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SENADA INDONESIA COMPETITIVENESS PROGRAM

competitiveness at the FRONTIER

August 2008

theme :

Access to Finance

in this issue :

editor's message

Most months, one of the easiest parts of producing *Competitiveness at the Frontier* is creating the "To Learn More" column (page 9). Helpful websites related to each month's theme generally come to light during the writing/editing process, and when more are needed, it is a simple matter to type the theme into Google and browse the resulting sites to identify ones that are relevant.

But this month was trickier, although not because 'access to finance' is a difficult topic to find on Google. On the contrary, a quick search produces 656,000 hits. The problem is that 'access to finance' is a vast subject with many dimensions, such as microfinance, access to finance in the European Union, financing infrastructure in developing countries, and reform of home mortgage lending practices, to mention just a few.

All are worthy subjects with fascinating policy dimensions, but our interest in 'access to finance' lies specifically with 'enhancing Indonesian competitiveness.' Moreover, in order to deliver a coherent message we must narrow our focus. Thus, the articles in this edition examine the problems that small and midsize companies face in obtaining finance: Microfinance is alive and well in Indonesia, and large companies frequently have the collateral, accounting systems and other characteristics that make them attractive to banks. It's the companies in the middle that often must struggle hardest to find credit.

In certain industries, such as the ICT sector, the problem can be especially acute, as described in "It's Just Too Complicated" (page 3). When export financing is required, the needs of SMEs are not always addressed ("Will A New GOI Export Finance Agency Boost SMEs?" page 5) and obtaining letters of credit remains problematic ("The Trouble With Letters of Credit," page 6).

Usually our Innovation column (page 8) is independent of the monthly theme, but the link between the two this month was too obvious to ignore: innovators often have difficulty accessing credit. We look at a few ways that stakeholders like SENADA are addressing this problem, proceeding from the understanding that innovation is essential to competitiveness. • CSW •

letters

IT'S NOT JUST CHARITY

We would like to thank SENADA for the article "CSR Is Good Business," [June 2008, p. 3] in which I was interviewed, along with GE Money Indonesia Communications and Citizenship Manager Ani Rahardjo, about GE's Corporate Social Responsibility programs. We enjoyed the interview session and the opportunity to share our experience.

I would like to highlight this one quote that we believe can serve as a guide for readers to understand the power of CSR to better the communities around them: "CSR is not about a company giving money away, but it is about *'how is a company making its money – Is it in a responsible way?'"* This puts the focus where it belongs – not just on a company's charity, but on how the company as a whole conducts its operations. Also, it highlights GE's concept of good corporate citizenship, which CSR is part of. At the heart of it is good governance and compliance, as well as maintaining the safety and well-being of our employees and the environment.

Further, our Indonesian experience runs both ways. Sometimes we are inspired by the examples set by small companies – such as the one in Yogyakarta that provides employment for women and those with disabilities. Similarly, GE arranged an internship for a graduate of our 'adopted' high school for street children. Now our intern works for us full time after he successfully transformed himself into a capable colleague and the backbone of our team through on-the-job learning. He will be the first in his community to work for a multinational company, and he can inspire others around him. This is one way in which we can run our operations in such a way that it will benefit communities around us. All of us will continue to be inspired by such ideas, and SENADA plays an important role in sharing them with the readers.

— Inggita Notosusanto
Manager of Corporate Communications, Southeast Asia
GE

Competitiveness at the Frontier *encourages letters (mail to: senada@ dai com) and reserves the right to edit for length and clarity*

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Competitiveness at the Frontier welcomes your letters and reserves the right to edit for length and clarity. We pay a modest honorarium for published articles and invite interested authors to contact us about writing opportunities. Contact the Communications Team, SENADA – Tel: (62-21) 5793 2577; Fax: (62-21) 5793 2578; e-mail: senada@dai.com. Website: **www.senada.or.id**

It's Just Too Complicated

SMEs as a group face a particular set of challenges when trying to access credit. For companies in the ICT industry, issues such as product complexity and the need for substantial capital can make obtaining financing even tougher.

