



APEC SME Innovation Seminar
(Effective Implementation and Assessment of SME Innovation Policy, SME01/2009A)

SME Working Group
August 25 - 28, 2009, Seoul, Korea



Asia-Pacific
Economic Cooperation

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of SME Innovation Policy, SME01/2009A)

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SME01/2009A
Produced for
Asia Pacific Economic Cooperation Secretariat
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Small and Medium
Business Administration



Small & medium
Business Corporation



**Asia-Pacific
Economic Cooperation**

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**SME Working Group
September, 2009**

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Welcome Message

Dear APEC delegates,

It is a great pleasure to welcome you to *the 2009 APEC SME Innovation Seminar*. We are delighted to organize this seminar and recognize its important role in sharing SME Policies and their best practices in the APEC region.

The seminar, under the theme of Innovation in SME Financing and Marketing, aims to invite SME working group members, government officials, and researchers to exchange perspectives on SME policies and successful cases during the global economic crisis. Many participants will bring diverse experiences and backgrounds, and this will provide an excellent opportunity for you to see your policies and cases from different angles.

I hope this seminar will be a meaningful and memorable experience for all of you.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Ki Woo Lee". The signature is written in a cursive, flowing style.

Ki Woo Lee
President
Small and medium Business Corporation

Agenda

August 25 (Tuesday)	
09:30~10:00	Registration
10:00~10:20	Opening Remarks , Ki Woo Lee, President, SBC Welcoming Address , Jin Hyeong Kim, Director General, SMBA
Session I	Keynote Presentations
10:20~11:00	Survival Strategies for SMEs in the Global Economic Crisis Heon-Deok Yoon, Professor, Soongsil University
11:00~11:40	Financial Policies for SMEs in Korea Chong-ook Rhee, Professor, Seoul Women's University
11:40~12:00	Introduction of APEC SME Innovation Center and SME Support Programs in Korea Hyun Suk Shim, General Manager, APEC SME Innovation Center, SBC
12:00~13:30	Networking Lunch
Session II	Financial Support for Innovative SMEs
13:30~13:45	Support for SMEs : Incentive and Innovation Mr. Juan Ladron De Guevara, Head of Innovation Policy, Ministry of Economy, Chile
13:45~14:00	Government's Support to SMEs during the Global Financial Crisis Ms. Belinda Kwan, Assistant Director-General, Trade and Industry Department, Hong Kong, China
14:00~14:15	Current Status and Direction of SME Policies in Japan Mr. Masao Uno, Director, SME Agency, Ministry of Economy, Trade and Industry, Japan
14:15~14:30	Q&A
14:30~14:45	Break
14:45~15:00	Financial Support for Innovative SMEs Mr. Liu Yuan Chao, Officer, SME Department, Ministry of Industry and Information Technology, China
15:00~15:15	Financial Support for Innovative SMEs Mr. Wachira Kaewkor, Director, Office of Small and Medium Enterprise Promotion, Ministry of Industry, Thailand
15:15~15:25	Q&A
15:25~15:45	Break
Session III	Establishing a Market-based Economic Environment
15:45~16:00	Establishing a Market-based Economic Environment Ms. Wen-Ling SU, Director, Small & Medium Enterprise Administration, Chinese Taipei

16:00~16:15	A Whole Movement for the Competitiveness of the SME's in Mexico(I) Mr. Ivan Ornelas, Director of International Relations, Ministry of Economy, Mexico
16:15~16:30	A Whole Movement for the Competitiveness of the SME's in Mexico(II) Ms. Rocio Vazquez, Deputy Director of International Relations, Ministry of Economy, Mexico
16:30~16:45	Q&A
18:00~19:30	Welcome Dinner
August 26 (Wednesday)	
Session IV	Successful Cases of SME Innovation
09:30~09:45	Successful Global Logistics Standards and Best Practices Implementation on Peruvian SMEs Ms. Mary Wong, Deputy General Manager, GS1 Peru & CITE Logistica (Technological Innovation Center in Logistics), Peru
09:45~10:00	The Role of Technological Innovation Centers Mr. Luis Francis Rosa-Perez Tuesta, Innovation Projects Specialist, Ministry of Production, Peru
10:00~10:15	Innovation: The Only Way Moving SMEs up the Value Chain Ms. Fadzilah Ahmad Din, Director, SME Corporation Malaysia (SME Corp), Malaysia
10:15~10:30	High Growth and Survival of Government Funded SMEs with Venture Capital Dr. Denys G.T. Cooper, Consultant, Canada
10:30~10:45	Q&A
10:45~11:00	Break
11:00~11:15	Promoting Innovation and Growth in SMEs Mr. Michael Bird, Director, Ministry of Economic Development, New Zealand
11:15~11:30	Overcoming the Declining Competitiveness through SME Innovation Dr. Totok Hari, Deputy Assistant for Technology Policy Assessment, Agency for the Assessment and Application of Technology (BPPT), Indonesia
11:30~11:45	The Laguna CLEEP (Comprehensive Livelihood and Emergency Employment Program) Experience Ms. Marilou Quinco-Toledo, Regional Director, Department of Trade and Industry, the Philippines
11:45~12:00	Innovation through Cooperation(The Davao Industry Cluster Experience) Ms. Marizon Loreto, Regional Director, Department of Trade and Industry, the Philippines
12:00~12:20	Q&A
12:40~14:00	Lunch(O' Kim's Brauhaus)
Session V	Overcoming the Economic Crisis Through SME Innovation

14:00~14:15	Sustaining Malaysian SME's Presence in the Global Market During Challenging Times Mr. Radihisham Ismail, Assistant Manager, Malaysia External Trade Development Corporation(MATRADE), Malaysia
14:15~14:30	Government's Support to SMEs during the Global Financial Crisis Mr. I-Wayan Dipta, Deputy Minister, Ministry for Cooperative and SME, Indonesia
14:30~14:45	Policies to Strengthen Vietnamese SME Capacity in the Global Economic Crisis Mr. Trang Pham Thi Hong, Official, Ministry of Planning and Investment, Viet Nam
14:45~15:00	Q&A
15:00~15:15	Break
Session VI	Korean SME Policy
15:15~17:30	SME Promotion Policy Changes and its Performances during Korea's Economic Development Hyun-Bong Yang Ph.D., Research Fellow, KIET
August 27(Thursday)	
Session VII	Assessment Framework for the SME Innovation Action Plan(SME IAPS)
09:30~12:00	Presentation and Discussion: Assessment Framework for the Daegu Initiative on SME IAPs Jun Sok Yang, Professor Catholic University, Korea
13:30~14:30	Lunch (Small Business Training Institute)
Session VIII	Study Visit
14:30~15:30	Introduction of SBTI and Tour
16:00~17:00	Study Visit to SMEs : Daemo Engineering (Breakers, Crusher)
19:00~20:30	Dinner (Korean Traditional Restaurant)
August 28 (Friday)	
Session IX	SME Policies and Success Cases in Korea
10:00~11:00	Meet the Innovation Champions Hee-sook Bae, Chairperson, Korea Venture Business Women's Association (CEO, ENARUTNT) Seungho Han, Chairperson, Innobiz Association (CEO, Handsel Green Co., Ltd.)
11:10~13:30	Networking and Lunch with Government Officials in Charge of SME policy, SME entrepreneurs, SME associations, and commercial attaches of APEC member economies' embassies in Korea

Participants

	Country	Name	Position	Organization
1	Canada	Denys Cooper	Consultant	Former Director of Strategic Alliance for the Industrial Research Assistance Program
2	Chile	Juan Ladron De Guevara	Head of Innovation Policy	Ministry of Economy
3	China	Liu Yuan Chao	Officer	SME Department, Ministry of Industry and Information Technology
4		Liu Yan Dong	Director	SME Department, Ministry of Industry and Information Technology
5	Chinese Taipei	Wen-Ling Su	Director	Small & Medium Enterprise Administration
6	Hong Kong	Belinda Kwan	Assistant Director-General	Trade and Industry Department
7	Indonesia	I-Wayan Dipta	Deputy Minister	Ministry for Cooperative and SME
8		Totok Hari Wibowo	Deputy Assistant for Technology Policy Assessment	Agency for the Assessment and Application of Technology (BPPT)
9	Japan	Masao Uno	Director	SME Agency, Ministry of Economy, Trade and Industry
10	Malaysia	Fadzilah Ahmad Din	Director	SME Corporation Malaysia (SME Corp)
11		Radihisham Ismail	Assistant Manager	Malaysia External Trade Development Corporation (MATRADE)
12	Mexico	Ivan Ornelas	Director of International Relations	Ministry of Economy
13		Rocio Vazquez	Deputy Director of International Relations	Ministry of Economy
14	New Zealand	Michael Bird	Director	Ministry of Economic Development

	Country	Name	Position	Organization
15	Peru	Mary Wong	Deputy General Manager & Executive Director	Peru & Cite Logistica (Technological Innovation Center in Logistics)
16		Luis Francisco Rosa-Perez Tuesta	Innovation Project Specialist	Ministry of Production
17	Philippines	Marilou Quinco-Toledo	Regional Director	Department of Trade and Industry
18	Philippines	Marizon Loreto	Regional Director	Department of Trade and Industry
19	Thailand	Wachira Kaewkor	Director	Office of Small and Medium Enterprise Promotion, Ministry of Industry
20		Athavee Komolkanchana	Management Officer	Office of Small and Medium Enterprise Promotion, Ministry of Industry
21	Viet Nam	Trang Pham Thi Hong	Official	Ministry of Planning and Investment

SESSION I

Keynote Presentations

SMEs Survival Strategy at the Time of Crisis

Prof. Heon Deok Yoon
Soongsil University

- With the international economic outlook looking grim, nations around the world are seeking to revitalize the economy through creating jobs and developing new growth engines.
- Businesses moved aggressively to raise cash and reduce costs, slashing or postponing all manner of operating expenses, R&D, and capital-spending plans.

- The economy plunged into a serious recession.
- The government policy response to the crisis has been breathtaking in its scale; *doing too much rather than too little.*

But the real question is
what's next?

Innovation and Entrepreneurship

- The way out of the doom and gloom of '70s and the end of '90 in Korea was a wave of technology innovation that spurred a generation of company formation, job creation, productivity gains, wealth accumulation, and GDP growth.
- Today's opportunities are just as big if not bigger.

- Many recent innovations in technology have a transforming impact on the environment for SMEs and entrepreneurship.
- Technological innovations would continue to have a major impact in the next decade and beyond.

- The impact of technological innovation on SMEs has revolved around increased capabilities;
 - cost of the new capabilities
 - effect on productivity
 - impact on economies of scale
 - cost of access to the new technologies
 - impact on the way firms can operate

- The transcendent technological innovation over the last decade has made a major impact on what SMEs can do, how they do it, and the efficiency with which they do it, and it has allowed many small firms to compete more effectively with larger businesses.

- Technological innovation generally improves the flexibility, the capability, and the opportunity of SMEs to form, serve, and compete in new and existing markets.
- Technological innovation would be a major positive influence over the next decade and beyond and would improve the viability and competitiveness of SMEs.

Importance of Innovation

- Most competitive business environment
- Amount of innovation is breathtaking
- Diversity of business opportunities
- Innovate ahead, not only to prosper but to survive
- Vital challenge is to create an environment that nourishes innovation

New Paradigm for Competition

- Fundamental changes in the structure of industry, and new industries emerge
- Need for an adjustment of concepts for action, so that industrial production and innovation processes may be organized efficiently.

● To defend or develop market positions, SMEs must prepare themselves in particular for the following;

- 1) Capacity for product innovation and product differentiation
- 2) Capacity for process innovation

3) Conscious structuring of the division of labor and the quality of the industrial environment

4) Necessary radical reorganization of all flows of goods and services

5) Ability to act strategically on the basis of information

- The application of all parameters of competition under growing pressure of time
- None of the parameters of competition singled out is new.

- Schumpeter pointed out,
“What distinguishes dynamic enterprises from the rest is not only constant product and process innovations, but equally their efforts to improve traditional concepts of production and organization.”

- Growing inadequacy of one-dimensional competition strategies
- Greater need in the future for the combined or coordinated use of numerous parameters of competition, with the time factor regarded as a critical dimension

Productive Innovation for Competition

- According to Peter Drucker, the innovation arises from discipline more than imagination.
- What distinguishes the outstanding competitors from the rest comes from two basic principles;
 - Consistent innovation
 - Create value for their customers and potential customers.

1. Begin with the Right Mind-Set

- To sharpen an organization's receptivity to change, several ingredients are essential.
- First and foremost, top management must be deeply and personally involved in the process.
- Innovative companies are led by innovative leaders. Innovative leaders aren't necessarily creative, idea-driven people.
- But they welcome change because they're convinced that their competitive survival depends on innovation.

2. Restructuring the Organization

- The structures, processes, and people can cut off the generation of good ideas and can block their movement through the business system.
- Excessive layering kills ideas before senior managers ever consider them quickly.
- Need to get around organizational roadblocks like these

- Most successful innovations require four key inputs, according to Pearson :
 - *Champion* who believes that the new idea is really critical and who will keep pushing ahead.
 - *Sponsor* who is high up enough in the organization to marshal its resources
 - *Mix* of bright, creative minds and experienced operators
 - *Process* that moves ideas through the system

3. Focused Approach

- Once the entire organization is committed to stepping up the pace of innovation, we have to decide where to direct our efforts.
- Successful innovators usually have a pretty clear idea of the kind of competitive edge they're seeking.

4. Finding Good and Concrete Ideas

- Good ideas most often flow from the process of taking a hard look at customers, competitors, and business all at once.
- In looking for ways to innovate, we should consider the following:
 - What's already working in the marketplace that we can improve on as well as expand
 - How we can segment markets differently and gain a competitive advantage in the process
 - How our business system compare with competitors'

Managing Innovation

- Innovation requires careful, dedicated, and enthusiastic attention to detail, by all kinds of people in the organization.
- To be innovative requires the freedom to act
- People who lead innovative organizations encourage processes that inspire people and foster teamwork.

Creating Culture for Innovation

To support innovation, the culture must encourage, *fast approvals, open communication, cooperation* instead of combat across internal units, *tolerance for uncertainty, and faith in people to try new things.*

- Innovation is hard to predict, may occur anywhere, and *require multiple experiments.*
- Organizations should encourage *innovation all the time, everywhere.*
- Strategy for innovation involves activity at three levels; at the base, in the middle, at the peak

- A culture for change does not mean doing everything *perfectly*; it means doing everything quickly, learning from it, then doing it *differently*.
- *Culture creates the stable environment in which innovation can flourish. But there are two aspects to culture: creating it, and sustaining it*

Innovative Leadership

- Technological innovation gradually diffusing outward and downward
- The massive increase in *individual empowerment* made possible over the last decade, first by telecommunications and then by computing,
- As people demand *greater customization* of product, their relationship with their suppliers becomes more one-to-one than ever before.
- Corporations are already preparing to establish thousands of *individual relationships with their customers*

- It becomes imperative to enfranchise corporate individuals
- Corporations that do not respond to the new obligation to release power outward will find themselves rejected in the marketplace.
- The demand for simultaneity and flexibility in the new dynamic business environment

- In this new world of personal empowerment, the visionary leader acting as mentors rather than commanders.
- The successful company must innovate ahead, not only to prosper but to survive.
- That is why today's vital challenge for companies and leaders is to create an environment that nourishes innovation.

Korea Policy Support for SME Financing

Professor Chong Ook Rhee
Seoul Women's University
Department of Economics

(Former President of The Korean Association of Small Business Studies, member of FKI's Financial institution improvement committee, member of monetary studies in BOK, member of SMBC's Management Advise Committee)

*This paper is prepared for **APEC SME Innovation Seminar** held in Seoul, August 2009 .

Contents

1. Introduction
2. Share of SMEs in Korean Economy
 - (1) SMEs' Classification in Korea
 - (2) SMEs' Share in Selected Countries
 - (3) SMEs' position in Korean total industry
 - (4) Korean SMEs' Size distribution and longevity
 - (5) SMEs' position in Korean Manufacturing industry
 - (6) The Contribution of SMEs' Manufacturing Industry to the Development of Korean Economy
3. SMEs' Constraints for Growth
4. Korea Policy Support System for SME Financing
5. Korean Financial Institutions' Interest Rate Range and The Need of Policy Support
6. Policy Support Composition of Korean SMEs' Access to Financing
7. Korea Small and Medium Business Corporation's Role To SMEs' Financing

Terminology

- Korea Small and Medium Business Corporation(SMBC)
- KODIT(Korea Credit Guarantee Fund)
- KIBO (Kibo Technology Fund- Korea Technology Guarantee Fund)
- Korea Regional Credit Guarantee Foundation
(example: Seoul Credit Guarantee Foundation; Kyunggi Credit Guarantee Foundation)
- (Korea Federation of Credit Guarantee Foundations is the credit re-guarantee organization of 16 regional credit guarantee foundations)
- small commercial and industrial trader
- small firms

1. Introduction

- ◆ Business growth is the key factor in increasing per capita GDP.
- ◆ It is well known that every business starts with a few employee. Hence small firms act as a base for the growth of big firms and national economy
- ◆ Every country has tried to push the entrepreneurship to establish start-ups and venture firms.
- ◆ However, risky nature of the venture firms makes it difficult for start-up entrepreneurs to obtain necessary funding through the market
- ◆ If a policy is to improve the financial stance of SME, it should correct market failure and expand the market frontier.

- ◆ SME of both developing and developed countries have obstacles for SMEs' financing. The obstacles depend on the degree of development in both financial market and economy, the industrial structure, culture, politics, etc.
- ◆ Hence every country has to establish their unique financial support for SMEs to complement her financial market failure. As part of the support, the institution has provided screening, consulting and minimal financing to make successful entrepreneur .
- ◆ The ultimate goal of policy is to expand the potential economic growth by making successful business.
- ◆ This lecture introduces Korea's SME policy mechanisms for and why it is necessary for the economic growth and entrepreneurship.

2. Share of SMEs in Korean Economy

(1) SMEs ' Classification in Korea

– Three types of SMEs are classified only by the number of regular employee .

Korea				Japan		
Types of SMEs	Small commercial and industrial Firm	Small firm	Medium firm	Types of SMEs	Small and Medium firm	Small firm
minjng	less than 10 employee	less than 50 employee	50 to 299 employee	Manufacturing and other industries	Employee less than 300 or capital less than 300million yen	less than 20 employee
manufacturing						
transport						
construction				Wholesale	Employee less than 100 or capital less than 100million yen	
Utilities (electricity, Gas, Water)	less than 5 employee	less than 10 employee	10 to 199 employee	Retail	Employee less than 50 or Capital less than 50million yen	less than 5 employee
retail, wholesale, other service			10 to 299 employee	Service	Employee less than 100 or capital less than 50 million yen	

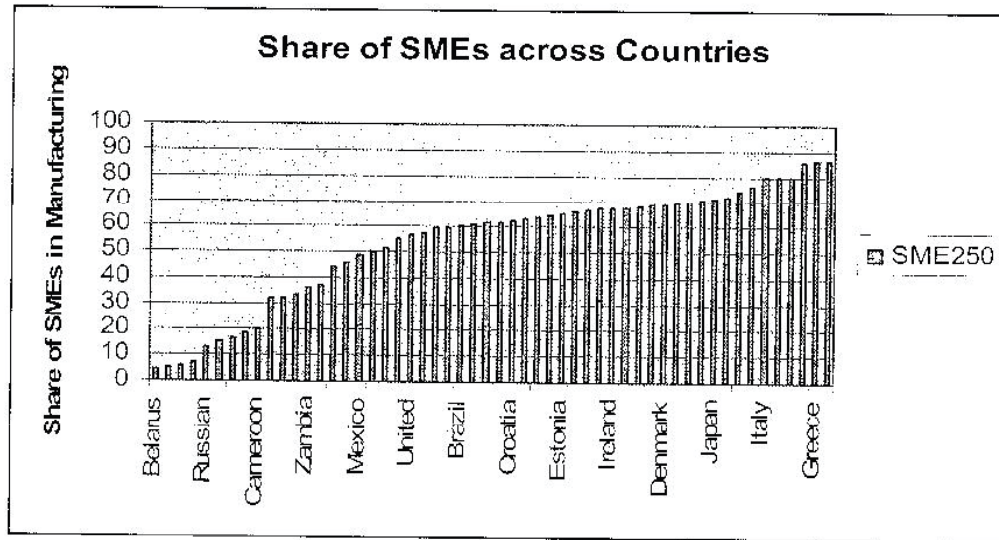
Korean SMEs' Criteria before 2008 year

Category	Less than 300 employee Or 8 billion won capital	Less than 300 employee Or 3 billion won capital	Less than 300 employee Or 30 billion won sale	Less than 200 employee Or 20 billion won sale	Less than 100 employee Or 10 billion won sale	Less than 50 employee Or 5 billion won sale	
industry	Manufacturing	Mining, Construction Three types in Transport	8 types of industries including Big total retail, Hotel, Communication, Media, Information process, etc.	12 types of industries including electricity, gas, water, on-line sale, etc.	7 types of wholesale, natural science R&D, performing art, news supply, etc.	the others	6 categories

(2) SMEs 's Share in Selected Countries

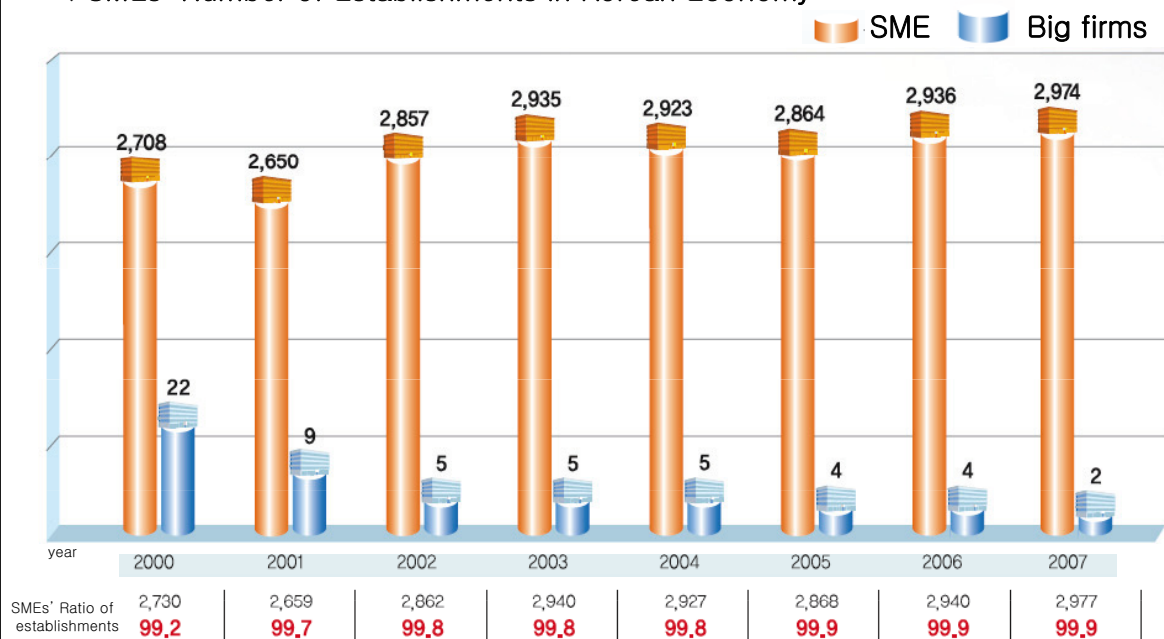
Cou ntry	USA (2004)	Japan (2004)	EU (2004)	Taiwan (2006)	Korea (2006)
Ratio Of SMEs' Establishments	99.7%	99.2%	99.8%	97.7%	99.9%
Ratio of SMEs' employee	50.9%	79.4%	69.7%	76.6%	88%
Number of big firms	17,000	45,600	40,000	28,400	4,266

Share of SMEs across Nations

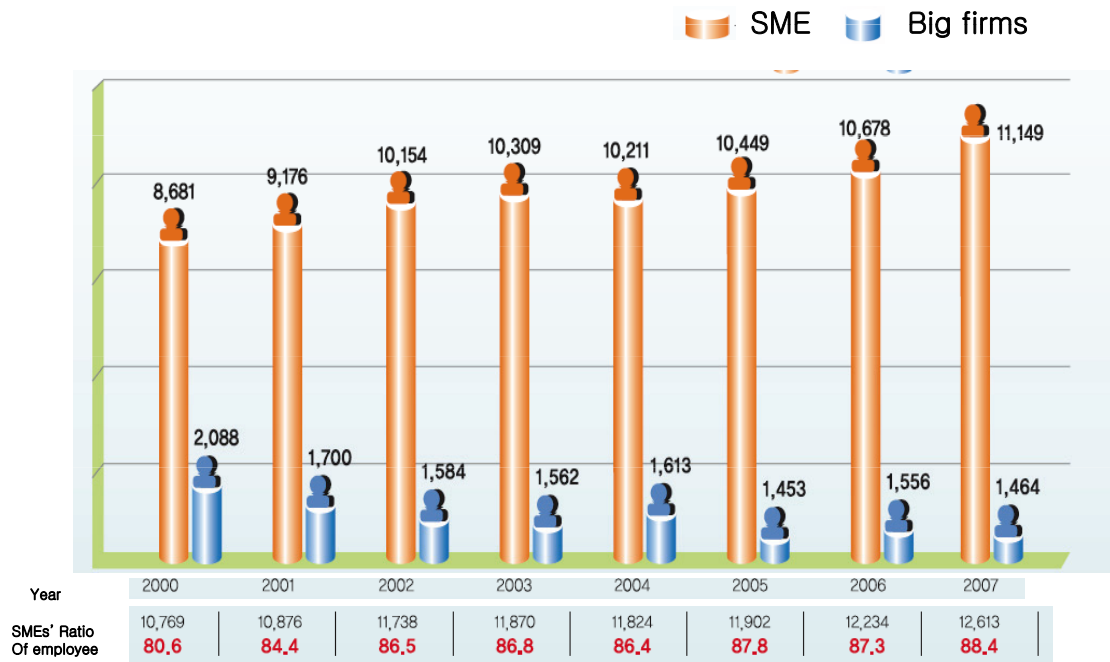


(3) SMEs' position in Korean total industry

◆ SMEs' Number of Establishments in Korean Economy



◆ SMEs' Employee in Korean Economy



(4) Korean SMEs' Size distribution and longevity

- There are large number of establishments with less than 5 employee.
- Establishments with less than 50 employee occupy above 90% in every industry.

The Number of establishments by the Number of Employee

Classification	Less than 5	Less than 10 employee	Less than 50	50~99	100 ~199	200~299	More than 300	Total
Total	2,583	2847.2	2999.9	13.2	5.8	1.6	1515	3022
	85.5	94.2	99.3	0.4	0.2	0.1	0.0	
manufacturing	215.7	277.3	330	5.5	2.3	0.6	653	339.1
	63.6	81.8	97.4	1.6	0.7	0.2	0.2	11.22
Construction	50.9	71	87.8	1.3	0.5	0.2	90	860.3
	5.9	79.1	97.7	1.4	0.6	0.2	0.2	28.47
transport	325.2	332.3	338.7	1.2	0.85	0.17	73	341
	95.4	97.5	99.4	0.3	0.2	0.1	0.0	11.28
Wholesale and retail trade	777.7	833.2	858.1	1.3	0.6	0.2	90	860.3
	90.4	96.9	99.7	0.2	0.1	0.0	0.0	28.47
Lodging and food services	559.7	606.3	616.88	0.4	0.09	0.03	33	617.6
	90.6	98.2	99.9	0.1	0.0	0.0	0.0	20.44
Finance and insurance	5.91	6.96	8.67	0.24	0.08	0.03	58	9.07
	64.9	76.8	95.7	2.6	0.8	0.3	0.6	0.3
Real estate and rent	95.0	100.5	103.8	0.2	0.06	0.02	11	104.2
	91.2	96.4	99.6	0.2	0.1	0.0	0.0	3.448
Business service	50.9	70.1	82.9	1.8	0.9	0.3	402	86.3
	59.0	81.2	96.1	2.1	1.0	0.4	0.5	2.856
Education service	85.5	100.8	108.6	0.3	0.06	0.01	3	109.1
	78.4	92.4	99.6	0.3	0.1	0.0	0.0	3.61
Amusements, performing arts, and sports	114.0	117.9	119.63	0.23	0.14	0.03	12	120
	95.0	98.3	99.8	0.2	0.1	0.0	0.0	3.971
Others, public repairs, personal service	255.1	266	272.49	0.3	0.08	0.01	5	273
	93.4	97.5	99.9	0.1	0.0	0.0	0.0	9.033

(note) the unit of employee is 1000 person.

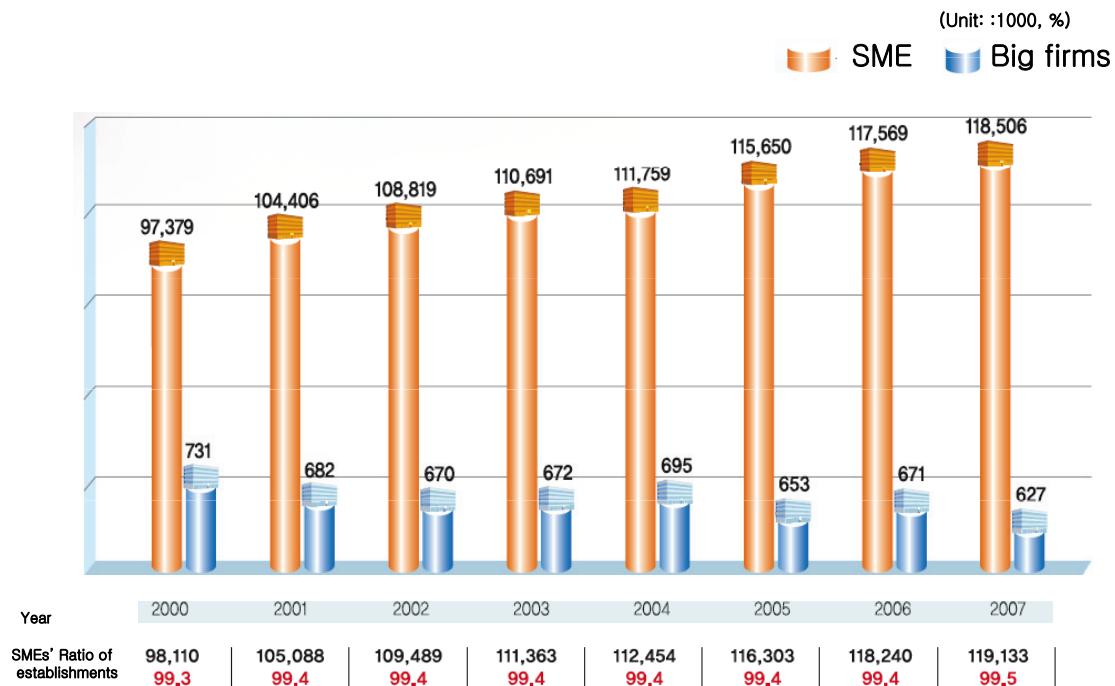
Classification (2006년)	Firm size	Total	Less than 5 year (%)	5 to less than 10 year	10 - less than 15 year	15 - less than 20 year	20- less than 25 year	25- less than 30 year	30 or more year	Average Longevity (year)
Total	SME	3,017,787	47.4	27.7	12.0	6.3	3.3	1.8	1.5	7.2
	Big firm	4,266	27.4	26.0	12.9	10.2	6.3	4.1	13.1	13.5
Manufacturing	SME	338,496	32.5	31.9	16.5	9.5	4.6	2.4	2.6	9.4
	Big firm	653	8.1	16.5	9.6	11.3	12.1	7.2	35.1	23.7
construction	SME	89,697	41.1	33.2	14.6	7.0	2.2	1.1	0.9	7.5
	Big firm	150	5.3	14.7	18.7	21.3	8.7	10.0	21.3	20.6
Transport	SME	340,950	36.9	33.0	13.0	8.8	4.7	2.8	0.9	8.4
	Big firm	88	8.0	13.6	8.0	10.2	3.4	8.0	48.9	26
Wholesale and retail	SME	859,667	42.8	27.4	13.3	7.5	4.3	2.4	2.4	8.2
	Big firm	603	27.4	27.7	13.6	10.6	5.1	4.3	11.3	12.9
Lodging and food service	SME	617,210	62.0	24.0	8.4	3.0	1.4	0.7	0.5	5
	Big firm	356	51.4	26.4	7.3	3.9	4.5	2.8	3.7	7.3
Finance and insurance	SME	8,678	54.1	25.2	8.7	5.0	3.5	1.7	1.9	6.8
	Big firm	397	32.5	26.4	11.3	6.8	3.3	2.3	17.4	13.9
Real estate and rent	SME	103,863	65.0	20.2	6.1	4.1	2.7	1.1	0.9	5.3
	Big firm	288	42.7	21.5	13.9	10.1	4.2	1.7	5.9	9.3
Business service	SME	85,602	46.2	30.8	12.2	5.1	2.6	1.6	1.6	7.1
	Big firm	689	23.7	30.2	16.8	13.8	6.4	3.2	6.0	11.7
Education service	SME	108,704	61.1	24.4	9.1	3.3	1.3	0.5	0.3	5.1
	Big firm	372	32.3	38.4	15.6	6.7	3.8	1.9	1.3	8.2
Amusement, performing art, sports	SME	119,796	67.2	23.6	6.3	1.7	0.6	0.3	0.2	4.3
	Big firm	219	28.8	24.7	11.4	16.4	7.8	5.0	5.9	11.7

(5) SMEs' position in Korean Manufacturing industry

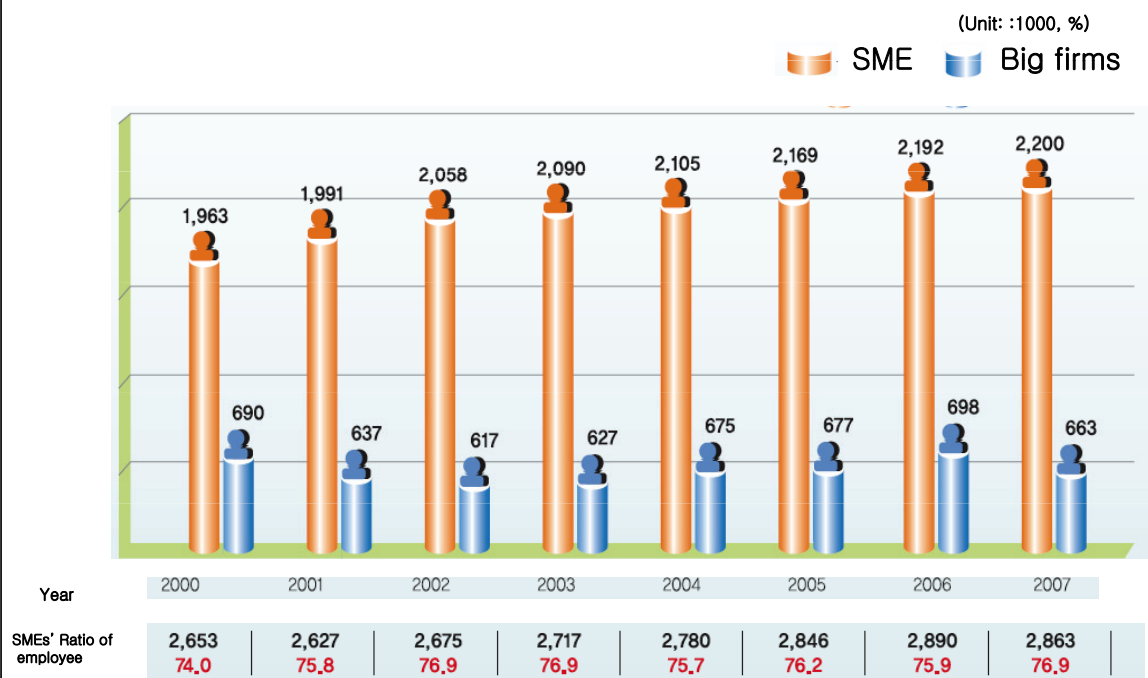
The SMEs' share in the Korea's manufacturing sector (5 employee or more)

=> The job creation capacity per establishment is the highest in the manufacturing sector.

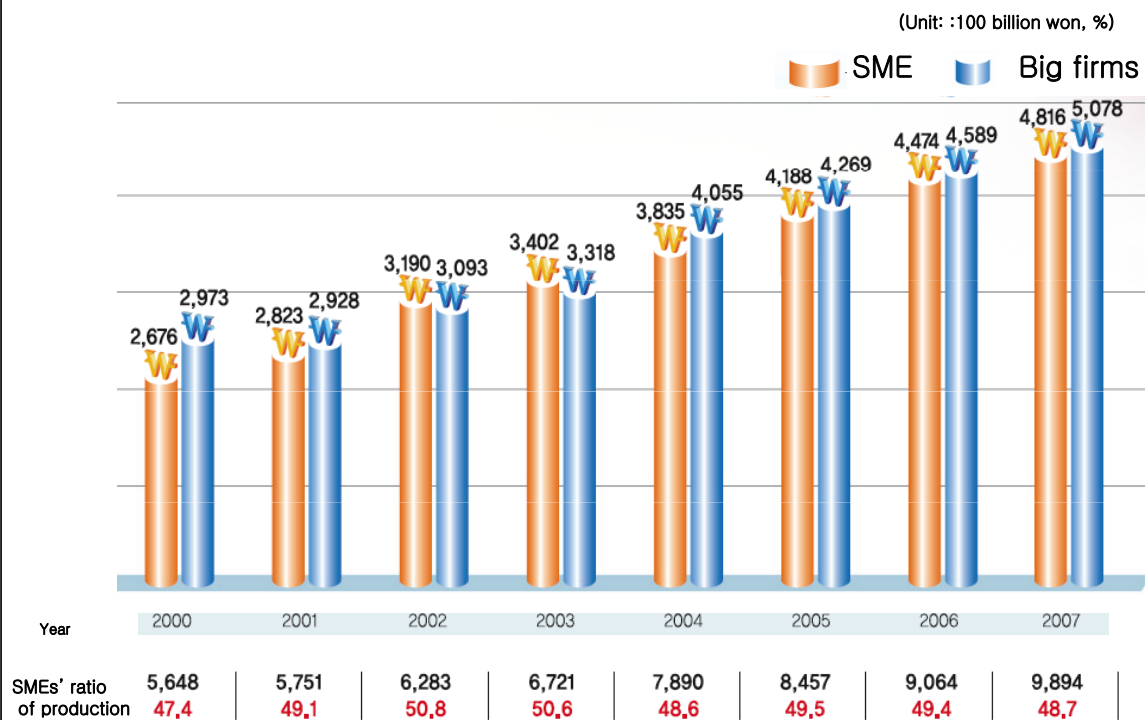
◆ The number of manufacturing establishments in Korean Economy (5 employee or more)



◆ The number of manufacturing employee in Korean Economy(5 employee or more)



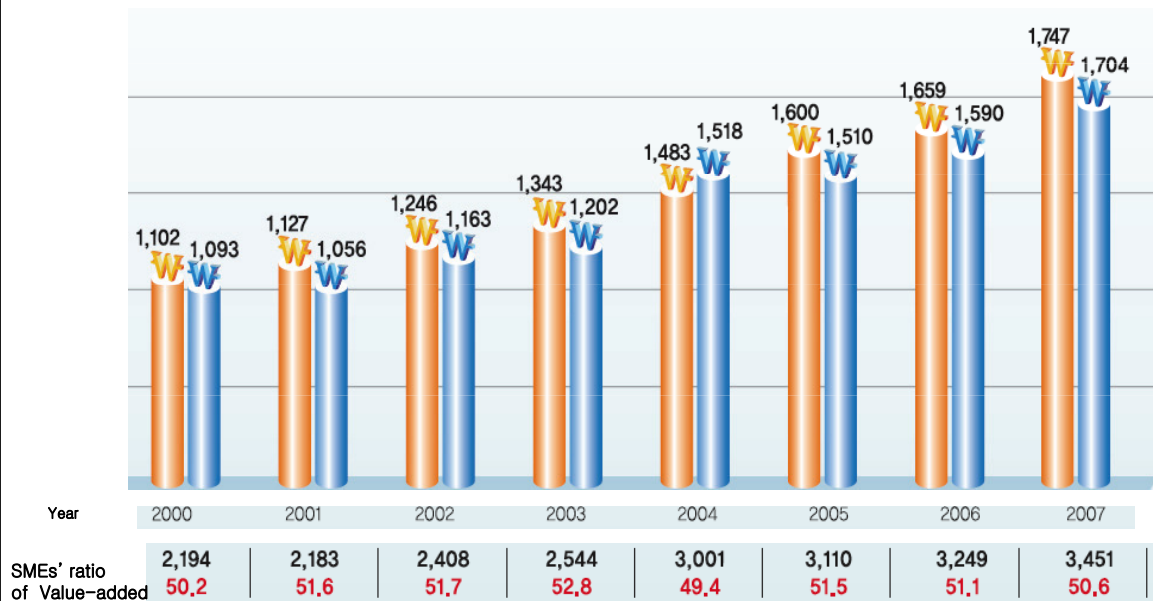
◆ Manufacturing production in Korean Economy(5 employee or more)



◆ Manufacturing Value-added in Korean Economy(5 employee or more)

(Unit: :100 billion won, %)

SME Big firms

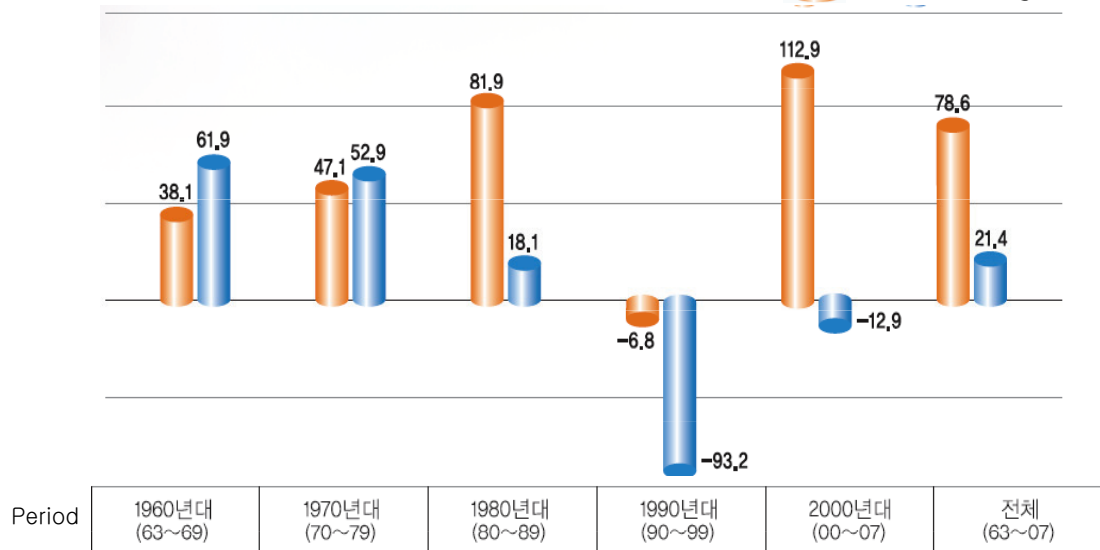


(6) The Contribution of SMEs' Manufacturing Industry to the Development of Korean Economy

◆The Contribution of SMEs ' manufacturing industry to the employment

(Unit: : %)

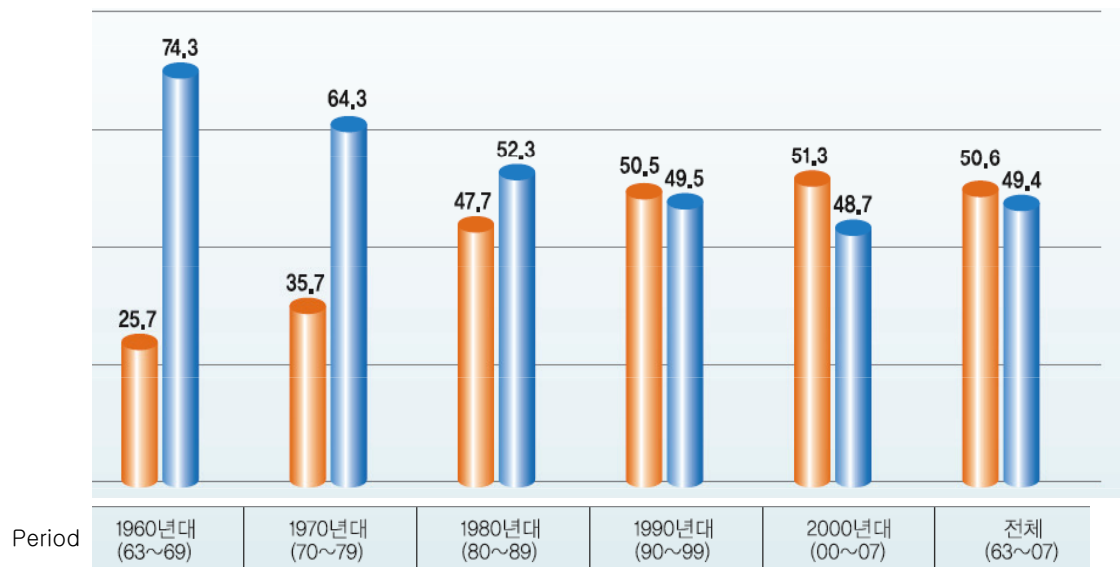
SME Big firms



◆ The Contribution of SMEs' manufacturing industry to the value-added

(Unit: %)

■ SME ■ Big firms

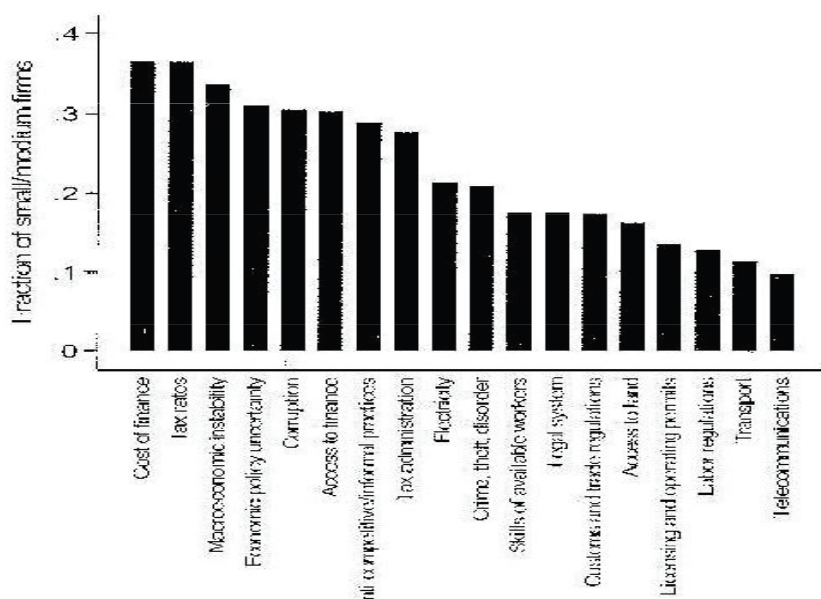


3. SMEs' Constraints for Growth

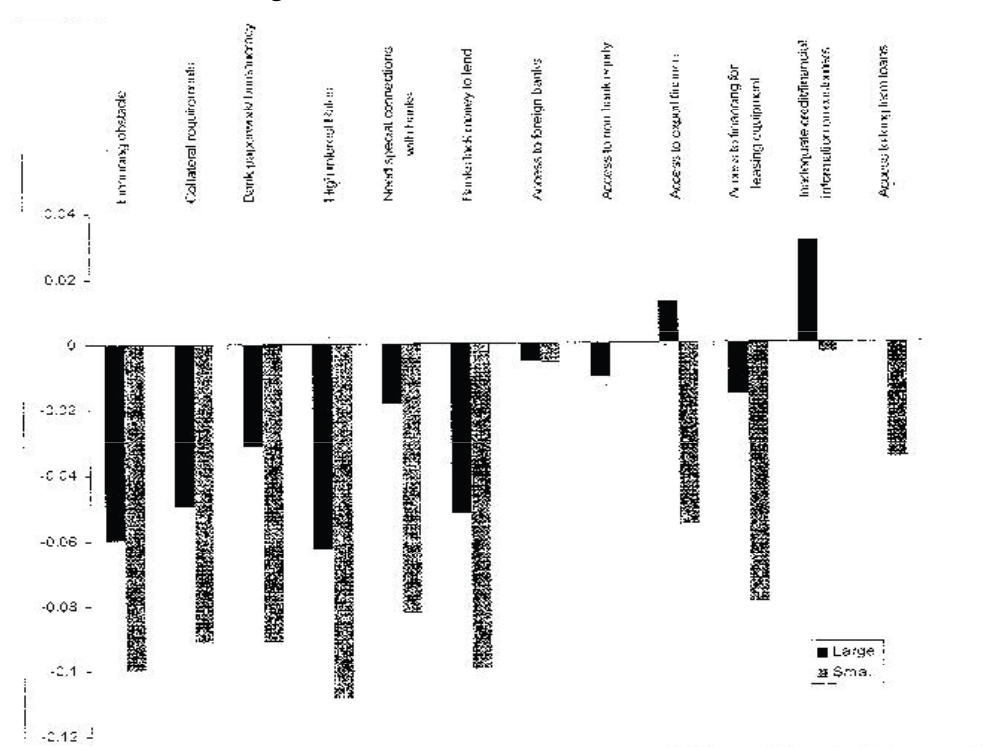
- ◆ Beck(2007) makes following observation from the World Bank's Enterprise Survey on growth constraint of SMEs:

crucial constraints are the financial factors such as cost of finance and access to finance as shown in the next graph.

◆ Growth constraints reported by small and medium-size enterprises (Beck, 2007)



◆ Growth effects of financing obstacles across firms of different sizes (Beck, Demirgüç-Kunt and Maksimovic, 2005)



Three facts that constrain business are:

- (1) financial difficulties have a far greater effect on the growth rate of the smaller firms than that of the larger firms
- (2) the difference between small and large firms is bigger for some specific financing obstacles, as collateral requirements, bank paperwork, interest rate payments, the need for special connections and bank's lack of lending resources.
- (3) the lack of access to specific forms of financing such as export, leasing and long-term finance is more constraining both for small firms' growth and for large firms' growth

⇒ These show the need for government's financial support for SMEs.

U.S.A. SMEs' Obstacles : SSBF 1998 and 2003

단위: %

problem	1998				2003			
	9 or fewer	10 – 49	50–99	100– 499	9 or fewer	10 – 49	50 – 99	100 – 499
Taxes	7.2	5.5	2.8	4	5.4	6.1	1.5	2.9
Inflation	0.4	0.4	0.3	0.3	1.9	3.7	2.9	2.2
Poor sales	7.6	6.5	7.6	7.1	20.9	13.7	15.4	12.3
Financing and interest rates	6.9	6.7	4.2	3.2	6.5	3.5	3	1.5
Labor cost	3.2	6.2	14.8	9.7	1.2	1.9	4.1	2.6
Government regulation and red tape	6.9	6	7.4	8.9	4.1	4.9	8.2	5
Competitions from larger firms	11	12.6	9.7	15.6	3.3	4.5	5.1	4
Quality of labor	10.2	23.7	25.6	24.4	4.8	15.3	13.8	15.1
Cost and availability of insurance	2.3	2.5	0.3	0.1	8.5	14.9	13.7	14.6
other	44.3	29.9	27.4	26.7	43.4	31.5	32.3	39.8

자료: Bitler, et al(2001); Mach and Wolken(2006)

Constraints and Determinants for Korean SMEs' Business By 2000 Survey

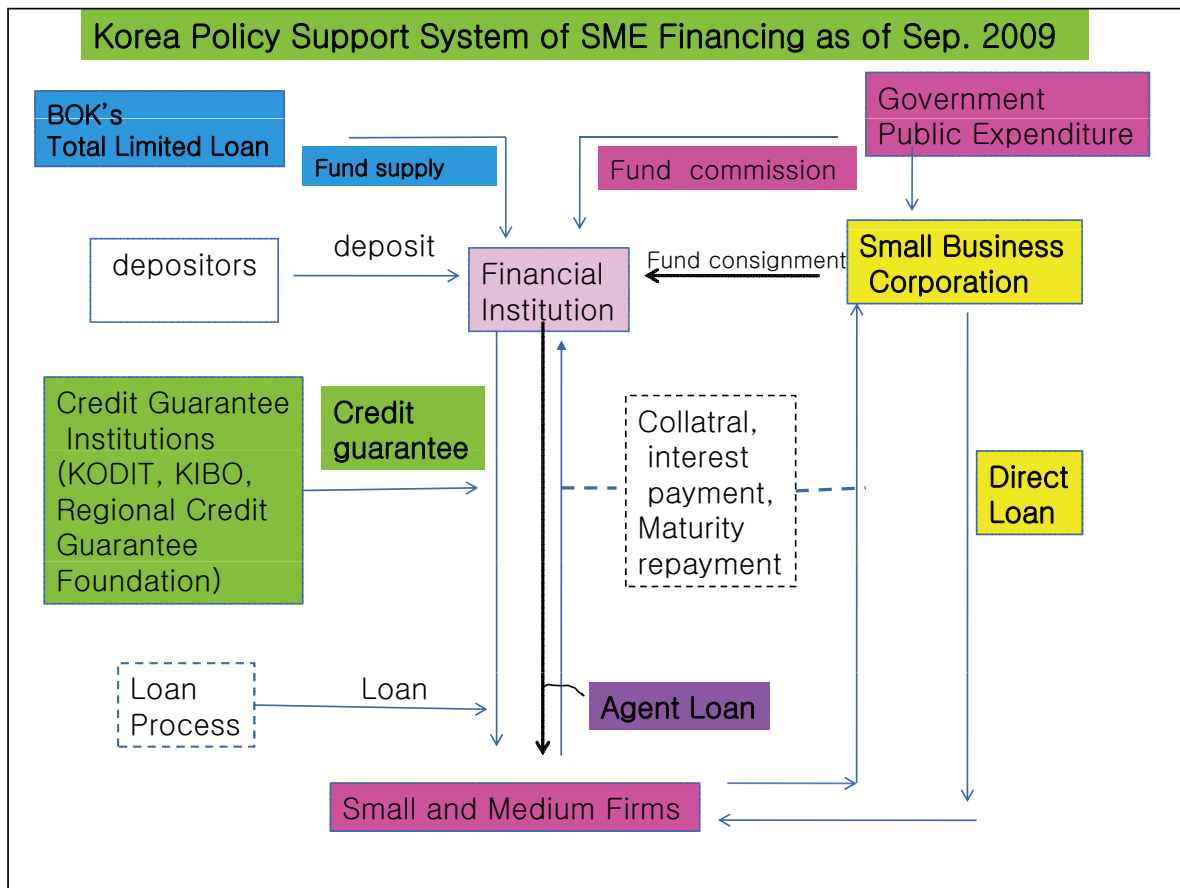
constraints to business		factors to affect business	
financing	24.4	price of raw materials	40.5
labor shortage	21.6	labor cost	19.0
sales	17.5	exchange rate	16.9
raw materials purchase	12.0	interest rate	12.9
technology innovation	10.9	price level	5.7
other	13.6	other	5.0

Survey on the access to external finance

year	so good(%)	relatively good(%)	so-so (%)	worse(%)	much worse (%)
1990		15.7	39.8	18.2	13
1995		6.4	24.9	53.2	15.5
1997	0.6	11.2	22.2	47.1	18.9
1998	2.1	20.9	22	37.7	17.3
1999	3.4	44.3	32.1	16.6	3.6
2000	0.8	23.4	35.3	33.3	7.2
2001	1.8	22	35.3	35.7	5.2
2002	2.3	23.9	44.1	27.4	2.3
2003	0.5	7.8	32.2	47.5	12
2004	0.7	9.1	29.3	49.3	11.6
2005	0.4	12.3	34.8	42	10.4
2006	1.1	11.8	41.2	37.8	8.1

4. Korea Policy Support System for SME Financing

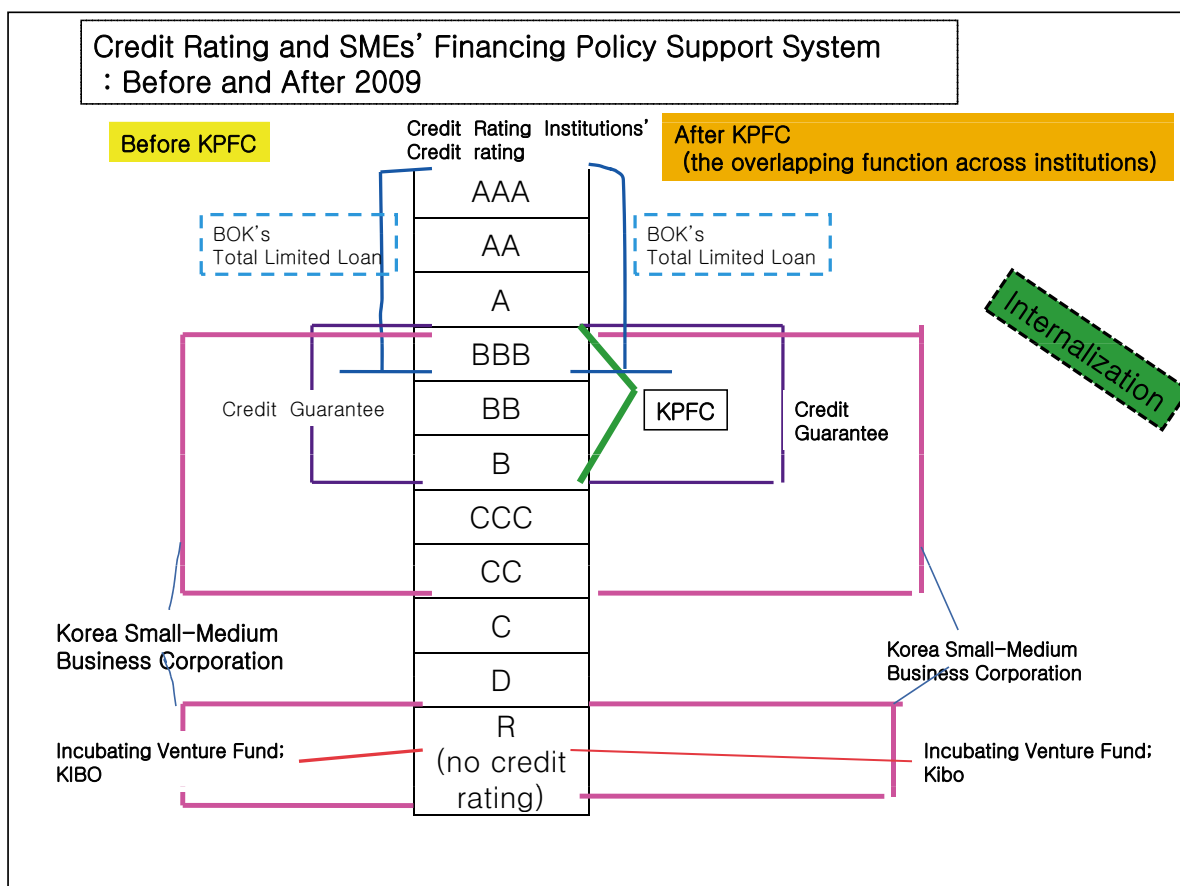
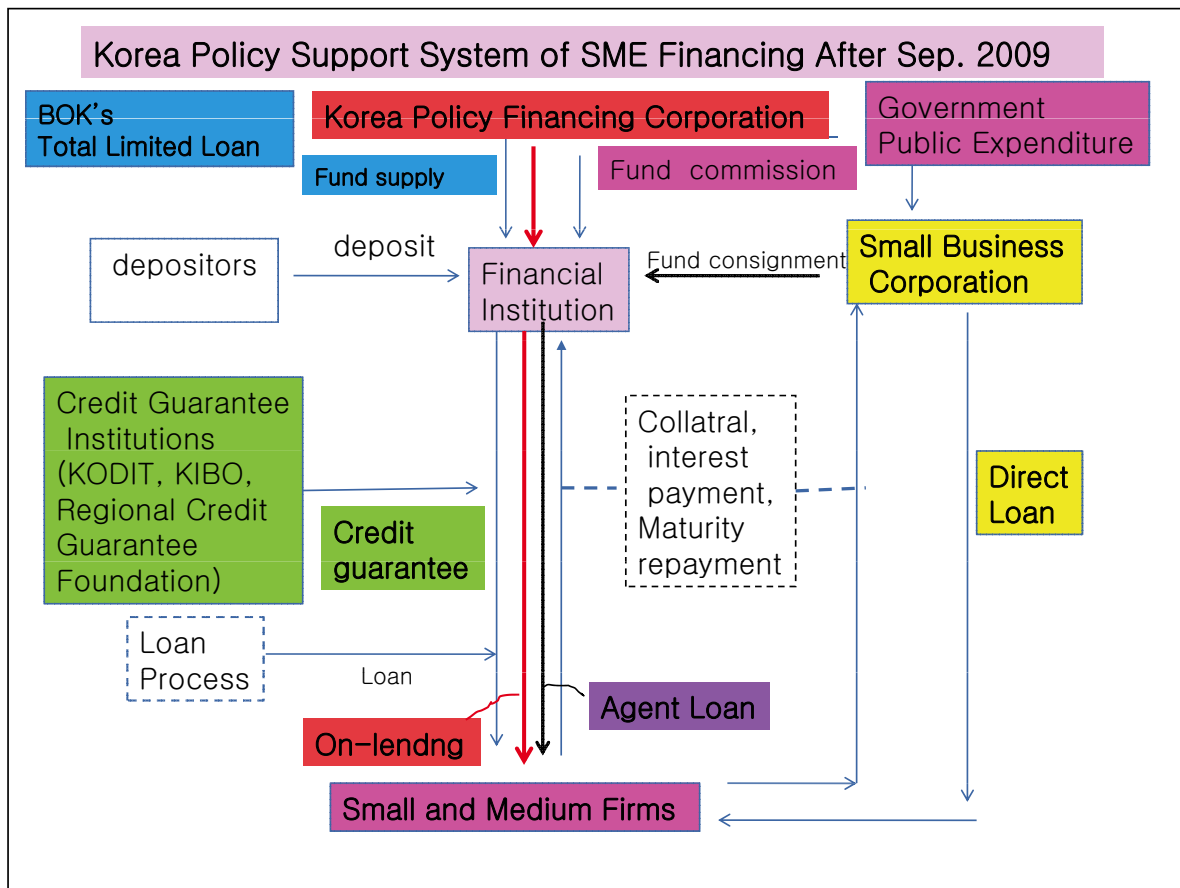
- ◆ SMEs' policy support financing system in Korea has been working through SMBC's loan, 3 guarantee institutions, and BOK's total limited loan.



◆ Korea policy support system for SMEs Financing will be changed after Sep. 2009

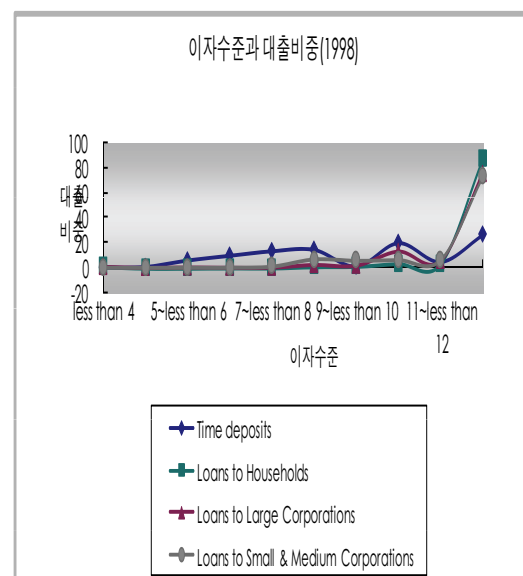
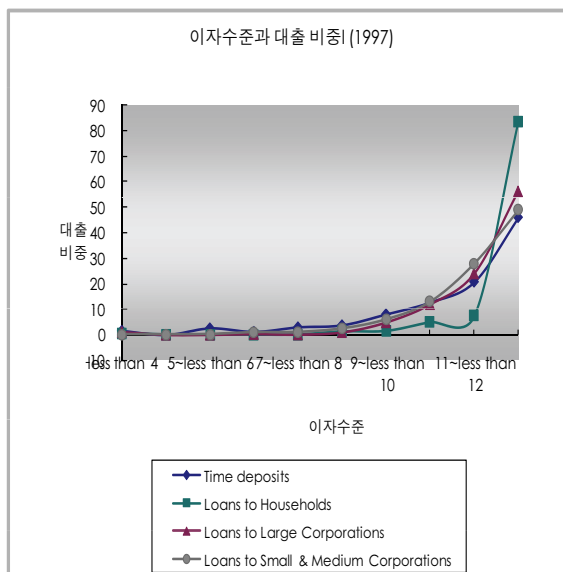
* The Law on Korea Policy Financing Corporation(KPFC) is enacted on June, 2009

- The Korea Development Bank is divided into Commercial Bank (the name of bank is not decided) and Korea Policy Financing Corporation(KPFC) through privatization
- > KPFC can play a powerful role under the Financial Supervision Commission.
- Law allows KPFC to do a wide scope of financing including SMEs' policy support system.
- > According to the government officials, the main purpose of KPFC is on-lending.

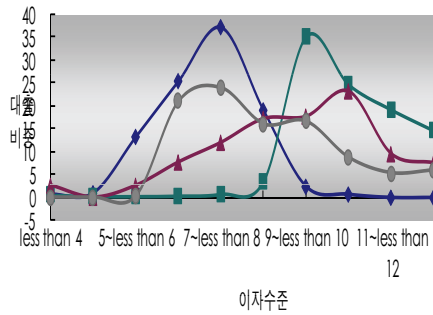


5. Korean Financial Institutions' Interest Rate Range and The Need of Policy Support

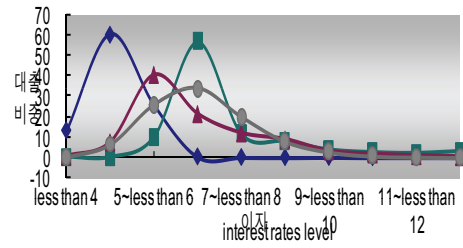
- ◆ Korean financial institution's interest rate range highlights the need of government's financial support.
 - The following graph shows the range of interest rate that SMEs with investment credit rating face
 - Many start-up or venture firms with no or less than investment credit rating does not have an access to bank loans.



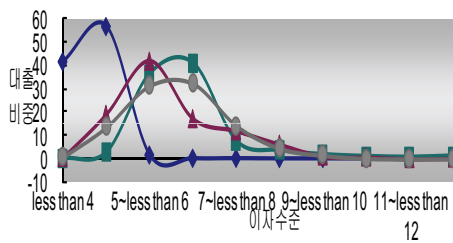
이자수준과 대출비중(1999)



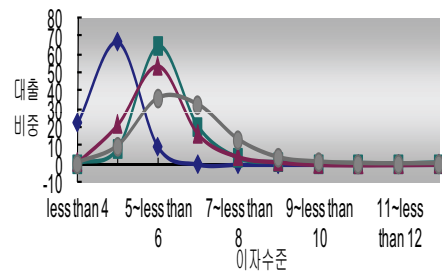
이자수준과 대출비중(2002)



이자수준과 대출비중 (2003)



이자수준과 대출비중(2006)



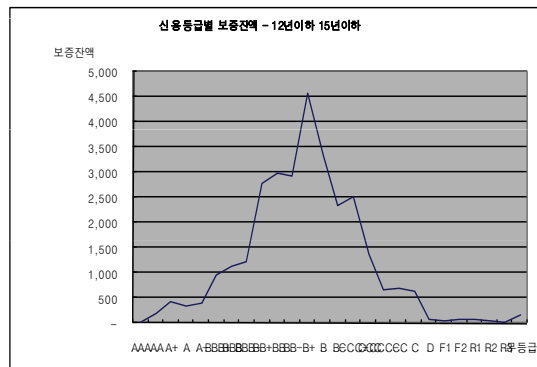
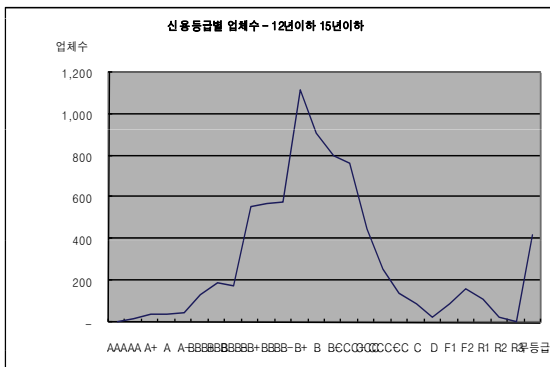
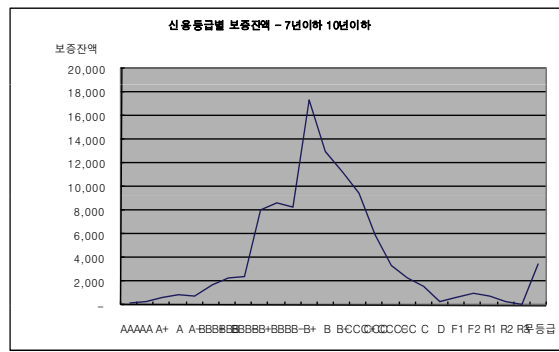
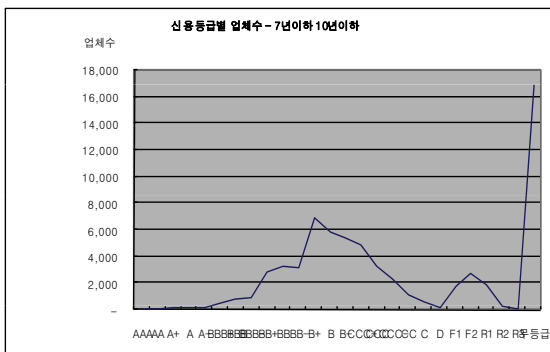
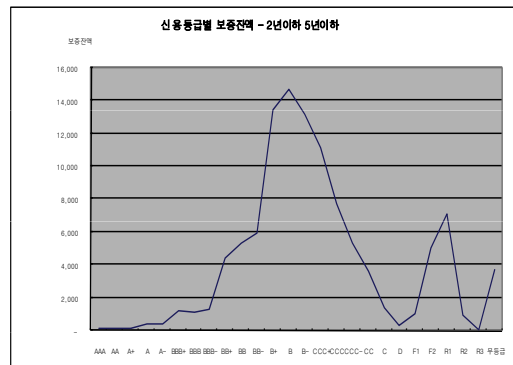
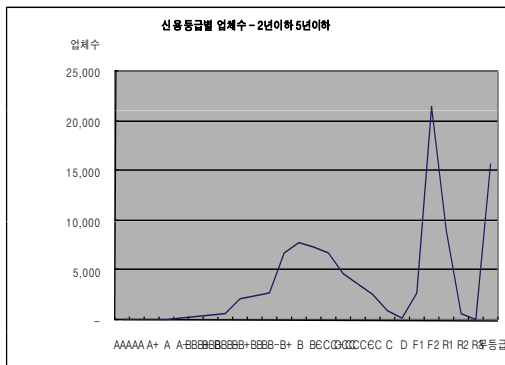
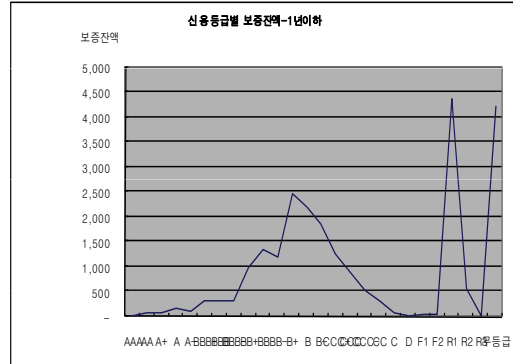
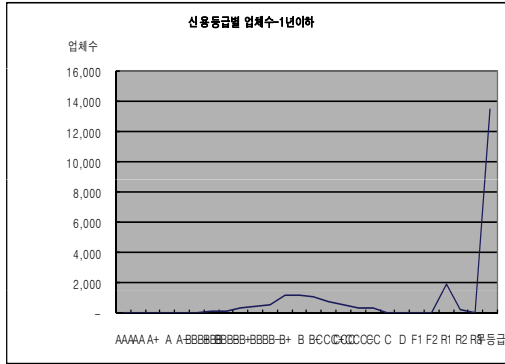
◆ Supporting financial policy is needed for start-up or venture SMEs which have no credit rating and hence have no access to bank loan.

