

Department of Industrial Promotion
Ministry of Industry
Kingdom of Thailand

The Study
on
the Strengthening Mechanisms
for
the Regional SME Promotion
and
Consultancy Service Quality Development
in
the Kingdom of Thailand

FINAL REPORT
(SUMMARY)

September 2011

Japan International Cooperation Agency

UNICO International Corporation

ILD
JR
11-028

Exchange Rate (Yearly Average)

Year	THB→JPY	THB→USD
2007	3.68111	0.03126
2008	3.17373	0.03064
2009	2.74658	0.02936
2010	2.78738	0.03178

Conversion Table of Area

rai	m ²	ac
1	1,600	0.4
0.000625	1	0.000247
2.5	4,047	1

1km²=1,000,000m²



Industrial Promotion Center (IPC)

○ indicates where the IPC Office is located.

IPC 1 (8 provinces)

- 1 Chiang Mai
- 2 Chiang Rai
- 3 Nan
- 4 Phrae
- 5 Mae Hong Son
- 6 Lamphun
- 7 Lamphun
- 8 Phayao

IPC 2 (4 provinces)

- 9 Uttaradit
- 10 Phitsanulok
- 12 Sukhothai
- 15 Phetchabun

IPC 3 (5 provinces)

- 11 Tak
- 13 Kamphaeng Phet
- 14 Phichit
- 16 Nakhon Sawan
- 36 Uthai Thani

IPC 4 (6 provinces)

- 17 Nong Khai
- 18 Loei
- 19 Nong Bua Lamphu
- 20 Udon Thani
- 21 Sakon Nakhon
- 22 Nakhon Phanom

IPC 5 (6 provinces)

- 23 Khon Kaen
- 24 Kalasin
- 25 Maha Sarakham
- 31 Roi Et
- 32 Yasothon
- 34 Mukdahan

IPC 6 (4 provinces)

- 26 Chaiyaphum
- 27 Nakhon Ratchasima
- 39 Lopburi
- 40 Saraburi

IPC 7 (5 provinces)

- 28 Buri Ram
- 29 Surin
- 30 Si Sa Ket
- 33 Ubon Ratchathani
- 35 Amnat Charoen

IPC 8 (14 provinces)

- 37 Chainat
- 38 Sing Buri
- 41 Ang Thong
- 42 Suphanburi
- 43 Ayutthaya
- 44 Kancharaburi
- 45 Nakhon Pathom
- 46 Nonthaburi
- 47 Pathum Thani
- 49 Samut Sakhon
- 51 Samut Songkhram
- 52 Ratchaburi
- 53 Petchaburi
- 54 Prachuap Khiri Khan

IPC 9 (10 provinces)

- 48 Phra Nakhon
(Krung Thep=Bangkok)
- 50 Samut Prakan
- 55 Nakhon Nayok
- 56 Phrachin Buri
- 57 Chachoengsao
- 58 Chon Buri
- 59 Rayong
- 60 Chanthaburi
- 61 Trat
- 62 Sa Kaeo

IPC 10 (7 provinces)

- 63 Chumphon
- 64 Ranong
- 65 Surat Thani
- 66 Phangnga
- 67 Krabi
- 68 Phuket
- 71 Trang

IPC 11 (7 provinces)

- 69 Nakhon Si Thammarat
- 70 Paththalung
- 72 Pattani
- 73 Songkhla
- 74 Satun
- 75 Yala
- 76 Narathiwat

Definition of Terms

Network: A network is broadly classified into the following two types:

- (1) An official network having a firm objective and governing regulations, whose establishment is acknowledged externally; and
- (2) A voluntary network having an objective to perform what the members are interested in without written regulations.

“The Technical Cooperation for Development Planning on the Strengthening Mechanisms for Regional SME Promotion and Consultancy Service Quality Development in the Kingdom of Thailand” (hereinafter referred to as the “Study¹”) aims at establishing a network classified as the former which contributes to regional SME promotion; however, the latter offers an important element to support sustainable activities of the former, and the Study puts importance on the linkage between the two.

BDS (Business Development Services): BDS are services that improve the performance of the enterprise, its access to markets, and its ability to compete².

BDS Provider: A BDS provider is a firm, institution or individual that provides BDS directly to small enterprises³. In this Report, the term “BDS provider” denotes only an organization according to usage of the term in Thailand.

BDS Facilitator: A BDS facilitator is an international or local institution which has as its primary aim to promote the development of local BDS markets⁴.

SP (Service Provider): An SP is an individual that provides BDS directly to SMEs. The term ‘SP’ is specified to be used in this Study.

SP Desk: The SP Desk is a consultation service counter located in the Business Opportunity Center (BOC) of the Industrial Promotion Center (IPC) 10 which provides a general consultation service to SMEs. The term ‘SP Desk’ is specified to be used in this Study.

iP: iP, an abbreviation of “Industrial Partner,” is a name to refer to general consultation service counters for SMEs in Chiang Mai. The term ‘iP’ is specified to be used in Study.

¹ The term “Study” is used to denote the current technical cooperation throughout this Report, as the technical cooperation practically involved the study.

² Committee of Donor Agencies for Small Enterprise Development, “Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention”, February 2001

³ Ditto

⁴ Ditto

RISMEP (Regional Integrated Small and Medium Enterprise Promotion): RISMEP refers to SME promotion at a local level using comprehensive ability of networks involving BDS providers and SPs. The term 'RISMEP' is specified to be used in this Study.

RISMEP Mechanism: RISMEP Mechanism comprises the whole projects devised to achieve the strategies of RISMEP. The term 'RISMEP Mechanism' is specified to be used in this Study.

SHINDAN-SHI: A SHINDAN-SHI is an SP who has acquired skills of business diagnosis through a training course, which had been provided by Japanese trainers for the first several years (1,000-hour courses) and by Thai trainers after the support from Japan terminated.

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Chapter 1 Outline of Study

1.1 Background History of Study⁵

The Japan International Cooperation Agency (JICA) has continuously assisted in training SHINDAN-SHIs, or small and medium enterprise (SME) consultants, who play a pivotal role in supporting SMEs in Thailand. Such assistance includes: dispatch of experts for introduction of a SHINDAN-SHI system into Thailand (1998-2002), dispatch of senior volunteers (1999-2002), and a development study of “Development of Consulting Services to Promote SME Cluster and Regional Development in the Kingdom of Thailand” (2004-2005).

The series of these assistance measures has been implemented in response to the aftermath of the Asian financial crisis in 1997. Further, the assistance has been offered not only by JICA, but also in the form of an all-out cooperation extended by many of the related organizations in Japan. The government of Thailand and then the Ministry of Trade and Industry of Japan (MITI, currently the Ministry of Economy, Trade and Industry of Japan (METI)) made a comprehensive agreement on SME development in Thailand. In line with the agreement, the SME Promotional Law was established and came into effect in February 2000 and the SME Promotional Master Plan (agreed in the Thai cabinet in April 2000) was prepared based on the proposal put forth by an expert dispatched from MITI. Those are some examples of success in cooperation between Thailand and Japan in the field of SME promotion.

In the Japan-Thailand Economic Partnership Agreement (JTEPA) agreed upon between Thailand and Japan in April 2007, Japan has agreed to cooperate in promoting SME development in Thailand and the “Sub-committee on SMEs” was established as a place for discussion. The first Sub-committee meeting was held in May 2008 in which Japan expressed its determination for continuous assistance related to SME promotion in Thailand.

Concerning development of systems and policies related to SME promotion at the central government level (ministries and agencies), the progress has been made to a certain degree by introduction of the SHINDAN-SHI system and establishment of the Small and Medium Enterprise Development Bank of Thailand (SMEDB), among others, in response to the scheme proposed by the Japanese expert. The Thai government, however, was facing necessity to give concrete thought to devising further SME promotion measures in accordance with increase of SMEs and sophistication of businesses in the country. Especially, development of structures and systems related to SME promotion in regional areas was a subject for which a prompt action was required.

⁵ JICA, Report on project formulation study/preparatory survey for the “Strengthening Mechanisms for the Regional SME Promotion and Consultancy Service Quality Development in the Kingdom of Thailand”, January 2009.

Under these circumstances, the Thai government has been preparing to introduce certification of qualification to advise SMEs, with intention to standardize Business Development Services (BDS); certification of SHINDAN-SHIs, who have been trained since 1999 with the Japanese cooperation, has been positioned as a core among that of BDS providers⁶. The Department of Industrial Promotion (DIP) of the Ministry of Industry then issued an official request to the Japanese government for assistance, based on experience in Japan, in SME promotion utilizing such BDS providers⁷.

Upon the request from the Thai government, JICA conducted the project formulation study in June 2008, followed by the preparatory survey in December 2008. Finally, the Scope of Work (S/W) of the current Study was agreed upon and signed between DIP and JICA on 22 May 2009.

1.2 Objective of Study

The objective of the Study is to draw up recommendations for structuring an SME promotion system which can provide SMEs with better services including improved business consultation services in regions. For this, the recommended system will make the most of the SHINDAN-SHI system while focusing on networking BDS providers. The SHINDAN-SHI system has been one of the important tools for SME promotion by DIP and the Industrial Promotion Center (IPC⁸), the counterpart (C/P) of the Study.

1.3 Organizations for Study Implementation

The Study was carried out by the following organizations:

- (a) The JICA Study Team: A leader and members in charge of SME Promotional Policy, SME SHINDAN-SHI System, and Instruction of SME Coordinators
- (b) Bureau of Service Provider Development (BSPD), DIP: five staff members
- (c) Pilot Project Teams
 - a) Chiang Mai: six IPC staff members, two SHINDAN-SHI staff members, and two members from the JICA Study Team
 - b) Surat Thani: five IPC staff members, three SHINDAN-SHI staff members, and two members from the JICA Study Team

⁶ BDS providers here refer to service providers (SPs).

⁷ Ditto

⁸ Although there are eleven IPC in the country, this Report interprets IPC as a collective entity, and thus, the word IPC is used as an uncountable noun in the singular form throughout the Report.

- c) Steering Committee⁹
- d) Working Group and Committees: Central Working Group (CWG¹⁰), and Regional Working Committees (RWCs¹¹) in Chiang Mai and Surat Thani

1.4 Flow of Whole Study

Figure 1.4-1 at the end of this Chapter illustrates a flow of the Study implementation. The Study is divided into the following three phases:

(1) Phase 1: Review of Present Situations

1) Basic Policies of the Study

The Study was carried out based on the following five basic policies:

- (a) To define concepts of Regional Integrated Small and Medium Enterprise Promotion (RISMEP) and propose RISMEP Mechanisms and their realization;
- (b) To propose RISMEP Mechanisms based on needs of SMEs;
- (c) To propose sustainable and feasible RISMEP Mechanisms;
- (d) To make clear relationship between the Pilot Project and the RISMEP Mechanism; and
- (e) To evaluate ability levels of IPC and SPs (including SHINDAN-SHIs) and implement appropriate training measures based on results of the evaluation.

2) Study on Present Situations

The JICA Study Team conducted literature surveys in Japan to grasp facts of SME promotion in Japan and countries of the Association of Southeast Asian Nations (Indonesia, Malaysia, the Philippines and Vietnam) and studied them comparatively for introducing cases useful to SME promotion in Thailand.

In the first and second site surveys, the JICA Study Team looked into the present situations of regional SME promotion mainly through interview and questionnaire surveys.

⁹ The Steering Committee has been organized by the central government organizations concerned with SME promotion in Thailand together with JICA with a view to ensuring a smooth operation of the Study and realizing effective application of outcomes from it. In addition, the Committee gives an approval to a series of reports drafted by the JICA Study Team in the course of the Study.

¹⁰ The Central Working Group, constituted by DIP staff, is responsible for monitoring and facilitating the Study implementation.

¹¹ The Regional Working Committees have been formed by organizations involved in SME promotion in Chiang Mai and Surat Thani for the purpose of coordinating the Study implementation, providing necessary information, and ascertaining a time line of the Study set by the JICA Study Team

The surveys covered SME promotional policies and measures, and situations of industries, SMEs, service providers (SPs) including SHNDAN-SHIs, and BDS providers in Chiang Mai and Surat Thani¹². Results of the surveys revealed that there was a common problem in both regions, that is, “BDS are not well disseminated to SMEs.”

3) Implementation of Participatory Planning Method

A participatory problem-analysis workshop was organized in each province with participation of the stakeholders (IPC, BDS providers, SPs and SMEs) in order to formulate strategies for SME promotion based upon a system which mobilizes strengths of networks of BDS providers and SPs. The workshop worked out four strategies in each province.

4) Design of RISMEP Mechanism

In the third site survey, the JICA Study Team designed projects to realize the strategies: ten projects in Chiang Mai and nine projects in Surat Thani. SME promotion by mobilizing strengths of the networks of BDS providers and SPs are called RISMEP, while a group of all the projects to accomplish the strategies is called RISMEP Mechanism.

(2) Phase 2: Design and Demonstration of Regional SME Promotion Systems

1) Selection of Pilot Projects

The JICA Study Team selected, out of the projects in the RISMEP Mechanism in each province, projects which were to be taken up in the Pilot Project, for which basic design was made subsequently. Three and four projects were selected for the Pilot Projects in Chiang Mai and Surat Thani, respectively, as follows:

(a) Pilot Project in Chiang Mai

- C-I Project: Guidebook to Useful Local Resources for SMEs
- C-II Project: Practical Skills Training for SPs
- C-III Project: General Consultation Service by BDS Providers

(b) Pilot Project in Surat Thani

- S-I Project: Guidebook to Useful Local Resources for SMEs
- S-II Project: Establishment of a Collaborative Network of BDS Providers
- S-III Project: Development of Tools to Match Needs of SMEs with BDS

¹² Chiang Mai and Surat Thani in this Report denote the respective provinces, and in some cases, indicate the surrounding regions of these provinces.

- S-IV Project: Skills Training for SPs

- 2) Implementation of Pilot Projects

The Pilot Projects were implemented for six months during the fourth and the fifth site surveys. Constituted by IPC staff, regional SHINDAN-SHI staff and the JICA Study Team members, the project team worked as a BDS facilitator in implementation of the Pilot Project in each province.

- (3) Phase 3: Drawing-up of Recommendations

- 1) Evaluation of Pilot Projects

In the sixth site survey, the project teams evaluated results of the Pilot Projects. The evaluation was made in two steps; “assessing the actual situation and the performance of the project” and “making a value judgment on the project using the Five Evaluation Criteria,” thereby extracting recommendations and lessons.

- 2) Design of Other Projects Not Included in Pilot Project

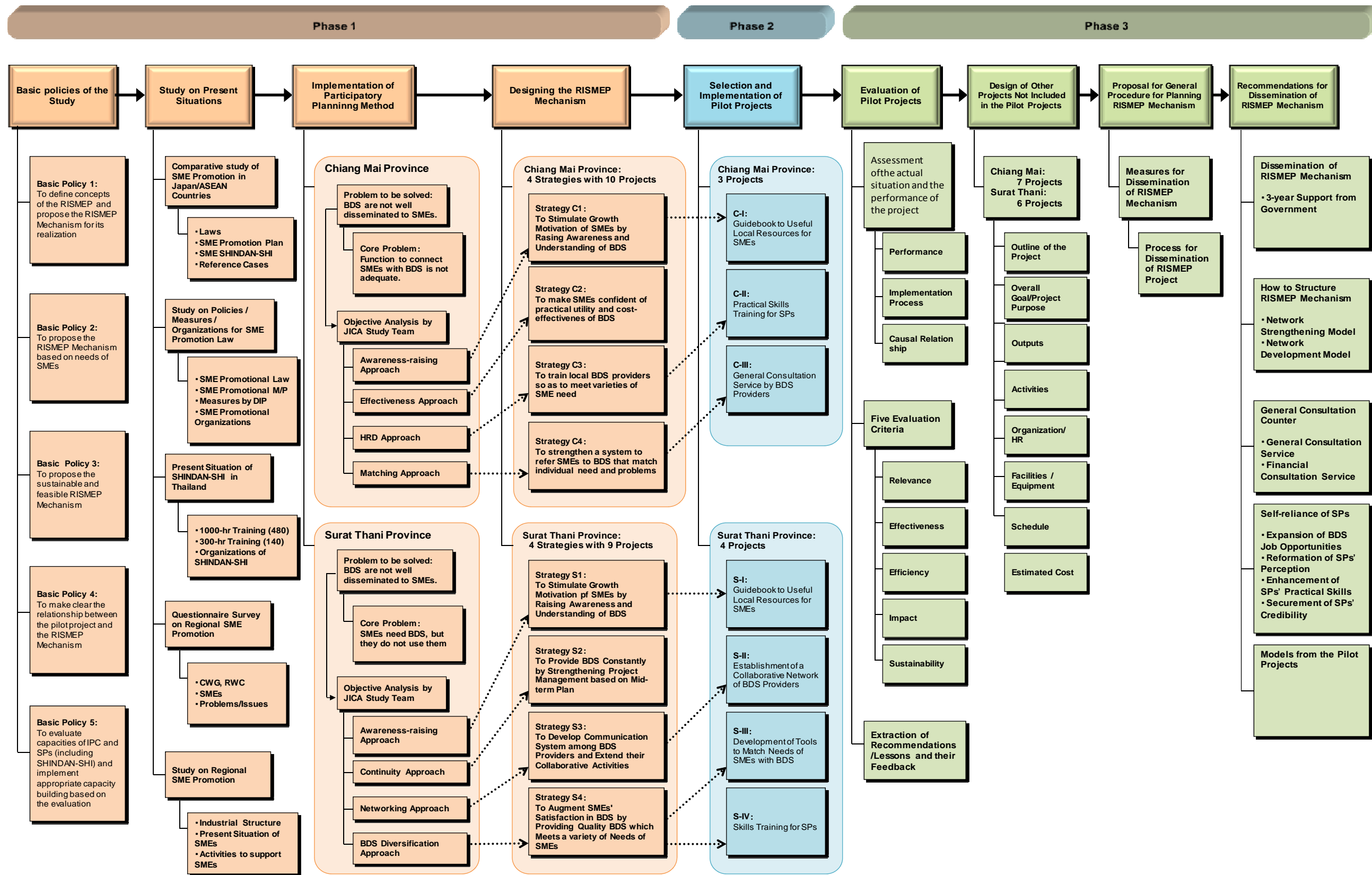
Each of the RISMED Mechanisms in Chiang Mai and Surat Thani consisted of projects taken up in the Pilot Project and those which were not. The JICA Study Team designed implementation plans of the latter for dissemination of RISMED Mechanisms outside the two provinces.

- 3) Recommendations for General Procedure for Planning RISMED Mechanism

The JICA Study Team made recommendations for a general procedure for planning a RISMED Mechanism in a region in detail.

- 4) Recommendations for Dissemination of RISMED Mechanisms and Self-Reliance of SPs

The JICA Study Team offered recommendations on how to disseminate RISMED Mechanisms all over the country and how SPs can achieve self-reliance.



Source: Prepared by the JICA Study Team

Figure 1.4-1 Flow of the Study

Chapter 2 Present Situation of SME Promotion in Thailand

This Chapter analyzes the present situation of policies and measures for small and medium enterprise (SME) promotion in Thailand and governmental organizations concerned with it. The Chapter also summarizes results of questionnaire surveys carried out at the Central Working Group (CWG) in Bangkok, and the Regional Working Committees (RWCs) and SMEs in Chiang Mai and Surat Thani where the Pilot Projects were to be implemented. In view of results of the above-mentioned analysis and surveys, the Chapter delineates the direction of SME promotion in Thailand.

2.1 SME Promotion Policies and Second Master Plan of Thailand's SME Promotion

2.1.1 SME Promotional Law¹³

The “Act on Small and Medium Enterprises Promotion” (SME Promotional Law) came into effect on 6 February 2000 as one of the measures aimed to recover from economic depression in the aftermath of the Asian financial crisis in 1997. The present SME promotion measures in Thailand are planned and implemented based on this Law.

The Law sets forth the following subjects which were vital to SME promotion in Thailand:

- To make clear a responsible organization for SME promotion (by organizing the “Committee for SME Promotion”) and scope of its responsibilities (Chapter 6 and 11)
- To make clear concrete duties for SME promotion by setting up a responsible organization for SME promotion at a working level (by organizing the “Executive Committee” in Chapter 18) and an implementing organization (The Office of Small and Medium Enterprises Promotion (OSMEP) in Chapter 16)
- To set up the SME Promotional Fund (Chapter 32) and formulate a master plan for SME promotion as an obligatory duty (Chapter 37)

¹³ Royal Thai Government Gazette No. 117, “The Act on Small & Medium Enterprises Promotion Act B.E.2543”, Vol.9A, 17 February 2000

Reference: Organization for SMEs and Regional Innovation, Japan (SMERJ), “SME Promotional Measures in Six ASEAN Countries”, March 2008

2.1.2 Second Master Plan of Thailand's Small and Medium Enterprises Promotion (2007-2011)¹⁴

OSMEP undertakes a responsibility for drawing up a master plan of SME promotion, a responsibility set forth by the SME Promotional Law. Accordingly, it formulated "The Second Master Plan of Thailand's Small and Medium Enterprises Promotion (2007-2011)," which was approved by the cabinet meeting in November 2007.

The Master Plan sets out six strategies for SME promotion as follows:

- Strategy 1: Business creation and capacity building of existing enterprises
- Strategy 2: Capacity building for improving productivity and creating innovation in the manufacturing sector
- Strategy 3: Improvement of efficiency and reduction of unfavorable effects caused by modern trade business in commercial sector
- Strategy 4: Promotion of value creation and development of value-added services in the service sector
- Strategy 5: Regional and provincial SME promotion
- Strategy 6: Development for yielding favorable factors for business activities

The Master Plan calls for both supply of Business Development Services (BDS) to SMEs and development of a network of BDS providers in Strategy 5 (regional and provincial SME promotion), which is related closely to "Regional Integrated Small and Medium Enterprise Promotion (RISMEP)" proposed in the current Study.

2.2 SME Supporting Measures, Total Budget of DIP and IPC, and Allocation of Budget to IPC

2.2.1 SME Supporting Measures, Total Budget of DIP, and Allocation of Budget to IPC

Measures to support SMEs by the Department of Industrial Promotion (DIP) are classified into five programs/projects: (1) Programs for SMEs and community enterprises development; (2) Programs for entrepreneur development; (3) Programs for business enabling factors development (including activities of the Business Opportunity Center (BOC) and support of service providers (SPs)); (4) Special projects for job creation; and (5) enhancement of SME competitiveness through IT.