Editor's note: The following article is excerpted from a more extensive paper prepared under the auspices of the USAID-funded project Egyptian ICT Entrepreneurial Program and represents the intellectual contributions of many EIEP staff.

Microfinance has made considerable strides in improving access to capital for individuals seeking funds of US$ 1,000 or less to start or expand a business. Similarly, the IFC and other investment institutions have improved access to capital for established firms seeking US$ 5 million and above to expand their operations nationally and internationally.

Yet the development community has still to effectively and sustainably address the challenge of access to capital for SMEs seeking between US$ 1,000 and US$ 5 million to scale up their businesses and attract private capital. For SMEs competing in technology sectors the challenge of accessing growth capital is particularly acute for several reasons.

Before examining the financing obstacles faced by SMEs in the Information and Communication Technology (ICT) sector, it is important to review two general financing gap concepts that result from institutional limitations and/or the perceived risk associated with investing in ICT SMEs.

First, the concept of a financing gap refers to a **shortage in the supply of capital** to meet the demand. However, it is important to stress that the notion of a financing gap should not be confused with that of 'absolute scarcity' of funds in a given financial system. Indeed, a financing gap may well emerge even in cases when liquidity is abundant, due to the perceived level of risk.

Second, when discussing the nature and extent of a financing gap, attention is typically focused on the supply side, i.e. on constraints related to the behavior of the finance providers. However, it is important to bear in mind that enterprises also make decisions about financing and, therefore, **constraints may also appear on the demand side**. This is especially true in the case of equity financing, as for various reasons entrepreneurs are often unwilling to relinquish any control of the company to outsiders. Indeed, this attitude, referred to as 'control aversion' in the literature, appears quite widespread among SMEs. Likewise, the limited skills and knowledge of SME entrepreneurs in dealing with banks and financial institutions is also a major constraint on the demand side.

Historically, the facilitation of SME access to financing has attracted considerable attention. Initially, the problem was largely framed in terms of how to facilitate access to investment financing, with the attention mainly concentrated on the availability of traditional equity (e.g., venture capital) and bank financing, in the form of medium- to long-term loans. The proceeds from these equity investments and loans were generally used for capital investment.

Over time, a more comprehensive approach to the SME financing problem has emerged, encompassing other financing needs and less conventional financing instruments. Indeed, SME financing needs vary greatly depending upon the precise nature of the business in which the SME is involved as well as the use of proceeds and the firm's life cycle stage. This has brought about an increasingly wider range of transaction-related financing instruments, such as accounts receivable factoring, specific contract financing (using the contract as collateral) and leasing of capital assets, that now represent viable alternatives to traditional bank lending for many ICT SMEs.

OBSTACLES TO SME FINANCING

The economics literature on enterprise financing has identified three main obstacles that may impede adequate access of ICT SMEs to financing: informational asymmetries, intrinsic higher risk, and sizeable transaction costs.

Marked **informational asymmetries** exist between small businesses and lenders or outside investors. The lender/investor may not be in a position to adequately differentiate between 'high quality' and 'low quality' ICT companies and projects. And once the investment is made, the investor may not be equipped to fully assess whether the funds supplied are being applied in an appropriate way. To mitigate these problems, bankers and outside investors may adopt precautionary measures (e.g. require that financing be collateralized) and, ultimately, may simply turn down the request for financing ('credit rationing').

In the case of ICT SMEs, the problems posed by informational asymmetries tend to be comparatively more severe. Indeed, the information that ICT SMEs can realistically provide to external financiers (in the form of financial accounts, business plans, feasibility studies, etc.) often lacks detail and rigor.

Another obstacle faced by SMEs in accessing finance is their **inherently higher risk** profile. Suppliers of external funds are more reluctant to provide finance to ICT SMEs because they are regarded as riskier enterprises. Investors perceive three risks specific to SMEs. First, SMEs face a more uncertain competitive environment than larger companies do, as evidenced by more variable rates of return and higher rates of failure. Second, SMEs are comparatively less equipped in terms of both human and capital resources to withstand economic adversities. Third, the risk perceived by providers of finance is amplified by the inadequacy of accounting systems, which undermines the accessibility and reliability of information concerning profitability and repayment capacity.

