



Asia-Pacific Economic Cooperation

2003/AMM/007
Agenda Item: V.4

**“Best Practices for Enhancing the Financing Chain for
SMEs at Different Growing Stages”**

Purpose: Information
Submitted by: Chinese Taipei



**Fifteenth APEC Ministerial Meeting
Bangkok, Thailand
17-18 October 2003**

Executive Summary

Background Information:

1. Since 1999, Chinese Taipei has been promoting the development of start-up companies and venture capital in a knowledge-based economy. Chinese Taipei has organized symposia over the past years as part of its effort. The APEC participants of the symposia recognize the importance of innovation, entrepreneurship, venture capital and start-up companies in fostering and maintaining the prosperity of the APEC region. Moreover, the consensus on "*APEC Best Practice Guidelines for Entrepreneurship and Start-up companies*" and "*APEC Best Practices Guidelines for Enhancing Women Entrepreneurship and Start-up Companies*" was adopted respectively at the Thirteenth and the Fourteenth APEC Ministerial Meetings. In this regard, the Ministers of both Meetings welcomed the Guidelines as well as encouraged APEC fora to develop and apply the Guidelines in their future work.

2. To follow up on the APEC mandates and to continue developing the *Best Practice Guidelines*, Chinese Taipei organized an APEC symposium on "*Best Practices for Enhancing the Financing Chain for SMEs at Different Growing Stages*" from August 26 to 27, 2003. This proposal was endorsed by the APEC SMEs Ministerial Meeting held in Thailand earlier this year. Recognizing that start-up companies and SMEs are the impetus behind economic growth in the APEC region, the symposium discussed the importance of improving channels of funding to encourage the birth and growth of such entities by establishing "*APEC Best Practices Guidelines for Enhancing the Financing Chain for SMEs at Different Growing Stages*".

Expected Deliverables for 2003:

"Best Practices Guidelines for Enhancing the Financing Chain for SMEs at Different Growing Stages"

Recommendations

Please indicate required actions, decision points (e.g. note, approve, recommend to APEC Ministers)

It is recommended that AMM:

encourage all relevant APEC fora to apply the "Best Practices Guidelines for Enhancing the Financing Chain for SMEs at Different Growing Stages" to their future work.

**The boxes can expand dependent upon the text. However for conciseness, please ensure that the information does not exceed 1 page. Thank you.*

SYNOPSIS

APEC SYMPOSIUM ON
Best Practices for Enhancing the Financing
Chain for SMEs at
Different Growing Stages

AUGUST 26~27, 2003
CHINESE TAIPEI

A. Introduction

This Symposium traces its beginning to the two APEC mandates on two sets of *Best Practices Guidelines* in 2001 and 2002. To implement the mandates, Chinese Taipei organized the APEC Symposium on “*Best Practices for Enhancing the Financing Chain for SMEs at Different Growing Stages*” and this proposal was supported by the First Senior Official Meeting held in Thailand and the Sixteenth APEC SMEs Working Group Meeting held in Malaysia earlier this year. The purpose of the symposium is to consolidate APEC's efforts in exploring and discussing the *Best Practices Guidelines* for financing SMEs at different growing stages including start-up, SMEs, pre-IPO and post-IPO.

Since 1999, Chinese Taipei has been promoting the development of start-up companies and venture capital in a knowledge-based economy. In 2001 and 2002, Chinese Taipei held two symposia on "*Best Practices for Entrepreneurship and Start-up companies*" and "*Best Practices for Enhancing Women Entrepreneurship and Start-up Companies*" respectively. Moreover, the consensus on "*Best Practices Guidelines for Entrepreneurship and Start-up Companies*" and that on "*Best Practices Guidelines for Enhancing Women Entrepreneurship and Start-up Companies*" reached at the symposia were adopted at the Thirteenth and the Fourteenth APEC Ministerial Meetings respectively. In this regard, the Ministers of both Meetings welcomed the Guidelines as well as encouraged APEC fora to develop and apply the Guidelines in their future work.

