

CACCI SME NEWSLETTER

Inaugural Issue

June 2010



*Mr. George Abraham
Chairman, SME Development Council*

Message from the SME Development Council Chairman

Dear CACCI members and friends,

On behalf of CACCI SME Development Council members, it gives me immense pleasure to present the inaugural issue of the CACCI SME newsletter with contributions from member countries. I am also pleased to report that we received responses from five countries to the Survey on SME's. As this represents only 20% of the CACCI membership, we hope more member countries will respond.

The importance of SME's and their critical contribution to economic growth, social cohesion, employment and local development has been reaffirmed several times. It is also recognized that globalization has brought with it a new competitive environment and hence new requirements for sustained competitiveness and cooperation on the part of firms everywhere. The SME's have a great opportunity to become internationally competitive and to penetrate the global market if they successfully network with the CACCI members.

George Abraham

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PHILIPPINES

Philippine Chamber of Commerce and Industry SMED Program - PCCI Virtual SME Center



It has been acknowledged worldwide that the micro, small and medium enterprises (MSMEs) play a

significant role in the development and economic growth of a country. MSMEs are powerful force for poverty reduction. A dynamic SME sector can galvanize an entire economy by creating jobs and spurring growth.

However the development of MSMEs is impeded by several constraints, including but not limited to, limited access to the banking sector, low levels of professional and management skills, market access constraints and lack of access to relevant information.

While there are a lot of information available to help address the needs of MSMEs, these are not readily available. This is where the virtual SME Center anchors.

The PCCI Virtual SME Center is envisioned to be a repository and dissemination facility of relevant and updated information for micro, small and medium entrepreneurs and interested parties. It contains business support services in the areas of marketing, information communication, technology, financing, and human resource development.

Services

Business Advisory

Connects entrepreneurs to people, information and business resources to enhance competitiveness and profitability.

Professional managers, trained advisers and specialist from various organizations are available to help develop SMEs into more competitive and transformed firms. They shall

- Assist in identifying and removing potential barriers to continued growth.
- Direct entrepreneurs to key marketing and export resources and help firms become export-ready.
- Help export-ready firms increase or diversity exports by identifying international market opportunities.
- Help entrepreneurs forge partnerships with leading financial sources and other professional services.
- Provide public and private-sector information and contacts to deal with growth-related issues.

- Help identify and overcome potential barriers to continued growth.
- Identify support for new technology
- Provide opportunities to develop new business and strategic alliances.
- Identify innovative growth firms; provide advice, information, and linkage to other service providers.

Market

Entrepreneurs gain access to business opportunities and information of business organizations and government agencies that can assist them market their products.

PAKISTAN

Overview of SMEs in Pakistan



By: Mr. Tariq Sayeed, Immediate Past President SAARC CCI, Former President FPCCI

According to the recent Census of Establishments conducted by the Federal Bureau of Statistics (FBS) there are about 3.2 million economic establishments in Pakistan. Out of these small and medium size enterprises (with employment base up to 99) constitute about 90% of all private enterprises employing

approximately 78% of non-agriculture labor force. SMEs contribute over 30% to GDP, 25% in export earnings besides sharing 35% in manufacturing value addition.

SMEs in Pakistan are owned by the Private Sector and over 60% constitute family enterprises. This has been identified as one of the basic reasons for low-level of SMEs development, below potential production and value addition. Nevertheless, efforts are being made for technological upgradation of SMEs through transfer of technology and more focus on value addition. Economic indicators clearly reveal the importance and potential of the SME sector in the national economy. This realization led the Government of Pakistan (GoP) to identify SMEs as one of the four pillars of economic revival plan laid out in 1999- 2000.

SMEs Policy

The Government of Pakistan has persuaded a proactive SMEs policy based on innovative measure like cluster development, integrated SMEs Networks, Free Economic & SMEs zones etc. Pakistan has established Small and Medium Enterprises Authority as a facilitating agency to SMEs development in the country by providing both technical and financial assistance.