Irrespective of risk profile considerations, **the handling that ICT SME financing requires is expensive.** The cost of employing a qualified financial manager or director to handle negotiations with lenders and loan application appraisals or conducting a due diligence exercise in view of a possible equity investment or bank finance is largely independent of the size of the financing under consideration. Administrative costs, legal fees, and costs related to the acquisition of information can be largely regarded as fixed costs, and it is more difficult to recoup them in the case of smaller loans or investments.

A fourth problem often cited in the literature (and loudly lamented by small entrepreneurs) is the lack of collateral that typically characterizes ICT SMEs. These problems are often exacerbated by institutional factors, especially in developing countries.

Lack of collateral: In the case of debt financing, collateral is often requested by lenders in order to mitigate the risks associated with nonpayment. The lack of collateral is probably the most widely cited obstacle encountered by ICT SMEs attempting to access bank finance. Indeed, the ratio between the amount of the collateral to be provided and the loan size is frequently used to empirically assess the severity of the financing gap. However, this ratio may simply be a reflection of SMEs' intrinsic higher risks. In certain cases, the lack of collateral (i.e. the reduced capitalization of the enterprise) may be due the fact that a firm is new and not well-established, which is part of the risk inherent to SMEs. In other cases, the collateral that an ICT SME can mobilize may be deemed insufficient in comparison with the size of the loan sought, meaning that the expansion project under consideration is excessively large compared with the current size of the firm (again, an intrinsic issue for SMEs). In other words, the lack of collateral must not be regarded as the root cause of the difficult relations between ICT SMEs and providers of finance.

The notion of a financing gap should not be confused with that of 'absolute scarcity' of funds in a given financial system. Indeed, a financing gap may well emerge even in cases when liquidity is abundant.

Institutional and legal factors that can exacerbate obstacles to SME financing in developing countries may include a problematic banking sector, insufficiently developed legal systems, problems with enforcement, and a largely undeveloped 'information infrastructure' (i.e., lack of credit bureaus or other mechanisms for collecting and exchanging information on payment performance inevitably exacerbates the informational asymmetries between enterprises and lenders/investors).

In light of how obstacles to SME finance tend to be magnified for ICT firms, special steps may be necessary to promote investment in the sector focused on both the investor (supply) and investee (demand).

On the supply side, investors must be encouraged to increase their sophistication with respect to the ICT sector. Efforts to advance investor awareness and understanding can include training for local investors, promotion of investment opportunities to foreign investors, and hosting networking events.

On the demand side, ICT SMEs can be trained to make themselves more desirable candidates for investment, by developing funding strategies, identifying investors, and preparing for investor 'due diligence.'

— Scott Jazynka

Will A New GOI Export Finance Agency Boost SMEs?

Exporters and business representatives know what they want from a new agency to effectively promote export by small and mid-sized companies, but aren't sure that the legislation now under consideration will deliver.

The Government of Indonesia is making efforts to convert Bank Ekspor Indonesia (Bank Exim for short) into a new export finance agency, in the hopes that this will significantly contribute to the nation's export earnings by expanding export financing. The private sector, however – particularly the SMEs who really need financial support – doubt that the conversion will effectively increase their access to finance.

The DPR (House of Representatives) is currently drafting and debating legislation to create an export finance agency, designated Indonesia Eximbank, to substitute for Bank Exim, which was established in 1999. Many consider the current export bank unsuccessful at expanding financing to national export activities, as it operates like any other commercial, profit-oriented bank. The rules that commercial lenders play by make it difficult for any emerging company, let alone SMEs, to obtain credit. Bank Exim's operations must accord with the regulations of Bank Indonesia, and therefore tend to avoid medium and long-term projects related to export and investment.

