the access to the knowledge, the technology and the continuing learning process, as well as to the market and the financing system.
- ◆ Therefore, it is necessary to integrate the elements of local identity as well as the cultural, social and political- institutional aspects.

## Dialogue about opportunities

- ◆ In each territory where Chile Empre nde operates, what guide the relationship among participant actors and therefore their agreement and duties, are th e development op portunities of the Micro and Small enterprises.
- ◆ In this relation with the markets, it has become aware of the requirements that enterprises have to achieve to reach de quality standards and difference needed to a successful commercial insertion.
- ◆ The path to overcome the difference is the working plan of entrepreneurs, councils and sectorial, regional and national publics services. In this context a public - private cooperation is necessary.

## Effects of the territorial agreement

- ◆ Decentralization and transparency in the allotment of public resources.
- ◆ The direct participants assume the follow up of the agreements.
- ◆ Shared responsibility: The enterprises are co responsible with the public sector in being careful to perform the agreement achieved.
- ◆ The public technocracy is losing the monopoly of the decision about what is good and not good to the local enterprises .

## Chile Emprende Method's work

### Systemic Approach





## Key Points

### Inclusion, innovation y competitiveness

- ◆ Change of mentality
  - ◆ Look for opportunities vs. routine experiences
  - ◆ Achieve agreements by consensus vs. outside decisions
  - ◆ Territory as center of innovation and development vs. sectors approach
- ◆ Convoke all the involve actors: public, private and local representatives
- ◆ Associate private interest with common good
- ◆ Incorporate technology and capture new investments
- ◆ Human resources development at territorial level
- ◆ Identify and promote best practices on SMEs and local development

## Santiago City

Thanks for  
your attention





**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

*Session 3*  
**Promoting Local Innovation  
and Entrepreneurship**

*Speech of Mr. Sergio Arzeni, Director of the OECD Centre for Entrepreneurship, SMEs and Local Development (CFE) for the APEC High-Level Meeting on  
“Driving SMEs’ Growth to Promote Local Development”  
(Chinese Taipei, 30-31 March 2008)*

## **Promoting Local Innovation and Entrepreneurship**

### ***Background Considerations***

Until few decades ago, most speakers would have probably dealt with the two concepts of innovation and entrepreneurship in a distinct way. Still today “innovation” is often associated in the collective imagination with the result of genius or inspiration, the exceptional outcome of talented work that can hardly be replicated. Entrepreneurship, on the other hand, is frequently seen as mere business formation, whereas it clearly goes beyond the mere metric of the start-up rate and has a strong link with innovation. Management theorist Peter Drucker was the first to highlight this nexus in his seminal work “Innovation and Entrepreneurship” (1985)<sup>1</sup> where he asserted that “innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service”.

Innovation and entrepreneurship are therefore closely linked. But why is it important to promote them at the local level? Would not it be enough to design national comprehensive strategies for innovation and entrepreneurship? The answer is probably no.

One of the biggest paradoxes of globalisation is that national and international competitiveness rest more than ever before on local factors that cannot be matched by distant rivals. In the early 1990s Michael Porter brought out how the main competitors in any industry would always come from a restricted number of countries. This led him to talk of the “competitive advantage of nations” and of four key elements affecting the ability of nations to compete in a specific industry at the global level: factor conditions; demand conditions; related and supporting industries; firm strategy, structure, and rivalry.

But if we delve a bit further, we soon realise that national industry competitiveness is often built upon geographically limited agglomerations. Italy’s strong reputation for fashion leather products (e.g. shoes, bags, etc.) hinges on an industry that is strongly concentrated in the region of Tuscany. Similarly, in the high-tech sector of biotechnology the United States and the United Kingdom take the lion’s share with research and production being concentrated around few locations hosting world-renowned research universities (i.e. San Francisco’s Stanford, Boston’s MIT and Cambridge University).

These agglomerations have come to be known as clusters and epitomise today the importance of entrepreneurship and innovation at the local level because of the contribution they give to business productivity and innovation. Both are strengthened in clusters by a host of factors: better access to skilled workers and competitive suppliers; access to specialised information; linkages and complementarities between industries located at different stages of the production chain; eased access to credit and, especially important for knowledge-intensive industries, equity finance; access to public goods supplied as a result of the large demand originated by the cluster (e.g. vocational programmes, specific infrastructure, etc.); etc.

For similar reasons, clusters foster entrepreneurship and business formation more in general. First of all, there is an imitation and motivation factor. People, especially skilled workers with some experience, feel motivated to imitate successful previous colleagues or employers and start up a new business. Secondly, this chance is strengthened by the fact that clusters develop around several industries, which increase the chance to find an untapped market niche or one where the likelihood of

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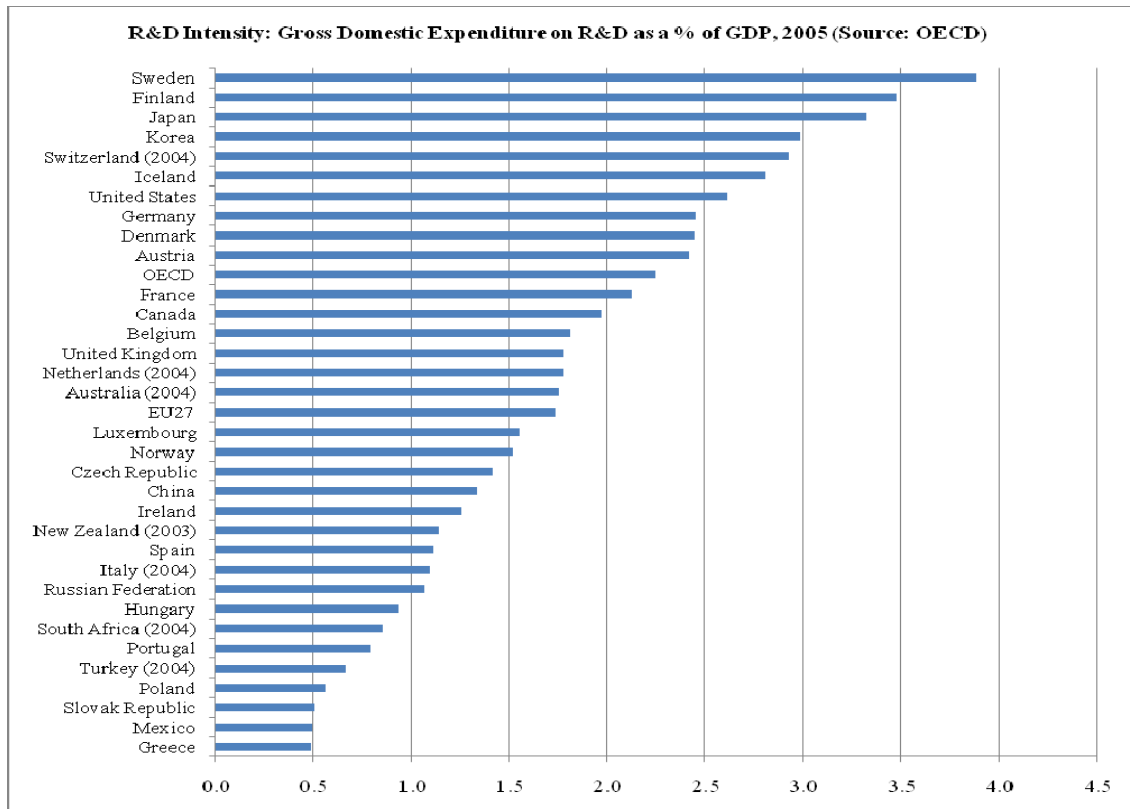
<sup>1</sup> P. Drucker, 1985, *Innovation and Entrepreneurship: Practice and Principles*, Heinemann: London.

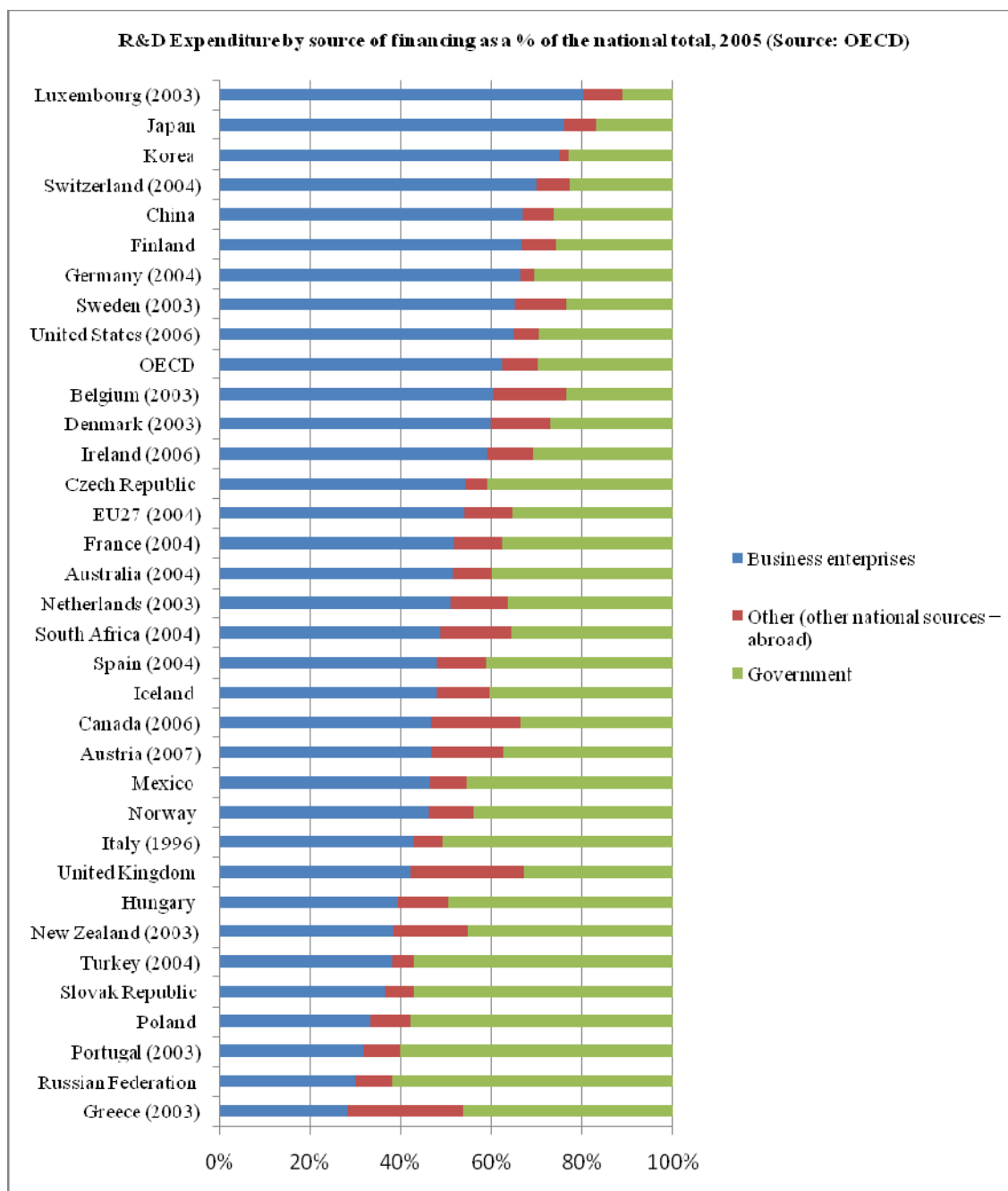
success is reckoned higher than elsewhere. Thirdly, the presence of many enterprises in the same or related industries provides a good benchmark and makes it easier to assess business performance. Fourthly, information asymmetries and other transaction costs are lowered by geographical closeness and repeated interactions, which generate trust and social capital that are widely deemed crucial to the success of a cluster.

Promoting innovation and entrepreneurship at the local level cannot therefore overlook the concept of cluster and the presence, if any, of local clusters. In practice, this means recognising what local industries have the strongest potential to compete nationally and globally and set policies that encourage innovation in these as well as other industries.

To this end, *public investment in R&D* is as important as *private R&D*. There is little scope for public R&D if local enterprises are not ready to receive and absorb the produced knowledge by integrating it with their own research efforts. This implies that where the local innovation base is low, small businesses may need to “learn to innovate”, which means being introduced to the benefits of innovation for business productivity. Where, on the other hand, local university research is mainly oriented towards basic research, pre-competitive research paving the way to research commercialisation may be in need of policy support. By this twofold approach, policymakers are headed to setting the conditions for the emergence of both a demand and supply of R&D.

The following two graphs give first the overall R&D intensity in OECD countries and some other important non-Member economies and then, in light of the importance of complementarity between publicly and privately funded R&D, the corresponding distribution at the country level.





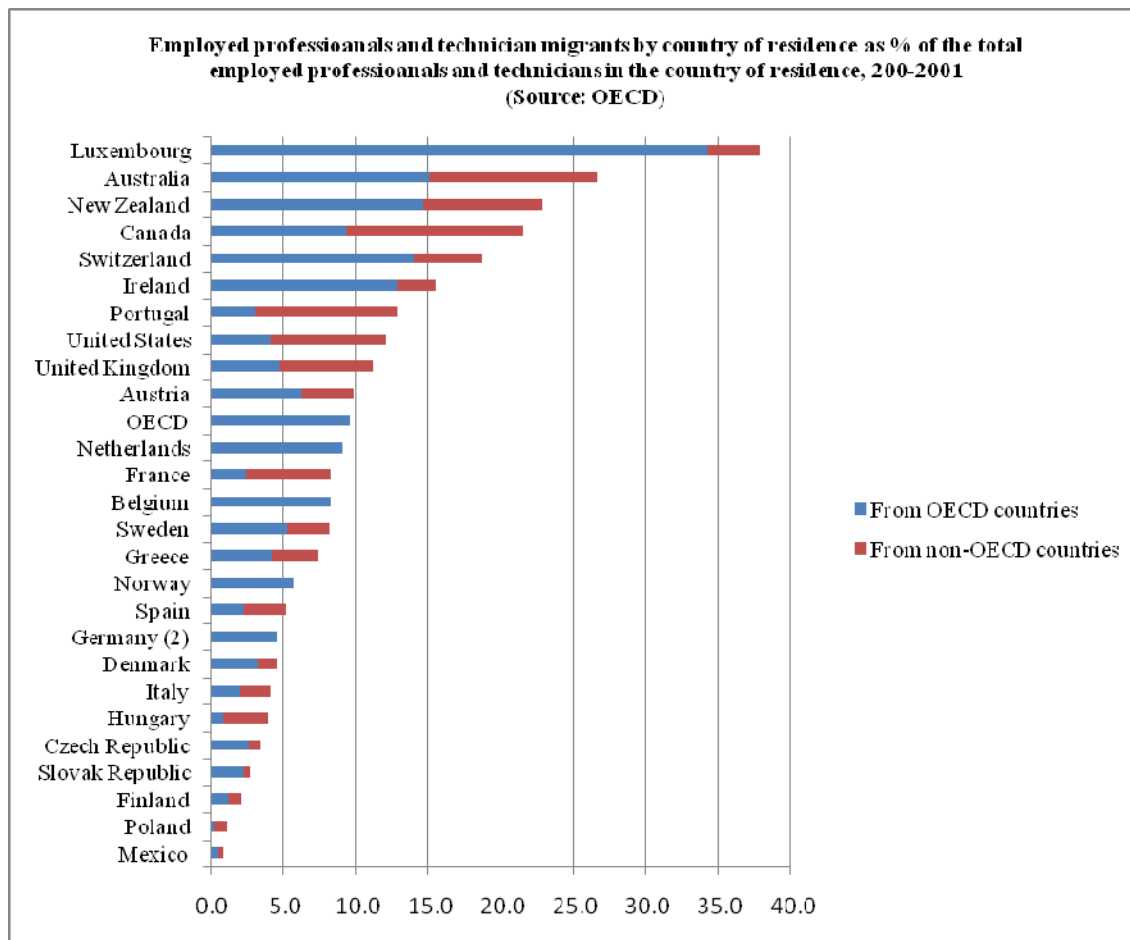
*University-industry linkages* are also of primary importance. It is now recognised that innovation systems transcend the concept of R&D and innovation is also well stimulated through constant interactions and networking between firms, universities and research laboratories in which non-R&D-intensive SMEs can also participate. In particular, there is very often a need to increase the interactions between the agents within the local innovation system and make these interactions accessible to SMEs. A concrete example of policy in this sense consists in encouraging the mobility of researchers between research organisations and enterprises through, for instance, part-time agreements, labour cost sharing, joint research projects, etc. *Inter-firm linkages* at a more general level are also beneficial to innovation. Supplier recruitment by large companies usually results into SME upgrading through exposure to training and more advanced technologies. But SMEs can also upgrade by working together. For instance, consortia or other forms of networks can enable the access

to complex costly technologies that individual small enterprises would not be able to afford on their own.

*The attraction of talented labour* is proving as important as that of domestic and foreign investment for local innovation and economic development. In the past, local development strategies overly focused on the indiscriminate attraction of inward FDI have sometimes resulted into the emergence of local “branch-factory” economies, i.e. economies where most FDI consisted of manufacturing plants whereas knowledge-intensive activities (e.g. R&D, management, marketing, etc.) remained located elsewhere. On the other hand, attracting highly qualified workers is key to strengthening the quality of investment, be it foreign or domestic, and embedding it into the regional economic system through processes of company spin-offs and local supplier recruitment.

In order to attract talents, a set of different conditions needs to be in place. The location needs to be able to offer interesting career prospects and for this to be possible a dense network of high-profile enterprises must be available. Salaries are clearly important, but so is a stimulating surrounding professional environment. Increasingly, attracting talented labour goes beyond the labour market or the workplace itself to embrace the entire new dimension of ‘territorial attractiveness’, which involves working on a place that has more to offer than just good jobs (e.g. interesting cultural life, green areas for sport and relax, social heterogeneousness, etc.).

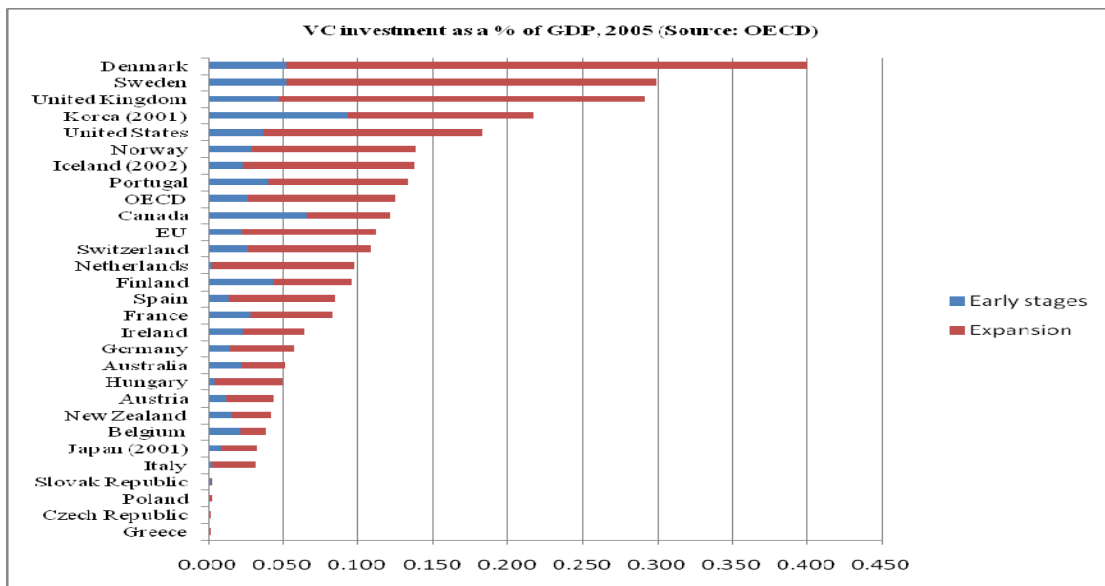
The chart below gives a proxy of the contribution of foreign qualified workers to OECD economies. As evident from the graph, talent attraction turns out particularly important for small economies that are more likely to be faced with a shortage of skilled labour.



Business development services (BDS) continue to be important too. For instance, *business incubators* have the potential to assist entrepreneurs with both start-up and business development, thereby contributing to local entrepreneurship and innovation. As known, incubators seek to provide workspace (often on preferential and flexible terms) for a specific industry or type of firm while concentrating spatially the supply of utilities, services, facilities and equipment. The services provided can include various forms of business planning and managerial advice, office facilities, finance and accounting, legal services, etc. A variant of business incubators consists in technology incubators. The latter may take a range of institutional forms, operating either as integrated or separated organisations within science parks, universities and innovation centres. The types of service are very similar to those of traditional incubators, but the technology-oriented variant more often provides technology-oriented advice on legal issues such as intellectual property rights. The relevance of technology incubators is demonstrated by the fact that one third of the US-based incubators belong to this specific category.

Finally, finance can but play a prominent role. For entrepreneurship and innovation to thrive, not only does credit need to be accessible, but *equity finance* is also preferably to be available. Business angel networks and venture capital funds are crucial to feeding innovation and business development, especially in knowledge-intensive sectors, as well as to fuelling high-growth firms (i.e. firms able to maintain significant annual growth rates over an extended period of time)<sup>2</sup>, which despite being a limited share of the overall enterprise population contribute disproportionately to employment creation.<sup>3</sup> Interestingly, these forms of equity finance have a strong local dimension because business angels and venture capital funds value highly the possibility of monitoring closely the performance of the invested business, giving advice when needed and following-up on such advices.

The graph below shows that Nordic countries (Denmark and Sweden), the United Kingdom, Korea and the United States outperform the other OECD countries in terms of venture capital investment as percentage of GDP. What the chart does not show, however, is that in 2005 the United States (with 39%) and the United Kingdom (with 11%) attracted half of all OECD venture capital and that high-technology firms attracted 40% of the overall OECD venture capital investments.



<sup>2</sup> According to OECD, a firm is high-growth if, starting from a minimum base of 10 employees, it records an annual growth (either turnover or employment) over 20% for at least three subsequent years.

<sup>3</sup> An OECD study on the topic (OECD, 2002, *High-Growth SMEs and Employment*, Paris) found that in countries such as France, Italy, the Netherlands and Greece, between 50% and 60% of employment gains can be associated with high-growth firms.

To summarise, this section has given a sample of the possible policies to promote entrepreneurship and innovation at the local level, together with some key relevant national statistics on the topic showing which countries are doing better than others. However, more specific guidelines and recommendations cannot exempt from a previous diagnostic of the strengths, weaknesses, challenges and opportunities of a specific local innovation system. That is what the OECD Centre for Entrepreneurship, SMEs and Local Development (CFE) seeks to do in the frame of the recently launched OECD Innovation Strategy.

### ***The OECD Innovation Strategy and the Contribution of CFE***

Today innovation lies at the core of the OECD work. At the 2007 Ministerial Council Meeting, OECD Member countries agreed that innovation is key to national competitiveness and productivity. Consequently, Ministers mandated the OECD to identify, analyse and produce a set of effective innovation policies. More specifically, Ministers call for facts and evidence to depict and compare innovation performance, as well as for a better grasp of the complex interaction of the different policy tools and their effectiveness. Far from having only a national or local dimension, innovation can help tackle global challenges such as climate change, energy security and global health.