In accordance with the APEC Ministers' Joint Statement, Chinese Taipei organized this APEC symposium on "*Best Practices for Enhancing the Financing Chain for SMEs at Different Growing Stages*" from August 26 to 27, 2003. The forum will aim to map out the *Best Practices Guidelines* to financially facilitate start-up companies and SMEs at different growing stages. The outcome of the symposium will be reported to the APEC Joint Ministerial Meeting.

B. Participation

The subject has attracted the attention of both the public and private sectors across the APEC community. Altogether, 214 participants from 15 member economies took part in the symposium. 30 speakers from 12 member economies joined the symposium to share their knowledge and experiences, and to make policy recommendations to APEC.

C. Overview of Proceedings

The symposium consisted of seven sessions conducted over the course of two days. Mr. Steve Ruey-Long Chen, Deputy Minister, Ministry of Economic Affairs, delivered the

welcome remarks.

Keynote & Luncheon Speeches

Dr. Sun-Quae Lai, Director-General of the Small & Medium Enterprise Administration, Ministry of Economic Affairs, delivered the keynote speech on the first day, titled "Initiatives to Assist and Promote Small and Medium Enterprise (SME) Financing," which provided an overview of the state of SMEs in Chinese Taipei and the various programs and initiatives instituted by Chinese Taipei to help SMEs procure financing during different stages.

Dr. Viphandh Roengpithya, Chairman, APEC Business Advisory Council; President, Asian University of Science and Technology, Thailand, delivered the keynote speech on the second day which discussed the natural evolution of corporate growth and the life cycle of business. Dr. Roengpithya explained that corporate health is one of the most important aspects in an SME's success, but cautioned that finance is not the only factor in determining an SME's corporate health (although Dr. Roengpithya added that finance is admittedly an important part of the process in the startup stages of an SME). Dr. Roengpithya explained that a company must also consider its product, its marketing, its operations (with a focus on good corporate governance), its technology, its management, and perhaps most importantly, its human resources.

Two luncheon speeches on the first day were delivered by Professor Antoinette Schoar, Maurice F. Strong Career Development Fund Assistant Professor of Finance, Massachusetts Institute of Technology, U.S.A. and Ms. Anna Kaganova, Head of Financial Support for SME Department of National Business Incubator Association, Russia. Professor Schoar discussed the role of the government in finance as it relates to entrepreneurship. Professor Schoar explained that financial markets are central to enhancing entrepreneurship and that an efficient financial market encourages the entry of young firms by establishing fair evaluations of firms through stock market prices. Professor Schoar also discussed the benefits of an improved contracting environment and concluded that government's focus should be on financing capability, and thus, the government's role should shift from regulation to facilitation.

Ms. Kaganova discussed the "Development of the Microfinance System in Russia." She shared with us the small business developments in Russia and their sources of financing. Ms. Kaganova believes that one of the tasks for microfinancing is to create a credit history for SMEs through the banking sector. In this regard, Ms. Kaganova emphasized the importance of a microfinancing system and institutions. Ms. Kaganova further gave some examples of Russia's latest achievements in respect of microloans and other related projects.

The speech at luncheon on the second day was delivered by Mr. Andrew Beveridge, Project Manager Commercialization, Office of Industry and Innovation, University of Western Australia, Australia. The speech was entitled "SME Finance: A University of Western Australia Perspective." Mr. Beveridge shared with us the experience of spin-out companies at the University of Western Australia and discussed the issues of valuation, funding, IP and incubation. Mr. Beveridge concluded that early stage spin-out companies indeed face many difficulties and that most spin-outs are still pre-revenue and their valuations remain a significant challenge. In this regard, people, relationship, strategic management and innovative financial instruments are the keys to success. SMEs must therefore rely on creative financial instruments for funding, i.e., convertible notes, government initiatives (including grants), and incubator funds.

Session One

Session One, "**Equity and Funding for Start-up and Pre-IPO Companies**", focused on the financial mechanism at the beginning stage of start-up companies and SMEs.

