



# SME Newsletter

3rd Quarter 2014

## CHAIRMAN'S MESSAGE



*It is my great pleasure to present to you the 3rd quarter 2014 edition of the SME Newsletter, the official publication of the CACCI SME Development Council.*

*This edition has been put together from compilations of articles drawn from several sources that discuss some of the latest developments in the SME sector in various countries not only in Asian countries but in other regions as well.*

*From these articles, we surmise that, with the continuing globalization, it has become necessary for most manufacturers to expand their business activities internationally. Many large and international companies are approaching SMEs in both developed and developing countries for their requirements by contacting them directly. Hence, it has become necessary for SMEs to have in-depth knowledge to understand how international trade can be carried out and also offer quality products at a fair price as well as comply with various rules and regulations governing exports and imports.*

*Some of the articles contained in this edition provide some vital information and practical tips that may be very useful for SMEs who want to expand both their local and especially their international markets as well as bring their current businesses to reap high profits.*

*I would also like to take this opportunity to invite members of the SME Development Council (SMEDC) to join other CACCI members in Kuala Lumpur for this year's 28th CACCI Conference on September 17-19, 2014. You are especially invited to take part in the breakout session which I will be chairing that will focus on the topic "SME Development and Women Entrepreneurship". With experts from other countries invited as panelists, you can look forward to an interesting and stimulating discussion of issues surrounding this important topic.*

*I look forward to your continued strong support of SMEDC and its activities, and to seeing you in Kuala Lumpur.*

**George Abraham**  
**Chairman, CACCI SME Development Council**

## KL Conference Session to Address SME Issues

Issues relating to the development of small and medium enterprises (SMEs) will be addressed in a breakout session at the upcoming 28th CACCI Conference that will take place on September 17-19, 2014 in Kuala Lumpur.

### Breakout Session

One of the breakout sessions at the Conference will focus on the topic "**SME Development and Women Entrepreneurship.**" Scheduled on the morning of September 19, the two-hour session will be co-chaired by Mr. George Abraham, Chairman of CACCI's SME Development Council from Singapore, and Mrs. Mukta Nandini Jain, Chairperson of the CACCI Women Entrepreneurs Council from India.



CACCI members agree that entrepreneurship and SMEs play a vital role in economic development and industrial growth of a country. Given that nearly fifty percent of total population is female, so it is obviously necessary to develop women entrepreneurship for the achievement of economic development of the nation. Many countries in the Asian region are in such position where the growth of women entrepreneurship has risen greatly over the past few years. While women entrepreneurs face many problems such as access to credit, lack of training facility, and marketing problems, they are further burdened with social security problems and generally negative attitude toward women entrepreneurs from some sectors of the society.

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# Supporting SMEs to enter and move up the commodity supply chain through adding value

*Speech by Ms. Arancha González, Executive Director, International Trade Centre*

*Delivered on 7 April 2014 at the opening of the 5th Global Commodities Forum held at the United Nations Conference on Trade and Development (UNCTAD) headquarters, Geneva*



The theme of the 5th Global Commodities Forum is how commodity dependent countries can turn, what is too often seen as a developmental constraint, into a development opportunity. We have to collectively change the mind-set that richness of natural resources and dependency on commodities is a curse. We have a responsibility as a development community to identify, share and help operationalise the tools that will assist developing countries and the small and medium sized producers and enterprises within those countries, add value and become sustainable exporters of these commodities.

Commodities are incredibly important to our shared mission of making trade work for development. Cotton and coffee, two commodities ITC has worked

on extensively, show the enormous part commodities can play. Millions of people worldwide depend on cotton production with the value of exports reaching \$20 bio per year and this does not account for cotton used domestically in China and India for instance. Green coffee exports alone are worth over \$23 bio a year and directly account for livelihoods of more than 10 million of the rural poor in Africa alone and many times that across the world. With price discounts to exporters of 10% or more due to poor quality, very low value added in exporting countries and the prohibitive costs of standards compliance, the opportunities to improve the development impact of commodity value chains are vast.

I will argue we can realize this enormous potential in three main ways:

1. Adding value to commodities through improved services
2. Increasing transparency and reducing transaction costs for private voluntary standards
3. Improving how developing countries connect to global value chains through multi-stakeholder strategies

## **Adding value to commodities through improved services**

The ITC's work on commodities focuses heavily on increasing returns to small and medium enterprises

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## **KL Conference**

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The breakout session will discuss the challenges faced by women entrepreneurs in the region; the importance of allowing women to be active participants and beneficiaries of the economic growth process and to make contribution for their family and modern society; and what the private sector and governments, through programs and pro-active policy measures, can do to support women entrepreneurs and help them develop themselves and become important contributors to the country's sustainable economic growth.

### **Invited Panelists**

Invited as Panelists in the breakout session are: (1) Y Bhg Dato' Hafsa Hashim, Chief Executive Officer, SME Corporation Malaysia; (2) Ms. Zuhail Mansfield Member,



*George Abraham*



*Mukta Nandini Jain*

TOBB Women Entrepreneurs Board and Chairman of the Board, TMG Mining and Manufacturing; (3) Ms. Rosanna Llenado, President, AHEAD Learning Center; and (4) Ms. Maggie Hsu, Acting Director, Incubation Division, Small and Medium Enterprise Administration, Ministry of Economic Affairs of ROC. ■

## Supporting SMEs

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including small holders, increasing value added and achieving development impact through, amongst other areas, knowledge transfer, skills upgrade and transfer of technology.

Let me take the example of cotton. We do not work on production, as others such as FAO, can do this better. Rather we work with producers and exporters on adding value to cotton in different ways.

- ▶ by expanding activities to provide services such as collection and transport

- ▶ by Improving the product, i.e. the fibre itself through reduction of contamination

- ▶ by certifying under a sustainability scheme (fair trade, organic, Better Cotton)

- ▶ by helping producers move up the value chain from fibre into yarn, fabrics and garments

- ▶ by promoting high quality artisanal production: handloom fabrics for high value added textiles

There are a number of other examples in the work of ITC where we add value such as in the mango sector. Through better packaging, more varieties and improved post-harvest handling Senegalese exporters have significantly increased their revenues. In the area of spices, we are working in Zanzibar with producers to help them move away from traditional low value trading to the concept of branded cloves traded directly from Zanzibar to final consumers. In Uganda we have worked with producers and exporters in the coffee sector leading to a more than doubling of the value of their exports of mainstream coffee by improving quality.

In our experience, improving services around commodities, through packaging, quality standards and supply chain logistics, is therefore a key element to adding value and improving returns for SMEs.

Let me add here a dimension which in my view is crucial for helping commodity focused SMEs enhance value addition and that is the importance of transparency in the functioning of value chains, and in particular in trading activities and in product specifications. Brazilian farmers for example have created their own farmer-owned trading company based here in Geneva. Brazilian farmers and ginnerers are now much closer to the market, have direct linkages with consumers and can channel feedback directly into the production stage to adopt quality and processes.

### **Increasing transparency and reducing transaction costs in private voluntary standards**

A big part of retaining and increasing value for SMEs also involves supporting them to meet private voluntary standards. ITC works to increase transparency and reduce transactions costs related to these standards through the Trade for Sustainable Development (T4SD)



programme. The programme has built Standards Map which is a web-based platform to increase accessibility of private standards to users, conducting research on the impacts of standards and building the capacity of SMEs to comply.

T4SD research maps out the use of voluntary standards clustered around certain sectors, such as coffee, tea, textiles, fruits and vegetables, and forestry. This is because adoption of voluntary sustainability standards is facilitated in contexts:

- (i) where the type of product has high requirements regarding traceability,

- (ii) in extractive businesses,

- (iii) where commodities are identifiable in end products,

- (iv) in shorter supply chains with fewer actors and

- (v) in sectors where consumers are more sensitive about social and environmental issues.