In order to devise a basic framework for the growth and development of SMEs the Government of Pakistan constituted a Task Force for SME Policy Development in January 2004 under the chairmanship of Secretary, Ministry of Industries, Production and Special Initiatives. The Task Force, comprising of Government officials and major private sector stakeholders, was established with the following objectives:

- Achieve discrete policy and regulatory space for SMEs along with identification of key areas for reforms

concerning laws, regulations, and programs.

- Develop SME Policy identifying roles of Federal, Provincial and Local Governments and private & public sectors in SME sector development.
- Define principles of SME support and set priorities.
- Institutionalize SME support to ensure regular information sharing among Federal, Provincial, Local Governments and SMEs.
- Propose detailed processes and time bound action and resource requirement for SME sector development and support programs.
- Propose separate economic indicators to institute monitoring and evaluation mechanisms for SME Policy and Programs.
- Propose a National level Authority to coordinate activities for SME development.

The Task Force further constituted four Working Committees to deliberate upon the areas of i) Business Environment ii) Access to Finance & Related Services, iii) Access to Resources & Services and iv) SME Definition, Feedback & Monitoring Mechanism.

Some of notable challenges faced by SMEs in Pakistan include:

- Low level of spending on R&D which create problems like lacking in manufacturing of innovative, value added and competitive goods and products
- Inadequate measures for investment strategies, privatization process or restructuring of the corporate sector have not been taken in right direction, which are major causes for heavy distortion in the society, employment opportunities, distribution of income, and demand-supply gaps in the commodity markets.

- Lack of fiscal resources and access to finance, resulting in inadequate infrastructure for Industrial units
- Low level of investment in areas of training, infrastructure development for SMEs, which has caused backwardness in technological advancement.
- Inadequate supply chain Mechanism, which leads to increase in cost of production and cost of doing business

The other difficulties include skilled labour, improper knowledge, Government interference, and availability of Raw Material at high cost, license for work etc, which have been identified as major hurdles in the promoting of SMEs.

Role of Private Sector towards SMEs Development in Pakistan

To meet these challenges and to develop SMEs, the Federation of Pakistan Chambers of Commerce & Industry has established Standing Committee on SMEs Development, which aims at encouraging and promoting of SMEs and suggests compatible measures for policy formulation at national level.

The Focused areas of SMEs Standing Committee of FPCCI include

1. To urge the Government to ensure encouragement of HR Development for the people of lower and middle class and accessibility to social opportunities blocked by variety of structural impediments causing perpetuated poverty and economic disparity in the country.
2. To work for establishing and upgrading the industrial structure and setting up of economic clusters suitable to local environment.
3. Accelerate the skill development to meet the latest technological

requirement. Special focus on the technical education & training programs with the collaboration of TEVTA.

4. Ensure to control of rising cost of input, high interest rates and unavailability of the working capital.
5. Build and strengthen the monitoring capabilities of the society at large and especially for the money lending institutions to develop the sustainable SME sector with the active involvement of the trade & Industry sector.
6. To urge the Government for active participation of Private Sector to increase productivity, value-addition of products through hi-tech processes.
7. To help SMEs in access to finance and related services, establishment of specific support funds for SMEs, establishment of credit guarantee fund & credit insurance fund, expand the role of SME banking and also establishment of SME financing credit
8. Fund with lowest mark up of 6% to 7% and 5% on micro-financing.
9. To suggest measure for adoption of SMEs friendly Prudential regulations
10. To help the Government for establishment of industrial Zones for SMEs while ensuring availability of basic utilities at competitive rate
11. To identify problems faced by SMEs and suggest measures to mitigate them

On account of enormous contribution of SMEs in all economic spheres of life, SMEs development has been one of the priority matters for Government of Pakistan and Private Sector of the country as well. In the present era of globalization, the responsibility of economic development has largely been shifted from Government to Corporate Sector, which has become more

active players for promotion of SMEs in Pakistan. and Private Sector of the country as well. In the present era of globalization, the responsibility of economic development has largely been shifted from Government to Corporate Sector, which has become more active players for promotion of SMEs in Pakistan.

