



# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Document: AGFSCB 30-048  
Draft: **FIRST**  
Source: ADFIAP  
Date: 25 October 2010  
Meeting: Yokohama, Japan

## **Fourth Meeting 2010**

10 November 2010

10:15 AM – 12:15 PM

Seiryu I/II, Yokohama Bay Sheraton Hotel & Towers  
Yokohama, Japan

## **Meeting Paper 5-B** **ADFIAP Paper**

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)



## THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

**Fourth Meeting 2010**

10 November 2010

10:15 AM – 12:15 PM

Seiryu I/II, Yokohama Bay Sheraton Hotel & Towers  
Yokohama, Japan

### PAPER OF ADFIAP FOR THE SESSION ON “OUTLOOK FOR ONGOING INITIATIVES: SME FINANCE”

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) <http://www.adfiap.org/> is the focal point of development banks and other financial institutions engaged in the financing of development in the Asia-Pacific region. Its mission is to advance sustainable development through its members. Founded in 1976, ADFIAP has currently 119 member-institutions in 43 countries and territories. The Asian Development Bank is a Special Member of the Association. ADFIUAP is also a founding member and currently Secretariat of the 328-member, 154-country World Federation of Development Financing Institutions composed of regional associations in Africa, Asia-Pacific, Latin America and the Middle East. ADFIAP is an NGO in consultative status with the United Nations' Economic and Social Council. ADFIAP's headquarters is in Manila, Philippines.

**ADFIAP Consulting (AC)** is ADFIAP's service unit that provides advisory and business development services to its members and other institutions in pursuit of sustainable growth. Its vision is to be the preferred project adviser and manager, capacity builder and advocate on sustainable development financing. AC's mission is to enhance the capacity and sustainability of its clients through its extensive development work experience and strategic alliances. AC capitalizes and builds on the wealth of experience, network and partnerships of the Association through its 33 years of existence. AC uses a team approach in its engagements whereby support is provided by consultants to ensure client satisfaction and project performance. The three-pronged approach – vision/mission, shared values and distinctive competencies – are intertwined in this approach.

ADFIAP's current activities are directed towards providing a platform for financial inclusion initiatives at the operational level, focusing on how to bridge the financing gap between small and medium enterprises (SMEs) and Financial Institutions (FIs) by addressing: (1) what interventions SMEs need in order to succeed and become bankable; and (2) what role the banks and development finance institutions (DFIs) should play in advancing financial inclusion of SMEs in Asia and the Pacific region.

ADFIAP's strategy in pursuing the aforementioned catalytic role is "*development by partnership*" wherein it capitalizes and harnesses the strengths of like-minded institutions and works in a concerted effort with and through them to transform its financial inclusion advocacy into reality.

Along this line, the following project and partnerships have been forged:

### **1. Sustainable Program for SMEs**

ADFIAP's partnership with the Financial Executives Institute of the Philippines (FINEX) and Eastern Communications (EC) to provide a "*Sustainable Program for SMEs*" with the ultimate objectives of: (a) access to finance; (b) financial governance and (c) operational excellence.

FINEX was founded to enhance financial management in the country by upgrading and standardizing the financial executive's skills and functions as well as to learn and apply more effective financial concepts appropriate for the different business sectors in the Philippines. Its specific mission is to build strong financial leaders and be the catalyst for change and innovation in finance, and foster fidelity to high ethical standards and commitment to excellence. One of FINEX's advocacies is to enhance the financial and business capability of SMEs.

EC provides fast, reliable connectivity as well as business management solutions to the growing SME sector. EC offers technology that enables SMEs to organize, automate, and synchronize critical business processes such as [sales](#), [marketing](#), pricing, inventory management, service delivery, [customer service](#), and [technical support](#) to enhance their operational efficiency, which is one of the requirements of banks in order to access finance. This technology is now being used in Singapore, Malaysia and Indonesia.

The growth of SMEs and their contribution to the economy is dependent on acquiring affordable resources, financing, skills and talent. While the Government may lay out plans for the sector's development, it may not have the resources to implement them. As such, there needs to be some collaboration between the private sectors and Non-Government Organizations (NGOs) to address the growing needs of the SME sector.

