

ERIA RESEARCH PROJECT REPORT 2012, NO. 8

ASEAN SME POLICY INDEX 2014

TOWARDS COMPETITIVE AND INNOVATIVE
ASEAN SMEs

Edited by
ERIA SME RESEARCH WORKING GROUP

JUNE 2014



**ASEAN SME Agencies
Working Group**

In cooperation with



National Library of Indonesia Cataloguing in Publication Data
**- ASEAN SME POLICY INDEX 2014: TOWARDS COMPETITIVE AND INNOVATIVE ASEAN
SMEs -**

Jakarta: Economic Research Institute for ASEAN and East Asia, 2008

ISBN 978-602-8660-71-6



Published by Economic Research Institute for ASEAN and East Asia (ERIA)

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The ASEAN SME Policy Index is based on the SME Policy Index methodology devised by the Organisation for Economic Co-operation and Development (OECD) and was developed with the support of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the OECD or of the governments of its member countries.

FOREWORD

Small and medium-sized enterprises (SMEs) are an important driver for job creation and economic growth in the ASEAN region. As the ASEAN Economic Community moves towards a higher level of market integration, new perspectives are opening for these firms. Innovative and high-growth SMEs, in particular, have an opportunity to transform their business.

To help SMEs fully tap these new possibilities, the 10 ASEAN member countries (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) are taking steps to stimulate SME growth. This includes extensive structural reforms to enhance productivity, human capital and enterprise performance.

This report presents the SME development policies and actions implemented by the ASEAN countries and helps identify strengths and weaknesses in policy design and implementation. It compares the experiences and performance of the 10 countries, measures convergence towards the policy guidelines of the ASEAN Strategic Plan for SME Development (2010-15), and recommends priority reforms. Its methodology - the SME Policy Index - is based on a tool developed by the Organisation for Economic Co-operation and Development (OECD) to assess policy development across countries sharing a common SME policy platform.

This publication underscores the need for a more comprehensive approach to SME development in the ASEAN region. It calls for combining on-going reforms to improve the general business environment with targeted interventions to support specific segments of the enterprise population, such as innovative enterprises, start-ups or export-oriented enterprises. The report also recommends government action to create a level playing field for all SMEs through regulatory reform and administrative simplification, as well as investment in human resources, provision of business development services, better access to finance, and the fostering of technological transfer.

This publication is the result of the joint effort between the Economic Research Institute for ASEAN and East Asia (ERIA) and the OECD through its Southeast Asia Regional Programme, supported by the ASEAN Secretariat and the members of the ASEAN SME Working Group. ERIA and the OECD greatly value the work that has been accomplished over the last two years and look forward to continuing this close and fruitful co-operation.



Hidetoshi Nishimura
Executive Director of ERIA



Angel Gurría
Secretary-General of the OECD

FOREWORD

ASEAN will emerge and present itself as a stronger community on the global stage with the formation of the ASEAN Economic Community (AEC). With 2015 fast-approaching, governments in the region are working hard to ensure the realization of the AEC. The fact that small and medium enterprises (SMEs) account for more than 96 per cent of all enterprises in ASEAN shows their significance as the engine of growth in the region. It is therefore vital that development of SME policies is comprehensive to enable SMEs to be well-positioned to tap on incoming opportunities for growth.

The publication of this index is thus a timely milestone for the ASEAN SME Working Group (SMEWG) to review the policy development for the SME sector, and to examine the effectiveness of their implementation. This index tracks SME development among ASEAN member states, and identifies gaps in both policy development and implementation. In charting the direction for policy design in the medium term, this index serves as a useful reference for ASEAN to identify areas for collaboration, and essential pillars of SME development to be strengthened. One example is the need to drive greater public-private partnership at both the national and regional level to benefit more SMEs.

I am heartened by the collaboration between the Economic Research Institute for ASEAN and East Asia (ERIA), OECD, members of the ASEAN SMEWG, and the ASEAN Secretariat in producing the ASEAN Policy Index. This is a positive step in deepening the cooperation between the ASEAN SMEWG and multilateral organizations. I look forward to more of such initiatives to support the development of SMEs in the region.



Ted Tan
Deputy Chief Executive, SPRING Singapore
Chairperson, ASEAN SME Working Group (2014 – 2015)

ACKNOWLEDGEMENTS

The Economic Research Institute for ASEAN and East Asia (ERIA) expresses sincere gratitude to all members of the ASEAN Small and Medium Enterprises Agencies Working Group (SMEWG) who have been very supportive of ERIA with the responsibility of developing the Framework of ASEAN SME Policy Index and the assessment process. The methodology applied in the assessment derived from the SME Policy Index, a benchmarking tool for emerging economies to monitor and evaluate progress in policies that support small and medium-sized enterprises. It was developed by the OECD and applied to a number of regions (the Western Balkans and Turkey in 2007, 2009, 2012; Eastern Partnership countries in 2012; and North-African and the Middle East regions in 2008, 2013) in joint effort with the European Commission, the European Bank for Reconstruction and Development, and the European Training Foundation.

The project was coordinated by Dr. Sothea Oum with support from Dr. Ponciano Intal Jr., Dr. Dionisius Narjoko, Mr. Robertus B. Herdiyanto and Mr. Axel Castellane (ERIA) under the supervision of Prof. Fukunari Kimura, Chief Economist of ERIA. ERIA thanks all consultant-experts to the project and also expresses great appreciation for the indispensable support given by the staff members of the ASEAN Secretariat, especially Ms. Penchan Manawanitkul, Senior Officer and Ms. Sarah Firdaus from Competition, Consumer Protection and IPR Division (CCPID), Market Integration Directorate, ASEAN Economic Community (AEC) Department.

ERIA thanks the following people for their hard work in finalizing the Framework: Prof. Charles Harvie, Dr. Haryo Aswicahyono, Prof. Chaiyuth Punyasavatsut, Prof. Rajah Rasiah, Prof. George Abonyi and Prof. Atipol Bhanich Supapol, Prof. Ruperto P. Alonzo, Dr. Tulus Tambunan, Mr. Ryan Patrick Garcia Evangelista.

The assessment could not be completed without the hard work and dedication of the various country research teams: Mr. Shazali Sulaiman, KPMG (Brunei Darussalam), Mr. Hay Sovuthea, Lay, Sokkheang, and Nguon Yana, Supreme National Economic Council (Cambodia), Dr. Yose Rizal, Mr. Deni Friawan, and Ms. Pratiwi Kartika, Centre for Strategic and International Studies, (Indonesia), Dr. Phouphet Kyophilavong, National University of Lao (Lao PDR), Professor Dr. Rajah Rasiah, Dr. VGR Chandran Govindaraju, Mr. Saad Mohd Said, and Dr. Ng Boon Kwee, University of Malaya (Malaysia), Dr. Nu Nu Lwin, Monywa Institute of Economics, Dr. Aye Thu Htun, Yangon Institute of Economics, and Dr. Aung Kyaw, Monywa Institute of Economics (Myanmar), Dr. Rafaelita M. Aldaba, Philippine Institute for Development Studies and Dr. Fernando T. Aldaba, Ateneo de Manila University (Philippines), Dr. Shandre M. Thangavelu, National University of Singapore (Singapore), Dr. Chaiyuth Punyasavatsut, Thammasat University (Thailand), and Mr. Bui Van Dung, Dr. Nguyen Thi Luyen, Mr. Trinh Duc Chieu, and Mr. Nguyen Thanh Tam, Central Institute for Economic Management (Viet Nam).

ERIA greatly appreciates the contribution of Mr. Antonio Fanelli, Deputy Head, and Ms. Anita Richter, Policy Analyst, Private Sector Development Division, Global Relation Secretariats, Organisation for Economic Co-operation and Development (OECD), who acted as an external advisors and expert panels to the project.

LIST OF PROJECT MEMBERS

- PROF. FUKUNARI KIMURA (PROJECT SUPERVISOR):** Chief Economist, Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta.
- DR. SOTHEA OUM (PROJECT COORDINATOR):** Economist, Economic Research Institute for ASEAN and East Asia (ERIA)
- MR. ANTONIO FANELLI (PROJECT ADVISOR):** Deputy Head, Private Sector Development Division, Global Relation Secretariats, Organisation for Economic Co-operation and Development (OECD), France.
- MS. ANITA RICHTER (PROJECT ADVISOR):** Policy Analyst, Private Sector Development Division, Global Relation Secretariats, Organisation for Economic Co-operation and Development (OECD), France.
- MR. SHAZALI SULAIMAN:** Partner, Klynveld Peat Marwick Goerdeler (KPMG), Brunei Darussalam.
- MR. HAY SOVUTHEA:** Researcher, Supreme National Economic Council, Cambodia
- MR. LAY SOKKHEANG:** Researcher, Supreme National Economic Council, Cambodia.
- MR. NGUON YANA:** Researcher, Supreme National Economic Council, Cambodia
- DR. YOSE RIZAL DAMURI:** Economist, Centre for Strategic and International Studies (CSIS), Indonesia.
- MR. DENI FRIAWAN:** Researcher, Centre for Strategic and International Studies (CSIS), Indonesia.
- MS. PRATIWI KARTIKA:** Research Assistant, Department of Economics, Centre for Strategic and International Studies (CSIS), Indonesia.
- DR. PHOUPHET KYOPHILAVONG:** Associate Professor, National University of Laos (NUoL), Lao PDR.
- PROF. RAJAH RASIAH:** Professor, University of Malaya, Malaysia.
- DR. VGR CHANDRAN GOVINDARAJU:** Associate Professor University of Malaya
- MR. SAAD MOHD SAID:** University of Malaya
- DR. NG BOON KWEE:** University of Malaya
- DR. NU NU LWIN:** Professor, Department of Management Studies, Monywa Institute of Economics, Myanmar.
- DR. AYE THU HTUN,** Lecturer, Department of Management Studies, Yangon Institute of Economics
- DR. AUNG KYAW,** Lecturer, Department of Commerce, Monywa Institute of Economics

- DR. RAFAELITA ALDABA:** Senior Research Fellow, Philippine Institute for Development Studies (PIDS), Philippines.
- DR. FERNANDO T. ALDABA,** Ateneo de Manila University (Philippines)
- DR. SHANDRE M. THANGAVELU:** Associate Professor, Department of Economics, National University of Singapore (NUS), Singapore.
- DR. CHAIYUTH PUNYASAVATSUT:** Associate Professor, Thammasat University, Thailand.
- DR. NGUYEN THI LUYEN:** Deputy Director of Department of Enterprise Reform and Development, Central Institute for Economic Management (CIEM), Vietnam.
- MR. BUI VAN DUNG,** Central Institute for Economic Management
- MR. TRINH DUC CHIEU,** Central Institute for Economic Management
- MR. NGUYEN THANH TAM,** Central Institute for Economic Management

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LIST OF ABBREVIATIONS AND ACRONYMS

ACE	=	Action Community for Entrepreneurship
ACRA	=	Accounting and Corporate Regulatory Authority
ADB	=	Asian Development Bank
AEC	=	ASEAN Economic Community
AED	=	Agency for Enterprise Development
AIBI	=	<i>Asosiasi Inkubator Bisnis Indonesia</i> (Association of Indonesian Business Incubators)
AIM	=	<i>Agensi Inovasi Malaysia</i>
ALS	=	Alternative Learning System
AMSs	=	ASEAN Member States
APBSD	=	ASEAN Policy Blueprint for SME Development
APEC	=	Asia-Pacific Economic Cooperation
APINDO	=	Indonesian Employer Association
APPI	=	<i>Asosiasi Perusahaan Pembiayaan Indonesia</i> (Indonesia's Financing Companies Association)
ASEAN	=	Association of Southeast Asian Nations
ASME	=	Association of Small and Medium Enterprises
ATSME	=	Association for the Promotion of Thai Small and Medium Entrepreneurs
BAFIA	=	Banking and Financial Institutions Act
BAN	=	Badan Akreditasi Nasional National Accreditation Body
BANSEA	=	Business Angels Network South-East Asia
BAPPENAS	=	<i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Agency)
BBPEI	=	<i>Balai Besar Pelatihan Ekspor Indonesia</i> (Center for Indonesian Export Training)
BDICCI	=	Brunei Darussalam International Chamber of Commerce and Industry
BDS	=	Business Development Services
BEDB	=	Brunei Economic Development Board
BIMSTEC	=	Bay of Bengal Initiative of Multi Sectoral Technical and Economic Cooperation
BLS	=	Business Licensing System
BMSMED	=	The Bureau of Micro, Small and Medium Enterprises Development
BPG	=	Brand Promotion Grant
BPN	=	<i>Badan Pertanahan Nasional</i> (National Land Agency)
BPS	=	Bureau of Product Standards
BRMA	=	Business Registration Management Agency

BRN	=	Brunei Darussalam
BSF	=	Business Start-up Fund
BSN	=	<i>Badan Standarisasi Nasional</i> (National Standardization Agency)
CAM	=	Cambodia
CCC	=	Chinese Chamber of Commerce
CCPID	=	Competition, Consumer Protection and IPR Division
CGC	=	Corporation Malaysia Berhad
CIC	=	Credit Information Center
CIS	=	Credit Information System
CITEM	=	Center for International Trade and Export Missions
CLMV	=	Cambodia, Lao PDR, Myanmar, and Viet Nam
COE	=	Centers of Excellence
CoOs	=	Certificates of Origin
CPPM	=	Customs Public-Private Partnership Mechanism
DepED	=	The Department of Education
DIC	=	Directorate of Investment and Companies
DIP	=	Department of Intellectual Property
DOSMEP	=	Department of Small and Medium Enterprises Promotion
DOST	=	Department of Science and Technology
DOST-ICT	=	Department of Science and Technology's ICT
DPI	=	Department of Planning and Investment
DTI	=	Department of Trade and Industry
EBNRS	=	Electronic Business Name Registration System
ECOP	=	Employers Confederation of the Philippines
ECOT	=	Employers' Confederation of Thailand
EDC	=	Entrepreneurial Development Centre
EDI	=	Entrepreneurship Development Institute
EE	=	Entrepreneurial Education
EEP	=	Enterprise Expansion Program
EFS	=	Enterprise Facilitation Scheme
EL	=	Entrepreneurial Learning
EPF	=	Employees Provident Fund
EPU	=	Economic Planning Unit
ERIA	=	Economic Research Institute for ASEAN and East Asia
ERMD	=	Enterprise Registration and Management Department
ESC	=	Economic Strategies Committee
FASMEC	=	Federation of Association of SMEs of Cambodia
FDI	=	Foreign Direct Investment
FNF	=	Fredrich Naumann Foundation
FRIA	=	Financial Rehabilitation & Insolvency Act

FTTH	=	Fibre To The Home
GCP	=	Global Company Partnership
GDP	=	Gross Domestic Product
GIZ	=	Deutsche Gesellschaft fur International Zusammenarbeit
GMAC	=	Garment Manufacturers Association in Cambodia
GMP	=	Good Manufacturing Practices
GMS	=	Greater Mekong Sub region
GNI	=	Gross National Income
GoEx	=	Going Export
GTC	=	Government Technical Colleges
GTZ	=	German Organization for Technical Cooperation
HACCP	=	Hazard Analysis and Critical Control Points
HASTC	=	Hanoi Securities Trading Center
HCMC	=	Ho Chi Minh City
HIP	=	High Impact Programme
HRDF	=	Human Resource Development Fund
IAI	=	Initiative for ASEAN Integration
ICT	=	Information and Communication Technology
IDP	=	Incubator Development Programme
IDR	=	Indonesian Rupiah
IE	=	International Enterprise
IEAT	=	Industrial Estate Authority of Thailand
IFC-MPDF	=	International Finance Corporation - Mekong Private Sector Development Facility
IND	=	Indonesia
IP	=	Intellectual Property
IPO	=	Initial Public Offering
IPOPIL	=	Intellectual Property Office
IPOS	=	Intellectual Property Office of Singapore
IPR	=	Intellectual Property Rights
IRB	=	Inland Revenue Board of Malaysia
ISC	=	Institute of Standard of Cambodia
ISO	=	International Organization for Standardization
IT	=	Information Technology
iTAP	=	Industrial Technology Assistance Program
ITB	=	<i>Institut Teknologi Brunei</i> (Brunei Institute of Technology)
ITPC	=	Indonesia's Trade Promotion Centres
ITSO	=	Innovations and Technology Support Offices
JICA	=	Japan International Cooperation Agency
Kadin	=	<i>Kamar Dagang dan Industri Indonesia</i> (Indonesian Chamber of Commerce and Industry)

KPMG	=	Kylveld Peat Marwick Goerdeler
	=	
KPPT	=	<i>Kantor Pelayanan Perijinan Terpadu</i> (Integrated Licensing Service Office)
LAO	=	Lao PDR - Lao People's Democratic Republic
LNCCI	=	Lao National Chamber of Commerce and Industry
LPDB	=	<i>Lembaga Pengelola Dana Bergulir</i> (Revolving Fund Management Institution)
LPDP	=	Institute for Management of Educational Fund
LPEI	=	<i>Lembaga Pembiayaan Ekspor Indonesia</i> (Indonesian Export Financing Agency)
MAI	=	Market for Alternative Investments
MAS	=	Monetary Authority of Singapore
MASCI	=	Management System Certification Institute of Thailand
MATRADE	=	Malaysia External Trade Development Corporation
MCCI	=	Malay Chamber of Commerce and Industry
MDG	=	Market Development Grant
MEF	=	Malaysia Employers Federation
MES	=	Myanmar Engineering Society
MESDAQ	=	Malaysian Exchange of Securities Dealing and Automated Quotation
MFS	=	Microcredit Finance Scheme
MIEDC	=	Myanmar-India Entrepreneurship Development Centre
MIME	=	The Ministry of Industry, Mines and Energy's
MITI	=	Ministry of International Trade and Industry
MMR	=	Myanmar
MOC	=	Ministry of Commerce
MoCSME	=	Ministry of Cooperatives and SME
MoEC	=	Ministry of Education and Culture
MOI	=	Ministry of Industry
MoIC	=	Ministry of Industry and Commerce
MOIT	=	Trade Promotion Agency
MoLHR	=	Ministry of Law and Human Rights
MoRT	=	Ministry of Research and Technology
MOSTI	=	Ministry of Science, Technology and Innovation
MPC	=	Malaysia Productivity Corporation
MSMED	=	The Micro, Small and Medium Enterprises Development
MSMEDC	=	Micro, Small and Medium Enterprise Development Council
MSMEs	=	Micro, Small, and Medium Enterprises
MTDC	=	Malaysian Technology Development Corporation

MYEG	=	The Malaysian E-government
MYS	=	Malaysia
NCCI	=	National Chamber of Commerce and Industry
NDP	=	National Development Plan
NEC	=	New Entrepreneur Creation
NEDP	=	National Socio-Economic Development Plan
NEM	=	New Economic Model
NGO	=	Non Governmental Organization
NIA	=	National Innovation Agency
NICCEP	=	National Industry Cluster Capacity Enhancement Project
NIDA	=	National Informationn Communications Technology Development Authority
NSC	=	National Standard Centre
NSDC	=	National SME Development Council
NSTIPO	=	National Science Technology and Innovation Policy Office
NSW	=	National Single Window
NUS	=	National University Singapore
OECD	=	Organisation for Economic Cooperation and Development
ORC	=	One Referral Centre
OSMEP	=	Office of SME Promotion
OSS	=	One-Stop Shop
OTOP	=	One Tambon (sub-district) One Product
P3ED	=	<i>Proyek Pusat Pelatihan dan Promosi Ekspor Daerah</i> (Project Training Center and Regional Export Promotion)
P3ED	=	<i>Pusat Pendidikan dan Pelatihan Ekspor</i> (Training Centres for Export)
PCCI	=	Philippine Chamber of Commerce and Industry
PEP	=	Pro-Enterprise Panel
PEPI	=	National Team for Increasing Exports and Investments
Perda	=	<i>Peraturan Daerah</i> (Local Government Regulations)
PEZA	=	Philippine Economic Zone Authority
Philexport	=	Philippine Exporters Confederation
PHL	=	Philippines
PKBL	=	Partnership and Environment Development Program
PKM-K	=	<i>Program Kreativitas Mahasiswa Kewirausahaan</i> (Entrepreneurship Student Creativity Program)
PLEDS	=	Promising Local Enterprise Development Scheme
PLUT	=	<i>Pusat Layanan Usaha Terpadu</i> (Integrated Business Service Centre)
PMW	=	<i>Program Mahasiswa Wirausaha</i> (Student Entrepreneurial Program)

PPP	=	Public-Private Partnership
PTSP	=	<i>Pusat Pelayanan Terpadu Satu Pintu</i> (One Stop Service Center)
PTTC	=	Philippine Trade Training Center
R&D	=	Research and Development
RIA	=	Regulatory Impact Analysis
RIE	=	Research, Innovation and Enterprise
RIS	=	Regulatory Impact Statement
RM	=	Malaysian Ringgit
ROC	=	Registrar of Companies
RPJM	=	<i>Rencana Pembangunan Jangka Menengah Nasional</i> (National Medium Development Plan)
RULES	=	Royal University of Law and Economics
RUMFCCI	=	Republic of Union of Myanmar Federation of Commerce and Industry
SAPASD	=	Strategic Action Plan for ASEAN SME Development
SBCG	=	Small Business Credit Guarantee
SBCGC	=	Small Business Credit Guarantee Corporation
SBF	=	Singapore Business Federation
SBV	=	State Bank of Viet Nam
SC	=	Securities Commission
SDC	=	SMEs Development Center
SEC	=	Securities and Exchange Commission
SETUP	=	Small Enterprise Technology Upgrading Program
SGD	=	Singapore Dollar
SGP	=	Singapore
SIRIM	=	Standards and Industrial Research Institute of Malaysia
SISME	=	Science Institute for Small and Medium Enterprises
SIUP	=	<i>Surat Izin Usaha Perdagangan</i> (Trade Business License)
SME	=	Small Medium Enterprises
SMEC	=	SME Committee
SMEDF	=	SME Development Framework
SMEPDO	=	Small and Medium Enterprise Promotion and Development Office
SMESTAC	=	Southern Technical Assistance Center for SMEs
SMI	=	Small and Medium Industries
SMIDB	=	Small and Medium Industrial Development Bank
SMU	=	Singapore Management University
SNEF	=	Singapore National Employers Federation
SOCISO	=	Social Security Organisation
SPRING	=	Standards, Productivity and Innovation Board of Singapore

SSM	=	Suruhanjaya Syarikat Malaysia
STAMEQ	=	Standards, Metrology and Quality
STI	=	Science, Technology and Innovation
TACs	=	Trade Associations and Chambers
TAPI	=	Technology Application and Promotion Institute
TCP	=	Technology Commercialisation Platform
TDP	=	<i>Tanda Daftar Perusahaan</i> (Company Registration Certificate)
TECS	=	Technology Enterprise Commercialization Scheme
THA	=	Thailand
THB	=	Thailand Baht
THS	=	Technical High Schools
TIC	=	Technology Incubator Center
TIDCORP	=	Trade and Investment Development Corporation of the Philippines
TIN	=	Taxpayer Identification Number
TISI	=	Thai Industrial Standard Institute
TLE	=	Technology, Livelihood and Entrepreneurship
U- ACT	=	Universal Access to Competitiveness and Trade
UBD	=	Universiti Brunei Darussalam
UBI	=	University Business Incubator
UNESCO	=	United Nations Educational, Scientific and Cultural Organization
UOB	=	United Overseas Bank
VAT	=	Value Added Tax
VCCI	=	Viet Nam Chamber of Commerce and Industry
VDB	=	Viet Nam Development Bank
VINASME	=	Vietnam Association of Small and Medium Enterprises
VND	=	Viet Nam Dong
VNM	=	Viet Nam
YEAB	=	Young Entrepreneurs Association of Brunei

Prologue

Overview of the ASEAN SME Policy Index

1. Introduction

Small and Medium Enterprises (SMEs) play an important role in ASEAN economic integration because between 89-99 percent of the firms in ASEAN Member States (AMSs) are SMEs. Together, they create between 52-97 percent of employment, and contribute between 23-58 percent to the Gross Domestic Product (GDP), and 10-30 percent in total exports (Table 1).

Table 1: Significance of SMEs in the Economy in Selected Years

Country	Share of Total Establishments		Share of Total Employment		Share of GDP		Share of Total Exports	
	Share	Year	Share	Year	Share	Year	Share	Year
Brunei Darussalam	98.2%	2010	58.0%	2008	23.0%	2008	-	-
Cambodia	99.8%	2011	72.9%	2011	-	-	-	-
Indonesia	99.9%	2011	97.2%	2011	58.0%	2011	16.4%	2011
Lao PDR	99.9%*	2006	81.4%	2006	-	-	-	-
Malaysia	97.3%	2011	57.4%	2012	32.7%	2012	19.0%	2010
Myanmar	88.8%**	-	-	-	-	-	-	-
Philippines	99.6%	2011	61.0%	2011	36.0%	2006	10.0%	2010
Singapore	99.4%	2012	68.0%	2012	45%	2012	-	-
Thailand	99.8%	2012	76.7%	2011	37.0%	2011	29.9%	2011
Viet Nam	97.5%	2011	51.7%	2011	-	-	-	-

Note: * Asian Development Bank (2013), ** Registered numbers.

Source: Country Reports.

SME development is embedded in the third pillar of the ASEAN Economic Community (AEC) Blueprint, namely, equitable economic development, and its development would directly contribute towards achieving the implementation of the third pillar. SMEs in the region, however, are reported to have difficulties in access to finance, technology, and competitive markets. Entrepreneurship, compliance with

standards, marketing and management are also some of the other problems faced by SMEs in ASEAN.

Usually, SMEs are in a much weaker position than large firms to deal with the vicissitudes of economic volatility. They will be forced to respond to these developments by implementing risk management strategies, speeding up customer payments, focusing on the retention of skilled staff where possible and critical for high tech SMEs, cutting costs, diversifying into new markets, and improving their corporate governance. These, however, are not likely to be an adequate response and will need to be supplemented by appropriate policies aimed at addressing these vulnerabilities.

As such, an appropriate SME policy framework is fundamentally important for the growth of the private sector, in particular, SMEs, as is the need to ensure that the adverse consequences of external or exogenous disturbances emanating from regional trade partners have a minimal disruptive impact on domestic and regional economies.

The strengthening of ASEAN SMEs requires improvement of human resources, provision of access to finance, technology and innovation, and market as well as internationalization through policy support measures, supplementary activities and appropriate communication. In particular, providing access to finance for start-up SMEs is important for strengthening the SME development in ASEAN.

The AEC Blueprint has focused on SME development through the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014. It is expected that by 2015, ASEAN SMEs would form a major part of the regional and global supply chains. The Strategic Action Plan for ASEAN SME Development (SAPASD) 2010-2015 has been devised to engage the businesses on issues of access to finance, technology development, and human resources development, among others, in order to enhance the resiliency and competitiveness of SMEs. The post 2015 AEC needs to define a clear strategy for involvement of the private sector, especially SMEs, to achieve an inclusive economic growth in the region.

Because the region's business players are preponderantly SMEs (including micro enterprises), the pursuit of SME development is in fact not just for equitable development in the region under the third pillar of the AEC Blueprint; it is also for the strengthening of the competitiveness and robustness of the region's economies which depend, to a large extent, on the competitiveness and robustness of the region's SMEs.

And precisely because SMEs are critical for the robust growth of the AMSs and the whole region itself, it is important for the policy regime in the region to be facilitative of the growth and development of the SME sector in the region. Such policy regime is determined by both ASEAN initiatives and agreements, and national policies and programs. Towards this end, it is necessary to have a consistent SME policy framework in the ASEAN at both the national and regional levels. Additionally, there needs to be a comprehensive and effective monitoring tool like the ASEAN SME Policy Index to see whether the policies, programs and institutions are supportive of the development of SMEs in the region.

The ASEAN SME Policy Index derived from the OECD SME Policy Index and was further adapted to the ASEAN specific context. The SME Policy Index was originally developed by the European Commission, the European Bank for Reconstruction and Development, and the European Training Foundation. It has been successfully used in South East Europe (Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) as a monitoring tool as well as an instrument for facilitating policy dialogue, program coordination and the promotion of good practices in the region since 2006. The OECD SME Policy Index has also been applied to North Africa and the Middle East region (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority and Tunisia) and the Eastern European countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

2. The Importance of an ASEAN SME Policy Index

The development of the ASEAN SME Policy Index starts with the APBSD (2004-2014) which laid out strategic programs and policy measures that focus on five main priorities: (i) Human resource development and capacity building; (ii) Enhancement of SME marketing capabilities; (iii) Access to financing; (iv) Access to technology; and (v) Creation of a conducive policy environment. Concrete and detailed policy measures, implementation time frame, and indicative outputs have been identified.

The APBSD was later replaced by the SAPASD (2010 – 2015) which outlined the framework for SME development as a key measure for equitable economic development in the ASEAN region. The latter laid out policy measures to address: (i) Access to finance; (ii) Facilitation; (iii) Technology development; (iv) Promotion; and (v) Human resource development.

Both the APBSD and the Strategic Plan focus primarily on regional initiatives and have less emphasis on consistent national SME policies. The development of SMEs in the region though is affected by both national and regional policy regimes and program initiatives. In addition, there seems to be no systematic mechanism to track the progress and effective implementation of the APBSD and the Strategic Plan.

In this regard, the ASEAN SME Policy Index would improve on the APBSD and the Strategic Plan by incorporating dimensions and initiatives at both regional and national levels. Drawing from the OECD SME Policy Index and insights from the studies done at APEC (Asia-Pacific Economic Cooperation), the ASEAN SME Policy Index will have more policy dimensions than what are indicated in the APBSD and the Strategic Plan to attain the goals of ASEAN SME Development.

The ASEAN SME Policy Index can be expected to have useful functions for the ASEAN SME Working Group and the AMSs, similar to the functions of the OECD SME Policy Index (OECD, 2009) which include: (i) an analytical and dynamic tool to review SME policy developments on a number of policy dimension and across countries; (ii) a process by which a group of countries sharing common policy goals agree on to develop a joint framework for monitoring and comparing SME policy developments; and (iii) a framework to exchange experiences and good practices, and foster policy dialogue.

3. Objectives of the SME Policy Index

The SME Policy Index is a tool that systematically and analytically tracks policy development and identifies gaps in both policy elaboration and implementation at the

national and regional levels (OECD, 2009, p.34). Similar to the OECD SME Policy Index, the objectives of the ASEAN Policy Index are as follows:

- Structured evaluation
 - Evaluate progress in SME policy reform on a comparative basis
 - Assess countries' performance, corresponding to the various dimensions of reform
- Targeted support for improvement
 - Prioritize regional and country level policy priorities and support needs
- Regional collaboration and peer review
 - Encourage more effective peer review through a common evaluation framework
- Public and private sector involvement
 - Offer a simple and transparent communication tool for potential entrepreneurs or investors
 - Establish a measurement process that encourages public/private consultation
- Planning and resource allocation
 - Facilitate medium-term planning, particularly for dimensions that require multi-year programs
 - Provide a tool for resource mobilization and allocation, following the identification of strong points and areas for improvement

4. Framework for ASEAN SME Policy Index

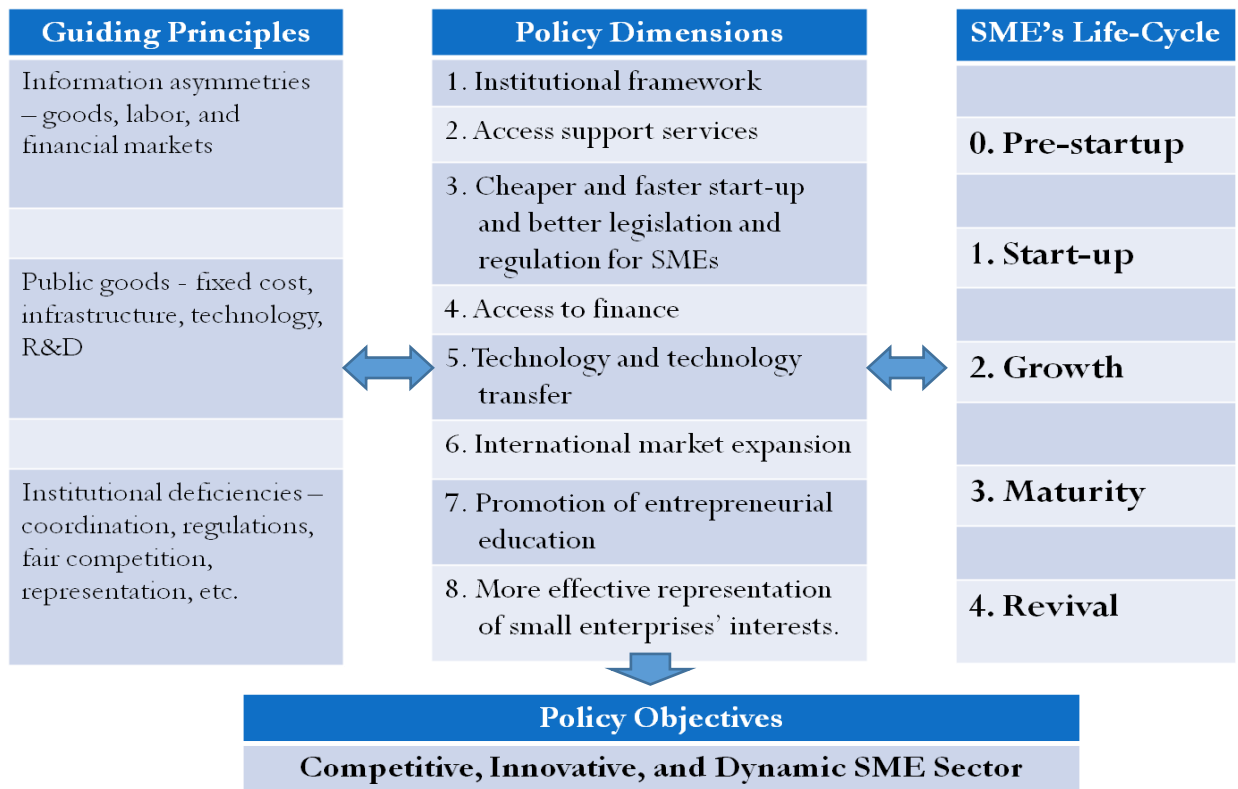
It has been widely recognized that both government and market failures such as excessive regulations, red tapes, monopoly power, asymmetric information, coordination failures, poor contract enforcement, free riders and other externalities, exist. These problems could hinder growth prospects and put SMEs in a more disadvantageous position compared with larger firms. Governments that pursue policies for public interest correct these failures by providing level-playing fields for all businesses and protecting the public from business abuses through regulations and appropriate policies.

In order for SMEs to become more competitive, innovative, and dynamic, the ASEAN SME Policy Index is designed to improve the business environment that must

be relevant to SMEs in any of the five stages of their life cycles (pre-start-up, start-up, growth, maturity, and revival). Being a comprehensive and effective monitoring tool, it also facilitates policy dialogues and connects the regulatory and policy environments towards the achievement of good practices (Figure 1).

Following the approach of the OECD SME Policy Index, the ASEAN Index is composed of several policy dimensions, each of which is subdivided into a number of sub-dimensions. Each sub-dimension in turn is composed of a number of indicators, with each indicator having a number of levels of policy reform or a set of policy reforms.

Figure 1: SME Development Policy Framework and Firm Life-Cycle



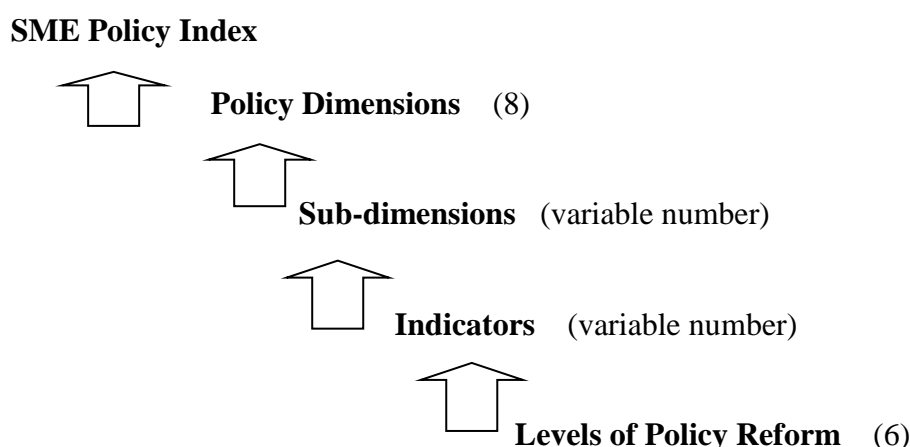
The following is a list of eight policy dimensions of the ASEAN Policy Index based on the ASEAN SME Blueprint, the Strategic Plan, and the OECD:

1. Institutional framework;
2. Access to support services;
3. Cheaper and faster start-up and better legislation and regulation for SMEs;
4. Access to finance;

5. Technology and technology transfer;
6. International market expansion;
7. Promotion of entrepreneurial education; and
8. More effective representation of SMEs' interests.

To reflect more the specific circumstances of the ASEAN region, the ASEAN SME Policy Index differs from the OECD SME Policy Index in its policy dimensions, sub-dimensions, indicators and levels of policy reform.

Figure 2: Process in Constructing the ASEAN SME Policy Index



Source: Adapted from OECD (2009).

Figure 2 shows each of the policy dimensions, sub-dimensions, indicators, and the six levels of policy reform around which the indicators are structured.

In total, there are 58 sub-dimensions/indicators, each of which has 6 levels of policy reform, starting from 1 for no specific policy measure or institution (poor) to 6 for a well-functioning institution or effective implementation of each policy measure (good practice).

For example, in order for business registration, as one of the indicators in policy sub-dimension 3 (cheaper and faster start-up), to qualify as best practice, level 6 of policy reform or the registration process must take less than five working days, require only one administrative step, and cost less than USD50.

The elaboration of the framework, list of sub-dimensions, indicators and levels of policy reform draws from the inputs of experts, stakeholders, and concerned government and ASEAN officials as presented in Appendix 2¹.

5. Methodology

The policy assessment in the SME Policy Index is conducted by an independent research team from each AMS through a questionnaire survey and in-depth interviews. The assessment draws inputs from government agencies, private sector and other SME stakeholders. The results of the assessment from each country are put together for consultations with government agencies, and compared and discussed in a workshop for refinement. The results are then internally reviewed by a panel of experts from the OECD and ERIA to ensure their consistency between countries and across the region.

The process of coming up with the SME Policy Index is therefore participatory in nature and offers a fair evaluation of policy implementation through an independent and peer-review process.

The method measuring policy implementation by means of the indicators offers flexibility for a country to choose policies that suit its situation well. This flexibility also means that the SME Policy Index is adaptable to different policy processes and institutional settings, given a wide difference in development and political settings of the AMSs.

6. Summary of the Assessment Results

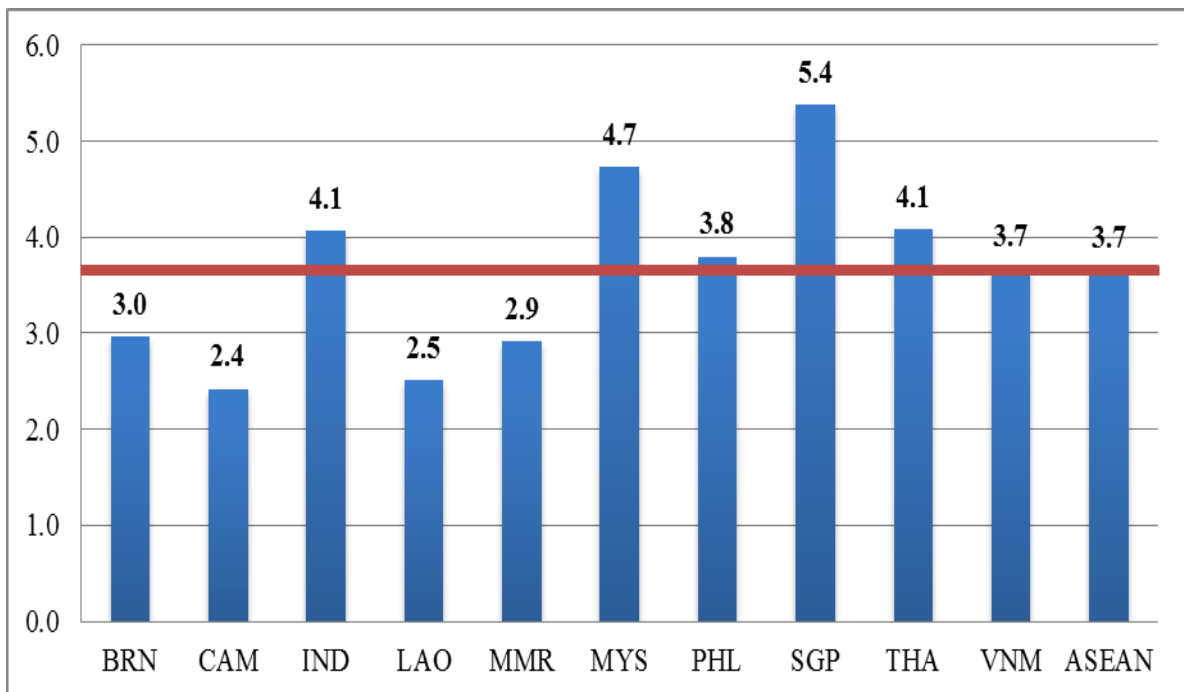
The results from the Policy Index suggest uneven levels of performance in the implementation of SME development policy at the national level between the two traditional groups of the AMSs, namely, (a) the less developed members or the CLMV

¹ There are substantial suggestions from the Thai member of the ASEAN SME Working Group to improve the assessment framework. The suggestions will be incorporated in the next round of the assessment by making some modifications in the framework.

countries – Cambodia (CAM), Lao PDR (LAO), Myanmar (MMR), and Viet Nam (VNM), and (b) the more advanced members or the ASEAN-6 which include Brunei Darussalam (BRN), Indonesia (IND), Malaysia (MYS), Philippines (PHL), Singapore (SGP), and Thailand (THA). An exception should be mentioned in the case of Brunei Darussalam, which has a relatively lower score in comparison with Viet Nam (Figure 3).

Higher index scores reflect better performances and practices. On average, Singapore, Malaysia, Indonesia, Thailand, and the Philippines are in the top order of the index score, above the ASEAN average, followed by Viet Nam, Brunei Darussalam, Myanmar, Lao PDR, and Cambodia, whose aggregate index scores are below the ASEAN average.

Figure 3: ASEAN SME Policy Index – By Country



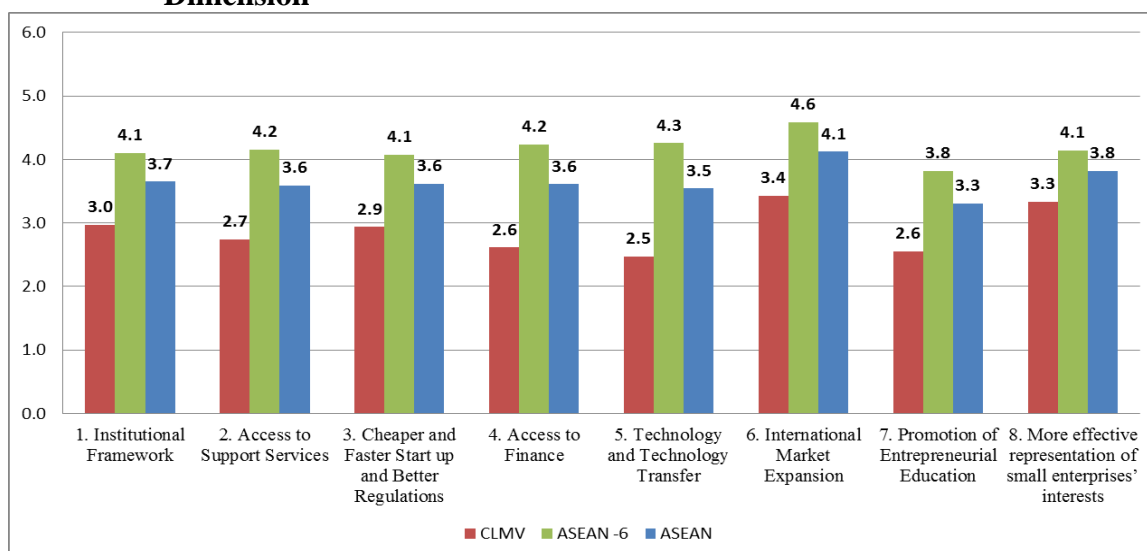
As seen in Figure 4, across the eight policy dimensions, there are big gaps between the ASEAN average, ASEAN-6 and the CLMV countries, with the most significant gaps and low regional standing found in five policy dimensions, namely: (5) *Technology and Technology Transfer*, (4) *Access to finance*, (7) *Promotion of*

entrepreneurial education, (3) Cheaper, faster start-up and better regulations, and (2) Access to support services.

Underlying the gaps in performance between the AMSs in these key policy dimensions are the status of legal frameworks and institutional arrangements as well as the elaboration and implementation of specific policy measures in each AMS (see Policy Sub-dimensions and Indicators, Tables 2-9 and the Appendix).

- The biggest gap in policy, i.e., to promote *technology and technology transfer*, is due to the lack of strategic approach to innovation policy for SMEs, poor provision of information on innovation support services, limited access to standard certification services, lack of technology support in universities, and little linkages between SMEs and R&D labs and incubators. Poor protection and promotion of intellectual property rights (IPRs), lack of broadband infrastructure, underdeveloped science/industrial parks, lack of competitive clusters, and insufficient financial incentives in technology development and R&D activities are also reasons for the gap.

Figure 4: ASEAN SME Policy Index – By Group of Countries and Policy Dimension



- The gap in *access to finance* is exacerbated by the poor functioning of the cadastre system, stringent collateral requirements, and inadequate protection of creditor rights. Credit risk guarantee schemes and a central bureau for credit information, which are essential to promote collateral-free finance, are not well established and well-

functioning. There is also a lack of a legal framework/policy to promote alternative finances and diversified financial markets, ranging from microfinance, leasing, factoring, venture capitals, equity funds, business angels, to stock markets.

- *Access to support services* is severely hampered for SMEs in the CLMV countries due to the lack of action plan for the provision of support services, poor services of business development service centers (BDS), lack of legal framework for and underutilization of e-commerce and e-government services, and unreliable online portal for SMEs.

- *Promotion of entrepreneurial education* exhibits both gaps between the two groups of AMSs and a very low standing at the ASEAN level because most AMSs have not clearly articulated an entrepreneurial promotion policy nor have integrated it into their national development plans with adequate budget, monitoring and evaluation system. Key competencies of entrepreneurship learning programs are not well introduced in the general and higher education system and there is lack of active collaboration with the private sector to develop curricula, research, customized training, coaching, internship, business awards and scholarships. Non-formal education in entrepreneurship and management of SMEs is also not well promoted.

- There are also variations between AMSs in the policy on making *cheaper, easy start-up, and better legislation and regulations* for SMEs. Procedures for business registration and overall process for SMEs for entry into operation are, in general, simpler, faster and cheaper in more advanced AMSs than in the CLMV countries. Most of the ASEAN-6 can provide online registration, one-stop-shop services, and varieties of financial support for start-ups. Both existing and new legislations and regulations are routinely and systematically reviewed using the regulatory impact analysis (RIA) framework in these advanced AMSs.

- The gap in the capability to provide facilitating support for *international market expansion* is relatively wide between the two groups of AMSs. It is because export

promotion programs, provision of advice and high quality information are better structured in the ASEAN-6. They have also developed and run export capacity building programs nationwide in a well-coordinated manner. More financial facilities such as trade credits, grants, and insurance schemes are also in place in the ASEAN-6 to encourage SMEs to expand their market overseas, with a faster and cheaper custom clearance.

- The overall development of *institutional framework* is not even among AMSs. A common SME definition has been applied in relevant government agencies in the implementation of the SME development strategies in most of the ASEAN-6. In addition, these AMSs have a multi-year SME development strategy which has been adopted by a single institution responsible for SME policy formulation and implemented by a designated executing agency with an effective coordinating role. Moreover, their mechanism for review, monitoring, and evaluation of the strategy is clearly in place, and programs/measures to facilitate the movement of SMEs from the informal to the formal sector are adopted.
- The gap in promoting an *effective representation of SMEs' interest* is the smallest in the region due to the active role of industrial, business or SME associations in setting up structured consultation mechanisms with government agencies in policy formulation and advocacy process in order to represent SMEs' voice and interests domestically and internationally. However, most SME associations still lack resources, and technical and research capacities to provide high quality services and access to regional and global production networks.

In order to get a better understanding of the results, the succeeding chapters – Chapters 1 to 8 – describe in detail the performance of each AMS with respect to each policy dimension at the sub-dimension and indicator levels so that both strengths and weaknesses of each AMS can be thoroughly discussed.

CHAPTER 1

Institutional Framework

1. Introduction and Assessment Framework

Government's role in SME development is very central in constructing a solid building block for SMEs to engender their growth.

The objective of having a proper set of indicators for the institutional framework is to ensure the consistency and effective implementation of the overall SME development policy (OECD, 2009). There are five policy sub-dimensions for a good institutional setting (Figure 5) which include: (i) clearly defined and consistent application of SME definition; (ii) good coordination among and within government agencies; (iii) responsive and effective implementation of SME development strategy; (iv) resourceful and effective policy executing agency; and (v) proper measures to address the problem of informality of the SMEs.

Figure 5: Assessment Framework for Institutional Framework



It is essential that support measures to SMEs be based on a common definition to improve the consistency and effectiveness of the national and regional SME development. One of the main objectives of a common SME definition is to ensure that support measures are granted only to those enterprises which genuinely need them. A common SME definition applied in a country is necessary to promote a synergy among relevant government agencies in the implementation of the SME development strategies. In addition, it would be best to have a policy implementation agency that monitors all the strategies so that the implementation of the strategies is on the right track.

SMEs are known to operate their business in the informal sector, working in opaque situations that make it difficult for them to access formal services and finance. Governments should therefore develop programs/measures that would facilitate the movement of SMEs from the informal to the formal sector. Both the governments and SMEs would benefit from this transition. The formality of SMEs would generate tax and related incomes for the government (to finance support services to SMEs) and facilitate SMEs' easier access to finance since financing from financial institutions requires legal paperwork of the firms.

Against these settings, the assessment is made to assign a proper level to each policy sub-dimension in the institutional framework, which is reported as follows:

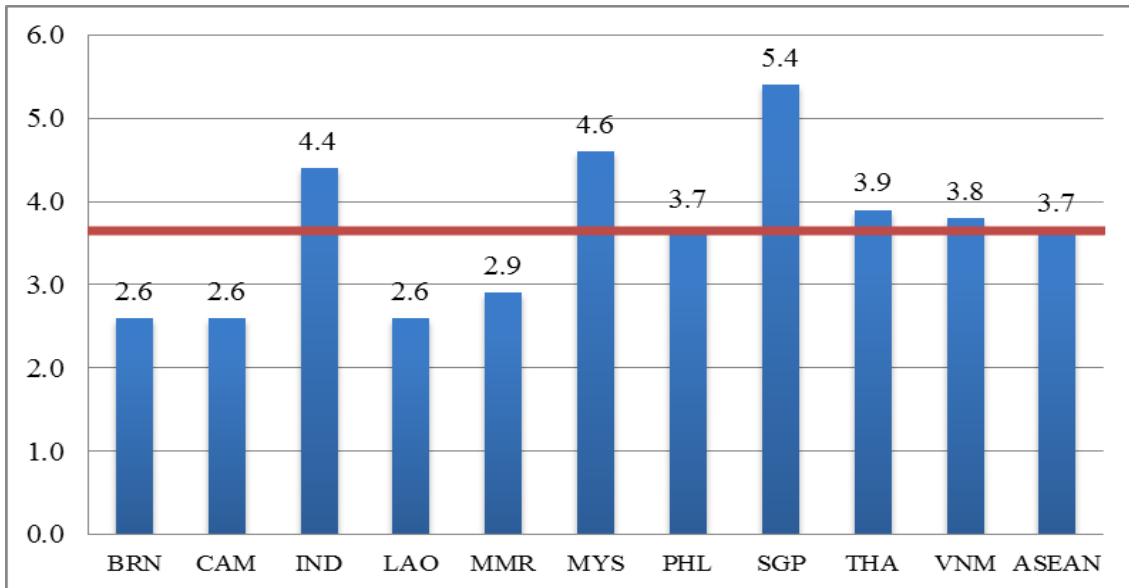
2. Assessment Results

Information collected from reviews of existing reports, interviews and discussions with relevant stakeholders in the various AMSs reveal the high standing of Singapore, Malaysia, Indonesia, and Thailand in terms of the overall institutional framework. These countries have developed a legal framework for SMEs, institutional arrangement and strategy with allocated resources to implement SME development policies. These are shown in the individual AMS index scores for this dimension in Figure 6 and Table 2.

A definition of SMEs in these countries has also been applied by government agencies in the implementation of multi-year SME development strategies with allocated budgets, policy targets, and review mechanism for policy formulation and execution under a designated agency.

At the same time, many other AMSs are far behind the more advanced AMSs due to the lack of proper legal framework, institutional capacity, development strategy, and resources (both human and finance) to coordinate, formulate, and implement an SME development policy. The setting up of a mechanism for facilitating firms' transit from the informal to formal sector in Singapore, however, is not a serious problem. Concrete measure has yet produced good results for Thailand and Malaysia, thus lower scores.

Figure 6: Overall Scores for Institutional Framework



- **Singapore**

The Standards, Productivity and Innovation Board of Singapore (SPRING Singapore) is an agency under the Ministry of Trade and Industry responsible for helping Singapore enterprises grow and for building trust in Singapore products and services. As the enterprise development agency, SPRING works with partners to help enterprises in financing, capability and management development, technology and innovation, and access to markets. As the national standards and accreditation body, SPRING develops and promotes an internationally recognized set of standards and quality assurance infrastructure. It also oversees the safety of general consumer goods in Singapore.

