

Prepared For

B20 Joint Task Force SME Meeting

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Present Challenges

Challenges



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1- High Cost For Operation Efficiency

The cost to improved operation efficiency and quality hinder SMEs growth. This impacts the SME ability to respond to high market demand.

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2- Access To Market

The cost to market access, and the ineffectiveness of the available marketing channels impedes SMEs to gain market share.

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3- Access And Speed To Financing

The burden on SMEs to minimize underwriter risk is challenging. Furthermore, the lack of integration of the financial institutions into the global value chain activities increases underwriting time, cost and risk thereby limiting the availability and approval of trade finance.

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4- Complex Financial Regulations

Financial industry regulatory requirements are placing additional encumbrances on the Financial Institutions such as: costly compliance reporting requiring more data validation, restrictions on service and product offerings, greater monitoring of bank and its customers' transactions, economic scenario stress tests and stringent capital adequacy and liquidity requirements. The foregoing minimizes SMEs access to trade finance.

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5- High Landed Import And Export Costs

The high landed import and export costs place a major burden on SMEs competitiveness in the global market place.

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6- Unreliable Logistics To Reach Market

The lack of logistics reliability places additional burden on inventory carrying costs, among other factors, thus resulting in lost market opportunity for SMEs.

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7- Lack Of Systems And Integration

The cost of efficient systems and the inability of integration into the global value chain contribute to lost market opportunity when integration is a business requirement.

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8- Lack Of Sustainable Funding

Although the world recognizes the importance of SMEs on the global economy, still SMEs have no recurring and sustainable funds to support SMEs growth around the world. Even when limited funds are available the adopted funding criteria often do not maximize the return on economic growth.



1- Low Cost For Operation Efficiency

We should insure that SMEs can achieve increased operational efficiency through the use of digital tools, at no cost, delivered by a trusted network offsetting geopolitical and monopolistic concerns, with continuous and unrestricted access.



2- Greater Access To Markets

We must promote an ecosystem that permits global integration of product and service offerings with the intelligent proficiency to match sellers to targeted buyers. This environment must be based upon dynamic, validated real-time information accumulated and continuously updated through the normal course of trade activities around the world and not based on unsubstantiated reviews that are today in place.



3- Improved Access And Greater Speed To Financing

We must promote the dynamic link of financial institutions to the global value chain creating a smart finance matrix providing the dynamic scoring level needed to expedite financing by mitigating trade finance risk based on borrowers historic and future trade finance activities, minimizing transaction risk by allowing lenders to electronically direct loan proceeds to the borrowers preapproved sellers, and reducing asset recovery risk providing the capability to seize assets in the trade pipeline for rerouting or liquidation to minimize asset impairment loss.



4- Ease To Comply With Financial Regulations

We must promote the use of real time, dynamic and validated transaction monitoring resulting in better-informed decisions to manage asset portfolios and achieve higher Tier One capital asset ratios through:

- Improved data validation reducing cost of compliance
- Improved compliance with economic scenario stress tests
- Transparent monitoring of bank and customer transactions with dynamic exception reporting
- Achieving improved capital adequacy and liquidity requirements



5- Lower Landed Import And Export Costs

We must learn from history while leveraging 21st century tools. History confirms that trade increase can be achieved through real economic integration and trade efficiency. World Experts including the World Bank, APEC and UN have identified 6 elements as the key to increase trade efficiency through technology thus reducing trade costs and increasing trade: Integration, Processes, E-documentation, Tracking & Visibility, Competence and Cargo Security. The tools to achieve the above must be made available by a world-trusted network to the SMEs at no cost.



6- Reliable And Dependable Logistics To Reach Market

We must promote the tools to advance the efficiency of the logistics industry thus achieving dependable and reliable logistics global value chains. This is the required solid foundation for market expansion and profitability to SMEs in developed, developing and emerging markets.



7- Global Access To Technology And Integration

We must ensure that SMEs have free access to technology that promotes a point-to-world integration environment.



8- Abundant Sustainable Funding

Recurring funding is needed for SMEs to expand their business based on their commitment to business excellence, measured on the prospects of the ROI and job creation. The above should be validated through past and real-time commercial data activities of the geographic location where the funds will be allocated.