For this reason, many GOI and DPR representatives argue that Indonesia needs to pass legislation to convert Bank EXIM into a new export credit and investment agency that is more flexible in responding the demands of international trade.

The idea of the conversion was first voiced several years ago but a proposal for it was not submitted to the DPR until 2007, for consideration in 2008. While drafting the law, the DPR invited several interested business associations and large companies to offer their input into how the new agency should operate to meet their needs. It remains to be seen if that input will have an impact on the ultimate design of the new agency.

Goals established for the new agency as a result of discussions in the DPR include finance guarantees and insurance for export activities as means to increase Indonesia's export earnings. According to the draft under review, the agency should be authorized to finance all export processes and also finance or give credit to foreign importers/buyers of goods from Indonesia. The agency is slated to get underway in 2009.

GOI officials and DPR representatives seem to have a strong belief that the new export credit agency will significantly contribute to future export earnings because of its focus on export financing and investment. It is said that the agency will place more emphasis on increasing exports than its predecessor, which was more concerned with profits, as it will be under the supervision of the Ministry of Finance rather than Bank Indonesia. Many exporters are supportive of such efforts, voicing hope that the legislation will not offer a new vehicle for corruption.

Officials predict that the contribution the proposed agency can make will take time to occur, with increased exports expected in five to ten years. The process of transforming Bank Exim into the new agency will take three to six months including a change of management. The required start-up capital of Rp 4 trillion stipulated by the legislation is already available from deposits in Bank Exim, and in case more funding is required the new agency can use funds from the national budget plan. For further funding, the new agency can also seek financing from local and international finance institutions.

Despite the appeal of an agency devoted to increasing exports, many exporters express doubt that the new agency

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Many GOI and DPR representatives argue that Indonesia needs to pass legislation to convert Bank EXIM into a new export credit and investment agency that is more flexible in responding the demands of international trade.

The Trouble With Letters Of Credit

Small and medium Indonesian textile and garment producers face L/C constraints in addition to other competitiveness woes.

Indonesia's textile and garment industry has long been a mainstay of the nation's economy, providing valuable employment and foreign exchange. But competition in the global market is fierce and getting fiercer.

For Indonesia's exporters, the trends are worrisome: US imports of textiles and apparel are slowing, and many Indonesian firms are heavily dependent on this market. While EU member countries are another important export destination, many exporters find the EU a difficult market to enter due to smaller order sizes and the tendency of buyers in that region to shop around. Other alternative markets such as Japan are also hard to crack, with some Indonesian businesses saying too high a standard is applied. In addition, Japanese consumers tend to be very loyal to certain products and relationships that have already been established with traditional suppliers in China and Korea. As a result, the ASEAN Free Trade Agreement with Japan signed a couple of years ago has yet to significantly boost either exports of apparel to Japan or Japanese investment in Indonesian textile production.

At the same time, there is excess capacity for garment production in exporting countries all over the world. Advancing technology that enables manufacturers to meet many types of requirements makes it more and more possible for buyers to source exactly what they want from anywhere in the world.

With these trends as a backdrop, the constraints that Indonesian SMEs face in obtaining Letters of Credit (L/Cs) are significant; they form yet another impediment to competitiveness in an already challenging situation.

Textile and garment companies use L/Cs to obtain working capital to finance their orders. This capital is essential for purchasing or making down payments for all raw materials and accessories needed, including fabrics, thread, zippers, buttons, etc. Some of these goods are available domestically but many others need to be imported. If buyers are unwilling to open L/Cs, manufacturers have trouble obtaining their raw materials quickly enough – a problem that is only exacerbated by the fact that buyers expect orders to be fulfilled more quickly than in the past.

Many buyers are reluctant to open letters of credit, because there is so much competition among textile manufacturers that they can readily find cheaper alternatives. A letter of credit from a buyer is something like an advance on a purchase. It costs money to open a letter of credit and it ties up money that could be put to other uses. If a buyer can get the manufacturer to take on the costs of sourcing and production without any advance from the buyer, then the buyer may save money. They thus may be inclined to go to producers who can self-finance rather than those who need financing from the buyer.