- **Malaysia**

Government has established the National SME Development Council (NSDC) to chart the policy direction of SMEs and a dedicated central coordinating agency, SME Corporation Malaysia (SME Corp.), to formulate policies and coordinate the implementation of SME programmes by various ministries and agencies. In 2011, a total of 183 programmes accounting for RM4.7 billion were implemented for human capital development, access to finance, innovation and technology adoption, and market access. These programmes have benefited 681,263 SMEs and out of the total funds, 91

percent (RM 4.3 billion) was allocated for enhancing access to finance. The SME Master Plan for 2012-2020 has also been approved by the government.

- **Indonesia**

The coordinating work in policy formulation and implementation is under the Ministry of Cooperatives and SMEs (MoCSME). The SME development strategies in Indonesia have been incorporated in the National Medium Development Plan (RPJM 2010-2014) which are then followed up by the Strategic Plan of the respective implementing ministries and agencies. The MoCSME, in particular, decided on seven strategic targets, including: (i) increasing the number and role of cooperatives and Micro, Small, and Medium Enterprises (MSMEs) in the national economy; (ii) improving the cooperatives' and MSME's empowerment; (iii) enhancing the competitiveness of products produced by cooperatives and SMEs; (iv) increasing the sales of products produced by cooperatives and MSMEs; (v) providing better access to finance and credit guarantee for cooperatives and MSMEs; (vi) improving a business environment that is more inclined towards cooperatives and MSMEs; and (vii) developing new entrepreneurship in cooperatives and MSMEs. At least once every semester, the Ministry, together with the National Development Planning Agency (BAPPENAS), conducts a review and evaluation of the strategy.

- **Thailand**

Thailand has established the Office of SME Promotion (OSMEP), a government agency under the governance of the Ministry of Industry, as the central agency responsible for coordinating and aligning the works of state agencies and private entities on SMEs. The SME sector development strategies are implemented under rolling five-year SME Promotion Master Plans. The Third SME Promotion Master Plan 2012-2016 has been adopted to promote Thai SMEs towards a global market. Four strategies are designed to strengthen Thai SMEs: (i) Creation of an environment conducive to SME growth at all stages of development (increasing number of SME business registration with viable operations up to a total of 250,000 enterprises by 2016); (ii) Enhancement of the competitiveness of Thai SMEs through business efficiency, SME cluster formation, and upgrade of product quality and standards (at least 30,000 SMEs in selected sectors by

2016); (iii) Promotion of balanced growth among Thai SMEs based on area potential; and (iv) Upgrade of Thai SME capabilities to engage in greater market integration and internationalization (at least 60 new business networks annually).

- **Philippines**

In 1991, the Magna Carta for Small Enterprises was passed to consolidate all government programs for the promotion and development of SMEs into a unified framework. The Magna Carta mandated all lending institutions to set aside 8 percent of their total loan portfolio to SMEs.

The Department of Trade and Industry (DTI) is the main government agency responsible for the development of Philippine MSMEs. The Micro, Small and Medium Enterprises Development (MSMED) Council is the primary agency (administratively attached to the DTI) responsible for the promotion, growth and development of SMEs, coordination and integration of various government and private sector activities on MSME development; and review of existing policies of government agencies that would affect the growth and development of MSMEs. The Council also crafted two MSME Development Plans: 2004-2010 and 2011-2016.

The Bureau of Micro, Small and Medium Enterprises Development (BMSMED) acts as the Council Secretariat and is tasked to prepare, in coordination with local government units and/or associations of local government officials, and recommend annual as well as medium-term SMED plans for approval by the Council. It also assists the Council in coordinating and monitoring SME policies and programs as well as the activities of all government agencies affecting SMEs. The BMSMED leads DTI's SME Core Group and acts as a "one-stop shop" to guide MSMEs to specialized support agencies.

- **Brunei Darussalam**

All issues pertaining to SMEs will be under the Ministry of Industry and Primary Resources. The Entrepreneurial Development Centre (EDC) under this Ministry plays a key role for the development of SMEs by providing facilities and expertise to facilitate growth and development. The EDC is responsible for the formulation of policies for

approval at the Minister level. The Ministry of Industry and Primary Resources has declared the present decade -- 2010 to 2020 -- as the Decade to Spur SME Development in order to realize the National Vision 2035. In order to realize the National Vision 2035, there are various SME support programmes established by the government which revolve around several strategic objectives such as: (1) producing credible and socially responsible entrepreneurs; (2) assisting SMEs in developing marketable and competitive products of international quality in niche industries; (3) assisting market penetration capability of SMEs via Free Trade Agreements; (4) creating a quality business activity to attract FDI that will contribute to the creation of knowledge-intensive industries; (5) introducing well-designed and well-funded programmes and more effective ways of financing local enterprises; (6) developing incubation centers to assist and promote local SMEs and entrepreneurs in areas such as ICT; (7) encouraging the use of local products, local suppliers and contractors by major businesses and industries; (8) reducing the cost of doing business for local SMEs and entrepreneurs by simplifying government procedures; and (9) ensuring prompt government decisions and payment to local contractors and suppliers.

- **Viet Nam**

The formulation and implementation of SME-related policies has been undertaken by many institutions or agencies. Currently, though, the Agency for Enterprise Development (AED) under the Ministry of Investment and Planning seems to be the leading SME agency. It is fully operational with staff structure and budget in place and covers a range of activities with measurable outcomes. However, in order to implement SME-related policies effectively, Viet Nam is considering the establishment of one institution (or to upgrade the AED) to lead and coordinate the implementation of SME-related policies. Viet Nam is now implementing its second five-year SME Development Plan 2011-2015. The Plan aims to enhance the development and competitiveness of SMEs, creating favorable business and investment environments for SMEs to contribute more to the country's economic development. The Plan likewise seeks to enhance national competitiveness and international economic integration. Specific objectives were set, including: (i) around 350,000 enterprises to be newly established during 2011-2015; (ii) six hundred thousand (600,000) enterprises to be active (in operation)

by 31 December 2015; (iii) SMEs' export revenue target to account for 25 percent of total export revenues of the country; (iv) SMEs' investment targets to account for 35 percent of total social capital investment; (v) SMEs target to contribute about 40 percent of GDP and 30 percent of the total state budget revenue; and (v) SMEs target to create about 3.5-4 million new jobs during the period of 2011-2015. A framework for monitoring and evaluating the implementation of the Plan was also adopted in 2013.

- **Lao PDR**

The Department of Small and Medium Enterprises Promotion (DOSMEP) under the Ministry of Industry and Commerce (MoIC) is the main government agency responsible for coordination and cooperation in matters about SMEs in Laos. The SME development strategy was listed in the Seventh National Socio-Economic Development Plan (NEDP) for 2011 to 2015. The SME Development Plan (2011-2015) focuses on seven direction tasks, namely: (i) improving the regulatory environment and public administration of economic activities; (ii) improving access to finance; (iii) forming new entrepreneurs; (iv) increasing the provision of support and Business Development Services (BDS); (v) enhancing business linkages between large enterprises and SMEs; (vi) promoting the increase of productivity for upgrading the quality and standard of products and services of SMEs; and (vii) enhancing access to markets and enlarging markets for SMEs.

- **Myanmar**

The lack of common SME definition, weak coordination among agencies responsible for SME policy formulation and implementation, absence of SME development strategy and weak facilitation in formalizing SMEs remain as stumbling blocks in the development of SMEs in Myanmar. In view of this, the SMEs Development Center (SDC) was established in 2012 under the Ministry of Industry. SDC is mainly responsible for SME policy formulation by coordinating with related organizations, agencies, and departments. The SME Policy has been drafted in coordination with government and private sector organizations under the guidance of the Working Committee for SME Development. The Committee laid down the policy which encompasses the following main pillars to create the support environment for SME

development: (a) support and nurture of the development of important resources like human resources, technology, innovation skills, and finances; and (b) implementation of facilitating measures which include basic infrastructure development, market modernization of enterprises, favorable taxation system, and good working practices (i.e., efficient and simplified procedures).

- **Cambodia**

A sub-committee for SMEs was established for overall coordination of cross-cutting policy and strategy development in the SME sector. The Ministry of Industry, Mines and Energy's (MIME) general department of industry is a primary agency responsible for developing and implementing government policy and development strategies in industry sector, including the provision of the secretariat to the SME Sub-Committee. However, the MIME is able to manage only the small and medium industry, not the SMEs sector in particular, reflecting its lack of authority in dealing with SMEs as a whole. While the organization is well structured and a number of staffs are designated in the departments and offices under its supervision, its budget, however, is not sufficient. The result is that action plans and policy measures posted in the SME Development Framework (SMEDF) have not been implemented within the timeline of the SMEDF. Most services in support of SMEs still rely on the financial support from the development partners. In 2010, the SME development strategic framework 2010-2015 was formulated to promote industrial diversification, innovation, technology adoption and productivity increase, and to link the SMEs with the multinational enterprises (MNEs). However, the framework has not been updated to meet current economic development requirements. Moreover, the 2010 framework is very broad and does not lay out policy measures and action plans meant to address practical and real issues in the sector.

Table 2: Institution Framework

	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
1.1 SME definition	3.0	4.0	5.0	3.0	3.0	5.0	4.0	6.0	4.0	4.5	4.2
1.2 Intra-governmental coordination in policy formulation	2.0	2.0	4.5	2.0	3.0	6.0	5.0	6.0	4.5	3.0	3.8
1.3 SME development strategy	3.0	3.0	4.0	3.0	2.0	4.0	3.5	6.0	4.5	4.5	3.8
1.4 SME policy implementation agency or equivalent	3.0	2.0	4.5	3.0	2.5	5.0	4.0	6.0	4.5	4.0	3.9
1.5 Facilitation for a transition from informal to formal (registered) sector	2.0	2.0	4.0	2.0	4.0	3.0	2.0	3.0	2.0	3.0	2.7
Average	2.6	2.6	4.4	2.6	2.9	4.6	3.7	5.4	3.9	3.8	3.7

Chapter 2

Access to Support Services

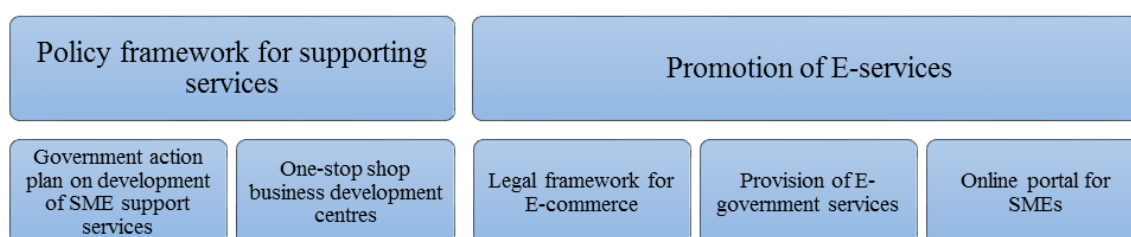
1. Introduction and Assessment Framework

SMEs need support, either from the government or relevant business association, to help them grow. Access to support services is critical to build SMEs' capacity, to use information and communication technology (ICT) better, and to access information.

Lack of information hampers SMEs' identification of other resource factors. It occurs either because SMEs do not have the tools to gain the information they need, or because there is only a limited number of information providers. In most countries, SMEs suffer from inadequacies in the provision of business information. Said information are usually available only from fragmented and different institutions, are often slow and cumbersome to access, limited in scope, and not provided in an integrated manner.

Following the OECD (2009) and Tambunan (2012), two policy sub-dimensions are included for the access to general support services (Figure 7):

Figure 7: Assessment Framework for Access to Support Services



(i) **Policy framework to provide the support services** includes: action plan and the visible institution to provide services (business development services (BDSs)).

There needs to be necessary and sufficient resources (human and finance) that can be used for building the capacity of SMEs. For instance, the government can develop a

public-private partnership framework for BDS, a one-stop shop, with personalized services and quality assurance for SMEs such as training, counseling and advice, technology development and transfer, information, business linkage and networking, finance management, and alternative financing mechanisms. In addition, business incubations could be provided through the BDSs and other government agencies.

Because governments usually serve more as a facilitator rather than a provider, it can look at the concept of the BDSs and consider it as a prime opportunity to build public-private partnerships wherein the private sector can provide the expertise that SMEs need. For this, government should give incentives to private providers of BDSs.

In the early stage of development, resources and technical support from donors can be used with a clear phase-out plan. More emphasis should be put on information provision, business advisory services, and training, e.g., management, business plan, book keeping and accounting, financial literacy and network promotion. With more experience, capacity and resources, the government can then provide other more costly support in technological upgrading and incubating services.

(ii) **The promotion of E-services**, which includes adopting the legal framework for E-commerce, provision of E-government services, and online portal for SMEs

The use of the Internet is not only offering many advantages for the private sector but also for government. In a borderless economy, E-commerce is the key for business entities, opportunities to innovate, improvement of SMEs' efficiencies, and for gaining the maximum potential of domestic and international markets. However, the use of E-commerce among SMEs is still lower than their larger counterparts. Governments should therefore improve infrastructure, provide IT training, among others, to encourage SMEs to utilize E-commerce and other ICT applications.

E-commerce can help SMEs in enlarging their market shares, both in the domestic and international markets. For government, on the other hand, the use of the Internet for its services (E-government) will lead to cost savings and efficiency gains. An effective E-government will improve governance, management of processes, making strategic connections, and interaction with and involvement of the citizens.

The government should therefore take the lead to empower the information providers to support SMEs. Accurate and timely information are important for SMEs to

participate in the global market. Very often, the information available for SMEs are not consistent among relevant government agencies and the information they provide are not up-to-date. A very efficient mechanism is the provision of a single portal or entry point for SMEs to seek information in order to reduce time and cost of getting information.

The information entry point or portal should be user-friendly and interactive wherein companies can make online communication on rules and procedures. Among the information relevant to SMEs are business-related aspects such as market opportunities, sources of materials, taxation, price development, relevant standards and specifications, international best practices, related legal requirements and procedures, training opportunities, trade fairs, and exhibitions.

2. Assessment Results

From the country reports, it is shown that access to support services is severely hampered for SMEs in the CLMV countries and Brunei Darussalam due to the lack of an action plan for the provision of support services, poor services of business development service centers (BDSs), lack of legal framework, underutilization of E-commerce and E-government services, and unreliable online portal for SMEs, compared with the more developed AMSs, i.e., Singapore, Malaysia, Indonesia, Thailand, and the Philippines (see Figure 8 and Table 3 for the individual country scores).

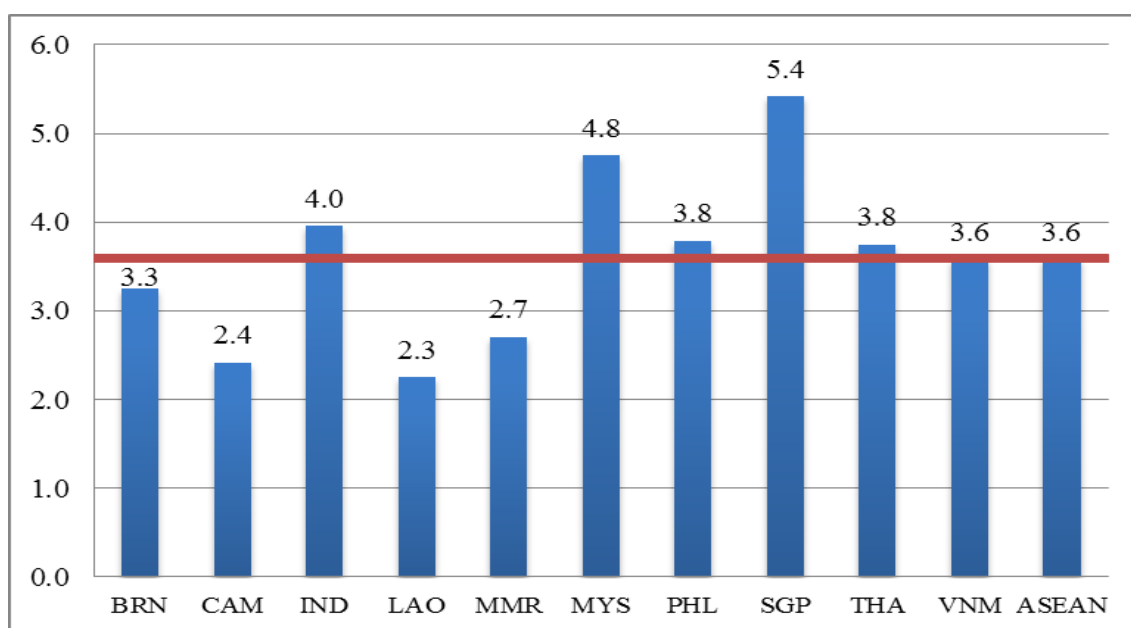
• Singapore

SMEs are an important part of the Singapore economy, contributing 50 percent (S\$154 billion) of the total value added for all enterprises, and employing nearly 70 percent of the workforce (2.1 million workers). Singapore's SME development policies were last reviewed in 2009-2010 through the Economic Strategies Committee (ESC) deliberations and the formulation of SPRING Singapore's Enterprise 2020 Plan. Since then, the international and domestic economic landscape has seen considerable changes.

The SME Strategy Review was thus conducted in 2012 to review and update SME development strategies to ensure their relevance to SMEs.

With the goal of fostering a more conducive business environment for SMEs to operate in, one-stop SME Centers were established. These SME Centers provide business advisory services, organize workshops and seminars on capability development areas, and provide SMEs with business matching opportunities. Each SME Center is staffed by a team of business advisors who assist enterprises in areas ranging from legal and financing, to technology innovation and overseas expansion. Of the 10 SME Centers set up to date (November 2013), five are satellite SME Centers that extend the geographical coverage of the assistance to SMEs.

Figure 8: Overall Scores for Access to Support Services



These SME Centers fall under the EnterpriseOne Network, a multi-agency initiative managed by SPRING Singapore. A wealth of government information and e-services can be accessed through the EnterpriseOne portal which includes industry guides, how-to guides, and case stories. SMEs can also call the EnterpriseOne hotline for further enquiries and access government information on the go via the EnterpriseOne mobile phone application.

- **Malaysia**

The importance of SMEs to the Malaysian economy has been long recognised by the Government; hence, the special attention devoted to them in the country's five-year development plans. The policy framework to support SMEs, particularly those in the manufacturing sector, was also embedded in the three Industrial Master Plans (IMPs). The current SME Master Plan is an integral part of the New Economic Model (NEM) and the 10th Malaysia Plan to make the country a high income and developed nation by 2020. Among the initiatives to be undertaken include the lessening of the regulatory costs borne by SMEs, building capacity and capabilities of SMEs, supporting the creation of an entrepreneurial culture, strengthening support systems for SMEs and enhancing access to finance for SMEs. The government's action plan on the development of SME support services in Malaysia has been entrusted to a number of ministries and agencies. SME Corp., in particular, deals with specific SME development programmes.

To provide the relevant information related to SMEs, SME Corp. has established the One Referral Centre (ORC) located in its headquarters in Kuala Lumpur with 11 SME Corp. state offices available throughout Malaysia. ORC is the focal point for SMEs to get business advice and provide and disseminate relevant and updated information to the SMEs as well as to channel feedback from SMEs to related ministries and agencies.

E-commerce is widely used in business transactions and has been accepted as a new way of doing business in digital networks in Malaysia. The government recognises that the promotion of E-Commerce and enhancing its use will enable Malaysian SMEs to compete more effectively domestically and in the global market. The Malaysian E-government (MYEG) was launched to serve as a community-based information and service centre for the public to access information, execute transactions and interact with the government. In addition, to facilitate the establishment and registration of SMEs, information and facilities are provided for companies to apply for licences or permits to start operating business in Malaysia.

All important and relevant information on SMEs can be accessed through the SME Info Portal which serves as the online one-stop SME node providing information on all programmes available for SMEs such as access to finance, markets, infrastructure, technology and advisory services and information. SMEs can also obtain relevant information through the SME Corp. Malaysia's portal. The portal provides opportunities for SMEs to communicate through social media platforms such as Facebook and twitter for real time and up-to-date information on SME events or programmes, including issues confronting SMEs.

- **Thailand**

Details of the Thai government action plan to assist and provide SME support services are articulated in the Third SME Promotion Master Plan. The Plan has been implemented with moderate success since it began in 2012. If one would base the plan achievement on the previous outcome, all major targeted goals set in the Second Master plan were not met. (SME share in GDP to be 42% in 2011; growth rate of SME exports to be higher than that of total exports; SME total factor productivity growth with more than 3% per annum).

The OSMEP provides some business development centers for SMEs. These business development centers for SME, however, provide only a limited range of advisory services. Truly comprehensive one-stop service business centers should cover training, counseling and advice on business management, technology development and clinic, information database, business networking and linkages, and access to finance. The existing business development centers were not able to provide such integrated and comprehensive services and are also available only in limited number and locations.

Thailand has had an E-Commerce Act since 2001, with the supporting regulations and policies in place to foster E-commerce. More recently, the 2007 Illegal Activities with Computer Act was also put in place. Over the years, Thailand has extended the range of e-government services to civilians, businesses, and foreigners. E-tax filling has been used with success, and a wide range of e-procurement services is available. As of 2013,

an online portal for government services has served at least 20 ministries. Yet, despite these, general E-government services in Thailand may be considered as not being well covered and comprehensive.

As to the online portal for SMEs provided by the OSMEP, it can redirect users to key websites relating to SMES and gather some information related to SMES such as market portal, supplier portal, SMEs database system, SME registration and hotline. Information is also regularly updated and maintained. However, what limits the functionality of the portal is that the information related to SMEs coming from different government agencies are not centralized. While rules and procedures hindering SMEs can be communicated via the web board and hotline, these service platforms are not considered to be effective. In addition, the online portal for SME is not user-friendly enough.

• **Indonesia**

The policy framework for supporting services has been developed and implemented with moderate success in Indonesia. The action plan is exemplified by a range of programs, including business incubators, business development services (BDS) totaling about 1,096 and located in almost all regencies throughout the country, and centers for integrated commercial services called PLUT (Posit Layanan Usaha Terpadu). The government has established a network of one-stop shop business development centers across the nation, with customized services for SMEs. Meanwhile, the development of incubator business is yet to be amply developed since there is still no solid legal framework in the country to build incubators. Currently, government is not allowed to provide grants to incubators although it can provide facilities for the incubators.

In terms of e-services, Indonesia has promoted and implemented them with moderate progress. While the e-commerce law has been adopted with additional supporting regulations and policies to support e-commerce, the usage of e-commerce in business is still limited. Moreover, although the government has implemented e-government services wherein some transactions can be filed online, the software being used, however, allows only for a limited number of operations.

Several e-government services have also been introduced to the general public and to the business community. Among the examples are: the introduction of the National Single Window (NSW), a national integrated electronic system of 18 government institutions that provide export/import-related services, E-procurement system, and the registration for a Tax File Number.

There are several online portals for SMEs but they are not easily accessible nor user friendly for the SME community despite their being in place for some time now. Moreover, the updating and maintenance of information in the website is still done on an ad hoc basis. Furthermore, the portal does not allow SMEs to communicate interactively on rules and procedures, which is considered as a barrier to the further development of SMEs.

- **Philippines**

The 2004-2010 SME Development Plan highlighted the creation of globally competitive SMEs and the strengthening of government assistance in seeking new markets and product opportunities. To achieve its targets, the Plan focused on three major areas: enhancing SME operations, providing assistance to priority industries, and improving the SME operational environment. The Plan was succeeded by the 2011-2016 MSME Development Plan which covers a range of support services and has been implemented with moderate success.

SME Centers have been established to act as one-stop shops providing information, advisory, and consulting services in productivity improvement, technology upgrading, market information, product and market development, trade promotion, financing, and entrepreneurial development. There is a network of one-stop shop business development centers nationwide with personalized services for SMEs. The DTI has 101 Business Action Centers operating in regions and provinces all over the country.

Supporting regulations and policy are in place to foster e-commerce through the passage of the E-Commerce Act in 2000. The Act defined government policies on electronic

transactions and set the legal framework not only for the country's participation in e-commerce but also for the use of ICT in general. However, despite headways made in establishing a legal framework for e-commerce; in pushing for a stable online trade infrastructure; and in upping Internet penetration in the country, local e-commerce has yet to step out of its nascent stages.

With regard to online portals, the e-Services portal provides a single entry point for accessing government services. The Philippine Government Electronic Procurement System is a single, centralized electronic portal that serves as the primary and definitive source of information on government procurement. The eBayad, an internet-enabled payment portal, allows electronic payment to the government agencies. Some services can be filed online, but the software allows only for a limited number of operations. Recently, the Department of Science and Technology's ICT (DOST-ICT) Office launched the iGovPhil (Integrated Government Philippines) Project to strengthen the online presence of citizen-facing government agencies. The project will address common ICT-related problems in government such as lack of infrastructure and manpower, high cost of technology, lack of integration among government agencies and lack of connectivity in rural communities.

There are also several SME portals in the country. There is one centralized portal for SMEs that re-directs users to key websites for SMEs. The portal is regularly updated and maintained, is user friendly and gathers information related to SMEs from different public authorities active in this field. The primary portal is the SME.com.ph while two others are primarily focused on finance programs.

- **Brunei Darussalam**

The Decade to Spur SME Development includes some of the following frameworks for entrepreneurial development: Human resource development, Access to finance and capital, Access to technology and innovation, Increase of market access, Access to information and ICT, Good governance, and Developing production or manufacturing sites including basic infrastructure.

The EDC will provide all the relevant training for entrepreneurs and the support services required. The EDC will also be the main one-stop business development center that will assist the SMEs with counseling and advice on business management, technology issues, business linkage and networking, and general advisory.

The government has promoted the use of e-commerce through the Ministry of Communications, the Authority for Info-communications Technology Industry of Brunei Darussalam and the service providers, Telekom Brunei Berhad, DST Communications Sdn Bhd and B-Mobile Communications Sdn Bhd.

The government has been introducing a number of e-government services over the last few years and will continue to introduce more services that can be done electronically such as tax filing online, Provident Fund transactions, registration of companies, and business licensing. There are also other e-government services that can be done online such as application of pioneer status and registration for customs and excise. There is, however, no online portal as yet dedicated specifically for SMEs. Said project is still in the pipeline.

- **Viet Nam**

The policy framework for supporting services has been developed and implemented. The SME Development Plan 2011-2015 also set comprehensive Action Plan on supporting SMEs to access finance and credit sources and improving efficiency of capital use; supporting SMEs in technology innovation and application; providing information for assisting SMEs to expand their production and market, etc.

There are some technical assistance centers for SMEs such as the Hanoi Technical Assistance Center for SMEs, the Northern Technical Assistance Center, the Southern Technical Assistance Center for SMEs (SMESTAC), the Assistance Center for SMEs in the central region, and the SME Technical Assistance Centre under the Viet Nam Chamber of Commerce and Industry (VCCI). They act as one-stop shop business

development centers for SMEs. In addition, agencies for supporting SME development under the provincial people's committees or the department of planning and investment have been launched in some provinces. These centers and agencies play an important role in organizing and implementing support policies and programs for SMEs. One-stop shop business development centers are also available in certain localities, including Hanoi, HCMC, Binh Thuan and Da Nang, but Viet Nam still lacks a monitoring and evaluation system of the services provided by these centers.

E-Commerce has been applied in Viet Nam since the early 2000s and gradually developed during the past 12 years. E-commerce regulations have been promulgated but despite the adoption of the legal framework and the provision of solutions to many issues, the usage of e-commerce is still limited. According to the Master Plan on E-commerce Development for 2011-2015, e-commerce will be popularly used by 2015, targeting all SMEs to be making e-commerce transactions in the form of business-to-consumer or business-to-business.

Several e-government services have also been introduced to the public and business community such as in terms of taxation, export/import, business registration and bidding services, among others. According to the Master Plan, most of public services related to business-production activities will be provided online by 2015.

There is an online portal for enterprises (including SMEs) which redirects users to some key websites for SMEs. However, the portal is not regularly updated and does not gather information from all public institutions related to SMEs; Because of this, the portal does not meet the requirements of SMEs and not many SMEs access this portal. Furthermore, although the portal allows SMEs to communicate interactively on rules and procedures, in practice, the communication has not really worked.

• **Lao PDR**

Supporting information and services are important factors in developing the SMEs in Laos. At present, SMEs in Laos are still in the early stage of development and because

of this, Lao SMEs need useful and effective support from government, donors, and non-government organizations (NGOs). According to the SME Development Plan (2011-2015), providing information and supporting services is one of the most important policies to support SMEs in Laos. In this connection, the DOSMEP has established “Business Development Services (BDS)” to support SMEs in terms of supporting information, training and consultation services on accounting, finance, law, marketing, and others. Government’s plan to cover a range of support services has been implemented with moderate success. However, the development and operation of one-stop business service centers have been quite limited. Meanwhile, the e-law is still under consideration and the government has conducted a pilot service on tax at the Ministry of Finance. There is one centralized portal for SMEs which re-directs users to key websites for SMEs. Said portal is regularly updated and maintained.

- **Myanmar**

Until recently, the SDC and the Myanmar Engineering Society (MES) have taken the responsibility for SME supporting services with guidelines from the Central Committee and Working Committee for SMEs Development.

There are no one-stop shop business development centers for SMEs in Myanmar. Recently, in April 2013, a one-stop service center for investment was established in Yangon with the aim of facilitating the process of securing all the administrative and legal requirements in one location for both foreign and domestic investors. Officials from all relevant ministries and departments will be at the center to support the investors. However, at present, the services provided for SMEs seem to be limited.

E-commerce is still not widely applied in domestic business transactions other than for procurement purpose by some private firms. The E-commerce law is also under consideration and e-government services are also in the early phase of implementation. Some applications such as the e-departure form for immigration, visa application, and export/import license application services, however, can be accessed online.

The Ministry of Industry provides an online portal for SMEs. However, its usage by the SME community seems to be limited. Also recently, a new online portal for SMEs has been in the process of development and is expected to be activated within two months. The new portal is being planned to replace the existing portal at the Ministry of Industry. It will provide the information for registration, financing, training courses, custom procedures, market access, and industrial zones, and will link with related organizations and agencies.

- **Cambodia**

Overall, the policy framework for supporting SMEs is already in place with a certain degree of implementation. Details of the government action plan to provide SME support services are well articulated in the SMEs Development Framework, which was introduced in 2005. Key activities cover business development services, access to market, technology and human resource upgrading and promotion of linkages. To implement all of these, the MIME set up a governance working group to conduct the inspection of factories and established an industrial information center to receive public complaints. Moreover, the MIME also facilitates the organization of government-private sector fora at the provincial level to address business issues at local levels.

To streamline the administrative procedure for SMEs, the MIME set up a single window. Moreover, a one-stop shop business development center for SMEs was also established wherein a limited range of advisory services are available, including training, counseling and advice on SME registration and other industrial regulations and legal matters. A hot line was likewise set up to receive complaint calls from SME owners regarding government's official misconduct. The service, however, is still limited only to Phnom Penh and not yet widely available. There are also observations made that on the part of the SMEs, they seem to be reluctant and complacent in updating their knowledge and technology in spite of the support service being put in place by the government.

In terms of ICT penetration, despite its recent boom, Internet penetration rate is still very low among ASEAN SMEs, including those in Cambodia, due to computer illiteracy of SMEs. As such, the promotion of E-service is quite poor. However, the government has started to promote E-service by preparing the E-Commerce law through the Ministry of Commerce. Comprehensive E-government infrastructure has likewise been gradually developed by the National Information Communications Technology Development Authority (NIDA).

To disseminate SME-related information, an online portal for SMEs has been set up. This portal is user-friendly and gathers information related to SMEs from different sources. It also allows users to communicate interactively on rules and procedures that are considered as barriers to SMEs.

Table 3: Access to Support Services

	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
2.1 Policy framework for supporting services	3.5	3.0	4.3	2.5	2.8	4.5	3.8	5.5	3.5	3.5	3.7
2.1.1 Government action plan on development of SME support services	4.0	3.0	4.0	3.0	3.0	4.0	3.5	5.0	4.0	3.5	3.7
2.1.2 One-stop shop business development centers	3.0	3.0	4.5	2.0	2.5	5.0	4.0	6.0	3.0	3.5	3.7
2.2 Promotion of E-services	3.0	1.8	3.7	2.0	2.7	5.0	3.8	5.3	4.0	3.7	3.5
2.2.1 Promotion of E-commerce	4.0	1.0	4.0	1.0	2.0	4.0	4.0	5.0	4.5	4.0	3.4
2.2.2 Provision of E-government services	3.0	2.0	4.0	2.0	4.0	5.0	4.0	5.0	4.0	4.0	3.7
2.2.3 Online portal for SMEs	2.0	2.5	3.0	3.0	2.0	6.0	3.5	6.0	3.5	3.0	3.5
Average	3.3	2.4	4.0	2.3	2.7	4.8	3.8	5.4	3.8	3.6	3.6

Chapter 3

Cheaper and Faster Start-up and Better Legislation and Regulation

1. Introduction and Assessment Framework

Improvements in the registration process will most likely increase company creation. By formalizing its business, a private company can reap the benefits of having access to business services, finance or government procurement, thus increasing its chances for productivity improvements.

Improved business registration procedures can help improve the overall business environment for the private sector and at the same time raise the standard of government services. Because a company is most fragile during its start-up stage, it is important that the process of registration which it has to go through does not delay nor hamper the start of its operations. In particular, the registration procedure should not be lengthy and costly; otherwise, SMEs might be unduly burdened and discouraged to pursue their entrepreneurial activities (OECD, 2009 and Haryo, 2012).

It is important to note that for the SMEs to thrive, they require good rules; rules that establish and clarify property rights, reduce the cost of resolving disputes, increase the predictability of economic interactions, and provide contractual partners with certainty and protection against abuse (World Bank Doing Business).

However, instead of providing regulations that are efficient, accessible to all and simple in their implementation, government often hamper SMEs' growth by imposing unnecessary regulatory red tape.

Therefore, in order to make easy start-ups and formulate friendlier legislation and regulations for SMEs, two policy sub-dimensions are essential (Figure 9):

(i) **Cheaper and faster start-up** which includes procedures and costs for business registration and complete process for SMEs’ entry into operation, online access, one-stop-shop for registration, and start-ups.

In general, a set of laws and regulations affecting general business and SMEs include: business registration, licensing, labor regulation, property registration, credit regulation, corporate governance, tax administration, trade and investment, contract enforcement, dispute settlement, production and environment standards, competition, procurement, and public governance.

(ii) **Due process for legislative and regulatory review and framework for regulatory impact analysis (RIA)** to make sure that existing and new legislations and regulations would not impose burden on SMEs.

Figure 9: Assessment Framework for Cheaper and Faster Start-up and Better Legislation and Regulation for SMEs



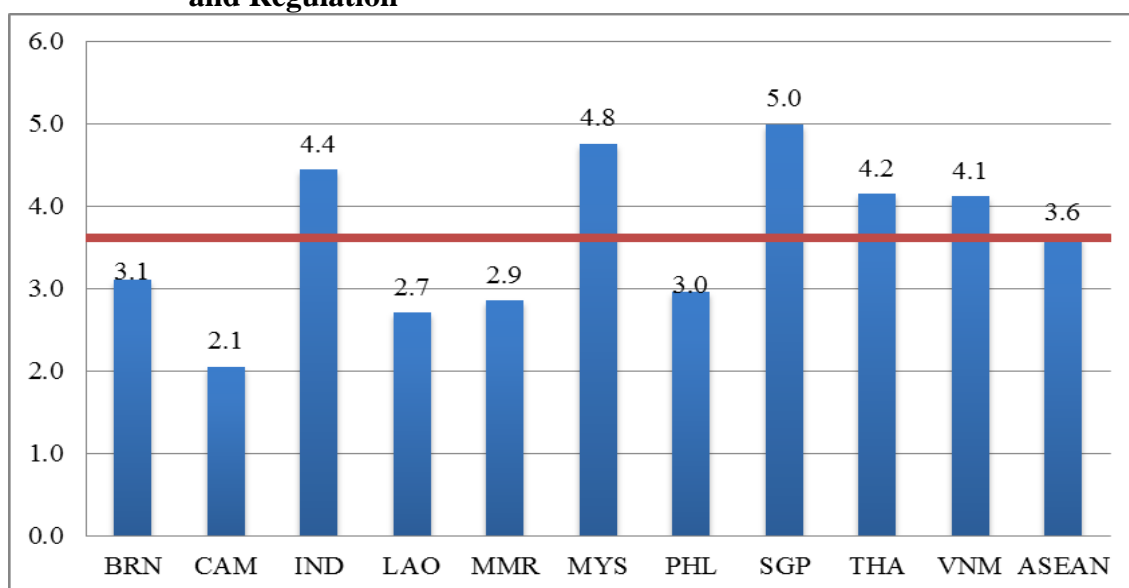
After an enterprise is formalized, it will face various regulatory burdens which may affect SMEs disproportionately because the capacity of SMEs to tackle, understand and comply with complex regulation is limited. Simplifying the regulation and making it more transparent supports entrepreneurship and market entry, and is therefore integral to the development of SMEs.

While there are laws and regulations as well as agencies involved in SME-related programmes on different functional areas that are directed at specific target groups, the lack of specialized talents and technical expertise of the government agencies concerned in providing advisory services, limit the effectiveness and outreach of some of these programs. In view of this, the setting up of a systematic and collective effort as well as clear framework and process for regulatory review and impact assessment is imperative.

2. Assessment results

There are also variations between the two groups of AMSs in making start-ups cheaper and easier, and in coming up with better legislation and regulations for SMEs. Procedures for business registration and the overall process for entry into operation by SMEs are, in general, simpler, faster, and cheaper in more advanced AMSs than in the CLMV countries. Most of the ASEAN-6 can provide online registration, one-stop shop services, and varieties of financial support for start-ups. Both existing and new legislation and regulations are also routinely and systematically reviewed using the RIA framework in these advanced AMSs. Refer to Figure 10 and Table 4 for the index scores of individual AMS.

Figure 10: Overall Scores for Cheaper and Faster Start-up and Better Legislation and Regulation



- **Singapore**

The ease of doing business in Singapore is reflected in its high standing (1st out of 189 economies) in the World Bank's Ease of Doing Business Index. Starting a business in Singapore is made easy with the availability of a single interface that helps start-ups save time, money, and make procedural requirements transparent and easier to access.

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities in Singapore and a statutory board under the Ministry of Finance. Bizfile (www.bizfile.gov.sg) is ACRA's online filing and information retrieval system. It offers close to 300 e-services, serving as a one-stop portal for businesses. Enterprises can register their business and monitor their registration progress through this portal. Direct registration of a business can be done with three administrative steps through this portal, and is typically approved within 3 days of payment. The official cost of obtaining the company registration certificate ranges between S\$ 100 to S\$600, and the minimum capital requirement is only a dollar. The overall rank for this category is at the highest level for Singapore.

The Government also encourages the formation of innovative start-ups, and provides strong support through financial assistance schemes, and the Action Community for Entrepreneurship (ACE). ACE is a public-private partnership formed in 2003 which aims to create a more entrepreneurial Singapore. It supports start-ups through facilitating networks, mentoring, funding, and going overseas. The ACE start-up grant of up to S\$50,000 is one of the assistance schemes available for entrepreneurs. Another scheme available is the Technology Enterprise Commercialization Scheme (TECS) which aims to catalyze the formation and growth of technologically innovative start-ups with support of up to S\$250,000 for the first phase of development.

In terms of regulation and legislation, the Government consults the market for all new proposed regulations and legislation. These inputs will be taken into account during the analysis on the impact of the proposed regulation on relevant stakeholders. For existing regulations, the Pro-Enterprise Panel (PEP) comprising public and private sector members was set up in 2000 to help businesses overcome rules that may hinder them unnecessarily. Since 2000, the PEP has received more than 1,800 suggestions and accepted more than half of them.

- **Malaysia**

In Malaysia, Suruhanjaya Syarikat Malaysia (SSM) or the Companies Commission of Malaysia is a statutory body that is responsible for incorporating companies and

registering businesses. It also provides company and business information to the public. Under The One Day Incorporation Initiative implemented by SSM, a company can obtain the registration certificate in one day and the registration process would normally require 3 administrative steps with the official cost of obtaining the business registration certificate amounting to about US\$422. The completion of the overall registration procedure, including obtaining the licenses for standard business activities, will take 6 days with 3 administrative steps for registration. The cost to complete the whole registration process is US\$ 507 which is about 5 percent of Malaysia's per capita income in 2012, and the minimum capital requirement is about US\$ 0.7.

Online registration for business to incorporate new companies is likewise available. Apart from incorporating companies electronically, other services offered include the search function, Incorporation of Company, Submission of Post Incorporation Forms and Payment, and later on, simultaneous registrations with five government agencies, namely, the Inland Revenue Board of Malaysia (IRB), Employees Provident Fund (EPF), Social Security Organisation (SOCSSO), Human Resource Development Fund (HRDF) and SME Corporation Malaysia (SME Corp).

To encourage the establishment of new businesses, particularly innovative SMEs, the Government, through the Malaysian Technology Development Corporation (MTDC), established the Business Start-up Fund (BSF) to fund new technology-based start-up companies. The Fund incorporates elements of loan and equity, offering companies flexible funding via Convertible Notes and/or Preferential Shares. The objective of the BSF is to support and encourage entrepreneurship and the creation of new strategic businesses that are important and potentially scalable, and to fund companies within eco-systems led by high technology firms.

Malaysia is committed to provide a conducive business environment to enhance the competitiveness of firms in the country. To realise this objective, the Malaysia Productivity Corporation (MPC) established a Regulatory Review Department in October 2010 to monitor, review and provide recommendations for smart regulation, and is targeting to substantially reduce the regulatory burden to businesses. This is

indeed a challenging task, as it involves massive transformation of processes across the entire strata of Malaysia's political, societal and most importantly, economic landscapes. The Government has launched the National Policy on the Development and Implementation of Regulations. Under this policy, all Federal Government regulators must undertake RIA and present the Regulatory Impact Statement (RIS) in the creation of all new regulations or review of regulations that relate to, or impact, business, investments and trade. The impact analysis and statement are assessed by the MPC accordingly. The process is also applicable for voluntary adoption by state governments and local authorities.

- **Thailand**

To enhance Thai business competitiveness, the Thai government aims to improve its rank in the Ease of Doing Business rating by the World Bank. In 2013, Thailand completed its e-starting business measure to provide one-stop services for business start-up. New information linkages among the Department of Business Development, the Revenue Department and the Social Security Office have also been established. As of now, main starting business procedures are provided at one stop and at a single point, and can be done online. Obtaining the business registration certificate can be done within one hour, with the cost of obtaining the business registration certificate of about US\$ 200. According to the World Bank Doing Business 2013, it took 29 days for completing the overall registration process, including compulsory licenses for standard business activities, in 2012. But after the E-starting measure, it now takes only five days to complete the entire required procedure. There are also only 4 administrative steps and the cost associated with the registration process is about 6.7 percent of gross national income per capita. There is no paid-in minimum capital requirement.

At the same time, there are one-stop shop offices for firm registration at the Department of Business Development and some other branches under the Bangkok Metropolitan Administration. To help promote new entrepreneurs, the current Thai government also provides financial service support for start-up businesses. The Start-up Business Fund, formally called the Entrepreneurs Fund, will be provided to finance small-sized,

innovative businesses of young people who have graduated from vocational colleges and universities. The total amount of this fund is US\$500 million. The applicants who are eligible and qualified may be given a maximum of US\$100,000, at a slight interest rate of small 1- 2 percent and a repayment term of 7-10 years. However, this financial service support is only for the early stage of implementation. Some regulations need to be amended to make the program more effective.

In addition, the new entrepreneurs/ start-up SMEs which have been operating for less than 3 years and are qualified can ask for credit guarantee from the Small Business Credit Guarantee Corporation. The guarantee for this scheme is set at THB 10,000 million and the maximum guarantee per bank is limited at THB 2 million. Apart from the financial services, another support given to the new entrepreneur is through training programs, with the new entrepreneur creation program being operated under the Department of Industrial Promotions. Although the abovementioned financial support tools are being used, some have just been newly approved and are available in limited amount and coverage.

Thailand has been implementing reviews and amendment of legislation and regulations for all government agencies since 1991. The legal reform is organized by the Law Reform Commission, Office of the Council of State. In 2004, the National Policy Commission on Law Development was created with the Prime Minister as Chairman. The new commission is to amend legislations and regulations that are not aligned with the Constitution and serve as hindrance to social and economic development. However, amendments of redundant or inappropriate legislations have been carried out very slowly. RIA is conducted as approved by the Council of Ministers on November 23, 2004. But while the ex-ante assessment has been done by government agencies with satisfactory outcomes, the ex-post evaluation is underdeveloped. In this regard, some RIA guidelines are undergoing preparation. Relatedly, most government agencies held public hearings before undertaking amendments especially for those regulations that have a large impact.

- **Indonesia**

Despite improvements, the business registration and start-up process in Indonesia still remains cumbersome and costly. Based on regulations, the company registration certificate and the permanent business trading license will be issued respectively within 3 days upon receipt of all necessary and completed documents. Yet in practice, it takes 3-7 days for this to happen. Similarly, although there is no official charge, there is usually an unofficial administrative fee charged, the amount of which may vary depending on negotiation and may range from about Rp 400-500 thousand for a small company, Rp 600-700 thousand for a medium company, and Rp 750 thousand-Rp 1 million for a large company.

Furthermore, the overall registration process must go through at least eight procedures, which takes about 47 working days. Overall, the registration process can cost up to 22.7 percent of total per capita income while the minimum capital required can reach 42.0 percent of total income per capita.

The Indonesian government has already established some kind of one-stop shops (OSS) called Pusat Pelayanan Terpadu Satu Pintu (PTSP) or Kantor Pelayanan Perijinan Terpadu (KPPT) in more than half of the Indonesian local governments. The establishment of OSS aims to simplify the processes for business registration so that companies no longer need to visit different local agencies to obtain permits. With the OSS, it is expected that red tape, costs, delay, and corruption associated with business licensing and permitting can be eliminated. The present status of existing OSS, however, varies across the regions.

In terms of financial services support for business start-up, meanwhile, the Indonesian government has also provided various financial services support. One of these is the Working Capital Assistance for Start-ups for new entrepreneurs. This assistance falls under the Government's Social Assistance Program and is targeted to new graduates from vocational schools, academies, and universities who are still unemployed. The government provides start-up capital of up to IDR 25 million (US\$ 2,500). It is not compulsory for the new entrepreneurs to pay back the grant/loan. Currently, there are

around 2160 graduates participating in this program. In addition, while the government has also provided many other financial services schemes for businesses start-up, the coverage of these programs is still small due to the limited government budget.

Supported by several donor-funded projects or agencies, the Indonesian government has taken up and applied the principle of the RIA in reviewing legislations and regulations. It has conducted numerous trainings on the RIA for local governments, the Bappenas and the DPR Secretariat. At the local and regional levels, legislation and regulation reviews using the RIA have been conducted albeit at a slower pace. The Indonesian private sector and NGOs have been more active in promoting and using RIA to identify regulatory problems and seek appropriate reforms.

- **Philippines**

The DTI-National Capital Region and DTI Provincial Offices nationwide administer the registration of business names for single proprietors. Registration takes less than 5 working days and requires 4-5 administrative steps. The official cost of obtaining the business registration certificate is greater than US\$50 but less than US\$100. DTI launched the Electronic Business Name Registration System or EBNRS in 2010. This is an anti-red tape initiative that has reduced the time, number of documents and signatures required to register a business name. With the EBNRS in place, entrepreneurs can get their DTI business name registration certificates in less than 30 minutes.

For partnerships and corporations, the Securities and Exchange Commission (SEC) is the government agency that gives the business enterprise its legal personality. Based on the World Bank's Ease of Doing Business, the overall registration process, including the grant of compulsory licenses for standard business activities, requires 36 days and entails 16 procedures. The cost is 18.1 percent of income per capita while the paid-in minimum capital requirement is 4.8 percent of income per capita.

In terms of online registration, enterprises are only able to submit registration forms but cannot actually register online. One-stop shops for business registration operate on the basis of multiple windows in one location but have limited geographical scope.

Significant progress should therefore be made in simplifying the overall registration process that is still quite cumbersome. It takes 6 days to obtain the business permit, 7 days to print receipts and invoices at the print shops, 7 days to register with the Social Security System, and 3 days to register the company with the SEC and receive pre-registered taxpayer identification number (TIN). The National Competitiveness Council is currently working closely with government agencies and the private sector to map out ways to streamline and simplify each process and eventually to automate.

The 2011-2016 MSMED Plan recognizes the absence of financial support for start-ups. There are two financing programs available for start-ups: Small Business Corporation Financing for Start-Up Enterprises and the Land Bank of the Philippines Easy Pongong Pang-Asenso. No evaluation has been done to assess the impact of these programs. Current government financial support for start-ups is still limited to have any significant impact. It is important to assess existing programs in terms of scope and delivery with a view to improve and broaden these support services to include business incubators as well as vouchers, grants and loans on favorable terms.

The review and amendment of legislations and regulations, meanwhile, is not conducted in a systematic way. There is also no systematic regulatory impact assessment although a simplified, pilot RIA program is being used in certain areas of regulations. There is a need to simplify and improve legislations and regulations as well as institutionalize the framework for conducting the RIA. Current challenges include the need to upgrade the level of skills and knowledge in the analysis of impacts of regulations on government and business, weak coordination across departments in the development and assessment of laws and regulations, and weak interface between government and business in regulatory development and implementation.

- **Brunei Darussalam**

The time taken for the issuance of a company registration certificate will depend on the type of company being registered. Once all documents have been submitted, the issuance can be done within 5 working days. For completion of the overall registration process and entry into operations, there are 4 main procedures for the incorporation or registration of a company. The time taken to complete the whole process is between 15 to 35 days. For regulated industries whereby additional approval needs to be obtained from another agency, the time taken to approve the registration of the business will depend on how quickly the agencies revert back to the Registrar of Companies (ROC).

The average cost of setting up a company will also depend on the authorized capital of the company. The higher the authorized capital, the higher the registration fee since this is based on a scale rate. However, for a minimum paid-up capital of B\$25,000 including professional fees and all the relevant filing and registration fees, the cost for obtaining the registration certificate is in the region of US\$1,700.

Although the ROC has introduced the e-Registration, individuals can only register the company at the ROC premises. There are still no provisions for the setting of companies online from a remote location.

According to the World Bank report on the Ease of Doing Business, there are 15 procedures in order for an individual to start business. The government is in the process of implementing the Business Licensing System (BLS) that will be under the responsibility of the Ministry of Industry and Primary Resources. The BLS will be a single portal window for applicants to monitor the whole approval process for their application -- from the incorporation of a company to the approval of a Miscellaneous License to the commencement of business. The BLS has been introduced in stages but hopes to be fully integrated with all the approving agencies by 2014. Currently, only authorized agents can register a company except for sole proprietorship and partnerships which will have to be done by the owners themselves.

The review of applicable laws is usually done by the relevant government departments, agencies or ministries that may either want to introduce new laws or make amendments to existing laws. The Attorney General's Office does not currently use RIA.

- **Viet Nam**

To simplify the administrative procedures for market entry, Viet Nam has implemented the consolidated registration mechanism, including business registration and tax registration, since 2010. This is a foundation for state agencies to coordinate in handling procedures to shorten the time for market entry to less than 5 days. Therefore, as regulated, the length of time for getting business registration certificate of common industries/ fields is no more than 5 days and registered enterprises are requested to complete only one administrative step (except for some special sectors). On average, the time for enterprise registration is 7-10 days (in some provinces, it takes only 3 working days).

In terms of number of administrative steps for obtaining the business registration certificate, there are 3 administrative steps for enterprises to submit their files at one-stop shops for business registration. In terms of registration fee, a registrant has to pay an official fee of about VND 200,000 (less than US\$10) to obtain an enterprise registration certificate.

According to the Business Registration Management Agency (BRMA), the time for completion of the overall registration process and entry into operations (starting a business) has been shortened from around 6-12 months in the 1990s to a maximum of 5 days now. Meanwhile, the time required to complete the overall registration process, including getting compulsory licenses for standard business activities, is about 30 working days.

Regarding the minimum capital requirement, existing legal regulations do not require any minimum amount of capital except for some specific sectors.

According to the World Bank Doing Business Report 2013, Viet Nam has made the process of starting a business easier in 2011-2012 by simplifying registration formalities (seal, publication, notarization, inspection and other requirements). Viet Nam's rank in the World Bank's ease of doing business report is at the 99th slot out of more than 185 economies. Starting a business ranked at 108th with 10 procedures, 34 days, cost at 8.7 percent of income per capita and no minimum capital required.

Online registration service has been provided for newly established enterprises, branches and representative office. All registration procedures are downloadable online. Various types of business (both single proprietorship and corporations) are able to do the registration process online and they can trace their registration process.

A one-stop-shop for registration was initially established in 2008, with the Department of Planning and Investment assigned the responsibility of receiving registration files relating to business, tax, and seal registration as issued regulations. So far, the one-stop shop has operated efficiently and there is only one step for all necessary registration and notification procedures (one window).

On the other hand, Viet Nam does not have any agency or organization specializing in the provision of financial services support for start-up firms at the central government level. The support for start-up firms is mainly carried through the provision of training assistance for human resource development and incubation services for newly start-up firms. However, only very few enterprises can access these services.

Viet Nam's government has set up a project (Project 30) on simplifying the administrative procedures in the state management sector for the period 2007-2010, creating an online national database on administrative procedures which makes it easier for businesses and individuals to search for. The implementation of this project has significantly reduced overlaps in the legal system by removing redundant and inappropriate regulations.

RIA has been applied in Viet Nam since 2008 after the approval of the Law on the Promulgation of Legal Document (Law No.17/2008/QH12). However, with no official guidelines on RIA and no unified procedure on its application, RIA's implementation has therefore not been done systematically. There is nonetheless some evidence that the outcomes of the RIA have been used to adopt and change regulations. Still, its application in Viet Nam remains limited due to the lack of understanding of the role of RIA in drafting procedures; lack of resources; lack of tools for applying RIA; and lack of monitoring and evaluation to ensure the right application of the RIA process.