As part of the Heiligendamm Process, the OECD Innovation Strategy is also strongly open to emerging economies such as those of APEC. The OECD recognises the relevance in the fields of research, science and innovation of emerging economies and strongly welcomes international collaborations with them on any innovation-related issues.

Based on these assumptions, the OECD Innovation Strategy was launched at the end of 2007 and aims to provide:

- A cross disciplinary mutually reinforcing *package of good policy practices, guidelines and policy recommendations* to boost innovation performance.
- A *framework that could be used to monitor and review the innovation environment* and the performance of the innovation system.
- A way to enhance existing mechanisms and *forums for international discussion and co-operation*, including strengthened dialogue, *especially with emerging economies* and other important stakeholders.
- *Analysis clarifying the links between the policy domains of a comprehensive strategy*, such as those between science, innovation and entrepreneurship.
- *Steps towards the development of better metrics* to identify, monitor and benchmark innovation performance.

In practical terms, the Innovation Strategy aims to be a comprehensive exercise crosscutting the entire Organisation in the same way as it did the mid-1990s OECD Jobs Strategy and which, in a similar fashion, intends to cast light on the following three crucial elements:

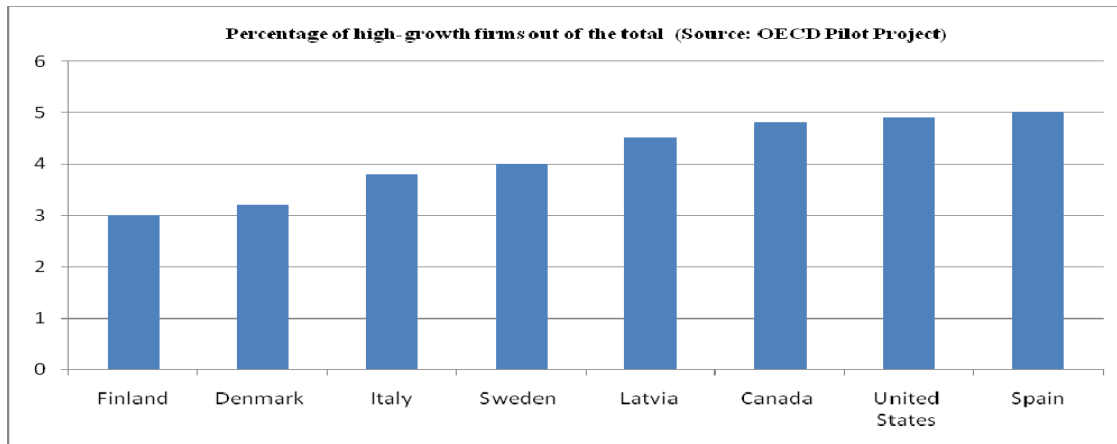
- i. *New facts and evidence* depicting and comparing innovation performance in OECD countries, based on statistical, empirical and thematic analysis.
- ii. *Explanations for the differences in performance across OECD countries*, pointing to the main policy considerations for enhanced innovation performance.
- iii. *A comprehensive policy strategy to strengthen innovation*, involving good policy practices, guidelines and generally applicable policy recommendations to boost innovation performance.



Given the close relationship between innovation and entrepreneurship, the CFE Directorate contributes to the OECD Innovation Strategy in three different ways: a) analysis of high-growth SMEs; b) local innovation system and entrepreneurship reviews; c) social innovation and social entrepreneurship.

#### *Analysis of high-growth SMEs*

Data on high-growth enterprise are still scarce. An OECD pilot project on entrepreneurship indicators estimates that the percentage of high-growth firms out of the overall business population is normally no more than 5% at the national level. The table below summarises this information for a small number of countries being examined in the context of this project.



The Working Party on SMEs (WPSME) as an integral part of the CFE directorate is carrying out a series of studies on high-growth SMEs. In particular, the WPSME project aims to investigate: a) the role of innovation and intellectual assets as drivers of SME growth; b) the financing of innovative and fast-growing SMEs.

The first phase of this project was executed in the second half of 2007 and mainly consisted of a literature review on the topic of high-growth SMEs and innovation. Among the main findings, this study highlighted that fast business growth is often the result of the exploitation of a novel technology or market opportunity which had not been detected before. Moreover, if we make the distinction between novel (i.e. new to the industry) and incremental (i.e. new to the firm) innovation, the former has a special positive correlation with employment growth whereas the impact of the latter is more muted with regard to both employment and sales growth.<sup>4</sup>

Among the factors that most affect the relationship between innovation and high growth are business practices and knowledge acquisition. An OECD study singled out five aspects which impact the most on the ability of SMEs to become high-growth: innovation; market and technology links; organisation and managerial structure; teamwork; and networking.<sup>5</sup> One of the main findings of this study was that few high-growth SMEs have formal R&D departments but they rather rely on networks with other (larger) enterprises and public institutions in order to innovate. Indirectly, therefore, the study stressed the importance of knowledge spillovers for innovation in SMEs, which is confirmed by the academic literature on clusters and business linkages.<sup>6</sup> The study also found that in high-growth SMEs the main driver of innovation is customer satisfaction and product quality, rather than cost reduction. At the

<sup>4</sup> Freel M. and P. Robson, 2004, "Small Firm Innovation, Growth and Performance", *International Small Business Journal*, 22(6), pp. 561-575.

<sup>5</sup> OECD (2002), *High-growth SMEs and employment*, OECD: Paris.

<sup>6</sup> See, for instance: Giuliani E., 2005, "Cluster Absorptive Capacity: Why Do Some Clusters Forge Ahead and Others Lag Behind," *European Urban and Regional Studies*, 12(3), 269-288.

internal management level, teamwork and marked delegation of tasks are the norm in fast-growing businesses, as is a dense network of external relationships with customers, suppliers, distributors and public institutions. This confirms the importance for an enterprise to be embedded in a thriving business environment like, for instance, that of a cluster in order to innovate.

The second phase of the WPSME project will run over the first half of 2008 and involve the preparation of a series of thematic country studies in five high-growth SME-related areas: innovation, business practices, networking, intellectual assets, and financing. The findings of the country studies will feed into a comparative cross-country analysis.

#### *Local Innovation System and Entrepreneurship Reviews*

The CFE Local Economic and Employment Development (LEED) Programme is launching a series of peer reviews in regions that are interested in a “check-up” of the local innovation and entrepreneurship system together with an overview of international policies and tools that are proving efficient elsewhere and could therefore provide inspiration for local policies aimed at entrepreneurship and innovation.

Each review gives an assessment of current policies, recommendations for their future development and international learning models that help illustrate how other places have addressed similar challenges and put similar recommendations into practice. There aims to be a strong focus on achieving regional policy coherence through the development of an effective innovation and entrepreneurship strategy and effective policy delivery framework that bring together all the key local stakeholders.

Special attention in these reviews is devoted to the thematic areas of: a) human capital (skills training, vocational education, attraction of talented labour, labour market functioning); b) enterprise (new start-ups, SMEs, high-growth SMEs, large enterprises, inward FDI); c) research organisations (research funding, collaborations and commercialisation, technological and science parks, research infrastructure); d) governance (policy design and delivery arrangements, strategy development and evaluation, networks and partnerships, divisions of responsibilities).

The first of these reviews has recently been completed in the Spanish region of Cantabria and others are being explored in various regions across the OECD. Some first general lessons can be inferred from this original review. Regions such as Cantabria that are small and located in developed economies need to raise significantly the share of GDP invested in R&D if they are to remain competitive in a world where the relocation of low value-added activities becomes increasingly easier. Far from concerning the only public sector, this effort must involve the private sector as well, with business-driven R&D as important as public R&D. In addition to supporting R&D investment, it is imperative that the connectivity among regional organisations be improved. The linkages between industry and research are to be strengthened and regions, especially small ones, need to look beyond their geographical boundaries to grow and compete at the international level. Public funding is more efficient if targeted to research teams or potential centres of excellence that have the strongest research commercialisation potential. Finally, innovation support is not synonymous with high-tech. Any industry can be innovative and local innovation policies need to keep an all-inclusive approach in which traditional manufacturing industries are also addressed, especially those where the region has a proven track-record of good industrial performance. In the case of Cantabria, for example, this meant the automotive sector.

#### *Social innovation and social entrepreneurship*

CFE is also planning to work on the new dimension of non-technological factors of innovation. In the public sector governance innovation is seen as a way to increasing efficiency in the supply of public services. Innovative services are often being designed and delivered in partnership with the non-profit

sector. Social enterprises, for instance, are producing new non-standardised welfare services aimed at matching an increasingly diversified demand which the public sector finds it difficult to satisfy.

### ***Conclusions***

The Innovation Strategy plays a pivotal role in the work of the OECD today. As mentioned above, far from involving only Member countries, the Innovation Strategy is much open to a dialogue with non-Member emerging economies and other international organisations. Such a dialogue will provide a forum for a positive exchange on topics critical for growth of successful knowledge economies and the promotion of innovation-friendly business environment, also taking into account the needs of SMEs.

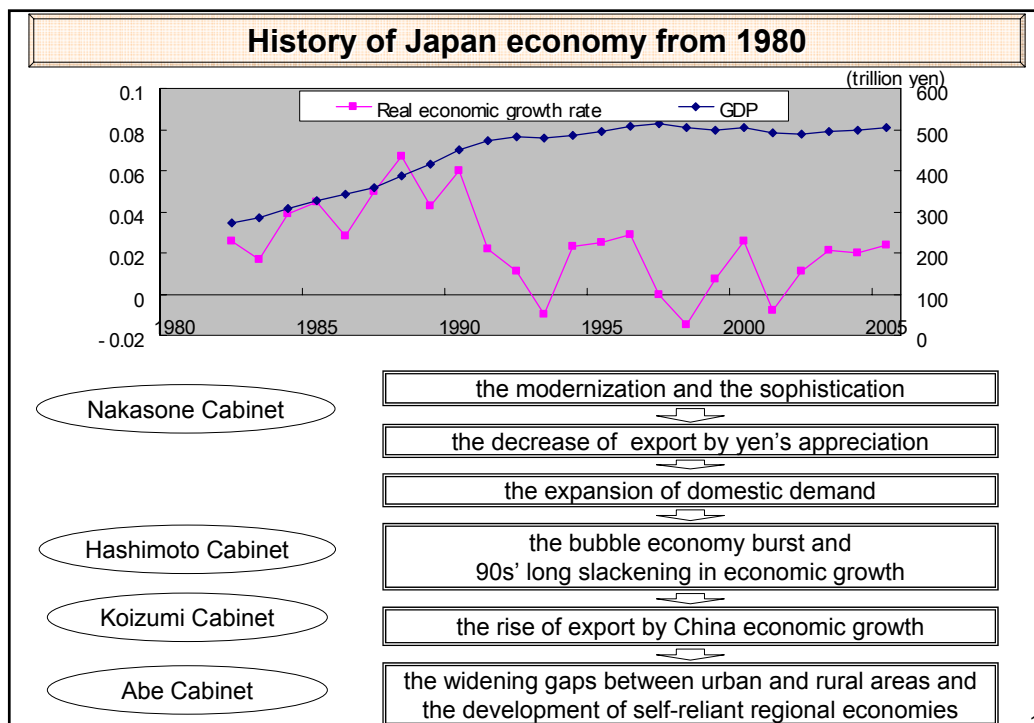
## Japan's Regional Resource Policy

### -Win-Win business models by SMEs and agriculture, forestry and fishery-

Yoshio Kishimoto  
Director, Business Support Division  
SME Agency, METI, JAPAN

31 March, 2008

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## The development of self-reliant regional economies

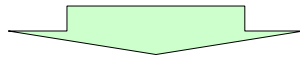
Policy Speech by Prime Minister Shinzo Abe to the 166th Session of the Diet

( 2007 )

Creating Attractive Regions : A nation will not be vitalized unless its regions are vitalized

**“a program to promote SMEs’ utilization of regional resources”**

**Law on the Promotion of SME Business Operations  
Based on Regional Industrial Resources**



Policy Speech by Prime Minister Yasuo Fukuda to the 169th Session of the Diet

( 2008 )

Vitalize the Agricultural Sector , Small and Medium Enterprises ,  
so that Everyone can Feel the Benefits of Economic Growth

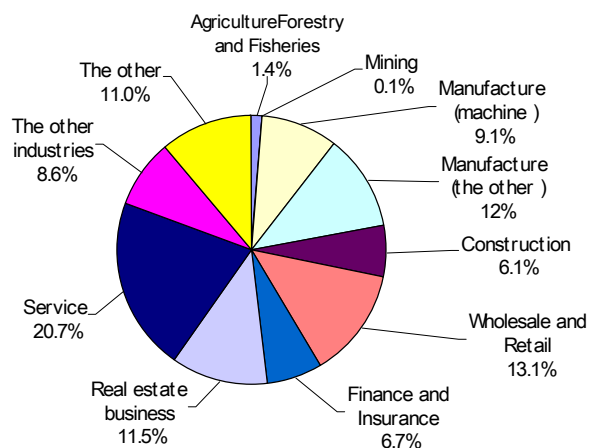
**Measures to invigorate regional economies  
by fostering collaboration among commerce, industry and agriculture**

**Draft law to promote business activities  
through collaboration between SMEs and agriculture, forestry and fishery**

2

## The industrial constitution of Japan

industry-classified GDP

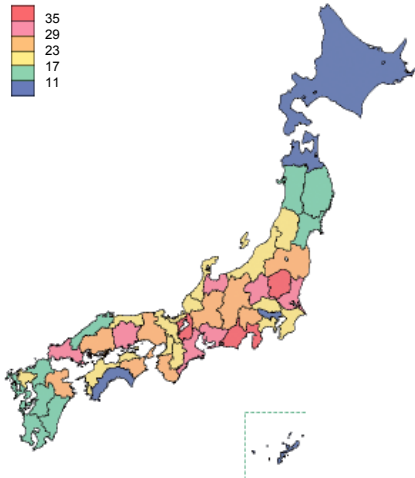


	GDP (billion dollars)	GDP/ the nation (dollars)
A S E A N	1,060	1,899
Japan	4,340	34,021
China	2,668	2,034
Korea	888	18,340
Hong Kong, China	190	27,076
Chinese Taipei	365	16,008
USA	13,202	44,155
the gross of the world	482,449	7,402

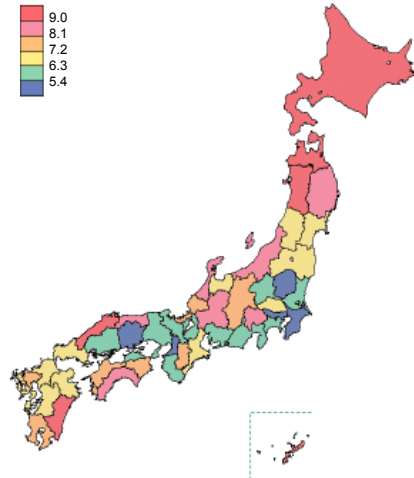
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## Trends in activity indices by industry ( Manufacturing industry and Construction industry )

Manufacturing industry (2002)  
Value-added percentage (%)



Construction industry (2002)  
Value-added percentage (%)



4

## SMEs in Japanese economy

Definition of SMEs (Based on the Small and Medium-sized Enterprise Basic Act)

Industry	Small and Medium Enterprises (meet one or more of the following conditions)		Of which Small Enterprises
	Capital	No. of regular employees	No. of regular employees
1. Manufacturing, Construction, Transport, Other Industries (excluding 2-4)	Up to ¥300 million	Up to 300	Up to 20
2. Wholesale	Up to ¥100 million	Up to 100	Up to 5
3. Services	Up to ¥50 million	Up to 100	Up to 5
4. Retail	Up to ¥50 million	Up to 50	Up to 5

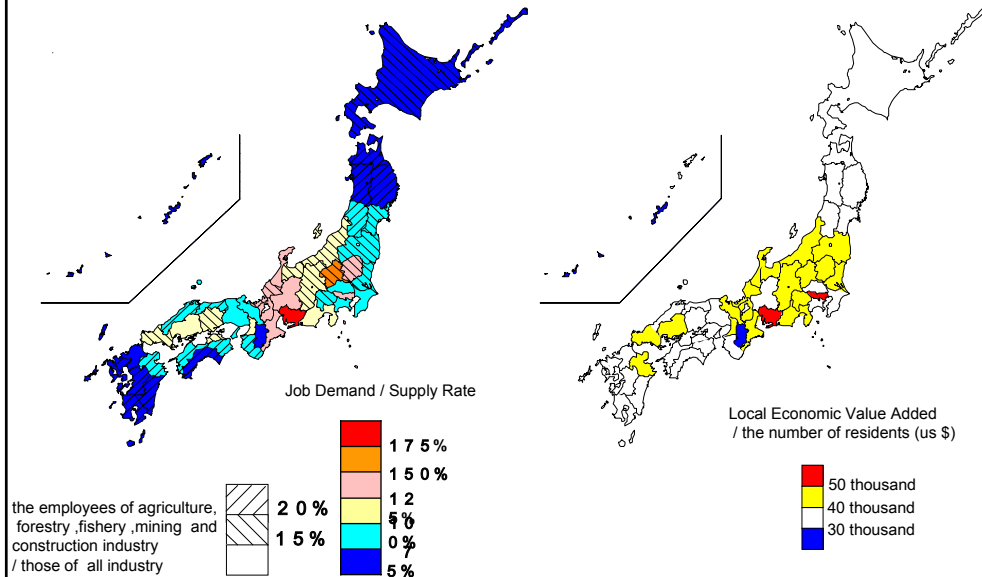
Significance of SMEs in Japanese economy

4.3 million enterprises (99.7% of all)  
28 million employees (71% of all)  
58 trillion yen added value (57% of all)

SMEs create new industries, generate employment,  
and shoulder local economies and communities.

5

## Variation between regions in economic recovery



6

## “a program to promote SMEs’ utilization of regional resources”

### Significance of utilization of regional resources

- Utilization of regional specialties is important for building foundations for the self-reliant development of regional economies.
- Regional industrial resources, for example, agriculture, forestry and fishery products; industrial products and production technologies and tourism resources are distinctive from industrial resources of other region

### Establishment of new policy

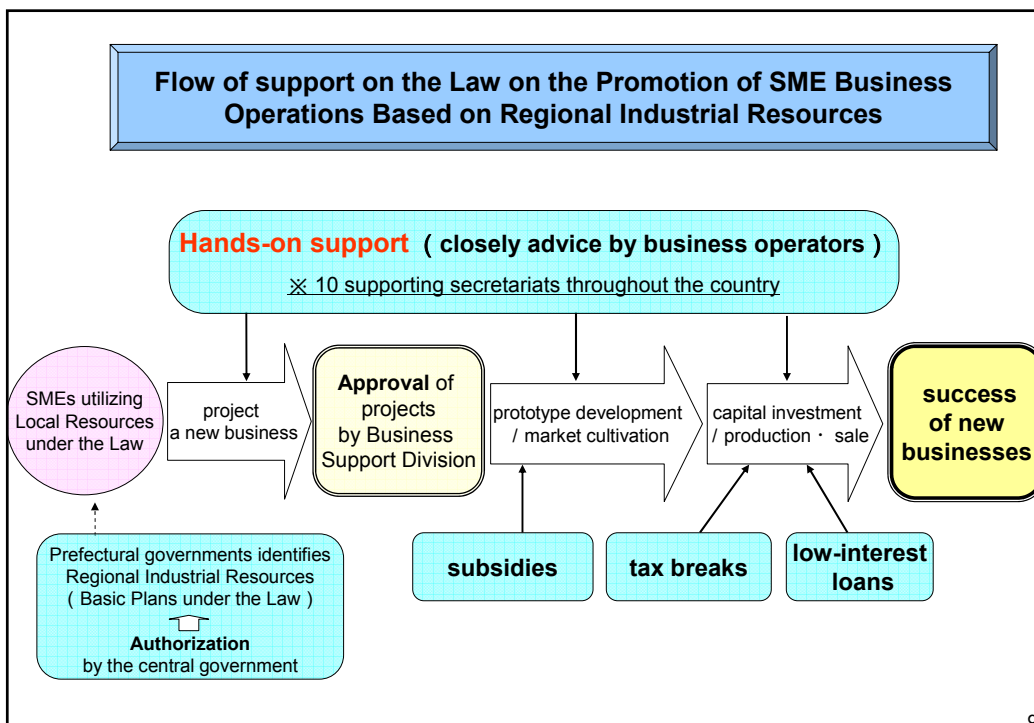
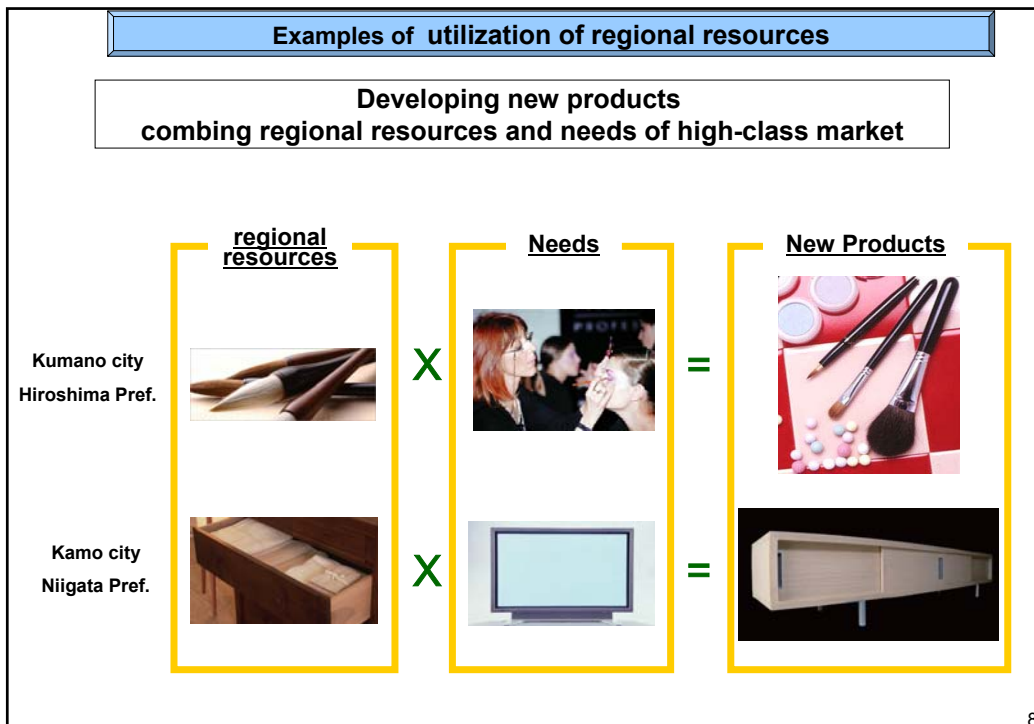
METI established “a program to promote SMEs’ utilization of regional resources” in 2007 and extensively supports independent efforts by regional SMEs, a driving force of regional economies

- ① Support for SMEs’ new products and service development and market cultivation outside region
- ② Support for finding out new businesses utilizing regional industrial resources and support for enhancing regional industrial resources

### A goal of policy

**This program will produce 1,000 project in five years**

7





## Main support of a program to promote SMEs' utilization of regional resources

### 《 Subsidy 》

- subsidies for prototype development and market cultivation
- exhibitions and the store for the test marketing of specific products

### 《 Financing 》

- low-interest loans from government-affiliated financial institutions
- special exceptions under the Small Business Credit Insurance Law

### 《 Tax

- capital investment-related tax breaks

### 《 R&D 》

- Regional Industrial Resources Utilization R&D Program through regional industry-government-academia collaboration

### 《The Regional SME Support Fund Program》

The Organization for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ) supports a new business “seeds” and “sprouts” by joining the efforts of prefectural governments and local financial institutions and by capitalizing on local knowledge and ideas.