A speaker from Chinese Taipei discussed Chinese Taipei's perspective on Venture Capital. The speaker distinguished between the Asian market and the markets of Europe and the U.S., citing the history of state and family-owned enterprises in Asia as a major influence on business in Asia today. The speaker explained that venture capitalists play two roles in startup companies: they are partners in the entrepreneurship, but they are also managers of risk. In any case, venture capitalists must provide "value-added" by assisting their companies grow in stages, but they must do so without being overly-intrusive. Thus, venture capitalists can play a role in some but not all of the stages of growth. The speaker explained that the venture capital industry in Chinese Taipei benefited not only the tech industry, but also upgraded the entire economy of Chinese Taipei, helping businesses to move away from family-owned ventures. The speaker concluded that exciting opportunities still exist in Asia, and that the bottom line of venture capitalism should not be only about making money, but also promoting prosperity in general.

The second speaker at this session shared with us a Malaysian perspective of venture capital and SMEs. Facing the dramatic drop in Foreign Direct Investment ("FDI"), Asian governments are increasingly turning inwards to and relying on their SME industries to be the backbone for future growth. The speaker further explained the key challenges faced by SMEs identified by Malaysia's Small Medium Industries Development Corporation ("SMIDEC"): (1) the increase of global competitiveness, (2) the emergence of new technologies, and (3) the competitiveness in exporting to international markets. The

speaker added that SMEs have found it increasingly difficult to secure funding from banks (especially tech SMEs), forcing SMEs to find alternative sources of funding. However, the speaker introduced Malaysia's successful projects for promoting SMEs including MultiMedia Super Corridor ("MSC"), Debt Ventures Bhd ("MDV"), Economic Stimulus Package, and Malaysia Debt Ventures Bhd ("MDV"), and explained Malaysia's ongoing plans for transformation into a knowledge-based economy as embodied in Vision 20-20. The speaker also analyzed the development of venture capital in Malaysia and explained that it is : (1) in the early stages of development, (2) dominated by local players, (3) limited to a number of sources of venture capital, and (4) dominated by the government as the major player. The speaker concluded that since the global venture capital industry is still in the consolidation phase, Asian governments should not rely entirely on external venture capital funding for its SMEs, but rather, should play a key role in assisting SMEs to obtain the funding they need. The end of the Asian miracle marks the beginning of a transition into a knowledge-based economy for most Asian countries, and SMEs should be viewed as the catalyst for growth.

A speaker from Indonesia shared with us the Indonesian perspective in regard to government guarantees. The speaker first gave us a glimpse into the Indonesian economy and the challenges faced by SMEs in Indonesia, highlighting the need for reforming the legal framework. The speaker identified the needs of SMEs including financing from Commercial banks (conventional and Islamic banks) [one of the problems, because the SMEs cannot fulfill the institutional requirements of these commercial banks], rural banks (conventional and Islamic banks), non-bank financial institutions, finance companies, microfinance, credit insurance companies and credit guarantee schemes ("CGS"). The speaker noted that though individual SMEs in Indonesia require relatively small amounts of funding, overall, the volume of SMEs requiring funding makes current funding measures inadequate. In this regard, the speaker discussed the role of the government in respect of CGS, objectives of CGS, CGS and bank prudential regulations and other related issues, but added that he felt that Indonesia is still in the early stages of development in terms of SME-fostering programs.

Session Two

Session Two "**Debt Market**", focused on debt financing mechanisms for start-up companies and SMEs.

A speaker from Vietnam noted that SMEs in Vietnam, while enjoying tremendous growth, continue to have difficulty obtaining loans from the formal credit market. Among the

financial institutions that make up the formal credit market, state owned commercial banks ("SOCBs") occupy the most market share. The majority of SOCB loans were made to state owned enterprises. The SOCBs often require collateral, guarantees from a local authority or business investment plans from private investors before loans are made. This requirement often makes it difficult for SMEs to obtain the necessary capital. Hence borrowing from the informal credit market has become a popular choice for SMEs. Since loans obtained from the informal credit market are usually associated with lower transaction costs and interest rates (with the exception of Money Lenders), the informal credit market continues to remain popular with SMEs, despite not being regulated by laws or controlled by government agencies or local authorities. The speaker went on to state that the informal credit market is not in a position to compete with or damage the formal credit market, but rather to compliment it in terms of credit allocation during this transitional period into a virtual market economy. Nevertheless, the speaker suggested that a monitoring mechanism for the informal credit markets might be established by the government to defend "small" investors.