⇒ For how long should financial lifeline be sustained?

(Case Study from KODIT's Data)

- This data shows how long it takes for start-up firm (with no credit rating) to reach an investment rating

⇒ Graph suggests that it takes at least 5 to 7 years for firm to reach the investment rating but interviews show that it may take up to 10 years.



6. Policy Support Composition of Korean SMEs' Access to Financing

- ◆ Policy support have two functions to solve market failure in financial markets:
 1. helps firms with credit rating less than the minimum that is required to access bank loans
 2. supplies direct loan to promising firms (by SMBC standard) that are rejected from other financial institutions. These firms have a high chance of going down, but this is a role of government under market failure.

◆ Korean SMEs' External Financing Composition*

(unit : %)

	Bank	Policy support fund	Non-bank	equity	Corporate bond	Private bond	Foreign borrowing
2000	66.2	24.4	2.6	2.2	0.6	2.5	1.5
2001	69.0	25.0	2.0	1.4	1.0	1.1	0.5
2002	70.7	23.4	3.1	0.3	0.2	1.9	0.4
2003	73.2	19.4	3.4	0.5	0.3	2.1	0.9
2004	72.7	19.8	3.3	0.6	0.3	3.1	0.2
2005	72.2	22.7	2.8	0.0	0.3	1.3	0.8
2006	71.9	24.8	1.5	0.3	0.4	0.9	0.2

* Policy support fund such as Ministry of Knowledge and Economy and Small Business Administration, including SBC's direct loan; non-bank institutions refer to Saving Bank, Community Credit Cooperatives (MG), Merchant Bank, Insurance, etc.

Banks' loan to SMEs

(unit: trillion won, %)

	2000	2001	2002	2003	2004	2005	2006
Nationwide commercial banks (7 banks)	80.1 (61.5)	89.6 (61.8)	118.2 (64.0)	140.6 (59.1)	138.4 (56.8)	137.8 (53.7)	163.3 (54.1)
Local banks (6 banks)	13.2 (10.1)	14.4 (9.9)	17.5 (9.5)	20.2 (8.5)	22.6 (9.3)	25.0 (9.7)	30.3 (10.0)
Specialized banks (4)	37.0 (28.4)	41.0 (28.3)	49.0 (26.5)	76.9 (32.4)	82.7 (33.9)	93.7 (36.5)	108.2 (35.9)
Total	130.2 (100.0)	145.0 (100.0)	184.7 (100.0)	237.7 (100.0)	243.7 (100.0)	256.5 (100.0)	301.8 (100.0)

Note: () denotes the ration of SMEs' loan to total loan
Source: Financial Supervision

◆ Bank's Industrial and Household Loan

(unit: trillion won)

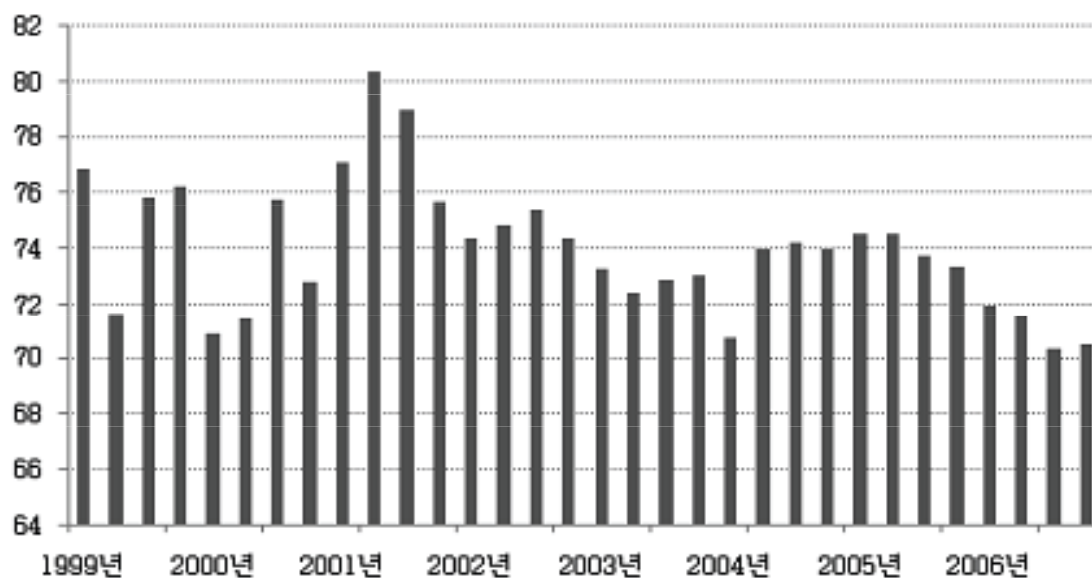
	2002	2003	2004	2005	2006	2007(1~10)	'07.October stock
Industrial loan	46.0	19.8	3.8	15.0	42.2	67.7	385.3
(SMEs)	41.1	28.2	6.9	11.0	43.5	60.5	350.7
(Big Firm)	5.0	-7.8	-3.1	3.9	-1.3	7.2	34.5
Household Loan	63.1	29.8	22.5	29.4	40.9	14.8	360.4
(mortgage guarantee)	45.7	21.7	16.4	20.3	27.0	2.9	219.9

Note: loan includes trust account , but Korea Development Bank is not included.

Source: Bank of Korea

◆ ratio of Less than 1 year maturity Loan to SMEs' loan by Bank

(unit : %)



External Financing Conditions from Financial Institutions

(unit: %)

	Real estate collateral	Credit guarantee	Deposit collateral	Joint and several surety	Pure Credit	Bank payment guarantee
2000	50.9	26.6	8.4	4.7	7.0	2.4
2001	46.9	27.8	8.5	5.6	9.4	1.8
2002	50.9	28.0	7.1	3.9	8.2	1.9
2003	42.5	30.0	7.5	4.2	13.1	2.7
2004	42.0	30.4	10.0	3.3	11.9	2.4
2005	43.3	30.1	7.6	3.0	11.7	4.3
2006	46.2	22.9	6.3	3.6	17.2	3.8

Source : Korea federation of small and medium business, "Surveys on SMEs' Financial Use and Obstacles", each year

◆ SMEs' Policy Support for credit guarantee: stock and guarantee recipient firms

(amount unit : 100 million won)

		1998	1999	2000	2001	2002	2003	2004	2005	2006
Kodit	amount	214,542	196,209	202,784	232,672	256,885	283,933	305,148	291,528	285,250
	Number of firms	122,486	196,570	259,405	272,019	267,494	270,886	252,544	223,430	203,512
Kibo	amount	113,402	113,055	124,977	137,448	141,263	144,190	133,766	115,013	111,508
	Number of firms	55,574	65,313	74,215	80,641	89,159	100,363	80,685	67,642	51,659
Regional Credit Guarantee Foundation	amount	2,247	5,594	10,114	15,058	19,326	23,124	26,269	34,133	40,327
	Number of firms	3,050	14,376	29,867	50,076	70,023	89,347	99,688	136,228	164,386
Total	amount	330,191	314,858	337,875	385,178	417,474	451,247	465,183	440,674	437,085
	Number of firms	181,110	276,259	363,487	402,736	426,676	460,596	432,917	427,300	419,557

◆ SMEs' policy support: Korea SMBC's Loan

(amount unit: 100million)

		Application		Actual Policy support	
		Number of case	amount	Number of case	amount
2006	Direct loan	6,697	27,814	3,729	12,173
	Agent loan	2,685	20,451	2,471	15,377
	total	9,382	48,265	6,200	27,550
2007	Direct loan	5,443	22,689	3,224	11,250
	Agent loan	2,947	23,843	2,622	15,963
	total	8,390	46,532	5,846	27,213
2008	Direct loan	5,602	22,297	4,600	14,648
	Agent loan	2,732	20,557	2,993	17,364
	total	8,334	42,854	7,593	32,012
May 2009	Direct loan	9,415	36,239	5,769	15,384
	Agent loan	4,332	28,693	3,767	21,217
	total	13,747	64,932	9,536	36,601

SMBC's Loan to Small Commercial and Industrial firms

(amount unit: 100million)

	2000	2001	2002	2003	2004	2005	2006
Loan supply	17,737	22,197	21,324	26,603	26,265	31,387	28,328
Number of Firms	15,197	20,204	17,877	20,011	19,458	24,775	22,069
Small Commercial and Industrial firms	–	–	12,643	13,914	14,199	18,535	16,300

note: loan supply to Small Commercial and Industrial firms' establishments and improvements
Source: Korea SBA(SMBC Data)

SMBC's loan Supply by employee

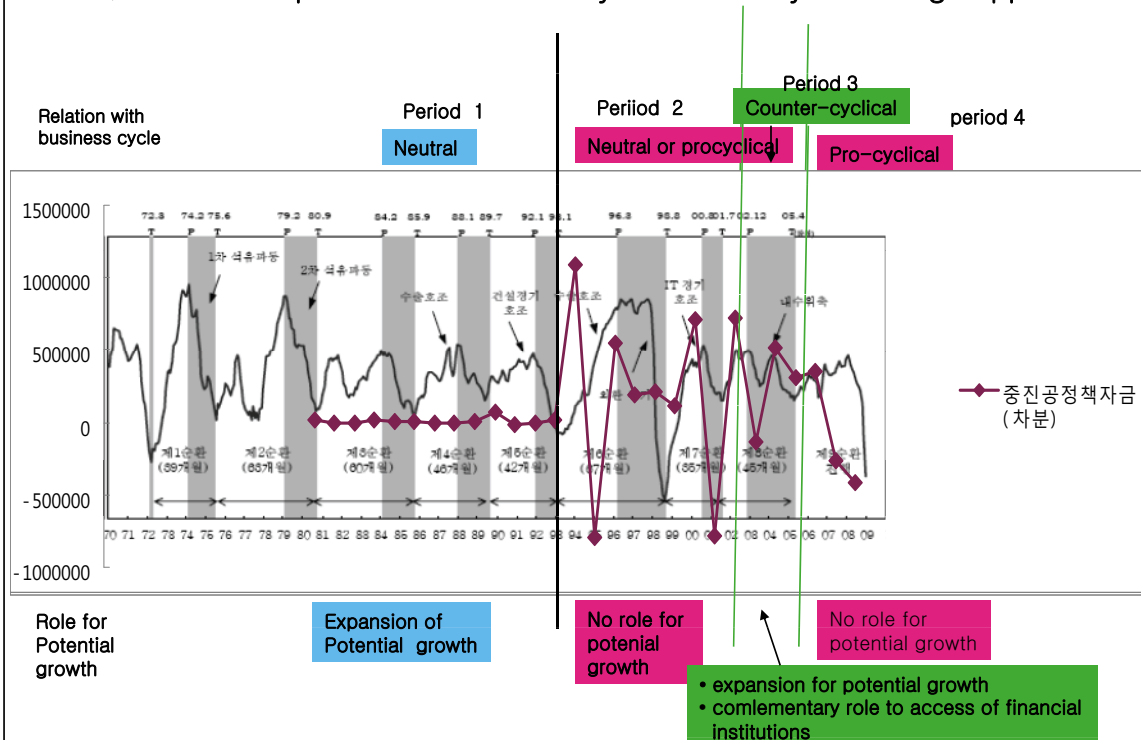
(Amount unit: 100million)

# of employee	2006				2007				2008				May 2009			
	case		amount		case		amount		case		amount		case		amount	
		%		%		%		%		%		%		%		%
5 or less	908	15.7	2,685	11.2	949	16.9	2,830	11.4	1,046	15.8	3,491	13.2	1,251	16.2	2,892	12.1
20 or less	2,262	39.2	7,443	31.1	2,159	38.5	8,211	33.1	2,387	36.0	7,967	30.2	3,250	42.0	8,488	35.4
50 or less	1,633	28.3	7,479	31.2	1,527	27.2	7,412	29.9	1,987	29.9	8,090	30.8	2,113	27.3	7,480	31.2
Sub- total	4,803	83.3	17,607	73.6	4,635	82.6	18,453	74.4	5,420	81.7	19,548	74.2	6,614	85.6	18,860	78.6
100인 이하	614	10.6	3,609	15.1	636	11.3	3,840	15.5	771	11.5	4,020	15.2	734	9.5	3,276	13.7
300인 이하	325	5.6	2,477	10.3	324	5.8	2,335	9.4	430	6.5	2,635	10.0	369	4.8	1,783	7.4
300인 초과	27	0.5	240	1.0	17	0.3	175	0.7	17	0.3	146	0.6	14	0.2	80	0.3
소계	966	16.7	6,326	26.4	977	17.4	6,350	25.6	1,218	18.3	6,801	25.8	1,117	14.4	5,139	21.4
합계	5,769	100	23,933	100	5,612	100	24,803	100	6,638	100	26,349	100	7,731	100	23,999	100

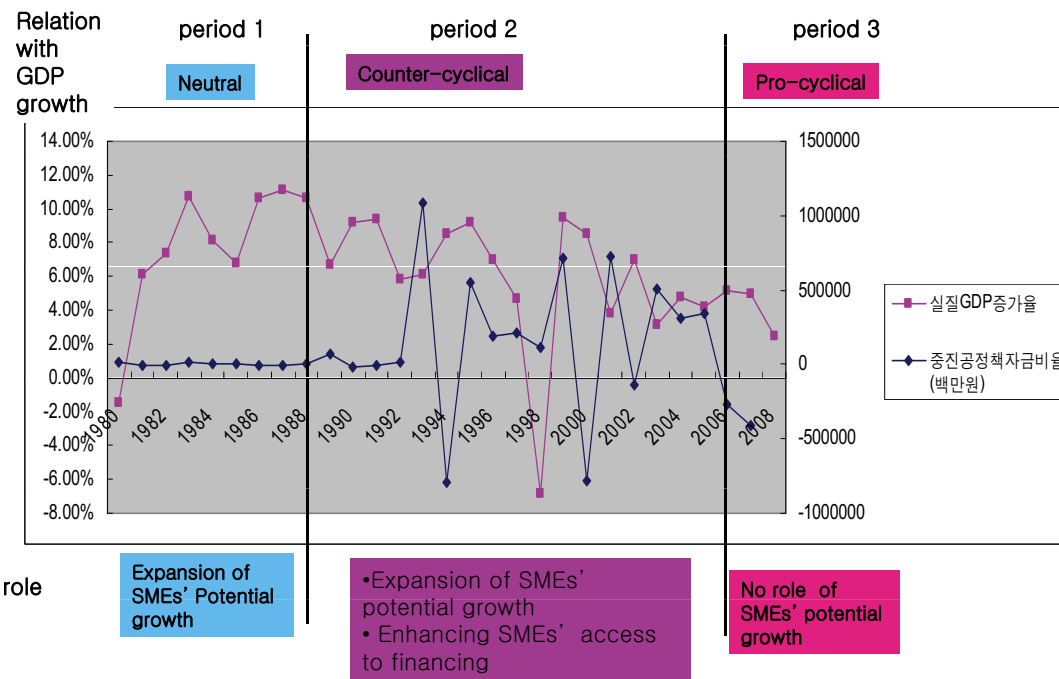
7. Korea Small and Medium Business Corporation's Role in SMEs' Funding

- ◆ SMBC's loan plays crucial role in overcoming the Korean economic crisis
 - Counter-cyclical
 - Provides timely policy support for SMEs' financing
 - Complements market failure

◆ Relationship between Business Cycle and Policy Financing Support



Relationship Between GDP growth rate and SMBC's loan difference



	SMBC's policy support		Credit Guarantee		Banks' loan to SMEs	
	Before 2006	After 2006	Before 2006	After 2006	Before 2004	After 2004
boom	Constant or decline	decline	increase	decline	decline	increase
bust	increase	increase	decline	increase	increase	decline

◆ Timely Support switching and development: History of Policy Support Menu

Policy support financing	Modernization(merged after '79~'89)
	Cooperative production complex('79~present)
	Traditional craftwork industry fostering ('80~'93)
	Agriculture and factory combined complex('84~present)
	Start-up preparation ('84~'94)
	Business switching(old)('88~'94)
	Facilities oversea transfer('88~'94)
	Automation(process improvement)('88~'94)
	Information(base creation)('89~'98)
	Technology Development('89~'94)
	Big firms' business transfer('89~'94)
	Small firms fostering('90~'94)
	Management stability(93)('98~'06) (including specialized management)
	Structural Improvement(Improving facilities)('93~present)
	Knowledge-based service(merged after '93~'04)
	Specialized cooperation('94~'95)
	Technology-combines counseling('94~'95)
	small venture establishments('98~present)
	Commercialization of Developed Technology('00~present)
	Export Financing('01~present)
	Business switching(new)('06~present)
	Trade adjustment('07~present)
	Growth-sharing ('08~present)
	Casualties recovery('04~present)
	Raw and subsidiary materials('04~present)
	capital investment('87~'04)
	ABS(asset-backed securities)('00~present)
	Start-up incubating center('94~present)
	Venture firm certificate('98~present)

Enhancing the structuring and Consulting	Management skill consulting('79~present)
	Oversea technician invitation ('01~present)
	inter-industry exchange('89~present)
	Inter-firm business cooperation('04~present)
	Inno-cafe, Net-work Hub('03~present)
	RIS('04~present)
	Region-specialized leading firms('05~present)
	New product development('97~present)
	Technology development('01~present)
Study and Training	Management-technology study and training('79~present)
International Cooperation and oversea marketing	International cooperation('82~present)
	oversea marketing('98~present)
	south-north cooperation('00~present)
manpower/exhibition	exhibition('98~'04)
	manpower('96~'98)
Information provision	analysis and research('79~present)
	Publication('79~present)
	IT-based management facilities assistance('01~'06)
	E-business('93~present)
	Lottery business('95~'06)

Thanks for your attention

I wish you have happy hour in Korea.

APEC SME INNOVATION CENTER & SME SUPPORT PROGRAMS IN KOREA

Hyun Suk Shim
General Manager of Global Cooperation Department
Small & medium Business Corporation

August 25, Seoul Korea

CONTENTS

1. APEC SMEIC

- Vision and Role
- History
- 2009 Activities



2. SME assistance Program

- Overview of SBC
- Major programs



VISION & ROLE

* Vision

- Promote economic activities and co-prosperity in the APEC region by strengthening the innovation capacity of SMEs

* Role

- Provide workshops and seminars for innovation capacity building
- Develop and disseminate SME innovation models
- Establish cooperative networks for SME innovation



HISTORY

September 2005 – APEC Ministerial Meeting in Daegu adopted the proposal to establish the APEC SME Innovation Center in article 11 of the Joint Ministerial Statement

February 2006 – APEC SMEIC established at the Korea Technology and Information Promotion Agency for SMEs

January 2009 – APEC SMEIC Secretariat transferred to the Small and medium Business Corporation



2009 ACTIVITIES



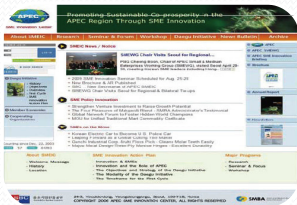
Consulting



Business Matchmaking



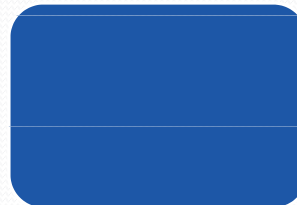
e-Business Cooperation



Innovation Portal



Innovation Briefing



SME Innovation Seminar

2009 ACTIVITIES



★ SME Consulting



< Raphael Legacy Design Inc. >



< SANYO SEIKI STAINLESS STEEL CORPORATION >

- Dispatch management and technology specialists to SMEs of APEC member economies
- Provide customized solutions based on on-site diagnosis and consulting utilizing “Comprehensive Diagnosis Tool” of SBC

2009 ACTIVITIES

★ SME Business Matchmaking



- Organize face-to-face business meetings in key fields to generate practical cooperation benefits among APEC member economies

2009 ACTIVITIES

★ SME e-Business Cooperation

- Provide a platform for e-business and information sharing through the linking of relevant APEC member websites

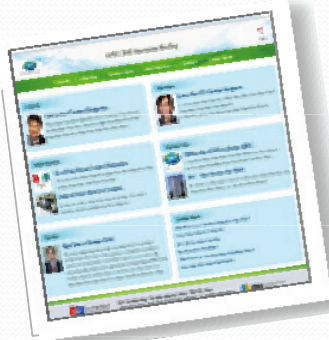


2009 ACTIVITIES



* SMEIC Website Innovation

- Provide information on innovation activities of SMEs in APEC region through the APEC SMEIC portal (www.apec-smeic.org)



* APEC SME Innovation Briefing

- Publish semiannual newsletter and disseminated through webmail to APEC SMEWG members.

OVERVIEW OF SBC

* Who we are

- Non-profit government agency

* What we do

- Effectively implement government policies and programs for the sound growth and development of SMEs
- Provide a wide range of services including finance, consulting, training, marketing and international cooperation

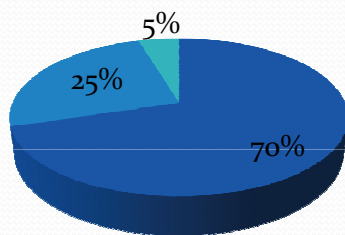
* Employees : 761

* Budget(2009) : US\$ 9.5 Billion



SBC FUNDING & BUDGET

Revenue	
Government Contribution	US\$0.44 billion
Bond Issuing	US\$ 6.67 billion
Repayment, Interest and other income	US\$ 2.39 billion
Total	US\$ 9.5 billion



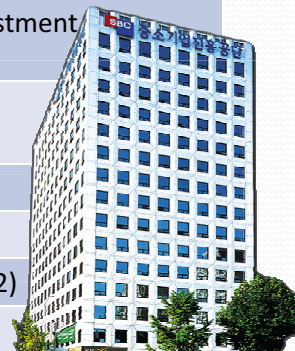
- Bond Issuing
- Repayment, interest and other income
- Government contribution

FY2009 Budget: US\$ 9.5 billion



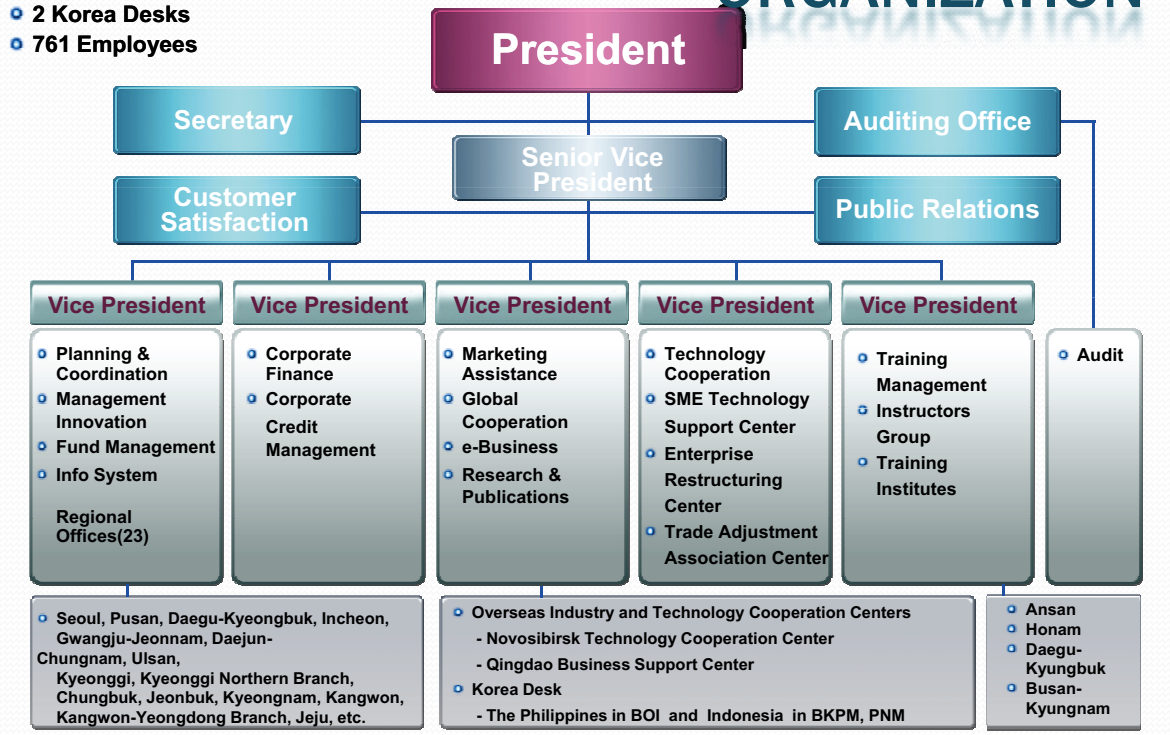
BRIEF HISTORY OF SBC

Date	Activities
Jan 1979	SBC established
Sep 1979	Overseas Office opened in Europe ('79), Japan ('83), USA ('83), China ('93)
Oct 1982	1 st Small Business Training Institutes established (Additional Institutes opened in Honam ('01), Daegu ('03), Busan ('04))
Feb 1985	1 st Regional office created (as for 2009, 23 offices created)
Jul 1995	Subsidiaries established : SBC Registrar ('95.7), Small Business Distribution Center Co. Ltd ('95.12), Korea Venture Investment ('00.3)
Sep 1998	1 st Korea Business Development Center opened: (as for 2009, 17 KBDC opened)
Mar 2005	Business Support Center opened in Qingdao
Jun 2006	Technology Cooperation Center opened in Novosibirsk
Jan 2007	Korea Desk opened : Indonesia ('07.1), Philippines ('08.2)
Jan 2009	Management of APEC SMEIC transferred to SBC

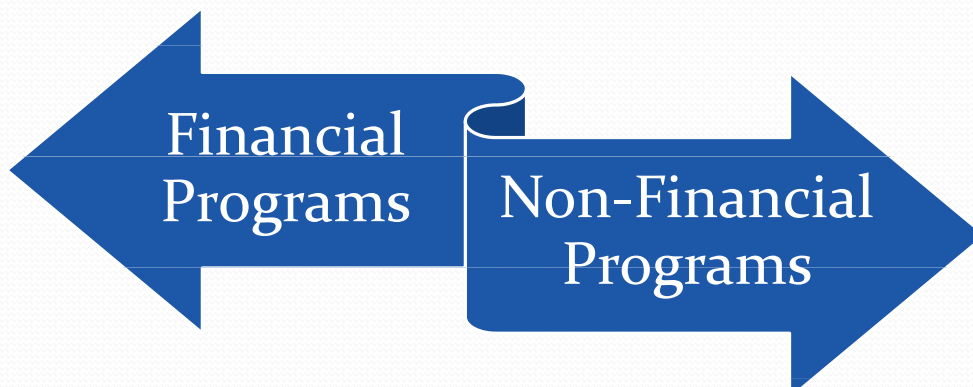


- 18 Departments
- 23 Regional Offices
- 2 Overseas Industry Technology Cooperation Centers
- 2 Korea Desks
- 761 Employees

ORGANIZATION



MAJOR PROGRAMS OF SBC



FINANCIAL PROGRAMS

* Long-term, low-interest loans for

(Unit : US\$1 mil)

Programs	Budget
○ Venture Business Start-ups	1,000
○ Commercialization of R&D Results	258
○ Promotion of the new growth industries	1,210
○ Local Industry Development Program	300
○ Mgmt Stabilization	700
○ Industrial Structure Adjustment Program	147
○ Issuance of ABS	40
Subtotal	3,655
○ Micro-business Loans	600
Total	4,255

- Loan period : 5 to 9 years
- Interest rate : 3.84%, -4.74%, subject to loan programs
- Loan limit : up to US\$4mil. per year



FINANCIAL PROGRAMS



Venture Business Start-up Program



ancing for venture firms in their
early growth stages

pport

started up their businesses in under

preparation stages of starting a

*FY2009 : US\$1,000 Million

FINANCIAL PROGRAMS



Commercialization of R&D Results



...ncing for eligible SMEs
...ommercialize their intellectual
..., the R&D results from
...cts, and/or industrial-
... institute joint research

*FY 2009 : US\$258 Million

NON-FINANCIAL PROGRAMS



NON-FINANCIAL PROGRAMS

Global Cooperation Program



NON-FINANCIAL PROGRAMS

Global Cooperation Program



- ★ Industrial Coordinator Exchange Program
 - SBC exchanges industrial coordinators with organizations in Italy, Spain, Russia, Mongolia, South Africa, and China to develop business initiatives, exchange information, and more.



NON-FINANCIAL PROGRAMS

Overseas Network

- * Industry and Technology Cooperation Centers
 - Novosibirsk Technology Cooperation Center
 - Qingdao Business Support Center in China
- * Korea Development Cooperation Centers
 - BOI in the Philippines, BKPM and PNM in Indonesia
- * International Counterparts Organizations
 - 175 organizations in 50 countries



NON-FINANCIAL PROGRAMS

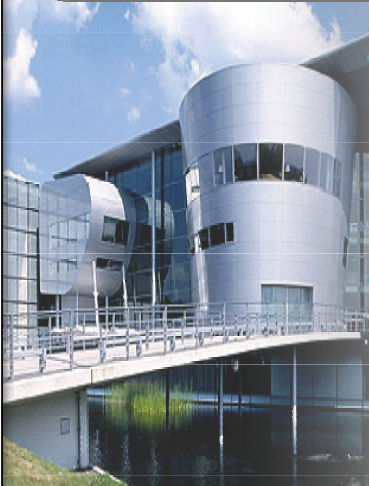
Marketing Assistance Program

- * Korea Development Center
 - KDCs located across 11 countries
- * Marketing Assistance Centers
 - Located in 29 countries
- * www.Gobizkorea.com
 - Marketplace for overseas buyers
 - 908,000



NON-FINANCIAL PROGRAMS

Consulting Services Program



- Comprehensive customized support for business conditions via on-site consulting

- 100 companies in 2008

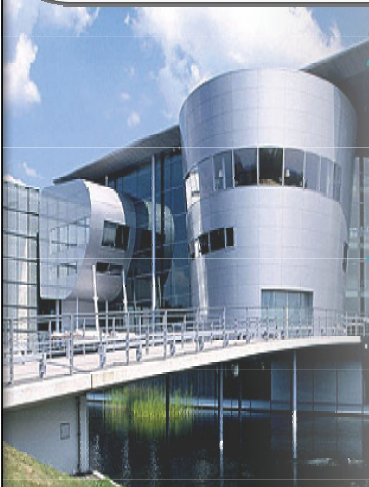


- Engineering Placement Program
• Links highly skilled international engineers with promising Korean SMEs in need of engineering skills and experience.



NON-FINANCIAL PROGRAMS

Consulting Services Program



- Commercialization Program
• For companies, SBC provides a complete range of assistance in commercializing ideas of product development to marketing
- Development Assistance Program
• Through the rapid proto-typing system at product development, all the way from design to actual proto-type



NON-FINANCIAL PROGRAMS

Information Services

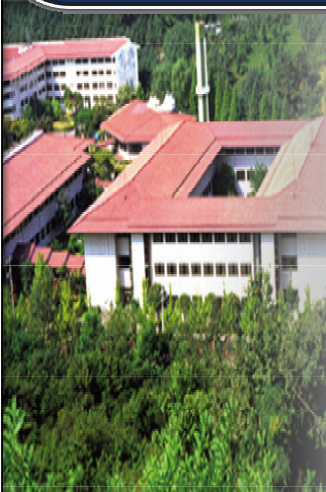


- digitalisme.com
- Information, DB of prospective Service
- Applications: Kiopnara / Tech and policy studies



NON-FINANCIAL PROGRAMS

Training Services



- production-oriented practical, mgmt training to foster business growth based on improved
- Training performance : 70,000 training institutes

Photo : Small Business Training Institute (SBTI) in Ansan City



High flying, Korean SMEs



DEFINITION OF SMES IN KOREA

Industry	Small & Medium-sized Enterprises	
	Employees	Paid-in Capital. Revenue
Manufacturing	Less than 300	8 million USD or less (paid-in capital)
Transportation, Mining & Construction	Less than 300	3 million USD or less (paid-in capital)
Retail, Hotel, etc.	Less than 300	30 million USD or less (revenue)
Fishery, Film, Hospital, etc.	Less than 200	20 million USD or less (revenue)
Wholesale, Service, etc.	Less than 100	10 million USD or less (revenue)
Others	Less than 50	5 million USD or less (revenue)

Source : The Framework Act on SMEs

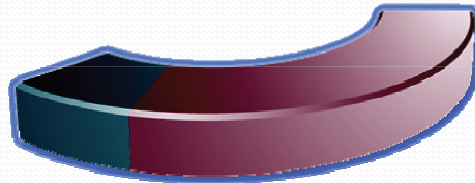
ECONOMIC IMPORTANCE OF KOREAN SMES

No. of Companies



- Total : 3,022,053
- SMEs : 3,017,787 (99.9%)

No. of Employees



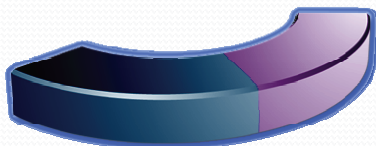
- Total : 12,445,088
- SMEs : 10,884,650 (87.5%)

Source : The National Statistics Office,
Survey Report on Basic statistics of Businesses in Korea(2006)

OVERSEAS INVESTMENT OF KOREAN SMES

Unit: USD 1 Million

2005



- Total : 6,792(4,473)
- SMEs : 2,241(1,648), 33.0%

2006



- Total : 10,957(5,145)
- SMEs : 3,369(1,911), 30.7%

2007



- Total : 20,352(5,540)
- SMEs : 5,662(2,235), 27.8%

2008

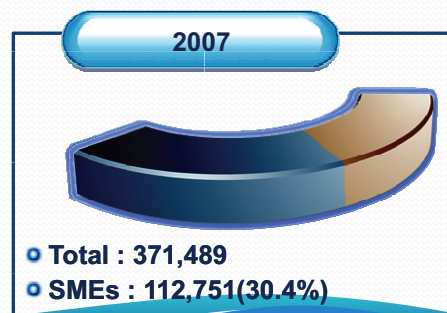
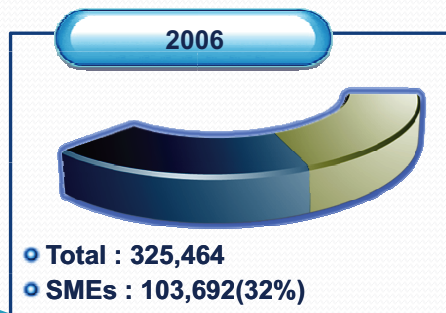
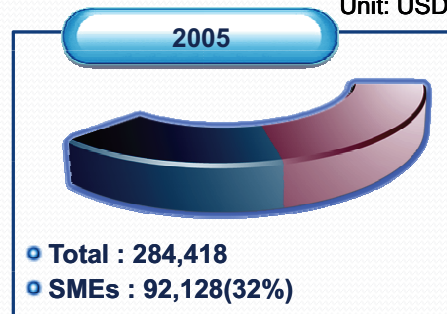
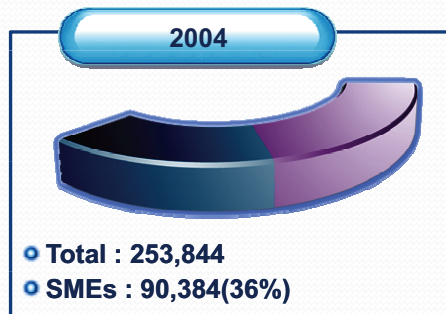


- Total : 17,115(3,533)
- SMEs : 4,713(1,645), 27.5%

Source : Korea Eximbank

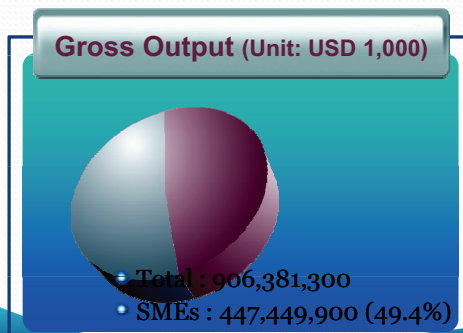
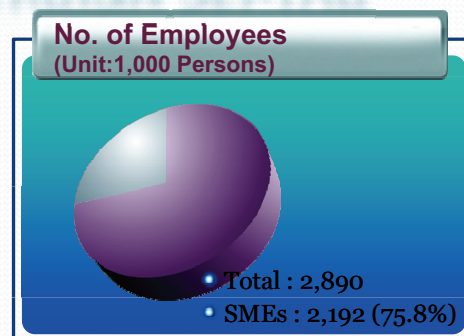
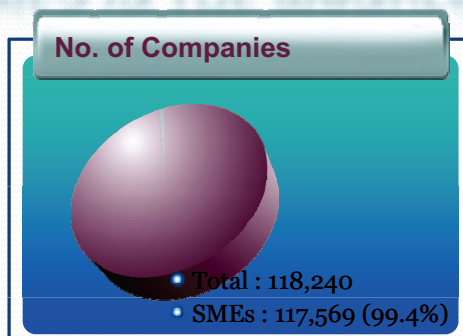
EXPORT PERFORMANCE OF KOREAN SMES

Unit: USD 1 Million



Source : Korea Federation of SM Business

SMES IN THE MANUFACTURING SECTOR



Thank you

www.apec-smeic.org



SESSION II

Financial Support for Innovative SMEs



JUAN LADRÓN DE GUEVARA
HEAD OF INNOVATION POLICY
MINISTRY OF ECONOMY

Seminar: "Innovation in SME Financing and Marketing"
Korea, August 25 - 28, 2009



CHILE

Chile has seen outstanding growth and stability during the past two decades.

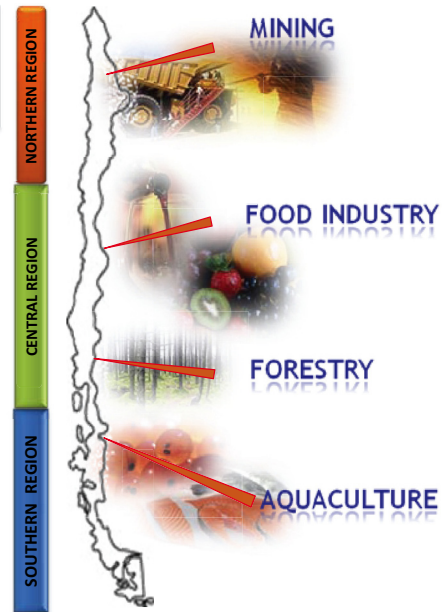
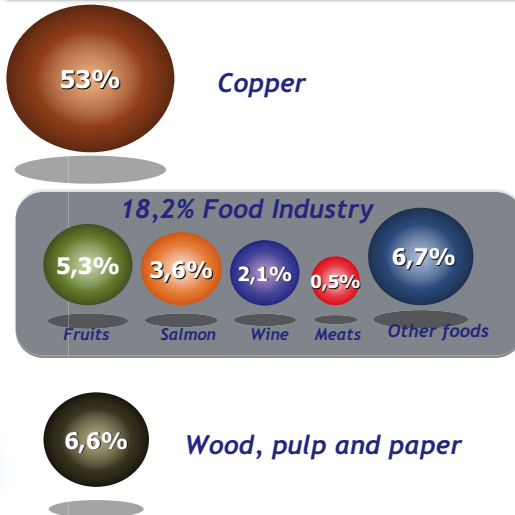
Today's challenge is to continue the forward movement so that Chile can reach greater levels of technological sophistication and development to contribute to the country's consolidation of its ICT, mining, aquaculture, forestry, and food industries.

Chile has set the stage for development and innovation in Latin America.



A STRONG NATURAL RESOURCE-BASED EXPORT ECONOMY

- US\$ 183 billions GDP (2008)
- 16,8 million population
- US\$ 64,6 billion exports

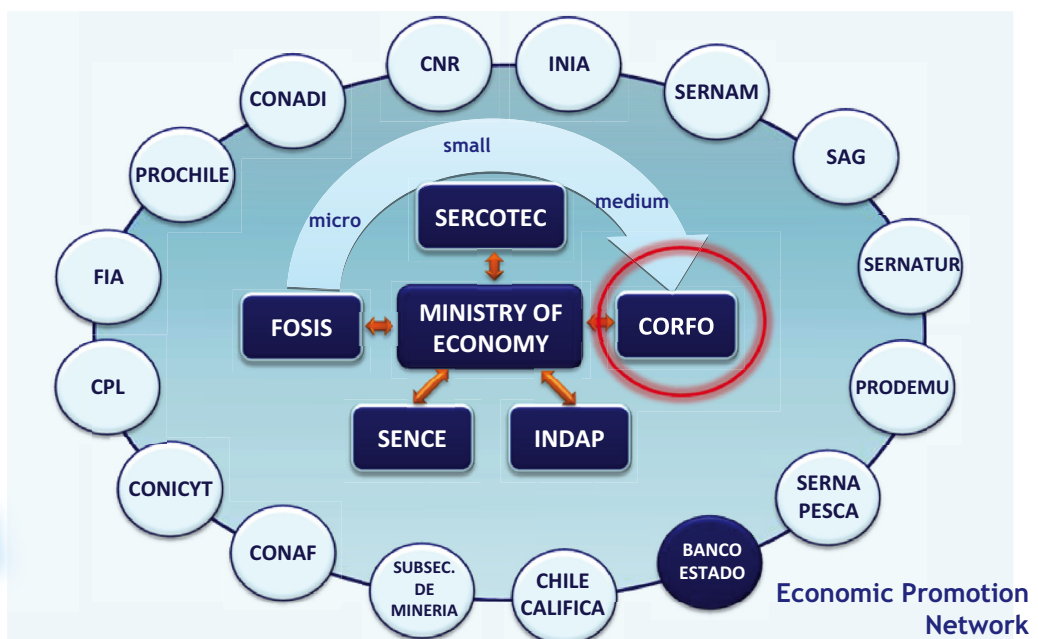


Source: Central Bank of Chile, 2009



MINISTRY OF ECONOMY

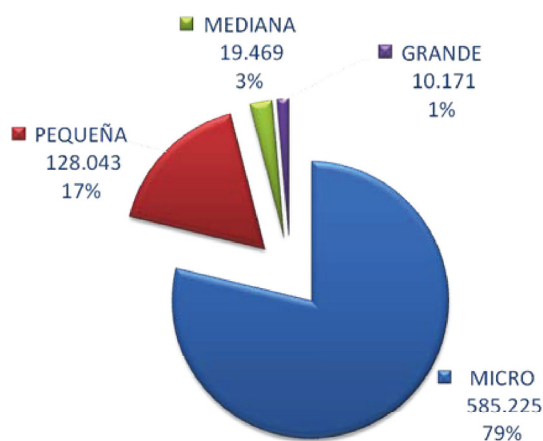
In charge of competitiveness-related public policy design and monitoring. Main areas of work are Innovation, Entrepreneurship, SME, Market Regulation, ICT, Tourism, Fisheries and Aquaculture.





CHILEAN FIRMS STRUCTURE

N° AND % OF FIRMS, YEAR 2007 BY SIZE



2007 FIRMS TOTAL : 742.908

SOURCE: SME DIVISION. MINECON 2009



CHILEAN ECONOMIC DEVELOPMENT AGENCY

CORFO has been the primary organization within the Chilean Government, responsible for promoting economic growth in Chile since 1939.

CORFO's pioneering spirit has played a significant role in expanding the country's economic development by promoting investment, innovation, business and cluster development, coupled with a focus on quality and productivity.

CORFO oversees a variety of programs aimed at generating the economic development of Chile, through the promotion of inward investment and the advocacy of competitiveness for domestic companies.



CORFO's Guiding Principles

- Improving market flaws
- Enhancing Private-public Collaboration
- Matching Funds: requires beneficiaries to contribute (on average, companies contribute 50% in Innovation and 48% in Development)
- Working on a demand-driven basis (one stop shop, contests, bidding)
- Providing time-bound support
- Evaluating: Program results and impacts are regularly assessed. Fourteen assessment studies have been conducted in recent years.



CORFO and its SME support policy

- SMEs represent a high percentage of businesses in Chile and offer a considerable amount of jobs. Nonetheless, these businesses do not generate an equivalent share of profits.
- Diversity at different levels:
 - sector
 - regional - market size
 - positioning in the global market
 - age - entrepreneurship
 - technological level



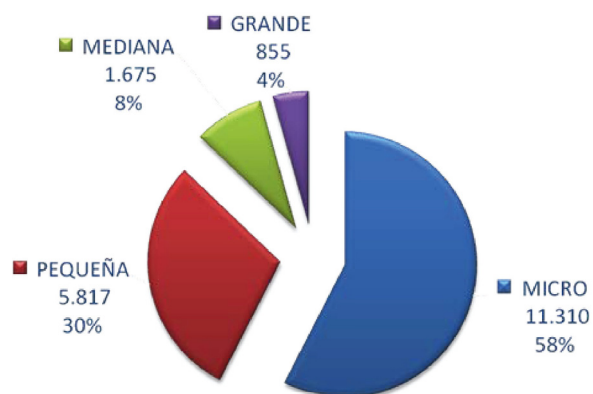
CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
- ✓ Support for Innovation and Entrepreneurship



CORFO: SME FOCUS

NUMBER AND SHARE OF FIRMS BENEFITED BY CORFO
SUBSIDIES (2008) BY SIZE.

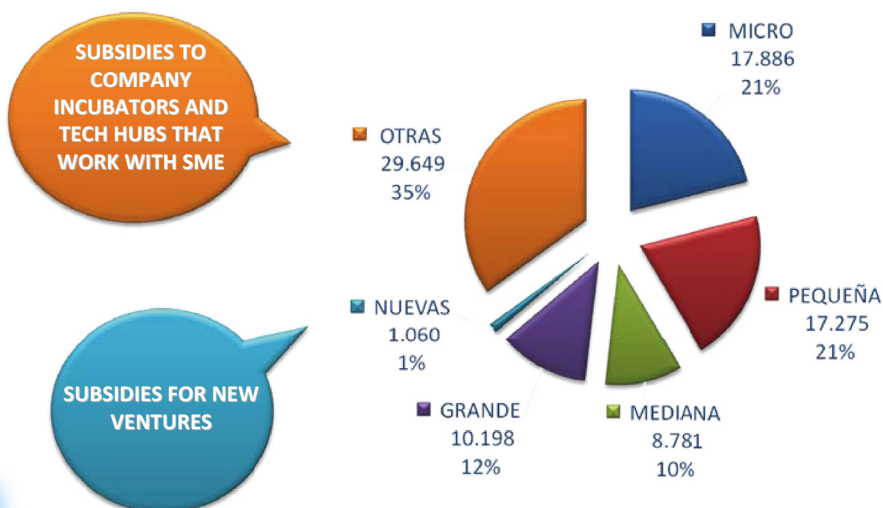


TOTAL (2008): 19.657
(Promotion, Investment and Innovation)



CORFO: SME FOCUS

AMOUNT OF CORFO SUBSIDIES TRANSFERRED TO FIRMS (MM\$)



Total amount of subsidies 2008: Ch\$84.850 millions



CORFO's Lines of Work

- ✓ **Access to Financing**
 - Financing for SME investments: bank and leasing credits
 - Credit guarantees for exporters
 - Credits for SME investments
 - Microcredits for microenterprises, through non-bank intermediaries
- ✓ **Investment Promotion**
- ✓ **Development: SME Support**
- ✓ **Support for Innovation and Entrepreneurship**

El año 2008 el número de empresas beneficiarias con créditos y coberturas fue de 60.136, por un total de \$105.870 millones. El 28% fue destinado a empresas MIPE y el 69% a empresas MIPYME



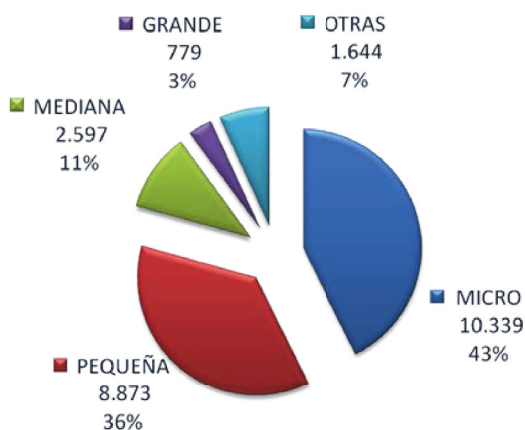
CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
 - General Programs
 - Quality Promotion
 - Technical Assistance Fund
 - SME Network Projects (PROFO)
 - Suppliers Development Program (PDP)
 - Special Programs
 - Local Entrepreneurship Program
 - Pre-investment Studies (Irrigation, Artisanal Fishing Management Areas, Environment, Energy Efficiency)
 - Film and Audiovisual Industry Development Program
 - Cluster Development Program
- ✓ Support for Innovation and Entrepreneurship



Development: SME Support

AMOUNT OF CORFO WITHIN PROMOTION AREA
(BY FIRM SIZE)



Total resources amount transferred during 2008 was Ch\$24.232 millions, leveraging private resources for Ch\$14.437 millions (37,3%)

OTRAS: Spatial-Integrated Program

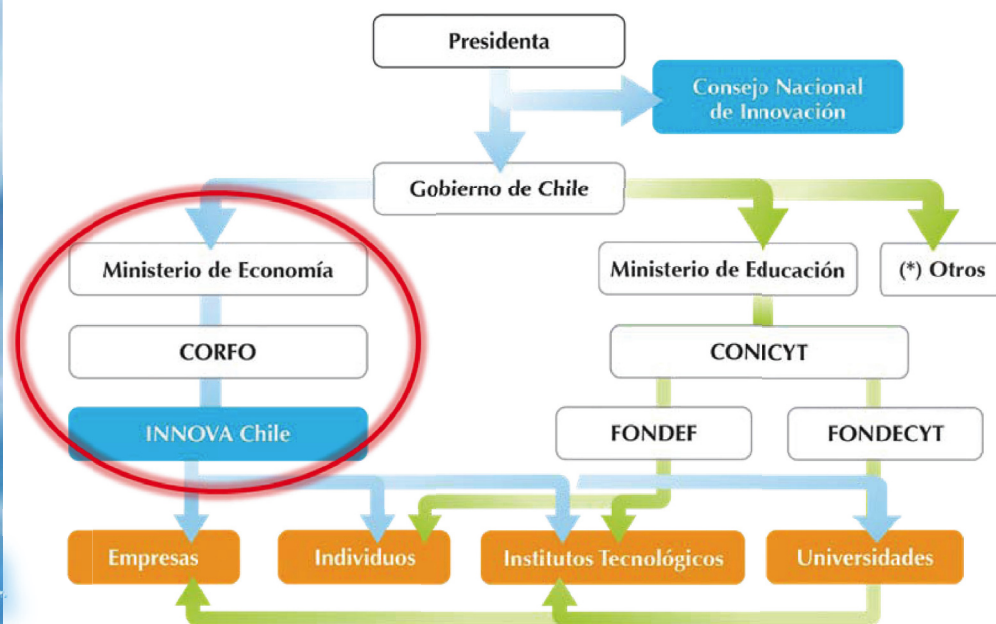


CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
- ✓ Support for Innovation and Entrepreneurship
 - Promoting and supporting entrepreneurial innovation is a priority for Chile and its Government.
 - CORFO, as the agency responsible for addressing this task, provides matching funds through **InnovaChile**, to meet the needs of those wishing to undertake innovative initiatives.
 - Main Innovation Areas:
 - Public Interest and Pre-Competitive Innovation
 - Corporate Innovation
 - Technology Transfer
 - Innovative Entrepreneurship



CHILE'S INNOVATION MAP



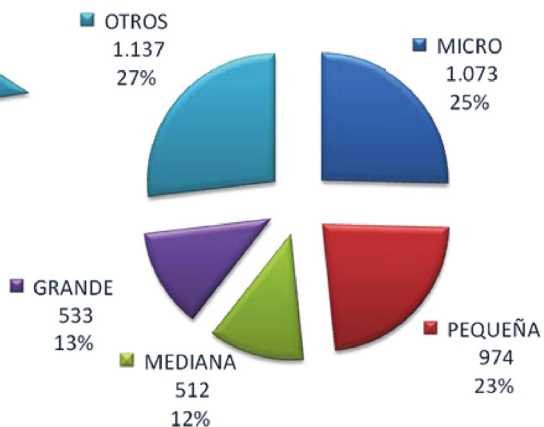
(*) Otros: FIA - Programa Milenio



Support for Innovation and Entrepreneurship

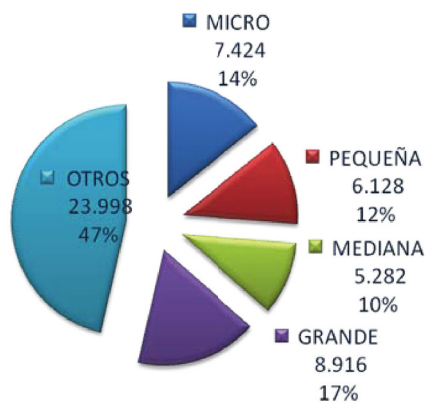
NUMBER OF FIRMS SUBSIDIZED BY INNOVA CHILE
(2008, BY SIZE)

UNIVERSITIES, TECHNICAL AND
TECHNOLOGICAL INSTITUTES AND
TRAINING INSTITUTIONS

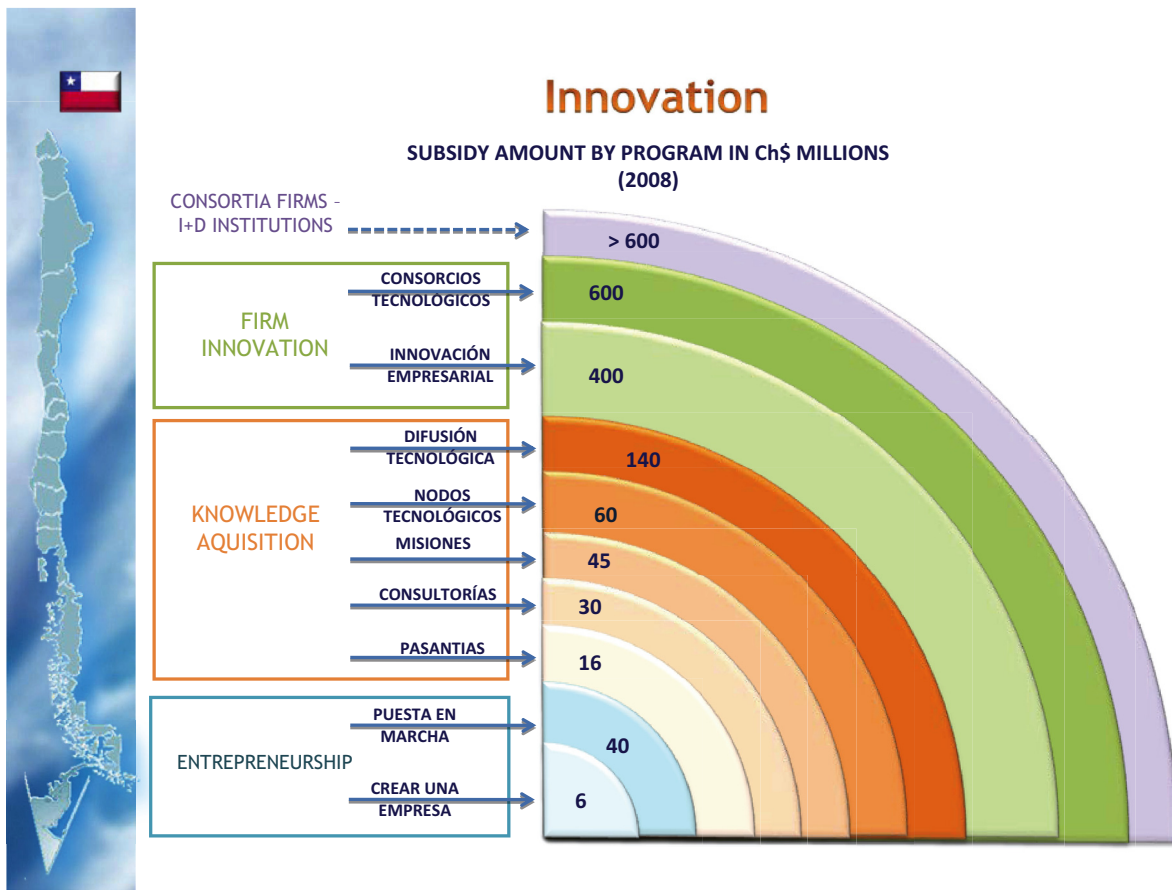


Support for Innovation and Entrepreneurship

AMOUNT AND SHARE OF INNOVA CHILE SUBSIDIES
(2008, BY SIZE)



TOTAL RESOURCE AMOUNT TRANSFERRED DURNIG 2008 WAS Ch\$51.748 millions, LEVERAGING PRIVATE RESOURCES FOR Ch\$47.864 millions (48%)





Main weaknesses of Chile's innovation system

- ✓ Low level of R&D and innovation investment (<0.7 % GDP)
- ✓ Very low business participation (< 1/3 financed and executed), rent-seeking behavior
- ✓ Focus on basic research carried out by universities (>2/3)
- ✓ Low supply of seed and risk capital
- ✓ Underdeveloped infrastructure for knowledge/ technology diffusion
- ✓ Shortage of specialized human resources for innovation (technical and managerial competences)
- ✓ Weak governance, lack of strategic vision and evaluation, fragmentation.

(1) OECD Review of Chile's Innovation Policy (OECD(2007))



Growing political awareness on the challenge of innovation for the country's future has resulted in 2 key decisions (2005):

- a) The creation of a **National Innovation Council for Competitiveness**, with the mission of proposing guidelines for a long term national innovation strategy and for improving the performance of the domestic innovation system.
- b) The introduction of a specific mining tax (royalty), oriented to increase the resources dedicated to promote innovation, through a new **Innovation Fund for Competitiveness (FIC)** (building dynamic advantages from static ones).



+New strategy approach: more **selectivity (focus)** is needed --not only good horizontal policies-- around traditional **clusters** (mining, food industry, acuiculture) and emergent ones (off shoring -Chile ranks 7th by AT Kearney--, tourism).

Set of **competitiveness studies on clusters** conducted by BCG, to build road map and **priority agendas on innovation** (> US\$ 2 million).

THE BOSTON CONSULTING GROUP

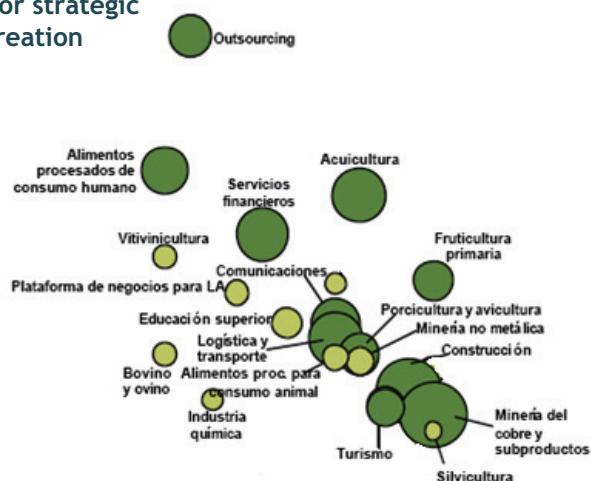


CHILE: Main Challenges to become a developed country

1. Diversify the export portfolio
2. Improve the quality of our human capital
3. Increase the ability to innovate

Around **CLUSTERS** opportunities for strategic collaboration and new business creation abound.

1. Aquaculture
2. Mining
3. Special interest tourism
4. Global services/ Offshoring
5. Food industry



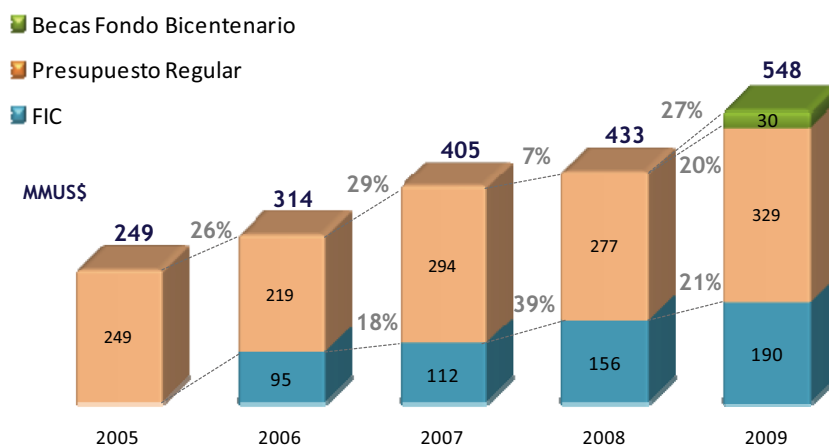


2008-2010 ACTION PLAN



GROWTH OF PUBLIC INVESTMENT IN INNOVATION

Public investment in innovation grew 74% in 2008 compared to 2005, and 27% (2009/2008).



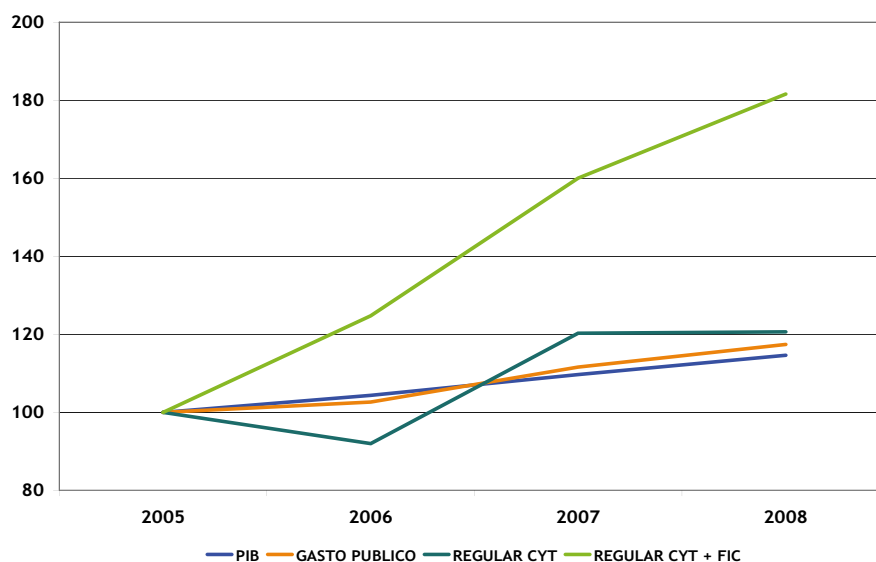
Fuente: Ley de Presupuestos de cada Año-DIPRES.
Cifras en millones de dólares.

Nota: se considera valor medio dólar 2008 a \$538.

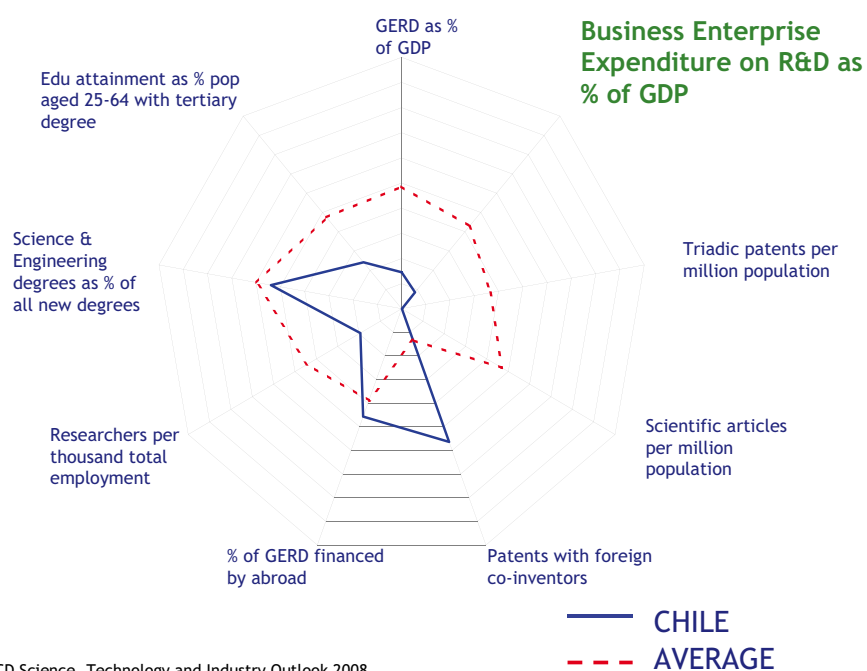


PUBLIC EXPENDING TO FOSTER INNOVATION: A SERIUOS STEP

GDP, PUBLIC EXPENDITURE AND PUBLIC EXPENDITURE IN R+D TRENDS
(Base 2005=100)



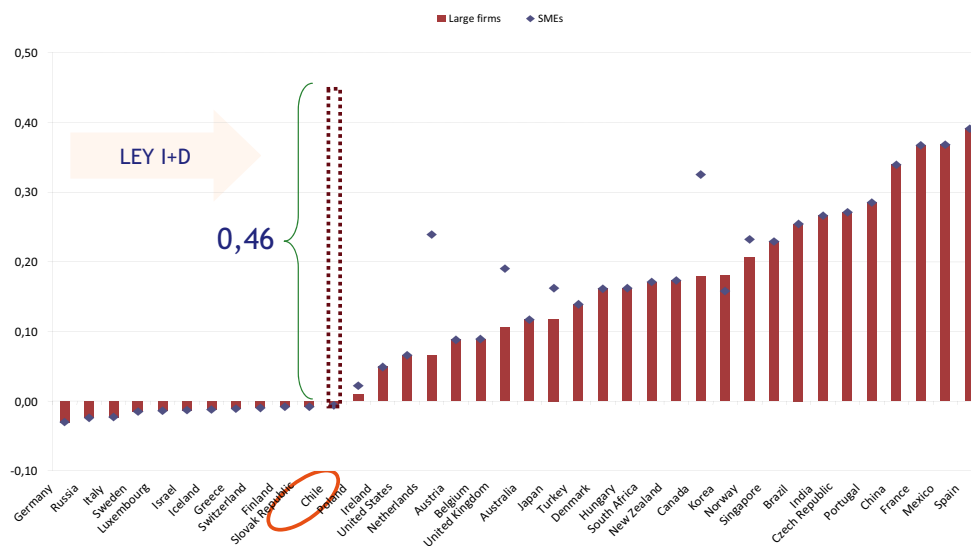
SCIENCE AND INNOVATION PROFILE OF CHILE





TAX TREATMENT OF R&D IN OECD AND NON-MEMBER COUNTRIES, 2008

(Rate of tax subsidies for USD 1 of R&D, 1 large firms)



Government's Support to SMEs During the Global Financial Crisis

Miss Belinda Kwan

Trade and Industry Department
Hong Kong, China

1

SMEs in Hong Kong

- Manufacturing firms: < 100 employees
- Non-manufacturing firms: < 50 employees
- About 270 000 SMEs in Hong Kong
 - 98% of the business establishments
 - 47% (1.16 million people) of the private sector workforce
 - Backbone of Hong Kong's economy

2

Problems Faced By SMEs During the Financial Crisis

- Loss of business from major markets as a result of the global economic downturn
- Liquidity problems arising from
 - Dwindling business turnover
 - Suppliers' reluctance to grant credit
 - Delay/default in buyers' repayment
- Difficulties in securing commercial credit facilities from lending institutions

3

How Hong Kong Combats the Crisis

- Hong Kong's economy demonstrates resilience to withstand the downturn with its
 - sound fundamentals
 - strong regulatory framework
 - robust Exchange Fund
 - sound and reliable banking system
 - adaptive entrepreneurship and self-reliant workforce

4

Measures Taken by the Government to Keep the Economy Afloat

- To maintain a healthy and stable financial system
 - The Hong Kong Monetary Authority *injecting substantial liquidity into interbank market* as necessary to ensure a good supply of liquidity
 - *Use of Exchange Fund* to guarantee repayment of all Hong Kong-dollar and foreign-currency deposits held with all authorised institutions in Hong Kong, including branches of overseas institutions
 - *Establish a Contingent Bank Capital Facility* to make available additional capital to locally incorporated licensed banks when necessary
 - The measures will remain in force until end 2010.