DIP carried out a total of 41 projects with a budget of 540 million THB in the fiscal year 2010.

¹⁴ OSMEP, "The 2nd Master Plan of Thailand's Small and Medium Enterprises Promotion 2007-2011", 2007

2.2.2 BDS and DIP Budget by Field

The three most important fields of BDS provided by DIP are strengthening business management ability, improvement in production technology and production management, and human resources development.

On the other hand, DIP allocates a very small portion of its budget to BDS for market development; provision of BDS for market development may be considered to come under responsibility of the Ministry of Commerce.

2.2.3 IPC Budget for SME Promotion and its Activities

The Industrial Promotion Center (IPC) 1 implemented 20 projects with DIP budget of 20.2 million THB in the fiscal year 2010, while IPC10 conducted 15 projects with the budget to the tune of 12.4 million THB in the same fiscal year.

2.3 Government Organizations Concerned with SME Promotion

2.3.1 Central Government Organizations and Organizations in Chiang Mai and Surat Thani

(1) Central Government Organizations

Central government organizations concerning SME promotion include: OSMEP, the Ministry of Industry (including DIP, the Board of Investment (BOI)), the Ministry of Commerce, the Ministry of Science and Technology, the Ministry of Education, the National Science and Technology Development Agency, the Small and Medium Enterprise Development Bank of Thailand (SMEDB), and the Small Business Credit Guarantee Corporation (SBCG), among others.

(2) Organizations in Chiang Mai and Surat Thani

Organizations involved in SME promotion in Chiang Mai and Surat Thani include: local offices of the central government organizations (such as IPC, the Provincial Industry Office, BOI, the Department of Export Promotion, SMEDB, and SBCG) and relevant committees constituted in the provincial governments with public and private participation.

2.3.2 Organizations under Ministry of Industry Engaging in SME Promotion

(1) Department of Industrial Promotion

DIP's responsibilities center on promotion of SMEs and community enterprises in the manufacturing sector.

DIP's vision and mission are as follows:

- Vision: To become the leading organization for promoting sustainable development of Thai enterprises by utilizing regional wisdom, knowledge and innovation
- Mission: To enhance efficiency and competitiveness and encourage development of industries, entrepreneurs, community enterprises and BDS providers/service providers (SPs) by using value-based innovation, knowledge, wisdom and good management

(2) Industrial Promotion Center (IPC)

IPC, under DIP, is in charge of regional industrial promotion (see below). There are eleven bases of IPC in the country.

- Analyzing economic situation to draw up a comprehensive SME promotion guideline
- Establishing an industrial technology information service center
- Disseminating technical information on SME promotion and regional development
- Supplying consultancy services concerning financial support, technical know-how, business management and production technology
- Enhancing abilities of existing BDS providers and developing new BDS

2.4 Private Organizations for SME Promotion

Private organizations acting for SME promotion include: the Thai Chamber of Commerce (TCC), the Federation of Thai Industries (FTI), the Association for the Promotion of Thai Small and Medium Entrepreneurs (ATSME), and the Technology Promotion Association (Thailand-Japan) (TPA), among others.

2.5 Present Situation of SHINDAN-SHIs

2.5.1 Project for Training SHINDAN-SHIs by Official Development Assistance of Japanese Government

Seven training courses (1,000 hours/course) have been conducted for 480 persons in total. Thai trainers have provided the training from the latter half of the fourth course to the seventh course. It is estimated that about 100 SHINDAN-SHIs are currently involved in SME promotion in one way or another.

2.5.2 Regional SHINDAN-SHIs

DIP has conducted SHINDAN-SHI training courses (300 hours/course) for total 140 persons in five regions (including Bangkok, Chiang Mai and Surat Thani). However, not many regional SHINDAN-SHIs currently support SMEs.

2.5.3 Organizations of SHINDAN-SHIs

DIP established “SP Home” with TPA working as a secretariat. The SP Home is a network led by the government (DIP) and aims at improving quality of BDS. As for private organizations, there are the Enterprise Diagnosis Association (EDA) and the SHINDAN-SHI Association Thailand (SAT).

2.6 Results of Questionnaire Surveys on Present Situation and Problems of SMEs in Target Provinces

Questionnaire surveys on regional SME promotion were conducted at CWG in Bangkok, and SMEs and RWCs in Chiang Mai and Surat Thani.

2.6.1 Common Features

CWG and the RWCs, which are on the supply side of BDS, put the primary importance on development of SME’s management ability among the fields of SME support.

The following shows results of analysis of the questionnaire survey of SMEs:

- SMEs consider that quality of their products is high.
- They acknowledge importance of customer satisfaction.
- They suffer from high costs.
- They are willing to use one-stop-services; however, only a few have visited BOC¹⁵ for consultation.
- They would like to receive financial support for working capital.
- They made comments on the BDS supply system that needs to be strengthened.

2.6.2 Regional Features

CWG as well as RWCs points to organizational problems, lack of SMEs’ awareness of problems, and insufficient SME promotion measures as the most important issues to be solved.

Areas of BDS which SMEs wish to receive are market development in Chiang Mai and productivity improvement in Surat Thani. Since production of goods to be sold directly to end users like tourists is a major production activity in Chiang Mai, market development is seen as significantly important. Improvement of productivity is an important issue in Surat Thani, as

¹⁵ Located in DIP and IPC, BOC provides SMEs with services including: 1) support for business start-up; 2) provision of business information; 3) basic consultation; 4) access to reference materials in a library; and 5) support for business improvement.

manufacturing of intermediate products constitutes a large portion of production activities in the province and their markets remain stable at present.

2.7 Direction of Regional SME Promotion

(1) SME Promotion Measures Taking Account of Regional Characteristics

Regional SME promotion in Chiang Mai and Surat Thani needs to have in view regional characteristics in terms of endowment of resources and industrial structures associated with it.

(2) Design of Pilot Project to Meet BDS Needs Identified in Regions

SMEs in Chiang Mai and Surat Thani have different BDS needs which should be reflected on designing and implementing the Pilot Project in each province.

(3) Issues of One-Stop Service to be Solved

According to the questionnaire survey of SMEs, more than 90 percent of the respondents replied that they would use one-stop services and/or traveling counseling; however, it depends on what kinds of services are provided. Hence, it is necessary to carefully plan the services which satisfy needs of SMEs.

(4) IPC as a BDS facilitator

IPC receives high trust and expectations in the region. It is important for IPC, as a BDS facilitator, to form a network of BDS providers in the region in consideration of industry-academia-government linkages.

(5) Improvement of Quality of Consultancy Services

DIP has been undertaking various measures to improve quality of consultancy services including SHINDAN. As a result, skilled SPs including SHINDAN-SHIs have been trained. However, the number of such SPs is still small. Rather, a significant number of SPs lack experience and their consulting skills remain at a low level. In addition, they have a poor sense of ethics as a consultant, thereby hardly gaining SMEs' trust.

In order to improve quality of consultancy services, it is necessary to provide SPs with opportunities to gain practical experience in the Pilot Projects.

Chapter 3 SME Promotion Systems in Japan and Four ASEAN Countries

This Chapter summarizes small and medium enterprise (SME) promotion systems in Japan and countries of the Association of Southeast Asian Nations (ASEAN) which have been studied through a literature survey in Japan, thereby offering a reference for guidance of site surveys of the current Study and recommendations for Regional Integrated Small and Medium Enterprise Promotion (RISMEP) in Thailand.

The ASEAN countries to be studied in this Chapter are: Indonesia, Malaysia, the Philippines, and Vietnam.

3.1 SME Promotion Measures in Japan

3.1.1 Small and Medium-sized Enterprise Basic Act¹⁶

The Small and Medium-sized Enterprise Basic Act was enacted in 1963 and it was revised in 1999 to mark a significant change of the SME promotional policy in Japan.

The Act, before its revision, considered SMEs to be an inferior entity and mainly targeted on “Narrowing gaps between large enterprises and SMEs.” The major objectives of SME promotion policies governed by the Act were as follows:

- (1) Improvement of the business structure
- (2) Correction of disadvantages in business activities
- (3) Support for small enterprises

On the other hand, the revised Act sees SMEs as the “Sources of economic development and vitality” and the major policy targets set by the revised Act are as follows:

- (1) Promotion of business innovation and start-ups of SMEs
- (2) Strengthening of business fundamentals of SMEs
- (3) Smoothing adaption to changes in the economic or social environment

3.1.2 SME Promotion Measures

SME promotion measures in Japan are implemented by the central government, local governments, and private associations (such as the Chambers of Commerce and Industry and the Societies of Commerce and Industry). In addition to conventional measures including

¹⁶ Source: Prepared by the JICA Study Team by referring to: SME Agency, “Guidebook for the Use of SME Measures”, 2009

rationalization of business operation and financial support, a focus is now placed on “Revitalizing Regional SMEs” by linking the stakeholders together.

In the meantime, as many as 20,000 SME Management Consultants who support SMEs have been registered with the Ministry of Economy, Trade and Industry thus far, while there are currently some 4.2 million SMEs¹⁷ in Japan.

3.2 Comparison of SME Promotion Measures of Four ASEAN Countries

3.2.1 Policies and Measures for SME Promotion

(1) Governing Law

All the countries except Malaysia have enacted the basic law for SME promotion. SME promotion in Malaysia comes under the five-year plan and other related policies.

(2) Mid-term SME Promotion Plan

All the countries except Indonesia have an established mid-term (about five years) plan for SME promotion. SME promotion in Indonesia is incorporated in the mid-term economic development plan.

(3) Concerned Authorities

The SME promotion plans are deliberated and drawn up by committees at a central governmental level in all the countries but Indonesia. In Indonesia, the Agency for National Development Planning (BAPPENAS: *Badan Perencanaan dan Pembangunan Nasional*) is responsible for planning SME promotion.

All the countries set up implementing bodies of SME promotion measures under direct control of the concerned ministries.

3.2.2 SME SHINDAN-SHI (Consultant) System

Systems to train SME consultants in Indonesia, Malaysia, and the Philippines as of June 2009 are outlined as follows. There is no such system in Vietnam.

(1) Concerned Authorities

Authorities concerned with SME promotion also administrate SME consultant systems in all the three countries.

¹⁷ Small and Medium Enterprise Agency, “2011 White Paper on Small and Medium Enterprise in Japan”, 2011

(2) Target

The SME consultant training mainly targets government officers in these countries. On the other hand, the training is provided to private citizens in Thailand.

(3) Instructors

Instructors of the training had initially been dispatched from the Japan International Cooperation Agency (JICA), but local instructors have gradually come to undertake the training.

(4) Standard Training Period

- Malaysia: six weeks
- The Philippines: about one year including On-the-Job Training (OJT)
- Indonesia: five to six months

(5) Certification and Registration System

SME counselors in Malaysia are internally certified by the Ministry of Trade and Industry while Indonesia and the Philippines have a plan for setting out a national certification system.

(6) Number of Trained SME Consultants

There are 62, 94 and 257 SME consultants who have been trained in the current systems in Malaysia, the Philippines and Indonesia as of 2008, respectively.

3.2.3 SME Promotion Cases

(1) Financial Support

All the four countries have public financial support programs and credit guarantee systems.

(2) Human Resources Development

JICA is implementing or have implemented human resources development projects in all the countries. All the countries except Vietnam administer programs to train SME consultants, which emulate the Registered SME Management Consultant system in Japan. In the Philippines, a certification program for the APEC-IBIZ Small Business Counselor¹⁸ is provided. In Vietnam, business management courses are imparted to the top and middle

¹⁸ International Network of Institutes for Small Business Counselors (IBIZ) in Asia-Pacific Economic Cooperation (APEC), established in 2001, executes training and offers certification aiming at standardization of SME consultants within APEC region.

management of SMEs as a part of the Vietnam-Japan Human Resources Cooperation Center Project assisted by JICA.

(3) Regional SME Promotion

The following projects can serve as a useful reference of a bottom-up system to deliver local opinions to policymakers:

- Joint projects of central and state governments in Malaysia
- The Forum for Development of State Economy and Human Resources (FPESD: Forum *Pengembangan Ekonomi dan Sumber Daya*) in the Central Java State, Indonesia: stakeholders organize a forum in each district, province/city and state to discuss issues and problems which they are facing; results of discussions made in the forums at district level go up to the forums at the province/city level, and then up to the forum at the state level. Thus, opinions collected on a bottom-up basis can be reflected in SME promotion policies at the province/city and state levels.

(4) Others

The SME Corporation Malaysia (SMEC) provides various supporting measures including business matching. The Vietnam Chamber of Commerce (VCC) offers training programs on, among others, production management in Hanoi, Ho Chi Minh City and Danang.

3.3 Japanese SME Promotion Measures as Reference for Thailand

3.3.1 Guidebook for the Use of SME Measures

In Japan, the “Comprehensive Data Book of SME Measures” has long been published every year to introduce overall SME support measures. However, it is not intended for the use by BDS providers and SMEs. In response to request made from various stakeholders, a user-friendlier guidebook has come to be published yearly.

The Guidebook for the Use of SME Measures adopts two kinds of reference systems: “Index” and “Contents List” reference systems. The former shows supporting measures corresponding to needs of users, while the latter is a table of contents that accord with individual measures in the Comprehensive Data Book of SME Measures. Information of each measure is summarized in one page, consisting of (1) target needs, (2) a title of the measure, (3) outline of support provided by the measure, (4) eligible persons, enterprises and organizations, (5) support arrangements provided by the measure, (6) application procedure and (7) a contact organization.

Table 3.3-1 shows some examples from the index of the Guidebook.

Table 3.3-1 Example of Index of Guidebook

Measures Needs	Loan/Lease / Guarantee	P.	Subsidy/Tax / Investment	P.	Information Supply/ Counseling	P.	Seminar/ Training/ Event	P.	Supports by Law	P.
	Wish to contribute to regional development	e.g.: Regional Resources Use Program	11	e.g.: Regional SME Support Fund	166	e.g.: SME Support for production (Monodukuri)	15	e.g.: Exhibition for Traditional craftworks	171	e.g.: Project for linkage of agriculture and industry
Wish to get counseling					e.g.: Project for counseling to secure company operation	107	e.g.: Project for export promotion assistance	87	e.g.: hands-on project for market development	40
...

Source: Small and Medium Enterprise Agency, “Guidebook for the Use of SME Measures”, 2009

3.3.2 Governmental Financial Support to SMEs

This section introduces the “Managerial Improvement Loans for Small Enterprises,” or *Marukei* loans, which is one of the national financial measures well-known to SMEs and to those who are engaged in SME promotion. The program provides collateral-free, low-interest loans to small enterprises (as for manufacturers, having 20 or fewer employees). To be eligible, enterprises must be a member of a Chamber/Society of Commerce and Industry and have received management advice services from the Chamber/Society for more than a half year to improve their business (refer to Table 3.3-2).

Table 3.3-2 Outline of *Marukei* loans

Items	Description
Characteristics	Funding for business improvement with collateral-free, guarantor-free and low-interest loans A collateral/guarantor-free loan with low-interest rate loan for management improvement.
Eligible enterprises	An enterprise with 20 or fewer employees (for manufacturing businesses), which is a member of a Chamber/Society of Commerce and Industry and has been advised by a business advisor for more than six months.
Terms of loan	For capital investment: ten years with a two-year grace period For working capital: ten years with a one-year grace period
Loan ceiling and interest rate	15 million Yen with an annual interest rate of 1.85% (as of 20 May 2011)
Collateral conditions	Neither collateral nor guarantor is required.
Business diagnosis and advice	The Chamber/Society of Commerce and Industry endorses the application to the Japan Finance Corporation

Source: Prepared by JICA Study Team in reference to: Small and Medium Enterprise Agency, “Guidebook for the Use of SME Measures”, 2009

Chapter 4 Present Situations of Target Provinces (Chiang Mai and Surat Thani)

This Chapter overviews the industrial structure and summarizes characteristics of the manufacturing sector in Chiang Mai and Surat Thani. Then, the Chapter analyzes how Business Development Services (BDS) are provided and BDS providers/service providers (SPs) work in both the provinces. Finally, the Chapter identifies problems and issues of small and medium enterprise (SME) promotion in the provinces.

4.1 Industrial Structure and Manufacturing Sector in Target Provinces

4.1.1 Chiang Mai

In Chiang Mai where the Industrial Promotion Center (IPC) 1 is located, income from the tourism industry is equivalent to about one third of the Gross Provincial Product (GPP). The province is famous for craftworks. Silk/cotton fabric and textile goods, celadon and wooden crafts are supported by not only export demand, but also buying inclination of incoming tourists. As for the food processing industry, processing of vegetables and fruits indigenous to northern Thailand (pickles, dried fruits, jam, frozen fruits, canned food, etc.) constitutes a large share of the industry. There are only several companies with over 100 employees in the garment, wood/construction materials, ceramics and furniture/wooden products industries that are the other major industries in the province.

Concerning the direction of SME promotion in Chiang Mai, it is important to focus on small enterprises among those processing local resources and modernize their traditional processing methods and product design.

4.1.2 Surat Thani

Agriculture is a main industry in Surat Thani. A characteristic of the agriculture sector in Surat Thani is that plantation farming yields a major portion of agricultural production, while rice and vegetable production contributes only a little to it. The manufacturing industry in the province is constituted primarily by processing industries of agricultural products cultivated in the plantation farms. These plantation farms cultivate rubber trees, oil palms, coconuts and various kinds of fruit trees. Especially, old rubber trees whose rubber sap cannot be extracted any longer can be reused as timber (parawood). Therefore, a rubber plantation enjoys economic values throughout the life cycle of rubber trees.

Fifty-four percent of employment in the manufacturing sector in Surat Thani is generated by manufacturers related to natural rubber and parawood. Combined with the processing industry of marine products, processing industries of primary products available in the region are predominant in the manufacturing sector in Surat Thani.

These products are mainly exported overseas or sold in large cities in the country. Partly due to the fact that Surat Thani is far from the main markets of those products, the products are low-processed when shipped. The industries are thus characterized by low value-added mass production.

The direction of SME promotion in Surat Thani is to target low value-added, mass-produced products and increase, even gradually, value added before shipping out of the province.

4.2 Present Situations of SMEs and SME Support

4.2.1 Chiang Mai (Region of IPC1)

A host of regional offices of ministries and agencies which deal with SME promotion are concentrated in Chiang Mai, a center of northern district of Thailand. In addition to IPC1, the offices which oversee several provinces include the Regional Investment and Economic Center 1 of the Board of Investment (BOI), the Northern Export Promotion Center/Chiang-Mai of the Department of Export Promotion (DEP), the Ministry of Commerce, the Northern Network Office of the National Science and Technology Development Agency (NSTDA), a branch of the Small and Medium Enterprise Development Bank of Thailand (SMEDB), and a local office of the Small Business Credit Guarantee Corporation (SBCG).

4.2.2 Surat Thani (Region of IPC10)

Surat Thani is a major province in south Thailand. Therefore, there are many regional offices of ministries and agencies including IPC, BOI, SMEDB, and SBCG.

4.3 Problems and Issues to Be Solved in SME Promotion in Both Provinces

4.3.1 Chiang Mai

Tourism-related industries prevail in Chiang-Mai and thus demands are large for handicrafts and processed food products bought as souvenirs. The manufacturing sector is led by production of textiles and furniture/wooden crafts and processed vegetables and fruits cultivated in the region. Since Chiang Mai is a tourist area, inflow of tourism-related goods from outside the province is prevalent, causing industries in the province to face harsh competition with outsiders. Especially, the inflow of goods from China is becoming a threat nowadays. Therefore, industries in Chiang Mai need to strengthen their competitiveness by developing unique products and reducing production costs at the same time.

The Chiang Mai city is the second largest city in Thailand in which many regional offices of central government organizations are concentrated. Most of them are BDS providers. There

are many universities and colleges providing BDS to SMEs as a part of their missions. For example, the Chiang Mai University has a service counter to offer business consultation services. Moreover, there are associations of commerce and industry holding many SMEs as members.

The Northern Network of Service Providers for SMEs (NNSPSME), as a network of BDS providers mentioned above, performs activities for, for instance, promoting information-sharing and enhancing abilities of the members. As described, there are many BDS providers in Chiang Mai. Most of them, however, support SMEs individually without sharing expertise each other.

4.3.2 Surat Thani

SMEs in Surat Thani are comparatively large in size as predominant industries here are process manufacturing of rubber, palm oil and marine products. Most factories remain as primary processors of wood, food and other industrial materials. At present, raw materials are not sufficiently available in Surat Thani and thus procurement of the materials has become a concern of SMEs. As the industries manufacture low-processed products in large volume, decreasing unit consumption of raw materials and energy is one of the most important issues to be tackled. Therefore, the industries need to achieve cost reduction by process improvement and energy saving, among others.

The Surat Thani city is one of the centers of south Thailand, in which many regional offices of central government organizations are located. Most of them are, as in the Chiang Mai city, BDS providers. There are some universities that support business activities of SMEs including business start-up. However, there is no university with an engineering department that is technically able to provide BDS to manufacturers. Meanwhile, there are associations of commerce and industry. As described, BDS providers of varied expertise exist in Surat Thani; however, a network of the providers, or linkage among them, has not taken form yet. Therefore, the Pilot Project should start with networking the BDS providers, as they, unlike those in Chiang Mai, do not have experience in network activities.

It is necessary to enhance SMEs' awareness of effectiveness and convenience of a network in order to have them take advantage of BDS casually.

Scope of business counseling service provided by BDS providers is limited to fields of their own expertise in most cases. There are few counselors who are able to give advice from a broad viewpoint, while no training has ever been conducted to develop such human resources. It is quite important to train counselors at consultation service counters.

Survey of SMEs on their BDS needs revealed that SMEs would like to use BDS in the fields of improvement in management, human resources development, enhancement of production technology, market development and financial support. However, they do not actually know whom to consult in order to receive such BDS. Hence, designing an easy-to-use consultation system would help grasp BDS needs of SMEs in a more effective fashion.

Chapter 5 Formulating RISMEP Mechanisms by Participatory Planning Method and Selecting Pilot Projects

This Chapter describes the method commonly employed in Chiang Mai and Surat Thani to formulate a Regional Integrated Small and Medium Enterprise Promotion (RISMEP) Mechanism and to select from the Mechanism projects to be implemented in the Pilot Project.

5.1 Formulating RISMEP Mechanism by Participatory Planning Method

Stakeholders in regional SME development include government institutions such as the Industrial Promotion Center (IPC), BDS providers which are organizations supporting SMEs, service providers (SPs) who are personnel directly providing SMEs with services, and beneficiary SMEs. These stakeholders participated in a workshop to analyze problems confronting SMEs in regional Thailand using the Participatory Planning method¹⁹.

