

SPECIAL REPORT

**THE ROLE OF SME PROMOTION AGENCIES IN
ENTREPRENEURIAL DEVELOPMENT: AN ASSESSMENT**

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This paper assesses the overall effort associated with entrepreneurship development in the Philippines. The assessment focuses on the Small and Medium Enterprises (SME) sector and the agencies and other entities involved in assisting SMEs. The University of the Philippines Institute for Small Scale Industries (UP ISSI) model of entrepreneurship development was used to highlight significant activities of the effort. The assessment showed that the service intensity of some government agencies charged with SME promotion appears to be low because several of them are tasked to do similar functions. It also identified and discussed areas and issues crucial to entrepreneurship development.

I. INTRODUCTION

The enterprising culture is a set of values, attitudes and beliefs held by a community or environment that lead to enterprising behavior and aspiration. The development of such a culture is a very important element in a country's development effort. It is the key factor that triggers entrepreneurial activities that ultimately create economic value for society. In developing economies, entrepreneurial activities help, in a very crucial way, alleviate poverty.

The enterprising culture is initially molded in one's early formative years within the family and community environment and subsequently developed through the influence of the educational system, promotional efforts of various entrepreneurship advocates and the creation of an environment that is conducive for its growth. The operating manifestation of an enterprising culture is initiated and nourished in small and medium enterprises (SMEs). It is for this reason that many

countries have placed a great amount of effort and resources on the development of SMEs.

The objective of the study is to make an overall assessment of the country's efforts towards entrepreneurship development for the purpose of identifying areas for improving and enhancing overall systems effectiveness. The study uses the UP ISSI Entrepreneurship Development Model (UP ISSI model) to identify significant activities of various government agencies and other entities involved in entrepreneurship development. Using the perception of a select group of staff of the University of the Philippines Institute for Small Scale Industries (UP ISSI) with extensive exposure and involvement in SME development, the study rated each entity in terms of perceived degree or intensity of effort. The results were analyzed and interpreted, issues highlighted, observations made, and conclusions drawn.

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II. PROFILE OF THE SME SECTOR

In 1999, the Philippine SME sector accounted for 99.6 percent of total registered firms in the country and 70 percent of total employment. In comparison, large enterprises accounted for only 0.4 percent of total registered firms and 30 percent of employment. Micro enterprises, defined as businesses with total assets of not more than P3 million, dominated the SME sector. In

1999, 90.9 percent of the total registered firms were micro enterprises. Small businesses, or firms with total assets of more than P3 million but less than P15 million, accounted for 8.3 percent of total registered firms. On the other hand, medium enterprises, establishments with total assets of more than P100 million, accounted for only 0.4 percent of total registered firms in the economy.

Table 1: Philippine Enterprises (NCSO, 1999)

Types of Firm	% Share to Total Firms	% Share of Employment	% Share of Value Added
Small and Medium Enterprises	99.6	70.0	32.0
Large Enterprises	0.4	30.0	68.0
Total	100.0	100.0	100.0

Table 2: Philippine SMEs (NCSO, 1999)

Types of Firm	No. of Firms	% to Total
Micro Enterprises	751,556	90.9
Small Enterprises	68,781	8.3
Medium Enterprises	3,239	0.4
Total	823,576	99.6

In 2001, the Philippine SME sector registered the lowest employment share at 67 percent compared to 69 percent of Korea and

74 percent of China. It also had the lowest productivity at 32 percent compared with Korea (46%) and China (60%).

Table 3: Philippine SME Contribution vs. Asian Economies (Small and Medium Enterprise Development Council, 2001)

	Philippines	Korea	Japan	China
Employment	67.0%	69.0%	78.0%	74.0%
Value-Added	32.0%	46.0%	56.0%	60.0%
SME Population	99.6%	99.0%	99.0%	99.7%

III. THE UP ISSI ENTREPRENEURSHIP DEVELOPMENT MODEL

The UP ISSI Entrepreneurship Development Model (UP ISSI Model) represents a process of developing entrepreneurs. The model recognizes the role of both the educational system and the government in assisting the formation of enterprises and nurturing these enterprises to become viable businesses. The role of the educational system is very important but not effectively harnessed given the bias, among Filipinos, for employment rather than establishing their own businesses. The study, however, focuses on the role of government agencies and institutions which comprise the policy environment, including the services rendered, be they technical, financial, marketing or promotional.