Let me give you a practical example of a private voluntary standard in the tea sector, which the ITC has been helping producers in Kenya meet. International buyers increasingly require their producers to measure and report their emissions and possibly reduce them. However, carbon accounting and climate change mitigation are complex topics and most farmers lack both know-how and resources on climate change mitigation. To combat this- ITC has created a first-of-its-kind training guide to help tea farmers and factories to lower their emissions and reduce energy costs. The manual was piloted in Chinga tea SMEs in Kenya where statistics have shown that in the past year alone- electricity costs have decreased by 25%. A win for the producer and a win for the environment.

Private voluntary standards pose a number of challenges:

The first one is rising complexity. In many commodities, standards have been multiplying. Multiple standards present challenges in terms of transparency. It is difficult for users to understand what standard

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is appropriate, to manage changes in criteria and to understand overlaps between standards.

The second one is the high costs of compliance which are often borne by the producer rather than by the buyer or retailer.

The third is the lack of capacity and knowledge. Standards often contain hundreds of very technical requirements - environmental, social, quality, safety - that are not easy to implement at the producer level or verify at the buyer level. Next to the costs of compliance, these prove the biggest challenge for producers, especially unorganized smallholders, to take part in private standards.

Finally, there is the likely marginalisation of the poorest, brought about by limited education, harsh environment and remote locality. It is unfortunately more likely that producer organizations with relatively high skill levels obtain certification in the first place, favouring the “better off” and reducing the net effect of private standards. Another difficulty that smallholder producers are often confronted with is the lack of land tenure rights. For instance, farmers with unstable land tenure are naturally less inclined to make long-term investments like planting shade trees, a key criterion of many standards relating to agricultural commodities.



exist, at least in the short term. The work of all of us in this room is to make sure these conditions are in place through increased transparency, inter-operability and ultimately through fostering convergence as well as through building institutional capacity for compliance.

### Helping developing countries connect to global value chains through multi-stakeholder strategies

Ultimately helping SMEs benefit from commodity-centered value chains requires multi-stakeholder platforms for dialogue and for policy coherence. This often extends beyond national to regional value chain governance. Let me illustrate this point by referring to our work on cotton in Africa and how this has helped partner countries to change the governance of regional value chains.

The cotton industry in Africa affects over 20 million people on the continent. A regional value chain approach, which allows countries to go beyond national limitations makes sense given the configuration of African sub-regions and the characteristics related to the production, processing and marketing of cotton. We have assisted

three Regional Economic Communities and worked with over 300 industry stakeholders and 50 institutions to design

regional Cotton-to-Clothing strategies that seek to strengthen supply capacities and quality, as well as regional cooperation.

In an unprecedented display of alignment, Cotton-to-Clothing Strategies for West (WAEMU/UEMOA), Central (ECCAS) and East and Southern (ESA) Africa, have been completed and endorsed following public and private stakeholders' dialogues. The strategies have favoured political cohesion and policy harmonization and are being used by national and regional representatives to mobilize resources and promote coherence among national actors towards industry priorities and the market.

This has also been a driver of coherence among donors. As a matter of fact, the European Commission recently allotted 11 million Euros, under the EU-Africa partnership for cotton, with the specific aim to contribute

But despite these challenges, our research says private voluntary standards are often net positive, especially when the right conditions are in place. Generally, positive impacts of voluntary sustainability standards are more likely with higher levels of producer and institutional preparedness. Better supported and prepared SMEs that face lower compliance costs, have more sophisticated skill sets and a better infrastructure to fulfil the requirements, such as strong institutional capacity around laboratories and testing equipment, and extension services.

Effects are more likely to be positive when voluntary sustainability standards are recognized as legitimate by their stakeholders in terms of inclusiveness and transparency in standard setting and enforcement. And when clear and visible incentives for their adoption

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to the implementation of these regional strategies. Other key development partners such as USAID, the African Development Bank, the German GIZ, FAO and others are aligning their current and future cotton projects with the action plans stemming from these new strategies.

### Biodiversity as a resource

I wanted to close with a mention of ITC's recent work in biodiversity as a resource. We are increasingly active in working with key institutions on improving governance of biodiversity in global value chains. Why Biodiversity? It contributes significantly to the GDP of the poor due to the reliance of the lowest income groups on natural resources for their livelihoods. A report by UNEP "The Economics of Ecosystems and Biodiversity" estimates ecosystem services and other non-marketed goods account for between 50% and 90% of the so-called 'GDP of the poor' (i.e. the effective GDP or total source of livelihoods of rural and forest-dwelling poor households), whereas in national GDP agriculture, forestry and fisheries account for only 6% to 17%. This is a critical resource for the poorest.

The report also shows that businesses increasingly recognize the importance of biodiversity and ecosystem services for their operations, as well as the business opportunities provided by the conservation and sustainable use of biodiversity. The international legal wildlife trade is estimated to be worth 20-35 billion US dollars annually, and includes hundreds of millions of plants and animals. Levels of exploitation of some animal and plant species are high and the trade in them, together with other factors, such as habitat loss, is capable of heavily depleting their populations and even bringing some species close to extinction.

ITC is very active in this field supporting SMEs in developing countries to sustainably export natural products, eco-tourism and wildlife products. In Peru,

for example, ITC works with companies in Cajamarca and San Martin that process and distribute golden berry and sacha inchi. The project has strengthened trade links between SMEs and international buyers of biodiversity based products through supporting participation in trade fairs. At last year's Natural Product Expo West Trade fair alone, projected sales of the 10 Peruvian companies supported by ITC, GIZ and PROMPERU amounted to 6 Million USD for 2013 and around 600,000 USD actual sales on the day as a result of their attendance at the fair.

Furthermore, ITC assists SMEs in addressing barriers to trade. Recently, we have supported Peruvian enterprises in obtaining the Generally Recognized as Safe (GRAS) approval for Sacha Inchi, a plant native to Peru cultivated by smallholders in the Amazon basin. GRAS is a prerequisite by the U.S. Food and Drug Administration and approval will open the doors for many thousands of smallholders looking to export greater volumes of Sacha Inchi into the North American market to meet the increasing demand.

We have also been working in Zambia to develop a sustainable export industry for Devil's Claw. This indigenous plant found in the semi-arid savannah areas and used primarily for medicinal purposes had been banned by the Zambian government due to reports of unsustainable harvesting and illegal exports. We developed 'Sustainable Harvesting Guidelines and organised a series of workshops to areas rich in Devil's Claw production. The government's ban on harvesting and exporting Devil's Claw has now been lifted enabling Devil's Claw exporters to trade.

ITC also works closely with international partners like the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the International Union for Conservation of Nature (IUCN) as well as the private sector to ensure that the mechanisms in place to ensure global management of these resources are effective. This means putting in place systems that recognize communities who benefit financially from trade in local biodiversity have added incentive, including the financial means, to preserve the environment. Linking local communities to international markets and strengthening local value chains are vital steps towards ensuring the benefits of biodiversity remain in the hands of local communities.

I am optimistic. Our work on the ground shows there are ample opportunities for developing countries to thrive in commodity-centered value chains. But it is also clear that for this to happen we must ensure that the necessary assistance, accompanying measures and governance mechanisms are in place.

I look forward to the results of the debates over the next two days and thank again my colleagues at UNCTAD for the invitation.

Source: International Trade Centre



# E-business: New opportunities for SMEs

*Statement by Arancha González, Executive Director of the International Trade Centre at the high level opening session by UN facilitators of the WSIS+10 high level event, 10 June 2014, Geneva*



The International Trade Centre focuses primarily on building the capacity of small and medium sized enterprises in developing countries to become more competitive, to enter value chains and internationalise, and use trade as a tool for poverty eradication and for development.

Fundamental to this process of internationalisation is technological change and adaptation. Innovations in the way that companies produce and the way that countries trade has at its very core two elements: transformations in the manner that goods and services are transported within and across borders; and vast improvements in technology and ICT which allow for better, cheaper and more accessible production and distribution processes. In essence, what you will discuss here over the next few days is about making available the tools for various actors- including SMEs- to innovate and upgrade through the intangible but transformative universe of e-solutions and to tap into the power of digital technologies for socio-economic transformation.