A speaker discussed how in the over-banked environment of Chinese Taipei, survival will depend on technology and electronic banking, which provides a "win-win" solution to both the banks and the SMEs. The speaker explained that although SMEs account for 90% of Chinese Taipei's corporations, SMEs have not benefited from the latest technology services that global banks have been providing its multinational clients. However, instead of using the traditional branch-banking infrastructure, banks can now use an IT-driven delivery vehicle to reach the vast majority of the corporate market, and also to provide valued products at a lower cost. By using internet-based products, banks can deliver efficient solutions that can offset the high transactional processing costs generally associated with servicing SMEs, especially smaller SMEs which generally engage in high volumes of smaller scale transactions. From the perspective of SMEs, Internet solutions can help an SME shorten its trade cycle of inventory to receivables to cash. In addition, working capital shortages can be solved by either direct bank financing or by more efficient cash management.

A speaker discussed the difficulties faced by SMEs in meeting the requirements in respect of obtaining funding through the bond market. The speaker explained that since SMEs generally don't fit within established criteria for receiving bank funding, SMEs must often find alternative sources of funding. The speaker pointed out that the Collateral Loan Obligations ("CLOs") provided by SMEs could be a solution to this dilemma as CLOs could provide the necessary diversification and structural subordination which in turn alleviate investors' concerns with taking on lower rated credits—essentially creating "small banks." The speaker then explained to us the typical structure of cash flow CLOs and how credit enhancement is achieved through diversification of Tranches. This speaker also noted that

the nature of credit enhancement would largely depend on the type of underlying obligors. It was also suggested by the speaker that CLOs, rather than bank loans, are better suited to fulfilling the financing needs of the SMEs since no collateral is needed from the borrower who in turn will receive a fixed rate term debt. Also, investors will be purchasing a security that is diversified, has an enhanced credit rating, and is privately—not state—funded. Other benefits include the injection of capital into the market, the development of debt markets, the encouragement of investors to take the first step, and the provision of a new funding source for SMEs.

Session Three

Session Three, "**IPO and Corporate Governance**", focused on the stage when companies consider going public and the significant role of corporate governance.

This session began with a discussion on initial public offerings ("IPO"). The speaker explained that IPOs should be entered mainly to raise cash for future growth. IPOs also provide a path to exit and can also act as a promotional tool for the companies. Due to the complexity of IPOs, early planning (such as the choice of listing venue) becomes essential to avoid problems in the later stages of an IPO. The speaker further indicated that in several Asia Pacific markets, secondary stock exchanges have been established (mostly established during the dot.com era before its demise) to allow young companies to list, which can be ideal listing venues for SMEs before they migrate to larger listing exchanges. Additionally, the speaker considered company valuation as a risk, because the approach of valuation is complicated and the achievable valuation could change significantly during the preparation phase of an IPO. In this regard, the speaker reminded us that in addition to trying to achieve the highest possible valuation at IPO, other objectives such as attracting long-term shareholders should be emphasized. The speaker concluded that there are many examples of companies that have moved quickly from being private concerns to global enterprises and a successful IPO is an important part of this transformation.

Another speaker from Chinese Taipei discussed issues concerning corporate governance in Asia. The speaker indicated that high ownership concentration and family businesses have a significant impact on corporate governance in Asia. To enhance corporate governance, the speaker emphasized the importance of early planning and familiarization with the concept of corporate governance before listing as well as improving foreign and domestic institutional investment, the market for the purpose of corporate control, the M&A environment, listing policies and exit mechanisms which includes restructuring and insolvency systems. The speaker further raised the issues of mandatory independent directors since the traditional "supervisor" model is becoming outdated and the importance

of strengthening transparency and disclosure, as well as shareholder participation and protection.