5

How Hong Kong Combats the Crisis

- In Oct 2008, the *Task Force on Economic Challenges*, chaired by the Chief Executive, was set up to
 - monitor and assess impact of financial crisis on Hong Kong's economy
 - propose specific options to address the challenges

6

How Hong Kong Combats the Crisis

- To turn crisis into opportunities, the *Task Force on Economic Challenges* recommended six key areas where Hong Kong will further pursue development:
 - *innovation and technology*
 - cultural and creative industries
 - testing and certification
 - environmental industry
 - medical services
 - educational services

7

Measures Taken by the Government to Assist SMEs

SME Funding Schemes

- SME Loan Guarantee Scheme (SGS)
- Special Loan Guarantee Scheme (SpGS)
- SME Export Marketing Fund (EMF)

8

SME Loan Guarantee Scheme (SGS)

9

SME Loan Guarantee Scheme

- Helps SMEs secure loans from participating lending institutions (PLIs)
- Amount of guarantee: 50% of the approved loan
- Types of guarantees:
 - (a) Guarantee for Business Installations and Equipment (BIE) Loans
 - (b) Guarantee for Working Capital Loans (WCL)

10

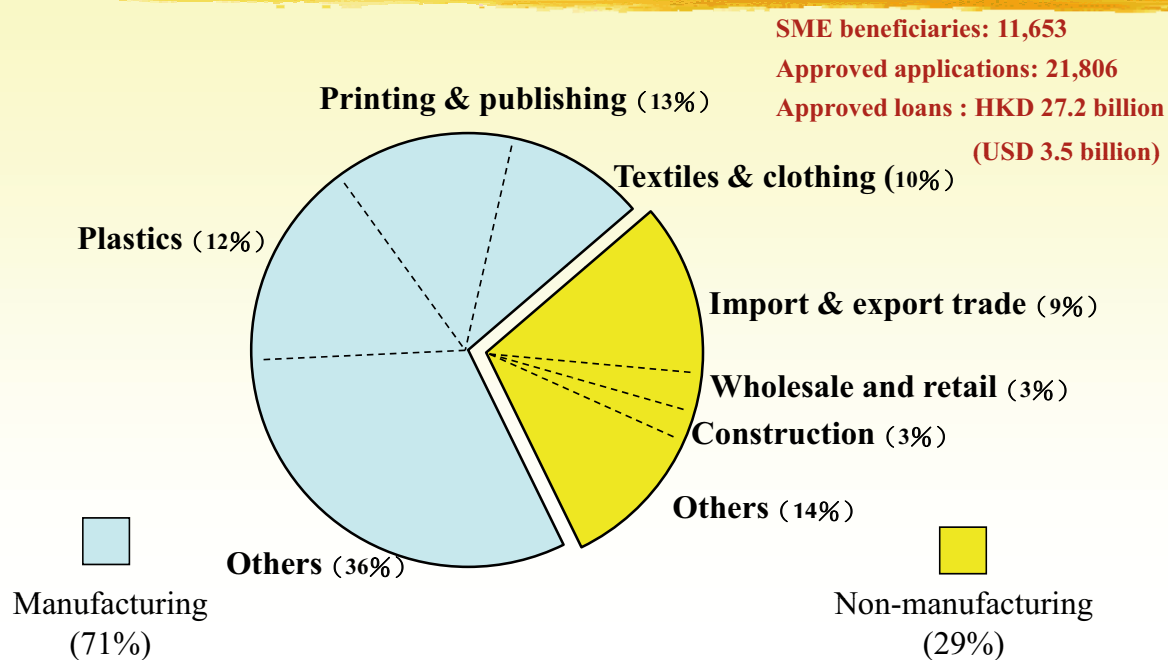
Guarantee Ceiling

	<u>Before Mar 2008</u>	<u>Mar 2008</u>	<u>Nov 2008</u>
Business Installations and Equipment Loans	HKD 2 million (USD 0.26 million)	HKD 5 million (USD 0.65 million)	HKD 6 million (USD 0.78 million) (for either BIE or WCL or both)
Working Capital Loans		HKD 1 million (USD 0.13 million)	

- If an SME has fully repaid loan(s) backed up by the guarantee, it is eligible for the respective guarantee amount one more time.

11

SME Beneficiaries (31 July 2009)



12

Special Loan Guarantee Scheme (SpGS)

13

Guiding Principles

- Market driven
- Risk of default to be shared between participating lending institutions and the Government
- A separate and time-limited scheme

14

Special Loan Guarantee Scheme – Major features

- The Government's total loan guarantee commitment is HKD 100 billion (USD 12.9 billion)
- Government's loan guarantee ratio: 70%→80%
- Maximum amount of loan: HKD 6 million (USD 0.77 million) →HKD 12 million (USD 1.55 million)
- Within this limit, up to 50% (HKD 6 million/USD 0.77 million) can be used as revolving credit line

15

Special Loan Guarantee Scheme (cont'd)

- All companies registered and with substantive business in Hong Kong (except listed companies) can apply
- Application period: up to 31 December 2009
- Guarantee period: Maximum 60 months, or up to 31 December 2014 (whichever is the earlier)
- A grace period of 6 months may be allowed, during which may repay interest only

16

Safeguards against Abuse

- Personal guarantee by owner or shareholders
- Companies must have been in operation for at least one year as at 15 December 2008
- Companies must have no outstanding default in any lending institutions
- The loan should not be used for repaying, restructuring or repackaging other loans

17

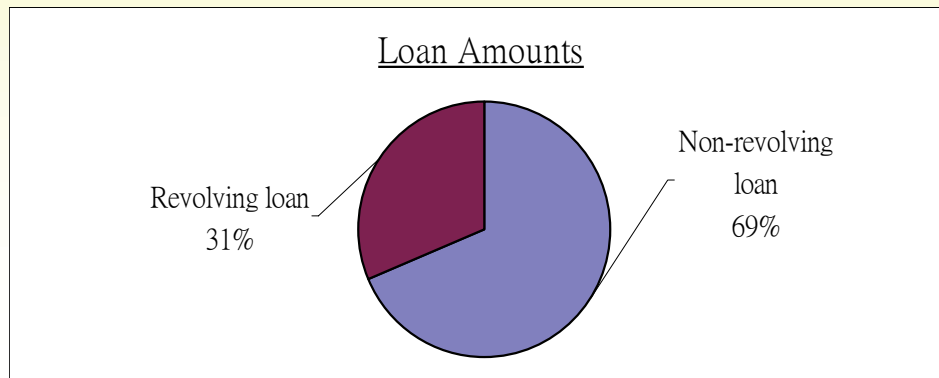
Special Loan Guarantee Scheme (cont'd)

- As at 31 July 2009, 41 PLIs have signed up
- Guide for SMEs in obtaining business loan from lending institutions (www.smefund.tid.gov.hk)

18

Number of Applications (as at 31 July 2009)

- Number of applications approved : 14,854
- Total amount of loan facilities : HKD 32.1 billion (USD 4.14 billion)



19

SME Export Marketing Fund (EMF)

20

Scope

- Overseas trade fairs/exhibitions and business missions
- Local trade fairs/exhibitions which are export-oriented
- Advertisements on printed trade publications targeting export markets
- Advertisements on eligible trade websites

21

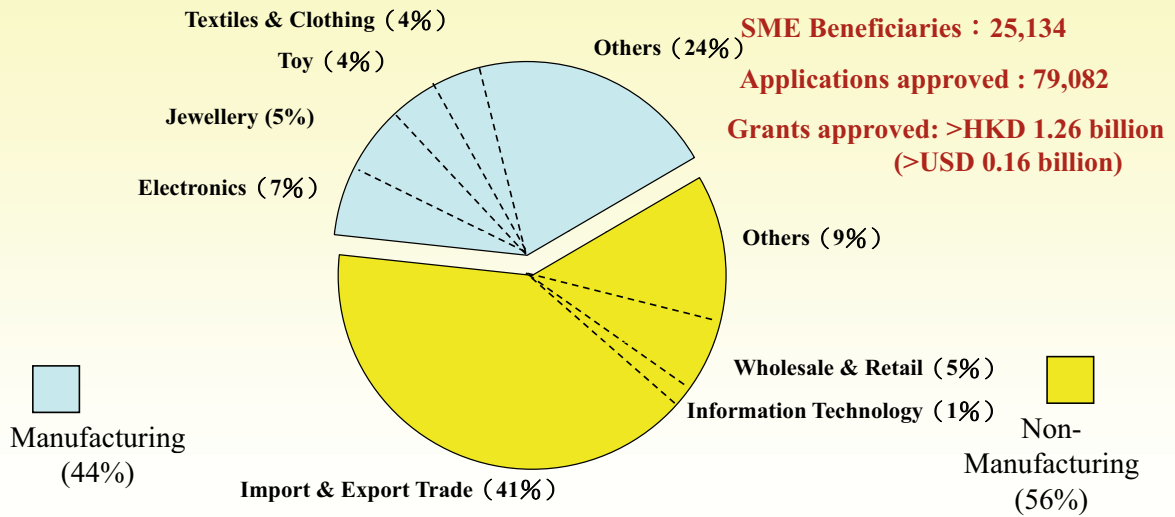
Amount of Grant

- 50% of approved expenses

	<u>Before Mar 2008</u>	<u>Mar 2008</u>	<u>Nov 2008</u>
Maximum grant for each application	HKD 30,000 (USD 3,871)	HKD 30,000 (USD 3,871)	HKD 50,000 (USD 6,452)
Maximum cumulative grant per SME	HKD 80,000 (USD 10,323)	HKD 100,000 (USD 12,903)	HKD 150,000 (USD 19,355)

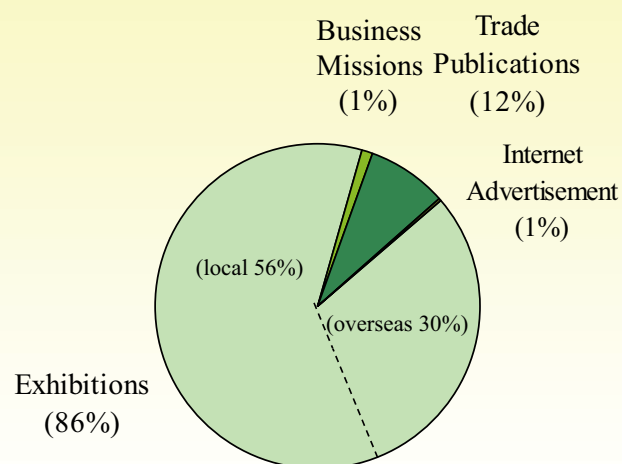
22

SME Beneficiaries (31 July 2009)



23

Distribution of Fund (31 July 2009)



24

More Information



■ www.smefund.tid.gov.hk

25

Thank you!

Current Status and Direction of SME Policies in Japan

August 2009

Masao Uno

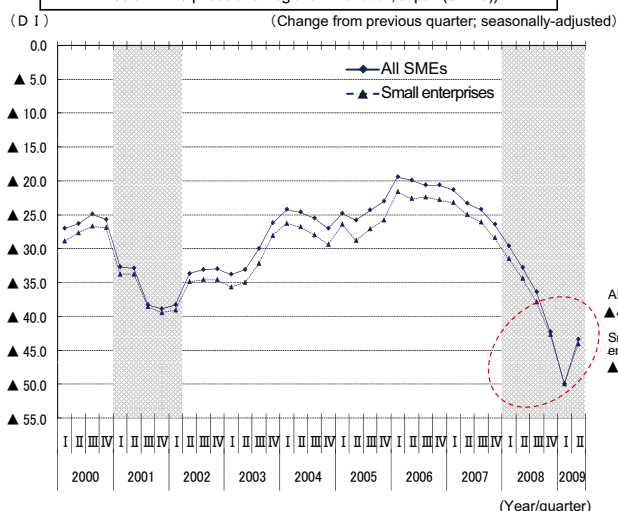
Director, International Affairs Office
Small and Medium Enterprise Agency

**Emergency Measures for SMEs
to Respond Financial Crisis**

Current Business Conditions and Forecasts of SMEs and Micro Businesses

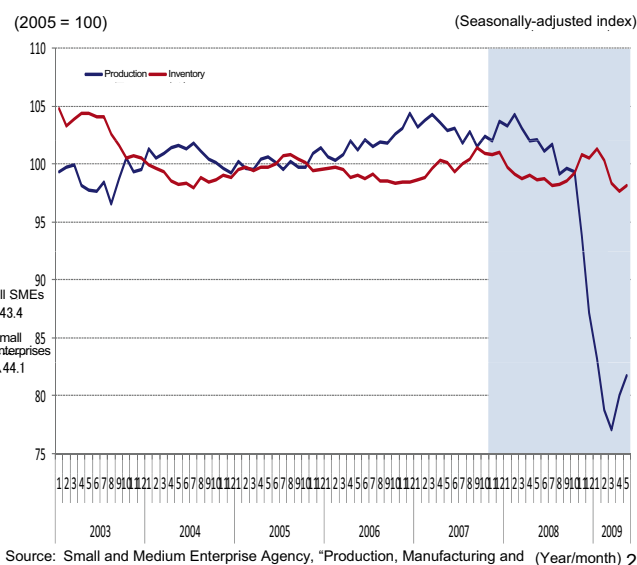
Followed by a sharp drop of export caused by the slowdown of the world economy and adverse impact of the recession in Japanese economy, business conditions of SMEs and micro businesses became worse. Although some statistics currently indicated signs of bottoming out, the economy remains severe conditions. Current manufacturing activities of SMEs are seemed to improve slightly after some adjustment of inventory.

Trends on the Business Conditions DI on Economic Survey of SMEs in Japan (Small and Medium Enterprise Agency (SMEA) and Organization of Small & Medium Enterprises and Regional Innovation, Japan (SMRJ))



Note: This survey is prepared by hearing data that management advisors of Societies of Commerce and Industry (SCI) and Chambers of Commerce and Industry (CCI) and analysts of National Federation of Small Business Association have performed to approximately 19,000 firms throughout Japan at quarterly base.

Trend of production and inventory indexes for SME manufacturers

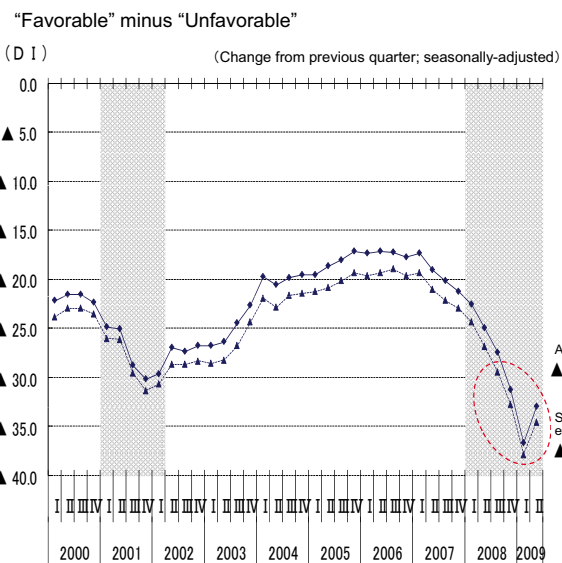


Source: Small and Medium Enterprise Agency, "Production, Manufacturing and Industrial Indexes Classified by Size (preliminary report at May 2009)"

Financial position of SMEs and Micro Businesses

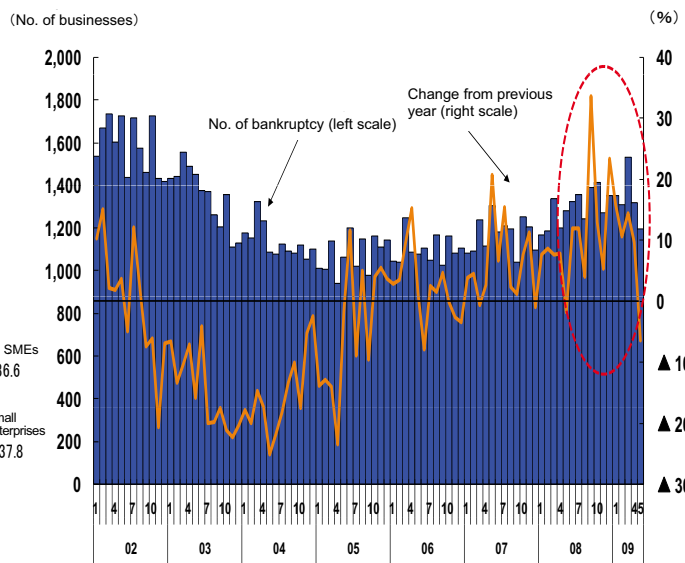
Although financial position of SMEs and micro businesses currently seems to be improved compared with the January to March 2009 period, DI still remains historically low level. The number of bankruptcy of SMEs and micro businesses, which had increased so far, become decelerating its speed recently.

Trend in financial position DI of SMEs and micro businesses



Source: Small and Medium Enterprise Agency and Organization of Small & Medium Enterprises and Regional Innovation, Japan, "Economic Survey for Small and Medium Enterprises"

No. of bankruptcy of SMEs and micro businesses and percentage change (change from previous year)



Source: Tokyo Shoko Research, "Monthly Report of Bankruptcy" (Year/month)

Emergency Measures for SMEs to Respond Financial Crisis

FY 2008

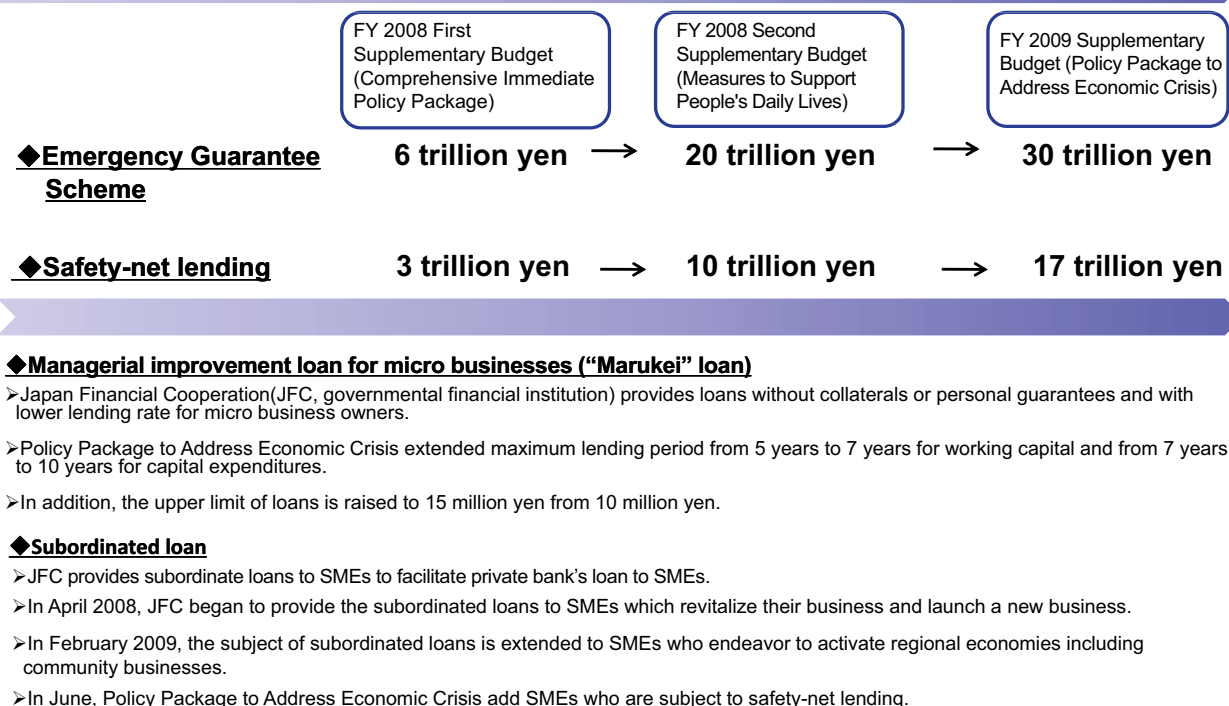
- ✓ Comprehensive Immediate Policy Package to Safeguard People's Daily Lives established on August 29
(First supplementary budget of 416.2 billion yen was approved on October 16.)
- ✓ Measures to Support People's Daily Lives established on October 30
(Second supplementary budget of 501.4 billion yen was approved on January 27.)

FY 2009

- ✓ Policy Package to Address Economic Crisis established on April 10
(First supplementary budget of 1,621.3 billion yen was approved on May 29.)

4

1. Measures for Providing Liquidity to SMEs



5

2. Tax System for SMEs

The following tax measures for SMEs were implemented effective on April 1, 2009.

◆ Cut of reduced corporate tax rate for SMEs

- ✓ Currently, the corporate tax rate to SMEs (less than 100 million yen of capital) is 22% for the portion of annual income of below 8 million yen (reduced corporate tax rate) compared with general corporate tax rate of 30%. This rate would further cut to 18% (temporary measures for two years).

◆ Refund of tax loss carry-back

- ✓ When SMEs record net loss for the business period ending on and after February 1, 2009, they can obtain refunds of corporate tax paid if they recorded profit for the previous year so as to pay corporate tax.

◆ Tax system for promoting energy saving measures

- ✓ Certain facilities with high energy efficiency (e.g. high efficiency industrial furnace) are authorized to depreciate immediately in the first year (temporary measures for two years).

6

Supporting Measures for Innovation of SMEs

7

1. Supporting Measures for Technology Development

- ✓ It is still critical to enhance technological improvement of SMEs in medium and long-term point of view.
- ✓ The high manufacturing technology is important also for the low carbonization and the energy conservation for global warming.

a) Promotion of development of key technology in manufacturing (R&D for strategic key technology)

Budget in 2009FY: 18.7bil yen

If R&D plan of manufacturing SMEs is authorized by government as "special R&D plan on 20 strategic technologies of strategic Manufacturing technology improvement law", government sponsors for their R&D activities.

- ◆ Period : 1year(2 to 3 years as exception)
- ◆ Upper limit of sponsorship: 50mil yen (as commission)
100mil yen(as commission)*

* SMEs plan to do R&D in several sectors.

■ The No. of applicants: 857

Key Technologies (20sectors)

• Die	• Powder metallurgy	• Positioning
• Forging	• Thermal Spraying	• Cutting
• Casting	• Power transmission	• Dye
• Metal pressing	• Heat treatment	• Fermentation
• High function chemical composition	• Electric parts & device equipment	• Embedded Software
• Welding	• Vacuum keeping	• Plastic casting
• Plating		
• Combination of parts		

b) Supporting for trial production plan and marketing by manufacturing SMEs

Budget in 2009FY: 54.2bil yen

- ◆ Period : 1year ◆ The rate of subsidy:2/3 ◆ Upper limit of subsidy:100mil yen
- The No. of applicants :7,387

c) Supporting cost for quality certification of SME's products by public research center .

Budget in 2009FY: 3.1bil yen

- ◆ Period : 1year ◆ The rate of subsidy:Fixed ◆ Upper limit of subsidy:5mil yen
- The No. of applicants :478

8

(Example) Supporting for trial production development of manufacturing SMEs

Development of die for production of high precision optical lens for DVD player, recorder and digital camera.



(Challenge)

- Die (which is good for high temperature state) is needed to produce non-spherical lens for miniaturized and high-quality digital camera & etc.



(Details of development)

- Development of high quality material and grinding/ polishing technology for die which can be used in high temperature as 1,300 degrees.
- Production of die by utilizing these technologies.

Street light which is made by combination of LED ramp and epoch-making lens



(Challenge)

- LED ramp is not suitable for street light because the irradiate angle of LED ramp is narrow.



(Details of development)

- Development of cutting technology of precision glass in order to manage the light of LED efficiently.
- Development of street light using this technology .

Development of mass production machine of "steamed" octopus utilizing super-heated vapor



(Challenge)

- Color of octopus is lost in by processing in boiling water. Octopus with light color is not valuable in market.



(Details of development)

- Development of mass production machine to process octopus efficiently by heated vapor with long life and silent power transmission technology.

9

2. Collaboration between agriculture, commerce and industry / Program to promote utilization of regional oriented resources

Collaboration between agriculture, commerce and industry

- Supporting development of new market and new products and services by enhancing collaboration between agriculture, forestry and fisheries, which produce regional products utilizing regional natural resources, and commerce and industry, which have sales channel and processing and preserving technology.

Utilization of regional oriented resources

- Supporting from development of new products and services to development of new market, in order to utilize regional oriented resources such as regional traditional technologies, agricultural, forestry and fishery products and tourist attractions.

Supporting for collaboration between agriculture, commerce and industry, and utilization of regional oriented resources

Support	Details
Subsidy for starting new business	The rate of subsidy: 2/3 Upper limit of subsidy: 30mil yen
Consulting service by marketing specialist & etc.	Project planning, project assessment, market survey and market development and etc.
Special treatment in loan and credit guarantee by governmental financial institute	Financing capital expenditure and working capital without collaterals or personal guarantees Expansion of upper limit of credit guarantee
Special treatment in taxation	Tax deduction or special depreciation for acquiring machinery equipment & etc. Tax deduction for training of employees

10

Practical Case Approved by the Program to Promote SME Utilization of Regional Resources 1

Product development and market expansion of sake based liqueur made from local blueberries, tomatoes and strawberries.

Cooperation name: Tuzyun Brewers Co. Ltd, in Yamato-cho, Kamimashiki-gun, Kumamoto-prefecture

Outline of the business

- The company has been an established enterprise since 1770 and noted for its use of pure spring water and good quality rice, which are features of the local area.
- The company has expanded its range of original products of liqueurs based on local fruits and vegetables.
- The company works together with local farmers and the agricultural cooperatives to grow and secure its supplies of fruits and vegetables at low costs.

Competitiveness

Fresh, delicious and healthy liqueurs that are hygienically produced from locally grown fruits and vegetables.

Merchantability

Liqueurs are marketed as healthy lifestyle products that have safe and natural ingredients and are seeing growing sales to women.

Marketing Channels

Planning to expand the market to the local, prefecture then throughout the nation through exhibitions, web advertisement, direct mail, and so on.



【Blueberry liqueur】

11

Practical Case Approved by the Program to Promote SME Utilization of Regional Resources 2

Product development and market expansion of Kutani ceramics that combine Kutani-based wares and handmade blowing glass

Cooperation name: Seihoudo Co., in Nomi-city, Ishikawa-prefecture

Outline of the business

- The concept of the product, combining Kutani porcelain and handmade Edo-style glass combines the best of Japanese and Western tastes, and was developed over seven years.
- This reflects the concept of fusion between Japanese and Western styles that is increasingly taking place in cuisine.
- Sales of these products have been increasing both at specialist gift shops and as regular products in department stores, etc.

Competitiveness

The joint between the two materials is extremely strong and this technique was awarded a good design prize in FY 2006.

Merchantability

The combination of different materials has brought new value to glass and the combination of tradition and modernity has proved very popular.

Marketing Channels

Marketing through both major department stores and mail order companies continues, along with TV and newspaper advertising, etc.



12



Financial Support on the China SMEs' Innovation

**LIU YUANCHAO
PEOPLE'S REPUBLIC OF CHINA**



Index

- **1. Basic situation of Chinese SMEs**
- **2. SMEs as main force of technology of innovation**
- **3. The innovation of Chinese SMEs confronting bigger difficulties**
- **4. Measures taken by China' s administrative organization to stimulate innovation**

Basic situation of Chinese SMEs

- **In 2003, Interim Provisions of the Standard of SME come into effect**
- **Standard of Industry SMEs in China**
- ***SMALL ENTERPRISE:**
- **the standard of "2-3-4"**
- ***MEDIUM-SIZED ENTERPRISE:**
- **the standard of "3-3-4"**

Total figure of China SMEs

- **Up to June, 2008, the total figure of China SMEs has exceeded 366 million, occupying 99.8% of all enterprises nationwide.**
- **The registration of SMEs in administrative departments has reached 9 million, individual businesses have been 27.6 million.**

About the individual businesses

- **The constitution of Chinese individual businesses commonly points to Micro-Business, self-employed business, individuals taking all the business responsibilities**
- **wholesale and retail industry**
- **housing and restaurants**
- **non-public sector economy is main stream**

SME's contribution to economy

- **contribution of SMEs to:**
 - **GDP**
 - **TAX**
- **growth rate of SMEs**
- **beyond the average growth rate of national economy.**



SME's contribution to economy

- **SMEs provide 77% employment positions in cities and towns**
- **laid-off workers in state-owned enterprises find their positions in SMEs.**
- **migrant rural workers mostly work in SMEs.**



SMEs as main force of technology of innovation

- **66% of patent inventions**
- **75% of new products in China are proceeded by SMEs**


leading the upgrading of China's industrial structure

- **SMEs engaged from dense-labor fields in the beginning such as processing industry, construction, transportation, commerce and trade, shifting to high-tech fields, such as infrastructures, manufacture, new-type service industry, bio-technology, new materials, IT, etc.**

The innovation of Chinese SMEs confronting bigger difficulties

- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
- **venture capital of China SMEs originally comes from self-capital and loans from relatives**
- **lack of capital causes little loan from financial institutions and limits the investment of SMEs in innovation.**

- 
- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
 - **Status in 2009 Private Economy Blue Book, released by All-China Federation of Industry and Commerce**
 - **the direct beneficiaries are mainly large-sized enterprises when the country carries out positive fiscal policies.**

- 
- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
 - **the loans from main banking financial institutions to SMEs only takes 14.7% of the whole loans system**
 - **Chinese government is conducting various positive measures and policies, changing this situation in the financing market**

The uniqueness of commercial environment for SMEs in China

- **Imperfection of credit system and underdeveloped capital market restrict innovation**
- **accountant materials and system**
- **a vast and broad market, SMEs incapable to build national brand**


International financial crisis

- **the shrank of market demand**
- **banks keep modest attitude to give out loans to SMEs which are involved in difficulties.**
- **SMEs are more modest when they expand the scale of production and introduce new products, which cools the enthusiasm of SMEs towards innovation.**

Measures taken to stimulate innovation

- **(1)Support by establishing SMEs board and GEM(Growth Enterprises Market) in capital market**
- **SMEs board**
- **GEM**

- **(2)To establish the business bases for small enterprises, service system offers encouragement and subsidy, emphasizes the related training for supporting the small enterprises.**
- **training work of SMEs**
- **guidance services**

- 
- **(3)More effective supports by the innovation of SMEs from the Diversified Financing System**
 - **the guarantee institutions**
 - **banks of the villages and small towns, the small loan companies and the small and medium financial institutions**



THANK YOU!

Financial Support for innovative SMEs : Thailand Experiences

Mr. Wachira Kaewkor
Director of SMEs Promotional
Development Scheme Department, OSMEP

APEC SME Innovation Seminar
25-28 August 2009 Seoul Korea

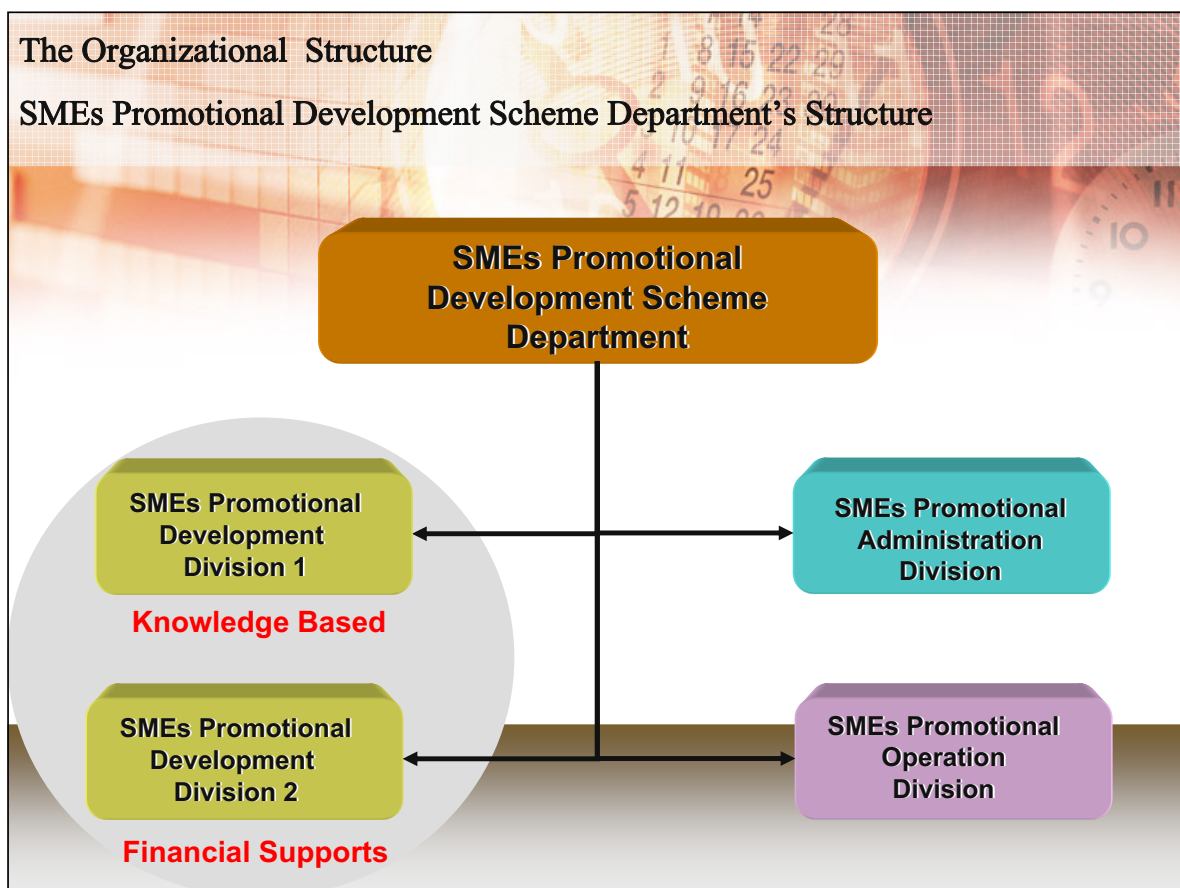
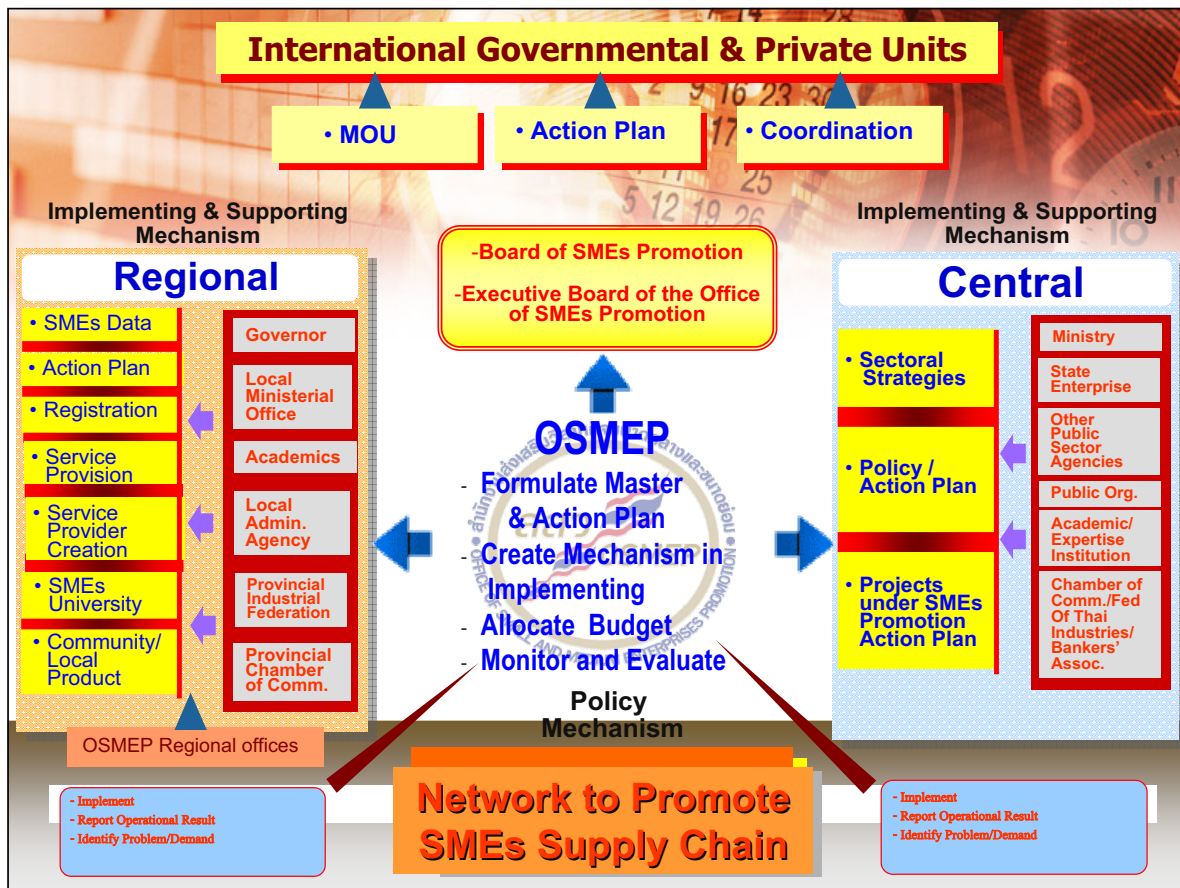
The presentation outlines:

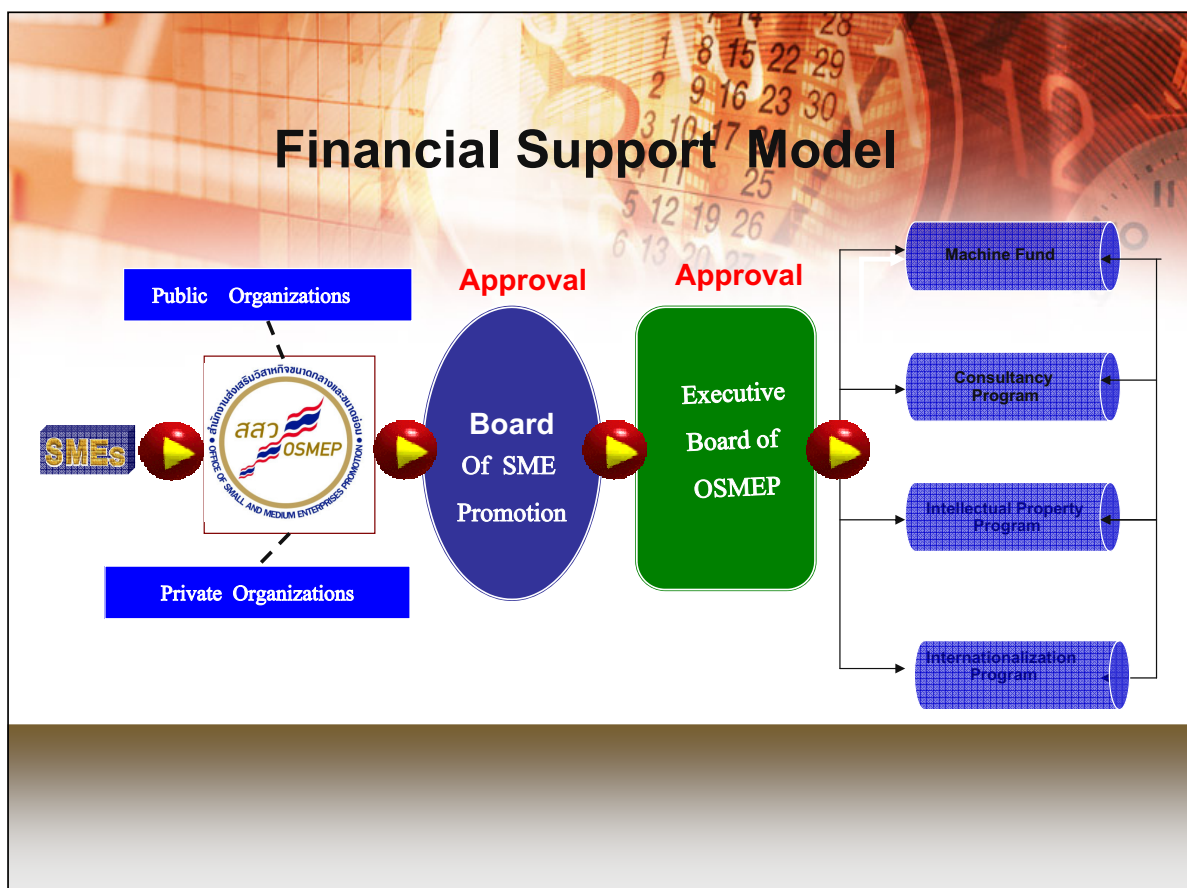
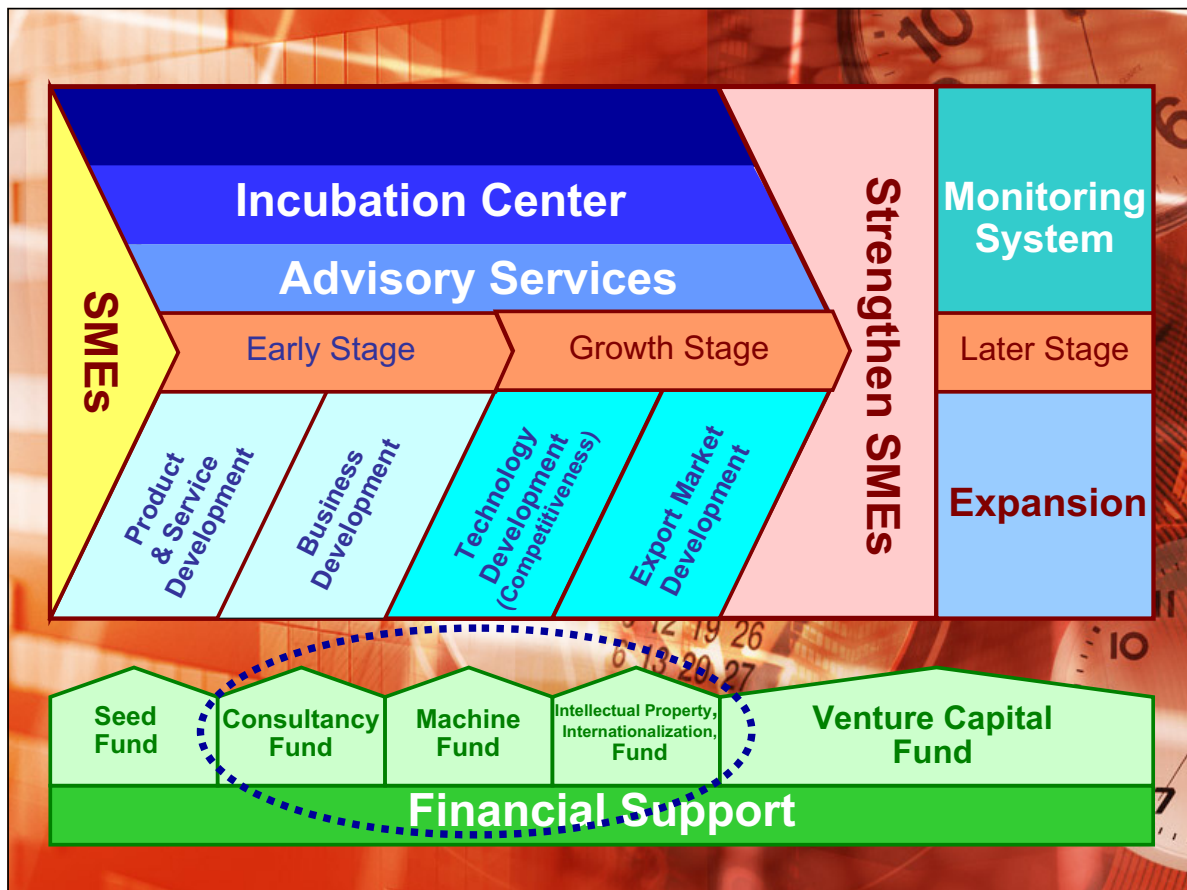
1. OSMEP 's roles how to integrate with international governmental & private units.

2. How to strengthen innovative SMEs.

3. Financial Support Model of OSMEP.







Machine Fund

3% Interest Subsidy
up to **5 years**

Machine Fund

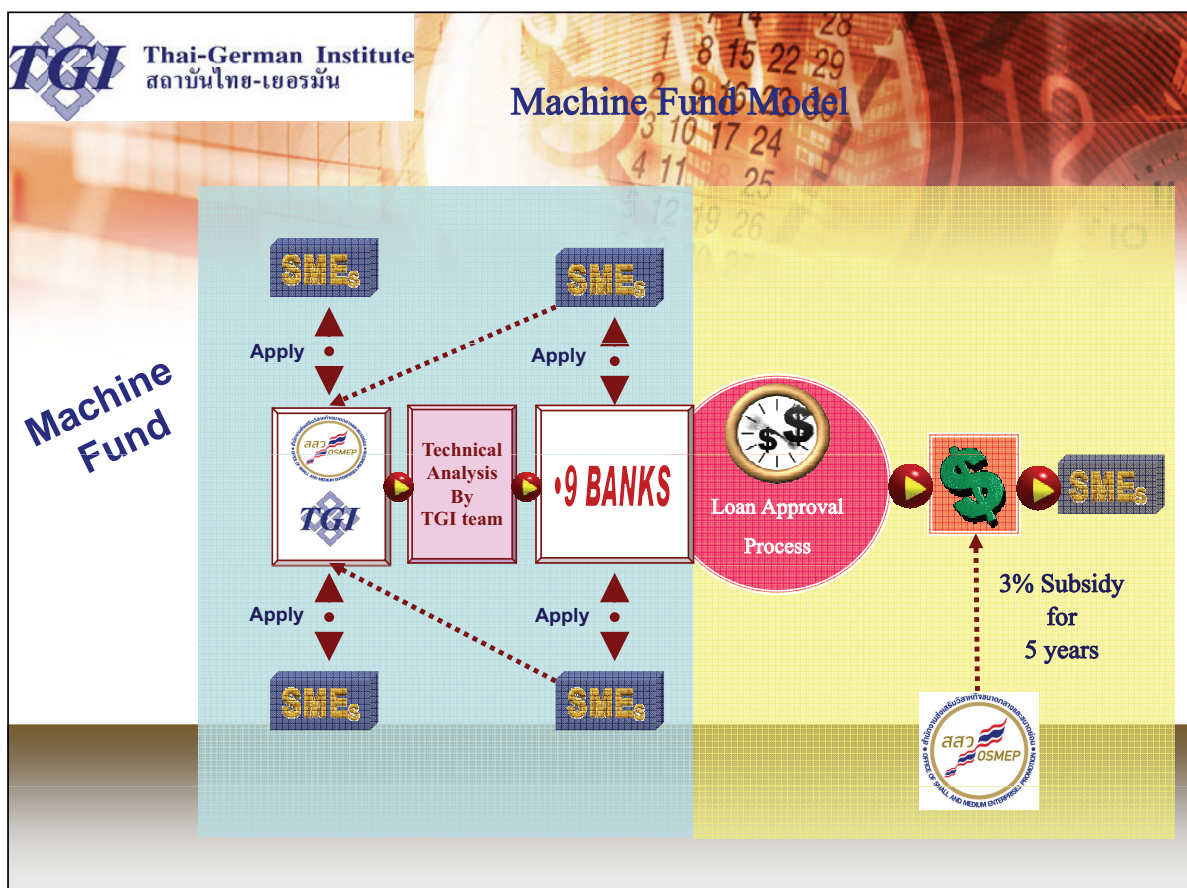
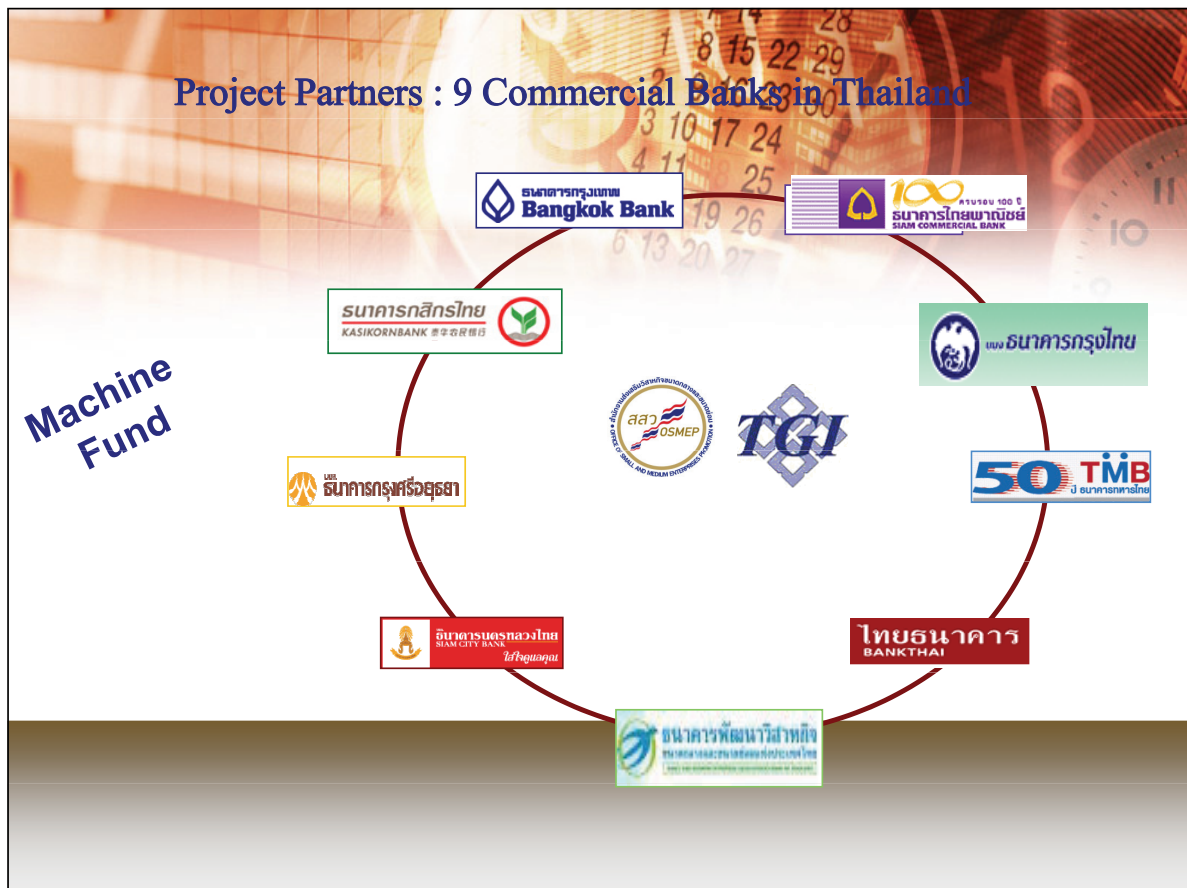
MAIN OBJECTIVES

- **Supporting Industry Development** – Prototype Building, Reverse Engineering, Retro-fit and Testing
- **Machine Modification**
- **System Installation**
- **Machine Replacement** – Mainly focusing on productivity

MAIN CONDITIONS

- OSMEP subsidizes 3% loan interest/yr. for 5 yrs.
- Thai- German Institute (TGI) is a major agency in technical analysis and evaluation (fee = 10,000 Baht)
- Financial Institution will consider loan approval to SMEs.

Machine Fund



Success Case I : Innovative SMEs in Machine Fund Project

Essential Oil Plant



Lanna Products Co.,Ltd.

Evaporator System



Mustard
Essential Oil

Fuel for Biomass Boiler



Spin Flash Dry (Drying Machine)



• Lanna's main product is **Mustard Essential Oil** which production process generates many **Mustard Slurry**.

• **Machine Fund** accomplished in supporting new innovation project that aims to collect more Essential Oil and recycled water from Mustard Slurry by installing Special Designed Evaporator Set.

Moreover, the rest slurry from Evaporator will be dried by Spin Flash Dry and become fuel for Biomass Boiler.

"With this project, all of waste from production will be fully collected and fully recycled as Energy for production again."

Success Case II: Innovative SMEs in Machine Fund Project

Palm oil production plant have a lot of **waste water** mainly consist of oil and protein, which are very good resource for **Biogas system**.

Machine Fund here to support the Biogas Project, changing waste water to energy by microbial process.

TRANG PALM OIL

Waste Water from Palm Oil Factory



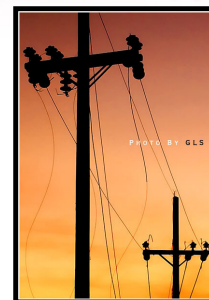
Biogas System

Bacteria change organic matter to gas, enrich with Methane, called **Biogas**. As the fuel of Engine, Biogas is turned to **Electricity** and sale to Grid line.

Beyond the Biogas System, this project also install **Boiler** and **Chiller** which use **exhausted hot air** from Engine to generate steam and cool water, using in process of the factory.

With the lower organic in waste water after Biogas system, the problem of water treatment system are relief.

Electricity to Grid Line

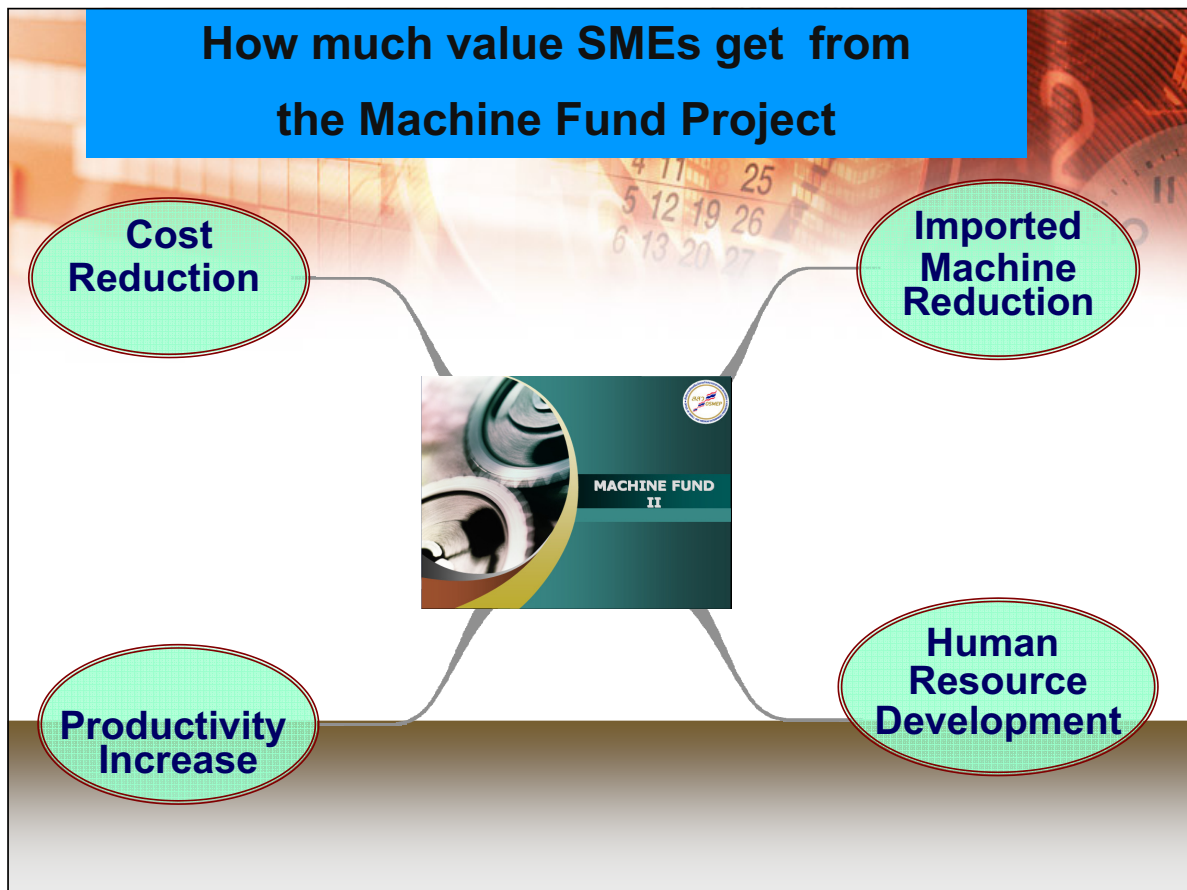


2 MW Gas Engine



Exhausted Gas for Boiler & Chiller





Capacity Building Fund for Thai SMEs

Capacity
Building
Fund

MAIN OBJECTIVES

- To support SMEs in developing business in such areas as IP management, , and marketing
- To enhance SMEs capabilities and standards to increase opportunities in the international market.
- To add value to SMEs businesses, products and services.

MAIN CONDITIONS

- Is a financial support given in form of a grant.
- The maximum subsidy is 50 % of the related expenses and not exceeding 500,000 THB. per enterprise.

Capacity Building Fund for Thai SMEs


Capacity
Building
Fund

A.) Consultancy Fund


B.) Intellectual Property Fund

C.) Internationalization Fund





**Capacity
Building
Fund**



Consultancy Fund

OBJECTIVES

It is a financial support for SMEs consultancy on business system development, product/service development. Moreover, it supports SMEs that face entrepreneurial problems in management, accounting, financing and so on.

CONDITIONS

Stage 1 Business Diagnosis Process

Maximum 25,000 THB.

within Bangkok and vicinity.



Maximum 35,000 THB. in other provinces.

Stage 2 Consulting Process

The subsidy is 50% of the related consulting expenses and not exceeding 250,000 THB.

Subsidy Process	Reimbursement
-----------------	---------------





Intellectual Property Fund

OBJECTIVES

It is a financial support for SMEs in intellectual property registration both domestically and internationally as well as in acquiring licenses and buying from local IP owners.

The Maximum Subsidy


CONDITIONS	
The Maximum Subsidy	50 %
The Maximum Amount	500,000 THB.
Subsidy Process	Reimbursement


Capacity Building Fund

```

graph TD
    IP_Fund[IP Fund] --> Acquiring_Licenses[Acquiring Licenses]
    IP_Fund --> IP_Registration[IP Registration]
    IP_Fund --> Buying_IP[Buying IP]
    Acquiring_Licenses --> Domestic_1[Domestic]
    IP_Registration --> Domestic_2[Domestic]
    IP_Registration --> International[International]
    Buying_IP --> Domestic_3[Domestic]
    
```







Internationalization Fund

Capacity Building Fund

OBJECTIVES

It is a financial support for SMEs in the internationalization process, which involves participation in international level for foreign trade fairs, business matching, market research and survey.

CONDITIONS

The Maximum Subsidy	50 %
The Maximum Amount	250,000 THB.
Subsidy Process	Reimbursement

Internationalization Fund

International Trade Fairs

Business Matching

Market Research and Survey

Success Cases for innovative SMEs participating in Internationalization Fund



Prempracha' Collection is a leading manufacturer and exporter of ceramic household product such as vase, bowl, plate. Each piece is individually hand crafted, with quality and elegance being the criteria.

NOHMEX
Northern Handicrafts Manufacturers
And Exporters Association



An association of small & medium enterprises of Chiangmai handicraft manufacturers, exporters & related service companies that have banded together to promote and support the development of the handicraft industries and assist in the marketing of their products.



How much value SMEs obtain from Internationalization Fund

Prempracha' Collection Co.Ltd.

• Ceramics



Fair Trade/ Exhibition	OSMEP support 50% of total cost (not exceeding 250, 000 baht)	Value of purchasing & sales during the Fair (Million baht)	Value of purchasing & sales after the Fair (Million baht)
MACEF SPRING FAIR (Milano, ITALY)	82,500	2.4	3.6

Subsidy process : Reimbursement

Q&A

Q&A

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21 TST Tower , Floor G , 15 ,17 — 20,23 Viphavadi-Rangsit Road , Chomphon, Jatujak, Bangkok 10900, Thailand.