5.1.1 Problems Analysis

First, every participant wrote down on a card a problem related to a major obstacle to regional SME promotion, “Business Development Services (BDS) are not well disseminated to SMEs.” Then, among the raised problems, participants selected the “core problem” that had the broadest scope of embracing related issues. Finally, they drew a Problems Tree by placing the rest of the problem cards either above (effects) or below (causes) the core problem to show causal relationship among the problems (refer to Figure 5.1-1).

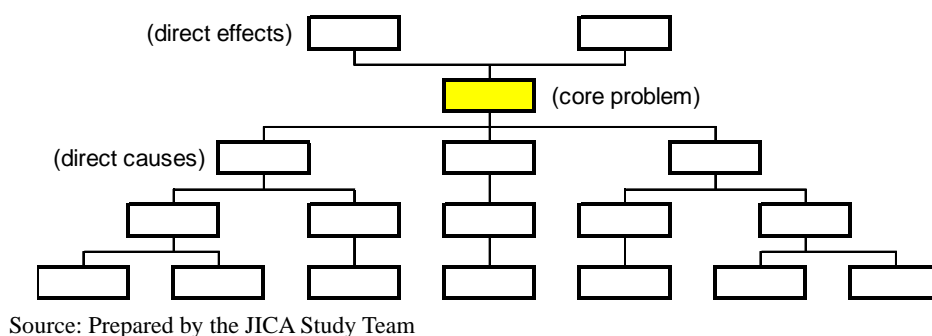
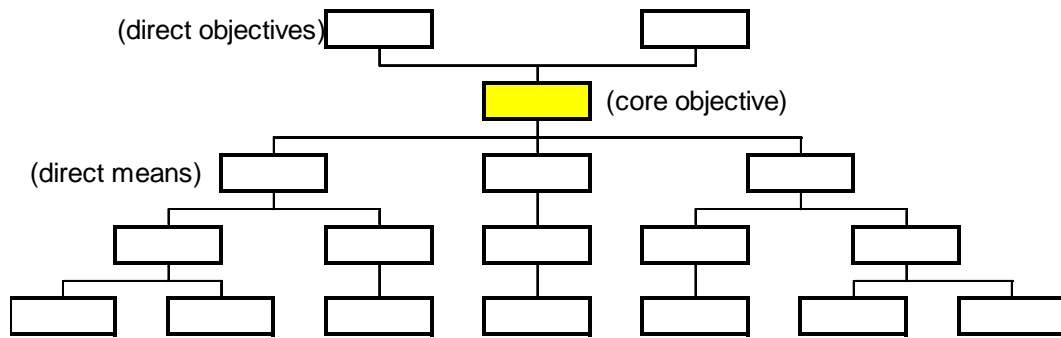


Figure 5.1-1 Problems Tree

¹⁹ The Participatory Planning method is a part of Project Cycle Management (PCM) developed by the Foundation for Advanced Studies on International Development (FASID). This Chapter has been written in reference to: FASID, “PCM: Project Cycle Management for Development Assistance”, 1999.

5.1.2 Objectives Analysis

Starting with determining the “core objective,” which is a desirable state after the core problem in the Problems Tree has been resolved, an objectives analysis worked out an Objectives Tree. “Means” to reach the core objective were derived from devising solutions to remove “causes” in the Problems Tree and weighing their feasibility as projects (refer to Figure 5.1-2).

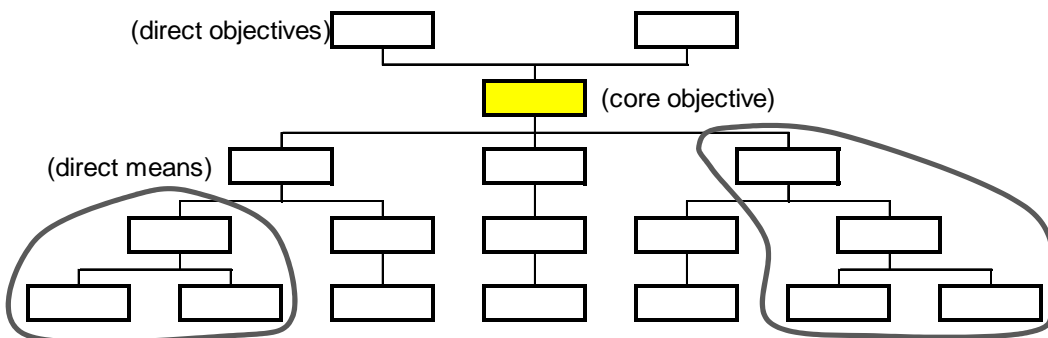


Source: Prepared by the JICA Study Team

Figure 5.1-2 Objectives Tree

5.1.3 Project Selection

The Objectives Tree illustrated some “approaches” consisting of a few closely-related “means.” Such an approach, identified and interpreted into a practical measure, offered a strategy to realize the core objective (refer to Figure 5.1-3).



Source: Prepared by the JICA Study Team

Figure 5.1-3 Drawing Approaches

Several projects were designed to pursue each strategy, built on the “means” enclosed in the corresponding approach. The whole set of projects has been termed as “RISMEP Mechanism.”

5.2 Selection of Pilot Projects

From the projects of the RISMEP Mechanism, those which carried higher-priority were selected to be implemented in the Pilot Project.

- (1) Exclusion criterion 1: Exclude “a project already having been implemented or currently being implemented, which has achieved a certain level of outcome.”
- (2) Exclusion criterion 2: Exclude “a project whose effectiveness will hardly be verified within the Pilot Project period.”
- (3) Priority criteria: Prioritize the projects on a short list that have not fallen under the above criteria for exclusion, according to the following two criteria: “greater outcome expected from successful implementation of the project” and “smaller risk associated with implementation of the project.”

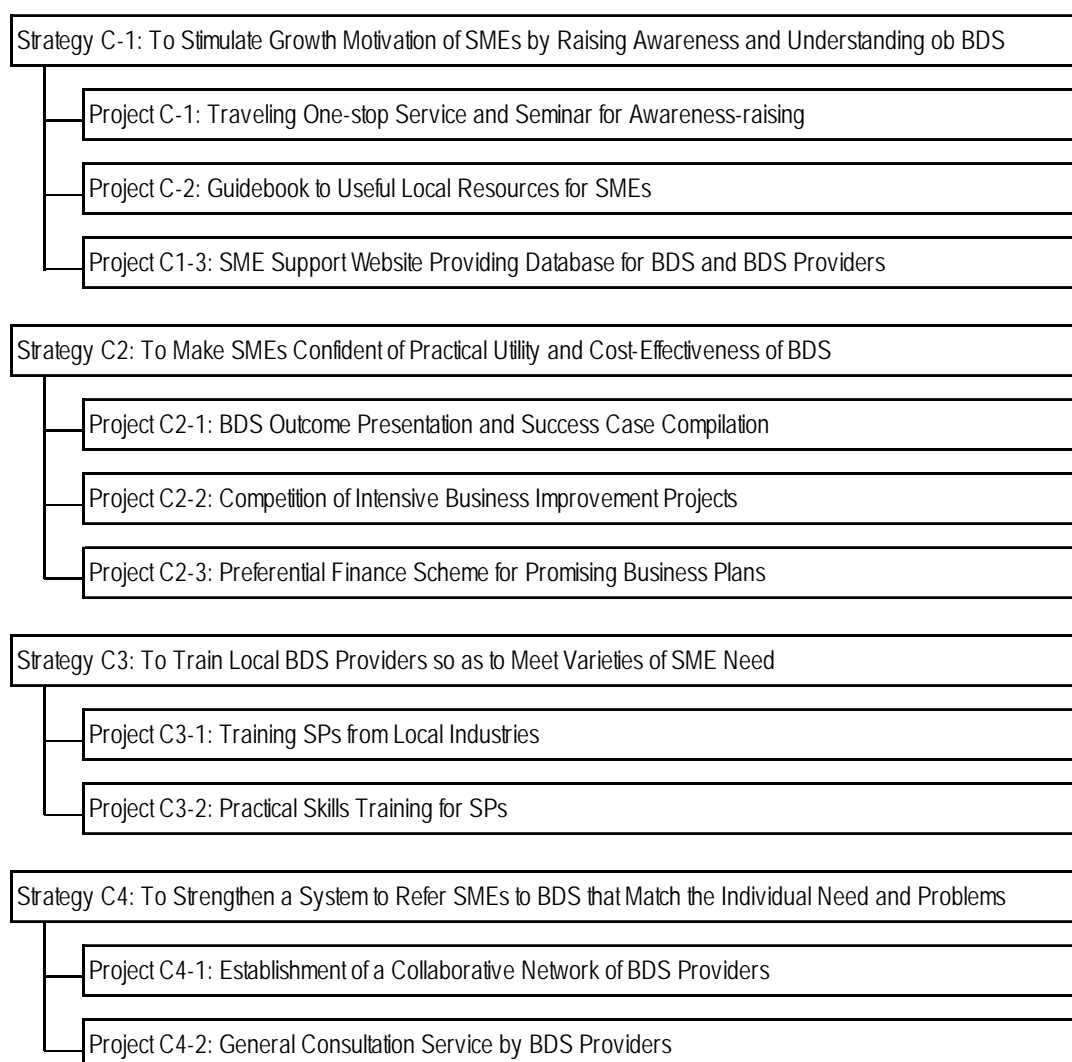
Highest priority projects will constitute the Pilot Project.

Chapter 6 RISMEP Mechanism and Pilot Project in Chiang Mai

This Chapter presents a Regional Small and Medium Enterprise Promotion (RISMEP) Mechanism in Chiang Mai and summarizes the Pilot Project implemented within the framework of it.

6.1 RISMEP Strategies and RISMEP Mechanism in Chiang Mai

Figure 6.1-1 shows RISMEP strategies and the RISMEP Mechanism in Chiang Mai. Projects numbered C1-2, C3-2 and C4-2 were selected to be implemented as the Pilot Project.

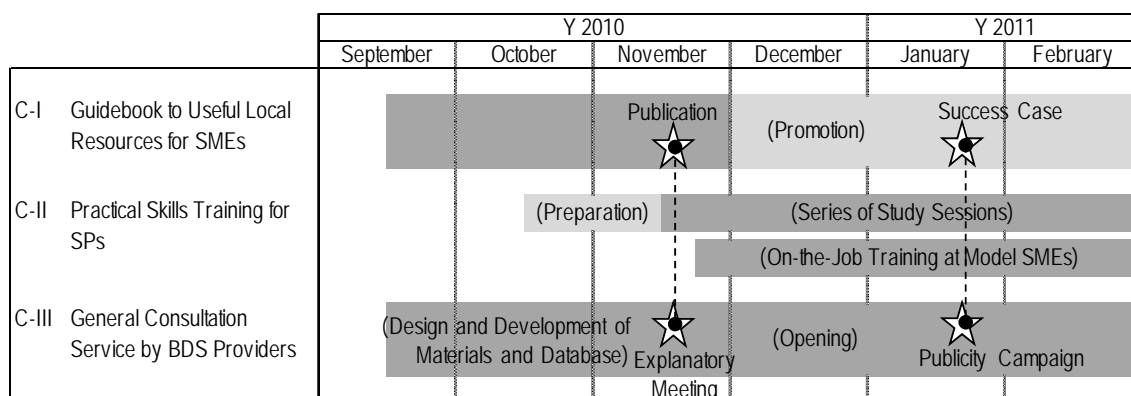


Source: Prepared by the JICA Study Team

Figure 6.1-1 RISMEP Strategies and RISMEP Mechanism Chiang Mai

6.2 Outline of Pilot Project in Chiang Mai

6.2.1 Overall Schedule of Pilot Project²⁰ in Chiang Mai (Figure 6.2-1)

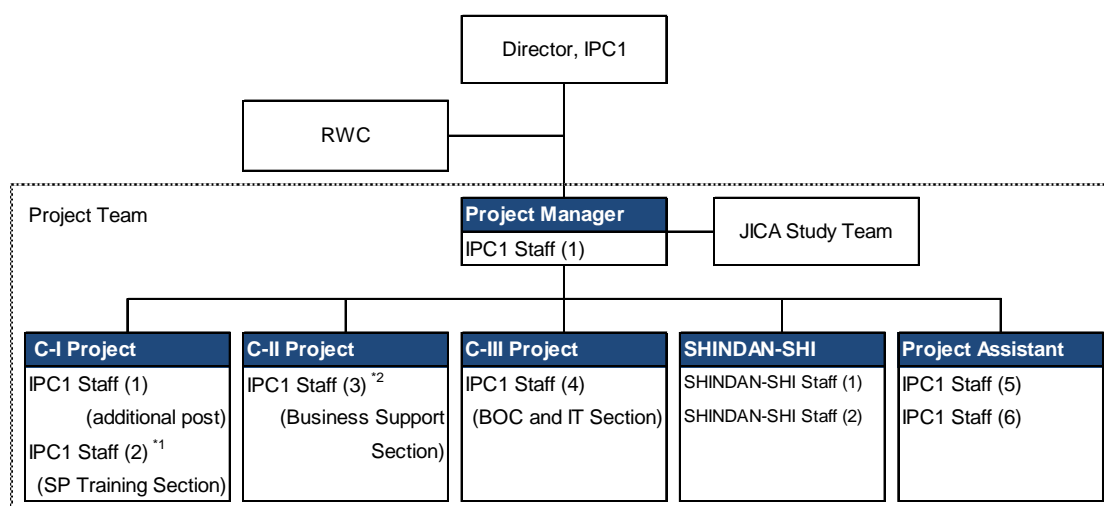


Source: Prepared by the JICA Study Team

Figure 6.2-1 Overall Schedule of Pilot Project in Chiang Mai

6.2.2 Organization for Pilot Project Implementation in Chiang Mai (Project Team)

The project team comprised six Industrial Promotion Center (IPC) 1 staff, two SHINDAN-SHI staff, and two JICA Study Team members (refer to Figure 6.2-2).



Note: C-I: Guidebook to Useful Local Resources for SMEs
 C-II: Practical Skills Training for SPs
 C-III: General Consultation Service by BDS Providers

*1: Joined in the project team December 2010.
 *2: Moved to the SP Training Section December 2011.

Source: Prepared by the JICA Study Team

Figure 6.2-2 Organization for Pilot Project Implementation in Chiang Mai

²⁰ The JICA Study Team revised the reference numbers of these projects to C-I, C-II and C-III respectively.

6.3 C-I Project: Guidebook to Useful Local Resources for SMEs

6.3.1 Overview of C-I Project

The C-I project is to compile and publish a guidebook and promote its wide use by BDS providers and SMEs. The guidebook will cover a variety of BDS available in Chiang Mai regardless of what ministry is supervising the service or whether the service is provided as a government program or on a private initiative.

(1) Situation Prior to Project Implementation

A guidebook has been published in Chiang Mai before, covering SME support information across ministries and beyond government programs: “Manual for Service Providers in Chiang Mai” in 2007. The manual has had a limited effect in promoting BDS use, however, for it intended to introduce mid- to long-term institutions and related organizations instead of providing latest information on SME support measures and projects.

(2) Narrative Summary of Project (Table 6.3-1)

Table 6.3-1 Narrative Summary of C-I Project

Overall Goal	SMEs’ awareness and understanding of BDS will be raised, thereby stimulating their motivation for growth by using BDS.
Project Purpose	A “guidebook to useful local resources for SMEs” will be put to practical use by SMEs and BDS providers.
Outputs	<ol style="list-style-type: none"> 1. Pieces of information of locally available BDS will be collected in an integrated way. 2. An index which is easy for SMEs and BDS providers to retrieve necessary BDS information will be formulated. 3. Copies of the printed and bound guidebook will be distributed to BDS providers. 4. Successful cases in utilizing local BDS resources will be compiled and disseminated to SMEs.
Activities	<ol style="list-style-type: none"> 1-1 Fix a format to sort out BDS information. 1-2 Collect widely information of local BDS on a cross-ministry basis in accordance with the fixed format. 2-1 Draft an index of the guidebook based on analysis results as to how BDS facilitators and BDS providers currently classify BDS. 2-2 Finalize the index after incorporating advice made on the draft by SMEs, BDS providers and BDS facilitators. 2-3 Adjust data format of collected BDS information in conformity to the index. 3-1 Print and bind the guidebook. 3-2 Distribute copies of the guidebook to BDS providers. 4-1 Review results of BDS projects in the past. 4-2 Compile a success case booklet. 4-3 Organize an event to present successful cases of utilizing local BDS resources.

Source: Prepared by the JICA Study Team

6.3.2 Implementation Process of C-I Project

The C-I project has two lines of process: one for the guidebook and the other for the success case booklet.

(1) Collect Information of BDS and BDS Providers

Preparing the guidebook starts with gathering information of BDS and BDS providers and organizing it into a uniform format. It is desirable to obtain first-hand information directly from local BDS providers.

(2) Develop Index System

In developing an index system, the project gives first priority to making it easy for SMEs. The final draft of the index system is applied on collected BDS information to verify the adequacy and usability before finalization.

The Pilot Project in Chiang Mai developed two systems, purpose-based and means-based, to index information provided in the guidebook.

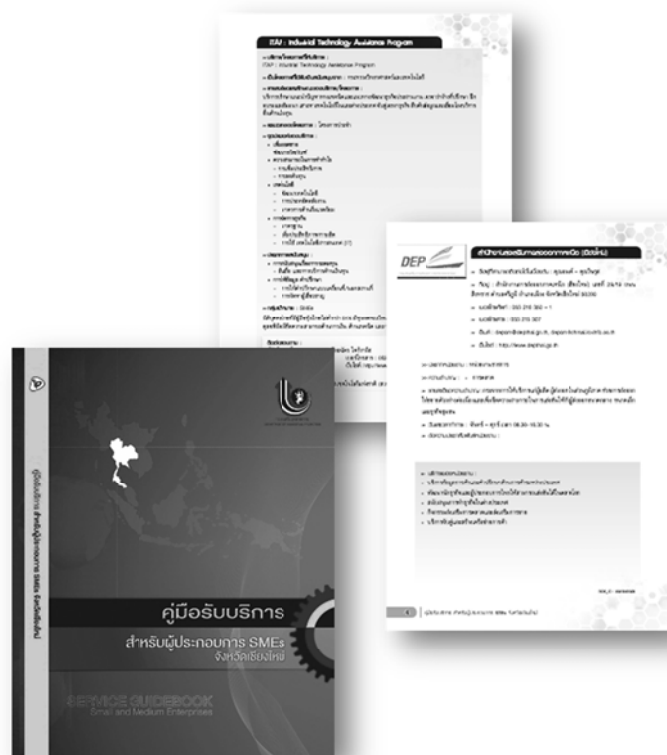
(3) Prepare Scripts to be Included in Guidebook

Information of BDS and BDS providers, formatted and indexed according to the finalized index system, is sequenced to derive a list of contents. Meanwhile, scripts are prepared for foreword, preface and other contents.

(4) Print and Bind Guidebook

All the scripts and data are submitted to a printing agency to be printed and bound.

Five hundred copies of the guidebook titled “Guidebook for SMEs to Use Services” (196 pages of the B5 size) were published in Chiang Mai. Figure 6.3-1 shows an image of the guidebook.



Source: IPC1

Figure 6.3-1 Image of Guidebook in Chiang Mai

(5) Select Excellent Cases

Preparing a success case booklet starts with selecting excellent cases that are to appear in the booklet. A good mix of various cases will be chosen out of the past BDS projects, for the purpose of promoting BDS use among SMEs.

(6) Prepare Scripts for Success Case Booklet

SMEs in the selected cases are visited and interviewed to provide further information including: 1) problematic situation prior to using BDS, 2) specific description of the employed service, 3) outcome of the service, 4) prospects and plans for the future, and 5) reflection and evaluation by the user SME.

Two thousand copies of the booklet titled “Problem Solving by Industrial Service Providers” (84 pages of the A5 size) were published in Chiang Mai.

(7) Hold Event to Promote BDS Use

Some cases out of those in the booklet are nominated for presentation at a BDS promotional event targeting SMEs. Cases having achieved greater outcomes are preferred basically. With the consent of the user SMEs and the involved SPs, the cases are confirmed to appear at the event.

6.4 C-II Project: Practical Skills Training for SPs

6.4.1 Overview of C-II Project

The C-II project is to foster practical skills of SPs through workshops and On-the-Job Training (OJT) so as to strengthen BDS supply responsive to the reality of SMEs.

(1) Situation Prior to Project Implementation

IPC1 has actively created opportunities for exchanges among trainee SPs even after the training is over, which has helped maintain communication between IPC1 and each SP and promoted networking among SPs.

On the other hand, some SMEs claim “reports and recommendations by SPs are sophisticated and backed by theories, but unrealistic for us to put them into practice.” SPs in Chiang Mai need to give SMEs more precise and down-to-earth advice based on what they learn from practice continuously.

(2) Narrative Summary of Project (Table 6.4-1)

Table 6.4-1 Narrative Summary of C-II Project

Overall Goal	Local BDS providers will be trained so as to meet varieties of SME need.
Project Purpose	SPs will improve their practical skills to provide effective BDS.
Outputs	<ol style="list-style-type: none"> 1. Study sessions will be organized for SPs to gain practical skills. 2. SMEs in the target industries will practically improve their business with the support of SPs participating in OJT.
Activities	<ol style="list-style-type: none"> 1-1 Set objectives of skills training and plan study activities. 1-2 Carry out study sessions with SPs. 2-1 Select model SMEs out of the Mini-SHINDAN project participants in the target industries. 2-2 Organize SPs into support teams that assist the model SMEs to improve their business. 2-3 Record and defuse the practice and achievement which the support teams have brought in for the model SMEs.

Source: Prepared by the JICA Team

6.4.2 Implementation Process of C-II Project

(1) Plan Series of Workshops

The project identifies knowledge and skills expectedly necessary for participant SPs to support model SMEs in the course of OJT projects and reflects them on a curriculum of four workshops.

(2) Call for SPs to Participate in Workshops

IPC1 sends out invitation to the workshop widely, exploiting every possible channel to reach out to SME support personnel who are yet to have direct contact with IPC1.

(3) Hold Workshops

The workshops are held with participation of SPs having signed up for them.

