

Program Brief



Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)

Scenario

Comprising over 99 percent of business establishments, small and medium enterprises (SMEs) play an important role in the economy of the Philippines. SME potential for creating jobs is large, yet its growth is hampered by a weak business and investment climate (BIC) in the form of

- a multitude of regulations and policies they must comply with
- a lack of venue for SMEs to push for changes in government service delivery
- a lack of access to finance and to competent business development services.

The **Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)**, a project of Technical Cooperation between the Republic of the Philippines and the Federal Republic of Germany, was conceived to help improve the Philippine BIC for SMEs.

Description

SMEDSEP aims to contribute to the efforts of the Philippine Government to improve the competitiveness of the country.

Vision: Visayas, the location of choice for competitive SMEs

Mission: Facilitate the development and replication of sustainable models for improving the local business climate (especially for SMEs) in the Visayas

Goal: Enable public and private institutions to create favorable business conditions to develop entrepreneurial potential and encourage competition in the Visayas.

With an improved BIC, SME growth in turn will hopefully contribute to the country's **sustainable development** by



Partner: Department of Trade and Industry

Target Groups: Small and Medium Enterprises (SMEs) in the Visayas.

Duration: September 2003 to August 2011

bringing in both economic (increase in jobs, income) and social benefits (poverty reduction) while maintaining an ecologically sound development in all settings.

The Program aims to achieve this in three phases with the Second Phase taking place from September 2006 to August 2009. The Second Phase focuses on two main components

- Harmonization of the National SME Development (SMED) Plan
- Promotion and Replication of Models for Improving the Local Business and Investment Climate.

The National SME Development Plan (2004 - 2010) is geared towards building the capacities of Philippine SMEs and organizations by providing relevant services to enhance their competitiveness, thereby increasing SME contribution to economic growth.

The German Government has commissioned the German Technical Cooperation (GTZ) to provide the German contribution. GTZ's support is strongly aligned to the national SMED plan. GTZ supports the Department of Trade and Industry (DTI) as the principal steward in communicating the objectives and strategies of the plan to private and public stakeholders as well as to the SMEs in the regions and provinces in the Visayas. Taking gender mainstreaming into account, GTZ provides support in preparing, implementing and monitoring regional and provincial SME development plans that are **harmonized with the National SMED plan**. This involves

- operationalization of the SMED Plan at regional, provincial and local levels
- public - private dialogue to strengthen private sector's role in provincial and local SMED Plans
- capacity building of implementers
- development of a results based Monitoring and Information System
- donor liaison / harmonization to maximize support for the Government
- support local-provincial-national information flow and peer group learning.

commissioned by

gtz



Federal Ministry
for Economic Cooperation
and Development

Although focusing on the Visayas, SMEDSEP ensures that experiences are communicated to the national level, so that these models for improving the BIC may be promoted and replicated in other regions outside the Visayas.

To facilitate the implementation of results oriented provincial SMED plans, GTZ supports the DTI and respective stakeholders in **promoting and replicating BIC practices** which have made it easier for SMEs to grow in terms of income, number of establishments or jobs created.

This involves

- testing, development and documentation of models geared towards reform priorities / BIC improvement in selected Local Government Units (LGUs)
- dissemination and replication of practices through a Knowledge Management (KM) framework (communication strategy, information exchange, peer learning) and public - private dialogue.

Many models developed outside of SMEDSEP will be examined. Some of the models were already piloted by the Program in the First Phase. They now need further enhancement for sustainability. These are

Simplifying Business Registration at the Local Level: a Four Phased Approach

Streamlining the business registration process makes it faster and easier for SMEs to register, encouraging more to enter the formal economy.

Local and Regional Economic Development (LRED): Paving Economic Growth

This practice aims to facilitate the implementation of the LRED process – a participatory planning and implementation process involving public and private players – to identify, prioritize and take action on bottlenecks to fulfilling economic potential of localities.

Business Development Services (BDS): Subsector Business Service Approach and Sector Specific Demand Driven Training Products

Both practices attempt to identify BDS requirements of SMEs in specific sectors through analyzing their constraints and promoting commercial opportunities for growth.

SME Access to Credit: Enhancement through Upscaling

To increase loans to SMEs, SMEDSEP works with financial institutions such as rural and thrift banks and financial training providers to develop knowledge and skills in SME loan provision.

These models complement one another: SMEDSEP contributes to improving the BIC framework conditions for the private sector by reducing transaction costs for SMEs like simplifying business registration and opening up new development possibilities.

Yet, the extent to which these opportunities can be used by the companies and kickstart as well as accelerate local and regional business cycles depends on access to training, business development services (BDS), financial services as well as other factors.

To learn more about these practices refer to the SMEDSEP Information Briefs.

Impact

Among SMEDSEP's accomplishments are

- selected LGUs streamlined their business registration process and thus helped companies apply for business permits in a faster, cheaper way. In **Bacolod**, the number of days to get a business permit was reduced from nine to two days; while in **Ormoc**, the same number has decreased from 17 to two days.
- selected BDS providers, including training providers increased their clientele base and revenues by developing and marketing products and services demanded by SME clients in the IT (Cebu) and tourism (Negros Occidental) sectors.
- partner banks such as rural and thrift banks expanded their SME loan portfolio from PHP440m to PHP620m (41 percent increase) in one and a half years.



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