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SESSION III

Establishing a Market-based Economic Environment



APEC 2009 SME Innovation Seminar
Innovation in SME Financing and Marketing

Session II: Establishing a Market – based Economic Environment

Su, Wen-Ling

Director

Small and Medium Enterprise Administration, MOEA

Chinese Taipei

August 25~28, 2009 Seoul, Korea



Contents

- I. Objectives**
- II. Policies to Commercialized SMEs' Innovation**
- III. Policies Result**
- IV. Conclusion**

I. Objectives

◆ Current Market Challenges to SMEs

Micro - challenges

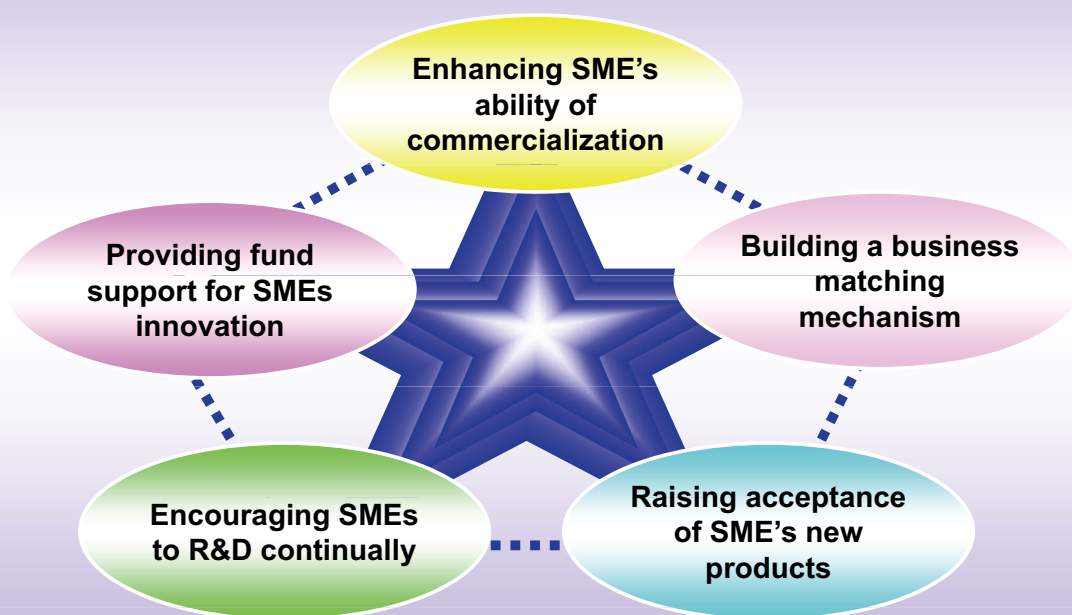
- Lack of marketability for innovation results
- Lack of channels to explore the new products
- Lack of market information for the innovation

- Worldwide downturn & shrinking
- Shrinking demand and confidence
- Winter is over, Spring is yet to come

Macro - challenges

3

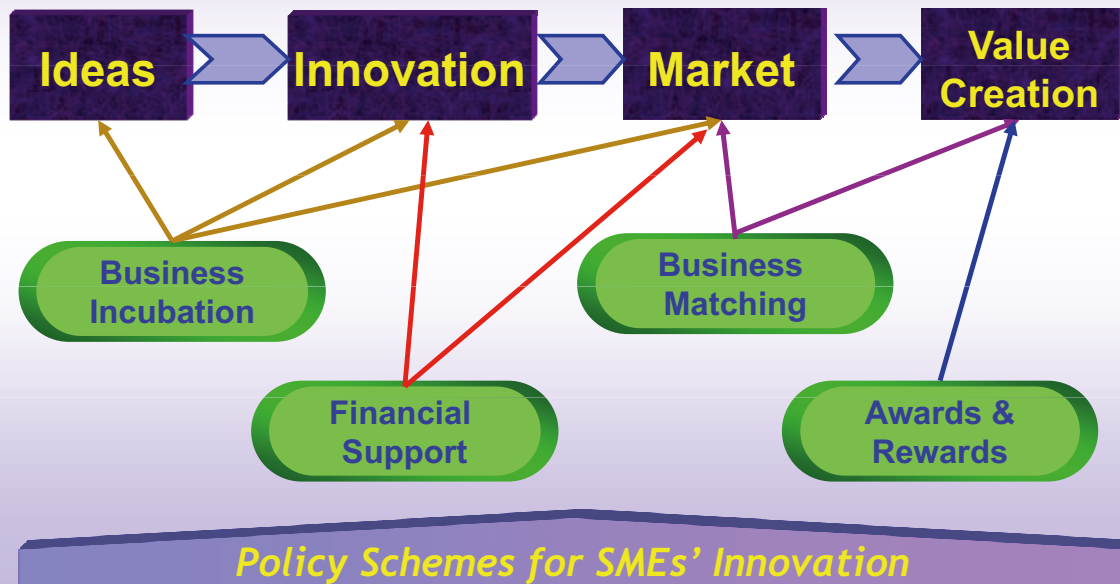
◆ Objectives of Commercialized Innovation



4

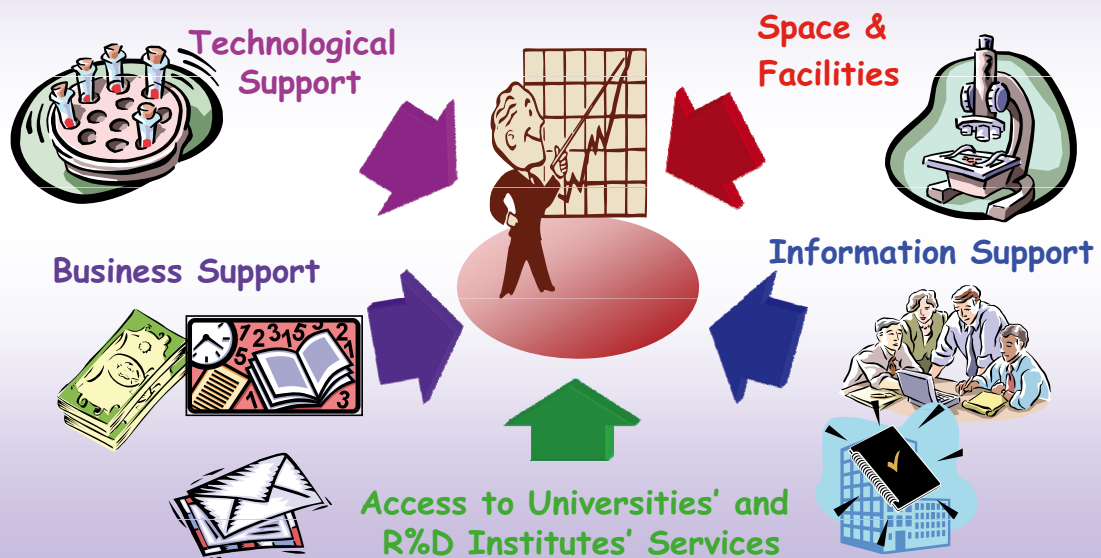
II. Policy to Commercialize SMEs' Innovation

Framework on Commercializing Innovation

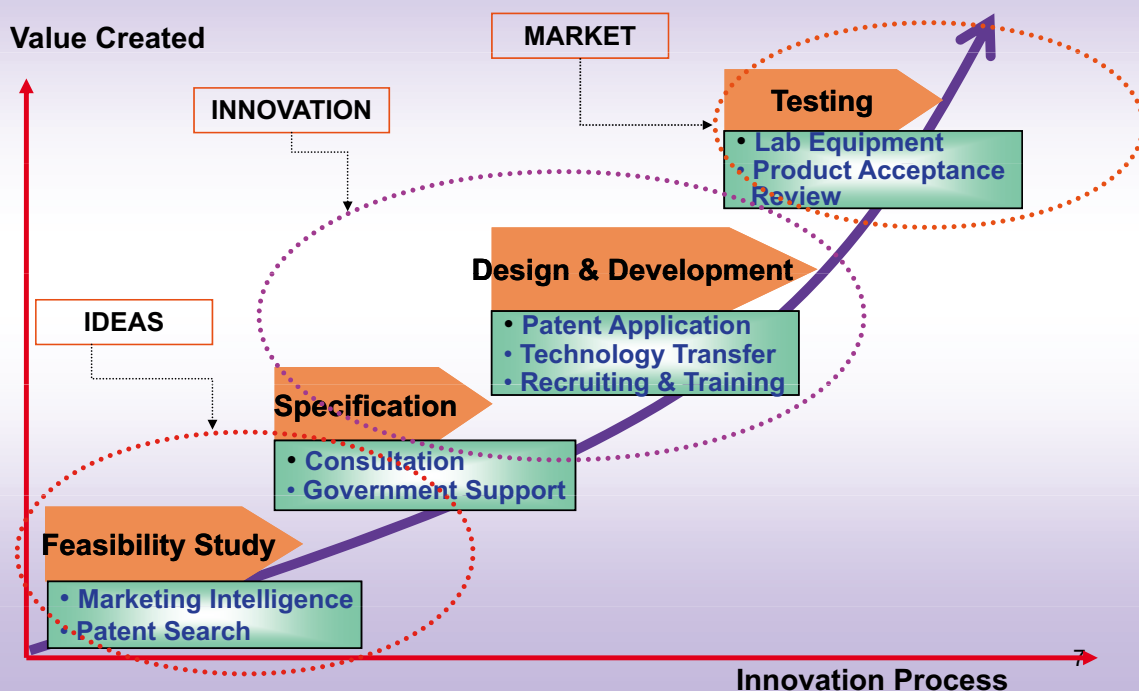


1. Business Incubation

Services provided by Business Incubators



Incubating Process for SMEs R&D



2. Financial Support

Small Business Innovative Research (SBIR) Scheme

Phase I Preliminary Research	To evaluate scientific technical feasibility as industrial impact of an innovative idea	
	50% of project budget Max: NTD 1 M. R&D Alliance: NTD 5 M.	Max: 6 months R&D Alliance: 9 months
Phase II R&D	To implement R&D upon related technology and product based on an innovative and precise technical target which has completed feasibility evaluation	
	50% of project budget Max: NTD 10 M. R&D Alliance: NTD 50 M.	Max: 2 years (3 years for Biotech R&D)
Phase II+ Value-added applications	To commercialize R&D results upon related test production, design and market survey	
	50% of project budget Max: NTD 5 M. R&D Alliance: NTD 25 M.	Max: 1 year (1.5 years for Biotech R&D)



Industry R&D Loans Scheme

Purpose

to encourage SMEs enhancing R&D capability for promoting SME's competition ability and increasing the value of products

Loan Amount

Maximum 80% of project budget and not more than NT\$65 M

Interest Rate

Not higher than 2-year deposit rate + 2.25%

Period of Loan

Not longer than 7 years

Period of project

2~3 years

Applicable Industry

1. Internet and Multi-media Service
2. Manufacturing
3. Professional, Scientific and Technology Service
4. Culture & Creation



3. Business Matching

Boosting acceptance of new products

Developing new business opportunities

Accelerating innovation Commercialization

Strengthening on-line marketing ability

Demand Side

1. VC & Angel
2. Marketing agents
3. SMEs who seek key techniques

Presentation

New Techniques/Products

Exhibition

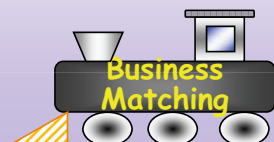
New Techniques/Products

Business Negotiation

One-to-one Discuss & Negotiate

Supply Side

1. SMEs who own new techniques
2. SMEs who own new products



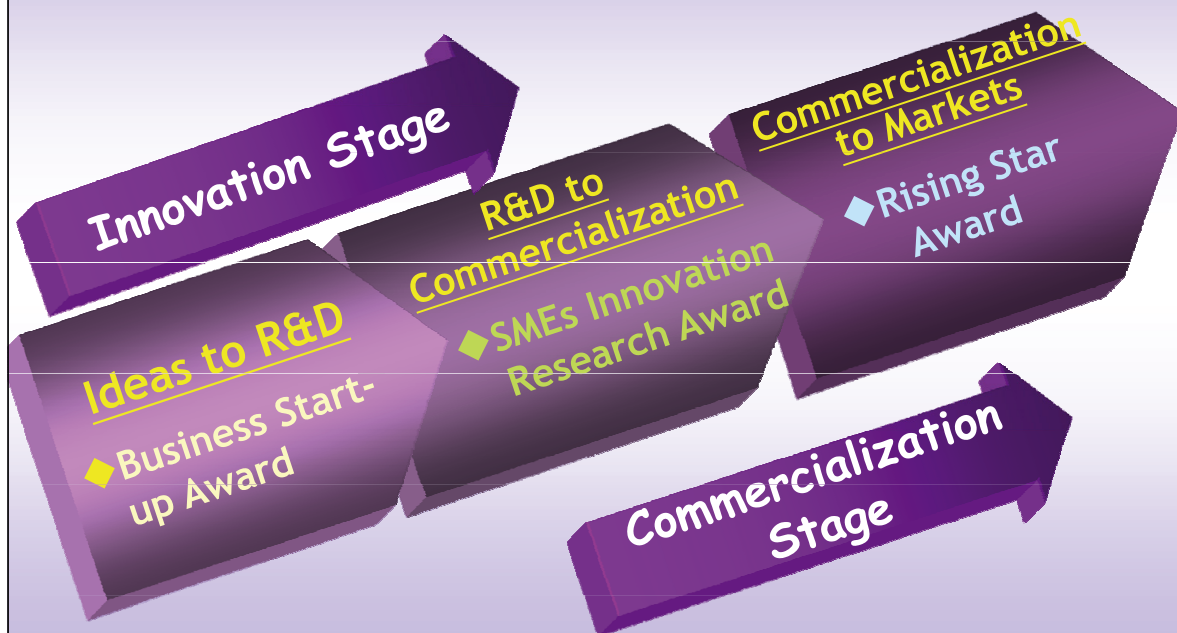
New Product Exhibition

Technomart

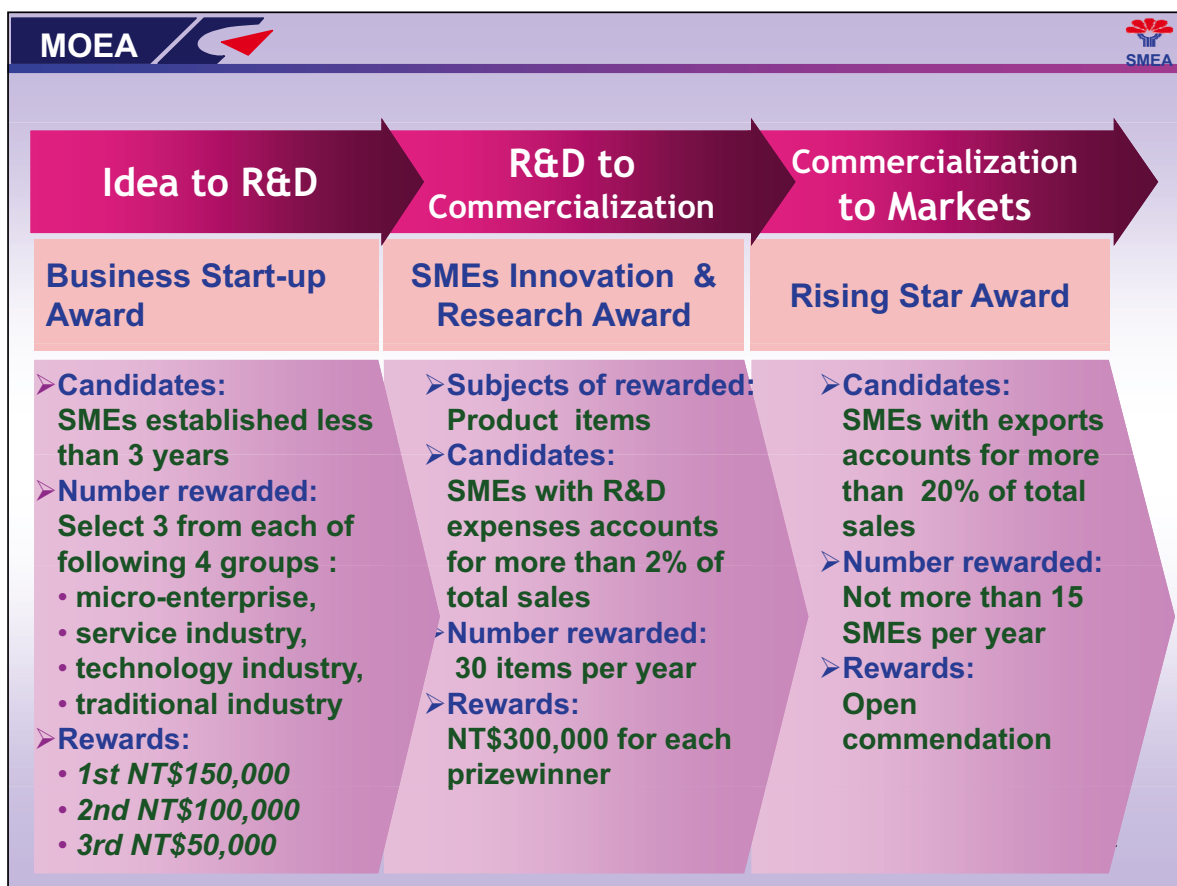
Web Demonstration



4. Awards and Rewards

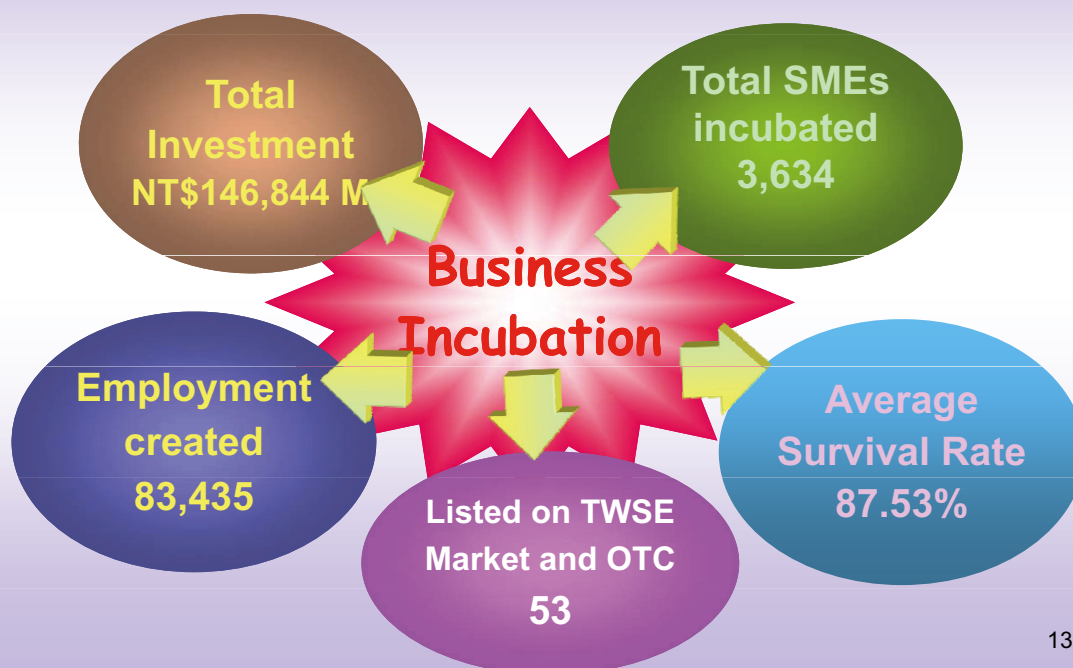


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III. Policy Results

1. Business Incubation (2001~2008)



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2. Financial Support

➤ SBIR Scheme

	2004	2005	2006	2007	2008
No. of applied	518	589	569	609	665
No. of approved	279	285	319	364	313
Approved rate	54%	48%	56%	60%	47%

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3. Business Matching

	2004	2005	2006	2007	2008
No. of matching activities	4	4	5	15	14
Cases of conferred	261	393	811	5,276	4,060
Cases of Successful matching	74	111	91	435	397
Amount of Successful matching (NT\$/thousand)	52,000	159,000	64,000	273,000	286,840

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4. Awards and Rewards

➤ SMEs Innovation & Research Award

	2004	2005	2006	2007	2008
No. of candidates	213	200	139	121	112
No. of prizewinner	36	50	22	31	30
Rate	17%	25%	16%	26%	27%

➤ Rising Star Award

	2004	2005	2006	2007	2008
No. of candidates	40	75	42	51	49
No. of prizewinner	17	17	11	9	11
Rate	43%	23%	26%	18%	22%

Innovation policies should provide channels for SMEs to have access to the supports of financing, R&D, marketing and commercialization, as well as should promote technological and human skills upgrading.

We all have done much. Which is the best practice? It depends on the development stage, macro-economic environment, and the real demand of SMEs.

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Thank you for your attention



<http://www.moeasmea.gov.tw>

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**APEC INNOVATION IN SME
FINANCING AND MARKETING
SEMINAR
Seoul, Korea.**

A whole Movement for the Competitiveness of the
SME's in Mexico

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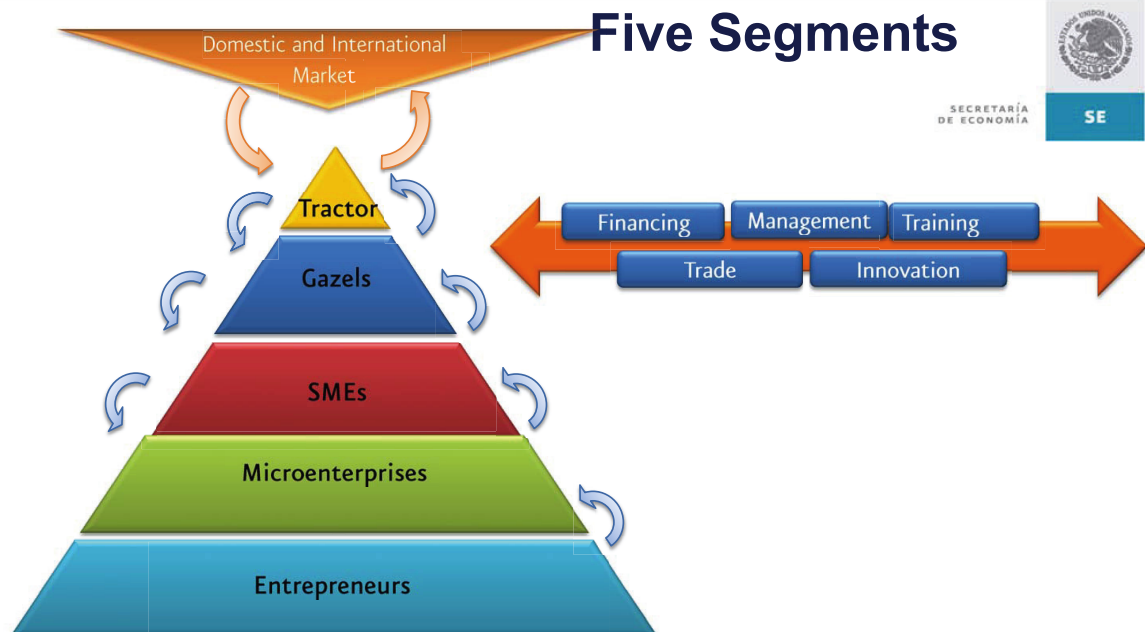
**“TECHNOLOGY INNOVATION,
ENTREPRENEURSHIP SUPPORT STRATEGY AND
TRAINING TO FACILITATE THE ACCESS OF THE
MEXICAN SMEs IN THE GLOBAL MARKET”**

1 CHAPTER

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

1

How to obtain it?



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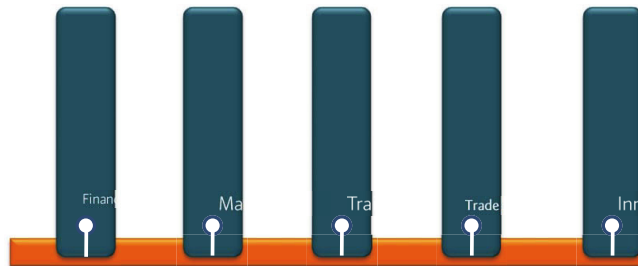


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MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO



FIVE SEGMENTS FIVE SERVICES



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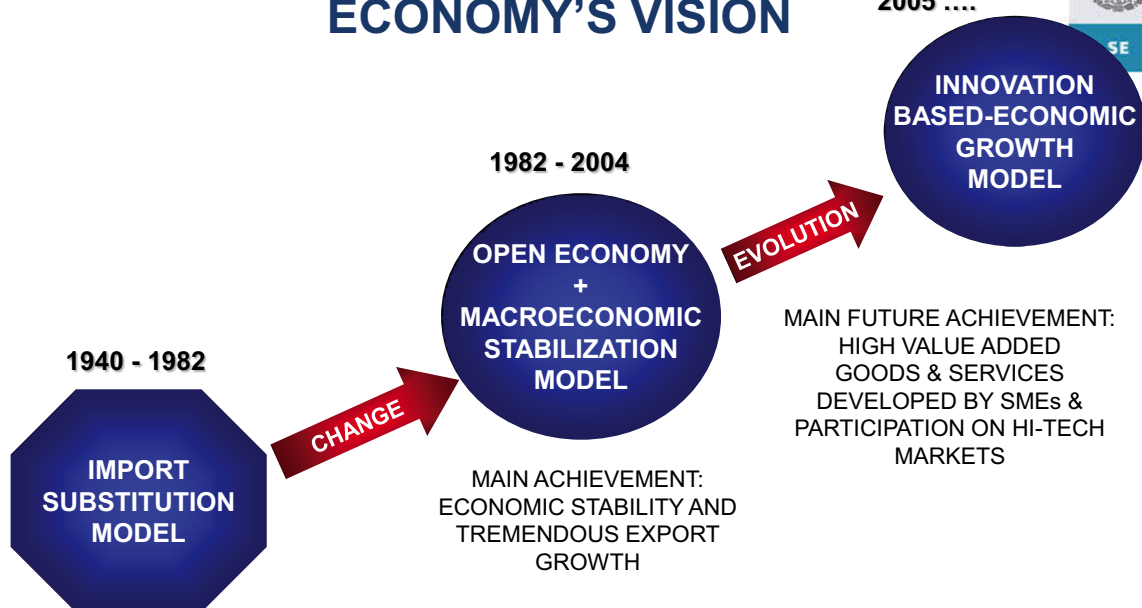
	Finance	Manufacturing	Trade	Trade	Innovation
Tractors		✓		✓	✓
Cazels	✓	✓	✓	✓	✓
SMEs	✓	✓	✓	✓	✓
Microenterprises	✓	✓	✓	✓	✓
Entrepreneurs	✓	✓	✓	✓	✓

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO



2006-12 MINISTRY OF THE ECONOMY'S VISION

2005



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO



SME's investment on IT's



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Most SME's don't count with a technological development plan, they are not sure which processes of their production need information technologies, they are not aware which technologies to use or when to use them. These are problems that need immediate solutions in order for Mexican enterprises to improve their competitive levels.

Type of solutions that the SME's need:

Infrastructure (PC's, servers and operative system software)

- Mobility Technology (wireless LAN)
- Internet Connectivity
- On-line training and consulting
- Collaboration (mails and agendas)
- Entrepreneurial applications
- Security (antivirus, firewalls)
- Market Information Access (business opportunities, markets)
- Promotion
- e-commerce

Source: IDC

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO



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A whole Movement for the Competitiveness of the
SME's in Mexico

Entrepreneurs' National Program

Strategy 2008-2009

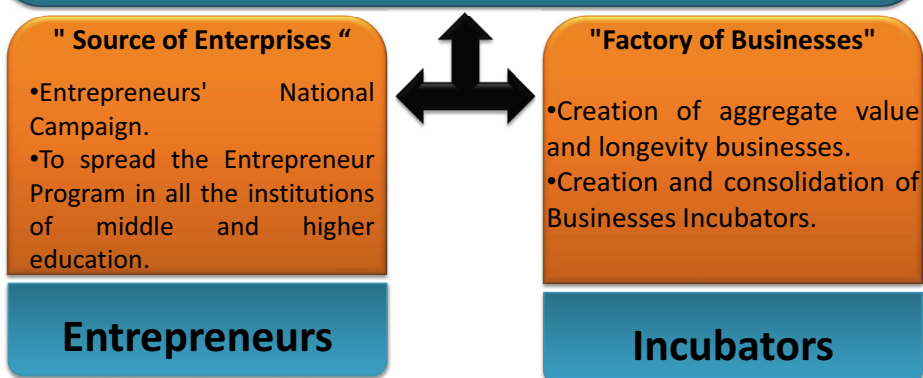
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6

Entrepreneurs' National Program

Objective

The **Entrepreneurs' National Program** has the objective to promote and enhance in the Mexicans' mind the culture and business development that results in the creation of **more and better** enterprises through the **National Incubators' Network**



"Becoming Mexico in an entrepreneurs land"

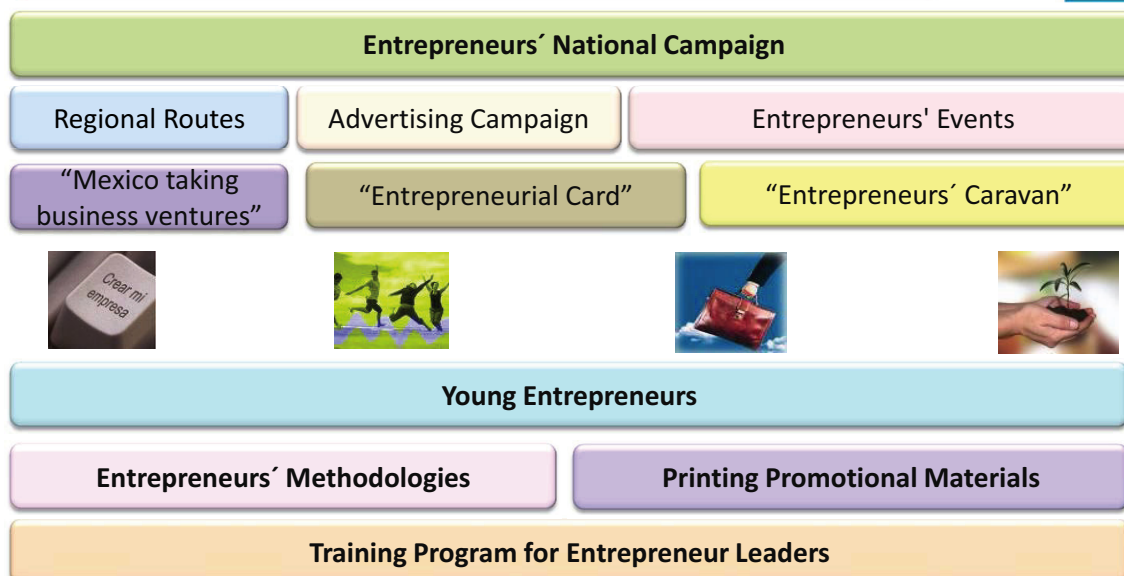
Heriberto Félix Guerra

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7

Entrepreneurs' Program

Promote and enhance entrepreneurship and entrepreneurial activity.



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8

Entrepreneurs' Program

Entrepreneurs' National Campaign



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Regional Tours

Entrepreneurs' Tours "Entrepreneurs' Day"

- Regional events in 10 different states to promote and encourage entrepreneur activity.
- Exhibition with 50 stands presenting different support options for entrepreneurs, incubators, academic institutions, financial institutions, entrepreneurial organizations and successful graduated business from incubators.
- In addition, 3 thematic conferences, 5 panel discussions regarding to financing, management, innovation, marketing and training.
- Simultaneously, a simulator workshop of traditional and rural businesses.
- This event has the assistance of 1000 entrepreneurs who will receive assistance and information about the range of programs that the Under Ministry for the SMEs offers through the platform "Mexico taking on business ventures".



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Entrepreneurs' Program

Advertising Campaign



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Print and electronic media to encourage entrepreneurs' activity in Mexico.

Entrepreneurs' Events

Invitation to academic institutions, entrepreneurial agencies, social agencies, ecc. to promote entrepreneurial activity through different events.

"Mexico taking business ventures"

National event with the participation of more than 10,000 young entrepreneurs from all over the country who participated in the Training Program for Entrepreneur Leaders.

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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Entrepreneurs' Program

“Entrepreneurs’ Cards”

- We recognize entrepreneurship through this card, which benefits are a free incubation process, a credit pre-approved of capital seed and the membership to the SME business community.
- The winners in contests and entrepreneurial events, get this card as an award.

“Entrepreneurs’ Caravan”

- The Entrepreneurs' Caravan is a mobile unit (truck trailer) which will go through all the country offering options and opportunities for the entrepreneurs.
- The Caravan will have a simulator, personal assistance, business opportunities, employment opportunities, etc.



Entrepreneurs' Program

Young Entrepreneurs

Methodologies for Entrepreneurs

- Support for academic institutions that do not have their own entrepreneur methodology and printing materials for this purpose.

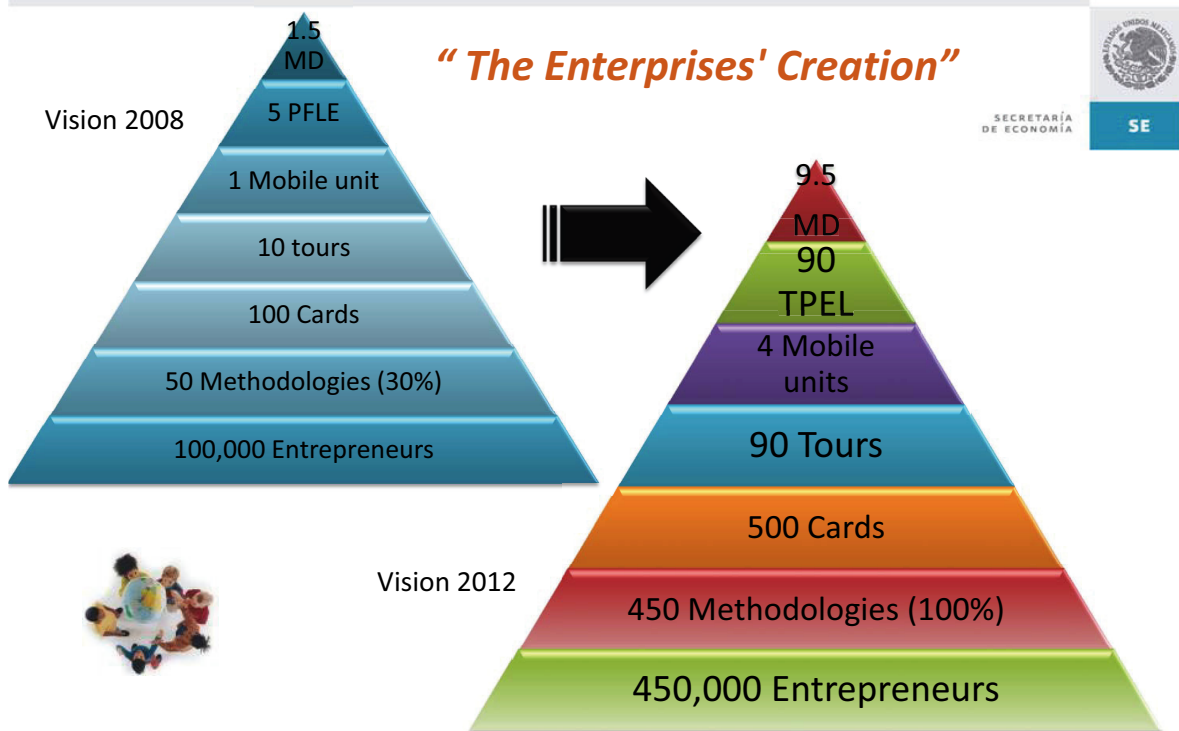
Training Program for Entrepreneur Leaders

- It is a training program for youths that have received some methodology for entrepreneurs before, and that present profiles of highly leadership (Enterprising Elite).
- Through motivational contents and business skills, the entrepreneurs will work during 10 weeks with multidisciplinary and interinstitutional groups, of 100 youths of each region, will become the source of businesses.



Entrepreneur's Program

Goals 2008 - 2012



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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SME Fund

Supports 2008



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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Business Incubators

Enterprises' Factory

The National Incubators' Network is a tool to foster economic growth, to contribute in the creation of **more and better entrepreneurs, more and better enterprises, more and better employments.**

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✓The objective is to create and enhance the incubators' network at national level ensuring the best incubator practices and programs and the appropriate customers services.

✓To assist in the creation of innovative enterprises with more added value and longevity.

500 incubators with the best incubator practices

Operate the BEST Incubator Policy.



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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Classifying the Business Incubators

According with the different kind of the created enterprises, the business incubators are classified by:

Traditional Business Incubators

To support the creation of businesses in traditional sectors with basic requirements of operation. In this classification, incubators are oriented in rural sector and alternative tourism.



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Intermediate Technology Business Incubators

To support the creation of enterprises with technological and physical infrastructure requirements, as well as operation mechanisms and semi-specialized processes.



High Technology Business Incubators

To support the creation of businesses in specialized sectors such as Information and Communication Technologies (ICT's), microelectronic MEM'S systems, biotechnology and pharmaceutical, and others.

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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Incubators

Strengths in Incubator Systems around the World



Business Incubators

Strategies



Creation and Consolidation of 500 incubators with the best incubation services

- Creation of specialized incubators, development of providers.
- Consolidation of weak incubators, helping them to reach international standards.
- Implementing a regional strategy to supervise incubators and report information in real time. (Independent work for each kind of incubators)



A call for Enterprises for the Incubation Process

- Through a national call at least 30 % of the projects will be selected to receive the incubation process in 2008.
- **National Prize for Entrepreneurs**
- Through the "Entrepreneur Card" the citizen will receive direct benefits.



National Incubators Trust

- Creation of a national trust to strengthen incubators and resource management, working as a leadership body for incubators.
- Creation of 8 regional trusts with the same functions at the national and regional levels.
- The trust will be integrated by members of the community with a great degree of acceptance amongst the stakeholders.



Creation of New Incubators

- Through the presentation of feasibility studies according to the particular attributes of the region.
- A Special Committee integrated by a representative of the ministry of economy, the local government, specialists, etc.
- The feasibility study will be evaluated considering the country necessities, the qualities of the project, its added value and its strengths.



Strengthening Institutional Relations

- Visits to all incubators starting with the top 50 around the country, with the purpose of strengthening relations and commitments with the authorities.
- The General Director will take part in the tour around the incubators and there will be a register of each visit.



Strengthening and Standardizing Incubators

- Since this year, incubators receive financial support only if they are complying with the standards for the creation of enterprises.
- Special support has been established to those incubators complying with the standards.
- The process to design a certification norm for incubators.
- By the end of 2008, the process of certifying the consultancy team of the incubators will start.



National Council for Business Incubators

- Promoting the change of chairman in the Council and extending the membership, as well as, getting new responsibilities and commitments.
- The Council will work as an operative body analyzing the performance of the National Incubators 'System.



Entrepreneurial Community

- 60 incubators will integrate 100 enterprises into the community through the card "SME taking on business venture".
- In a strategic alliance with entrepreneurial bodies this community will grow and consolidate the links to exchange information.



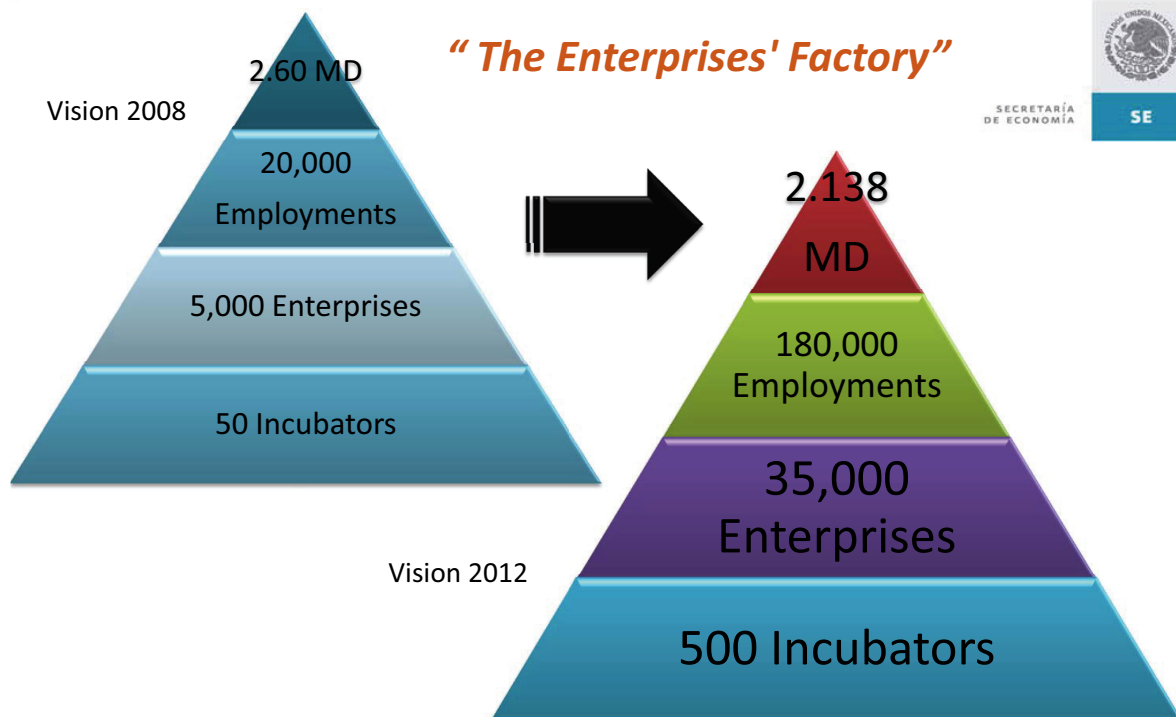
Operating Intermediate Bodies

- Core strategy operating through intermediate bodies working as leaders of a net responsible for requesting the SME Fund resources, executing them according to results, following -up incubators and their projects, etc.



Incubators

Goals 2008 - 2012



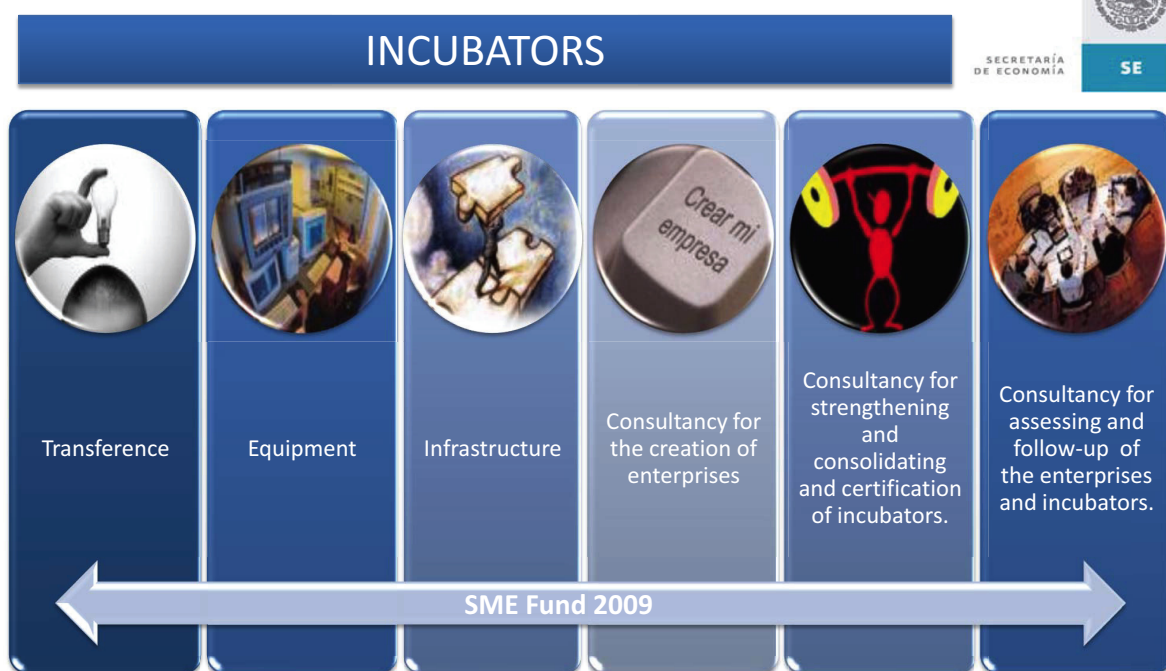
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SME Fund

Supports 2008



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BUSINESS INCUBATORS' NATIONAL PROGRAM

Website – www.siem.gob.mx/snie

Red de Incubadoras

CON MODELO RECONOCIDO POR LA SECRETARÍA DE ECONOMÍA

ESTATUS DE PROYECTOS EN INCUBACIÓN	CANTIDAD DE PROYECTOS
1) ELABORACIÓN DEL PLAN DE NEGOCIOS	3
2) DESARROLLO DE PROTOTIPOS	3
3) EN OPERACIÓN CON TUTORÍA DE LA INCUBADORA	17
4) EN OPERACIÓN	1
Total de Proyectos:	24
Empleos Generados:	318

INCUBADORAS DE TIPO:

NEGOCIOS TRADICIONALES	61
TECNOLOGÍA INTERMEDIA	120
ALTA TECNOLOGÍA	10
Total de Incubadoras:	191

Subsecretaría para la Pequeña y Mediana Empresa
Av. Insurgentes Sur 1940 7º Piso, Col. Florida, C.P. 01030, México D.F. Lada (55) Tel. 5229-6100 exts. 32137, 32143, 32144, 32146

- Recognized Models
- Incubators' Network
- Investment Opportunities
- General information

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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Incubators' National Program

Global vision 2008 - 2012

Year	Enterprises	Employments	Business Incubators
2008	5,000	20,000	450

Vision 2008



Vision 2012



Year	Enterprises	Employments	Incubators	MD
04-06	10,320	26,019	300	About 18.9
2007	4,900	16,000	400	About 16.2
2008	5,000	20,000	450	About 25
2009	9,000	36,000	450	About 34.7
2010	10,000	40,000	500	About 38.5
2011	10,000	40,000	500	About 43.4
2012	10,000	40,000	500	About 48.2
	59,220	218,019	500	About 216.6

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

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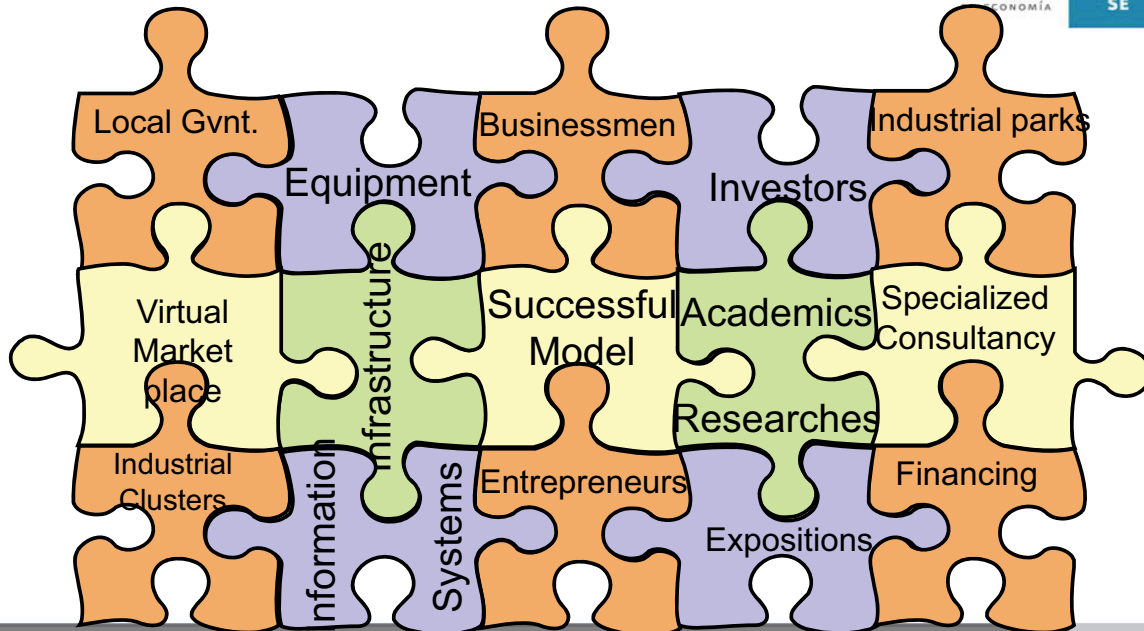


NATIONAL SYSTEM OF BUSINESS INCUBATORS



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INNOVATION CLUSTERS

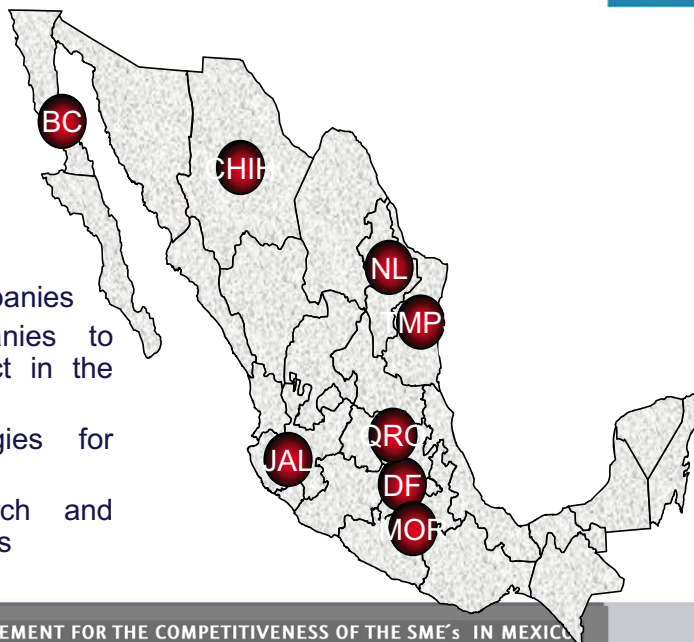


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Critical route to transform an economic region in a "Technopolis"

- To create local technology companies
- To attract high-tech companies to generate a trickle down effect in the region
- To develop new technologies for emerging industries
- To promote applied research and development in local Universities



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME'S IN MEXICO



BENEFITS



- Accelerated companies will improve their sales, increasing their national and/or international market share.
- Businesses will contribute to the production of innovative products generating new patents.
- Its strategic location will allow companies to have more contact with angel and venture capitalists getting the opportunity to expand through this type of financing.
- Companies will capitalize the opportunities from joint development of products, processes, materials and/or services of the 25 companies with Universities, Technological Centers and Businesses in Mexico and the United States, generating wealth and jobs in both sides of the border.
- The Ministry of the Economy of Mexico considers TechBA to be the top of the iceberg of a whole system of innovation and technology development that has been created in Mexico.

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

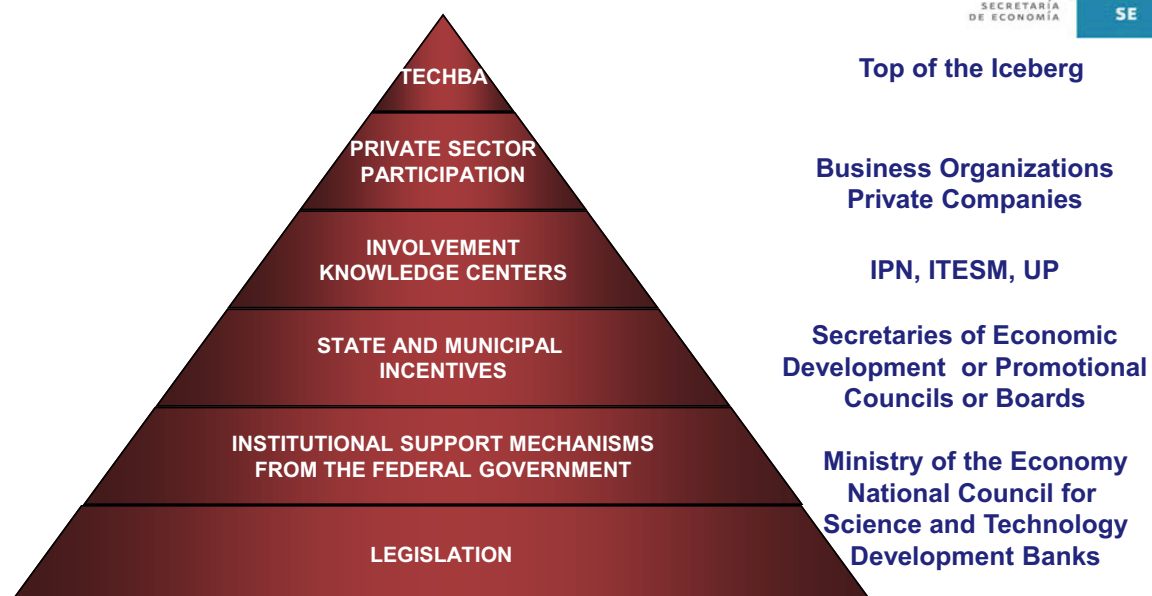


THERE IS A WHOLE INSTITUTIONAL STRATEGY TO SUPPORT TECHBA



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***THANK YOU FOR YOUR
KIND ATTENTION***

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO



A whole Movement for the Competitiveness of the
SME's in Mexico

**APEC INNOVATION IN SME
FINANCING AND MARKETING
SEMINAR
Seoul, Korea.**

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**“TECHNOLOGY INNOVATION,
ENTREPRENEURSHIP SUPPORT STRATEGY AND
TRAINING TO FACILITATE THE ACCESS OF THE
MEXICAN SMEs IN THE GLOBAL MARKET”**

2nd chapter



A whole Movement for the Competitiveness of the
SME's in Mexico

**BUSINESS ACCELERATORS
PROGRAM**

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DEFINITIONS

BUSINESS INCUBATORS

BUSINESS INCUBATORS: they are the centers of support to entrepreneurs who facilitate the creation of companies by means of integral services of joint and enterprise support for the development and/or beginning of their business plan, evaluating their technical, financial and marketing viability oriented in the productive, regional and sectoral vocations, and that conventionally provide physical spaces, access to equipment, of qualification and consultant's office in administrative aspects, of logistic, of market, of access to the financing. As well as services and technical support

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IDEA



TO CREATE A COMPANY

BUSINESS ACCELERATORS

BUSINESS ACCELERATORS: It is the organization, institution or company specialized in detecting, attracting, to finance and to develop to basic companies technological in growth process. This, through accessory and networks of contacts, to improve the processes, products, image and model of business, of form so, that its access to the international markets of technology as well as the bottoms of national and international risk capital is facilitated

SUCCESSFUL COMPANY IN MÉXICO



SUCCESSFUL COMPANY IN THE WORLD

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

3



BUSINESS ACCELERATORS

WHAT IS?

The Program of Acceleration of Companies was created to support the Mexican companies basic technology with the suitable consultancy, with the purpose of to introduce its innovating technology, products and services to the global markets; as well as to create jobs and to increase sales in the domestic market.

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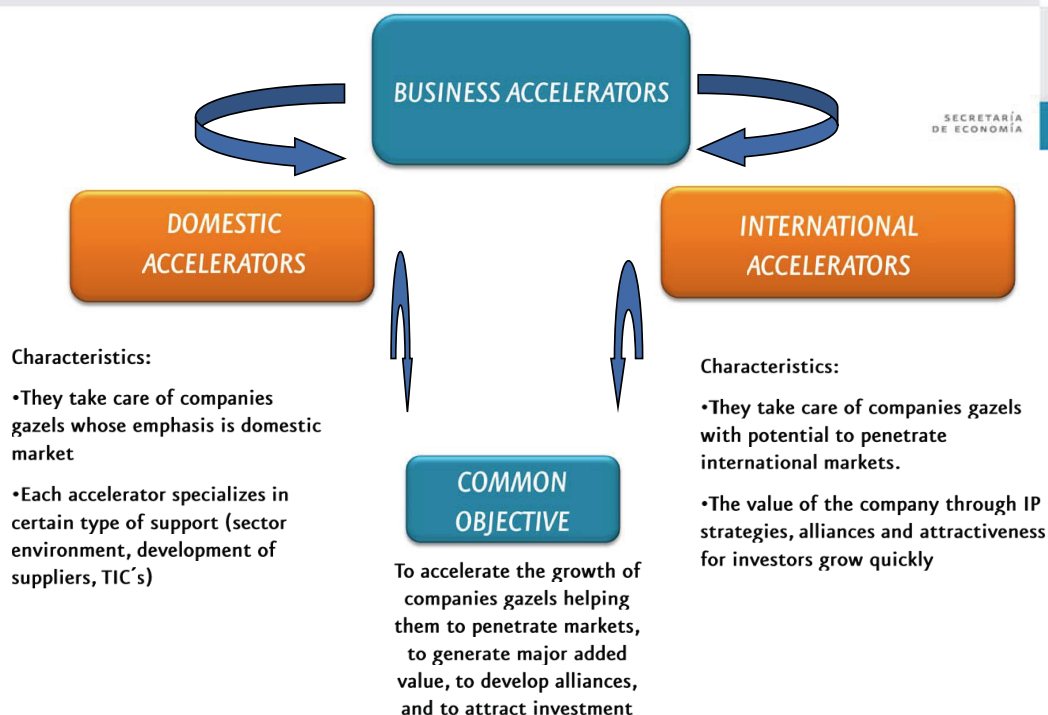
WHY IT SERVES?

In order to push companies gazels and to penetrate to the great global markets

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

4

BUSINESS ACCELERATOR



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

PROGRAM DEFINITION: TECHBA

¿WHAT IS A TECHNOLOGY BUSINESS ACCELERATOR?

The TechBA Program, created by the Ministry of the Economy and the United States-Mexico Foundation for Science (FUMEC), has the purpose to support top-tier Mexican companies in bringing their innovative technology, products and services to global markets.



Objectives:

- Capitalize their intellectual property and business skills by reorienting their capacity to global markets.
- Interact with high-tech ecosystems in order to reach milestones in terms of sales, alliances and access to angel and venture capital investment.
- To incorporate Mexican high value added companies as part of integrated, global supply chains.
- To strengthen business intelligence mechanisms and interactions between organizations and individuals as they create new business and collaboration opportunities.

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

6

TECHNOLOGY BUSINESS ACCELERATOR (TECHBA)

- The key element of the TechBA Program:
The Ministry of Economy of Mexico selects the ecosystems with the highest innovation drive, such as Silicon Valley in California, Austin in Texas, Montreal in Quebec and Madrid in Spain.
- In each region, TechBA partners with recognized organizations that have a proven track of successful results in accelerating innovative companies.
- Strategic partners include:
 - » The Enterprise Network of Silicon Valley
 - » IC2 from the University of Texas at Austin
 - » Inno-centre in Montreal and
 - » Parque Científico de Madrid in Spain.



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7

TECHNOLOGY BUSINESS ACCELERATOR (TECHBA)

INTERNATIONAL ECOSYSTEM



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MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

TECHNOLOGY BUSINESS ACCELERATOR (TECHBA) ACTUAL SITUATION



2006:112
COMPANIES

2007:220
COMPANIES



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ACCELERATION PROCESS

TechBA

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- **Basic Office Infrastructure** – Participating companies are assigned to a physical space in TechBA
- **Training** – Annual training program (on site and remote), oriented to help companies to get involved with the global business ecosystem, attending subjects such as intellectual property, legal affairs (regulations and certifications), venture capital processes, etc.
- **Specialized Consulting** – A consulting group is assigned for advising, coaching and guiding participating companies to integrate an action plan, to improve their value offer and to establish connections within the same consulting group's local contacts network in the region.
- **Access to relationships and positioning Networks** – Arrangement of activities and events intended to allow participating companies to promote their participation in the program, focusing in promoting their value offer among potential customers in the region.

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

10

TECHBA: HIGH-TECH SECTORS

High-tech sectors

TechBA focuses on innovative companies related to high-tech sectors with strong presence in the global technology markets, such as:

- Information and Wireless Technologies.
- Biotechnology and Bioinformatics
- Life Sciences
- Microsystems, including Semiconductors and Mems
- Advanced Materials
- Robotics
- Multimedia, Animation and Education Services



SECRETARÍA
DE ECONOMÍA

SE

Technology Business Accelerator (TechBA) **Results**



SECRETARÍA
DE ECONOMÍA

SE

SMEs:

112 Companies

International Sales:

\$275,132,448 mx pesos

National Sales:

\$ 1,749,663,000 mx pesos



SECRETARÍA
DE ECONOMÍA

SE

***THANK YOU FOR YOUR
KIND ATTENTION***

MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME's IN MEXICO

SESSION IV

Successful Cases of SME Innovation



Traceability in Agricultural Rural Communities
Organic Aromatic Herbs, Coffee and Brown Sugar
(Panela)
Business Case on SMEs Innovation
PERU



- Open economy: FTA with USA, China, Malaysia, Canada, Chile, others in process.
- SMEs : 46% of GDP, 70% employment, 95% enterprises, Low productivity & competitiveness
- GDP growth 7.8% avg 2005 2008
- The most successful economy in the region in 2009: projected growth 2.3%
- Exports increased 30% per year from 2001 to 2007

GS1 Perú – CITE Logística

- GS1 is GLOBAL STANDARDS ONE. Standards for logistics and supply chain
- GS1 is a global organisation with more than 108 members around the world.
- More than 1 million user companies. Multisectorial.
- Presence in Peru since 1989. Up today with more than 2,500 member companies.
- Accredited by Peruvian Production Ministry in 2006 as Innovation Technology Center in Logistics (CITE Logística).



Traceability – STRATEGIC for peruvian companies

Competitiveness

Efficient operations

- Visibility, Control and Integration in the product flows and information flows → REAL TIME

Regulations





Projects objectives

Identify and implement logistics best practices and traceability in peruvian agricultural rural communities, helping companies to fit the global regulations regarding product visibility and product recalls.

Support companies from an innovation, quality and competitiveness point of view.



Aromatic Herbs

- **Women producers association from Puquina, Chiguata, La Joya and Polobaya, althitude 3000 to 4000 meters (9000 to 12000 fts) above sea level, 1200 Km far from Lima, the capital city.**
- **More than 615 producers with around 1015 hectares**
- **11 different herb varieties**
- **Exports to European markets.**





Brown Sugar (Panela)

- Mountains of Piura, Jilili and Montero, about 1 hour far from the city.
- CEPICAFE, a second floor organization, in charge of the export process.
- Joins more than 70 SMEs Agricultural Producers with more than 3,000 members
- CEPICAFE has certifications on MBP and HACCP.



Video



Activities Developed

1. Diagnostic and traceability process mapping.
2. Traceability templates, guidelines development and action plan.
3. Specialized training.
4. Implementation: both Manual and Automated record process using traceability software and bar codes.




Main Achievements

1. Standard traceability processes implemented .
2. Work with local partners
3. Knowledge & Technology.
4. Strong participants commitment
5. Successful Business Case on Aromatic Herbs.
6. Standard Traceability Package development (Toolbox).
7. First Peruvian process certified by the GS1 Traceability Seal.

Traceability, not just a tool or
mandatory requirement for
competitiveness...

.... but a key component of
peruvian development strategy.

Technological Support for Peruvian SME: The Role of the Technological Innovation Centers - CITEs



PERÚ

Ministerio
de la Producción



Luis Rosa-Pérez
Innovation Projects Specialist
Vice Ministry of SMEs and Industry

June 2009



PERÚ

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de la Producción

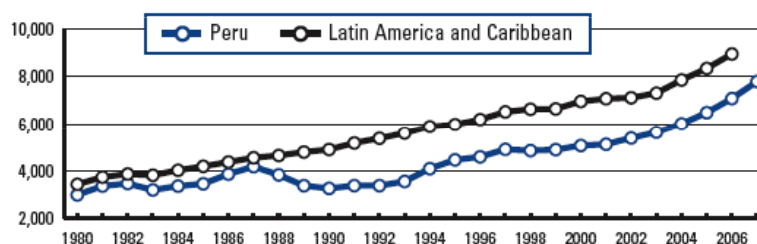
Peru

Key indicators

Total population (millions), 2007	28.8
GDP (US\$ billions), 2007	109.1
GDP per capita (US\$), 2007	3,885.9
GDP (PPP) as share (%) of world total, 2007	0.33



GDP (PPP US\$) per capita, 1980–2007





Factors that contribute to the Competitiveness

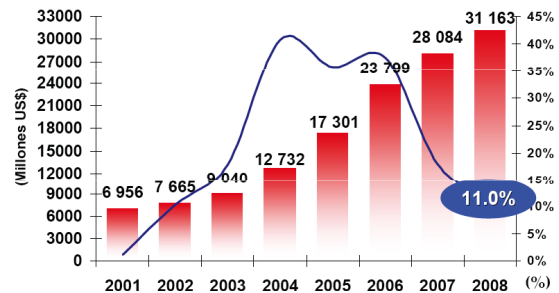
ASSETS:

- GDP growth 2008
- Natural Resources and Mega biodiversity
- Boom of exports
- Geographic position
- Inflation rates (less than 1% month)



LIABILITIES:

- Unemployment and poverty
- Highly atomized businesses
- Low Productivity levels



Where is Perú in technological processes?

Collection / hunt Stage



Agriculture

Land



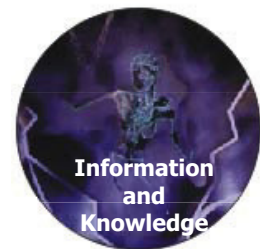
1st Industrial Revolution

Machines



2nd Industrial Revolution

Technology



Information and Knowledge

Intellectual Capital

Strategic factor
Competitive advantage

Manufacturing

Mindfacturin
Biotechnology,
Nanotechnology





PERUVIAN SME

DEFINITION

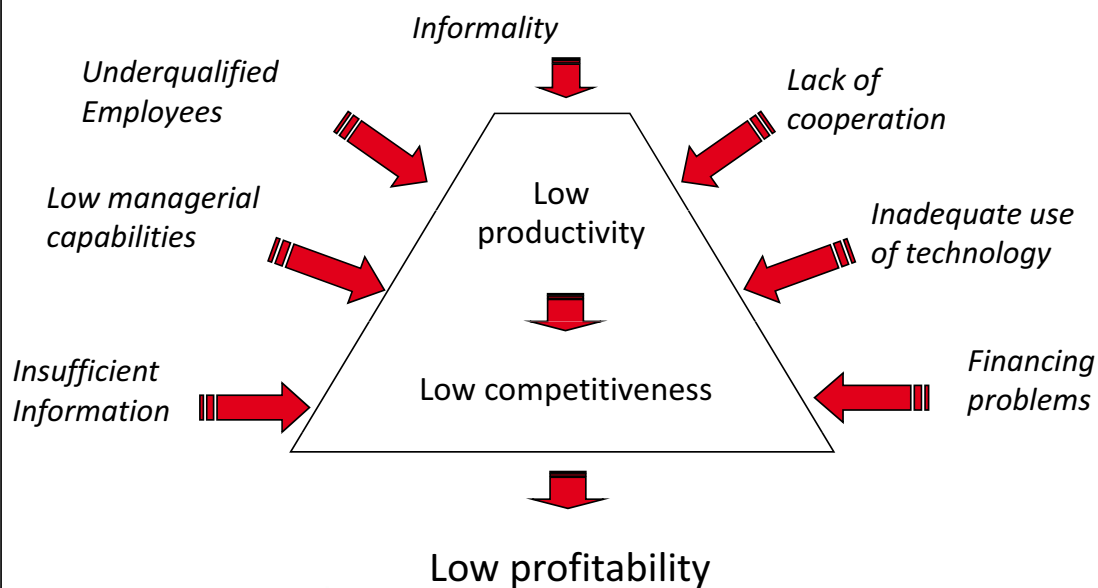
- Micro: 15 employees
 - US\$165,000
- Small: 50 employees
 - US\$465,000

General Information

- 97.65% are SMEs
- SMEs represent 74% of national employment
- Low productivity
- Low added value



Peruvian SMEs problems...





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The Future:

An Industrial Policy oriented to an Added Value Export Model

- Competitiveness and innovation culture
- Investment and technology
- Improving quality, management and innovation capacity for access markets
- Environmental management
- Management skills



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Strategic agreements



Acuerdo Nacional

...para trabajar de acuerdo!

- **National Agreement:** 31 politics and goals
"National Pact for investment and employment"
- **National Plan for Competitiveness-** National Council for Competitiveness

www.acuerdonacional.gob.pe





Instruments of the National Competitiveness Plan

- Network of Technological Innovation Centers (RED CITES)



Innovation Technological Centers - CITES

- Purpose: **Access to technology and promote innovation**
- Market and demand oriented
- Promote regional development, productive chains and competitive clusters.
- Agents of Technological Transference between enterprises and R&D institutions.
- Active presence of the private sector in its conception and direction.
- Integrated in a NETWORK - RED de CITES.
- Consolidation of the Network of CITES Project - PRORED



Network of CITEs according to the decentralization process



Piura:

CITEAgroindustrial

Lima:

CITEmadera: Mueble

CITEccal: Cuero-Calzado

CITE Logística GS1

CITEsoftware

Ica: CITEvid-

Arequipa:

CITEconfecciones El Taller,

CITEagroindustrial CEPRORUI

CITEtextil camélidos IPAC

CITEagroalimentario

Iquitos:

CITEfrutas tropicales
y plantas medicinales.

CITEforestal(acreditado 27 de febrero)

Pucallpa:

U.T CITEmadera

Tacna: CITEagroindustrial



Innovation Technological Centers - CITEs

- Provide services to SMEs :
 - Training
 - Technical Assistance
 - Information
 - Laboratory services
 - Design and development of products.
 - Pilot Plants



Quality System Implementation (ISO 17025) in 4 CITES laboratories

Selected Laboratories

- CITEccal-Lima
- CITEvid-Ica
- CITEagroindustry- Piura
- CITEagroindustry- Tacna



Technical Standards Promotion:

- Wood and furniture (CITEmadera)
- Shoes and leather (CITEccal)
- Pisco, wine and vinegar (CITEvid)
- Alpaca fiber - Textile (CITEtextil de camélidos IPAC)- Arequipa
- Mangoes (CITEagroindustrial - Piura)
- Algarrobina (CITEagroindustrial - Piura)
- Olive y olive oil (CITEagroindustrial Tacna)
- Camu camu (CITE frutas tropicales y Plantas medicinales de Loreto) fruto y pulpa de Camu-camu.
- Pallets y logístico (CITE Logística GS1 Perú).
- R+D+I standards (OTCITES).



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de la Producción

Successful Case: CITEvid

Panamericana Sur Km. 293.30

ICA PERÚ



Ica Region – First agroindustry exporter



PERÚ

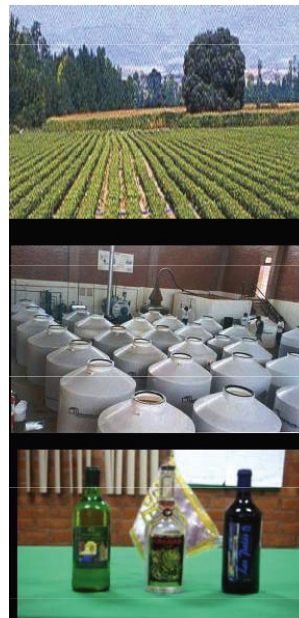
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CITEvid Products:

Grapes

Pisco – National
Beverage

Wines, beverage,
vinegar, raisins





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**Pilot Plant for development products and Technical Assistance:
Piscos and Wine**





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Laboratory services



CASE: AGRO
MISTRAL. G.PAYET.
Subcontracting Small
grapes producers



Trained in CITEvid
Learning by doing



Technical assistant for selection and
installing equipments.

Golden Medal, Londres Beverage Contest
PISCO PURO The International Wine and Spirits Competition-2005



INNOVATION: THE ONLY WAY

MOVING SMEs UP THE VALUE CHAIN

by
Ms. Fadzilah Ahmad Din
Small and Medium Enterprise Corporation (SME Corp.)
Malaysia



1

OUTLINE

- SME CORPORATION – INTRODUCTION
- SME'S IN MALAYSIA – FACTS & FIGURES
- POLICIES
- INNOVATION
- STRENGTHENING SME CAPACITY
- DEVELOPMENT PROGRAMME
- FINANCIAL ASSISTANCE

2

FUNCTIONS OF SME CORP. MALAYSIA

To Coordinate Policies Formulation and Programmes Implementation

- Formulate broad SME policies across all sectors
- Point of reference for Government Agencies on SME related issues
- Monitor and evaluate effectiveness of policies and programmes

To be 'One-Stop' Information and Advisory Services

- Channel to obtain feedback on SME issues
- 'One Referral Centre' of reference for SMEs

Secretariat to National SME Development Council (NSDC)

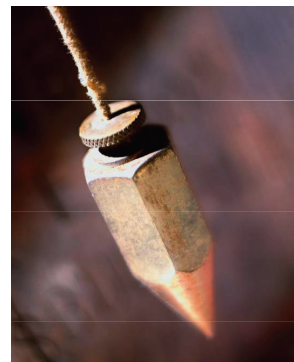
- Provide support and administrative services to NSDC
- Ensure decisions from the NSDC are communicated to all relevant stakeholders

To Disseminate Information and Research

- Liaise with domestic and international organisations to share best practices and relevant programmes on SMEs
- Manage National SME Database
- Publish SME related publications and statistics
- Undertake research on SME environment

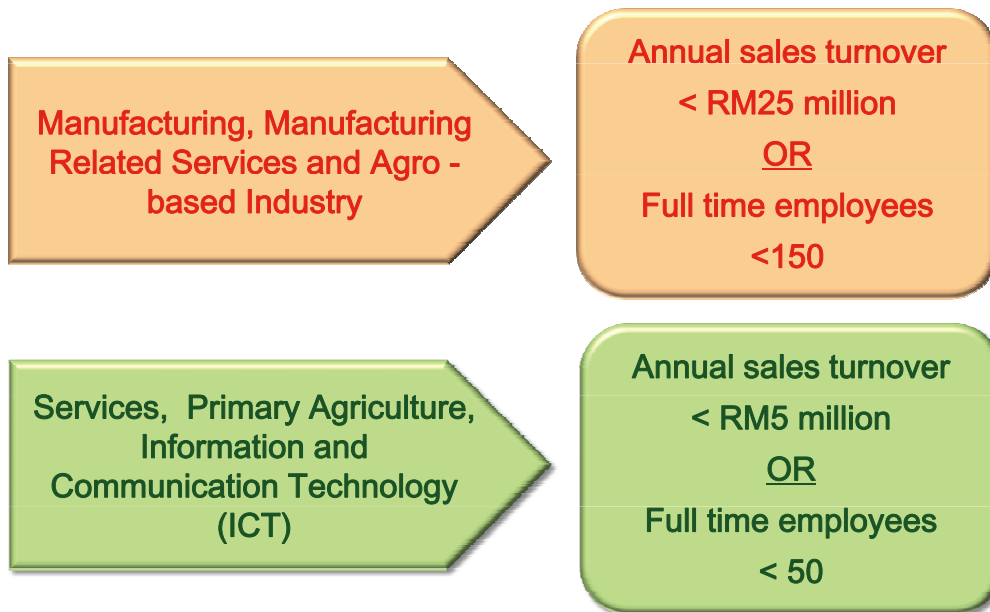
3

SMEs FACTS & FIGURES



4

DEFINITION OF SMEs



5

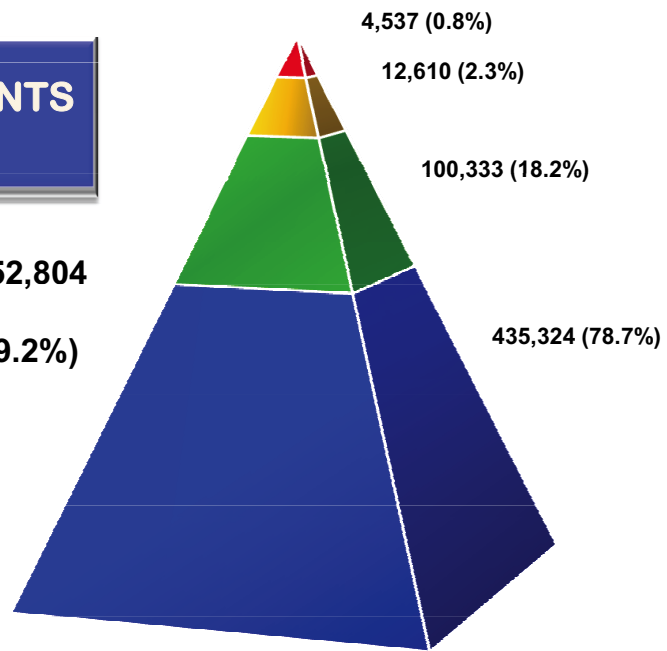
DEFINITION OF MICRO, SMALL AND MEDIUM

CATEGORY	MICRO	SMALL	MEDIUM
Manufacturing, Manufacturing-related services & Agro-based Industries	sales turnover < RM250,000 <u>OR</u> full time employees < 5	RM250,000 > sales turnover < RM10 mil. <u>OR</u> 5 > full time employees < 50	RM10 mil. > sales turnover < RM25 mil. <u>OR</u> 51 > full time employees < 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	sales turnover < RM200,000 <u>OR</u> full time employees < 5	RM200,000 > sales turnover < RM1 mil. <u>OR</u> 5 > full time employees < 19	RM1 mil. > sales turnover < RM5 mil. <u>OR</u> 20 > full time employees < 50

6

TOTAL ESTABLISHMENTS BY SIZE

- Total establishments = 552,804
- No. of SMEs = 548,267 (99.2%)



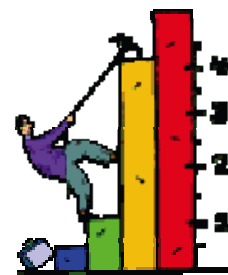
Source: Census of Establishments & Enterprises 2005 – Profile of SMEs

7

SMEs AND THEIR IMPORTANCE TO THE MALAYSIAN ECONOMY

SMEs Contribute:

- 32 per cent to GDP
- 56.4 per cent to Employment; and
- 19 per cent to Export;



Source: National SME Development Blueprint 2007

8

POLICIES



9

NINTH MALAYSIA PLAN (9MP) (2006 - 2010)



10

STRATEGIC THRUSTS UNDER 9MP

Strategic Thrusts under the 9MP (2006 – 2010)

- provide more focused incentives for high value-added industries;
- development of innovation-driven SMEs and technopreneurs;
- services support for the manufacturing sector;
- enhancing technological capability and capacity of SMEs;
- improving access to financing for SMEs;
- financing new sources of growth; and
- strengthening SMEs in distributive trade

SOURCE : 9MP 2006 - 2010

11

Industrial Master Plan 3



12

STRATEGIC THRUSTS UNDER IMP 3

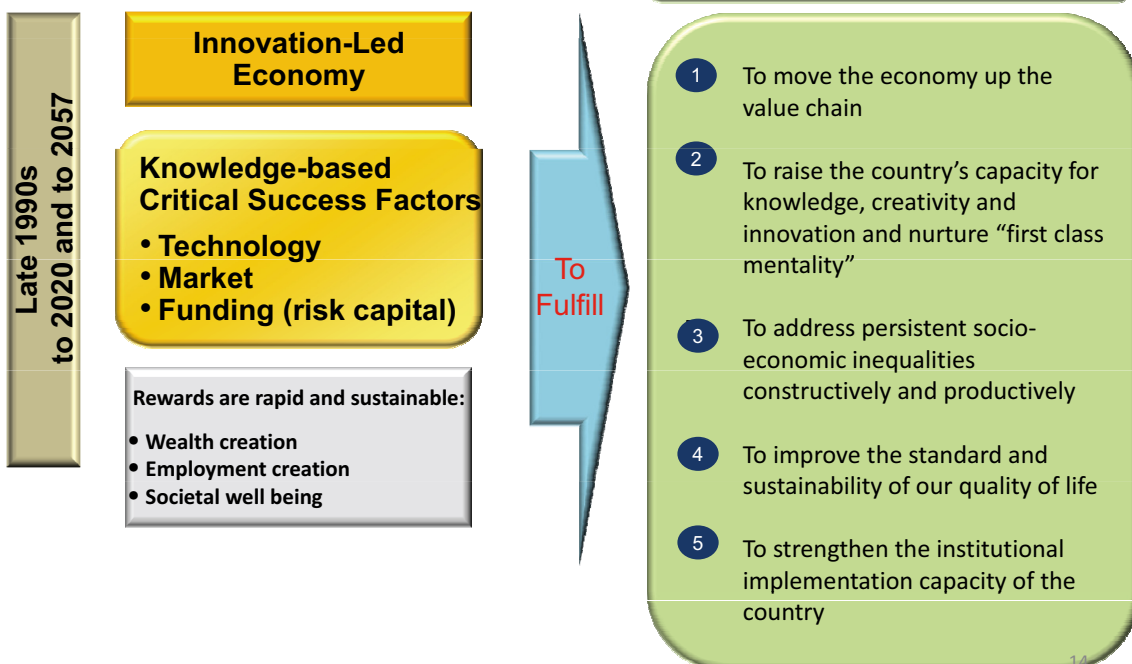
Strategic Thrusts under IMP3 (2006 – 2020)

- enhancing the competitiveness of SMEs;
- capitalising on outward investment opportunities;
- integrating SMEs into the regional and global supply chains;
- driving the growth of SMEs through technology, knowledge and innovation;
- instituting a more cohesive policy and supportive regulatory and institutional framework; and
- enhancing the growth and contribution of SMEs in the services sector

SOURCE : IMP3 2006 - 2020

13

NATIONAL INNOVATION AGENDA



Source: MoSTI, 9th Malaysia Plan

14

MAJOR CHALLENGES FACED BY SMES

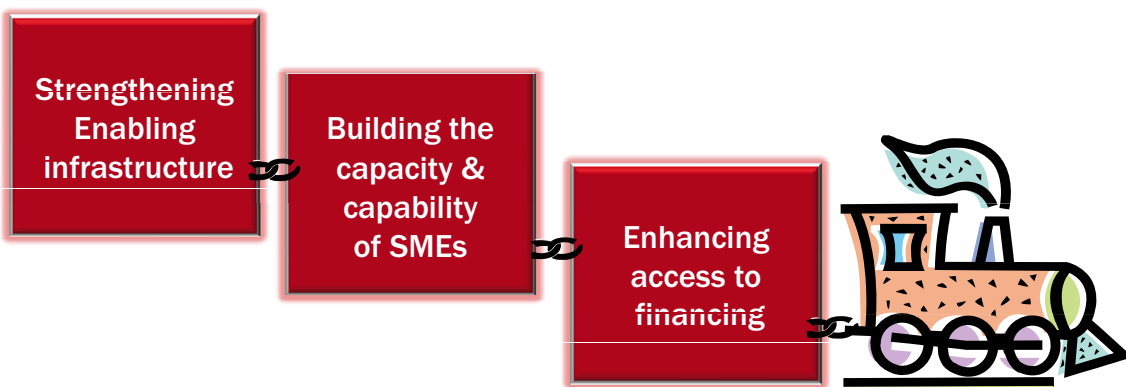
- Limited access to advisory services;
- Limited marketing & promotion strategies;
- Limited access to domestic & global market;
- Management and technology capability constraint;
- Low value add and not competitive;
- Lack of training;
- Limited capability in R&D and technology; and
- Access to finance.