The “digital economy” is now one of the main factors driving global trade. Digital channels dominate and determine the nature of business transactions. Complex value chains are facilitated through the use of information flows and the question of whether an economy is investable now hinges on the notion of a receptive business climate. This not only includes ease of opening a business, trade facilitation, access to credit and available skill set; but also the penetration of mobiles per capita, the extent of the bandwidth, the technological awareness and exposure of the potential workforce and the capacity of the economy to innovate and be flexible with changes in technological advancement.

A good business environment is not just about the physical infrastructure and the regulatory environment. It is now as much about the invisible plain of transactions and the capacity of the economy, and the businesses

within that economy, to prosper in a world where the walls of production and distribution cycles are broken down along a network of trade in intermediates and where services are now part and parcel of physical production processes. Business to consumer e-commerce is a smaller but increasingly powerful distribution channel (now in excess of \$1 trillion per annum) which is changing the nature of retailing in developed countries, and creating new consumer markets in developing countries.

The rise of the middle class- especially in Africa- and their increasing purchasing power and quality awareness has fostered an emergence of e-commerce in the past decade that has opened up opportunities for developing countries and least developed countries (LDCs) to better access world markets: both as providers and consumers.

The emergence of E-Business presents a unique opportunity to facilitate better access for poor countries to world markets. Access to the digital economy is no longer the unique domain of business and consumers in high income countries. According to the ITU’s latest figures, almost 3 billion people – 40% of the world’s population – are using the Internet, and close to one in three people in developing countries are online. Mobile communication technologies and innovation solutions are being pioneered in some developing countries- such as the Mpesa in Kenya for example. Today, 55% of the world’s mobile broadband subscriptions are in developing countries – in Africa, the growth in mobile broadband subscription is at the rate of 40% a year, with 1 in 5 Africans having access to mobile broadband.

While the digital economy is enhancing connectivity and trade its benefits are not always immediate. SMEs in developing countries need support in recognising, understanding and addressing the rules and access requirements which come with these new tools. Hard infrastructure remains a challenge in some quarters. To be able to utilise the potential inherent in e-tools a steady and reliable source of power is required.

Another hurdle to address is the skills gap which may exist. But there are many positive signs. The youth in particular are leapfrogging technological phases. Technology is facilitating the integration of women into the economy. Many in the younger generation have never used a desk top computer, moving straight to mobile devices and tablets. Young entrepreneurs in many parts of the world have never had their goods produced in their country but have instead engineered the development of a final good using components from other countries with

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just the press of a button or the swipe of a tablet.

The way we consume is also changing. Exotic goods and services may soon be a thing of the past as e-commerce allows us to access the previously inaccessible in a matter of days or weeks. ITC is working with local and regional partners in the private and public sectors to support access to the digital economy through improved technology and logistics infrastructure. We work with governments to promote a conducive regulatory and administrative environment for a digital economy to thrive which will spur innovation and trade. We assist SMEs to better harness the possibilities of e-commerce through the promotion of online marketing and e-commerce and digital tools. By offering training, advisory services and customized solutions ITC works with local stakeholders, and trade support institutions to adapt technologies to local requirements.

An example is our suite of market information tools



known as “Trade@Hand” which makes extensive use of available SMS technologies to provide useful data for business decision-making. Further examples of ITC’s interventions include Fiji, where we are deploying a combination of mobile and web-based applications to facilitate the work of local trade associations in the agricultural sector to deliver key services such as the collection and dissemination of information on supply capacity and prices by linking producers with markets.

The opportunity to trade digitally relates to services as well as goods. The pattern of trade in digital services is not uniform: established relationships with traditional outsourcing centres are being reinforced – and there is a potential that developing countries risk missing the opportunity. An example of this is ITC’s work with Bangladesh in the information technology and ICT-enabled services sector. This local sector offers a strong value proposition, with a large pool of trained engineers and operators and through the support of the Netherlands, we have helped Bangladesh to improve its export competitiveness and strengthen its business links with Europe.

Even in the area of logistics services – which are



typically expensive and poorly adapted to the needs of small businesses in Africa – new solutions are becoming available through partnerships with some of the leading e-commerce players and transportation companies. Bypassing poor local infrastructure, African companies can use fulfilment services in developed countries to hold stock, sell and distribute from remote locations in developed countries. Internet technologies and cloud computing offer SME’s in developing countries the potential to access advanced systems at a very competitive price: assuming the availability of enough bandwidth.

Mastering cloud-based solutions and tools such as those that relate to stock and transportation management, customer data and invoicing can be a requirement for SMEs to achieve access to the purchasing platforms of multinational buyers in the global value chain. Online sourcing can speed the identification of potential suppliers, generate innovative alternatives and reduce prices: each a source of competitiveness that can be harnessed by SMEs. Digital tools open up access to online market places such as Amazon, eBay, and Alibaba for SMEs to grow beyond their shores into regional and global markets.

A barrier to e-commerce is the availability of online payment solutions, which are commonly unavailable to vendors in much of Africa for example. Here, ITC is working on solutions with partners to enable small vendors to accept electronic payments. We are assisting SMEs to build a presence on the web and marketing their products and services through virtual market places as well as helping to pioneer the use of cloud-based solutions for SMEs which would cut down on the need to make costly investments in ICT infrastructure and computing capacity.

These are the tools of the future and will be essential in allowing SMEs to realise their growth and job creating potential in the post 2015 world. My message to you today is “place SMEs and their needs at the heart of the digital agenda, place them at the heart of the XXI century Information Society”. I wish you a successful few days of discussion and in closing let me reiterate that ITC is indeed your partner in turning these targets into action.

Source: International Trade Centre



He said that the number of transactions through their site was growing “100 percent each month.” When a buyer or seller experiences the satisfaction of the first transaction, they become more encouraged with the system and eventually trusting it more, he said.

Small and Medium-sized Enterprises (SMEs) in the Philippines get a boost in their business with the help of Intel’s “Negosyantech campaign,” that aims to provide technology solutions that can increase SMEs productivity and efficiency.

Intel Philippines said in a statement that they, in cooperation with their computer hardware and software partners, aimed “to equip Filipino entrepreneurs with the technology solutions they need in an increasingly connected world.”

Carlo Subido, Business Development Manager of Intel Microelectronics Philippines, said that SMEs made up 20 percent of the Philippine personal computer market, second only to the consumer market at 67 percent.

The problem, however, was that only 25 percent of SMEs used computers to help them in their business, Subido said.

The “Negosyantech campaign” is targeted specifically for SME so they can grow their business and make it more productive and efficient.

“Negosyantech provides solutions that create a link between front-end and back-end systems by giving entrepreneurs a range of offerings ... that ensure their business processes run smoothly and productively through reliable technology,” Intel said at the launching of the campaign.

### Online marketplace

Intel has partnered with Multiply.com, an online marketplace and social networking site, to serve as the front-end system of entrepreneurs where they can sell their products and services.

“Multiply.com’s vast expertise and success in the local e-commerce space is a testament to the advantages of having a strong online presence,” Intel said.

The online site has over 127,000 merchants selling online and over 2,500 online shops month-on-month “and continues to connect emerging entrepreneurs to business success.”

Steven Santos, Business Partnership Development Head of Multiply Philippines, said in an interview that among the advantages of e-commerce were the easy online payment schemes in partnership with trusted banks and their ease and convenience for buyers to shop from the comfort of their own home.

### Software solution

To help entrepreneurs to run their business more efficiently, Intel collaborated with 8Layer Technologies, Inc. “to design software applications that achieve cost-effective, easy-to-use business solutions that grow with the entrepreneur.”

8Layer Technologies Inc. created the “Kasosyo Apps Suite,” a bundle of programs for the purchasing, sales, inventory, and accounting aspects of any business.

Deng Silorio, 8Layer Technologies Inc. Marketing and Business Operations Head, said that “by providing a software program wherein SMEs can confidently check its financials and operations at a glance, we are enabling Filipino entrepreneurs to be self-reliant by managing their business without the need for external consultants and exorbitant fees.”