Session Four

Session Four, "**Merger and Acquisition**", focused on another important financing mechanism during SMEs growth.

One speaker pointed out that during the first half of 2003, the Asian M&A Market has been very active, both in terms of the volume and size of deals. In comparison to the same period last year, there has been a 6% increase in volume. In addition, 20% of M&A volume in the first half of 2003 involved target or acquiring companies based in Asia, as opposed to 17% in the same period last year. Cross-border merger volume has increased significantly compared to last year and the proportion of domestic Asian deals is at its highest level ever. The speaker added that 15 of the 2003 Asian M&A cases were worth more than US\$1 billion. In the 2003 Asian M&A market, Japan has been the most active country and the financial sector has been the most active industry. This phenomenon is true for the rest of Asia, since the financial sector accounts for 1/3 of total Asian Volume. Also, there will likely almost be an increase of joint venture ("JV") activity due to the recent adoption of legislation by the Chinese government. The speaker went on to state that entering into JV deals is probably less risky than venturing into the uncertain markets.

A speaker from Chinese Taipei shared with us his leverage buyout ("LBO") experience in Chinese Taipei. In this regard, the speaker emphasized the need to restructure enterprises, extract value from non-performing loans ("NPLs") and clarify portfolios of diversified corporations, as well as the significance of generational hand-overs (especially in light of the lack of successors), privatization, and diversification of VC products. The speaker further discussed issues in respect of delisting public companies (including voluntary pro-active delisting, which the speaker indicated is less common in Chinese Taipei), challenges in securing debt financing (especially high yield debt financing), exit opportunities and limitations on ownership by banks. Moreover, the speaker took YCL Electronics Co., Ltd. as an example to explain the importance of Management Buyouts ("MBO"), due diligence and deal structure.

At the end of this session, a speaker from China raised the issue of convertible bonds and regarded it as a practical financing tool for larger SMEs, including larger pre-IPOs, but might not be a practical alternative for smaller SMEs. The speaker explained the advantages of using convertible bonds from the different perspectives of equity investors,

fixed income investors and issuers. The speaker further demonstrated the process of using convertible bonds and the process included by analyzing the financial needs of SMEs, comparing convertible bonds with other financing instruments, assessing an issuer's business conditions and evaluating the effect of issuing convertible bonds. Moreover, the speaker discussed the factors to consider before issuing convertible bonds, such as earnings, stock prices, capital markets, business nature and pre-IPO stage. The speaker explained that investor demand, stock market volatility and interest rates are all key factors in determining valuation and pricing of convertible bonds. In addition, the speaker presented statistics on Asian convertible bonds issuers in Australia, New Zealand, China, Hong Kong, Malaysia, Singapore, South Korea and Chinese Taipei to compare the market cap, profitability, liquidity and financial leverage of the issuers, as well as variations by industry.

Session Five

Session Five, "**Finance System**", focused on the needs and incentives to reform the finance system to encourage start-up companies and SMEs.

A speaker explained that Chinese Taipei recently adopted a system to allow for financial holding companies to solve the problem of "over-banking" in Chinese Taipei. By allowing entities the option of creating a financial holding company, entities then have the opportunity to strengthen themselves by creating an economy of scale, by reducing costs through integration, and by increasing capital efficiency. Financial holding companies in Chinese Taipei thus are better able to provide "one-stop shopping" financial services to their customers. For such services to have "value-added," financial holding companies must provide effective product bundling, provide banker's expertise, and keep in mind that mid- to small corporate customers are less price sensitive. Cross-selling opportunities can be "captured" by the collaboration of financial holding company members. Depending on the structure of the financial holding company, the financial holding company may have cross-selling opportunities by affiliate, by product, or by customer.