10

## Examples of approved project

47 prefectural governments identified 10059 regional resources

( ① 3,010 ② 2,293 ③ 4.7

METI Approved of 309 projects

( ① 119 ② 166 ③ 24

※ ⑥ ①agriculture, forestry and fishery products , ②industrial products and production technologies ③tourism resources

Fukumitsuya ( Kanazawa, I shikawa)  
Organic Cosmetics made from rices



Yafuso Bingata Inc. (Naha, Okinawa)  
Specialty Umbrella  
All components made from resources in Okinawa



Hirato Hotel (Hirato, Nagasaki)  
Travel and Tourism



Nippon Yuuki ( Soo, Kagoshima)  
Sweet Potato Noodles



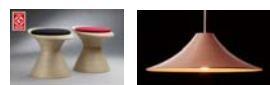
Umajimura JA (Umajimura, Kochi)  
Yuzu Juice & Sports Drinks



Teramin Kanko (Kamishihorocho, Hokkaido)  
Eco Tourism free from hay fever



Bunako Shiki Seizo Inc. (Hiroaki, Aomori)  
Interior Products made from Beech Tree



Hida Sangyo (Takayama, Gifu)  
Hida Wood Specialty Furniture



Kishu Hosokawa, Inc. (Minabe, Wakayama)  
Food Products made from the Extract of Umeboshi (Dried Plum)



11

## Statistics of agriculture , Forestry and Fishery

### the Food Self-sufficiency Ratio

- 39% (on a calorie basis)
- 68% (on a production value basis)

### G D P

- Agriculture · · · · · 6.0 trillion yen
- Forestry · · · · · 0.5 trillion yen
- Fishery · · · · · 1.0 trillion yen



### Statistics of agriculture

- Cultivated acreage : 4.7 million ha (13% of all)
- 2.4 million employees

### Food industry

- GDP:12.6 trillion yen (2.7 % of all)
- 7.7 million employees (13% of all)



12

## Measures to invigorate regional economies by fostering collaboration among commerce, industry and agriculture

November 2007

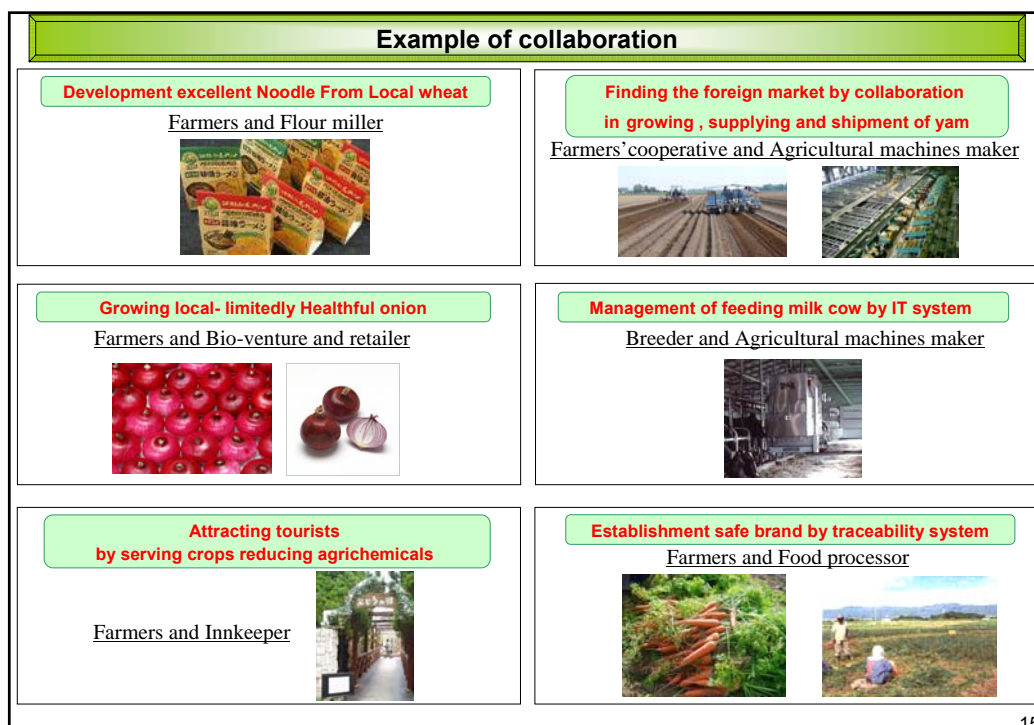
From the viewpoint of responding to the widening gaps between urban and rural areas and building foundations for the self-reliant development of regional economies, and the Ministry of Agriculture, Forestry and Fisheries (MAFF) work closely and in an integrated manner to invigorate regional economies and achieve synergistic effects by strengthening collaborations of regionally based businesses of different sectors such as commerce, industry, and agriculture/forestry/fisheries, which are key industries of the regional economy.

### measures to invigorate regional economies

- These measures will include promoting the sale and development of regional specialties, fostering innovation in regional industries, further expanding the regional creation, protection and utilization of intellectual property, and promoting exports of local products.
- METI, in cooperation with MAFF, will launch promotional activities to request industrial organizations to cooperate, and relevant products will be made available at stores.

### two draft laws related to collaboration among agriculture, commerce and industry

- Draft law to promote business activities through collaboration between SMEs and agriculture, forestry and fishery
- Draft laws to partially revise the Law Concerning Establishing Regional Industrial Clusters and Strengthening Them by Promoting Investment and Innovation



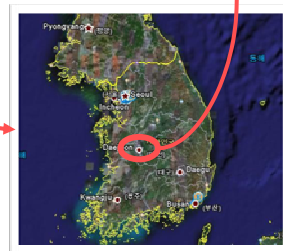
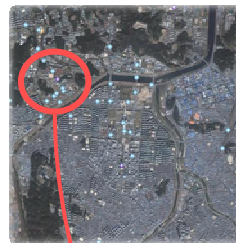
# APEC - Promoting Local Innovation and Entrepreneurship

Taeyong Yang, Ph.D.  
Professor and Chair, Business Economics  
Director, Center for Science-based Entrepreneurship  
KAIST

March 31, 2008



## Introduction of KAIST, Daejeon (Geographical position)



**KAIST** Korea Advanced Institute of Science and Technology



## Characteristics of Daedeok & Daejeon

### Daedeok complex is the nation's R&D capital

- Over 50 public and private research institutes, universities and high-tech and venture capital companies are located in Daedeok
- Over 20% of national R&D equipments & infrastructure
- About 10% of researchers and technical experts
- 2<sup>nd</sup> in Public R&D investment, 3<sup>rd</sup> in Total national R&D investment
- KAIST is located

## KAIST

### KAIST is a leading Research University in Sci & Tech

- KAIST was established in 1971 as the nation's first graduate school specializing in science and engineering education and research
- 'The Times' nominated KAIST as world's 37<sup>th</sup> S&E university in 2006
- From 1971 to 2005, 37,748 papers are published (International journals 25,724, Domestic journals 12,024)
- 7,741 students (BS : 3,224 MS : 2,216 Ph D : 2,301) and 443 faculties
- In terms of ownership of intellectual property rights, KAIST holds about 4,000 domestic patents and over 1,500 international patents.
- Nurturing Korean 1<sup>st</sup> Venture pioneers like LEE(Min-Hwa), OH(Sang-Soo), Chang (Heung-Soon), AHN(Young-Kyoung)

see it all  
**MEDISON**

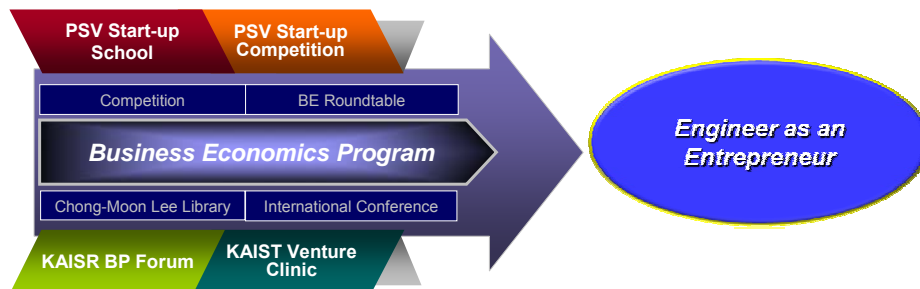
  
**HANDYSOFT**

**Serome**  
**TURBOTek**

## Introduction of CSE

### “Engineer as an Entrepreneur”: promote innovation and entrepreneurship

- CSE was founded in KAIST with the seed fund from Chong-Moon Lee (Chairman of Ambex Venture Group) and the matching fund from the Ministry of Science and Technology in May 2005.
- Primary objective is to integrate KAIST education and research activities in science and technology with those in business management and economics



4

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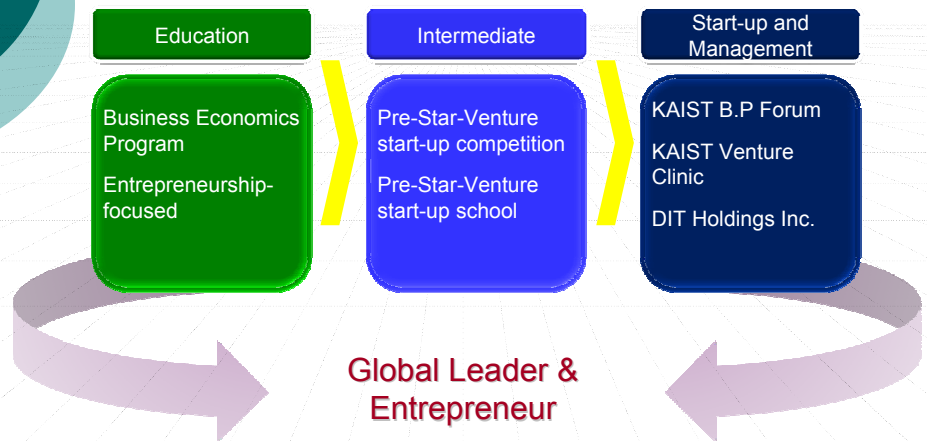
## Roles of CSE



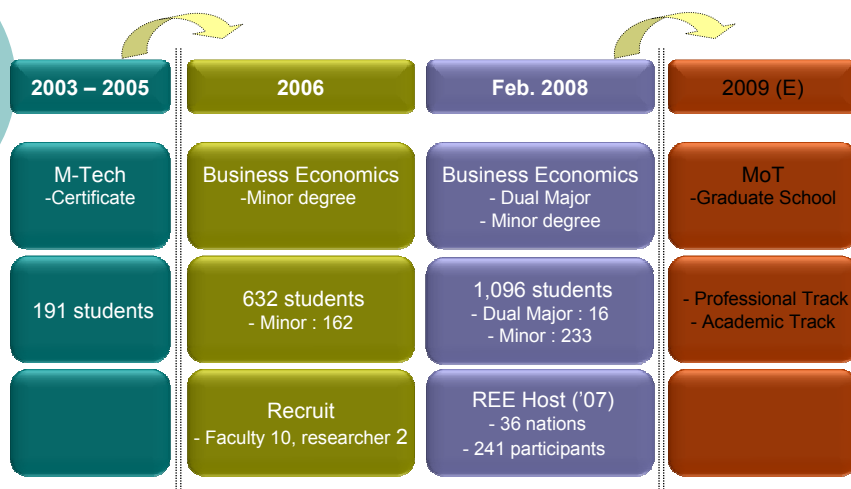
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### Value creation pipe line from education to start-up & business administration for science and engineering students



### Progress & status of BEP



## Structure & status of Pre-Star-Venture start-up competition

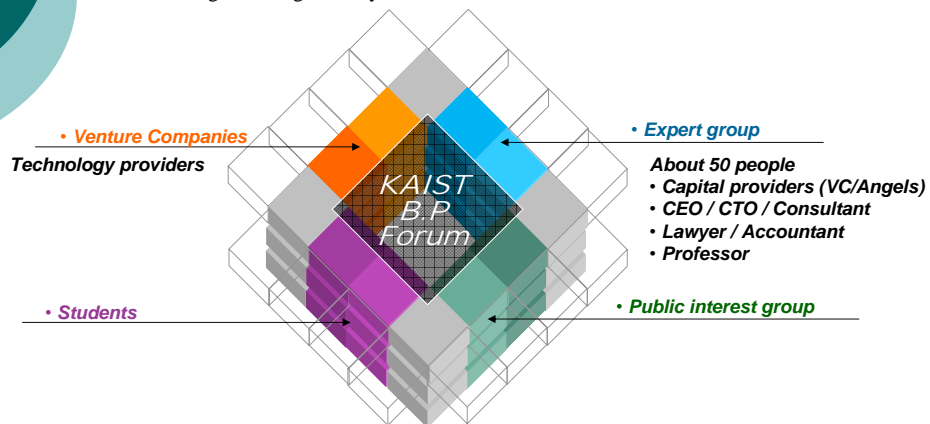
Two-stage structure consisted of PSV start-up school and competition



## Introduction of KAIST Business Plan Forum

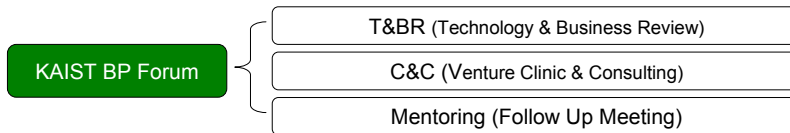
### Primary Goal

- Connect technology-based solution providers with the various resource groups including VCs, angels, lawyers and accountants.





## Structure of KAIST Business Plan Forum



~ **T&BR** : Presenting their ideas or business plan for advices and comments on broad issues which include IR (investor relation), business strategy and marketing, international and domestic's sales, and financial management.

- every other month (2~3 start-up companies; 1 hour per company )

~ **C & C** : Closed Meeting ; C&C is held to assist presenter (company) to deal with special business challenges and issues.

- case by case (1 company; 3~4 hours )

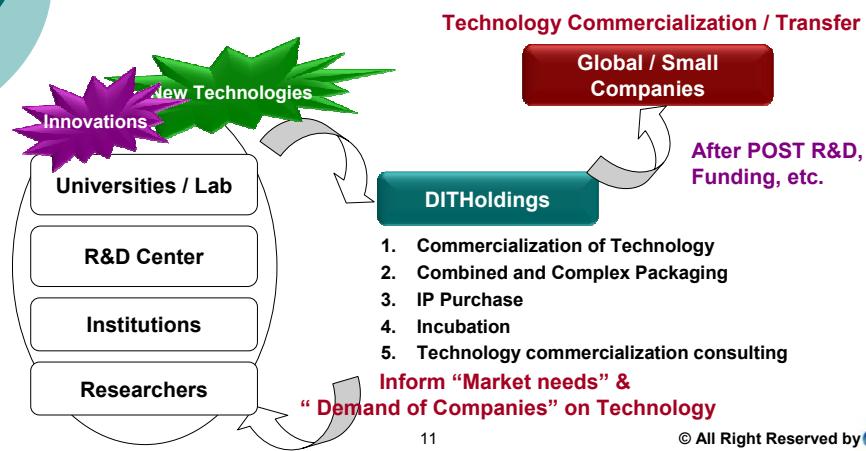
~ **M entoring** : further discussions on their business issues with related experts, after the forum

- Informal meeting ; 1 or 2 times/week for each company ; over 3~6 months

## Object & Role of DiT Holdings Inc

### Object

- promote commercialization through packaging, re-designing, synchronizing, and combining of core technologies acquired upon company's technology demand



*Thank you*



**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

*Session 4*

**Financial Support for Local SMEs**

# How to Assist the Development of SMEs

**Jack S. G. Huang**  
**President, Taiwan Business Bank**  
**Mar 31, 2008**

## How Financial Institutions Can Help Assist the Development of SMEs

- **current role of financial institutions in assisting the development of SMEs**
- **suggestions for financial institutions to reinforce the current role**
- **financial institutions' suggestions for SMEs**

## Current Role of Financial Institutions in Assisting the Development of SMEs

- different roles in corresponding stages of development: founding stage, growth stage, maturity stage, transformation stage
- role of Taiwan Business Bank
- measures of increasing knowledge of characteristic of different industries
- measures of helping SMEs acquire financing and achieve sound management
- measures of dealing with SMEs' inadequate disclosure of financial status

## Role of Financial Institutions in Assisting the Development of SMEs ---Founding Stage

### demand for capital

- founding of enterprises
- development &
- marketing of products
- capital expenditure & working capital

### help from financial institutions

- consultancy in founding procedures
- incubating consultancy
  - technology, management
- providing financing
  - funding of starting up and R & D

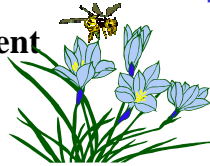


## Role of Financial Institutions in Assisting the Development of SMEs

### ---Growth Stage

#### demand for capital

- facilities for expansion
- mass production & inventory management
- boost of marketing capacity
- sound management



#### help from financial institutions

- medium/long-term capital
- short/medium-term working capital
- electronic financial management
- consultancy in financial management & operation

## Role of Financial Institutions in Assisting the Development of SMEs

### ---Maturity Stage

#### demand for capital

- expansion of production capacity
- diversification & exploration of new grounds
- improvement of financial structure
- improvement of management



#### help from financial institutions

- medium/long-term capital
- funds for R&D
- electronic financial management
- consultancy in financial management & operation

## **Role of Financial Institutions in Assisting the Development of SMEs**

### **---Transformation Stage**

#### **demand for capital**

- development of new products
- transformation of core business
- mergers & acquisitions

#### **help from financial institutions**

- funds for R&D
- funds for operation of core business
- capital for M&A

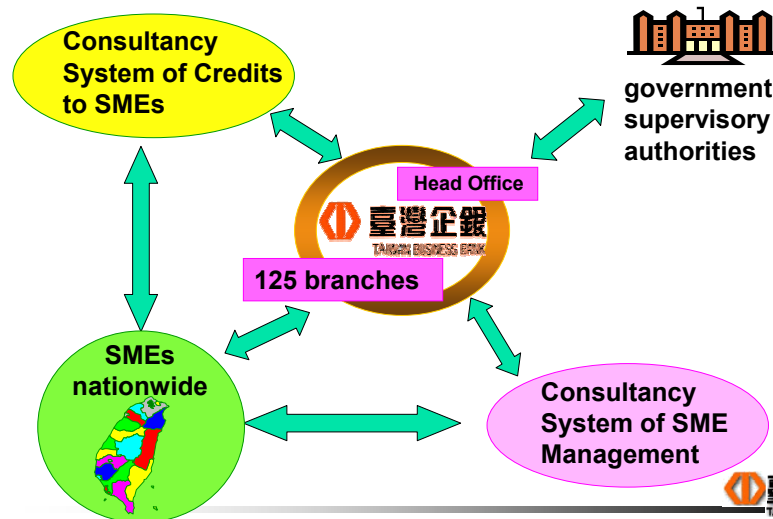


## **Role of Taiwan Business Bank**

Taiwan Business Bank, established in accordance with Banking Act Article No.96, is a specialized bank that, by law, provides medium/long-term credits to SMEs. The mission of the bank is aimed at improving their production facilities, enhancing their financial structure, and ensuring the health of their management.

## A Coherent and Comprehensive Strategy

### -Structure of credits and consultancy extended to SMEs by TBB



## Measures of Increasing Knowledge of Characteristics of Different Industries

- installing research department to gather relevant information on various industries on which extension of credits can be based
- working with relevant agencies, such as Industrial Technology Research Institute, Institute for Information Industry and Chung-Hua Institute for Economic Research, to gather relevant information
- forging promotion projects in collaboration with various industries so as to breed important emerging industries



## **Measures of Helping SMEs Acquire Financing and Achieve Sound Management**

- working with relevant consultancy agencies, such as Taiwan Small Business Integrated Assistance Center and Chinese Management Association, to help SMEs establish sound financial systems and accounting systems
- working with relevant agencies in management consultancy system, such as Corporate Synergy Development and China Productivity to improve SMEs' production, product quality, marketing, organization structure, internal control and IT

## **Measures of Dealing with SMEs' Inadequate Disclosure of Financial Status**

- Financial institutions should adopt the policy of frequent field study of their customers in order to better understand customers.
- In the assessment of SMEs, financial institutions should take into account of SMEs' inherent limitations besides gauging their credit rating and financial statements.
- Financial institutions should encourage SMEs to adopt operations of financial EDI, factoring and on-line financing, so that they can be kept informed of SMEs' most current condition.
- Financial institutions should attempt to become SMEs' core bank so as to make up for the opacity endemic to SMEs.

## **Suggestions for Financial Institutions to Reinforce the Current Role in Assisting the Development of SMEs**

- Financial institutions should develop a wide range of financial products corresponding to the needs in different stages of enterprises.
- Government should establish data bank, so that performance of enterprises can be correctly appraised.
- Financial Institutions should establish effective two-way communication channels with SME Consultancy Systems.
- Expand the function of SME Credit Guarantee Fund.
- Financial institutions should strengthen the willingness to extend credits to SMEs and Emerging Industries.

## **Financial Institutions' suggestions for SMEs**

- improve ability of R&D and innovation
- ensure a healthy accounting system and management
- wisely utilize SME credit products in line with government policies
- wisely utilize government R&D resources
- wisely utilize SME consultancy system

## TBB's Outstanding Track Record in Extending Credits to SME

TBB extends SME credit products in line with government policies aimed at spawning a favorable environment in which SMEs are able to flourish.

Youth Startup Loans

Micro Business Startup Loans

R & D Loans

SME Grass Root Loans

SME Upgrading Loans

Traditional Industry Loans



## TBB's Outstanding Track Record in Extending Consultancy to SMEs

- TBB has been delegated as manager bank to extend credit products in line with government policies.
- TBB ranks first in the total amount of loans referred to Small & Medium Business Credit Guarantee Fund.
- Abroad as well as domestically, TBB has been awarded an impressive number of prizes for its outstanding track records in extending credits to SMEs.
- TBB has outstanding track records in extending credits in line with government policies aimed at spawning a favorable environment in which SMEs are able to flourish.



Thanks

# Financing SMEs – The Singapore Experience

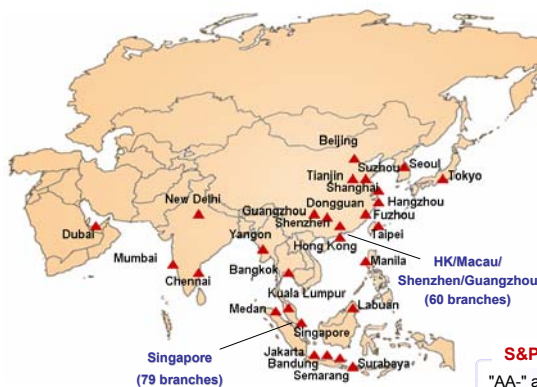
March 31 - April 1, 2008  
APEC High Level Meeting  
Driving SME's Growth to Promote Local Development Seminar

DBS Bank Ltd

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## DBS Bank



### Corporate Profile

Established in 1968 as a development financing institution. Since diversified into a full service bank listed on the Singapore Stock Exchange.