The “Kasosyo Apps Suite” is available through the Negosyantech campaign for P12,000. They are also offering the suite as an online subscription service at P588 per month, Silorio said.

### Empowered Entrepreneurs

Through Multiply.com and 8Layer Technologies, entrepreneurs will be able to “sell their products and services to a large market using e-commerce [as a] platform,” Intel said.

“The more entrepreneurs embrace technology and the internet through relevant and affordable offers, such as those of the Negosyantech program, the faster the e-commerce economy will grow benefitting all of our businesses,” Santos said.

“With social media and Internet usage quickly becoming an indispensable part of everyday life, today’s entrepreneurs are turning to technology to develop innovative solutions that address the unique business challenges they face,” Intel said.





## BSP: Banks may turn to middlemen to aid SMEs

by: Paolo G. Montecillo

Regulators are considering the establishment of conduits that can help banks comply with mandatory lending rules to small businesses, following the more successful model used for the agriculture sector.

The Bangko Sentral ng Pilipinas (BSP) said policy-makers would need to find ways to make micro, small and medium enterprises (MSMEs) more financially viable.

This comes amid calls for amendments in the mandatory lending provisions under Republic Act 9405, or the Magna Carta for MSMEs, that says 8 percent of all banks' portfolios must be reserved for loans to small businesses.

"The assumption of the law was, if you throw money at a problem, it gets fixed. But that's not the case. The money just gets consumed and the problem isn't solved," BSP Deputy Governor Nestor A. Espenilla Jr. said.

An Asian Development Bank (ADB) report said most local banks would rather pay the annual fine of P500,000 than comply with mandatory lending to small businesses, widely considered to be risky bets.

We should think of ways that will make lending to MSMEs less perilous for institutions, Espenilla said.

"Banks exert a great deal of effort to comply. But at the end of the day, it's a business decision. If they lend, and it's not done prudently, they can lose the entire principal. Banks would rather face the penalties than lend

to a sector they don't understand," he added.

He said the law should be amended to make way for conduits that could indirectly help banks comply with regulations.

A similar model is followed by the agriculture sector, where banks can lend to middlemen known as Rural Financial institutions (RFI). Loans to RFIs will enable banks to comply with the law on mandatory lending to farmers.

Banks, particularly universal and commercial banks that make up 90 percent of the financial system, have different business models, Espenilla said. Very few of them have the expertise in dealing with loans to small businesses.

The BSP previously backed the scrapping of the mandatory lending rules for the MSME sector, but this would require the repeal of the current law.

To replace these mandatory lending rules, Espenilla said, new measures should focus on making MSMEs more marketable.

Possible measures that can help MSMEs include guarantee programs that reduce the risk for banks. MSME managers should also be taught how to manage their books properly. Espenilla said banks would normally disregard small companies that lack proper documentation of its finances.

Source: *Philippine Daily Inquirer*, April 7, 2014

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## SME development strategies for Sri Lanka: Learning lessons from Neighbouring countries

By Devangi Perera and Anushka Wijesinha – Institute of Policy Studies of Sri Lanka

Striving for the growth and competitiveness of the Small and Medium Enterprise (SME) sector in Sri Lanka has often been identified as imperative in order to provide more employment, bridge regional growth disparities, and ensure that post-war growth is inclusive and widespread. However, as highlighted in previous posts on the IPS blog<sup>1</sup>, several issues continue to hamper the faster growth of the Sri Lankan SME sector; particularly the difficult access to finance, improving competitiveness and market relevance, and entrepreneurship and skill development. Yet, these issues are not just limited to Sri Lankan SMEs.

In formulating a robust policy for developing Sri Lanka's SME sector, there is a need to look at strategies adopted in neighbouring regions, particularly in East Asia, that share common SME development constraints.

This post examines some of these, with a view to providing useful input for Sri Lanka's efforts at SME policy development that are currently under way with the leadership of the Ministry of Industry and Commerce and the National Enterprise Development Agency.

### 1. Access to Finance – a common and persistent issue

In many of the ASEAN countries, the lack of adequate and affordable access to finance has been cited as a major obstacle for SMEs. For example, in Vietnam, a survey of 32,000 SMEs in 30 Northern provinces revealed that 67% were unable to obtain financing due to lack of requisite collateral. Their financial situation is further aggravated by the inability to meet institutional requirements with regard to accounting practices as well

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as to present business plans of acceptable quality to local banks. Hence, successful business plan preparation is one area that has been highlighted. To ease this constraint, the development and distribution of toolkit packages dedicated to the preparation of a “dehydrated” business plan of 4-10 pages has been a proposed strategy.

Although several special SME loan schemes have been launched in Sri Lanka, among the policies initiated to improve access to finance, business plan preparation appears to have taken a backseat and hence, needs to be considered. Currently, the SME Toolkit Sri Lanka provides some information on its website regarding the format of, and reasons for, creating a successful business plan.

A key reason for the access to credit constraint for SMEs is often the problem of inadequate collateral. The problem of insufficient collateral can be alleviated, to some extent, through the development of credit registries and rating systems. Empirical studies conducted by the World Bank in several countries reveal that establishing credit registries helps to improve access to credit without increasing risk to banks<sup>2</sup>.

In India, a credit registry, the Credit Information Bureau of India Limited (CIBIL), was set up in 2004 through a public-private partnership to consolidate the credit history of commercial and consumer borrowers, including those in the SME sector. The World Bank is also providing assistance to the Small Industries Development Bank of India (SIDBI) and commercial banks to validate and compile credit information on SMEs in an easily transferable format, which would then be shared with the CIBIL.

In Malaysia, a dedicated SME Credit Bureau was set up by the Credit Guarantee Corporation Malaysia Berhad (CGCMB) in 2008 to develop and strengthen credit standing and to improve outreach of and access to financing for small businesses. The Bureau publishes a Self-enquiry Report which allows SMEs to be aware of their credit standing, while helping them to identify areas for improvement that would increase their credit worthiness. Despite the efforts of the Credit Information Bureau (CRIB) of Sri Lanka to establish a Movable Assets Registry (MAR) which would make use of moveable assets as collateral, progress with regard to improving the credit history of SMEs in Sri Lanka is limited.

### **2. Credit Rating of SMEs – a key step towards easing the access to finance issue**

Credit rating systems help to overcome the issue of banks being reluctant to lend to SMEs with inadequate collateral and unproven record. In India, a programme to rate small enterprises was set up in conjunction with various stakeholders which included the Small Industries



Associations, the Indian Banks’ Association and rating agencies such as the Credit Rating and Information Services of India (CRISIL), Dun & Bradstreet and Onicra. The ratings are based on an evaluation of the performance and credit-worthiness of Small Scale Industries (SSI), and measure their operational, financial, business and management risks. The Ministry of Micro, Small and Medium Enterprises (MSME) subsidizes 75% of the rating fee charged on these firms. By assessing the capabilities and credit-worthiness of SSIs more accurately through the credit rating system, banks and financial institutions are better able to manage their risk and extend more credit to regional enterprises.

### **3. Taking SMEs to the Next Level – a Picking Winners approach?**

There are major differences in the capabilities and competitiveness of SMEs within sectors and industries. SMEs that are more efficient, innovative, growth-oriented, outward-looking and learning-capable, deserve closer attention and collaborative support due to several reasons, and these SMEs must be identified and assisted. First, such firms have better prospects for success being more focused and manageable, administratively and financially. Second, they would be more receptive to policy support and facilitation, targeted with an efficiency-oriented and time-bound approach. Third, having been provided initial assistance and facilitation, they would also have better success in self-diagnosis and self-improvement.