(4) Select Model SMEs

In preparation of OJT, the C-II project picks up SMEs in the major industries of the province to involve them as model SMEs. SMEs in selected target industries voluntarily participate in an explanatory meeting to see if they are interested in accepting an OJT team. Visits are made to candidate SMEs before making final selection, in order to grasp the actual business condition and willingness of the management as well as to identify existing problems and possible interventions an OJT team may provide.

(5) Set Scope of Intervention

Prior meetings with each model SME explore what can be done within the limited period of OJT and reach an agreement on the scope of intervention to be made by the OJT team.

(6) Organize SPs into Support Teams

SPs who want to participate in the OJT form support teams. Each support team is a mix of SPs of advanced intermediate, intermediate and beginner levels and intended as a group to possess expertise corresponding to the agreed scope of intervention. Preparing for excess number of application, the project sets criteria for selecting participants in advance.

(7) Conduct OJT and Disseminate Outcomes

OJT projects start in operation. Each the support team works out a business improvement plan and assist the SME to execute the plan to achieve practical outcomes. In conclusion, the support teams report at the third and fourth workshops their progress and accomplishments made through the intervention.

Meanwhile, participant SPs are involved with consent in a plan devised to disseminate what was achieved and learned through OJT in purpose of promoting regional SME development in the future.

In the Pilot Project, OJT activities were compiled in a booklet titled “Shortcut to Learn from Experience of SPs in Chiang Mai” and distributed to SPs so that they can share know-how.

6.5 C-III Project: General Consultation Service by BDS Providers

6.5.1 Overview of C-III Project

The C-III project is to accelerate matching between SMEs and BDS in Chiang Mai through establishing a system in which a few BDS providers offer general consultation services to SMEs, identify needs and problems in their business and refer them to suitable BDS.

(1) Situation Prior to Project Implementation

A limited number of SMEs have used business counseling services in Chiang Mai. The Business Opportunity Center (BOC) of IPC1 receives one SME a day on average visiting for consultation.

(2) Narrative Summary of Project (Table 6.5-1)

Table 6.5-1 Narrative Summary of C-III Project

Overall Goal	There will be a strengthened system to refer SMEs to BDS suitable for the individual need and problems.
Project Purpose	A few BDS providers will start providing general consultation service and facilitate a better match between SMEs and BDS.
Outputs	<ol style="list-style-type: none"> 1. IPC and BOC will acquire skills to manage operation of the general consultation service. 2. A database of locally available BDS will be developed and shared among the general consultation service counters. 3. A start-up kit will be developed that packages forms, manuals and materials to open a general consultation service counter. 4. BDS providers will open and operate general consultation service counters using the start-up kit.
Activities	<ol style="list-style-type: none"> 1-1 Define the role of IPC and BOC in the general consultation service operation. 1-2 Specify required ability of IPC and BOC to play the role and plan for training. 1-3 Carry out training and other capacity-building measures according to the training plan. 2-1 Design the database and determine data to be stored and accumulated in the database. 2-2 Gather information of BDS and BDS providers and store the data in the database. 2-3 Prepare a user manual. 2-4 Share and utilize the database at IPC, BOC and general consultation service counters to facilitate the matching process. 3-1 Design operation of the general consultation service counters. 3-2 Specify necessary resources including facilities, personnel and information and work out an operating scheme. 3-3 Prepare necessary materials identified in the course of designing operation and package them in the start-up kit. 4-1 Hold a presentation meeting with BDS providers and motivate them to open general consultation service counters. 4-2 Assist BDS providers which are to start general consultation service and ensure smooth operation. 4-3 Advertise general consultation service and draw SMEs to the service counters.

Source: Prepared by the JICA Team

6.5.2 Implementation Process of C-III Project

(1) Design Operation and Plan Organization

The goal of the general consultation service operation in Chiang Mai was clarified in words as “The general consultation service counters provide an integrated gateway to local BDS resources so that more SMEs will have smoother access to more effective services and

make better use of them.” An operational scheme was designed accordingly, including an organization structure, roles of the involved persons, a yearly schedule of events, requisites to be a service counter, assistance to be offered to the service counters, and other specifications.

A web-based BDS reference database was developed for use at the service counters. Some of the contents were made available to the public. The database consists of information of BDS, BDS providers, SPs and advisee SMEs.

(2) Prepare “Start-up Kit”

A common name is given to general consultation service counters. Including a logotype of the name, tools to help efficient operation of the service counters are designed and prepared to be provided as a “start-up kit” to the BDS providers bound to start general consultation service. The kit includes PR materials such as a signboard and a banner, a start-up guide and a series of manuals.

General consultation service counters in Chiang Mai were named “iP [íp],” which is an abbreviation of “industrial partner” as well as a word in Northern Thai dialect meaning “to obtain.” Figure 6.5-1 shows the iP logo designed in the Pilot Project.



Source: IPC1

Figure 6.5-1 Logo of General Consultation Service Counter “iP”

(3) Prepare to Open General Consultation Service Counters

The project holds a presentation meeting with BDS providers and describes how the general consultation service operation works. BDS providers apply voluntarily to become a service counter and applications are reviewed for approval based on criteria set in advance.

The Pilot Project focused on BDS providers which have already had a certain level of experience in SME support. Prior to the opening ceremony, or the simultaneous opening day, counselor training and preparatory meetings were held in purpose of assisting start-up activities of the BDS providers. In addition, efforts were made to strengthen the operational base through organizing an exchange meeting of counselors and external collaborators and establishing the iP Committee as a consulting board for the operation.

(4) Open General Consultation Service Counters and Monitor Their Operation

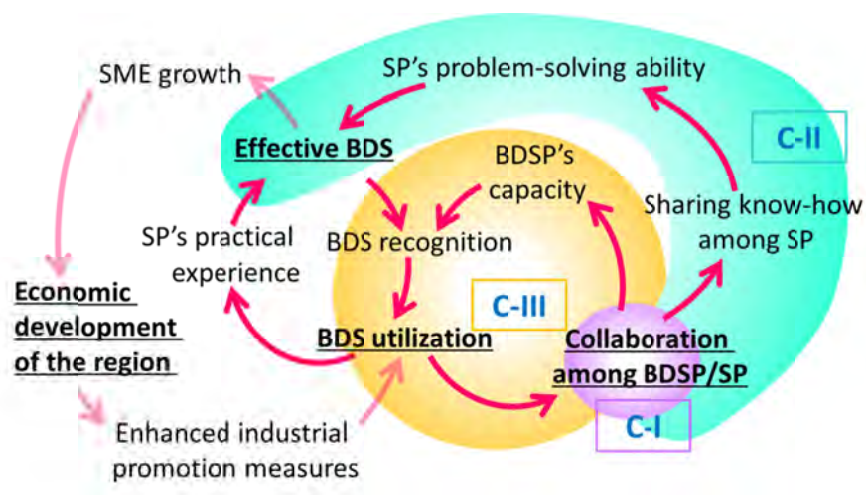
Intensive advertisement coincides with opening of the service counters. The service counters are monitored then on to detect early problems and adjust the database, manuals and other items in the start-up kit to help establish efficient operation.

6.6 Overall Review of Pilot Project in Chiang Mai

6.6.1 Regional SME Promotion System

A regional SME promotion system will be supported by the region itself when a self-reinforcing cycle is installed to sustain and strengthen the system independently from a continuous inflow of financial or human resources from the outside (refer to Figure 6.6-1).

Greater effectiveness of BDS will lead to increased awareness to BDS, which then will draw a larger number of ambitious SMEs to take advantage of BDS. Consequently, SPs accumulate experience and provide BDS of even greater effectiveness. As such, a positive growth cycle works to promote BDS use, thereby promoting SME development. However, such an autonomous cycle had barely functioned in Chiang Mai before.



Source: Prepared by the JICA Study Team

Figure 6.6-1 Reinforcing Cycle Hypothesis for Regional SME Promotion System

Accordingly, the Pilot Project intended that collaboration among those engaged in SME support (BDS providers and SPs) would multiply the promotional effects on BDS use among SMEs, as a means to intensify the driving force for the cycle nestled in the heart of the regional SME promotion system.

6.6.2 Achievement of Pilot Project in Chang Mai in Context of Building Regional SME Promotion System

(1) Network Building

At the core of the regional SME promotion system in Chiang Mai is the network of general consultation service counters. Collaborating with SPs is a key to success for the service counters and thus networks of SPs will grow stemming from the service counters.

With various forms of networks developed in layers, which include organization to organization, individual to individual, organization to individual, formal and informal networks, a BDS provider or an SP will have a wide range of channels to seek cooperation. Backed by extensive networks, BDS providers and SPs can be creative to respond to the changing needs of SMEs and explore business opportunities beyond contracting government projects.

(2) Business Counseling

Business counseling offers SMEs a gateway to support services while providing SPs with a challenging opportunity for practice. An advisor's job at general consultation service counters serves as resources for fostering SP skills. Utilizing such opportunity is advisable, as it is closely related to abovementioned network building and possibly generates chances for SPs to get a job.

(3) Collaboration across Ministries and Government-Private Boundaries

The Pilot Project may be summarized as efforts to reshape the scheme of planning and providing BDS by region instead of by ministry as it has been until now.

The regional SME promotion system envisioned in the Pilot Project calls for the power of community to support and strengthen the system. A comprehensive platform, which enables local players of different interests to participate, is necessary in order to turn existing local resources into a driving force for the SME promotion cycle.

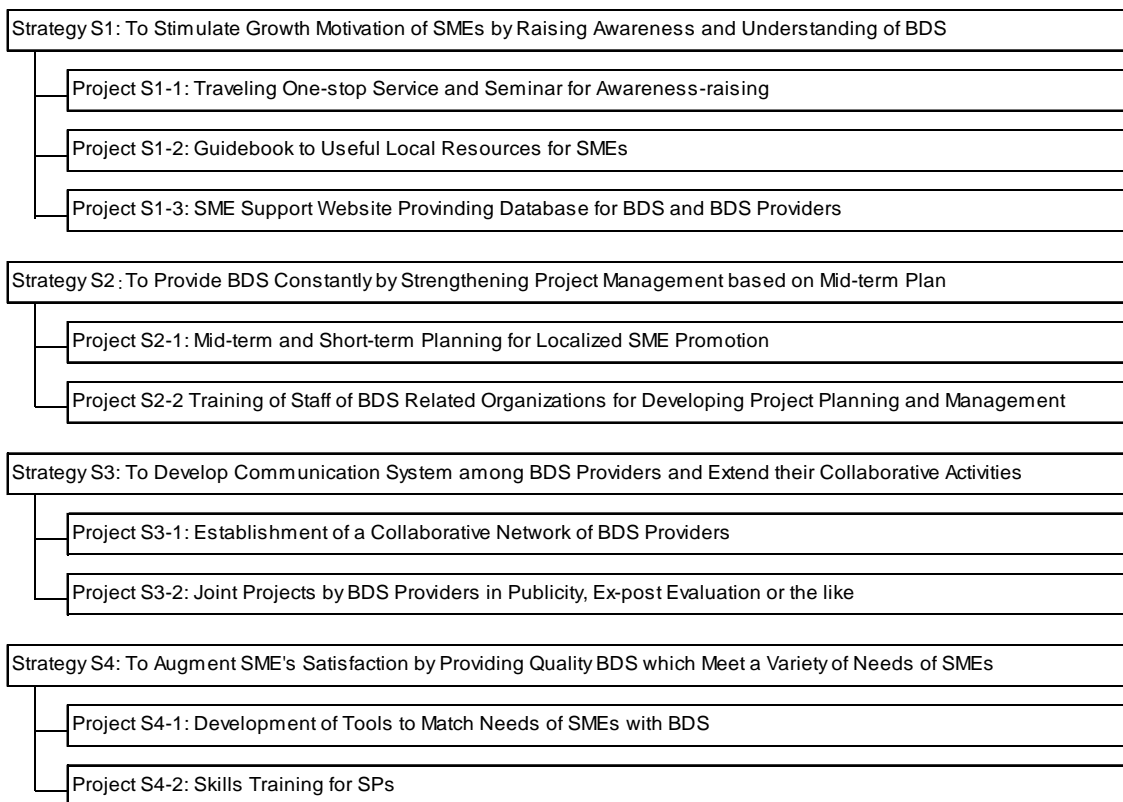
Chapter 7 RISMEP Mechanism and Pilot Project in Surat Thani

This Chapter presents a Regional Integrated Small and Medium Enterprise Promotion (RISMEP) Mechanism in Surat Thani and summarizes the Pilot Project implemented within the framework of it.

7.1 RISMEP Strategies and RISMEP Mechanism in Surat Thani

Figure 7.1-1 shows RISMEP strategies and a RISMEP Mechanism in Surat Thani.

Projects numbered S1-2, S3-1, S4-1 and S4-2 were selected to be implemented as the Pilot Project.

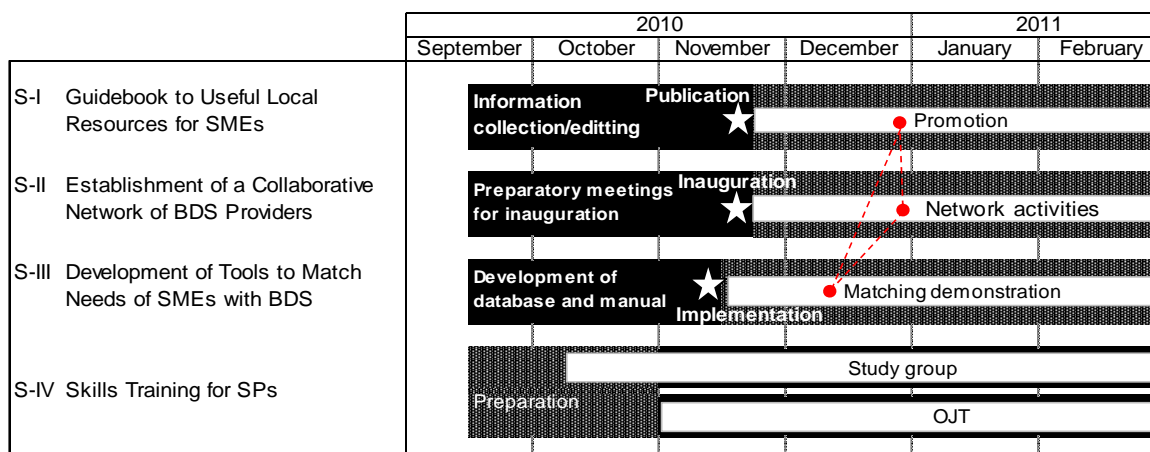


Source: Prepared by the JICA Study Team

Figure 7.1-1 RISMEP Strategies and RISMEP Mechanism in Surat Thani

7.2 Outline of Pilot Project in Surat Thani

7.2.1 Overall Schedule of Pilot Project²¹ in Surat Thani (Figure 7.2-1)



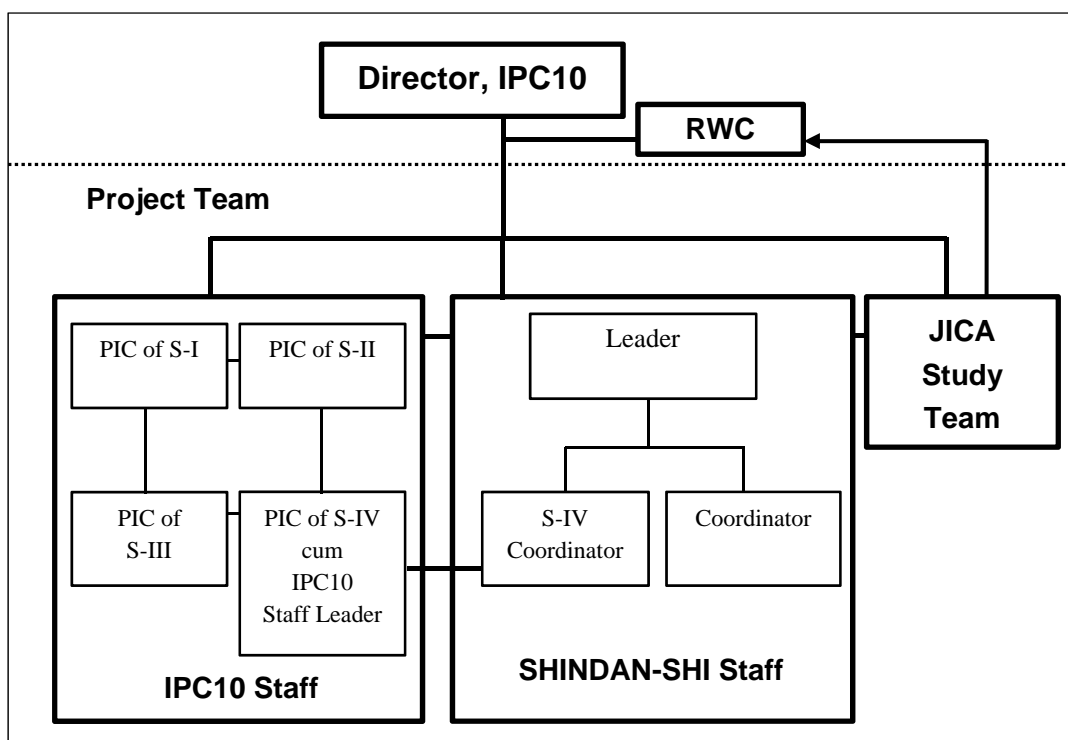
Source: Prepared by the JICA Study Team

Figure 7.2-1 Overall Schedule of Pilot Project in Surat Thani

7.2.2 Organization for Pilot Project Implementation (Project Team)

The JICA Study Team, staff of the Industrial Promotion Center (IPC) 10 and SHINDAN-SHIs residing in Surat Thani constituted a project team for implementation of the Pilot Project (refer to Figure 7.2-2).

²¹ The JICA Study Team revised the reference numbers of these projects to S-I, S-II, S-III and S-IV respectively.



Note: S-I: Project for Guidebook to Useful Local Resources for SMEs
 S-II: Project for Establishment of a Collaborative Network of BDS Providers
 S-III: Project for Development of Tools to Match Needs of SMEs with BDS
 S-IV: Project for Skills Training for SPs
 PIC: Person in charge

Source: Prepared by the JICA Study Team

Figure 7.2-2 Organization for Pilot Project Implementation in Surat Thani

7.3 S-I Project: Guidebook to Useful Local Resources for SME

7.3.1 Overview of S-I Project

This project is to develop a guidebook which collectively introduces Business Development Services (BDS) available for small and medium enterprises (SMEs) in Surat Thani. BDS providers which post BDS information in the guidebook range across ministries and an industry-academia-government boundary.

(1) Situation Prior to Project Implementation

There had not been any reference materials in Surat Thani which collectively present BDS information in a cross-ministry and cross-organizational manner prior to the project implementation. Potential BDS users, who did not exactly know what kind of BDS they

should use, needed to refer to many information materials until they could find BDS that looked apt for them.

(2) Narrative Summary of Project (Table 7.3-1)

Table 7.3-1 Narrative Summary of S-I Project

Overall Goal	SMEs' awareness and understanding of BDS will be raised, thereby stimulating their motivation for growth by using BDS.
Project Purpose	A "guidebook to useful local resources for SMEs" will be put to practical use by SMEs and BDS providers.
Outputs	<ol style="list-style-type: none"> 1. Pieces of information of locally available BDS will be collected in an integrated way. 2. An index which is easy for SMEs and BDS providers to retrieve necessary BDS information will be formulated. 3. Copies of the printed/bound guidebook will be distributed to SMEs and BDS providers.
Activities	<ol style="list-style-type: none"> 1-1 Fix a format to sort out BDS information. 1-2 Collect widely information of local BDS on a cross-ministry basis in accordance with the fixed format. 2-1 Draft an index of the guidebook based upon results of an analysis as to how BDS facilitators and BDS providers currently classify BDS 2-2 Improve the drafted index by incorporating advices from SMEs, BDS providers and BDS facilitators, thereafter finalizing the index. 2-3 Adjust data format of collected BDS information in conformity to the index. 3-1 Print/bind the guidebook. 3-2 Distribute copies of the guidebook to SMEs and BDS providers.

Source: Prepared by the JICA Study Team

7.3.2 Implementation Process of S-I Project

(1) Fix a format to Sort out BDS Information and Collect Information.

This project starts with fixing a format of pages in which BDS information is compiled. Reference to similar booklets available in Japan and Thailand helps to determine what information is necessary to be posted in the guidebook to efficiently introduce the BDS to readers.

A survey sheet is then drawn up to collect the information, after which copies of the sheet are distributed to survey targets.

In this project, information of 42 BDS and 21 BDS providers was collected and put into the fixed format.

(2) Formulate an Index

The next step is to formulate an index of the guidebook by which readers are able to easily retrieve information of BDS well-suited for their needs.

(3) Adjust Data Format of Collected Information in Accordance with Index

Formulation of the index leads to the next action to categorize BDS information in the guidebook and adjusts data format of the categorized information.

An index formulated in this project classifies BDS, based upon their service scope, into the following five categories of management activities:

- 1) Management;
- 2) Production;
- 3) Marketing;
- 4) Finance and accounting; and
- 5) Personnel affairs and Human resource development.

In addition, the index displays what sort of needs can be satisfied by using each of BDS. Hence, the index offers a twofold search property to locate desired BDS; management activities and needs of SMEs.

(4) Draw up and Collect Manuscripts for Pages Other Than Those for BDS Information

The guidebook comprises of not only pages for BDS information, but also those for preface, prefatory messages, table of contents, and how-to-use manual, among others, which are drawn up by the project team or collected from outside resources.

(5) Print and Bind Guidebook

(6) Distribute Copies of Guidebook

The final step is to distribute copies of the printed and bound guidebook to organizations/individuals that have been listed up in advance. Primary receivers of the guidebook are BDS providers/SPs in the province, as they are able to disseminate information contained in the guidebook to SMEs they have contact with. At the same time, the guidebook copies are distributed directly to SMEs whose contact information is stored in a database maintained by IPC10.

In this project, the guidebook, titled “SMEs Guidebook – Service for SME Guidebook,” came out with 1,000 copies on 22 November 2010 (150 pages in A4-size paper). Figure 7.3-1 shows an image of the guidebook.



Source: IPC10

Figure 7.3-1 Image of Guidebook in Surat Thani

7.4 S-II Project: Establishment of a Collaborative Network of BDS Providers

7.4.1 Overview of S-II Project

This project aims to establish a collaborative network of BDS providers in Surat Thani. The network forms the basis of a regional SME promotion system in the province which takes advantage of local BDS resources in an efficient, effective and collective way.

In addition, a general consultation service counter is set up in the network so that SMEs have only to visit the counter when they do not know whom to consult. The counter refers the SMEs to any network members which provide BDS well-suited for them.