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RUSSIA

Russian Agency for Small and Medium Business Support



By: *Mr. Viktor Ermakov, Chairman of the CCI RF Committee*

HISTORY

The Russian agency for small and medium business support was established in 1992 under the initiative of the Russian Federation Government and with support by the Know-how Fund of the United Kingdom Government.

The Russian Chamber of Commerce and Industry, the Plekhanov Academy and a group of big industrial enterprises are among the main shareholders of the Russian agency.

Since its establishment the Russian agency has been successfully operating on the consulting services market.

The Russian agency has been certified by the French company AFAQ in accordance with the requirements of international standard ISO 9001: 2000 since 2004.

ACTIVITY SECTORS

The main activities of the Russian agency are related to provision of a wide range of consulting services for SMEs in Russia and setting business links with Russian and international partners.

Russian agency is actively involved in the development of SMEs support infrastructure, establishment of inter-regional and international business information exchange among SMEs.

The Russian agency experts support enterprises in Russia and abroad in solving economic, financial, legal, organizational and management issues.

RUSSIAN SMALL & MEDIUM ENTERPRISES

THE FEDERAL LAW ON SMALL & MEDIUM ENTERPRISES

Since January 1, 2008 a new Law on small and medium business has come into force, providing new criteria which differentiate SMEs:

- *Micro enterprises* – up to 15 employees and annual sales revenue excluding VAT up to 60 million rubles;
- *Small enterprises* – up to 100 employees and annual sales revenue excluding VAT up to 400 million rubles;
- *Medium-sized enterprises* - from 100 to 250 employees and annual revenue from

sales excluding VAT up to 1000 million rubles.

This law makes it possible to ensure comparability of the development indicators of this sector in Russian economy and those of other developed countries.

CURRENT SITUATION

According to the Federal State Statistics Service and the Federal Tax Service the Russian Federation data presently there are 1 065 016 micro enterprises, 227 706 small enterprises, 17 486 medium enterprises and 3 882 155 individual entrepreneurs. The Russian small business employs more than 10 million people in total. The contribution of goods produced by SMEs to the total GDP rates at 21%, which is 3 - 4 times less than in developed countries; the share of innovative business is about 1%.

In general, the contribution of SMEs can be described by the following indicators: it represents a fifth part of GDP; every sixth citizen of Russia is employed in the economic sector (every fifth considering private entrepreneurs); two of every five companies are small enterprises.

The segment structure of the small business in Russia (keeps being almost unchanged over the past few years) encompasses the following spheres:

- trade – 45%;
- service provision – 22%;
- manufacture and construction – 22%;
- transport and communications – 5%;
- hotel business / agriculture/ forestry – 2% each.

SMALL & MEDIUM ENTERPRISES IN RUSSIA – AS EXPECTED IN 2020

The expectations regarding the development of the small and medium business in Russia in 2020 are as follows:

- About 6 million economic sector players; 50-60% of the Russian GDP, with innovation business share to grow up to 7 - 10%; industry towns, 2 billion – support for SMEs in exporting high-tech products.

DIRECTIONS OF THE STATE PROGRAMME FOR SMALL AND MEDIUM BUSINESS SUPPORT

The major directions of the small and medium business support contain:

- Creation & development of SMEs support infrastructure (business incubators, industrial parks etc.);
- Support of SMEs producing goods (services) for export;
- Development of SMEs credit (financial support) system;
- Creation and development of infrastructure aimed at SMEs support in scientific-technical sphere;
- Support of clusters, youth and innovation entrepreneurship;
- Support & development of Enterprise Europe Network Russia, Module A;
- Implementation of other activities to support and to develop SMEs.