> If buyers are unwilling to open L/Cs, manufacturers have trouble obtaining their raw materials quickly enough – a problem that is only exacerbated by the fact that buyers expect orders to be fulfilled more quickly than in the past.

To circumvent this problem, in theory producers who cannot get a letter of credit from a buyer can obtain a line of credit from a bank, on their own account. If the business is good and the buyer is dependable, this normally would not be a problem. However, in Indonesia, since the monetary crisis of 1997, banks have found safety from risk by depositing money in what are essentially government accounts, where they get about 9 percent interest. While a bank might get more return by financing a line of credit, say a return of 15 percent, financing a line of credit is more risky than a definite return from the government. Indonesian banks, still seemingly quite shy of taking on risk, are consequently reluctant to finance lines of credit.

Buyers who prefer to source from producers who self-finance or who can arrange their own financing will seek out manufacturers in countries where banks are ready to make line of credit, or perhaps even accounts receivable, loans – and the result is that Indonesian producers may lose out.

— Baari La Inggi

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will offer much benefit, and expect it to serve large companies but not make much of a difference for SMEs. Small and medium enterprises do not have enough collateral to readily obtain credit, forcing them to seek "hot money" (which by definition has high short-term interest rates) from non-bank institutions.

Such doubt on the part of SMEs seems reasonable, as the draft law makes no mention of SMEs as a target group. In addition, a key feature of successful export credit agencies in competitor countries is keeping interest rates down, which is also not mentioned in the draft law. Exporters also note that the agency should include means to accommodate borrowers that run into financial difficulty (especially if this can serve as a model for private banks). SMEs, say these exporters, often do not have collateral, but they do have potential to grow if assisted to tap export markets, and plans for a new agency should take this into account.

Exporters also note that Indonesia must learn from the experiences of other countries that operate such export credit agencies, including finding out how Bank Syariah Malaysia has become the largest international bank based on syariah (which mandates profit-sharing instead of interest-rate setting). This bank is said to be able to financially support Malaysian SMEs. Without paying attention to the lessons that can be learned from such examples, the new agency risks being ineffective at boosting SME development and/or having too high a rate of non-performing loans.

Finally, exporters urge that the new agency make use of detailed and accurate analyses of industrial sectors when deciding to whom credit should be extended. For example, despite the promising opportunities theoretically available to some textile and garment manufacturers, particularly those producing goods for niche markets, the industry as a whole is often dismissed by banks as a sunset industry. A well planned and implemented agency must be designed to benefit not a preconceived set of companies, but the firms that will use the credit to enhance Indonesia's competitiveness.

— Baari La Inggi

NEWS in review

An electricity crisis is threatening the Rp 2 trillion investment in the machine upgrading program for the national textile and garment industry (TPT) this year. The short electricity supplies are predicted to continue through 2009. The problem is made worse by the surge in energy costs that will increase production costs in the TPT sector by threefold. *(01/07, Bisnis Indonesia)*

Pelabuhan Indonesia III (Pelindo III) will spend Rp 4 trillion to expand the Tanjung Perak Port in Surabaya by two kilometers in the next five years. The project is part of the expansion of seven state-run ports to anticipate throughput congestion due to limited facilities at ports. *(01/07, Bisnis Indonesia)*

The operations of eight textile factories in Pekalongan, Semarang, Surakarta, and Sukoharjo threaten the local environment. The four regencies are the center of the textile industry, which causes grave environmental damage. To prevent further damage, Central Java Environmental Impact Management Agency will oversee operations at the eight textile factories. The agency had urged the eight factories to improve their waste management systems. *(02/07, The Jakarta Post)*

The Japan-Indonesia Economic Partnership Agreement (JIEPA) came into force on 1 July following the signing of standard operating procedures for the implementation of the agreement by officials of the two countries. Trade Minister Mari Elka Pangestu said the agreement involved arrangements to guarantee the smooth flow of goods between Indonesia and Japan and bilateral cooperation in the industrial, fishery, forestry and farming sectors. *(02/07, Media Indonesia)*