- **Lao PDR**

The Enterprise Registration and Management Department (ERMD) of the Ministry of Industry and Commerce (MoIC) is in charge of the improvement of enterprises registration in Lao PDR. In order to improve the environment for enterprise start-up, government has issued legislations and regulations related to business start-up. As a result, the cost of business registration and business start-up has significantly declined. From the more than 50 working days needed in 2012 to complete the overall registration process, including compulsory licenses for standard activities, it now only takes about 5-10 working days to obtain a business registration certificate and requires just 2-3 administrative steps (from 6-7 steps before). The amount for obtaining the business registration certificate has also declined from about 5 to 10 percent of gross national income (GNI) per capita to US\$ 50. No minimum capital requirement is needed for general partnerships with personal liability.

In addition, SMEs will be able to make business registration at the village level. In this regard, a pilot program has been implemented in the provinces and is intended to expand to the whole country.

There is no online registration as yet in Lao PDR. One-Stop shops for business registration operate on the basis of multiple windows in one location and are limited in geographical scope. Because there is some support from donors, there are several financial support tools being implemented albeit in limited amount and coverage.

A concrete plan to carry out a systematic amendment of redundant or ineffective legislation and regulations has been approved and piloted with the RIA being used.

- **Myanmar**

For the issuance of enterprise registration certificates, large enterprises may register at the Directorate of Investment and Companies (DIC) under the Ministry of National Planning and Economics. All private individuals and entities operating as small and medium enterprises that produce finished goods from raw materials may, on the other hand, register at the Directorate of Industrial Supervision and Inspection under the Ministry of Industry.

At present, an enterprise can obtain the registration certificate within 9 days. The process involves six administrative steps and the entire registration process until entry into operations may take a minimum of 10 days to a maximum of 2 weeks. With regard to registration fees, small and medium enterprises have to pay US\$15 and US\$30, respectively. The overall cost of registration is nearly 12 percent of per capita GNI. There is no limit in the minimum capital requirement for small enterprises. Online access and one-stop shops for registration and start-ups for SMEs are not available. Neither is there financial support for start-up firms in Myanmar.

Concerning the review and amendment of legislations and regulations, the Ministry of Industry held meetings with related ministries, departments, and representatives of the private sector and professionals/experts on SMEs to draw up the SMEs Law. The draft of this SME policy was submitted to the President's Office in September 2012. In the meantime, no systematic regulatory impact analysis is applied in reviewing the legislations and regulations but the government plans to develop a systematic RIA in the near future.

- **Cambodia**

Recently, the Royal government has reduced the number of days and steps as well as amount of fees involved in registration to encourage entrepreneurs, in particular owners of SMEs, to register their companies or transform their enterprises from informal to formal sector. For enterprises engaged in commercial activities, all merchants are required to register with the Ministry of Commerce (MOC), provincial or municipal office, or other places designated by the Ministry. An average of about 7 days (upon submission of all required documents) is the time spent in registration. For commercial firm registration, an applicant has to follow five steps as stipulated in the guidelines. The administration fee for commercial registration has been reduced to US\$177 and the minimum registered capital is 4,000,000 Riels (approximately US\$ 1,000).

With regard to factory permit and operation license, the application for the factory and handicraft permit shall be filed and accepted for processing with the one-stop service secretariat of the MIME or with the provincial department of the MIME where the facility is located or with the one-stop service for facility located in Phnom Penh.

MIME should reply to the applicants for factory establishment on its decision within a maximum period of seven working days from the date of the receipt of the completed and correct application documentation. For the operation of the factory, the factory owner shall inform the MIME within the minimum period of 15 days in advance. The administration fee for the manufacturing registration is set between US\$12.5 to US\$ 50 based on the capital asset. The administration fee for the operation licenses is applied in the same manner as in the establishment.

In addition, a company must also secure patent tax and value added tax (VAT) identification numbers from the Ministry of the Economy and Finance, which takes possibly about 15 working days.

Overall, in starting a business in Cambodia, the total cost of the process, if carried out by an entrepreneur on his/her own, is approximately US\$ 1,500 for both formal and informal fees (it costs 100.5 percent of per capita GNI and requires paid-in minimum capital of 28.5 percent of per capita GNI) and the average total time spent is 85 days,

including time spent to get approval for its internal rules from the Ministry of Labor. The process requires nine procedures.

Judging from the procedures, it is very difficult for a new business to know what licenses are required. Indeed, there are over 75 licenses that SMEs have to apply for in Cambodia which are issued across a large number of ministries. The best option for a prospective starting business therefore is to visit the SME Sub-Committee's SME web portal which enables visitors to easily navigate through a wide range of SME-related information and to contact the business licensing complaints hotline.

The Intra-MIME One-Stop Information Window for Legal and Regulatory Information on the SME website has also been developed, providing detailed information on most licenses affecting SMEs. Copies of the license application forms are available for downloading in this window along with details on where applicants should go to apply for all the listed licenses.

There is no financial support for start-ups of SMEs, but an existing SME company is able to submit a proposal to receive budget support if said SME company is willing to upgrade or modernize its manufacturing equipment and technical support, in particular, in terms of factory management, accounting standard, energy saving and government regulatory compliance, among others.

To improve the effectiveness and efficiency of legislation and regulation, the Royal Government of Cambodia has recently adopted a regulatory guidance for the regulatory impact analysis or RIA program. However, the RIA has only been conducted for the regulatory frameworks issued by the MIME and so its impact is limited. The implication is that RIA is only applied to small and medium industries and done only when there is financial support funded by development partners.

Table 4: Cheaper and Faster Start-up and Better Legislation and Regulation

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
3.1	Cheaper and Faster Start-up	3.2	2.1	3.9	3.4	3.2	4.5	3.9	5.5	4.8	4.3	3.9
3.1.1	Issuance of business establishment registration certificate (start from the lodging of the complete documents)	3.0	3.0	5.5	5.3	4.7	4.0	5.3	5.0	5.0	5.3	4.6
3.1.1.1	Number of days for obtaining business registration certificate	3.0	3.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	5.0	5.0
3.1.1.2	Number of administrative steps for obtaining the business registration certificate	4.0	3.0	6.0	5.0	3.0	5.0	4.0	5.0	6.0	5.0	4.6
3.1.1.3	Official cost of obtaining the business registration certificate	2.0	3.0	5.5	6.0	6.0	1.0	6.0	4.0	3.0	6.0	4.3
3.1.2	Completion of the overall registration process and entry in operations	3.0	2.0	1.5	3.5	3.5	4.3	2.8	5.5	4.3	3.3	3.4
3.1.2.1	Number of days for completing the overall registration process, including compulsory licenses for standard business activities	1.0	1.0	2.0	1.0	4.0	5.0	2.0	6.0	3.0	2.0	2.7
3.1.2.2	Number of steps for completing the overall registration process, including compulsory licenses for standard business activities	1.0	2.0	2.0	3.0	1.0	5.0	1.0	5.0	4.0	1.0	2.5
3.1.2.3	Costs connected with registration (% of GNI per capita)	5.0	1.0	1.0	4.0	3.0	2.0	3.0	6.0	4.0	4.0	3.3
3.1.2.4	Minimum capital requirements (% of GNI per capita)	5.0	4.0	1.0	6.0	6.0	5.0	5.0	5.0	6.0	6.0	4.9
3.1.3	Online access, one-stop-shop for registration, and start-ups	3.7	1.3	4.7	1.5	1.5	5.3	3.7	6.0	5.2	4.2	3.7
3.1.3.1	Online registration	4.0	1.0	6.0	1.0	1.0	5.0	3.0	6.0	6.0	5.5	3.9
3.1.3.2	Progression to one-stop shop (OSS)	3.0	2.0	4.0	2.5	2.0	6.0	4.0	6.0	6.0	5.5	4.1
3.1.3.3	Financial support for start-ups (soft loans, vouchers, grants etc.)	4.0	1.0	4.0	1.0	1.5	5.0	4.0	6.0	3.5	1.5	3.2
3.2	3.2 Better Legislation and regulations	3.0	2.0	5.0	2.0	2.5	5.0	2.0	4.5	3.5	4.0	3.4
3.2.1	Review and amendment of legislations and regulations	3.0	1.0	5.0	2.0	3.0	5.0	2.5	5.0	3.0	4.5	3.4
3.2.2	Use of Regulatory Impact Analysis (RIA)	3.0	3.0	5.0	2.0	2.0	5.0	1.5	4.0	4.0	3.5	3.3
	Average	3.1	2.1	4.4	2.7	2.9	4.8	3.0	5.0	4.2	4.1	3.6

Chapter 4

Access to Finance

1. Introduction and Assessment Framework

The opportunity to access small amounts of finance can be an important catalyst for small businesses to get access to the resources they need to gain a foothold in the market. This is particularly critical for micro enterprises. Many SMEs lack awareness of financing resources and programs available from commercial banks and other private sector and government sources, and have difficulty defining and articulating their financing needs. In this regard, financial institutions need to be more responsive to their needs.

Based on an ERIA research (Harvie, *et al.*, 2010), a significant number of SMEs still rely on their internal resources for start-up and business expansion. However, for aspiring smaller and domestically owned companies in less developed economies (Cambodia, Lao PDR, and Viet Nam), such internal resources are scarce because they make lower profits and have insufficient access to funds. Moreover, the size of these firms and the stage of the country's development (reflecting the financial market conditions) affect the diversity of choices of financial institutions and financial products available which these SMEs can get access to. In view of this, the availability of and access to external finance is very important.

There is potential for credit rationing or high risk premiums exercised by the financial institutions for SMEs. But firm size and the stage of a country's development (financial market development), as mentioned, do affect the conditions of external finance offered to SMEs, and so larger SMEs in more developed economies (Indonesia, Malaysia, the Philippines, and Thailand) tend to get bigger loans with longer terms and with lower interest rates than smaller SMEs in the less developed AMSs.

The owners' net worth, collateral, business plan, financial statement, and cash flow are critical for financial institutions in devising the financial conditions they extend to

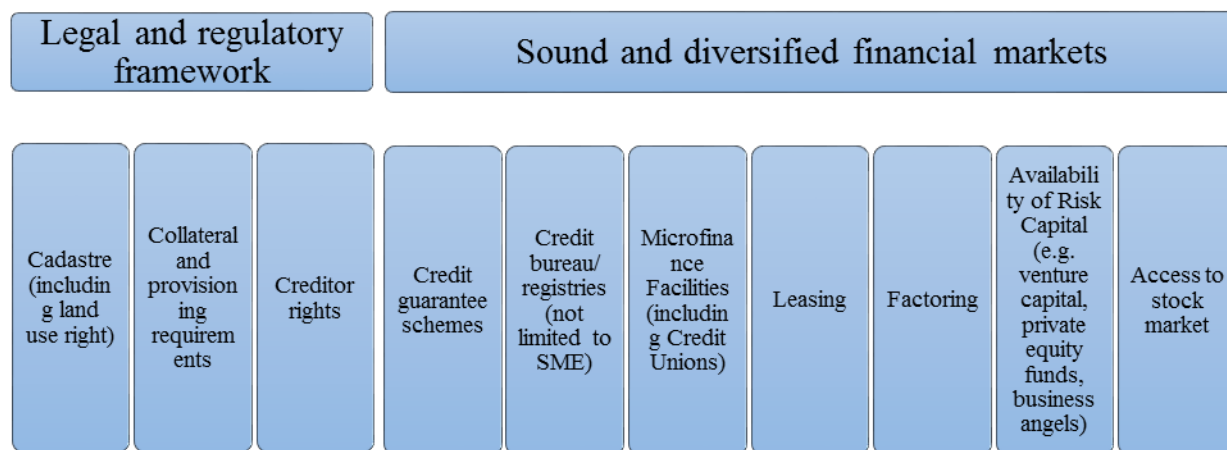
SMEs. In other words, financial institutions seem to assign higher risk premium on opaque SMEs by offering less favorable financial conditions.

On SME performance, financial access has a significant impact on SMEs’ innovation capability and participation in the export market. Bigger SMEs with access to larger loans with longer terms and at lower interest rates are more capable of conducting innovation and exporting activity in as much as these external finances with favorable conditions provide them with enough time and resources to innovate and enter foreign markets.

Policy measures are therefore needed to deepen and broaden financial markets with the aim of encouraging greater competition among financial resource providers (more non-bank instruments such as venture capitals, equity funds), reducing the cost of borrowing, and stimulating greater provision of finance that will enhance the development of diversified products and services more suitable in meeting the needs of the SMEs.

There are two policy sub-dimensions to serve these ends as outlined in Figure 11.

Figure 11: Assessment Framework for Access to Finance



(i) Development of regulatory framework to deepen the financial sector

This would refer to, among others, concerns regarding the development of the cadastre system and the provision of creditors’ rights by introducing a suitable set of

laws that protect lenders from non-payment. At the same time, this should look into alternative sources of risk capital finance for innovative SMEs. The establishment of a capital market will complement traditional sources of funding for SMEs. Innovative financing instruments should be introduced for knowledge-intensive as well as technology-intensive start-up enterprises, using intangible collaterals such as ideas, knowledge and expertise as their principal assets to source funds from the capital market.

(ii) Sound and diversified financial products/markets

Less collateral-based lending system must be promoted by introducing credit guarantee schemes, credit ratings, credit information, and collateral registry systems. These mechanisms are important to broaden the base of collaterals such as account receivables, movable assets (machinery and automobiles) and others since very often, SMEs have limited assets to be used as collaterals required by most commercial banks. The more developed systems would gradually build confidence towards a collateral-free lending practice.

SMEs should be encouraged to utilize alternative sources of financing, including equity financing and venture capital as well as other financial instruments (leasing, factoring). Therefore, the creation of more angel investors, venture capitals and equity funds should be encouraged. Moreover, collaboration between research institutes, business incubators, entrepreneurs and venture capitalists should be strengthened to create wider networking and funding opportunities.

Capacity building for financial institutions and financial literacy for SMEs must also be provided. Normally, banks tend to charge SMEs higher interest rates and demand collateral due to the lack of transparency and creditworthiness of SMEs. SMEs should therefore be encouraged to seek BDS providers, including various business associations such as chambers of commerce and federations of industries, and to work with banks to build SMEs' capacity in basic financial management and book keeping and to encourage more financial institutions to develop innovative financial products suitable to SMEs such as mobile finance.

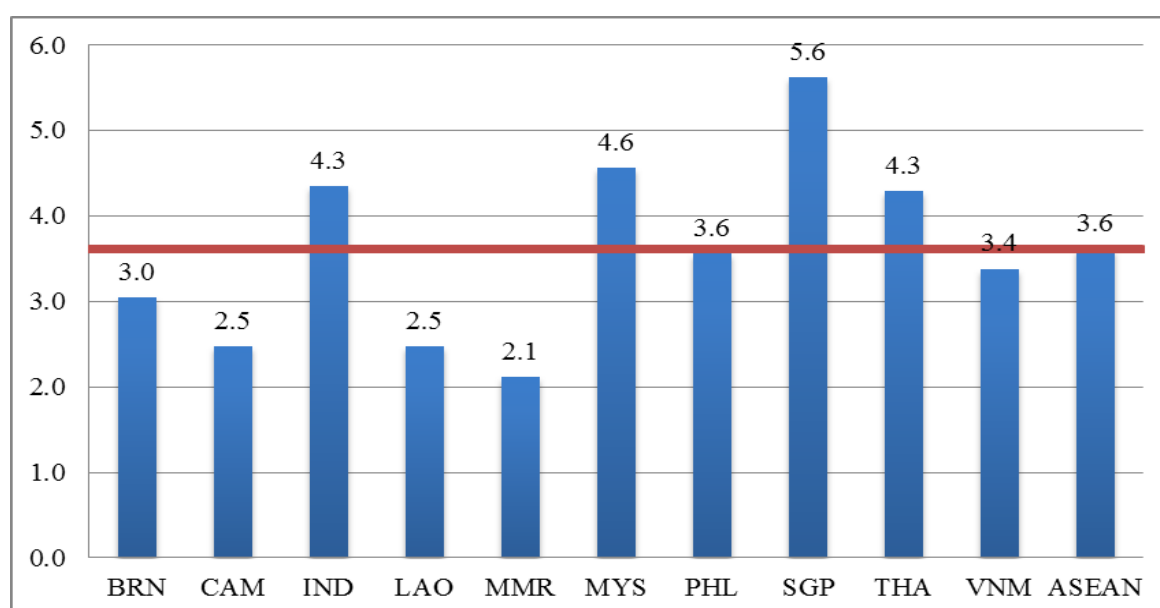
In the absence of credit ratings and credit information system, BDS providers can be a reference point for financial institutions to identify potential clients, ascertaining

their creditworthiness, imparting professional financial and accounting techniques and other services. This complementary nature between BDS providers and financial services helps to minimize both the risk and transaction costs to creditors and investors, and makes access to credit and equity less costly and cumbersome for SMEs.

2. Assessment Results

There is a big gap in the access to finance of the less advanced AMSs as compared with Singapore, Malaysia, Thailand, Indonesia, and the Philippines. It is exacerbated by the poor functioning of the cadastre system, stringent collateral requirements, and inadequate protection of creditor rights. Credit risk guarantee schemes and central bureaus for credit information, which are essential to promote collateral-free finance, are not well established nor functioning in these less advanced AMSs. There is likewise a lack of legal framework/policy to promote alternative finances and diversified financial markets, ranging from microfinance, leasing, factoring, venture capitals, equity funds, business angels, to stock markets in these economies as can be gleaned in the scores in Figure 12 and Table 5.

Figure 12: Overall Scores for Access to Finance



- **Singapore**

SMEs in Singapore have several avenues to finance their investment activities. There are sufficient and flexible provisions for collaterals to be placed for loan activities, including properties, machines and equipment, and vehicles. The banks require around 70 to 80 percent collateral as part of their loan amount, healthy credit history and minimum of two years business track record. However, there is no central collateral registry in Singapore. The creditors have strong institutional rights to secure their loans.

In terms of debt financing for SMEs, the Government works with participating financial institutions to provide access to credit. More than 4,000 SME loans amounting to S\$1.5 billion were co-guaranteed by the Government in 2012. These range from providing micro loans of up to S\$100,000 to providing loans of up to S\$ 15 million for the purchase of equipment and assets. It has also been observed that the financial industry has an increased focus on catering to SMEs, with many setting up an SME banking office. An SME Credit Bureau owned and operated by the private sector is also available to address the credit risk of SMEs in Singapore.

For equity financing, there is a sufficient range of risk capital (venture capital, private equity funds) available in the economy with exit options such as direct sales and stock market IPOs. A Business Angels Network South-East Asia (BANSEA) was set up in 2001 to facilitate deals between business angels and entrepreneurs, which include financing, mentoring and networks. There are leasing and factoring financial activities in the economy which are monitored and regulated by the Monetary Authority of Singapore (MAS). For SMEs looking to raise capital through public listing, the Singapore stock exchange consists of two sets of listing: SGX Mainboard and the SGX SESDAQ. The listing at the Mainboard requires companies to meet certain requirements, including market capitalization, pre-tax profits, and operating track record as set by the Singapore Stock Exchange. There are no quantitative requirements for listing in the SESDAQ and newer companies tend to list in the smaller stock exchange.

- **Malaysia**

Malaysia has a fully functioning cadastre system (available online) that allows SMEs to use real estate as collateral in their efforts to access bank finance, flexible collateral provisioning requirements and well established regulations for secured transactions in the country. Malaysia has adopted a flexible system of collateral requirements for SMEs. Regulations involving secured transactions are documented in Malaysia to ensure that creditor rights are protected and the time required for creditors to recover their credit from a default debtor is less than a year and at relatively low cost.

The guarantee schemes offered by the Credit Guarantee Corporation Malaysia Berhad (CGC) are available to all viable SMEs nationwide. The objective of the schemes under the CGC is to bridge the gap between the needs of SMEs and the concerns of lenders by providing a commercially viable guarantee system that is adequately backed financially, thereby giving credence to its ability to fulfil the guarantee commitments. At present, there are 13 CGC branches across the nation. As of end-2012, a total of 420,217 SMEs have been guaranteed by the CGC with loans outstanding amounting to RM51.4 billion. Although the CGC has performed well in relation to matching incomes and expenses, problems of reach to all segments of SMEs still require improvements in its implementation.

The Credit Bureau of Malaysia, which is owned and operated by the private sector, is a leading provider of comprehensive and credible credit information and ratings on SMEs in Malaysia. The Bureau is essentially a platform for SMEs to build, maintain and enhance their credit ratings and ultimately, facilitate wider and easier access to financing. The Bureau also assists SMEs by providing them with an avenue for recourse and ensures accurate and up-to-date information in their reports and ratings.

Microfinance facilities exist in Malaysia, which refer to financing up to RM 50,000 to micro entrepreneurs for business purpose only. Microfinance Institutions (MFIs) in Malaysia offer only microcredit loans and no other microfinance services such as micro-savings or micro-insurance. This limited financial service is due to the restrictions

imposed by the Banking and Financial Institutions Act (BAFIA) that allows banking institutions to provide only loan services.

The leasing activities in Malaysia are regulated by the Banking and Financial Institutions Act. Leasing companies constitute a relatively small portion of the financial sector in Malaysia, with the number registering 227 companies in 2011. Although leasing has been an important source of financial support for SMEs, there are some problems with its accessibility in the country. Similar to leasing activities, despite its early introduction, factoring remains a relatively untapped alternative source of financing for businesses in Malaysia.

The Securities Commission (SC) of Malaysia is the regulator for risk capital to incorporate the new tax incentives for the venture capital industry. Venture Capital Corporations (VCCs) registered with the SC are eligible for tax exemptions for five years of assessment, subject to their investment of at least 30 percent of invested funds in the form of seed capital, start-ups and/or early stage financing in approved investee companies. Divestments were mainly through share redemptions and sales trade. The Malaysian stock market, Bursa Malaysia, restructured its business units in 2009 to unify the lower capitalised firms of the Second Board with the Main Market. The Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ) was renamed as Access, Certainty, Efficiency under a new regulatory framework for listing and equity fundraising. The Access, Certainty, Efficiency Market accepts SMEs from all sectors of the economy for listing.

- **Thailand**

Thailand has made notable progress in improving the efficiency of the cadastre and land registration. Land ownership has been fully documented by the cadastre which is operated fully nationwide. All transfers and dealing of land titles can be carried out in the provincial land office. Some services are also available online.

At present, Thailand does not have a centralized collateral registry office in operation. The collateral requirement for bank loan to SMEs varies with banks and types of collateral provided. The average collateral requirement could be inferred from the loan-to-value ratio. The average of this ratio is about 80 percent, implying that collateral requirement is less than 150 percent of loan. SME firms can apply for an uncollateralized loan. The Small Business Credit Guarantee Corporation (SBCGC), the state-owned bank, provides credit guarantees to viable SMEs which do not have sufficient collateral.

Thailand provides a legal framework on secured transactions although it does not ensure all four rights of creditors. Secured creditors are paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated. They are not subject to an automatic payment when a debtor enters a reorganization procedure. As for the length of legal procedure for a creditor to recover their credit, it takes about 440 days for commercial cases on average. Cost as a percentage of claim is about 15 percent. In case of insolvency, it takes 2.7 years on average and costs 36 percent of the debtor's estates to be able to recover the credit in Thailand.

The Credit Guarantee Scheme for Thai SMEs is administered by the Small Business Credit Guaranteed Corporation (SBCGC). This state-owned corporation was capitalized by 4.4 billion THB in 2010. More than 90 percent of the fund comes from the Ministry of Finance and the balance from Thai banks. The rest are from private banks and state banks.

Thailand has the National Credit Bureau established in May 2005 through merger. Its shareholders include the shareholders of Thai Credit Bureau Company Limited, and banks as well as government financial institutes. The National Credit Bureau is responsible for keeping both firm and individual credit information (both positive and negative). The system of processing and reporting the credit data is updated monthly.

Microfinance activities include financial services, savings, loans, money transfers and insurance in a small amount for low income individuals or micro enterprises. Many

microfinance activities to assist the poor have been provided by Thai specialized financial institutions (such as Government Saving Bank, Bank for Agriculture and Agriculture Cooperatives, SME bank) and other community-based funding services like the Village Fund Scheme. Other commercial banks also provide such small loans.

There are many leasing and factoring companies in Thailand which are regulated by the Bank of Thailand. Most commercial banks and non-bank personnel loan businesses provide leasing and factoring for Thai SMEs. Information on overall activities for both leasing and factoring to SMEs are not available and it is believed that the factoring activities are under traded.

The venture capital and private equity fund businesses have been relatively small in Thailand. The Venture Capital or Private Equity Business purpose is to invest in Thai SMEs which have strong growth potential and high expected return. In 2013, there were only 19 members of the Thai Venture Capital Association. In 2012, the Thai government approved Bt5 billion for the venture capital program, which will also get additional funding from several banks such as Krungthai, SME Bank and the Government Savings Bank. This program aims to provide support and opportunities to students and young graduates who have the potential to become new-generation entrepreneurs. The Thailand Stock Exchange has been operated since 2011 with market capitalization of around 77.7 percent of GDP. The market for alternative investments (MAI) was established in 1999 and provides alternatives for smaller firms, of which some are SME, to listing on the main board of the Thailand Stock Exchange market. It thus provides an exit point for venture capital investors.

- **Indonesia**

Legal and regulatory framework on credit has been quite advanced. For the debtor, on one hand, the ownership of land has been documented, with fully functioning cadastre allowing firms to use real estate as collateral in their efforts to access bank finance. Moreover, there is also flexible collateral definition (movable assets) and/or flexible provisioning requirements for loans under certain amounts. On the other hand, there is

also regulation that ensures creditor rights and legal procedures for litigations take less than 2 years and cost less than 20 percent.

In Indonesia, the cadastre system is in place but the land ownership of the country has not yet been entirely documented. The cadastre system is under the responsibility of the National Land Agency (Badan Pertanahan Nasional (BPN) which operates fully nationwide. The agency has also provided online cadastre services. This online service provides complete information on the cadastre system but it does not provide online registration services.

The percentage of collateral requirement varies, depending on the type of loan and the financial institution that provide the loan. As for banks, principally, the central bank's regulation states that the collateral is the business itself. Banks will ask for additional collateral to ensure that the loan would be repaid or returned. In practice, the collateral requirement may vary, ranging from 0 percent to more than 100 percent.

There is no rigid definition on collateral in Indonesia. While the collateral theoretically requires fixed assets, in practice, moveable assets and/or flexible provisioning requirements for loans under certain amount or certain types of loan can also be used by firms. Firms can also apply for an uncollateralized loan if the business prospect is very good and strictly monitored, although this is very rare. Some government programs for SMEs such as PKBL and LPDB do not also require any collateral. Meanwhile, there is no centralized collateral registry office in Indonesia.

According to the law, legal procedure for a creditor to recover his/her credit from a default debtor takes two months at a maximum. However, in reality, the process usually takes 3-4 years. The legal cost for the procedure is 2 percent of all assets owned by the debtor (not limited only to the collateral).

The financial sector in Indonesia is quite sound and well diversified, with access to finance for SMEs having been widened in the country. The credit guarantee facilities are already in place although the coverage is still limited to certain geographic locations

and type of business. A bureau that records all individual and private firm credit information is already in place, yet it is still limited to only credit information in the banking sector. The law and regulation to govern microfinance are also already in place, with many microfinance institutions providing a wide range of microfinance products and having extensive coverage in the country.

Moreover, the regulations and supervisions of the leasing, factoring, and risk capital sector are already enacted. There are already significant leasing activities in place in the country but the activity of factoring and venture capital is still limited. Furthermore, the Indonesian stock market has medium capitalization ($\geq 20\%$ GDP) and liquidity.

The credit guarantee scheme in Indonesia is managed by Jamkrindo (Indonesia's Credit Guarantee) which has several schemes. Aside from Jamkrindo, the Central Bank (Bank Indonesia) also plans to establish credit guarantee schemes for agriculture, farming, and fishery which accounted for a large share in inflation calculations. But the credit guarantee facility is still limited in number and volume. Only 30 percent of SME loans are guaranteed by the government. Indonesia has a bureau that records private firm credit information in the country but it is not a specialized credit bureau for SMEs. Bank Indonesia, the central bank, records all individual and private firm credit information in the banking sector. The credit information from Bank Indonesia is available only for banks, as it is constrained by bank secrecy regulation.

There are many institutions providing microfinance facilities in Indonesia. These microfinance institutions, which are mostly privately managed, are present and operate throughout the country. In general, these institutions can be grouped into two major groups. The first group is banks. The second group is cooperatives and other microfinance institutions, including those established by private entities. In 2012, according to data from Indonesia's Financing Companies Association (APPI), there were about 197 companies whose activities are in leasing, factoring, consumer finance and credit card.

In Indonesia, most of the venture capital firms do not utilize venture capital from the capital market to be invested in the SMEs. Their source of finance is borrowing from banks. Furthermore, many others use their own funds. In this case, they are more suitable to be called business angels. In addition, the capital market also provides funds to SMEs. The fund is called discretionary funds (or one may call it as private equity funds). Despite the shortcoming of this discretionary fund, its availability has helped some Indonesian SMEs. The Indonesian stock market has medium market capitalization, accounting for about 46.07 percent of the country's GDP in 2011 and the liquidity is about US\$ 594.12 million. Hitherto, there is no special board for SMEs in Indonesia's stock market.

- **Philippines**

The cadastre on land ownership is fragmented and not updated in the Philippines because of the overlapping functions of several government agencies that are responsible for carrying out surveying/titling activities. There is very little information sharing among the agencies. About 54.6 percent of land ownership is documented. There is a pipeline project to come up with a single system cadastre, update and harmonize the existing cadastre system as well as to develop a common working base map.

Based on the Manual of Regulations for Banks, loans can be secured by real estate mortgages, chattels and intangible properties. There is no collateral registry in operation that is unified geographically and by asset type. The value or amount of collateral required by financial institutions depends on the latter's credit policy. In practice, the average percentage of collateral requirement ranges from 125 to 140 percent of the loan amount. Firms can apply for uncollateralized loans. These are approved on a case-to-case basis depending on the financial condition of the firm, whether it has enough equity, sufficient assets to cover its liabilities, and track record of the firm (i.e., no previous defaults).

The Financial Rehabilitation & Insolvency Act (FRIA) was adopted in 2010 to ensure a timely, fair, transparent, effective, and efficient rehabilitation or liquidation of debtors. The law provides secured creditors with grounds for relief from an automatic stay and sets a time limit to it.

There are three major institutions providing credit guarantee facilities: the Credit Guarantee Program which aims to help financial institutions consider the granting of loans to MSMEs; the Wholesale Guarantee for existing loan portfolios and shorter loans to direct and indirect SME exporters; and guarantee institutions for the agriculture and fishery sectors whose mission is to provide better and accessible credit and guarantee to agricultural stakeholders. However, the credit guarantee facility covers limited geographical locations and type of business.

Private credit bureaus have been in existence but a centralized credit information system is absent. To address the fragmented and unorganized credit information system, the Credit Information System Act was enacted in 2008. The Credit Information System (CIS) is under the Central Credit Information Corporation. Its implementation has been limited due to lack of regulatory and funding support. Credit information services are in place but access is limited to financial institutions.

The National Credit Council approved a Regulatory Framework for Microfinance in 2002. Even with the variety of institutions providing microfinance and a clear regulatory framework for the practice of microfinance, much remains to be done to increase the reach of microfinance institutions. According to industry estimates, the supply of microfinance is reaching only between 10-20 percent of the potential market. As of 2010, there were 202 banks with microfinance operations and with 932,622 clients being served.

Leasing and factoring are regulated by the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas (for their quasi-banking functions). Leasing and finance companies are affiliated with banks and other financing institutions. Leasing/factoring is still a growing market in the country. Leasing products include auto, heavy

equipment, office equipment, medical equipment, and other specialized types of manufacturing and production equipment. It will still take time for the financial leasing industry to become mature.

Risk capital is available with several venture capital/private equity funds. Exit is possible through IPO but very few firms are listed in the SME Board of the Philippine Stock Exchange. Venture capitalism has remained limited due to the shortage of experienced technology entrepreneurs and managers, shortage of scientists and engineers, and accessibility to a global network of experts that may provide the necessary knowledge and even financial capital to build a community of venture capitalists. Another concern is the lack of business-minded technology entrepreneurs, with many engineers and scientists tending to think of becoming employees rather than pursuing their own ventures.

The SME Board was officially launched in July 2001. To date, there are only two companies listed on the Board. The unattractiveness of SME Boards was attributed to the absence of incentives for underwriters to promote the SME Board. The requirements for listing on the First and Second Boards are almost the same as for the SME Board and it is easier to borrow from banks and other financial institutions than to comply with the SME Board listing rules. Moreover, there are concerns among potential investors on SME's financial viability and lack of track record as well as on compliance due to the strict and expensive pre-and post-listing requirements (continuous disclosure requirements).

- **Brunei Darussalam**

The Cadastral System in Brunei Darussalam was designed for the purpose of registration and transfer of ownership. The cadastral system in Brunei Darussalam is based on the Torrens Systems and uses lot number as the identifier. These are mainly privately owned lots and a number of lots occupied by government departments. These plots are completely digitized and supported by field notes and Survey Plans.

In Brunei Darussalam, land and properties can only be registered in the name of an individual and not in a company's name. Hence, charging a property to a financial institution will not be permissible. Hence, collaterals will generally be in the form of a personal or corporate guarantee or placement of fixed deposits as security for banking facilities.

Creditors can petition for a Creditors liquidation and appoint a Liquidator to manage the liquidation of a company for the recovery of amounts owing to them. Secured creditors would have priority in a distribution and any balance remaining will be distributed to the unsecured creditors.

There are no credit guarantee schemes yet in place. The Credit Bureau was established in 2012. Its aim is to help the financial industry to significantly improve credit risk management, reduce information gaps and make more informed decisions efficiently. The aim is also to instil greater financial discipline amongst borrowers so that they maintain good credit history. Only members can have access to information from the Credit Bureau.

Microfinance facilities are administered by both the Ministry of Industry and Primary Resources and the Brunei Economic Development Board. Some of the loan schemes are Microcredit Finance Scheme (MFS) administered by the Ministry of Industry and Primary Resources to assist local entrepreneurs to start and expand small scale business activities; Enterprise Expansion Program (EEP) Financing by the Brunei Economic Development Board to help SMEs expand their businesses through increasing their productivity and to groom future promising local enterprises to export and expand overseas; and Enterprise Facilitation Scheme (EFS) under the Ministry of Industry and Primary Resources to assist SMEs to expand and develop their business activities and build capacity to export.

There are no factoring facilities in Brunei Darussalam. Leasing is also not widely used. The more common types of financing would be under a hire purchase which is mainly

for the purchase of motor vehicles. There are no specialized leasing companies for SMEs.

Risk capital financing and ventures are still in an infancy stage in Brunei Darussalam. There are three types of Investment Fund Schemes: (i) Promising Local Enterprise Development Scheme (PLEDS) Investment Fund, administered by the Brunei Economic Development Board. This is an investment fund for investing in and transforming promising local enterprises so that they can compete internationally either through increased exports or overseas expansion; (ii) The Future Fund, administered by Future ventures SDN BHD to bridge the initial funding gap for potential innovative ICT entrepreneurs who are promising and have good business ideas; and (iii) Accel-X Investment Fund, administered by the Brunei Economic Development Board to provide funding support for early stage companies in hi-tech growth areas such as ICT and engineering. There is currently no stock market in Brunei Darussalam nor are there any plans for the establishment of a stock market.

- **Viet Nam**

In Viet Nam, land ownership belongs to the entire people represented by the state; thus, this right does not appear on the cadastre. Cadastre indicates the land use right. Information in the cadastre includes name, location/address, and area of land. The cadastre operates fully nationwide and enterprises can use land use right as collateral to access bank credit. In some local authorities, cadastre services are available online. However, the land use right has not been fully documented, with the coverage of about 70-75 percent of land ownership.

Collateral required by financial institutions values from 125 percent to 143 percent of loan amount. Not only real estate but also non-estate collateral (movable), valuable papers, and assets being formed in the future are also used as collateral. However, in Viet Nam, there is no centralized collateral registry office.

Enterprises can also borrow from credit institutions without collateral. Commercial banks can provide uncollateralized loan for traditional, large and trusted enterprises with an annual revenue of more than VND 400 billion (equivalent to US\$ 20,000). Credit institutions usually set their own criteria in the case of lending without secured assets. They mainly base on the customers' prestige when providing loans without requirement of secured assets.

A legal framework for secured transactions has been in existence for quite some time in Viet Nam. Under the existing legal regulations, creditor rights are basically ensured and the legal procedure for the creditors to recover their credit from default debtors takes two months at maximum. However, in practice, many cases take much longer like one year. In terms of legal cost for procedures, on average, it is around 2.8 to 5 percent of the collateral's value.

There are Credit Guarantee Schemes for SMEs applied nationwide via 13 credit guarantee funds at the provincial level and a guarantee program by the Viet Nam Development Bank (VDB) when SMEs borrow from commercial banks. In 2013, the Fund for SME Development was established to support SMEs to conduct feasible business plan or project in priority sectors.

The State Bank of Viet Nam (SBV) established the Credit Information Center (CIC) with the function of collecting, processing, storing, analyzing and forecasting credit information. The database of the CIC has been created by collecting information from all credit institutions operating under the Law on Credit Institutions. This database also allows applying credit rating for internal borrowers of credit institutions. Most of the financial institutions subscribed to the bureau. However, the access to this information is limited to the public. The Private Credit Bureau was also established for the improvement of the retail market, supporting SMEs and individuals in accessing credit.

Understanding the important role of microfinance as a useful tool for economic development, many regulations on the organization and operation of microfinance institutions were issued. The fund for microfinance institutions comes from public,

donor and private sources. The private source accounted for 82.5 percent of total amount of funds. Most of the microfinance institutions lend their money to individuals and households who are mainly farmers or doing business in rural areas.

In terms of the legal framework, both leasing and factoring activities have been regulated in different legal documents. Financial leasing company is one of popular types of medium and long-term credit institutions. However, there are no specialized leasing companies for SMEs and factoring is a less common facility offered to SMEs.

The law and regulation of risk capital have been approved and institutional responsibilities clearly assigned to the Ministry of Finance. The Government has also offered incentives (including taxes, organizing trade fairs and investment forums) for venture capital or private equity or business angels to promote networking with SMEs. As of this date, several venture capital funds have been established. Direct sales, initial public offering (IPO) and lending are available options of risk capital sources. The Viet Nam stock market initially opened on 11 July 1998. Its market capitalization as a share of GDP fluctuates from 20 to 40 percent. Up to now, Vietnam does not have a board of SMEs in the stock market; however, most of the listed companies in the Hanoi Securities Trading Center (HASTC) are SMEs with the total number of around 250 and the market liquidity ranging from VND 200-300 billion.

- **Lao PDR**

The Lao government has ranked access to finance as one of its most important priorities (SMEPDO, 2010). The task of access to finance includes: (1) Enhancing efficiency in the field of enforcement of business relevant laws; (2) Strengthening of banks and financial institutions including microfinance institutions; (3) Developing a diversity of financial products and services for SMEs; (4) Enabling business people to formulate realistic business plans, stimulate bookkeeping and financial reporting of economic activities; (5) Providing access to finance to banks in order to create conditions for the extension of their credit networks and for solving their liquidity situation; and (6)

Strengthening of SME Promotion and Development Fund. Government has also decreed a SMEs Promotion Fund in order to support SMEs for financial accession.

There is a fully functioning cadastre system allowing firms to use real estate as collateral in their efforts to access bank finance. Collateral requirement ranges from 100-150 percent of the loan amount. Restrictive collateral definition and rigid provisioning requirement are imposed for uncollateralized loans. Credit rights are protected but it will take 2 to 4 years to recover their credit from default debtors and will cost about 20-30 percent of the collateral value.

Credit guarantee facilities are in place as well as credit information services but access is limited to financial institutions. There are microfinance facilities present and operating throughout the country. The facilities are mainly state- or donor-funded and offer a limited range of microfinance products. There is the presence of leasing law, regulators active in monitoring market, and some leasing activity. Factoring law is under preparation while a stock exchange market is in place with low market capitalization and low liquidity.

- **Myanmar**

For land registration and documentation (cadastre), all the land areas and ownership, particularly of residential areas, are well documented in Myanmar. At present, government has taken measures to encourage farmers to register ownership of their farmland to be able to use them as collaterals at the banks to get loans with relatively cheaper interest rate than those available from informal money lenders.

The major problem for lands to be qualified as collaterals in Myanmar is the name of ownership since in the permit or lease contract, it is frequently registered not in the same name as the real owner who holds the estate. It is a general tendency in Myanmar that the owners of land do not want to change title of the land due to a 30 percent tax on the sale value. It is estimated that 80 to 90 percent of the people who buy land do not change land ownership formally. This makes them automatically ineligible for getting

bank loans. There is no online cadastre service available so far for these purposes. The loan amount ranges from 35 to 50 percent on the forced sales value of the collateralized property depending on the case. Up to now, none of the movable properties can be collateralized.

Concerning creditor rights, it is common in Myanmar that if the borrower is unable to pay regularly, either the principal or interest on the loan, the bank officer firstly negotiates with the borrower to recover the loans and if it does not succeed, brings the case to the court. There are no other separate regulations for secured transaction. Neither reorganization plan nor bankruptcy proceeding is provided in Myanmar. The court interprets on the case and if it is found that the borrower defaults on his/her part of the contract, it gives the bank approval or the right to seize the collateralized property. After that, the liquidation officer of the bank tenders that property covered in the loan covenant. The time taken to finish the legal procedure may range from 3 to 6 months depending on the number of court cases and efficiency of the concerned court. The legal cost formally required is less than US\$100 but if the attorney's fees, transportation and other expenses are included, the cost may reach up to US\$2000 per case from the beginning to the end.

There is no credit guarantee scheme either in government or the private sector in Myanmar until now although it is now included as one of the activities to be prioritized in the SME development policy framework that is being drafted. Currently, the SME Development Centre is conducting a credit screening scheme that screens the eligibility of local SME for loan with a discounted interest rate (i.e., 8.5 percent per annum).

There is no specialized bureau for the preparation and distribution of credit information either in government or private up to now. Under the leadership of the Republic of Union of Myanmar Federation of Commerce and Industry (RUMFCCI), an information bureau is currently being established with the help of a foreign agency. At present, the private banks maintain their own databases on the borrowers of their bank. However, there is no consolidated national database until now.

A microfinance law was enacted in Myanmar in 2012. At present, a number of microfinance providers including international non-governmental organizations (INGOs) and NGOs are actively operating. They provide small loans to the poor people who mainly rely on informal money lenders for their daily livelihood and are mainly located in rural areas and poor parts of the cities. Since the main principle of microfinance is targeted to the informal sector, it can be said that the availability of such loans from SMEs is limited.

There are no leasing and factoring arrangements in the country, so there is no specialized leasing or factoring company at present. About five years ago, one or two private banks were granted licenses to open a leasing department by the Central Bank, but these licenses were later suspended by the Central Bank.

There is also no legal provision for operating venture capital as well as other forms of risk capital. Such forms of capital arrangements are not available nor are known by the owners of SMEs.

There are no financial markets including stock market in Myanmar up to now. Therefore, the SMEs in Myanmar cannot get finance from the stock market. Although measures are being taken in collaboration with some foreign institutions, with the target to open the Myanmar Stock Market in 2015, financing from this source may nonetheless not be available in the foreseeable future.

- **Cambodia**

The legal and regulatory framework for access to finance might be undermined by war legacy and history of the country which left the cadastre system underdeveloped. The Cadastre Department under the Ministry of Land Management is mandated to record land titles and ownership and land use right across the country. In addition, transfers and dealing of land titles can be carried out with provincial cadastre offices. At present, around 32 percent of land ownership has been documented by the cadastre system. In addition, the new initiative “Old Policy, New Action”, massive land reform programme

is speeding up land reform and land titling. In most cases, property is used as collateral to access bank credit. In rare circumstances, movable assets such as goods and products can be counted as collateral for credits in the amount of less than US\$ 5000.

Meanwhile, Cambodia does not have a centralized collateral registry office in operation. The average percentage of collateral required by financial institutions remains high at between 125 percent and 200 percent of the total loan amount.

In special cases, SME firms can apply for an uncollateralized loan. Cambodian commercial banks such as the ANZ Royale Bank provide their customers' uncollateralized loans based on their financial statements and cash flows, with the amount ranging from US\$ 2 to 5 million. Nevertheless, the demand side also matters. The lack of capacity on the part of the borrowers to prepare proper financial statements and business plans are usually the complaints of the financial institutions. The legal framework on secured transaction is in place. The secured party may take possession or control of the collateral without legal proceedings if the debtor has agreed in writing after default. In addition, the secured party has the right to request an expedited judicial order from the court which authorizes the secured party to take possession or control of the collateral. However, if the collateral is sold at an execution sale, the secured party may buy the collateral during the sale.

Cambodia's financial market is rudimentary, providing only basic functions on mobilizing savings and providing credit. For the last 5 years, real estate boom and rapid urbanization, especially in Phnom Penh, have allowed house mortgage financing to take shape at a fast pace. Furthermore, the financial market becomes more diversified by the piloting of credit guarantee schemes and entry of private equity funds seeking investment opportunities in frontier markets like Cambodia.

There have been experiments of credit guarantee schemes but these have barely succeeded. Currently, there are 2 guarantee schemes under operation. However, the success remains uncertain.

The Credit Bureau Cambodia is a joint venture between a private firm, banking association, microfinance association and few commercial banks. The board directors, chaired by a senior official from the National Bank of Cambodia and represented by top executives from the respective shareholders. The system of processing and reporting the credit data is on voluntarily basis.

Microfinance institutions have been growing steadily both in scope and scale. By the end of 2012, total assets of microfinance sector increased from US\$ 749 million to US\$ 1,073 million, an increase of 43 percent compared to 2011. Total loan, with an average interest rate of 24 percent, increased from US\$ 642 million by the end of 2011 to US\$ 886 million by the end of 2012, an increase of 38 percent. The operation of microfinance had expanded throughout the country, with 1,919 facilities at the district level, 12,974 at the commune level, and 72,001 at the village level. In 2012, the number of borrowers increased from 1,141,913 to 1,297,151 with 80 percent of borrowers being women.

Cambodia has a regulation on financial leasing. The National Bank of Cambodia officially issues a certification to a financial leasing company. However, there is no business factoring activity in Cambodia.

Cambodia has not yet had legal frameworks to regulate venture capital and private equity fund. Only a few of them are active such as Devenco and Leopard. While Devenco's strategy is to invest in potential underdeveloped SMEs, Leopard tends to invest in well-established business.

The operation of the Cambodia Stock Exchange was launched in April 2012, with only one firm, the state-owned enterprise Phnom Penh Water Supply, listed for trading.

Table 5: Access to Finance

	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
4.1 Legal and regulatory framework	3.7	2.7	4.8	2.7	2.7	4.3	3.3	5.7	4.0	3.3	3.7
4.1.1 Cadastre (including land use right)	4.0	3.0	5.5	3.0	4.0	5.0	3.5	6.0	4.5	3.0	4.2
4.1.2 Collateral and provisioning requirements	4.0	2.0	3.5	2.0	1.0	3.0	3.5	5.0	3.5	3.5	3.1
4.1.3 Creditor rights	3.0	3.0	5.5	3.0	3.0	5.0	3.0	6.0	4.0	3.5	3.9
4.2 Sound and diversified financial markets	2.4	2.3	3.9	2.3	1.6	4.8	3.8	5.6	4.6	3.4	3.5
4.2.1 Credit guarantee schemes	2.0	3.0	4.0	2.5	2.0	5.0	4.0	5.0	4.5	3.5	3.6
4.2.2 Credit bureau/ registries (not limited to SME)	2.0	2.0	2.0	2.0	1.0	6.0	1.5	6.0	6.0	4.5	3.3
4.2.3 Microfinance Facilities (including Credit Unions)	4.0	4.0	5.0	3.0	4.0	4.0	4.0	5.0	4.0	3.5	4.1
4.2.4 Leasing	4.0	3.0	5.0	3.0	1.0	3.5	4.0	6.0	5.0	3.5	3.8
4.2.5 Factoring	1.0	1.0	4.0	2.0	1.0	4.0	4.0	6.0	4.0	2.5	3.0
4.2.6 Availability of Risk Capital (e.g. venture capital, private equity funds, business angels)	3.0	1.0	4.0	1.5	1.0	6.0	4.0	6.0	3.5	3.5	3.4
4.2.7 Access to stock market	1.0	2.0	3.0	2.0	1.0	5.0	5.0	5.0	5.0	3.0	3.2
Average	3.0	2.5	4.3	2.5	2.1	4.6	3.6	5.6	4.3	3.4	3.6

Chapter 5

Technology and Technology Transfer

1. Introduction and Assessment Framework

ERIA's research on innovation (Intarakumnerd and Ueki (2009)) confirms that the improvement of innovation capability of local firms in the region depends on how successfully they have leveraged their internal and external resources. The study shows how firms have improved their innovation capabilities through the university-industry linkages locally available to them. The role of universities has evolved from traditional activities of education and basic research to a third mission, technology transfer and commercialization. The external resources from universities, public research institutes, industrial associations, governmental and private sector intermediaries and others can help local firms develop innovation capabilities through a variety of technology transfer and knowledge-sharing activities.

One major obstacle that prevents firms from doing innovations and building up absorptive capacity is their perception of the costs and risks being too high. Another obstacle for innovation is the lack of technological facilities like testing, quality assurance, and calibration centers. These facilities require a lot of investment, and market mechanism alone may not provide them sufficiently.

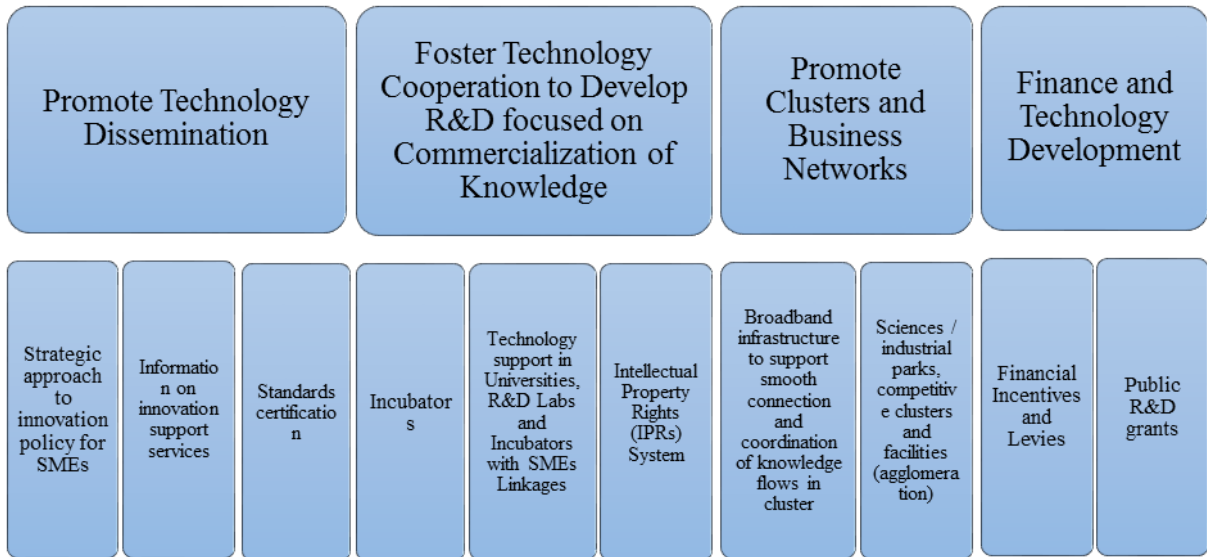
Strengthening the 'absorptive capacity' of local firms is a key success factor in gaining benefits both from within- and across-agglomeration linkages. Governments can help firms mitigate this obstacle through several policy options, ranging from tax incentives to technical support for the provision of technical infrastructure.

Policies to invite the business operation of multinational corporations (MNCs) are also warranted. MNCs encourage the locally owned firms to gain technological knowledge and capability through various channels or ways connecting MNCs to the local firms. These policies fit very well with the policy to create or strengthen the institutions to promote agglomeration/clustering effects. They can also screen particular

clusters and identify bottlenecks, gaps and weaknesses to ease, address and ameliorate these problems. Such problems can take the form of lack of critical basic infrastructure, high tech infrastructure, or supplier firms. Government can step in by creating testing, quality assurance, and calibration centers for the common uses of firms in the industry (Rasiah, 2012).

In measuring the upgrade of technological capability and transfer, there are four key policy sub-dimensions as indicated in Figure 13:

Figure 13: Assessment Framework for Technology and Technology Transfer



(i) **Promote technology dissemination** which includes strategic approach to innovation policy for SMEs, information on innovation support services, and standards certification.

Overall, it is necessary for a country to have a strategic approach for innovation policy in general and for SMEs in particular. Government, in collaboration with technology-based institutions, should maintain a database on technology and provide information and advice on best prospects for technology commercialization for SMEs. The standards testing and certification instruments are critical for SMEs to solve collective action problems on having their products and services certified to be able to penetrate export markets.

(ii) Foster technology cooperation to develop R&D focused on commercialization of knowledge through the development of incubators, technology support in universities, R&D labs and incubators with SME linkages, and the promotion and protection of intellectual property rights (IPRs);

The role of incubation centers, run by both public and private research institutions, in supporting the development of start-up companies should also be strengthened. To overcome resource constraints faced by SMEs in undertaking R&D activities, closer and proactive collaboration between SMEs and research institutes and universities should be undertaken to take advantage of opportunities arising from the dissemination and commercialization of research findings on technologies and products.

Measures towards more effective collaboration include: making R&D programs of these research institutes and universities more market-driven to meet specific needs of SMEs, with emphasis on innovation; and upgrading resource and institutional capacities of these research institutes and universities to enable the provision of more effective advisory services and the commercialization of more research findings.