(NATIONAL SME DEVELOPMENT BLUEPRINT 2007 - SOURCE : CENSUS 2005)

15

KEY INITIATIVES PROMOTING SMES DEVELOPMENT

Three (3) broad strategic thrusts for the development of competitive and resilient SMEs :



(SME Annual Report 2005)

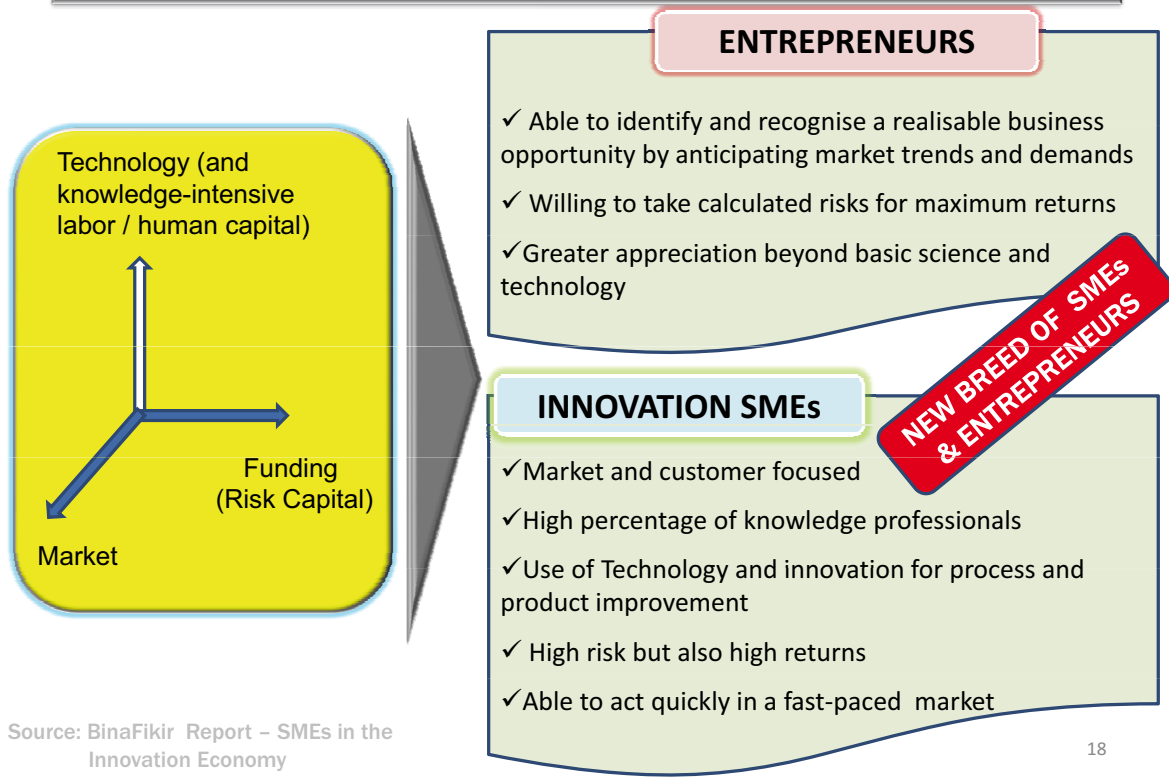
16

INNOVATION

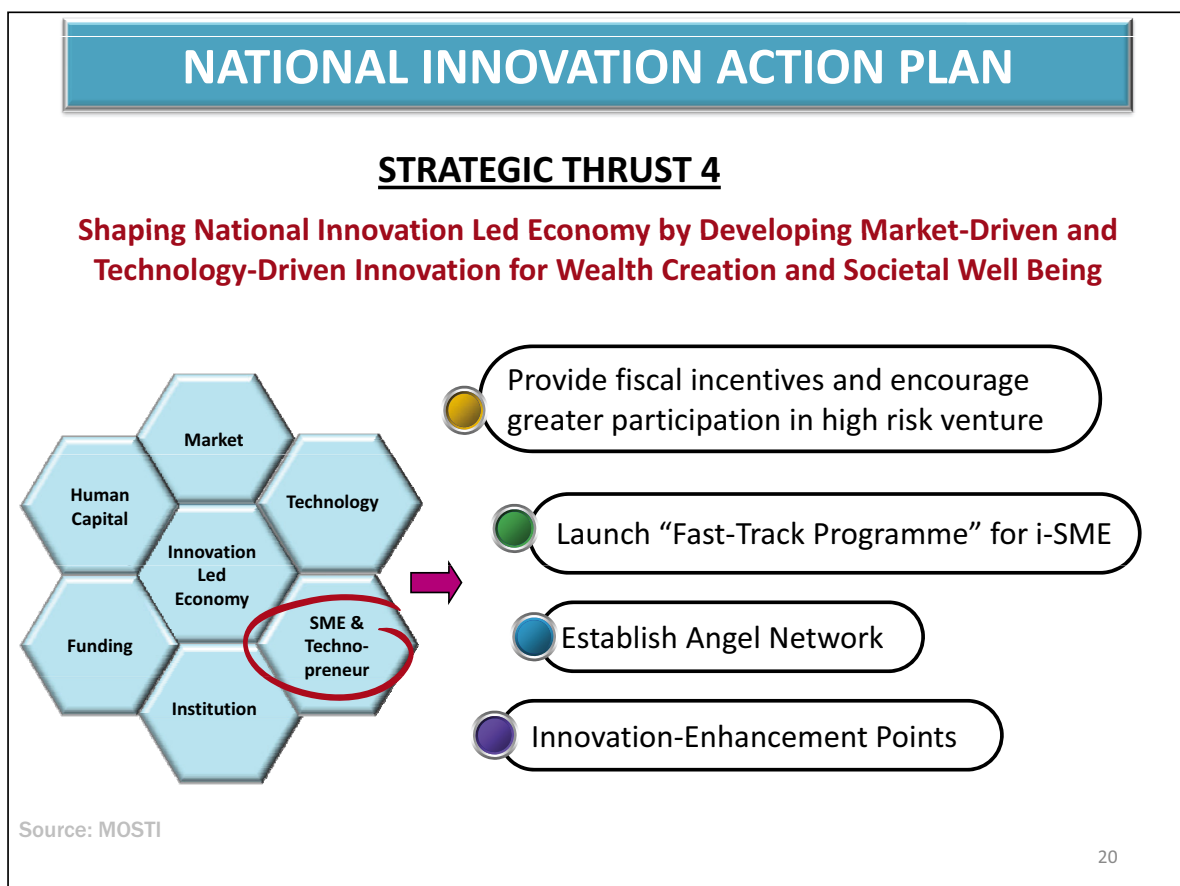
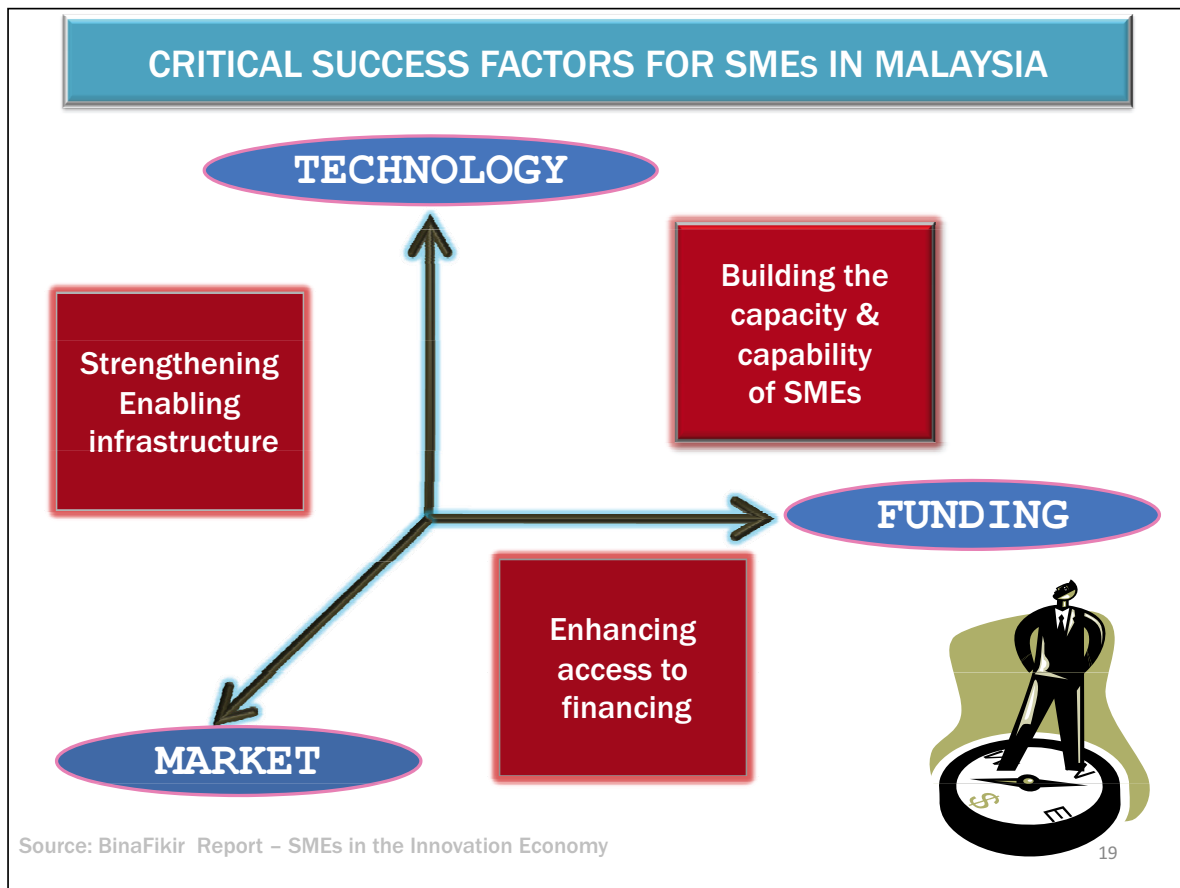


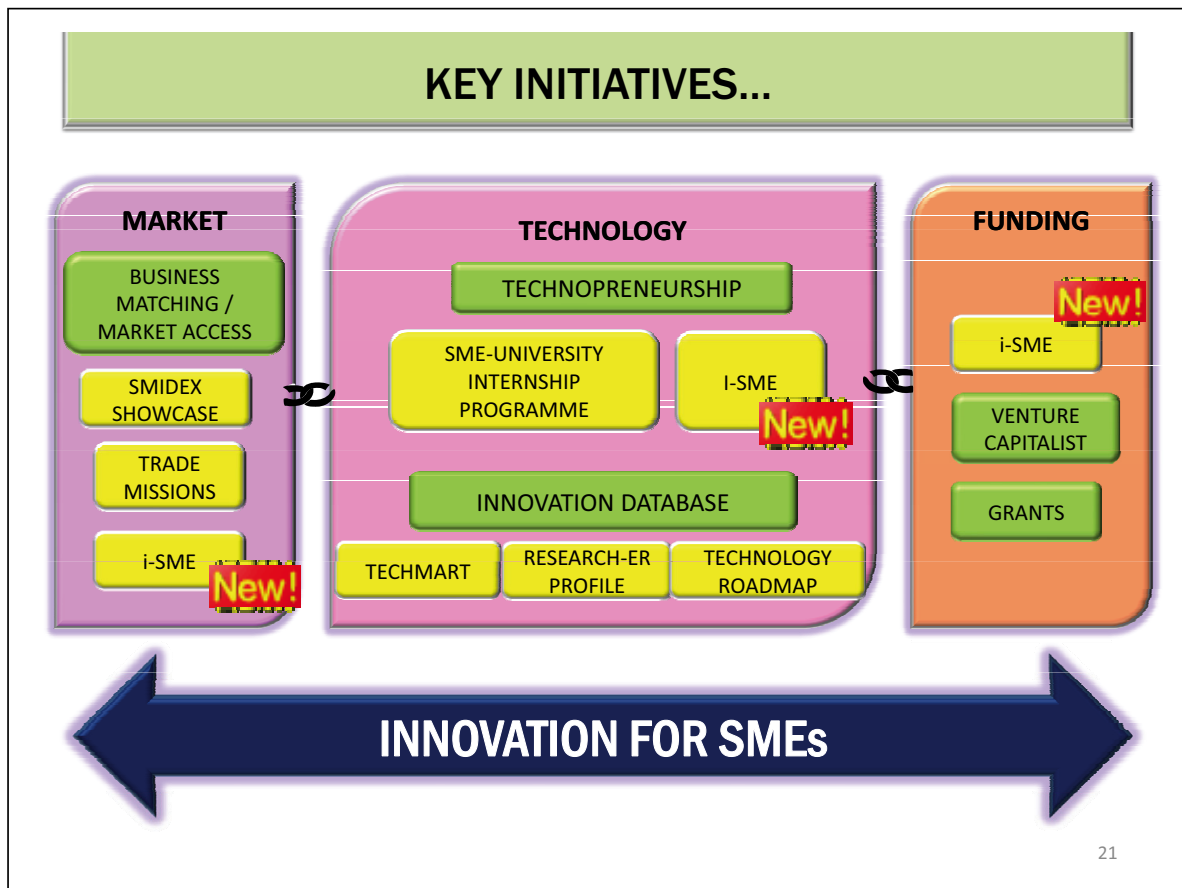
17

CHARACTERISTICS OF SMES IN THE INNOVATION ECONOMY



18





**Building the
capacity &
capability
of SMEs**



22

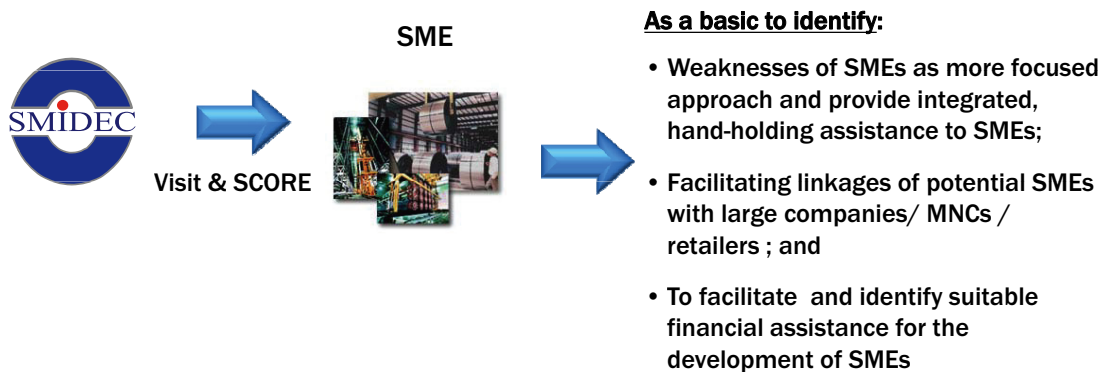
STRENGTHENING SME CAPACITY



23

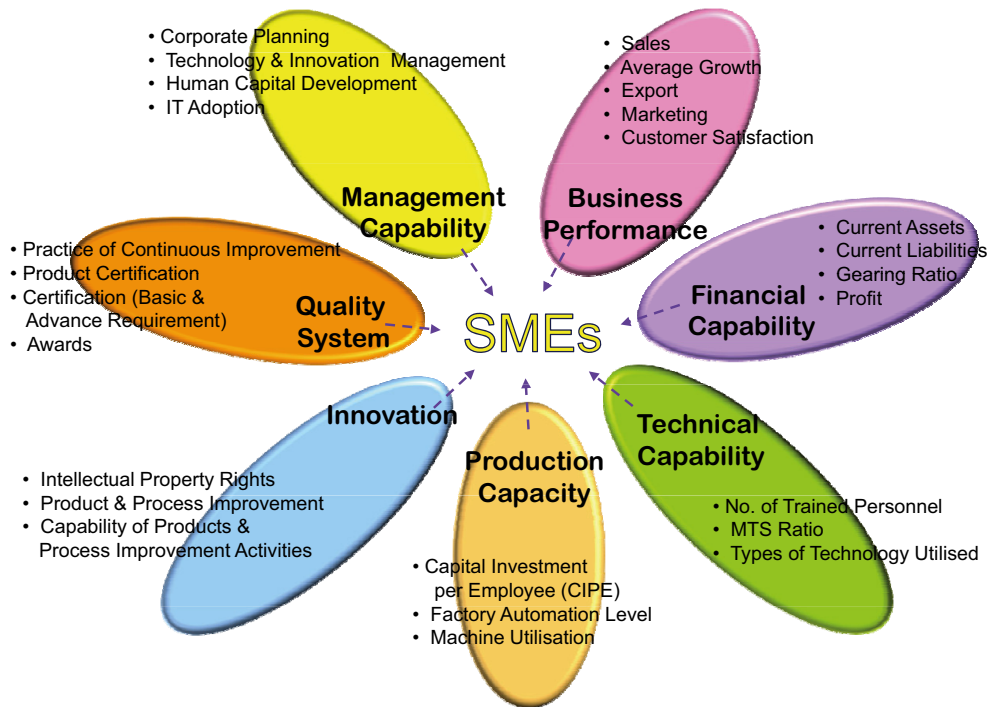
SME COMPETITIVE RATING FOR ENHANCEMENT (SCORE)

As a tool to evaluate and track SME's capabilities and performance in management, operation management, technology adoption, certification initiatives, financial capability and marketing capability.



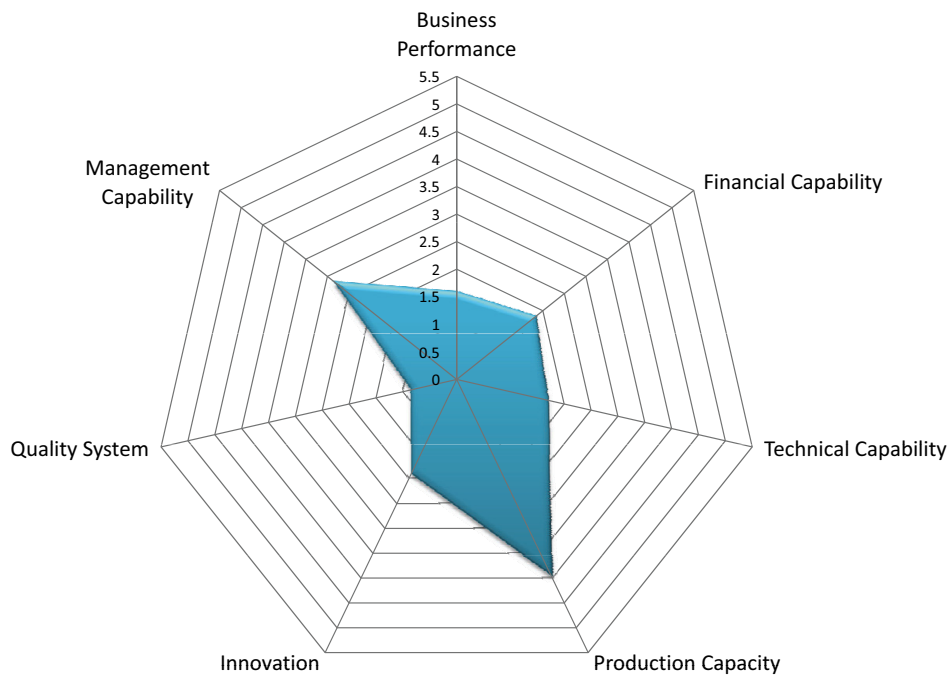
24

Score - Manufacturing & Manufacturing Related Services Model



25

EXAMPLE OF 2- STAR FIRM



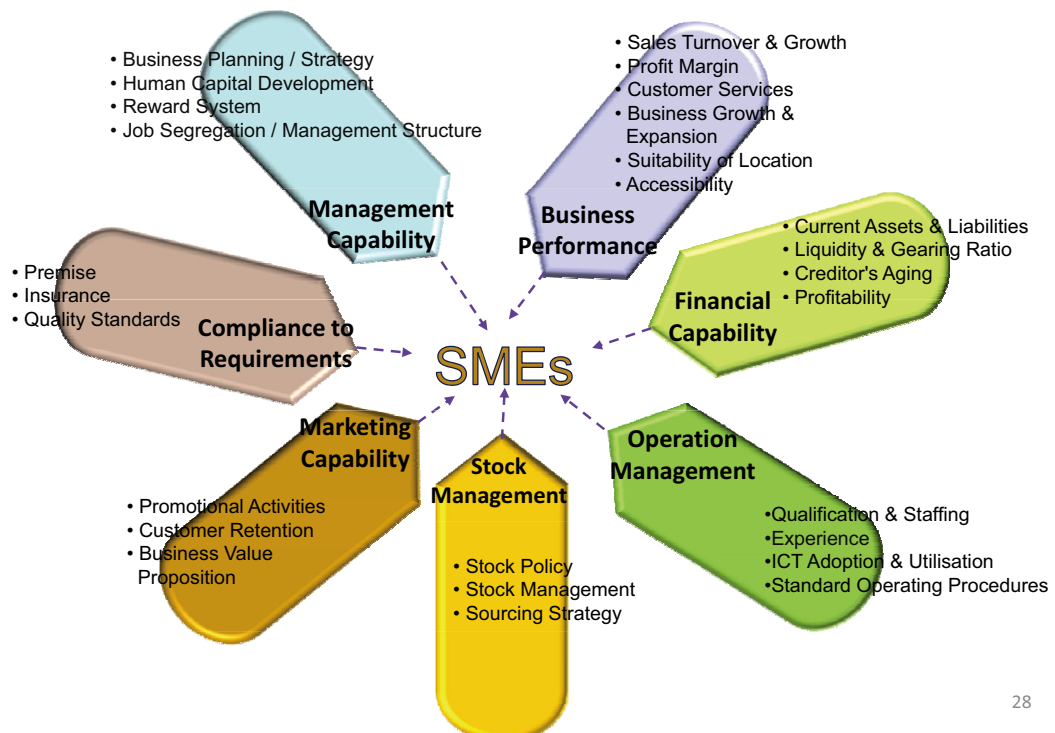
26

SCORE RATING - Manufacturing

No Star	★	★ ★
Very basic operation, manual process and informal negative average growth;	Manual process, Minimal quality management system in place, negative average growth	Semi-automated process, Basic certification/ compliance, Minimal activities in product and process improvement, Minimal
★ ★ ★	★ ★ ★ ★	★ ★ ★ ★ ★
Extensive automation, Quality management system in place, Product and Process improvement carried, IPR registered, Moderately ready for export compliance certification	Fully automated, High potential for export, High investment in Product and Process Improvement, With certification for export e.g. CE Marking, GMP, HACCP	Have good branding, packaging, already exporting to other countries, Have compliance to exporting countries certification requirements

27

SCORE - DISTRIBUTIVE TRADE MODEL



28

SCORE RATING- Distributive Trade

No Star	★	★ ★
Very basic operation	Financial record not well documented, poor ICT utilisation, poor stock management, low management capability	Basic financial record and stock policy, basic level of operation management, minimal compliance to requirement, unstructured marketing activity
★ ★ ★	★ ★ ★ ★	★ ★ ★ ★ ★
Adequate management ladder, good implementation of SOP, good stock policy, average utilisation of ICT and good customer relation.	Efficient management structure, good stock management, positive business expansion, good financial management and performance, comprehensive marketing plan, good utilisation of ICT	Visionary leadership, established brand presence, excellent integrated system, high capability in ICT adoption, excellent compliance to requirement, excellent stock management, outstanding CRM, high business value proposition, excellent marketing strategy and very strong financial capability.

29

NATIONAL MARK OF MALAYSIAN BRAND



The Malaysian Brand was launched on 2nd March by the HRH the Crown Prince of Perak, Raja Dr. Shah.

- The Malaysian Brand mark depicts quality, excellence and distinction of local SMEs products and services
- The Malaysian Brand mark is aimed to:
 - increase the awareness and importance of branding for SMEs;
 - create and build a strong brand presence towards customer recognition; and
 - increase global and regional market penetration.

FINANCIAL ASSISTANCE PROGRAMMES



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FINANCIAL ASSISTANCE PROGRAMMES

Matching Grant

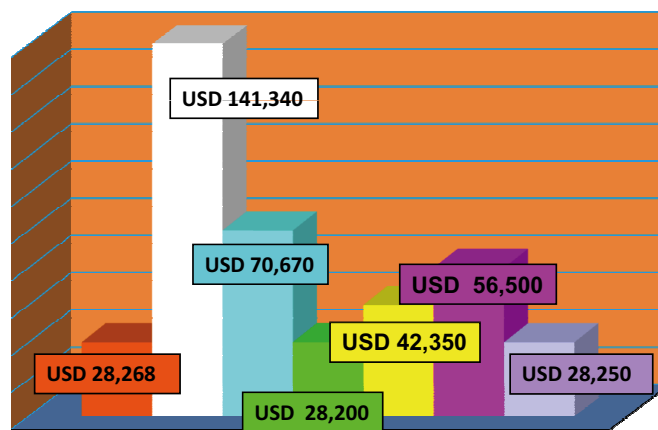
- 50% of the approved project cost is borne by the Government and the remainder by the applicant

Soft Loan

- Low interest rate
- Longer repayment period

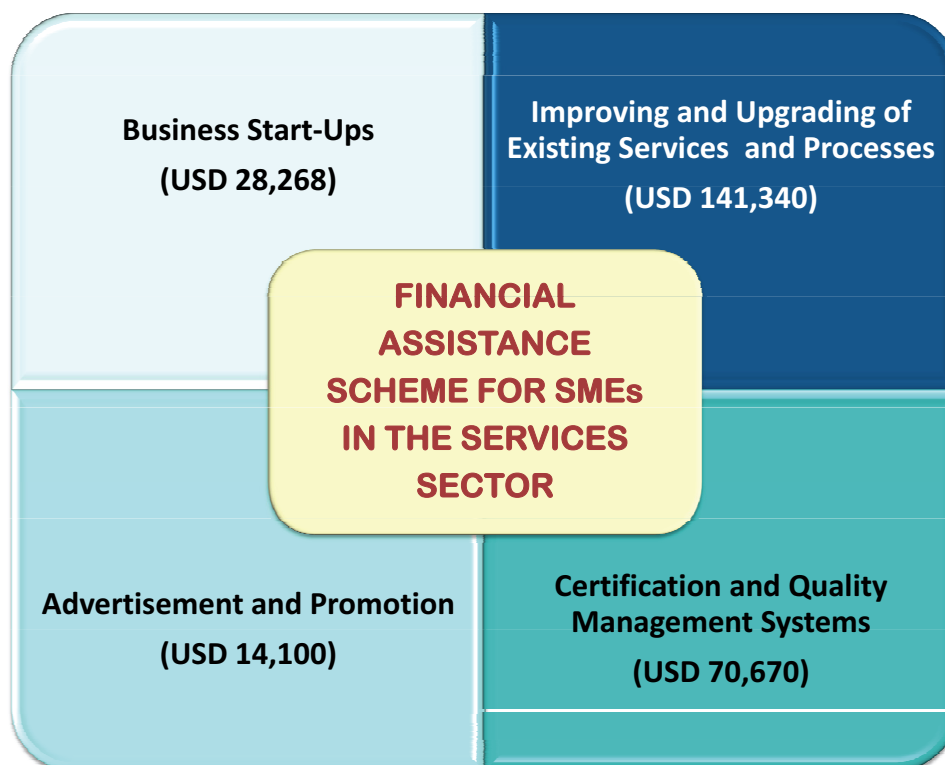
32

MATCHING GRANTS FOR THE MANUFACTURING SECTOR

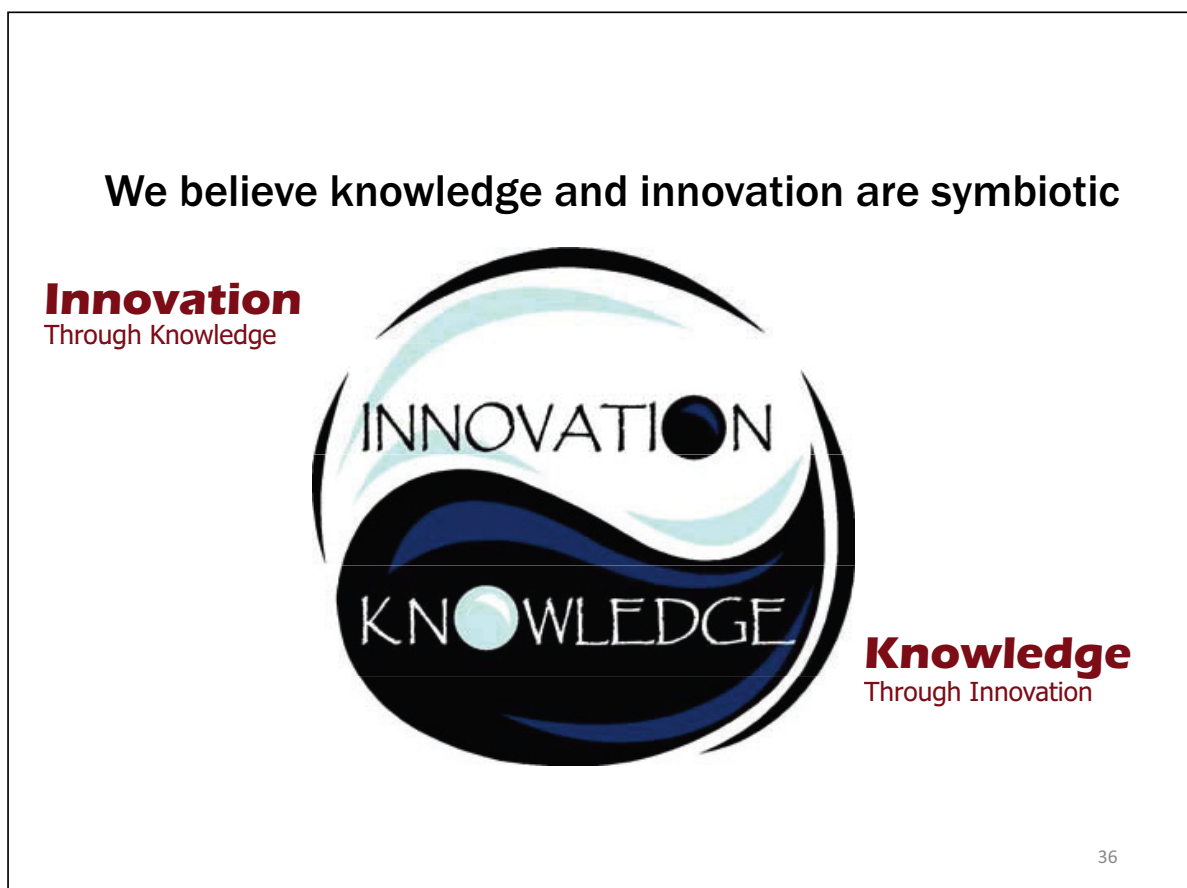
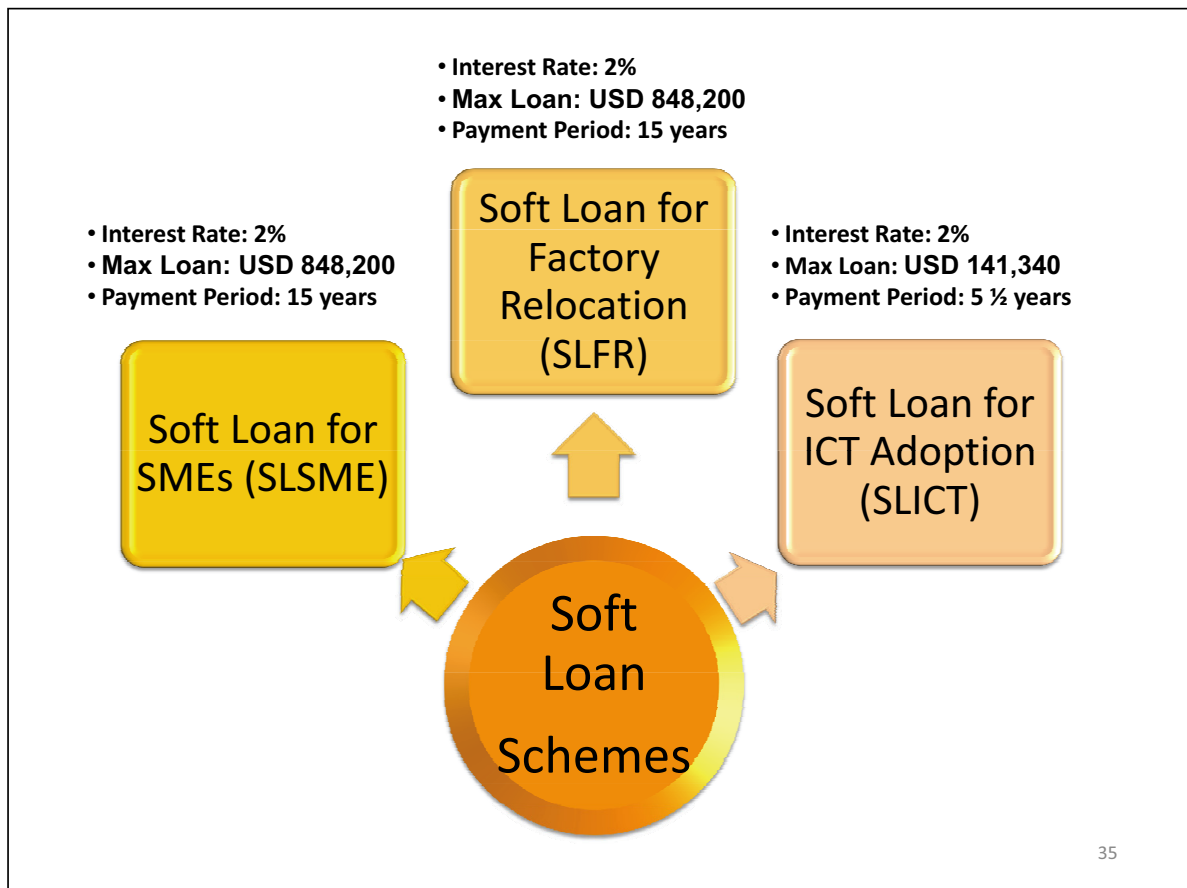


- Matching Grant for Business Start-Up
- Matching Grant for Product and Process Improvement
- Matching Grant for Certification and Quality Management Systems
- Matching Grant for Market Development
- Matching Grant for Development and Promotion of Halal Products
- Matching Grant for Enhancing Product Packaging
- Grant for RosettaNet Standard Implementation

33



34



thank you terima kasih

choucran blagadariu kiitos xie xie hvala ti tak

ευχαριστώ ringraziarla mazvita obrigado gracias

por diras Bedankt! arigatou merces grazzi

спасибо dank u multumire tapadh leibh takker de

shukriyA vielen dank SALAMAT tack tack merci ركشلا

falemnderit tak for det dankon tank dankie

dzienkuje go-MOB-dah blagodarya tante grazie

danubát köszönöm dziękuję tangi meur ras

asante danki siyakubonga ederim muito webale nnyo

dyos bo'otik Tusen takk eskerrik asko mamnun hvala

obrigado tesekkur multimesc asante sana

kamsahamida

NRC-CNRC

*Industrial Research
Assistance Program*

VC Financing & Growth of 2,434 Firms in Canada

Denys Cooper

Guest Worker – IRAP Technology & International

denys.cooper@nrc-cnrc.gc.ca

2008 Dec 18 - FPTT Spin Offs & IRAP CASE

With Key Source Data Input from Industry Canada and V.C. Reporter



National Research
Council Canada

Conseil national
de recherches Canada

Canada

NRC-CNRC

*Industrial Research
Assistance Program*

Scope of Data Analyses

VC Financing and Growth of Firms

APEC Conference Seoul Korea

2009 Aug 26

by Dr. Denys G. T. COOPER

Ottawa, Canada



National Research
Council Canada

Conseil national
de recherches Canada

Canada

Related VC Studies

- 1. 2005 UBC – Hellman of Sauder School Of Business**
 - Focus on VC Investors Exit Values
 - via IPOs, and Take Overs
 - Show Less benefits for Canada vs US
- 1. 2007 York Univ - Cumming**
 - Focus on Biotech VC valuations [Can vs US], Exit Values and LSVCCs / Labour Sponsored Venture Capital
- 2. 2008 Cooper / NRC-IRAP [Ind. Can. – Y. Errounda]**
 - Focus on company growth for firms with \$18 B of VC capital:
 - Company Jobs, Sales, Gazelles,
 - Company Status, IPOs, Take Overs, and Closures

3

Scope of Data Analyses

National Research Council of Canada

Largest research group in Canada with

4,000 staff and \$800 M budget

IRAP – Industrial Research Assistance Program

Began in 1962 to assist SMEs with R&D

Provide advice to 9,000 firms and fund 2,200 firms

\$1 invested leads to ave of \$20 in sales in 1st 3 years

Replicated in Thailand [ITAP], & S. Africa

4

Sources of Data

- **VC Financing of 2,434 Firms for \$18.5 B in 1997-2007**
 - Includes **1,586** Technology Based Firms
 - Mary MacDonald / Thompson for VCs 1997 to 2007
 - **409** IRAP firms, with at least **\$15,000**, 44 had advice or Youth \$
 - **233** Spin offs from Universities, SBDAs, Prov'l Orgs
 - Data Assistance from Y. Errounda, Ind. Can.
 - **137** web sites searched including many for sectors, and
 - SEDAR [1997+ only], Google, Yahoo, Strategis & federal register.

5

Scope of Data Analyses

- **Spin Offs – Fed / Prov Labs and Universities**
 - Firm Status
 - Gazelles
 - **Lag Times** from date of **Incorporation**:
 - to first VC and to first IRAP
 - to IPO, to RTO, to Take Over, to Closure
 - **Leverage** of VC & IRAP input to exit via IPO and Take Overs?

6

Key Inputs & Output Exits

- Inputs:**

- VC funds \$18.5 B in 2,382 firms [not all had data]
- IRAP \$118.5 M in 433 of 453 firms

- VC and Angel Exits:**

- IPOs: \$3.8 B with a further \$1 B Est, in 430 firms,
- RTOs/ Caps. SPEQs \$109 M in 73 of 114 firms
- Takeovers \$23 B in 174 firms

43 firms had both IPOs or RTOs and were Taken Over. Valuation only provided for first Take Over, and excludes all Income Trust exits

Jobs and Sales by Sector and Provinces – to come

7

VC Funded Firms and 3 Exit Modes

Input Funds

VC Funded EXITS

	VC	IRAP	Take Over	IPOs *	RTOs **
All Firms	\$18.5 B	\$118.5 M	\$23.2 B	\$3.8 B	\$143 M
Technology Firms	\$16.4 B	\$113 M	\$16.4 B	\$3.2 B	\$109 M
Spin Offs	\$3.2 B	\$24.1 M	\$3.2 B	\$0.66 B	\$15 M
Univ S/O	\$2.6 B	\$21.7 M	\$2.6 B	\$0.6 B	\$15 M
NRC S/O	\$0.42 B	\$1.6 M	\$0.07 B	\$0.1 B	0
IRAP	\$1.9 B	\$118.5 M	\$3.4 B	\$1.1 B	\$45 M
Gazelles	\$1.6 B	\$38.6 M	\$5.2 B	\$1.3 B	\$9 M

# Cases	2385 & 49*	409 of 429	174 of 225	142 of 196	73 of 114
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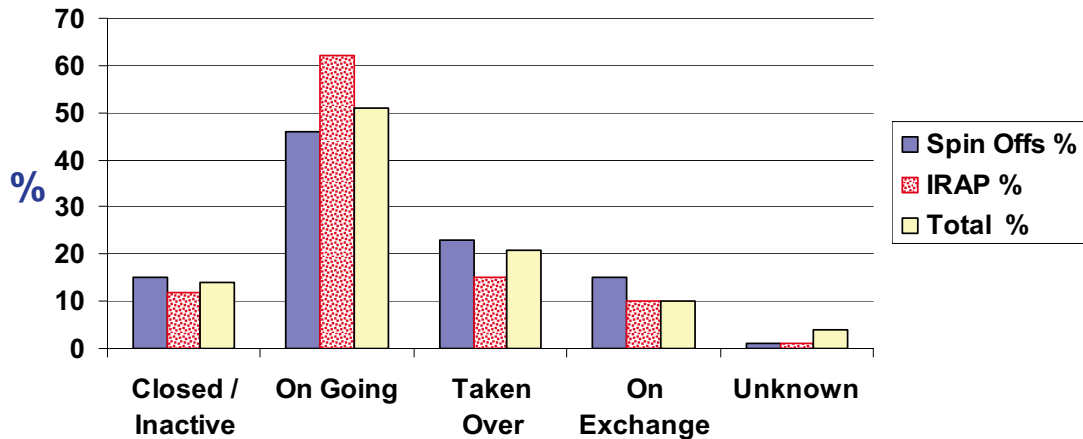
* IPO = Initial Public Offering on Canadian or US Stock Exchange

** RTO includes firms on stock exchanges via Reverse Takeovers, Cap Stocks, SPECs etc

8

Status of Technology Firms that have received VC Funds

Latest Status of 1586 Technology Firms



Spin Offs have Highest levels of Taken Overs and on Stock Exchange – at 25% & 13%

9

Gazelles – High Growth Firms



- **Gazelles:** within a 5-year Period, **Double Employment & / or . Sales** to a minimum of **20 employees** or **\$10 M sales**.
- **Stats Can / NRC-IRAP 2006 study** of 2 M firms had only **2 - 4% Gazelles**.
 - Same rate for US study in 1970s / 1980s by D. Birch.
 - In both studies, Technology firms did not figure well.
- **Cooper 2006 study:** **800 Univ Spin Offs** showed

10

High Level of Gazelles in VC Funded Firms

Gazelles

#		#	%
2434	Total VC Firms	429	17.6%
1586	Technology Firms	284	18%
233	Spin Offs	60	26%
209	Univ S/O	51	24%
17	NRC S/O	7	41%
409	IRAP & VC	108	26%

*

58% of Gazelles get their first VC funding within 5 years of Inc.

* NRC sample in VC study is only 17 firms. For the full NRC data set of over 100 firms, there are 22% Gazelles

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Lag Time Analysis

Review of Lag Times from Incorporation date to:

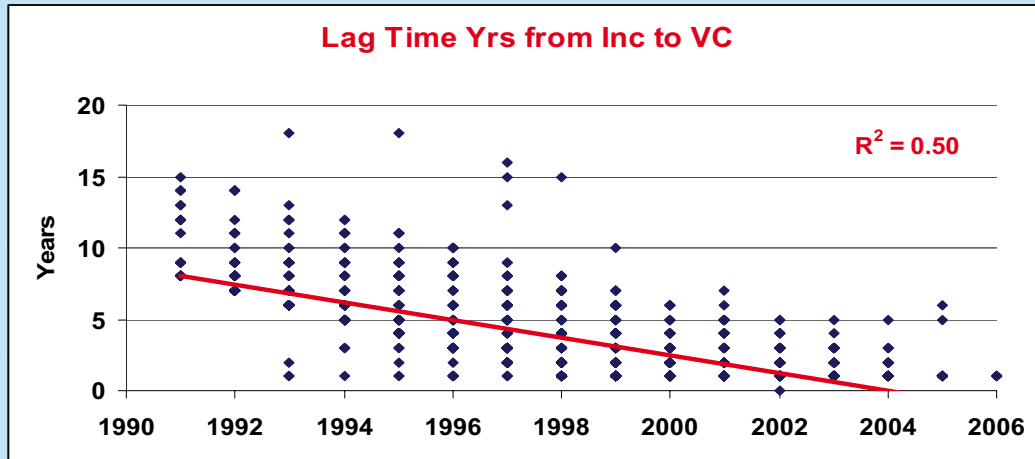
- First VC **
- First IPO
- First Take Over
- Closure
- First IRAP \$s

Significant drops in time over 20 years

* Some cases received VC \$s before VC Reporter data period of 1997-2006, so real lag time would be even shorter than shown.

12

Major shortening of Lag Time for **1,244** Firms to access **VC** Capital



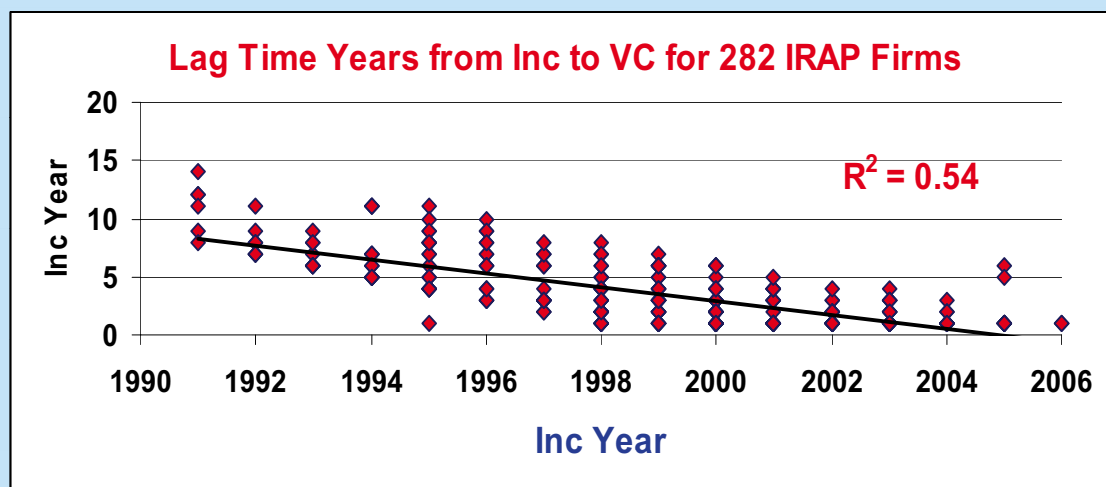
VC availability – Peaked in 2001-2 at over \$3.5 B.

- Very tight in 2005 & 6 at \$1.7 B, 2008 at \$1.3 B [12 mos]

Excludes: data if Inc'd ≤ 1990 , and 70 firms that have no firm known incorp date,
and 49 firms that had VC but no \$ identified

13
D. Cooper 2008 Dec 15

Lag Time from SME Incorporation to first **IRAP**



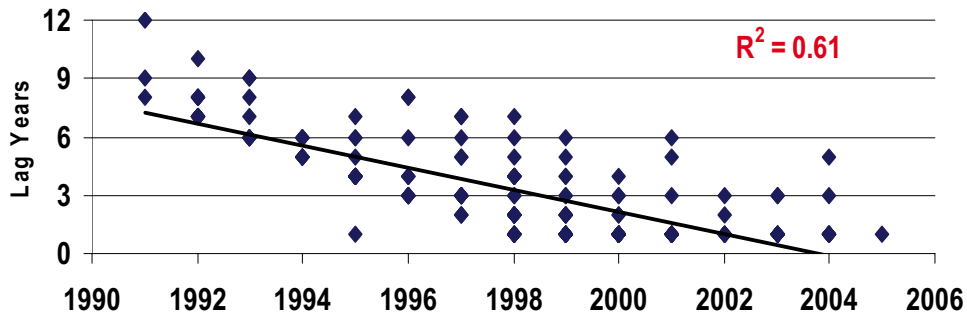
- Decentralized decision making for IRAP funding of larger projects began in 1989

Graphs cover cases where IRAP is \geq \$25 K

14

Lag Times for Spin Offs from Inc to VC

Lag Time Yrs from Inc to VC for 203 Spin Offs

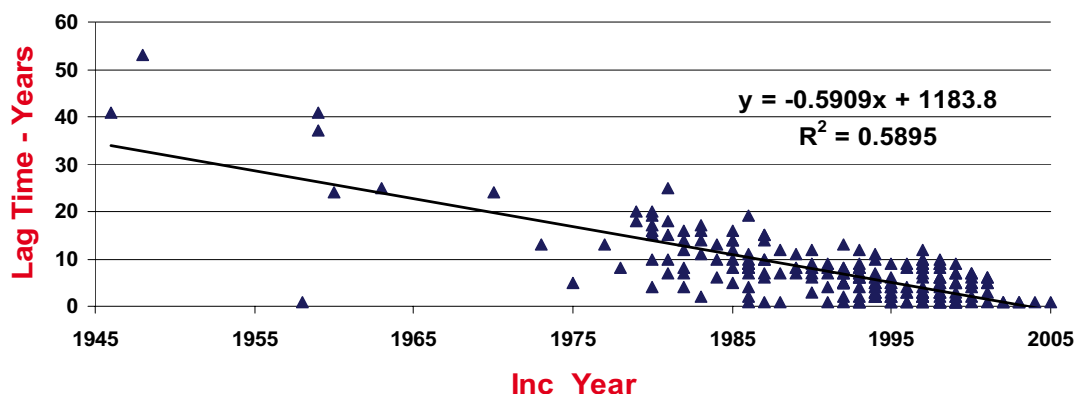


- **Spin Offs** are technology based and usually have **high cash burn rates**, so they cannot rely only on family and friends to grow.

15

Lag Times – from Date of Incorporation to IPO

Lag Time in Years for 229 of 240 Firms from Incorp Date to IPO



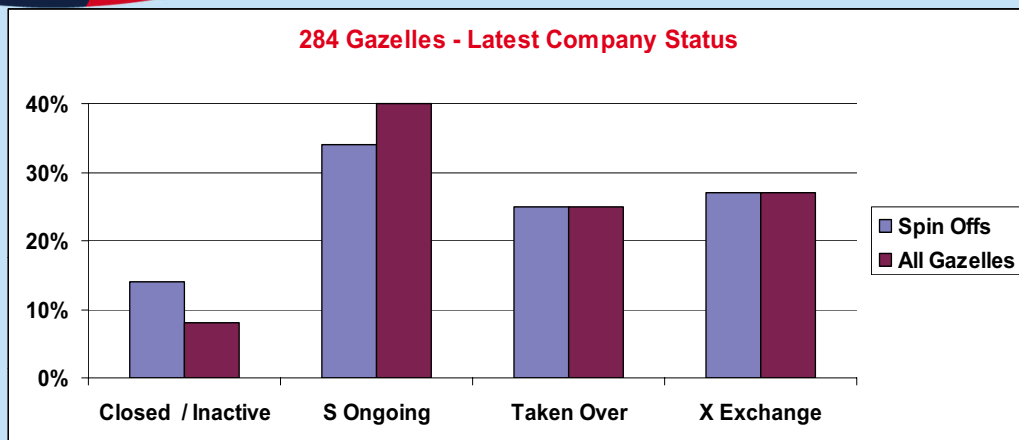
Times and \$ values extracted from SEDAR NASDAQ, and www, press releases etc.

Excludes firms on stock exchanges via RTOs, Cap Stock, and SPEQs

DC to 2008 Dec 12

16

Do Gazelles Survive?



- **284 Technology Gazelles have Lower Closure rates - at 8%**
 - i.e. HALF the Closure rate for all Technology Firms at 15%.
- **59 Gazelle Spin Offs have slightly Higher Closure Rates – at 13%**
 - But HALF the Closure rate for all Spin Offs at 26%

More Gazelles if IRAP Supported

		IRAP Firms			All Firms		
Group	Sector	# Gaz	#	% IRAP Gaz	# Gaz	#	% Gaz
Life Science	Biopharma	26	89	29%	51	244	21%
	Medical Devices	4	15	27%	13	63	21%
ICT	Communications	14	38	37%	45	185	24%
	Electronics / Computer	9	45	20%	27	151	18%
	Software / IT Serv	23	75	31%	67	422	16%
	Semiconductors	5	14	36%	12	45	27%
Other	Manufacturing	3	30	10%	15	265	6%
	Energy / Enviro	5	33	15%	11	110	10%
Subtotal		89	339	26%	241	1485	16%

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D. Cooper 2008 Oct

Key Messages

- **The rapid drop in time over the past 20 years to first VC, Take Over or IPO, means that within first 5 years:**
 - Significant start-up owner **dilution early on.**
 - Firms need to have **strong external management inputs** early on.
 - Include external directors, science advisory boards
 - Take Overs:** Technology firms that have high growth become **opportunities** for take overs or because of high cash burn rates **become prey** for takeovers.
- **VC funded Firms:** Higher Gazelle levels, and fewer closures
 - VC funded Gazelles are NOT as fragile as some had foreseen.
- **Spin Offs generally perform well.**
- **Leverage Levels:** It is NOT Reliable to extrapolate:
 - VC to Take Over or IPO exits – incomplete data on full VC inputs, especially from foreign sources. New study by Hellman to come
 - IRAP to VC - more cases now where VC comes in earlier than IRAP.

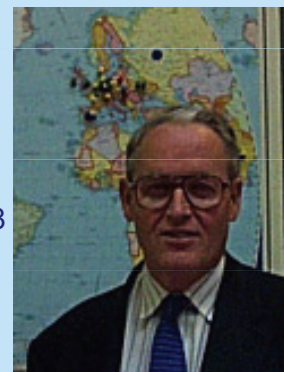
19

Denys G. T. Cooper,
Guest Worker, Technology & International
Industrial Research Assistance Program
National Research Council Canada

(613) 235-4021 New

denys.cooper@nrc-cnrc.gc.ca to Dec 18th, 2008

After Dec 31st: denys_cooper@canada.com



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High level of **Ongoing Activity** includes Take Overs and firms still on Stock Exchanges

Type	Ongoing Firms #	Life Sciences	I.C.T.
Total	1935 of 2437 = 79%	81%	81%
Spin Offs	198 of 233 = 85%	85%	83%
Univ Spin Offs	179 of 208 = 86%	85%	85%
IRAP	404 of 444 = 91%	86%	92%

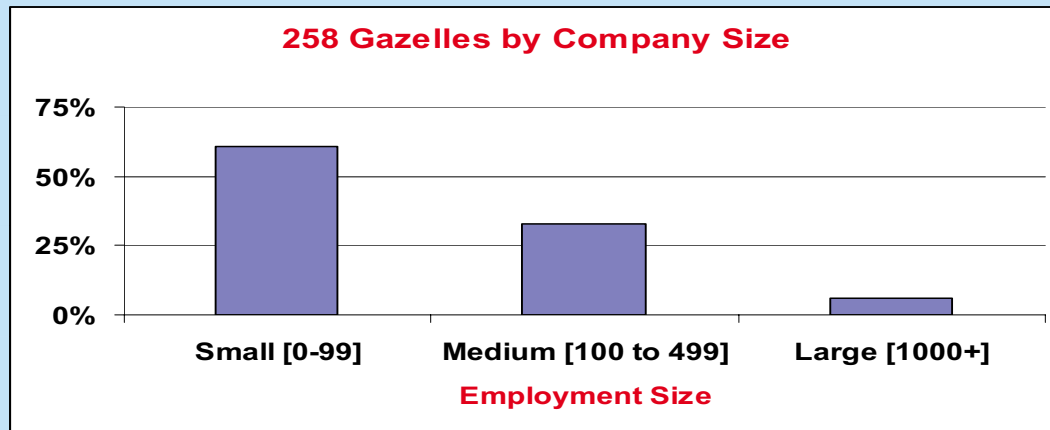
Spin Offs include NRC, CRC, Provincial labs and Universities
Business Registry shows only 53% Ongoing with the same name.

Break down for 2 Key Sectors – VC Study

Type	# Firms	Life Sciences	I.C.T.	Other	Note
Total	2437	15%	42%	43%	Large firms in Resources & Finances
Spin Offs	233	65%	23%	12%	Fed/ Prov/ Univ
Univ Spin Offs	208	72%	22%	6%	
IRAP	444	26%	46%	28%	

- **Life Sci = Bio, Pharma, and Medical**
- **ICT = Communications, Electronics, Software, Internet**

Gazelles occur in All Company Sizes and Ages



Gazelles: Assessed for periods 1995 onwards,
Occur in all ages with 10% firms Inc'd before 1990
Many Gazelles have Multiple Leaps



**Promoting Innovation and Growth
for SMEs**
**APEC 2009 SME Innovation
Seminar**

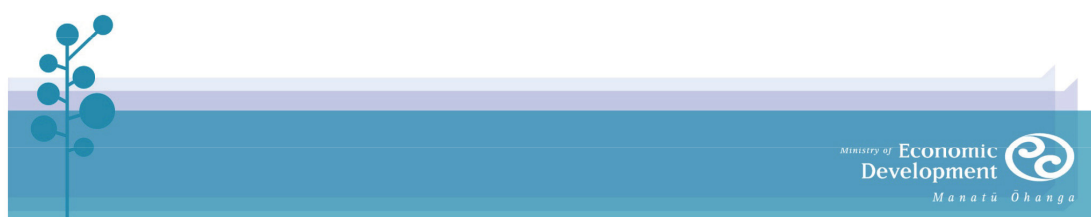
Michael Bird
Ministry of Economic Development
New Zealand

26 August 2009

Ministry of Economic
Development
Manatū Ōhanga

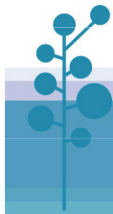
The New Zealand Context

- The New Zealand Government has set a goal of income parity with Australia and increasing exports to 40% GDP by 2025.
- This requires many more capable, talented, innovative enterprises focused on growth.
- Productivity performance has declined relative to our major trading partners – high labour utilisation not reflected in labour productivity.



The New Zealand Context (cont'd)

- New Zealand's economy is based on natural resources and the primary production sector.
- Most large exporting companies are in the primary sector with co-operative structures.
- New Zealand, like all economies, has a preponderance of SMEs.
- SMEs matter for economic development because they are the focus of entrepreneurial activity and risk taking.



The Challenges for SMEs

SMEs in New Zealand face the challenges of:

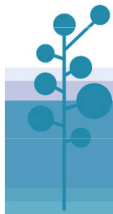
- The combination of size and distance from markets.
- Having to internationalise early in their existence.
- Thin domestic capital markets.
- Surviving the recession and the credit crunch.
- Business expenditure on R&D is low at 1/3 of the OECD average.



The Government's Growth Agenda

Focused on six key drivers of growth:

- regulatory reform
- investment in infrastructure
- better public services
- education and skills
- innovation and business assistance
- a world-class tax system.

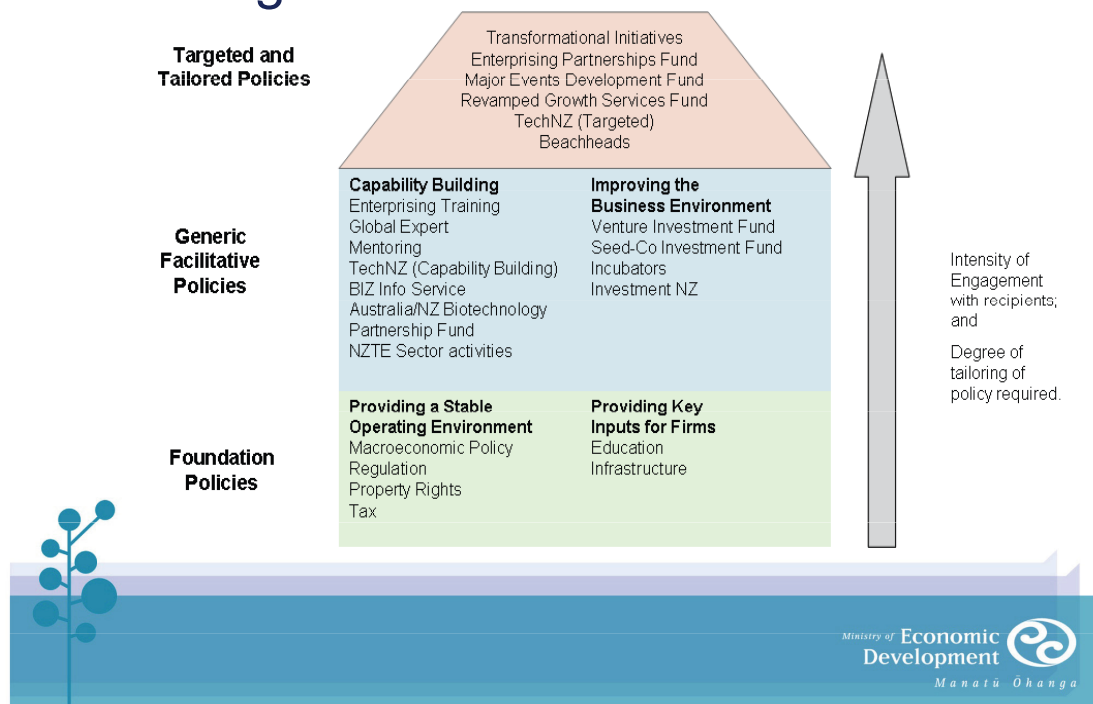


Priorities for Government Policy

- **Greater Internationalisation** – overcoming barriers created by distance.
- **Fostering Innovation** – increasing business R&D and better linking public investment in R&D with business needs.
- **Leveraging off Areas of Existing or Emerging Growth Potential** – a stronger and more targeted approach to business assistance.
- **Improving Capital Markets** – developing the size and sophistication of New Zealand's capital markets.



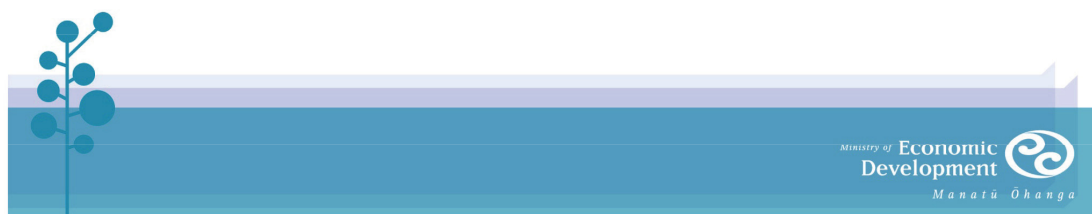
Structure of Business Support Programmes



Improving Access to Finance

Set of initiatives to improve access to finance include:

- Grants and services such as Incubators, Escalator and Investment Ready training programmes.
- R&D commercialisation services and pre-seed funding.
- Venture Capital Fund and Seed Co-Investment Fund equity investment programmes.



Responding to the Recession

- Fiscal Stimulus including infrastructure spend
- Small Business Relief Package
 - Tax changes costing \$480 million
 - » Expansion of the export credit scheme
 - » Extended jurisdiction for the Disputes Tribunal
 - » Expansion of business advice services
 - » A prompt-payment requirement for government agencies



Co-operation Is Essential

- Governments can do a lot to provide a conducive business environment and help address market failures.
- Government has to partner with the private sector to deliver value to SMEs.
- New Zealand's Small Business Advisory Group provides an on-the-job perspective on the issues SMEs face every day.
- Internationally, the Single Economic Market concept for Australia and New Zealand will help our SMEs in our closest market.

