



18 July 2013

## His Excellency

**Dr. Syarifuddin Hasan**

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

Dear Minister Hasan:

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

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

On our second priority, **ABAC has prioritized the need for new policy development to promote sustainability of businesses, in particular in access to finance.** SMMEs are recognized as the drivers of economic activities in the APEC region and easing SMMEs' access to trade finance is crucial for their growth. ABAC is concerned that the application of current Basel III regulations will have negative impact on the availability of trade finance, cost of finance, and the behavior of the banking sector in lending for SMMEs. We recommend that regulators review the risk, loss given default (LGD) of trade finance and the impact of these regulations. Transparent credit information systems are also important to expanding affordable credit to SMMEs in the region. Economies must work together to ensure regulatory regimes do not hinder cross-border credit information flows. Common accounting standards such as International Financial Reporting Standards (IFRS) have the potential to enhance the development of capital markets in the APEC region. APEC Ministers should support dialogue on these standards as part of the Asia-Pacific Financial Forum (APFF) to align IFRS principles with the interests of SMMEs.

**Angel and venture capital financing** provides a viable alternative to traditional lending as it provides seed capital for early start-ups and acts as a business angel for high-risk growth sectors. ABAC urges APEC economies to encourage private individual investors (angel and venture capital) to get involved in funding SMMEs by creating an enabling regulatory environment and introducing support programs, including tax credit and matching funds with a view to reduce, ease or eliminate restrictions and

barriers to investment in risk capital. This will also involve providing end-to-end assistance to small scale start-up companies to develop and grow. ABAC recommends that interested economies and multilateral institutions collaborate with ABAC and interested private sector firms to **develop an APEC fund-of-funds for seeding and growing a private sector-led venture capital ecosystem in the Asia-Pacific.**

For 2014, ABAC will develop an **APEC Framework for SMME Financing.** The framework will cover the overall financing ecosystem for SMMEs and focus recommendations on angel and seed funding, venture capital, bank lending, collaboration and government support policies.

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

**Finally, ABAC is committed to further promote the participation of women and young people in business which is indispensable in achieving sustained economic growth and development.**

In this regard, ABAC is preparing a Report on Women and the Economy to convey the interests of the business community to leaders and policy makers. This Report, which will be presented at the Women and the Economy Summit as well as at the APEC CEO Summit in Bali, will cover issues such as: (a) ABAC's potential to contribute to the policy discussion; (b) the need to collect economic data and measure performance; (c) the impact of encouraging women to pursue STEM (science, technology, engineering, mathematics) education; (d) factors that promote success for SMMEs owned by women, and (e) steps companies can take to facilitate a diverse workforce. Also, ABAC believes on the role of youth as a crucial source of innovation and entrepreneurship. We applaud the successful holding of the Second APEC Young Entrepreneurs' Summit (YES). Under the theme of “Care, Share, Inspire”, it sought to brief young entrepreneurs on useful tools for their businesses' development and to share successful entrepreneurs' testimonies with them.

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

Yours sincerely,



**Wishnu Wardhana**  
ABAC Chair 2013