To ensure that the ‘rules of the game’ facing firms are fair, legal statutes must be enacted and strengthened to protect intellectual property and develop national innovation systems to ensure that they act as an inducement rather than a deterrent in both the development and dissemination of new technology. This is vital for the development of a high tech economy so that knowledge of the highest stage/level may be generated and appropriated. Incentives can be important to encourage SMEs to access training and skill upgrading, to commercialize potentially viable R&D results, and to buy or license technologies or intellectual properties.

(iii) Promote clusters and business networks by developing broadband infrastructure to support smooth connection and coordination of knowledge flows in clusters, sciences/industrial parks, competitive clusters and facilities (agglomeration)

SMEs are known to perform well when clustered around the critical supporting organizations and numerous other firms. Clusters are defined here as regionally or locally networked set of economic agents (firms and institutions) that connect all critical economic agents necessary to drive learning, innovation and competitiveness. Clusters

are considered to produce the most synergies when all the requisite institutions needed to drive learning, innovation and competitiveness are developed with strong connectivity and coordination among them. This would drive innovation and competitiveness through circular and cumulative causal processes

Building basic infrastructure in clusters, science or industrial parks and broadband network are important not only to attract and organize firms but also to promote dynamic knowledge flows, knowledge exchanges and efficient logistics, and to accommodate a data-intensive system in modern manufacturing and services industries. Policy emphasis should target the development of broadband infrastructure either nationwide or in export processing zones to offer SMEs strong connectivity and coordination for effective networking with other firms, supporting organizations and government bodies.

Governments can create or strengthen the institutions to promote clustering effects. They can also screen particular clusters and identify and resolve problems. Given the problems of information asymmetries between government and firms, intermediary organizations such as chambers of commerce, training institutions and R&D labs often help resolve collective action problems. Interdependent relationships that are driven by the discipline of the market, participation of government when public goods are involved, and complementation through trust and loyalty to get the social commitment from the people are all vital for the development of competitive clusters. Stakeholder coordination (e.g., through industry, government, consumer and labor coordination councils) often helps secure and expand social capital.

(iv) Financial incentives for technology development through levies, public R&D grants

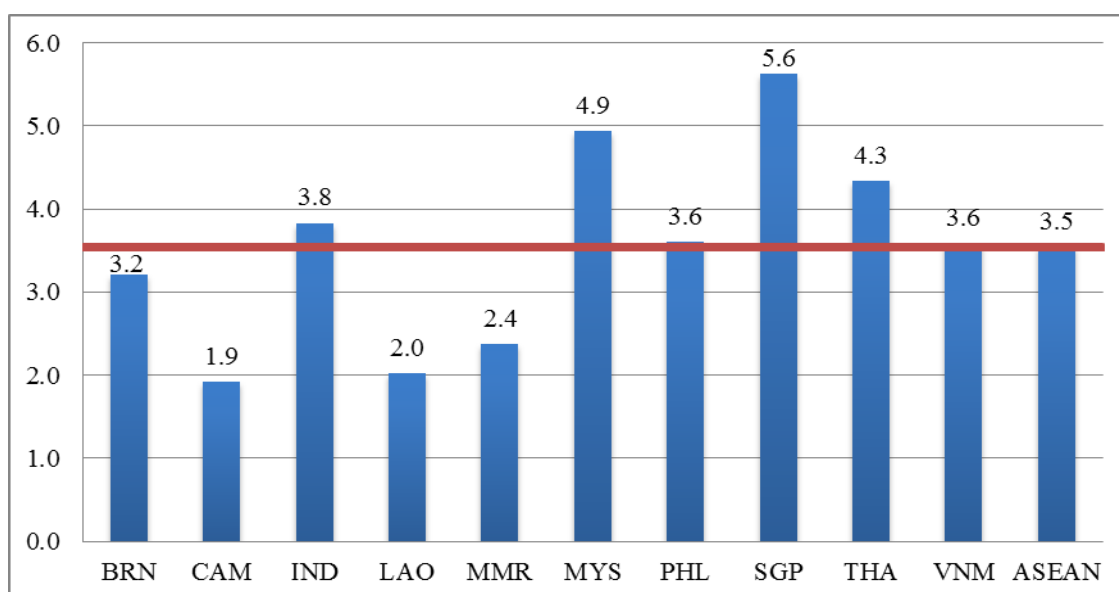
Specific programs (matching) should be implemented to nurture local SMEs as R&D partners to tap the opportunities of R&D outsourcing by MNCs. Measures should also be undertaken to encourage collaborative ventures among MNCs and SMEs to facilitate technology transfers and skills development.

Financial incentives such as grants, loans and tax breaks should be introduced. However, stringent vetting, monitoring and appraisal ex post are critical to ensure that the implicit subsidies these rents create are not dissipated

5.1 Assessment Results

The results suggest that the biggest gap is in the policy to promote technology and technology transfer between the poorer AMSs and their advanced counter parts. The gap is due to the lack of a strategic approach to innovation policy for SMEs, poor provision of information on innovation support services, limited access to standard certification services, lack of technology support in universities, R&D labs, incubators, and little linkages with SMEs. Poor protection and low promotion of intellectual property rights (IPRs), lack of broadband infrastructure, underdeveloped science/industrial parks and competitive clusters, and insufficient financial incentives for technology development and R&D activities are also the causes of the gap as inferred from the scores listed in Figure 14 and Table 6.

Figure 14: Overall Scores for Technology and Technology Transfer



- **Singapore**

There is a strong recognition in the Singapore economy that innovation and invention are the key activities to maintain and sustain competitiveness in the economy. The national innovation policy is given by the Research, Innovation and Enterprise (RIE) 2015 plan that sets out the key initiatives for R&D to meet the medium- and long-term

visions of research-intensive and innovative-based entrepreneurial and knowledge-based economy. The RIE plan indicates a budget of around S\$16.1 billion from 2011-2015. There are several mechanisms in place to coordinate the R&D activities among the public, private and educational institutions. Although there are overall plans and strategies for them, the SMEs' role is not explicitly indicated and strategies not clearly highlighted in the RIE plan.

There is plan to provide the database of innovation support service and providers to the firms but as of this date, it is not yet available to the public. There is also a strong requirement for standard and certification with sufficient infrastructure and institution to provide and verify the standards. Singapore is a member of the four international standard bodies and supports the adoption of international standards. SMEs are required to meet the standard certification and there are several Conformity Assessment Bodies (CABs) that provide conformity assessment services.

There are several incubators to assist technology start-up companies in Singapore which are financially supported by the government and public donations. Incubator Development Programme (IDP) is a SGD 30 million programme that provides incubators and venture accelerators a grant to enhance capability development programmes for innovative start-ups. The government also supports the development of a network for incubators and there is a strong presence of universities and the private sector in incubator programmes (NUS Enterprise Support Services). However, there is a limited role for SMEs in this network as it is generally focused on technology-based and targeted SMEs.

There is also a strong enforcement of Intellectual Property Rights (IPR) in the Singapore economy. The IPR services are available nationwide and the Intellectual Property Office of Singapore (IPOS) is a one-stop place for the filing and registration of patents, trademarks, designs, and plant varieties. The government provides the institutional framework for conducting hearings and mediation for IP disputes and it also provides copyright-related services such as copyright tribunal.

There is a strong broadband infrastructure and strong drive to develop technology and innovation centers by the government. The government has also set up the institution to regulate the broadband infrastructure with strong cyber laws. The government has invested in several science parks located close to and within the universities to create strong linkages and spillovers in invention and innovation. The Biopolis science park located close to the National University of Singapore (NUS) is hosting several multinational biomedical research and development companies in close collaboration with the universities. There is a strong network to link up the technology centers with the private and public sectors with a strong presence of international organizations.

There are several financial support services for innovative projects from grants, subsidies, seed funding and venture capital funds. The Technology Enterprise Commercialization Scheme (TECS) is a competitive grant in which proposals are ranked on the basis of the evaluation of both technical and commercial merits by a team of reviewers, and wherein the best are funded. In 2012, 5,600 projects were funded under this scheme. The government also provides public grants for innovative activities for companies with strong monitoring and evaluation system.

- **Malaysia**

The Government of Malaysia has officially supported technology development in SMEs since the introduction of the Industrial Master Plan in 1986. The government formed the Agensi Inovasi Malaysia (AIM) in 2011 which was targeted at assisting Malaysian SMEs to move up the value chain through innovation by taking advantage of novel methodologies, policies and outcomes. In addition, the SME Master Plan has identified innovation and technology adoption as one of the most important performance levers for SMEs with two high impact programmes specifically designed to promote SMEs in this area, namely, the Technology Commercialisation Platform and Inclusive Innovation.

In terms of information on innovation support services, SME Corp. and various ministries and agencies, including AIM, have taken measures to disseminate information on innovation support services. The SME innovation support system is

available through the SME Info portal that has comprehensive information for various support systems.

SME Corp. works closely with the Standards and Industrial Research Institute of Malaysia (SIRIM) to help SMEs in Malaysia attain product certification internationally. SIRIM, which is Malaysia's national standard development agency, is actively involved in international standards development with participation in over 80 ISO Technical Committees and Subcommittees. SIRIM is well equipped with testing facilities and equipment to help SMEs.

Various incubator facilities, specifically business and technology incubators, are available in Malaysia. As of 2010, there were around 106 incubators in Malaysia. In 2012, SME Corp. initiated a study on enhancing the effectiveness of incubation centers in Malaysia and found that there were a total of 103 active incubation centres hosting close to 1,000 companies in the country. More than 50 percent of these companies were able to develop commercially viable products with reasonable sales values.

However, technological support and linkages between universities and SMEs still require further development. Despite the efforts, more is needed to encourage better linkages between universities and industry research activities. Although the schemes are available, collaborative research between universities, research labs, and technology centres is still lacking to promote innovation and research activities among SMEs.

In Malaysia, the intellectual property (IP) system is well established. The Malaysian government has taken the necessary action to strengthen the IP environment in Malaysia with a well-established legislation and patent system implementing agency.

Malaysia enjoys broadband penetration at 60 percent nationwide. The Government has formulated the National Broadband initiatives with the objectives of deploying high speed broadband rollout of more than 10Mbps in strategic areas with high economic impact and of developing cloud computing facilities for SMEs. However, clustering has yet to reach its full potential in terms of connectivity and coordination between firms and firms, and firms and meso-organisations.

The Malaysian Government has given considerable attention to industrial infrastructure development for the broadening of SME activities, expansion of SME industrial parks in key locations, grant of soft loans to develop industrial estates and special SME parks, and building of business premises and office space at strategic locations. Networking links among innovative companies are still low, especially among SMEs. Nevertheless, the recent assessment of industrial estates by the Economic Planning Unit (EPU) shows that there is an oversupply of industrial parks in Malaysia, yet many did not meet the requirements of the investors.

There is a wide range of funding systems for the promotion of technological development and capability building, and commercialisation for the SMEs. Financing to support R&D and commercialisation, including funding to encourage women entrepreneurship, is provided by several organisations. Government funds for commercialisation are provided through the Malaysian Technology Development Corporation (MTDC), Commercialisation of R&D Fund, Technology Acquisition Fund, and the Multimedia Development Corporation (MDeC). The Ministry of Science, Technology and Innovation (MOSTI) provides innovation funding through the Enterprise Innovation Fund.

Despite the availability of a wide array of incentives and grants, they have not achieved full maturity because of a lack of proper evaluation procedures to assess their effectiveness. A mechanism to evaluate the performance of R&D funds is currently being deliberated by the government. However, the agencies and ministries involved in providing funding undertake an evaluation at the end of each 5-year Plan. For instance, MOSTI evaluates its public R&D programmes for every Malaysian Plan and the assessment is reported in the succeeding Malaysian Plan.

- **Thailand**

The National Science, Technology and Innovation Act 2008 serves as the foundation for science, technology and innovation (STI) policy in Thailand. The goal is to unify STI commitments among public agencies and strengthen the collaboration with and among

the private sector, academics, and research institutes. The coverage is designed to network knowledge from the grassroots community level up to the international cooperation level. To implement the challenges, the National Science Technology and Innovation Policy Office (NSTIPO), an autonomous public agency chaired by the Prime Minister, was established. The office operates in compliance with policy guidance from the National Science, Technology and Innovation Policy Committee.

The current ten-year National STI Master Plan (2012-2021) marks the new policy directions for STI in Thailand. It also provides mechanisms to enrich the innovation system from national to regional and local levels. Strategies, measures, and budgets are mapped out to develop vital factors leading to human capital development. The NSTIPO is the agency responsible for policy formulation and overseeing the implementation of the National STI Master Plan. The office also coordinates with the industries, government, academia and local communities. Collaborative networking is an essential part of the Office's mandate and is emphasized by the creation and promotion of active collaboration through strong linkages with local and international partners. However, Thailand's strategic approach to innovation policy for SMEs may not be well coordinated. Funds available for innovation programs are still inadequate. Certifying product standard is operated by the Thai Industrial Standard Institute (TISI) under the Ministry of Industry (MOI). The TISI has been participating as member body in the ISO since 1965. It takes 43 days to get product certification. The independent agency under the MOI--the Management System Certification Institute of Thailand (MASCI) -- provides ISO certification, product inspection, coaching and training, and climate change services (validate and verify CDM projects). However, the supporting schemes to give SMEs easy access to testing and standard services have so far been limited as yet.

The University Business Incubator (UBI) program was coordinated by the Office of Higher Education Commission and universities. The current UBI has established 9 university networks covering 56 universities around the country. About 10 university incubators can foster technology through the "Technology Licensing Office" channel, which handles technology licenses created under the universities and promotes public-

private partnership. Although Thailand has several incubators and networks with universities, less than half of the participating universities can provide high quality services. Connectivity and coordination among universities, R&D labs and incubators are limited and not well developed.

Thailand has several acts covering seven types of intellectual property rights (IPR). Protection of the IPR system in Thailand is done under the Department of Intellectual Property (DIP) of the Ministry of Commerce. The DIP also provides one-stop support centers (patent office) for IPRs, which provide patent application, search system on patent, product design, patent decree, trademarks, copyright, trade secret and general information. However, lack of effective enforcement of IPR protection leads to lower participation in IPR registration. In addition, the time-consuming patent registration procedure and its limited use for domestic protection hinder the Thai IPR system.

Thailand's broadband infrastructure is available nationwide with high quality. In Thailand, there are several types and areas of business clusters and facilities such as science parks and industrial estates created to promote networking among companies. To date, however, Thailand has only one Science Park in operation under the management of the National Science and Technology Development Agency. It aims to be the hub for the private sector's industrial R&D activities and provides services ranging from technology transfer from universities and technology centers, to financial assistance and business incubation.

Industrial estates in Thailand are governed by the Industrial Estate Authority of Thailand (IEAT), a state enterprise under the MOI. It is responsible for the development and establishment of industrial estates where factories for various industries are orderly and systematically clustered together. Currently, there are 46 industrial estates in operation across 14 provinces, 11 of which are operated by IEAT and 35 are jointly operated with developers. Some industrial estates provide incentive schemes for SMEs to locate into the facilities.

Innovation support services for Thai SMEs are provided by two main organizations: Industrial Technology Assistance Program (iTAP) and the National Innovation Agency (NIA). The iTAP is an organization aimed at providing assistance in research and development to Thai SMEs in the production sector. The NIA, meanwhile, supports national innovation in the form of new business models to create new products, new technology, new services, and new processes. NIA provides both technical and financial support to the private sector.

Thailand has established many channels to provide financial incentives or support schemes for SME innovative projects. However, in 2011, Thailand spent 20,107 million THB or only 0.22 percent of GDP on R&D. About half comes from the government budget.

- **Indonesia**

In Indonesia, the innovation strategy elements are included sporadically in some policy documents without a consistent approach. Each ministry has its own plan. There is neither synergy nor a system uniting all the strategy elements in the country. Currently, the government has a plan to introduce a presidential regulation that can be an “umbrella” to integrate and synchronize all the existing regulations.

SMEs are explicitly mentioned in most of the government programs on innovation. For example, the Ministry of Cooperatives and SME (MoCSME), together with the Ministry of Education and Culture (MoEC), and Ministry of Research and Technology (MoRT), introduced a joint regulation on National Movement for the Development of Business and Technology Incubator Aimed to Develop Innovative Entrepreneurship. Moreover, there is also currently a plan to issue the new Presidential Regulation on Incubator for Innovative Entrepreneur.

The databases on information about innovation support service providers are still fragmented in several agencies and institutions although they are available to enterprises. The government has also provided information on innovation support services through websites and brochures. The website of the National Innovation

System provides a database of innovation service providers and contains many types of innovation support programs. Since it is just being launched, the information is still incomplete. However, each institution has its own website containing valuable information.

The Indonesia government has also established the National Standardization Agency (Badan Standarisasi Nasional (BSN)), a non-departmental government institution that has the main responsibility to provide guidance and develop as well as coordinate national scope activities focusing on standardization. SMEs have access to certify their product. However, in reality, only a few SMEs certify their products. Since most SMEs produce small scales of outputs, certifying their products would be too costly for them.

The government has provided funds for universities to establish business incubators but the incentives are not large. In Indonesia, there are currently only around 30 incubators, many of them being part of universities and located in big cities such as Jakarta, Bogor, Bandung, Yogyakarta, Malang, and Medan. The operations of these incubators are funded mostly from the government budget and government continuously evaluates the existing incubators. These incubators linked a network of incubators called the Association of Indonesian Business Incubators (Asosiasi Inkubator Bisnis Indonesia (AIBI)). However, there are only a small number of people/SMEs enjoying the benefit of incubators since the number of incubators is only few. Furthermore, there is no virtual incubator in the country.

Meanwhile, the Directorate General of Intellectual Property Rights under the Ministry of Law and Human Rights (MoLHR) is the authority to manage the IPR system in Indonesia. This agency acts as a one-stop support center on IPR in Indonesia. The coverage of one-stop support centers is nationwide, as it is also part of the MoLHR which has representative offices across the nation. This agency provides various services related to IPRs, including raising the awareness on IPRs, providing information, patent applications, and licensing, among others,

In Indonesia, broadband connections are already available nationwide or in special economic zones/clusters. Nevertheless, the broadband connection quality is still not mature as the speed is not stable, depending on the area. Some areas have very good connection but others do not. Meanwhile, the facilities to promote networking among innovative companies are also already in place, represented by the establishment of six “science parks”. These parks though are still at their infancy stage and cannot be categorized as truly techno-parks. The industrial components are still missing in much of these parks. Moreover, the full capacity is not yet fully developed. These facilities are linked with universities and other innovation and technology research centers as graduates from the business incubators owned by universities are set to continue their business operation in the science parks.

There are various programs and projects provided to give financial incentives or support schemes for innovative SMEs. The fund for these financial support schemes mainly comes from government budget. The financial incentives or support schemes take several forms, including grants, subsidies, seed funding to venture capitals, private equity funds and loans. While the monitoring and evaluation process for these incentives and levies are already in place, the processes are mostly conducted by internal institutions. Furthermore, it is still unclear whether the M&E brings better management of the projects in the future.

The Indonesian government has also provided public grants to support R&D activities with a commercial orientation. The public grants for SMEs are disbursed via several government agencies, making it difficult to quantify the total amount of the grants. The most recent government project to support R&D for SMEs is through the LPDP (Institute for Management of Educational Fund). The government provides IDR 1-2 billion (US\$ 100,000 – US\$200,000) for each innovative SME project. There are also monitoring and evaluation systems for these on-going projects. However, the effectiveness of the funding allocation is still unclear as the institution is still new.

- **Philippines**

The Philippine Development Plan states that the government shall continue to implement the national innovation strategy called “Filipinnovation”. The Plan explicitly identifies science, technology & innovation as an area of support to be provided to potential, new and existing MSMEs. The strategy is also subsumed under the productivity & efficiency strategy of the Philippine MSME Development Plan for 2011-2016. The innovation policy and strategy have been developed and integrated into the Philippine Development Plan and the MSME Development Plan. The strategy also includes programs for SMEs. There are also monitoring mechanisms in place. However, for some programs, the budget has not yet been released.

There is no database of innovation support services. The DTI-BMSMED compiles all programs and services for MSMEs provided by government agencies, private sector organizations, academic institutions, and MSME organizations. This is published as a handbook. The DTI-BMSMED’s handbook could form the baseline information for the creation of the database on innovation services and programs that MSMEs can readily access online. The DTI-BMSMED could coordinate with the government agencies and other providers of MSME services in creating, maintaining and regularly updating this common database.

The Bureau of Product Standards (BPS) under the Department of Trade and Industry (DTI) is the Philippine national standards body. BPS is mandated to develop, implement, and coordinate standardization activities in the Philippines. Aside from standards development, BPS also ensures the implementation and promotion of these standards to raise the quality and global competitiveness of Philippine products and to protect the interests of consumers and businesses.

There are incentives and support schemes to establish incubators and networks of incubators all over the country. Services provided include data centers, video conferencing, matching with venture capitalists (as an exit strategy), intellectual property management assistance, R&D funding assistance, and recreation facilities. Currently, there are three incubator networks in the Philippines. Locators and start-up

firms are satisfied with the services of these incubators. Exit strategies available include venture capital arrangements and referrals to new locations.

There exists networking and coordination activities between technology development activities in universities, R&D labs and incubators, the Department of Science and Technology (DOST) and SMEs. The Technology Application and Promotion Institute (TAPI) of the DOST is tasked to promote the commercialization and transfer of technologies and to market the services of other operating units/agencies of the DOST. These programs should be further promoted, strengthened, and expanded to reach out to more SMEs, universities, and research institutions.

The Philippines has a strong legal framework and made substantial improvements in its intellectual property protection. The Intellectual Property Office (IPOPHIL) oversees and enforces the overall implementation of intellectual property rights, trademarks and patents. IPOPHIL has 10 satellite offices and 63 Innovations and Technology Support Offices (ITSO). These offices provide information and awareness services.

Broadband connections are available nationwide through major telecommunication companies like PLDT and Globe Telecom. These firms offer independent, nationwide data networks and have announced significant new investments in infrastructure to support domestic demand (primarily mobile voice and data services) as well as commercial requirements. These services are also available in economic zones and clusters. However, the quality of connection and speed depends on the location. Further development of the required infrastructure to address the connectivity deficit in the Philippines and to increase broadband coverage should be pursued.

The Philippine Economic Zone Authority (PEZA) of the DTI is the agency responsible to promote investments, extend assistance, register, grant incentives to and facilitate the business operations of investors in export-oriented manufacturing and service facilities inside special areas designated as PEZA special economic zones. Currently, there are 17 agro-industrial economic zones, 178 IT parks/centers, 65 manufacturing economic zones, 2 medical tourism parks, and 15 tourism economic zones. The DTI Regional

Operations and Development Group is implementing the National Industry Cluster Capacity Enhancement Project (NICCEP), a 3-year technical cooperation project funded by the Japan International Cooperation Agency (JICA). The project aims to develop and mobilize pilot industry clusters nationwide.

There are science/industrial parks, clusters and facilities in the Philippines. Basic supporting infrastructures for the facilities are in place. These are operated with an average of more than 50 percent of the capacity with limited linkages with universities and other innovation and technology centers.

There also appears to be weak evidence of linkages between firms and the intellectual community, i.e., universities and public and private research institutes. Firms tend to rely more on their own experience and knowledge combined with information from suppliers, customers, and clients. Firms consider institutional sources such as government or public research institutes to be of lowest significance in terms of their sources of innovation-related knowledge and information.

There is seed funding available in the Small Enterprise Technology Upgrading Program (SETUP) of the DOST and in others which include Venture Financing Program, Technology –Based Enterprise Development Assistance Program, Tax and Duty Exemption Assistance Program, Testing Assistance, Invention-Based Enterprise Development Program, and Invention Guarantee Fund. These programs and funds, however, are still limited and accessed by only a small number of firms. The government still needs to increase funding (in terms of amount and number of schemes) available for these innovative projects in partnership with private sector investors.

- **Brunei Darussalam**

In order to encourage the development of innovation and knowledge-based start-ups and enterprises in Brunei Darussalam, the Brunei Economic Development Board (BEDB) is currently establishing a three-phased development of the Anggerek Desa Technology Park. The objective is to promote and attract a diversity of technologies reflective of the

varied technology capabilities of the local enterprises. The three-phased development includes: Establishment of the iCentre, Establishment of the Knowledge Hub, and Phase 3 which is still under evaluation. All information relating to innovation support services are available at the BEDB. There is still no database set up for innovation service providers.

Standard certification is under the National Standard Centre (NSC), Ministry of Industry and Primary Resources. Brunei Darussalam has developed its own Halal Certification standards. The NSC has a subsidy scheme under the Standards and Quality Certification Programme to ensure that products manufactured comply with required standards required for export and that locally manufactured products are safe for use or consumption. The recipient company can get full funding to obtain certification and the expenses covered include consultancy, training and Standard Certification (ISO, GMP and HACCP).

As part of the BEDB's three-phased development, the iCentre was established in 2008. The iCentre is Brunei Darussalam's first ICT incubation centre that focuses on nurturing ICT entrepreneurs to develop Made-in-Brunei products and applications through a well-structured and effective incubation programme. The iCentre is currently managed by KR Consulting, a business unit of the National University of Singapore. The iCentre has incubated 15 local ICT companies. Through its mentorship and networking programmes, the iCentre provides its incubatee access not only to professional advices but also to potential partners and clients, both locally and internationally.

There are legislations in Brunei Darussalam to provide the legal mechanism for the protection of IPR. The IPR system is administered by the Patents and Industrial Designs Patent Registry Office at the BEDB.

For broadband infrastructure to support smooth connection and combination of intellectual currents in business clusters, the existing broadband capacity needs to be upgraded to improve the broadband connectivity and reduce down time. In view of the above, the government is embarking on a "Fibre To The Home" (FTTH) project to

ensure that all residents and businesses are connected. This will ensure a better connectivity with very little or minimal downtime.

The Science and Technology Park has not yet been developed in Brunei Darussalam. For the existing industrial sites, there are no special networks or dedicated networks allocated for these industrial sites.

The Brunei Research Incentive Scheme is a Grant Scheme that is administered by the Brunei Economic Development Board. The Grant is a cost-sharing grant to support private sector research and development activities and to attract foreign companies to conduct R&D activities in Brunei and set up laboratory facilities in Brunei Darussalam.

- **Viet Nam**

In Viet Nam, the innovation strategy is included in some legal documents but scattered without consistent approach among ministries, localities and other state agencies. The technology innovation policies are basically developed and associated with action plans, budgets and time frames. In the SME Development Plan 2011-2015, a number of technological innovation programs are included.

There are also many programs meant to support SMEs in enhancing their innovation and technology capacity. The MoST and local governments also develop plans and allocate funds to support SMEs in applying quality management systems (ISO) and other international standards. Policies that prioritized SMEs in participating in incubators were also issued in spite of inconsistencies and lack of capital.

Other programs have also been implemented such as: (a) the program supporting the development of intellectual property of enterprises. However, the total fund of this program by the end of 2011 was modest at only around US\$ 3.7 million;(b) the Development and Application of Standards and Technical Regulations" project which is one of the national programs meant to improve productivity and product quality of Viet Nam's enterprises towards 2020; and (c) the "Promotion of Activities on Productivity

and Quality" project which is another project meant to improve productivity and quality of Vietnamese enterprises.

In terms of financial policies and mechanisms to encourage enterprises to invest in scientific and technological activities, the following developments have taken place. From 2007 up to the present, the total guaranteed loans of around US\$ 1.7 million have been provided to 54 projects using energy savings and efficiency in 53 units. Currently, through the National Fund of Scientific Development and Technology, enterprises, scientific and technological institutions can get loans with preferential interest rates to apply the outcomes of research projects, innovations and technology transfers for economic and social development.

The government has likewise approved the plan for providing information on innovation support services to enterprises in general and SMEs in particular. In this regard, the National Agency for Science and Technology Information was established to provide, among others, information on innovation support services. At the provincial level, the Department for Science and Technology takes on this function.

The Directorate for Standards, Metrology and Quality (STAMEQ) is an agency for product standards certification. This organization has been equipped with modern equipment to perform certification for a variety of different products. There have been supporting schemes for SMEs to easily access certification services for their products when STAMEQ established two SME Development Support Centers to support SMEs in improving the standards, quality and access to certification of their products.

In Viet Nam, a number of technology incubator models have also been developed. They include technology incubators in universities and in enterprises. Many incubators have innovative activities and have gained important initial results. As of mid-2012, Viet Nam had 47 technology incubators, of which several incubators are in operation outside of the experimental phase and provide basic services. There is provision of high quality services and existence of exit strategies. However, most incubators are in the process of development and they have to raise their funds themselves to survive and

develop, thereby making their performance and effectiveness modest in both quantity and quality. The Viet Nam Technology Incubation Network was established to connect the research and development in the field of science and technology with commercial and investment activities. Some incubators have performed effectively and reached out internationally, participating in the International Association of Incubators.

Vietnam has a policy framework to support technological development in universities, research and development laboratories and technological incubators. These policies are associated with the development of SMEs in the technological universities, research and development laboratories and technological incubators. Viet Nam has already had a network of linkage and coordination among technology development activities.

Viet Nam also has grants or incentives related to supporting activities. However, linkage amongst universities, R&D labs, incubators and SMEs in technology development, connectivity and coordination is not strong enough to form close relations amongst them because universities and R&D labs do not meet all the demands of enterprises.

There is a Law on Intellectual Property and a patent system with an implementing agency, namely, the National Office of Intellectual Property (under the MOST) which is the only organization authorized to grant IPR license. It has representative offices in big cities. There is also an online registration for new trademark. Viet Nam has a one-stop center to support the protection of intellectual property (the Supporting and Consulting Center managed by the Department of Intellectual Property). This Center provides services on awareness, information, registration of patents, licenses and other services and the scope of its services is nationwide.

Telecommunication and Internet development strategies often refer to building the information society based on a modern nationwide broadband network infrastructure to meet the economic, political, national security and welfare needs of the society. Recently, ten enterprises have been granted licenses to build network infrastructure. However, in practice, only two major groups (i.e., Viettel and VNPT) have built

telecommunications network infrastructure on a national scale. These networks are interconnected with each other. Therefore, it can be said that the broadband connections are already available nationwide. The broadband connection quality has significantly improved although at times, it is still unstable or suffers breakdown, depending on the location.

Viet Nam has science /technology parks and industrial clusters operating in competitive and other favourable conditions to encourage the connection between innovation and research companies. For existing facilities, their coverage rate averaged 46 percent of their capacity by the end of 2010 and there are linkages with universities and other innovation and technology centers. The network of facilitates and linkages, however, are limited in terms of geographical area (mostly in Ho Chi Minh City) or industry (software sector). Incentive schemes for qualified SMEs were set to locate in the facilities. In general, the clusters have been widely known and attractive to businesses and foreign countries that have higher innovation capabilities.

Viet Nam has likewise made efforts to establish some financial channels for technological innovation in the form of funds such as the National Fund for Science and Technology Development, Funds for Science and Technology Development at provincial levels, and the Fund for Science and Technology Development in enterprises, especially the National Fund for Technology Innovation, to support part or the whole of the enterprises' costs for R&D in new technology, advanced technology or high technology. The government also allows enterprises to keep 10 percent of pre-tax profits for R&D.

In Viet Nam, investment for R&D activities account for only 0.7 percent of GDP (equivalent to approximately US\$ 700 million), of which 70 percent comes from the government. Most SMEs use out-of-date technologies that are 2 to 3 generations behind the world average level. In practice, due to limited resources and capital shortage, most enterprises focus on technology innovation rather than on R&D activities.

- **Lao PDR**

Development technology and promotion of technology transfer is one of the important elements in Lao PDR's 7th Socio-Economic Development Plan (2011-2015). The Ministry of Science and Technology (MoST) has the Development Strategy of Science and Technology (2013-2020) which supports technology and technology development for SMEs.

While innovation strategies are included in the enterprise policy, industrial policy, human capital development policies, or education and research policies, no consistent approach nor indication of implementation actions has been observed. A database is available to enterprises for limited sets of services and fragmented set of information on innovation support service providers. Government has established a legal and policy framework to support standards organizations.

There are incentives and support schemes to establish incubators associated with universities and/or research centers. Government has also established a legal and/or policy framework to support technology development in universities, R&D labs and incubators but few one-stop support centers on IPRs exist.

The laying of broadband connections is underway either nationwide or in special economic zones/clusters. Facilities at industrial parks are operated with an average of more than 50 percent of the capacity.

Financial support schemes are limited and funded by government, donors and/or other organizations. Tailored services are provided to link innovative companies to sources of financing. There are pilot public funds supporting R&D activities with a commercial orientation with limited allocation.

- **Myanmar**

Like financing, technology development has become a critical activity for promoting SMEs in the country. Unfortunately, the innovative activities are generally lacking in

Myanmar due to ineffective support by the government, low level of education, lack of encouragement and incentive, and finally insufficient capital to invest in R&D.

There is no strategic innovation policy in Myanmar, with the approach on stimulating, initiating and coordinating innovations being incoherent and inconsistent. However, some ideas and activities that are aimed at promoting innovative activities are sporadically found like the grant of awards to the most innovative firm. There is neither coordinated approach nor annual budget allotted for these sporadic activities though and local SMEs are not explicitly mentioned in said programs.

There is no plan for providing information on innovation supporting services either on the part of the government or other private service providers. However, the SME Centre is now designing an information portal for providing SME-related information to all stakeholders. When completed, the portal will provide some information on innovation supporting services.

There are some agencies that specialize in certifying products for their standards in the country. Most of them focus on health and safety standards for agricultural and marine products that are being exported.

Regarding business and technological incubators, 22 technological incubators have already been established under the Ministry of Science and Technology. However, business incubators to nurture local entrepreneurs of any kind have not been established so far. The availability of services from these incubators for SMEs in the private sector is still quite limited since they are accessible mainly for state-owned enterprises and to support the works of their Ministry.

There are no coordinated and coherent policy frameworks to support technology developments in universities, R&D centers, laboratories and incubators. As of this date, there is no government plan that can be seen to coordinate their activities. These universities and research centers are operating under different ministries that makes it difficult for them to coordinate with each other. There are no other grants or incentives

to provide innovation support services to these organizations and there are also no monitoring mechanisms for this purpose.

Myanmar has legislations on protecting IPR although enforcement in this area is still weak. A Patent Office has been established with the aim to protect trademark and copy rights but there is no specialized support center for protecting IPR.

Regarding the promotion of clusters and business networks, a broadband infrastructure is available in special economic zones and most of the major areas of the country. A government plan is now underway to make available broadband networks in all the remaining areas. The speed of broadband network is slow at present but on a positive note, breakdowns hardly occur.

There are two industrial parks specially dedicated for information and communication technology. However, there is no linkage between the firms in these parks and universities and other R&D institutions located outside of these facilities. There are also no other linkages among universities and research centers.

For financing to support activities for technology development, there are no direct government grants or incentives. Most of the support comes from foreign funding agencies, particularly for training. There are no public grants for SMEs to support innovative and R&D activities of commercial orientation. There is also no explicit plan to facilitate this kind of activities in the current policy framework. Technology development and innovation is one area that has been overlooked by policymakers in Myanmar up to now.

- **Cambodia**

Cambodia scores low in terms of technology and technology transfer. Although the government made some progress in promoting technology dissemination, challenges nonetheless remain daunting in areas of R&D, technology cluster and finance and technology.

Science, technology and innovation (STI) policy has been drafted by two different ministries. One is being drafted by the National Committee for Science and Technology under the Ministry of Industry. The other is being drafted jointly by the Ministry of Planning and KOICA called the Cambodia National Science Master Plan (2014-2020). The master plan includes: (1) the national integrated governance system for science and technology in Cambodia, (2) the establishment of an S&T specialized organization in the Cambodian government, and (3) the establishment of an R&D Action Plan of Industry. The coverage is designed to network knowledge from the grassroots community level up to an international cooperation level.

The Ministry of Industry provides information on innovation support services to the public. However, the information are not well constructed and are fragmented. Certifying product standard is done by the Institute of Standard of Cambodia (ISC). The ISC issues standard certificates to food and beverage companies such as soy sauce, fish sauce and chili sauce. However, this institute is understaffed and equipped with little modern equipment.

The Technology Incubator Center (TIC), funded by the ADB, was set up in 2008 and started functioning in September 2009 to: 1) carry out R&D activities in the food industry; 2) develop and disseminate new technologies and know-how to private enterprises through technical trainings and onsite consultations; and 3) build capacity of internal staff in the area of R&D from external technical experts. At the same time, the government also formulated the Project Economic Diversification Program to fund SMEs in testing chemical substance in food, soft drinks, beer and others. Moreover, under a public-private partnership (PPP) initiative partly funded and designed by the German Organization for Technical Cooperation (GTZ), now the GIZ, five enterprises producing mineral water, ice and soy sauce, have been selected to upgrade their manufacturing facility, machinery and technology. Unfortunately, the TIC has no linkage with university R&D labs. Furthermore, there is no formal framework to support technology development and R&D labs and incubators in universities. However, the Institute of Technology of Cambodia has a small technology incubator center for students to conduct research and pilot test, as well as to provide service for

private companies if requested. Protection of IPR for small and medium industries (SMI) is operated by the Cambodian Innovation Creativity Center under the Ministry of Industry. The center provides one-stop support services (patent office) for IPRs, which include patent application, patent license, product design, technology of production, and IPR protection.

Private companies provide 3G broadband connections in some major urban areas and special economic zones with high quality across the country. Regarding policy, the National Information Communications Technology Development Authority (NIDA) has prepared a broadband policy to promote broadband infrastructure. In addition, a draft of cyber law is under preparation by NIDA with the support of the United States, Sweden and the European Union.

Technology development is mainly conducted through foreign assistance. JICA and GIZ provided financial support schemes and technical assistance for SMEs involved in food processing. ADB supported entrepreneurial training for micro-business. Meanwhile, the International Finance Corporation - Mekong Private Sector Development Facility, the IFC-MPDF is funding the development of a 36-hour training course and self-study workbooks in Khmer on production management, marketing, human resource and operations management. In terms of public R&D grants, on the other hand, the government has allocated insignificant amounts in the budget to support R&D.

Table 6: Technology and Technology Transfer

	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
5.1 Promote Technology Dissemination	3.0	2.5	4.0	2.3	2.7	5.0	3.5	5.0	4.5	3.5	3.6
5.1.1 Strategic approach to innovation policy for SMEs	3.0	2.0	4.0	2.0	1.0	5.0	4.5	5.0	4.0	4.0	3.5
5.1.2 Information on innovation support services	3.0	2.5	3.0	2.0	2.0	4.0	1.0	5.0	4.5	2.0	2.9
5.1.3 Standards certification	3.0	3.0	5.0	3.0	5.0	6.0	5.0	5.0	5.0	4.5	4.5
5.2 Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge	4.3	1.7	4.8	2.0	3.3	4.5	4.2	6.0	4.3	3.8	3.9
5.2.1 Incubators	4.0	1.0	4.5	2.0	4.0	4.5	4.0	6.0	4.5	3.5	3.8
5.2.2 Technology support in Universities, R&D Labs and Incubators with SME Linkages	5.0	1.0	4.0	1.5	3.0	3.5	3.5	6.0	4.5	3.5	3.6
5.2.3 Intellectual Property Rights (IPRs) System	4.0	3.0	6.0	2.5	3.0	5.5	5.0	6.0	4.0	4.5	4.4
5.3 Promote Clusters and Business Networks	3.0	1.8	3.5	2.3	2.5	5.5	3.8	6.0	5.0	4.0	3.7
5.3.1 Broadband infrastructure to support smooth connection and coordination of knowledge flows in clusters	4.0	2.5	5.0	3.0	2.0	6.0	4.5	6.0	5.0	3.5	4.2
5.3.2 Science / industrial parks, competitive clusters and facilities (agglomeration)	2.0	1.0	2.0	1.5	3.0	5.0	3.0	6.0	5.0	4.5	3.3
5.4 Finance and Technology Development	2.5	1.8	3.0	1.5	1.0	4.8	3.0	5.5	3.5	3.0	3.0
5.4.1 Financial Incentives	3.0	2.5	3.0	2.0	1.0	5.0	3.0	5.0	3.5	3.0	3.1
5.4.2 Public R&D grants	2.0	1.0	3.0	1.0	1.0	4.5	3.0	6.0	3.5	3.0	2.8
Average	3.2	1.9	3.8	2.0	2.4	4.9	3.6	5.6	4.3	3.6	3.5

Chapter 6

International Market Expansion

1. Introduction and Assessment Framework

SMEs face special problems relating to their size and in the context of rapid trade liberalization, they need to develop capacities to take advantage of opportunities arising from a more open regional trading system and production network developments.

Despite cuts in average tariffs, small businesses still have difficulties in fully exploiting opportunities arising from globalization and regional trading agreements. The SME contribution to direct exports has remained static or even declined. Reductions in tariffs have not benefited SMEs, and more emphasis by regional governments needs to be put on tackling non-tariff barriers (customs procedures, mobility of business people, standards of labeling requirements, access to finance, recognition of professional qualifications, consumer protection particularly regarding online transactions, and intellectual property rights) if SMEs are to benefit from trade expansion and enhance their exporting capacity (Abonyi and Supapol, 2012).

SMEs also lack skills in dealing with customers both in the domestic and overseas markets. They have limited knowledge about language and culture as well as the legal and bureaucratic issues involved in participating in export markets and production networks. They may experience a lack of business infrastructure support and in some countries may be discriminated against relative to large firms.

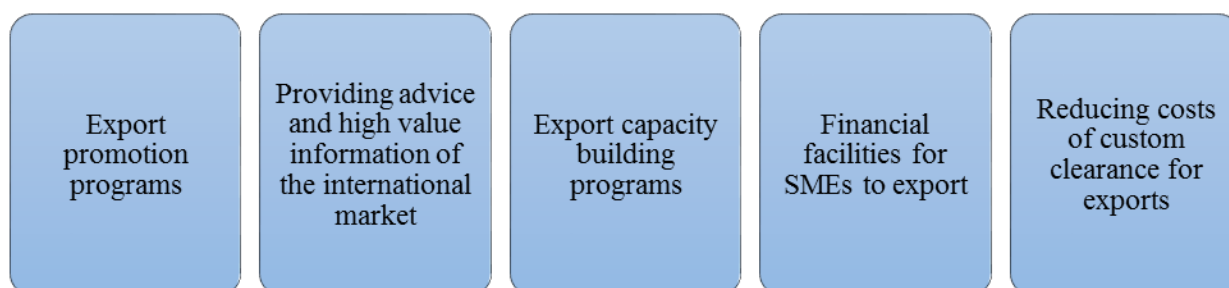
The following five policy sub-dimensions are critical to support SMEs' expansion in the international markets (also shown in Figure 15):

- **Export promotion programs**

A country must have an export promotion strategy and specific support programs for SMEs in internationalization. General export promotion programs can be in the form of information on international trade, assistance to exports, organization and

participation in trade missions, international trade exhibitions, training, and support for technical and quality standard requirements in meeting international standards (OECD, 2009).

Figure 15: Assessment Framework for International Market Expansion



• **Providing advice and high value information of the international market**

The basic support from the government is to provide advice and high value information of the international market such as product features, prices, buyers, distributors, relevant standards and specifications, international best practices, preferential treatments, and related legal requirements and procedures.

Marketing support should include: market information, marketing research, brand promotion, bid intervention, facilitation of participation in trade fairs and exhibitions, strengthening of marketing channels and distribution, organization of buyer-seller matching, logistics systems, preparation of publicity literature, assessment of creditworthiness of importers, business matching, and provision of marketing outlets and consortia formation.

SMEs should be encouraged to gather market intelligence to facilitate entry into new markets by undertaking specific market studies by themselves or accessing secondary sources of information. This will, among others, enhance their awareness on new and emerging aspects of business operations and practices such as innovation, advertising and the changing medium of communication, and strengthen local brands and build market shares.

- **Providing capacity building for potential exporting SMEs**

To compete effectively in the international market, SMEs should be encouraged to equip themselves with knowledge and skills in areas such as financial management and marketing. These skills will enable SMEs to respond to new market trends and requirements of the different market segments, and to leverage upon their core competencies to create and develop market niches.

To improve SMEs' marketing capacity, training modules should focus on areas such as negotiation skills, product planning, merchandising, pricing, brand building and consumer behavior, and logistics management to enable SMEs to keep pace with new market trends and requirements.

Moreover, it is important to train SMEs to develop best business and management practices such as supply chain management, customer relationship management and enterprise resource planning to gain competitive edge. They should also be encouraged to benchmark against their peers and competitors to improve performance. Training programs should be designed, in collaboration with industry associations and chambers of commerce, to encourage the participation of SMEs in benchmarking programs and in exploring their export potentials.

- **Financial facilities for SMEs to export**

It is particularly important for SMEs to have financial facilities for exports, given that bank-dominated financial systems usually constrain available financing for new ventures by small firms. Policy initiatives can therefore play an important role in providing access to financing for internationalization either directly (e.g., export finance programs) or by reducing the perceived risks of commercial lenders and investors. In this context, familiarizing SME managers with different forms of export-related financing is particularly important (e.g., letters of credit, factoring, leasing, trade insurance).

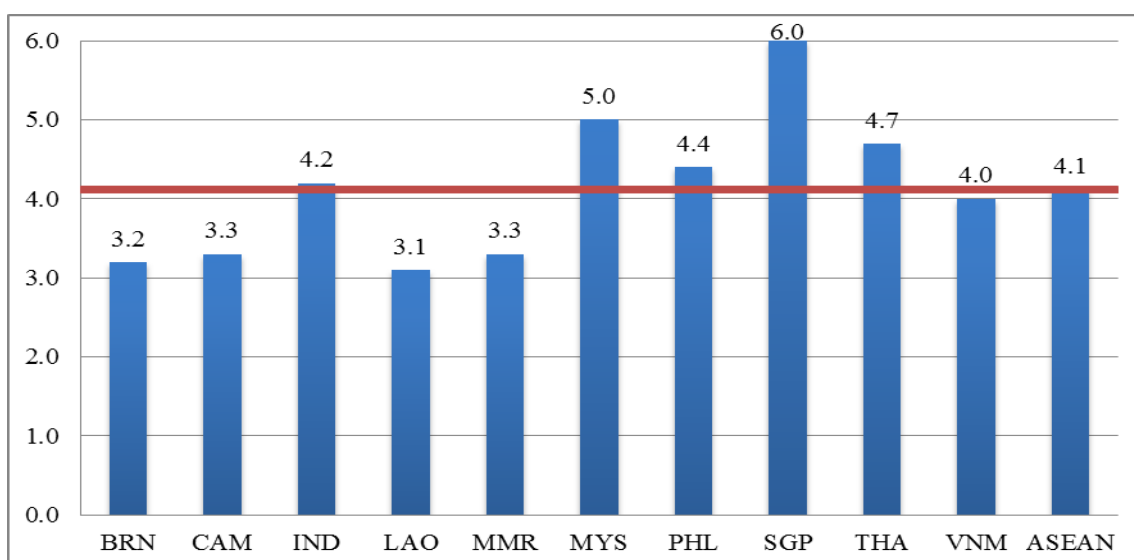
- **Reducing costs of custom clearance for exports**

High costs of custom clearance can be prohibitive and are a deterrent for SMEs to engage in international markets due to their scale and cost disadvantages compared with larger firms. Therefore, making exporting procedures simple and at lower costs is critical in encouraging more SMEs to explore potentials in international markets.

2. Assessment Results

The gap in the capability to provide facilitation support for international market expansion is relatively wide between the two groups of AMSs. It is because export promotion programs and provision of advice and high quality information are better structured in the ASEAN-6. They have also developed and run export capacity building programs nationwide in a well-coordinated manner. At the same time, more financial facilities such as trade credits, grants, and insurance schemes are in place in the ASEAN-6 to encourage SMEs to expand their market overseas with faster and cheaper custom clearance (refer to Figure 16 and Table 7).

Figure 16: Overall Scores for International Market Expansion



- **Singapore**

The International Enterprise (IE) Singapore is the main agency supporting and developing key initiatives for export market development and international brands for domestic companies. There are strong strategies and initiatives for export promotion programs in Singapore. The Global Company Partnership (GCP) program driven by IE Singapore aims to form partnerships and alliances between domestic companies and multinational firms in the region and globally. There is an e-portal and one-stop center for domestic firms to gather information and to form partnership and alliance with

foreign firms. IE Singapore provides grants for training programs, workshops on export markets, trade fairs, and overseas market missions for domestic companies.

There are several financial support for export promotion for domestic firms such as the Internationalization Finance Scheme (IE Singapore), Loan Insurance Scheme (SPRING Singapore), Trade Credit Insurance Scheme (IE Singapore) and Political Risk Insurance Scheme (IE Singapore).

The government maintains very low transaction cost in terms of custom clearance and control in taking one day for approval and with around US\$50 for the cost (WB Doing Business 2013). Singapore is ranked above the top fully functional "ASEAN Single Window".

- **Malaysia**

The Malaysia External Trade Development Corporation (MATRADE) as the external trade promotion arm under the Ministry of International Trade and Industry (MITI) is the agency that is responsible for promoting Malaysian products in export markets, including those produced by SMEs. MATRADE uses several export programs to promote SME exports from Malaysia, such as Overseas Trade Fairs, Trade and Investment Missions, Specialised Marketing Missions, In-Store Promotion, Information Booths, Exhibition Centre and Promotion Services.

MATRADE functions as a focal point for Malaysian exporters and foreign importers to source for trade-related information. By providing market intelligence and relevant advice, MATRADE assists Malaysian exporters to better position their products and services in the highly competitive global markets. MATRADE has an international network of 38 overseas offices located in the major commercial cities around the world to assist in the search for and development of overseas markets for Malaysian products and services.

More specifically, MATRADE provides Malaysian firms advice and high value information on international markets which include matching foreign buyers with Malaysian exporters of value-added products and services, organising trade missions and the participation of Malaysian exporters in international trade fairs and exhibitions, organising seminars and workshops on trade opportunities, regulations and procedures and international marketing issues, providing and disseminating current trade information and market intelligence, and managing a permanent display of 'Made in Malaysia' products.

At present, there are two main programs offered by MATRADE to assist SMEs to undertake activities for the development of export markets – the Market Development Grant (MDG) and Brand Promotion Grant (BPG). For MDG, companies can obtain a 50 percent reimbursable matching grant on approved costs of eligible activities. Meanwhile, for BPG, SMEs that are developing and promoting brands can apply for either a 100 percent reimbursable grant subject to a maximum of RM1 million per company per brand, or a combination of 100 percent and 50 percent reimbursable grants, subject to a maximum of RM2 million per company per brand. Based on the Economic Census of 2011, about 19 percent of the total 645,136 SMEs have export experience.

The financial facilities for SMEs to export are available nationwide from the Export-Import Bank of Malaysia Berhad (EXIM Bank), a government owned development financial institution with a mandated role to provide credit facilities to finance and support exports and imports of goods, services and overseas projects with an emphasis on non-traditional markets; export credit insurance services; export financing insurance; overseas investments insurance; and guarantee facilities.

The cost to export per container in Malaysia is within the range of US\$100 to US\$150, which is charged by export agents and not by the customs since there is no charge for obtaining custom clearance in Malaysia. The fees include costs for documentation, administrative fees, broker fees, terminal handling charges and inland transport. They do not include tariffs or trade taxes. Normally, it takes between 2 to 5 days for the

custom clearance. However, the World Bank Doing Business reports that in 2013, custom clearance and control takes one day and the cost is around US\$60 (WB Doing Business 2013).

- **Thailand**

The export promotion programs (excluding trade credit and loans) for Thai SMEs are provided by the Ministry of Commerce and the OSMEP. To date, most of these programs are not yet well coordinated. The economic evaluations of these programs are not reported but their implementation is monitored.

The OSMEP and the Ministry of Commerce provide information on trade regulation and foreign markets. There are one-stop shops providing such information at the Ministry of Commerce.

Most of the assistance for SMEs with good potential for internationalization are publicly provided by the OSMEP. Under the capacity building program of the OSMEP, grants are given to SMEs. This financial assistance aims to provide opportunities for SMEs to attend overseas trade fairs, business matching program, and a training course on SME know-how or information on market access opportunities. The program is operated nationwide but limited to certain business sectors such as food production, garment and textiles, footwear and leather goods, hotels, tourism services, and organic farming. Implementation of the program is measured by the number of participating SMEs and their satisfaction reports.

Another similar capacity enhancing program for SME entrepreneurs in border areas is provided by the OSMEP. Under this program, entrepreneurs in areas along Thailand's borders receive training in business management, use of new technologies, marketing channels, and logistic planning. In addition, the OSMEP provides business advisory and offers guidelines to these SMEs to cope with future changes along the borders. Other important activities include the setting up of border trading networks, business matching and trade negotiations with their counterparts.

The International Trade Promotion Fund under the Ministry of Commerce has been used to finance Thai SME development projects. In 2013, the trade promotion fund totalled the amount of 300 million THB and is used to bankroll SMEs and urgent projects. It targets SMEs with product quality and services as well as those engaged in international trade. It aims to help at least 500 SMEs each year while encouraging them to join in more overseas trade fairs.

The EXIM Thailand bank also provides SME support through comprehensive export financing and skills development for existing SME exporters and those who want to become exporters. Regarding the financing aspect, the Bank will provide SME exporters with a complete range of short-term and long-term credit facilities such as revolving lines of export credit (working capital), forward contract, guarantees, and loans for capacity expansion or for investment. Moreover, it offers insurance services to SME operators to hedge risks from their export and overseas investment transactions. The Bank's insurance service also covers analysis on creditworthiness of overseas buyers or buyers' banks, thus boosting their confidence in starting up a new business and expanding business in new markets. Regarding skills development, the EXIM Thailand bank also provides training programs to enhance SME exporters' knowledge on export business and export credit insurance. Despite such government efforts for exporting SMEs, though, financial facilities are still limited to a few regions and SMEs.

According to the World Bank Doing Business in Thailand 2013, it takes one day for the custom clearance and control for exporting per container and it costs US\$50. However, it takes 14 days for meeting all the procedures for exporting per container at a cost of US\$ 595.

- **Indonesia**

In terms of the Indonesian policy framework on international market access, the policy dimensions consist of export promotion programs, providing advice and high value

information of the international market, export capacity building programs, financial facilities for SMEs to export, and reducing costs of custom clearance.