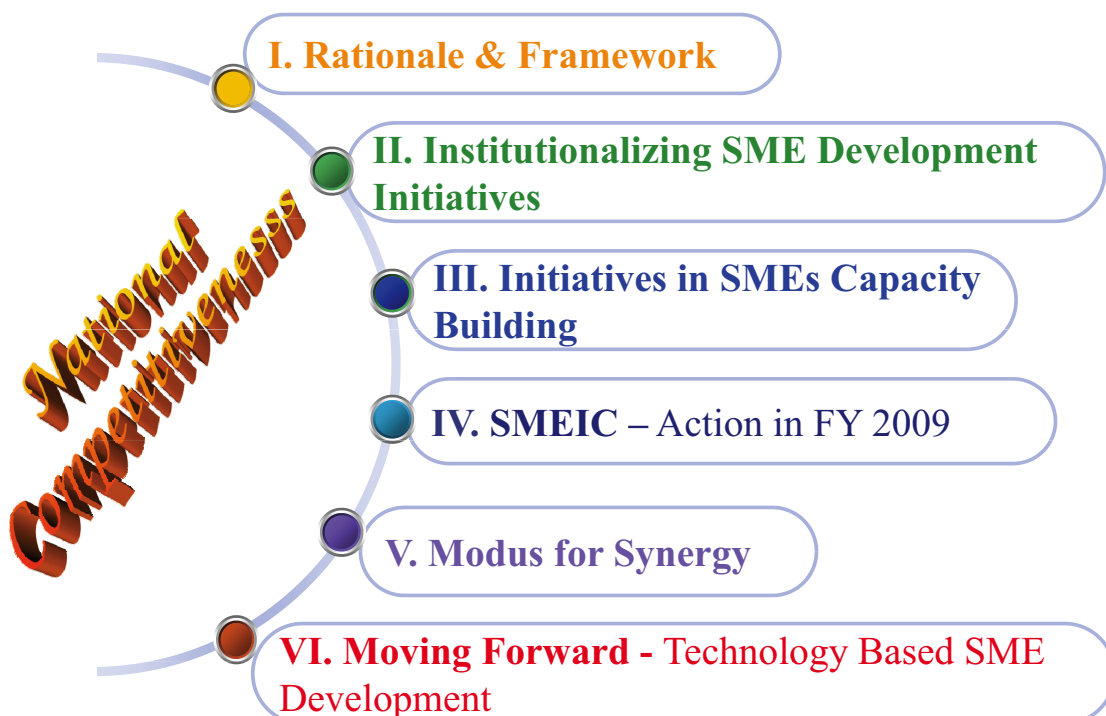


Overcoming the Declining Competitiveness through SME Innovation

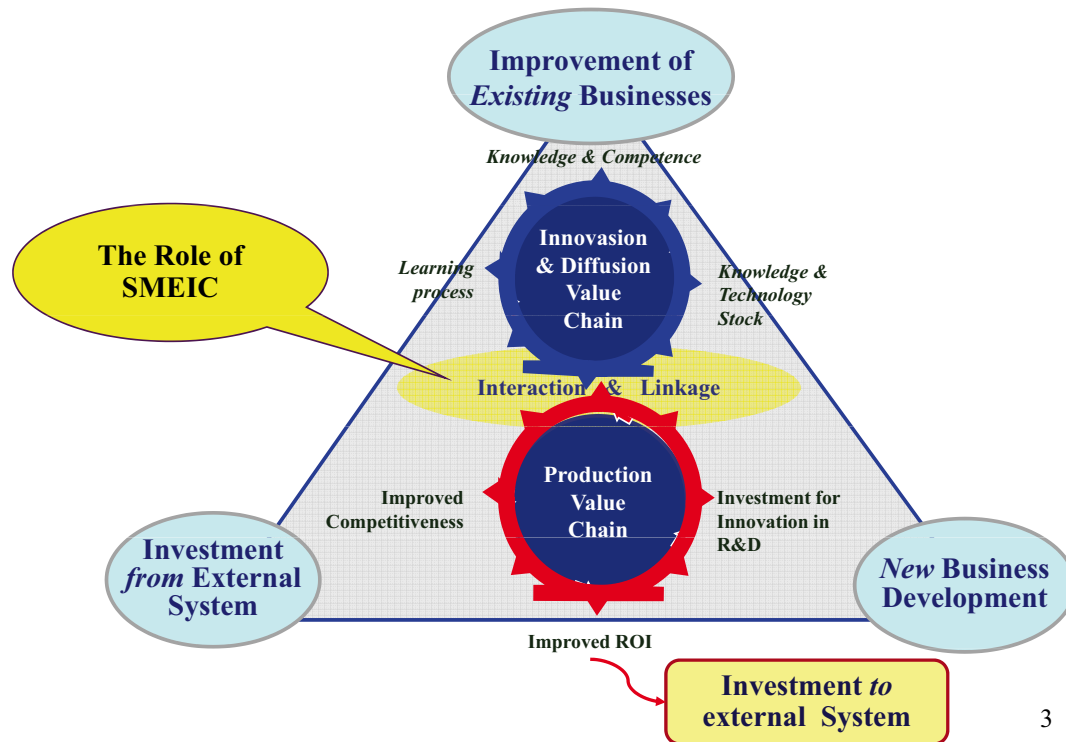
Totok Hari Wibowo

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Indonesia 10340
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OUTLINE

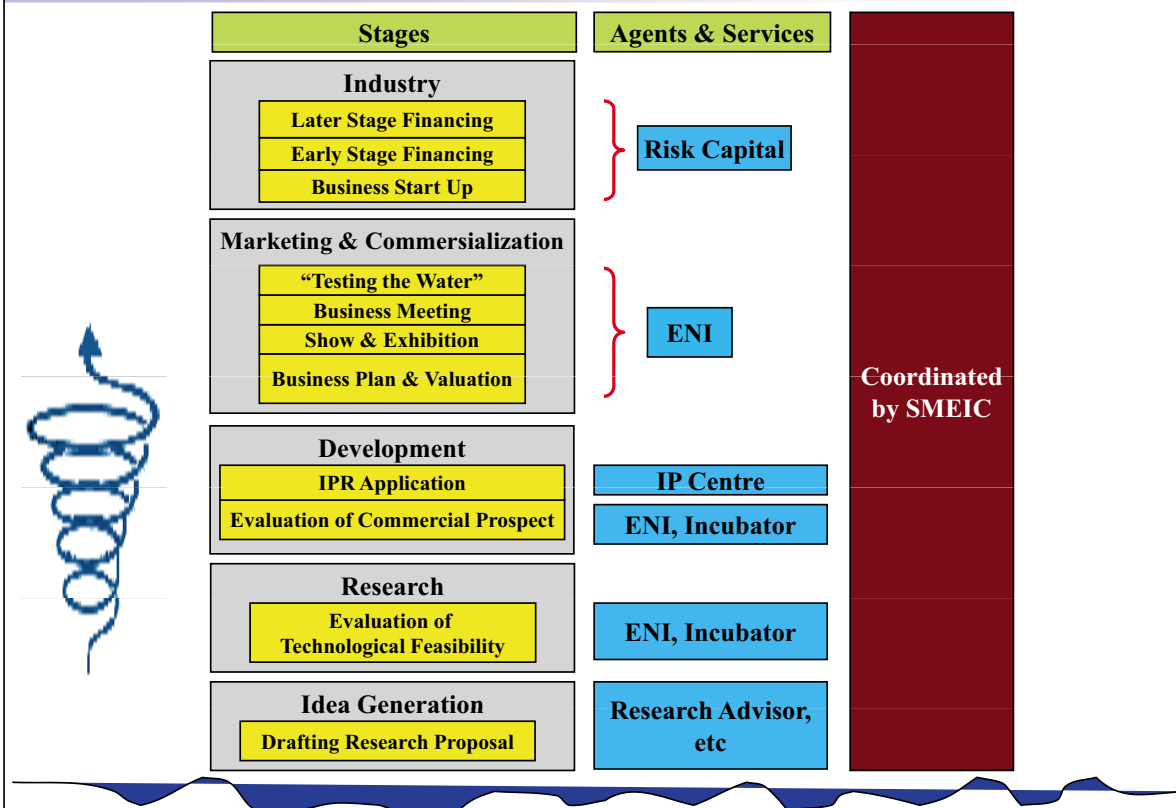


I. Rationale & Framework



3

II. Institutionalizing SME Development Initiatives



II. Institutionalizing SME Development Initiatives - Towards Network of Innovations

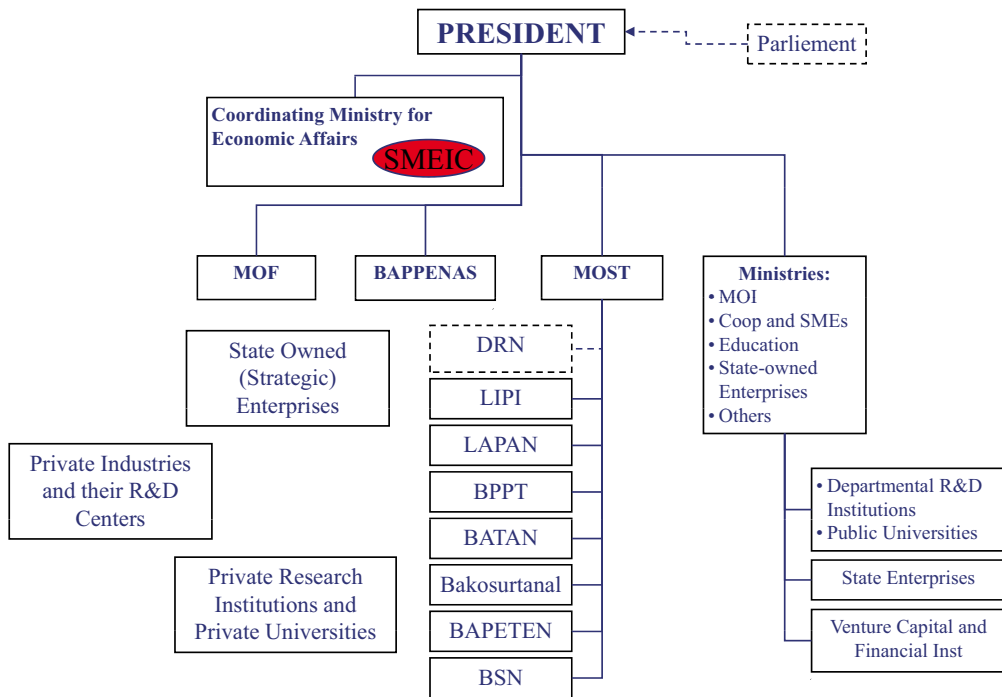
Role	Function
◆ Business Development	Consultation services on productivity, general management & financial management
◆ Technology Development	<i>Prototyping</i> , technology licensing (technology transfer)
◆ Business Incubation	Development of innovative start-ups
◆ HRD	Training provider on apprenticeship and entrepreneurship
◆ Facility Provider	Provide multipurpose facilities
◆ Expertise Provider	Technical assistance on specific expertise
◆ Information Provider	Information services: technology, market, financing schema, IPR, etc
◆ Accreditation	Certification and accreditation of product or service
◆ Intermediaries	Technology, Market & Financial brokering
◆ Networking	Business partnership, R&D Cooperation, Consultative Forum

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II. Institutionalizing SME Development Initiatives - Guideline Towards Fusion Networks

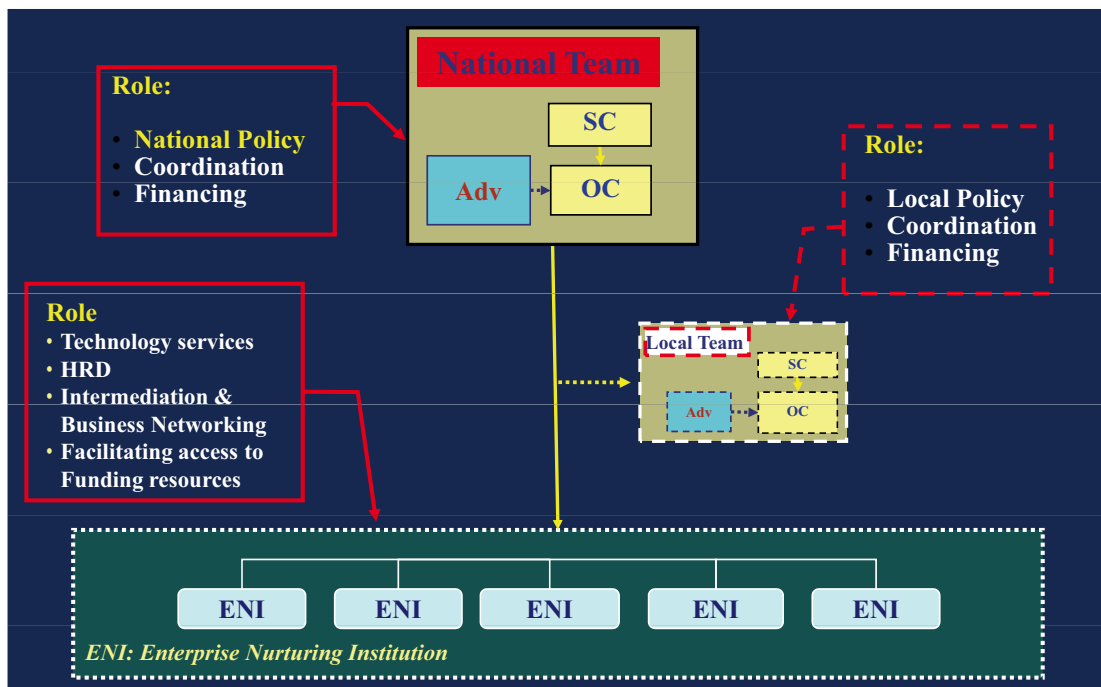
- ◆ Ubiquitous Center of Excellences (COEs)
- ◆ Synergy in SME development – **no person is alone**
 - Fusion networks built by proven capability to innovate
 - Improved by collaboration evidence (willing to share for a piece of a bigger pie)
- ◆ Grow using “guided innovation” where networks are united around common problems. **What are the problems?**

II. Institutionalizing SME Development Initiatives - Position within National Innovation System



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II. Institutionalizing SME Development Initiatives - SMEIC - Management



8

II. Institutionalizing SME Development Initiatives - SMEIC - Management

◆ Steering Committee

- Chair: Coordinating Minister for Economic Affairs
- Member: State Minister of Cooperatives & SMEs, Minister of Industry, Minister of Internal Affairs, State Minister of Research & Technology, Minister of Finance, Minister of Planning, Chairman of BPPT, etc

◆ Organizing Committee

- Chair: Deputy Chairman for Technology Policy, BPPT
- Secretary: Director of Center for the Assessment of Technology Diffusion Policy, BPPT
- Member: Higher level Officials of Departments and related institutions

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II. Institutionalizing SME Development Initiatives – SMEIC - Working Definition

Innovation

Research, development and/or engineering activity aiming at **developing of practical value** and **provision of new scientific context**, or **finding new way** for **the implementation of the existing Science and Technology** into **product or production process**.

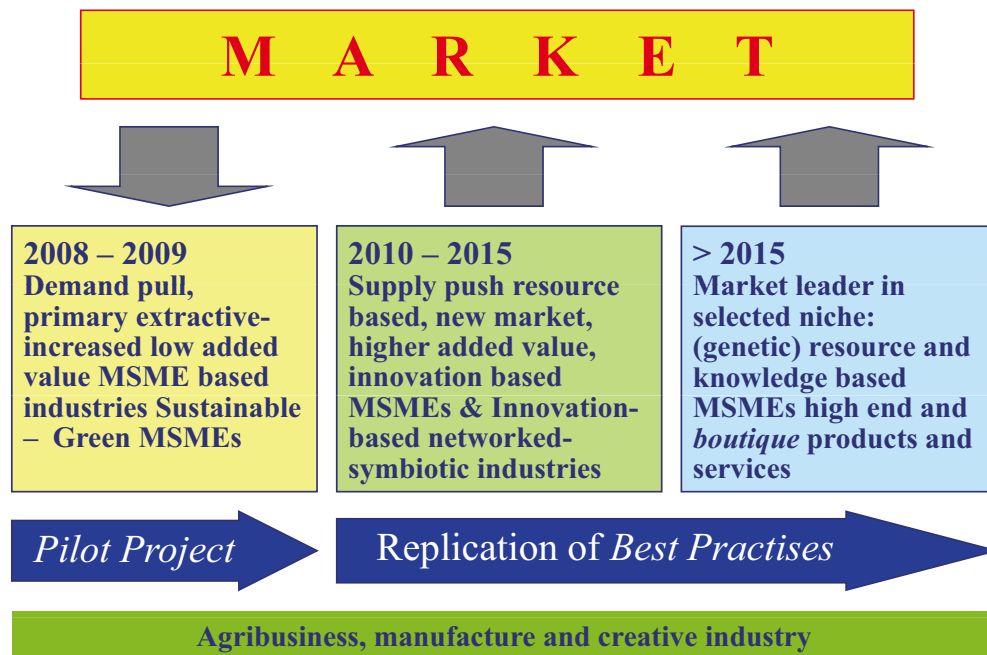
(Source: Law No. 18 Year 2002 on National Innovation System)

SME Innovation Centre

An institution that facilitates the transfer and diffusion of innovation to SMEs and promote the development of innovative SMEs

10

II. Institutionalizing SME Development Initiatives - SMEIC - Roadmap



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II. Institutionalizing SME Development Initiatives - SMEIC – Work Breakdown Structures

WBS I. Institutional Strengthening

WBS II. Network and Basis data

WBS III. Intermediation

WBS IV. Promotion of Innovation

WBS V. Coordination, Monitoring and Evaluation

12

12

II. Institutionalizing SME Development Initiatives

Interconnectivity of Processes within National Innovation System (NIS)



The strength of NIS depends on the performance of the weakest node (or link). Which node (or link) is the weakest?

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III. Initiatives in SMEs Capacity Building

Type	Number
1. Incubator	35
2. IP Center & IP Related Facilities	65
3. Business Technology Center	> 200
4. Public & Private R&D Institution	> 50

14

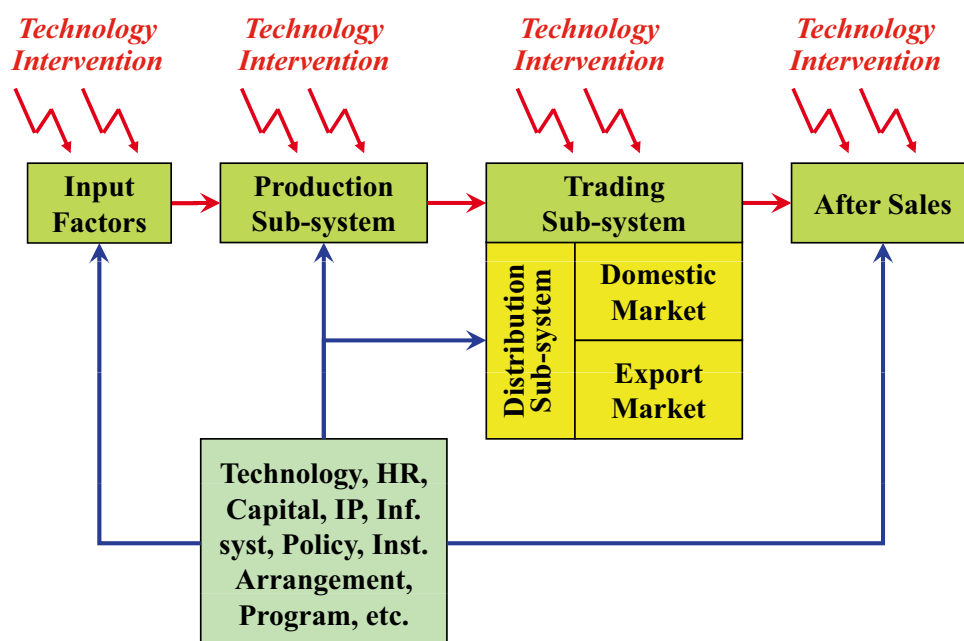
IV. SMEIC – Action in FY 2009

- Pilot Project: *Solo Technopark* and *Batam Outsourcing Area*
- Developing Formal Curriculum on Technopreneurship for undergraduate and graduate programmes
- Developing Legal Base for Risk Capital Schemes
- Building Database Support System
- Intermediation, Promotion and Marketing, etc.

15

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V. MODUS OF SYNERGY - TECHNOLOGY INTERVENTION ALONG VALUE CHAIN



V. MODUS OF SYNERGY - *Commodity Rating Agro-based Industry*

NO	COMMODITY	Replicability vs Time Delivery	Technology vs Production Chain	Risk vs Investment	Resource Availability vs Demand	Number of SME vs Multi Customers	Political Support vs Cultural Familiarity	TOTAL SCORE
1	Aesthetic Oil	5	5	3	3	3	7	26
2	Coffee	5	5	3	3	3	7	26
3	Coconut	5	5	2	3	2	6	23
4	Cacao	5	4	2	3	2	7	23
5	Rattan	5	3	3	2	3	7	23
6	Seaweed	3	3	3	3	3	7	22
7	Organic Fertilizer	5	1	3	3	3	7	22
8	Medicinal plant	3	3	3	3	3	7	22
9	Soybean	5	5	3	2	3	2	20
10	Fish Product	5	5	3	3	3	0	19
11	Latex-based Product	1	1	0	3	1	7	13
12	Rami Fiber	3	2	0	1	2	2	10

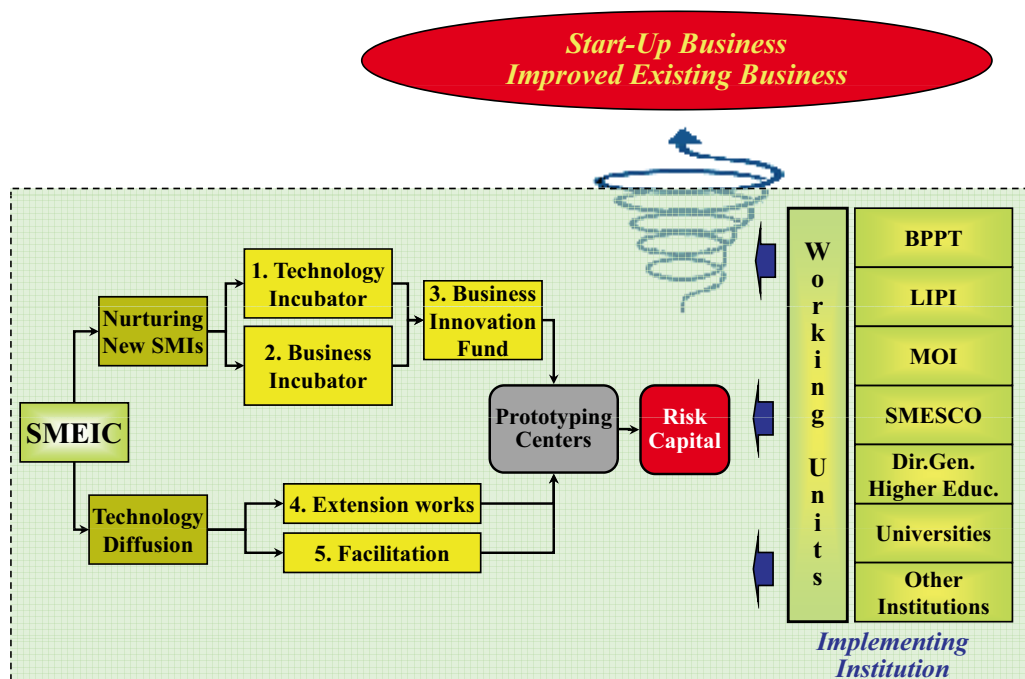
V. MODUS OF SYNERGY - *Commodity Rating Manufacturing*

NO	COMMODITY	Replicability vs Time Delivery	Technology vs Production Chain	Risk vs Investment	Resource Availability vs Demand	Number of SME vs Multi Customer	Political Support vs Cultural Familiarity	TOTAL SCORE
1	Furniture	5	5	3	3	3	7	26
2	Waste Treatment Machinery	5	5	3	3	3	6	25
3	Ceramic Technical and Sanitary	5	5	3	3	3	6	25
4	Agro Processing Machinery	5	4	3	3	3	7	25
5	Latex-based Components	5	4	3	3	3	7	25
6	Bio Fuel	4	5	3	3	2	7	24
7	Footwear	4	4	3	3	3	6	23
8	Packaging Machinery	4	3	3	2	2	7	21
9	Automotive Parts	3	4	2	2	3	6	20
10	Textile and Apparel	3	3	2	2	3	6	19
11	Cosmetic	4	5	2	3	2	2	18
12	Food Product	3	3	2	2	2	6	18
13	Metal Works	3	1	1	2	3	7	17
14	Food Processing Machinery	5	3	2	3	2	0	15

V. MODUS OF SYNERGY - *Commodity Rating* Creative Industry

NO	COMMODITY	Replicability vs Time Delivery	Technology vs Production Chain	Risk vs Investment	Resource Availability vs Demand	Number of SME vs Multi Customers	Political Support vs Cultural Familiarity	TOTAL SCORE
1	Batik	5	3	3	3	3	7	24
2	Handicraft	5	3	3	3	3	7	24
3	Furniture & Home Accessories	5	3	3	3	3	7	24
4	Music	5	3	3	3	3	7	24
5	Ceramic Arts	5	3	3	3	3	7	24
6	ICT	5	3	3	3	3	6	23
7	Toys	5	2	3	3	3	6	22
8	Fashion Textile	5	2	2	3	3	6	21
9	Film and animation	5	4	3	3	3	2	20
10	Publishing	5	3	2	2	2	6	20
11	Interior Design	5	2	3	3	3	2	18
12	Education Material	5	3	3	2	2	2	17
13	Fashion Accessories	4	2	2	3	3	2	16

VI. MOVING FORWARD - TECHNOLOGY BASED SME DEVELOPMENT



Recipients of SME Innovation Centre Grants FY 2009

No	Institution	Location
1	PIBI IKOPIN	Bandung
2	Universitas Hasanudin	Makassar
3	ITS Design Centre	Surabaya
4	Business Innovation Center	Jakarta
5	I- CELL ATMI	Solo
6	Young Asgar Foundation	Garut
7	Universitas Islam Indonesia	Yogyakarta
8	Lembaga Pengembangan Inovasi	Serpong

Recipients of SME Innovation Centre Grants FY 2009

No	Institution	Location
9	BDS LPPM UNS	Solo
10	Association for SME Development (PUPUK)	Bandung
11	IPB Business Incubator	Bogor
12	KADIN Semarang	Semarang
13	PPKWU UNS	Solo
14	LIPI Innovation Center	Jakarta
15	Regional Development Forum (FPESD)	Semarang
16	Universitas Haluo Oleo	Kendari

Thank you

**Questions, Comments and Suggestions can be
directed to**

totokw@gmail.com

Overcoming the Global Economic Crisis Through SME Innovation: **The Laguna CLEEP Experience**

By:

Marilou Quinco-Toledo
Regional Director
Department of Trade and Industry
CALABARZON Region
Republic of the Philippines

Outline of Presentation

- I. The Comprehensive Livelihood and Emergency Employment Program
- II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program
- III. The Laguna CLEEP: Water Hyacinth Development Program
- IV. Program Results
- V. Program Assessment
- VI. Recommendations

I. CLEEP: Background

- Due to the threats from the global economic crisis, President Gloria Arroyo issued on October 23, 2008 the Memorandum Circular No. 168 directing all members of the Cabinet to draw up and prepare emergency work programs and doable and fundable livelihood projects.
- The Cabinet's response to the directive: **The Comprehensive Livelihood and Emergency Employment Program (CLEEP).**

Program Objectives

- General Objective
 - To protect the most vulnerable sectors-the poor, hungry, returning expatriates, workers in the export industry, and out-of-school youth-from threats and consequences of reduced or lost income as a consequence of the global economic crisis.
- Specific Objectives
 1. To hire for emergency employment; and
 2. To fund and supervise livelihood projects.

Salient Features



- **Emergency Employment**
 - Work that is immediate, requires little or no skill or education; engages the worker only part-time (less than 40 hours a week) or short-time (e.g. 45 days or less); or allows workers to obtain more than one job
- **Livelihood**
 - A program or project geared towards the provision of work or an activity that will generate reliable income/earnings for a long period of time

Salient Features



- **Stewardship**
 - A member of the Cabinet tasked to oversee and ensure the implementation of CLEEP programs or projects in a particular region or province.
 - DTI Secretary Peter B. Favila was tasked to handle Laguna CLEEP.

Implementing Strategy



- Use of Agency Savings
 - Under Memorandum Circular 168 (s.2008), all departments and national agencies are to mobilize all their remaining resources, including contingency funds, to finance their respective livelihood and emergency employment programs.
- Partnership Building with Local Government Units and other Stakeholders
 - CLEEP shall build partnerships with local government units, non-government or people's organizations, the private sector and academe and tap their pools of expertise, resources and logistics.

Implementing Strategy



- Poverty - Reduction Approach
 - The programs or projects shall factor in the context and economic and social environment of each given region.
 - This implies that the department secretaries, acting as stewards of the region/s assigned to him/her, shall also focus on poverty data of every region.
 - This data will serve, among other pertinent information, as the baseline monitoring the performance of every department.

II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



Location



Philippines



II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



Proximity to
Metropolitan Manila



II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



1. About the Province of Laguna

■ Divisions

- 3 component cities
- 27 municipalities

■ Land Area: 1,823.6 km²

■ Population: 2,473,530 (2007 census)

■ Economic Status

- Laguna Exports: USD 7.0 Billion (1997)
 - *Philippine Exports total = USD 25 Billion*

II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



2. Effects of Global Economic Crisis

- Total number of workers affected in CALABARZON Region (as of May 8, 2009)
 - 66, 647
- Number of workers affected in Laguna
 - 27,891
- Number of displaced workers in Laguna
 - 11,269

II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



Emergency Employment Target

January to December 2009

Department of Trade and Industry	1,500
Department of Public Works and Highways	5,000
Department of Labor and Employment	2,000
Department of Environment and Natural Resources	1,000
Department of Education	1,000
Department of Social Welfare and Development	769
TOTAL	11,269

DTI CALABARZON enrolled Water Hyacinth Development Program and Enhanced Price Monitoring Emergency Employment Project to Laguna CLEEP.

II. The LAGUNA Comprehensive Livelihood and Emergency Employment Program



Agency	Project
DPWH	To implement Out-of-School Youth Serving Towards Economic Recovery (OYSTER) Program, flood control projects and fabrication of concrete blocks
DOLE	To implement Tulong Pangkabuhayan sa Ating Disadvantaged Workers (TUPAD)
DENR	To implement aggregate recycling and upland development projects
DEPED	To implement hygiene package
DSWD	To provide KALAH! Project for the unemployed

III. The LAGUNA CLEEP: Water Hyacinth Development Program



1. Background of the Project

- Water hyacinths (water lilies) proliferate in the Laguna Lake that covers 20% of the lake's surface area
- Such proliferation threatens survival of aquatic species since these plants block sunlight's penetration into the water.
- Also, water hyacinths have been considered unfriendly to the environment: contributory to the clogging of waterways and flooding in the locality.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



1. Background of the Project

- It is in this view that the Laguna L.E.A.P. (Livelihood Emergency- Employment Accelerated Program) was implemented in the Province.
- This involved the cleaning up of Laguna Lake and transforming water hyacinth from waste to potential raw materials for livelihood enterprises.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



2.1 General Objective

- Cleaning up of Laguna Lake and transforming Water Hyacinth from waste to raw materials to establish community-based livelihood enterprises.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



2.2 Specific Objectives

- To provide direct and immediate employment initially to barangay constituents of Laguna to create jobs through water hyacinth gathering and semi-processing.
 - *About 10 persons per barangay shall be employed to clean twice a week (8x a month) for 4 months.*
- To transform water hyacinth from waste into raw materials to be utilized to develop new products
- Introduce and demonstrate new processes and technologies that may be applied to water hyacinth.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



Specific Objectives

- Create and introduce prototypes of semi-processed and finished products made out of water hyacinth developed during the skills training.
- Showcase prototypes of semi-processed and finished products at trade fairs.
- Organize selling missions outside the province to assist producers of semi-processed materials and finished products market their product
- Develop a barangay-based livelihood enterprise utilizing on water hyacinth as raw materials and/or finished products.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



3. Timetable

- 2008 4th Quarter to 2009 4th Quarter

4. Target Beneficiaries

- Ten (10) out-of-school youths and unemployed residents in 77 coastal barangays in 15 cities and municipalities (830 Beneficiaries)

III. The LAGUNA CLEEP: Water Hyacinth Development Program



5. Project Cost

- Php 6.16 Million salaries of Water Hyacinth Gatherers / Collectors (out-of-school youths and unemployed residents) in 77 barangays in 15 municipalities and cities
 - *Binan, Cabuyao, Calamba City, Los Banos, Lumban, Nagcarlan, Pakil, Pila, Rizal, San Pedro, San Pablo, Sta. Cruz, Sta. Rosa City, Siniloan and Victoria*
- Php 5.95 Million for capability enhancement package.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



6. Breakdown of Project Cost

ITEM	Particulars	Amount
Salary of Water Hyacinth Gatherers/Collectors (10 barangays in 17 municipalities)	10 persons per barangay to clean up 8 times a month at 4 months a year at 77 barangays @ P250 per head per day (10x77xP250x8daysx4mos)	6,160,000
Product and Market Development	Designer's fee , prototyping, participation to fairs , research and development , others	1,700,000
Training Expenses	Honorarium , supplies , transportation , food , others	1,700,000
Production Equipment & Working Capital	To start the livelihood enterprise	1,700,000
Monitoring and Evaluation including Meetings and Planning	To facilitate consultative meetings, planning, monitoring, and evaluation and related activities during the implementation of the Laguna LEAP Project	850,000
	Total	12,110,000

III. The LAGUNA CLEEP: Water Hyacinth Development Program



7. Capability Enhancement Package

- Technology trainings
- Product development
- Marketing assistance
- Trade fairs
- Selling missions
- Setting-up of common service facilities

III. The LAGUNA CLEEP: Water Hyacinth Development Program



8. Scope of Work

■ PGL / LGU

- Identify barangay and barangay constituents to enroll in the project
- Identify and provide the venue of the skills training.
- Co-share the food of the participants
- Help promote and sell new products made of water hyacinth
- Provide assistance in setting up livelihood centers and common service facilities.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



8. Scope of Work

■ DTI Laguna

- Implement the program in coordination with the LGUs of the various municipalities.
- Coordinate with other relevant agencies or offices for assistance in technical and organizational aspect of the project
- Organize training cum product development to be held in Laguna. Hire the services of designers.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



8. Scope of Work

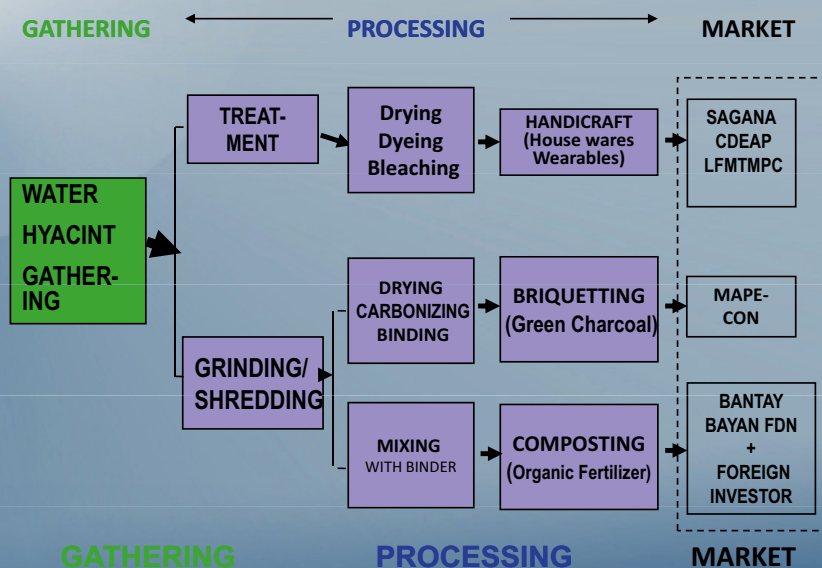
■ DTI Laguna

- Assist in the mounting and promotion of the showcase at the provincial, regional and national trade fairs
- Provide market matching services for Laguna suppliers of semi-processed and finished products
- Monitor post-showcase/selling mission sales.
- Conduct program monitoring and evaluation together with LEAP Council.

III. The LAGUNA CLEEP: Water Hyacinth Development Program



Mapping of Water Hyacinth Development



III. The LAGUNA CLEEP: Water Hyacinth Development Program



	<u>GATHERING</u>	<u>PROCESSING</u>	<u>MARKET</u>
JOBS	830 OSYs Water hyacinth gatherers	420 OSYs & Housewives, weavers	
INCOME/ SALARY	P 6.16 M	X	
COST c/o DTI	P 4.56M	P 2.74M	
LGU Share	P 4.81 M		
BENEFICIARIES	15 Towns/cities covering 77 Barangays (Province of Laguna)		
SALES			P 3.85 M

IV. Program Results



1. Conduct of Briefing/Orientation on Laguna CLEEP participated by various stakeholders from the 17 cities and municipalities November 21, 2008 (Calamba City).

IV. Program Results



2. Organization of the Laguna **LEAP** (**L**ivelihood **E**mergency – **E**mployment **A**ccelerated **P**rogram) Council, November 26, 2008, Victoria, Laguna.

IV. Program Results



Laguna LEAP Council

1. Provincial Government of Laguna (PGL)
2. Local Government Units (LGUs) – 22 towns / cities
3. Department of Trade & Industry (DTI)
4. Department of Interior & Local Government (DILG)
5. Laguna Lake Development Authority (LLDA)
6. Department of Environment & Natural Resources (DENR)
7. Department of Social Welfare & Development (DSWD)
8. Department of Education – Accelerated Learning System (DepEd-ALS)
9. SAGANA San Pablo City
10. Samahan ng Coconut Prodyusers at Entreprenyur ng Laguna (SCOPE-Laguna)
11. San Roque Tulay-Akbay sa Kaunlaran Cooperative (SRTASKCO)
12. Bantay-Bayan Foundation, Inc. (BBFI)
13. Laguna Provincial Cooperative Development Council (LPCDC)

IV. Program Results



3.1. Program Launching and Awarding of Certificates of Employment to the Water Hyacinth Gatherers of Laguna, December 10, 2008 (SM Sta. Rosa City)

IV. Program Results



3.2. MOA signing among LEAP Council Members and 15 LGUs, December 10, 2008, SM City Sta. Rosa Events Center City of Santa Rosa, Laguna

IV. Program Results



4.1. Awarding of Checks to LGUs representing Salary of Water Hyacinth Gatherers, January 28, 2009, Sta. Cruz, Laguna.

IV. Program Results



4.2. Orientation on Bayong Development Program (a Substitute to Plastic Bags) January 28, 2009, Sta. Cruz, Laguna

IV. Program Results



5.1. Launching of CALABARZON Bayong Development Program and Green Products Expo 2009, March 11, 2009 (Cultural Center of Laguna, Sta. Cruz, Laguna).

IV. Program Results



5.2. Launching of CALABARZON Bayong Development Program and Green Products Expo 2009, March 11, 2009 (Cultural Center of Laguna, Sta. Cruz, Laguna).

IV. Program Results



5.3. Launching of CALABARZON Bayong Development Program and Green Products Expo 2009, March 11, 2009 (Cultural Center of Laguna, Sta. Cruz, Laguna).

Highlights of the event was the Fashion Show feat. Bayong plus woven products and footwear.

IV. Program Results



6. CALABARZON Bayong Development Program: Special exhibit at the ECO-Products International Fair, SMX Convention Center, April 19: WATER HYACINTH FIBERS AS MATERIALS FOR WEAVING BAYONG/OTHER WOVEN ITEMS INCLUDING FOOTWEAR AND HANDICRAFTS

IV. Program Results



7.1. 111th National Independence Day Celebration, June 12, 2009, DTI Sec. Favila, Steward for Laguna CLEP, delivered the key note address highlighting the importance of CLEP as a response to the global economic crisis.

IV. Program Results



7.2. Sec. Favila led the ceremonial opening of the CLEEP exhibit

IV. Program Results



7.3. Sec. Favila appreciated products made by the Cavinti weavers while RD Toledo, Gov. Lazaro and board member Nocon looked on during the June 12 Independence Day Celebration in Calamba, City.

IV. Program Results



8. **MOST INNOVATIVE.** Footwear (top left) made of water hyacinth fiber was voted the most innovative product during the opening day of the *OTOP Luzon Island Fair* on July 8, 2009, at the Megatrade Hall of the SM Megamall in Mandaluyong City. Corazon Coligado (left) of Ai-She Footwear (Liliw, Laguna), maker of the award winning footwear, shares award with designer Edna Palad (right), owner of Red Palm Ventures - maker of leatherized water hyacinth.

V. Program Assessment



1. Performance

Water Hyacinth Project in Laguna

As of June 30, 2009

Particulars	Target	Actual	% Accomplishment
No. of CLEEP Towns/Cities Covered-1st Batch	15	15	100.00
Amount of Investments Generated (PhP)	12,110,000	13,538,000	111.79
Amount of Sales Generated (PhP)	3,850,000	1,260,998	32.75
No. of Training/Seminars Implemented	46	65	141.3
No. of Benchmarking Activities/ Local Study Missions Conducted	2	3	150.00

V. Program Assessment

1. Performance



Water Hyacinth Project in Laguna

As of June 30, 2009

Particulars	Target	Actual	% Accomplishment
No. of Water Hyacinth Gatherers Developed from the 15 CLEEP Towns/Cities	830	830	100
No. of Organic Micronutrients & Fertilizer Producers	20	47	235
Green Charcoal Briquette Project	--	29	--
No. of Water Hyacinth Weavers Developed	400	592	132.25
Total No. of Jobs Generated	1,250	1,498	119.84

V. Program Assessment

1.1 Performance of Laguna CLEEP



Agency	Targets	Actual Output
DTI	1,500	2,008 (1498+ *510)
DPWH	5,000	400
DOLE	2,000	70
DENR	1,000	--
DepED	1,000	--
DSWD	769	48
TOTAL Emergency Employment	11,269	2,526

The Water Hyacinth Development Program contributed
 59.30% of the Total Emergency Employment.

*-Enhanced Price Monitoring Emergency Employment Project

V. Program Assessment

2. Economic Sustainability

- 2.1. The Water Hyacinth Project is now supported by six anchor firms engaged in handicrafts and wearables which includes Remdavies Import/Export, House2Home Inc., Sarilikha Handicrafts, Red Palm Ventures, Jody's Footwear, and Ai-she Footwear.

These anchor firms expressed their support through providing market driven design ideas and marketing assistance by developing the existing water hyacinth weavers as their sub-contractors.

- 2.1.1 Two LGUs invested in Organic Micronutrients Fertilizer (OMF)

- 2.1.2 Three LGUs invested in Green Charcoal Briquette

- 2.2. Replication of Water Hyacinth Project in other areas of the country, e.g Pampanga and Bicol Provinces

V. Program Assessment

3. Funding

- 3.1. Department of Trade and Industry (DTI) shared P5,000,000.00 to start the project.

- 3.2. The Local Government Units (LGUs) shared P8,538,000.00.

- 3.3. All these funding efforts resulted to total investment of P13.538 M, which is P111.79% higher than its original target investment of P12.11M.

V. Program Assessment

4. Convergence (Public-Private Partnership)

- 4.1. Department of Trade and Industry (DTI) Secretary Peter B. Favila as the steward for Laguna CLEEP ensures and oversees the implementation of Laguna CLEEP projects.
- 4.2. Through collective efforts of the different national and local government agencies, as well as non-government organizations (NGOs) and business groups, there was a synergy and project was implemented successfully.
- 4.3. Inter-phase of water hyacinth in the Bayong Development Program and the One Town One Product Program.

V. Program Assessment

5. Environmental Consideration

- 5.1. The gathering of water hyacinth cleaned-up Laguna Lake, thus, contributing to unclogging of waterways, mitigating flood.
- 5.2. Removal of water hyacinth helped improve the survival of the aquatic species in Laguna Lake.

VI. Recommendations



1. Upgrading of existing manufacturing capabilities of weavers by giving them further trainings on finishing and treatment of water hyacinth that is more cost effective and eco-friendly.
2. Introducing new technology such as “leather-effect water hyacinth”, water hyacinth materials manipulation, and its mass production.
3. Introducing new and highly customized products and designs by pooling in supply chain and technology competencies of existing suppliers to satisfy customer demands in a market-driven environment.

VI. Recommendations



4. Integrating the six new towns' (Paete, Pagsanjan, Pangil, Bay, Mabitac, and Kalayan) CLEEP beneficiaries along the Laguna Lake and water faunas that will be given Basic Skill Trainings on Water Hyacinth Handling, Treatment and Weaving and emergency employment of 120 OSYs/displaced workers as water hyacinth gatherers to increase supply base of dried water hyacinth stalk and materials for OMF and green charcoal making.
5. Focus the CLEEP assistance to seven existing productive towns/cities (San Pablo, Calamba, Victoria, Pakil, Pila, Cabuyao, and Sta. Cruz) to support the raw materials base requirement of water hyacinth producers.

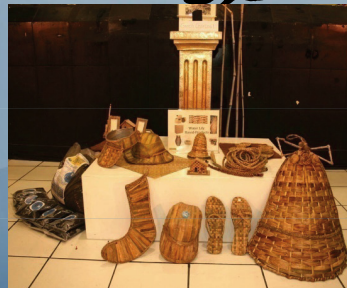
VI. Recommendations



6. Incorporation of values formation, work ethics and entrepreneurial spirit in the training program/ activities.
7. Continue the program for the next five years
8. Enhance project monitoring
9. Project fund should include hiring of additional staff and logistical support and acquisition of machinery and equipment, construction of common service facility needed by the project.



Thank You!



The Laguna CLEEP: An Innovative MSME Program to address the Global Economic Crisis



Innovation Through Cooperation (The Davao Industry Cluster Experience)

Ms. MARIZON S. LORETO
Regional Director
Department of Trade and Industry
REPUBLIC OF THE PHILIPPINES



Philippine SMEs are....

- **Heterogeneous segment**
 - informal and highly sophisticated firms
- **Possess a wide range of skills**
- **Suppliers or subcontractors to larger firms**
- **Dynamic, innovative, growth-oriented**
- **Others are traditional “lifestyle”**
- **High volatility (new start-ups and closures)**



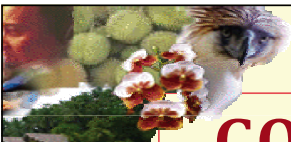


Philippine SMEs

53% operate consumer-oriented businesses

24% in extractive businesses

- **19% in transformative businesses**
- **3% in business services**



GOAL

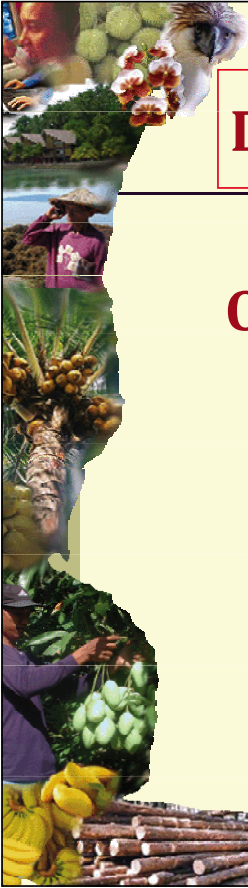
Increase productivity of SMEs (32% to 40%)

SME DEVELOPMENT AGENDA

Achieve a sustainable and competitive SME growth

- 1. strengthen the support mechanism for SME development**
- 2. build capacities of SMEs to enhance their competitiveness**
- 3. focus on growth industries that contribute to regional development**





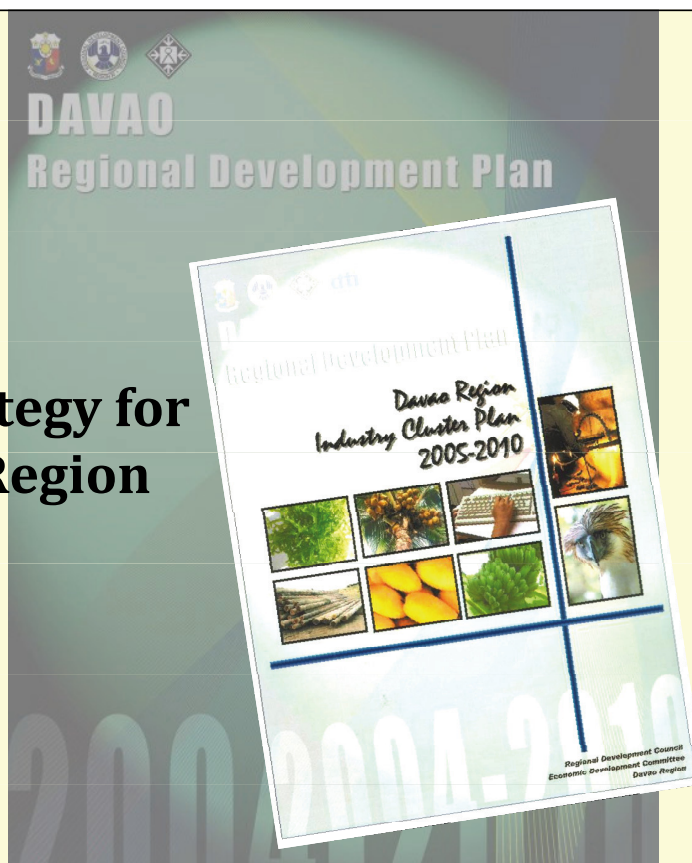
Davao Region Development Goal

Improve quality of life and environment

OBJECTIVES

1. Increase economic growth
2. Provide more livelihood opportunities
3. Reduce the incidence of poverty
4. Focus on regional competitive quartet-
 - a. Agriculture
 - b. Mining
 - c. Eco-tourism
 - d. ICT

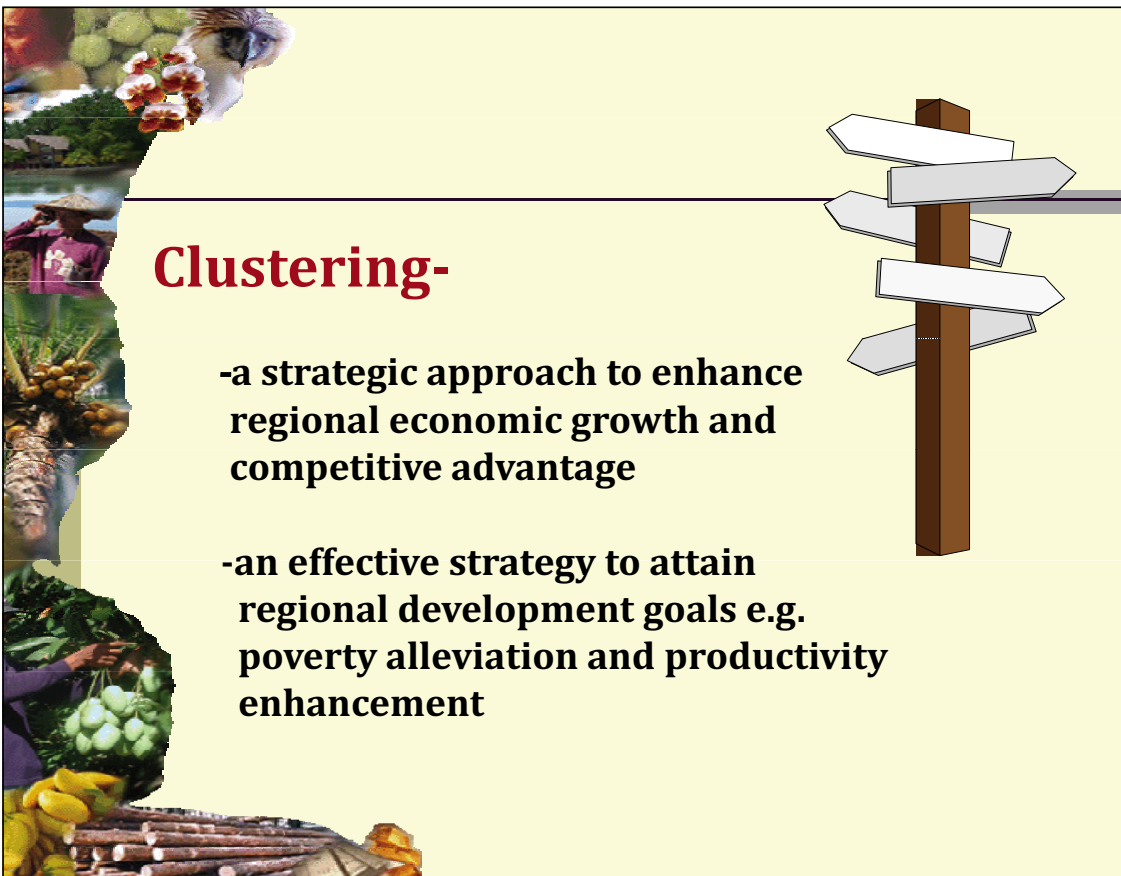
Clustering
key strategy for
Davao Region





Objectives of Industry Clustering

- to develop exports
- to generate jobs
- to advance agribusinesses
- to foster inter-enterprise linkages
- to strengthen collaborative networks



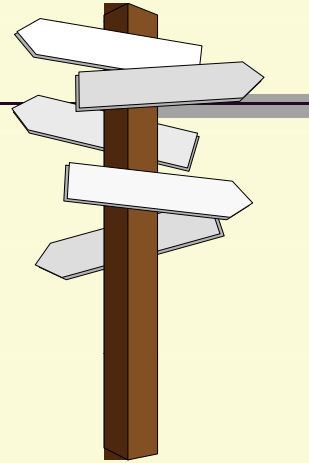
Clustering-

- a strategic approach to enhance regional economic growth and competitive advantage
- an effective strategy to attain regional development goals e.g. poverty alleviation and productivity enhancement

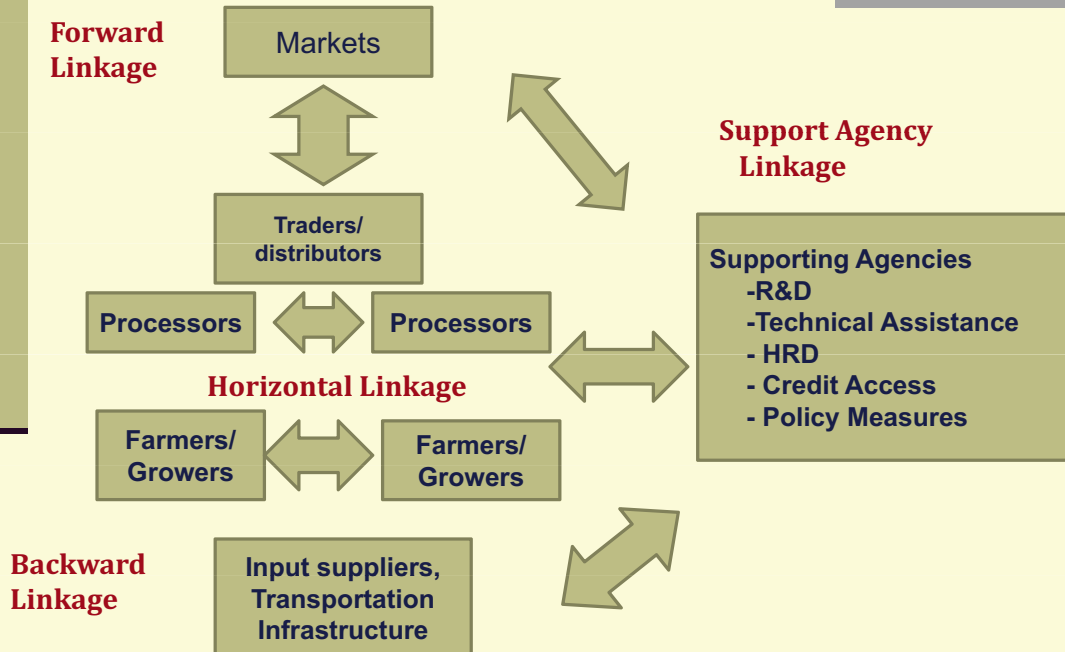


Clusters

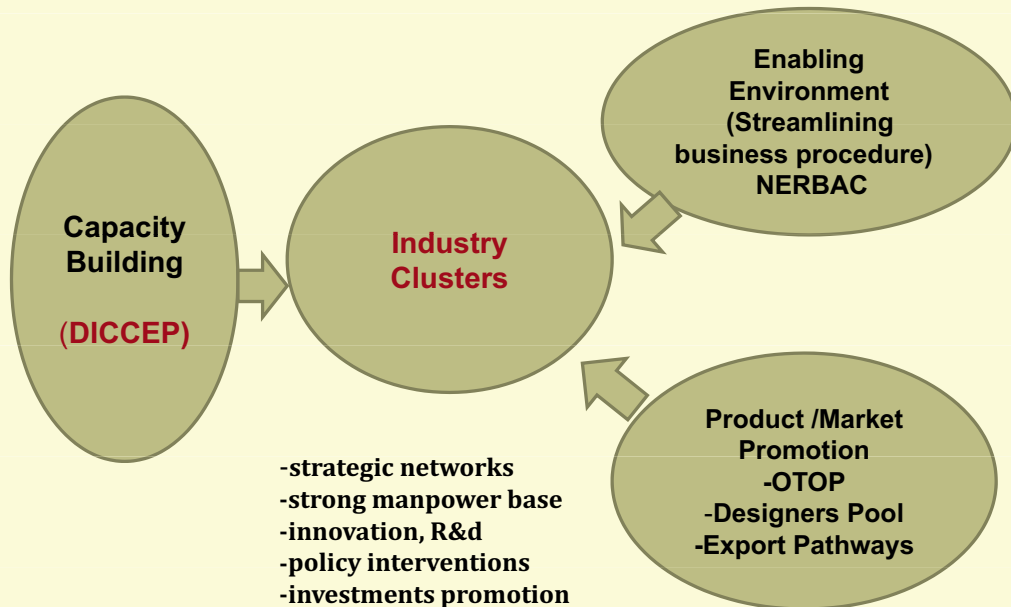
- geographic concentration of interconnected, competing yet interlinked industries that create wealth through exports
- combine strengths, collectively explore opportunities, share/solve common problems and share technologies and facilities



Cluster Model



Davao Industry Cluster Framework



DAVAO REGION: PRIORITY INDUSTRY CLUSTERS





GOAL:

Maintain its position as the leading banana producer and major supplier and exporter of high quality fresh and processed bananas in the country.

Target: US\$4.5B exports

2008 Performance: US\$532M exports

Phil. # 2 exporter of fresh bananas

BANANA

INDUSTRY CLUSTER




GOAL:

A competitive industry efficiently utilizing wood resources

2010 Target: US\$70 Million exports

2008 Performance: US\$13.13 Million exports

WOOD

INDUSTRY CLUSTER





GOAL:

COCONUT **INDUSTRY CLUSTER**

The leading supplier of world class coconut products

2010 Target: US\$816 Million in exports

2008 Performance: US\$77.6 Million




GOAL:

MANGO **INDUSTRY CLUSTER**

The leading profitable source and provider of quality fresh and processed mango in the country and the world.

2010 Target: US\$ 140 Million in exports

2008 Performance: US\$4.8 Million





GOAL:

SEAWEED **INDUSTRY CLUSTER**

A mutually supportive cluster that boosts globally competitive seaweeds industry for improved socio-economic conditions of stakeholders.

2010 Target: US\$2.11 Million exports




GOAL:

ICT **INDUSTRY CLUSTER**

Enhance the global competitiveness of the ICT sector in Region XI

- Customer contact centers
- Medical transcription
- Animation
- Software development





GOAL:

MINING **INDUSTRY CLUSTER**

A dynamic, responsible and socially acceptable mining industry for sustainable development

2010 Target : 31,000 jobs generated

2007 Performance: 4,548 new jobs



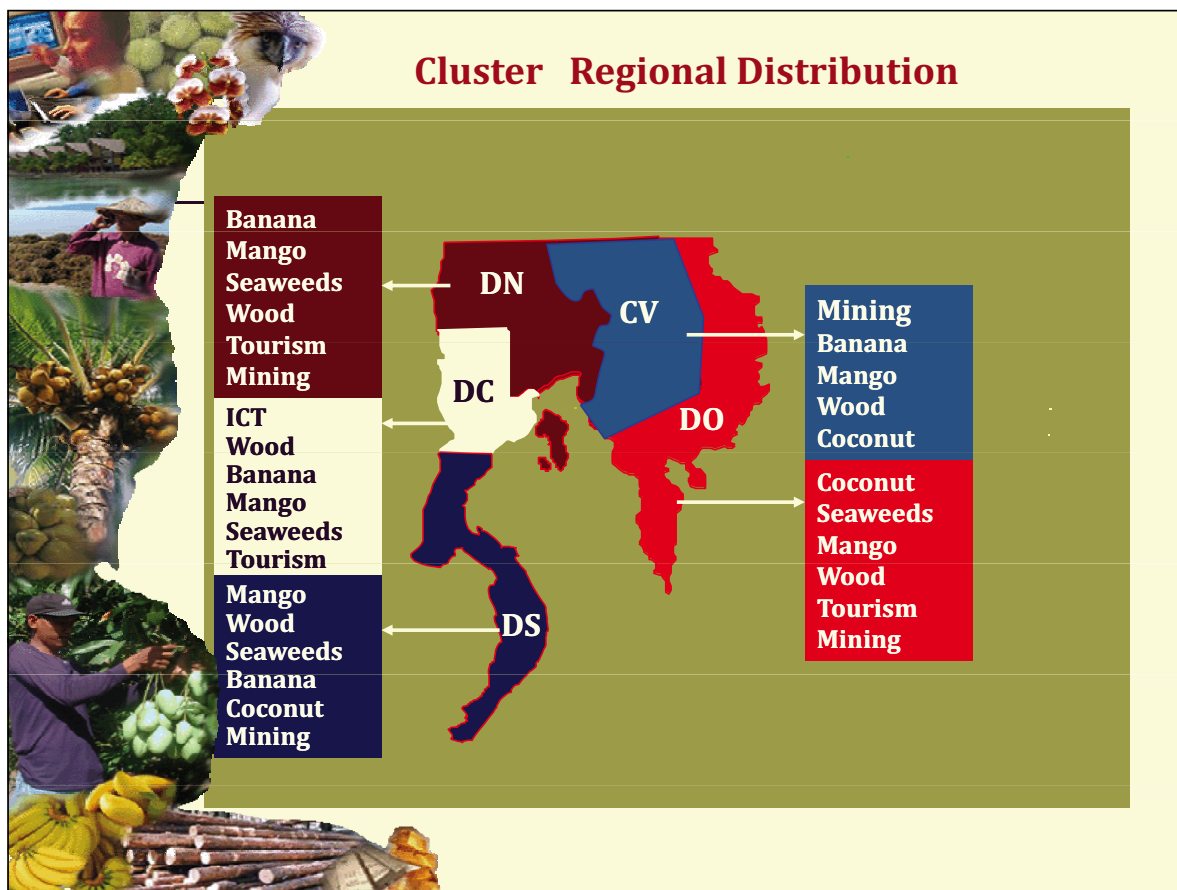

GOAL:

ECO-TOURISM **INDUSTRY CLUSTER**

Davao Region as the premier tourism destination in the country with a competitive variety of tourism products.

2010 Target: 8,580 jobs





Cluster :Convergence in Action

- institutionalization of cluster initiatives
- private-public sector partnership
- capability and institution building
- cluster teams organized
- private sector industry champion
- public sector support
- anchor provinces/LGUs
- academe as center for excellence
- industry cluster plans



Cluster Performance

- Clusters accounted for 72% of total regional exports
- Major investments
 - banana/mango areas expansion
 - banana processing (chips/fries/flour)
 - tourism (resorts/property devt, etc.)
 - ICT (medical transcription, animation, etc.)
 - coco fiber, coco sugar, coco peat, VCO
 - allied services: cold storage, KD pallets, packaging



Cluster Issues

- insufficient understanding of the feature and advantages of industry clustering
- cluster activity plans not defined
- cluster stakeholders' roles not specified
- responsibility of cluster monitoring
- limited areas of convergence



Recommended Measures

- clear understanding of the advantages and limitations of IC approach
- defined cluster priority strategic actions and consensus among cluster players
- stakeholders' responsibility specified
- accountability in cluster performance monitoring
- improvement of organizational set-up



Davao Industry Cluster Capacity Enhancement Project

Government of the Philippines
Japan International Cooperation Agency



Objectives of the Project



Strengthen the institutional and technical capacities of cluster teams

Strengthen the partnerships to implement the Davao Region Industry Cluster Plan

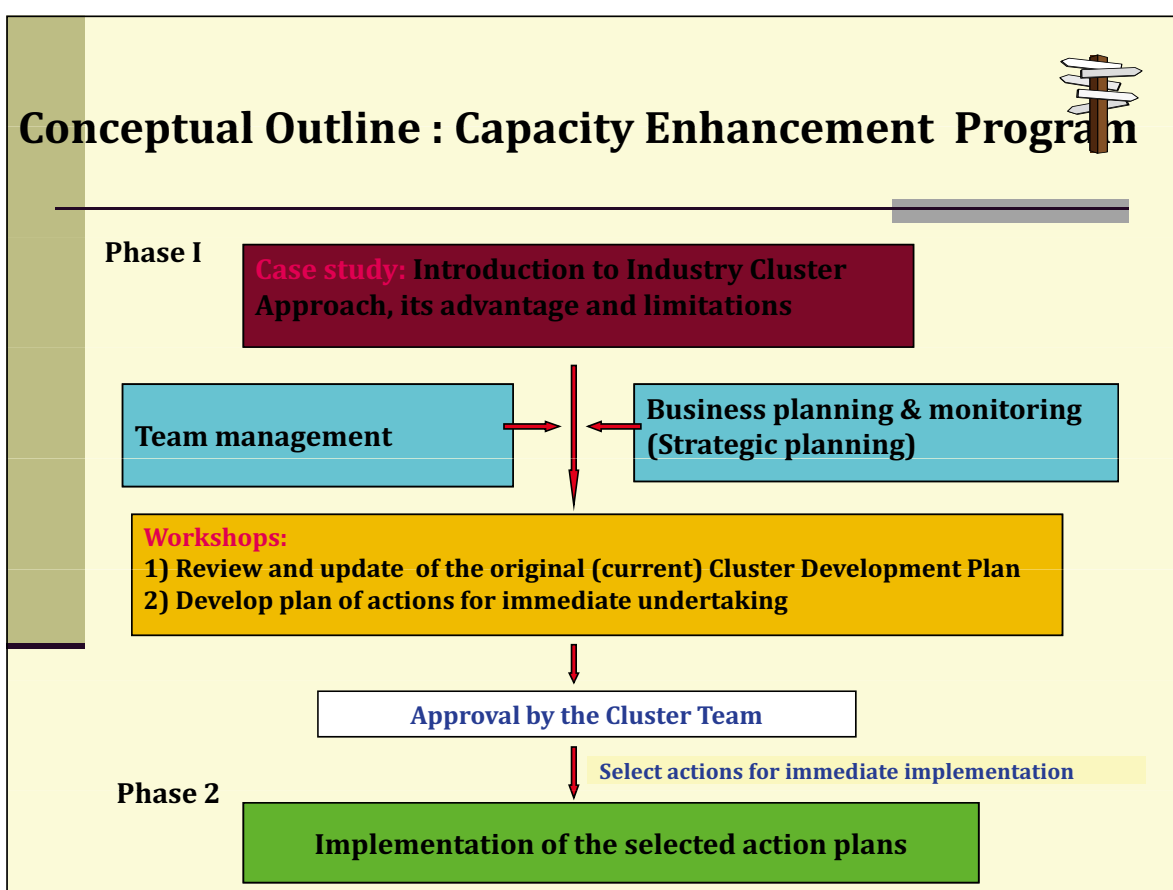
Capacitate the frontline staff involved in SME development



Banana Cluster Workshop



Coconut Cluster Workshop



DICCEP Milestones



- 8 Industry Cluster Teams strengthened
- 8 Industry Cluster Action Plans prepared/updated
- 120 Cluster members/frontline staff trained
- 10 projects/cluster initiatives selected



Priority Projects & Cluster Initiatives





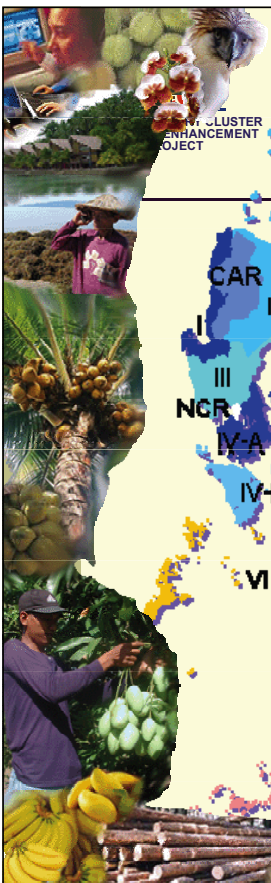
Policy Results



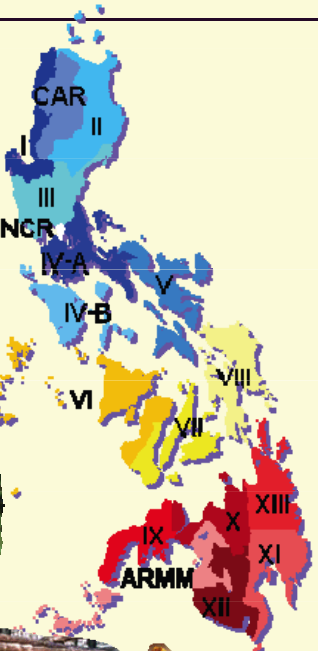
- Integration of the Cluster approach within the Region's Mid-term Development Plan
- RDC initiative to support the clusters (JOBS FIT)
- DICCEP Replication (NICCEP)



Ist JCC Meeting



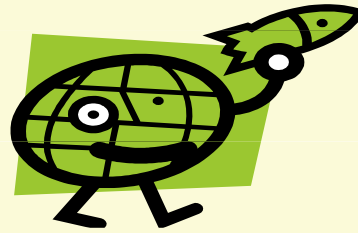
DICCEP National Expansion



- Tourism (Health & Wellness, Eco-tourism)
- Food - Mango, Saba, - Aquamarine, Seaweeds
- Handicrafts using indigenous materials e.g. Bayong
- Coffee
- Bamboo



Thank you!



SESSION V

Overcoming the Economic Crisis Through SME Innovation



Sustaining Malaysian SME's Presence in the Global Market During Challenging Times

By
Radihisham Ismail
MATRADE, MALAYSIA

1

OUTLINE



- Overview of Malaysian SME's
- Current Status of Malaysian SME's
- Policies
- MATRADE Assistance to SME's

2



OVERVIEW OF MALAYSIAN SME'S

3



SME DEFINITION

Manufacturing & agricultural sector

•Having an annual sales turnover not exceeding RM 25 million

OR

•Not more than 150 fulltime employees

Trading companies

•Having an annual sales of between 10 million or export sales at least 3 million.

•Exporting Made In Malaysia products especially those manufactured by SME and;

•Not more than 20% of the company's annual sales are derived from trading in primary commodities.