### Global Franchise

Largest network of branches/offices in 15 markets, including Hong Kong, Indonesia, China, India, Japan, Korea, Malaysia, Myanmar, Philippines, Chinese Taipei, U.K., U.S & Middle East.

### Strategic Positioning

Leading positions in corporate, SME and consumer banking, treasury and markets, wealth management, securities brokerage, equity and debt fund raising.

### S&P Credit Ratings

"AA-" and "Aa1", among the highest in the Asia-Pacific region.

### Awards & Accolades

- Best Domestic Bank, Best Equity House, Best Investment Bank (*FinanceAsia & The Asset*, 2007)
- Best Cash Management, Best Trade Finance, Best Transaction Banking (*The Asset*, 2007)
- Best Foreign Exchange Bank – Regional & Country Winner (*Global Finance*, 2007 & 2008)
- Best Local Private Bank (*Euromoney*, 2007)
- Best Overall for Corporate Governance (*Asiamoney*, 2008)

Living, Breathing Asia



2

# Introduction

- A** SMEs in Singapore
- B** Engagement of Stakeholders
- C** DBS Business Model - Reaching out to SME Customers
- D** Bridging the Supply & Demand Gap in Bank Financing



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## SMEs in Singapore

**Singapore is home to many dynamic and vibrant SMEs which**

- Constitute 99% of all establishments and employ more than half the workforce
- Contribute more than 40% to total GDP

**Definition of SME for qualification of government-assisted financing schemes**

- At least 30% local equity
- Fixed assets not exceeding S\$15 million (US\$11 mil)
- Employment size not exceeding 200 for service companies

**Financial institutions (FIs) in Singapore are building their SME banking franchise**

- Definition of SME and organisational set-up vary from FI to FI
- Typically, SMEs with wider needs are accorded personalised service by dedicated relationship managers, and supported by product specialists for the whole suite of banking solutions

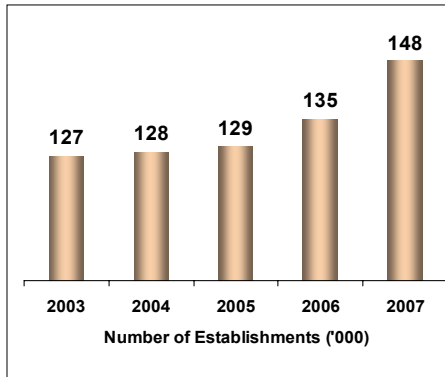
Source: Spring, Financial Handbook for SMEs



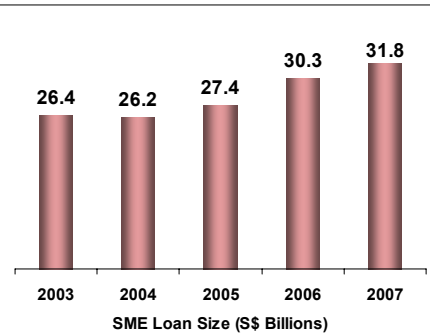
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## SME market size in Singapore has been growing

Number of establishments\*



Total SME loan size\*\*



\* Source: Estimates by AMI Business Consulting.

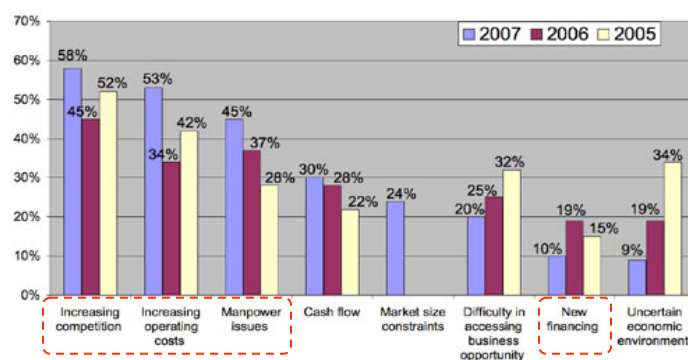
\*\* Source: MAS. Total loans and advances to non-bank customers less loans to professional & private Individuals and housing loans. Based on SMEs' 33% contribution to GDP.



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## SMEs: Top 3 Constraints in SME Growth

- Based on the 2007 annual SME Development Survey, the top 3 challenges facing Singapore SMEs are rising competition, increasing operating cost and manpower shortage.
- Availability of financing is no longer a key concern



Source: Spring. SME Development Survey 2007



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## SME Operating Landscape

### Challenges faced

- **Intense competition** due to globalisation and emergence of new markets
- **Limitation of domestic market** especially vis-a-vis competition from large corporates
- **Limited professional and management talent** pools
- **Higher operating cost** vs new and emerging markets like China, Vietnam, India

### Strategies for Growth

- Developing new products and services
- Improving cost efficiency and productivity
- Venturing to new overseas markets
  - Malaysia
  - Indonesia
  - China
  - Thailand
  - Hong Kong
  - Vietnam
  - Philippines
  - India



### What SMEs really want from FIs

- Start-up financing and equity financing
- Wide range of products and services customised to meet SME needs
- In-depth understanding of SME business to facilitate their growth locally & regionally
- Commitment as banker and business partner



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## Introduction

**A**

**SMEs in Singapore**

**B**

**Engagement of Stakeholders**

**C**

**DBS Business Model - Reaching out to SME Customers**

**D**

**Bridging the Supply & Demand Gap in Bank Financing**

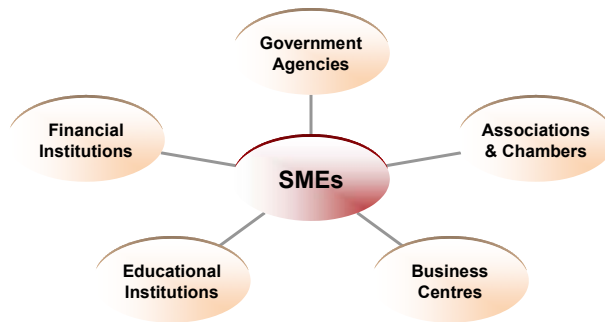


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## Engagement of Stakeholders

Financial institutions and affinity partners such as government agencies, trade associations, chambers of commerce, and educational institutions collaborate to value add to the SME community in the area of alternative financing options



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## Government Agencies in Action



### Economic Development Board

(1961) Singapore's lead agency responsible for planning & executing strategies to sustain Singapore's position as a compelling global hub for business & investment.



### SPRING Singapore

(1972: National Productivity Board) is mandated to champion enterprise formation & growth. It works with SMEs, banks etc to nurture a pro-business environment & develop key industries. It also helps to build capabilities of enterprises, & increase their access to markets & business opportunities



### IE Singapore

(1983: Trade Development Board) concentrates on helping Singapore-based companies to venture abroad. It also works to position Singapore as a base for foreign businesses to expand into the region in partnership with Singapore-based companies.



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## Associations & Chambers of Commerce in Action

### Business Associations



Action  
Community for  
Entrepreneurship



Association of  
Small & Medium  
Enterprises



Singapore  
Business  
Federation



Singapore  
National  
Employers  
Federation

### Chambers of Commerce



Singapore Chinese  
Chamber of  
Commerce & Industry  
(SCCCI)



Singapore  
International Chamber  
of Commerce &  
Industry (SICC)



Singapore Indian  
Chamber of Commerce  
& Industry (SICCI)



Singapore Malay  
Chamber of  
Commerce & Industry  
(SMCCI)

### Trade & Industry Associations



Singapore Food  
Manufacturers'  
Association



Singapore  
Metal &  
Machinery  
Association



Textile and  
Fashion  
Federation

- Provide opportunities for networking, skills upgrading, cross-industry partnerships, overseas ventures, joint business missions etc
- Assist members to gain access to financing alternatives



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## Business Enterprise Centres in Action

EDC@ASME

EDC@SMa

EDC@SCCCI

EDC@SMCCI

### Enterprise Development Centres

- Assist Singapore enterprises to develop essential business competencies and adopt best practices throughout their operations so that they be competitive and successful enterprises both domestically and in the global market
- A one-stop advisory / resource centre for aspiring entrepreneurs & SME owners to gain access to a wide range of expert business consultancy products & services

REC@ASME

### Regional Development Centres

- Assist foreign entrepreneurs looking to establish businesses in Singapore
- Provide access to comprehensive consultancy services and link-up to other SME-specific products and services
- Connect international entrepreneurs to the Singapore market, helping them set up, grow and succeed

SME  
Credit Bureau

### SME Credit Bureau

- Central online database of credit-related information on participating SMEs in Singapore
- An invaluable tool to banks & participating SMEs for evaluating a participating SME's creditworthiness



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## Awards to Promote Spirit of Entrepreneurship



### Entrepreneur of the Year Award

**Organizer: Rotary – ASME**

- One of Singapore's most prestigious business accolades accorded to local entrepreneurs
- Salute & honour local entrepreneurs who have shown outstanding performance in their chosen fields of business



### Singapore Prestige Brand Award

**Organizer: ASME**

- Recognize SMEs that have shown outstanding performance in the communication of their Brands
- Enhance awareness of the importance of branding among local SMEs & in turn stimulate the growth of Singapore's brands & enterprises both locally & regionally



### SICCI-DBS Singapore Indian Entrepreneur Award

**Organizer: SICCI & DBS**

- Give due recognition to the outstanding entrepreneurs within the Indian business community in Singapore
- Foster entrepreneurial spirit among budding Indian entrepreneurs.



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## Educational Institutions in Action

### Universities in Singapore

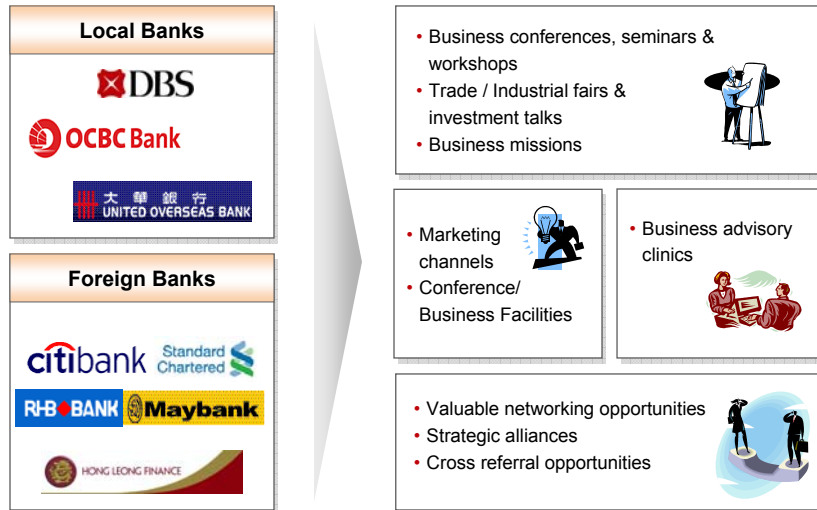


- Higher learning institutions (universities & polytechnics) have been actively engaging banks & local enterprises through strategic partnerships & alliances. Local enterprises tap on 'young minds' to develop new & innovative business applications & models.
- Recently, universities have been actively involved in developing postgraduate and executive development courses, aimed at enabling and empowering business owners / top executives of SMEs with relevant knowledge and skill-sets to take their businesses to the level of multi-national enterprises



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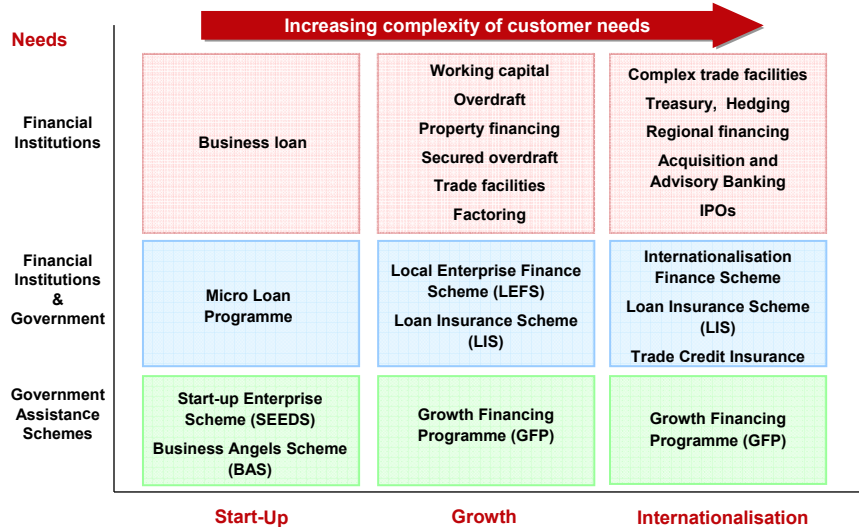
## Financial Institutions in Action



## Introduction

- A** SMEs in Singapore
- B** Engagement of Stakeholders
- C** DBS Business Model - Reaching out to SME Customers
- D** Bridging the Supply & Demand Gap in Bank Financing

## Leveraging our deep local customer and industry knowledge, DBS offers targeted product offerings to SMEs



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## Multi-Pronged Approach to reach out to SMEs



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## Regional SME Growth

- Constrained by the limited domestic market, Singapore enterprises are venturing overseas to capitalise on new business opportunities proffered by the global economy
- DBS is gearing itself with the capability and appetite to partner Singapore enterprises in their overseas ventures in the following areas :
  - Global banking support in collaboration with our overseas offices
  - Effective execution of Global Account Management framework
  - Connecting customers with strategic partners and resources on-site
  - Financing support from DBS Singapore through loans to local parent company including IE Singapore's Internationalisation Finance Scheme



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## DBS is well-positioned to partner our SMEs expanding overseas



- Well-positioned at the crossroads of the most dynamic and fastest growing region of the world, ready to serve our customers as a bank that specialises in Asia
- Distribution capability in 15 markets in the world, including Asia, US, UK
- Dominant franchises in Asia's two key markets – Singapore and Hong Kong



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## Successful Collaboration with Government Agencies

### DBS Loan Securitisation

- DBS in collaboration with SPRING successfully completed a S\$100 mil (US\$70 mil) SME loan securitisation program to more than 400 SMEs within 12 months
- SME ACCESS Loan was put in place to assist SMEs with little collateral or limited track record, and those seeking financing for internationalisation purposes



### Internationalisation Finance Scheme (IFS)

- A government-assisted financing program up to S\$15 mil (US\$11 mil) designed to help Singapore-based companies expand into overseas markets
- To assist local enterprises globalize their operations and leverage on global resources to grow
- DBS, in collaboration with IE Singapore, is the top performing Participative Financial Institution (PFI) based on approved loans during the first year of the launch (2007)



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## Successful Collaboration with Government Agencies

### DBS MICE Financing Package

- First-of-its-kind MICE (Meeting, Incentives, Conventions and Exhibitions) financing package to help SMEs seize business opportunities overseas
- Our MICE financing package provides one-stop comprehensive services such as flight/accommodation/free transfers/concierge services arrangement through our preferred partner (Chan Brothers), as well as financing the total cost of participation in trade fairs overseas, plus assistance in application for 50-70% grant from IE Singapore



### Loan Insurance Scheme

- DBS is the leading participating FI in helping to administer government assistance schemes for budding entrepreneurs
- We hold the lion's share (34%) of the Loan Insurance Scheme (LIS)





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# Introduction

- A** SMEs in Singapore
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## Bridging the Supply & Demand Gap in Bank Financing

Sharing insights into what banks look for in business loan proposals

	Lender	Borrower
Perspective	 <ul style="list-style-type: none"> <li>Banks are in the business of making loans</li> <li>Growing assets &amp; loan book is one of our key performance indicators</li> </ul>	 <ul style="list-style-type: none"> <li>Businesses require funding to grow &amp; internationalise</li> <li>Access to financing is top-of-the-mind concern</li> </ul>
Responsibilities	<ul style="list-style-type: none"> <li><b>Fiduciary Accountability</b> <ul style="list-style-type: none"> <li>Accountable to shareholders &amp; depositors and subject to regulatory requirements</li> </ul> </li> <li><b>Credit Risk Management</b> <ul style="list-style-type: none"> <li>Key to viability of banks</li> <li>Financial prudence forms the cornerstone of a stable financial system</li> </ul> </li> <li><b>Capital Management</b> <ul style="list-style-type: none"> <li>Achievement of appropriate risk-return profile &amp; return on capital</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Openness &amp; sincerity in providing information to facilitate lender in evaluating the business</li> <li>Provision of information on management, financial performance, competitive strengths &amp; business prospects etc</li> </ul>



## Understanding the Dynamics of the Loan Application Process – 5Cs

Loan proposals are evaluated based on

5 fundamental lending criteria or 5Cs:

- Character
- Capacity
- Capital
- Conditions
- Collateral



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## Character

- Owner/management integrity in disclosing pertinent information
- Integrity in business dealings
- Reliability & reputation



Character



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## Capacity

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- Ability to meet financial commitments
- Key areas of consideration include:
  - **Management**
  - **Business**
  - **Financials**



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## Capital

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- Equity
  - Paid-up capital
  - Directors/Shareholders loans
  - Related companies' loans
- Demonstration of shareholders' commitment in meeting business obligations
- Funding business growth: Balanced usage of debt & equity
- Capital reduces excessive reliance on external source of funds & serves as a cushion against market adversity



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## Conditions

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- Outlook of economy & industry
- Susceptibility of business to changes in government regulations, technology & consumer demand
- Entry barriers
- Country/currency risks



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## Collateral

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- Availability of collateral only as a fallback
- Repayment capability & not collateral is the primary determinant in assessing credit-worthiness
- Banks' willingness to consider unsecured loans if the other 4 Cs (character, capacity, capital & conditions) can be fulfilled or if banking facilities can be structured against identified source of repayment or packaged with accounts receivable financing



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## Conclusion

DBS has the capability, expertise, extensive market and broad product range to meet the banking needs of companies at every stage of their growth from infancy to listing.



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*Thank You*

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# SME Financing Assisted by the Taiwan SMEG



Mr. Yih-yaw Jan  
President  
Small & Medium Enterprise Credit Guarantee Fund of Taiwan  
(Taiwan SMEG)

## Outline



1. Current SME Financing Situation
2. Introduction to Taiwan SMEG,  
its Objectives & Functions
3. Methods of Obtaining SME Financing through  
Taiwan SMEG's Services
4. Taiwan SMEG's Assistance to SMEs Having  
Difficulties in Securing Financing
5. Conclusions



## Current SME Financing Situation

## Recent Proportion of SMEs & Bank Financing

Year	SMEs/All Enterprises (%)		Credit to SMEs/Credit to All Enterprises (%)
	No. of Enterprises	Sales Value	
2001	98.18	28.38	23.59
2002	97.72	29.51	20.67
2003	97.83	31.47	20.02
2004	97.73	30.60	17.98
2005	97.80	29.46	16.06
2006	97.77	29.84	17.16

《Sources: "White Paper on SMEs in Taiwan, 2007," Small & Medium Enterprise Administration, Ministry of Economic Affairs.》

◎ The data show that SMEs in Chinese Taipei are the disadvantaged group of bank financing

## The Causes of SMEs' Financing Problem

SMEs	Banks
<ul style="list-style-type: none"> <li>■ Poor credit conditions</li> <li>■ Unsound accounting system, lack of full financial disclosure</li> <li>■ Insufficient self-funded capital, weak financial structure</li> <li>■ Lack of collateral or guarantor</li> <li>■ Ambiguous loan project</li> <li>■ Unhealthy organizational structure</li> <li>■ Insufficient financing information and external information</li> </ul>	<ul style="list-style-type: none"> <li>■ High financing cost</li> <li>■ Asymmetric financial information</li> <li>■ Uncertain industry perspective and industry traits</li> <li>■ Concern about operation profit and avoid lending risk</li> <li>■ Restructuring &amp; merge of financial institutions → Great change of credit policy → Frequent change of lending personnel: difficult to build up good relations with SMEs</li> </ul>



Taiwan SMEG

《Sources: Taiwan SMEG》

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## Introduction to Taiwan SMEG, its Objectives & Functions



Taiwan SMEG

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## Introduction to Taiwan SMEG

- Establishment: 1974
- Supervising Agency:  
Ministry of Economic Affairs
- Nature of Operation:
  - Non-profit organization
  - Credit-guarantee-specialized institution for SME financing
- Features: A bridge between banks and enterprises; focus on small businesses having weak financial conditions
- Paid-in Capital: Donated by governments & financial institutions

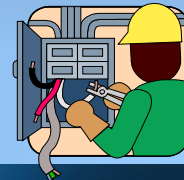


Taiwan SMEG

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## Objectives of Taiwan SMEG

- Help SMEs secure financing by offering credit guarantee
- Remove SMEs' obstacle to lack of collateral when applying for finance
- Enhance the financial institutions' willingness to extend loans to SMEs
- Support related assistance agencies to increase effect of SME assistance



Taiwan SMEG

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## Functions of Taiwan SMEG

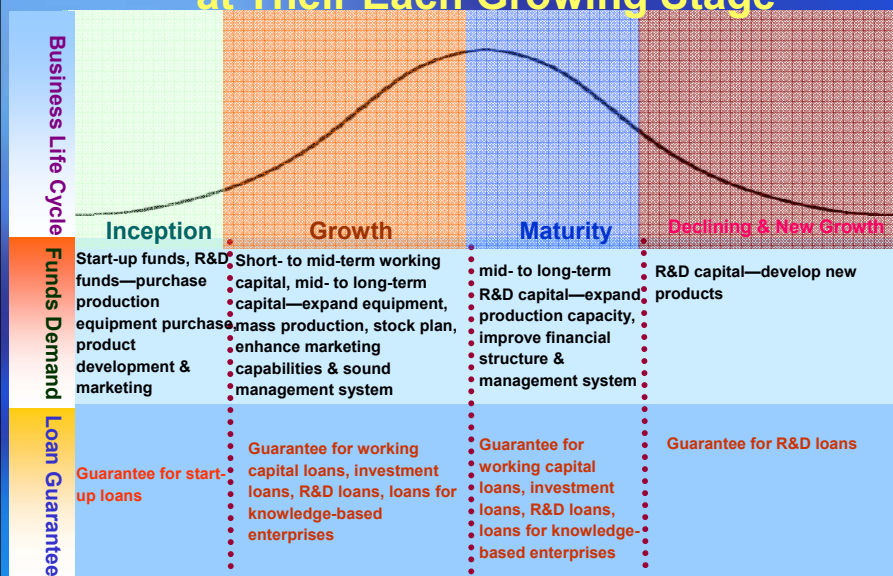
- Help SMEs secure credit loans
- Promote Chinese Taipei's economic growth, create & sustain employment opportunities
- Mitigate SME's external impact of depression
- Foster the growth of SMEs stage by stage



Taiwan SMEG

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## Taiwan SMEG Meets SMEs' Funding Needs at Their Each Growing Stage