The policy framework for increasing international market access for Indonesian products, including those produced by SMEs, is fairly well-developed. There have been various export promotion programs that were adequately funded and implemented by a coordinating agency. The government, through various agencies, has also provided information about specific export markets, including product features, price, buyers, distributors, relevant standards and specifications, international best practices, and related legal requirements and procedures.

As for SMEs in particular, the government also offered various export capacity building programs, albeit with limited coverage. Furthermore, the government has also given financial assistance for SMEs to export while at the same time easing the custom clearance procedures and costs.

Several line ministries and agencies in Indonesia have conducted export promotion programs for SMEs with sufficient funding that mainly comes from the national budget. However, the programs are not well coordinated. Although a coordination agency – the PEPI (National Team for Increasing Exports and Investments) under the Ministry of Trade – exists to coordinate all export promotion programs in the country, it has not been able to prevent overlapping programs.

Under the Ministry of Trade, in particular, there are at least 4 export promotion programs. One is trade mission to new markets. The Trade Minister, together with representatives from large firms, goes to countries whose markets have not yet been tapped by Indonesian exporters. SMEs may also eventually benefit from trade with these new markets. Two is trade exhibition. Some ministries in Indonesia sponsor SMEs to open stalls in trade exhibitions abroad. Three is in-store promotion. The Ministry of Trade facilitates the promotion of Indonesia's products from both large firms and SMEs in world-class shopping malls abroad. And four is trade display in Indonesia's Trade Promotion Centres (ITPC) abroad.

There are three agencies providing businesses information on specific markets, including product features, prices, buyers, relevant standards and specifications, and related legal requirements. One is Indonesia's Trade Promotion Centre (ITPC), an Indonesian representative agency in many countries assigned to promote its foreign trade. Two are the trade attaches located in Indonesian embassies all over the world. And three is the Division of Market Development and Information, Directorate of National Export Development of the Ministry of Trade which conducts market intelligence for countries not covered by the ITPC and trade attaches. This agency is also a one-stop shop that provides specific market information although said information is not comprehensive. It also has an E-portal and monitoring & internal evaluation system but they are not functioning well.

Despite being uncoordinated, several export capacity programs have also been established by several line ministries and agencies. The Ministry of Trade, with support from the Jakarta Government and JICA, established the Balai Besar Pelatihan Ekspor Indonesia (BBPEI) which is dedicated to train businesses on export-related matters. The Jakarta Government contributed the land and the Ministry of Trade allocated funds for developing the building and infrastructures while JICA provided the equipment, including computers.

Moreover, the Ministry of Trade, together with local governments in six regions, established Training Centres for Export called Pusat Pendidikan dan Pelatihan Ekspor (P3ED). This program was conducted in six large cities: Medan, Jakarta, Surabaya, Banjarmasin, Makasar and Mataram, and includes grants or subsidies for training courses, export coaching, workshops and trade fairs as well as product development. This program was started in 2002 and then turned over after 5 years to local governments. However, the Ministry of Trade still allocates funds through the deconcentration fund to every region in order for them handle the export capacity building programs for SMEs. While there is an internal monitoring and evaluation process for this program, it is unclear whether there has been a significant number of participating SMEs which have started to export.

The Indonesian government has also provided financial assistance for SMEs to export. These facilities are under the responsibility of the Lembaga Pembiayaan Export Indonesia (LPEI) which was established in 2009. Although the scope of the facilities is nation-wide, the number of SMEs exceeds the available facilities. In 2011, the SME export credit portion allocated by LPEI was only 8.47 percent of its (LPEI) total export credit of 20.5 trillion rupiah. In view of this, the Indonesian Parliament demanded that the LPEI allocates at least 10 percent of its total export credit to support SMEs' export.

Indonesia has a fairly well-developed custom clearance system. The length of custom clearance in Indonesia depends on the lane the container goes through. If the goods are not suspicious at all, then they go through the green lane, which usually takes 3 hours for custom clearance. If it is rather suspicious, then the process through the yellow lane usually takes 3 to 24 hours. As for the red lane, the length of custom clearance process varies on a case by case basis. Regarding the custom clearance costs, legally it is free but as to whether there are illegal payments, no one responds to this question.

- **Philippines**

The Center for International Trade and Export Missions (CITEM) is mandated to help achieve DTI's export growth targets by promoting the Philippines as a reliable source of products in the global market. Its programs and services include trade events, trade missions, merchandise/technical consultancy program, in-store promotions, and CITEM trade opportunities program. Export promotion programs exist and executed by a specific agency of government. There is funding available but export firms see the need for larger funding given the number of activities that need to be undertaken each year.

There are three DTI agencies providing advice and high value information of the international market: Bureau of Export Trade Promotions, Foreign Trade Service Corps and Board of Investments. Market information given includes product features, prices, buyers and distributors, relevant standards and specifications, and related legal requirements and procedures. As the export promotion arm of the DTI, the Bureau of

Export Trade Promotion provides frontline assistance, information, and specialized consultancy services to all exporters. Its main programs consist of frontline services, specialized consultancy services, outbound business matching and inbound business matching, and market opportunity mapping and information sessions. The Foreign Trade Service Corps of the DTI promotes the exports of goods and services, encourages inward foreign investments through various support activities and commercial intelligence work.

Export capacity building programs such as training courses, export coaching, workshops and trade fairs are implemented with national coverage. The Philippine Trade Training Center (PTTC) is the export and MSME training arm of the DTI. It designs and develops training programs for MSMEs, business support organizations and government sector. It also provides post-training advisory and counselling services and customized in-firm level training programs and services. However, the programs are operated with limited geographical coverage and a limited number of SMEs.

Financial facilities to export are in place nationwide with monitoring and evaluation processes. The Trade and Investment Development Corporation of the Philippines (TIDCORP), known as the Philippine Export-Import Credit Agency (PhilEXIM), is a government-owned and- controlled corporation designed to provide financing, guarantee, and insurance services to exporter firms. The facilities are operated with limited geographical coverage and a limited number of SMEs.

According to the DTI-Center for International Competitiveness (CIC), customs clearance for exports would take a maximum of one day with a cost of US\$50. The DTI-CITEM indicated that there are different agencies giving out clearances for exports depending on the materials used. Thus, there is no standard number of days for releasing clearances. The World Bank Doing Business 2013 reported 2 days for customs clearance and technical control.

- **Brunei Darussalam**

All export promotion programs are under the Ministry of Industry and Primary Resources and also the Ministry of Foreign Affairs and Trade. Some of the programs include bringing local SMEs to participate in international trade fairs and exhibitions. The cost is borne by the government.

The main export capacity building program is the Enterprise Expansion Program (EEP) Financing Scheme, administered by the Brunei Economic Development Board, a financing scheme to help SMEs expand their businesses through increasing their productivity and to groom future promising local enterprises to export and expand overseas.

The financial facilities for SMEs to export are under the Enterprise Facilitation Scheme (EFS), also administered by the Ministry of Industry and Primary Resources, to assist SMEs in expanding and developing their business activities and in building the capacity to export.

Custom clearance in Brunei is relatively fast and can be done within 2 days if all the documents are in place.

- **Viet Nam**

The National Trade Promotion Program has been approved by the government with the purpose of strengthening trade promotion and export expansion. During the period of 2006-2010, the program focused on export-oriented trade promotion activities. Since 2011, the program has expanded to many other activities. Funds for the program mainly come from the state budget. However, there is no specific program on trade promotion and market expansion exclusively for SMEs. Trade promotion programs for SMEs are integrated in the trade promotion programs for all enterprises; therefore, they are not efficient because these programs do not meet the specific characteristics of SMEs.

Meanwhile, the Trade Promotion Agency (under the MOIT) takes responsibility to provide information of the international market and consultation services for enterprises, including SMEs, to enter the international market. Many Trade and Investment Promotion Centers were established in almost all provinces and in some ministries to provide market information for their enterprises. They are considered as one-stop shops which provide trade information for enterprises by location and industry. They also have an e-portal of their services.

There are many export capacity building programs for enterprises, including SMEs. Trade promotion organizations and agencies have focused on building and advertising trademark for Viet Nam's products and enterprises by conducting a series of activities such as training programs on designing and developing enterprises' trademark. Furthermore, annually, government and non-government trade promotion organizations, provincial trade promotion organizations and centers organize many training courses and advisory services for enterprises to improve their knowledge of international business and trade and trade promotion skills. Trade training and advisory activities have increased in terms of quantity and quality. The funds for these programs mainly come from the government and donors.

For SMEs, export capacity building programs consist of grant or subsidies for training courses, export coaching, workshops and trade fairs. The scope of the programs is already nationwide. However, there is no monitoring and evaluation system for these programs.

Viet Nam already has financial facilities for SMEs to export. The scope of financial facilities for SMEs to export is operated nationwide. Trade credit and export-oriented loan insurance, on the other hand, are not popular. Although the government commits to support 20 percent of the insurance fee for enterprises when they buy export credit insurance, only 30 enterprises bought insurance and three of them received the support. The main reason for the low number of responders is the high insurance fee amount.

Viet Nam has done pro-active reforms in custom procedures, and e-custom procedures have been piloted and expanded. Thanks to e-custom procedures, the average time of custom clearance for goods has significantly reduced. According to the statistics, the time for custom clearance of green papers is 3-15 minutes, e-yellow papers is 10-20 minutes, and yellow normal papers is 10-60 minutes. According to the Hanoi Custom Department, meanwhile, the time for the custom clearance for exporting one container is around one minute for goods without inspection and 30 minutes for goods with inspection. The official cost for the custom clearance is less than US\$ 100 per container. According to the World Bank Doing Business 2013 report, the custom clearance for export takes 4 days with the cost of US\$ 100 per container.

- **Lao PDR**

Access to national and international markets is a major issue for SMEs in Laos. In order to support SMEs' expansion in international markets, the Lao government has established the "Lao PDR Trade Portal" and "Business Library" in the Ministry of Industry and Commerce (MoIC) with support from various donors.

The contents of the Lao PDR Trade Portal include market access information as well as a guide to import and export. This portal is the gateway for SMEs to access regional and international markets.

In addition, MoIC also organizes market fairs and product exhibitions abroad for SMEs to give them the opportunity to find customers. However, most of the funding sources come from donors. The Trade Promotion and Production Department of MoIC also supports SMEs in various ways such as organizing domestic trade fairs, exhibitions, building producer's directory and others. In addition, MoIC also developed the "National Strategy for Export".

In general, export promotion programs are adopted but largely funded by donor countries and with not much coordination between programs. Information is fragmented and one-stop shops have limited advisory services. The export capacity

building programs are operated with limited geographical coverage and a limited number of SMEs.

Trade credit and export-oriented loan insurance are currently being piloted. Custom clearance and control for export (per container) takes 2 days and costs around US\$ 150 (World Bank Doing Business 2013).

- **Myanmar**

With regard to export promotion programs, the Ministry of Commerce organizes trade exhibitions for SMEs domestically and overseas. Although an export promotion program for SMEs has not yet been developed by SDC, it is however planning to operate such program soon.

Smart Myanmar Project was launched by the Republic of the Union of Myanmar Federation of Chamber of Commerce Industry (RUMFCCI) to represent a step forward for Myanmar SMEs to boost their international competitiveness. The three-year project is designed to improve the performance and production technologies of SMEs, helping them to penetrate into the foreign markets.

With respect to providing advice and high value information of the international market, the RUMFCCI, an NGO with members from 36 associations, established the SMEs Promotion Committee which provides specific information such as related legal requirements and procedures, relevant standards and specifications, international best practices, product features, prices, buyers, and distributors for enterprises. In addition, the RUMFCCI organizes and participates in local and foreign trade fairs and exhibits, disseminates trade and market information, and provides supervision and coordination for rice marketing for domestic and international markets. The SDC also provides information on SME festivals and expositions held in ASEAN member countries and encourages SMEs to participate. Moreover, the Export Promotion Department of the Ministry of Commerce provides information relating to international markets for enterprises. There is no one-stop-shop which provides market information and

monitoring and evaluation. Support services are also absent in Myanmar. The Ministry of Industry therefore plans to establish a one-stop shop and service to make operations more effective and efficient.

Most export capacity building programs come from foreign donors, the government and local NGOs such as the RUMFCCI. At present, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) conducts research on 'Production of Value Added Products in Mon State and Shan State for Export Orientation' in collaboration with SDC. Moreover, GIZ conducts the 'Sustainable Marketplace Initiative Project' which contributes to private sector development by linking international, regional and national buyers with capable local entrepreneurs. SDC also conducted the GIZ workshop on 'Mode and Roles of SME Promotion' funded by GIZ. Meanwhile, in cooperation and coordination with the Friedrich Naumann Foundation (FNF), it likewise held a workshop on 'Policies in Support of Small and Medium-Sized Enterprises'.

The training centre of RUMFCCI provides courses on export/import procedures for SMEs. In addition, the Ministry of Commerce provides technical training on exporting and importing field, and training course on Entrepreneurs and SMEs Management. Training courses relating to local, regional and international marketing and access to markets, however, are weak at these training centers.

There is no financial facility for SMEs to export but loans are provided especially for import substitution and export-oriented innovative products nationwide. At present, government provides collateral loans to potential enterprises with an 8.5 percent interest rate.

Government has reduced the procedures and steps on custom clearance to be effective and efficient. Therefore, custom clearance takes only 2 or 3 days for exporting per forty feet container with US\$ 100 as estimated custom clearance costs.

- **Cambodia**

Export promotion services have been offered by the Ministry of Commerce's Trade Promotion Department to boost the function of domestic trade promotion and to expedite access to foreign markets. However, due to limited government budget and insufficient staffs, the export promotion services offered by the department are limited and targeted only to the ten most promising products, which can either be exported or substitutes for imports and which promote those items accordingly.

Although the Ministry of Commerce has dispatched more than eleven commercial attachés to a number of countries, the commercial attachés have not directly engaged in trade promotion activities.

Market information and prices, particularly rice price, have not been updated regularly. Given the limited budget of the government, export capacity building in terms of quality standard requirement and export procedures had only been targeted to the ten most promising products such as rice, cassava, maize, and cashew nut.

Financial facilities for SMEs to export have a low penetration rate with only six percent of the total population using financial services from banks and microfinance institutions. The facilities have been operated only in Phnom Penh and big towns where business activities are busy. Local commercial banks provide only 1 percent of working capital and 1.7 percent of investment capital to the SME sector although there is high liquidity in the banking system. As such, the lack of trade financing remains to be a key obstacle for SME development. In terms of costs and time spent for custom clearance and technical control at seaports, exporters usually spend about 3 days and about US\$ 275 for a container (World Bank Doing Business, 2013).

Table 7: International Market Expansion

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
6.1	Export promotion programs	2.0	3.0	4.0	3.0	3.0	5.0	4.0	6.0	5.0	3.5	3.9
6.2	Providing advice and high value information of the international market	1.0	3.0	3.0	2.5	3.0	4.0	4.0	6.0	4.0	3.5	3.4
6.3	Export capacity building programs	3.0	3.0	4.0	2.5	3.0	5.0	4.0	6.0	4.5	3.5	3.9
6.4	Financial facilities for SMEs to export	4.0	3.5	4.0	2.5	2.0	5.0	4.0	6.0	4.0	3.5	3.9
6.5	Reducing costs of custom clearance for exports (per container)	6.0	4.0	6.0	5.0	5.5	6.0	6.0	6.0	6.0	6.0	5.7
	Average	3.2	3.3	4.2	3.1	3.3	5.0	4.4	6.0	4.7	4.0	4.1

CHAPTER 7

Promotion of Entrepreneurial Education

1. Introduction and Assessment Framework

Human resource, especially entrepreneurship, is one of the determining factors for SMEs to succeed. Developing the human resource and entrepreneurial spirit for SMEs requires a comprehensive approach, including social structures and systems such as broad educational reforms; encouragement of entrepreneurship, business skills acquisition (management, accounting and marketing) and innovation in society; mechanisms for self-learning and training of human resources; and appropriate governmental support programs.

Entrepreneurship programs, including advisory and outreach services, should be expanded to equip owners of SMEs with new and improved management and business practices and methods in production, quality improvement, marketing and distribution to raise productivity, efficiency and profitability as well as to commercialize and market innovative ideas.

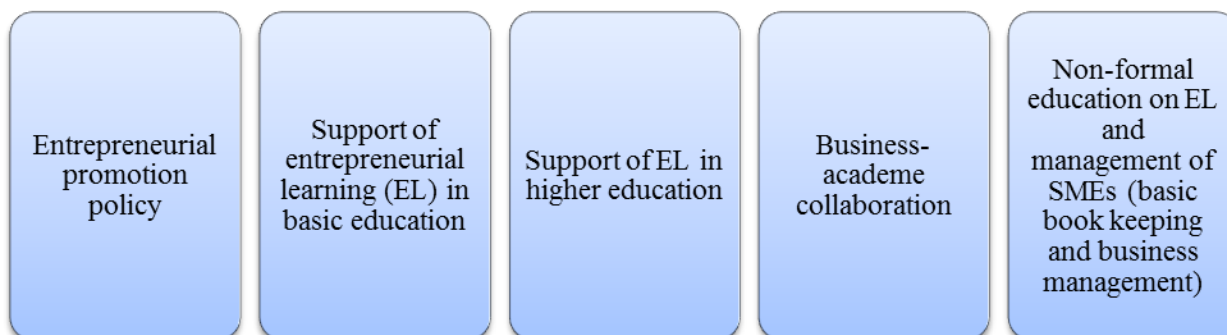
It is also essential to encourage young students to enter into businesses by providing start-up facilities and incentives such as start-up grants, business incubating centers, networks of angel investors, venture capitalists, and equity funds.

Drawing from OECD (2009) and Alonzo (2012), the framework proposes five core indicators as enumerated below for this policy dimension on promotion of entrepreneurship education or entrepreneurial learning (EL). Please also refer to Figure 17.

(i) Entrepreneurial promotion policy

It is also important that the national policy on EL be well-elaborated and articulated in official statements and documents. The policies should cover all modes of entrepreneurial learning as discussed earlier – formal schooling at all levels, non-formal education programs, internships, small business counseling, and the like.

Figure 17: Assessment Framework for Promotion of Entrepreneurial Education



The policies should also clearly articulate the linkages of EL with SME, employment and R&D policy documents; they should be integrated within the overall National Development Plan and should include the planning and installation of a monitoring and evaluation system.

Policy instruments specific to each level of the education and training system should clearly identify EL as a priority development area with due reference to curriculum, teacher/trainer training and school governance. Policy support resources refer to the allocation of financial resources to support the implementation of policies on EL.

(ii) Support of entrepreneurial learning (EL) in basic education

In order to nurture a vibrant entrepreneurial and innovative community, entrepreneur-related programs should be incorporated at the secondary school and tertiary levels, and should promote creativity and innovation among students at an early stage. This will develop and enhance innovative and entrepreneurial talents. Creating awareness and acquiring such capabilities will facilitate the change in mindsets as well as inculcate positive business values and discipline.

In order to effectively promote EL in basic education, EL materials and expertise with flexibility in new arrangements that would promote entrepreneurship and key competencies (e.g. opportunity identification, initiative, creativity, innovation and risk taking) will be required. A more systematic approach to teacher training and development of training materials is an important policy issue, opening up the opportunity to mainstream in materials and curriculum development.

(iii) Support of EL in higher education

At the tertiary level, the menu of approaches to EL widens considerably. Traditionally, universities, in their business management colleges, offer, aside from outright management, finance, marketing, and accounting degrees, basic courses in these areas for non-majors enrolled in other disciplines. But some EL advocates would say that the orientation of most traditional business colleges is still the production of graduates for the corporate world of big business. Lately, however, the offering of baccalaureate degrees in entrepreneurship is gaining ground. Simultaneously, business courses being offered for non-majors, especially those from the sciences and engineering, are tailored for small business start-ups.

The ASEAN Common Curriculum in Entrepreneurship, one of the initiatives under the APBSD and the Plan of Action, has moved beyond the initial stages and is being piloted in several Member States. Its core Entrepreneurship subjects are: Entrepreneurial Leadership, Business Planning, Business Policy and Strategy, Operations Management, Human Resource Management, Marketing Management and Strategies, Business Creativity, Commercial Law, Communication, Financing, Environmental Studies, Business Start-up, and IT Management. The Curriculum is capped by a six-month practicum, the Consulting-based Learning for ASEAN SMEs (CoBLAS), which involves internship and business incubation.

(iv) Business-academe collaboration

Business-to-university cooperation can be in various forms. On top of support in building training facilities and state-of-the-art equipment, the business managers/engineers can teach at universities; the business sector can involve in research, piloting and development of curriculum; the business sector can cooperate in student projects and host interns and university staff placements.

University-to-business cooperation can include: academic staff getting directly involved in business activities. Universities are given funding to invest in businesses, sell patents and technology licensing, customize education and training services to businesses, undertake applied research, and provide support structures (e.g., technology incubators, technology transfer centers, centers for entrepreneurship).

Collaboration between industry and the university in entrepreneurial education is often associated with Silicon Valley and the Massachusetts Institute of Technology-Route 128 Corridor. In East Asia, science parks and technology business incubators patterned after the United States experience now flourish in Japan, South Korea, Taiwan, and more recently the People's Republic of China. The approach has yet to grow big in ASEAN. On a smaller scale, however, the CoBLAS Project described above has been pilot-tested and evaluations show promising results.

Award schemes through business plan competitions offer another effective mode of innovative EL. Initially, these competitions were confined to business schools and their students. However, contestants have been coming from different disciplines, not only from science and engineering but also from architecture and the arts. Cross-fertilization is developed in the process. In some programs, the finalists are assigned coaches who are successful entrepreneurs. Winners may be given cash prizes or extended financing to start up their business ideas. Some universities even send student teams to international business plan competitions.

(v) Non-formal education on EL and management of SMEs (basic book keeping and business management)

In many ASEAN Member States, the goal of basic education for all remains an elusive dream, even though much progress has been achieved in recent decades. The promotion of EL, therefore, has to extend beyond the classroom, as most of those in need of EL are already outside the formal schooling stream.

Short EL courses (say, those that can be completed in less than one calendar year), including advisory and outreach services, should be expanded to equip SMEs with new and improved management and business practices and methods in production, quality improvement, marketing and distribution to raise productivity, efficiency and profitability as well as to commercialize and market innovative ideas. It can be provided full-time or part-time, one-day or one-week or one-month, on any topic, by all sorts of service providers (training organization, business, NGOs, and economic development agencies).

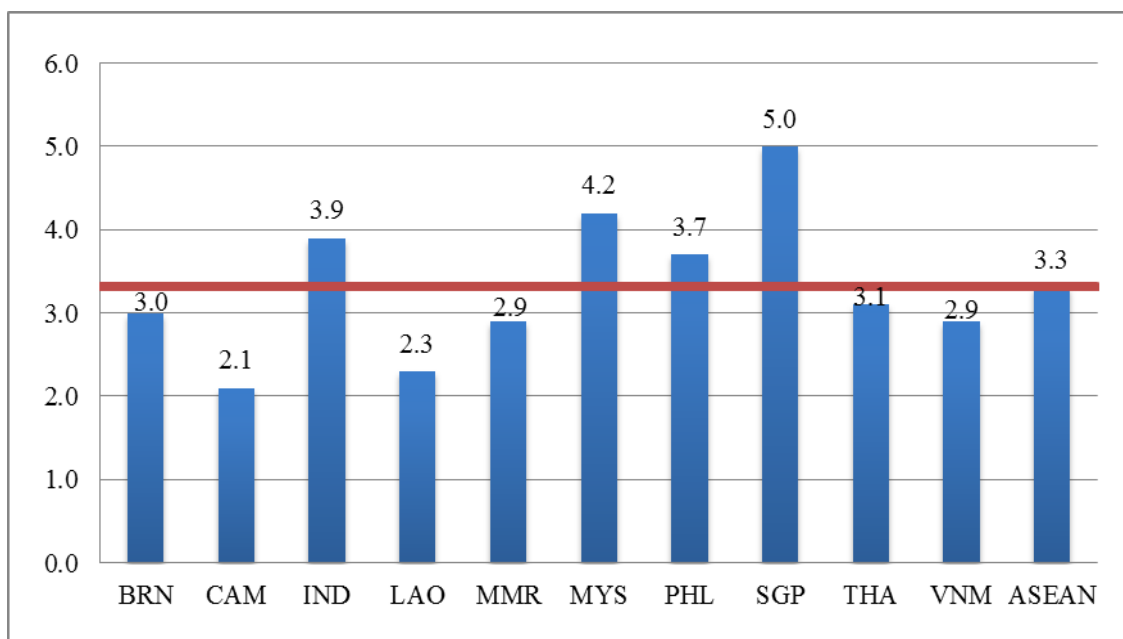
From a policy viewpoint, the challenge is how to guide the potential user or client of such services into those EL courses or programs that are most relevant to their needs.

Provision of information on accredited providers, supporting grants for training and skill upgrading, and development of toolkits widely accessible are therefore critical for this mode of training.

2. Assessment

Promotion of entrepreneurial education exhibits both gaps between the two groups of AMSs and the lowest standing at the ASEAN level because most AMSs have not clearly articulated entrepreneurial promotion policy nor integrated it into the national development plan with adequate budget, monitoring and evaluation system. Key competencies of entrepreneurship learning programs are not well introduced into the general and higher education system, and do not have an active collaboration with the private sector to develop curricula, research, customized training, coaching, internship, business awards and scholarships. Non-formal education in entrepreneurship and management of SMEs are not well promoted as can be deduced from the numbers in Figure 18 and Table 8.

Figure 18: Overall Scores for Promotion of Entrepreneurial Education



- **Singapore**

There is a concerted effort by the government to promote entrepreneurial education in the educational system. The entrepreneurial learning (EL) policies and projects have been implemented with sufficient budget and proper evaluation and monitoring system. The overall development objectives do articulate the EL policies with R&D, SME and industrial strategies. The EL partnership gets support from government to cover the cost of administration, work plan, and capacity building to sustain the EL objectives (Youth Entrepreneurship Scheme for Schools (YES! Schools); ACE Schools Programme).

The EL programs are integrated in the secondary school curriculum and teaching materials. However, there is no formal evaluation of the EL programs in the main curriculum of the schools. The EL teaching has benefited 131 schools and nearly 32,000 students under the YES! Schools program and 11 pilot schools starting the EL learning under the ACE Schools program.

At the higher level of education, EL courses are currently offered and there is a formal degree on entrepreneurship provided by the Singapore Institute of Management, and Nanyang Technological University. There is a strong partnership between the private sector and universities to promote entrepreneurship through business plan competitions and awards for students. Likewise, there are initiatives by local universities that both assist SMEs, and provide experiential learning for students in the area of entrepreneurship. One such example is the SME Consulting Programme by the United Overseas Bank (UOB) – Singapore Management University (SMU) Asian Enterprise Institute. Students get hands-on experience in working with SMEs on their business projects and are supervised by members of the university faculty.

To equip potential entrepreneurs with basic information on business management, SPRING Singapore has developed a set of interactive toolkits which includes hands-on guides, common business templates and content on specific topics of business management. These are free of charge and available online for easy reference.

- **Malaysia**

The move by the Government to transform the Malaysian economy to a knowledge-based one has led to the proliferation of entrepreneurial education in the country. Both the Vision 2020 and the Tenth Malaysia Plan 2011-2015 highlight the importance of entrepreneurship education. The curricula designed to promote entrepreneurial orientation place strong emphasis on creativity, innovation, and entrepreneurship across all specialisations. This emphasis is also found in the National Higher Education Strategic Plan of 2007-2020, which, inter alia, seeks to improve academia-industry collaboration for teaching, learning and research. As a corollary of these developments, entrepreneurship centres have been established in Malaysian universities with a strong motivation for students to participate in internship programs with industry. Entrepreneurial promotion is also clearly articulated in SME, industrial, and innovation policy documents.

In addition to commerce as a course and technical and vocational schools in the country, entrepreneurial courses are also available at all levels of secondary education in Malaysian schools. However, the extent of interaction between students and industry can still be improved.

Several institutes of higher learning participate in the CoBLAS program. Inspired by CoBLAS, many other universities in the country, through assistance given by SME Corp., have developed similar programs to strengthen industrial participation in their curricula and student development activities. All public universities have introduced courses related to entrepreneurship. Further efforts have been made by other organisations, including SME Corp., to develop collaboration programs related to entrepreneurship learning between the business sector and education institutions. The SME@University programme by SME Corp. provides learning opportunities to chief executive officers of SMEs to promote knowledge on management for new and existing business owners. The collaboration between business and academia has improved considerably as a consequence of SME Corp's initiatives.

The Human Resources Development Fund (HRDF) under the Ministry of Human Resources offers double deduction incentives to SMEs to stimulate formal training. Nevertheless, training providers are required to register with the HRDF. Efforts have also been made to provide grants for training, especially for online distance learning and on the job training. The National Human Resources Centre was established in 2011 to provide training toolkits mainly on human resources practices solutions for SMEs. This program is useful as SMEs are generally reluctant to send their workers for training because of staffing problems.

In Malaysia, non-formal education on entrepreneurial learning is limited. Entrepreneurial education in Malaysia takes place generally in formal settings through training offered by various training institutes related to management of SMEs. Nevertheless, workers do get substantial learning from on-the-job training. Both government promotional programs as well as conditions imposed by buyers and suppliers (including from export markets) have helped raise informal training in SMEs in Malaysia. Such initiatives have also reached those not employed in firms but are looking to enter the labour market.

- **Thailand**

Thailand's National Economic and Social Development Plan is a five-year plan. The current eleventh plan covers 2012-2016. Since the 8th plan, it has focused on human-capital development and other areas such as environmental sustainability and, more recently, social harmony. The direction of human capacity development would focus on providing children and youths with a firm foundation for attaining morality and public-mindedness, together with capacities, skills and basic knowledge essential to their future lives. The national development plan is large in scope and does not specify details of implementation.

The 5-year National Education Development Plan (2012-2016) follows the strategic goals and policy framework set in the 11th National Economic and Social Development Plan. Accordingly, various separated five-year plans for specific levels of education are

also created, following closely the guideline described in the national development plan. Such 5-year plan and annual action plan then provide more concrete action plans. Overall, entrepreneurial education is clearly not a priority development area with due reference to curriculum, teacher training and school governance.

The Thai government elaborates entrepreneurial learning (EL) in the national basic education core curriculum 2008. The 2008 basic education curriculum indicated five key competencies - communication capacity, thinking capacity, problem-solving capacity, capacity for applying life skills, and capacity for technological application. Among many learning areas specified in the core curriculum, “Occupations and Technology” learning area indicates understanding and acquiring necessary skills and experiences; proper perception of future career; technological application for occupational development; possessing morality and favorable attitude towards occupations. However, teaching staffs and materials may not be well developed to promote entrepreneurship as key competence in primary and secondary level (excluding vocational education). There has been an attempt to revise the current learning curriculum to address the skill and key competency needed for the 21st century skills.

Some Thai vocational colleges and universities offer subjects on entrepreneurship, which are beyond the traditional business subjects like management, finance, marketing or accounting. It is difficult to evaluate them from the title of degrees offered by universities. In addition, there is no national standard for such subject. Many public and private universities offer degrees on entrepreneurship or related courses.

Many universities attempt to impart essential entrepreneurial knowledge in the syllabus. The CoBLAS Program is an example of best practice of entrepreneurship education among universities in ASEAN. The CoBLAS basically involves three different parties: university and faculties, SMEs, and students. Learning is created by mutual assistance and consultancy among each other. There are many business-academic collaboration programs in Thailand. There are also programs requiring apprenticeships or internships with business sectors. Some universities have practicum for their students to help SMEs.

The Thai government and some NGOs provide non-formal education on EL and business management for SMEs. However, information on training program and training providers might be somewhat limited and sporadic. The New Entrepreneur Creation (NEC) program has been operated by the Department of Industrial Promotion since 2002. Its main objectives are to stimulate and support young graduates, unemployed persons, and knowledge employees to become entrepreneurs. The main delivery channels are via an education short program which provides training on business planning, managerial skills, company visits, an advisory service after training, access to marketing channels, and business matching.

Another non-formal education on EL is channeled through the One Tambon (sub-district) One Product (OTOP) program. This program encourages local communities to specialize their production. The OTOP program has been one of the major SME and entrepreneurship programs. The OTOP program was coordinated by the OSMEP since the beginning in 2001. At present, various government agencies are active and funded to support the implementation of the program. The OSMEP also provides non-formal EL through e-SME university program with wide range of university networks.

- **Indonesia**

Indonesia's performance in the promotion of entrepreneurial education has been quite good in almost all aspects of policy dimension. The government has clearly articulated the linkages between EL policy and its policy documents in other sectors, including SME, industry, employment, and innovation. The EL has also been integrated in secondary school teaching materials and supported with staffs that have knowledge and skills for teaching entrepreneurship.

While the government, together with higher education institutions, have developed and offered national quality assurance system and course subjects for small business and entrepreneurship, universities and private sector have also collaborated and supported the EL programs, curricula, research, customized training services, coaching, business plan competitions as well as awards and scholarships. Furthermore, information on

training programs, networks of providers and online services are available throughout the country.

The government promotes EL in the national education policy. The Medium Development Plan 2010-2014 (RPJM 2010-2014) of the Ministry of Education and Culture (MoEC) clearly stated that one of the education development objectives in Indonesia is to achieve high economic growth supported by sufficient skilled labour with entrepreneurial skills.

The EL is integrated in the national curriculum by establishing the “link and match” model in secondary and tertiary education. Currently, in the new 2013 curriculum, the EL would be taught to all students in all senior high schools and not only in the vocational high schools.

At the tertiary level education, meanwhile, the EL policy instrument is not clearly obvious. Nevertheless, EL is implemented through several flagship programs of the Directorate General Higher Education such as the Program Mahasiswa Wirausaha (PMW) and the Co-operative, Program Kreativitas Mahasiswa Kewirausahaan (PKM-K). The EL policies, programs, and projects are funded with monitoring and evaluation system.

There are, however, no teaching materials and curriculum to promote entrepreneurship as a key competence in primary school. This is because by intention the basic education, especially at the elementary school level, in Indonesia is not directed to promote entrepreneurship. Nevertheless, EL has been included in teaching materials and curriculum of secondary schools, especially for those categorized as vocational schools in economics and business, both at junior high school and senior high school. Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover up to 25 percent of enrolments (Monitored through Education Ministry records). Moreover, other types of vocational secondary schools teach students a variety of skills which help them to be entrepreneurs in the future such as tourism management, information technology, and fashion. These schools also

provide students with entrepreneurial skills in some ways although the subject of EL is not included in the final examination.

National quality assurance system and course subjects for small business and entrepreneurship are developed and offered in Indonesia. Nevertheless, Indonesia has no national standard for this subject, although some universities have offered subjects on entrepreneurship. Moreover, there are also a limited number of universities offering degrees or programs on entrepreneurship. Most of them are categorized as new private universities and do not rank high in the region.

Nevertheless, many public universities now start to offer entrepreneurship as a compulsory or elective subject for their students. Business-major students in some universities may also choose Entrepreneurship as minor elective in their degree program. Meanwhile, the adaptation of the ASEAN Common Curriculum based on the CoBLAS project is still in a pilot stage. Similarly, the nationwide EL network among universities does not exist as there are still very limited universities emphasizing EL.

Collaboration programs of EL between the business sector and educational institutions have been developed fairly well in Indonesia. Universities and private sector jointly support EL programs, curricula, research, customized training service, coaching, business plan competitions, awards and scholarships. Some large firms conduct these EL programs in universities. In addition, some universities require business-major students to have an apprenticeship or internship in firms to get experience in the real sector. However, collaborations between business and education institutions are mostly driven by the needs of the business sector for qualified graduates. Sharing entrepreneurial skills and spirit is not the primary aim of most business firms in collaborating with educational institutions.

The Indonesian government has provided information about training providers on non-formal education EL and management of SMEs. Subsidized small business training provisions have also been developed but are limited to some industries and locations. The government conducts non-formal education, taking the form of variety of courses

including beauty & spa, agriculture-related skills such as seeding, car machinery, and others. This is a nationwide program. The training providers are accredited by the National Accreditation Body (BAN/Badan Akreditasi Nasional).

- **Philippines**

The importance of developing entrepreneurial skills and fostering a culture of entrepreneurship and entrepreneurial mindset is integrated in the Philippine Development Plan, SME Development Plan, Philippine Labor and Employment Plan as well as in the Filipinnovation innovation policy.

EL policy linkages are clearly articulated with SME, industrial, employment, and innovation policy documents. It is also integrated in the Philippine Development Plan's section on developing human resources that is crucial to increasing firm-level productivity and boosting competitiveness awareness.

Technology, Livelihood and Entrepreneurship (TLE) is a mandated learning area in the basic education curriculum. The Entrepreneurship Education-based technology and livelihood education is designed to ensure that every student will learn some livelihood skills at the end of every quarter to enable him/her to start a small household enterprise. It focuses on three domains: Personal Entrepreneurial Competencies, Market and Environment, and Process and Delivery of products and services related to the mini-course. Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover more than 50 percent of enrolments.

Key Philippine universities like Ateneo de Manila University, University of the Philippines and De La Salle University offer programs on entrepreneurship. Only De La Salle University adopted the ASEAN Common Curriculum (COBLAS). The Commission on Higher Education sets the competency standards and curriculum for the BS Entrepreneurship Program. Key universities offer such courses and programs. National quality assurance system and course subjects for small business and entrepreneurship are developed and offered.

Both universities and the private sector jointly support EL programs, curricula, research, customized training service, coaching and various partnership modes such as apprenticeships, mentoring, competitions, awards and scholarships. The universities have mentoring, apprenticeship and on-the-job training programs where academic institutions partner with enterprises that would hire students for short periods e.g. during the summer. There are also business plan competitions sponsored by the private sector. Businesses also provide scholarships for students in selected courses that their companies need.

The DTI-Philippine Trade Training Center (PTTC) develops and formulates training curricula and instructional materials and conducts training programs for MSMEs. Its entrepreneurship development training programs consist of two components: (i) business start-up briefings and (ii) quality and productivity improvement briefings.

The Department of Education (DepED)-Bureau of Alternative Learning System implements the Alternative Learning System (ALS), a free education program to help out- of-school youth and adults who did not finish their elementary and high school degrees. The ALS is a literacy cum livelihood program which combines academics with entrepreneurial and technical skills to provide opportunities for out-of-school youth and adults to upgrade their knowledge, values and technical skills for gainful employment. In 2006, the Bureau, in partnership with the Commission on Information & Communication Technology, engaged in a project called eSkwela to deliver alternative learning through the use of interactive electronic modules in four pilot project sites in the country.

There are several training programs and seminars available for MSMEs and individuals who aspire to become entrepreneurs.

- **Brunei Darussalam**

There is a realization that in order for Bruneians to better prepare themselves, private sector entrepreneurial studies are important. In the past, most Bruneians would seek employment in the public sector due to better salaries and benefits and also the prestige

of working with the government. However, as government jobs become more saturated, emphasis has been put in preparing Bruneians to become their own managers and run their own business.

To realize the National Vision for 2035, Brunei Darussalam has identified eight strategies with reference to different dimensions of development. Of the eight strategies, two are relevant with respect to SME development.

Education strategy is to prepare the youth for employment and achievement in a world that is increasingly competitive and knowledge-based.

The local business development strategy is to enhance opportunities for local SMEs as well as enable Brunei Malays to achieve leadership in business and industry by developing greater competitive strength.

Both strategies will have to ensure that the education system and local business development system allows for the nurturing of SMEs. Having various courses for the enhancement of entrepreneurial skills whether marketing, finance or otherwise must be an integral part of the strategy and implemented accordingly.

Entrepreneurial learning is still not part of the basic curriculum. This is currently being reviewed and the introduction of entrepreneurial learning will be done once the government has completed its review.

There are currently no degree courses specifically on Entrepreneurship. However, the School of Business, Politeknik Brunei recently introduced an Advanced Diploma in Business Entrepreneurship. As the Diploma has only just been introduced, it will be a few years before a full degree in Entrepreneurship will be introduced. The Institute Technology Brunei and University of Brunei Darussalam do have a course in Entrepreneurship but only as a module or unit of the diploma or degree program. These higher educational institutions are reviewing their courses and will ascertain whether entrepreneurship as a stand-alone diploma or degree should be offered. This will depend on feedback from the industry and whether there is a demand for such courses.

In recent years, there has been more collaboration between the local State-owned Universities and privately run educational institutions. As part of their diploma and

degree programs, students are required to do an industrial placement in either the government sector or private sector. The industrial placement varies from one educational institution to another and can be for a period of 2 months up to one year. There are certain objectives and aims that the students must achieve during the course of their attachment. Although the students are not from an entrepreneurial degree, the placement program gives them an opportunity to gather work experience in the real world.

Non-formal EL training is carried out by the Entrepreneurial Development Centre (EDC), Institut Teknologi Brunei (Brunei Institute of Technology or ITB), Universiti Brunei Darussalam (UBD) and the Brunei Economic Development Board (BEDB) and some private service providers.

- **Viet Nam**

EL policy is articulated in Viet Nam's SME Development Plan 2011-2015, Education Development Strategy 2011-2020, Human Resource Development Strategy 2011-2020 as well as in many industrial and sector development strategies. Investment in education has increased over time. The state budget for education increased from 15.3 percent in 2001 to 20 percent in 2010. However, entrepreneurial policies, programs and projects are not adequately funded and there is a lack of monitoring and evaluation system.

In primary and secondary schools, students are taught some key competencies such as opportunities identification, initiative, creativity, innovation and risk taking but they are not considered as main contents of these educational levels. Not many secondary schools have EL teaching materials and staffs with knowledge and skills to teach entrepreneurship. Up to now, the government does not have a plan to provide EL teaching materials and teacher training for primary and secondary schools.

Many vocational schools and universities offer subjects on entrepreneurship. International universities, joint national & international programs and international

model business schools offer graduate and post-graduate programs on entrepreneurship while economics/business colleges and vocational schools mainly offer introductory short courses in entrepreneurship.

Moreover, many universities have good practices in encouraging entrepreneurship education, and focus on leadership and entrepreneurship. They offer entrepreneurship as a core subject in their business programs. They also have substantial connections with the business community and are thus able to invite CEOs to come and deliver some lectures and organize company visits and industrial studies. However, there is no national standard for the subject on entrepreneurship.

In practice, the importance of business - academe collaboration is widely recognized by the government, education institutions and business sectors. In the Education Development Strategy 2011-2020, one of the solutions to improve education is to strengthen the coordination between the educational institutions and enterprises in defining training demands, designing and evaluating training programs, and organizing training and internship at enterprises.

Learning by experience is much more effective than learning from theory and as such, many universities have invited entrepreneurs and CEOs as guest speakers to present their experiences to students and help them to learn from real experiences. Moreover, for business major students at universities and colleges, they are required to have internship in their study.

Recognizing the effectiveness of the CoBLAS project, Viet Nam has applied it since 2008 and the Foreign Trade University was selected as a partner in Viet Nam. Students who participate in the CoBLAS have more chances to improve their knowledge and practical experiences. The students have learnt and designed the spirit of group work. Having practical experiences, students have more opportunities to develop their future or become self-employed after graduation.

The government provides information on training providers on non-formal education on EL and management of SMEs (e.g., basic bookkeeping and business management). The SME Technical Assistance Centers also publish their training programs on their websites for SMEs to follow-up and register. However, training toolkits are not available for the public and there is no accreditation and registry system of the training providers.

In general, Viet Nam's performance in the promotion of entrepreneurial education has not been good mainly because of the weak support for EL in basic education and in the entrepreneurial promotion policy.

- **Lao PDR**

Because of historical perspective and characteristics of the Laotian people, development of entrepreneurial education (EL) is crucial for promoting SME development in Laos. The importance of EL is highly recognized by the government and the promotion of EL is one of the top priorities in the process of SME development in Laos. The main task of promoting EL is included in six sub-tasks, as follows. (1) Continue the inclusion of the subject of entrepreneurship into the general, vocational and higher education systems; (2) Stimulate young people and students to consider business careers through different projects and activities; (3) Create business incubators in order to achieve experiences in business management and application of technologies before being exposed to the market competition; (4) Train people who are interested to start new businesses; (5) Increase the promotion for women to become entrepreneurs; and (6) Promote franchise businesses.

To support these tasks, there are several programs that have been implemented. For instance, there is the program on teaching on "Knowing and Learning about Business" in secondary schools and technical vocational schools. There are also competitions on business development plans for colleges and universities where women are usually given support by various donors.

The national economic development plan includes EL, detailing specific and complimentary objectives for the various parts of the EL framework. Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover up to 25 percent of enrolments.

At least major universities offer a degree in entrepreneurship and adopt the ASEAN Common Curriculum. Universities and the private sector jointly support EL programs, curricula, research, customized training service, coaching, business plan competitions, awards and scholarships. Subsidized small business training provision has likewise been developed but is limited to only some industries and locations.

- **Myanmar**

Although EL is not exactly specified in the national education policy of Myanmar, the government articulates EL policy in the draft SME policy, industrial policy and national economic development plan. The Ministry of Science and Technology (MOST) is mainly responsible for Technical and Vocational Education in the public sector. In this regard, it has established six Centers of Excellence (COE) and 35 Government Technical Colleges (GTC).

Although EL teaching materials and curriculum are yet to be made available in basic education, MOST had established 36 Technical High Schools (THS) to provide technical and vocational education for those who dropped-out from junior high school.

In Myanmar, three universities, namely: Yangon Institute of Economics, Monywa Institute of Economics, and Meiktila Institute of Economics, offer subjects on entrepreneurship and small business management in their undergraduate and post-graduate courses. Although there is no national EL network of universities in Myanmar, all Institutes of Economics regularly review their courses, including subjects on entrepreneurship at joint meetings of the Board of Studies of these Institutes. These universities also adopted the ASEAN Common Curriculum in accordance with the syllabus agreed under the ASEAN University Network (AUN).

All Institutes of Economics have an internship program that is compulsory for business major students. The universities also regularly conduct seminars and workshops relating to SMEs in collaboration with the private sector. In addition, the private sector, including trade associations and private schools, regularly hold business plan competitions with the collaboration of the Institutes of Economics. They also provide customized training courses and offer awards and scholarships for business major students in the universities.

Moreover, the Myanmar-India Entrepreneurship Development Centre (MIEDC) has been established since 2008 at the Yangon Institute of Economics in collaboration with the Entrepreneurship Development Institute (EDI) of India under the Initiative for ASEAN Integration (IAI) program. The MIEDC offers several short courses to the public relating to entrepreneurship, including Entrepreneurship Development Course and New Enterprise Creation Course, among others.

Furthermore, the Yangon Institute of Economics had planned to establish a Business Skills Incubation Centre in its campus in June 2013, with the collaboration of PepsiCo Company and the United Nations Educational, Scientific and Cultural Organization (UNESCO). The incubation center is established with the objectives to create employment opportunities for the young people, to improve their skills and knowledge, and to nurture a skilled workforce for the private and public sectors.

In the meantime, with regard to non-formal education, the Ministry of Industry operates six Industrial Training Centers around the country. The Ministry of Labor also established training schools with the aim of promoting vocational training and skills development. Moreover, the RUMFCCI and MES offer several courses supporting entrepreneurial learning and SME management although these programs are offered only in limited locations such as the main cities.

- **Cambodia**

Promotion of entrepreneurial education in Cambodia does not receive active support from the government. From a policy perspective, therefore, this gives Cambodia a low score. However, the government encourages entrepreneurial education by not constraining any entrepreneurial learning activities and by recognizing it as a developing feature within education and training policy instruments.

Since Cambodia is struggling with strengthening education reform as yet, particularly in basic education, entrepreneurial learning has not been included in the basic education curriculum. However, almost all universities offer degrees in business administration, management and entrepreneurship course. One of the leading universities, the Royal University of Law and Economics (RULES), offers Master in Entrepreneurship in a joint program with the French University of Lyon 2 and University of Lille 1.

In general, university-industry linkage is weak. With respect to entrepreneurial learning, the private sector and development partners give support to business innovative contests to encourage students to seek creative business ideas. Some foreign chambers of commerce and entrepreneur associations and the Young Entrepreneur Association also organize business idea contests. Moreover, some companies also undertake internship programs for students.

The MIME also published guidebooks on management of factory for SMEs. At the same time, training on accounting standard, safety storage and business management and business start-up have been conducted widely by many vocational training institutes, non-governmental organizations, and corporate training agencies for various clients who are potential entrepreneurs, and even for farmer communities and groups.

Table 8: Promotion of Entrepreneurial Education

	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
7.1 Entrepreneurial promotion policy	2.0	3.0	4.0	2.0	2.0	4.0	4.0	5.0	2.0	2.0	3.0
7.2 Support of EL in basic education	1.0	1.0	4.0	3.0	2.0	3.0	3.0	5.0	1.5	1.0	2.5
7.3 Support of EL in higher education	4.0	2.5	3.5	3.0	3.0	5.0	3.5	5.0	4.0	3.0	3.7
7.4 Business-academe collaboration	5.0	2.0	5.0	2.0	4.5	5.0	4.5	5.0	4.5	4.5	4.2
7.5 Non-formal education on EL and management of SMEs	3.0	2.0	3.0	1.5	3.0	4.0	3.5	5.0	3.5	4.0	3.3
Average	3.0	2.1	3.9	2.3	2.9	4.2	3.7	5.0	3.1	2.9	3.3

Chapter 8

More effective representation of SMEs' interests

1. Introduction and Assessment Framework

The word “Association”, by nature, refers to an institutionalized collective action or “an action taken by a group (either directly or on its behalf through an organization) in pursuit of members’ perceived shared interests” (Evangelista, 2012). Thereupon, in a firm’s development, having an “association” cannot be considered as having a small contribution. An association may also be created community self-help where the members share the same socio-cultural values. The presence of a business association will thus give many benefits to firms, especially SMEs, one of which is to overcome the disadvantages of their being politically marginalized.

Following the OECD (2009) and Evangelista (2012), two policy sub-dimensions as shown in Figure 19 are considered useful in ensuring a more effective representation of SMEs’ interests, to wit:

(1) Role and capacity of SME association, which includes the presence of SME associations, and their technical and research capacities.

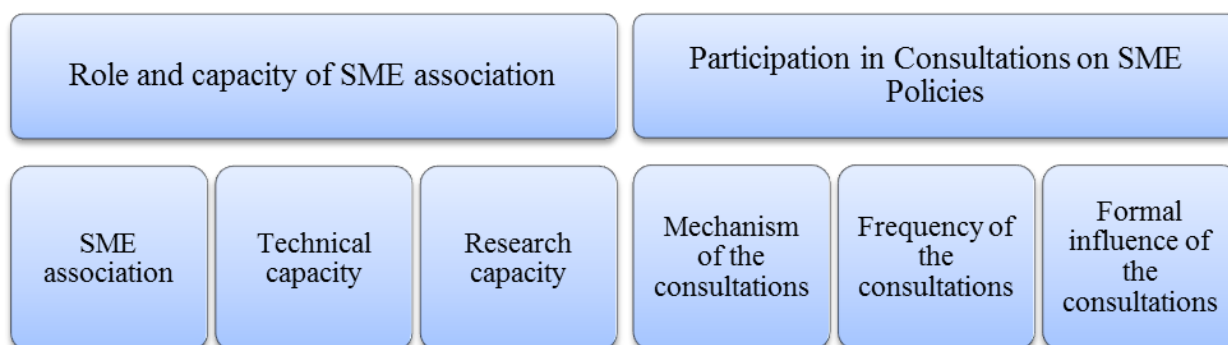
The functions of an SME association are, but not limited to, extending the members’ networks and having the capacity to better exploit research results and acquire technological knowhow. The capacity being referred to includes technical capacity and research capacity of the association. The association has to have a well-organized secretariat with the technical capacity to regularly gather information about its members which the association can utilize for purposes of networking, business matching, training and seminars, among others. In addition, the association needs to have a research capacity to be able to bridge the gap between research and utilization of innovation.

(2) Participation in consultations about SME policies with emphasis on the mechanism of the consultations, frequency of the consultations, and formal influence of the consultations.

Institutions and networks coupled with effective mechanisms of public-private consultations are critical in the trade and economic policymaking process in general and for SMEs in particular. The industry association can mediate between the government and private firms in the formulation and achievement of the objectives of the process of policy development.

In the bridging process between private firms and government, the intermediary organization (in this case, the association) can perform the following activities: collection and distribution of information about problems of the target group and the government; proposition of solutions in the policy process, informing the target group; and finally, participation of the organization which may result in additional legitimacy for the policy instrument. In short, a good and effective mechanism of public-private consultation is very crucial to construct a proactive and supportive business environment.

Figure 19: Assessment Framework for More Effective Representation of SMEs' Interest

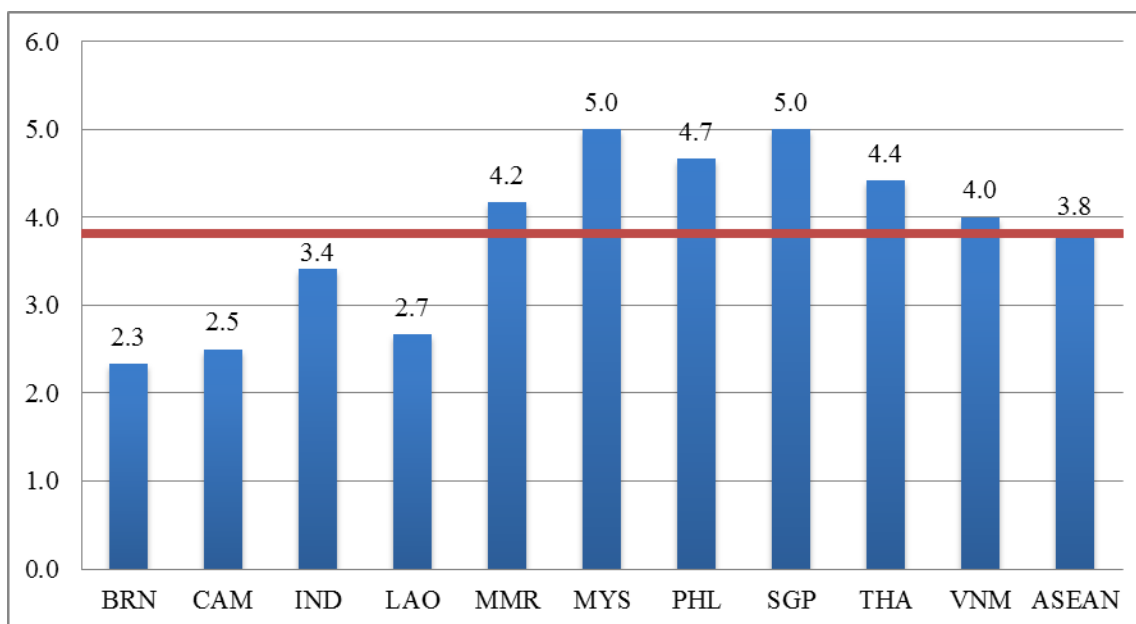


2. Assessment

The gap in promoting an effective representation of SMEs' interest is the smallest in the region due to the active role of industrial, business or SME associations in setting up a structured consultation mechanism with government agencies in the process of policy formulation and advocacy to represent SMEs' voice and interests domestically and internationally. Still, most SME associations lack resources, the technical and

research capacity to provide high quality services, and access to regional and global production networks as inferred from the numbers reflected in Figure 20 and Table 9, and as described in the individual country assessments.