The UP ISSI Model premises that the process of developing entrepreneurs requires a conducive and healthy climate where entrepreneurship thrives. There are four major prerequisites for creating a climate for entrepreneurship.¹ These are:

1. Open and competitive social structure;
2. Development of appropriate attitude and behavior among individuals in society;
3. Provision and extension of adequate support programs to the enterprise and the entrepreneur; and
4. Good and stable governance.

The UP ISSI Model features three distinct phases in the development process of the entrepreneur, namely: the Entrepreneurial Mindset Development Stage, Entrepreneurial Skills Development Stage and Entrepreneurial Maturation Stage (See Exhibit 1). The model identifies key milestones in the development process like entrepreneurial career decisions. It also lists various interventions that are necessary for the orderly development of

entrepreneurs. The following is a brief description of the three phases of the UP ISSI Model:

Phase I – Entrepreneurial Mindset Development Stage. At this stage, the individual is oriented to entrepreneurship or self-employment. This basically begins in the family setting, reinforced by the community, and subsequently strengthened as the individual goes through the various levels of the educational system. It is said that family upbringing is the best entrepreneurship training. For example, Filipino-Chinese children—raised by entrepreneurial parents, exposed to entrepreneurial role models and required to do entrepreneurial tasks early in life—manifest a higher degree of entrepreneurial inclination compared to other Filipino youngsters. The ultimate objective of this stage is to influence the thinking of an individual towards a future entrepreneurial career decision.

Phase II – Entrepreneurial Skills Development Stage. At this stage, the individual, having decided to enter entrepreneurship, begins to develop or acquire more entrepreneurial skills. He or she may start the process while in school, before actually putting up a business. Training programs outside the formal education system is accessed in increasing frequency and intensity during the transition period from entrepreneurship career launching to initial business undertaking. A significant amount of skills formation happens at the early stage of the business. Skills refinement in financial management and funding access, marketing, technology and general management are undertaken with the assistance of the non-formal education sector.

Phase III – Entrepreneurial Maturation Stage. This stage prepares the

entrepreneur for bigger challenges. The entrepreneur is transformed from a technical or marketing expert into an organization person. The organization of the business becomes more complex. The competition is keener, the outlook more global and the stakes higher. This is where the policy and regulatory environment becomes crucial to the growth and development of entrepreneurs. The entrepreneur realizes the importance of a

level playing field for his/her enterprise to flourish.

Notably, the three phases often overlap. For example, a firm entrepreneurial decision may be made after the individual has acquired considerable entrepreneurial skills.

To provide a background to the evaluation process and for a better understanding of what an entrepreneur deals with, the SME policy environment is reviewed.

IV. THE SME ENVIRONMENT AND ITS HISTORICAL CONTEXT

The first serious effort to develop SMEs took place in 1960, when the National Economic Council (now the National Economic and Development Authority or NEDA) in cooperation with UNESCO Research Center in Calcutta, India, conducted a survey of small and medium enterprises in the Philippines that called attention to the problems faced by SMEs. This survey prompted the Philippine government, with assistance from the Netherlands government, to create in 1969 the Institute for Small-Scale Industries within the University of the Philippines. Since its creation in 1966, UP ISSI was, until 1974, the only government agency exclusively engaged in providing assistance to the sector.

At the onset of the 1970s, the government took steps to redirect industrial growth with the intention of achieving a more balanced economic growth for the country. Focus was directed towards the sectors of agriculture, exports, small-scale industries and tourism, which all suffered from policy bias in the previous quarter century.

In 1974, the government established the Ministry of Industry (subsequently renamed Department of Trade and Industry or DTI) together with the multi-agency Commission on Small and Medium Industries (CSMI). The Development Plan sought at that time to provide small enterprises with greater access to institutional finance, intermediate

technology and marketing schemes and training for the sector. It was the CSMI that coordinated the activities of 11 government agencies providing assistance programs to small industries, including finance, extension, marketing, and technical services. These agencies are listed in Annex A.

Since then, the promotion of SMEs has become a part of the national development strategy. As a major strategy for national development, it received further impetus with the enactment in 1991 of Republic Act 6977, more widely known as the Magna Carta for Small Enterprises. The law sought to nurture the "growing Filipino entrepreneurial spirit" by providing a climate that minimizes regulations while at the same time assuring stable operating rules. It created the Small and Medium Enterprises Development (SMED) Council and the Small Business Guarantee and Finance Corporation (SBGFC). It also mandated banks to allocate 5 to 10 percent of their loan portfolio to SME lending. R.A. 8289, passed a few years later, reduced the mandatory allocation to 2 to 8 percent.