However, up-to-date and comparable data and information on these SMEs are unavailable, not only in Sri Lanka, but in many ASEAN countries as well. Data and information on SME capabilities and competitiveness in various segments are essential to accurately identify their current core competencies as well as common areas of weakness that would necessitate follow-up capacity building. They also serve as a systematic and robust indicator of the changes in the competitive edge of SMEs over time. Operational benchmarks and guidelines for cost, price, etc., can be established based on the available information and data on the capabilities and competitiveness of top-rank SMEs, for SMEs at the lower tiers to follow. Data needs to be collected and grouped under categories like matters relating to the overall business environment, entrepreneurial characteristics, current levels of capabilities and competitiveness,

*Continued on page 11*

## **SME development . . Continued from page 10**

potential for quality and productivity upgrading, finance and human resource development.

Given the current fiscal constraints of the Sri Lankan Government, it is important that financial resources allocated for SME support have a maximum impact. Assistance needs to be directed towards SMEs most likely to succeed, grow and generate more employment, rather than blanket assistance to all SMEs. For this, better information needs to be gathered regarding the capabilities and competitiveness of the country's SMEs, in order to identify top performers. The key is to create a suitable enabling environment and ease of access to credit to all SMEs, while government support at the state's cost ought to be targeted to potential SME champions.

### **4. Integrating SMEs into the Broader Picture – clustering and subcontracting**

SMEs are increasingly becoming subject to great demands brought about by world trade liberalization and globalization. Capturing the market opportunities that are becoming available is not easy for individual SMEs to do, with many unable to achieve economies of scale and carry out functions such as training and technological innovation. Clusters are a powerful means by which SMEs can address some of their problems with regard to demand fluctuations, and procurement of inputs, as well as enjoy economies of scale and improve their bargaining position. It also becomes more cost-effective for the government, large enterprises, universities and other supporting agencies to provide BDS to a whole cluster of enterprises, rather than to individual enterprises in several locations. Although business clusters are well established among larger enterprises in Sri Lanka, it is still rare and nascent in the SME sector.

Subcontracting linkages between large enterprises and SMEs have been found to greatly improve the productivity of SMEs. Such linkages are an extremely important source of technological and marketing improvements and help reduce information and transaction costs. Subcontracting ties also provide important spillover benefits to SMEs in terms of easier



acquisition of new technologies, management methods, marketing and input materials, and production techniques. They also help to reduce uncertainty and risk for SMEs as a result of stable orders and favourable payment conditions.

In Malaysia, the Industrial Linkage Programme by the Small and Medium Industry Development Corporation (SMIDEC) promotes the creation of linkages between SMEs and MNCs or large corporations in the country. Under the Vendor Development Programme by the Ministry of Entrepreneur & Cooperative Development (MECD) in Malaysia, large corporations provide technical training to SMEs in exchange for the purchase of parts and components from the former. This needs to be a key priority in Sri Lanka's SME development efforts also, so that smaller businesses are able to establish lucrative links between themselves and larger enterprises at home and abroad.

### **Way Forward**

Although the SME sector in Sri Lanka shares similar problems to those of some ASEAN countries and India, it is clear that they are far more advanced in their SME development policies and their innovative thinking. Sri Lanka can draw valuable lessons from their efforts, particularly Thailand's SMEs Promotion Plan (2007-2011) and the ASEAN Policy Blueprint for the ASEAN SME Development Decade 2002-2012. However, the key is to distill the lessons to suit the Sri Lankan context and develop its own comprehensive, yet forward-looking agenda for SME development in this decade of new post-war growth.

#### *Notes:*

1. 'Access to Credit: Critical Issue for Conflict-Affected Enterprises', [<http://ipslk.blogspot.com/2010/10/access-to-credit-critical-issue-for.html>]; 'Private enterprise growth in the regions: What is slowing it down?', [<http://ipslk.blogspot.com/2009/11/private-enterprise-growth-in-regions.html>]

2. Brown, M., T. Jappelli, and M. Pagano (2006), "Information Sharing and Credit: Firm-level Evidence from Transition Countries." Swiss National Bank, Zurich; Powell, A. P., N. Mylenko, M. Miller, and G. Majnoni (2004). "Improving Credit Information, Bank Regulation, and Supervision: On the Role and Design of Public Credit Registries", Policy Research Working Paper 3443, World Bank, Washington, DC.

*For comments and more interesting articles of current economic interest please visit <http://ipslk.blogspot.com>*

*Source: Institute of Policy Studies of Sri Lanka ([www.ips.lk](http://www.ips.lk))*

# Can Sri Lanka learn from the Korean SME promotion strategy?

*Big conglomerates like Samsung were at the heart of Korea's industrialization drive, but SMEs played a key role in enhancing their supply capacity.*

*By Anushka Wijesinha*

Korea is no stranger to economic hardship, recovery, and progress. The Korean War during 1950-53 took 1.5 million lives and destroyed close to 40% of the country's industrial facilities. Yet, it overcame this turbulent history to become a developed country in less than a generation – an achievement fondly referred to as 'The Miracle on the Han River'. As it joins the ranks of 'donor' countries, a key part of Korea's growing international cooperation is in the form of 'knowledge sharing' – essentially sharing the Korean success story and its policy lessons.

In February 2014, a team of experts from Korea, who had been tasked with developing recommendations on five policy areas for Sri Lanka, submitted their final report to the Sri Lankan authorities. Their work was conducted under the 'Knowledge Sharing Program' of the Korea Development Institute's (KDI) School of Public Policy and Management, and looked at SMEs, food processing industry, technical, vocational education and training (TVET), FDI, and techno-entrepreneurship.

I was particularly interested when I read the news of this visit as I just completed a Visiting Fellowship at the KDI where my key research area was on industrial policy in Korea, with a special focus on SMEs. In the final research paper, I put forward some thoughts on aspects of the Korean SME development that may hold lessons for Sri Lanka. This article highlights some of those ideas for further debate.

## **Industrialization**

With a combination of strong state leadership, policies based on expert advice, and a strategic approach to economic development, Korea quickly emerged as an industrial powerhouse. In this transformation, SMEs were certainly not the headline story. It was the 'chaebols'; the large private conglomerates that led the country's Heavy and Chemical Industries (HCI) drive like Hyundai, Samsung, Daewoo, and LG. But the SME sector was indeed a key part of this story. The growth of these large firms paved the way for the development of SMEs, as they required a wide range of parts and intermediate



goods in their manufacturing. It is at this stage that government policy support for SMEs began. The first, and groundbreaking, step was the introduction of the Basic Small Business Act as far back as 1966. Since then Korea has introduced over 15 legislative measures and policy initiatives to support SME development during various stages of its industrialization.

## **Protection and Promotion**

Some of the key features of state support for SMEs in Korea revolved around two pillars – 'protection' and 'promotion'. As extensively reviewed in the paper, Korea adopted many policies to restrict and reserve certain sectors for SMEs exclusively in order to enhance market access for SMEs. Concurrently, it adopted several promotional measures in various aspects – improving SME financing, encouraging linkages between SMEs and large enterprises, enhancing SMEs technical capabilities, and stimulating SME start-ups and new venture businesses.

Having reviewed the experience of Korea with respect to the above, the paper argued that Sri Lanka cannot (and probably should not aim to) follow Korea's example with regard to the first pillar - 'protection' - but should certainly draw from the second - 'promotion'. The reasons for not drawing from the protection pillar are many. SME-mandated institutions in Sri Lanka are too scattered and ill equipped to effectively identify SME-specific markets and monitor their reservation for SMEs. Undertaking such measures without strong and capable experts could prove disastrous. Moreover, Sri Lanka's present industrial context is not the same as Korea's when it first began and so would be inappropriate to emulate. As Korea later recognized as well (following liberalization and deregulation in the early 1990s), such protection policies do have negative consequences (inefficiency, over investment in less-than-profitable activities, etc.) and could lead to skewing of the competitive landscape of the economy.

Yet some of the 'promotion' measures, for instance, in access to finance and expanding markets, could hold valuable lessons.

## **Access to Finance**

As widely acknowledged in Sri Lanka, access to finance is a significant and persistent challenge in the SME sector, despite successive rounds of concessional loan schemes by the government as well as aid donors.