SMEs SUPPORT INFRASTRUCTURE

As for the SMEs support structure, the following should be pointed out:

- Grants for start-ups are provided in 66 regions;
- Microfinance operations are held in 43 regions;

- Guarantee funds are created in 67 regions (covering up to 70% of credit amount in total);
- Credits' interest subsidies are put into practice in 76 regions;
- Office renting funds for SMEs are created in 60 regions;
- Business incubators for start-ups are created in 75 regions;
- 23 regional venture funds have already invested 2 billion rubles.

STATE SUPPORT FOR EXPORT ORIENTATED SMEs

The special program of the Ministry for Economic Development of the Russian Federation (since 2005) is aimed at support of export oriented SME through:

- compensation of a part of their costs dealing with:
 - certification (obligatory requirements);
 - participation in fairs / exhibitions;
 - interest rate for export credits;
 - individualization of a legal entity (branding);
 - protection of intellectual property abroad.

SME COMPETITIVENESS

SME's competitiveness increases in case:

- it applies modern innovate technologies;
- it has an international partner / founder;
- it applies foreign imported equipment or licenses in production;
- a company is involved into export activities;

Export is a natural educating mechanism that makes enterprises constantly improve their competitiveness using different methods, including implementation of innovations.

The average world indicator of the SMEs export rates up to 15% of the total amount of exported products. In Russia this figure is less than 5%.

EUROPEAN BUSINESS INNOVATION NETWORK

EURO INFO CORRESPONDENCE CENTER

Euro Info Correspondence Center was founded by the European Commission in 1987 for maintenance of business information of the SMEs and establishment of contacts with potential partners in other countries. The general official network is represented by more than 300 Euro Info Centers in 50 countries of the world in the year of 2007. Euro Info Correspondence Center has been operating on the basis of the Russian Agency of Small and Medium Business Support since August 2007 actively supported by the Ministry for Economic Development of the Russian Federation within the framework of the State SMEs development program. The Agreement between the Russian Agency of Small and Medium Business Support and the General Directorate on Industry & Entrepreneurship of the European Commission was signed in July 2007.

ENTERPRISE EUROPE NETWORK

European business innovation network (EEN) – is a new common European network of the business and innovation support, which official presentation took place on February 7, 2008. It is represented in 40 countries, including 27 countries of the EU with 600 organizations as contact points and 4000 persons of the skilled staff. The budget is 320 mln. € for the 2008-2013 period.

GATE TO RUSSIAN BUSINESS & INNOVATION NETWORKS (Gate2RuBIN)

In order to create an official agent of Enterprise Europe Network in Russia a project called "Gate to Russian business and innovation networks» (Gate2RuBIN) has been launched.

Gate2RuBIN is a Russian consortium between:

- Russian Agency of Small and Medium Business Support,
- Russian union of the innovation and technology centers (RUITC),
- Russian technology transfer network (RTTN).

The contract with the EU commission was signed in June 12, 2008.

In order to make the work of Enterprise Network Russia, Module A more efficient a number of regional offices have been established in Russia on the basis of Chambers of Commerce and Industry. Enterprise Network Russia, Module A is supported by the Ministry for Economic Development of the Russian Federation.

ENTERPRISE EUROPE NETWORK RUSSIA

The main target of Enterprise Network Russia is providing SMEs with free information-consulting support and assistance for successful development of mutually beneficial external economic cooperation with business partners from the EU countries.

The goals of Enterprise Network Russia are:

- dissemination of information on the EU, its targets and goals, current policy and development strategy;
- providing information on markets demands;

- providing any sort of business information at the request of the EU and Russian enterprises;
- assistance in establishing business connections;
- analysis of difficulties and problems, recommendations on harmonization of forms and measures of the government support of international cooperation between SMEs in the Russian Federation and the EU;

RESULTS OF ENTERPRISE EUROPE NETWORK RUSSIA ACTIVITY:

- Russians companies acquainted with services of the Enterprise Europe Network Russia, Module A – about 1500;
- European companies acquainted with inquiries and offers of the Russian companies – more than 2500;
- Consultations on markets opportunities for European and Russian companies – about 500;
- Regional network Enterprise Europe Network Russia in 32 regional centers;
- Participation / organization of events – more than 120 (Conferences, seminars, round tables, trainings of a regional network, business forum with European companies, etc.)