The SMED Council replaced the CSMI as the coordinator of government activities for SME development. The SMED Council drafted priority action plans for the SME sector. The National SME Development Plan of 1998 prepared by the SMED Council is shown in Annex C. Annex D outlines the 2003 SME National Development Plan.

V. SME PROMOTION AGENCIES AND INSTITUTIONS AND RESULTS

The agencies and entities concerned with entrepreneurship development are listed in Tables 4 and 7. Expanding on the five assistance activities of the UP ISSI Model, the agencies' activities are classified into the following eight areas: (a) advocacy and promotion, (b) financing, (c) entrepreneurship management training, (d) technical/product development assistance, (e) marketing/distribution assistance, (f) business information assistance, (g) regulations, and (h) skills training.

Table 4 shows the various DTI agencies involved in the SME sector. Six specialists from the UP ISSI—with about 25 years of

involvement in training, research and consulting with SMEs and SME development institutions—assessed, in a series of consensus-building sessions, intensity of the effort of these agencies in the eight areas of promotional activities defined in the UP ISSI Model. The results of the assessment using the following indicators are summarized in Table 4:

H – high intensity level

M – moderate intensity level

L – low intensity level

No entry – insignificant level or no mandate

Table 4: Summary of Entrepreneurship Development Effort of DTI Agencies in Various Areas of Involvement²

AGENCY	ADVOCACY/ PROMOTION	FINANCE	ENTREPRENEURSHIP MANAGEMENT TRAINING	TECHNICAL/ PRODUCT DEVELOPMENT ASSISTANCE	MARKETING/ DISTRIBUTION ASSISTANCE	BUSINESS INFORMATION ASSISTANCE	REGULATORY	SKILLS TRAINING
BDTP	M				M			
BETP				L	M	M		
BITR	H					H		
BSMED	M		H	L				
CIC			M					
CITC				M				M
CITEM	H				H			
DTI-ROG	M		M	M	M	H	H	
EDC	H							
FTSC	M				H	M		
IDC	M							
NDC	H	L				L		
PDDCP				H				
PITC				M	H			
PSB					M		H	
PTTC			H	L	L	H		
SBGFC		H						
SMEDC	M							

The performance of the different DTI agencies was further analyzed by disaggregating them based on their degree of specialization or diversification using the following classification:

Group A: Agencies that render only one type of service to the SME sector. Only six of the 18 DTI agencies listed in the matrix belong to Group A. These are: SBGFC, SMEDC, EDC, IDC, PDDCP and CIC.

Group B: Agencies that render two types of services to the SME sector. There are also six DTI agencies listed in the matrix that belong to Group B. These are: BDTP, CITC, CITEM, BITR, PITC, and PSB.

Group C: Agencies that render three or more services to the SME sector. The DTI agencies that belong to Group C are: BSMED, BETP, NDC, PTTC, DTI-ROG, and FTSC.

It was noted that the perceived intensity of effort of all agencies that belong to Groups A and B ranges from high to medium. In contrast, the perceived intensity of effort of the agencies that belong to Group C ranges from high to low. Four of the six agencies in Group C obtained low ratings. These are: BSMED (for product development assistance), BETP (for technical product development assistance) and PTTC (for technical/ product development assistance), NDC (for finance and business information assistance), and PTTC (for marketing/ distribution assistance).

Agencies that offer only one to two types of services to SMEs are able to focus their efforts on the delivery of specific services. Presumably, their programs are more organized, activities are more synchronized and resources utilized properly, thereby enabling them to serve the section of the sector well and earning for the agency a high to medium rating on efforts.

In contrast, agencies performing multiple functions (Group C) tend to "spread themselves too thinly" resulting in high to medium ratings in some areas and a low rating in others. This becomes more pronounced when resources such as budget, manpower, expertise and geographical reach are limited.

The exceptions in Group C are DTI-ROG and FTSC, which obtained high to medium ratings in all six identified areas. These agencies have extensive reach and linkages with other agencies/bureaus of government.

The study noted that several DTI agencies/units offer similar types of services to the SME sector. Table 5 shows the number of agencies involved in a given type of services. The table also indicates that, with one exception—i.e., advocacy and promotional services—the greater the number of agencies involved in similar activities, the higher the possibility of ineffectiveness in terms of intensity of effort. Similarly, the fewer the agencies undertaking common activities, the greater their effectiveness. This suggests the need to re-evaluate the duplication of activities among the different DTI agencies.