Indonesian Motorcycle Industry Association (AISI) President Gunadi Sindhuwinata said price is still the customers' main consideration when buying automotive spare parts. Non-branded spare parts comprise 60% of the automotive market, underscoring the need for standardization to maintain product quality. *(03/07, Investor Daily)*

The Indonesian government is mulling over bilateral cooperation with India, Australia and New Zealand to set up a free trade zone (FTA) similar to the one established by Singapore. *(03/07, Seputar Indonesia)*

The first Asia-Europe Meeting (ASEM) social partners forum concluded in Brussels with an agreement to follow up dialog on labor issues with concrete steps in Bali this October. Representing governments, trade unions and employers from 45 member countries, 200 high-profile delegates agreed to continue exploring the social aspects of globalization in the labor sector, in an effort to narrow disparities between Europe and Asia. *(03/07, The Jakarta Post)*

National textile producers asked the government to take extra precautions to anticipate an influx of Chinese products that have just received a tax cut from the Chinese government. Indonesia Textile Association Secretary General Ernovian G. Ismy said China's textile and garment exports would skyrocket because of the fiscal support. *(04/07, Bisnis Indonesia)*

Hundreds of furniture companies in Yogyakarta may have to cease operations if they can no longer cope with surging operational costs. Operational costs have jumped as much as 40% since the government decided to increase fuel prices. Some 300 furniture producers in Yogyakarta are expecting the government to provide non-collateral loans as part of the solution to their problems. *(05/07, Media Indonesia)*

INNOVATION:

Innovative Ways To Fund Innovation

When traditional funding sources are reluctant to underwrite innovation, governments and donor agencies can help with innovative programs of their own.

Businesses don't skyrocket from start-up to spectacular success because an entrepreneur says "hey, I've got an idea – I think I'll start a company that does just what everyone else does." On the contrary, innovation – whether a brand-new product or just a more efficient way to make an existing one – is frequently at the heart of business triumphs. With that premise in mind, one might assume that innovators usually have easy access to credit.

In fact, it's the opposite. New technology and the paradigms that accompany it take time to produce tangible results, and funding sources often translate their own misunderstanding of both as "high-risk." And sometimes, it isn't a misunderstanding all – much innovation is inherently risky. When established companies with a new idea are sometimes too risk-averse to fund their own innovations it's no wonder banks, venture capitalists and the like can be wary of doing so as well.

Yet countries that want to sharpen their competitive edge must promote innovation. When traditional sources aren't supplying the needed financing, governments and the donor community are stepping in to create innovative programs of their own that are designed to stimulate novel business ideas.

In Singapore, the government is hoping to kick-start creativity through a seed funding initiative, the Creative Business Fund. The CBF, focused on supporting the artistic, design and media sectors, is a perfect example of how government can provide support to a burgeoning start-up company, despite characteristics that might turn off traditional investors. The CBF project criteria stipulate that the grant will only be awarded to those involved in developing new business areas; qualified applicants will receive up to 50 percent of their manpower, equipment, software and other costs for up to two years.

Let's say you want to develop wireless streaming video applications for use in museums, so people can use their PDAs to log on and view the artists at work on the pieces they're looking at. Not exactly a traditional business idea, but it fits perfectly into the CBF framework.

Here in Indonesia, SENADA's own Business Innovation Fund is taking a similar approach, offering short-term, high-impact grants for the development of innovative products in several light industrial and IT sectors. BIF, which began in June 2007, has received 212 proposals at press time; 20 have been approved and about a dozen more are currently being reviewed.

One BIF grant enabled a new material composite formula and a new process for iron-casting brake drums, developed at Diponogoro University, to be disseminated among Indonesian SMEs. Another organization, the Mangrove Action Project Indonesia, is using BIF support to develop and introduce a new technology to pressure-treat bamboo so it will remain free of insect pests without using insecticides. With a BIF financed bamboo pressure treatment plant in Yogyakarta, MAP Indonesia uses this new innovative technology to provide low-cost, treated, environmentally friendly bamboo to local home accessories and furniture producers.