ENTERPRISE EUROPE NETWORK RUSSIA ACHIEVEMENTS:

- The contracts signed with assistance of the Enterprise Europe Network Russia between Russian and European SMEs – 5;
- Memoranda of understanding signed with assistance of the Center on between the Russian and European companies – about 350;
- Enterprise Europe Network Russia is among the first 5 of the most active users of internal European

information system and its database (from 46 countries).

Nothing is permanent except change.

Change is a continuing process -- not an event

TAJIKISTAN

"Chamber of Commerce and Industry of the Republic of Tajikistan serves as the original bridge between foreign investors and our businessmen". Emomali Rahmon, President of the Republic of Tajikistan.



This article was contributed by Chamber of Commerce and Industry of the Republic of Tajikistan

Against the background of revived interosculation interests of the state and business by more and more significant vector of Chamber of Commerce and Industry of Republic of Tajikistan's activity to render an assistance for domestic

small and medium business, attraction of potential business on enhancing economic and mutual benefit ties with international business community.

The message "On cooperation" by Chamber has been sent to 500 addresses of 180 countries of the world - members of the United Nation. Today CCI RT inked more than 450 agreements & MOU with CCI countries abroad and providing interaction on direction of training of the enterprise staff, facilities inward and outward investment missions, trade promotion through fair, trade missions, an information exchange concerning the nomenclature of export and import, etc. Its mission the Chamber can see in supporting of business-structures. The wide experience is saved up by this institute and stable business relations with foreign partners are established.

Throughout 50 years, CCI RT's activities have become the solid organization consolidating enterprise community, solving interaction issues of business circles with authorities. The Chamber's capacity & list of services are permanent increased. By means of CCI it is possible to find potential partners in Tajikistan and abroad, issuing certificates of origin, disseminate up-to-date business information and opportunities, consultation services on business, financial and to legal issues.

Leaning on rich traditions and world experience of business, the Chamber being an authoritative national business centre, joint efforts of 500 interested large, small and medium companies, the individual businessmen having resources and skill to organize negotiations, to do inquiries and offers, conclude a treaty and be responsible for deliveries, and also the enterprises focused on joint activity.

CCI RT implements its functions on development of market relations, viz -

represents and protects the rights and interests of the businessmen which are conducting their businesses within the framework of the law. A priority task is expansion of CCI members, strengthening of communications between its members, providing accessible & transparent medium for development of SME.

CCI RT has issued regular new CD-disk "Business-guide - 2010". This CD-disk includes the data on legislative base, bank, tax, customs, system, water-power engineering, mining, chemical, light industry, mechanical engineering, transport, communication, the building industry, tourism and other spheres of economy, the information on privileges for investors, 600 enterprises, 287 investment projects, brief profile of CCI RT members.

Under the Chamber there are variety of institutions functions such as Association of bar-code "GS1-Tajikistan", Center of legal support on development of permanent operating institutes of Arbitration court and International commercial arbitration. A number of the international conferences and republican seminars about a role and importance of International institute of commercial arbitration on protection of business interests are conducted.

Organization on conducting of trainings and courses on arbitrators training are assisted by estimated Chamber. In Tajikistan in April 3rd, 2010 Chairman of Commerce and Industry of the Republic of Tajikistan Said Sharif stressed on necessity to pass the law on the International commercial arbitration in RT with the purpose of development business and attraction of foreign investments in National conference on development of the International commercial arbitration,

Over the last 20 years independence of Tajikistan the authority of Chamber promotes formation of positive business

image for the Tajik entrepreneurs. The website www.tpp.tj serves as one of the tools to maintenance permanent communication between CCI RT with the members - subjects of business, and foreign partners.