*Continued on page 13*

## Can Sri Lanka . . . Continued from page 12

In that context, Sri Lanka could learn from the array of strong and comprehensive measures adopted by Korea on boosting SME lending. One such example is the Korea Credit Guarantee Fund (KCGF), now Korea Credit (KODIT). There is an urgent need for Sri Lanka to establish a similar national institution – a SME Credit Guarantee Fund (SCGF). The institution ought to be separate from the Central Bank of Sri Lanka and function independently. Capital (funding) for it can come in part from the government and in part from private commercial banks. For instance, in the KODIT case, all banks pay in an annual 0.225% of total outstanding loans into the fund (0.5% in early years). The SCGF ought to have multiple regional branches to cater to SMEs where they are located and in line with the government vision of developing ‘lagging regions’. Like in KODIT, qualified graduates ideally from a business administration or management background, working as analysts, must staff it. The SCGF can provide between 75 – 90% of loan coverage for an SME seeking a loan facility, which is offered following a credit rating exercise done by it (possibly using credit information from the Credit Information Bureau that already exists in Sri Lanka).

Under the Knowledge Sharing Partnership, there could be a government-to-government capacity building effort to help Sri Lanka establish an SCGF, learning from KODIT. The impact of KODIT is impressive; as I learnt during an in-depth discussion I had with a Deputy Director there, Jong-goo Lee. He observed that, “In 1975, around 35% of all loans in the Korean banking system were to SMEs, but by 2013 it was 77%. The credit guarantee scheme contributed a lot to this”.

Sri Lanka may not be able to do all the access to market expansion measures that Korea undertook as many of them bordered on heavy protection and regulation. However, certain elements could be adopted; for instance, the promotion of public procurement from SMEs. Government agencies can be directed to increase the amount of procurement made from SMEs, track this and report on progress to the Ministry of Finance and Planning. They could also be required to demonstrate annual incremental increases in this.

Another measure could be to encourage inter-enterprise cooperation and sub-contracting. Similar to the legislative measures adopted in Korea like the ‘Small and Medium Enterprises Sub-Contracting Promotion Act’ and the ‘Inter-Enterprise Cooperation Promotion Act’, larger enterprises could be given incentives for incorporating domestic SMEs more in their supply chains. The incentives could either be direct – for instance, tax concessions based on some formula of the value of inputs procured from SMEs, or indirect – national recognition scheme (awards, etc.) for large enterprises that demonstrate the best supply chain linkages with SMEs.

## Strengthening apex institutions

Implementing the host of SME support measures in Korea was possible because of the strong institutional mechanisms behind it. Sri Lanka, too, needs strong, capable national institutions to implement and/or oversee SME support and promotion policies. Currently, the SME-mandated state institutions are scattered, measures are often taken on an ad-hoc basis. Sri Lanka can look at institutions like the Small and Medium Business Administration (SMBA) and Small Business Corporation (SBC) of Korea – learn from how they are staffed, what functions they carry out, and how they give leadership to the SME agenda. While the National Enterprise Development Authority (NEDA) was originally envisioned as the apex SME body to cater to these needs (established under a recommendation of the SME White Paper that IPS gave leadership to) the current status of NEDA leaves much to be desired. The paper detailed a set of seven aspects for NEDA to strengthen, learning from Korea’s SMBA and SBC. Two specific points there relate to information and analysis for effective and data-driven SME policy development and implementation. Without good data on the SME sector any new initiatives will be ill informed, would waste public money, and fail to fully cater to enterprise needs.

## Lessons for Sri Lanka?

In short, the answer is yes. Some may argue that Korea’s SMEs have often taken second place, behind the powerful chaebols. However, I would argue that without the active promotion of SMEs in Korea, the chaebols couldn’t have risen in the way they did. Of course, more recently this has caused an over-dependence of SMEs on them. No doubt there are many outstanding issues with the Korean SME sector at present. In fact, Sri Lanka can learn not only from Korea’s successful SME policies but also from the ones that were less successful also.

Yet, what is clear (and as shown in the paper) is that policy approaches to SME development in Korea have and continue to be genuine in their intent, strong in their conceptualization, extensive in their reach, coherent and focused in their implementation, and consistent over time. These are no doubt valuable lessons for Sri Lanka as it continues to grapple with the challenge of SME development.

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*To comment on this article, visit ‘Talking Economics’ at [www.ips.lk/talkingeconomics](http://www.ips.lk/talkingeconomics)).* ■



## P&G launches SME leadership training programme

Procter & Gamble, in partnership with SPRING Singapore, has launched a leadership training programme for small- and medium-sized enterprises (SMEs).



*SME leaders attend a session of P&G's leadership training programme.*

SINGAPORE: Procter & Gamble, in partnership with SPRING Singapore, launched on Tuesday (June 17) its first leadership development programme for SMEs, referred to as the "P&G Leadership College."

The day-long training session attracted 50 SME leaders across 17 sectors, ranging from engineering and manufacturing to lifestyle and hospitality. Some of the highlights include a panel discussion featuring senior executives from Google and Microsoft, as well as workshops on strategy development.

It will be followed by additional seminars focused on specific areas such as human resources, communications & marketing, innovation, strategic planning and supply chain management.

The programme is supported by SPRING as part of the Partnerships for Capability Transformation (PACT) initiative, which aims to foster collaborations between large organisations and SMEs through projects involving knowledge transfer, capability upgrading, co-innovation and test-bedding.

Both SPRING and P&G stressed the importance of such collaborations.

"One way to acquire new capabilities is through partnerships, both within and across industries, with other SMEs as well as with larger companies," said Tan Kai Hoe, chief executive of SPRING Singapore.

"Indeed, collaboration is the new competition. SMEs should look out for potential partners in the ecosystem, across the entire value-chain."

"SMEs are very important to the foundation of our growth," said Samuel Kim, vice president of ASEAN markets at Procter & Gamble.

"We have over 75,000 vendors and suppliers who help us deliver better products and as we improve our supply chain with them, of course we can improve our products which will then help to serve our consumers better."

Some SMEs say such sessions will help enhance their competitiveness.

"I'd like to hear P&G's insights into what the consumer patterns or behaviours would be in the future," said Patrick Chong, CEO of The Luxasia Group.

"This would certainly be very useful for us in trying to prepare ourselves for the future development of our businesses within ASEAN and in the region."

*Source: Channel News Asia, June 17, 2014* ■

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## Strengthening entrepreneurs through Information Technologies

*Raphaël Dard, Adviser, e-Business-Mobile Solutions, Enterprise Competitiveness Section, ITC*

In Benin, an ITC project is connecting fruit processors with suppliers and buyers through a supply-chain wide 'virtual market place' that connects product offers to demand through connected devices.

One person standing to benefit is Ms. Aminatou Bagoudou, who produces pineapple fruit juice at her home in Cotonou, Benin. Pineapple juice is her main product and generates income for her family, but, as for many other women engaged in the processing industry, she is hindered by a shortage of empty bottles. If she were able to collaborate with her peers to combine purchases she would be able to source bottles from abroad, but she lacks the time and financial resources to locate the necessary contacts. She also does not know how many

bottles she would need to buy to get a competitive price.

The ITC system offers three features important to small producers and traders:

- More visibility;
- Ease of contact with businesses of interest (buyers for sellers and vice-versa);
- Support for small business owners to assess their opportunity to act as a group (e.g. to access economies of scale).

Indeed, when they combine their requests for inputs and offers for buyers, small businesses can achieve volumes that put them in a better bargaining position. The business-matching system enables them to source products at more competitive prices and attains pineapple juice volumes that can open new markets, both in Benin and neighbouring Nigeria.

A geo-location system shows the area from which requests were sent. Requests are consolidated and displayed on an online map. Internet users, such as larger

*Continued on page 15*

## Strengthening ... Continued from page 14



*In Benin, pineapple fruit juice processor, Aminatou Bagoudou, recycles Heineken bottles as a solution to the shortage of empty bottles.*

buyers and exporters, can then assess the geographic distribution of the juice producers and the effort required to collect their production. To assist Ms. Bagoudou and her peers, bottle resellers will be able to estimate the best way of purchasing bottles in bulk.

