

Program Brief



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

Scenario

Comprising over 99% of business establishments, small and medium-sized 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) -- the multitude of regulations and policies they must comply with; a lack of venue for SMEs to push for changes in government service delivery; and a lack of access to finance and competent business development services.

As such, the **Small and Medium Enterprise Development for Sustainable Employment Program (SMEDSEP)**, a technical cooperation project 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 in order to develop entrepreneurial potential and encourage competition in the Visayas. With such an improved BIC, SME growth in turn would hopefully contribute to the country's **sustainable development** by bringing in both economic (increase in jobs, income) and social benefits (poverty reduction), while maintaining ecologically-sound development in all settings.



Partner: Department of Trade & Industry (DTI)

Target Groups: Small and medium-sized enterprises (SMEs) in the Visayas.

Duration: September 2003 - August 2011

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 Good Practices / Models for Improving the Local Business and Investment Climate

GTZ's support is strongly aligned to the national SMED plan owned by the National SMED Council. GTZ supports 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 will give support in preparing, implementing and monitoring regional and provincial SME development plans that are **harmonized with the National SMED plan**. This involves:

- Operationalization of SMED Plan at regional, provincial and local levels
- Public-private dialogue to strengthen private sector's say in provincial and local SMED Plans
- Capacity building
- 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

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

In order 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 good practices geared towards reform priorities/BIC improvement in selected LGUs
- Dissemination and replication of practices through Knowledge Management framework (communication strategy, information exchange, peer learning) and public-private dialogue.



While many practices developed outside of SMEDSEP will be examined, some of these good practices were already piloted by the Program in the first phase and 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.

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

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

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

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

Upscaling: Enhancing SME Access to Credit

To increase loans to SMEs, SMEDSEP works with financial institutions (e.g. rural and thrift banks) and financial training providers to develop knowledge and skills in SME Loan Provision.

These good practices complement one another: SMEDSEP contributes to improving the BIC framework conditions for the private sector by reducing transaction costs for SMES (i.e. simplifying business registration) and opening up new development possibilities. Yet the extent to which these opportunities can be used by the companies, and kick-start and accelerate local and regional business cycles depends on corresponding framework conditions such as access to



training, business development services (BDS), financial services, as well as others.

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

Impact

Amongst 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 9 to 2 days; while in **Ormoc**, the same number has decreased from 17 to 2 days.
- Selected BDS providers, including training providers increased their clientele and revenues by developing and marketing products and services demanded by SME clients in the IT (Cebu) and tourism (Negros Occidental) sectors.
- Partner banks (i.e. rural and thrift banks) increased their SME loan portfolio from PHP440million to PHP620million (41% increase) in 1.5 years.

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