Table 5: Number and Perceived Ratings of DTI Agencies in Various Types of Assistance

	No. of DTI Agencies	Perceived Rating
Advocacy/promotion	10	Medium to high
Finance	2	High and low
Entrepreneurship/management training	4	Medium to high
Technical/product development assistance	7	High to low
Marketing/distribution assistance	8	High to low
Business information assistance	6	High to low
Regulatory	2	High
Skills training	1	Medium

Table 6 shows that for some agencies of DTI with low perceived ratings, a review is indicated to determine whether or not their

function needs to be transferred to other agencies to upgrade efficiency and effectiveness.

Table 6: DTI Agencies with Dominant Low Perceived Ratings

AGENCY	FINANCE	TECHNICAL/ PRODUCT DEVELOPMENT ASSISTANCE	MARKETING/ DISTRIBUTION ASSISTANCE	BUSINESS INFORMATION ASSISTANCE
BETP		L	M	M
BSMED		L		
NDC	L			L
PTTC		L	L	H

Aside from DTI, there are other government agencies and institutions that render similar types of service to the SME sector. These are shown in Table 7. A correlation between Tables 6 and 7 tends to show that the Technical/Product Development Assistance roles of BETP, BSMED and PTTC

can be transferred to DOST. It is also observed that agencies other than those belonging to DTI perform complementary functions or roles to the effort, e.g., skills training which is performed as well by TESDA, DOST and DOLE.

Table 7: Non-DTI Government Agencies and Institutions and Their Perceived Ratings in Various Types of Services to the SME Sector

AGENCY	ADVOCACY and PROMOTION	FINANCE	ENTREPRE-NEURSHIP/ MANAGEMENT TRAINING	TECHNICAL PRODUCT DEVELOPMENT ASSISTANCE	MARKETING ASSISTANCE	BUSINESS INFORMATION ASSISTANCE	REGULATORY	SKILLS TRAINING
DA		M	L	M				
DepED	L		M					
DENR							H	
DOLE	M	M	L					M
DOST		M		H				M
LGU	H		L		L	M	H	
NEDA	M							
TESDA								H
TLRC		M	H	H				
UP ISSI	L		H					
Others*	H		M	H	H	H		M

* Include business associations (e.g., PHILEXPORT, Philippine Small and Medium Business Development Foundation (PHILSMED), the Chamber of Commerce of the Philippines Foundation Inc.), industry associations, and industry chambers.

See Annex B for the full names and main mandates of these agencies/institutions.

VI. ASSESSMENT, ISSUES, LIMITATIONS, AND OTHER CONCERNS

In the context of organizational streamlining, the results of this study indicate the need to review the functions of the agencies attached to the DTI with a view to merging some of the functions to improve efficiency and effectiveness. Likewise, as stated earlier, some of the functions not being implemented properly in the agencies might be merged with those of other agencies outside the DTI umbrella.

In the past years, government agencies have initiated projects and adopted policies that have significantly contributed to the promotion of entrepreneurship in the country. These include putting up one-stop-action

centers and streamlining of procedures for registration and availment of credit, among others. The agencies performing these "best practices" should be properly assisted in terms of resources in order to maximize benefits coming from the effort. Annex E presents a list of these practices.

The UP ISSI model underscores the importance of the educational system in developing the entrepreneurial mindset of an individual. The summary of results of analysis shown in Table 7 shows low intensity of effort in this area as shown in the group's perception on the activities of the Department of Education. More significant effort in terms

of additional studies and serious planning may be necessary in this area.

Initial studies undertaken by UP ISSI reveal that various efforts are already being undertaken by the educational system to enhance entrepreneurial predisposition among the youth. It has been initially observed that students are already being taught entrepreneurial skills at the elementary and high school levels rather than being merely inculcated with entrepreneurial concepts, values and motivations. Questions may be raised on the appropriateness of the Department's approach to influencing entrepreneurial mindset. The UP ISSI is currently conducting research on the effects of various school-based and non-school based interventions in influencing the mindset of students towards an entrepreneurial career. The results of this study can be an important input in formulating appropriate interventions that would facilitate entrepreneurial mindset development among the young students. This is an important area of the total effort that the study should properly highlight.

Another aspect of the system highlighted in the model is the need for an effective regulatory environment. The current effort of DTI to review laws and policies affecting SMEs is a step in the right direction. The Barangay Micro Business Enterprises (BmBE) law is among the latest legislation crafted through the DTI, which is expected to boost the development of micro businesses in the countryside. However, the conduct of credible policy studies is hampered by lack of reliable data and information on the SME sector. Select institutions should collaborate in the effort to develop the infrastructure for the creation of an SME data reservoir.