Figure 20: Overall Scores for More Effective Representation of SMEs’Interests



- **Singapore**

Singapore has a multitude of Trade Associations and Chambers (TACs) that represent SMEs’ interest in various communities and industries. The Singapore Business Federation (SBF) is the apex business chamber that champions the interests of the Singapore business community in trade, investment and industrial relations. In 2011, SBF set up a business-led SME Committee (SMEC) which aims to be a key platform for SME engagement on business issues as well as be the voice for SMEs in effecting business-friendly government policies. This committee has representation from major ethnic chambers, trade associations and qualified individuals. A minister from the Ministry of Trade and Industry currently acts as an Advisor to SMEC, illustrating the public sector support for the work of the SMEC.

In terms of research capabilities, SBF conducts an annual National Business Survey to identify the needs and concerns of its members. It also provides a quarterly business sentiment index on Singapore SMEs. The objective of this index is to provide a 6-month outlook on the SME community in relation to the external economic conditions. SBF also supplements quantitative studies with thematic studies through focus group studies on SME issues. These research activities support SBF and SMEC in better representing the SMEs.

Specific to representing the SME community, the Association of Small and Medium Enterprises (ASME) is an organization that facilitates the growth and development of SMEs. The association champions the development of a robust business ecosystem and serves as a bridge between the public and private sectors to promote a more conducive business environment. ASME is able to undertake services such as advocacy and policy consultations, seminars, and trade missions.

ASME also holds regular consultations with SMEs to understand their challenges and equip them with the business knowledge and market opportunities to help them grow. Its board members are entrepreneurs who have established successful SMEs and they regularly provide their feedback and inputs. The association also conducts regular surveys to understand SMEs' sentiments. The association has a good working relationship with government agencies and is often consulted on the formulation of SME-related policies. Government agencies hold regular dialogues and working committee meetings with the association and SMEC to address the needs of SMEs.

- **Malaysia**

The Government recognised the importance of SME associations in developing SME strategies to strengthen the role of private sector institutions. The strategies include encouraging companies to become members of trade and industry associations, establishing Malaysian trade and industry associations overseas, and promoting the role of trade and industry associations as effective intermediaries to collaborate with policy makers in the formulation and implementation of export plans. The government constantly seeks feedback from SME associations through its relationship with the

Federation of Malaysian Manufacturers and chambers of commerce. The Small and Medium Industries (SMI) Association of Malaysia was established with the objective of promoting and providing support, services and solutions towards the best interest of small and medium industries, enterprises and businesses in Malaysia. Said association has been given a strong role for the realisation of the aforementioned strategies.

However, the SMI Association does not have an explicit research and development department which can undertake, among others, research activities related to market research services for members, business surveys to understand the current investment climate and business challenges, and proposals to review the corporate tax system. In general, the function of SMI Association Malaysia is to consolidate inputs from the industry and to act as an advisory organisation to the government rather than to participate as a research centre. Besides the SMI Association Malaysia, there are also numerous industry associations in various specific industries such as the Malaysian Textile Manufacturers Association, Malaysian Plastics Manufacturers Association and Malaysian Rubber Products Manufacturers Association.

The SMI Association is also actively engaged in dialogues with the various ministries of the Malaysian Government to reflect and provide feedback on the needs and improvements required to create stronger and more professional small and medium industries, enterprises and businesses in the country.

There is a nationwide consultative mechanism to absorb SMEs' interests in SME policies in Malaysia. These interests are captured in terms of policies, actions plans, and strategic thrusts. In some cases, these consultations are held on a case-by-case basis. The consultation mechanism takes place on a monthly basis, which allows direct feedback and follow-ups on the outcomes of the measures as well as provides room for the SME associations to give formal comments or recommendations on the drafting of SME-related policies. However, because SME associations in the country lack policy monitoring and evaluation capabilities, their role is often seen as not significantly influential.

- **Thailand**

There are many associations that represent SMEs' interests at both national and local levels such as the Thai Chamber of Commerce, the Federation of Thai Industry, and the Association for the Promotion of Thai Small and Medium Entrepreneurs (ATSME). The business associations could have a strong advocacy to represent SMEs in the formulation of SME promotion policies by sitting in the Board of Directors of the OSMEP. These associations have participated in international SME associations such as the ASEAN SME Advisory Board.

The services provided by these associations include database management of SME contact information, information gathering and dissemination, networking, business matching, training and seminars, processing of certificates of origin, and giving advice to government to review SME-related policies. They also have conducted their own research and published e-news bulletins and surveys. Some joint research projects with SME incubators, NGOs and government agencies are also conducted. However, the associations do not have a dedicated policy research center for SMEs.

Despite their role in representing SMEs' interests, the number of business members in business associations has remained somewhat low. According to the OSMEP statistics, only 2.5 percent of SME businesses participate in business associations while 30 percent of large businesses participate in the associations. As for the ATSME, there are over 8000 members from all over the country in 2013.

The Thai government agencies have a consultative mechanism with the private sector which is nationwide in scope. The consultation mechanism allows direct feedback and follow ups the outcomes of the government measures. The consultations take place on a quarterly basis for the Board of Directors and on a monthly basis for the Board of Executives of the OSMEP. Despite such formal consultative mechanism, communication of direct feedback and follow-ups of the outcomes of government measures are not yet effective. Perhaps this is because such consultations are characterized by a top-down approach or mainly guided by their government-owned agenda.

The association is able to give initiatives, formal comments or recommendations on draft SME-related policies through the members of the Board of Directors. In addition, the association monitors and evaluates policy outcomes such as the effects of the minimum wage policy and the Baht appreciation. However, the desired outcomes from these initiatives from the private sector or business associations are not often achieved.

- **Indonesia**

Despite the absence of a single dedicated SME association, business associations in Indonesia nonetheless have quite a strong voice in representing SMEs' interests. For one, members of the various SME associations are mainstreamed in industry associations and/or chamber of commerce with nationwide networks. They also have a strong domestic and independent advocacy role on SME-related issues although the impact of the advocacy is still unclear. Furthermore, some of the associations have also participated in international SME associations. Nevertheless, the capacity of SME associations is still relatively weak, especially in terms of research capacity as there are no associations that have either a research department or a dedicated policy research center for SMEs.

In Indonesia, as mentioned, there is no single national SME association that particularly represents all SMEs in the country. However, there are many sector-based associations whose members are SMEs such as the association of producers of tofu and tempe and the association of producers of cassava chips. Some associations are locally based while others are nationwide. For nationwide associations, two major business associations, i.e., the Indonesian Chamber of Commerce and Industry (Kadin-Indonesia) and the Indonesian Employer Association (APINDO) have a department/division that is dedicated for managing SME- related issues.

While the SME associations have a strong voice in speaking out their aspirations in the formulation of SME-related policies, their involvement in the policy formulation process, however, is uncoordinated due to the diverse interests of each association.

Thus, the impact of their advocacy is still unclear. One of the survey respondents in this research said that influencing government's policy is a hard job.

Meanwhile, some of the associations, particularly APINDO and Kadin-Indonesia, have international networks with their counterparts in many other countries and regions such as those in European countries, African countries, and ASEAN countries. APINDO, for instance, has an international network with the ASEAN Confederation of Employers and all its members (e.g., e.g. Malaysia Employers Federation (MEF) Singapore National Employers Federation (SNEF) Employers' Confederation of Thailand (ECOT), Employers Confederation of the Philippines (ECOP)).

In terms of technical capacity, the SME associations are supported by a secretariat or administrative office. The secretariat conducts information gathering, database management and information dissemination to SMEs and other organizations as well as networking, business matching, training and seminars. While some secretariats also give advice to local and national governments to review SME-related policies, the advice are not carried out with sufficient ability to generate and mobilize resources to support the secretariat. Despite their involvement in supporting trade and investment promotion in the country, none of the associations undertakes services in processing certificates of origin (CoOs).

Meanwhile, the research capacity of associations is limited to collecting existing researches from various sources. Almost all associations in Indonesia, including the association that this study team interviewed, do not have a research department. Nevertheless, the associations sometimes conduct joint research projects with other institutions. APINDO, for example, have even conducted a research investigating consumers' preference on several products. The result of this research was used as ideas for workshops and/or trainings for its members.

The consultative mechanism between government and the private sector is undertaken in various sectors on an ad-hoc manner. On SME issues, in particular, the public and private sector consultations also occur sporadically and mostly upon the call of the

government, although the private sector has the opportunity to formally comment on draft SME policies and can suggest own initiatives or measures related to SME.

The Indonesian government also has consultative mechanisms with the private sector both at the local and national levels. But the consultations are held on a case-by-case basis, without a regularity in schedule. The product of consultations takes the form of minutes taking or report or recommendation paper.

Like in other issues, SME issues are also consulted or discussed in a sporadic manner between the government and the private sector. There is no structured and regular consultation on SME issues and the government does not seem to have a plan to establish such system.

Nevertheless, the associations have the opportunity to give formal recommendations on the issues discussed and on the draft of SME policies. Furthermore, the private sector can also suggest their own initiatives or measures, though it is not clear how many of their initiatives have been taken by the government. Business associations also conduct the monitoring and evaluation of existing policies, where the results are then given as inputs to the government.

- **Philippines**

At the national level, the SME agenda and interests are articulated by the Philippine Exporters Confederation (Philexport) and the Philippine Chamber of Commerce and Industry (PCCI). Philexport is the country's umbrella organization of exporters and is composed of 3,000 member exporters from fifteen economic sectors accredited under the Export Development Act of 1994. PCCI is a non-stock, non-profit and non-government organization of SMEs as well as local chambers and industry associations. It currently has over 35,000 direct and indirect members and over a hundred local chamber affiliates throughout the country.

Both Philexport and PCCI conduct advocacy work and have partnered with other stakeholders in advancing the interests of SMEs. They actively engage in policy discussions and deliberations on issues affecting industries.

Both organizations have the ability to provide key services to its members, undertake independent advocacy work, formulate/propose policies at the national and local levels, and generate resources internally and externally.

Both Philexport and PCCI have professional staffs who may undertake important research related to their industries and sectors and issues related to their policy advocacy. Both organizations are also able to tap partner academic and research institutions to help them conduct these researches. Both organizations are also able to come up with important publications related to their services to members and their policy advocacies.

The Universal Access to Competitiveness and Trade (U-Act) is the think-tank of the PCCI. It prepares FTA Primers and conducts industry studies along with policy papers and impact on competitiveness such as infrastructure development, education & training policies, competition law, and others. U-ACT works in cooperation with local and international organizations including government departments, trade and industry associations, national trade promotion agencies, chambers of commerce, industry associations and management institutes to strengthen the private sector's role in economic governance and policymaking process.

Both organizations have the capacity to undertake independent research and studies on their own or with partners. They are able to tap technical expertise and funding for joint research projects.

The Micro, Small and Medium Enterprise Development Council (MSMEDC) was established as a formal mechanism for consultations. The Council is organized at the national, regional, provincial and city levels. It has membership from key government agencies and institutions and private SME sector representatives

The PCCI SME Development Division actively participates in the formulation and implementation of policies and programs, both in the national and regional levels to improve the capabilities and competitiveness of MSMEs focusing on five key areas:

access to technology and information, access to credit and financing, access to markets, human resource development and access to market opportunities.

The Council meets at least once every quarter and holds up to, at most, 24 meetings per year to include those of the Executive Committee and Sub-committees. These committees created by the Council meet whenever required and more frequently than the Council meetings. In practice, meetings of the MSMED Council take place every quarter. The Council adopts some recommendations from the private sector representatives. The MSME sector has also seen its inputs reflected in the Philippine Development Plan, MSME Development Plan and Philippine Export Development Plan.

- **Brunei Darussalam**

There are a number of business associations that look at the interest of SMEs although there are no associations that have been established specifically with the name Small and Medium Enterprises as a business Chamber or Association. The main ones are: Malay Chamber of Commerce and Industry (MCCI), Chinese Chamber of Commerce (CCC), National Chamber of Commerce and Industry (NCCI), Brunei Darussalam International Chamber of Commerce and Industry (BDICCI), and Young Entrepreneurs Association of Brunei (YEAB).

All business associations are registered under the Registrar of Societies Order, which is under the supervision of the Commissioner of Police, Brunei Darussalam. Any association or membership to regional or international association will need the approval of the Registrar of Society. Failure to obtain approval from the Registrar can result in the association being suspended. Hence, SME participation in regional activities of other association is only limited to participate in foreign exhibitions and conferences. The local association does not participate in any policy setting or regional and global scope.

There are no requirements for companies to be members of any Chamber of Commerce or Business Association. There are also no specific associations established for SMEs

as most businesses operating in Brunei Darussalam are SMEs. Hence, the existing Chambers and Business Associations would look at issues affecting SMEs. The executive members or council members are elected by their respective Chambers. However, most of the members that help run the Chamber are performing the function voluntarily and operate from their own place of work.

Due to the nature of the Chambers in Brunei Darussalam and lack of resources, there are very limited services provided and none has a research and development department. The services of the Chambers are mainly to organize meetings and arrange for match making and network opportunities for its members at conference, business forum or receiving foreign business delegations.

The private sector has always been referred to as the engine of growth and the Government as the facilitator. Although some Chambers do have dialogues with various government agencies, there is still very limited opportunity for the private sector to be involved in the formulation of government policies or brought in for consultation before any new policy is announced. And since SMEs are not involved in any policy decision, there are no applicable monitoring systems in place to monitor policies.

- **Viet Nam**

VINASME, a member of the Viet Nam Chamber of Commerce and Industry (VCCI), is a social and industrial organization with the function of being a representative of SME-related different associations. It protects legal rights of its member associations and SMEs; gives advice to competent agencies to solve SME-related issues; and serves as a bridge between its member associations, SMEs and competent agencies. It supports its members to expand their business operations/ activities, conducting trade and investment promotion, and international cooperation, among others. In addition, Viet Nam currently has around 400 enterprise associations (officially operation) throughout the country.

The technical capacity of VINASME is supported by an Administrative Office that gathers and disseminates information to SMEs and other organizations. It also

undertakes membership services such as networking, business matching, training and seminars; and gives advice to local and national governments to review SME-related policies. VINASME and its members intend to provide database management of SMEs' contact information.

VINASME has a Research Department and its research capacity is illustrated by collecting research from various sources; publishing magazines, industry studies, and surveys on various topics; joint research projects with donor partners or other institutions. The Association has a dedicated policy research center or think tank of SMEs. It also established the Science Institute for Small and Medium Enterprises (SISME) as a think-tank of SMEs. It conducts in-depth study on SMEs. Recently, these research department and institute have joint research projects with donor partners or other research institutions.

VCCI also established a Supporting Center for SMEs and an Institute for Enterprise Development to conduct specialized studies on SMEs. It also has many joint research projects with donor partners or other research institutions. In addition, many other enterprise associations also conduct studies in order to provide relevant comments and suggestions.

The Government of Viet Nam attaches great importance to policy consultations with the business community in general and private sector in particular. The consultations for legal documents on business are held on a case-by-case basis. Annually, local enterprise associations organize two or three dialogues between enterprises and the local government, three or four dialogues between enterprises and provincial departments, and four or five dialogues between enterprises and district departments. For central enterprise associations (by industry), each association organizes around 10 dialogues with line ministries and state agencies/ central government.

VCCI and VINASME are able to give formal comments and recommendations on draft SME-related policies. They are also able to suggest initiatives on SME-related policies.

In general, the consultation mechanism allows direct feedback although it is not clear how many initiatives have been taken by the government.

- **Lao PDR**

The Lao National Chamber of Commerce and Industry (LNCCI) is represented as an SME association in Laos. The main role of the LNCCI is to bridge state and private enterprises and represent employers, groups and joint ventures across all agencies that have been established under the laws of Lao PDR. It currently has more than 1000 members represented through Chambers of Commerce in 18 provinces and business associations nationwide. In addition, there are a number of associations related with industry, commerce and tourism sectors.

The SME association has a strong domestic and independent advocacy role on SME-related issues. In terms of technical capacity, the association undertakes membership services such as networking, business matching, processing of certificates of origin, trade and investment promotion, and training and seminars. However, its research capacity is limited to collecting existing researches from various sources.

For the mechanism of the consultation, the national, local and sectoral consultations are done on a regular basis, using a committee structure where position or white papers are produced. The consultations involving key actors from the public and private sectors take place on a semi-annual basis. The private sector can suggest its own initiatives or measures.

- **Myanmar**

Although an SME Association has not been established yet, there are many agencies related to and supportive of SMEs in Myanmar. Many government agencies have a strong advocacy to represent SMEs in the formulation of SME laws and SME-related policies. The Ministry of Industry established the SMEs Development Center (SDC) to support and give guidance to SMEs and monitor their performance. The SDC is organized by three main departments: Department of Industrial Development and

Technology, Department of International Relation and Market Expansion, and Department of Investment Promotion and Exploitation of Resources.

The SDC provides various kinds of support for SMEs development such as taking the responsibility for database management, data gathering, dissemination of SME contact information, and provision of training and seminars. In addition, the Ministry of Commerce and the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI) also provide training, workshops and seminars to entrepreneurs, its members and enterprises. The RUMFCCI also issues certificates of origin, and conducts business matching and trade and investment promotion programs. RUMFCCI and SDC also give advice to government to review SME laws and SME-related policies.

In Myanmar, SMEs are vital for the development of the national economy because they can contribute to job creation, resources utilization and generation of earnings. Therefore, Myanmar currently pays special attention to the development of SMEs and the nurturing of existing SMEs to become large enterprises. To create a conducive business environment, related Ministries, Departments, and representatives from the private sector, local experts, and RUMFCCI have drawn a draft of SMEs laws and policy.

Representatives from SME committees, the SDC, the Ministry of Industry and the Ministry of Commerce conduct regular consultations and discuss matters concerning SMEs development. Basic meetings are conducted quarterly to discuss SME-related issues such as challenges for SMEs, advantages and disadvantages of SMEs, development programs for SMEs and major factors for SME development. Participants in the consultations on SME policies are not only from the SDC and RUMFCCI but also from the private sector as well as professionals who can give formal comments and suggestions on the draft SME law and related policies.

- **Cambodia**

The industry associations in Cambodia have been established in a wide range of industries such as garment, rice, rubber, hotel, banking, shipping, and restaurant. Moreover, there are provincial chambers of commerce and many foreign chambers of commerce. Among the largest and influential general associations are the Chamber of Commerce; Federation of Association of SMEs of Cambodia (FASMEC), and a leading industry-specific association, the Garment Manufacturers Association in Cambodia (GMAC). Many associations are facing a number of challenges such as competing associations in the same industry, limited networking inter-association, limited networking among members, limited services to its members, limited technical and research capacity, limited maintenance of databases and contact information of SMEs.

The Government-Private Sector Forum is organized twice a year, following quarterly ministerial meetings, and is co-chaired by the Prime Minister and the representative from the private sector, namely, the Chairman of the Chamber of Commerce. The Forum is composed of nine working groups: (1) Agriculture and Agro-Industry, (2) Tourism, (3) Manufacturing & SME, (4) Law Tax and Governance, (5) Banking and Financial Services, (6) Energy, Infrastructure and Transport, (7) Export Processing and Trade Facilitation, (8) Industrial Relations, and (9) Customs Public-Private Partnership Mechanism (CPPM). In the forum, the private sector can raise issues/challenges which are faced by the private sector and which need a quick decision from the Prime Minister. Decisions are made on a case by case basis. Despite its effective dialogue mechanism, the Forum is for the purpose of troubleshooting rather than for monitoring policy implementation. And some associations do not represent their industries well. Concerning the formal influence of the consultation, SMEs or the private sector can comment on draft SME policies, but the decision is made by the government.

Table 9: More Effective Representation of Small Enterprises' Interests

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
8.1	Role and capacity of SME association	2.3	2.5	3.8	2.3	3.8	4.3	4.7	5.0	4.2	4.3	3.7
8.1.1	SME association	3.0	3.0	6.0	3.0	4.5	6.0	5.0	5.0	4.5	5.0	4.5
8.1.2	Technical capacity	2.0	2.5	3.5	2.0	4.0	5.0	5.0	5.0	4.0	3.5	3.7
8.1.3	Research capacity	2.0	2.0	2.0	2.0	3.0	2.0	4.0	5.0	4.0	4.5	3.1
8.2	Participation in Consultations on SME Policies	2.3	2.5	3.0	3.0	4.5	5.7	4.7	5.0	4.7	3.7	3.9
8.2.1	Mechanism of the consultations	3.0	3.0	4.0	3.0	4.5	6.0	5.0	5.0	4.5	4.0	4.2
8.2.2	Frequency of the consultations	2.0	2.0	1.0	3.0	5.0	6.0	5.0	5.0	5.0	3.0	3.7
8.2.3	Formal influence of the consultations	2.0	2.5	4.0	3.0	4.0	5.0	4.0	5.0	4.5	4.0	3.8
	Average	2.3	2.5	3.4	2.7	4.2	5.0	4.7	5.0	4.4	4.0	3.8

Chapter 9

Ways Forward: Towards an Effective SME Development Policy in ASEAN

1. Regional Cooperation for SME Development

The results of the ASEAN SME Policy Index scoring show that there is a lot to be done in order to go towards the best practice in each of the policy areas. At the same time, it is unrealistic to expect that the gaps can be addressed adequately soon. It is best to view the Index as a mechanism for a step by step process of improving the policy and institutional environment as well as setting targets and time line. In addition, the detailed nature of the ASEAN SME Policy Index allows for a participatory approach to developing the way forward in each AMS involving important stakeholders. Although the Index implicitly presumes equal weighting of all the policy areas, it is likely that the areas of technology, access to finance and easier and faster start-ups would be especially important.

At the same time, it is not efficient and effective to just focus on one or two areas for high scores; this is because levels 5 and 6 in a number of the policy areas would likely need resources and skills and regulatory capability that would be difficult to obtain and develop soon in CLM countries. In the end, a more balanced and gradual but consistently improving approach may be the one appropriate to engender a supportive policy environment for SMEs. This assumes of course that the relative prioritization among the policy areas and indicators would be dependent on the stakeholders' assessment and judgment in each AMS. In addition, it is best that the exercise of stakeholder participation, specific targets, time line, and action plans is done in a concerted manner among all the AMSs in ASEAN in moving forward toward a more supportive policy and institutional environment for SMEs in the region. In this way, there would be much greater coherence between the national SME policies and the ASEAN regional initiatives under the Strategic Action Plan for ASEAN SME Development (SAPASD).

Both at the aggregate level and across dimensions, there are big gaps between the ASEAN average, ASEAN-6, except Brunei Darussalam, and the CLMV countries. This would call for collective efforts and support to be given to the CLMV countries to improve their policy environments and narrow the gaps (refer back to Figures 3 and 4 and to Appendix 1 for each indicator).

The most significant gaps and low regional standing are on **technology and technology transfer, access to finance, promotion of entrepreneurial education, cheaper, faster start-up and better regulations, and access to support services**. Therefore, the following specific actions are hereby suggested to address these shortcomings:

A. Establish a higher ASEAN body for SME development policy

Given the stake of SME development in ASEAN and the fact that the success of the regional integration needs to have vibrant and competitive SMEs to fully benefit from a deeper regional integration and narrow development gaps, a higher ASEAN body should be established, i.e., elevate the ASEAN SME Advisory Board to an ASEAN SME Ministers Meeting level which reports directly to leaders in coordinating regional efforts and mobilizing resources for SME development. These efforts will involve the integration of other regional initiatives (trade, investment, banking, and finance) in harmony with the SME development agenda.

- Leader's Mandate and Statement establishing an ASEAN SME Ministerial Meeting on SME Development. This involves the mandate to focus on a number of areas listed below, commitment to set specific targets for reduction in time and cost for formal business registration, commitment to markedly improve information, advisory, technical services on quality control, operational improvements and managerial training, and commitment to encourage dialogue partners to help out especially on technical assistance for SME access to finance (e.g., credit risk management, etc.).
- Leader's Statement on the institutionalization of the ASEAN SME Policy Index (with an acknowledgement of the support of ERIA in the development of the Index). This

could include the delegation of the task of undertaking consultations to the ASEAN SME Working Group under the ASEAN SME Ministerial Meeting in order to further refine the Index and to undertake it on a regular basis for ASEAN.

B. Specific measures

Enhance SMEs' technological upgrading and innovation capacity

The low standing and gaps in technology and technology transfer are due to the lack of legal, policy framework, limited capacity, and resources of the CLMV countries, in particular, the provision of information and database on innovation support services and the inability to provide financial incentives in R&D activities. Therefore, priorities should be given to:

- Provide more capacity building to less developed AMSs on institutional building and program design and best practices, among others
- Provide information and advisory services in quality control management, technology adoption and commercialization, and training
- Provide incentives in R&D and improve service quality of incubators, promote linkages between research, labs, and universities with SMEs, and set up a proper monitoring and evaluation system
- Establish regional networks and hold regular fora for incubators and science park administrators to share best practices

Improve SMEs' access to finance

The most critical issues to facilitate SMEs' access to finance are the absence of credit risk management system (credit guarantee, rating and information) and more flexible collateral provisions. Moreover, alternative finances, especially equity and risk capital finance, are not fully exploited. Therefore, the region should focus on:

- Provision of technical assistance in terms of setting legal framework, system building, and shared good practices with less developed AMSs.
- Establishment and strengthening of credit risk management system (credit guarantee, rating and information) and more flexible collateral provisions

- Promotion of innovative and alternative finances such as channeling through domestic and regional networks of equity fund, venture capital finance, angel capitalists, and Crowdfunding platforms¹ for SMEs.

Promotion of entrepreneurial education

Lack of emphasis on policy for entrepreneurial education, especially the capacity to integrate in the basic education and non-formal training, is the major factor behind the poor standing. Therefore, it is necessary to:

- Streamline and incorporate entrepreneurial education into the education policy
- Integrate entrepreneurial education with human resources development, skill development and upgrading programs as a core part of the national development strategy.

Ensure easy start-up and business-friendly regulatory environment

Lengthy time and high costs required for registration, completion of all processes to enter into operation, coupled with the absence of one-stop-shop services and proper regulatory impact assessment, make the start-ups more difficult for SMEs. As such, it is important to:

- Set specific targets for the reduction in time and monetary cost for formal business registration and operation by taking measures to improve one-stop-shop services and regulatory reforms
- Provide E-government, single online entry point for business registration, and SME portal services.

Access to support services

- Provide integrated business development and advisory services to SMEs
- Establish ASEAN SME Portal and Trade Repository to provide and share online database and information on trade-related regulations, events, joint cooperation for

¹ Internet platforms which support the collective cooperation, attention and trust by people who network and pool their money and other resources for projects initiated by other people or organizations.

trade fairs, business networking, company matching, and company profiles on the Internet and match them during international trade fairs

- Provide web-based advice and high value information of the regional and other markets

Other measures

- Introduce specific export promotion, capacity building, and other trade facilitation services to potential SMEs exporters
- Improve technical and research capacity of the SMEs' association as well as institutionalize consultation mechanisms with SME stakeholders in SME policy formulation and implementation
- Introduce "Buy from ASEAN SMEs Pact" to encourage large companies and government agencies to sign a voluntary ASEAN pact to commit themselves to buying more from SMEs (start with the showcases of ASEAN SMEs through providing goods and services to ASEAN meetings and Summits).

2. Ways Forward for SME Development in AMSs

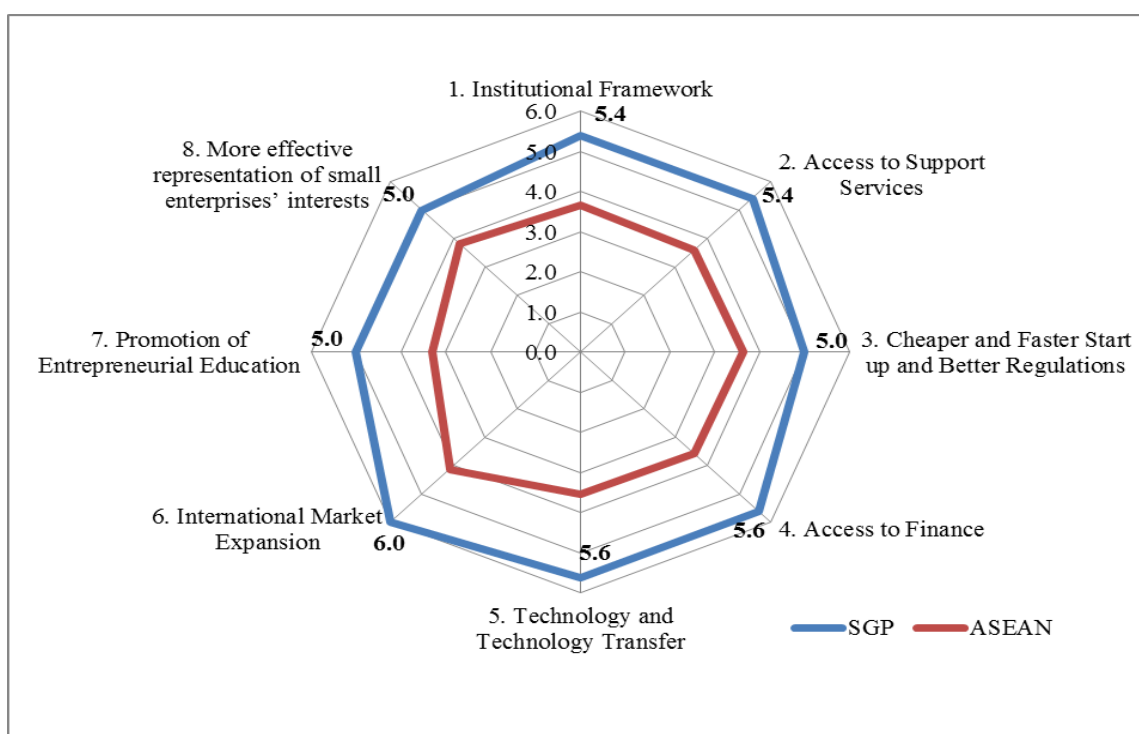
While ASEAN should collectively address the common weakness and share good practices, specific contexts and problems at the national level in terms of prioritization, improved capacity and resources should nonetheless be properly addressed. The following country cases expound on this further.

• Singapore

The Singapore government has built a strong foundation for the development of the SME sector in Singapore. There is a strong drive to create strong SMEs that are global in nature and able to create the necessary linkages in the global economy. The SME Policy Index highlights that Singapore has a strong infrastructure and support system in place to develop globally competitive local enterprises, as illustrated in Figure 21.

In particular, the drive towards developing strong globally competitive local enterprises that can compete in external markets with strong brands is one of the key objectives of SME policy in Singapore. This is clearly indicated by the market access component of the SME policy index. The overall SME Policy Index for Singapore will be in the range of 5.45, which indicates that Singapore has one of the strongest foundations in the area of SME development in terms of technological capabilities, regional integration, infrastructure and support systems, and strong regulatory and institutional framework for intellectual property rights.

Figure 21: Singapore SME Policy Index



However, there are several areas that the government could focus on to improve the development of SMEs, and also increase their contribution to the economy in terms of productivity and output growth. These qualitative observations might not be reflected, though, in the SME Policy Index. The following are the key areas of concern:

1. The government should have targeted SME-FDI linkages aimed at supporting industrial policy priorities by linking local suppliers to FDI-based manufacturing

facilities. This allows the domestic economy to extract greater returns from both multinationals as well as domestic firms and SMEs.

2. There is a limited SME database and research in Singapore and this could be strongly improved.
3. There is a need to implement a well-advanced monitoring system to measure the impact of SME development strategy in the economy. Although the E-government platform is in operation for tax returns and procurements, cadastre, and others, it only allows for certain limited number of operations such as procurement and not a fully functional system that allows for online credit and debit activities for the SMEs.
4. There are also limited activities in reporting and accessing the SME statistics online. The government could provide more data and statistics on SME activities that allow them to monitor and improve their economic and innovative activities in the domestic economy and the region. There is a plan to provide the database of innovation support service and providers to the firms but it is currently not available to the public.

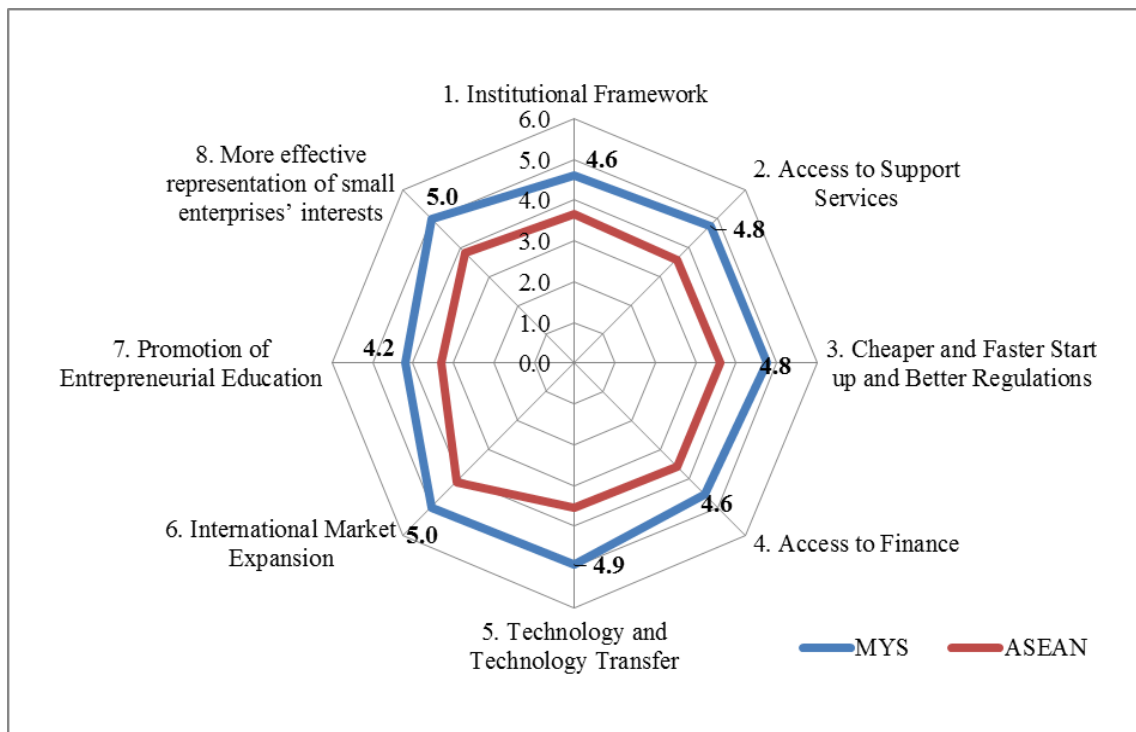
• **Malaysia**

The average index score of Malaysia is above the ASEAN average in aggregate and across policy dimensions as seen in Figure 22. However, there are specific problems that need to be addressed, to wit:

1. An institutional framework focusing on transforming the informal sectors to formal sectors should be emphasised. One of the four goals of the SME Master Plan is to intensify formalisation with the aim to reduce the informal sector's contribution to the economy from 15 percent to 31 percent by 2020. In fact, under the High Impact Programme (HIP) to integrate business registration and licensing, registration will be made as prerequisite for licensing and this is expected to contribute significantly towards reducing the informal sector in the economy.

2. In order to encourage more SMEs to use ICT in their businesses, more efforts should be taken by related agencies to create awareness on the benefits. The cost of acquiring e-services should be minimised so as to raise ICT adoption rates by SMEs. Incentives should also be given to SMEs that adopt e-commerce in their businesses as well as to e-commerce service providers. The government can also provide sharing platforms to encourage SMEs to use common applications such as an online accounting system that will improve the productivity of SMEs.

Figure 22: Malaysia SME Policy Index



3. To encourage more foreign companies to participate in Malaysia, the official cost of obtaining business registration certificates in Malaysia should be lowered. The nominal share capital of foreign companies in the determination of the amount of registration fees should be abolished and replaced with a standard flat rate. In addition, serious efforts should be taken to reduce the number of days required to obtain licenses and permits for business operation, which should be consistent with the High Impact Programme under the SME Master Plan that aims to create a single registration point through interfacing of the National Business Registration System

and National Business Licensing System. The system should be simple enough to provide cheaper and faster services for business registration.

4. The role of credit bureaus in collecting and exchanging information on payment performance is important in facilitating the loan application process. The government should promote awareness on the presence of such an infrastructure across the country. The non-banking financing sector support of SMEs in the country needs further strengthening, which can be coordinated through the SME Investment Programme under the SME Master Plan that is aimed to provide early stage financing to SMEs.

5. Malaysia has well-constructed innovation policies and programs to facilitate SMEs to embark on R&D and innovation activities. However, there is still room for the government to introduce and manage new promotional activities to stimulate technological upgrading, especially in the service sector, which will go a long way to support the realisation of the country's vision 2020 to become a developed country. The way forward is to define service innovation in the context of SMEs in Malaysia and to promote specific service innovation among SMEs. Indeed, supporting service innovations will also act as a catalyst for the progress of firms in the manufacturing sectors in Malaysia. For instance, SMEs are well positioned to act as design centres in several industries. A detailed assessment of service innovation in Malaysia is required and the government should support these activities in sectors that have the comparative advantage and in newly emerging sectors that show prospects.

In addition, although Malaysia's policies and programs are conceived, the government has to put more attention on their performance evaluation and monitoring. Except for reports published by the SME Corp. and the World Bank on the impact of selected programs, there are currently no other impact studies available. Monitoring and evaluation is crucial to provide lessons, avoid mistakes and make *kaizen*-like continuous improvement on policies. A national system of program evaluation should be formulated to assess the effectiveness of government programs in supporting SMEs. The government's GTP should be targeted for this cause.

Existing assessments only measure the effectiveness of programs in terms of how the budget is spent. Another area that requires attention is information on innovation support services. Due to the fragmented dissemination of innovation support services, SMEs find it difficult to access such information. Initiatives are needed to provide SMEs with business management advice, market research, technology transfer and testing facilities. Consolidated network that provides the details of such services is also required to act as an info hub. All these entities must be managed by professionals in the respective services. In particular, improvements are needed in the following areas: (a) linkages between universities, research institutions and firms; (b) enhancement of incubators' performance; and (c) establishment of a public R&D grant evaluation system.

Another area which requires greater emphasis is commercialisation. Towards this, the SME Master Plan has proposed a High Impact Programme namely Technology Commercialisation Platform (TCP) to connect all important parties involved in commercialisation under one roof to promote a seamless flow for SMEs to move from proof of concept to commercialisation stage. As pointed out in the SME Master Plan, there is also a need to synchronise measures taken on productivity enhancement technologies with relevant labour policies to enhance productivity in SMEs.

6. More emphasis should be given to expand trade services offered by Malaysia to SMEs in order to increase their exposure in international markets. Export of services is much more resilient to global economic uncertainty than export of manufactured goods. Hence, existing export of services such as tourism, construction, ICT, insurance, and financial services should be expanded, particularly to the newly emerging markets. Furthermore, since the majority of SMEs are in services, this sector should be assisted to expand into international markets. Efforts to do that should include the promotion of innovative SMEs to upgrade their R&D services so that they can increase their capacity to drive global value chains. This should be incorporated in the initiatives of the SME Master Plan, namely, the Going Export (GoEx) programme that aims to promote internationalisation of SME products and services.

7. Although entrepreneurial education in both schools and universities has a long history, more support is needed to encourage entrepreneurial education in basic education and informal levels. While considerable reviews of entrepreneurial education of higher learning institutions are available, specific efforts are needed to review the efficacy of such programs in the basic education and informal levels. There is also a need to monitor the development of entrepreneurial education at the primary and secondary school, and informal levels. There is a need to create more awareness among SMEs on the importance of entrepreneurial learning, which is not only pertinent to ensure that SMEs are better managed but also to make sure that the *kaizen*-like features of such activities will also assist Malaysian SMEs in competing better in global markets. In addition, efforts should be taken to create awareness of its existence and importance and to provide training toolkits to all SMEs seeking such assistance.

8. It is normal that coordination and control becomes difficult when there are too many industry associations in a country. This had led to poor coordination and representation of their interest to the Government. There is a need to encourage greater cooperation and consolidation among the associations to enable them to share information and networking, and address pressing issues faced by the industry collectively. Besides, the SMI Association needs to play a more active role to better represent SMEs' interest. Under the four thematic measures of the SME Master Plan, two refer to the promotion of resource pooling and shared services, and the reduction of information asymmetries. Industry associations can play a critical role in these aspects. Indeed, if better coordination is enhanced, it can reduce information asymmetry that would eventually facilitate improvements in the performance of SMEs in Malaysia.

- **Thailand**

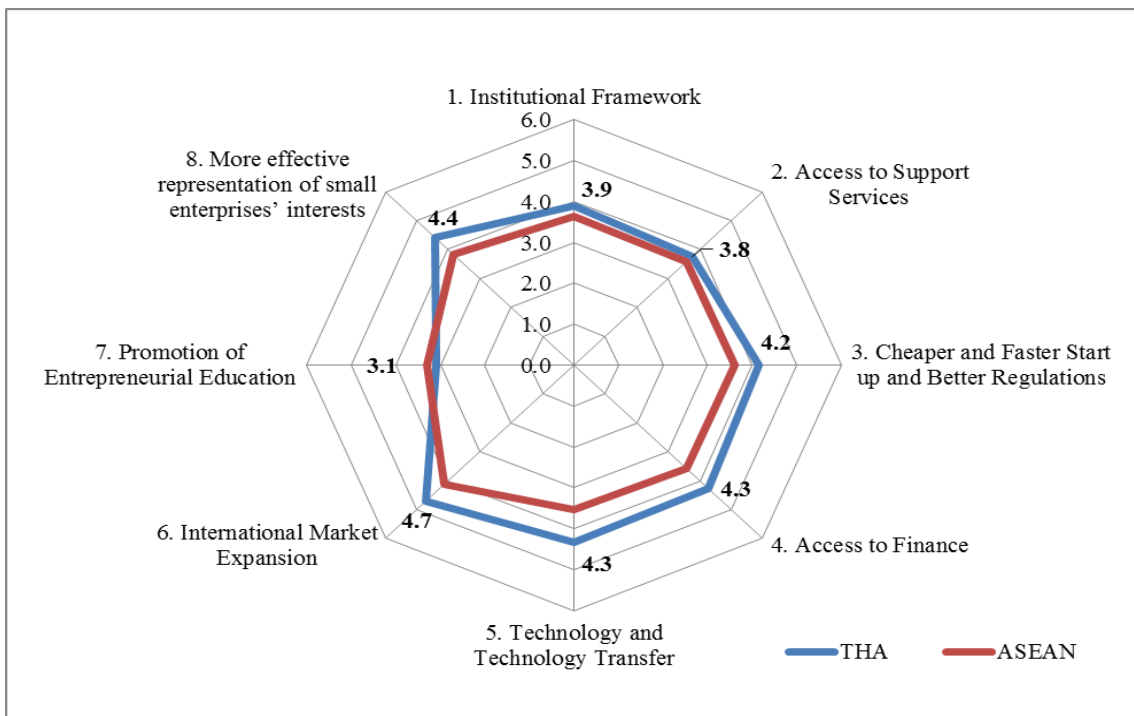
Thailand has performed at an intermediary level with an average score of 4 in implementing policies supporting SMEs (Figure 23). Overall progress is quite even across policy dimensions. Yet, there are some weaknesses in the sub-dimensional areas

that directly affect the overall effectiveness of policy. These weaknesses are of great concern. By looking at each indicator with a score less than 4, weakness in policy development and design in each dimension may and should be addressed.

1. Improving the institutional framework for formulation and implementation of SME policy

The effectiveness of the policy supporting SMEs rests heavily on the successful coordination and facilitation across concerned government agencies. By law, the OSMEP acts as the central body for policy and program coordination. In practice, several projects and programs are implemented with no clear indication of appropriate distribution of budgets. The OECD (2011b) study recommends a portfolio approach to guide how project and programs should be funded and implemented across categories of policy intervention and stage of business.

Figure 23: Thailand SME Policy Index



This recommendation could be quite useful if this type of analytical work is completed at the early stage of the budgeting process. Unfortunately, this recommendation could be quite difficult to implement in the Thai context. Frequently, programs and plans are

revised annually and are likely to change whenever there are cabinet reshuffles. In addition, rolling program budgeting is not automatic in practice even if it requires medium-term budgeting for all government agencies. The change in budget planning from fixed annual project budget to rolling program budgeting has wide ramifications and is far beyond the role of the OSMEP.

Instead, one possible role of the OSMEP is to promote and undertake evaluations of programs and projects. Armed with evidence-based information, it could identify cost effectiveness, thereby reducing wastes and inefficiencies of several programs.

To improve and evaluate SME policies and programs as mentioned, it requires timely and reliable information. Accessibility and utilization of the information from all concerned agencies might be a challenge and could be very costly for the OSMEP, which might not possess the experience in this area. This task could be outsourced to more professional agencies like the National Statistics Office and universities.

In addition, various government agencies involved with SME promotion should be given a streamlined definition of SMEs. It is important to revise the current definition to incorporate microenterprises in particular and make the definition in line with the international standard.

Improving facilitation for a transition from informal to formal sector is urgently needed. Providing stronger financial incentives and better education and advisory services could contribute to achieving this development. It is estimated that over half of Thai SMEs operate in the informal sector. In addition, the total number of business of all sizes which registers with the Ministry of Commerce has remained very low. The simple rule is to provide more access and benefits of various government programs only to participating SMEs that are registered and to reduce cost of registration and cost of compliance such as simplified taxes and business regulations.

2. Improving Access to Information and Supporting Services

Thailand could improve ways in which SME supporting services programs are implemented. One important initiative is to improve one-stop shop business development centers. The success of the one-stop business development center rests on the high quality and valued services that are integrated. Certain types of information may be costly for a single or small firm to acquire. These services could be provided in collaboration with professional institutes to increase their values. SME Toolkits could also be used as a starting point to access other ranges of programs of support. They provide SMEs with pertinent information to overcome obstacles involving government red tape, burdensome regulatory requirement and other market information. Apart from the single contact point for accessing services, the information related to all types of supporting services should also be made available online and centralized, and updated regularly. Both the SME Toolkit program and online information should improve access to SMEs that are located far from inner cities.

3. Cheaper and Faster Start-up and Better legislation and regulation for SMEs

Improving better legislation and regulation for SMEs require new initiatives to speed up the process in review and amendment of legislation and regulation. Legislation and regulation reform could be prioritized by its social and economic impacts. Special groups of experts from concerned professionals could be formed to provide advice and opinions to the law reform commission.

4. Improving Access to Finance

Despite past policy efforts, expanding access to financial services for Thai SMEs remains an important policy challenge. To help SMEs access to finance, the weakness of the SME policy development points to large collateral and provisioning requirements, and limited availability of risk capital (venture capital, private equity, business angels). Only 40 percent of Thai domestic firms, which are mostly small enterprises and sell locally, gained access to credit from banks (OECD 2011b). Possible initiatives to improve capacity of financial markets to provide more credit to SMEs include:

Improve the Credit Guarantee Mechanism: Guarantee arrangements are important as a means of helping SMEs with inadequate collateral to gain access to finance. Recent operations of the Small Business Credit Guarantee (SBCG) Corporation during the economic downturn demonstrated some promising progress as a mechanism to broaden financial access for SMEs. However, the coverage of credit guarantee scheme provided by the SBCG at present is quite small in terms of share of SMEs who obtain a credit guarantee. Thus, sufficient funding for the scheme should be a key priority in times of crisis. Successful credit guarantee schemes then require appropriate risk sharing and prudential measures to reduce over-borrowing and moral hazard behavior.

Improve financial information disclosure by SMEs. With good record keeping and proper financial accounting, SMEs can provide essential information such as loan documentation. Information transparency and disclosure can be viewed as evidence of adequate management and the financial literacy of SMEs. Given that the data and information required in a loan application is not too extensive, this information disclosure will notably help to broaden credit access.

Strengthen institutional capabilities in SME credit risk evaluation and management. Credit risk is the assessment of the credit worthiness of a borrower. It involves reviewing the loan applications against the firm's history of borrowing and repayment, assets, and liabilities as well as the soundness of its business plan. Given adequate disclosure of financial information in the SMEs business plan as mentioned above, these capabilities should reduce the opaqueness of the SMEs. In the future, the availability of and access to credit information on SMES may induce more information-based lending rather than the collateral-based lending seen at present.

5. Enhancing Technology and Technology Transfer

The weakness in this policy dimension points to inadequate financial incentives for innovative firms and somewhat low public R&D grants to activities with a commercial orientation. According to the OECD report, the innovative capacity of Thai firms is quite low. Only 12 percent of Thai SMEs offered new products to their customers. R&D spending has been less than one percent for decades. And finance for innovative

and high-growth firms is somewhat limited. Relevant ways to enhance technical capabilities of Thai firms include:

Improving the features of the existing Industrial Technology Assistance Program (iTAP) in Thailand. As suggested in the OECD report, such program could provide four main services: technological advice, financial assistance for R&D activities, networking, and partnership. To increase the scale and impact of the iTAP, it should be regularly evaluated and adjusted.

Promoting the Supplier Development Program. The presence of large, multinational corporations (MNCs) provides an opportunity for Thai SMEs to act as suppliers within the value chains. Such program could help develop and encourage linkages between small and large firms, wherein technical assistance and technology transfer could be provided by large firms.

6. Improving Market Access and Getting more out of the single market

The weak point in the sub-policy dimension in supporting SMEs to compete internationally is the high cost for exports. Thailand has an unusually high cost of exporting clearance in terms of money and time.

7. Promoting entrepreneurial education

According to the OECD (2011b) report, about a half of the budget supporting SME (from the SME promotion fund and outside, excluding the OTOP program) were allocated to education and training during 2007-2009. Most budgets and programs focus on operating SMEs. The major programs in this area include the OTOP program, New Entrepreneurs Creation (NEC), and University Business Incubator (UBI) program.

Entrepreneurial skills normally include basic start-up knowledge, business planning, financial literacy and manager skills as well as good attitudes toward risk-taking, persistence, and teamwork behaviors. Thailand policies on enhancing entrepreneurial education and skill development have not focused on developing such competencies in

the formal and informal education. Entrepreneurship education is usually not an explicit part of the curriculum of educational institutions at the basic education level in Thailand.

If embedding entrepreneurial education into the curricula is deemed necessary in the near future, preparing a new generation of teachers who are equipped with such knowledge is an urgent issue. New breed of knowledgeable teachers will be a key to transfer such basic skills and to develop awareness and entrepreneurial behaviors of the young.

Retraining the old teacher force is another possibility. However, the average age of the Thai teacher force in the basic education is well over 40 years old. It is thus difficult to imagine retraining them in this later age to equip them with basic entrepreneurial skills or new attitudes. The cost effectiveness of such teacher retraining program may not be suitable.

On the other hand, promoting such skills at the higher education and vocational schools seems to be more promising. As earlier discussed, many government supporting programs on entrepreneurship education (training, counseling, diagnostic and advisory services) are already in place. Monitoring and evaluation of those programs in terms of economic benefits should be beneficial for policy recommendation.

One of the key success factors for EL is the effective engagement of the private sector. Several corporate social responsibility programs are increasing and contributing more to the education sector (partly due to tax incentives). Many large multinational firms in Thailand also have a strategic interest in developing skilled employees and able local suppliers in many skill development programs (due to skilled labour shortage). Some initiatives from the private sector and NGOs are also involved with the poor or young students to enhance their opportunities for self-employment. Due to large external benefits to the society, the government should consider ways to facilitate and encourage more of such engagement. Providing incentives for the private sector to form

networking and to collaborate more with vocational colleges and universities (sponsorship, mentoring, coaching, and curriculum development) should be promoted.