The conduct of the *Sustainable Program for SMEs* will redound to the following benefits to the Sector:

- Acquisition and development of knowledge, training, skills, business-enhancing tools, funding and market opportunities;
- Coordination of the supply and demand of resources for SMEs to leverage scale and secure better quality and lower prices for their resource requirements;

- Networking programs that would enable fledgling entrepreneurs to launch viable businesses and even become mainstream suppliers, distributors or subcontractors of larger enterprises;
- Training on financial management and operational best practices;
- Cost effective productivity tools for marketing, selling, inventory management, pricing, billing and collection, systems administration and project management;
- Access to financing

This joint effort will also directly benefit the partners, ADFIAP, FINEX and EC since it will provide a source of insights on the emerging needs of SMEs which can help guide in their innovation programs.

## 2. **SME Financial Inclusion Program**

ADFIAP's partnership with the Asian Bankers Association (ABA) and the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) entails the conduct of a series of seminars on *SME Financial Inclusion*.

ABA is one of the service councils of CACCI which aims to provide a forum for advancing the cause of the banking and finance industry in the region and promoting regional cooperation through policy advocacy, information program, professional development program, relationship with other bankers' associations like ADFIAP, and other regional organizations. ABA's membership includes some 100 of the leading banks from 23 countries in the Asia-Pacific region.

CACCI is a regional grouping of apex national chambers of commerce and industry, business associations and business enterprises in Asia and the Western Pacific. It is an NGO serving as a forum for promoting the vital role of businessmen in the region, increasing regional business interaction and enhancing regional economic growth.

The proposed seminars will provide a holistic approach to access to finance by SMEs, to be conducted by expert resource speakers from ADFIAP. The key objective is to provide knowledge and techniques on how SMEs can access formal finance through an innovative business management system that will increase lending to SMEs and a new technology that will enhance the financial and operational efficiency of SMEs. It will be done in a road show format for efficiency and wider reach, targeting the ABA/CACCI membership as participants.

## 3. **SMART Cebu Project**

This project involves ADFIAP's partnership with the CFIF (Cebu Furniture Industries Foundation, Inc.), Cebu FAME (Cebu Fashion Accessories Manufacturers and Exporters), Cebu GTH (Cebu Gifts, Toys and House Wares), ECCP (European Chamber of Commerce in the Philippines), EFA (Effizienz Agentur NRW) and SEQUA gGmbH under the European Commission's SWITCH Asia-Programme, in the implementation the SMART Cebu project, which stands for "*SMEs for Environmental Accountability, Responsibility and Transparency*".

The project aims to increase the competitiveness of SMEs in three sectors (fashion accessories, furniture and furnishings, and gifts, toys and house wares) in Cebu in southern Philippines by implementing and marketing cleaner production in compliance with the standards of sustainable consumption and production (SCP). Re-directing these

sectors to the SCP principle of “*Green Business is Good Business*” is a way to draw cleaner production processes and develop business strategies to capture new markets and consumers leading the sectors towards a more sustainable growth.

In this project, access to finance has been cited as one of the constraints of SMEs to go “green”. Moreover, there is a very low level of appreciation of SCP principles among SMEs, the financial sector and the local government units. It is in this context that ADFIAP will play a catalytic role in facilitating SMEs’ access to finance such that financial institutions will be convinced to develop financing schemes and have a wide array of credit facilities for SME financing particularly for “green” projects. ADFIAP shall initially conduct SCP awareness briefings for financial institutions in the Philippines and eventually to member-institutions in other countries, to have a better appreciation of the SCP principle and consequently apply it in their operations.

ADFIAP’s “*development by partnership*” strategy is an efficient, effective and extensive vehicle in support of APEC’s financial inclusion initiatives. ADFIAP’s unique intervention is in its ability to bring together and work in a concerted effort with both SMEs and financial institutions in identifying and analyzing deterrents to accessing finance and providing tenable solutions based on best practices in the Asia-Pacific region.

---o0o---

**Nota Bene:** Aside from the above-mentioned programs, ADFIAP is currently working with the following:

- Philippine Department of Finance on a country program involving an international operational dialogue with key stakeholders on SME financial inclusion for APEC.
- International Trade Centre based in Geneva and the International Institute for Trade and Development based in Bangkok on the setting up of an apex organization, the “Asia and Pacific SME Finance and Knowledge Regional Centre”, that will respond to the specific needs of SMEs in the region to make them bankable.