With CCI's assistance more than 300 domestic businessmen participated in the international exhibitions and the fairs held in Russia, Turkey, Iran and Pakistan, India, Egypt, Syria, China, Taiwan, Afghanistan, etc.

Support of small and medium businesses is a question of vital importance for Chamber. On behalf of national businessmen CCI RT undertook to become a link between entrepreneurs and authorities. The chamber has joined in realization of the priority national projects which have been put forward by the President of Tajikistan Emomali Rakhmon. Participation of CCI RT members on their practical realization is under permanent careful consideration.

It is possible to consider as the greatest success that dialogue between business and authority has been begun. An impulse has been served by the meeting of the Head of the state with domestic businessmen in December, 2007. The President of Tajikistan Emomali Rahmon has responded to references of businessmen, having declared up to the end 2010 the moratorium on revision of SME from tax and customs bodies, the state financial control and services on struggle against corruption. The head of the state has emphasized necessity of economy reform and its integration into system of the world market. In the same vein the important role belongs to a private sector.

One of effective mechanisms became the Advisory council on improvement of an investment climate under the President of Tajikistan which structure composed of representatives of a private sector and experts of the international financial

organizations that on a regular basis considers the questions connected with development of small and medium business.

Changes have occurred not only in relations of authority with business, but also between businesses - associations. It is promoting creation of Coordination advice business-associations and public associations of Tajikistan and the Union Business-associations of Sughd region, the Center on support and development of business, the Union of businessmen and exporters of Tajikistan, National association of women-businessmen "Kadbonu", Association of businessmen ACOT - members of CCI RT which began to act as the uniform voice on dialogue with state entities. This action witnessed to a vital role of Chamber's members - subjects of business in an economic and social life of the country. Therefore formation of the favorable business medium is important as for successful activity of subjects of small and medium business, and for development of economy as a whole.

Law RT "On the state registration of legal persons and individual businessmen " has simplified procedure of registration by a principle "Uniform window". The Value-added tax (VAT) is reduced from 20 % to 18 %, and the profit tax - from 25 % up to 15 %. For the tax bearers working on simplified system, the limit of size of the regular income is raised from 600 up to 800 thousand somoni.

A number of the barriers are finally eliminated, faced to changes of enterprise activity - small credits are more accessible, the system of import and export of goods and system of certification was improved. With the purpose of development of a private sector, improvement of the business medium and attraction of investments for the period till 2015 adopted the National strategy of development, Strategy of development of a private sector, the

Concept of development businesses directed on enhancing of business, reduces unemployment and provide new workplace, rise of income, and also reduction of poverty.

The statistics of last years testifies that the number of subjects of small and medium business grows in Tajikistan. SME sector covers the increasing part of the employed citizens, creating a vital share of gross national product of the country. According to tax bodies RT, the aggregate number of subjects of small and medium business makes about 130 thousand, including more than 121 thousand subjects of small business (in view of individual businessmen and "dehkan" farming) and 8300 subjects of medium entrepreneurs. In comparison with 2008 the number of subjects SME has increased for 12 % (on 15.01.2010) .

During the course of 2007-2009 over 113 thousand new workplaces are created by a private sector and subjects of SME also due to increase the number of individual businessmen - more than 16 thousand and other forms of managing - 97 thousand workplaces. Only due to the budgetary funds the Ministry of Labour and Social Protection of Population of Republic of Tajikistan provided benefit in the form of credits for unemployment citizens to the beginning of enterprise activity, in that way it is created more than 7 thousand new workplaces. Moreover privileges for import of modern industrial technologies are given to individual and legal persons.

The concrete measures are assumed on alteration and supplement to the law of RT and the Tax code of RT including "On joint-stock companies", "On Ltd.", " On the state registration of legal persons and individual businessmen ", " On microfinancing ", " On bankruptcy ". The Plan of additional anti-crisis measures for the short-term period and the Program of improvement of an enterprise climate - 200 days of reforms is

accepted. The Interdepartmental commission on support of the Tajik commodity producers and protection of domestic market is established. With a view of simplification in licensing system, the President of RT issued an edict "On reforming system of licensing in Republic of Tajikistan" for this implementation the special state commission is organized. This process tend will promote the enterprise activity, protection of the rights of businessmen and investors, tax system development and other normative-legal documents.