The Financing Effort

SME financing has always been a critical issue in view of the scarcity of funds

experienced by SMEs on the one hand and the large supply of funds in the hands of financial institutions, on the other. In this study, only DTI's **SBGFC** financing is highlighted because the study is hard-pressed to cover the indeterminate number of other government and private financial institutions now mandated to lend to the sector.

The assessment of SBGFC shows that despite its high intensity activities, its effort is still very insignificant in the context of the total needs of the sector. How much of the gap is being filled by the other financing institutions not covered by this study cannot be ascertained and may be addressed in another study.

Nonetheless, it is generally known that guarantee funds from foreign donors as well as legislated funds for the sector move slowly towards SME borrowers. Understandably, the banks and their donors want to protect their funds from irrational disposition to avoid credit program malpractices that have taken place in the past. At the same time, however, they are mandated to give increasing financial support to SMEs on the basis of the sector's potential to contribute to national development.

SMEs are perceived to be high-risk borrowers because they tend to be vulnerable to market ups and downs. Lending to SMEs is also associated with high transaction costs and thin profit margins. It is estimated that the average small business loan is P1 million—too small to allow a bank to recoup the cost and risk associated with lending. This is the reason why SME lending had to be mandated.

Attempts are being made to streamline procedures, increase spread of banks by lowering the cost of money for loans to SMEs, share credit risks with conduits, and other approaches. Despite these efforts, funds are still not moving as well as desired.

VII. CONCLUSION

This study covers the key agencies of the government involved in SME promotion and development. As the key department responsible for the development of the sector, the DTI and its agencies are the focus of this study. Several other agencies contributing to the effort are also included.

Further studies may be conducted at the agency level. Various stakeholders, starting with the entrepreneurs, may be interviewed about the performance of an agency. Still another study may involve the contribution of the educational institutions in developing entrepreneurs.

It is expected that this present study will contribute to the delineation and streamlining of tasks associated with the SME development effort, like the SME Development Plan, the best practices, and future legislation that will be formulated to ensure the viability of the sector so important to economic growth. The UP ISSI model may also serve as framework in encouraging researchers to work on identifying policy implications aimed at improving the entrepreneurial culture in the Philippines.

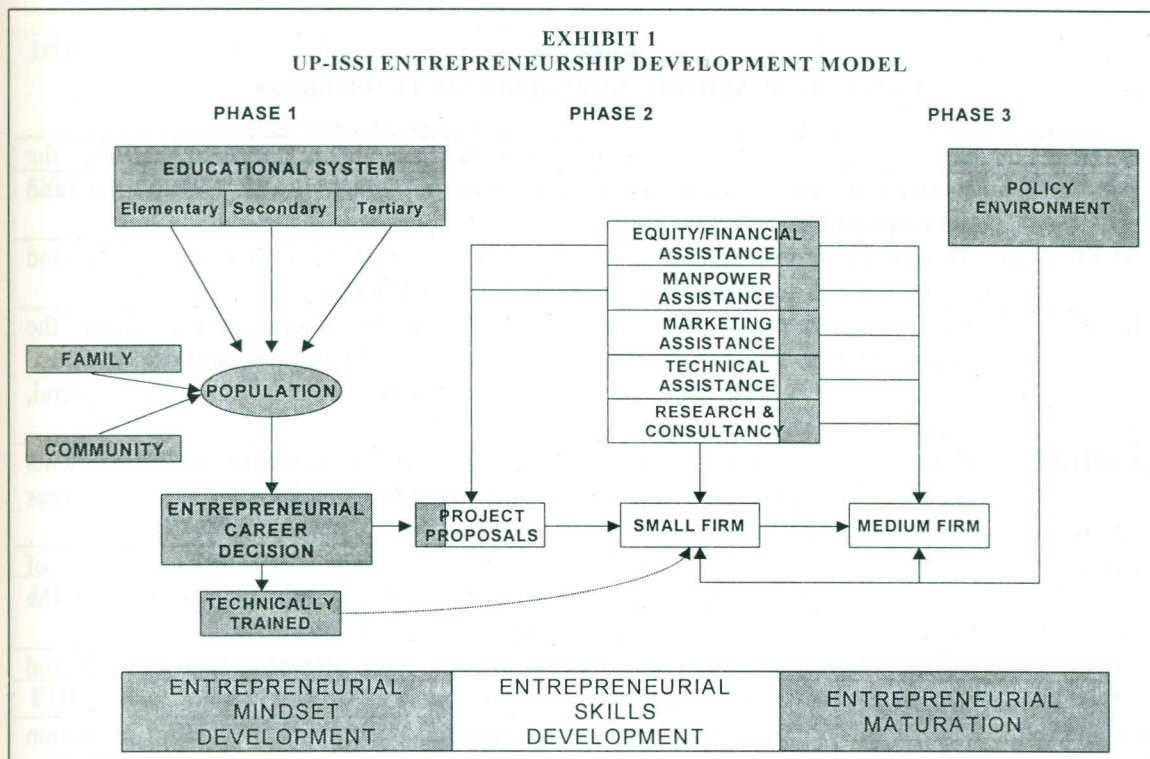
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NOTES

¹Teacher's Manual on Entrepreneurship Development, Technonet Asia and U.P. Institute of Small Scale Industries, 1981.

