

Enhancing SME Capacity of Managing the Risks Associated with Trade Liberalization



APEC Symposium



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Key Themes

1. Why do SMEs need to think globally
2. The importance of finance and risk management
3. How to survive the next crisis

Unless you are born thinking global....

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- It used to be that new companies would first tackle the domestic market by generating sales locally, before thinking about going abroad.
- Now, companies are formed with a view to global opportunities.
- This is necessary due to international competition caused by trade liberalization
- Buyers are more savvy and demanding of performance, quality and price. They are therefore willing to transact with suppliers regardless of their jurisdictions

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.... you may die local

- ❑ Businesses have always had the same basic goals that they have always had: stay in business, overcome competition, increase revenues, and minimize costs.
- ❑ But, what is changing – rapidly so in some cases – is the complexity and predictability of the environment in which businesses pursue their goals.
- ❑ To underestimate the degree to which competition has become global is to risk survival.

International business has become less predictable and more complex

- ❑ It is most certainly the case that as SMEs explore the emerging possibilities of doing business in a more integrated, globalized world, the risks they face are more complex and difficult to understand.
- ❑ Today's exporting environment is marked by the ever-increasing granularity of production processes leading to the final export transaction.
- ❑ The kinds of flows of intermediate goods and services into or out of various companies, and the frequency with which these flows can occur, are growing day by day, as exporters grow more intricately linked into global supply chains

The role of SMEs in international business has changed

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- ❑ In the past, the typical role of an SME in international business was consistent. SMEs generally resided in one location, began exporting as an adjunct to domestic sales, and supplied goods or services either to larger home country exporters or directly to end buyers or projects in other countries.
- ❑ By comparison, today's SMEs must be more dynamic and flexible.

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Success depends on being able to tap into international networks

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- Most exporters are now intricately linked into global supply chains from which they import or to which they export intermediate goods and services
- To survive, securing international markets is critical to the success of most business – large or small.

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This change has far-reaching implications for global commerce

- ❑ Firms that can take advantage of this evolving business environment can gain ground on their competitors by being able to increase productivity, grow their operations faster, and mitigate market risks. By extension, this also impacts how businesses think and act in the areas of trade and investment.
- ❑ Just as export transactions have changed, so too have the financing and risk management requirements for exports.

Access to finance and risk mitigation is crucial for SMEs at all times

- ❑ Having access to finance is like having a generator in case a power outage causes blackouts. You need your line of credit especially when there is a crisis, but if you manage your cash flow well, you may not need to access it during normal times.
- ❑ The global financial crisis hit all elements of the global supply chains.
 - The large OECD corporates were hit hard by banks and credit insurers cutting lines and limits
 - The suppliers to these market players faced delayed payments
 - Banks to the suppliers and sub-suppliers themselves cut lines
- ❑ As a result, not only were there financial “blackouts”, the petrol to run the financial “generators” was impossible to access.

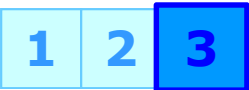
The GFC precipitated a contraction in the real economy and in trade

- ❑ Under these circumstances, banks in emerging markets are under stress to meet the financing needs of local companies - whether to issue letters of credit on behalf of the local buyer to import goods, or provide term lending. Of course, the same is true in developed markets. The consequence is that all parts of the global supply chain were affected by the crisis, but not all equally and at the same time
- ❑ Lack of credit can quickly become more of an insolvency issue, when companies who otherwise are healthy and have good demand are faced with cash flow challenges as their customers delay payment to them.

How to survive the next crisis

1. Be aware of risks
2. Undertake Scenario Planning and Cash Flow Management
3. Insure your Accounts Receivable
4. Establish a relationship with the national development bank, Ex-Im bank, national trade office

Who we are



International Financial Consulting Ltd. is the leading advisory firm specializing in government-owned financial institutions

- ❑ Specific expertise and experience with respect to Development Banks, Export Credit Agencies and Ex-Im Banks.
- ❑ Among others, we have worked directly with:

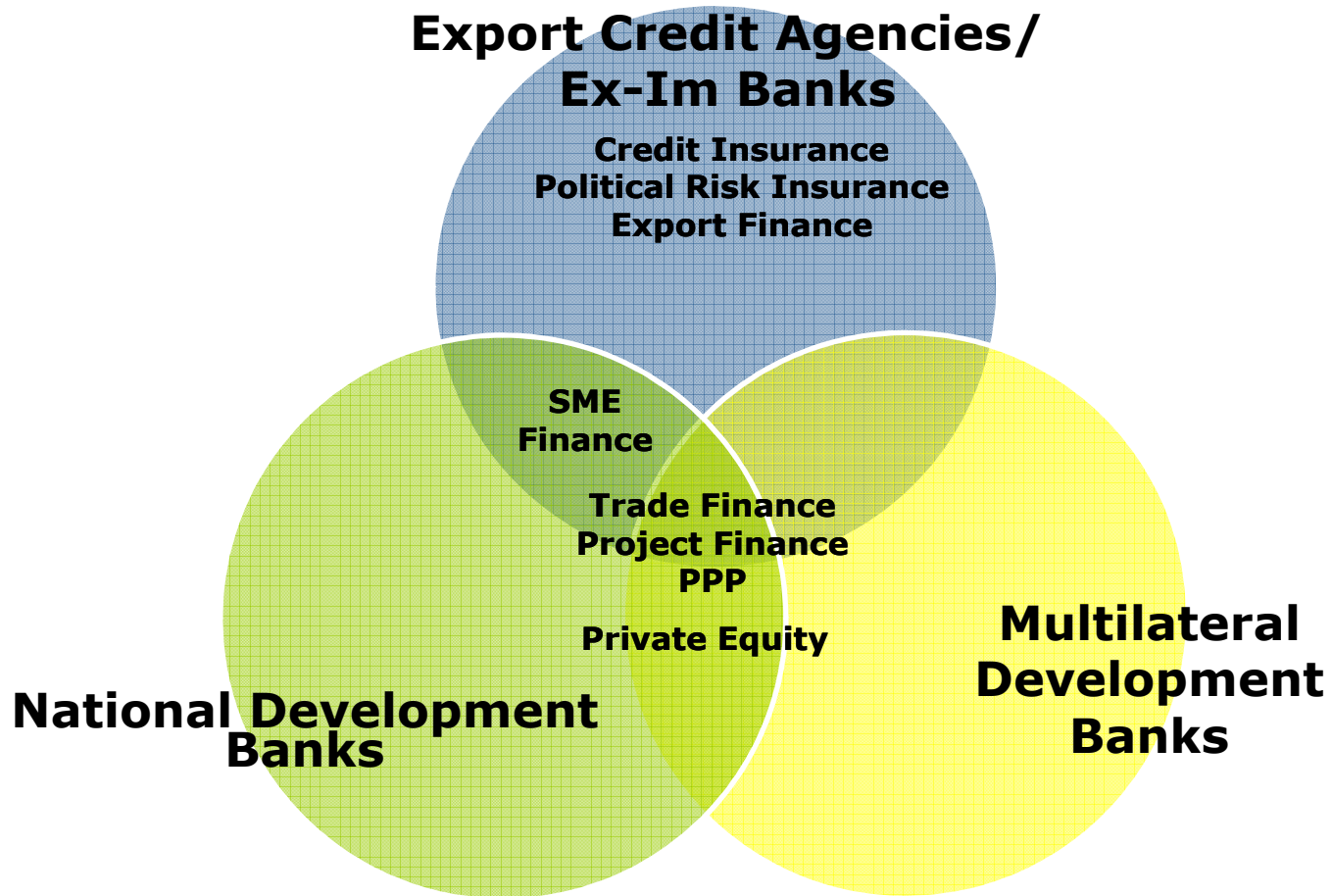
Multilateral and Regional Development Banks

- Asian Development Bank
- Caribbean Development Bank
- Central American Bank for Economic Integration
- Development Bank of Southern Africa
- European Bank for Reconstruction and Development
- International Finance Corporation
- Inter-American Development Bank
- Islamic Development Bank
- World Bank

National Development Banks

- Business Development Bank of Canada
- Czech Export Bank
- Development Bank of Mauritius
- EDC (Canada)
- EFIC (Australia)
- Finnvera (Finland)
- JBIC (Japan)
- KfW (Germany)
- Sinosure (China)
- Turk EXIM Bank

Our Technical Expertise



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Primary Services Offered

Institutional Development

- ☑ Strategic Planning
 - Development of a Strategic Plan using our propriety toolkit *Full Potential* ©
 - Performance Measurement System / Balanced Scorecard
- ☑ Program and product development
 - Product Development
 - Credit and political risk insurance
 - Export Finance
 - Trade Finance
 - Bonding
 - PPP and Project Finance
 - SME Finance
 - Private Equity and Mezzanine Finance
 - Program structuring
 - Pricing
- ☑ Process review and development
 - Efficiency review and process re-engineering
 - Key corporate process development
- ☑ Risk Management
 - Credit, operational, market risks
 - Portfolio Management
 - Risk Management for Financial Institutions
- ☑ Stakeholder Relations
 - Surveys of stakeholders
 - Stakeholder strategies
- ☑ Training

Governance and Advisory Services

- ☑ Status and mandate review
- ☑ Advice on role and performance of institutions
- ☑ Advice on establishment of institutions
- ☑ Shareholder structure and capitalization strategy
- ☑ Advice on privatization of commercially viable businesses
- ☑ International agreements
 - OECD
 - WTO
 - Basel III/Solvency II
- ☑ Program Evaluation
 - Input-Output-Impact Measurement
 - Stakeholder assessment
 - Financial sustainability
 - Intervention logic
- ☑ Strategic and Financial Due Diligence for Financial Institutions
- ☑ Financial Advisory for Project Finance

Research

- ☑ International best practices
- ☑ Peer analysis
- ☑ Market trends
- ☑ Information

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International Client Base

- Public sector financial institution clients from around the world:

Armenia	Finland	Qatar
Australia	France	Romania
Bahamas	Germany	Russia
Bangladesh	Japan	Saudi Arabia
Barbados	Kenya	Singapore
Bosnia	Malta	South Africa
Canada	Mauritius	St. Kitts
China	Mexico	St. Lucia
Czech Republic	New Zealand	Turkey
Fiji	Philippines	United States

Our clients cover the full spectrum of development from high income OECD to developing economies

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Corporate Executives

Malcolm Stephens, CB Group Chairman

- ☑ 40+ years experience in the export credit, export finance and political risk field
- ☑ Chief Executive of UK's Export Credit Agency (ECGD) – 1987-91
- ☑ Secretary-General of the Berne Union – 1992-98
- ☑ Visiting Scholar to the IMF – 1998
- ☑ Has worked with over 30 countries in the last ten years
- ☑ Authored book on "*The Changing Role of Export Credit Agencies*" published by the IMF

Diana Smallridge President

- ☑ Expert in the area of Export Credit Agencies, Export Finance Institutions and National and Multilateral Development Banks, worked in nearly 40 countries
- ☑ 12 years with Export Development Canada (EDC) as Director of International Relations and Director of Strategic Planning and Performance Measurement
- ☑ 11 years as Conference Chairman for the Annual Global Convention on Export Credit and Political Risk
- ☑ Publication of paper with Inter-American Development Bank called, "*A Health Diagnostic Tool for Public Development Banks*"