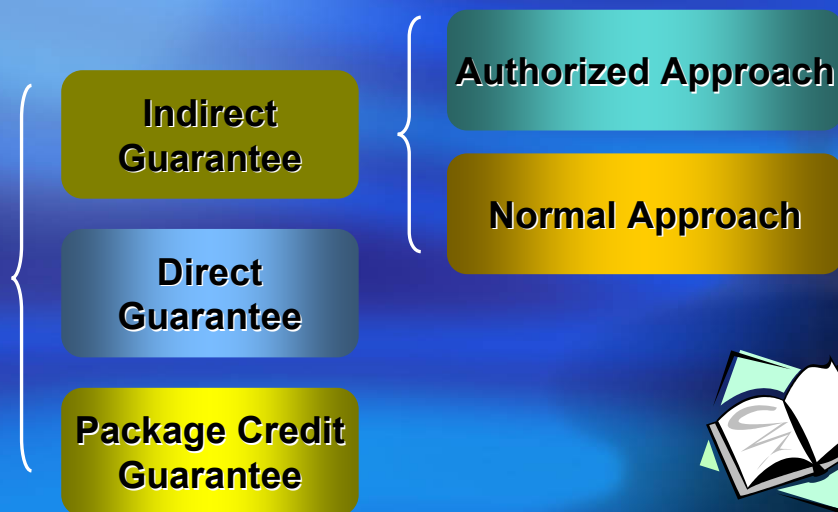
Taiwan SMEG

《Sources: Taiwan SMEG》<sup>10</sup>



## Methods of Obtaining SME Financing through Taiwan SMEG's Services

## Methods of Taiwan SMEG's Granting Credit Guarantee



## Indirect Guarantee

### ◆ Features:

- Allocate funds to each SME effectively and fairly; maximum amount of guaranteed loans for a single enterprise is NT\$100 million
- Simplify banks' processing procedures, shorten application time
- Review large amount cases by Normal Approach to control risk
- Diversify items of credit guarantee in accordance with SMEs' different operational characteristics
- Reduce SMEs' cost of capital with low guarantee fee
- Foster the growth of SMEs with development potential but short of collateral for external financing

### ◆ Application: through banks



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## Direct Guarantee

### ◆ Features:

- Finances are not regarded as key appraisal
- Lay stress on business management, R&D, industry perspective, intangible assets, etc.
- High guarantee coverage, which enhances banks' willingness to extend loans to enterprises
- Heighten the value of business operation
- Guarantee Fee: 0.75% ~ 3.75%

### ◆ Application: Apply for credit guarantee to Taiwan SMEG, and then apply for loan to bank with Letter of Commitment issued by Taiwan SMEG



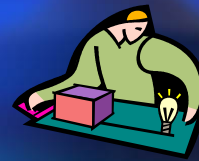
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## Package Credit Guarantee

### ◆ Features:

- Designed based on the total risk control
- Help banks introduce new products, increase more financial sources for SMEs
- Simplify application procedures
- Lift restriction on the maximum amount of NT\$100 million of guaranteed loans for a single enterprise
- Flexible guarantee fee: 0.25% ~ 1.25%

### ◆ Application: through banks



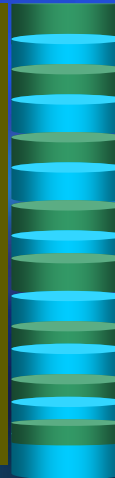
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## Taiwan SMEG's Performance (1/2)

### Credit Guarantee for SMEs over the Past Years

- No. of guaranteed enterprises: Over 260,000 enterprises
- Amount supported: Over NT\$5,800 Billion
- Amount guaranteed: Over NT\$3,900 Billion
- Enterprises used to be our clients exceeding SME-scale: Over 2,200
- No. of listed & OTC companies used to be our clients: Over 500
- Winners of National Award of SMEs, Rising Star Award, SME Innovation Research Award, Symbol of Excellence Award & National Quality Award: Our clients represent about 64%



《from 1974 to the end of Feb. 2008》

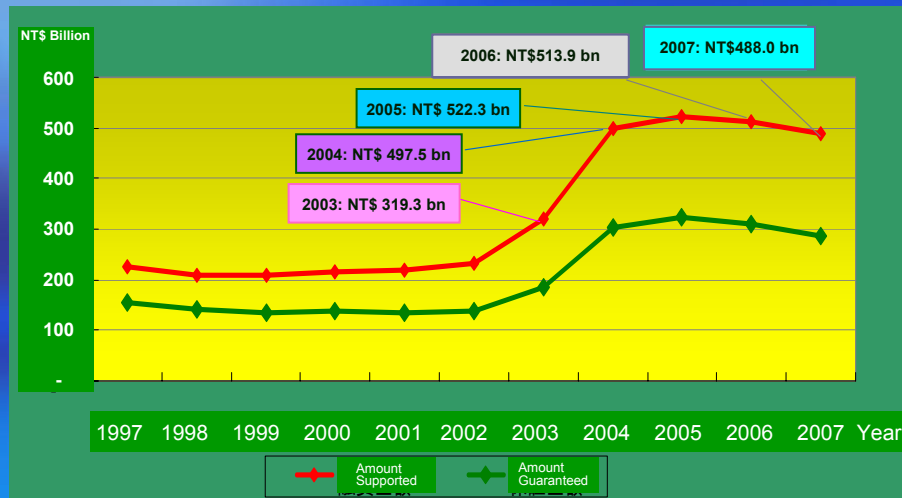


Taiwan SMEG

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## Taiwan SMEG's Performance (2/2)

Amount Supported & Guaranteed for SMEs over the Past 10 Years



## Taiwan SMEG's Assistance to SMEs Having Difficulties in Securing Financing

- Provide various guarantees for start-up loans
- Launch Firefly Counterpart Guarantee Fund Project
- Establish Torchbearer Institute
- Launch Torchbearer Assistance Fund
- Expand business promotion

## Taiwan SMEG's Assistance to SMEs (1/5)

### Provide various guarantees for start-up loans

- Help youths, women, the middle-aged or senior unemployed & released prisoners to start their new businesses
  - Youth Business Start-up Loans
  - Micro-business Start-up Loans
  - Women Start-up Loans
  - Start-up Loans for Released Prisoners (launched in 2008)
- Performance of Guarantee for Start-up Loans:
  - From the launch of the former 3 loans in 1986 to the end of Feb. 2008, the Taiwan SMEG has offered credit guarantees NT\$13.2 billion, helping start-ups obtain start-up funds of NT\$16.6 billion, increasing jobs and promoting economic growth



Taiwan SMEG

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## Taiwan SMEG's Assistance to SMEs (2/5)



### Launch Firefly Counterpart Guarantee Fund Project

~ Help the production/supply chains of various industries coexist and prosper

Individual funds are established by donating enterprises.  
Taiwan SMEG then disburses an equivalent sum to the funds

Provide credit guarantees to companies in the up-, mid- and downstream segments of individual industries; help them obtain working capital for raw Material; encourage them to conduct R&D

Close ties between companies in the up-, mid- and downstream segments;  
A healthy environment for the production/supply chains to coexist and prosper



Taiwan SMEG



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## Taiwan SMEG's Assistance to SMEs (3/5)

### Establish Torchbearer Institute

- A virtual platform to pass down knowledge
- A platform for SMEs to learn managerial knowledge
- Share successful experiences with enterprises
- Improve SMEs' competitiveness & financial risk management capabilities



Taiwan SMEG

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## Taiwan SMEG's Assistance to SMEs (4/5)

### Establish Torchbearer Assistance Fund (TAF)

- Exert the spirit of passing down successful experiences, enhance functions of Torchbearer Institute
- Help SMEs improve finance/accounting system, business constitution and competitiveness
- Help solve enterprises' problems through assistance from professional institutions
- Up to the end of Feb. 2008, the funds of the TAF have amounted to NT\$12.8 million; 38 applications have been accepted.



Taiwan SMEG

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## Taiwan SMEG's Assistance to SMEs (5/5)

### Expand business promotion

- Set up “one-stop service window” to strengthen ties with banks
- Make banks fully understand Taiwan SMEG's credit guarantee items and their features
- Assist enterprises in selecting proper credit guarantee items through bank's help
- Exert functions of credit guarantee effectively
- Increase functions of service centers in Taichung and Kaohsiung



Taiwan SMEG

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## Conclusions



Taiwan SMEG

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## Conclusions



- Enhance support to help SMEs secure financing, create more financial sources
- Create diversified guarantee business
- Improve SME's financial risk management skills
- Create an all win situation for SMEs, banks and Taiwan SMEG



*Thank you !*





**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

*Session 5*

**SME Strategies to  
Develop Local Markets**

# **Traditional Craft Industries in Japan**

## **The Association for the Promotion of Traditional Craft Industries**

### **Chairman Takao Watanabe**

I am Takao Watanabe, chair of The Association for the Promotion of Traditional Craft Industries.

Today, I feel very grateful and honored to have the chance to participate in the “APEC High-Level Meeting on Driving SMEs’ Growth to Promote Local Development” and to deliver a speech to all of you, following the “APEC Development of Regional Industry Market Forum” in 2006. I also feel the profound responsibility I have in today’s participation.

As previously mentioned, I am here on behalf of Japanese Traditional Craft Industries and I would like to begin my speech by presenting you with some basic facts on the traditional crafts of Japan in recent times.

In Japan, for a craft item to be designated a Traditional Craft Product under the Law for the Promotion of Traditional Craft Industries, which was promulgated in May, 1974, it must satisfy the following criteria.

1. The article must be mainly intended for everyday use.
2. The article must be primarily hand-made.
3. The article must be manufactured adopting traditional techniques.
4. The materials should be mainly those which have been traditionally employed.
5. The industry must be of a regional nature.

In other words, though Japanese traditional craft products of every region have been manufactured by hand using traditional techniques for over a century, they are still widely used in daily life in the present day.

The reason that the products used in everyday life are designated, protected and promoted by law is that after World War II, industrialization in Japan made rapid progress along with the high economic growth.

In Japan, from 1970, environmental pollution and urbanization caused increasing problems, and people started to consider the problems of the mass-consumption and

mass-disposal socio-economic system. This reflection has led to a return to traditional Japanese styles, and the revival of traditional craft industries has become a trend. Meanwhile, the lack of successors for traditional techniques and difficulties in the acquisition of raw materials have become serious issues in every region. In addition, out of concern that the slump of the traditional craft industries, which have always been the core of local industries, would have a negative influence on regional economies, the “Law for the Promotion of Traditional Craft Industries” was established.

Presently, there are 210 items designated as Traditional Craft Products, including textiles, ceramics, woodcraft, metalwork, *washi* paper and dolls, among others.

I am from Kyoto. In fact, Kyoto produces the highest number of Traditional Craft Products, 17 out of 207 items.

Many tourists visit Japan for sightseeing every year and you might already know that Kyoto is considered the center of Japanese culture. There are many temples, shrines and cultural assets such as Noh and Kabuki drama as well as the tea ceremony and the art of flower arrangement. Hence Kyoto is the region with the highest number of Traditional Craft Products designated by the government. The fact that there are a great number of traditional craft items in Kyoto also has something to do with its cultural background. Culture and traditional industry are closely related.

Today I am invited to deliver a speech about the “SME Strategies to Develop Local Markets.” According to statistics, more than 99% of Japanese enterprises are SMEs, and as for traditional craft industries, MEs with a few family-member employees are the main supporters of the industries. In addition, the industries can be found all over the country, and they play an important role in defining the distinctive character of each region. Since the traditional craft industries in Japan originate from regional culture, they are indeed the “regional cultural industries.” Because of this background, traditional craft industries originally developed as key industries in the region, underpinning the regional economy. For instance, their rich historical background and abundant local color have often made traditional craft products a powerful attraction for tourists.

However, it is a pity that the basis for the traditional craft industries is declining each year. According to a survey conducted by our association, in 2004 the number of employees was about a hundred thousand, the number of enterprises was 17,793, and

the production value about 194.2 billion JPY. This indicates that the size of the traditional craft industries has decreased by more than half compared to the peak from the later 1970s to the beginning of the 1980s.

There are various reasons for this decline such as the establishment of the mass-production and mass-consumption economy system resulting from technological innovation, the revolution in industrial materials, and the development of the mass media. Also with the mass production of standardized and low-priced daily goods, the traditional craft items have difficulty competing with the modern industrial products in the market, and thus their market share has decreased.

Additionally, with the development of the economy, employees expect more from their jobs, and this creates another problem. MEs engaged in manufacturing traditional craft products and related work, for which the conditions of employment such as salary, holidays and welfare programs are still inadequate, were unable to attract the young labor force. One of other main reasons is the managerial burden on employers regarding apprenticeship. Since it takes quite a long time for artisans to acquire enough skills, which are indispensable for traditional craft production, their allowance during the learning period may put pressure on the management. Against such a backdrop, some local governments have begun to provide support for the employers when they hire new craftspeople. In order to maintain and develop important local industries, such policy measures could be effective.

Another significant aspect of the industries is the huge disparity between metropolitan regions and local regions due to the centralization of most resources, causing local areas to decline. Deterioration of local economies caused by the concentration of human resources and industries forces many SMEs to cease their business. For example, shopping districts consisting of a number of stores around local train stations are often called “Shutter Streets,” where there are lots of stores which are not open any more, and so have their shutters closed. Large shopping malls located in suburban areas intensify the situation.

Under deregulation, the amendment of relevant laws facilitated large shopping malls expanding their chains, especially in local areas, where real estate prices are relatively inexpensive and there is abundant available space. Consequently, many large shopping malls newly opened, and this badly affected old shopping districts, forcing many shops to close. As a reaction to the destruction of local lifestyles and economies due to rapid changes in the living environment and economic structure,

people are once again starting to pay attention to the traditional craft industries.

As I stated at the beginning, traditional craft products utilize natural materials, and therefore, they are environmentally friendly. In addition, they have been indigenous for a long time, thus fulfilling the prerequisite of being the core of revitalization in regions. At the same time, they are the core of regional identity, for they incorporate factors of regional origin such as motifs, designs and patterns, which are aesthetically and artistically outstanding. Another reason that people pay attention to the industries is that the manufacturing process itself is interesting enough to be a tourist attraction.

It has been observed that those who are no longer satisfied with mass-produced standardized goods tend to seek more sophisticated goods with better quality, despite the higher price.

Our predecessors had the wisdom to take full advantage of the blessings bestowed by nature and to live together without harming it. Such wisdom brought Japan bountiful nature and made it a beautiful country. However, as industrialization advances, nature is being destroyed in concurrence with the continuing decline of traditional cultural industries. When globalization spreads all over the world, tradition and culture are what represent the ethnic identity. In order to preserve and develop tradition and culture, stakeholders such as national and local governments must see it as their mission to take all possible steps.

Regarding Japanese Traditional Craft Products in general, when they start to fulfill four particular criteria, we can be confident that we are heading towards a truly rich life, as opposed to rapid and homogenized consumer life. In making this change, we can call ourselves true members of international society, which is founded on individual cultures. These four criteria are:

- 1. An increase in the necessity for high-quality products that enrich life.
- 2. The increasing trend to reevaluate regional culture.
- 3. Reevaluation of the traditional Japanese lifestyle and craftsmanship.
- 4. Traditional craft industry to be evaluated as the embodiment of a recycle-oriented society.

I believe that the virtual economy typified by the stock exchange, which does not involve actual production but seems to dominate the entire society nowadays, is the source of many serious problems. Needless to say, in contrast, the traditional craft industries are real business, rooted deeply in the region and local culture. I hope that

Japan will adopt a national management policy which positions those who engage in such actual business in the center. The reason I hope so is based on my belief that it is most important for human beings that those who are engaged in real business are well-paid for their work and enjoy cultural lifestyles which reflect local characteristics.

Since the cultural industries are most closely related to the regions, I hope that the traditional craft industries in each country and region will have close connections with people's daily lifestyles and be developed with pride, as the culture of one's own country.

Thank you very much for your attention.

# **Preparation for Kaohsiung's Direct-links and Regional Redevelopment**

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National Sun Yat-sen University, Chinese Taipei

Email address:

Office phone numbers: +886-7-5252000#4907

LOGO

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## **Index**

### **1. Issue background**

### **2. Key points for not going direct links in Kaohsiung**

(1) A theoretical framework : Public Affairs  
Management (PAM)

(2) Evaluation of Kaohsiung's regional  
redevelopment under pluralistic societies

### **3. The strategies to prepare for Kaohsiung's direct links with Mainland China**

### **4. The strategies for Kaohsiung's redevelopment**

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## 1.Issue background

(1)The economic performance of Kaohsiung from 2000 to 2005

- **Unemployment:** Top 5 in Chinese Taipei.
- **GDP per capita:** the growth rate of Kaohsiung is 5%,Taipei is 16.56%,Taipei is 3.31 times as Kaohsiung.
- **The net inhabitant population:** Kaohsiung is 2,662, Taipei is 86,833, Taipei is 32.62 times as Kaohsiung.
- **The amount of containers:** both imports and exports of Kaohsiung harbor are from 7.42 million TEU to 9.47 million, the growth rate is 27.5%. Shanghai harbor's growth rate is 222.3%, Shenzhen is 306.0%.

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## 1.Issue background (continued)

(2)The influence of direct links regulation on Kaohsiung

- The outflow of human resources and capitals
- The fleeing of foreign enterprises
- Slow increase of white-collar population
- The backwardness of capital accumulation and economic performance
- The marginalization of Kaohsiung under globalization

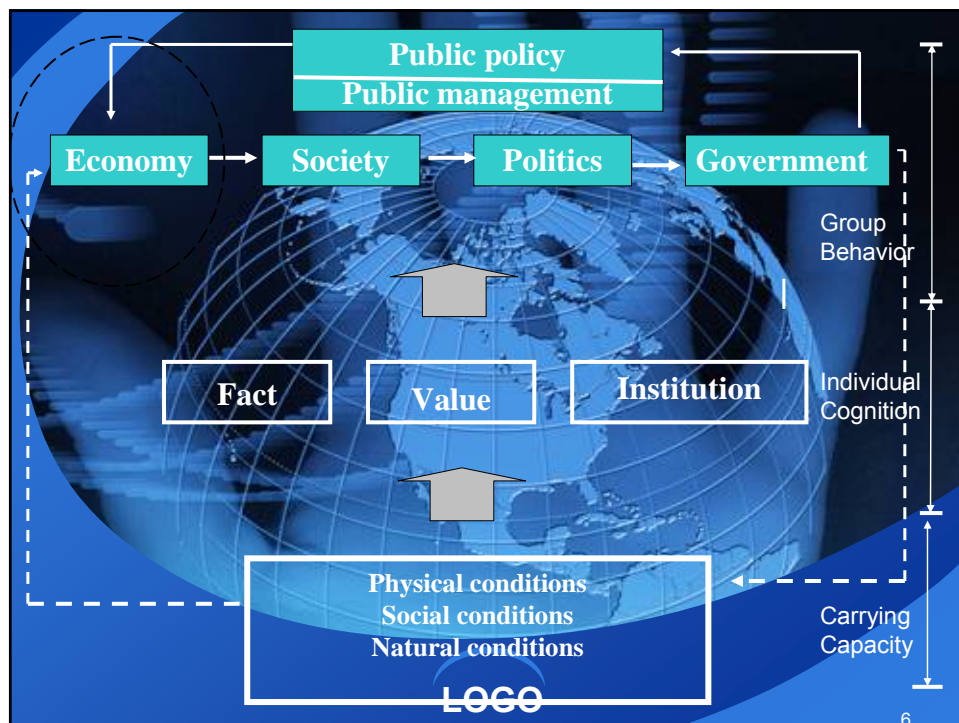
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## 1.Issue background (continued)

(3) 2008 Presidential candidates' lift of cross strait direct links regulation

- The lift of direct sail (fly) regulation
- The lift of investment regulation
- The lift of financial and trade regulation
- The lift of tourism regulation
- Major difference : “The 1992 consensus”

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## **2.The evaluation for Kaohsiung's regional redevelopment under pluralistic societies**

- The key point for Kaohsiung's redevelopment is at her social and political dimensions. A 2006 survey on Kaohsiung's citizen : 30 white-collared workers and 40 blue-collared workers.
- The key elements of social and political dimensions include value, civil culture, political attitude, election, elected government officials, legislatives and council representatives.

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- A class issue : among white-collared and blue-collared workers there exist significant differences in political awareness, attitude, civil culture, channel of information, ability to judge the information obtained, toward Mainland China, and cross-strait exchange and cooperation.

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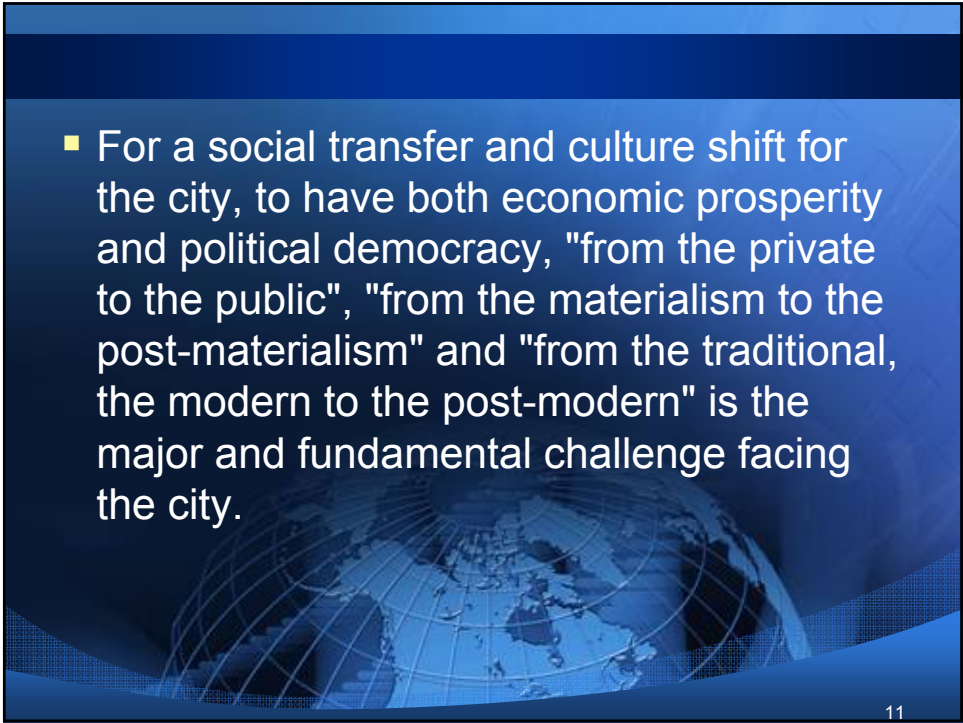
- White-collared population increases slowly that it is difficult to accumulate effective public supervision on urban redevelopment.

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- Much blue-collared workers have ill feelings toward Mainland China and against the cross strait exchanges.
- Owing to the frequency of this region's election, many elected officials and legislators consider mostly the search for easy supports and winning of elections.