EMPOWERING SMES THROUGH THE DIGITAL ECONOMY

The Real Economy

It has been nearly seven years when the global economy suffered the worst economic crisis since the Great Depression. Today, the world is still struggling to regain the momentum it had before the crisis. The 2015 G20 Turkish Presidency's emphasis on SMEs is well founded by focusing on the real economy, mainly manufacturing, agricultural and the service industries. With SMEs generating more than 60% of global employment, and up to 80% in many countries, an incremental improvement will positively impact the economy.

Today, out of the box thinking is required to recoup the 22 million jobs lost since the last crisis and generate the 600 million jobs needed over the next 15 years. It is important to diversify our economies and minimize dependency on large corporations in order to spread economic risk. It is also essential to focus on the real economy, the businesses that produce the food we eat and make the clothes we wear. We must focus on tangible solutions that are implementable now.

The Voice of the World's SMEs

While sound monetary, fiscal and trade policies are important, it is also incumbent upon policy makers to listen to the voice of the SMEs on the ground.

Following 15 years of patient R&D, pan - regional organizations and industry associations have committed to adopt a new paradigm shift towards building SME prosperity. This new found thinking is based on a New Millennium Standard for Growth which combines 6 key elements identified by international organizations including the World Bank, WTO and UNCTAD as the main drivers to increase trade efficiency utilizing today's technology thus reducing trade cost and increasing trade.

As a first step to boost our trade by empowering the Digital Economy, 25 G20 government ministries, industry associations and academic institutions representing nearly 68% of G20 SMEs have executed agreements to conduct diagnostic trade efficiency assessments. These assessments are based on listening to what SMEs want in order to become more efficient. So far, 36% have been completed and the results are staggering: 82% have no system and nearly 90% want the Digital Economy. We must provide them what they need to do a better job.

The Foundation to Meet the Voice Heard from 36% of G20 SMEs

The world is watching our leaders closely for their support of the SMEs' call for trade innovation. While 68% is a good start, it is our plan to finalize the assessments for the remaining 32% by November. The following represents the foundation for a tangible economic plan meeting the SMEs' ambitions:

- A **defined and achievable target** equal to the level of the SMEs' financial goals since it is important to know where we are taking them, including: reduction of annual trade costs by USD 1.3 trillion, increase in global trade by USD 1.2 trillion, creation of a new USD 6 trillion service market opportunity, generation of USD 1 trillion in annual SME funding to build capacity and the creation of 100 million jobs.
- A **clear road map** based on the economic strengths and the demographics of each region to reach the defined target. Pan-regional organizations entrusted by more than 150 countries from around the world have already validated and separately published these roadmaps.
- The **required digital tools** for use on the roadmap, validated by the technology industry that is committed, via a trusted network through exclusive agreements, to deliver such tools to the SMEs, at no cost.

- A **global consensus** of the above from: A macro perspective - 75% of the world's citizens representatives have executed agreements to deploy the digital economy globally; A micro perspective - to date, 68% of the G20 population have agreed to conduct trade efficiency assessments. So far, the findings are staggering: 88% want the proposed Digital Economy; A technology perspective- the world's top 26 technology firms servicing 60% of the world's GDP have executed exclusive agreements towards delivering the required tool at no cost to the end user.

Learning from History

History has proven that technology can connect millions of users rapidly. The spread of digital telecommunications is a useful case study. Indonesia had many geographic challenges to the adoption of telecommunications. Yet by investing in a cellular tower, it was able to achieve rapid adoption, leapfrogging many developed countries that had invested in analog switches and copper wires, hence delaying their transition to digital.

Similarly, we can provide new digital tools to our SMEs connecting them to their trade partners in today's global economy and reduce their costs, expedite and simplify trade finance, build market reach, meet global requirement standards and reduce compliance costs. In the current financial environment where risk averse banks are eliminating SMEs as customers, it is essential to utilize technology that provides the transparent and dynamically updated information allowing banks to fund our SMEs.

Global Commitment to Business Excellence

The global Digital Economy must encompass the collaboration of all sectors within the real economy where our SMEs represent the main cornerstone.

The public sector can point the way forward and the private sector can provide the required tools. By fostering increased productivity of our SMEs through a commitment to business excellence by maximizing on what technology makes possible today, we can set the foundation for a prosperous tomorrow.