The implementation of the Law adopted in 2006 " On revision of economic entity activity in Republic of Tajikistan ", has helped enterprise sector to save considerable expenses. It is result of legal reform in sphere of stimulation and efforts of the Government on reforming system of revision. Lately owing to alteration and supplement to the Law "On protection and the state supporting of business in Republic of Tajikistan ", could provide of necessary legal conditions and considerably to assist the activation of SME.

At a meeting of the President of Tajikistan with national businessmen (on 15.01.2010) to raise a question on legal support of businessmen. The government accepted the Plan of special actions, and today a course of their performance is under the rigid control. Over the last years particularly the activity on import of the industrial and technical equipment, pharmaceuticals, and also rendering of services in sector of formation and construction of HYDROELECTRIC POWER STATION are released from payment of the VAT and the customs duties.

Incidentally, the successes reached by Tajikistan on development business-medium are marked in reports of the World Bank. Our country has entered in ten countries-leaders in connection with conduction of

economic reforms, and its enterprise rating has risen on 12 items. Tajikistan is awarded the special premium of the World Bank on business.

Corresponding state structures are committed to arrange the preparation of the professional enterprise staff and to open courses and schools of business at all institutions of higher learning of the country. In the judgment of the President of Tajikistan Emomali Rahmon highlighted " in economic policy of the state we should marked comprehensive support of the enterprise's initiative. From the point of view of legal, we should create a business climate in which each businessman could rely on protection and support of the state " .

In fact the SME can become the main resource of social and economic development of the country. And the Chamber of Tajikistan is interested in prospects of technological and investment cooperation in vital sector of economy.

The organization of joint ventures with participation of the private capital will promote the export of Tajik production on the world market. Therefore, more social and economic changes are necessary to solve effectively joint efforts. CCI RT is ready to consider any proposals on improvement of SME development, implementation of effective ways of partnership which in the foreseeable future should play a role of the catalyst in activation of integration process.

JAPAN

Japan's SME Policies and Plans for Consideration for Adaptation in CACCI Countries Where Relevant

The CACCI SME Council at its Manila meeting had discussed best practices and policies for consideration by members for adaptation in their countries where relevant and applicable.

The following policies and plans from Japan were discussed and considered for future feedback from CACCI countries:

- (A) Promoting agriculture, commerce and industry collaborations.
 - (i) Projects supporting the development of domestic and foreign markets through the promotion of regional agricultural product brands.
 - (ii) IT business support teams that support farmers for management improvements through IT utilization.
 - (iii) Promotion of exports of regional commodities.
- (B) Support based on the Law to Promote Collaboration between Agriculture, Commerce and Industry.
 - (i) Outline of the Law.
 - (ii) Budgetary steps, including subsidies based on approval under the Law.
 - (iii) Low interest loans which include loans from government affiliated financial institutions and special exemptions under the SME Enterprise Credit Insurance Law.
- (C) Support for development of markets for using regional resources, eg: subsidies for expenses incurred by market research, development of prototype products, etc by business cooperatives and corporations to develop markets for products and services using regional resources.
- (D) Market oriented hands-on support to regional SMEs to develop and sell new products and services through support centres spread geographically and staffed with specialists in marketing, market research, product planning, market development and commercialization prospects.
- (E) Support for advancement of regional enterprise corporatisation through support lent to coordinated efforts between regional SMEs and outside business partners, eg: exchange activities, study committees held by chambers of commerce and industry and SME associations and collaboration with government agencies.
- (F) Promotion of an aid plan for hardworking small enterprises.
 - (i) IT utilizing improvements to the accounting and financial business capacity of small enterprises.
 - (ii) Collaboration centres for support in increased business capacity, reattempting start-ups and business succession.
- (G) Improvement of the ability of business advisors through an online training system following