The challenges of implementation begin with finding the right local IT capacities and solid institutional partners, and making a good business case to leading telecom operators. There is a risk that institutional stakeholders will compete for system ownership. This must be managed, ensuring that the system administrator's ability to cover costs is protected.

The launch of a business-matching system is best achieved through a well-communicated kick-off date and event. Users want a system that works for them up front. This requires a critical mass of buyers reading current offers quickly, especially for perishable goods. A well-targeted marketing campaign, in cooperation with the telecom partners, can be decisive. Additionally, new subscribers can be encouraged to list in an online business directory with a geo-location capability that offers small businesses better exposure to build sales.

There is uneven use of technologies in the pineapple supply chain. Exporters generally have their own computer and smart phones, but processors, small traders and producers mostly rely on basic cell phones. ITC's e-business team proposes to link all relevant technologies (SMS, mobile application, web) by sharing the same database. Offers sent by SMS are available on the web and to smart phone users in a few seconds.

While this project addresses the business needs of participants in a specific supply-chain, the system can provide similar features for other agribusiness sectors in Benin. Indeed such virtual market places are equally applicable to all small agribusinesses and processors.

- See more at: <http://www.tradeforum.org/article/Strengthening-entrepreneurs-through-Information-Technologies/#sthash.XkGahyvN.dpuf>

Source: International Trade Centre, April 01, 2011 ■

## Switched on! Women entrepreneurs in North Africa grasp business potential online

*Trade Forum Editorial*

In North Africa, women entrepreneurs are discovering the potential of online business platforms, but having a website alone is not enough. Success in the online environment also depends on having a good business and marketing plan supported by sympathetic local business realities including affordable e-commerce solutions and technology infrastructure.

When mechanical engineer Hajer Belaiba's second daughter was born, the new mother faced a dilemma. How could she spend more time with her children and still have a career? After some research, the spirited Tunisian found the solution online. 'Selling handicrafts seemed a good choice as there are beautiful products not necessarily available abroad,' says Mrs. Belaiba, as she recalls setting up her web-shop – Produits de Tunisie – two years ago.

Her timing was perfect, as the sudden availability of open-source e-commerce solutions, like PrestaBox and Magento, was already sparking a boom in online sales across Europe and America. After about a year of dealing with costly web agencies, she decided to use open-source technology to launch a website where she manages the content and maintenance. But opening the doors of her virtual shop was only part of her successful strategy.

'If you have a good idea, e-commerce presents huge opportunities because the set-up costs these days are so low,' says Sonia Latrous Guidara, who runs an online services incubator for small and medium enterprises in Tunis. 'What you need, of course, is a good business case and to know what the market is expecting,' she declares.

'It [marketing] was a field I knew nothing about,'

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## Switched on! ... Continued from page 15

says Mrs. Belaiba, but it was critical to raise her shop's visibility above other sellers of Tunisian handicrafts, so she plugged into what she calls the 'international word of mouth' – or, social media. With 600 million people now using Facebook, for example, e-businesses like Mrs. Belaiba's can maximize their opportunities to stay in touch with their customers and to expand their client-base without spending much, claims Ms. Guidara. For this reason, Facebook and Twitter are now an essential part of Mrs. Belaiba's e-business, but not the only one. 'On special occasions such as Christmas I also use more targeted and paid publicity,' she says. It has taken time, but this strategy has paid off. 'By the second year my site had become known and I have started selling,' she says.

In neighbouring Algeria, Samira Sadali also had high hopes for her e-business, but recently discontinued her web-shop. 'You can't buy or sell because electronic payments can't be done and on top of that we Algerians have no access to credit cards,' she explains.

Ms. Sadali's web-shop offered a range of decorative local art and handicrafts. The products were often unique pieces, selected for their exclusive character or originality. 'I could see these kinds of products were being exported from Tunisia and other neighbouring countries but not from here where we also have beautiful products,' she says. While her website was an excellent promotional tool – attracting the attention of buyers from France and South Africa – without the ability to trade online, Ms. Sadali eventually decided to drop the e-commerce side of her business. She feels her efforts were premature given the e-business environment, but hopes to be back online soon. 'The electronic growth will happen here too because people, particularly the middle class, are ready for it. People want to consume, the ideas are there and many already have access to the Internet at home or in their offices,' she says.

Elsewhere in the region other significant structural barriers also remain. For Hajer Belaiba, in Tunisia, the high cost of shipping means she loses customers

who are unwilling to pay almost the same again for postage. Meanwhile, currency controls mean that she and her counterparts across the region are unable to pay for services from abroad. It is important now, says Martin Labbé, Online Marketing and Digital Networks Advisor for the International Trade Centre (ITC), for governments to give their online entrepreneurs the best possible chances to compete by liberalizing postal markets, easing currency controls, and by making online payments available locally. 'These steps, more than any other, boost e-commerce,' he says. Mr. Labbé works on several e-commerce projects in North Africa as part of the Enhancing Arab Capacity for Trade (EnACT) programme, financed by the Canadian International Development Agency and implemented by ITC. EnACT supports efforts that build skills and provide advice on web marketing and e-commerce to governments and budding entrepreneurs in the region. 'New technologies offer tremendous leverage in terms of women and youth employment', states Torek Farhadi, the programme's coordinator.

Leading Moroccan e-business woman Samira Gourroum believes that ICTs could become their oil: 'We have the engineers, the competencies and the knowhow.' For the past 11 years, this 37 year-old IT engineer has worked as the Director of Technologies and Business Development at Maroc Télécommerce – the only local company that provides a payment gateway to e-commerce websites.

At first, the business struggled as e-commerce was little known in Morocco; but in 2008, it took off. This was largely due to online payment becoming available, the private sector seeing the benefits of e-commerce, and the Government's ICT promotion strategy. The strategy includes simultaneously developing the needed infrastructure and skills.

'The liberalization of the telecommunications sector in the country was of course a key change,' says Mrs. Gourroum. Amongst other things, this plan aims for two-thirds of the population of Morocco to gain Internet access. In this receptive environment, Mrs. Gourroum sees her business growing. 'For the time being our platform offers online payment solutions to individuals using credit cards. But, we also want to offer services to companies and government institutions. It is ambitious but we think the time is right.'

*Continued on page 17*



## Switched on! ... Continued from page 16

Mr Labbé explains further that the rise of e-commerce in North Africa also gives women the opportunity to jump traditional hurdles they may face in the business world. Hajer Belaiba agrees, but warns that e-commerce alone is no magic wand: 'Women in Tunisia, for example, stay at home usually because they have lower levels of education. [...] Without support they will not easily start this kind of enterprise. But she quickly points out that through her example some of her women friends have become inspired to set-up shop online. To these friends and other women considering starting their own e-business, Mrs. Belaiba says, 'Go for it! You can choose your own working hours, the products you like to sell and you can spend more time with your family. The advantages are many.'

Expert tips for starting an e-business

- Have a business plan.
- Do your market research, know who your potential

- buyers are and make sure your product appeals to them.
- International markets have great potential, but are also competitive.
- Budget for marketing and communications.
- Compete on quality, not price.

What policymakers can do to help e-commerce flourish

- Liberalize postal markets to reduce shipping costs.
- Allow credit card payments to open domestic markets that compliment international markets.
- Ease currency controls to give your e-businesses the best chances to compete.
- Empower women to get involved by supporting them in obtaining the skills and resources needed to establish e-businesses.

- See more at: <http://www.tradeforum.org/article/Switched-on-Women-entrepreneurs-in-North-Africa-grasp-business-potential-online/#sthash.mUPI970e.dpuf>

Source: *International Trade Centre, April 01, 2011* ■

## Turning farmers into entrepreneurs

by Zac Sarian

We have often seen seed companies putting up demo farms to teach the farmers how they can grow the seeds that they are distributing. That is also being done by government agencies in teaching farmers how to grow rice or corn properly.

Now, we have been told that a supplier of chemical inputs and seeds is changing its strategy. Instead of just teaching the farmers how to plant their hybrid rice, it is going to teach them to become farmer entrepreneurs.