(1) Situation Prior to Project Implementation

A collaborative network of BDS providers had not been existent in Surat Thani before the project started. According to a list prepared by IPC10, there are a total of 40 BDS providers in Surat Thani (except commercial banks and private consulting companies). These BDS providers have had opportunities to jointly participate in SME promotion programs hosted by the provincial government and to organize training programs and exhibitions together. However, these joint actions have been performed on a project basis, not as a result of constantly-established collaborative relationship.

(2) Narrative Summary of Project (Table 7.4-1)

Table 7.4-1 Narrative Summary of S-II Project

Overall Goal	Communication system among BDS providers will be developed and their collaborative actions will be extended.
Project Purpose	A collaborative network of BDS providers will be established.
Outputs	<ol style="list-style-type: none"> 1. Activities, organization structure and bylaws of the network will be formulated. 2. The network will be inaugurated and its activities will be commenced.
Activities	<ol style="list-style-type: none"> 1-1 Form a preparatory committee aimed for network establishment. 1-2 Devise activities, organization structure and bylaws of the network through discussions in the preparatory committee meetings. 1-3 Finalize activities, organization structure and bylaws of the network by incorporating advices from SMEs, BDS-related stakeholders, and BDS providers which are to join the network. <hr/> <ol style="list-style-type: none"> 2-1 Draw up a plan, in the preparatory committee meetings, to invite BDS providers to the network. 2-2 Invite BDS providers to the network in accordance with the plan. 2-3 Launch the network after BDS providers which responded to the invitation have registered in conformity to the bylaws.

Source: Prepared by the JICA Study Team

7.4.2 Implementation Process of S-II Project

(1) Form Preparatory Committee for Network Establishment

This project starts by forming a preparatory committee aimed for establishment of a collaborative network of BDS providers. The committee consists basically of members of the Regional Working Committee (RWC) which has a supporting and coordinating function in the current Study. Members of the committee will continue to be playing a key role after establishment of the network.

(2) Devise Activities, Organization Structure and Bylaws of Network in Preparatory Committee Meetings

The preparatory committee members brainstorm to bring out rough ideas about a vision, missions, objectives, activities and an organization structure of the network. The project team then puts these ideas into the first draft, based on which the preparatory committee deliberate to propose the final draft.

(3) Finalize Activities, Organization Structure and Bylaws of Network

The preparatory committee, in its final meeting where candidate members of the network also join, examines the final draft. After the examination, the committee officially approves the draft, based upon which it draws up a Memorandum of Understanding (MOU) as a consensus document shared by all the members to establish the network.

(4) Invite BDS Providers to Network

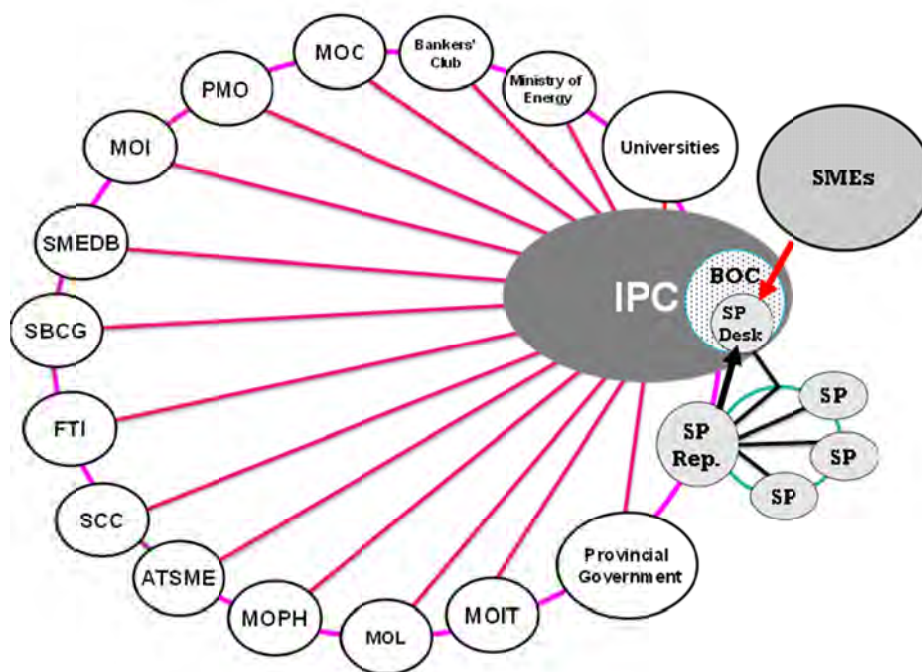
The preparatory committee invites BDS providers to the network according to the plan made in advance.

(5) Inaugurate Network

Members of the preparatory committee and other BDS providers which have decided to join the network sign the MOU to become the official network members. Inauguration of the network is widely publicized by holding a grand opening ceremony.

In this project, a total of 31 BDS providers in Surat Thani signed the MOU to inaugurate the network, named the “Business Service Network,” on 23 November 2010.

Figure 7.4-1 illustrates a conceptual image of the network established in the project.



Note: SP Rep. denotes SP Representative.

Source: Prepared by the JICA Study Team

Figure 7.4-1 Conceptual Image of Network

7.5 S-III Project: Development of Tools to Match Needs of SMEs with BDS

7.5.1 Overview of S-III Project

This project is to develop two tools to match SMEs with BDS which are well-suited for them.

One of the tools is a database of BDS providers and SPs based in Surat Thani and its neighboring provinces. The other tool is a manual by which needs of SMEs for BDS can be identified at the consultation service counter.

These tools are demonstrated in the Business Opportunity Center (BOC) of IPC10 and its effectiveness is continuously examined and improved.

(1) Situation Prior to Project Implementation

The JICA Study Team, in its site surveys conducted prior to the project, had not found any database of BDS providers in Surat Thani. On the other hand, IPC10 has been maintaining a simple database of SPs who have joined training programs organized by the center. In addition, the Department of Industrial Promotion (DIP) has recently developed a database of SPs in the country as a part of its SP Home project. The former database contains data of 150 SPs, while the latter stores data of 63 SPs who reside in provinces of which the IPC10 is in charge.

(2) Narrative Summary of Project (Table 7.5-1)

Table 7.5-1 Narrative Summary of S-III Project

Overall Goal	Satisfaction of SMEs in BDS will be augmented by providing quality BDS which meet a variety of needs of them.
Project Purpose	Tools to match SMEs with BDS which are apt for their needs and management issues will be developed.
Outputs	<ol style="list-style-type: none"> 1. A BDS reference database of local BDS providers and SPs will be developed. 2. A simple manual by which SMEs' needs for BDS are identified at the consultation service counter will be developed. 3. A method for matching SMEs with needs-fit BDS will be developed by combining Output 1 and Output 2.
Activities	<ol style="list-style-type: none"> 1-1 Design a BDS reference database and select items of data to be stored in the database. 1-2 Collect, according to the selected data items, data of BDS and BDS providers and enter the data in the database. 1-3 Draw up a user manual of the database. 2-1 Analyze the way in which BDS facilitators and BDS providers currently grasp needs of SMEs and what problems are found in the way. 2-2 Pay intensive visits to local SMEs and accumulate information of needs of them. 2-3 Formulate a manual by which SMEs' needs for BDS are identified at the consultation service counter. 3-1 Develop a method for matching SMEs with needs-fit BDS by combining the BDS reference database and the manual for need identification. 3-2 Demonstrate the method in BOC of IPC10 and finalize the method after improving it based upon results of examination of the effectiveness.

Source: Prepared by the JICA Study Team

7.5.2 Implementation Process of S-III Project

(1) Design BDS Reference Database and Select Items of Data to be Stored in Database

This project begins with designing a BDS reference database and selecting items of data to be stored in the database, followed by formulating how to classify fields of expertise of BDS providers and SPs.

Design of the BDS reference database involves determining frequency and means of update of the database, layout of the database, application software used to develop the database, and search method/categories, among others.

(2) Collect Data from BDS Providers and SPs

The next step is to prepare a survey sheet to collect information concerning the selected data items. Copies of the survey sheet are distributed to BDS providers and SPs, while data can also be transferred from the existing BDS-related databases where applicable.

(3) Develop BDS Reference Database and Put Collected Data into Database

The BDS reference database is programmed based upon the design made in (1), into which the collected data are put accordingly.

(4) Draw up User Manual of Database and Implement Database

The BDS reference database comes with its user manual. An administrator (BOC in this project) implements the database in which all the collected data have been registered, while training on usage of the database is imparted to the administrator based on the user manual.

In this project, implementation of the BDS reference database and the training on usage of the database based upon the user manual took place on 16 November 2010. The database contained data of 121 BDS providers and SPs.

(5) Develop Method to Match Needs of SMEs with BDS Expertise Registered in Database

Work of developing the BDS reference database runs in parallel with that of a method which identifies BDS needs of SMEs and matches them with BDS expertise registered in the database. In other words, the method makes it possible to locate BDS providers/SPs suited for SMEs by converting the identified needs into search criteria set in the database. In addition, a procedure is developed to select the most appropriate BDS provider or SP out of the search results, as well as to refer the SME to the selected BDS provider or SP.

(6) Demonstrate Developed Method in BOC and Improve Method by Examining Effectiveness

The final step is to introduce the method developed in (5) in BOC to examine its effectiveness. Results of the examination help to improve the method.

In this project, the method was introduced in BOC on 18 November 2010 and the improved method on 22 February 2011.

7.6 S-IV Project: Skills Training for SPs

7.6.1 Overview of S-IV Project

This project intends to enhance practical skills of SPs residing in Surat Thani and its vicinal provinces. For this, the project adopts two approaches which are mutually related; voluntary study groups organized by the SPs and On-the-Job Training (OJT) in selected model enterprises.

(1) Situation Prior to Project Implementation

IPC10 has been storing data of about 150 SPs who have earlier participated in training programs organized by it.

In the meantime, the JICA Study Team, in its site surveys, encountered many cases in which SMEs were not satisfied with BDS that they have received from SPs in the past. One

of the reasons for this rises from the fact that SPs, in many instances, have only submitted theoretical reports and recommendations, but have not supported any business improvement activities on site.

Meanwhile, before the project started, networking of SPs in Surat Thani and its neighboring provinces had not been active, although SPs who had participated in the same training program had been maintaining exchanges by, for example, sharing information.

(2) Narrative Summary of Project (Table 7.6-1)

Table 7.6-1 Narrative Summary of S-IV Project

Overall Goal	Satisfaction of SMEs in BDS will be augmented by providing quality BDS which meet a variety of needs of them.
Project Purpose	Abilities of local SPs will be enhanced so that they will be able to satisfy needs of SMEs.
Outputs	<ol style="list-style-type: none"> 1. Practical skills required to meet needs of SMEs will be obtained by SPs through a series of sessions organized in their voluntary study groups. 2. Business improvement plans will be executed at model enterprises as training on consulting practice.
Activities	<ol style="list-style-type: none"> 1-1 Set up a plan and objectives for enhancement of practical skills of SPs. 1-2 Hold regular sessions of voluntary study groups of SPs. 2-1 Select, out of SMEs which have earlier received the Mini-SHINDAN (implemented by DIP), model enterprises for OJT sites, 2-2 Analyze present situations of each model enterprise and draw up a business improvement plan (possibility to receive financial assistance to be considered as well). 2-3 Execute the business improvement plan. 2-4 Publicize outcomes of OJT to many SMEs.

Source: Prepared by the JICA Study Team

7.6.2 Implementation Process of S-IV Project

(1) Form Voluntary Study Groups of SPs

This project starts by organizing voluntary study groups of SPs, which are planned to evolve into a collaborative network in no distant future. Further, the planned network of the SPs would become a member of the collaborative network of BDS providers which is established in the S-II project.

(2) Select Model Enterprises for OJT Sites

Formation of the voluntary study groups proceeds concurrently with selection of model enterprises where the OJT will be conducted. Selection of the model enterprises entails interviews with several SME owners to know their motivation for improvement and

management issues that they face, which serve as the basis to delineate the direction of the OJT.

In this project, four SMEs were selected as the model enterprises (whose industrial sectors were bakery, metal processing/sales, manufacturing of reclaim from scrap rubber (scum), and crude palm oil refinement).

(3) Hold Sessions of Voluntary Study Groups

Sessions of the voluntary study groups commence after setting up their study plans and objectives based upon the current skills and knowledge of SPs in the groups. The study groups are supposed to be sustained after termination of the project.

In this project, a total of 15 SPs constituted three voluntary study groups that took up management, personnel affairs and human resource development; marketing, finance and accounting; and production, respectively.

(4) Form OJT Teams

SPs selected from the study group participants form OJT teams; a team takes charge of a model enterprise. Each team then assigns a leader.

In this project, a total of 14 SPs formed four OJT teams, each of which consisted of three to four SPs and took charge of a model enterprise.

(5) Conduct OJT

OJT starts with formulating a business improvement plan based upon results of analysis on management issues that a model enterprise confronts. The business improvement plan is executed only after the owner of the model enterprise agrees to it. The voluntary study groups serve as places where all the OJT teams share progress made, problems identified, and lessons learned in execution of the business improvement plans. The business improvement plans and ways to execute them are continuously modified and improved until the OJT completes.

In this project, the OJT commenced in the beginning of November 2010 and completed on 23 February 2011 by when all the OJT teams submitted the final reports to the model enterprises.

(6) Publicize Outcome of OJT

The final step is to publicize outcomes of the OJT in a seminar. In addition, a booklet is published by editing information of success cases of BDS provided by local SPs. The success cases include outcomes of the OJT as well. Copies of the booklet are distributed in the seminar.

7.7 Overall Review of Pilot Project in Surat Thani

7.7.1 Regional SME Promotion System

The four projects conducted in this Pilot Project were interrelated so as to collectively establish an SME promotion system in Surat Thani.

The system was designed to solve a problem; “BDS are not well disseminated to SMEs.” The core problem which causes the abovementioned problem is that “SMEs need BDS, but they do not use them.” In other words, the system aims to encourage SMEs to use more BDS by structuring a mechanism to coordinate and supply BDS in accordance with their needs and improving quality of BDS at the same time.

The system, if sustained for long, is likely to be contributing largely to further SME promotion in Surat Thani, as BDS are of significant importance in SME promotion.

7.7.2 Achievement of Pilot Project in Surat Thani in Context of Building Regional SME Promotion System

(1) Structuring Mechanism to Coordinate and Supply Need-Suited BDS

1) Collaborative Network of BDS Providers

The collaborative network of BDS providers established in the S-II project forms the basis of the regional SME promotion system in Surat Thani. Networking of BDS providers was the first-ever effort made in the province. The established network comprises of as many as 31 out of a total of 40 BDS providers listed up by IPC10. The network serves as a platform to exploit local BDS resources in a collective way so as to deal with a variety of issues faced by SMEs.

2) Function of IPC10 and SHINDAN-SHIs as Coordinator of SME Promotion

A general consultation service counter of the network was set up in BOC, namely, “SP Desk,” where SPs including SHINDAN-SHIs provide general consultation services to SMEs. In other words, the Pilot Project demonstrated a mechanism where IPC10 and SHINDAN-SHIs cooperate in coordinating and supplying BDS.

IPC10 acts as a secretariat of the network that coordinates network operation. Its function as the secretariat has been fairly strengthened over the course of the Pilot Project by going through three-month preparatory work for the network establishment and further three-month coordination work for the network operation.

Meanwhile, the SP Desk, as a general consultation service counter of the network, has started generating outcome from its activities of coordinating and supplying BDS. Especially, the SP Desk came to know that the Desk can deliver more BDS by visiting SMEs or joining events where SMEs gather in order to encourage SMEs on a face-to-face basis to use the

consultation service. Continuation of these activities is likely to be strengthening the SP Desk's function of coordinating and supplying BDS.

(2) Improvement of BDS Quality

1) Enhancement of Abilities of SPs

The S-IV project aimed to enhance practical skills of SPs so that they will be able to supply BDS of better quality which meet needs of SMEs.

Evaluation results indicate that practical skills of SPs who joined the project have heightened in the course of the project. It is likely that the SPs will be able to continuously enhance their abilities including the practical skills by keeping active the voluntary study groups formed in the project. Upgrading SPs' abilities in a sustainable manner will be contributing to continuous improvement of BDS quality.

2) Roles of Collaborative Network of BDS Providers in Enhancement of Abilities of SPs

One of the objectives of the collaborative network of BDS providers is to enhance SPs' abilities. In addition to training programs organized by IPC10, the network can perform such activities to enhance SPs' abilities as dispatching various experts to the voluntary study groups, offering SPs chances to receive OJT at factories of business association members, and familiarizing the SPs with BDS provided by the network members.

In this sense, the network not only serves to coordinate and supply BDS in conformity to needs of SMEs, but also contributes greatly to quality development of BDS; that is, the network is the basis of regional SME promotion.

Chapter 8 Evaluation of Pilot Projects

This Chapter makes a value judgment on the Pilot Projects as a whole using the Five Evaluation Criteria, followed by presenting recommendations and lessons obtained from results of the value judgment.

8.1 Value Judgment on Pilot Projects Using Five Evaluation Criteria

8.1.1 Relevance

Relevance of the Pilot Projects was high for the following reasons.

(1) Goals and Purposes of Pilot Projects Were in Line with Needs of Beneficiaries (SMEs).

The core objective of Regional Small and Medium Enterprise Promotion (RISMEP) in Chiang-Mai is that “Small and medium enterprises (SMEs) are matched with well-suited BDS efficiently.” In order to accomplish the objective, six general consultation service counters called “iP” were set up in the Pilot Project and they started giving the services to SMEs. Although not many SMEs visited iP during the project period, SME owners who actually received the service at iP attached a high value to the elaborate services provided by iP.

On the other hand, the core objective of RISMEP in Surat Thani is that “SMEs which need assistance actively use BDS.” In the Pilot Project, local SPs provided four model enterprises with BDS in the form of OJT. As a result, business improvement of the model enterprises came about as a practical matter, and hence, owners of the model enterprises highly valued the BDS of the SPs.

SMEs in Chiang Mai and Surat Thani face various problems in their management. In other words, they have large needs for BDS that can solve these problems. It follows that goals and purposes of the Pilot Projects accorded with needs of SMEs.

(2) Approaches of Pilot Projects Were Relevant to Problem Solving.

RISMEP Mechanisms in Chiang-Mai and Surat Thani were developed as a result of fact-finding surveys and the participatory problem-analysis workshops conducted in both the provinces. Therefore, the Mechanisms offer exhaustive measures for regional SME promotion. Approaches taken in the Pilot Projects were relevant to SME promotion, as they comprised of projects selected from those in the Mechanisms.

(3) Pilot Projects Were in Accordance with Measures and Policies of Thai Government.

The Pilot Projects were in accordance with measures and policies of the Thai government as follows.

1) With SME Promotional Master Plan

“The 2nd Master Plan of Thailand’s Small and Medium Enterprises Promotion 2007-2011” formulated by the Office of Small and Medium Enterprises Promotion (OSMEP) puts forth six strategies for SME promotion. Of these strategies, the strategy 5 deals with “Regional and provincial SME promotion,” indicating that the Pilot Projects were in accordance with SME promotion policies of the Thai government.

2) With DIP’s Measures

The Department of Industrial Promotion (DIP) divides the country into eleven territories, in each of which DIP sets up the Industrial Promotion Center (IPC) as its local office. IPC takes initiative in implementing DIP’s regional SME promotion measures in the provinces. DIP made budget provision to the amount of 540 million THB in the fiscal year 2010 for IPC to implement totally 41 SME promotion projects.

(4) SME Measures and Policies in Japan Can Be Applied in Thailand.

The approach taken in Japan’s SME promotion is to mobilize strengths of networks of BDS providers for solving problems of SMEs, which are getting more sophisticated and complex day by day. The Pilot Projects demonstrated effectiveness of the RISMEP Mechanisms that promote growth of SMEs by fully utilizing collective strengths of BDS providers and SPs as a network.

8.1.2 Effectiveness

Effectiveness of the Pilot Projects was high, as purposes of most projects have been achieved.

8.1.3 Efficiency

Efficiency of the Pilot Projects was high for the following reasons.

(1) Human Resources Have Efficiently Been Utilized.

The project teams in both Chiang Mai and Surat Thani have delicately managed the Pilot Projects in order to make efficient use of limited human resources. Schedule management based upon the Project Design Matrix (PDM) and the Plan of Operation (PO), daily morning meetings to make certain of activities of the day, and regular project team meetings to share information of progress made and problems found in project implementation, among others, made it possible to control man-hours of the projects efficiently.

(2) Work on Development of SME Promotion Tools Have Adequately Been Performed.

Although activities to develop some of the SME promotion tools have run behind the schedule, the project teams have coped well with the delay, thereby avoiding adverse effects on the projects.

8.1.4 Impact (Prospects)

The Pilot Projects in both Chiang Mai and Surat Thani have tried out the systems that have not been existent in Thailand, introducing new SME promotion approaches. Further, both the Pilot Projects have received high evaluation marks. Therefore, the Pilot Projects are expected to exert large and positive impacts on BDS providers, SPs and SMEs in the foreseeable future.

8.1.5 Sustainability (Prospects)

The new systems of regional SME promotion have come into existence from the Pilot Projects. DIP is to succeed the projects as RISMEP Projects. IPC, a BDS facilitator, has actively been promoting development of SMEs in regions under DIP's policies. RISMEP Projects are due to continue as one of the most important measures under the DIP's policies.

SME promotion by RISMEP Mechanisms will be sustained as long as the situations mentioned above remain unchanged.

8.1.6 Conclusion

The Pilot Projects have well demonstrated an SME promotion system that takes advantage of a network of BDS providers. They have brought in positive results to some degree.

The Pilot Projects have introduced new tools and systems such as a guidebook to useful local resources for SMEs (in both provinces), iPs as general consultation service counters (in Chiang Mai), and the SP Desk (in Surat Thani). Introduction of the new tools and systems have resulted in some delay of the planned schedule. Nonetheless, the delay has not had large influence on producing outputs of the Pilot Projects.

It is expected that the Pilot Projects will evolve into more satisfactory SME promotion systems by, among others, enriching information contained in the guidebook, creating the way in which more SMEs visit the general consultation service counters, and further enhancing abilities of SPs.

8.2 Recommendations and Lessons

This section offers recommendations and lessons for nationwide implementation of RISMEP Projects, based upon the evaluation results stated above.