- the nationally standardized curriculum for management advisors.
- (H) Consultation desks to offer specialist advice supporting the business conversions of SMEs that have no plan for business succession and provide people who have experienced business downturns who can advise SMEs on coping with the challenges.
- (I) Establishing business succession support centres that provide one stop services that respond to all possible needs related to business succession which includes matching support for opening and closing; establishing consultation offices; dispatching specialists; holding networking events for enterprises and successors; and organizing seminars for successor development.
- (J) Extension of measures for SMEs to carry back a refund of deficits for a period of five years from founding.
- (K) Support for development of markets through business intermediary services such as introducing order information that meets subcontractor conditions such as industry, facilities, and technologies around the SME regions.
- (L) Diversifying and facilitating SME financing.
- (i) Support for rapid cashing of receivables to facilitate SME procurement of funds through inter-enterprise credit.
- (ii) Creating of reserved guarantee system that makes it possible for SMEs to rapidly receive lending for future fund demands
- by securing future guarantee facilities in advance.
- (M) Program to dispatch advisors who have a specialized knowledge for shopping district revitalization.
- (N) Promoting improvement in logistical efficiency through subsidies provided through associations and other organizations performing research on the development of joint logistic systems.
- (O) Improving the abilities of personnel at SMEs.
- i) Identifying people who have retired or are about to retire from large enterprises who could be seconded to SMEs to apply their skills/know-how.
- ii) Building recruiting networks to attract young people to SMEs through internships, etc in collaboration with universities, chambers of commerce and industry, SME associations, etc.
- (P) Intellectual property (IP) measures for SMEs.
- i) Support for intellectual property strategies of SMEs.
- ii) Assist them with overseas patent applications.
- (Q) Program of activities to support creation of new markets:
- i) Through business matching, case studies and forums, and expansion of transaction opportunities.
- ii) Through coordination of market development activities such as creating a venue for matching experienced and well connected marketers with SMEs having new products/new technologies/new services that

have difficulty developing markets of their own.

- (R) Extension of angel tax system to encourage venture companies to raise funds from individual investors (angels) at the time of start-up who will qualify for tax deduction.
- (S) Support for exports through matching SMEs with potential overseas partner enterprises, assisting with business negotiations and individual consultations, eg: in areas of trade documentation, market surveys, development of brand strategy and new product development.
- (T) Measures for the development of traditional crafts industries through grant projects and surveys of equipment and materials required for their production and studies of substitute materials and new production techniques.

- (U) Measures for SMEs in agriculture, forestry and fishery industries.
 - i) Through various measures of modernization of SMEs in these sectors.
 - ii) Rationalisation of food distribution.

The meeting had discussed the above measures and agreed to consider adopting and adapting those that were suitable for application in their respective countries. It was agreed that a report on the progress would be made at the next CACCI SME Development Council meeting. Feedback in the Colombo meeting in July would be greatly appreciated.

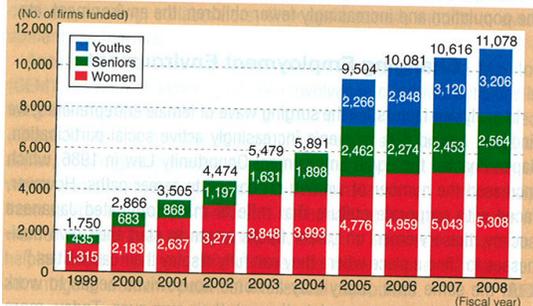
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JAPAN

Trends in startup funding for women/youths/seniors



Note: "Business Startup Funds for Women, Youths & Seniors," a financing program designed to support women and men (the latter aged either less than 30 years or 55 years or older) who are about to start a business or started one within the past five years or so. Youths (younger than 30 years) were added to the program in April 2005.
 Source: Japan Finance Corp.