That is a good idea because that will make the farmers exploit the opportunities that are just sitting around. That could make them more competitive in the marketplace.

What are some of the things that could be taught

to the farmers so that they will regard farming as a business?

**RECORD KEEPING** – One of the things that could be taught to the farmers is keeping records of many things. A record of the date they plant a certain crop, for instance. A record of how many days a certain crop will be ready for harvest. A record of how many bags of fertilizer (at how much) were applied to the rice crop during one season. And so on.

The farmer could record all the cash expenses and then the total sales. With that record, he could easily tell if he is making money or is losing money.

He could make comparisons of his expenses and income from different crops that he is growing. Then he will know which crop is more profitable to grow. Then he will know what crop he should focus his efforts on.

One person who has kept his records on actual production cost and total sales of his organic pig production project is Jess Domingo of Alfonso Lista,

*Continued on page 18*

**NETHOUSE FOR EXPERIMENT ON BIOCONTROL AGENTS FOR BANANA** – This is one of the nethouses put up at the Mabini campus of the University of Southeastern Philippines in Mabini, Davao del Norte. It is being used for testing the efficacy of three biocontrol agents as a strategy in protecting banana plants from the attack of *Fusarium Wilt* disease. Intentionally infested banana seedlings are treated with different combinations of biocontrol agents, namely *trichoderma*, *VAM* (vascular arbovascular mycorrhiza) and *EM* or effective microorganism. This is part of a three-year research project funded by the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD).



## Turning farmers . . . Continued from page 17

Ifugao. As a topnotch accountant who gave up his corporate job to become a farmer entrepreneur, he kept track of his expenses on feeds, weanlings, labor, electricity and water.

Because of his accurate recording and computation of expenses, he readily saw that organic pig production is very profitable. The reason? He has come up with a fermented feed formulation that costs almost three times less than the cost of the commercial feed in the market. Now he is ready to expand his organic piggery.

Because of Domingo's actual recording of the cost of producing a piglet for fattening, he breeds his own sows so he can produce his own piglets for fattening. By his own computation, it costs him only about P675 to produce a piglet for fattening. If he were to buy from an outside source, he would be paying about P2,500 per piglet. That means he actually saves P1,825 per piglet by producing his own weanling for fattening.

**MARKETING** – Marketing strategies are what the experts can teach the farmers. Timing of production for an identified market can result in a profitable farming operation.

For instance, the farmer is aware of a big farming expo which could be staged by the government or by the private sector. Just like Agrilink which is usually held in the first or second week of each October. This is a market where the farmer can produce ahead of time what he could sell during the big event.

One example is Ernesto Abalos who prepared for his bestseller last year. He produced a lot of Paraoakan chickens, mature and small ones. He prepared a lot of roosters for sale because he anticipated that gamefowl breeders would like to purchase some for their own breeding operations. And he was right.

He also prepared a lot of female layers because he

knew raisers of native chickens are looking for Paraoakan for free-range raising. He was after those who want to produce native chicken for meat. And also for eggs because there is a growing market for native chicken eggs.

**VALUE OF CLUSTERING** – Farmers could also be taught about the value of what is often termed as clustering. The farmers form a cluster (or a cooperative) so that all of them will benefit. As a group, they can more easily ask for assistance from the Department of



**BALIKBAYAN FASCINATED WITH BIG MANGO** – Zeny Arenas, a balikbayan from Los Angeles, California, is fascinated by the big fruit of the Golden Queen mango when she visited recently for the second time the Sarian Farm in Teresa, Rizal. The Golden Queen is an introduction from Taiwan which bears big fruits that are nice to eat as green mango because the fresh fruit is not sour. When ripe, it is sweet and juicy. Ms. Arenas is from Calasiao, Pangasinan. She has been buying planting materials for her farm in the province where she intends to stay after her retirement from work in the United States.

Agriculture, for instance. As a group, they can procure their inputs at more reasonable prices. Suppliers of inputs provide discounts for volume purchases. As a group, they can also market their produce together so that they can ask for the right price.

**VALUE OF SAVING AND INVESTING** – The trainers can also teach the farmers the value of saving and investing what they earn.

We remember a couple who got married right after finishing high school and were given a one-hectare land to cultivate by the parents of the groom. They planted corn and saved all the income from their first crop. For their daily needs, the man purchased ice candy from the town and peddled the same in his barrio.

*Continued on page 19*

**FULL-BODIED SWEET GUYABANO FRUIT** – Photo shows a well-formed full-bodied sweet guyabano fruit which looks much better than the usually misshapen fruits in the market. This could be the result of properly pollinated flowers. This is the variety that is being recommended for propagation. It is fleshy and very juicy. It can be made into a juice drink or shake, or eaten as fresh fruit. With the coming of the rains, it is time to plant guyabano seedlings. Seedling plants will usually bear fruit after a couple of years with proper care such as providing enough organic and chemical fertilizers, and also providing ample space so that the tree will not grow very tall and lanky.



## Turning farmers . . . Continued from page 18

The saving was used to rent a piece of land so they can produce more corn and save more money. When they had saved enough, they bought more land. Some owners also mortgaged to them their properties, which eventually became their own also.

After several years, the couple had become owners of more than ten hectares. And they also became financiers. Townmates who needed money to buy inputs went to the couple for loans payable after harvest. Then

they also became distributors of farming inputs which they supplied to the farmers who went to them for a loan.

The woman was also able to put up her own little grocery in their barangay. They have become farmer-entrepreneurs.

Actually, there so many other things that the farmers can be taught so they will become successful farm entrepreneurs.

Source: Manila Bulletin, June 18, 2014



**TENDER CAMOTE TOPS** – One nutritious vegetable that is very cheap and very easy to grow even in the home yard is the variety that Dr. Benito S. Vergara has christened as Zacamote. This came from Taiwan where it was intentionally developed for camote tops production. The shoots are tender and hairless, hence very nice to eat. The tender tips can be prepared into salad or cooked with sinigang, mungo and other favorite dishes. Zacamote can be easily propagated by planting mature or semi-mature cuttings. A few cuttings for planting can be had for free from the farm of the editor of this page.

**WILD FINGER BANANA** – This a hand of Cavendish banana that is usually referred to as 'wild finger' in the trade. It is a case of the individual fruits or fingers not properly aligned. The variety that produces a lot of wild fingers is being avoided by planters because it is the cause of rejects in the export market. Hands with wild finger have to be 'clustered' or separated into clusters of at least five fingers per cluster in order to be accepted in the export market, according to an export manager from Davao del Norte.



## About CACCI and SMEDC

The Confederation of Asia-Pacific Chambers of Commerce and Industry (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 a non-governmental organization serving as a forum for promoting the vital role of businessmen in the region, increasing regional business interaction, and enhancing regional economic growth. Since its establishment in 1966, CACCI has grown into a network of national chambers of commerce with a total now of 29 Primary Members from 27 countries in the region. It cuts across national boundaries to link businessmen and promote economic growth throughout the Asia-Pacific region. CACCI is a non-governmental organization (NGO) granted consultative status, Roster category, under the United Nations. It is a member of the Conference on NGOs (CoNGO), an association of NGOs with UN consultative status.

Membership in CACCI provides businessmen the opportunity for networking with his counterparts in other countries in the region and globally, participation in CACCI annual conferences and training programs, interaction in Product and Service Councils (PSCs) on various industry and service sectors, access to CACCI publications, and participation in policy advocacy work to create a policy environment conducive to private sector growth.

The SME Development Council (SMEDC) is one of the PSCs under the CACCI umbrella. The PSCs have been formed with the primary aim of promoting greater business interaction among CACCI members who are in the same product or service line. The PSCs meet at least once a year, usually in conjunction with the annual CACCI Conference held in various member countries around Asia Pacific. Occasionally, officers and key members of the PSCs conduct teleconferences to discuss their activities for the year.

For more information on CACCI and PSCs, please visit the CACCI website at the [www.cacci.org.tw](http://www.cacci.org.tw)

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