Services Sector

•Having an annual sales not exceeding RM 5 million

OR

•Not more than 50 fulltime employees

Source: Census of Establishment & Enterprises 2005

4

Definition of Micro, Small and Medium



	Manufacturing	Services	Agriculture
Based On Full-Time Employees			
MICRO	Less than 5	Less than 5	Less than 5
SMALL	Between 5 to 50	Between 5 to 19	Between 5 to 19
MEDIUM	Between 51 to 150	Between 20 to 50	Between 20 to 50
Based On Annual Sales Turnover			
MICRO	Less than RM250,000	Less than RM200,000	Less than RM200,000
SMALL	More than RM250,000 but less than RM10 million	More than RM200,000 but less than RM1 million	More than RM200,000 but less than RM1 million
MEDIUM	More than RM10 million but less than RM25 million	More than RM1 million but less than RM5 million	More than RM1 million but less than RM5 million

Source: Census of Establishment & Enterprises 2005

5

SME's CONTRIBUTION TO MALAYSIAN ECONOMY



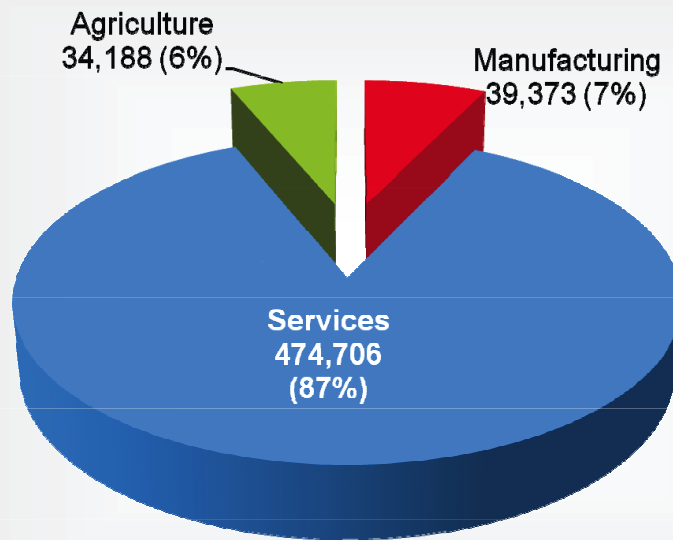
SME's has contribute:

- 32 per cent to GDP
- 56.4 per cent to Employment; and
- 19 per cent to Export

Source: National SME Development Blueprint 2007

6

SME's by Sector

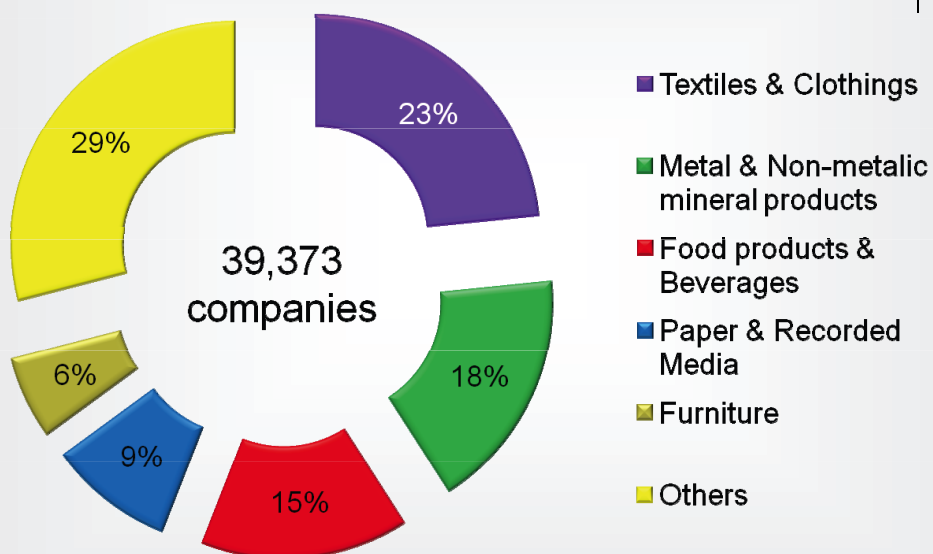


Total No. of SME's : 548,267

Source: Census of Establishments & Enterprises 2005

7

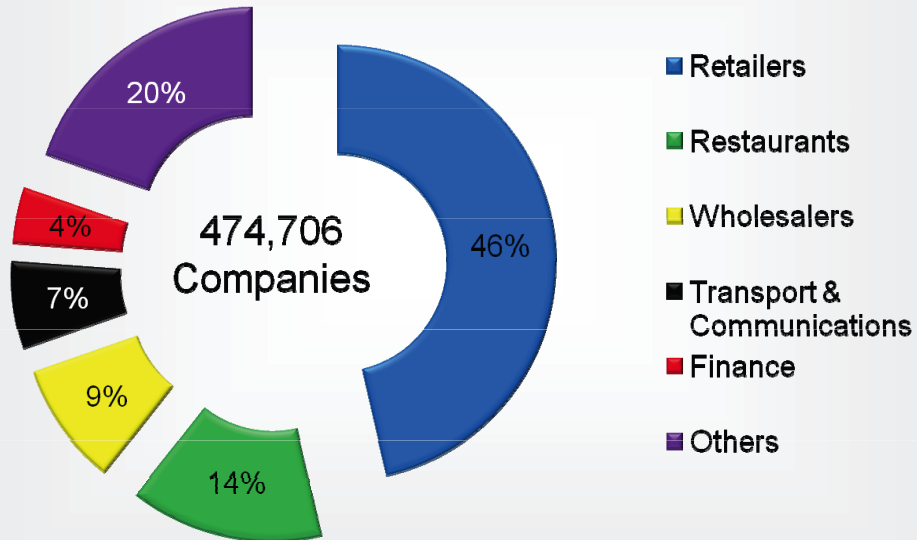
No. of SME's in Main Manufacturing Sub-sector



Source: Census of Establishments & Enterprises 2005

8

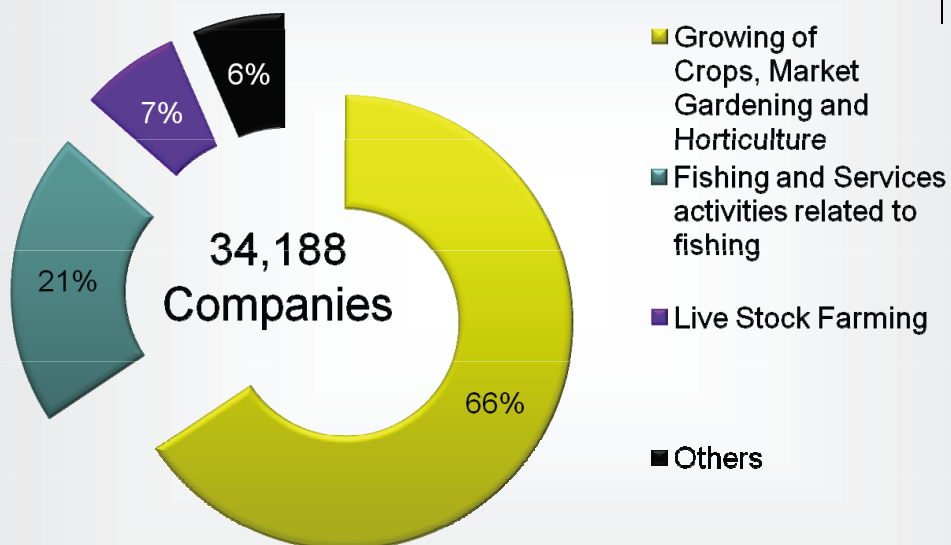
No. of SME's In Main Services Sub-sector



Source: Census of Establishment & Enterprises 2005

9

No. of SME's in Main Agriculture Sub-sector



Source: Census of Establishment & Enterprises 2005

10



CURRENT STATUS

11

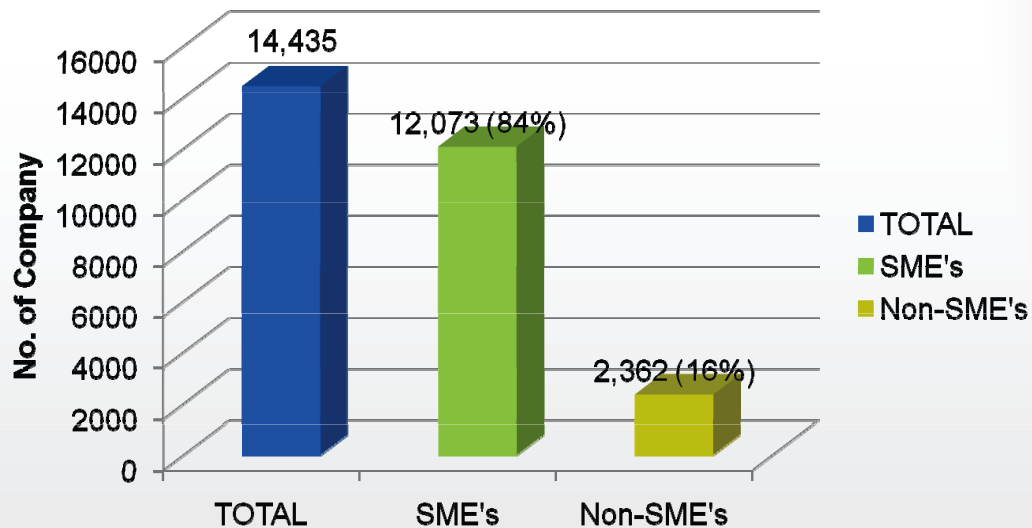


CURRENT STATUS OF MALAYSIAN SME'S

- SME's REGISTERED WITH MATRADE
- EFFECT FROM ECONOMIC SLOWDOWN
- ISSUES FACED BY MALAYSIAN SME's
- SME's CONTRIBUTION

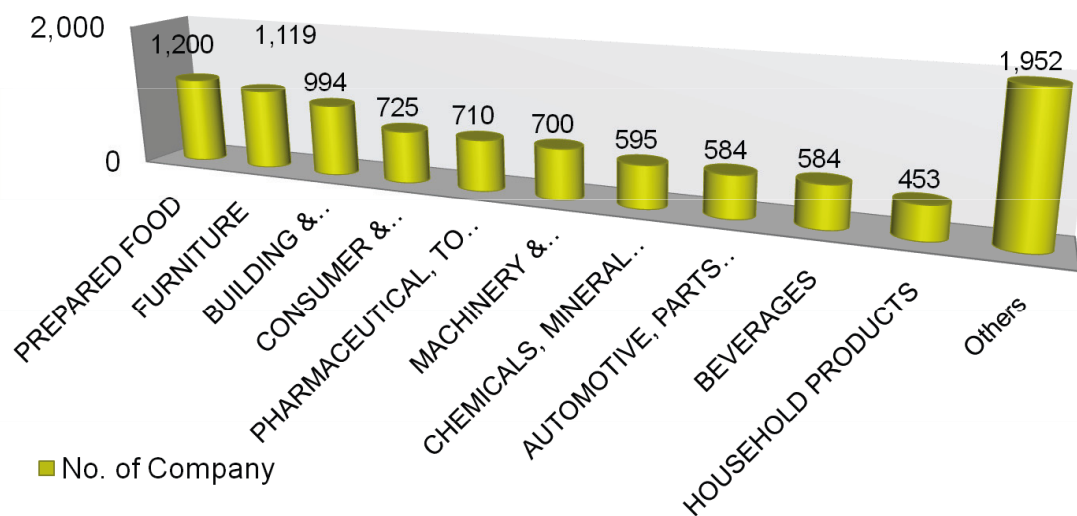
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SME's Registered With MATRADE



13

No. of SME's Registered With MATRADE by Sector



14

EFFECT FROM GLOBAL ECONOMIC SLOWDOWN



- Slowdown in demand
- Increase in logistic cost
- Retrenchment
- Increase in Raw Material cost

15

ISSUE AND CHALLENGES FACED BY MALAYSIAN SME's



- ⌘ Limited of working capital;
- ⌘ Limited marketing & promotion strategies;
- ⌘ Lack of information about domestic & international market;
- ⌘ Management & Technology capability constraint;
- ⌘ Low value add to their product;
- ⌘ Lack of training; and
- ⌘ Limited capability in R&D and Technology

16



POLICIES

17



NINTH MALAYSIA PLAN (9MP) 2006 - 2010

18

Strategic Thrust Under 9MP



- Provide more focused incentive for high value-added industries;
- Services support for the manufacturing sector;
- Development of innovation-driven SME's and Technopreneurs;
- Enhancing SME's technology capability and capacity;
- Improving access to financing for SME's;
- Financing new sources of growth; and
- Strengthening SME's in distributive trade

Source: 9MP (2006-2010)

19

3RD INDUSTRIAL MASTER PLAN (IMP 3) 2006 - 2020



20

Strategic Thrust Under IMP 3



Enhancing the competitiveness of SME's;

capitalising on outward investment opportunities;

Integrating SME's into the regional and global supply chain;

Driving the growth of SME's through technology, knowledge and innovation; and

Enhancing the growth and contribution of SME's in services sector

Source: IMP3 (2006 - 2020)

21

MATRADE ASSISTANCE



22

Sustaining Malaysian SME's Presence in the Global Market During Challenging Times



Export Promotion Assistance

- Matching/Reimbursable Grant
- Export Promotion Activities

Exporters Development

- Seminar
- Workshop
- Export Training

23



EXPORT PROMOTION ASSISTANCE

- Matching/Reimbursable Grant
- Export Promotion Activities



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OBJECTIVE & ELIGIBILITY FOR GRANT



OBJECTIVE

To assist Small and Medium Enterprises (SMEs) undertake activities for the development of export market.

FORM OF GRANT

Companies can obtain up to 50% reimbursable matching grant on the approved cost of the eligible claims and activities.

ELIGIBLE SMES

- SME Companies (Small & Medium Enterprise companies)
 - Incorporated under the Companies Act 1965 (Sdn Bhd companies)
 - At least 60% equity held by Malaysian

25

DEFINITION OF WOMEN OWNED COMPANY:



- For companies 100% owned by Malaysian:
 - ❑ A woman/ women own *at least 51% of the equity*,
or
 - ❑ The largest shareholder is a woman and she manages the company, or
 - ❑ Managing Director/ Chief Executive Officer of the company is a woman and owns *at least 10% of equity*.



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DEFINITION OF WOMEN OWNED COMPANY:



- For companies 60% owned by Malaysian:
 - A woman/ women own *at least 51% of the local equity* and the company is managed by her/ them or
 - Managing Director/ Chief Executive Officer of the company is a woman and owns *at least 10% of the local equity*.



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EXPORT PROMOTION ACTIVITIES



- INTERNATIONAL TRADE FAIRS
- TRADE INVESTMENT MISSION
- SPECIALISED MARKETING MISSION
- GENERAL MARKETING MISSION
- PROMOTION BOOTH
- TRADE PROMOTION VISIT
- JOINT PROMOTION ACTIVITIES

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EXPORT DEVELOPMENT

- Workshop
- Seminar
- Export Training



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OBJECTIVE OF EXPORT DEVELOPMENT



OBJECTIVE

To enhance Small and Medium Enterprises (SMEs) knowledge about export market and also to develop their technical and professional skill to be a sustainable exporters in international market.

FORM OF DEVELOPMENT PROGRAMME

Seminar, workshop and export training organise by MATRADE.

PARTICIPATION COST

- Minimal
- Eligible to claim under development grant

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Export Development Programme



- **Seminars on various topics (e.g. market opportunities, import regulations, etc)**
- **Workshops on enhancing export skills**
- **Nationwide reaching-out programmes – Briefing & Business Consultation (B&C)**



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Trade Advisory Services



Trade Advisory Help Desk

**Malaysia Exporters Registry (MER)
- 14,620 companies registered**

**Business Information Counter
(BIC) at KLIA**

Information Counter

32

MATRADE Business Library



Reference Services

- ✓ **Malaysia Trade Statistics;**
- ✓ **Malaysia Exporters Registry (MER);**
- ✓ **Foreign Importers Database;**
- ✓ **Conventions and Trade Events Compilation;**
- ✓ **Business Contacts – Malaysian and foreign trade-related organisations; and**
- ✓ **Collection includes trade directories, periodicals, statistical publications, CD-ROMs and video titles.**

33

MATRADE Business Library (Continue...)



● **Online Databases**

- ✓ **nexis.com;**
- ✓ **Global Market Information Database (GMID);**
- ✓ **World Trade Atlas;**
- ✓ **Tariff Finder Online;**
- ✓ **PalmOilis;**
- ✓ **The Public Ledger;**
- ✓ **ITC TradeMap; and**
- ✓ **UN Development Business (UNDB)**

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THANK YOU!



Exporters Development Division
10th Floor, East Wing
Menara MATRADE
Jalan Khidmat Usaha, Off Jalan Duta
50480 Kuala Lumpur
www.matrade.gov.my
Tel: 03-6207 7077
Fax: 03-62037252



GOVERNMENT'S SUPPORT TO SMEs DURING THE GLOBAL FINANCIAL CRISIS: INDONESIA EXPERIENCES

1

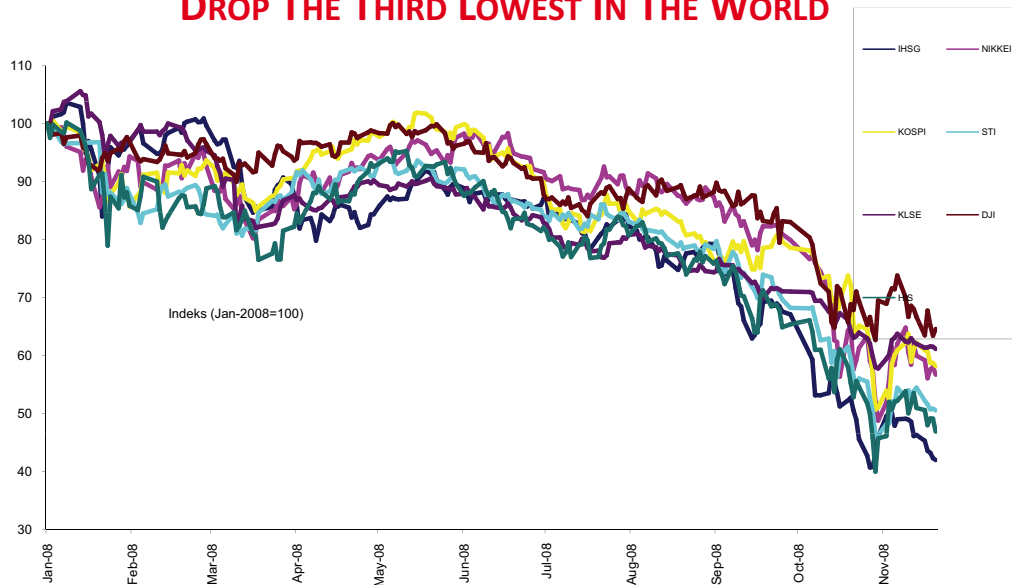
Presented by I Wayan Dipta
During 2009 APEC SME Innovation Seminar:
“Innovation in SME Financing and Marketing”
Seoul, August 25-28, 2009

INTRODUCTION

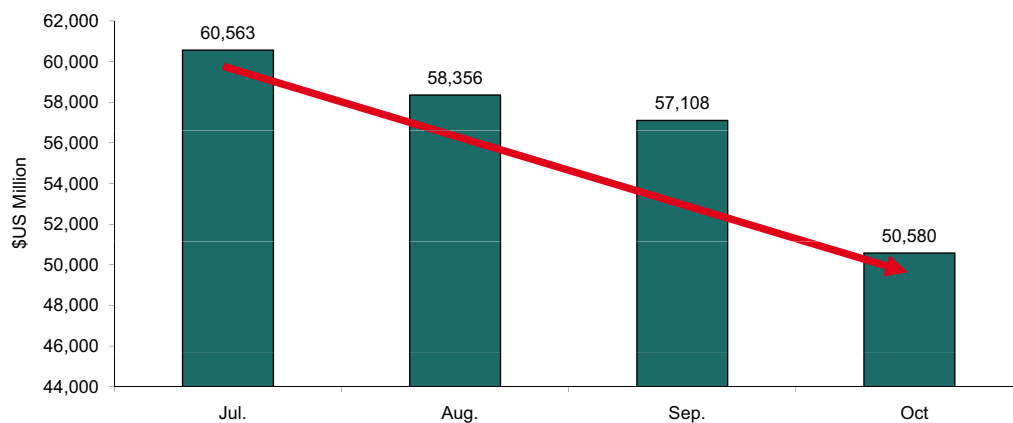
- ❖ No countries are immune to the crises. This is unprecedented crisis affecting all countries, the difference is the magnitude which depends upon the closeness and the strengthens with American economy.
- ❖ Impact to the Indonesian economy.
 - Macro economy: depreciation of rupiah, capital outflow, credit crunch, liquidity crises, problems of trust and faith in the banking sectors, difficulty of financing deficit, export declining, and unemployment rising;
 - Micro/Corporate: (a) limited access to funds; (b) extremely high cost of capital; (c) weak stock markets:
 - very difficult to raise equity from the market,
 - declining profit margin,
 - significant balance sheet risks because of asset price drop,
 - continuous volatility,
 - global trade restrictions/market protections,
 - opportunistic mergers and acquisitions/increasing industry consolidation,
 - more government intervention/new regulations,
 - demand is falling as a result of change in consumer behavior

2

COMPOSITE PRICE INDEXES DROP THE THIRD LOWEST IN THE WORLD

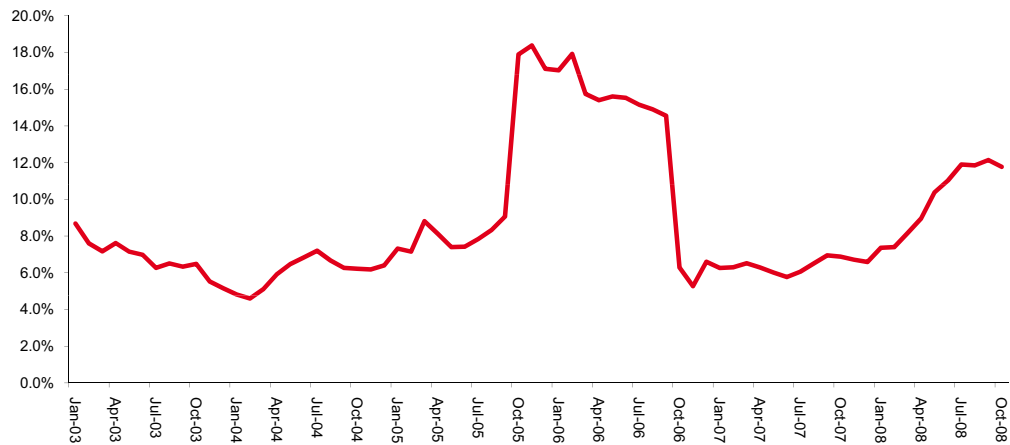


THE IMPACT OF GLOBAL FINANCIAL CRISIS TO FOREIGN RESERVES



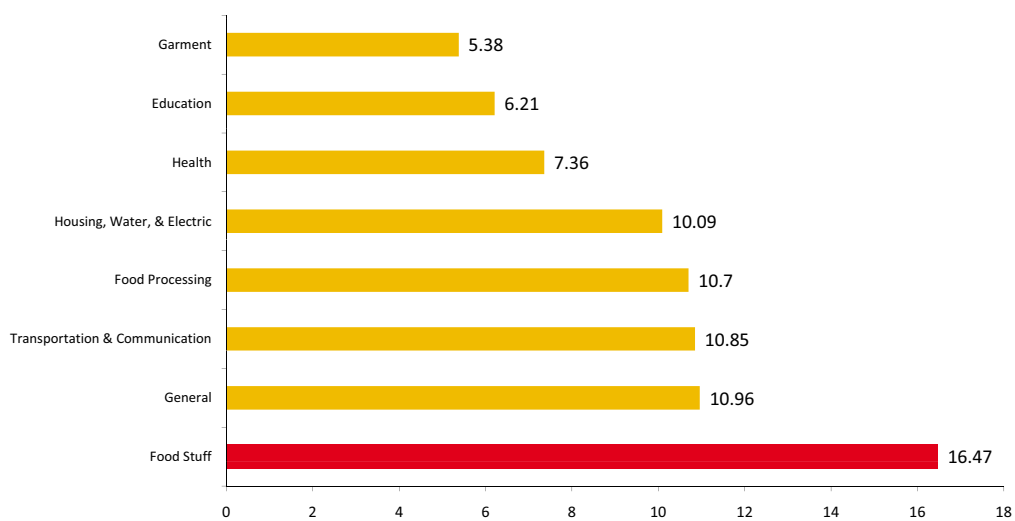
Sources: Central Bank of
Indonesia

INFLATION RATE STILL HIGH



Sources: Central Bank of Indonesia

SECTORAL BASED INFLATION FOOD INFLATION MUCH HIGHER THAN GENERAL INFLATION



*January-October

Sources: Agency for Statistics

LENDING DISTRIBUTION (IN TRILLION RUPIAH)

Economic Sectors	May-2008	April-2009	May-2009	Growth (%)
Agriculture & Agriculture Facilities	59,21	70,90	74,17	12,18
Mining	27,63	29,08	26,38	-2,02
Manufacturing	225,01	254,39	248,28	5,33
Water, Gas & Electricity	10,01	20,07	21,55	53,94
Construction	49,03	58,85	59,92	10,92
Trade, Restaurants & Hotels	228,59	264,56	269,48	8,80
Transport, Cargo Storage & Communications	42,74	60,58	61,17	21,36
Business Services	122,39	143,15	141,62	7,95
Social Services	13,09	15,90	15,83	10,51
Others	318,54	380,16	386,96	10,57

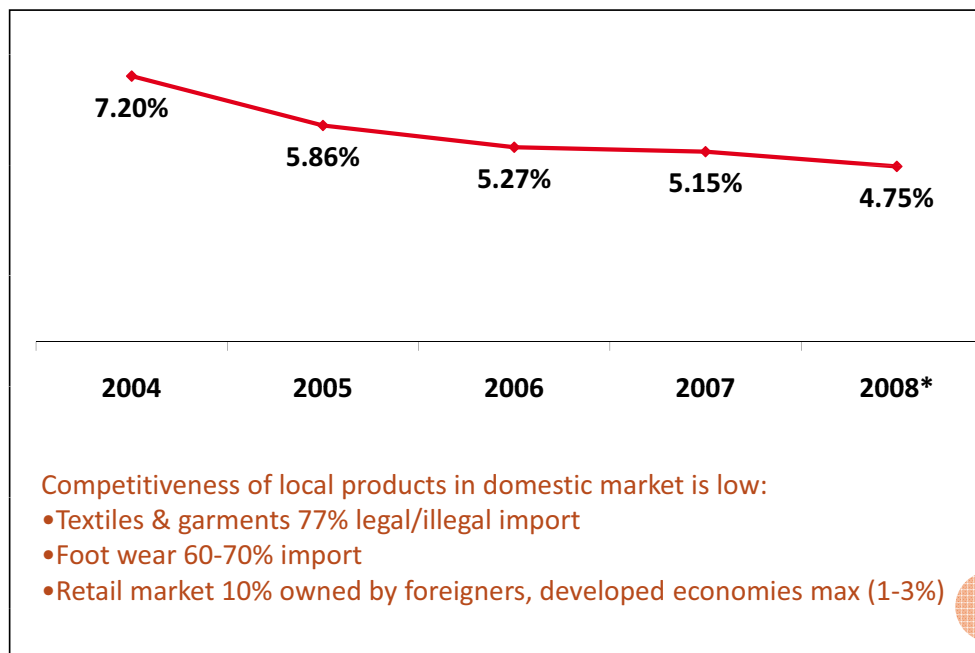
Source: Bank Indonesia

7

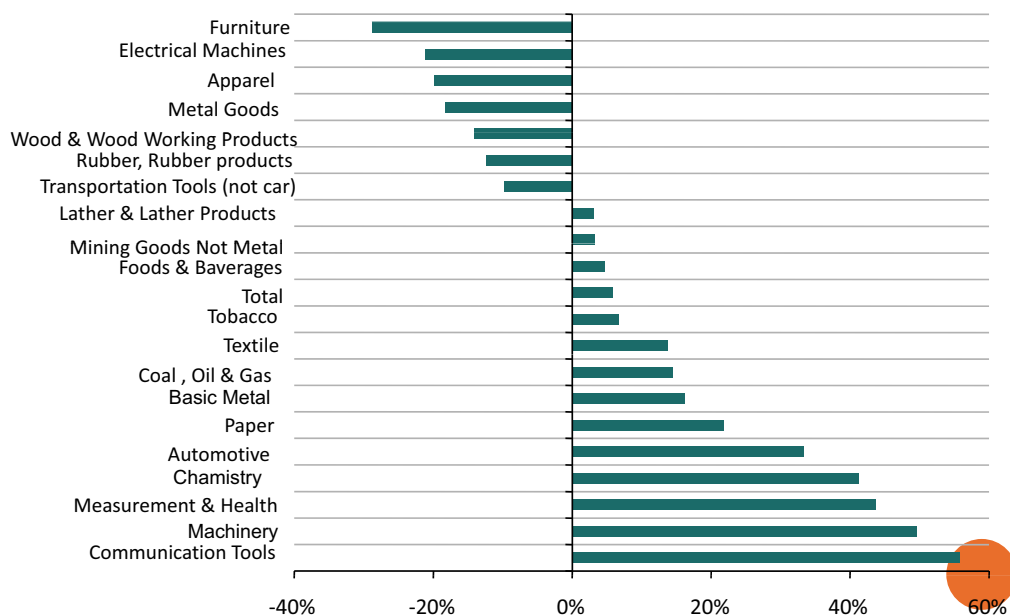
DECREASING ON PURCHASING POWER

- **Poor groups 70-80% of their income for food (non poor 23%)**
- **Food inflation (the latest year) 2 times of general inflation**
- **Based on Central Agency of Statistics and ADB, poor groups/rural inflation: 2 times of the national inflation**

The Growth of Manufacturing Industries

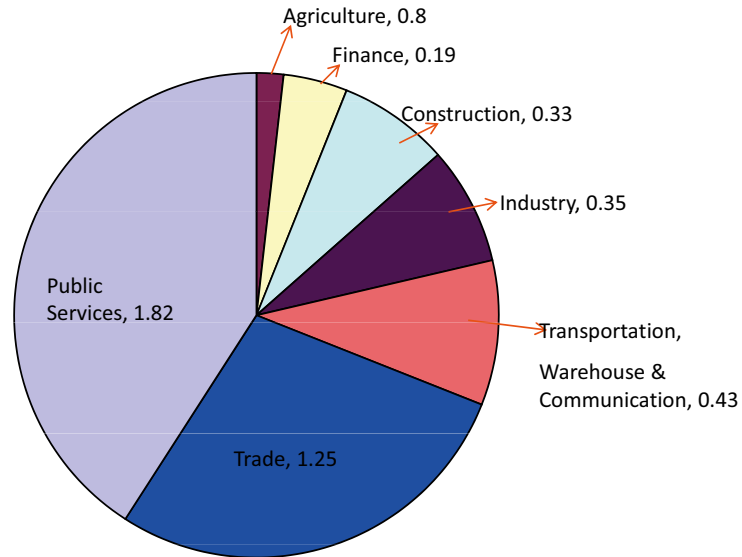


SUBSECTOR MANUFACTURING INDUSTRY HIGH DENSITY EMPLOYEES HAVING NEGATIVE GROWTH (2007)



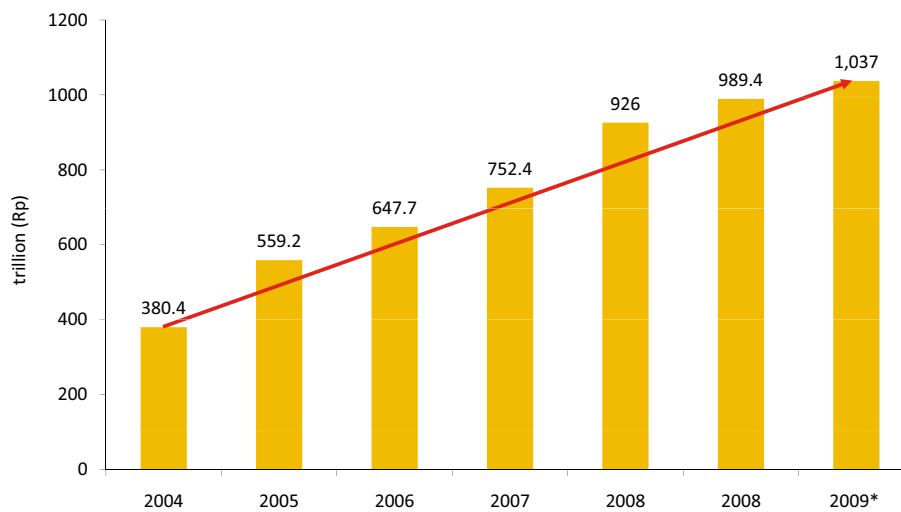
Sumber: BPS

ADDITIONAL EMPLOYMENT BASED ON WORKING STATUS, FEB 2007 – FEB 2008 (MILLION PEOPLE)



Sources: Central Agency of Statistics

GOVERNMENT BUDGET (Rp TRILLION)



ECONIT Advisory Group

WHY SHOULD SMEs?

- Having significant contribution to the national economy:
 - Job creation: 90.89 million (94.42%);
 - Contribution to GDP: 52.67%
 - Contribution to Exports: 20.17%
 - Establishments: 51.26 million (99.66%)
- Having strong resistance to economic shock (internal & external)
- Becoming social safety nets during economic downturn.

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SME PROFILES IN 2008

Items	Micro Enterprise	Small Enterprise	Medium Enterprise	Big Enterprise
Establishment				
-Unit	50,697,659	520,221	39,657	4,372
-%	98.58	1.01	0.98	0.01
G D P				
-US\$ (billion)	150.53	47.33	63.08	208.71
-%	30.39	9.55	12.73	42.13
Job Creation				
-People (million)	83.65	3.99	3.26	2.78
-%	86.89	4.15	3.38	2.88
Export				
-US\$ (billion)	2.02	4.41	11.94	72.72
-%	2.22	4.85	15.13	79.83

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Note: US\$=Rp. 10,000

WHY SMEs CAN EXIST DURING ECONOMIC CRISIS?

- In general SMEs producing consumers' goods;
- SMEs do not depend on banking financing;
- SMEs having tight product specialization, producing certain goods/services;
- SMEs having high flexibility in many aspects;
- SMEs having low in barrier to entry and exit;
- SMEs are well developed during economic crisis as a result of increasing lay-off from big enterprises and formal sectors.

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GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

1. Promote Innovative SMEs, through:
 - Developing conducive business environment to promote innovative SMEs by reducing administrative burdance; promoting infrastructures; and providing facilitation for IPR protection;
 - Increasing quantity and quality of human resources for innovative SMEs by improving and promoting training centers/institutes for innovative SME development;
 - Providing award/appreciation to the inventors in terms of financi and non-financial supports;
 - Providing ICT support in order to easier access and sharing information, technology and market access for innovative SME products.

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GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

2. Providing access to financial sources:

- Increasing capacity of credit guarantee corporation to guarantee banking credit from Rp. 1.45 trillion (2008) to Rp. 2.0 trillion (2009). In 2009, total banking credit allocation for SMEs will be around Rp. 20.0 trillion;
- Increasing capacity of micro finance institutions to finance micro and small enterprises. Since 2003 to 2008, the government of Indonesia has promoted 9,871 micro finance institutions with total support Rp. 1.2 trillion;
- Promoting linkage program between bank and micro finance institutions;
- Promoting banking consulting partners to support micro and small enterprises access to banking sectors.

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GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

3. Providing fiscal stimulus in order to:

- Reduce unemployment rate through tax subsidy for individual employee in a certain sectors: agriculture, manufacture, and trade. Total fiscal stimulus for individual tax subsidy is Rp. 6.5 trillion;
- Improve traditional market to become modern market for SMEs' products;
- Promote entrepreneurship development program, especially for the lay-off employees who would like to become entrepreneurs.

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GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

4. Promoting market access for SME products:
 - Campaigning local product usage, especially produced by SMEs;
 - Conducting and attending trade promotion/ exhibition both in domestic and foreign countries;
 - Trade mission to non-traditional market.

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RECOMMENDATION FOR APEC

- Each APEC member economy not to implement market protection for SME products;
- Promote SME cooperation in order to promote SME internalization;
- Developed economies may provide trade financing to promote SME market access from developing economies.

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**Ministry of Planning and Investment (MPI)
Enterprise Development Agency (ASMED)**

Policies to Strengthen Viet Nam's SME capacity in the Global Economic Crisis

Pham Thi Hong Trang (MS)
International Cooperation Official

Seoul, 8/2009

Content

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

Viet Nam

Viet Nam is located in the Eastern part of the Indochina peninsula, bordering China to the North, Laos and Cambodia

to the West with a long land border of 4,550 km, and facing the

Eastern Sea (South China Sea) and the Pacific to the East and

the South

Climate: Vietnam lies in the tropics and monsoon

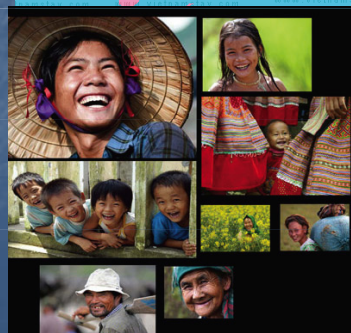
Topography: Three quarters of Vietnam's territory consist of

mountains and hills

Administrative Units: Vietnam is divided into 63 provinces and cities.

Population: about 86,5 million people (Density 260 ppl per square kilometer).

Language: Vietnamese. Capital: HA NOI. Currency: DONG



Overview on Vietnam economy

Compare to the first quarter 2008

- Industrial output increase 2.4%.
- Agricultural output increase 0.9%;
- Total sale in service sector increase 21.9%;
- GDP in 1st quarter 2009 is 3.1% (compared to 7.4% in 2008)

Overview on Vietnam economy

Compare to the first quarter 2008

- Export turnover is US \$4.7 billion, decrease by 15% compare to the first quarter 2008.
- Import turnover is \$4.3b, decrease by 45% compare to 2008;
- Total committed ODA capital is US\$26.23m;
- Total newly FDI registered capital is \$1.2m, equivalent 30% the same period in the previous year;

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
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New SME Definition

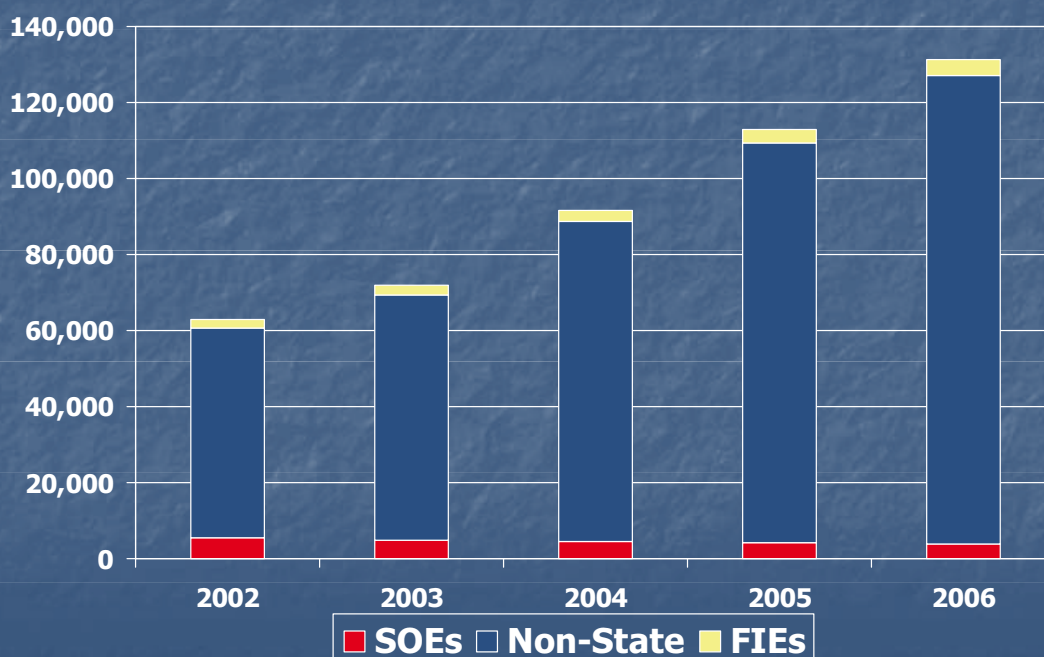
Decree 56/2009/ND-CP on Supporting for the development of small and medium-sized enterprise

Sector	Super small enterprise	Small enterprise		Medium-sized enterprise	
	The number of employees	Total capital	The number of employees	Total capital	The number of employees
I. Agriculture, forestry and aquaculture	<10	< 20 Billion VND	< 200	< 100 billion	<300
II. Industry and Construction	<10	< 20 Billion VND	< 200	< 100 billion	<300
III. Trade and Service	<10	< 20 Billion VND	< 50	< 50 billion	<100

Overview on SME in Viet Nam

- Total number of registered SME: around 370,000
- SME present around 97% of total enterprises
- SME create around 3 million jobs, account for 40% GDP and 29% export value with growth rate of 18%/year
- Registration is steadily rising since simplification of procedures and introduction of new laws

Number of Enterprise by Legal Form



1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

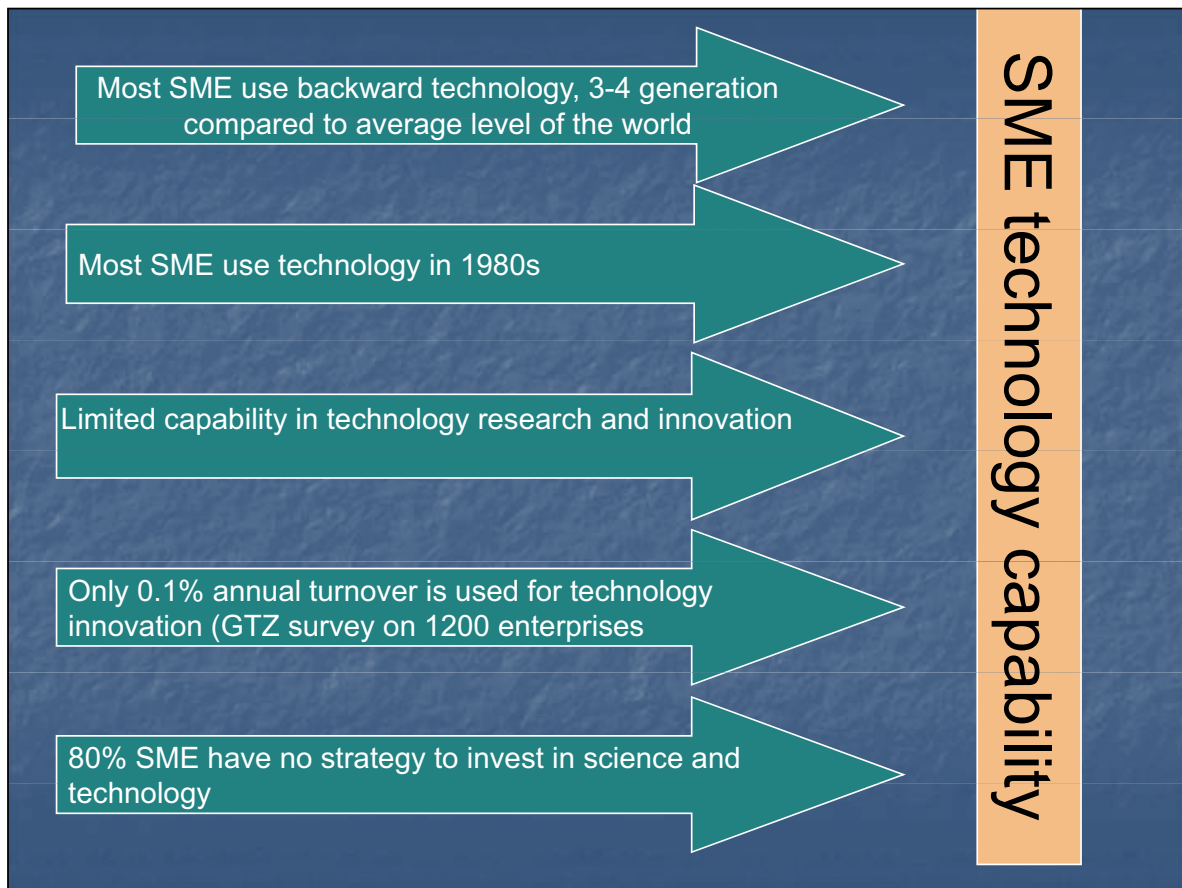
Major problems with SME

- Lack of recognition of the great impact of globalization, the international and regional integration process
- Have a small scale, have limited capital, a small number of employees.
- Lack of information on input markets.
- Limitation in market access; the quantity of products manufactured by SME is small in scale, mainly for domestic use, and even for very small local areas.

Major problems with SME

- Weaknesses in science and technology capacity and unskilled workers
- Constraints in relation to linkages between business and production units
- Unprofessional Internal management of SME
- Lack of transparency in financial management

Technology Capability of SME



R&D activities

- There is less than 5% enterprise implement R&D activities, R&D mainly happen in large companies;
- There is no enterprise in insurance and ICT sector implement R&D
- Technology innovation happen most often in garment and automobile sector

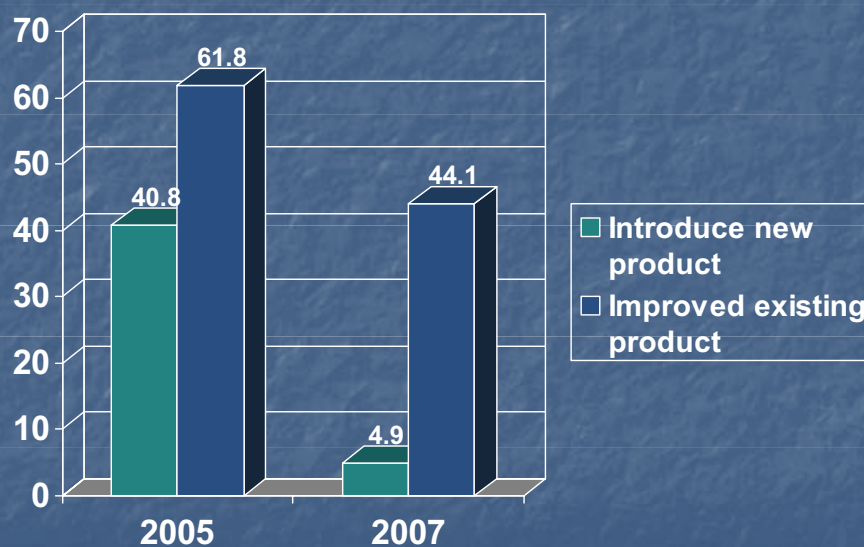
(VCCI survey in 2006 in 8 sectors: Garment and textile, automotive, insurance, banking, ICT, sea transportation, fishery, electronic)

Capability in technology research and innovation

- Less than 1% total cost used for R&D and 0.2% for technology innovation in all sectors
- Almost enterprise has no strategy and budget for this activities

Innovation rates

(SME survey 2007 by CIEM, DOE, ILISSA)



Technology characteristics

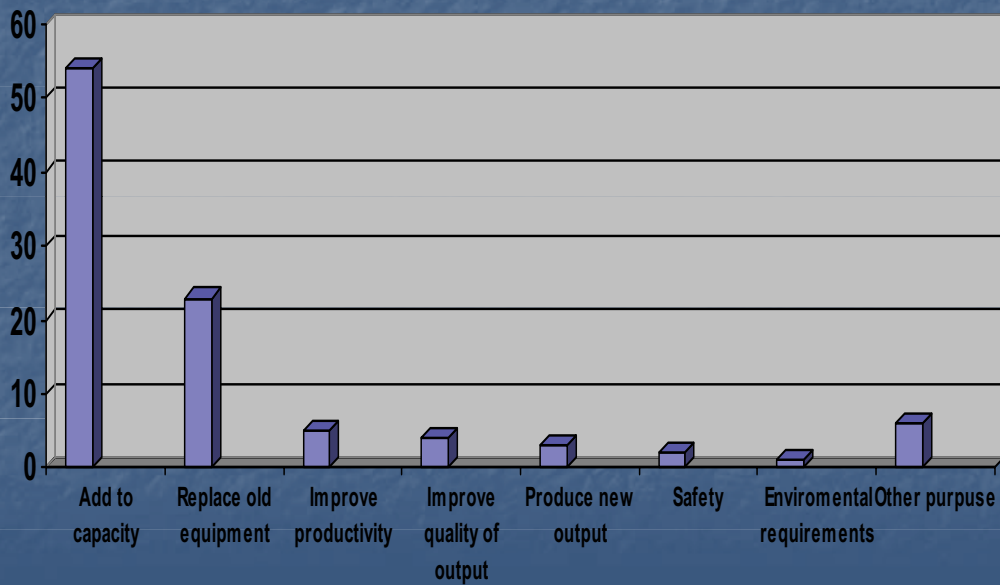
		2005	2007
Level of technology	Only hand tools only	10.3	7.7
	Manually operated machinery only	3.5	5.0
	Power driven machinery only	24.6	27.5
	All of the above	61.6	59.8
Age of technology	Under 3 years old	22.9	22.0
	Between 3 and 5 years old	34.9	36.5
	Between 6 to 10 years old	30.4	27.5
	Between 11-20 years old	9.5	12.5
	More than 20 years old	2.3	1.5
New or second hand	New	61.1	71.1
	Used	34.1	24.4
	Self-constructed	4.8	3.9

Demand for techno innovation by SME New investment

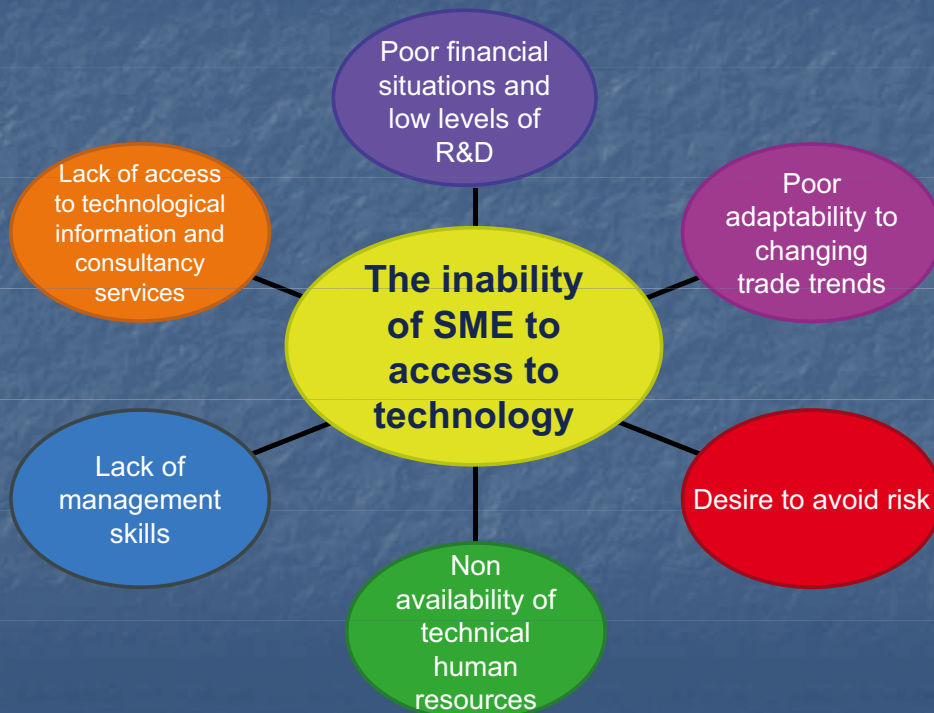
	% enterprise has made investment 2005-2007		% financed by own capital/retained earnings	
	2005	2007	2005	2007
All	62.2	42.2	66.9	74.0
Micro	55.5	34.2	67.3	77.9
Small	72.4	56.3	69.3	71.8
Medium	76.7	69.4	57.1	61.2
Urban	56.5	38.6	72.1	70.1
Rural	66.6	45.2	64.0	76.5

Demand for techno innovation by SME

Investment purpose



Reasons for the inability of SME to access to technology



1. Overview on Viet Nam's economy
2. SME in Viet Nam
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Short term measures to help SME over crisis

- Credit guarantee program for enterprise: 575 billion VND
- 4% interest rate subsidy program: 85 banks participate; 178.722 billion VND is disbursed;
- Subsidy interest rate for export lending is 2.9%;

Short term measures

Tax policies

- To issue policies on tax delay, reduction and exemption (PIT, CIT and VAT);
- CIT: To reduce by 30% on CIT for SME. Reduction of 9,900 billion VND in state budget, 6,800 billion dong delay to 2010;
- VAT: 50% reduction in VAT for some goods (1,050 billion dong), reduction in state revenue of 1000 billion dong; delay up to 180 days for import goods;
- PIT: Delay in tax revenue is 1,600 billion (1st quarter 2009)

Long term strategy

GOVERNMENT DECREE

On supporting for the development of SME

30/6/2009, Prime Minister issued **Decree 56/2009/ND-CP** and will be implemented on 20th August, 2009”

- **New definition of SME**
- **Supportive policies are in more detail**
- **Enhance the role of Enterprise Development Agency (ASMED):** ASMED shall assist the Minister of Planning and Investment in performing the function of state management over SME development.
- **The State management body in SME development in localities:** Department of Planning and Investment (DPI) to be the focal point in formulating the development programs and plans for SME.
- **SME development support plan:** must be incorporated into the annual plan and 5-year plan of Ministries, agencies, localities, national economy plan with budget and solutions for implementation

Domestic SME policy trends and initiatives

- Facilitating SME's access to finance
- SME accounting regime
- Human resource training support for SME
- Technical and technological assistance
- Promoting market expansion

Domestic SME policy trends and initiatives

- Supporting local industry development
- Supporting SME's access to information
- Building up SME promotion institutional infrastructure
- Implementation of the SME Development Plan 2006 -2010
- ODA attraction: ODA commit capital for 2009 – 2010 is expected US\$8-10 billion

Thank you very much

Contact:

Enterprise Development Agency
Ministry of Planning and Investment
No 6B, Hoang Dieu Street, Hanoi, Viet Nam.
Tel: +84 80 4 3231
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SESSION VI

Korean SME Policy

Development and Performance of Korean Policies for SMEs by Economic Development Stage

Aug 26, 2009

Yang, Hyun Bong
(KIET, Research Fellow)

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I . Introduction

SMEs are considered as the roots of a country's economy as sound economic development can be achieved on the basis of robust SMEs. Korean SMEs have played a significant role in aiding the growth of the Korean economy since the 1960s and are expected to play a bigger role in bolstering the nation's economic situation.

The role of SMEs is not identical in all countries because of each nation's unique economic situation, but is manifested in different manners depending on the economic development stage. When it comes to Korea, SMEs were stressed as key economic players that promoted production and employment, and earned foreign currency from export growth in the 1960s. By the 1970s, Korean SMEs had served as a local economic development facilitator that cooperated with large companies, in addition to promoting production and employment, and earning foreign currency. Since the 1980s, more roles have been added such as improving the industrial structure, enhancing the capability to deal with economic cycles, and promoting technological development. Recently, SMEs are required to be innovation leaders and players in charge of establishing the country's social safety net.

As Korea has achieved high economic growth and joined the OECD in 1996 through its economic development plans, a significant number of developing countries have shown keen interest in SME policies executed in the process of the economic development in Korea.

This paper will initiate the discussion by taking a close look at the development processes of Korean SMEs and major growth factors, sorting out SME policy processes by Korean economic development stage, and showing the performance behind SME policies.

Ⅱ. Development Processes and Major Growth Factors of Korean SMEs

1. The current status of SMEs and development processes

(1) The current status of SMEs

On the strength of efforts by SMEs to grow and the government's SME nurturing policies promoted since the 1960s, SMEs in Korea have occupied a high proportion of the nation's economy.

< Table 1 > The current status of SMEs in the manufacturing sector(2007)

Unit : number, person, trillion won, %

		2007	proportion(%)
Number of enterprises	SMEs	118,506	99.5
	Large companies	627	0.5
	Total	119,133	100.0
Number of employees	SMEs	2,199,951	76.9
	Large companies	662,555	23.1
	Total	2,862,506	100.0
Production	SMEs	481.6	48.7
	Large companies	507.8	51.3
	Total	989.4	100.0
Value added	SMEs	174.7	50.6
	Large companies	170.4	49.4
	Total	345.1	100.0

Source: Korea National Statistical Office, 「A Report on Mining and Manufacturing Industries」, 2008. 12.

Note: The standard to be selected as a SME is the number of employees from 5 to less than 300.

As of the end of 2007, the number of SMEs in the manufacturing sector with from 5 to less than 300 employees amounted to 118,506, which accounted for 99.5% of the entire number of businesses. The number of employees working in SMEs amounted to 2,199,951, which accounted for 76.9% of all employees. As of the end of 2007, the production from SMEs in the manufacturing sector was 481.6 trillion won, which was 48.7% of the total production amounts of the manufacturing sector. Added value from SMEs amounted to 174.7 trillion won, which accounted for 50.6% of the total added value of the manufacturing sector.

(2) Development Processes of SMEs

The development process of Korean SMEs can be classified according to the pace of growth, transformation of structures, and changes of SME policies.

The 1st stage was from 1962, when the 1st economic development 5 year plan was initiated, until 1976, when the 3rd economic development 5 year plan was completed. During this period, companies had gotten bigger and business activities of SMEs had decreased. During this period, SMEs started manufacturing daily necessities and established their development foundation in light industries such as textiles, which was in line with policies that promoted exporting light industry items. However, the economies of scale for export expansion were the key industrial policies, companies had to grow, while overall business activities of SMEs decreased. In effect, the total number of businesses in the manufacturing sector increased by 1.36 times from 1963 to 1976. Among them, the number of large companies rose by 4.34 times, while SMEs grew by just 1.32 times. The total number of employees in the manufacturing sector increased by 4.27 times (1,315,000 people) from 1963 to 1976. Out of this, the number of employees with large companies rose by 7.11 times (825,000 people), while that of SMEs grew by just 2.84 times (490,000 people).

The 2nd stage was from 1977, when the 4th economic development 5 year plan was initiated, until 1991, when the 6th economic development 5 year plan was completed. During this period, SMEs grew rapidly due to the government's policies aimed at developing heavy and chemical industries. During this period, large-scale facility investments were made through with then bigger businesses while being strongly supported by policies for developing the heavy and chemical industries. SMEs played their role in providing parts and materials consumed in the heavy and chemical industries, replacing imported parts and materials. In the process, the Korean government started actively promoting policies to nurture SMEs, and on the strength of these policies, SMEs were able to grow rapidly through active start-ups, facility investment, and improved structures. From 1977 to 1991, the total number of businesses in the manufacturing sector increased by 2.89 times (47,256 businesses), and among them, the number of SMEs rose by 2.97 times (47,177 businesses), which was quite rapid compared to the growth of large companies (up 1.08 times to 79 businesses). As a result, the total number of employees in the manufacturing sector grew by 1.7 times (1,201,000 people) from 1977 to 1991. Oof this, the number of employees in large businesses grew by 1.11 times (105,000 people), while that of SMEs rose by 2.45 times (1,096,000 people), which contributed significantly to job creation. As a result, considering the number of employees, production amounts, and added value in the manufacturing sector in 1976, SMEs accounted for 44.1%, 29.2%, and 30.0% respectively. The numbers rose significantly in 1991, marking 63.5%, 44.6% and 45.8% respectively in terms of the number of employees, production amount, and added value by SMEs.

The 3rd stage is from 1992, when the 7th economic development 5 year plan was initiated, until 2007. During this period, innovative SMEs such as professional or independent SMEs and venture businesses emerged, so the restructuring of and increased innovation by SMEs occurred. SMEs faced a transitional period with an acceleration in the market opening.

They were forced to adapt to the rapid changes in the market and deal with several adjustments. In the meantime, policies for SMEs changed from protecting and supporting SMEs to inducing competition, cooperation and self-reliance through technology-oriented fields. The total number of enterprises in the manufacturing sector from 1992 to 2007 increased 1.65 times (46,920 businesses), which was relatively slow compared to the period from 1976 to 1991, during which the number grew by more than 1.6 times. The number of SMEs during the same period rose by 1.6 times (410 businesses), which was also sluggish compared to the period from 1976 to 1991 during which it grew by 2.97 times. Accordingly, the number of employees in SMEs rose by 1.88 times (347,000 people) from 1992 to 2007, which was quite slow compared to the growth from 1976 to 1991. In particular, the number of employees working in large companies decreased by 402,000 people during the same period. Despite the slow-down in the growth of SMEs since the 1990s, the proportions taken up by SMEs in terms of the number of employees in manufacturing, production, and added value grew from 63.5%, 44.6% and 45.8% respectively in 1991 to 76.9%, 48.7% and 50.6% respectively in 2007, which shows the importance of SMEs.

Likewise, Korean SMEs have contributed to Korean economic development since the mid-1970s, taking up a larger proportion in the number of businesses, employees, production amount, and added value. The role of SME is expected to grow in Korea compared to large companies.

〈 Table 2 〉 Changes of SMEs in the manufacturing sector
(with 5 employees or more)

Unit: number, 1000 persons, 100 million won, %, times

		1963 (A)	1976 (B)	1991 (C)	2007 (D)	B/A (times)	C/B (times)	D/C (times)
Number of enterprises	SMEs	18,073 (98.7)	23,928 (95.6)	71,105 (98.5)	118,506 (99.5)	1.32	2.97	1.67
	Large companies	237 (1.3)	1,029 (4.4)	1,108 (1.5)	627 (0.5)	4.34	1.08	-0.43
	Total	18,310 (100.0)	24,957 (100.0)	72,213 (100.0)	119,133 (100.0)	1.36	2.89	1.65
Number of employees	SMEs	237 (1.3) 267 (66.4)	237 (1.3) 757 (44.1)	237 (1.3) 1,853 (63.5)	237 (1.3) 2,200 (76.9)	2.84	2.45	1.88
	Large companies	135 (33.6)	960 (55.9)	1,065 (36.5)	663 (23.1)	7.11	1.11	-0.38
	Total	402 (100.0)	1,717 (100.0)	2,918 (100.0)	2,863 (100.0)	4.27	1.70	-0.02
Production	SMEs	977 (58.5)	22,219 (29.2)	917,550 (44.6)	4,816,209 (48.7)			
	Large companies	692 (41.5)	53,803 (70.8)	1,139,440 (55.4)	5,077,883 (51.3)			
	Total	1,669 (100.0)	76,022 (100.0)	2,056,990 (100.0)	9,894,092 (100.0)			
Value added	SMEs	325 (52.8)	12,222 (30.0)	395,630 (100.0)	1,746,956 (50.6)			
	Large companies	290 (47.2)	28,529 (70.0)	468,030 (54.2)	1,704,201 (49.4)			
	Total	615 (100.0)	40,751 (100.0)	863,660 (100.0)	3,451,217 (100.0)			

Source: Korea National Statistical Office, 「A Report on Mining and Manufacturing Industries」, each year

Note: 1) The size to be defined as SMEs is from 5 employees to less than 200 employees up to 1973 years and from 5 to less than 300 employees after 1976.

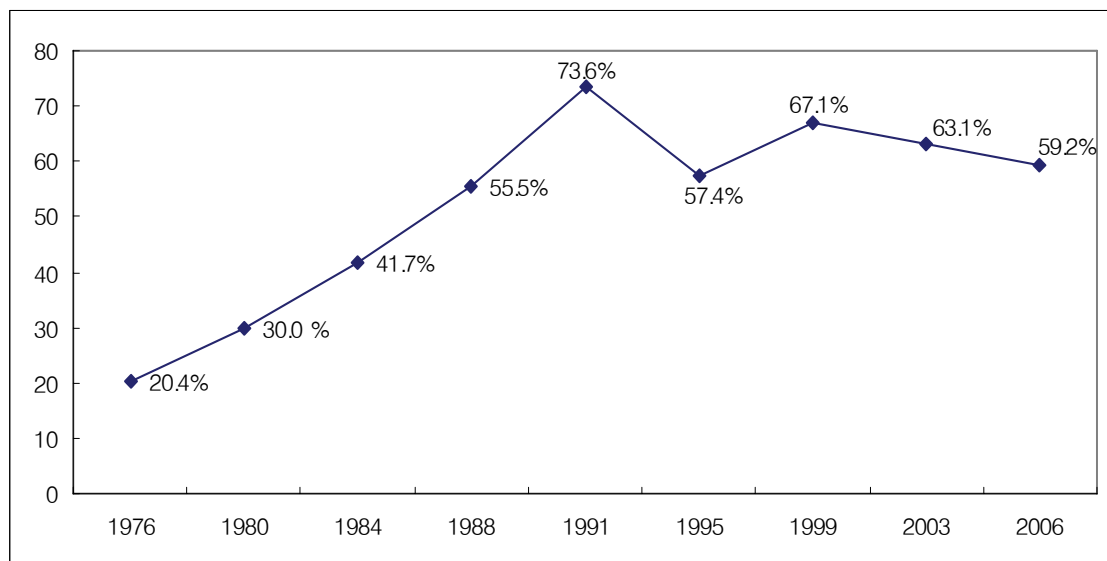
2) () is the proportion(%) out of total.

2. Major growth factors of Korean SMEs

The quantitative and qualitative growth of Korean SMEs in the manufacturing sector since the mid-1970s can be attributed to the following factors.

First, as the heavy and chemical industries have developed since the mid-1970s, the sub-contract relationship between large companies, which assembled and produced finished products, and SMEs, which produced parts and materials, were established, so the strengthened cooperation with large companies on the backs of policies being promoted using local parts and materials was one of the major attributing factors. The proportion of manufacturing SMEs that produced and delivered parts and materials based on orders placed by other manufacturing companies increased from 20.4% in 1976, 30.0% in 1980, 41.7% in 1984 to 73.6% in 1991. It has shown a declining trend since 1991, but still the proportion remained at 59.2% in 2006, which still significantly high.

< Picture 1 > Transition of sub-contractions of SMEs in manufacturing industries



Source: Small and Medium Business Administration, Korea Federation of Small and Medium Business, 「Reports on Current Status of SME」, each year.

Second, the government has supported SMEs since the 1980s to protect business areas taken up by SMEs and help them secure business channels in the domestic market so that SMEs can enjoy a stable business environment. A business only for SMEs and a collective private contract system to protect SME business areas and securing business channels have been in place for more than 25 years since the 1980s.

Third, the significant growth of SMEs since the 1980s has been led mainly by newly emerged SMEs and the expansion of small companies accordingly. As shown in Table 2, the number of SMEs in the manufacturing sector increased by just 5,855 from 1963 to 1976, but went up by 47,177 from 1977 to 1991, and by 47,401 from 1992 to 2007, which shows the continuous growth of SMEs. In particular, the Korean government has systematically supported SME start ups by enacting the 「SME Start-up Support Act」 in 1986. After the financial crisis in 1997, the venture nurturing policy took effect, so a growing number of business were established, leading the quantitative and qualitative growth of SMEs.

Fourth, as technological innovation has accelerated, demands diversified, and development progressed, production methods have changed accordingly, which ultimately accelerated the rise and development of SMEs. As the life cycle of products and technology is shortened, demand patterns have also diversified, and globalization progressed, more specified markets have emerged in which technology and knowledge-oriented and small scale production methods can be more efficient rather than ways of pursuing "economies of scale". As a result, new types of SMEs have emerged and existing SMEs had to deal with such specified markets in a flexible way.

III. Policies for Korean SMEs by Economic Development Stage

1. Overview

Korea's SME policy has been deliberately and systematically carried out with the 1st economic development 5 year plan starting in 1962.

From 1962 to 1971, during which the 1st and 2nd economic development 5 year plans were executed, the focus was on economies of scale that was possible based on increased exports. Therefore, SME policies were not fully initiated during this period.

From 1972 to 1981, when the 3rd and 4th economic development 5 year plans, were executed along with the development of the policy for the heavy and chemical industries policies were designed for SMEs, their modernization and differentiation between divisions and large companies that assemble parts and the SMEs that produce them.

From 1982 to 1991, when the 5th and 6th economic development 5 year plan were promoted, the imbalance stemming from the double structures of large companies and SMEs caused by rapid economic growth was corrected. The focus then shifted the economic policies to stabilization including adjustments to the investment in each sector, and improvement in the industrial structure. As a result, SME policies were diversified and became more intense during this period.

From 1992 to 1997, when the 7th economic development 5 year plan was executed, the policies for SMEs were concentrated on laying the groundwork for "autonomy and competition", which was in line with then economic policy stance to strengthen industrial competitiveness in the middle of opening of the market and promoting the autonomy of the Korean economy.

After the financial crisis in 1997, SME policy was transformed to nurture innovative SMEs such as venture businesses, while the overall restructuring of the Korean economy was underway. SME policies were

executed to promote mutual cooperation between large companies and SMEs and to establish a social safety net.

2. Policies for Korean SMEs by economic development stage

Starting from the early 1960s, policies for SMEs were carried out with a legal system put in place to support them in Korea.

First, the Korean government put in place an "SME division" within the Ministry of Commerce in July, 1960 as a department dedicated to SME businesses, established the "Industrial Bank of Korea" in August, 1961 as a bank dedicated to SMEs, and enacted the SME Cooperative Act and SME Business Adjustment Act in December, 1961. Finally, an administrative system was established to nurture SMEs, and systematic rules were constructed to mediate disputes between SMEs and large companies and to avoid excessive competition among SMEs, while the government promoted financial and organizational support for SMEs.

The following is the major content of Korean SME policies by stage, which were carried out together with the 1st economic development 5 year plan in 1962.

(1) SME policies during the 1st economic development 5 year plan (1962~1966)

Above all, the government established the Kookmin Bank, dedicated to people in the mid-and low-income brackets, in 1963, in an effort to expand financial support for SMEs. In 1965, the government initiated a set number of mandatory loans extended to SMEs (30% of the total loan amount) to indicate more loans from commercial banks to SMEs.