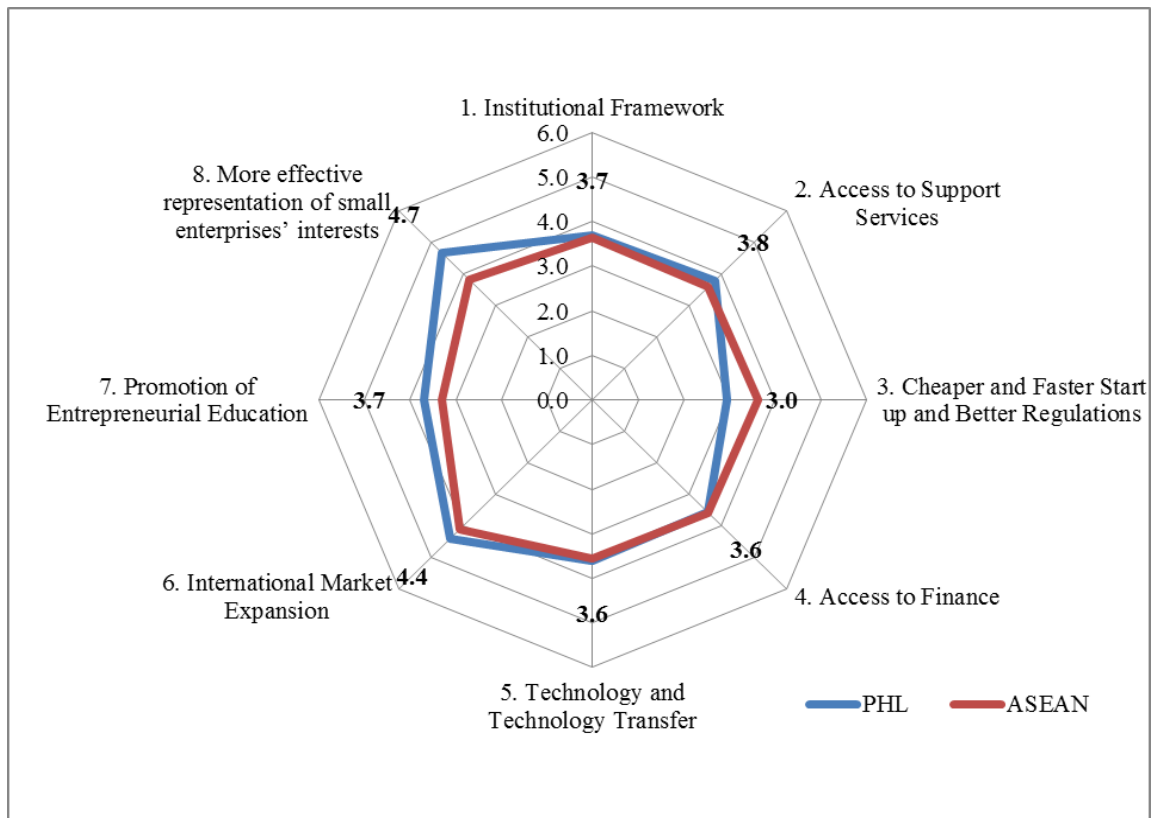
8. More Effective Representation of SMEs' Interests

Recommendations to improve this dimension include: developing a more bottom-up process in the consultation between the business association and the government agencies. Strengthening such formal influence of the consultations might also need business associations to have more members and improved capacities in research and technical aspects.

- **Philippines**

Figure 24 presents a summary of the average scores of the eight policy dimensions for the Philippines. On the average, the overall score is quite modest at 3.8. The highest average score is more effective representation of SMEs (4.7) and the lowest is cheaper, faster start-up and better legislation (3.0).

Figure 24: Philippines SME Policy Index



1. Institutional Framework

- Strengthen and deepen the coordination mechanism among the various government agencies particularly at the department secretary level. Address overlapping and unclear responsibilities across agencies, if any.
- Develop a system to keep track and monitor MSME policies and programs formulated and implemented by different government agencies. Government provides wide-ranging support to MSMEs in order to improve their competitiveness and generate employment. Much more needs to be done in establishing a system of monitoring and evaluation that would directly measure the impact of policies and programs on the growth and development of MSMEs especially on productivity which is vital to MSME's international competitiveness. Understanding the impact of government policies and programs on the performance of SMEs would be crucial not only in properly designing future programs but also in formulating policies for the growth and development of SMEs. A rigorous evaluation of the appropriateness and effectiveness of programs would thus be critical especially given the country's scarce resources. Present monitoring and evaluation only looks at the output or outcome indicators such as number of beneficiaries, employment generated, or total amount of loans granted before and after program implementation.
- Formulate and adopt a clear framework or mechanism for review, evaluation, monitoring, and revision strategy. There should be more focus in identifying key sectors taking into account the financing constraints and how to balance the twin social and economic objectives in MSME development evident in many programs implemented by various government agencies.

2. Access To Information and Supporting Services

- Enhance the monitoring and evaluation of the Plan by designing and introducing a framework to regularly measure the direct impact of the MSME Plan on the performance of MSMEs. This is important to ensure that the resources channeled to supporting MSMEs are being well spent and the programs are well targeted and to

modify or terminate the programs once their objectives have been attained. It is also important to assess the performance of one-stop shops and the quality of services provided.

- Further develop e-government services by creating a centralized online portal for the various MSME programs and services covering finance, marketing promotion, human resource development, training, product and package design development, and technology provided by the different government agencies. Currently, the BSMED regularly publishes handbooks compiling these programs and services as well as government regulations affecting MSME operations. This information could serve as initial database for the centralized online portal on SME programs and services.

3. Cheaper and Faster Start-Up and Better Legislation and Regulation For SMEs

- Significant progress should be made in simplifying the overall registration process, reducing administrative barriers and streamlining regulations. The National Competitiveness Council is currently working closely with government agencies and the private sector to map out ways to streamline and simplify each process, and to eventually automate.
- Current government financial support for start-ups is still limited to have any significant impact. It is important to assess existing programs in terms of scope and delivery with a view of improving and broadening these support services to include business incubators as well as vouchers, grants and loans on favorable terms especially for the most dynamic enterprises.
- There is a need to simplify and improve legislations and regulations as well as institutionalize the framework for conducting regulatory impact assessment (RIA). A simplified, pilot RIA program is being used in certain areas of regulations of the Department of Finance, Department of Labor and Employment, and Department of Tourism under a project supported by the Asian Development Bank.

4. Access to Finance

- Strengthen the legal and regulatory framework particularly the documentation of land ownership; simplify the land use regime, and consolidate land management into one agency. Establish a centralized and computerized registry for chattel mortgage. Without central registries, it is difficult to ascertain whether or not a particular property is already the subject of an existing encumbrance.
- To effectively implement the Financial Rehabilitation and Insolvency Act of 2010, strengthen the efficiency of courts by introducing measures and reforms to ensure the speedy resolution of court cases. Courts hearing rehabilitation cases should be consolidated to increase judicial expertise and efficiency.
- Implement measures to facilitate and widen access by SMEs to alternative forms of finance such as venture capital and private equity and leasing and factoring products. Encourage the use of the capital market by MSMEs
- Facilitate greater access to credit by the establishment of credit information bureau and secure property registers for collateral related purposes to ameliorate information asymmetry.
- Enhance financial literacy programs for MSME entrepreneurs. These programs build trust in the use of financial services and minimize the risk of MSMEs acquiring unsuitable products and becoming indebted.

5. Technology and Technology Transfer

- Create a database on innovation services and programs that MSMEs can readily access online.
- Further promote, expand and strengthen incubator programs to reach out to more SMEs, universities, and research institutions.

- Strengthen linkages between science parks/clusters and universities/innovation and technology centers as a step to reach out to more innovative SMEs and develop business networks that would foster connectivity among SMEs, science parks, and universities.
- Strengthen information programs on IPR to educate the public especially MSMEs, business associations, law schools and universities particularly on the importance of IP and its protection as well as its benefits to the country. Strengthen enforcement and coordination among the various agencies involved in its implementation.
- Pursue further development of the required broadband infrastructure in the country to address the connectivity deficit and to increase broadband coverage.
- Increase funding (in terms of amount and number of schemes) available for innovative projects in partnership with private sector investors.

6. International Market

- The government should increase resources available for export promotion programs through innovative fund raising schemes and
- Further expand capacity building and credit programs through more effective targeting of MSMEs with the potential to export.

7. Promotion of Entrepreneurial Education

- Formulate a framework and more specific strategy for the promotion of Entrepreneurial Learning in various government plans
- Provide adequate budget and effective monitoring and evaluation system for these specific programs promoting Entrepreneurial Learning

- Deepen networking by universities with their ASEAN counterparts towards the adoption of the ASEAN Common Curriculum
- Further improve the quality and increase the number of partnerships between academe and the MSME sector in the promotion of entrepreneurial learning
- Establish a system of accreditation of training program providers

8. Development of a Stronger, More Effective Representation for SMEs' Interests

- A regular annual or biennial summit of individual MSMEs and their clusters to highlight their innovative products and articulate their issues and concerns vis-à-vis government should be institutionalized.
- Regular dialogues between the MSMED Council and key legislative committees concerned with specific legislation on MSME should be held.
- A more effective system of feedback, monitoring and documentation of successful policy outcomes highlighting insights and lessons learned for the sector should be established.

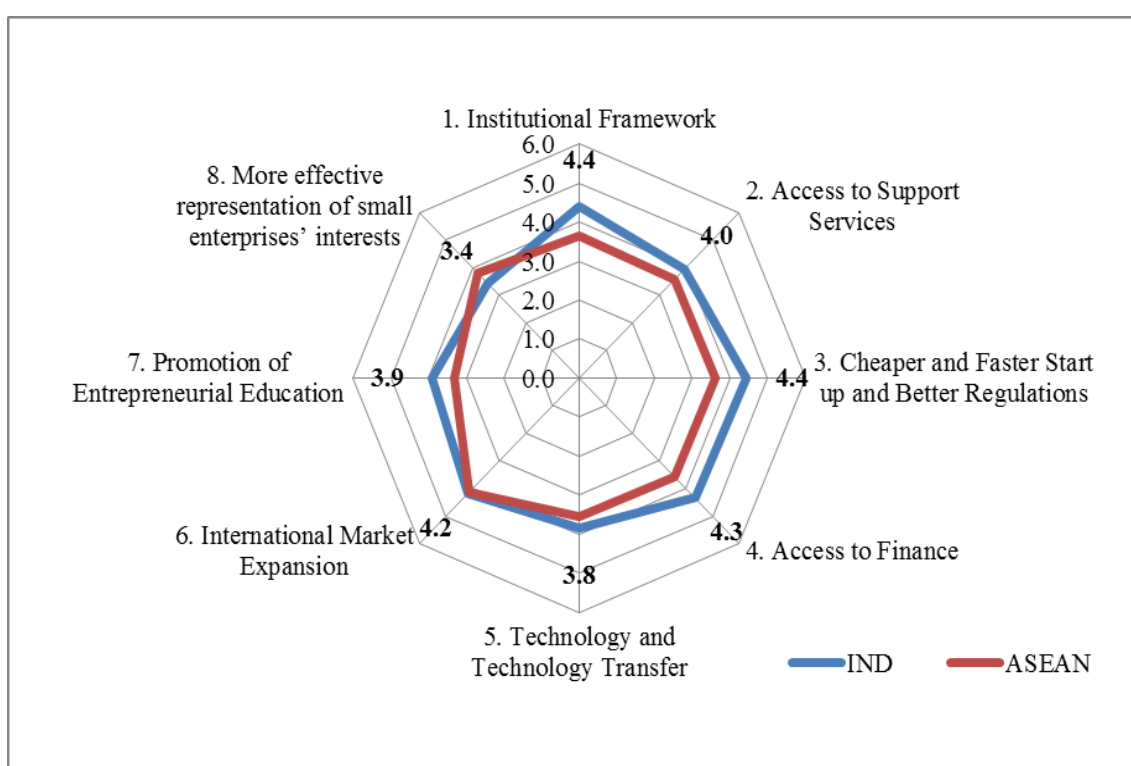
• Indonesia

Indonesia's policy framework on SME-related policy is fairly well-developed as reflected in Figure 24. However, the development stage within each policy dimension and sub-policy dimension is still uneven. Indonesia has done relatively well in the areas related to institutional framework; business start-up and legislation and regulation for SMEs; access to information and supporting services, access to finance; market access and getting more out of the single market; and promotion of entrepreneurial education. Nevertheless, Indonesia is still underdeveloped in areas such as technology and technology transfers, and effective representation of SMEs' interest.

It is noteworthy to mention that a well-developed SME policy framework does not necessarily translate into impressive SME development. There is no strong evidence

that government policies and programs (for level 5 or 6) have tangible impacts on SMEs. While a monitoring and evaluation system does exist, the effectiveness of some government policies needs further investigation. Preliminary findings found that the coverage of the programs relative to the vast number of SMEs in the country is small, not to mention the lack of coordination among the programs, Hence, this policy index is to be viewed with caution since the implementation may not achieve the purpose of the policy design.

Figure 25: Indonesia SME Policy Index



Institutional Framework

Indonesia has already had a uniform application of SME definition in government programs and policies within the country. The government has also established a single institution which is in charge of leading and coordinating SME policy, with staffs and budget in place. Nevertheless, further improvement is still needed in areas of coordination on SME policy formulation and implementation to increase the effectiveness of SME-related support programs in order to improve the achievement of

strategic plan targets, given the considerable resources channeled into supporting the SME sector and the range of support schemes put in place. Furthermore, the Indonesian government needs to develop a clear framework for a monitoring and evaluation system to keep track of the related policies and programs on SMEs implemented by different government departments and agencies. This will allow interventions to be more precisely targeted and schemes to be modified or terminated once the objectives have not been achieved.

Access to information and supporting services

Indonesia should revive the existing, yet dormant, business development services (BDS) and enhance their support for incubators by providing the legal framework for encouraging the development of SMEs in the country. The e-commerce law should also be further strengthened by enacting the implementing regulations. In addition, priority should be given to the expansion and intensification of e-government services so that they would not only be for a limited number of operations. Furthermore, the unification of existing portal on SMEs and the improvement of website management should be given a special attention so that it can easily be accessed by the SME community. Lastly, business services should also be improved and diversified, as the existing services are still limited, both in number and quality. As for business incubators, in particular, there is a need to provide solid legal framework to further develop and strengthen incubators.

Cheaper, Faster Start-up, and Better Legislation and Regulation for SMEs

As the business registration and start-up in Indonesia practically remains cumbersome and costly, the advancement in the implementation of existing regulations and rules is necessary to improve business environment in the country. In particular, efforts should focus on the reduction of administrative procedures/steps, and streamlining and simplification of regulations at the national and regional levels. This can be done, for example, by combining trade business license (SIUP) and company registration certificate (TDP) in a single document or consolidating labor and social insurance registration with SIUP / (TDP). In addition, special attention should also be paid to the enforcement of

laws and regulation through the improvement of the capacity of the public administration to manage and enforce existing laws and regulations

Indonesia should likewise continue to focus on improving the business environment by institutionalizing the framework for conducting Regulatory Impact Analysis (RIA). Furthermore, the regulatory evaluation process on local government regulations (Perda) should be further continued and completed with the elimination of redundant, contradictory, and problematic regulations. At the same time, improvements in the transparency and efficiency of the tax administration should continue.

Access to finance

While the legal and regulatory framework on credit in Indonesia has been largely in place and is quite advanced to enable access to finance, efforts should be made to further strengthen the law enforcement and improve the efficiency of the court system. Moreover, having a firm law enforcement and efficient court system is necessary to facilitate exit and entry of businesses in the market, and to increase access to finance. The uncertainty of the law and inefficient court system would discourage lenders to extend loans to enterprises, as they would have no legal recourse in case of failure of the borrower to repay the loan. Furthermore, the establishment of credit information bureau that records all credit information both in banking and non-banking financial institutions and openly publishes the list of negative creditors might be useful to encourage the lenders to extend loans to enterprises. At the same time, the financial literacy of SMEs should also be improved through better education and socialization programs.

Efforts should also be given to widen the range of financial products offered to SMEs. The credit guarantee schemes still have very limited operation although the default rate is low. At the same time, while microfinance and leasing services have been developed quite well, the factoring and venture capital services remain underdeveloped and limited in scope. Given the lack of government resources, it is important to create conditions favorable for external equity financing and private sector participation.

Technology and technology transfer

Efforts to further develop the database on information about innovation support services providers are needed since BDS are still dormant and the National Innovation System (Sinas) is still incomplete and underdeveloped. It is also important to further promote, expand, and strengthen the incubators and the one-stop support centres on IPRs to reach out to more SMEs, universities and research institutes. Moreover, the Indonesian government should strengthen the existing network of incubators and enhance its support for incubators so that they can expand their services on more high-quality services which add more value and innovation support for new and science-based firms.

Furthermore, more efforts should be given to improve and expand the broadband infrastructure and increase the funding schemes for innovation projects. In as much as the development of science/industrial parks is still in its infancy stage and the industrial component in these techno-parks is still missing, the government needs to further enhance their supporting infrastructure and provide incentives to attract more innovative companies to locate their businesses in the industrial sites. In addition, it is also necessary to further strengthen the link between the science/techno-park with universities and other innovation and technology research centres.

Market access and getting more out of the single market

Given the range, extent and richness of export promotion programs conducted by different ministries and agencies, considerable value could be generated by improving and strengthening the coordination among the export promotion programs. Furthermore, efforts should also be given to increasing the capacity of agencies that provide business or specific market information such as Indonesia's Trade Promotion Centers (ITPC), trade attaches and Division of Market Development and Information, and the Directorate of National Export Development of the Ministry of Trade, to improve the quantity and quality of their services on specific market information.

While there are clearly good efforts to support the export capacity building programs, as exemplified by the establishment of the BBPEI and P3ED, a better tracking system is

necessary to determine exactly the extent of training given to SMEs. Furthermore, the extension of the coverage areas and the connections between the practitioners as well as the various parts of the training system is also important to increase the effectiveness of programs.

Promotion of entrepreneurial education

In the area of human capital development, the government needs to further strengthen and extend the promotion of entrepreneurship across all levels of education as evidence of the government's commitment to the entrepreneurial learning agenda. This should include supporting EL teaching materials and staff with knowledge and skills for teaching entrepreneurship-related subjects and establishing the national standards for EL-related subjects. In addition, there is also need to further strengthen the collaboration between business and education that emphasizes sharing of entrepreneurial skills and spirit. In this regard, the Ministry of Education and Culture (MoEC) has a particular role here in terms of leadership and strategic direction.

The government and education communities, moreover, should also consider developing an entrepreneurship educators' network. This network will not only allow for expertise development and sharing of good practices but also for the creation of greater awareness of the importance of the entrepreneurship agenda. This network should be extended to all levels of education to ensure a lifelong entrepreneurial learning sequence. At the same time, strengthening the networking of Indonesian universities with their ASEAN university counterparts towards adoption of the ASEAN Common should be considered.

Development of a stronger, more effective representation of SMEs' interests

Although the consultative mechanism between private and public institutions has been in place, the consultations and dialogues have been conducted in an ad hoc and case-by-case basis. Thus, effort should be given to establish a regular, dedicated and institutionalized policy dialogue and co-ordination mechanism between private and public institutions which can facilitate the voicing by businesses of their interests and

initiatives. In this regard, the government needs to consider establishing a consultative committee, bringing together the representatives of the SME policy community. This committee needs to meet regularly and develop a shared agenda on SME development in the country. In addition, particular attention should be paid to strengthen the technical and research capacity of the SME associations so that they have sufficient resources to provide better advice to the government. This can be exemplified through the establishment of a linkage or network between business associations and universities or research institutes.

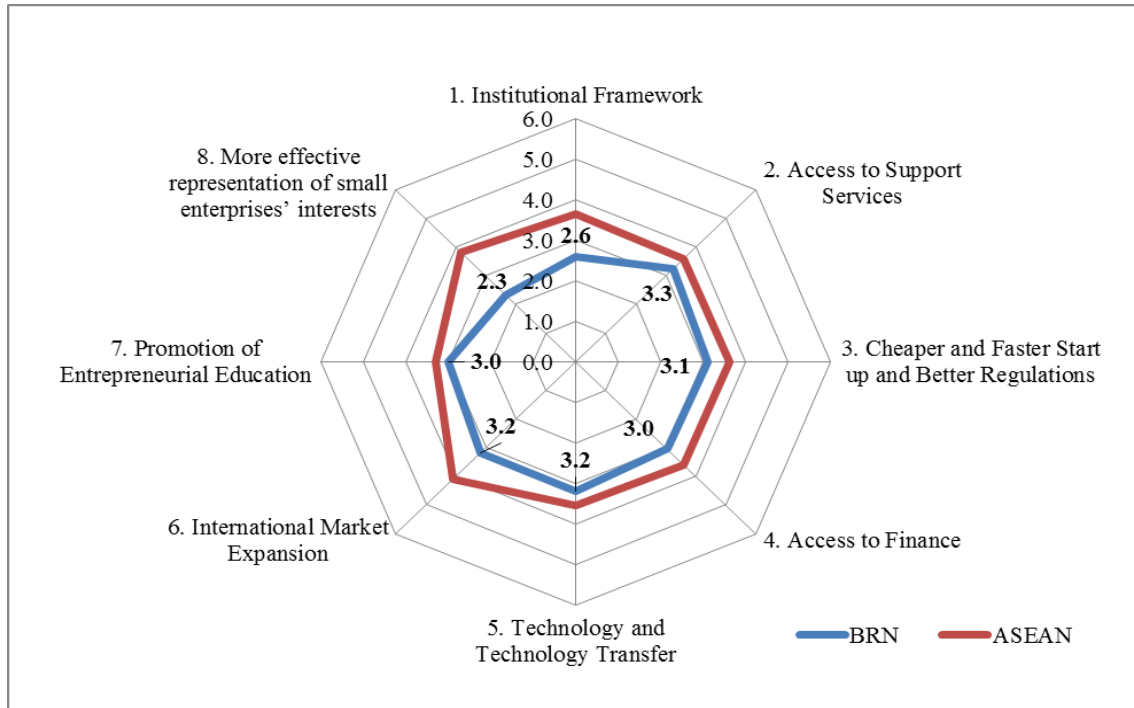
- **Brunei Darussalam**

On the basis on the assessment of each policy dimension for Brunei Darussalam, Figure 25 offers some recommendations towards an effective SME policy in Brunei Darussalam, to wit:

- The definition of an SME should be legislated to ensure consistency in the application of the definition in the different government ministries, agencies and legislations.
- There should be better inter-government coordination of policy formulation for SMEs to ensure consistency in policies for SME development and also to ensure that a regular review is made on which policies are still relevant for the achievement of the country's Vision 2035.
- The SME National Development Plan (NDP) should be coordinated by the Ministry of Industry and Primary Resources to ensure that all the other policies formulated by other agencies apart from the Ministry of Industry and Primary Resource are in line with achieving the National Development Plan. There should also be in place Key Performance Indicators to ascertain how the plan is performing. There should likewise be regular reviews of the NDP to ensure that the policies are still relevant based on the current business environment and level of the SME development.
- The Entrepreneurial Development Centre's capacity should be improved to ensure that there are sufficient funds and resources to the Centre for them to provide a one-stop center integrated service for SMEs. Their key role must be to facilitate and develop SMEs. There should also be a series of mandatory training annually for SMEs that

seek financial assistance from the government or other supporting agencies.

Figure 26: Brunei SME Policy Index



- An online portal for SMEs must be developed and put in place so that up-to-date and regular information can be posted. This would include success stories, financing availability, training schedules and news on SME activities, conferences and fora. Up-to-date statistics on SMEs in terms of numbers, sectors and performance must also be made available on the online portal. This will allow SMEs to make decisions based on up-to-date information rather than outdated data (latest information available for Brunei Darussalam was only for up to 2008).
- The ease of doing business must be improved and the implementation of the Business Licensing System planned for 2014 must be a totally stand-alone single portal system to enable entrepreneurs to obtain all relevant approval in order to commence business hassle-free on-line. All procedures should be simplified and be made transparent and consistently applied across all government agencies.
- There should be better access to finance and more financial institutions willing to

provide start-up working capital without collateral. The loans should also have a grace period of at least one year before principal repayment is made to ensure that the SMEs can concentrate on developing the business to enhance their cash flow. This will allow them some breathing space before having to service their loan. An Export Guarantee Scheme should also be put in place to assist local SMEs that plan to export their products.

- The Land Code should be amended to allow SMEs to register the name of their company as the legal owner of the land or properties. Even if not freehold, leasehold of a minimum of 60 years would be sufficient for companies to use the land and building as collateral when obtaining financing facilities.
- There is currently very limited formal channel for dialogue between the public and private sectors. The government should therefore formulate formal dialogue sessions at least once every 3 months with all the business associations and chambers of commerce together so that the private sector can also provide inputs to policy issues and decisions. Constructive dialogue will benefit both the public and private sector since the private sector is the engine of growth and the government the facilitator.

- **Viet Nam**

Based on the assessment of each policy dimension (Figure 26), some recommendations towards an effective SME policy in Viet Nam are hereby outlined:

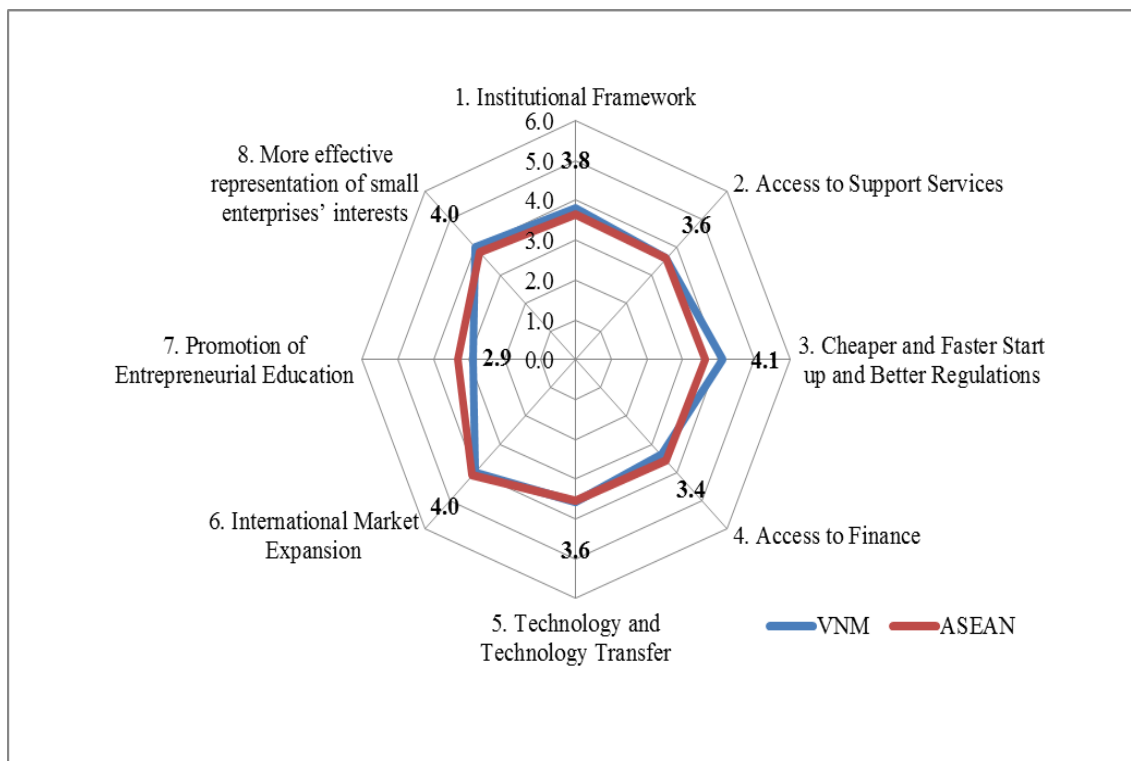
(1) Institutional Framework

Viet Nam has a uniform SME definition throughout the country. However, the SME definition is applied differently in programs and policies for SMEs which somehow affect SMEs' access to financing from government programs. SMEs would therefore have better chances in gaining the benefits of government programs and policies if a uniform SME definition were applied.

The coordination in formulating and implementing SME-related policies, especially SME supporting policies, should be strengthened. Recently, different SME-related

policies have been issued by different state agencies or ministries. In order to follow the SME development orientation or plan, it is necessary to have an institution such as the Agency for Enterprise Development (AED) that will take the lead in formulating and implementing SME-related policies.

Figure 27: Viet Nam SME Policy Index



The AED should create more opportunities for different SME-related agencies and organizations to exchange opinions and experiences in both the central and local levels. The exchange of views and opinions should be organized regularly or at least once a year. Technical Assistance Centers (under the AED) should operate as special entities, supporting other SME supporting organizations and the Department of Planning and Investment (DPI) at the provincial level. Each provincial DPI office should regularly gather opinions and suggestions from SMEs in the provinces.

(2) Access to Support Services

The AED should review all SME supporting policies and other related policies, and then publish manuals for implementation of SME policies. Furthermore, in order to fulfill

the SME Development Plan, the AED should make annual action plans and conduct evaluation annually. Other recommendations include:

Strengthening the capacity of SME assistance centers at the provincial level and establishing the monitoring system to evaluate the services provided by SME assistance centers. Encouraging the development of one-stop shop business development centers in provinces, and developing the legal advisory services of SME assistance centers in order to save time and costs should be pursued.

Improving the legal framework on e-commerce and strengthening the quality of e-government services.

Improving online portal for SMEs by regularly updating SME-related policies and regulations, and gathering and publishing information from all public institutions related to SMEs. The portal should serve as an online forum for consultation and experience exchange.

(3) Cheaper, Faster Start-up and Better Legislation and Regulation for SMEs

Continuing to improve the business environment and to push forth the public administration reform by simplifying administrative procedures; strengthening the capacity of competent agencies/ authorities, capacity of public servants, among others; and adjusting the behaviors and attitudes of government officials/ agencies in working with SMEs. Government officials should take responsibility to guide entrepreneurs or SMEs in going through the administrative procedures. The latter should be simple, fully disclosed and transparent.

To encourage the start-up, financial services support for start-up should be considered by designing and approving financial support tools with detailed proposals and budget allocation, either at the central or local government level. Evaluation and monitoring systems to measure the impact of the services support should be established.

To improve the quality of regulation, RIA should be applied on a wider scale. In this

regard, the government should issue detailed guidelines on RIA.

(4) Access to Finance

An effective functioning of the central collateral registry would affect the ability of SMEs to provide collateral and would significantly improve their access to finance. Hence, the legal and regulatory framework for supporting SMEs to access finance must be improved.

For SMEs to access finance in general and credit in particular, it is necessary to harmonize benefits among credit institutions, SMEs and the state. The credit institutions should simplify and clarify lending procedures for SMEs. In addition, SMEs should make their operation transparent with a clear accounting book system for credit institutions to follow and make decisions fast. Local governments should pay more attention to establishing credit guarantee funds, capital assistance funds, and others to create more chances for SMEs to access finance.

The government should provide a suitable approach in designing support policies (finance, in particular) for enterprises, especially for SMEs. Supporting policies should clarify objectives and objects of support. At present, almost all supporting methods/policies are applied to all enterprises, not only SMEs. This thereby lessens the chances of SMEs to avail of the policies since large enterprises will have more advantages than SMEs.

The system of credit guarantee funds should be strengthened and collaterals diversified and trust-base (using assets formed from loans, leasing, etc.) so that SMEs can access financing easily. The SME Development Fund which has just been established should serve as a trust fund for commercial banks to provide long-term loans for SMEs.

Furthermore, promoting the financial transparency of SMEs would positively affect their ability to obtain financing from banks.

(5) Technology and Technology Transfer

Innovation policy is a key issue for the development of SMEs. However, Viet Nam still

lacks a dedicated policy, resources and mechanism for fostering innovative activities. Specific mechanisms and tools for fostering innovation could be developed such as promoting the linkages between universities R&D Labs and Incubators with SMEs and providing more financial incentives. Areas that need to be given more attention include:

Strengthening the National Fund for Science and Technology Development and National Fund for Science and Technology Innovation in order to support enterprises in their application of advanced technology in production and business effectively. In the long term, the government should establish the Venture Investment Fund to support business start-up and incubated technologies. The establishment and development of these funds will not only support enterprises in terms of capital sources but also provide information for enterprises to consider and select technology projects.

Improving the mechanism of monitoring and evaluation for impact assessment of all programs. Encouraging the provision of information on innovation support services. Regular and continuous evaluation of the existing incubators must be conducted.

(6) International Market Expansion

Strengthening of export promotion programs for SMEs should be considered to further support SMEs in expanding their export market. The export promotion programs should be well-funded and regularly evaluated and monitored.

Enhancing the SME accessibility to the international market by providing better access to industrial standard.

Establishing a system for monitoring and evaluation to assess export capacity building programs as well as financial facilities for SMEs to export.

(7) Promotion of Entrepreneurial Education

Training and assisting SMEs to improve their production capacity, competitiveness and

accessibility to resources such as finance, land, and labor, etc.

Implementing the reform of national education-training system, supporting training for enterprises' owners, directors, managers and laborers, formulating a framework and more specific strategy for the promotion of EL in various government plans, and paying more attention to supporting EL in basic education.

Strengthening the training capacity of education institution; strengthening the linkages between enterprises and universities, colleges and vocational training centers; and standardizing the contents of entrepreneurship training by designing national standard for subjects on entrepreneurship.

Deepening networking by universities with their ASEAN counterparts towards the adoption of the ASEAN Common Curriculum.

Providing more funds or seeking other sources of funds for implementing entrepreneurial policies, programs and projects.

Strengthening the business- academe collaboration through the deployment of public-private EL support programs to EL specialized research and training institutions, financial institutions, incubators and science parks with a significant number of spin-offs.

Establishing a monitoring and evaluation system for entrepreneurial promotion policies.

(8) Effective Representation of SMEs' Interests

Improving the professionalism of business associations in general and of SME association in particular by improving the knowledge and skill of the associations' staffs.

Enhancing the effectiveness of public-private consultation by strengthening the role and position of SME representatives (SME associations, VCCI and many other business

associations) in reactive and pro-active consultations. The representation of SMEs in consultations should be ensured by promoting consultations and regular dialogues among business sectors and organizations and the government.

Establishing a more effective system of feedback, monitoring and documentation of successful policy outcomes.

Creating the legal framework for the operation of business associations in general and associations for SMEs in particular.

- **Lao PDR**

Laos' SMEs are still in the early stage of development and face various problems. In order to promote SME development for each of the policy dimensions in Figure 27, there are some recommendations as follows:

- 1. Institutional framework**

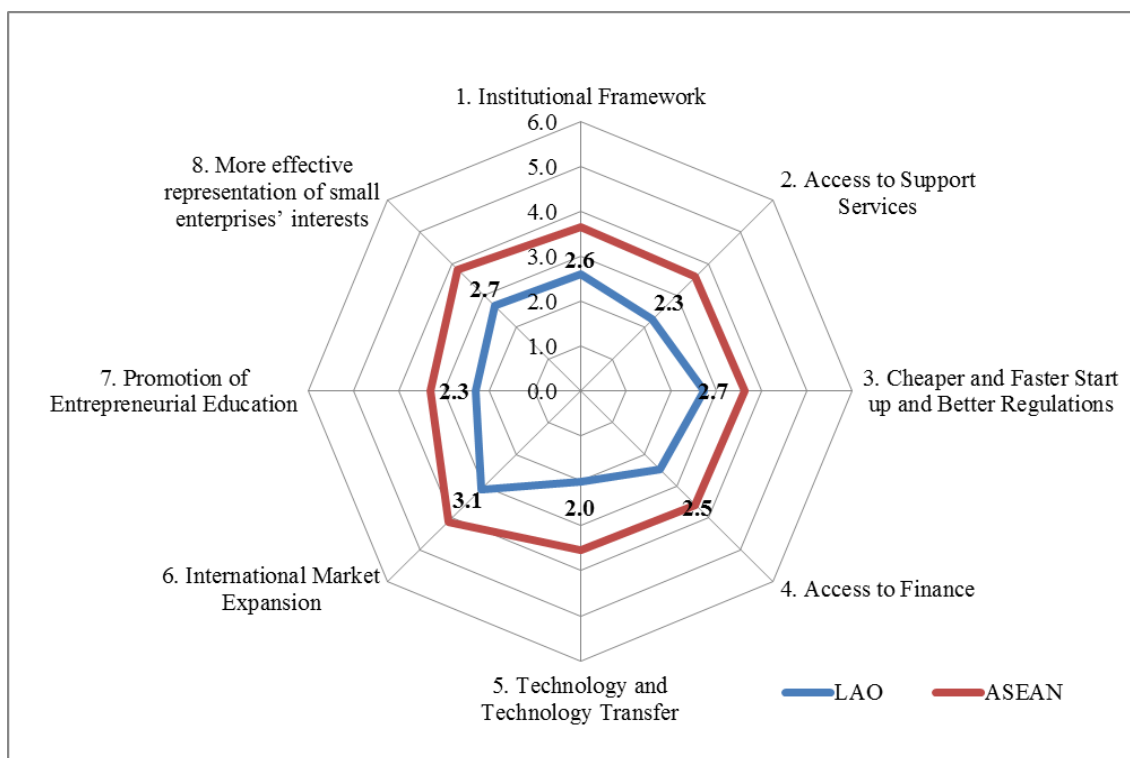
Even if the result shows quite a strong institutional framework, the funding and human resources in institutions in Lao PDR are not sufficient for the promotion of SMEs. It is thus important to mobilize resources and capacity building for government staffs and set up plans of action in order to implement the SME law.

- 2. Access to information and supporting services**

There is some progress in terms of access to information and supporting services among the Laotian SMEs. Nonetheless, there are still some issues to overcome. One, most of the services from government have been supported by donors and international organizations, with the funding from government for SME services being limited. And two, services provided are mostly in accounting and management. There is no diversity in the services offered and often, the services do not match the needs of SMEs. There is still lack of training and services on technology development and innovation.

In order to overcome these issues, it is important to have more budget to support activities on access to information and supporting services. There is a need to diversify service providers and to have service providers from foreign countries who have more experiences and knowledge.

Figure 28: Lao SME Policy Index



3. Cheaper, Faster start-up, and Better Legislation and Regulation for SMEs

Despite having regulations, actual implementation still has some issues such as the lack of finance and human resources. This is evident in the time taken to obtain business licenses and in the absence of one-stop windows for business start-up.

It is therefore important to develop supporting and implementing guidelines for laws and regulations. Since finance sources for improvement of business registration come from donors and are often not enough, supporting finances from government are thus necessary.

4. Access to Finance

There are a number of problems that need to be resolved. First, funding from

government is still limited and cannot meet the needs of SMEs. Second, most of the SMEs cannot access information about loans from the SME bank because of some asymmetric information issues. Third, application and documentation seem to be complicated for owners of SMEs to follow in as much as most of them do not have high educational background.

Therefore, in order to improve conditions on access to finance, the government should consider the implementation of the following. First, it is important to increase funding injections to the SME bank to provide more funds for SMEs' needs. Second, because of the information gaps, government should promote and campaign on the access to finance through the SME bank.

5. Technology and Technology Transfer

Despite some improvements concerning technology and technology transfer, a number of problems still prevail. For SMEs. First, there is limited funding support to implement strategies and policies. Second, human resources related with technology development are limited. For instance, until now, there is no innovation center in universities and government agencies. Third, there are still low levels of linkage between private, academic-researcher and government for research activities and technology development.

In order to overcome these issues, there must first be increased funding for research and technology development activities. And second, there must be increased cooperation and linkage between private sector, university and government on innovation and technology development.

6. Market Access and Getting More out of the Single Market

Despite having a trade portal to support SMEs to export in international markets, there are still issues on asymmetric information since most SMEs do not seem to know about the information in the trade portal. Because only few SME owners use the internet in Laos, few SMEs are able to use said information to access to international markets. In order to overcome this problem, it is important for government to raise

awareness on the existence and importance of the trade portal. In addition, capacity building on IT and the internet for SME owners must also be set up. And there must be increased funding from the government to promote SME products in foreign countries.

7. Promotion of Entrepreneurial Education

In order to implement the strategy of promoting entrepreneurial education (EE) more effectively, there are several issues and challenges to overcome as follows. First, as promotion of EE is relatively new in Laos, there is a lack of well-trained lecturers and teachers to teach EE. Second, the documents and materials to support EE are still limited. Third is lack of funding to support the plan and strategy as most of them depends on donors. In order to overcome these issues, it is important to provide training and capacity building for lecturers and teachers on EE. There is also the need to provide relevant teaching materials, documents, and case studies about EE. And government should provide more funds to support EE as well as promote more EE activities such as business plan competitions.

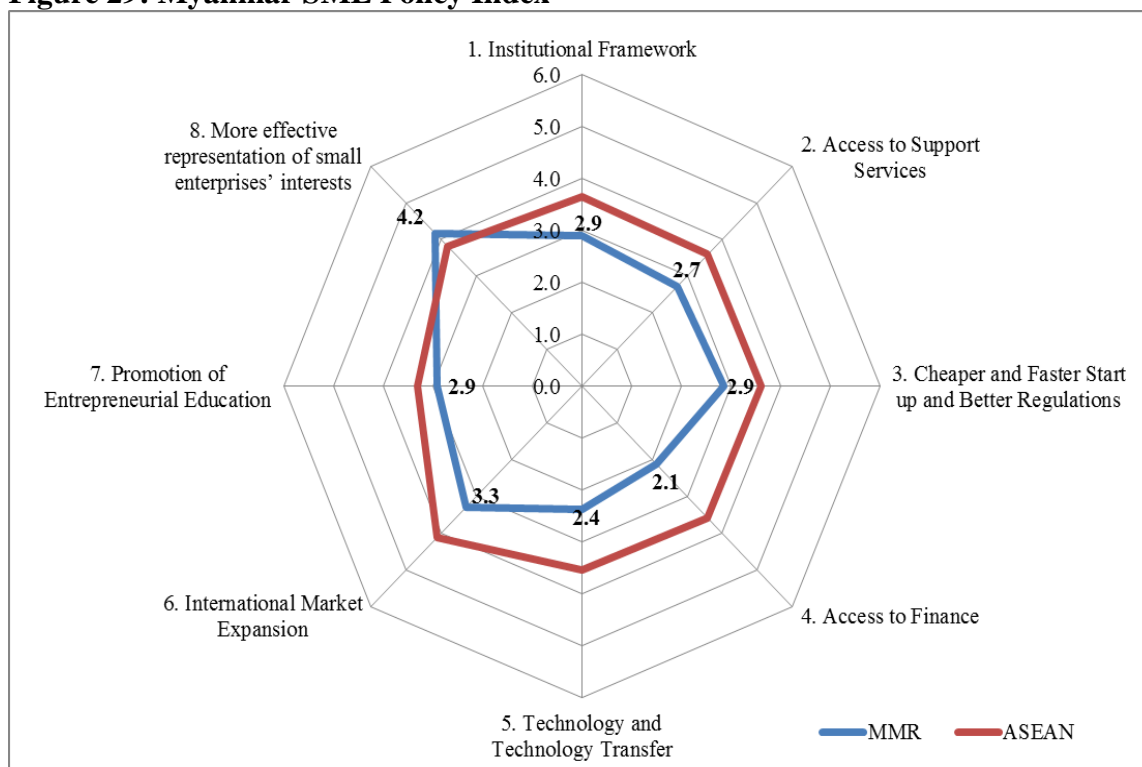
8. Development of a Stronger, More Effective Representation of SMEs' Interests

In spite of the representation of SMEs and existence of official dialogues between the private sector and government in Laos, the frequency of dialogues is just once a year and supported by donors at that. There is also no comprehensive assessment mechanism on the implementation of decisions from dialogues. Moreover, the representatives of SMEs who join dialogues are not diversified and are biased towards specific sectors. Therefore, to address these concerns, the dialogue between the private sector and government should be held more frequently during the year. It is also important to hold dialogues during times of crisis or unexpected shocks. At the same time, there has to be an assessment system to follow up on agreements and decisions reached during the dialogues. Finally, wider SME representations from various sectors should be encouraged in the dialogues and discussions with government.

- **Myanmar**

SMEs have been and will continue to be pivotal for national economic development and promotion of social-economic status of the people in Myanmar. At present, the business environment in Myanmar is changing and each change takes place faster than the preceding one. For SMEs in Myanmar, they face numerous challenges and will continue to do so amidst the period of political and economic transition in the coming years. SMEs in Myanmar consist of various and different types of enterprises and accordingly, their challenges will likewise be varied and complex depending on the sectors they are in and their level of development. Based on the assessment (Figure 29) of Myanmar’s SME development and environment, specific recommendations are hereby offered, as follows:

Figure 29: Myanmar SME Policy Index



1. Institutional Framework

The government is putting emphasis on the development of SMEs and has recently formed central and working committees for this purpose. However, the institutional framework in Myanmar is in an infancy stage and needs to have a more conducive

environment for the development of SMEs. Moreover, the SMEs Development Center (SDC) established in April 2012 under the Ministry of Industry is mainly responsible for SME policy formulation in coordination with stakeholder institutions. In addition, several institutions and agencies take part in implementation of SME-related matters. Regarding the transformation of informal SMEs to the formal sector, the Directorate of Industrial Supervision and Inspection is mainly responsible for the registration of SMEs whereas the RUMFCCI assists in this transformation process by collecting the information of informal SMEs, assisting in registration procedures, sharing information and linking with trade associations. Although the institutional framework seems to be moderately established, the following measures are recommended for creating a conducive environment for Myanmar's SMEs.

- To formulate and adopt a clear framework or mechanism to review the current status of SME-related policies, and to set up, implement, evaluate, and monitor the concrete SME policy;
- To set up concrete SME development strategy and incorporate the cooperation and coordination among stakeholder organizations and agencies in strategy formulation;
- To enforce the establishment of the SDC with staffs, adequate budget, and a system of consultation and coordination with related agencies for effective policy formulation;
- To institute a single implementation entity with a systematic structure and specifically defined responsibility, clear reporting system, and a recognized advocacy and policy advice role, and to make it well-funded and a wide-reaching entity;
- To establish a sound system for transformation from informal to formal sector through inter-ministerial and stakeholder consultation with effective monitoring systems.

2. Access to Support Services

The government set up the Central Committee and Work Committee for Development of SMEs in January this year. It also established the SMEs Development Centre (SDC) which is mainly responsible for coordinating and supporting services for SMEs. Although a one-stop service center was established in Yangon, it seems to offer limited support services for SMEs since it apparently aims to provide all the

required administrative and legal steps at one place for foreign and domestic investors.

Moreover, an E-commerce Law has yet to be set up in Myanmar. E-commerce also has limited usage in domestic business transactions, although some E-government applications such as applying export/import license, issuing e-departure form, and visa application are already available. Although the Ministry of Industry provides an online portal for SMEs, it seems to be limited in usage by the SME community. Recently, a new online portal for SMEs is being developed which will replace the existing portal and is expected to be activated within two months. Meanwhile, the support services for SMEs are very limited and need to be further developed to equip SMEs with capabilities needed for improving productivity and growth. Therefore, the following measures are needed to consider for SME development in Myanmar.

- To formulate a concrete action plan, identify responsible institutions for supporting services for SMEs, and establish monitoring systems in order to measure the impact of the plan;
- To set up Business Development Centers providing integrated and comprehensive support including training, counseling and advice, technology development and transfer, information, business linkage and networking, and access to finance particularly for SMEs;
- To establish technical and legal infrastructure for E-commerce and E-government services that are widely available for all business transactions;
- To create the network between most public institutions to collect and disseminate integrated data for all business transactions including company registration, tax administration, social security administration and labor issues;
- To establish online portal for SMEs which provides the linkages of SME related organizations and agencies with the capability of collecting and disseminating information including business registration, financing, training courses, custom procedures, market access, industrial zones, and ASEAN SMEs and related business events and to be interactive and user-friendly in order to facilitate the operation of SMEs.

3. Cheaper, Faster Start-up, and Better Legislation and Regulation for SMEs

Enterprises wanting to obtain a business registration certificate in Myanmar can expect to wait up to 10 days to 2 weeks. Before applying for the registration certificate, enterprises need to get approval/permit or license from the City Development Committee, General Administrative Department, Ministry of Energy, Ministry of Labor, and tax clearance document from the Internal Revenue and Tax Department and clearance from investigation from the Ministry of Home Affairs. The Directorate of Inspection and Supervision Department under the Ministry of Industry has the responsibility for the registration of SMEs. Although the Ministry does not have an online registration at the moment, it plans to have one soon.

Concerning the financial services support for start-up enterprises, financial support services have not been provided by SME-related agencies, including RUMFCCI and SDC. Although there is no financial support for start-up firms in Myanmar, SDC and RUMFCCI provide advice, market information and consulting to start-up firms. Moreover, SDC provides assistance to SMEs to participate in SME Festivals and Expositions. Recently, the government has approved Kyat 5 billion (US\$5.95 million) for the financing of SMEs in FY 2012-13. At present, the SMEs Development Bank provides collateral loans with 8.5 percent interest rate to potential firms. Hence, not only public organizations but also private organizations need to provide financial services support to start-up firms for the development of SMEs.

On the review and amendment of legislations and regulations, the SME policy was drawn up through collaboration among the government sector, private sector and non-government organizations. Additionally, the Ministry of Industry held meetings to draw up the SME law with related ministries, departments, and representatives of private sectors and professionals of SMEs. The draft SMEs law was submitted to the President's Office in September 2012. At present, although the SMEs law and related policies have been drafted, all enterprises still need to comply with other existing laws and regulations enacted by government. Regarding the Regulatory Impact Analysis (RIA), the government does not have a systematic system or framework on it. Meanwhile, for Cheaper Start-up, and Better Legislation and Regulation for SMEs,

the following measures based on results of interviews, structured questionnaires and focus group discussion are recommended:

- To develop the action plan to implement one-stop shops to provide rapid and responsive customer service, provide faster process for starting a business, increase the number of formally registered enterprises and provide all investment-related services such as approvals, permits and licenses necessary to start and operate a business;
- To establish an action plan for the implementation of SMEs' online registration service and the upgrade of ICT activity to be efficient in operations;
- To adopt appropriate rules and regulations on a number of steps for completing the overall registration process for the promotion and development of SMEs;
- To put more emphasis on SME support programs regarding the nurturing of start-ups and meeting of the needs of the majority of SMEs which lack financial resources, technological and management competencies;
- To use systematic RIA to improve the understanding of the real-world impacts of government action, including both the benefits and costs of such action, and to improve transparency and government accountability.

4. Access to Finance

As presented and discussed in the previous sections, there are many urgent matters that need to be addressed to improve Myanmar's SMEs for them to be able to face open competition upon the realization of the AEC. At present, local SMEs do not have funds and technology development is non-existent due to lack of encouragement and support for R&D activities. These in turn discourage investments in the SMEs, thereby hampering their growth and competitiveness. In view of this, financial sources available to SMEs must be broadened and deepened for Myanmar's SMEs to survive in the coming years.

Financing is an absolute requirement for SME development since without adequate finance, no investment can be made. However, the provision of SME financing is

quite limited in terms of both coverage and amount. Almost all stakeholders agree that financing should be provided not only to manufacturing enterprises but also to service and trading businesses since financing is one of the limiting factors for their further development. Moreover, many of them agree that the lending rate to SMEs should be cheaper than the present rate and the amount of loans should be increased not only for working capital but also for investment in capital equipment. At present, internal financing for capital investment and trade credit for working capital are commonly used among SMEs in Myanmar. Majority of the SMEs cannot access to even the conventional form of bank loan. To get more sophisticated sources of financing like venture capital and financial market is therefore still a long way off for Myanmar SMEs. The most immediate task to be done in this area then is to make conventional bank loans easily accessible to most of the SMEs.

Improving lending infrastructure is the first thing to be done for this purpose which requires the ease of lending money to SMEs and enhancing creditors' right. The current normal interest rate of 12 percent and subsidized rate which can be available through the SMIDB at 8 percent are still expensive for SMEs. Moreover, their availability is quite limited to SMEs in the manufacturing sector. In this connection, the criteria for getting loans need to be reduced, reflecting the real situation. Unnecessary steps and documents have to be discarded. An SME development fund should be set up, out of which loans should be available to eligible SMEs at very low interest rates.

The specific recommendations for ease of access to finance to SMEs are:

- To ease the loan application process to the banks with regards to the title of land ownership. As discussed before, most of the land ownerships are not formally titled in order to avoid tax in Myanmar. Therefore, the current practice of providing loans only to borrowers with land titles should be removed as long as the borrower can prove that he/she actually owns the land;
- To encourage cadastre process, the link between tax collection and land ownership registration should be cancelled;

- To encourage the banks to assess their own credit risk on individual borrowers instead of fixing the loan amount on the basis of the value of the collateral (i.e., loan amount is allowed from 35 to 50 percent of the value of the collateral);
- To set up a credit information bureau or database that shares credit information to all lending institutions;
- To establish a centralized collateral registration office;
- To allow and encourage other types of assets like gold, commodity and vehicles to be used as collaterals;
- To set up a credit guarantee and insurance system using mainly funds that are supported by government (Government should reserve a credit guarantee fund for SMEs. It should also consider the possibility of using a two-tier guarantee system in which loans for SMEs are guaranteed by private insurance firms and then again by the government to share the risk as in the case of Japan);
- To establish a government fund for loans to SMEs with very low interest rate, i.e., 2 or 3 percent. This fund should be separated from normal banking loans (where normal rate is 12 percent) and priority for loans should be given to innovative SMEs and/or those which have a good potential to be internationally competitive;
- To provide separate regulations for secured transactions and bankruptcy proceedings that allow improvement in creditor rights and at the same time protect the borrower from immature liquidation;
- To simplify and enhance the legal procedure for unsecured loans;
- To establish provisions that encourage diversified sources of financing like factoring and leasing;
- To encourage the development of export financing and venture capital firms;
- To establish stock market or alternative investment market and make necessary arrangements for SMEs to avail from these sources of fund.

The recommendations listed above have to be done in order to ease the availability of

finance to SMEs so that they may survive and grow as well as improve their competitiveness. These should be implemented in terms of importance/urgency and from the shorter term to longer term on a step by step basis. The actions should be done as soon as possible and a central body for financing purpose should be formed in order to guide, coordinate and direct their implementation in a coherent and systematic manner.

5. Technology and Technology Transfer

SMEs, needless to say, cannot be competitive with outdated technology and aging machineries. It is also true that modern technology comes only from investment in R&D and well planned innovative policy. Since both of them are lacking in Myanmar, SMEs can only operate on a subsistence level. Many stakeholders agree that technology and skills development for existing SMEs are more important than technology innovation. At present, many firms are operating on old technology with low skilled labor. Innovation cannot take place in such an atmosphere since they need to pay more attention to the matter of their survival. Nonetheless, encouragement on innovative activities and coherent innovation policy are required for improving the competitiveness and long-term wellbeing of SMEs.