²Refer to Annex B for more information on these agencies.



**Annex A
Government Agencies involved in SME Development Names
in 1974 and Current Names**

Names of Agencies in 1974	Current Names of the Same Agencies
Ministry of Trade (MT)	Department of Trade and Industry (DTI)
Bureau of Small and Medium Industries (BSMI)	Bureau of Small and Medium Enterprises Development (BSMED)
UP Institute for Small Scale Industries (UP ISSI)	UP Institute for Small Scale Industries (UP ISSI)
Ministry of Local Government of Community Development (MLGCD)	Department of Interior and Local Government (DILG)
National Manpower and Youth Council (NMYC)	Technical Education and Skills Development Authority (TESDA)
Development Bank of the Philippines (DBP)	Development Bank of the Philippines (DBP)
National Economic and Development Authority (NEDA)	National Economic and Development Authority (NEDA)
Central Bank of the Philippines (CB)	<i>Bangko Sentral ng Pilipinas</i> (BSP)
Ministry of Agriculture (MA)	Department of Agriculture (DA)
National Science Development Board (NSDB)	Department of Science and Technology (DOST)
Ministry of Natural Resources (MNR)	Department of Environment and Natural Resources (DENR)

Annex B
Government Agencies involved in SME Development

BDTP	<i>Bureau of Domestic Trade Promotion</i> prepares and monitors the implementation of plans and programs directed at the promotion and development of domestic trade.
BETP	<i>Bureau of Export Trade Promotion</i> is the primary export assistance and information arm of the Department of Trade and Industry.
BITR	<i>Bureau of Internal Trade Relations</i> is the principal agency under the Department of Trade and Industry responsible for the defense and improvement of access of Philippine products to foreign markets through bilateral, multilateral or regional negotiations.
BSMED	<i>Bureau of Small and Medium Enterprises Development</i> initiates and implements projects and programs addressing the specific needs of SMEs in areas concerning technology development and transfer, marketing and training.
CIC	<i>Center for Industrial Competitiveness</i> is involved in the identification of necessary interventions, in terms of policies and programs, relative to the human resource requirements of different sectors and industries.
CITC	<i>Cottage Industry Technology Center</i> is the center of technology transfer and training activities for the cottage, small and medium enterprises.
CITEM	<i>Center for International Trade Expositions and Missions</i> is a trade promotion organization mandated primarily to develop, implement and manage international trade fairs, special exhibits, trade missions and other promotional activities here and abroad. It likewise provides assistance in matching buyers with exporters and coordinates integrated promotional programs to foster the growth of emerging export industries.
DA	<i>Department of Agriculture</i> is the principal agency of the Philippine government responsible for the promotion of agricultural development growth. In pursuit of this, it provides the policy framework, helps direct public investments, and in partnership with local government units (LGUs) provides the support services necessary to make agriculture and agri-based enterprises profitable and to help spread the benefits of development to the poor, particularly those in the rural areas.
DepEd	<i>Department of Education</i> is tasked to provide quality basic education that is equitably accessible to all and lay the foundation for life-long learning and service for the common good.
DENR	<i>Department of Environment and Natural Resources</i> is mandated to be the primary government agency responsible for the conservation, management, development and proper use of the country's environment and natural resources, including those in reservations, watershed areas and lands of the public domain, as well as the licensing and regulation of all natural resources utilization as may be provided by law in order to ensure equitable sharing of the benefits derived from these for the welfare of the present and future generations of Filipinos.
DOLE	<i>Department of Labor and Employment</i> is tasked to promote gainful employment opportunities and the optimization of the development and utilization of the country's manpower resources.