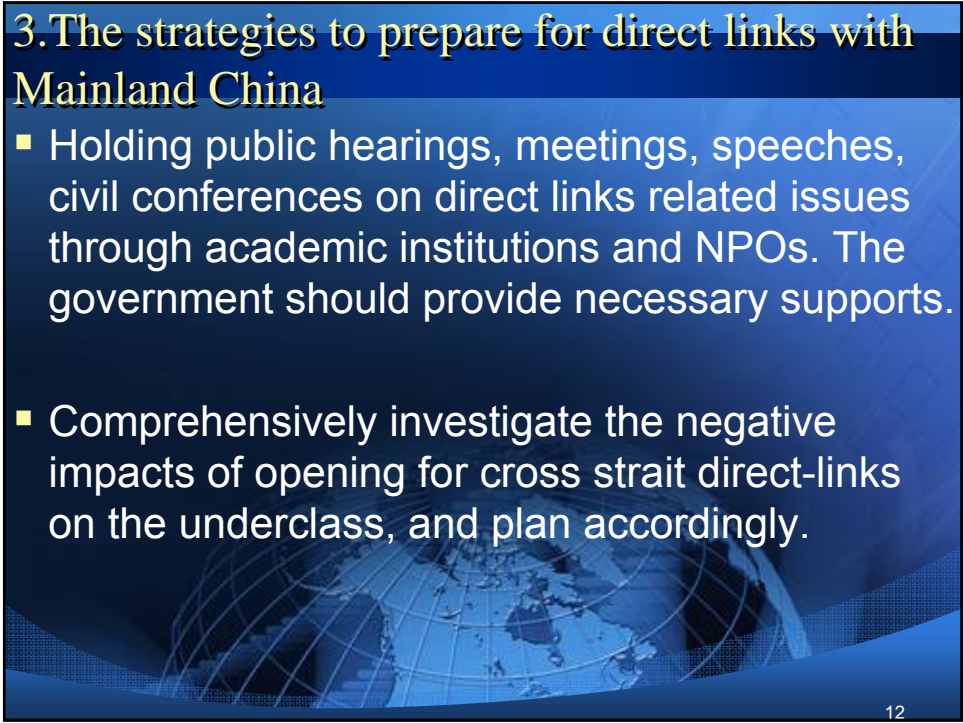
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- 
- For a social transfer and culture shift for the city, to have both economic prosperity and political democracy, "from the private to the public", "from the materialism to the post-materialism" and "from the traditional, the modern to the post-modern" is the major and fundamental challenge facing the city.

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### 3. The strategies to prepare for direct links with Mainland China

- 
- Holding public hearings, meetings, speeches, civil conferences on direct links related issues through academic institutions and NPOs. The government should provide necessary supports.
  - Comprehensively investigate the negative impacts of opening for cross strait direct-links on the underclass, and plan accordingly.

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- The policies considered should include all aspects of citizens, instead of benefiting only the private business and special interest groups.
- According to results of the efforts, to amend “the Act Governing Relations Between People of The Chinese Taipei Area and The Mainland A

13

- The city government should treat “cross strait direct links” issues in a more practical way, create an atmosphere with openness and rationality, should regard them as public policy issues rather than ideology conflicts.

14

- Enhancing the level and authority of “Mainland Working Groups” in the city government. Select elites from each bureau of the city government to work together, to support the businesses and private citizens engaging with China.

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#### 4. The strategies for Kaohsiung's redevelopment

##### (1) Economic Dimension

- Set up the right tune for Kaohsiung's redevelopment under global supply chain.
- Restore the human resources and capital.
- The city government should seek to obtain synergy on economic affairs through bringing together all the factors and resources together.

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## (2) Social Dimension

- Attract high quality human resources through efforts like place marketing in order to form public supervision.
- Enhance civil awareness and consensus for important public issue like direct links, with efforts by both government and NPOs.

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## (3) Political Dimension

- Gradually switch the dominant party mobilization during elections with cognitive mobilization, i.e., vote with sufficient information and true free will.
- Focus on public policies instead of political or ideological manipulation.

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#### (4)Government Dimension

- Reset the goal of Kaohsiung's redevelopment, and adjust accordingly the strategies and plans in a more practical way.
- Fully prepared for exchange and cooperation with harbor cities and regions of Mainland China.

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#### (5)(6)Public Policy and Management Dimension

- The planning committee of the city government should do a well conceived strategic development plan.
- The city government should listen to the voices of the various stakeholders, to have a more thorough public policies toward regional redevelopment.
- Put concepts and ideas into precise numeral goals and plans for the sake of public supervision.

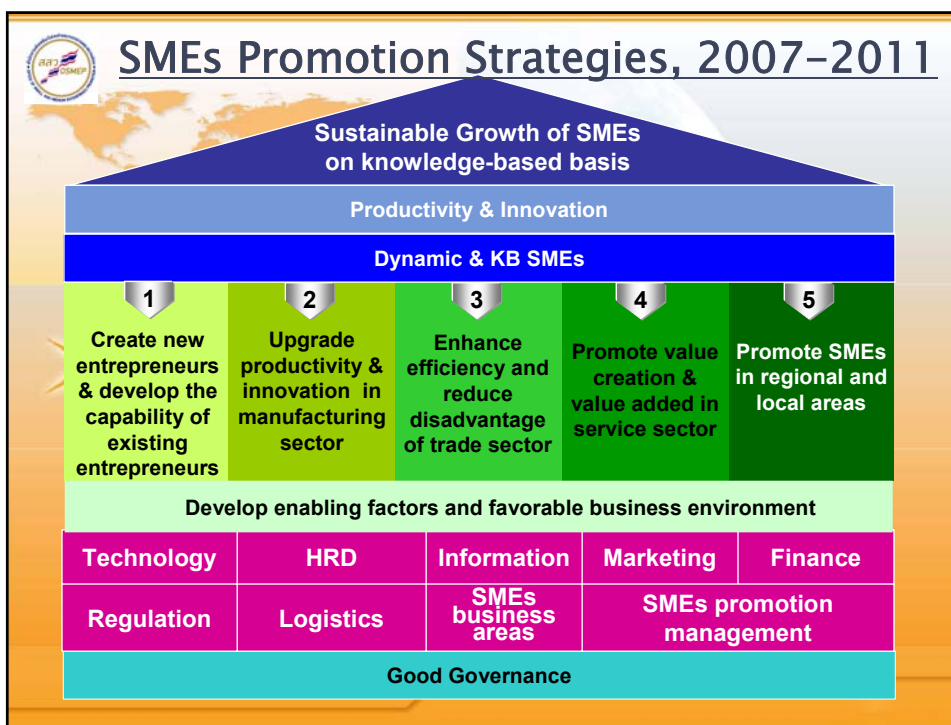
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# SMEs Strategies to Develop Local Market: OTOP Village Champion

By Nitnirun Suwannagate  
Deputy Director General  
Office of SMEs Promotion, Thailand  
1 April 2008



## SMEs Promotion Strategies, 2007-2011

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### Promote SMEs in regional and local areas

#### **Direction:**

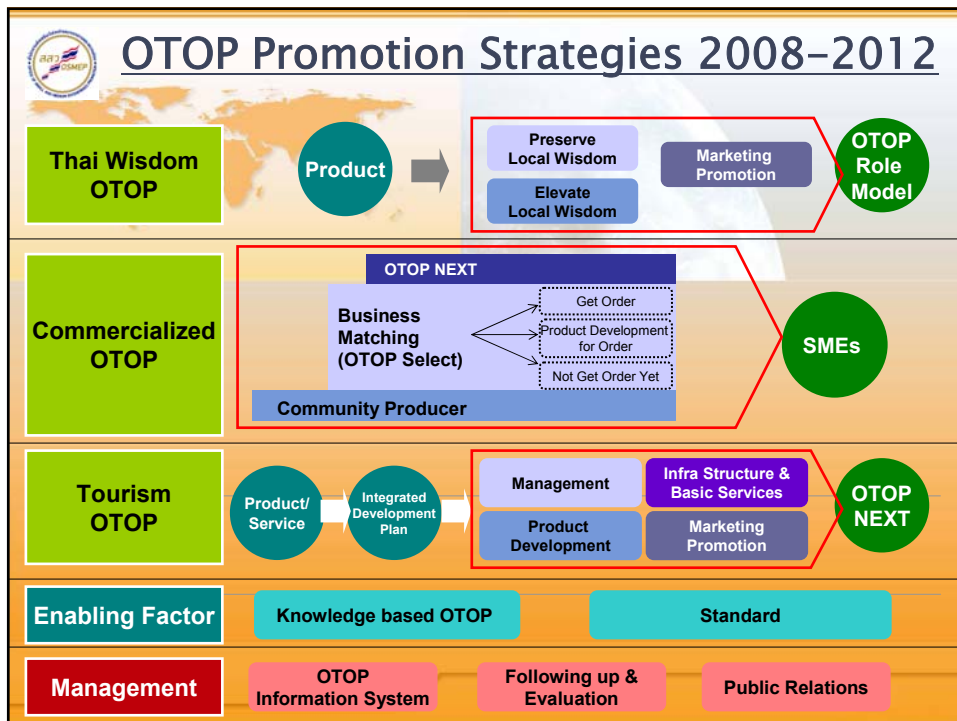
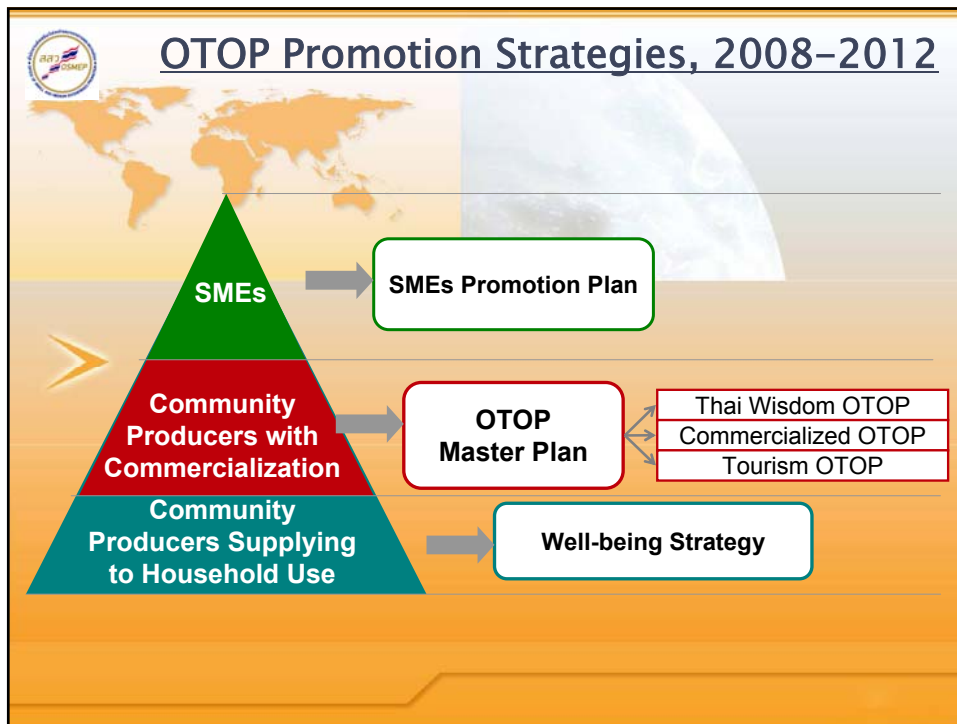
*To promote the creation of networks and connection among SMEs in regions and to develop their manufacturing capability and business management*

1. Promote community and local products
2. Support cluster linkage to promote value chain in sub-sectors with potentials
3. Support development of infrastructure to provide services to SMEs in regions
4. Integrate and build networks of SMEs promotion in regions



## Strategies to Promote Local Market

Strategy / Measure	Approach	Targeted Sub-sectors
Public and Private Sectors Linkage	Government Procurement	<ul style="list-style-type: none"><li>Construction</li><li>Office Appliances</li><li>Transportation Parts &amp; Supplies</li></ul>
SMEs and LEs Linkage	<ul style="list-style-type: none"><li>Supply Chain</li><li>Sub-contractor</li><li>Supplier</li><li>Franchise</li></ul>	<ul style="list-style-type: none"><li>Auto Parts</li><li>Garment</li><li>Restaurant</li><li>Logistic</li></ul>
Cultural / Local Industries Development	2006 Campaign of "In Search of Excellent OTOP"	<ul style="list-style-type: none"><li>Provincial Star OTOP</li><li>OTOP Village Champion</li></ul>





## Tourism OTOP Development

### Strategy 3 Tourism OTOP Development

*Community that has potentials to develop to be tourism destination*



## 2006 In Search of Excellent OTOP

### Provincial Star Products

### OTOP Village Champion



### In Search of Excellent Villages





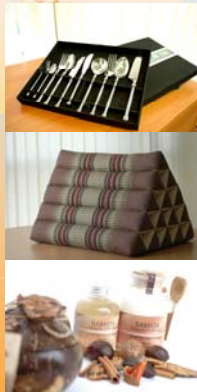


## OTOP Village Champion: OVC

### People



### Product



### Place

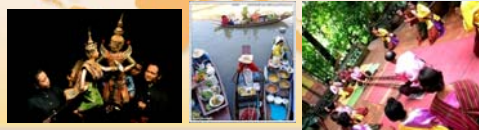


### Preserve



## OTOP Village Champion: OVC

### Cultural Tourism



### Handicraft Tourism



### Eco Tourism



### Agricultural Tourism



### Health Tourism





## OTOP Village Champion: OVC

OVC Study Trip in OITA Prefecture

Dr. Morihiko Hiramatsu: the former Governor of OITA Prefecture



Bungotakada: the city of Showa street.



Oyama: the city of agricultural products



Yufuin / Beppu: the city of Hotspring



Ajimu: the city of green tourism & homestay



## OTOP Village Champion: OVC

Ban Tawai: Chiang Mai



**'Woodcarving Village'**

Ban Tawai is famous for furniture and woodcarving work shop.



Ban Don Kai Dee: Samut Sakhon

**'Benjarong Village'**

Ban Don Kaidee is a centre for producing hand-painted pottery .







## OTOP Village Champion: OVC

### Hot Spring Tourism Development



## Impact of OTO Village Champion

Promote entrepreneurship in local community

Strengthen local economy

Reinforce the community network



Thank You





**Asia-Pacific  
Economic Cooperation**

**APEC High Level Meeting on  
Driving SMEs' Growth to Promote Local Development**

*Chinese Taipei, 31 March – 1 April 2008*

*Session 6*

**Building Partnership for  
Local Development**



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Todo un Movimiento para la Competitividad de las  
PYMES en México

## **SME STRATEGY TO PROMOTE LOCAL DEVELOPMENT**

**"BUILDING PARTNERSHIP FOR LOCAL DEVELOPMENT"**

**MR. IVÁN ORNELAS DÍAZ**

**MEXICO**

**KAOHSIUNG, CHINESE TAIPEI.**

**APRIL 1, 2008.**

**PYME**  
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## **SME STRATEGY**

**PYME**  
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## "SMEs and Mes: Priorities & Actions"

The contribution of the SMEs to the economic activity in Mexico is very important, since they constitute a fundamental pillar for the creation of jobs, economic growth and local and regional development.



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In order to maximize the impact of the SME policies, the *SME Fund*, operated by the Under Ministry for Small and Medium Enterprises, had been implemented 13 strategic programs grouped around 4 major 'action routes'.

These programs aimed at making the vast SME sector more efficient, competitive and position SMEs in the local and global markets and are the core of the "integral economic policy for the development of SMEs", a key component of the Mexican government strategy towards an innovation-based growth model which implies, to a large extent, increasing SMEs' productivity through technology and innovation.

Under this new innovation-oriented policies, the authorities have rightly placed strong emphasis upon building a coherent institutional infrastructure (collective efficiencies), with a view to stimulating the creation of new firms and strengthening existing ones. Partly inspired by international best practices, a coherent sequence of four institutional



## Current situation



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### SME's Main Obstacles

- Duplicity and Dispersion of Support Programmes
- Little Capacity of Management and Administration
- Limited and Slow Innovation and Design
- Unequal Competition of Informal Sector
- High Costs of Production
- Financing

### SME's Main Demands

- Not to hinder
- More Transparency and Efficiency of the Government
- Greater Support to the SMEs
- Social justice
- Formality
- To Focus and not Duplicity
- Multiplication of Resources
- States, Municipalities and Private Sector Contributions
- Processes and Agile Procedures of Attention together in a single Venue

## Current situation

For these Reasons we Should Move on

From:

To:



## The significance of the SMEs as Motive of Economic Growth

### The Context of the SMEs



- Number of SMEs: 4,007,100
- % of all firms: 99.8%
- Contribution to employment: 72%
- Contribution to GDP: 52%

	Number of SMEs	% of all firms	Contribution to employment	Contribution to gdp
Micro	3,837,000	95.6%	40.6%	15%
Small	138,500	3.4%	14.9%	14.5%
Medium	31,600	.8%	16.6%	22.5%
large	7,900	.2%	27.9%	48%

Source: ME - INEGI



## Actions

- **Creation and strengthening of firms, innovation and technological development**
  1. The Program for Innovation and Technology
  2. The National System of Business Incubators
  3. The Business Development Centres Network
  4. Program for training and strengthening SME capabilities
- **Financing access**
  5. The National SME Guarantee Program
  6. The National Financial Extension Program
  7. The Capital for Development Schemes
- **Regional and sectoral productive articulation**
  8. The National Network of Productive Articulation
  9. The National Program of Suppliers Development
- **Access to foreign markets**
  10. The Impulsoras Program for Exportable Offer Projects
  11. Program for Strategic Products
  12. Program for Commercial Missions
  13. The PYMExporta Centres' Network

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## Objective

¿what?

More and better Jobs

More and better SMEs

More and better entrepreneurs

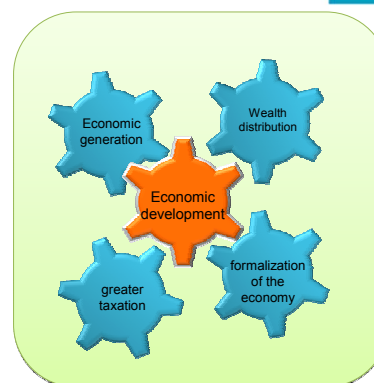
And As Consequence:

A New Approach  
"What you measure,  
what you obtain"

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Reduce poverty

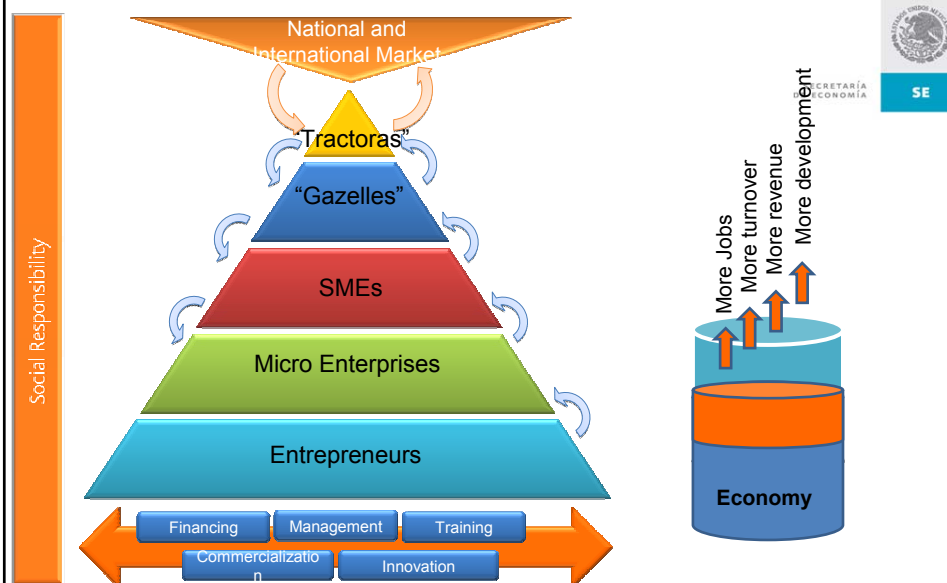


## Priorities and Actions: 5 Segments with 5 Services of Overall Attention

		SERVICES				
		Financing	Management	Training	Commercialization	Innovation
SEGMENTS	"Tractoras"		✓		✓	✓
	"Gazelles"	✓	✓	✓	✓	✓
	Small and Mediums	✓	✓	✓	✓	✓
	Micro enterprises	✓	✓	✓	✓	✓
	Entrepreneurs	✓	✓	✓	✓	✓

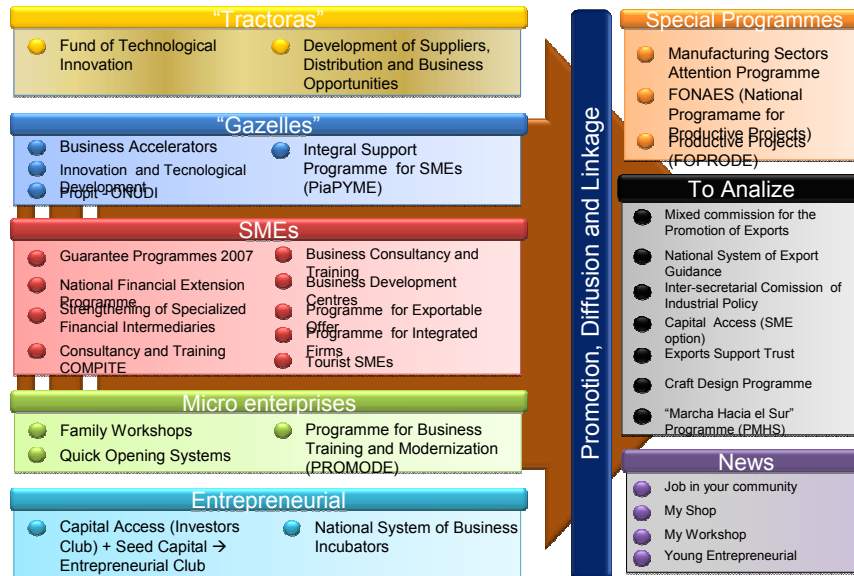


## Actions and Priorities

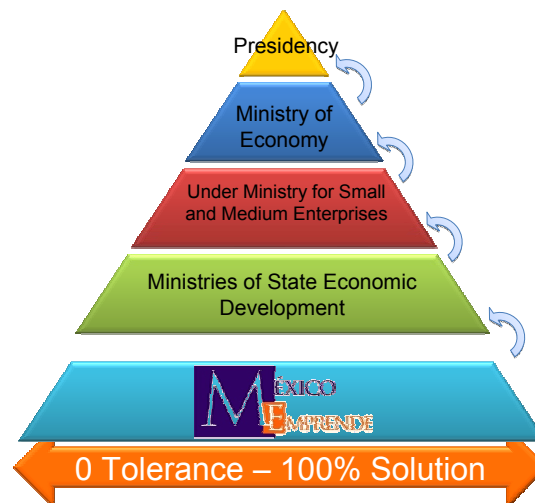




## Integral board "México Emprende"



## business management





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EMPRENDE**

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## SME LOCAL DEVELOPMENT

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## Employment in your community

### Objetives

- Regional development
- Permanent employments
- Development of infrastructure
- Productive Strategic Projects
- Take advantage of productive vocations

### What it is?

A Program to stimulate the establishment of companies seeker of labour force in marginalized communities and the most unemployment.



**México Emprende** > Todo un Movimiento para la Competitividad de las PYMES en México

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## One Village, One Product

### What it is?

- It's a movement that has the objective to promote the regional development from the use of the productive vocations of different regions.
- Principle "Glokal". It promotes the development of products for markets of export respecting the local culture.

## Objectives

- To promote local development and the generation of permanent quality jobs in places with less economic development.
- Advise Mexican micro-entrepreneurs in regional products development with potential to participate in international markets.

