



**Asia-Pacific  
Economic Cooperation**

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## **Promoting Innovative SMEs in APEC**

Purpose: Information  
Submitted by: Russia



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## **Promoting Innovative SMEs in APEC**

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### **Why innovation?**

*Innovation is essential component of the  
economic growth process, where it can be  
broadly defined as the development,  
deployment and economic utilisation of new  
products, processes and services  
(OECD, 2001b).*

## **BUT Innovative SMEs are:**

- Asymmetric in information
- Skewed in returns
- Intangible in assessment
- Uncertain in assets
- Unsuitable for debt financing
- Highly unpredictable
- Risky

Innovative SMEs have high potential for growth  
and profits

## **Objectives for the research**

- **Collecting data** on innovative SMEs
- **Evaluation** of difficulties faced by innovative SMEs in APEC
  - Financing challenges
  - Regulatory practices
- **Recommendations**

## **Data collection**

- Share of firms introducing new technologically improved products or processes on the market
- Funding of business R&D by firm size
- Access to finance
- Innovation oriented equity programmes
- Innovation oriented loan guarantee schemes

## **Financing challenges**

- Financing life cycle of innovative SME
- Traditional SMEs versus innovative SMEs
- Financing Gaps for Innovative SMEs
  - Access to seed financing
  - Access to equity capital
  - Access to loans

## **Regulatory Practices**

- Investment Regulations
- Government Equity Programmes
- Business Angel Networks (BANs)
- Direct loan programmes & Loan guarantee programmes
- Schemes to pool risks
- The Role of the Tax System
- Export Credit Schemes

## **Recommendations on promoting innovative SMEs**

- Concentrate policies for promoting availability of risk capital to innovative SMEs mainly on early stages of the financing of the firm
- Recognise the need for proximity between suppliers of funds and those who require finance
- Increase the managerial and technical expertise of intermediaries whose role is to evaluate and monitor companies
- Facilitate international transfer of institutional infrastructure and expertise.
- Review regulations with a view to reducing, easing or eliminating restrictions and barriers to investment in risk capital
- Encourage innovative SMEs to recognize, measure, and report intangible assets more reliably valued by capital markets and investors.