Another speaker shared with us the success story of GE Capital ("GE"), a finance company. The speaker presented GE's records of revenue, ongoing earnings, cash generated and operating margin of 2002. The speaker also identified GE as the No. 1 non-banking finance service provider based on its substantial assets, its variety of finance services (consumer services, mid-market financing, insurance, equipment management, specialized financing), AAA ratings by S&P and Moody's and being the largest issuer of commercial bonds in the US. The speaker further explained the fast growing GE consumer financing and related diversified products such as auto loans, commercial loans, consumer loans, mortgage, etc, and the factors that make GE a successful finance company.

The final speaker discussed the role of financial services in global economic growth, focusing on the maintenance of financial stability through financial supervision. The speaker explained that financial supervision would serve to enhance reliability, transparency and efficiency and to prevent abuse of financial services, all with a view to protect clients and shareholders. The speaker suggested that supervisory systems should be designed to (1) detect possible abuses, and also, (2) enforce relevant laws, regulations and principles governing such services and applying to such abuses. The speaker also suggested that a global authority should be instituted to oversee global financial services, since such services are becoming increasingly integrated worldwide, yet are not governed by any common set of principles and the current ability of national regulatory authorities to oversee such activities is limited. Such global authority would protect the investing public, which in turn would strengthen the markets.

Session Six

Session Six, "**Securitization**", focused on issues in respect of raising fund through securitization.

A speaker from Chinese Taipei defined securitization as the issuance of securities through the mechanism of "structuring future cash flows of the underlying assets," explaining that securitization can be an alternative source of funding. The speaker explained that companies trading receivables and assets can securitize more easily. The speaker discussed the credit assessment process in which each borrower rates receivables and assets, taking into account credit enhancing factors, such as insurance, credit guarantees and subordination, among other things. Foreclosure frequency and default probability are two other key pieces of information that need to be assessed before structuring a transaction. Also, a credit assessment will include an analysis of the possibility of default under a worst case scenario to determine credit worthiness. The speaker explained that since there are too many banks in Chinese Taipei—and thus, readily available liquidity—there are not enough banks in Chinese Taipei willing to sell MBO's. The speaker also explained that generally speaking, securitization would probably be too expensive for SME financing. However, if a credit rating can be established that helps to determine potential losses and such losses can be matched with a government guarantee, securitization might be a viable alternative for SMEs.

One speaker from Japan noted the recent effort by the Tokyo metropolitan government to obtain financing for SMEs through the use of a CBO (Collateral Bond Obligation)/ CLO (Collateral Loan Obligation) mechanism. What CBO/CLO essentially entails is fundraising through securitization of a pool of corporate bonds or loan obligations, respectively, from a group of SMEs. The most noticeable trait of CBO/CLO is that it enables the SMEs to

obtain financing from investors through the act of bundling, or pooling the participating companies from different industries, and providing them with a proper structure and investing mechanism. The act of bundling multiple SMEs not only reduces the risk for the investors, but also leads to a lower interest rate for the SMEs. The speaker also pointed out that CBO/CLO should be viewed as a gateway into other methods of obtaining direct financing in the future, i.e., the issuance of corporate bonds by SMEs in their own name. In the case of CBO, SMEs can readily achieve direct financing and raise their corporate status. The initial feedback has indicated that the CBO/CLO plan is well received by the participating SMEs.

Another speaker from the US considered asset-based financing as a key source of low-cost funding for SMEs. In this regard, the speaker explained the meaning of assets and originator, the forms of such financing and the identities of potential purchasers. The speaker further introduced general principles of asset securitization and issuers' motivations. The speaker identified in detail the key elements in the securitization process which are portfolio credit analysis, contract analysis, tax and legal analysis, accounting analysis, evaluation of origination process and servicing strategies, portfolio data analysis, credit enhancement, transaction design, investor education/ marketing, execution and post-sale transaction support. The speaker also emphasized that asset securitization is not only a bond deal but also a business model and that asset-backed securities ("ABS") are efficient financing vehicles. The speaker made policy suggestions at the end of his presentation, including an emphasis on the importance of creating a level playing field, the identification of the quality of assets, the development of third party asset services the disclosure of information about asset portfolio performance, and the lowering of transaction costs.