# Strategy

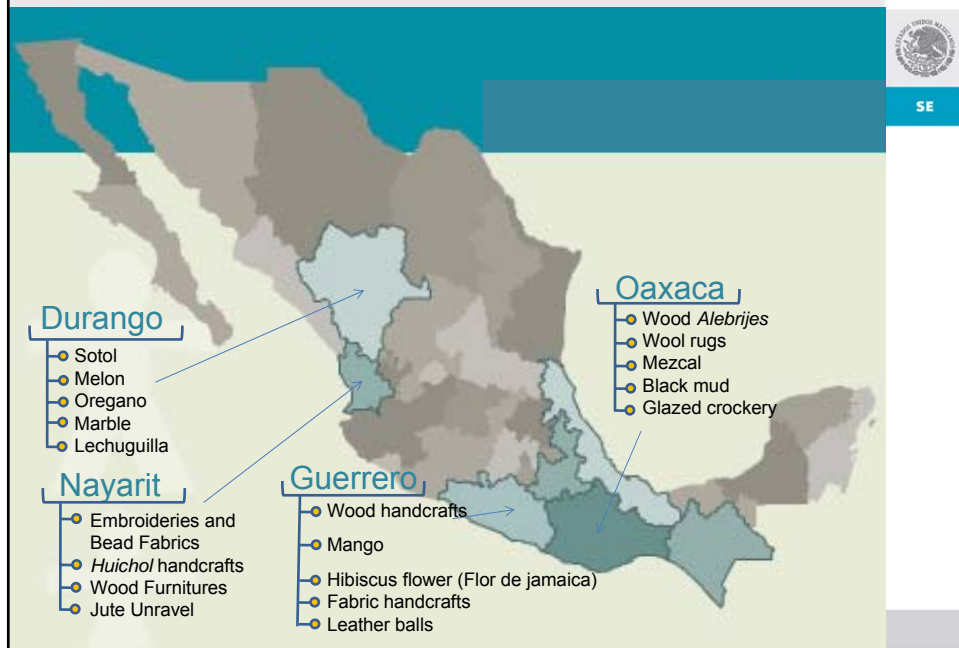
## Proposal strategy

- Application of the program in communities of “100 municipalities with less human development rate (HDR)”
- Identify the potential communities to detonate viable projects
- Offer technical and business training
- To develop entrepreneurs
- To promote associations
- Develop channels of marketing

## 100 municipalities with less HDR



## Potential Products



## Potential Products





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Todo un Movimiento para la Competitividad de las  
PYMES en México

**THANK YOU VERY MUCH FOR YOUR  
KIND INVITATION AND ATENTION**

**MR. IVÁN ORNELAS DÍAZ**

**DIRECTOR FOR INTERNATIONAL RELATIONS**

**MEXICAN MINISTRY OF ECONOMY**

**[IORNELAS@ECONOMIA.GOB.MX](mailto:IORNELAS@ECONOMIA.GOB.MX)**

**PYME**  
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# FOOD PROCESSING INDUSTRY IN MALAYSIA



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

## OUTLINE OF PRESENTATION

- Basic Information
  - Profile of SMEs
- SMEs in Food Processing Industry
  - Drivers and Motivation
  - Policy Measures
  - Institutional Support



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

# BASIC INFORMATION



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

## Basic Information

- Area: 330,252 sq. km.
- Population (mil.): 26.6 (2006), 27.2 (2007)
- Kuala Lumpur (mil): 1.6(2006), 1.6(2007)

	2007	2006
Inflation (%)	2.0	3.6
Unemployment Rate (%)	3.3	3.3
Total Labour Force (mil.)	11.8	11.5
Employment by Sector (%)		
Services	51.5	51.3
Manufacturing	29.3	29.1
Agriculture	12.1	12.5
Construction	6.7	6.8
Mining	0.4	0.4



SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION



## Basic Information (cont.)

	2007	2006
• GNP in Current Prices (US\$ bil.) (As at 3rd March)	131.5	151.4
• GDP in Current Prices (US\$ bil.)	186.1	156.1
• GDP per Capita (US\$) in Current Prices	6,6867.5	5859.1
• GDP Growth (%)	6.3	5.9
• Manufacturing	3.1	7.1
• Services	9.7	7.2
• Construction	4.6	-0.5
• Agriculture	2.2	5.2
• Mining	3.2	-0.4



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## Basic Information (cont.)

	2007	2006
• Exports (US\$ bil.)	176.0	160.6
• Imports (US\$ bil.)	146.8	131.1
• Total Trade (US\$ bil.)	322.8	291.6
• Trade Balance (US\$ bil.)	29.2	29.5



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# PROFILE OF SMEs



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## Definition of SMEs

**Manufacturing, Manufacturing Related  
Services and Agro-based Industry**

Companies with an annual sales turnover not exceeding RM25 million **OR** full time employees not exceeding 150



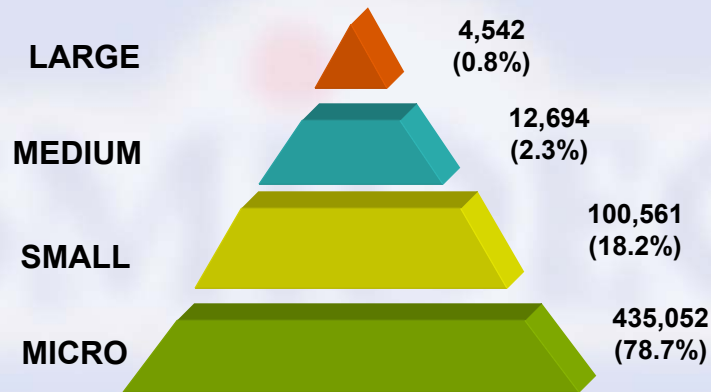
**Services, Primary Agriculture, Information And  
Communication Technology (ICT)**

Companies with an annual sales turnover not exceeding RM5 million **OR** full time employees not exceeding 50



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## TOTAL ESTABLISHMENTS OF COMPANIES BY SIZE



Census of Establishments & Enterprises 2005  
DOS - Dec 2005

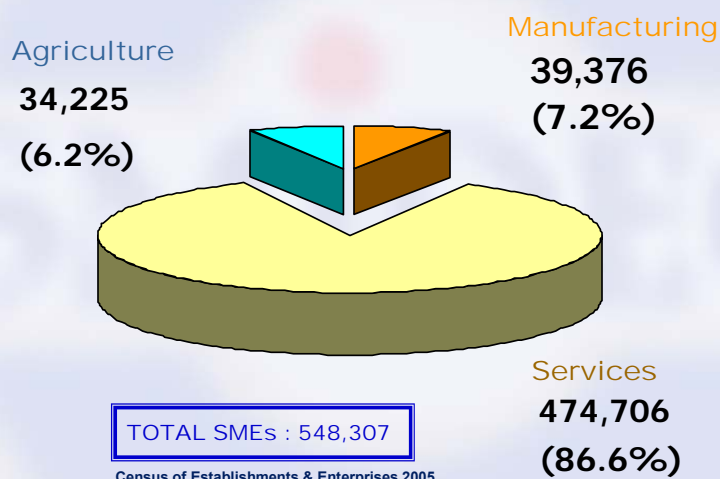
**TOTAL ESTABLISHMENTS: 552,849**



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9

## DISTRIBUTION OF SMEs BY SECTOR



**TOTAL SMEs : 548,307**

Census of Establishments & Enterprises 2005  
DOS - Dec 2005



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10

## STANDARDS

- **HACCP, GMP (Good Manufacturing Practices), and SOPs (Sanitation Standard Operating Procedures)**
- **Halal – focusing on muslim market**
- **CE marking or EU standard - marine products**



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## CONTRIBUTION OF SMEs TO THE ECONOMY

- **SMEs establishments - 99.2%**
- **micro enterprises - 80%**
- **Employment for 5.6 million workers**
- **Contribution to GDP – 32%**
- **Contribution to total export - 19%**



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# **SMEs IN FOOD PROCESSING INDUSTRY**



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## **SMEs in Food Processing Industry**

- **Total establishments - 6,069**
- **SMEs - 5,925**
- **Products:**
  - **Marine Products**
  - **Livestock and Livestock Products**
  - **Fruit and Vegetables**
  - **Cocoa-based Products**
  - **Cereal Products**
  - **Convenience Foods**



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# DRIVERS AND MOTIVATION



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## DRIVERS AND MOTIVATION

- **Creation of Economic activities contributing to household income**
- **Self Employment**
- **Growing Market**
  - **Halal Market**
  - **Middle East market**
  - **Asian Market**



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## Growing Market

### Halal Market

- value of Halal market estimated at USD547 billion a year
- Muslim population is 1.79 billion, 28.4 per cent from the world's total population.
- Asian region total Muslim population is 1.3 billion, and potential market of amounting USD 3.7 billion.
- Growth is supported by the expansion of consumers including non-Muslims



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## Growing Market

### Middle East Market

- Increase of disposable income among the population
- Higher buying power.
- Similarity of taste for food product.



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## Growing Market

### ASEAN Market

- Population – 567 million
- Increase of disposable income among the population
- Similarity of taste for food product.
- Effect from AFTA



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## POLICY MEASURES



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## POLICY MEASURES

### **1. Ninth Malaysia Plan, 2006-2010 (9MP)**

#### **□ Strengthening Agriculture & Agro-based Industry**

- New agriculture with focus on total value chain development:
  - ✓ To increase value added
  - ✓ Expanding agro-based activities
- Enhancing private sector and GLCs participation
- To be net exporter of food product
- Strengthen marketing and rolling out farm accreditation schemes and product safety and standards
- ICT as enabler and biotechnology for wealth creation
- Developing agricultural & agro-based entrepreneurs as well as SMEs



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## POLICY MEASURES

#### **□ To address persistent socioeconomic inequalities constructively & productively**

- Eradicating hardcore poverty by 2010 as well as reducing overall poverty
- Developing less developed regions through regional growth centres
- Creating a new generation of competitive rural entrepreneurs



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## POLICY MEASURES

### **2. Third Industrial Master Plan (IMP3) (2006 – 2020)**

- ❖ expansion of food processing industry and diversified towards making Malaysia a regional food production and distribution hub
- ❖ particular emphasis on *Halal* foods.
- ❖ upgrading human resource, and technology, enhancing R&D, undertaking the production and export of high value added and niche products and adopting quality standards.



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## POLICY MEASURES

### **To meet the targets, seven strategic thrusts have been set**

- Ensuring the availability of the raw materials
- Expanding and diversifying food processing activities and promoting the growth of the targeted areas
- Enhancing the competitiveness of and increasing the export of Malaysian food products in the regional and international markets
- Intensifying R&D
- Strengthening human resource development (HRD)
- Strengthening the institutional support and delivery system for further development and promotion of the industry



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## INSTITUTIONAL SUPPORT

- **Ministry of Entrepreneur and Co-operative Development (MECD)**
- **Malaysian Agricultural and Development Institute (MARDI)**
- **Federal Agricultural Marketing Authority (FAMA)**
- **Small and Medium Industry Development Corporation (SMIDEC)**



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## Institutional Support

### **1. Ministry of Entrepreneur and Co-operative Development (MECD)**

#### ➤ **One District One Industry Programme (SDSI)**

- **developing and commercialising a product or service distinctive of a particular district.**
- **Adopt clustering method to mobilise and support the whole value chain ranging from the supply of raw materials and production to distribution and marketing.**
- **Similar to OTOP (Thailand) & OVOP (Japan)**



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## Institutional Support

### 2. Malaysian Agricultural and Development Institute (MARDI)

- MARDI responsible to conduct R&D in food processing industry and its related support sub-sector (packaging, machinery, etc.)
- The major thrusts of research areas
  - Food Processing and Product Development
  - Food Science and Biotechnology
  - Food Packaging and Handling Food Safety



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## Institutional Support

### 3. Federal Agricultural Marketing Authority (FAMA)

- Undertake supervision, coordination, regulation and improvement of the marketing of agricultural products.
- organises marketing activities, set targets and product standards, monitor performance, develop marketing strategies and tools
- Services available :
  - Marketing Contract
  - Development of Marketing Infrastructure
  - Entrepreneur Development
  - Market Control and Extension
  - Marketing Information
  - Branding Promotion



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## Institutional Support

### 4. Small and Medium Industry Development Corporation (SMIDEC)

- promotes the development of SME in the manufacturing and services sector.
- provides financial assistance and development programmes to SME in accessing their markets, financing, technological capabilities, information and communication technologies and skill training.



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## SMIDEC's ASSISTANCE FOR SMEs



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## Financial Assistance By SMIDEC

- Matching Grant for Business Start-ups
- Matching Grant for Product and Process Improvement
- Matching Grant for Certification and Quality Management System
- Matching Grant for Enhancing Product Packaging
- Matching Grant for Development and Promotion of *Halal* Product



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T H A N K



Y O U



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# Partner Relationship Management In Chinese Taipei Industries

- An example from the development of bicycle industry

by

**Chin-Ho SU**

**President**

 **Corporate Synergy Development Center**  
2008. 04.01



## Outline

---

- 一. Background of C-S System
- 二. What is C-S System
- 三. The Bicycle Case of A-Team Project
- 四. Concluding Remarks





## — Background of C-S System

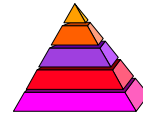
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### 1. Challenges of Manufacturing Sector

export orientation development  
strong SMEs - flexible & responsive

### 2. Competence Strengthening Policy

mergence - original approach  
cooperation - right solution



3



## Strategic Thinking

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1. Network Size vs. Firm Size
2. Inter-Firm vs. Intra-Firm Management
3. Co-opetition vs. Competition

4



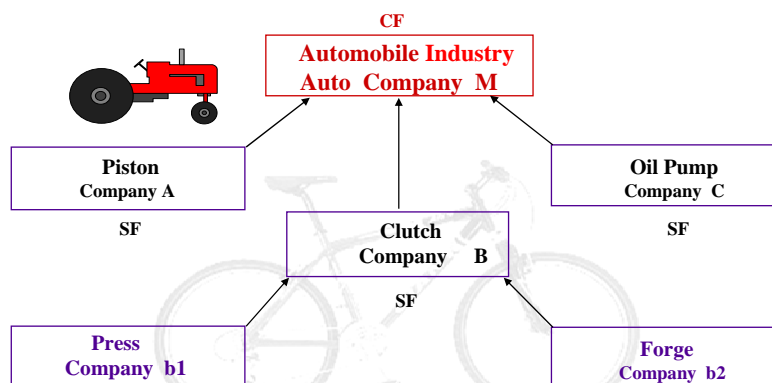
## = What is C-S System

The C-S System is an industrial management program that strengthens the SME dominated industries structure and renders its internationally competitive via the formation of cooperative network, and the development of mutual trust, through the development of comprehensive assistance packages supported by the government .



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## TYPE I: Vertical Backward Linkage

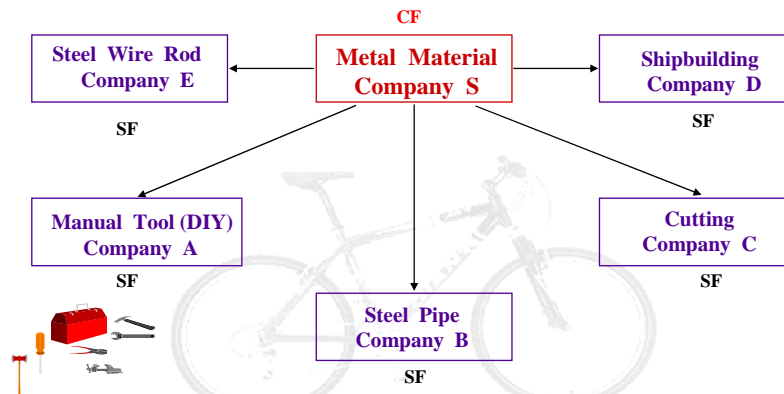


**Central firm** - down-stream assembler whose components are provided by upstream suppliers.

**Satellite firm** - company that provide parts directly to central firm.

6

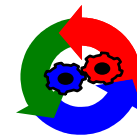
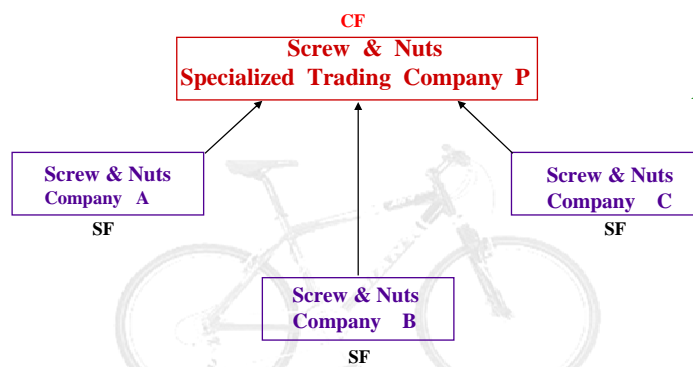
## TYPE II : Vertical forward Linkage



- Central firm** - Company that produces intermediate materials, and provides them to downstream factories for processing.
- Satellite firm** - Downstream companies that process materials received from up- and midstream factories into final products.

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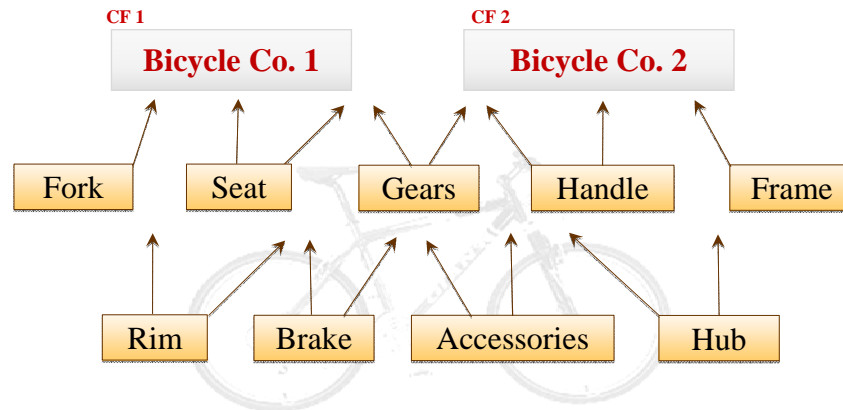
## TYPE III : Horizontal Linkage



- Central firm** - Specialized trading company or turn-key project .
- Satellite firm** - Companies that process or manufacture orders from the center.

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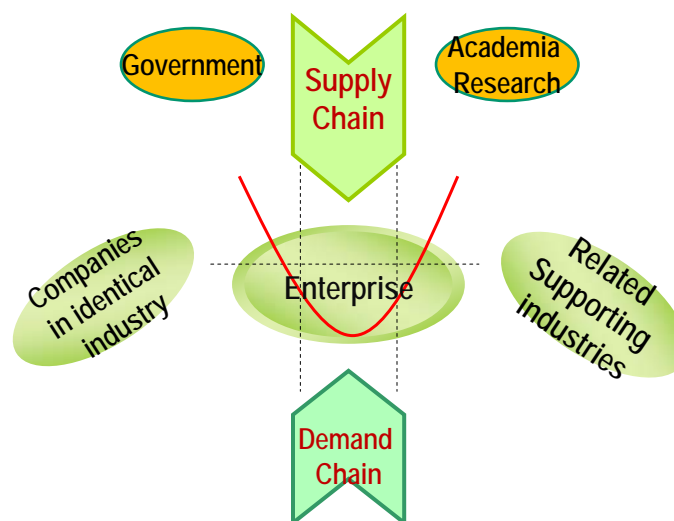
## TYPE IV: Co-Development Linkage



- Integrate more than 2 C-S System as a Co-development network
- Use bicycle Industry as an example

9

## Diagram of partner Relationship Management



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## The state of Cluster Development

-WEF, Chinese Taipei remains world NO.1

	2007-2008		2006-2007		2005-2006	
	Scores	Ranking	Scores	Ranking	Scores	Ranking
Chinese Taipei	5.7	1	5.52	1	5.39	2
United States	5.3	2	5.22	2	5.19	4
Korea	5.1	3	4.19	31	4.38	21
Singapore	5.1	4	4.92	7	5.15	6
Malaysia	5.0	5	4.96	5	4.42	18
Hungary	4.9	6	4.94	6	2.63	92
Romania	4.9	7	4.78	10	2.74	78
Indonesia	4.8	8	4.68	14	4.41	20
U.K	4.8	9	5.06	4	4.63	14
Germany	4.8	10	4.90	8	4.45	17
Finland	4.8	11	5.07	3	5.33	3
Japan	4.7	12	4.33	27	5.46	1
Switzerland	4.7	13	4.67	15	4.31	23
Hong Kong, China	4.7	14	4.75	12	4.68	11
Italia	4.5	21	3.19	85	5.16	5

Sources: WEF ; C.E.P.D

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## 三. The Bicycle Case of A-Team Project



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## Origin of A-Team

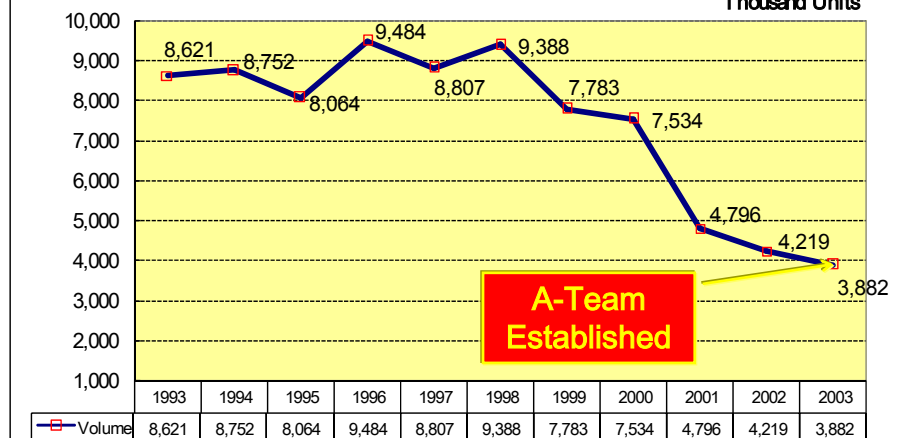
- ✦ Chinese Taipei was once the leading country of bicycle exportation.
- ✦ Industrial supply chain & relevant human sources are well equipped and qualified.
- ✦ Annual exportation volumes dropped rapidly since 1998.
- ✦ Strong crisis-consciousness → Must change the trend.

**→ Collective Needs+ Same Goal = A-Team**

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**Export Volumes of Chinese Taipei Bicycles**

Thousand Units



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## **Migrations of Global Bike Supply Base**

Europe (20 M bicycles)

US (15 M bicycles)

Japan (9 M bicycles)

Chinese Taipei (10 M bicycles)

China (90 M bicycles)



**Is TWN marginalized or disappeared??**

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## ***A-Team's Mission***

- Upgrading the competitiveness of bicycle industry in Chinese Taipei, becoming the global main providers in brilliant product and service, including innovative value, quality and design.
- Focusing on providing more creative products and services, supplying the market in fastest speed to open a new and high value-added market. Ultimately, taking the lead and becoming the creator of bicycle industry's future.

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## A-Team Group



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## Vision Future of Cycling Power of Partnership



Joining partners with same vision,  
Cultivating TWN Industry, Value-Innovating,  
Creating New Riding Life & Funs,  
Making wonderful life, Having a healthy Earth.