In Egypt, an effort started under the auspices of a USAID project with cooperation from the Egyptian Ministry of Communications and Information Technology (MCIT) used a different strategy. The Egypt ICT Entrepreneurship Project, which operated from 2005 to 2007, identified and helped reduce barriers preventing Information and Communication Technology (ICT) firms from accessing capital, by providing direct technical support to firms and creating a business plan for an independent, self-sustaining entity, the ICT Business Development Center (I-BDC), which was launched in Fall 2007.

New technology and the paradigms that accompany it take time to produce tangible results.

I-BDC's mandate is to increase the competitiveness of Egyptian ICT firms in the global marketplace by linking them with suitable lenders and equity investors. The Center is based on a two-pronged approach, providing services to ICT firms and potential investors alike. Firms receive technical assistance to make them more attractive investments; investors receive funding intermediation services that enrich their capacity to understand and evaluate Egypt's ICT industry in the global context.

Or that was the plan, at any rate. In practice, while there are clear indicators that there is demand in the market for exactly these services, I-BDC isn't yet fully functional, and moving it forward remains on MCIT's to-do list. The model of I-BDC as quickly self-sustaining may have been too ambitious – but healthy ambition and risk-taking are hallmarks of innovation not just for business, but for the donors and governments that support them as well.

— Ryan McClure

EVENTS

MTT Indonesia
Jakarta International Expo (JIExpo)
27–30 August
Indonesia's international exhibition for machine tool, metal cutting and metal forming machinery, metalworking technology, and related automation technology and engineering tools. Held biannually. www.mtt-indonesia.com

Indonesia Textile & Apparel Fair (ITAF)
Jakarta Convention Center
4–7 September
The most complete textile exhibition in Indonesia. Products displayed include fibers, yarns, fabrics, accessories, garments, fashions, and other textile products, including textile machinery. www.itaaf.com/

Indo Aerospace Expo & Forum 2008
Halim Perdanakusuma Airport
19–22 November
International aviation, aircraft and aerospace technology event. Open to the trade and the general public. Organized by PT Napindo Media Ashatama.
www.eventseye.com/fairs/f-indo-aerospace-expo-forum-9093-1.html

The Singapore Gifts & Stationery Show
Suntec Exhibition Centre, Singapore
20–21 August
Exhibitions include advertising gifts and premiums, ceramic gifts, consumer electronics, corporate gifts, fashion jewelry and accessories, paper and packaging, party and Christmas decorations, pictures and photo frames, silverware, stationery, toys and sporting goods, travel goods and umbrellas, watches and clocks, general gift items, and trade services. www.gsshow.net/

Asia Consumer Fair 2008
South City Plaza, Kuala Lumpur, Malaysia
23–31 August
Companies from all over Asia will showcase their latest equipment, products and techniques. Displays will include textile and textile products, apparel accessories, cosmetics, giftware, footwear, furniture, leather products, toys, fashion accessories, jewelry and other products. www.biztradeshows.com/malaysia/

The 23rd Bangkok International Fashion Fair &
The 21st Bangkok International Leather Fair 2008
BITEC, 8 Bangna-Trad (Km 1), Bangkok, Thailand
27–31 August
For industry buyers, importers, manufacturers, traders, distributors, wholesalers, retailers, boutiques, fashion showroom, department stores, designers, press and others in the fashion business. www.thaitradefair.com/fairin/biff08/

Thailand International Logistics Fair 2008
BITEC, 8 Bangna-Trad (Km.1), Bangkok, Thailand
11–13 September
Includes exhibitors in the categories of logistics (container/tank & bulk and ports, factory/warehouse automation, material handling/storage systems, packaging systems, and transportation services); services; and software/information technology. www.thaitradefair.com/fairin/logistics08/