8.2.1 Recommendations

(1) Set out Regionally-suited SME Promotion

Planning of regional SME promotion needs to incorporate regionally different situations and environment of SME promotion, such as situations of industries, industrial sectors that SMEs belong to, and conditions in regard to human resources.

(2) Use SPs to Support BDS Facilitators

Capable SPs have close contacts with many SMEs and high technical and management abilities. They will be able to coordinate BDS providers, SPs and SMEs if trained on project management skills.

(3) Make Use of SME Promotion Tools Developed in Pilot Projects

Evaluation results indicate that SME promotion tools developed in the Pilot Projects including the guidebook for useful local resources for SMEs and the BDS reference database were effective except the database developed in Surat Thani.²² Thus, it is important to, in addition to establishing a network of BDS providers, make the most of these tools in implementing RISMEP Projects nationwide.

(4) Foster and Enhance Abilities of SPs by Group-based Training

Training for SPs will be more effective if done by a group which comprises of an experienced SP as a leader and two to three inexperienced SPs. As for On-the-Job Training (OJT), output management through instruction of the leader SP makes it possible to efficiently foster practical skills of the SPs.

(5) Establish Relationship of Trust between SMEs and SPs

A relationship of trust between an SP and an SME is of significant importance when the SP provides BDS to the SME. This relationship cannot be established overnight. SPs need to comply firmly with code of ethics and do their best to have SMEs hope for a long-lasting relationship with the SPs.

8.2.2 Lessons

(1) Project Publicity to SMEs, SPs and BDS Providers is Essential.

Large publicity effects are expected when stakeholders in the project understand its importance and disseminate information of a RISMEP Mechanism by words of mouth. In addition, it is necessary to conduct regular PR activities through, for instance, a periodical newsletter, the mass media and a homepage.

²² According to the evaluation results, the database will become effective if quantity and quality of the data are improved.

(2) Combination of Push-type and Pull-type Approaches to SMEs is Effective.

In the Pilot Project in Chiang Mai, six iP were set up as general consultation service counters. An SME can visit the geographically closest iP to receive the consultation service. On the other hand, SPs in charge of the SP Desk actively visited SMEs to provide the consultation services in the Pilot Project in Surat Thani.

The former is a pull-type approach, and the latter is a push-type approach. Combination of both the approaches brings about a more effective approach to SMEs.

(3) Financial Consultation is One of Important Components in General Consultation.

Many of the project stakeholders opined, in the evaluation surveys, that more SMEs would visit the general consultation service counters if financial consultation services were available at the counters. Thus, it is important to train staff and SPs in charge of the general consultation service counters who can provide financial consultation service.

Chapter 9 Design of RISMEP Mechanism and Its Dissemination in Thailand

This Chapter first points out that the Pilot Projects cover major projects of the Regional Integrated Small and Medium Enterprise Promotion (RISMEP) Mechanisms; therefore, the RISMEP Mechanism in a certain region can be designed based on the Pilot Projects.

The current Chapter then suggests basic constitution of the RISMEP Project which serves to promote nationwide dissemination of the RISMEP Mechanisms and proposes methods and process of implementation of the RISMEP Project.

9.1 RISMEP Approach

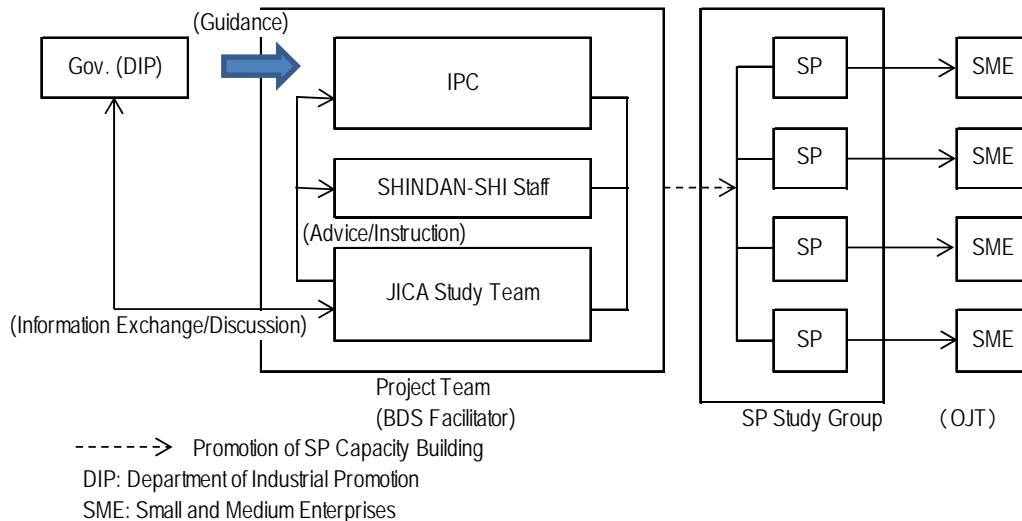
9.1.1 Approaches of Pilot Projects

The Pilot Projects offer the following three models for regional small and medium enterprise (SME) promotion depending on the project objectives:

- Service provider (SP) training model
- Chiang Mai model of general consultation/expert consulting services
- Surat Thani model of general consultation/expert consulting services

(1) SP Training Model

Figure 9.1-1 shows the system of the SP training model. This system was applied to skills training for SPs in the Pilot Projects in both the provinces.



Source: Prepared by the JICA Study Team

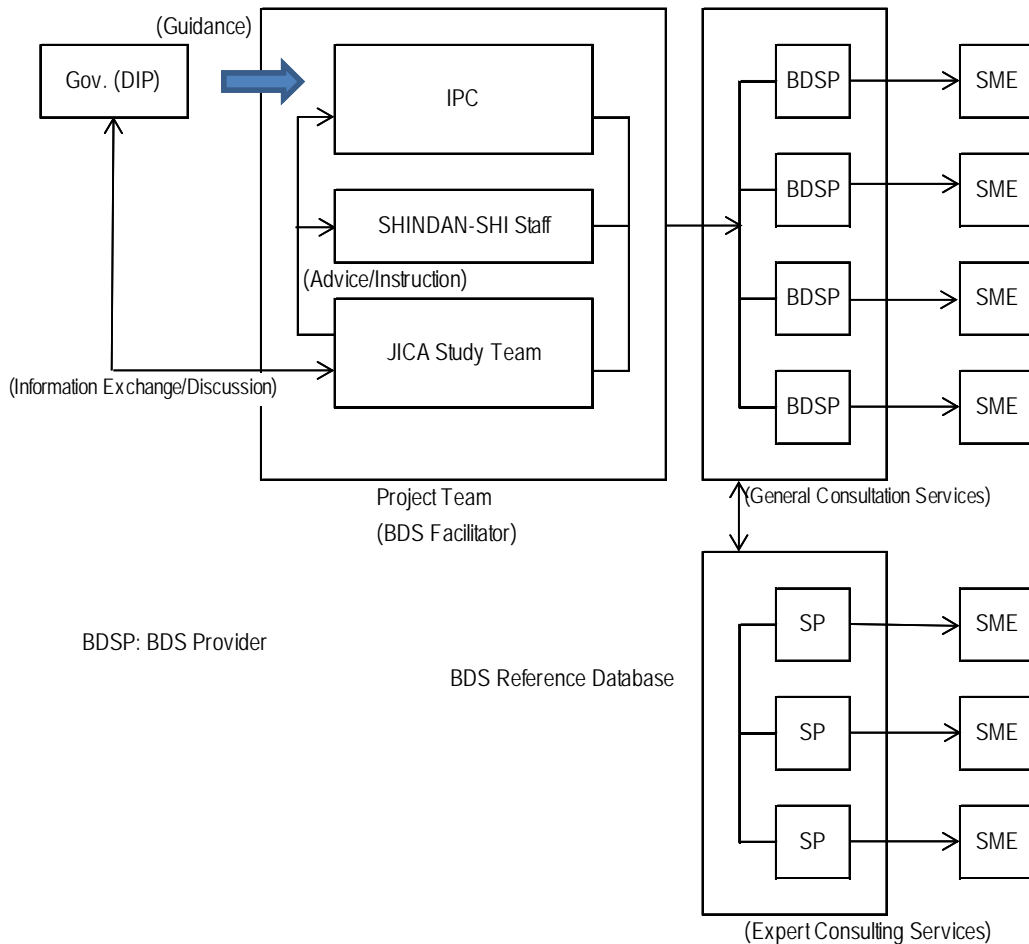
Figure 9.1-1 System of SP Training Model

In the Pilot Projects, voluntary SP study groups were organized for training. Assistance for the practical skills training was provided to the groups. Practical skills training can be sustained by keeping up the voluntary study groups.

Further, a team consisting of several SPs provided consulting services to a model enterprise through On-the-Job Training (OJT). The OJT aimed at enhancing ability of individual SPs or SPs as a team so that they would be able to provide SMEs with quality BDS.

(2) Chiang Mai Model of General Consultation/Expert Consulting Services

Figure 9.1-2 illustrates the system of the Chiang Mai model of general consultation/expert consulting services.



Source: Prepared by the JICA Study Team

Figure 9.1-2 System of Chiang Mai Model of General Consultation/Expert Consulting Services

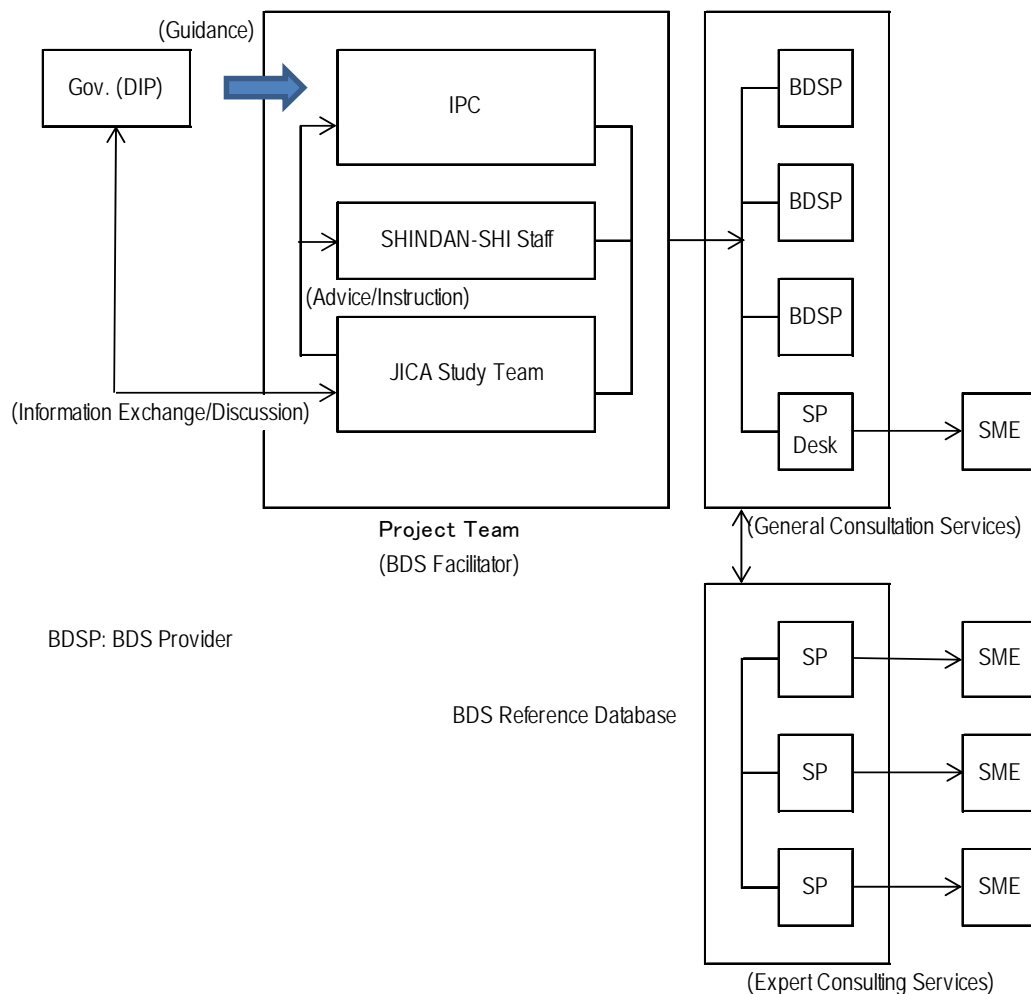
The advantages of a Business Development Service (BDS) provider network (BDSP network) are as follows:

- Information on SME promotional policies/measures can be conveyed quickly and correctly to all the network members through a BDS facilitator which is directly associated with the central government.
- All the members can share information necessary for BDS provision by creating a BDS reference database consisting of data of the network members and opening it to them.
- Exchange of information among the network members becomes active by periodical liaison meetings. In addition, capacity of the members can be developed through study seminars by lecturers from the members who have varied expertise.
- A subject which cannot be dealt with by a BDS provider providing a general consultation service to SMEs can be tackled by advice given from other members or be referred to them quickly.
- The most suitable SP who has ability to solve a problem can be recommended to an SME by using information stored in the BDS reference database.

There are two flows of consultation services for SMEs as shown in Figure 9.1-2. One is that a BDS provider gives a general consultation service to an SME and the other is that an SP selected by the BDS provider gives an expert consulting service to the SME.

(3) Surat Thani Model of General Consultation/Expert Consulting Services

Figure 9.1-3 illustrates the system of the Surat Thani Model of general consultation/expert consulting services.



Source: Prepared by the JICA Study Team

Figure 9.1-3 System of Surat Thani Model of General Consultation/Expert Consulting Services

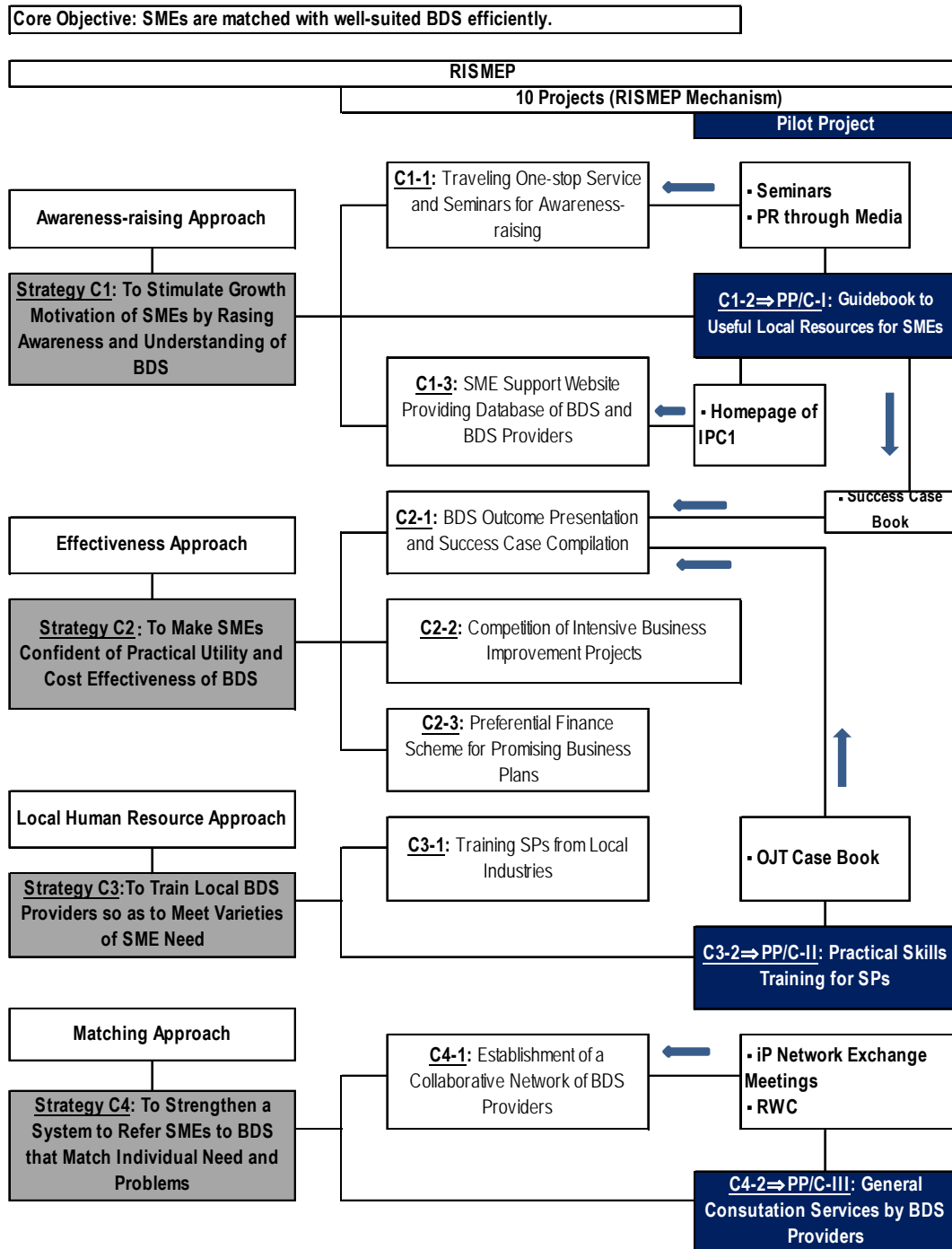
The difference between the system in the Surat Thani model and that in the Chiang Mai model is that the former system incorporates a consultation service counter called SP Desk in the BDSP network. The SP Desk also acts as the office of the SP network created in the Pilot Project.

In this model, therefore, the SP Desk which is supported by the SP network is organized and the SP Desk offers a general consultation service to SMEs. Information regarding activities of the SP Desk is shared among the network members.

Expert consulting services for SMEs are provided by SPs selected from the BDS reference database which is maintained by the SP Desk.

9.1.2 Pilot Project and RISMEP Mechanism

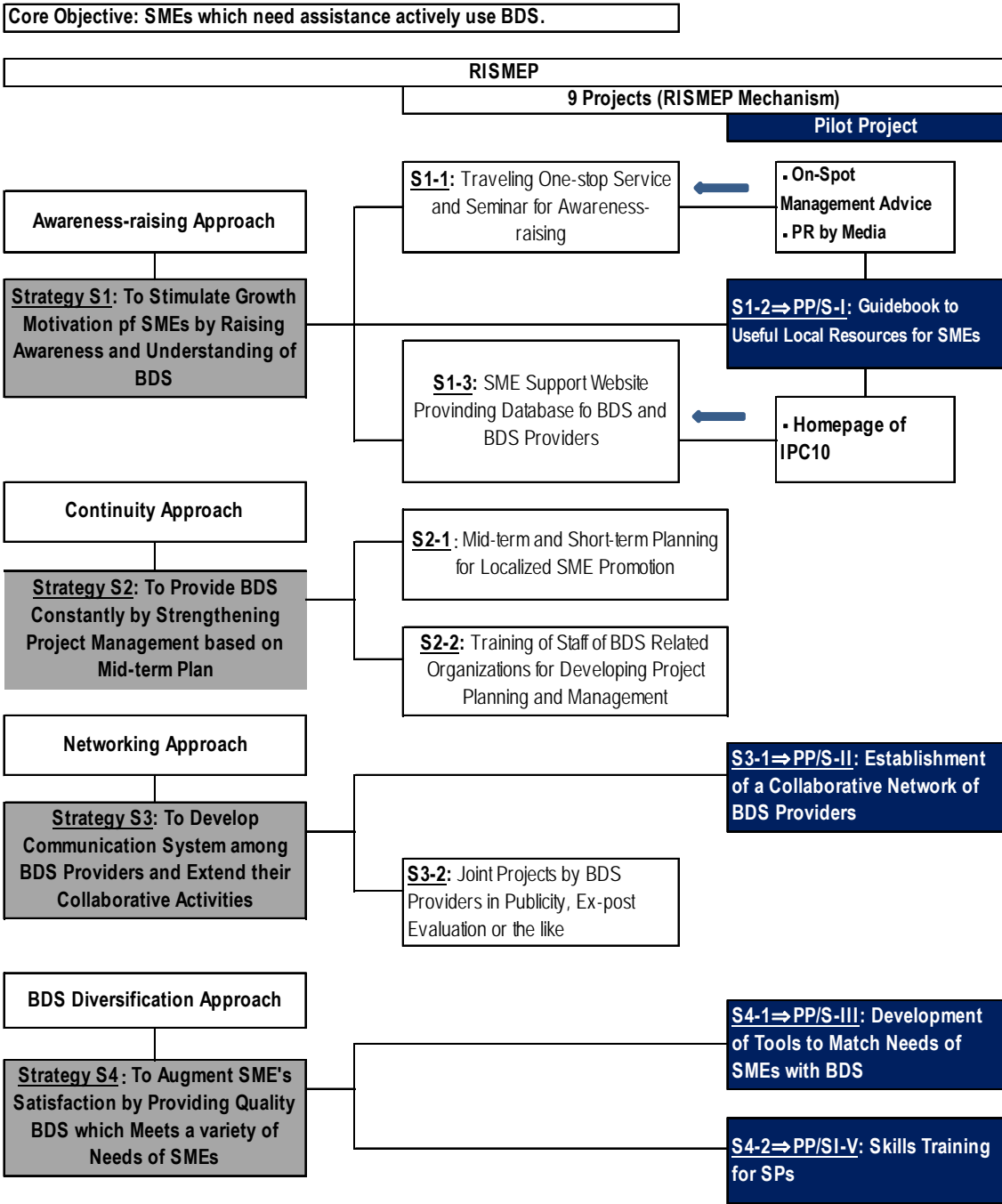
The positioning of the Pilot Projects in Chiang Mai and Surat Thani is shown in Figures 9.1-4 and 9.1-5, respectively, within the framework of the respective RISMEP Mechanisms.



Note: PP is an abbreviation of the “Pilot Project”

Source: Prepared by the JICA Study Team

Figure 9.1-4 Positioning of Pilot Project in Chiang Mai



Note: PP is an abbreviation of the "Pilot Project"
 Source: Prepared by the JICA Study Team

Figure 9.1-5 Positioning of Pilot Project in Surat Thani

The Pilot Projects yielded some of outputs that the rest of the projects in the RISMEP Mechanisms would have delivered. The Pilot Projects covered approximately 70 percent of the

projects in the Mechanisms²³. The rest of the projects in the RISMED Mechanisms take rather long time to generate outputs, which was one of the reasons that they were not taken up in the Pilot Projects. In short, the contents of the Pilot Projects are indispensable for the RISMED Mechanisms.