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# Strategic Thinking

## Target Market

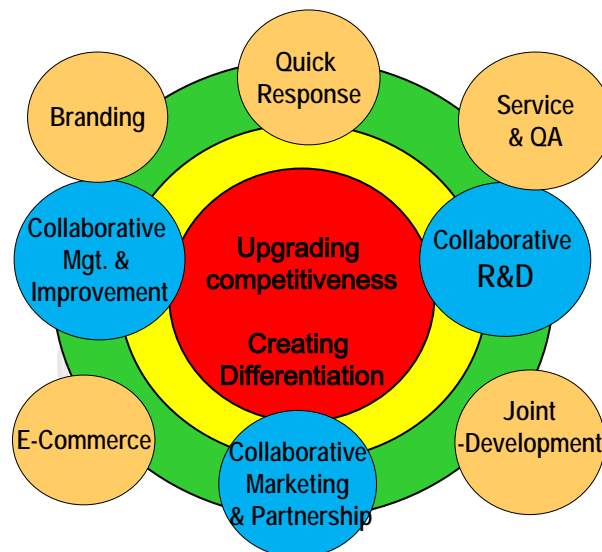
- **Position: Global SBR (Specialty Bicycle Retailers)**
- **Chinese Taipei as a Core Region : Implementing joint efforts from industry、government、academy and R&D facility, to build excellent infrastructure(platform) for TWN bike industry. Aligning with global famous companies to upgrade product quality and supply chain level, resulting the cluster effects and expended economy scale. Making Chinese Taipei a key place of high-class bicycle supply and R&D base.**

## Strategy

「Differentiation」→Providing fresh、unique、high value-added、high-quality fancy products, service and assurance.

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# How A-Team

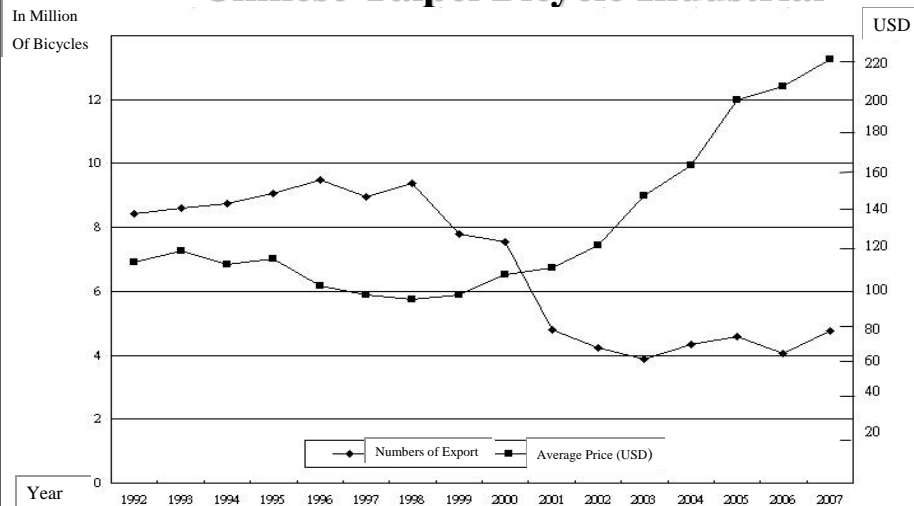


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## A-team Pull Up the Development of Chinese Taipei Bicycle Industrial

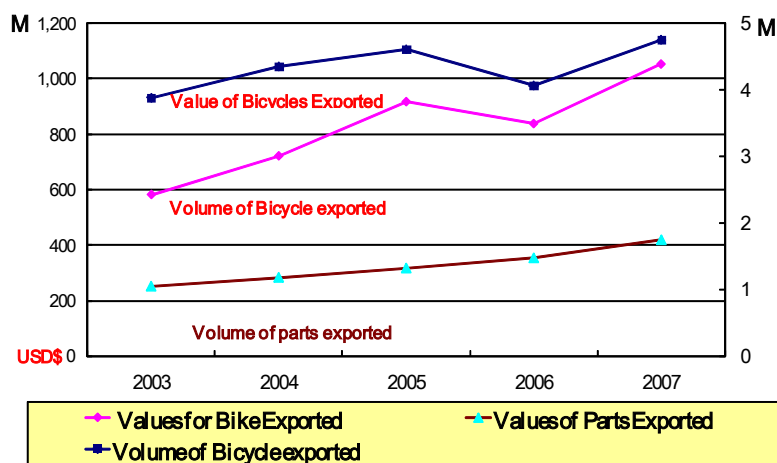


Source : BOFT Information Center ; Chinese Taipei Bicycle Exporters' Association ; Industrial Technology Intelligence Services

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## Achievements- Exportation Growth (1/2)



Sources: The Bureau of Foreign Trade, TBEA

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## Achievements- Exportation Growth (2/2)

Export	2003	2004	2005	2006	2007
Volume of Bicycle exported	3,882,835	4,352,967	4,607,287	4,062,740	4,752,345
Values for Bike Exported	582,973,185	722,789,360	918,719,979	839,412,156	1,054,524,358
Average Sale Price	150	166	200	207	222
Values of Parts Exported	252,428,826	284,588,453	318,466,373	355,349,069	421,292,591

Sources: The Bureau of Foreign Trade, TBEA

## Performances of A-Team Bike Plants in Last 3 years

Unit : USD

Item	2005	2006	2007
GIANT Chinese Taipei Turnover	332,806,914	270,540,763	329,231,836
GIANT Average Price of Bike	345	322	333
MERIDA Chinese Taipei Turnover	191,199,911	213,107,692	309,710,229
MERIDA Average Price of Bike	358	378	410



## A-Team's Preliminary Performances

---

1. Total exportation volume & average price increased.
2. Regain the confidence of industrial development - with global competitiveness.
3. Reconsider the position of TWN Bicycle industry.
4. Built up partnership with Italia Colnago.
5. Transformation on President Shikano's attitude: rejection 、 acceptance and admiration.

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## 4. Concluding Remarks

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- **Value up vs. Cost down**
- **Partners Cure**



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## Strategic Thinking Readjustment

Global Competitiveness  $\sim f(\text{Value} / \text{Cost})$

Past ( cost down )

reduce manufacturing cost  
increase production efficiency

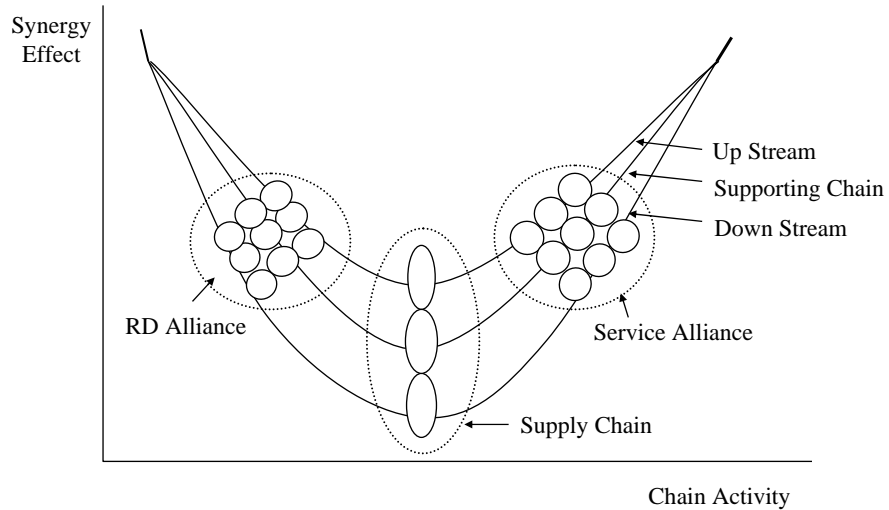
Now ( value up )

high value-added activity  
networking capability



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## Partners Curve



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# Thank You



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Tel : 02-2751-3468#8001

## **~Final Report~**

### **“APEC High Level Meeting on Driving SMEs’ Growth to Promote Local Development”**

SMEs are the key players in local economy and also a key force to local development. They can bring employment and prosperity to local communities, and to some extent, they are also able to increase social cohesion and stability. Against this backdrop, a local environment conducive to SMEs’ growth is needed in order to grasp the advantages brought by SMEs. As stated by OECD, “Local strategies which integrate economic, social and labor market aspects within a good governance framework are instrumental to sustainable development reconciling economic growth and social cohesion.” Therefore, SMEs’ contribution to local development depends on a good governance and policy environment on the local level. Acknowledging the importance of SMEs to local development, many other major international organizations, such as OECD, have been actively exploring this issue and have searched ways to promote SMEs’ growth in the local context, while the development in APEC still lags behind. The “APEC High Level Meeting on Driving SMEs’ Growth to Promote Local Development” Meeting was held to address this issue.

The APEC High Level Meeting on Driving SME Growth to Promote Local Development was held from March 31-April 1, 2008, at the Ambassador Hotel, Kaohsiung, Chinese Taipei and was attended by about 140 participants. Representatives from APEC’s 17 member economies (Australia; Brunei Darussalam; Canada; Chile; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; Papua New Guinea; Peru; Singapore; Chinese Taipei; Thailand; USA and Viet Nam), participant (ABAC) and observers (OECD and Macao) attended this meeting. Other local participants had included government officials and representatives of the private sector which included scholars and experts, firms, and industry associations.

The meeting was held in conjunction with the 26th APEC SMEWG meeting with the theme on Driving SMEs’ Growth to Promote Local Development. The meeting is a two-day meeting with 1.5-day seminar and 0.5-day field trip. The final output of the meeting is the “APEC Best Practices Guidelines on Driving

SMEs' Growth to Promote Local Development." A local product exhibition was also held during the meeting at the same venue.

The meeting invited experts from APEC member economies and OECD to speak and share their opinions in the following sessions:

1. Local Development Strategies, Tools and Instruments;
2. Better Local Governance for SME Growth;
3. Promoting Local Innovation and Entrepreneurship;
4. Financial Support for Local SMEs;
5. SME Strategies to Develop Local Markets and
6. Building Partnership for Local Development.

Some of the discussion points are as follow:

### **1. Local Development Strategies, Tools and Instruments**

The principles for SME development include: 1. Partnership: build a network of valued relationships and resources, and partnership with business chambers, industry associations and market players; 2. Consultative: Consult extensively with partners and market players when developing market based solutions to address SMEs' needs; 3. Self-help: adopt a self-help approach in the delivery of government services to SMEs; 4. Cost-sharing: adopt a cost-sharing arrangement between the private sectors and government

Traditionally, local economic development is top-down, the new tendency is toward a bottom-up approach. The cities or municipalities can design community-based policy tools to increase the welfare of residents on the one hand, and promote local economic development on the other hand. There are a variety of tools that can reach this goal, such as the creation of the municipal card, which are issued to contributors for city development, and implementing new public construction initiatives that can also benefit SMEs.

Local problems require local solutions. The central authority should have a subsidiary role, performing only those tasks which cannot be performed effectively at a more immediate or local level.

### **2. Better Local Governance for SME Growth**

Local government is already deeply involved in local business activity as suppliers of infrastructure, tax collectors, and regulators of land, building, and

activities. With an increasing move toward decentralization and the devolution of service delivery to local authorities, the roles and responsibilities of local governments continue to increase.

Local governments need to simplify bureaucratic procedures, create regulatory certainty, encourage local business networks; support training to meet market demands, support linkages with informal economy and pursue broadly supported actions.

Local governments should provide public services such as: 1. Infrastructure: such as roads, waters, electricity, and public facilities; 2. Administration and Communication: population identity and permission, and information access; 3. Social Economy and Culture.

### **3. Promoting Local Innovation and Entrepreneurship**

Economies' industry competitiveness is often built upon geographically limited agglomerations or clusters. These clusters are important to the development of entrepreneurship and innovation at the local level because of the contribution they give to the creation of a favorable environment for business interactions and resource sharing. Entrepreneurship and innovation are strengthened in clusters by a host of factors: better access to skilled workers and competitive suppliers; access to specialized information; linkages and complementarities between industries located at different stages of the production chain; eased access to credit and, especially important for knowledge-intensive industries, equity finance; access to public goods supplied as a result of the large demand originated by the cluster (e.g. vocational programs, specific infrastructure, etc.); etc.

Utilization of regional specialties is important for building foundation for the self-reliant development of regional economies. A number of policy measures are able to support independent efforts by regional SMEs such as support for SMEs' new products and service development and market cultivation outside regions, support for finding out new businesses utilizing regional industrial resources, and support for enhancing regional industrial resources.

### **4. Financial Support for Local SMEs**



The roles of financial institutions in assisting the development of SMEs are varied in terms of the stage of development: founding stage, growth stage, maturity stage, and transformation stage. Measures of helping SMEs acquired financing and achieve sound management include: working with relevant consultancy agencies to help SMEs establish sound financial systems and accounting systems; working with relevant agencies in management consultancy to improve SMEs' production, product quality, marketing organization structure, internal control and IT. Some economies have established banks specialized in providing medium/long term credits to SMEs.

SME credit guarantee fund is also a mechanism to provide financial support for local SMEs. The objectives of SME credit guarantee fund can be: 1. Help SMEs secure financing by offering credit guarantee; 2. Remove SMEs' obstacle to lack of collateral when applying for finance; 3. Enhance the financial institutions willingness to extend loans to SMEs; 4. Support related assistance agencies to increase effect of SME assistance.

## **5. SME Strategies to Develop Local Markets**

For most APEC economies, traditional craft industries play an important role in defining the distinctive character of each region, and they usually originate from regional culture, which makes them indeed the "regional cultural industries." However, the changes along with economic development, such as establishment of the mass-production and mass consumption economy system resulting from technological innovation, lead to the decline of the traditional craft industries. To revitalize the regional development, some governments have begun to provide support for the employers when they hired new craft people.

Strategies to promote local market could include:

1. public and private sectors linkage through government procurement;
2. SMEs and LEs linkage through supply chain, subcontractor, suppliers, and franchise;
3. cultural/local industries development through special promotional activities such as OTOP;
- 4 application of the program in communities with less human development rate;
5. identify the potential communities to detonate viable projects;

6. offer technical and business training;
7. develop entrepreneurs;
8. promote associations; and
9. develop channels of marketing.

## **6. Building Partnership for Local Development**

Local development is dependent on a large degree on the partnership between public, business and non-governmental sector. The partnership not only benefits community building, but also helps strengthen business operation. The formation of cooperative network and the development of mutual trust through the development of comprehensive assistance packages supported by the government will increase local SMEs competitiveness.

Local development is a task required networking between stakeholders with the same goal to promote local development, which include not only the actors on the local level. The core of this partnership is a mechanism to coordinate different resources and efforts from different stakeholders. An intermediate organization or some is necessary to take responsibility to coordinate the joint efforts.

### ***APEC Best Practice Guidelines-Driving SME Growth to Promote Local Development***

Given the comprehensiveness of the subject, the discussions help member economies understand that SME policies and programs can achieve better outcomes if their design takes into account the view from the local level where SMEs really operate. Well-crafted local strategies that cover economic, social and labor aspects create a good governance framework, which in turn increases the SMEs' contribution to local development. Deriving from the seminar, the outlined best practice guidelines on driving SME growth to promote local development also pave the way for cross-border cooperation among member economies in the region.

## **1. Local Development Strategies, Tools and Instruments**

- In today's globalized economic environment, each local community is facing different challenges deriving from the external environment. A "one

size fits all” policy designed at the central government level cannot hope to resolve all problems across regions. Differentiated local policies and strategies drawn up and implemented by local communities should be promoted to closely reflect local conditions and allow for the interaction of multiple local stakeholders.

- Local problems require local solutions. The central authority should have a subsidiary role, performing only those tasks which cannot be performed effectively at a more immediate or local level.
- Local development strategy should adopt a collaborative process to integrate all relevant efforts within the community. Policies and strategies should be built upon the efficient utilization of local resources, including natural, human, and cultural resources. Stakeholders in the community should work together to increase the value of their local resources.
- SMEs play a key role in the creation of wealth and jobs and the improvement of living standards in local communities. The growth of SMEs depends on local business-enabling conditions created by joint efforts between SMEs, local governments, and community entities.
- The elements of a favorable business environment for SMEs include: availability of capital, infrastructure and facilities, the supply of skilled labor, education and training services, knowledge networks, availability of business services, the existence of an institutional environment supporting local development, and the quality of public sector management.
- The conditions to draw a workable local development strategy include the assessment of a community's strengths and weaknesses, identifying opportunities for SMEs, reducing obstacles to business operation, and allowing local stakeholders to participate in the process. In particular, it should emphasize sustainable development and employ environmentally-friendly mechanisms.
- A number of strategies and tools can be employed to promote local development: (1) Investing in infrastructure; (2) Providing incentives for business investment; (3) Encouraging the establishment of new

businesses; (4) Developing industry clusters; (5) Developing partnerships between stakeholders; (5) Expanding employment opportunities; (7) Providing training and consulting services; (8) Building microfinance institutions; (9) Strengthening environmental protection; (10) Promoting corporate social responsibility; (11) Preserving cultural heritage; and (12) Establishing local development institutions.

## **2. Better Local Governance for SME Growth**

- Local governance is a process integrating all stakeholders, including local governments, businesses, non-profit organizations and residents, to jointly manage local development. Stakeholders work together to create formal and informal frameworks or institutions to enhance interactions and regulate relationships. Flexibility is an important principle for these frameworks and institutions. Frameworks and institutions should be able to flexibly channel relevant concerns and interests into the process and mobilize resources from communities.
- The enhancement of local governance may require the buildup of specialized development organizations, which are responsible for coordinating all relevant stakeholders, and function as a communication platform. These organizations should endeavor to form a local development network with the aims of efficiently allocating resources and sharing knowledge and information. The operation and funding of these organizations should be supported by local stakeholders.
- One of the core missions of the local governance entity is to draw up and implement an overall development strategy. This process should start with the setting of clear goals and investigation of local conditions. The entity should also take sustainability into consideration at all stages of planning and implementation, to ensure a healthy environment and a good quality of life. The strategy should also stipulate the division of labor among stakeholders based on their respective strengths and resources.
- With the trend towards decentralization, local governments have come to assume a more important role in local development. Local government

authorities should provide guidance and assistance for effective and efficient implementation of the development strategy. Simplification and deregulation of bureaucratic procedures should be an ongoing process undertaken by local governments to reduce businesses' costs. Local governments should also serve as a bridge between communities and higher-level government authorities.

### **3. Promoting Local Innovation and Entrepreneurship**

- Entrepreneurship provides economically distressed areas with opportunities to reinvigorate their economic capacity and efficiently allocate resources. Under the new trends in economic development, entrepreneurship triggers competition and stimulates innovation, resulting in economic growth, technological upgrading, job creation and welfare improvement for local economies.
- Local resources should be utilized to encourage business creation by facilitating entrepreneurs' access to the information, knowledge, technology, capital, and human resources that are necessary to the success of their ventures. More importantly, local authorities should make efforts to simplify administrative processes for new business start-up.
- The local innovation system is the fundamental mechanism for enhancing innovation capacity at the local level. The main actors in this system include local governments, industries, research institutes and universities. To strengthen the operation of the local innovation system, local authorities need to promote industry-university collaboration by providing incentives for joint ventures between local businesses and universities. The buildup of business incubators will also increase the dissemination of knowledge within the innovation system.
- The formation of industrial clusters stimulates the establishment of new businesses and attracts firms from outside the region, thereby boosting industrial output and creating new job opportunities. Through these interactions and resource sharing in the network, innovations and technological improvements can be stimulated. Local authorities need to

build a favorable environment for industrial cluster development based on local conditions.

#### **4. Employment and Human Resources Development**

- Employment policies are closely linked to economic development strategies and social stability policies. They strongly reinforce each other, and the success of one kind of policy depends heavily on the success of the others. The interaction elements influencing the success of employment policy include how well this policy dovetails with overall economic development strategy, the extent to which it builds a partnership network with other economic and social service organizations, and how the economic and social conditions influence the flexibility of its implementation.
- SMEs and startups are main drivers of job creation at the local level. Fostering SMEs and startups therefore constitute an important component of local employment policy in many regions. To develop a properly functioning SME and startup policy, local authorities need to include SMEs and startups in each step of the process of policy formation and implementation.
- Establishment of local training organizations requires coordination among businesses, experts, and universities. Inputs from businesses can help ensure that the content of training correctly reflects state-of-the-art skills and the nature of both current and future demand in the labor market. Local authorities can offer incentives to stimulate vocational training, and to encourage participation in such training activities by SMEs and startups.
- Under globalization, the skills rewarded by the market are changing rapidly. The labor force should be flexible enough to adapt to changes. Therefore, it is extremely important to foster workers' capacity for learning new skills, and for the transferring of skills to other industries.

#### **5. Financial Support for Local SMEs**

- A number of mechanisms based on different conditions address SMEs

and micro-enterprises' difficulties in accessing to finance. For financing micro-enterprises, it usually requires the building of microfinance institutions and the provision of micro-credit to enable them to access to finance. For startups, developing local networks of business angels can resolve some of the financial problems faced by them. Mutual credit guarantee associations and local credit unions are also suitable institutional arrangements for smaller local markets.

- SME credit guarantee fund is a mechanism to provide financial support for local SMEs. The objectives of an SME credit guarantee fund can be: 1. To help SMEs secure financing by offering credit guarantees; 2. To help SMEs overcome the difficulties that they experience when applying for loans due to the inability to provide sufficient collateral; 3. To enhance financial institutions' willingness to extend loans to SMEs; 4. To support other agencies' efforts to expand their provision of assistance to SMEs.
- Local authorities can provide incentives and cooperate with different kinds of financial institutions to supply capital to local SMEs and micro-enterprises. Working with relevant local consultancy agencies to help SMEs establish sound financial and accounting systems constitutes an important measure that local authorities can take to increase SMEs' capacity to access to finance.

## **6. Marketing Strategy for Local Products**

- In many localities, marketing strategy is mainly concerned with how to sell local specialty products, particularly local cultural goods. Traditional local cultural industries may still be using outdated marketing methods, which may cause these industries to go into decline. Policies to revitalize local cultural industries by innovative and modern marketing skills can help them to regain market advantage. These policies also aim to prevent businesses with cultural and historical value from disappearing due to the impact of globalization.
- The products of local cultural industries are an expression of local culture and art, which are often attractive to foreign buyers and therefore have high export potential. Nevertheless, most producers in local cultural

industries are micro-enterprises and have difficulties selling their products overseas. The development of e-commerce is an important strategy that can help them to expand into overseas markets at a relatively low cost. Before this goal is achieved, the digital divide will need to be narrowed, and additional Internet infrastructure may also need to be constructed.

- To overcome disadvantages of limited size and resources, local cultural businesses can employ a number of strategies to build cooperative relationships so that they can extend their market reach. These strategies include marketing partnerships with businesses in the local cultural industry, as well as other kinds of businesses that can benefit from partnering with the industry. These partners can work together to establish an association or some form of network to jointly promote their products. Local authorities and associations can launch innovative promotional activities such as OVOP/OTOP, to gain wider exposure for their products.

## **7. Building Partnerships for Local Development**

- Local development depends to a large degree on a partnership between public agencies, businesses and the non-government sector. This partnership facilitates coordination and cooperation, benefiting not only community building, but also business operation. Local partners from the private sector can help exploit local opportunities and tailor policy and strategy to local needs.
- The core of local partnership is a mechanism to correctly organize and coordinate the different resources and efforts of different stakeholders. Planning and implementation are carried out according to their respective abilities and strengths. During this process, it is important to form cooperative networks and develop mutual trust.
- Due to the lack of institutionalization, the partnership for local development often suffers from instability. It is therefore suggested that local governments should take the lead in the building of a more stable and formal mechanism to help give the partnership an institutional basis and the capacity to design and implement development plans.



- The concept of the partnership for local development is closely linked to corporate social responsibility (CSR). In line with the philosophy of CSR, companies are willing to dedicate themselves to establishing local partnerships, strengthening local capacity building, protecting environment, and even contributing funds for local development. Awareness of the importance of CSR among business enterprises is an important precondition for incorporating businesses into the partnership for local development. Building this awareness is an area where local government has a major role to play.