Session Seven

Session Seven, "**Restructuring**", focused on the issues concerning reorganization process.

A speaker from Korea discussed Korea's ongoing recovery efforts from its severe economic crisis in November 1997. The speaker explained that the Korean economic crisis was the result of an inefficient and distorted financial sector, weak supervision and prudential regulation, and a corporate sector burdened with high levels of short-term debt. However, Korea turned its economic crisis into an opportunity to fundamentally reshape its economy. The most important decisions in Korea's turnaround involved measures to rehabilitate the commercial banking system, including the privatization of commercial banks and the development of a market-oriented financial system. The underdevelopment of the Korean capital markets was another factor that contributed to the financial crisis, as the investor base in the stock market was not deep enough to facilitate corporate financial growth. The

speaker explained that corporate restructuring should be promoted, in part through permitting non-viable firms to exit, but warned that continued improvement of the social safety net would be needed to facilitate financial and corporate restructuring.

A speaker from the Philippines discussed asset management companies in light of the ongoing problem of Non-Performing Assets ("NPAs") hindering the recovery of APEC economies following the 1997 Asian economic crisis. The speaker explained that an asset management company ("AMC") is a special purpose limited liability company (holding or subsidiary), agency or undertaking established to acquire, manage and recover NPAs from financial institutions. The primary objective of an AMC is to maximize net present value recovery in order to minimize, which it may do by selling the NPAs to a third party, rehabilitating and retaining the NPAs, rehabilitating and disposing of the NPAs, providing additional finance to the borrower, rescheduling interest and/or principal to match projected cashflows, or pursuing recovery through legal remedies. The speaker then discussed AMCs in the context of the Special Purpose Vehicle Act passed into law in January 2003 to address issue of NPAs in the Philippines.

At the end of this session, the speaker from Australia discussed with us how to conduct a workout informally in the restructuring process. The speaker first pointed out that numerous jurisdictions would be involved in a workout given the globalized economy and then explained the advantages of conducting an informal workout rather than a formal workout. The advantages of an informal workout include the avoidance of triggering cross-default provisions, confidentiality and the consequent avoidance of damage to reputation, increased flexibility, lower costs and less risk of judicial intervention. In this regard, the steps of proceeding with an informal workout would begin with reviewing the company's circumstances and preparing a business plan identifying both immediate and long-term measures. In respect of structuring a contractual workout, the speaker raised the issues concerning a standstill agreement with major creditors and the importance of documentation. The speaker further explained the impediments in the development of informal workouts in the Asia region including the lack of an effective formal insolvency regime, inadequate corporate governance and inadequate accounting standards. The speaker concluded that the 1997 Asian economic crisis highlighted the importance of insolvency laws and the development of informal workout procedures.

D. Conclusions

Start-up companies and SMEs are a significant source of increased competitiveness, job creation and economic growth in the APEC region. To facilitate and encourage start-up companies and SMEs, we recognize the necessity of establishing financing mechanisms for them at different growing stages such as an angel fund at the initial stage, venture capital at

the pre-IPO stage, issuing stocks at the IPO stage and issuing various financial products at the post-IPO stage. Moreover, in regard to the diversity among APEC member economies and to enhance economic growth in the APEC region, APEC's top priority is to map out the *"Best Practices Guidelines for Enhancing the Financing Chain for SMEs at Different Growing Stages."*

The proposal of *"Best Practices for Enhancing the Financing Chain for SMEs at Different Growing Stages"* was supported by the First Senior Official Meeting held in Thailand and the Sixteenth APEC SMEs Working Group Meeting held in Malaysia earlier this year. To follow up on this mandate, the *"Best Practices Guidelines for Enhancing the Financing Chain for SMEs at Different Growing Stages"* reached at this symposium will be presented to the APEC Ministerial Meeting. The collective wisdom of speakers and participants of this symposium constitutes an invaluable contribution to the further development of APEC economies and their continued growth in the new century.