Next, local labor unions and a federation for SME were established on the basis of the 「SME Cooperative Act」 enacted in 1961. In 1962, the Korea Federation of Small and Medium Business was founded for the systematization of SMEs.

When the government launched its policies to promote exports along

with the 1st economic development plan, it established the Korea Trade-Investment Promotion Agency (KOTRA) in 1962, which dedicated itself to exploring overseas markets and supporting the exports activities of SMEs. Besides, SMEs that were capable of exporting items were selected and developed, while businesses that had contributed more to the trade balance and job creation were designated as "Special industries for SME export" and supported from 1966.

By utilizing surplus labor in agricultural and rural areas productively, the government initiated "Household Industry Centers" in 1965 in a bid to facilitate regional society development. From 1965, a "Measure to Nurture Special Industries in Regions" was implemented to support collective funds for businesses by designating specialized items such as sweaters and wigs and contacting the collectives involved.

In order to systematically support SMEs, the government enacted the 「Basic Act on SMEs in Korea」 in Dec. 1966. The act set basic directions of measures stipulated in each decree to nurture SMEs; moreover, it regulated the size of SMEs that were subject to SME policies. The "size of the SMEs" stipulated in the 「Basic Act on SMEs in Korea」 is 200 or fewer employees or 50 million won or less in total assets in the case of manufacturing, mining, and transporting industries and 20 or fewer employees or 10 million won or less in total assets in the case of commercial and other services industries.

(2) SME policies during the 2nd economic development 5 year plan (1967~1971)

The necessity to guarantee the debts of SMEs with insufficient collateral emerged, so the government enacted the 「SME Credit Insurance Act」 in 1967 to support SMEs financially, established a "Committee for SME Financing" to encourage commercial banks to guide loans extended to SMEs, and instructed commercial banks to put in place a division dedicated to SME support. In 1969, a "Commercial Paper Discount System" was introduced to discount commercial papers that SMEs received

from large companies as proceeds.

In an attempt to enhance efficiency in industries and nurture SMEs at the same time by promoting the business division between large companies and SMEs, the government announced a facilitating plan as part of a scheme to develop the machine industry in 1969 and selected businesses that were to be subject to systematization in 1970, suggesting a standard by which to designate companies that produced items in selected business areas.

The 1st objective of the SME modernization policy was to enhance productivity and overcome the structural gap between large companies and SMEs during the 5 year period of the 2nd economic development plan. To this end, the government established an "SME Technology Instructing Center" in 1967, which trained engineers and gave overall guidelines to upgrade the technology used by SMEs.

As part of its effort to promote exports, the government supported miscellaneous businesses. It was relatively easy to move into exporting markets in these miscellaneous businesses since it was labor-intensive and required just simple technologies. In particular, the business had excellent foreign exchange earning capacity because most of the raw materials needed for that business were found in the domestic market, also, with respect to increasing jobs, the business was important in that it absorbed surplus labor from agricultural areas and potential labor in areas surrounding metropolitan areas.

The government drew up a "Policy to Create a Sideline Business Zone for Farmers" in 1968 in a bid to increase farmers' income by utilizing surplus labor and established 26 industrial complexes by designating "Districts for Regional Industry Development Facilitation" in 1969 mainly in small-and medium sized regional cities.

Also, the government put in place an "SME Policy Deliberation Committee" in 1967 based on the 「Basic Act on SMEs in Korea」 as a new SME administrative body and the committee served as a central body

to mediate SME policies in a comprehensive manner with holistic views.

On top of that, an "SME Department" was established in 1968 inside the Ministry of Commerce to go ahead with SME policies more efficiently and systematically as administrative duties concerning SMEs increased.

(3) SME policies during the 3rd economic development 5 year plan (1972~1976)

As financial resources were concentrated with large companies due to the implementation of policies toward the heavy and chemical industries in the 1970s, the Bank of Korea took measures to increase available capital to SMEs such as strengthening the criteria in applying the ratio of loan extended to SMEs and adopting the mandatory SME loan ratio of regional banks upward (30%→40%). In addition, by guaranteeing the debts of SMEs that suffered from lack of funds due to insufficient collateral, the government made it easier for SMEs to mobilize funds based on a "Korea Credit Guarantee Fund" established in 1976 as a special corporation.

For modernization of SMEs, the government, in 1972, classified SMEs by original SME type, professional subsidiary type, and large company type, and drew up SME development guidelines according to each type. In 1975, funds were swiftly provided by the government to support the replacement of dilapidated facilities of small textile companies. After 1976, it was determined to target 100 machine factories, which were the original SME type, every year based on the 5 year economic development plan.

In order to bolster the progress of the heavy and chemical industries in Korea, parts needed to be supplied smoothly. As a result, appropriateness and fairness of contract-based businesses as well as systematization were required. The systematization between companies was facilitated for long-term and stable contract-based businesses between assembling companies and parts companies, and order in such contract-based businesses needed to be established. Finally, the 「SME Systematization Promotion Act」 was enacted in 1975 for this purpose.

Efforts were made by the government to increase the ratio of foreign

exchange earnings through local product development made from traditional skills and goods that meeting foreign tastes. In 1972, 188 companies were designated through the "Guidelines to Designate and Support Indigenous Item Producing Companies." After 1976, exports of SMEs were further promoted through the systematization of general trading companies and SMEs.

The government promoted constructing the "Saemaeul Factory" in agricultural areas from 1973 to utilize surplus labor, distribute factories, create a foundation for exporting original industries in regions and increase the incomes of farmers.

The "Industry Promotion Agency" was inaugurated in 1973 under the Ministry of Commerce to carry out industry standardization, quality management of industrial products and facilitation of industry development. Meanwhile, the government expanded the scope of SMEs in 1976 to catch up with the growing size of SMEs and to facilitate investment in modernizing SME facilities. For manufacturing, mining, and transporting industries, the scope was expanded to 300 or fewer employees or 500 million won or less total assets (it was 200 or less employees or 50 million won or less total assets before). When it comes to the construction industry, the limit was increased to 50 or fewer employees or 500 million won or less total assets. In the case of commercial or other service industries, the ceiling was raised to 20 or fewer employees or 50 million won or less total assets.

(4) SME policies during the 4th economic 4th economic 5-year plan (1977~1981)

The Bank of Korea raised the mandatory ratio of loans extended to SMEs in 1980 (commercial banks: 30% → 35%, regional banks: 40% → 55%) as more funds were needed to enhance the productivity of SMEs and increase exports. Also, SMEs were allowed to tap into funds from the Korea Credit Guarantee Fund when they borrowed money from secondary financial institutions (such as insurance companies).

In order to execute SME modernization policies systematically, the government enacted the 「SME Promotion Act」 in 1978. It was allowed to establish an "SME Promotion Fund" in 1979 to prepare funds that were needed to pursue modernization, cooperation, management and technology guidelines pursuant to the act. The fund was mobilized through government's contributions and loans. For the efficient promotion of SMEs, modernization, cooperative businesses, operation management of the SME promotion fund, management diagnosis, technology guide, information provision, and training and education, the government founded the "Small and Medium Business Corporation" in 1979.

In Korea, the SME systematization policy was fully launched in 1976 after the 「SME Systematization Promotion Act」 was enacted. In 1977, specific industries and items were designated and announced with the support of funds.

In an effort to protect SMEs, the government attempted to block the advancement of large companies into business areas traditionally occupied by SMEs in 1978. As a result, the entry of large companies into SME business areas was blocked from 1979 based on designation of "Special Industries for SMEs" which were judged to be businesses desirable only for SMEs for equal development of the nation's economy.

In 1981, the stage was set for the government and public organizations to procure items produced by SMEs based on the enacted 「SME Product Procurement Promotion Act」. As a result, it was stipulated that from 1981, the government and public organizations sign collective private agreements first with SME cooperatives to procure items.

To help develop SMEs in specific regions, the government designated "SMEs dedicated to Crafted Product Production" in 1980. The designated SMEs were able to benefit from fund support, management and technology guides. Also, the government worked to develop and commercialize locally crafted products by holding a national product competition.

(5) SME Policies during the 5th economic development 5 year plan (1982~1986)

The government increased the mandatory ratio of loans extended to SMEs from regional banks (55% or more → 80% or more) in 1986 to expand the loans available to SMEs. In addition, for effective financing of SMEs through direct financing, the government permitted SMEs in 1984 to issue corporate bonds with payment guarantees up to 200% of capital. Along with this, the government established the "Fund for SME Mutual-aid Projects" in 1982 to prevent bankruptcy and promote mutual SME businesses. In 1984, the Korea Federation of Small and Medium Business initiated its support for the SME mutual-aid projects fund.

The "System for Promising SMEs" had been implemented from 1983 in order to strengthen competitiveness by identifying and supporting promising SMEs that showed self-sufficiency. In 1982, industries that needed support were designated as "Priority Industries for SMEs" and received funds for facility modernizing from the SME promotion fund. The Small and Medium Business Corporation opened an "SME Training Center" in 1982 in Ansan, Gyeonggi province, to train SMEs effectively through various technologies and management skills.

The 23 "Priority Industries for SMEs" designated in 1979 by the government to protect the business areas occupied by SMEs were changed to "Businesses only for SMEs" in 1982. Using this as a turning point, the government implemented a full scale system of businesses only for SMEs thus preventing large companies from moving into these areas.

In order to lay the groundwork for autonomous systematization of industries, the government initiated an "SME Systematization Promotion Committee" inside the Korea Federation of Small and Medium Business that look for ways that the systematization could be developed further, outsourcing could be introduced, and disputes could be mediated autonomously. In the development they were asked to establish and operate a "Committee for Companies of Supply and Demand" in each division of the mother company so that support could be provided in supplying the

mother companies. In 1984, as unfair trade increased resulted from or wayed subcontracted businesses, the Act on Fair Trade based on Subcontracting」 was enacted to establish an order in trading through subcontracts.

In an attempt to support SME start ups, the government enacted the 「SME Starting-up Support Act」 in 1986 which included simplified start-up procedures in addition to financial and tax support available to starting-up SMEs.

The government promoted its "Industry based Technology Development Project" to support technology development of SMEs and assisted them in resolving technological difficulties in different regions by strengthening their tech support through regional industry testing centers. In order to improve the industry structure that relied on imports and address the chronic trade deficit with Japan, the government drew up a 5 year plan to use local machines, parts and materials in 1986 to provide funding, technology development, and tax support. Along with this, a "System of Research Centers under SMEs" was established in 1983 to facilitate technological development through SMEs.

The government decided to focus on mid-sized companies that had exported less than 8 million dollars annually, but would be able to increase the amounts to around 10 million dollars within 3 to 4 years based on the support from government. From 1985 to 1987, 1,000 mid-sized export companies were identified and supported.

In 1983, the 「Fishing and Agrarian Village Income Development Act」 was enacted to promote the development of regional economies in these villages. Based on this act, districts to promote industries in fishing and agrarian villages (agrarian and industrial complexes) were created. Along with this, the "Folk Handicraft Industry" was targeted in the same year to promote the exports of these goods, to use surplus labor and to increase incomes in agricultural villages. In particular, for the development and commercialization of traditional handicrafts provided for the then upcoming

Asian Games in 1986 and 1988 Seoul Olympic Games, the government designated companies dedicated to producing traditional handicrafts and provided them comprehensive support through fund support, design development, and technology guidance.

(6) SME Policies during the 6th economic development 5 year plan (1987~1991)

The government opened an "off-board stock market" in 1987 to give more opportunities for SMEs to mobilize funds through direct financing. This off-board market was a so-called unlisted stock market, which was a prior stage market for listing on the exchange. Furthermore, for active investment in new technology businesses, the government established a "Technology Credit Guarantee Fund" in 1989 that guaranteed debt repayments of companies that developed new technologies or commercialized new technologies.

In the second half of the 1980s, the management environment of SMEs deteriorated due to the rapid appreciation of the Korean won, increased labor disputes, and wage increases of the SMEs, so the government enacted the 「Act to Promote Restructuring and Stability of SMEs」 in 1989. This act supported sound business activities of SMEs in the short term, devising measures to strengthen management and established systematic policies to improve the structures of SMEs in the mid- and long term.

In a bid to support the convergence of technologies through active exchanges between SMEs in different business areas, the government launched its "Group for Exchanges in Different Businesses" in 1989 and drew up its "Plans to Advance Technology of the Group for Exchange" in 1990.

With regard to the SME system that had been used since 1983, a graduation system was introduced in 1988. In other words, promising SMEs that were judged to be self-sufficient after a certain period of support would then be “graduated” from the system, and many promising

SMEs would be identified and supported for their continuous growth and development.

From 1990, the "Business Transfer Project from Large Companies to SMEs" was promoted so that those businesses judged to be carried out by SMEs and not by large companies, could be transferred to SMEs.

For the protection of SME business areas, the government implemented a system of businesses strictly for SMEs. Since then the number of designated businesses increased to 237 in 1989. In order to prevent inefficiency that might be caused by long-term protection, the "System to Cancel the Designation for SMEs" was adopted.

Sound management and technology development were encouraged further through the "Public Organizations' Prior Procurement of SME Products" introduced in 1990 that supported sales channels.

To expand investment in starting-ups, the government introduced measures to organize and operate a "Cooperative to Invest in Start-ups" in 1987.

From 1990, "SMEs that Advanced Technologies" were selected so that they obtain technologies which would lead to upgraded technology levels. For more financial support and financing for SMEs in regional areas, the government established the Dongnam and Daedong banks in 1989 in Busan and Daegu respectively, which were dedicated to local SMEs.

(7) SME Policies during the 7th economic development and new economy 5 year plan (1992~1997)

To expand funds for SMEs, the government raised the ratio of mandatory loans extended to SMEs from commercial banks in 1992 (35% →45%). In addition, a "System of Credit with Total Limit" was introduced by the Bank of Korea in 1994 to increase the amount of loans to SMEs. Under the total limit system, the Bank of Korea supported financial institutions that extended loans to SMEs with low interest rates within on the basis of the institutions' loan performance. Meanwhile, the

government introduced an "Insurance System for Bills" in 1997 to prevent increased bankruptcy of insolvency by paper profits of SMEs, which might be caused by the defaults of other companies.

In an effort to revitalize the stagnant economy in the early 1990s and to strengthen the competitiveness of SMEs, the government promoted its "Project to Improve the SME Structure." For the successful implementation of this project, the government promised to provide 1 trillion won every year during the new economy 5 year development plan, which was from 1993 to 1997.

For protection from unfair businesses with consigning companies and to ensure fair business practices on subcontracts, the government put in place a "Center to Report SMEs' Troubles in Doing Business" in 1996. In addition, the government examined the status of businesses on subcontracts and ordered large companies whose unfair business activities were reported and took corrective actions, raising awareness on fair trade by announcing the cases.

The government introduced a "Competition System among SMEs" in 1995 to support the sales channels of SMEs and induce proper competition among SMEs, having limited competition or competition among designated SMEs when the government or public organizations procured the same items. In addition, as part of its project to secure areas to sell products, the government started constructing its "Comprehensive Distribution Center for SME Products" in 1996.

In the meantime, the government promoted its "Project to Support a Starting-up Instructing Center" from 1992 to facilitate the establishment of SMEs. From 1997, a "lecture on starting-up" and a project to support start-up groups was carried out.

In 1997, the government enacted the 「Special Measures Law on Venture Company Support」 only for 10 years. Those venture companies in the act were defined as "companies invested in by venture capitals," "a company with large amount of investment in R&D as a percentage of sales (5% of

more of sales invested into R&D)," and "a company with patents or new technologies."

The government opened the KOSDAQ, a stock market dedicated to SMEs and venture companies, in 1996 to mobilize funds directly.

In order to assist technology development of SMEs, the government supported the "Regional Consortium Project for Technology Development among the Industry, Academia, and Research Centers" from 1993 and implemented a "Certification System for New Technology Marks (NT marks)" from May 1993. Also, for technology innovation, an "SME Technology Innovation Development Project" was carried out from 1997. To expand credit guarantee support for SMEs that didn't have enough collateral, but with remarkable technologies, the government introduced and operated a "Special Support System for Technology Credit Guarantee."

In an effort to relieve the shortage of labor in the "3D" (Dirty, Difficulty, Dangerous) fields, the government introduced an "Industrial Technology Training System for Foreigners" in 1993, and "The Elderly Volunteer Group" was launched to give working opportunities to retired people with special skills as part of its efforts to support SMEs.

By identifying SMEs that had the potential for exports but suffered from difficulties due to a weak management foundation, the government closely supported them for 2 years based on the "Project to Promote Exports of SMEs" which was initiated and expanded from 1993.

For systematic implementation of regional SME support policies, the government enacted the 「Act for Balanced Regional Development and Support of Regional SMEs」 in 1994. With this act as a turning point, efforts were made to support SMEs by mobilizing funds to support SMEs in specific regions, designating and supporting SMEs in special support zones, putting in place comprehensive support centers for SMEs in districts and cities, promoting special industries in regions, and establishing credit guarantees.

To contribute to the balanced national development through sound

management and restructuring as well as free production activities of small companies, the government enacted its "Special Measures to Support Small Businesses" in 1997. According to the law, small businesses subject to the law were limited to 50 or fewer employees in the manufacturing industry (in the manufacturing-related service industry, the number was 30 or fewer), with the industries being limited to the manufacturing and manufacturing-related services.

After recognizing the conventional market risks of competition if they did not adapt themselves, the government provided financial support for redevelopment of conventional markets in 1996, carrying out its "Small Store Modernizing Project" at the same time to strengthen support for small-scale retail businesses.

For practical support for SMEs and implementation of SME policies, the government launched its "Small and Medium Business Administration" in Feb. 1996. The establishment of the administration opened a new chapter in the history of SME support systems, making it possible to support SMEs quickly and closely through regional organizations (regional SME administrations).

Meanwhile, the government introduced more qualitative criteria (actual separation between ownership and management) in 1995 to those SMEs which had only had quantitative criteria, and expanded the scope of small companies (50 or fewer employees in manufacturing, 30 or fewer employees in construction, and 10 or fewer employee in the wholesale, retail businesses, and other service industries).

(8) SME policies during the "Government of the People" period (1998~2002)

Financial support and venture company development policies were key points promoted during the "Government of the People" era (1998~2002) to address the financial crisis in 1997.

After the agreement for emergency funds support signed between the Korean government and the IMF, the financial strain became worse with

the restructuring of companies and financial institutions, which caused higher risk of default by SMEs. As the result, the government drew up emergency measures to ease the financial difficulties of SMEs in 1998. The main details included extending the loan repayment period for SMEs by 6 months, expanding the BOK's credit system, implementing a direct loan system for policy funds for SMEs through the Small and Medium Business Corporation, establishing and operating a center to handle financial difficulties, and supporting SMEs' export and import financing (2 billion dollar borrowing for ADB and IBRD). In 1999, considering the funds needed for SMEs was for operating capital and not facility investment, after financial crisis, the government established a "fund for management stabilization" that was used solely for operating capital. In order to prevent bankruptcy with paper profits of promising SMEs, the government maximized its fund support to prevent bankruptcies including a bill insurance system and an SME mutual aid project fund. In addition, the government contribute 2 billion dollars borrowed from ADB and IBRD to a credit guarantee institutions to improve the BIS ratios of financial institutions and to expand the guarantees of credit related to exports by SMEs.

The government introduced an SME Asset-backed Securities(ABS) System. The system supported SMEs' issuance of corporate bonds through the Small and Medium Business Corporation reinforcing the credit of SMEs. Also, by benchmarking the Asset-backed Securities (ABS) system, the government introduced a "Venture Company Primary CBO System" in 2001.

Also, the government promoted the 2nd SME structural improvement project from 1998 to support restructuring of SMEs. Venture companies and "Inno-Biz" companies were identified and developed from 1998 and 2001 respectively, and in 1998, the "SMEM & A Center" was established and operated in the Small and Medium Business Corporation.

As it became more difficult for SMEs to manage their companies

because of the dramatic decrease in sales after the 1997 financial crisis, the government urged public organizations to buy SME products to expand sales channels and stabilize management.

In a bid to support sales, the government constructed an SME products distribution center(SME department store) in December 1999 so that around 10,000 products made by SMEs could be promoted directly at the center.

Meanwhile, the government used 400 billion won out of its borrowings from the IBRD to support SMEs start-ups in 1998. The government continued to expand its support from 1998. In addition, to enhance the success of start-ups after the financial crisis, the government expanded its "Project of Supporting the Establishment of Starting-up Instructing Center," to secure additional infrastructure for new companies. Since 1999, the government promoted its "Professor/Researcher Start-up Support System" and "Laboratory System Start Up" for universities and research centers.

To promote investment into venture companies, the government opened an investment mart in 1998 and provided benefits to cooperatives that invested into venture companies, allowing 20% of the amount invested to be deducted from general income. To facilitate financing of venture companies, a "Department for Venture Companies" was established in the KOSDAQ market in 1998. To facilitate the establishment of venture companies, the government allowed professors and researchers to have multiple duties after obtaining approval and participating in the management of start ups. Also, the number of people who received stock options was expanded to include professors and researchers. For effective support of venture companies, the government attracted foreign investment funds and established a Korea Venture Fund worth 100 billion won.

In an attempt to support technology development in SMEs, the government implemented the Korea Small Business Innovation Research Program(KOSBIR) in 1998, where a certain percentage of the R&D budget of the government and government invested institutions went towards

SMEs.

In order to support the technology innovation of SMEs, the government enacted the 「SME Technology Innovation Promotion Act」 in 2001. Also, the government recognized that supporting technologically innovative SMEs was an urgent matter, so they set up INNO-BIZ in 2001 and set a goal of identifying and supporting 5,000 technologically innovative SMEs, 1,000 each year from 2001 to 2005.

For rapid commercialization of new technologies, the government established a "Korean Techno-mart" in 1998, establishing Techno-Net, where SME technology-related information was loaded onto an "SME Technology Exchange" in the Small and Medium Business Corporation.

In 2001, the government constructed a "Technology Innovation Support Connecting System" where information such as research tools and professionals employed at universities and research centers could be searched. Also, the "Technology Development Project on condition of Procurement" was introduced in 2002 so that SMEs could concentrate on technology development based on established sales channels.

In 2000, an "SME Information Management System (IMS)" was introduced to promote the development of SMEs and to ensure efficient implementation of SME information projects, a "Center for Information Development of SMEs" was established in 2002.

From 2002, the government started its "Project to resolve Reasons of Avoiding Duties on the Field of SMEs" to improve the working environment in SMEs. Also, the government established and operated an "SME Personnel Information Network," a virtual meeting place for SMEs and job seekers.

For SMEs that intended to set up local subsidiaries overseas, the government put in place an "Export Incubator" in major overseas markets. Since the implementation of a local self-governing system, the government allowed for a foundation to guarantee local credit, which guaranteed the debt repayment of local SMEs by enacting the Local Credit Guarantee

Foundation Act」 in 2000.

The government established and operated "Small Businessman Supporting Centers" to provide counseling and information on how to start up a small business or how to improve management, and in 2000, enacted the Special Law on Supporting Small Businesses and Small Businessmen.

The government set up the 「Act on Supporting Women in Businesses」 in 1999. This act included government support for women entrepreneurs, equal business opportunities, assistance to women starting up companies, procurement of products made by female-managed businesses, preferential treatment toward female entrepreneurs for funding, establishment of the Korean Women Entrepreneurs Association and support center for female entrepreneurs. In addition, the Korean Women Entrepreneurs Association was established in July 1999 and has served as a key center for women's business activities.

In an attempt to strengthen SME policies during the government structural revision in 1998, the government established a "Presidential Commission on Small and Medium Enterprises" directly under the President. This commission has been in charge of mediating and coordinating SME support policies in which other ministries are involved.

(9) SME policies during the 「Participatory Government」 period (2003～2007)

In 2004, the government introduced a Network Loan system to collect from large companies in a more timely manner. In January 2005, "Korea Enterprise Data" was established to provide credit information of SMEs to relevant data companies.

The government passed the 「Act to Promote SME Business Conversion」 in 2006 to support SMEs' business conversion.

Also, the "Cooperation Foundation between Large Companies and SMEs" was established in December, 2004 to strengthen companies' competitiveness through cooperation between large companies and SMEs. In 2006, the 「Act to Promote cooperation between large companies and

SMEs was enacted」 to lay the groundwork for growth of these companies and to enhance their competitiveness.

In January 2007, the government abolished the collective private contract system and businesses designated only for SMEs, that had been in place from the early 1980s to protect SME business areas.

In 2004, the government legislated to include a set ratio of products from SMEs in their procurements be over certain ratios when public organizations submitted their procurement plans, and from 2005, the government urged public organizations to establish SME product procurement targets and requested to have 5% or more of their products come from SME technologies.

To facilitate establishing venture companies, the government increased the number of start-up instruction centers and expanded the facilities of these centers, providing operating cost support depending on the operation performances of these centers. As of the end of 2007, there were 269 centers.

The government revised the venture company confirmation process, so that confirmation that had been done by the Small and Medium Business Administration was transferred to the Kibo Technology Fund, Small and Medium Business Corporation, and venture capital companies.

As the 「Special Measure Law on Venture Company Support」 enacted in 1997 expired on December 31, 2007, the government extended the law for another 10 years.

The government has supported SMEs that intended to establish research centers affiliated with universities from 2005, and from 2007, by promoting its "Project to Support the Joint Use of Research Equipment" so that expensive state-of-the-art equipment owned by universities and research centers could be shared with SMEs.

In an effort to enhance the competitiveness of SMEs by upgrading the HR structure and supply of employees, the government enacted the 「Special Act on Supporting Employees for SMEs」 in 2003 and, in

response, SMEs have promoted a "Program to Support Customized Personnel" from 2005 to address the shortage of technicians and engineers.

The government established the "Small and Medium Business Promotion Agency" in 2006 to promote cooperation with and development of small and medium businesses. Also, the "Small Business Information System" was developed in July 2006 to suppose self-employed entrepreneurs.

To support female entrepreneurs, the government constructed female business centers in 14 regions nationwide from 2003 to provide start up instruction, education on business areas suited for women, and to support start-ups by low-income female applicants.

Also, the government enacted a 「Special Law on Supporting Conventional Markets and Commercial Districts」, which is effective only from October 2004 to October 2014. The act pursues balanced growth of the distribution industry.

In 2005, the 「Act to Promote Business Activities of the Disabled」 was enacted to raise the economic and social status of the disabled through facilitated start-up and business activities.

The "SPi-1357" system was set up and operated by the Small and Medium Business Administration from January 2006 and provides SME policy information in real time on and off line. The customized policy information system (SPi: www.spi.go.kr) is a consolidated database which is categorized into 9 areas including funds, technology, HR, sales channels, exports, information progress status, SMEs, and venture. Policy information from 234 institutions such as government ministries and guaranteeing institutions is also available.

IV. Performances of Korean SME Policies

1. Overall performances

The development of SMEs in Korea over the past 45 years(1962~2007) has been closely related to the SME policies of the Korean government.

< Table 3 > SME development and contribution to growth of the manufacturing sector (1963~2007)

Unit: number, 1,000 persons, 100 million won, %

		1963 (A)	2007 (B)	B-A	Growth contribution rate (1963~2007) (%)
Number of enterprises	SMEs	18,073	118,506	100,433	99.6
	Large companies	237	627	390	0.4
	Total	18,310	119,133	100,823	100.0
Number of employees	SMEs	266,822	2,199,951	1,933,129	78.6
	Large companies	135,159	662,555	527,396	21.4
	Total	401,981	2,862,506	2,460,525	100.0
Production	SMEs	977	4,816,209	4,815,232	48.7
	Large companies	692	5,077,883	5,077,191	51.3
	Total	1,669	9,894,092	9,892,423	100.0
Value added	SMEs	325	1,746,956	1,746,631	50.6
	Large companies	290	1,704,261	1,703,971	49.4
	Total	615	3,451,217	3,450,602	100.0

Source: Korea National Statistical Office, 「A Report on Mining and Manufacturing Industries」, each year

Korea Federation of Small and Medium Business, 「2009 SME Status Index」, 2009.

Note: 1) The size to be defined as SME is 5~200 in 1963 and 5~300 in 2007

2) Growth contribution rate is a percentage(%) of SMEs(or large companies) growth out of total growth

As of result of timely implementation of SME policies by the government to facilitate development, the number of SMEs in Korea increased to 100,433, the number of employees to 1,933,129, production grew to around 481.52 trillion won, and value added increased to around 174.67 trillion from 1963 to 2007. When the development of SMEs is considered in regards to their contribution to overall growth, the rates in terms of the number of enterprise is 99.6% (large companies: 0.4%), and is 78.6% (large companies 21.4%), 48.7% (large companies 51.3%), and 50.6% (large companies 49.4%) in terms of the number of employees, production, and value added respectively. In conclusion, the percentage of SME's contribution to growth is much higher than that of large companies.

Hence, Korean SMEs in the manufacturing sector took up a high proportion of the nation's economy, even becoming stronger as of the end of 2007 compared to Chinese Taipei and Japan. When the number of SMEs and the number of employees are compared in absolute terms with Japan, they are 46.5% and 38.2% of Japan's respectively(255,016 enterprises and 5,765,000 employees as of 2006 in Japan). However, Korean SME's proportions in terms of the number of enterprises and employees in the manufacturing sector are higher than those of Japan(98.7% in terms of the number of enterprises, and 70.3% in terms of the number of employees). When compared to the proportions of Chinese Taipei(96.6% and 76.7% in terms of the number of enterprises and the number of employees respectively), again Korean SMEs score higher(99.5% and 76.9% in terms of the number of enterprises and the number of employees respectively).

< Table 4 > Comparison of SMEs in Korea, Japan, and Chinese Taipei

Unit: number, 1,000 persons, %

	Number of enterprises		Number of employees	
	SMEs	proportion (%)	SMEs	proportion (%)
Korea (2007)	118,506	99.5	2,200	76.9
Japan (2006)	255,016	98.7	5,765	70.3
Chinese Taipei (2006)	133,312	96.6	2,180	76.7

Source: Korea Federation of Small and Medium Business, 「Statistics of Overseas SME」, 2008. 12.

Note : The scope of Korean SME is 5~299 employees, and that of Japan is 4~299 employees. In Chinese Taipei, the companies with less than 80 million NT\$ paid-in capital are defined as SME.

2. Performances by economic development stage

(1) Performances of SME policies during the 1st ~ the 3rd economic development 5 year plans

This period can be considered as period of rapid development of SME policies and period of sluggish SME business activities because of the business consolidation trends at that time, which was intended to promote exports. As a result, it was inevitable that SME policies during this period were not effective.

1) The 1st economic development 5 year plan period(1962 ~ 1966)

From 1963 to 1966 during which the 1st economic development 5 year plan was implemented, the number of SMEs increased by 4,266 and the number of employees rose by 74,000. Production went up by 92.5 billion won and value added increased by 33.9 billion won. When the development of SME is examined with regard to the contribution of the overall growth of the manufacturing industry, SME's contribution rates are 45.1%(large companies: 54.9%), 36.9%(large companies: 63.1%), and 35.8%(large companies: 64.2%) in terms of the number of employees, production, and value added respectively. Hence, SME's contribution to the growth of the manufacturing sector was not remarkable compared to that of large companies during this period.

2) The 2nd economic development 5 year plan period(1967 ~ 1971)

During this period, the number of SMEs increased by 311, the number of employees rose by 51,000, production increased by 272.6 billion won, and

value added increased by 126.8 billion won. When the development of SME is examined in regard to the contribution to overall growth of manufacturing industry, SME contribution rates are 18.1%(large companies: 81.9%), 21.7%(large companies: 78.3%), and 23.7%(large companies: 76.3%) in terms of the number of employees, production, and value added, respectively. Hence, SME's contribution to the growth of the manufacturing sector was not remarkable compared to that of large companies during this period.

During this period when the 2nd plan was carried out, the number of SMEs had gone up by 311, the number of employees had risen by 51,000, production amount had increased by 272.6 billion won, and added value had increased by 126.8 billion won. When the development of SME is examined in regard to the contribution to overall growth of the manufacturing industry, SMEs' contribution rates are 18.1%(large company: 81.9%), 21.7%(large company: 78.3%), and 23.7%(large company: 76.3%) in terms of the number of employees, production amount, and added value respectively. Hence, it turned out that SME's contribution to the growth of the manufacturing sector was not remarkable compared to that of large companies during this period.

3) The 3rd economic development 5 year plan period(1972 ~ 1976)

During this period, the number of SMEs rose to 1,278, the number of employees went up by 1,278, the number of employees increased by 365,000, production rose by 1.76 trillion won, and value added increased by 1.29 trillion won. When the development of SMEs is examined in regard to the contribution to overall growth of the manufacturing industry, SMEs' contribution rates are 42.0%(large companies: 58.0%), 29.7% (large companies: 70.3%), and 30.4% (large companies: 69.6%) in terms of the number of employees, production, and value-added respectively. Still, SME contribution to the growth of the manufacturing sector was not remarkable compared to that of large companies during this period.

< Table 5 > SME development and contribution to growth
during the 1st, 2nd and 3rd economic plans

Unit: number, 1,000 persons, 100 million won, %

		During the 1st five year plan (1963~1966)	During the 2nd five year plan (1967~1971)	During the 3rd five year plan (1972~1976)
Number of enterprises	SMEs	4,266 (96.8)	311 (44.8)	1,278 (82.7)
	Large companies	142 (3.2)	383 (55.2)	267 (17.3)
	Total	4,408 (100.0)	694 (100.0)	1,545 (100.0)
Number of employees	SMEs	74 (45.1)	51 (18.1)	365 (42.0)
	Large companies	90 (54.9)	231 (81.9)	504 (58.0)
	Total	164 (100.0)	282 (100.0)	869 (100.0)
Production	SMEs	925 (36.9)	2,726 (21.7)	17,591 (29.7)
	Large companies	1,580 (63.1)	9,827 (78.3)	41,704 (70.3)
	Total	2,505 (100.0)	12,553 (100.0)	59,295 (100.0)
Value added	SMEs	339 (35.8)	1,268 (23.7)	10,290 (30.4)
	Large companies	608 (64.2)	4,075 (76.3)	23,556 (69.6)
	Total	947 (100.0)	5,343 (100.0)	33,846 (100.0)

Source: Korea National Statistical Office, 「A Statistical Report on the Mining and Manufacturing Industries」, each year

Korea Federation of Small and Medium Business, 「The Status of SMEs」, each year

Note: The above-mentioned statistics is the up and down status during the economic development 5 year plan period, and the contribution rates in () is up and down proportion of SMEs(or large companies) out of total up and down of all businesses.

(2) performances of SME policies during the 4th ~ the 6th economic development 5 year plans

During this period, policies for heavy and chemical industry development were aggressively promoted with more active SME policies including promotion projects and the SME business protection system were carried out to facilitate business with large companies and to modernize facilities of SMEs. As a result, the number of SMEs grew rapidly. In conclusion, the effectiveness of SME policies during this period was very remarkable.

1) The 4th economic development 5 year plan period(1977 ~ 1981)

During this period, the number of SMEs increased by 8,456 and the number of employees increased by 288,000. Production rose by 12.88 trillion won and value added grew by 4.14 trillion won. When the development of SME is examined in regard to the overall growth of the manufacturing industry, SME's contribution rates are 88.1%(large companies: 11.9%), 32.9%(large companies: 67.1%), and 36.5%(large companies: 63.5%) in terms of the number of employees, production, and value added respectively. In particular, SMEs significantly contributed to job creation. In terms of production and value added, the contribution rates were relatively higher than those during the previous economic development plans.

2) The 5th economic development 5 year plan period(1982 ~ 1986)

During this period when the 5th economic development 5 year plan was implemented, the number of SMEs increased by 16,499 and the number of employees increased by 533,000. Production rose by 19.65 trillion won and value added rose by 7.47 trillion won. When the development of SME is examined in regard to the overall growth of the manufacturing

industry, SMEs' contribution rates are 76.8%(large companies: 23.2%), 43.4%(large companies: 56.6%), and 42.8%(large companies: 57.2%) in terms of the number of employees, production and value added respectively. Thus, SME contribution to growth of the manufacturing industry increased dramatically during this period.

3) The 6th economic development 5 year plan period(1987~1991)

During this period, the number of SMEs increased by 22,222 and the number of employees rose by 275,000. Production increased by 57.82 trillion won and value added rose by 26.73 trillion won. When the development of SME is examined in regard to the overall growth of the manufacturing industry, SME's contribution rates are 152.8%(large companies: -52.8%), 50.1% (large companies: 49.9%) and 50.0% (large companies:50.0%) in terms of the number of employees, production, and value added, respectively. Thus, SMEs' contribution to the growth of the manufacturing industry was much bigger than that of large companies during this period.

< Table 6 > SME development and contribution to growth
during the 4th, 5th and 6th economic plans

Unit: number, 1,000 persons, 100 million won, %

		During the 4th five year plan (1977~1981)	During the 5th five year plan (1982~1986)	During the 6th five year plan (1987~1991)
Number of enterprises	SMEs	8,456 (99.8)	16,499 (99.2)	22,222 (100.3)
	Large companies	18 (0.2)	133 (0.8)	-72 (-0.3)
	Total	8,474 (100.0)	16,632 (100.0)	22,150 (100.0)
Number of employees	SMEs	288 (88.1)	533 (76.8)	275 (152.8)
	Large companies	39 (11.9)	161 (23.2)	-95 (-52.8)
	Total	327 (100.0)	694 (100.0)	180 (100.0)
Production	SMEs	128,788 (32.9)	196,461 (43.4)	570,082 (50.1)
	Large companies	262,364 (67.1)	255,861 (56.6)	567,412 (49.9)
	Total	391,153 (100.0)	452,321 (100.0)	1,137,494 (100.0)
Value added	SMEs	41,393 (36.5)	74,683 (42.8)	267,332 (50.0)
	Large companies	71,984 (63.5)	100,008 (57.2)	267,509 (50.0)
	Total	113,377 (100.0)	174,691 (100.0)	534,841 (100.0)

Source: Korea National Statistical Office, 「A Statistical Report on the Mining and Manufacturing Industries」, each year

Korea Federation of Small and Medium Business, 「The Status of SMEs」, each year

Note: The above-mentioned statistics is the up and down status during the economic development 5 year plan period, and the contribution rates in () is up and down proportion of SMEs(or large companies) out of total up and down of all businesses.

(3) Performances of SME policies during the 7th economic plan ~ The participatory government

From 1992, when the 7th economic development 5 year plan was implemented, until the “participatory government” period (2003~2007), SME restructuring was aggressively promoted. In addition, restructuring among SMEs and moves to increase their capacity were pursued during this period.

1) The 7th economic development 5 year plan period(1992~1997)

During this period, the number of SMEs increased by 20,219 with the number of employees rising by 17,000. Production rose by 109.71 trillion won and value added grew by 44.58 trillion won. When the development of SME is examined in regard to the overall growth of the manufacturing industry, SMEs' contribution rates are 7.7%(large companies: -107.7%), 47.9% (large companies: 52.1%), and 47.1%(large companies: 52.9%) in terms of the number of employees, production and value added. Therefore, SME contribution to the growth of the manufacturing industry decreased compared to their contribution in previous periods.

2) ‘The government of the people’ period(1998~2002)

During the period (1998~2002), the number of SMEs increased by 17,495 and the number of employees rose by 188,000. Production grew by 117.5 trillion won and value added increased by 40.45 trillion won. When the development of SME is examined in regard to the overall growth of the manufacturing industry, SMEs' contribution rates are 854.5%(large company -954.5%), 60.8%(large company 39.2%) and 67.7%(large company 32.3%) in terms of the number of employees, production amount and added value respectively. Hence, it turned out that SMEs' contribution to the growth of the manufacturing industry was much bigger than that of

large companies during this period.

According to the analysis, this is attributed to the fact that SME policies after the financial crisis were promoted in earnest and restructuring at large companies was much more serious during this period.

3) ‘The participatory government’ period(2003 ~ 2007)

During the period(2003~2007), the number of SMEs increased by 9,687 and the number of employees rose by 142,000. Production increased by 162.66 trillion won and value added grew by 50.12 trillion won. When the development of SME is examined in relationship to the overall growth of the manufacturing industry, SMEs' contribution rates are 75.5%(large companies: 24.5%), 45.0%(large companies: 55.0%) and 48.1%(large companies: 51.9%) in terms of the number of employees, production and value added respectively. In conclusion, in areas other than the job creation, SME's contribution to the growth of the manufacturing sector decreased compared to that of large companies.

< Table 7 > SME development and contribution to growth
during the 7th plan ~ The participatory government

Unit: number, 1,000 persons, 100 million won, %

		During the 7th five year plan (1992~1997)	During the government of the people (1998~2002)	During the participatory government (2003~2007)
Number of enterprises	SMEs	20,219 (101.5)	17,495 (100.8)	9,687 (100.4)
	Large companies	-294 (-1.5)	-144 (-0.8)	-43 (-0.4)
	Total	19,925 (100.0)	17,351 (100.0)	9,644 (100.0)
Number of employees	SMEs	17 (7.7)	188 (854.5)	142 (75.5)
	Large companies	-238 (-107.7)	-210 (-954.5)	46 (24.5)
	Total	-221 (-100.0) (-100.0)	-22 (-100.0)	188 (100.0)
Production	SMEs	1,097,094 (47.9)	1,174,975 (60.8)	1,626,590 (45.0)
	Large companies	1,194,866 (52.1)	758,928 (39.2)	1,984,649 (55.0)
	Total	2,291,960 (100.0)	1,933,903 (100.0)	3,611,239 (100.0)
Value added	SMEs	445,849 (47.1)	404,283 (67.7)	501,194 (48.1)
	Large companies	501,344 (52.9)	193,174 (32.3)	541,658 (51.9)
	Total	947,194 (100.0)	597,456 (100.0)	1,042,906 (100.0)

Source: Korea National Statistical Office, 「A Statistical Report on the Mining and Manufacturing Industries」, each year

Korea Federation of Small and Medium Business, 「The Status of SMEs」, each year

Note: The above-mentioned statistics is the up and down status during the economic development 5 year plan period, and the contribution rates in () is up and down proportion of SMEs(or large companies) out of total up and down of all businesses.

SESSION VII

Assessment Framework for the SME Innovation Action Plan
(SMEIAPS)

Background on the Daegu Initiative and Development of an Assessment Framework for the Daegu Initiative SME IAP

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Agenda for Today

1. Overview of the Daegu Initiative
 - How It Came About
 - Purpose
2. How the Daegu Initiative Works
3. Area by Area Overview
4. On Writing Best Practice Examples
5. Preparation for the Second Cycle



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Overview of the Daegu Initiative



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Daegu Initiative

- Part of overall SME related work in APEC
- Emphasizes SME's role in innovation
- Endorsed by the SME Ministers in Daegu, Korea on Sept. 1–2, 2005



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Objective of the Daegu Initiative

- Create economic and policy environments conducive to SME innovation in the APEC region
- Identify cooperative measures based on voluntary reviews
- Share policy experiences among member economies

How the Daegu Initiative Works

Implementation Strategy of the Daegu Initiative (1)

- Daegu Initiative is a long term measure which will run in five year cycles between 2006 and 2020.
- Member economies submit Innovation Action Plans (IAP) based on a common template that includes past achievements, current status and future plans for selected areas which are important for encouraging innovation by SMEs.



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Implementation Strategy of the Daegu Initiative (2)

- Members will implement the IAPs and conduct peer reviews at the SME Working Group Meetings.
- Members will submit a self-assessment report on the progress of SME IAP at the end of each five years of the cycle.
- At the end of the five year cycle (the end of the first cycle in 2010) SME Working Group, based on members' reports, will prepare a report on facilitating SME innovation and submit the report to SME



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Implementation Strategy of the Daegu Initiative (3)

- This cycle will repeat every five years. The areas considered by the SME IAP may be re-adjusted after each five year cycle.
- The SME Working Group may conduct the final review on implementation results of SME innovation policies by member economies at the end of the third (the final) cycle in 2020.

Summary

- Three Five Year Cycles (2006–2020)
- During each cycle
 - IAPs in selected areas during the cycle
 - Self assessment reports at the end of cycle
 - End-of-the-Cycle Reports by the Working Group
 - Reexamination of areas for the next cycle
- End of third cycle (2020)
 - Final report by the working group summarizing results from all three cycles

Development of an Assessment Framework for the Daegu Initiative SME IAP (1)

- Daegu Initiative areas of consideration and elements within each area act as both “policy advice” and “evaluation criterion”
- Growing recognition that there needs to be more detailed guideline and criteria for assessment of SME IAPs
 - What do each area and elements mean?
 - What type of answers are expected from the member economies?
 - How will the progress be measured?



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Development of an Assessment Framework for the Daegu Initiative SME IAP (2)

- APEC Innovation Center launched a project in March 2008 to provide clearer guidelines for SME IAPs
 - Provide a clearer idea on what is expected of member economies when submitting their IAPs
 - What might the final product (best practice report) may look like?



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Development of an Assessment Framework for the Daegu Initiative SME IAP (3)

- Two parts of the Project
- First part
 - For each of the seven areas, and subordinate elements in the first cycle of Daegu Initiative, provide concrete “checklist items” which the member economies should provide, and which can be used to measure progress;
 - (to be made public)

Development of an Assessment Framework for the Daegu Initiative SME IAP (4)

- Second part
 - Use these checklist items along with current IAP submissions to provide a template for the Working Group report due in 2010.
 - This report is intended to be a “trial test”
 - The template trial report will have limited distribution

Development of an Assessment Framework for the Daegu Initiative SME IAP (5)

- This seminar introduces the final versions of the checklist items for each area
 - Use these checklist items for 2010 self-assessment reports and for submitting or revising IAPs

What Should Be in the National Self-Assessment Reports?

- Ultimately up to each economy
 - Economies may choose not to follow the self-assessment template
- Self-Assessment Reports should include:
 - Self assessment based on the checklist
 - Best practices for each area (if applicable)
 - Progress made, or any other factors that the economy wants to emphasize concerning the areas in question

What Should Be Included in the Working Group Report?

- Based on IAP and Self-Assessment Reports, summarize and write:
 - Trends and comparisons between countries for each area
 - Summary for each economy
 - Best practices and lessons learned
- Test samples for areas A, C, E are available.

Terms and Definitions

- Areas
 - 7 areas defined in the original Ministerial announcement
- Element
 - Specific sub-factors dealing with each area
- Checklist item
 - What each economy should report within each element.

First Cycle

First Cycle

- Areas
 - Included in the Ministerial report
- Elements
 - Chosen by Working Group
 - Need change and reorganization
- Checklist items
 - Chosen by the IAP Innovation Center research team
 - Based on elements chosen by the Working Group

Seven Areas of the Daegu Initiative SME IAP (First Cycle)

1. Developing human resources and technology through linkage between industry and educational and research institutions
2. Access to specialist assistance and advice
3. Enhancing availability of capital to innovative SMEs
4. Networking and clustering for innovative SMEs
5. Establishing appropriate legal and regulatory structures
6. Establishing a market consistent economic environment
7. Developing methodologies for effectively measuring progress in the implementation of innovative programs for SMEs

Progress on the Daegu Initiative (First Cycle)

- Early 2006: elements for each area of the SME IAP selected
- 2006–2008: Member economies have submitted SME IAP reports each year for one or two areas
- 2009–2010: Additional submission of SME IAP reports as well as revisions and additions to IAPs expected
- 2010: Submission of first self-assessment reports, and submission of first best practice report by the Working Group

Daegu Initiative Activities: 2006– 2008

As of 14 August, 2008

- Participation in Daegu Initiative on SME IAPs
 - 14 member economies submitted IAPs for Area A in 2006
 - 13 member economies submitted Areas E and F in 2007
 - 12 member economies submitted Areas B & C in 2008
- Best practices submitted by
 - Hong Kong, Indonesia, Malaysia

	Area	A	B	C	D	E	F	G
1	Australia	O				O	O	
2	Brunei Darussalam	O	O	O		O	O	
3	Canada	O	O	O		O	O	
4	Chinese Taipei	O	O	O	O			
5	Hong Kong	O	O	O		O	O	
6	Indonesia	O	O	O	O	O	O	O
7	Japan		O	O		O	O	
8	Korea	O	O	O		O	O	
9	Malaysia	O	O	O		O	O	
10	Mexico	O	O	O	O	O	O	O
11	Peru	O	O	O	O	O	O	O
12	Philippines	O				O	O	
13	Singapore	O	O	O		O	O	
14	Thailand	O	O	O				
15	Viet Nam	O				O	O	



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Daegu Initiative: 2009–2010

- Self assessment reports should be assigned, filled out and returned
 - Likely to require experts from various ministries
- IAPs should be updated if required
 - Should reflect the new checklist and template
- Best practices in seven areas should be found and reported
 - Best practices should be in the seven areas as defined by the report template



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Checklist Self-Assessment

- Most items require self-reporting whether policies or measures exist
 - 1 = no policy or measure
 - 2 = planning to introduce policy or measure; or policy or measure exist but is not effective
 - 3 = no policy or measure required
 - 4 = policy or measure exist and is effective
 - 5 = policy or measure exist, and is best practice
- Some items have other requirements
 - Mostly reporting statistics

Example of a Checklist Item: Establishing an Appropriate Legal and Regulatory Structure

Element	Checklist Item	Evaluation Criteria	Comments
Providing Legal Support for Innovative SMEs	E-1-2. <i>Are there mechanisms to explain IPR laws to SMEs, and help SMEs make the most of rights and protection as specified in the national IPR laws?</i>	<p>1 if there are no such mechanisms;</p> <p>2 if there is such mechanisms but it has not been effective, or if such a mechanism is to be introduced in the near future;</p> <p>3 if there is no such mechanism, but SMEs already have effective access to information concerning rights and protection under the IPR laws; or if the member economy believes that no such mechanism is necessary;</p> <p>4 if there is such mechanism, and it is effective;</p> <p>5 if there is such mechanism, and it has been very effective, and can be considered APEC best practice.</p>	<p>If an economy submits a 2, explain if and when the mechanism is to be introduced;</p> <p>If an economy submits 3, explain why the economy feels that no mechanism is necessary, or why it believes SMEs already have effective access to information;</p> <p>If an economy submits 4, explain why the economy considers the mechanism to have been effective (i.e. what are the criteria for effectiveness?);</p> <p>If an economy submits 5, please submit a "best practice" report.</p>

Elements and Checklist Items for the First Cycle

Area A: Developing Human Resources and Technology through Linkage between Industry and Educational and Research Institutions

Developing Human Resources and Technology through Linkage between Industry and Educational and Research Institutions

- Human resources and technology development are the raw material for innovation. Since educational institutions are responsible for human resource development, and research institutions are responsible for research and development of science and technology, it is important to facilitate cooperation between industry and educational and research institutions

Importance of Human Resources and Linkages

- Importance of Human Resources for Innovative SMEs
 - Need for entrepreneurial spirit and skills
 - Need for science and technology skills
- Linkage between three functions
 - Education (universities), Research (institutes) and Commercial Activities (industry)
 - Leads to knowledge diffusion
 - Room for collaboration (e.g. R&D)

Elements

1. Joint research and development among university–industry–institutes
2. Patent or technology transfer
3. Utilization of human resources and research facilities in universities and institutes
4. Incentives to attract young talents to SMEs
5. Supply of human resources that meet the needs of SMEs

Joint Research and Development among University–Industry–Institutes

- Are there any targeted research collaboration programs that involve SMEs as designated participants of research projects?
- 2 Basic statistics on R&D investment flows: 1) The level of R&D investment performed by university that is financed by industry; 2) The level of R&D investment performed by university that is financed by government; 3) The level of R&D investment performed by government research institutes that is financed by industry; 4) The level of R&D investment performed by industry that is financed by government

Patent or Technology Transfer

- What proportion of issued patents is owned by SMEs (the patents issued in each member state's patent office)?
- Does the government provide special incentives or institutional supports to SMEs for patent application?
- Are there mechanisms to promote technology transfer from public research organizations to SMEs? Is there any incentive given to public organizations for licensing publicly own patents? What proportion of public/university patents are licensed to SMEs?

Utilization of Human Resources and Research Facilities in Universities and Institutes

- Are there policies that enable SMEs to consult scientists and engineers in public institutes? (including universities)?
- Are there policies that stimulate public research institutes (including universities) that open research facilities to private sector? Does government provide additional incentives if the users are SMEs?

Incentives to Attract Young Talents to SMEs

- Are there policies to promote and teach students entrepreneurial spirits and awards young entrepreneurs?
- Are there policies that stimulate SME to hire postgraduate science/engineering degree holders to increase technological competence of SMEs?

Supply of Human Resources that Meet the Needs of SMEs

- Are there dedicated education programs customized to SME requests? Is the program operated at the level of a separate department or at the level of additional courses? Does government play roles in the modification of curriculum?
- Are there government sponsored training programs that train employees to upgrade skills? (If so, are they targeted for SMEs?)

Area B

Accessing Specialist Assistance and Advice

Accessing Specialist Assistance and Advice in the Daegu Initiative

- SMEs face barriers in fully exploiting innovative opportunities due to size and capability constraints. Allowing them to gain easy and inexpensive access to specialist technical and managerial expertise should help them in getting their innovative products and services to market more quickly.

The Importance of Specialist Assistance and Advice

- SMEs may have little talent pool to draw on
 - Lack of human resources
 - Lack of capital
- Governments can facilitate and mediate between specialists and innovative SMEs
 - Personnel databases
 - Help lines

The Importance of Specialist Assistance and Advice

- Policy Imperatives
 - Find what innovative SMEs need
 - Government should act as matchmakers to find appropriate experts that innovative SMEs need
 - Give access to equipment and digitalization
 - Educate potential talent for innovative SMEs
 - Government must give good service in general

Elements

1. Accessing Technological Problems Faced by SMEs
2. Consulting SMEs' Digitalization
3. Research equipment and human resources search system
4. Expanding public service benefits
5. Innovation education for SME employees
6. Others

Accessing Technical Problems Faced by SMEs

- Does your government regularly meet with representatives from innovative SMEs, and discuss their needs?

Consulting SMEs' Digitalization (1)

- Does your economy have broadband connections widely available to your businesses? If not, is there a plan on introduce broadband connections to businesses?
 - UNCTAD ICT Statistics on:
 - Proportion of enterprises using a computer
 - Proportion of enterprises using Internet
 - Proportion of enterprises with a website
 - Proportion of enterprises receiving order over Internet
 - Proportion of enterprises placing order over Internet
 - Proportion of enterprises accessing Internet by ISDN, fixed line connection under 2 Mbps and over 2 Mbps

Consulting SMEs' Digitalization (2)

- Does your economy offer advice to your SMEs on how best to digitalize their businesses? Does your economy also offer financial and/or fiscal (tax) assistance for SME digitalization?

Research Equipment and Human Resource Search System

- What type of programs does your economy maintain for making required equipment available to innovative SMEs?
- Does your economy's government maintain a database of expert consultants who would be useful for innovative SMEs, and can innovative SMEs access that database to find experts that they need?

Expanding Public Service Benefits

- Does your economy provide consulting services for SMEs concerning technical, entrepreneurial, legal or tax issues?

Innovation Education for SME Employees

- Does your economy encourage high school and college educational programs dealing with running innovative businesses?
- Does your economy have programs to encourage SME employees to get further education?

Others

- Does your economy have any other programs to facilitate specialist assistance and advice to innovative SMEs?

Area C: Enhancing Availability of Capital to Innovative SMEs

Enhancing Availability of Capital to Innovative SMEs

- Capital is the fuel for SMEs engaged in innovation. Thus, healthy SME innovation requires adequate availability of capital, both debt and equity, for credit-worthy enterprises.

Importance of Facilitating Capital to Innovative SMEs

- SMEs face finance gap
 - Banks and investors have been more reluctant to finance SMEs – especially technology start ups in their early days
 - SMEs are higher risk
 - Information asymmetry from SMEs lack of accounting information
 - High administrative / transaction costs
 - ISME success is hard to value
 - ISMEs lack tangible assets
 - ISME products have no track record
- Room for government assistance and intervention exists

Elements

1. Providing financial incentives for innovative SMEs
2. Providing SMEs with Policy loans based on technological competence or feasibility evaluation
3. Establishing an institution dedicated to providing SMEs with guaranteed loans
4. Strengthening support for guarantee
5. Streamlining SME financing procedures
6. Considering SMEs outside policy support

Providing Financial Incentives for Innovative SMEs

- Are there R&D grant programs for innovative SMEs, and if such programs exist, what are their amounts and effectiveness?
- Are there tax incentive programs for innovative SMEs, and if such programs exist, what are their amounts and effectiveness?
- Are there public procurement programs for innovative SMEs, and if such programs exist, what are their amounts and effectiveness?

Providing SMEs with Policy Loans Based on Technological Competence or Feasibility Evaluation

- Are there policy-loan programs for innovative SMEs, and if such programs exist, what are their amounts and effectiveness?
- Are there evaluation processes of technological competence and feasibility in policy loan programs?

Establishing an Institution Dedicated to Providing SMEs with Guaranteed Loans

- Are there special SME banks or financial institutions which are established for providing policy-loans for SMEs, and if such banks or institutions exist, what are their amounts and effectiveness?

Strengthening Support for Guarantee

- Are there loan guarantee programs for innovative SMEs, and if such programs exist, what are their amounts and effectiveness?
- Are there government loan guarantee institutions which are established for providing guarantees for SME loans and if such programs exist, what are their amounts and effectiveness?

Streamlining SME Financing Procedures

- Do banks have special programs for streamlining SMEs' financing procedures, and if such programs exist, what are their amounts and effectiveness?
- Are there governmental promotion programs for streamlining SMEs' financial procedures?

Considering SMEs Outside Policy Support

- Are there government venture capital programs for innovative SMEs, which can be either direct equity financing programs or hybrid-funds with private venture capital, loans and if such programs exist, what are their amounts and effectiveness?
- Are there policy programs for promoting networks of venture capitalists, which are often called as business angel networks

Area D: Network and Clustering for Innovative SMEs

Network and Clustering for Innovative SMEs

- Networking and clustering have been shown to have positive externalities. Further, networking and clustering accelerate innovation by gathering resources, for example, specialists and experts, and allowing them to share knowledge

Importance of Networking and Clustering

- Highly competitive industrial regions attract academic and business interests
 - E.g. science parks
- In a cluster, physical resources and infrastructure can be shared and collaborations more easily considered
 - More knowledge spillovers and knowledge sharing
 - Complementary linkages can take place
- Vertical and horizontal clusters can be encouraged
- Clusters can also serve as business incubators

Elements

1. Policy for clustering SMEs by region
2. Policy for clustering SMEs by industry
3. Policy for promoting clustering SMEs
4. Strengthening network among clusters

Policy for Clustering SMEs by Region

- What kinds of policies exist that provide incentives for the regional clustering of firms? Are there policies specifically designed for facilitating regional networks between public research institutes and SMEs?
- Are there special subsidies / policies for SMEs prepared by regional governments?

Policy for Clustering SMEs by industry

- Does government pay special attention to the industrial associations comprised mainly of SMEs?
- Does government provide benefits for SMEs of local supply chain by setting up industrial districts?

Policy for Promoting Clustering SMEs

- How many public incubating centers are operated and how much resources are invested for its operation? – Please provide financial support level of government in terms of the absolute amount and relative share of funding (public/ private).
- Are incubating centers mainly located at university campuses, private sector buildings, or government research institutes?

Strengthening Network Among Clusters

- Are there policies to promote knowledge sharing between different clusters or between industrial associations (mainly comprised of SMEs)?
- Are there policies that link the SME clusters internationally? Does government sponsor international SME centers to encourage global operation of SMEs?

Area E: Establishing Appropriate Legal and Regulatory Structure

Establishing Appropriate Legal and Regulatory Structure in the Daegu Initiative

- Robust legal and regulatory structures designed to establish and enforce intellectual property rights, competition policy, and facilitate the quick and inexpensive establishment of firms are vital to all SMEs and especially important in encouraging innovation among SMEs. The absence of such structures can stifle innovation while undermining the ability of SMEs to compete.

The Importance of Appropriate Legal and Regulatory Structure

- Right legal and regulatory structure is necessary for encouraging innovative SMEs
 - IPR laws
 - Ease of entry and exit
 - Reduction of red tape
 - Fair standards and conformance

The Importance of Appropriate Legal and Regulatory Structure

- A comprehensive legal and regulatory basis to assist innovative SMEs can be useful
 - Transparent and effective legislation and regulation to assist SMEs
 - Minimize negative side-effects and undue protection
 - Encourage customers to seek innovative SME products
 - Including government procurement

The Importance of Appropriate Legal and Regulatory Structure

- It is not enough to make / streamline laws and regulations
 - Increase access of information on laws and regulations to SMEs
 - Reduce compliance costs
 - Raise compliance
 - Review and reform regulations
 - Continually seek to minimize regulatory burdens on innovative SMEs

The Importance of Appropriate Legal and Regulatory Structure

- Policy Imperatives:
 - IPR
 - Compliance with international treaties
 - Make information available to SMEs
 - Technical Standards and Conformance
 - Consideration to SMEs
 - Level playing ground for SMEs and large firms
 - Regulatory Reform
 - pro-innovation
 - Foster a level playing ground
 - Reduce regulatory burden on innovative SMEs

The Importance of Appropriate Legal and Regulatory Structure

- Policy Imperatives:
 - Comprehensive plan (including legislation and regulation) on assisting innovative SMEs
 - Measures to inform potential customers of innovative SME products
 - Market consistent economy (To be considered in the next area)
 - Competition policy
 - Ease of entry and exit
 - Market liberalization

Elements

1. Providing legal support for innovative SMEs
2. Promoting public institutions' purchases of SME products
3. Enhancing support for technically competent SMEs
4. Enhancing support for R&D Area
5. Others

Providing Support for Innovative SMEs (1)

- Does your economy have a legal definition of an innovative SME? If not, does your economy have a widely used working definition of an innovative SME?
- Are there mechanisms to explain IPR laws to SMEs and help SMEs make the most of rights and protections as specified in the national (and international) IPR laws?
- Are there processes in place to consider effects of new legislation on SMEs?

Providing Support for Innovative SMEs (2)

- How efficiently does your economy enforce private contracts?
 - World Bank Doing Business Indicator
- Does your economy have a comprehensive plan to assist innovative SMEs, and are they set in legislation?

Promoting Public Institutions' Purchases of SME Products

- Are there official processes or mechanisms to introduce innovative SME products to public institutions who may be potential customers
- Are there official rules or guidelines encouraging public institutions to purchase from SMEs?
- Are there official rules, guidelines or programs encouraging public institutions to purchase from innovative SMEs?

Enhancing Support for Technically Competent SMEs (1)

- Does the technical standards and conformance system contain provisions which give due consideration to difficulties faced by SMEs? If so, what are they? Are there any indicators of effectiveness?
- Do the technical standards and conformance authority or the SME authority offer assistance to SMEs applying for technical standards, or conformance certification? If so, what are they? Are there any indicators of effectiveness?

Enhancing Support for Technically Competent SMEs (2)

- What other support does your economy offer for technically competent SMEs?

Enhancing Support for R&D Area

- Are there support and incentives for R&D, and are SMEs eligible? If there are performance indicators for such incentives (such as amount disbursed or number of projects), report or refer to them in the report.

Others

- Does a regulatory review and reform system exist, and does it take problems of SMEs into account?
- Does the regulatory review and reform system give due consideration to the introduction of new products and processes?
- In the area of legal and regulatory structure, what other relevant measures are in place?

Area F: Establishing a Market Consistent Environment

Establishing a Market Consistent Environment in the Daegu Initiative

- Under a market consistent economic environment, innovative, efficient SMEs will have the greatest opportunities to access the resources they merit and require while facilitating firms to freely enter and exit the market.

The Importance of Market Consistent Economy

- Some controversy over whether innovative SMEs should be protected, or open to competition
- Latest research seems to show that competition fosters innovation better than protection
- Daegu Initiative:
 - Under a market consistent economic environment, innovative SMEs will have the greatest opportunities to access the required resources

The Importance of Market Consistent Economy

- How to encourage competition and innovation: “Creative Destruction”
 - Easy to start and grow a business
 - Rewards for productive entrepreneurial activity
 - Rule of law, property rights, implementation of contracts, IPR
 - Disincentives for unproductive activity
 - Incentives to keep firms innovating
 - Easy to close a business

The Importance of Market Consistent Economy

- Required:
 - Stable macroeconomy
 - Competition policy to protect SMEs
 - Market liberalization for technical diffusion, competition, and potential export markets
 - Easy entry and exit of firms to maintain competition, and free up resources

Elements

1. Strengthening Cooperation between Large Companies and SMEs
2. Facilitating Digitalization of SMEs
3. Supporting SMEs to Make Inroads into Overseas Markets
4. Facilitating SME Restructuring
5. Others

Strengthening Cooperation between Large Companies and SMEs

- Are there programs which promote partnerships between innovative SMEs and appropriate large businesses?

Facilitating Digitalization of SMEs

- Are there programs to facilitate the digitalization of SMEs?

Supporting SMEs to Make Inroads to Overseas Markets (1)

- Are there programs to support innovative SMEs exporting to foreign markets?
- How easily can innovative SMEs export their products?
 - Doing Business Indicator
- Are there programs to facilitate foreign investment (inward and outward) by innovative SMEs?

Supporting SMEs to Make Inroads to Overseas Markets (2)

- What is the level of your trade barrier? What is the simple and import-weighted average tariff rate for your economy? What is the variance of tariff rates for your economy? What is the level of non-tariff barriers for your economy?
 - Average tariff rates and their variance are available from APEC Tariff Database and APEC TILF-IAPs
 - Doing Business Indicators for Trading Across Borders (Imports) or IMF Trade Restrictiveness Indicator

Supporting SMEs to Make Inroads to Overseas Markets (3)

- What is the level of barriers for FDI for your economy?
 - UNCTAD FDI Inward FDI Indices (FDI Performance Index and FDI Potential Index)

Facilitating SME Restructuring

- How easy is it to establish and close a business in your economy?
 - Doing Business Indicator for starting a business; and Doing Business Indicator for closing a business
- Are there programs to facilitate SME restructuring in your economy?

Others (1)

- When formulating and implementing competition policy, does your economy have processes and mechanisms which consider the problems faced by SMEs in general, and innovative SMEs in particular?

Others (2)

- Did your economy maintain a relatively stable macroeconomy?
 - Five years' worth of statistics for
 - Annual CPI inflation rates
 - Unemployment rates
 - Real GDP growth rates
 - Government budget deficit
 - Prime interest rates and/or 1 year commercial paper rate for best companies (borrowers)
- In the area of establishing a market consistent economy, what other relevant measures are in place?

Area G: Developing Methodology for Effectively Measuring Progress in the Implementation of Innovation Programs for SMEs

Developing Methodology for Effectively Measuring Progress in the Implementation of Innovation Programs for SMEs

- The development of statistics and other methodologies for measuring progress concerning SMEs and innovation is required if further and more in-depth analyses of SMEs and innovation are to be made on a factual and scientific basis. In order to establish such statistics and measurements, APEC member economies may choose to develop mutually compatible definitions, so that data can be compared across members

Importance of Measuring Progress

- Narrow and broad policy evaluations
 - Narrow: measure the effect of policy / program implementation
 - Broad: evaluate the concepts, implementation process, structure and governance of the policy / program
- Four “poles” of evaluation
 - Qualitative and quantitative evaluation
 - Summative and formative evaluation
- Customer-Oriented Evaluation System
 - RIAs

Elements

1. Customer-oriented evaluation system
2. SME policy disclosure and evaluation system
3. SME policy comparing system
4. SME policy proposal system

Customer-Oriented Evaluation System

- Are there proper channel of consultation and communication involving key actors from private SME sector in order to represent SME interest from the drafting stage of SME legislation and policy?
- Are Regulatory Impact Assessments, involving key actors from private SME sector in order to represent SME interest, applied to monitoring and assessing the impact of SME support measures?

SME Policy Disclosure and Evaluation System

- Are there SME-specific single on-line portal which is dedicated to disseminating information on SME policies and allows interaction (request of information and applications by SMEs) between SME administration and SMEs?
- Are there statistics measuring innovative SMEs' activities and performances, and for evaluating SME innovation policies?
- Are there policy learning systems for SME innovation policies based on the cycles of policy experimentation, evaluations, adaptations and reviews and how effective are those programs?
- Are there SME policy implementation agencies, which is the main body for SME strategy and policy proposal, evaluation, implementation and reporting?

SME Policy Comparing System

- Are there international cooperation and benchmarking programs for SME innovation policies, which fosters learning from good practices, and how effective are those programs?

SME Policy Proposal System

- Are there on-line/off-line policy proposal systems for SMEs, and what are the number of proposals and adaptations on an annual basis?
- Are there organized-and-independent SME associations and craft associations operating at national level, which have capacity to conduct constructive and regular policy proposals on a wide range of SME policy issues, and what are their activities?

On Writing Best Practices Report

Guide to Writing Best Practice Reports (1)

- Purpose
 - Publicize your policies and their results
 - Let other economies know
- Should include:
 1. Short introduction on policy
 2. Why the policy was needed, what its goals were
 3. Details of the policy
 - How did they affect people and firms?
 4. Results of policy – How did it achieve the goals

Guide to Writing Best Practice Reports (2)

- Four Sections of the Report
 1. Introduction and Background
 - Why was the policy needed?
 2. Description of Policy and Implementation
 3. The results of the policy
 - Why is this policy considered 'best practice'?
- Should include concrete details without getting too technical
 - How it affected people – not just listing of laws and regulations
- Must be related to the areas and elements of the Daegu Initiative

Preparations for the Second Cycle

Items for Working Group to Consider for the Second Cycle

- Should the project continue?
 - Should second and third cycles be pursued?
- Should the Areas be changed?
 - To reflect changing environment for SME innovation and latest research results
- Should the elements and checklist items be changed?

Thank you !



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