In dissemination of RISMED Mechanisms, it is necessary that the RISMED Mechanism in a certain region is based upon the Pilot Projects in Chiang Mai and Surat Thani and incorporates other projects depending on the locally-different conditions.

9.2 RISMED Project

The RISMED Project²⁴ is elaborated below as a means to disseminate RISMED Mechanisms nationwide. Figure 9.2-1 illustrates the basic RISMED Project.

(1) Awareness and Evaluation of BDS by SMEs

According to an analysis made as a part of the Study, only a few SMEs have used BDS. SMEs not using them can be divided into the following two groups:

- SMEs which do not know of the SME promotional policies/measures or BDS
- SMEs which have used BDS and gained no positive effect

In view of the former, it is necessary to intensify advertisement so that SMEs will be more aware and willing to use BDS. To address the disappointment of the latter, SPs need to improve quality of BDS they provide and make SMEs return to acknowledge usefulness of BDS.

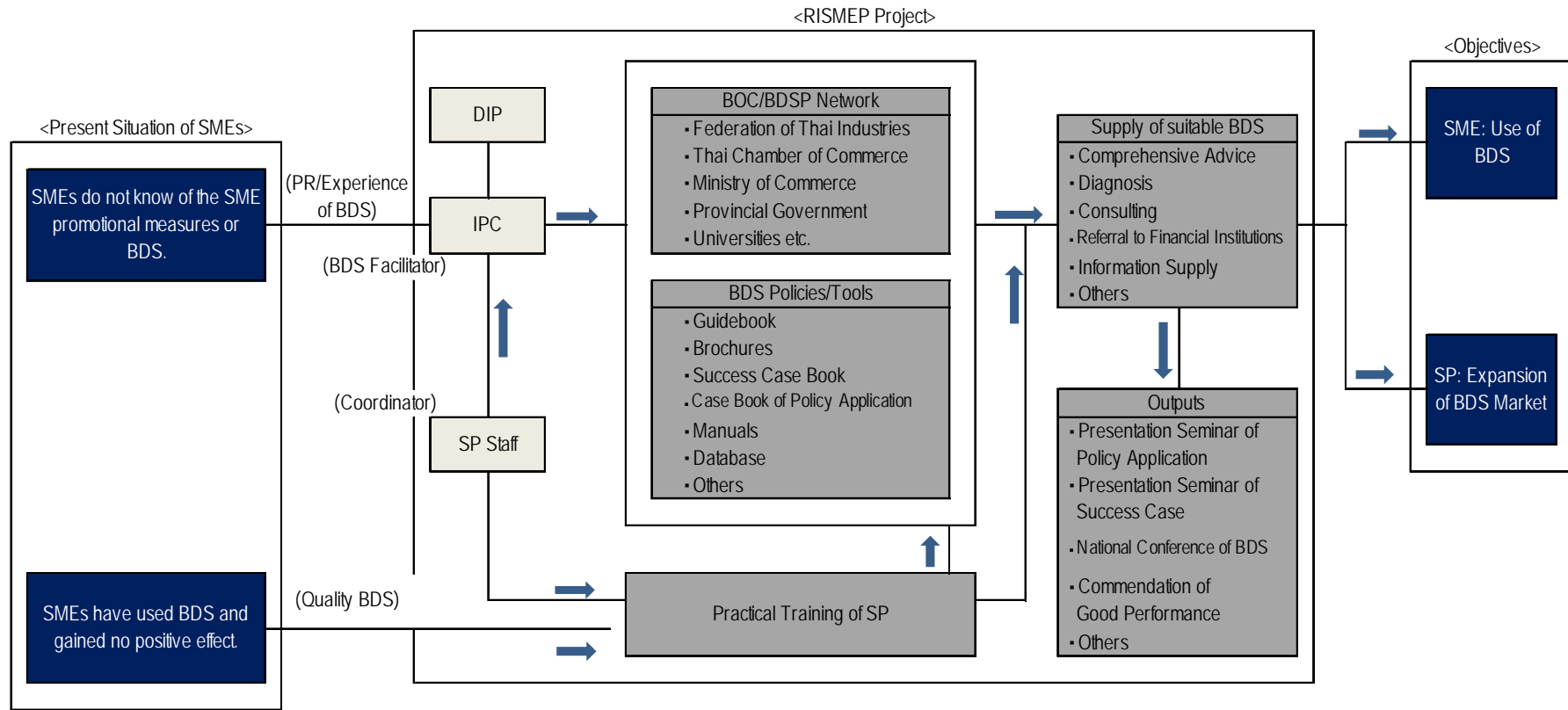
(2) RISMED Project

The RISMED Project assumes the framework in which the Industrial Promotion Center (IPC) is the BDS facilitator²⁵ and the Business Opportunity Center (BOC)/a BDSP network provides appropriate BDS to SMEs. In order to promote the Project, various measures and BDS promotional tools should be prepared and practical SP training should be carried out. Furthermore, outcomes of the project need to be opened to the public by compiling BDS results and holding seminars to present BDS outcomes.

²³ The Pilot Project in Chiang Mai covered seven projects out of ten projects of the RISMED Mechanism. The Pilot Project in Surat Thani covered six projects out of nine projects of the RISMED Mechanism. The coverage ratio is about 70 percent on average.

²⁴ The RISMED Project is a project that a region selects and implements suitable projects out of the RISMED Mechanism.

²⁵ Assistance of SPs is sometimes necessary to help the BDS facilitator.



Source: Prepared by the JICA Study Team

Figure 9.2-1 Configuration of Basic RISMEP Project

(3) Objectives of RISMEP Project

There are two objectives of the RISMEP Project: one is that SMEs come to use BDS frequently and the other is that the market expands for SPs to provide BDS.

9.3 Method for Nationwide Dissemination of RISMEP Project

9.3.1 Committees to Promote RISMEP Project

It is proposed that the Central RISMEP Committee and the Regional RISMEP Committees be organized in Bangkok and the regions, respectively. The RISMEP Project deals with various fields of BDS from product development to sales/export of products. These fields of BDS are related not only to the Department of Industrial Promotion (DIP), but also to other organizations belonging to varied ministries. Therefore, the Committees should be based upon and composed of wider organizations than the Steering Committee (S/C) and the Regional Working Committees (RWCs) constituted in this Study.

(1) Functions of Central RISMEP Committee

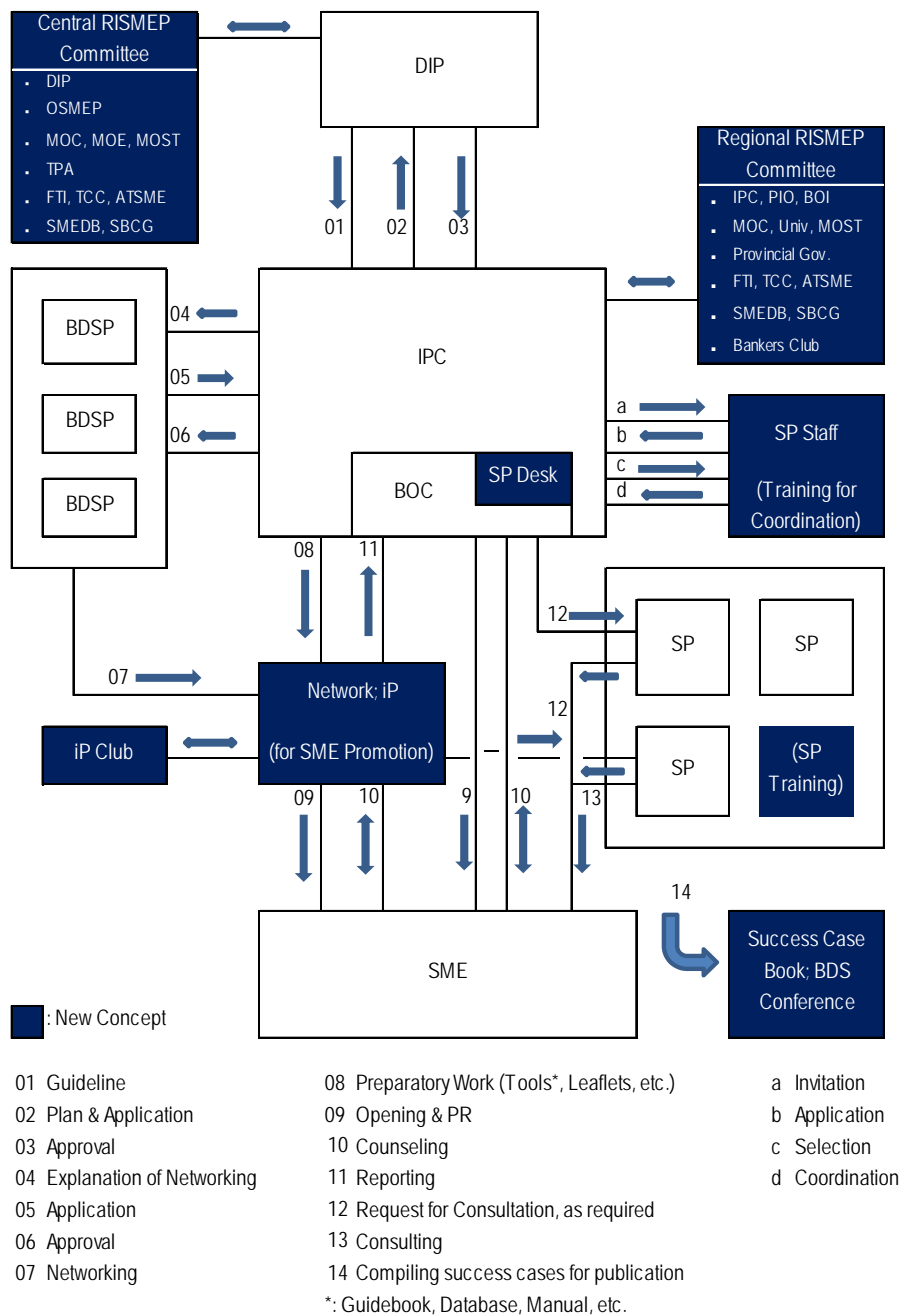
- Drafting policies/measures related to the RISMEP Mechanisms and planning their implementation system
- Coordination with governmental authorities concerned
- Approval of the RISMEP Projects proposed from regions
- Monitoring and evaluation of the implemented RISMEP Projects

(2) Functions of Regional RISMEP Committee

- Approval of the region's plan for the RISMEP Project
- Advertisement and PR for the region's RISMEP Project
- Monitoring of the progress of the region's RISMEP Project
- Evaluation of and advice to the implemented RISMEP Project
- Coordination with organizations concerned

9.3.2 Implementation Method and Process of RISMEP Project

Figure 9.3-1 shows the implementation method and process of a RISMEP Project.



Source: Prepared by the JICA Study Team

Figure 9.3-1 Implementation Method and Process of RISMEDP Project

9.3.3 Types of Service by SPs and Plan to Foster SPs

(1) Types of Service by SPs

Types of service by SPs are divided into the service as a coordinator and BDS to SMEs.

1) Service as Coordinator

SPs assist IPC in the following functions as the BDS facilitator.

- Assistance in IPC/BOC functions
- Assistance in skills training for SPs
- PR activities to raise SMEs' awareness of BDS
- Collection, filing and transmission of BDS information
- SP/BDS database management
- Moderator²⁶ of problem analysis workshops by the participatory planning method

2) BDS to SMEs

SPs can provide a wide variety of BDS as follows; BDS are not limited to such conventional services as business diagnosis and consulting.

- Comprehensive business consultation service
- Business diagnosis
- Consultation service for management skills improvement (including a consulting service for business diversification such as new product development)
- Introduction of governmental support measures and their application methods
- Assistance in preparation of loan application documents (including a business plan) to financial institutions such as the Small and Medium Enterprise Development Bank of Thailand (SMEDB)

(2) Plan of Skills Training for SPs

The following is a proposed plan for SP training.

- 1) Objective: SPs develop professional competency to provide SMEs with practical and reliable BDS.
- 2) Target: An increased number of SPs in the region register in the Thai Consultant Database of the Ministry of Finance²⁷ which requires three-year experience before registration.

3) Requirements for SPs to Receive Training

SPs are classified into three grades; Grade A, Grade B and Grade C. The requirements for SPs to be a target of the training are defined as follows:

- Grade-A SP: SPs having more than three years of experience as a consultant and registered with the Ministry of Finance
- Grade-B SP: SPs having one to three years of experience as a consultant and planning to register with the Ministry of Finance by gaining experience through OJT

²⁶ Workshop of problem analysis by the participatory planning method is held as required (See Chapter 5.).

²⁷ This registration is a prerequisite to get job contracts from the government. It is classified according to the types of industrial sectors including consultancy services.

- Grade-C SP: SPs having less than one year of experience as a consultant and planning to move up to the Grade B by gaining experience through OJT

4) Fostering SP Skills by OJT

The training focuses on OJT and incorporates class-room lessons as required.

Four OJT groups are formed to provide consultation services to four model SMEs. Each group is in charge of one model SME. A group consists of five SPs: one Grade-A SP as a leader, one Grade-B SP as a sub-leader and three Grade-C SPs as trainees²⁸.

- One SP group provides one SME with a four-month consulting service to improve management and performance of the SME. Results of the OJT activities are compiled in a success case book and presented at a yearly presentation seminar.
- The OJT activities should be equivalent to an actual job on a commercial basis; therefore, OJT participation can be acknowledged as professional experience on application to register with the Ministry of Finance. DIP/IPC should pay consulting fees for the SPs' activities in the OJT.
- The model SMEs are basically selected from the major industrial sectors in the region (three SMEs) and another sector (one SME).

5) Number of SPs to Be Trained: About 40 SPs

9.3.4 Preliminary Cost Estimation

Table 9.3-1 summarizes the preliminary cost estimation of a basic RISMEP Project. It is estimated at 660,000 THB for the first year.

²⁸ It is planned to foster about 40 SPs who can provide practical BDS through three-year training. The model SMEs are selected among the major industrial sectors of the region. The BDS facilitator explains the significance of OJT to SMEs to get their understanding.

Table 9.3-1 Preliminary Cost Estimation of Basic RISMEP Project

(Unit: 1,000THB)

No.	Items	1 st Year	2 nd Year	3 rd Year	Objective at the end of 3-year Project
1	Subcontracting to SP for assistance of BDS facilitation	200	200	200	Establishment of effective coordination activities by SPs
2	Printing materials (Guidebook, Case books, Brochures)	140	80*	80*	Guidebook revised continuously Success case book: 3 volumes (one volume/year) Pamphlets: Introduction of network, BDS, etc.
3	Signboard, Banners, Plates, etc.	30	15	15	Awareness of location of general consultation service counters
4	Database/Website	50	20**	20**	Database/Website revised continuously
5	Meetings/Seminars	80	80	100	Regional RISMEP Committee: 12 times (4 times/year) or over Seminar: 6 times (2 times/year) or over
6	OJT costs***	120	240	240	OJT: 8 times in total SP fostered: 44 SPs
7	Outside Lecturers/Textbooks	20	30	30	Lecturers/Textbooks for 8 SP trainings
8	Others	20	20	20	
	Total	660	685	705	

*: Revision in the second and third years for guidebook cost

** : Revision in the second and third years

***: Two terms of OJT for the first year and three terms each for second and third years

Source: Prepared by the JICA Study Team

Chapter 10 Conclusion and Recommendations

Small and medium enterprises (SMEs) would have access to solutions for their management problems if they availed of well-suited Business Development Services (BDS). Many of SMEs, however, do not have knowledge about BDS. Even if they do, they do not look upon BDS as trustworthy in many cases. In other words, SMEs are not taking advantage of BDS.

In this Study, several measures were devised as projects which would be able to solve the core problem in regional SME promotion, that is, “BDS are not well disseminated to SMEs.” Some of these projects, which were relatively important among them, were implemented as the Pilot Projects in order for their effectiveness to be examined and validated. The Study then offers recommendations for nationwide application of these projects based largely upon results of the Pilot Projects.

In more detail, problems in regional SME promotion were analyzed through fact-finding surveys and the participatory planning method of the Project Cycle Management. Results of the analysis served as a basis to devise SME promotion strategies. Each strategy consisted of several projects that were designed to achieve the strategy. The devised strategies assumed that networks of BDS providers/service providers (SPs) be fully utilized in order to bring about effective SME promotion. In addition, the strategies underscored development of BDS promotion tools to be used by the networks. SME promotion which, as stated above, mobilizes strengths of networks of BDS providers and SPs was termed “Regional Integrated SME Promotion (RISMEP)” in this Study, while the whole set of the projects to realize the strategies was named as “RISMEP Mechanism.”

The Pilot Projects took up two exemplary types of the SME promotion mechanism in conformity to conditions of networks of BDS providers/SPs; more precisely, existence of such networks or activities of them. The Pilot Project in Chiang Mai took advantage of the existing networks and cooperative/collaborative relationship among BDS providers/SPs so as to provide SMEs with a general consultation service, a new concept of SME promotion in Thailand. On the other hand, the Pilot Project in Surat Thani started by establishing a network of BDS providers, as there had been no such network in the province.

The current Study terms the former mechanism “network strengthening model” and the latter “network development model,” for which recommendations are made in regard to plans and implementation.

For reference, “Toward Nationwide Establishment of RISMEP Networks and RISMEP Projects” follows this Chapter as Attachment 1.

10.1 Conclusion

10.1.1 Importance of BDS and Problems in Spread of BDS

In promoting SME development in regions, BDS play a significant role of upgrading management skills of SMEs through addressing each SME's special need.

SMEs, with limited management resources (human resources, facilities, money and information) in hand, have to focus on a definite area. For areas SMEs cannot afford with their own resources, they can effectively utilize outside resources, or BDS. The large number of SMEs in regions²⁹ suggests great potential demand for BDS. In reality, however, BDS demand remains weak in regions.

Reasons for the muted demand include: (1) SME's insufficient awareness of BDS, (2) perceived low effectiveness of BDS, (3) less organized BDS providers and (4) inadequate quantity and quality of SPs. Furthermore, (5) lack of a new system (RISMEP Network: refer to Attachment 1 at the end of this Report) to link SMEs and BDS is another problem discouraging BDS demand in regions.

10.1.2 Pilot Projects and Effectiveness of RISMEP Mechanism

Tables 10.1-1 and 10.1-2 show how the RISMEP Mechanisms are related to the issues in regional SME promotion in Chiang Mai and Surat Thani, respectively. Columns represent the five problems in popularizing BDS among SMEs described above while lines represent projects constituting the RISMEP Mechanisms. "X" in the tables means that the project serves to solve the problem. The RISMEP Mechanisms in both provinces offer solutions to all the five problems, which suggests that the method to formulate the RISMEP Mechanisms applied in the Study will help promote SME development in regions.

The Pilot Project in each province, picked out of the respective RISMEP Mechanism, also offers solutions to the abovementioned five problems as indicated by "XX" in the tables. Therefore, the Pilot Projects can serve as fundamental components of a RISMEP Mechanism.

²⁹ For example, local manufacturing companies registered at the Provincial Industrial Office amount to 1,013 in Chiang Mai and 4,106 in the whole territory of the Industrial Promotion Center Region 1 (refer to Table 4.1-2).

Table 10.1-1 RISMEP Mechanism and Issues in Regional SME Promotion (Chiang Mai)

RISMEP Mechanism	(1) Raise SME's awareness	(2) Provide effective BDS	(3) Organize BDS Providers	(4) Increase quantity and quality of SPs	(5) Introduce a system to link SME and BDS
Awareness-raising Approach (Strategy C1)					
C1-1: Traveling One-stop Service and Seminars for Awareness-raising	X				
C1-2/PP(C-I): Guidebook to Useful Local Resources for SMEs	XX	XX			
C1-3: SME Support Website Providing Database of BDS and BDS Providers		X			
Effectiveness Approach (Strategy C2)					
C2-1: BDS Outcome Presentation and Success Case Compilation	X				
C2-2: Competition of Intensive Business Improvement Projects		X			
C2-3: Preferential Finance Scheme for Promising Business Plans		X			X
Local Human Resource Approach (Strategy C3)					
C3-1: Training SPs from Local Industries				X	
C3-2/PP(C-II): Practical Skills Training for SPs				XX	
Matching Approach (Strategy C4)					
C4-1: Establishment of a Collaborative Network of BDS Providers			X		
C4-2/PP(C-III): General Consultation Service by BDS Providers			XX		XX

Note: X: The problem will be resolved by the RISMEP Mechanism. XX: The problem will be resolved by the pilot project.

Source: Prepared by the JICA Study Team

Table 10.1-2 RISMEP Mechanism and Issues in Regional SME Promotion (Surat Thani)

RISMEP Mechanism	(1) Raise SME's awareness	(2) Provide effective BDS	(3) Organize BDS Providers	(4) Increase quantity and quality of SPs	(5) Introduce a system to link SME to BDS
Awareness-raising Approach (Strategy S1)					
S1-1: Traveling One-stop Service and Seminar for Awareness-raising	X				
S1-2/PP(S-I): Guidebook to Useful Local Resources for SMEs	XX	XX			
S1-3: SME Support Website Providing Database fo BDS and BDS Providers		X			
Continuity Approach (Strategy S2)					
S2-1: Mid-term and Short-term Planning for Localized SME Promotion		X			
S2-2: Training of Staff of BDS Related Organizations for Developing Project Planning and Management		X			
Networking Approach (Strategy S3)					
S3-1/PP(S-II): Establishment of a Collaborative Network of BDS Providers			XX		
S3-2: Joint Projects by BDS Providers in Publicity, Ex-post Evaluation or the like		X			
BDS Diversification Approach (Strategy S4)					
S4-1/PP(S-III): Development of Tools to Match Needs of SMEs with BDS		X			XX
S4-2/PP(S-IV): Skills Training for SPs				XX	

Note: X: The problem will be resolved by the RISMEP Mechanism XX: The problem will be resolved by the pilot project.

Source: Prepared by the JICA Study Team

10.1.3 Priority Projects of RISMEP Mechanisms

Table 10.1-3 presents priority projects of a RISMEP Mechanism identified and designed based on findings from Pilot Project evaluation and other surveys on site. Seven projects are recommended, among which local planners may choose what will meet particular conditions of the region.

10.1.4 Extending RISMEP Project Nationwide

RISMEP Projects outside Chiang Mai and Surat Thani will be implemented according to the region's RISMEP Mechanism. Local needs will require that the project plans described in Table 10.1-3 be adjusted to constitute the region's RISMEP Mechanism.

When implemented, the RISMEP Project is expected to increase BDS needs in the region and thus strengthen ability of SPs to provide BDS.