Like the financing aspect, there are many urgent tasks needed to be done in this area. So far, no clear innovation policy can be found in Myanmar (the only exceptions are the innovative SMEs that are annually chosen and awarded through the SME Development Centre). The reward is not regular and not based on systematic selection procedure. In fact, the present award for innovation is self-chosen among self and may have little impact to provide incentive and encouragement for more innovations. The policy is not coherent nor based on a specific industry. The objective, strategy, policy and operational details are lacking. There is no clear plan to encourage R&D for SME development. In particular, innovative policy, R&D and support towards innovative ideas are not found in the SME policy that is currently being drafted. Therefore, the first recommendation is to incorporate an innovation and R&D policy in the development agenda.

Technology development requires considerable time to happen. The benefits of R&D cannot be expected to be reaped in a short time because investment, systematic training and risk taking behavior as well as a lot of patience are required for any type of R&D. It will be too optimistic if one expects the performance of local firms in this area to improve within a short period of time. Therefore, the second recommendation is for attention to be paid more to technology transfer that can be acquired through FDI and returning workers who have been working in developed countries for a long period of time. The opportunity for technology transfer and spillover effects from linkages with foreign multinationals should not be overlooked. The specific recommendations in this area therefore are as follows.

- To adopt a clear policy to promote innovative SMEs;
- To encourage linkages between foreign multinationals and local SMEs;
- To develop Information Centre and Technology Development Centers;
- To establish and encourage linkages among universities, R&D centers and technology incubators;
- To strengthen collaboration between these R&D institutions and SMEs and actions should be taken to increase SMEs' access to the services of these centers;
- To encourage innovation in the form of grants, R&D funds, award, tax concession and special privileges to those SMEs that show enthusiasm and ability in R&D;
- To enforce intellectual property rights;
- To form R&D databases, specialized centers and linkages among resource persons and researchers in accordance with their specialization;
- To increase Broadband network coverage and speed to cover universities, R&D centers, incubators, industrial parks, special economic zones and industrial zones;
- To establish and encourage local and international standardization and classification;
- To encourage industrial clustering and agglomeration among firms in the same or related sectors;

- To increase investment in R&D, vocational and training centers, technology centers as well as pooling of technicians, academicians and experienced workers within the linkages of specialized technology centers;
- To encourage SMEs to upgrade their technology bases and utilize available technology resources by increasing awareness and using various incentives;

6. International Market Expansion

The Ministry of Commerce and RUMFCCI conduct not only export promotion programs but also export capacity building programs to improve export performance. In addition, the SDC also conducts export promotion programs in collaboration with foreign donors. These export promotion programs, however, lack coordination among SME-related agencies and are conducted through their own respective arrangements. As to providing advice and high-value information of international markets, RUMFCCI and the Ministry of Commerce provide information to SMEs, and provide training courses on Entrepreneurs and SMEs Management, export/import procedure courses, and so on. Moreover, the RUMFCCI organizes and supports trade fairs, workshops and seminars. Meanwhile, based on the results of interviews with stakeholders, structured questionnaires and focus group discussions, the following are recommended to expand international market:

- To develop institutional capabilities that support international market expansion and disseminate information on ethical business practices to SMEs for their development;
- To put more efforts by the SDC to match foreign firms and local suppliers to improve the performance of SMEs;
- To establish a coordination agency to conduct integrated and comprehensive export promotion programs and export capacity building programs to support the international market expansion;
- To establish the SMEs Manufacturing Support Agency for promoting R&D activities in direct partnership with SMEs, engaging SMEs in Collaborative Research and Development Consortia, helping SME manufacturers to understand the importance of the role of international standard and encouraging SME manufacturers to be aware of

international standard and norms, and disseminating the best practices conducted by market leaders;

- To encourage SME manufacturers to produce quality products and services effectively and efficiently and to improve product design to reduce costs because in today's competitive environment, quality and cost are important dimensions to achieve competitive advantage;
- To develop R&D and training facilities to support SMEs for domestic and international market expansion in cooperation and linkage among government, private, and non-government sectors to enhance the competitiveness and to strengthen R&D activities of SMEs;
- To upgrade and develop quality certification laboratories for standardization of products and process and to provide appropriate technological information for manufacturing firms to expand markets;
- To conduct marketing research on export markets to identify the customer needs and requirements and to explore the market potentials of foreign markets;
- To create awareness and improvement in supply chain management activities and to take advantage of ICT to improve quality and reduce costs.

7. Promotion of Entrepreneurial Education

In Myanmar, promotion of entrepreneurial education has yet to be specifically mentioned in the national education policy even though the government recognizes the importance of entrepreneurial education as articulated in the draft SME policy, industrial policy and national economic development plan.

Vocational training courses are offered in Technical High Schools under MOST for those who dropped out from junior high school. However, there are no specific curriculum and teaching materials to promote entrepreneurship in primary and secondary education. At the higher education level, entrepreneurship and small business subjects are offered to business and commerce major students in undergraduate and post-graduate courses of three Institutes of Economics. These

universities adopt the ASEAN Common Curriculum under AUN and regularly review and update the courses at the joint meeting of the boards of these institutes.

All Institutes of Economics have internship programs for business major students. Trade associations and private schools regularly conduct business plan competitions with the collaboration of the Institutes of Economics, provide customized training courses, and offer scholarships for business major students in the universities. Private training schools also offer a number of courses supporting entrepreneurial education and SME management. However, these programs can be accessed only in the major cities. The Ministry of Industry and the Ministry of Labor also establish training schools to provide non-formal entrepreneurial education to those who have no chance to access EL in formal channels. However, the services seem to be limited. Moreover, the following issues need to be tackled to promote entrepreneurial education,

- To formulate a framework and more specific strategy for the promotion of Entrepreneurial Learning in various government plans;
- To promote entrepreneurial education with adequate resources and monitoring and evaluation system;
- To specifically identify entrepreneurial learning at each level of the education and training system as a priority area with reference to curriculum, training of trainers programs and school governance;
- To facilitate entrepreneurial learning in primary and secondary schools by equipping teachers with knowledge and skills for teaching entrepreneurship;
- To promote EL by offering the degree in entrepreneurship at least in three Institutes of Economics;
- To deepen networking with universities in ASEAN for the adoption of the Common Curriculum implemented under ASEAN University Network (AUN);
- To increase the quantity and quality of partnerships between academe and the SME sector for the promotion of EL;
- To establish business incubators and science parks to upgrade and facilitate the

capability of entrepreneurs and small firms;

- To establish a system of accreditation of training program providers;
- To provide information on training programs and online services for registration and accessing training toolkits and subsidize them to be affordable for everyone who need to access EL.

8. More Effective Representation of SMEs Interests

The SMEs promotion committee of the RUMFCCI, the Myanmar Industrial Development Committee (MIDC), the Directorate of Industrial Supervision and Inspection, the Myanmar Industries Association under the RUMFCCI and the Small and Medium Enterprises Committee of the Myanmar Engineering Society are SME-related and SME-supported agencies. These agencies have a strong advocacy to represent SMEs in the formulation of the SMEs law and related policy.

Among the SME-related and supported agencies, RUMFCCI has technical capacity such as database management, information gathering and dissemination to SMEs and other organizations, conducts business matching with foreign business firms and local firms, and holds training and seminars conducted by its (RUMFCCI) training school. Moreover, RUMFCCI provides processing certificates of origin and investment promotion. The main responsibility of the SDC, meanwhile, involves the linking of regional and international SMEs through business matching and providing the requirements through the setting up of a database on SMEs. The Ministry of Industry, Ministry of Science and Technology and RUMFCCI have their own research departments.

Very limited research has been done on SME development although SMEs play a vital role in the Myanmar economy. Since Myanmar is a member of ASEAN as well as a member of sub-regional organizations such as the Greater Mekong Sub region (GMS) and Bay of Bengal Initiative of Multi Sectoral Technical and Economic Cooperation (BIMSTEC), Myanmar participates and cooperates in the meetings and activities conducted by these organizations. Nowadays, business people also increasingly

attend trade fairs, exhibitions, seminars, forum, workshops, and participate in facilitating promotion of trade, technology transfer and market studies through their own arrangements or through arrangements done by RUMFCCI.

The following measures should be considered to have more effective representation of SMEs interests:

- To establish the Research and Development Centre in SDC; to conduct research relating to SMEs to provide business and market information, and to expand and enhance the value-added products;
- To develop the modernized laboratory in SDC to ensure the product quality of SME products;
- To seek support from regional and international organizations such as ASEAN, ADB, and World Bank, to help in the development and implementation of the policy and strategy;
- To put more efforts to match business meetings with local and foreign business organizations for the development of SMEs.

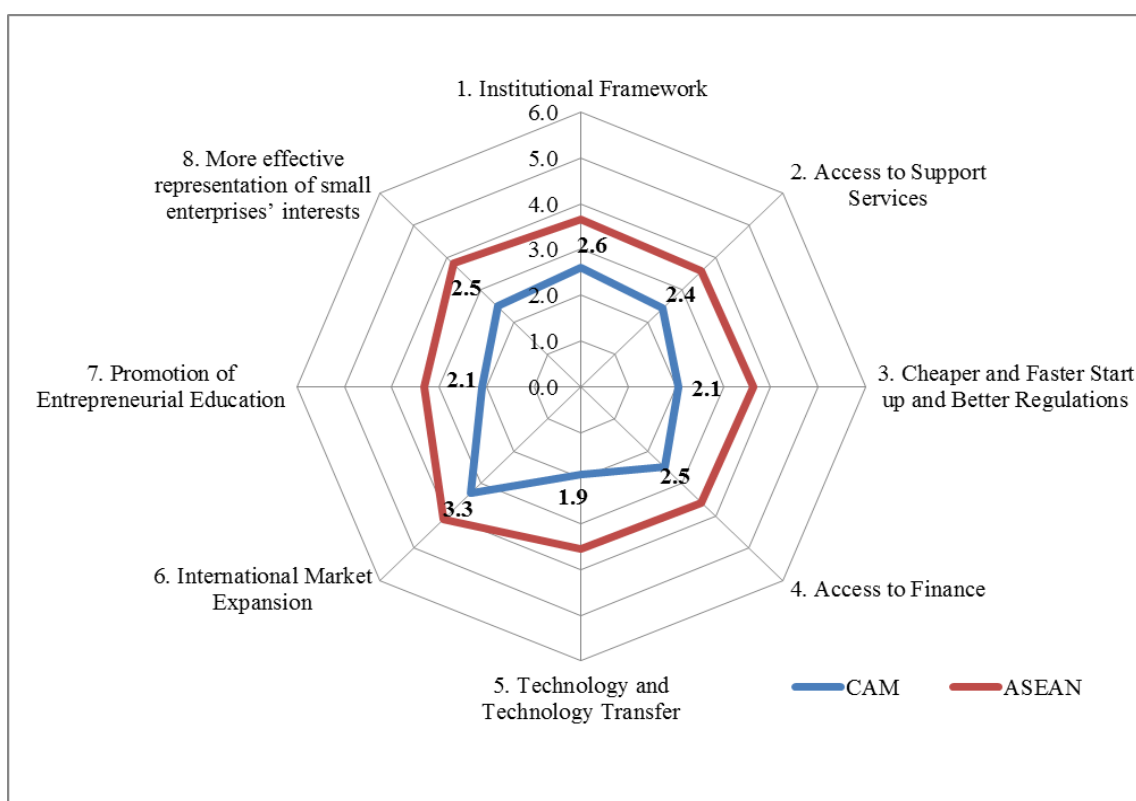
- **Cambodia**

Given the policy gaps of Cambodia across all policy dimensions, Cambodia still needs to travel a long way to move forward towards good practices. In moving forward, a number of interlinked recommendations are proposed, ranked in terms of priority, as follows:

- Strengthening the existing SME Sub-committee to coordinate all SME-related issues. This recognizes the fact that establishing a new agency to take charge of SMEs is not an ideal option (Institutional framework).
- Strengthening associations to ensure more effective presentation of SME interests. The improved organizations will facilitate intervention and support to SMEs such as financial support, information sharing and reducing transaction cost (Representation of SMEs' interest).

- A comprehensive SME reform program should be considered. Cambodia is promoting industrial development by attracting FDI as a core strategy. In this connection, one of the most important processes is strengthening production capability of domestic SMEs. To achieve this, it needs a comprehensive SME reform program which includes inter-agency coordination to deal with issues of upgrading SMEs from an informal to formal one, start-up cost and regulation, taxation, support service, and technology support (Regulation and support service).

Figure 30: Cambodia SME Policy Index



- Productivity improvement training and managerial skills upgrading, including bookkeeping and preparation of business plans, should be further provided. In combination with streamlined start-up procedures and improved access to technology and support services mentioned above, the skills upgrading will improve SMEs' financial accessibility, given that banking service and MFIs are scattered across the country (Access to finance and technology).

- Except for rice millers, international market expansion is not a priority. Instead, information on domestic economic opportunities and potential to link with foreign firm is more important, as most SMEs cannot serve the domestic market well, let alone the international market (International market expansion).
- Creative business ideas contest and internship opportunity shall be further promoted. Although entrepreneurial leaders are made and not born, formalized entrepreneurial learning in basic education is not a priority in as much as Cambodia is struggling as yet to achieve universal general education. Moreover, entrepreneurial learning can be more effective off-school from real life experience (Entrepreneurial education).

However, the above recommendations are quite general. To strategically promote any specific kind of SMEs, it is required to conduct in-depth study covering how firms interact with other firms-both large and small- in vertical production and distribution system, so that effective subsector-specific policy intervention and support could be devised.

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Appendix 1: Summary of ASEAN SME Policy Index

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
1	Institutional Framework	2.6	2.6	4.4	2.6	2.9	4.6	3.7	5.4	3.9	3.8	3.7
1.1	SME definition	3.0	4.0	5.0	3.0	3.0	5.0	4.0	6.0	4.0	4.5	4.2
1.2	Intra-governmental coordination in policy formulation	2.0	2.0	4.5	2.0	3.0	6.0	5.0	6.0	4.5	3.0	3.8
1.3	SME development strategy	3.0	3.0	4.0	3.0	2.0	4.0	3.5	6.0	4.5	4.5	3.8
1.4	SME policy implementation agency or equivalent	3.0	2.0	4.5	3.0	2.5	5.0	4.0	6.0	4.5	4.0	3.9
1.5	Facilitation for a transition from informal to formal (registered) sector	2.0	2.0	4.0	2.0	4.0	3.0	2.0	3.0	2.0	3.0	2.7
2	Access to Support Services	3.3	2.4	4.0	2.3	2.7	4.8	3.8	5.4	3.8	3.6	3.6
2.1	Policy framework for supporting services	3.5	3.0	4.3	2.5	2.8	4.5	3.8	5.5	3.5	3.5	3.7
2.1.1	Government action plan on development of SME support services	4.0	3.0	4.0	3.0	3.0	4.0	3.5	5.0	4.0	3.5	3.7
2.1.2	One-stop shop business development centers	3.0	3.0	4.5	2.0	2.5	5.0	4.0	6.0	3.0	3.5	3.7
2.2	Promotion of E-services	3.0	1.8	3.7	2.0	2.7	5.0	3.8	5.3	4.0	3.7	3.5
2.2.1	Promotion of E-commerce	4.0	1.0	4.0	1.0	2.0	4.0	4.0	5.0	4.5	4.0	3.4
2.2.2	Provision of E-government services	3.0	2.0	4.0	2.0	4.0	5.0	4.0	5.0	4.0	4.0	3.7
2.2.3	On-line portal for SMEs	2.0	2.5	3.0	3.0	2.0	6.0	3.5	6.0	3.5	3.0	3.5
3	Cheaper and Faster Start up and Better Legislation and Regulations	3.1	2.1	4.4	2.7	2.9	4.8	3.0	5.0	4.2	4.1	3.6
3.1	Cheaper and Faster Start up	3.2	2.1	3.9	3.4	3.2	4.5	3.9	5.5	4.8	4.3	3.9
3.1.1	Issuing of business establishment registration certificate (start from the lodging of the complete documents)	3.0	3.0	5.5	5.3	4.7	4.0	5.3	5.0	5.0	5.3	4.6
3.1.1.1	Number of days for obtaining business registration certificate	3.0	3.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	5.0	5.0
3.1.1.2	Number of administrative steps for obtaining the business registration certificate	4.0	3.0	6.0	5.0	3.0	5.0	4.0	5.0	6.0	5.0	4.6
3.1.1.3	Official cost of obtaining the business registration certificate	2.0	3.0	5.5	6.0	6.0	1.0	6.0	4.0	3.0	6.0	4.3
3.1.2	Completion of the overall registration process and entry in operations	3.0	2.0	1.5	3.5	3.5	4.3	2.8	5.5	4.3	3.3	3.4
3.1.2.1	Number of days for completing the overall registration process, including compulsory licenses for standard business activities	1.0	1.0	2.0	1.0	4.0	5.0	2.0	6.0	3.0	2.0	2.7
3.1.2.2	Number of steps for completing the overall registration process, including compulsory licenses for standard business activities	1.0	2.0	2.0	3.0	1.0	5.0	1.0	5.0	4.0	1.0	2.5
3.1.2.3	Costs connected with registration (% of GNI per capita)	5.0	1.0	1.0	4.0	3.0	2.0	3.0	6.0	4.0	4.0	3.3
3.1.2.4	Minimum capital requirements (% of GNI per capita)	5.0	4.0	1.0	6.0	6.0	5.0	5.0	5.0	6.0	6.0	4.9

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
3.1.3	On-line access, one-stop-shop for registration, and start-ups	3.7	1.3	4.7	1.5	1.5	5.3	3.7	6.0	5.2	4.2	3.7
3.1.3.1	On-line registration	4.0	1.0	6.0	1.0	1.0	5.0	3.0	6.0	6.0	5.5	3.9
3.1.3.2	Progression to one-stop-shop (OSS)	3.0	2.0	4.0	2.5	2.0	6.0	4.0	6.0	6.0	5.5	4.1
3.1.3.3	Financial supports for start-ups (soft loans, vouchers, grants etc.)	4.0	1.0	4.0	1.0	1.5	5.0	4.0	6.0	3.5	1.5	3.2
3.2	Better Legislation and regulation	3.0	2.0	5.0	2.0	2.5	5.0	2.0	4.5	3.5	4.0	3.4
3.2.1	Review and amendment of legislations and regulations	3.0	1.0	5.0	2.0	3.0	5.0	2.5	5.0	3.0	4.5	3.4
3.2.2	Use of Regulatory Impact Analysis (RIA)	3.0	3.0	5.0	2.0	2.0	5.0	1.5	4.0	4.0	3.5	3.3
4	Access to Finance	3.0	2.5	4.3	2.5	2.1	4.6	3.6	5.6	4.3	3.4	3.6
4.1	Legal and regulatory framework	3.7	2.7	4.8	2.7	2.7	4.3	3.3	5.7	4.0	3.3	3.7
4.1.1	Cadastre (including land use right)	4.0	3.0	5.5	3.0	4.0	5.0	3.5	6.0	4.5	3.0	4.2
4.1.2	Collateral and provisioning requirements	4.0	2.0	3.5	2.0	1.0	3.0	3.5	5.0	3.5	3.5	3.1
4.1.3	Creditor rights	3.0	3.0	5.5	3.0	3.0	5.0	3.0	6.0	4.0	3.5	3.9
4.2	Sound and diversified financial markets	2.4	2.3	3.9	2.3	1.6	4.8	3.8	5.6	4.6	3.4	3.5
4.2.1	Credit guarantee schemes	2.0	3.0	4.0	2.5	2.0	5.0	4.0	5.0	4.5	3.5	3.6
4.2.2	Credit bureau/ registries (not limited to SME)	2.0	2.0	2.0	2.0	1.0	6.0	1.5	6.0	6.0	4.5	3.3
4.2.3	Microfinance Facilities (including Credit Unions)	4.0	4.0	5.0	3.0	4.0	4.0	4.0	5.0	4.0	3.5	4.1
4.2.4	Leasing	4.0	3.0	5.0	3.0	1.0	3.5	4.0	6.0	5.0	3.5	3.8
4.2.5	Factoring	1.0	1.0	4.0	2.0	1.0	4.0	4.0	6.0	4.0	2.5	3.0
4.2.6	Availability of Risk Capital (e.g. venture capital, private equity funds, business angels)	3.0	1.0	4.0	1.5	1.0	6.0	4.0	6.0	3.5	3.5	3.4
4.2.7	Access to stock market	1.0	2.0	3.0	2.0	1.0	5.0	5.0	5.0	5.0	3.0	3.2
5	Technology and Technology Transfer	3.2	1.9	3.8	2.0	2.4	4.9	3.6	5.6	4.3	3.6	3.5
5.1	Promote Technology Dissemination	3.0	2.5	4.0	2.3	2.7	5.0	3.5	5.0	4.5	3.5	3.6
5.1.1	Strategic approach to innovation policy for SMEs	3.0	2.0	4.0	2.0	1.0	5.0	4.5	5.0	4.0	4.0	3.5
5.1.2	Information on innovation support services	3.0	2.5	3.0	2.0	2.0	4.0	1.0	5.0	4.5	2.0	2.9
5.1.3	Standards certification	3.0	3.0	5.0	3.0	5.0	6.0	5.0	5.0	5.0	4.5	4.5
5.2	Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge	4.3	1.7	4.8	2.0	3.3	4.5	4.2	6.0	4.3	3.8	3.9
5.2.1	Incubators	4.0	1.0	4.5	2.0	4.0	4.5	4.0	6.0	4.5	3.5	3.8
5.2.2	Technology support in Universities, R&D Labs and Incubators with SMEs Linkages	5.0	1.0	4.0	1.5	3.0	3.5	3.5	6.0	4.5	3.5	3.6
5.2.3	Intellectual Property Rights (IPRs) System	4.0	3.0	6.0	2.5	3.0	5.5	5.0	6.0	4.0	4.5	4.4

		BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
5.3	Promote Clusters and Business Networks	3.0	1.8	3.5	2.3	2.5	5.5	3.8	6.0	5.0	4.0	3.7
5.3.1	Broadband infrastructure to support smooth connection and coordination of knowledge flows in cluster	4.0	2.5	5.0	3.0	2.0	6.0	4.5	6.0	5.0	3.5	4.2
5.3.2	Sciences / industrial parks, competitive clusters and facilities (agglomeration)	2.0	1.0	2.0	1.5	3.0	5.0	3.0	6.0	5.0	4.5	3.3
5.4	Finance and Technology Development	2.5	1.8	3.0	1.5	1.0	4.8	3.0	5.5	3.5	3.0	3.0
5.4.1	Financial Incentives	3.0	2.5	3.0	2.0	1.0	5.0	3.0	5.0	3.5	3.0	3.1
5.4.2	Public R&D grants	2.0	1.0	3.0	1.0	1.0	4.5	3.0	6.0	3.5	3.0	2.8
6	International Market Expansion	3.2	3.3	4.2	3.1	3.3	5.0	4.4	6.0	4.7	4.0	4.1
6.1	Export promotion programmes	2.0	3.0	4.0	3.0	3.0	5.0	4.0	6.0	5.0	3.5	3.9
6.2	Providing advice and high value information of the international market	1.0	3.0	3.0	2.5	3.0	4.0	4.0	6.0	4.0	3.5	3.4
6.3	Export capacity building programmes	3.0	3.0	4.0	2.5	3.0	5.0	4.0	6.0	4.5	3.5	3.9
6.4	Financial facilities for SMEs to export	4.0	3.5	4.0	2.5	2.0	5.0	4.0	6.0	4.0	3.5	3.9
6.5	Reducing costs of custom clearance for exports (per container)	6.0	4.0	6.0	5.0	5.5	6.0	6.0	6.0	6.0	6.0	5.7
7	Promotion of Entrepreneurial Education	3.0	2.1	3.9	2.3	2.9	4.2	3.7	5.0	3.1	2.9	3.3
7.1	Entrepreneurial promotion policy	2.0	3.0	4.0	2.0	2.0	4.0	4.0	5.0	2.0	2.0	3.0
7.2	Support of EL in basic education	1.0	1.0	4.0	3.0	2.0	3.0	3.0	5.0	1.5	1.0	2.5
7.3	Support of EL in higher education	4.0	2.5	3.5	3.0	3.0	5.0	3.5	5.0	4.0	3.0	3.7
7.4	Business-academe collaboration	5.0	2.0	5.0	2.0	4.5	5.0	4.5	5.0	4.5	4.5	4.2
7.5	Non-formal education on EL and management of SMEs	3.0	2.0	3.0	1.5	3.0	4.0	3.5	5.0	3.5	4.0	3.3
8	More effective representation of small enterprises' interests	2.3	2.5	3.4	2.7	4.2	5.0	4.7	5.0	4.4	4.0	3.8
8.1	Role and capacity of SME association	2.3	2.5	3.8	2.3	3.8	4.3	4.7	5.0	4.2	4.3	3.7
8.1.1	SME association	3.0	3.0	6.0	3.0	4.5	6.0	5.0	5.0	4.5	5.0	4.5
8.1.2	Technical capacity	2.0	2.5	3.5	2.0	4.0	5.0	5.0	5.0	4.0	3.5	3.7
8.1.3	Research capacity	2.0	2.0	2.0	2.0	3.0	2.0	4.0	5.0	4.0	4.5	3.1
8.2	Participation in Consultations on SME Policies	2.3	2.5	3.0	3.0	4.5	5.7	4.7	5.0	4.7	3.7	3.9
8.2.1	Mechanism of the consultations	3.0	3.0	4.0	3.0	4.5	6.0	5.0	5.0	4.5	4.0	4.2
8.2.2	Frequency of the consultations	2.0	2.0	1.0	3.0	5.0	6.0	5.0	5.0	5.0	3.0	3.7
8.2.3	Formal influence of the consultations	2.0	2.5	4.0	3.0	4.0	5.0	4.0	5.0	4.5	4.0	3.8
	Average scores	3.0	2.4	4.1	2.5	2.9	4.7	3.8	5.4	4.1	3.7	3.7

Appendix 2: Assessment Framework for ASEAN SME Policy Index

1. Institutional Framework

		Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
1.1	SME definition	No SME definition within countries.	There are different definitions of SME by sectors (manufacturing, services) and criteria (asset, employment, sale, revenue, etc.), applied in government programs and policies within countries	A legislation on SME and its uniform definition is under preparation	The legislation on SME with uniform definition is in place, but it is not streamlined (different application) in government programs and policies within countries.	There is a uniform application of SME definition in government programs and policies within countries.	The definition follows the common international practices (same as other countries or international organizations, such as UN or World Bank).
1.2	Intra-governmental coordination in policy formulation	No institution is responsible for SME policy formulation.	Several institutions are responsible for SME policy formulation and they have overlapping portfolios and limited coordination.	Legislation for the establishment of a single institution is under consideration.	Approval for establishment of a single institution in charge of leading and coordinating SME policy formulation.	The institution already established with staffs and budget in place. System of consultation with the implementing agency (ies) in place.	Ministerial level inter-agencies coordination in place, with track record of effective coordination and policy formulation (i.e. number of policy formulations) since its inception.
1.3	SME development strategy	No SME development strategy exists.	SME development strategy is under elaboration. Review of expired SME strategy under way.	Multiyear SME development strategy for current period is approved by the government	The multiyear SME development strategy has been implemented with moderate success.	Solid evidence of implementation of The SME development strategy with indication of key target achieved and assignments completed.	A mechanism of continuing process of review, evaluation, monitoring, and revision strategy are clearly in place.

1.4	SME policy implementation agency or equivalent	No SME policy implementation agency with an execute role (or equivalent) exists.	Government considering the establishment of an SME policy implementation agency (or equivalent).	SME implementation agency (or equivalent) established. Staff structure and budget in place. Range of output to be covered by agency being drafted.	SME implementation entity fully operational and covers a range of activities with measurable outcomes. But limited number of staffs with required expertise (economic and legal).	SME implementation entity fully operational and covers a range of activities with measurable outcomes. Solid implementation record of SME strategy based on achievements of time-bound targets as detailed in action plan.	SME implementation entity is the main body for implementation of the SME strategy, operating with full political support. The entity has a clear reporting system in place and a recognized advocacy and policy advice role. The entity is well-funded wide reaching, and its activities have proven to be effective in supporting SME development with measurable outcomes.
1.5	Facilitation for a transition from informal to formal (registered) sector¹	No measures in place to systematically tackle the informal economy.	Plan in preparation to tackle the informal economy.	Plan to tackle the informal economy has been adopted after inter-ministerial and stakeholder consultation. Action plan defined.	There is evidence that some elements of this plan have been implemented.	Solid evidence of implementation of the plan with indication of key targets achieved.	Implementation well advanced and monitoring systems in place to measure the impact of the plan.

¹ Formal is defined as, but not limited to, being registered. If informality is not an issue, the score should be at level 6 (most of all firms are registered).

2. Access to Support Services

2.1 Policy framework for supporting services							
2.1.1	Government action plan on development of SME support services	There is no government action plan on business services.	A government action plan on identifying the market failures in the business services market is under preparation.	The government action plan is in place and the responsible institutions have been established.	The plan covers a range of support services and has been implemented with moderate success.	Solid implementation record of achievements of time-bound targets as detailed in action plan.	Implementation well advanced and monitoring systems in place to measure the impact of the plan.
2.1.2	One-stop shop business development centers	No one-stop shop business development center is available	One-stop shop business development center is under consideration.	Limited range of business service (training, counselling & advice, technology development & transfer, information, business linkage & networking, access to finance).	One-stop shop business development centers provide integrated and comprehensive series but with limited number and locations	Networks of one-stop shop business development centers nationwide, with personalized services for SMEs.	Level 5 + monitoring and evaluation system for the quality of services
2.2 Promotion of E-services							
2.2.1	Promotion of E-commerce	There is no E-commerce law.	The e-commerce law is under consideration.	The e-commerce law has been adopted.	Supporting regulations and policy are in place to foster e-	E-commerce is widely used in business transactions, but limited	E-commerce has been well developed with cyber security measures and applied

					commerce.	domestically.	in cross border trades.
2.2.2	Provision of E-government services	No E-government services.	E-government infrastructure and platform are under development.	Government is providing piloted services (tax, pension registration, etc.) online.	Some services can be filed online, but the software allows only for a limited number of operations.	Level 4 + the decision and transactions can be made. The connection exists between most public institutions and data usage is allowed, upon request by SME and/or institution.	The database of all public administration (company registration office, tax administration, social security administration, labour authorities) is integrated.
2.2.3	On-line portal for SMEs	There is no on-line portal.	Existence of on-line portal unknown to SME community. Information is neither updated nor maintained.	On-line portals are not easily accessible by the SME community. Portal is not user-friendly. Information is updated and maintained on an ad hoc basis.	There is one centralized portal for SMEs that redirects users to key websites for SMEs. Portal is regularly updated and maintained.	Level 4 + Portal is user friendly and gathers the information related to SMEs from the different public authorities active in this field.	Level 5 + Interactive portal includes the possibility for companies to communicate on rules and procedures which are considered to be disproportionate/and/or unnecessarily hinder SMEs

3. Cheaper, faster start-up, and better legislation and regulation for SMEs

3.1 Cheaper and Faster Start up							
3.1.1 Issuing of business establishment registration certificate (start from the lodging of the complete documents)							
3.1.1.1	Number of days for obtaining business registration certificate	Registration takes > 50 working days	50 ≥ working days > 30	30 ≥ working days > 20	20 ≥ working days > 10	10 ≥ working days ≥ 5	Registration takes less than 5 working days.

3.1.1.2	Number of administrative steps for obtaining the business registration certificate	Registration requires more than 10 administrative steps.	Registration requires 8-9 administrative steps.	Registration requires 6-7 administrative steps.	Registration requires 4-5 administrative steps.	Registration requires 2-3 administrative steps.	Registration requires 1 administrative step.
3.1.1.3	Official cost of obtaining the business registration certificate	Cost > USD 250	USD 250 ≥ Cost > USD 200	USD 200 ≥ Cost > USD 150	USD 150 ≥ Cost > USD 100	USD 100 ≥ Cost > USD 50	Less than USD 50
3.1.2 Completion of the overall registration process and entry in operations							
3.1.2.1	Number of days for completing the overall registration process, including compulsory licenses for standard business activities (WB Cost of Doing Business Index)	Registration takes > 50 working days	50 ≥ working days > 30	30 ≥ working days > 20	20 ≥ working days > 10	10 ≥ working days ≥ 5	Registration takes less than 5 working days.
3.1.2.2	Number of steps for completing the overall registration process, including compulsory licenses for standard business activities (WB Cost of Doing Business Index)	Registration requires more than 10 administrative steps.	Registration requires 8-9 administrative steps.	Registration requires 6-7 administrative steps.	Registration requires 4-5 administrative steps.	Registration requires 2-3 administrative steps.	Registration requires 1 administrative step.

3.1.2.3	Costs connected with registration (% of GNI per capita) - (WB Cost of Doing Business Index)	Costs are > 20% of GNI per capita.	20% ≥ Costs > 15%	15% ≥ Costs > 10%	10% ≥ Costs > 5%	Costs ≤ 5% of GNI per capita.	Cost are minimal (close to 0 of GNI per capita)
3.1.2.4	Minimum capital requirements (% of GNI per capita) - (WB Cost of Doing Business Index)	Minimum capital > 40% of GNI per capita	40% ≥ Minimum capital > 30%	30% ≥ Minimum capital > 20%	20% ≥ Minimum capital > 10%	Minimum capital ≤ 10% of GNI per capita.	No minimum capital requirements for general partnerships with personal liability.
3.1.3 On-line access, one-stop-shop for registration, and start-ups							
3.1.3.1	On-line registration	The government has no on-line registration.	All registration procedures are downloadable on-line.	Enterprises are able to submit registration forms, but cannot register in the on-line registration.	Enterprises are able to submit and few decisions after the submission process are known.	Level 4 + more actions after the submission process and some of the notifications are traceable.	Enterprises are able to do all registration process on-line and they can trace their registration process.
3.1.3.2	Progression to one-stop-shop (OSS)	There are no plans to introduce one-stop-shop (OSS) for business registrations	The plan to establish OSS for business registration is under preparation	The plan and necessary budgetary provisions to establish an OSS for company registration has been approved.	OSS for business registration operates on the basis of multiple windows in one location or with a limited geographic scope.	OSS for registration is operational with a proven track record and extensive geographic scope.	OSS completes all necessary registration and notification procedures in one window (one step).
3.1.3.3	Financial supports for start-ups (soft loans, vouchers,	No financial support in place	Strategy on financial support tools under discussion/local	Strategy on financial support tools approved: detailed proposals	Level 3 + several financial support tools are being implemented but	Level 4 + financial support tools are being used throughout the	Level 5 + Implementation well advanced and monitoring

	grants etc.)		initiatives in preparation.	and budget allocations, either at central or local government level.	limited amount and coverage	country	systems in place to measure the impact of the plan.
3.2 Better Legislation and regulation							
3.2.1	Review and amendment of legislations and regulations	There are no systematic review of redundant or ineffective legislations and regulations.	There is a review and the list of an inventory of all relevant legislations and regulations was made.	There has been ad-hoc activity to carry out amendment of redundant or ineffective legislations and regulations. The government is planning to carry out this exercise.	A concrete plan to carry out systematic amendment of redundant or ineffective legislations and regulations has been approved.	Implementation of the plan underway, covering key legislations and regulations related to enterprise policy.	The implementation is well advanced and most or all of the legislations and regulations have been revised.
3.2.2	Use of Regulatory Impact Analysis (RIA)	No systematic regulatory impact analysis exists	There is a guideline on regulatory impact analysis.	A simplified, pilot RIA program is being used in certain areas of regulations.	The RIA applied is limited in scope. The RIA process is poorly structured.	Implementation of RIA in some areas. There is some evidence that the outcomes of the RIA have been used to adopt and change regulations.	RIA is systematically implemented with solid evidence of outcomes. RIA is also applied ex-post to measure the impact of regulations during the implementation stage.

4. Access to Finance

4.1	Legal and regulatory framework
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4.1.1	Cadastre (including land use right)	No functioning cadastre.	Plans have been made to implement a functioning cadastre.	Cadastre system in place, but the land ownership of the country has not yet been entirely documented.	The ownership of land has been documented but the cadastre is not fully functioning.	Level 4 + fully functioning cadastre allowing firms to use real estate as collateral in their efforts to access bank finance.	Level 5 + Available on-line.
4.1.2	Collateral and provisioning requirements	Very high collateral requirements >200%. Restrictive collateral definition and/or rigid provisioning requirements for uncollateralized loans.	Collateral requirement ranging 150-200% of loan amount. Restrictive collateral definition and/or rigid provisioning requirements for uncollateralized loans.	Collateral requirement ranging 100-150% of loan amount. Restrictive collateral definition and/or rigid provisioning requirements for uncollateralized loans.	Collateral requirement ranging < 100% of loan amount. Flexible collateral definition (movable assets) and/or flexible provisioning requirements for loans under certain amount.	Level 4 + Flexible collateral definition and/or flexible provisioning requirements for loans under certain amount and central collateral registry in place.	No tangible collateral requirement.
4.1.3	Creditor rights	There is no law on secured transactions.	The law on secured transactions is under preparation	Legal framework on secured transaction ensures four rights listed below was adopted. 1) Secured creditors are able to seize their collateral after reorganization i.e. there is no "automatic stay"; 2) Legislation provides	Legal procedures for litigations take > 4 years and costs > 30% of the value of the collaterals.	4 ≥ years > 2 and 30% ≥ costs ≥ 20%.	Less than 2 years and cost less than 20%.

				restrictions such as creditor consent must be observed when a borrower files for reorganization; 3) Secured creditors are paid first out of proceeds of liquidation of a bankrupt firm; 4) Management does not retain administration of property pending the resolution of reorganization.			
4.2 Sound and diversified financial markets							
4.2.1	Credit guarantee schemes	No credit guarantee scheme in place.	Credits guarantee scheme facility under consideration.	Credits guarantee facilities in place.	Credits guarantee facility covers limited geographical and type of business.	A wide range of credits guarantee scheme for all with a large number of guarantees and credit volume.	The scheme is proven successful with track record of best management (low default rate, profitability)
4.2.2	Credit bureau/ registries (not limited to SME)	No credit information services available in the country.	Credit information services in-place, but access limited to financial institutions.	Credit information services available to financial institutions and to the public. Both positive	Level 3 + Information is updated regularly and comprehensive.	Level 4 + system of credit bureau for SME. The historical data is to be kept for at least 5 years.	Credit bureau is fully functional and well managed. Most financial institutions are subscribed to the bureau. There is a credit

				and negative credit information is available.			rating information system.
4.2.3	Microfinance Facilities (including Credit Unions)	No law and regulations to govern microfinance.	Law and regulations to govern microfinance is under preparation.	Appropriate legal and regulatory framework in place for microfinance.	Microfinance sector present and operating throughout the country. Facilities mainly state or donor funded. Limited range of microfinance products.	Level 4 plus wide ranges of microfinance products and extensive coverage. Most is privately managed.	Well-functioning microfinance with proven record of low default rates.
4.2.4	Leasing	No leasing activity, no plans for leasing law.	Leasing law under preparation.	Leasing law approved and institutional responsibilities clearly assigned.	Implementation of leasing law. Regulator active in monitoring market. Some leasing activity.	Regulation and supervision of the leasing sector is enacted. Significant leasing activity in place.	Level 5 + full range of leasing companies for SME exist.
4.2.5	Factoring	No factoring activity, no plans for factoring law.	Factoring law under preparation.	Factoring law approved and institutional responsibilities clearly assigned.	Implementation of factoring law. Regulator active in monitoring market. Some factoring activity.	Regulation and supervision of the factoring sector is enacted. Significant factoring activity in place.	Level 5 + full range of factoring companies for SME exist.

4.2.6	Availability of Risk Capital (e.g. venture capital, private equity funds, business angels)	No law and regulation on risk capital.	Law and regulation are under preparation.	Law and regulation have been approved and institutional responsibilities clearly assigned.	Level 3 + several venture capital/private equity funds, and business angels, but the only exit possibility is direct sales or proper merger and acquisition (M&A) regulations.	Level 4 + range of exit options, including a functioning (second-tier) stock exchange with clear opportunities for initial public offerings (IPO) of venture-capital backed enterprises.	Government provide incentives (tax, gathering forum, fairs) to promote networking and linkages of risk capital with SMEs.
4.2.7	Access to stock market	No stock market.	Stock exchange in place with low market capitalization (< 20% GDP) and low liquidity.	The stock market has medium capitalization (≥20% GDP) and liquidity.	A plan to establish a small board for SME in the stock market is under preparation.	Establishment of a small board for SME.	The small board has a large number of SMEs and high liquidity.

5. Technology and Technology Transfer

5.1 Promote Technology Dissemination							
5.1.1	Strategic approach to innovation policy for SMEs	No strategic plan and innovative policy	Innovation policy is under preparation.	Innovation strategy elements included in some of enterprise policy, industrial policy, human capital development policies, or education and	Innovation policy developed and integrated into a number of strategic documents. Information on implementation plans, budget and time lines	Level 4+ Strategic approaches are coordinated. Innovation program/strategy is under implementation and adequately funded. Major components of the	Strategic approach to innovation is extensively implemented, including programs covering the broad spectrum of technological and non-technological activities.

				research policies, but no consistent approach, no indication of implementation actions.	included in each of the documents. Strategic approaches are not coordinated.	plan are active with explicit program for SMEs.	Mechanisms in place to monitor the impact of the program.
5.1.2	Information on innovation support services	No data base of innovation service providers available to enterprises, either by public or private sources.	Government plans to provide information on innovation support services	Data base(s) available to enterprises for limited sets of services. Fragmented set of information on innovation support service providers reported.	Data base(s) includes wide range of services available throughout the country.	Updated data base(s) on innovation support service providers available also on-line. There are information on the selection criteria for firms to participate in all types of innovation support programs.	Level 5 + Information available on interactive web-sites and regularly updated and checked by the information provider. There is information on the selection criteria for firms to participate in all types of innovation support programs.
5.1.3	Standards certification	No standards organizations in place.	Government has declared plans to support the establishment of standards organizations.	Government has established legal and policy framework to support standards organizations.	Standards organizations are fully functional with modern equipment and wide product coverage.	The standards organizations are mutually recognized internationally and accredited.	Supporting schemes to have SMEs easy access to testing and standards organizations.
5.2 Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge							
5.2.1	Incubators	There are incubators but with no technological orientation.	Pilot technological incubators in operation, publicly funded,	There are incentives and support schemes to establish incubators	Level 3 + several incubators in operation, out of the experimental phase. Provision	Level 4 + network of incubators throughout the economy. Provision of high	Level 5 + continuous evaluation of existing incubators and there are virtual

			funded by donors and/or other organizations.	associated with universities and/or research centers.	of basic services.	quality services and existence of exit strategies.	incubators.
5.2.2	Technology support in Universities, R&D Labs and Incubators with SMEs Linkages	No formal framework to support technology development in universities, R&D labs and incubators.	Government has declared plans to support technology development in universities, R&D labs and incubators.	Government has established legal and/or policy framework to support technology development in universities, R&D labs and incubators.	Active implementation of framework for linking SMEs with standards, and technology development in universities, R&D labs and incubators.	Strong connectivity and coordination exists between technology development activities in universities, R&D labs and incubators and SMEs.	Strong technology development activities exist in Universities, R&D labs and incubators, with appraisal mechanisms of related incentives and grants.
5.2.3	Intellectual Property Rights (IPRs) System	No legislation and policy on IPRs in place.	Legislation and policy on IPRs under preparation.	IPRs legislation and policy has been approved.	IPRs strategy and patent system (creation, protection, utilization) were established with budget and implementing agency	Few one-stop support centers on IPRs (awareness, information, patent application, licensing, etc.).	Nationwide one-stop support centers on IPR system.
5.3 Promote Clusters and Business Networks							
5.3.1	Broadband infrastructure to support smooth connection and coordination of knowledge flows in cluster	No broadband infrastructure.	Government has started plans to establish provision of broadband infrastructure.	An action plan to lay a broadband infrastructure and the legal framework has been established.	The laying of broadband connections are underway either nationwide or in special economic zones/clusters.	Broadband connections are available nationwide or in special economic zones/clusters with enactment of	Mature connections with little or no breakdowns (high quality) are available nationwide or in special economic

						appropriate cyber laws.	zones/clusters with strong cyber laws.
5.3.2	Sciences / industrial parks, competitive clusters and facilities (agglomeration)	No facilities (i.e. sciences /industrial parks, competitive clusters) to promote networking among innovative companies in place.	Basic supporting infrastructures for the facilities are in place.	Level 2 + facilities are operated with average more than 50% of the capacity (occupancy rate).	Level 3 + linkages with universities and other innovation and technology centers.	Level 4 + the networks of facilities and linkages are limited in geographical area or industry. Incentive schemes for qualified SMEs to locate into the facilities.	Level 5 + nationwide and international networks, with track record of good management and reputation.
5.4 Finance and Technology Development							
5.4.1	Financial Incentives	No support scheme for SMEs to determine financing options available for innovative projects.	Financial support schemes (including training, testing) under consideration and pilot project being launched, funded by government, donors and/or other organizations.	Financial support schemes are funded by government, donors and/or other organizations. Tailored services are provided to link innovative companies to sources of financing.	Financial support schemes are under implementation and adequately funded. Independent project evaluation system has been established. Co-operation with various financial institutions has been established to link innovative companies to	A complete chain of funding schemes is available for innovative projects, from grants, levies, subsidies, seed funding to venture capitals, private equity funds and loans. There is evidence that a significant number of projects are funded every year.	Strong vetting, monitoring and appraisal <i>ex post</i> of the financial support service schemes

					sources of financing.		
5.4.2	Public R&D grants	There are no public funds supporting R&D activities with a commercial orientation.	There is a policy framework for public support R&D.	There are pilot public funds supporting R&D activities with a commercial orientation with limited allocation.	Fully operating funds supporting R&D activities with a commercial orientation. There is proper appraisal system of eligible projects.	Level 4 + there is a track record of effective allocation of funding.	Level 5 + Strong vetting, monitoring and appraisal <i>ex post</i> of the grants.

6. International Market Expansion

6.1	Export promotion programs	No export promotion programmes exist.	Export promotion programs under consideration.	Export promotion programs adopted but largely funded by donor countries. No coordination between programs.	Export promotion programs are adequately funded and executed by a coordinating agency.	Range of well-funded export promotion programs and agency with structured supports to SMEs.	5+ Regular evaluation and monitoring in place
6.2	Providing advice and high value information of the international market	No business information on specific markets.	Providing information and consulting services to help SMEs undertake a self-assessment	Market specific information (product features, prices, buyers, distributors, relevant	Comprehensive information and one-stop shop with limited advisory services.	The one-stop shop is available to help SMEs identify and form partnerships/alliance, and determine market entry	One-stop shop and E-portal are fully operational, with monitoring and evaluation system.

			for international market expansion.	standards and specifications, international best practices, and related legal requirements and procedures).		strategies.	
6.3	Export capacity building programs	No export capacity building programs.	Uncoordinated export capacity building programs funded mainly by donor countries.	Coordinated export capacity building programs (grant or subsidies for training courses, export coaching, workshop, and trade fairs) for SMEs' export strategy planning.	The programs are operated with limited geographical coverage and a limited number of SMEs.	The programs are fully functional nationwide. Significant number participating SMEs start exporting.	Level 5 + Regular evaluation and monitoring in place.
6.4	Financial facilities for SMEs to export	No specific financial facilities for export-ready SMEs exist.	The financial facilities are under preparation.	Trade credit and export-oriented loan insurance are under pilot.	The facilities are operated with limited geographical coverage and a limited number of SMEs.	The facilities are fully functional nationwide.	Level 5 + Regular evaluation and monitoring in place
6.5	Reducing costs of custom clearance for exports (per container)	Custom clearance takes > 30 days and costs > USD 300	30 ≥ days > 20 and USD 300 ≥ Costs > USD 250	20 ≥ days > 10 and USD 250 ≥ Costs > USD 200	10 ≥ days > 5 and USD 200 ≥ Costs > USD 150	5 ≥ days > 2 and USD 150 ≥ Costs > USD 100	Custom clearance takes ≤ 2 days and costs ≤ USD 100

7. Promotion of Entrepreneurial Education

7.1	Entrepreneurial promotion policy	No evidence of clearly identifiable or articulated policy guidance available for the education and training sector on EL.	EL is recognized as a developing feature within education and training policy instruments.	Policy instruments specific to each level of the education and training system clearly identify EL as a priority development area with due reference to curriculum, teacher/trainer training and school governance.	EL policy linkages are clearly articulated with SME, industrial, employment, and innovation policy documents.	National economic development plan includes EL detailing specific and complimentary objectives for the various parts of the EL framework.	EL policies, programs and projects have been implemented with adequate budget and monitoring and evaluation system.
7.2	Support of EL in basic education	No EL materials, no expertise; teaching the traditional way prevails, with little flexibility in new arrangements that would promote entrepreneurship key competencies (e.g. opportunity identification, initiative, creativity, innovation and risk taking)	EL teaching materials and teacher training programs are under development.	EL is under pilot. Some evidence of flexible teaching and learning arrangements that allow promoting entrepreneurship key competencies	Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover up to 25% of enrolments (Monitored through Education Ministry records)	Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover up to 50% of enrolments	Secondary schools with EL teaching materials and staff with knowledge and skills for teaching entrepreneurship cover more than 50% of enrolments

7.3	Support of EL in higher education	No vocational schools, universities offer subjects on entrepreneurship, just the traditional business subjects (management, finance, marketing, accounting, etc.)	Higher education policy includes provisions for promoting equal opportunities for university staff and students in all entrepreneurial learning developments	National quality assurance system and course subjects for small business and entrepreneurship are developed and offered;	At least major universities offer a degree in entrepreneurship and adopted the ASEAN Common Curriculum (e.g., CoBLAS)	National EL networks set up to conduct regular reviews on entrepreneurship curriculum to ensure evaluation, accreditation and dissemination of good practices.	EL providing universities are internationally renowned, ranked high in the region and the world. Notable alumni network of entrepreneurs.
7.4	Business-academe collaboration	No business-academe collaboration with respect to EL.	Few EL programs with business-academe collaboration.	Apprenticeship or internship with SMEs required of business students as part of curriculum.	Universities adopt practicum for business and entrepreneurship students involving counselling of SMEs (e.g., CoBLAS).	Universities and private sector jointly support EL programs, curricula, research, customized training service, coaching, business plan competitions, awards and scholarships.	There are public-private EL support programs to university-based incubators, science parks, research institutions, venture capitals and private equity funds, with a significant number of spin-offs.
7.5	Non-formal education on EL and management of SMEs (basic book keeping and business	Information on training programs and training providers is sporadic.	Information and fully charged training programs are available; service providers	Subsidized small business training provision developed but limited to some industries and	Information on training programmes, networks of providers, and online services are available	Training toolkits are publicly available in hardcopies and downloadable.	Training programs are accredited. Blacklisted training providers posted on websites of SME support agencies

	management)		mainly in urban centers.	locations.	across the country.		and training centers.
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8. More Effective Representation of SMEs' Interests

8.1 Role and capacity of SME association							
8.1.1	SME association	No membership in any business industrial associations in both local and national levels.	Membership is limited to either cooperatives or small entrepreneurs' organization of local scope.	Membership is mainstreamed in locally-based industry associations and/or chambers of commerce (CoC) with limited network.	Membership is mainstreamed in industry associations and/or CoC with national network.	Level 4 + strong domestic and independent advocacy role extended to SME related issues.	Level 5 + international presence and representation. Institutionalized (e.g. ASEAN BAC, ASEAN CCI, CACCI).
8.1.2	Technical capacity	No technical capacity in undertaking SME representation.	Technical capacity is limited to maintenance of a database and contact information of SMEs.	Technical capacity is supported by a Secretariat/ Administrative Office conducting information gathering, database management and information dissemination to SMEs and other	Level 3 + undertaking membership services such as networking, business matching, processing of certificates of origin, trade and investment promotion, trainings and	Level 4 + undertaking independent advocacy and policy formulation down to the local level with the ability to generate and mobilize resources from external sources used to fund projects.	Level 5 + presence of international SME clusters and networks enabling SME participation and representation in advocacy and policy setting of regional and global scope and deepened business access to global production networks and value chains through

				organizations.	seminars.		enhanced business matching and ventures (e.g. functional ASEAN trade and investment center operating at the CoC level)
8.2.3	Research capacity	No research capacity	Research capacity is limited to collecting existing researches from various sources	Research capacity is supported by a dedicated Research department undertaking simple, qualitative research	Level 3 + producing publications such as magazines, primers, industry studies and surveys on various economic, regulatory and trade related topics	Level 4 + presence of an institutionalized network of cooperation with donor partners and research institutions for joint research projects	Level 5 + presence of an institutionalized (dedicated) research center (i.e. think tank or policy center)
8.2 Participation in Consultations on SME Policies							
8.2.1	Mechanism of the consultations	No existing consultative mechanism	Consultative mechanism is local based	Consultative mechanism is undertaken in various sectors on an ad-hoc manner	Level 3 + national and local consultations are done on a per issue basis	Level 4 + national, local and sectoral consultations are done on a regular basis using a committee structure (e.g. Agriculture, Industry, SME, Taxation Committees) where position or white papers are	Level 5 + institutionalized broad, cluster-based consultation mechanism with direct linkage to the government soliciting feedback and measure outcomes (e.g. Resolutions and Business Memorandum)

						produced	
8.2.2	Frequency of the consultations	Consultation on SME issues between the public and private sectors occur sporadically upon the call of the government	Proposals have been made to establish a structure/ framework for public/ private consultation	A regulation has been adopted stipulating regular consultation between public and private sectors on SME issues	Level 3 + Consultations involving key actors from public and private sectors take place on a semi-annual basis	Level 4 + Consultations involving key actors from public and private sectors take place on a quarterly basis	Level 5 + the consultations take place on a monthly basis or even more often
8.2.3	Formal influence of the consultations	Unstructured debates between the private and public sectors in SME issues	Level 1+ the private sector has the opportunity to give formal recommendations on the issues discussed	Level 2 + the private sector has the opportunity to formally comment on draft SME policies in various meetings	Level 3 + the private sector can suggest own initiatives or measures	Level 4 + there is ample evidence that suggestions on own initiatives from the private sector have been achieved (“buy-in”)	Level 5 + System of Feedback, monitoring and documenting successful policy outcomes