DOST	<i>Department of Science and Technology</i> is mandated to provide central direction, leadership, and coordination of all science and technology activities in the country; and, formulate S&T policies, programs, and projects in support of national development priorities.
DTI	<p><i>Department of Trade and Industry</i> is the lead government agency that champions consumers and business. As consumer champion, it promotes consumer choice and best value for money through competition and a level playing field for business and enforcement of trade laws. It also forges alliances with consumer groups to strengthen consumer power.</p> <p>As business champion, it creates a climate where business can grow, compete and succeed in local and global settings. It promotes the country as an investment location and an export base for products and services. It facilitates major investment projects and provides a wide range of services to international and domestic companies seeking to establish or invest in projects in the Philippines.</p>
DTI-ROG	<i>DTI-Regional Operations Group</i> acts as the main implementing arm of the Department of Trade and Industry in the regions in the areas of investment and export promotions.
EDC	<i>Export Development Council</i> was created to strengthen and institutionalize the national export drive and supporting policy framework, for the purpose of overseeing the implementation of policy reforms to support the Philippine Export Development Plan.
FTSC	<i>Foreign Trade Service Corps</i> provides commercial representation for the Philippines in foreign countries through its Philippine Trade and Investment Centers (PTICs). It was created to develop and promote the growth of Philippine exports in the world market, to encourage the flow of foreign investments into the country, to provide commercial intelligence to government and industry sectors, and to assist in bilateral and multilateral trade and economic negotiations.
IDC	<i>Industry Development Council</i> was established in 1996 to ensure the development of industries with extensive value added, and, to enhance the efficiency and competitiveness of local industries in both the domestic and international markets.
LGUs	Local Government Units are provincial, city, and municipal governments which also implement local enterprise promotion plans synchronized with larger development plans.
NDC	<i>National Development Company</i> is at the forefront of the country's industrial development, performing a strategic role as the government's corporate arm for developing, financing, and implementing projects vital to the government's new industrialization program.
NEDA	<i>National Economic and Development Authority</i> was created to coordinate the development planning and policy formulation process of government, in order to achieve the objectives of sustainable economic growth coupled with an equitable distribution of income and wealth.

PDDCP	<i>Product Development and Design Center of the Philippines</i> is a DTI agency tasked to improve the quality and competitiveness of Philippine products through design.
PITC	<i>Philippine International Trading Corporation</i> is the sole full-service government-owned international trading company of the Department of Trade and Industry (DTI) engaged in the export and import of commodities, industrial products and consumer goods. It is an active participant in the implementation of government-to-government trading transactions, in alternative marketing and financial mechanisms like counter-trade, and in bulk importation programs which seek to stabilize prices and supply in the domestic market.
PSB	<i>Philippine Shippers' Bureau</i> is an agency of the Department of Trade and Industry created for the purpose of making Philippine exports more competitive in the world market through the provision of efficient freight and shipping service.
PTTC	<i>Philippine Trade and Training Center</i> designs and implements relevant training modules which will continuously upgrade the skills and update the knowledge of Filipino entrepreneurs on the demands of international markets.
SBGFC	<i>SB Corporation</i> is mandated by law to support the development of SMEs all over the country through the provision and promotion of various alternative modes of financing and credit delivery systems.
SMEDC	<i>Small and Medium Enterprise Development Council</i> is the primary agency responsible for the promotion, growth and development of SMEs by way of facilitating and coordinating national efforts in SME development.
TESDA	<i>Technical Education and Skills Development Authority</i> formulates policies to develop and implement skills development programs with the active participation of employers, industry groups, trade associations and workers.
UP ISSI	<i>UP Institute for Small-Scale Industries</i> is a unit of the University of the Philippines that offers training, research, extension, and information services to SMEs and industry sectors.

Annex C

The Philippine SME Development Strategy 1998

Vision: A Philippine SME Sector vigorously competing in the international business arena.

Guiding Principles:

- Viability and Competitiveness – Priority will be given to firms that exhibit strong capability to grow and eventually develop into globally competitive enterprises.
- Private Sector-led Initiatives – The private sector shall continue to be the main movers of economic growth and will be supported by government policies, programs and infrastructure.
- Market-driven responses – The development of SMEs must have a sound basis and therefore must be attuned to the forces shaping the external environment.

Strategic Imperatives:

- Narrowing the focus: small firms, specific sectors – Niches in the world market where Filipino businesses can excel must be identified.
- Efforts must focus on a “vital few” industries which demonstrate strong growth and export potential.
- Promoting synergistic linkages among firms: gearing up for maximum growth. Every small enterprise depends critically on a whole web of relationships with customers, suppliers, competitors and others. Establishing linkages is one of the most vital conditions for entrepreneurial success. The Links-based Economic Growth Model (Tan, 1998) illustrates how linkages may be developed between and among small and large companies, or among small enterprises through associations.
- Strengthening technology and R&D Initiatives - Extension services must be provided to SMEs such as giving them advice on the process of production, selection of machinery and technical collaboration both domestically and internationally.
- Bolstering human resource development for SMEs – The development of human resource capabilities (through training) is important in fostering a competitive SME sector.
- Improving SME access to Financing – Access of SMEs to financing for SME must be improved.

