



Dr. Qin Xiao
Chair, Capacity Building Working Group

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August 3, 2003

Hon. Somsak Thepsutin
Minister of Industry
Rama 6 Road, Bangkok 10400
Thailand

Dear Minister Thepsutin,

The ABAC Business Advisory Council (ABAC) recognizes the critical contribution of the micro, small and medium enterprises to economic growth in the APEC region. Through the work of ABAC's Capacity Building Working Group, ABAC continues to place a high priority on the consideration of SME challenges as we formulate our recommendations to APEC Economic Leaders.

In our interim and final report to APEC this year, we focus on the importance of promoting access by SMEs and micro-enterprises to critical resources needed to operate in a globally competitive environment. These include management skills training for SME exporters and micro-finance institutions; access to communication and information technology to source new customers and new business opportunities; and access to venture capital financing to launch and grow small businesses.

Promoting Management Skills Training for SMEs and Microfinance Institutions

Acquiring and upgrading management skills is critical to building capacity within small and medium enterprises and microfinance institutions. SME managers need ongoing training on a full range of business functions, including marketing, finance, human resource development and operations. Establishing and implementing ISO 9000 Quality System is also important for SME exporters seeking to operate in a globally competitive environment. Microfinance institutions (MFIs), which play a critical role in supporting micro-enterprises in many APEC economies, would also benefit from ongoing management skills training.

In 2001, APEC SME Ministers approved the creation of the International Network of Institutes of Small Business Counselor (APEC IBIZ) as the APEC International training and certification program for consultants, counselors, and other professionals who assist entrepreneurs.

We encourage APEC to take further steps to recognize and promote the APEC IBIZ network of small business counselors and expedite the professional accreditation of additional small business counselors throughout the region. We also invite SME Ministers to share best practices in SME management skills development – including on-line training and distant learning. Finally, we urge APEC governments to consider further measures to enhance management skills within microfinance institutions, including improved accounting and administration training.

Facilitating Access to Information and Communications Technology for SMEs and Micro-enterprises

While the application of information and communications technology (ICT) continues to expand throughout the APEC region, its adoption by micro, small and medium enterprises lags behind other sectors of the economy. ABAC believes more can be done to improve awareness and understanding of the benefits of ICT utilization amongst SMEs and micro-enterprises and assist them in developing ICT-literate personnel. The recently-approved APEC project on the development of an enabling e-MES (micro-enterprises) environment is a noteworthy step in this direction.

ABAC would like to encourage APEC SME Ministers to examine new ways of accelerating the application of ICT by SMEs and micro-enterprises, including steps to promote access to ICT information and advice; support investment in ICT; and measures to promote the adoption of ecommerce by SMEs and micro-enterprises. We continue to urge the completion of an APEC SME Portal by October 2003 as a means of providing one-stop access to information and services available to SMEs within their own economies and facilitate networking among SMEs in the APEC region.

Promoting the Development of Venture Capital for SMEs

In developed economies, venture capital has proven to be a valuable source of financing for many successful SMEs, most notably in the technology sector. Where it has yet to develop, such as in a number of emerging economies in the region, venture capital promise to be a vital spur to the growth of an entrepreneurial culture serving major social needs, including economic growth and the expansion of productive employment.

ABAC calls upon APEC SME Ministers to work closely with APEC Finance Minister to initiate a policy dialogue to identify best practices related to institutions, policies and regulations associated with the development of the venture capital industry. This policy dialogue should be undertaken in cooperation with international institutions such as the ADB, the IADB or the World Bank and with the participation of experts, policy makers, regulators and market players in venture capital industries from both developed and developing economies. Such a policy dialogue could focus on designing policies and regulations that avoid distorting economic incentives for investment and enable SME finance to evolve in free markets.

We hope that the recommendations outlined above are helpful to APEC SME Ministers and officials as you meet in Chiang Mai to consider future priorities. ABAC looks forward to an opportunity to elaborate on these priority areas – both in Chiang Mai and in the coming year.

Yours sincerely,



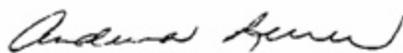
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