TO LEARN MORE

www.ifc.org/ifcext/sme.nsf/Content/Access_to_Finance
Throughout the world, limited access to finance is a key constraint to private sector growth, especially for small firms with minimal influence on policy reform. This International Finance Corporation/World Bank site explains the IFC technical approach and programs to address this.

www.iges.or.jp/APEIS/RISPO/spo/pdf/sp3201.pdf
This paper by the Institute for Global Environmental Strategies examines why SMEs have trouble obtaining finance in developing countries and looks at the pros and cons of policy options to improve financing.

www.aadcp-repsf.org/docs/04-003-ExecutiveSummary.pdf
Results of a study performed under the auspices of the AusAID-funded Regional Economic Support Facility, reviewing factors inhibiting lending to SMEs by the formal financial sector in the ASEAN region and the related institutional, legal and regulatory framework in ASEAN countries.

www.fmi-inc.net/sme/overview.html
The website of Financial Markets International, a law and economics consulting firm focused on emerging market countries. Provides an overview of reasons SMEs have difficulty obtaining credit from traditional lenders, in the context of describing a software tool FMI offers to help SMEs provide the kind of credible financial information that lenders need.

www.people.hbs.edu/besty/projfinportal/ecas.htm
The Project Finance Portal of Harvard Business School, with links to virtually all Export Credit Agencies as well as country data, emerging markets information, and related topics.

HIGHLIGHTS:

Garment Industry Players Discuss Competitive Challenges

The competitive nature of the international garment industry was the featured topic at a roundtable conducted by the Executive Development Program of Garment Partnership Indonesia (GPI) in Semarang on 1 July. The discussion, with about 30 participating stakeholders, centered on a report entitled End-Market Study for Indonesian Apparel Producers (prepared by AMAP, a USAID-funded Development Alternatives International project). As described in the report, newly exporting countries that offer faster production, greater productivity, higher quality, and timely delivery – all at competitive prices – drive fierce competition in the garment industry. GPI is a private sector initiative facilitated by SENADA, and its Executive Development Program is designed to strengthen the performance of the garment industry by offering innovative solutions and building the capacity of the industry's top management, using six modules that accompany a series of workshops. These six modules cover Labor Productivity, Social Accountability, Full Package Merchandizing, Quality Assurance, Productivity and Fabric Sourcing.

Balitbang - SENADA Seminar Highlights Opportunities To Invest In Sea Transportation Facilities

A seminar to attract new investment and greater competition for Central Java businesses through improved sea transportation facilities and services was conducted on 15 July in Semarang, Central Java. The seminar, conducted by the Central Java Balitbang (Badan Penelitian dan Pengembangan, the agency for research and development) in partnership with SENADA, featured discussions among key stakeholders such as the Department of Transportation of Central Java, the Regency of Kendal, the Shipping Business Association and various business associations affected by the 2008 Shipping Law. Passed in April, this new law presents investors with an opportunity for more effective involvement in providing improved sea transportation facilities through means such as building additional ports.

Eco Exotic Makes Its Las Vegas Debut

This year, nine leading Indonesian home furnishing firms, under a private sector initiative called Eco Exotic, made their debut at the Las Vegas World Market's Living Green Pavilion in Las Vegas, Nevada, USA from 28 July–1 August. During their show in Las Vegas, the companies presented a uniquely diverse and original line of products that emphasized the use of naturally renewable materials using almost no chemicals. The approach taken by these firms is representative of the growing awareness among Indonesian firms about the environmental impact of their manufacturing practices and how sound practices enhance their competitiveness.

SENADA PHOTO GALLERY

FROM TOP TO BOTTOM: Participants at training sponsored by Garment Partnership Indonesia and SENADA on 1 July in Semarang; Head of the Central Java branch of Balitbang Yoes Soemaryono at the Balitbang/SENADA seminar on port investment opportunities on 15 July; Audience of the Full Package Merchandising Workshop sponsored by SENADA in Semarang on 22 July; Representatives from Kendal's regional government and the Central Java Investment Board at SENADA's Jakarta roundtable on port development on 24 July.