Annex D

National SME Development Plan of Year 2003

Goal: A vibrant SME sector that will provide a strong domestic supply base (manufacturing and services) for globally competitive industries.

Objectives:

- Expansion of the enterprise by graduating micro and small enterprises to higher levels of business undertakings
- Expansion of the enterprise by graduating micro and small enterprises to higher levels of business undertakings
- Upgrading of their productivity and value-added capabilities

Six-Month Objectives

- Increase share of SME segments from 8.7 percent to 10 percent by graduating mezzanine micro enterprises to small businesses and generating new ones
- Strengthen 20 accessible SME Centers nationwide
- “*Maraming pera sa SME ngayon. Maraming tulong sa SME ngayon.*” (“There is money in SMEs now; there is help for SMEs now.”)

Three-Year Objectives

- Forty percent increase in the share of the small and medium segments from 8.7 to 12 percent
- Increase productivity in terms of gross value added from 32 to 40 percent

Elements of the Plan

A. Training / Human Resource Development

1. Compendium of training programs of all government training institutes
2. Streamline training programs and standardize fees
3. Deploy 50 SME business counselors nationwide
4. Review academic curricula to promote entrepreneurship

B. Market Development

1. Domestic and foreign markets (Trade fairs; buying and selling missions)
2. SME Display Corner
3. Buyer-Supplier Matching Services
4. Launch SME Opportunities Caravan
5. Consolidation of Production Inputs for SMEs

C. Product Development / Technology Intervention

1. Product Development
 - a. Product Design and Development
 - Render advisory services for SMEs to conform to standards
 - Conduct product clinics, e.g., design and packaging
 - b. Package Design and Development
 - c. Product Technology
 - d. Design and Technical Information
2. Research and development
 - Commercialize research outputs on alternative uses of indigenous raw materials
3. Technology improvement
 - a. Raw Material Preparation - conduct training to sustain quality of raw material inputs
 - b. Set up / Strengthen Common Service Facilities

D. Advocacy for Enabling Environment

1. Monitor implementation of the BMBE Law (Barangay Micro-Business Enterprise Law)
2. Harmonize, simplify and, standardize business forms and fees among LGUs
3. Strengthen SME Centers
4. Review government rules and regulations to reduce costs of doing business

E. Financing – SULONG

SULONG – SME Unified Lending Program for National Growth
P 10 billion in six months; P 20-30 billion annually

1. Standardized Accreditation for Rural and Thrift Banks
 - a. Standardized 12-point Accreditation
 - b. Common Accreditation Form
2. SME Unified Lending Program
 - a. Common Guidelines and Rates
 - b. Common Business Loan Application Form

Annex E

Best Practices in SME Promotion

In the past years, government agencies and institutions have initiated several projects and adopted certain policies that have significantly contributed to the promotion of entrepreneurship in the country. These best practices in entrepreneurship development are summarized below.

1. Putting up of One-Stop-Action Centers (OSACs) to assist entrepreneurs/businessmen to obtain necessary investment information and documentation; register or avail themselves of government incentives in one physical location. OSACs are located in:
 - a. One-Stop-Action Center for Investments – Board of Investments (BOI)
 - b. One-Stop-Export-Documentation Center – PhilExport, International Trade Center
 - c. One-Stop-Processing Center for Used Car Importation – Bureau of Customs (BOC)
 - d. One-Stop-Shop Tax Credit and Drawback Center – Department of Finance (DOF)
 - e. One-Stop-Action Center for Garments and Textiles – Garments and Textile Export Board (GTEB)
2. Establishment of regional and provincial offices in order to increase the efficiency and enhance the accessibility of services to the countryside. This includes substantial delegation of authority of government agencies to their regional and provincial offices.
3. Streamlining of procedural rules and requirements for registration, availment of financing and accessing of other government services and assistance. This is in compliance with Section 5 of the Magna Carta for Small Enterprises.
4. The government and private sectors have joined hands in building up small and medium enterprises through the promotion and participation of private voluntary organizations, viable industry associations and cooperatives.
5. Promotion/encouragement of linkages between large and small enterprises.
6. Utilization of information technology to make the government agencies more accessible.
7. Regular training of staff to enable them to meet the needs of small and medium entrepreneurs.