Table 10.1-3 Priority Projects of RISMEP Mechanisms

No.	Priority Project	Narrative Summary	Background	Future vision or expected outcome
1	BDSP Network (1): BDSP Network Strengthening Project	<p>Strengthen existing SME consulting services which have been provided by BDS providers (BDSPs) focusing on their specialty fields to accommodate a range of SME needs. Then open general consultation service counters in the region (e.g., “iP” in Chiang Mai).</p> <p>Finally network the counters to share information and improve counseling skills.</p>	<p>The region has a network of BDSPs but the network has not given improved effectiveness in supporting SMEs.</p> <p>The existing BDSP network needs to be equipped with a scheme for SMEs to directly contact BDS by establishing a circle of BDSPs offering a general consultation service.</p>	<p>“<i>Shin-Renkei</i>” or “support for new partnership³⁰” in Japan generated sales growth of nine times as much as the subsidy amount in the fourth year. Such measures make great contribution to regional development and tax revenue.</p> <p>The case may be a good reference for the future in Thailand.</p>
2	BDSP Network (2): BDSP Network Development Project	<p>Build a network of BDSPs and share information related to SME support. Establish in the network subgroups specialized on subjects such as policy recommendation and upgrading member abilities.</p> <p>Have the SP network send a representative to the BDSP network and provide SMEs with a general consultation service (e.g. “SP Desk” in Surat Thani).</p>	<p>The region does not have a network of BDSPs but needs to establish a mechanism for assisting SMEs by networking BDSPs.</p>	<p>In Surat Thani, the SP Desk referred the advisee to BDS available in the network 39 times in six months after its opening, of which six were actually used. Intensifying its function, the SP Desk will bring about improved SME support arrangements.</p>
3	BDS Support Tool Preparation and	<p>Prepare and periodically revise the following tools:</p>	<p>Useful tools are necessary so that SMEs take advantage of</p>	<p>SME support guidebooks, consultant databases and others, made</p>

³⁰ SMEs engage in development of innovative new products and services through industrial-industrial or commercial-industrial partnerships. They first consult SME Support Center and the Center will coordinate an advisor SP.

	Utilization Project	<ul style="list-style-type: none"> • Guidebook to useful local BDS resources (a booklet covering support measures and how to access BDS, which contains information from the database listed below) • BDS reference database (database of BDS, BDSPs, SPs and other related information) • Compilation of BDS success cases • Brochures 	improved BDS.	available to the public by national and local governments ³¹ , have been effective instruments for SME support in Japan. Such instruments may also be effective in Thailand (“Guidebook to useful local resources for SMEs” prepared in the pilot project has received a high evaluation).
4	SP Network (1): SP Network Strengthening Project	Improve an existing SP network to facilitate raising SP ability, improving order-taking system and sharing information.	The region has a network of SPs but the network has not given improved effectiveness in supporting SMEs. The existing SP network needs to be energized.	<p>The Japan Small and Medium Enterprise Management Consultants Association (J-SMECA) organizes regional chapters that support study groups on consulting skills, new theories and such to foster members’ ability. The association also helps members of different expertise jointly provide BDS.</p> <p>SP networks in Thailand can follow the same direction for the future.</p>
5	SP Network (2): SP Network Development Project	Build an SP network to facilitate raising SP ability, improving order-taking system and sharing information.	The region has sparsely distributed SPs but no network among them. Individual efforts hardly gain a good grasp of what is	In Surat Thani, SPs won five government projects in the fiscal year 2011. Groups were formed to execute the projects within the SP network ³² .

³¹ “J-Net 21” is a portal website for SME support measures in Japan. <http://j-net.smrj.go.jp/>

³² There has not been any case of joint execution by the members of the SP network until then.

			<p>going on in Bangkok, especially with project updates. It is also difficult to improve ability.</p> <p>SPs need to network each other and exercise concerted efforts.</p>	<p>The network has served for member SPs to increase business opportunities, improve ability and obtain work experience.</p>
6	SP Training Project	<p>(1) On-site consultation projects by a group of a leader and less-experienced SPs will be effective in both improving the client SME's business and upgrading skills of less-experienced SPs.</p> <p>(2) Implement a training program that will produce 40 new SPs in three years.</p>	<p>Regional areas in Thailand have few SPs with practical skills and expertise. SP ability needs to be improved so as to meet SME needs. Therefore, SP training is indispensable for improving small businesses as well as increasing business opportunities for SPs.</p>	<p>A survey by the J-SMECA revealed that Registered SME Management Consultants in Japan earned twice as much as the average annual income in the country.</p> <p>Thai SPs will be able to earn a living as independent SPs.</p>
7	Loan Process Facilitation Project	<p>General consultation service counters accept SMEs seeking loan, organize information and report to a bank accompanying the advisee. The bank assesses prospects for loan approval based on provided information before asking for application documents including a business plan. An SP may be selected from the BDS reference database and assist in preparing the documents when requested by the advisee.</p> <p>The bank examines the application documents and, if necessary, applies for a credit guarantee from the Small Business Credit Guarantee Corporation (SBCG).</p> <p>The SP continues to attend and advise the SME after the loan is executed. Different needs</p>	<p>A high need for financial consultation has been observed. Providing financial consultation at general consultation service counters will accommodate the need.</p> <p>General consultation service counters are able to offer information on varieties of loan programs (special loans for facility modernization, energy-saving projects, business upgrading projects, startups and operating fund).</p>	<p>According to recent statistics, approximately 3,000 out of almost 50,000 SMEs in Minato City of Metropolitan Tokyo receive financial consulting annually. In the year 2010, 14 financial institutions in the City shared the target new loan amount of 9.3 billion Japanese Yen (refer to (2) of 3.3.3).</p> <p>Local government loan programs (subsidized low-interest loans) in Japan usually require prior consultation with business counselors stationed by the local government. Counselors examine the financial need of the advisee and</p>

		for business improvement may arise in this phase.		<p>advise her/him on the cash flow plan for reasonability, followed by application to the local government (In some cases, a bank officer accompany her/his client SME to see the counselor).</p> <p>The government needs to consider augmenting such loan programs that are highly demanded by SMEs.</p>
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Note: For the RISMEP Mechanisms in Chiang Mai and Surat Thani, refer to:

Figure 6.1-1 and Table 10.1-1 for Chiang Mai; and Figure 7.1-1 and Table 10.1-2 for Surat Thani

Source: Prepared by the JICA Study Team

10.2 Recommendations

This section offers recommendations for implementation of the RISMED Project from 10.2.1 to 10.2.3, followed by 10.2.4 in which recommendations are made for how to achieve self-reliance of SPs.

10.2.1 Start Nationwide Implementation of RISMED Project

Results of the Pilot Projects proved that main projects in the RISMED Mechanisms in Chiang Mai and Surat Thani were effective for SME promotion and SP skills improvement. Thus, the Department of Industrial Promotion (DIP) is to come out with measures for nationwide application of the RISMED Mechanisms.

Implementation of a RISMED Mechanism in a certain region requires a trial period. DIP needs to give financial assistance during the trial period. It is proposed that DIP offer three-year financial assistance to implementation of RISMED Projects. It should be noted that the assistance period may change according to regional difference in status of industries and BDS providers/SPs.

Financial assistance for a RISMED Project during the three-year trial period becomes the base to promote SMEs' awareness of BDS and practical skills of SPs.

10.2.2 Develop RISMED Project According to Regionally-Different Situations

Nationwide implementation of RISMED Projects comes after analysis of the regionally-different situations. For instance, the following serves as a useful reference in devising regional SME promotion plans.

- Prioritized industries in the region are selected.
- Issues and challenges faced by SMEs in the prioritized industries serve as the ground to decide what BDS should mainly be provided in the region. Plans for skills training for SPs are devised along with such BDS.
- Identified situations of the manufacturing sector and SMEs determine what fields of BDS need to be strengthened and what requirements SPs need to satisfy. In regard to a network of BDS providers (BDSP network), differentiated approaches should be adopted depending on whether the network exists or not, as done in the Pilot Projects.
- Analysis needs to be made on whether a BDSP network exists, and, if it does, what activities the network is carrying out. A model where the networks functionally work to some degree, as in Chiang Mai, is called "network strengthening model."

On the other hand, a model that needs to start by establishing a network is called “network development model³³.”

- As for the BDS facilitator, different approaches should be taken depending upon location of the Industrial Promotion Center (IPC). In the province where IPC is located, IPC serves as a BDS facilitator, making it possible to adopt the same models as tried out in the Pilot Projects. On the contrary, in the province in which IPC is not located, the BDS facilitator needs to be selected from such BDS providers as the Provincial Industry Office (PIO³⁴), the provincial government, universities, and business associations like chambers, while IPC can remotely supervise the facilitation activities. SPs are necessary in both the cases to support the facilitation work.
- After development of the abovementioned framework, it should be considered how public relations activities are performed to SMEs.

All the preparation mentioned above are necessary to plan a RISMEP Project.

10.2.3 Set out SME Promotion by Establishing Networks

This section discusses not only networks of BDS providers, SPs, and general consultation service counters which were established in the Pilot Projects, but also those of SMEs (users of BDS) in (4) which were not taken up in the Pilot Projects.

(1) BDSP Networks

A BDSP network consists of BDS providers across provincial government agencies and ministries. It is important that the network be able to bring out collective strength by mobilizing various specialties of the BDS providers which work together for the common goal of regional SME promotion.

1) BDSP Network Strengthening Model

The Pilot Project in Chiang Mai falls within the BDSP network strengthening model.

In general, an SP network and an SME network already exist in addition to the BDSP network in this model. In the model, an effective approach is that a network of general consultation service counters identifies demand of SMEs, thereby strengthening consultation/referral linkages among the networks. Collaboration with the BDSP network and the SP network is integral to the network of general consultation service counters. In

³³ In a case where a network is already established but not functioning, the RISMEP Project can be planned in reference to the two models.

³⁴ PIOs, under the Ministry of Industry, are located in all the 75 provinces in the country. Main responsibilities of PIO are registration and supervision of factories, administration in relation to natural resources, and compilation of industry-related statistics, while it also undertakes SME promotion.

other words, this model links together the four networks, strengthening each of them in parallel.

The network of general consultation service counters is a locus of the four networks. General consultation is a developed form of consultation where existing consultation function of BDS providers like universities is empowered by incorporating the comprehensiveness.

General consultation deals with a variety of management issues, making it desirable to provide the service by a network, instead of by a single BDS provider. A network-based general consultation service enlarges room for choice for SMEs.

It is crucial for the general consultation service counters to engender good reputation among SMEs by providing a satisfactory service. For this, counselors at the counter need to upgrade their counseling skills. In addition, effectiveness of the general consultation service needs to pervade many stakeholders of SME promotion who, in turn, introduce the service to the related SMEs. For this, the network of general consultation service counters should become an information center which collects and gives out information about SME promotion by issuing newsletters on a regular basis. Further, a booth for quick consultation can be set in the events where SMEs gather. Steady and continuous publicity measures are essential to encourage SMEs to take advantage of the general consultation service.

2) BDSP Network Development Model

The BDSP network development model is a project that starts by establishing a BDSP network in regions where such a network does not exist. The Pilot Project in Surat Thani corresponds to this model.

One of the benefits of networking is that useful information possessed by each member can be shared by the whole members. Each member can utilize such information both for SME promotion and for its own activities. There are various BDS providers in the network whose target industries and activities are different. The network generates close liaison/communication function among its members, thereby enabling them to come up with better ideas by exchanging information and opinions. Benefits of the network are thus considerable.

A BDSP network should be operated by a governing board, under which an executive committee is constituted. The executive committee consists of several objective-oriented subcommittees.

The following is necessary to make the subcommittees work adequately.

- Every network member belongs to at least one of the several subcommittees and shares responsibilities of the network operation and network events.
- Each subcommittee clearly defines performance goals and behavioral objectives, based upon which the subcommittee formulates an annual action plan.
- Each activity planned in the action plan is seen as a project. Thus, the subcommittee develops a project plan.

- Each subcommittee collects beneficial information and gives it out to the members.
- Progress in the activities is publicized widely on a regular basis through the mass media.
- Each subcommittee records results of their activities and publicizes them by, for example, issuing newsletters.

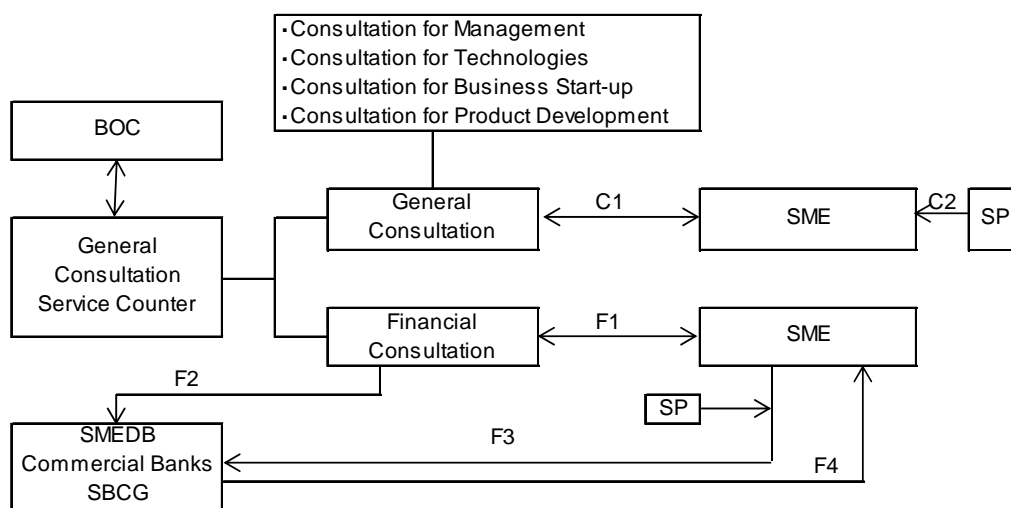
(2) Network of General Consultation Service Counters

In a questionnaire survey of SMEs' demand for BDS conducted in this Study, ninety percent of 140 respondents answered "Yes" to the question (Q11-1) "Do you think that financial assistance is necessary?" This indicates that SMEs' demand for financial assistance is large.

Hence, it is additionally proposed here that financial consultation, although not focused in the Pilot Projects, become a pillar of functions of the general consultation service counters³⁵.

1) BDSP Network Strengthening Model

Functions of the general consultation service counters are proposed to include both general consultation (except financial consultation) and financial consultation for SMEs (refer to Figure 10.2-1).



Source: Prepared by JICA Study Team

Figure 10.2-1 Functions of General Consultation Service Counter

[Procedure of general consultation]

- C1: A general consultation service counter accepts general consultation by SMEs.

³⁵ In Chiang Mai, the Bankers' Club expressed its interest to become the 7th iP in the sixth site survey.

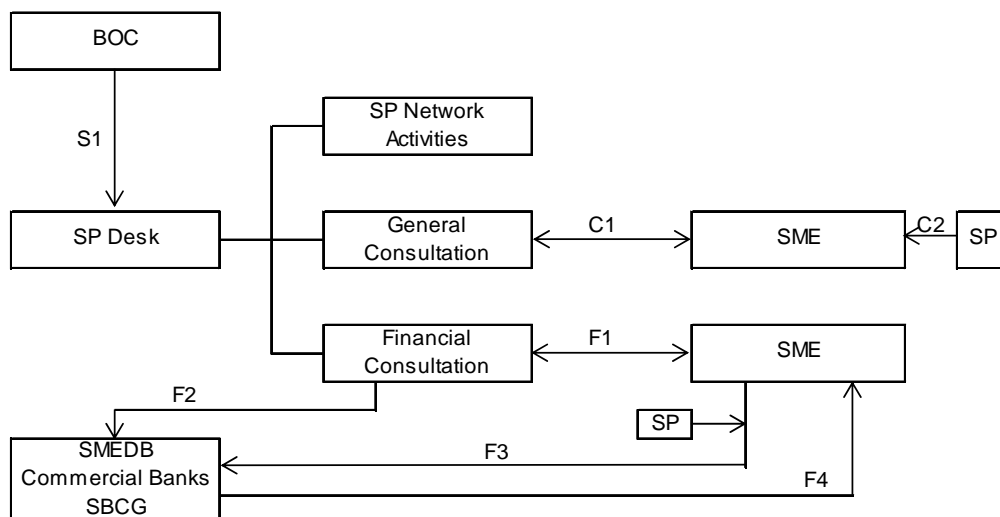
- C2: SPs also can provide SMEs with a consultation service when required. The general consultation service counter searches and selects an appropriate SP from the BDS reference database in consideration of expertise and credibility.

[Procedure of financial consultation]

- F1 : A general consultation service counter accepts financial consultation by SMEs As is the case for the general consultation, the counters, by their own expertise, can deal with a variety of financial needs including finance for management in general, business start-up and product development.
- F2: The counter presents³⁶ results of the financial consultation session with an SME to a financial institution, which, in turn, deliberates whether the procedure should go further.
- F3: The SME draws up a business plan for which it can receive assistance from an SP where necessary. The general consultation service counter searches and selects an appropriate SP from the BDS reference database in consideration of expertise and credibility. The selected SP follows up and advises the SME after execution of a loan from the financial institution.
- F4: The financial institution assesses the business plan and executes a loan after approval of the loan application.

2) BDSP Network Development Model

A representative or contact point of an SP network becomes the SP Desk. Functions of the SP Desk are proposed to include general consultation (except financial consultation) and financial consultation for SMEs, and coordination of activities of the SP network (refer to Figure 10.2-2).



Source: Prepared by JICA Study Team

Figure 10.2-2 Functions of SP Desk

³⁶ SMEs need to agree beforehand.

[Procedure of general consultation]

- C1: SP Desk accepts general consultation by SMEs.
- C2: SPs also can provide SMEs with a consultation service when required. The SP Desk searches and selects an appropriate SP from the BDS reference database in consideration of expertise and credibility.

[Procedure of financial consultation]

- F1: The SP Desk accepts financial consultation by SMEs.
- F2: The SP Desk presents³⁷ results of the financial consultation session with an SME to a financial institution, which, in turn, deliberates whether the procedure should go further.
- F3: The SME draws up a business plan for which it can receive assistance from an SP where necessary. The SP Desk searches and selects an appropriate SP from the BDS reference database in consideration of expertise and credibility. The selected SP follows up and advises the SME after execution of a loan from the financial institution.
- F4: The financial institution assesses the business plan and executes a loan after approval of the loan application

(3) SP Network (Common in Both Models)

Even now that internet is widespread, it is still difficult in regional areas to come by the same information obtainable in the capital area in the same way. The reality is that information is scarce and slow to be transmitted in regional areas. Further, there are few means in regional areas to search necessary information, such as libraries and technical book stores. Information disparity between the capital area and regional areas is yet to narrow.

In addition, bases of SPs in a regional area are dispersed across the region. An SP has only limited means to upgrade her/his capacity on her/his own. It is also difficult for such the SP to objectively know her/his ability level.

A network of SPs in a regional area needs to be able to bring about collective strength in order to be competitive against SPs in the capital area. Establishment of an SP network, regular meetings among the members, and network-based actions can offer solutions for the issues mentioned above. Furthermore, by knowing one another, SP network members come to attach more importance to acting on credibility (code of ethics) of the network than to individual benefits.

Additionally, only a group of SPs, not an individual SP, can obtain such forces as ability of negotiation with external entities, externally accepted credibility, policy recommendation ability, project planning ability and so forth.

³⁷ SMEs need to agree beforehand.

Taking account of benefits of a network stated above, SPs who participate in the training introduced in 9.3.3 establish a network and implement the following:

- Accumulation, sharing and dissemination of information (including information exchange and publication of an SPs' success case booklet);
- Organization of workshops and study groups on assistance for SME management and joint development/provision of tools for efficient business management;
- Aggressive PR activities to SMEs;
- A center for receiving BDS orders from SMEs;
- Cooperation with the Business Opportunity Center (BOC) for a general consultation service;
- Collaboration and cooperation with the BDSP network; and
- Drawing-up of the code of ethics and education of it.

(4) SME Network (Common in Both Models)

Although the Pilot Projects did not take up an SME network, networking is important for SMEs to know one another and to improve by learning from others. Thus, it is proposed here to establish a network of SME owners who received consulting services in the RISMEP Project and a youth committee in the existing business associations.

Purpose of the former is to perform activities as a leader of local SME owners, while that of the latter is to play a key role in SME promotion in the next generation.

10.2.4 Set SPs' Self-Reliance as Ultimate Goal

DIP sees SPs' self-reliance as its ultimate goal. During the three-year assistance period of the RISMEP Project, SPs need to be able to see an outlook that they will be self-reliant in the future. For this, SPs need to expand their BDS job opportunities, reform their mind, enhance their practical skills, and ensure their credibility, among others.

(1) Expansion of BDS Job Opportunities

1) Use SPs as Coordinator of SME Promotion

The Pilot Projects were designed to have Thai stakeholders undertake, wherever possible, skills training for BDS providers and SPs, one of the important roles played by a BDS facilitator. By this, the Pilot Projects aimed to ensure that Thai BDS facilitators would be able to sustain project operation even after termination of the Projects.

For this, IPC staff and SPs (SHINDAN-SHI staff) constituted a project team, clarified a division of roles and conducted coordination activities.

Use of SPs as a coordinator is effective in nationwide dissemination of RISMEP Mechanisms.

2) Expand Business Opportunities of SPs in Regional Areas

Main business of SPs in regional areas will continue to come from public SME assistance projects in the foreseeable future. It is, however, the reality that barriers to participate in the public projects are still high for these SPs. It is indispensable to lower these barriers to maintain high motivation of capable SPs in regional areas.

(a) Enhancement of SPs' proposal skill

SPs should actively visit SME owners. For this, SPs organize seminars for business associations or set up booths in the events in order to acquaint themselves with SME owners and seek a chance to visit them later.

In visiting the SME owners, SPs find out their management-related problems and issues. SPs then write up a proposal for dealing with these problems and issues and discuss it with the owner. SPs perform these activities to get service orders from those owners or bring the proposals into practice as public-assisted projects.

(b) Registration with Ministry of Finance

SPs in regional areas are to cooperate with BDS providers like the Thai Chamber of Commerce (TCC), the Federation of Thai Industries (FTI) and universities which are already registered with the Ministry of Finance in order to win public projects for a time. Meanwhile, SPs with professional experience of three years or more actively try to register themselves with the Ministry. These SPs, if registered, would be able to work together with non-registered SPs in public projects. For this, it is essential to network BDS providers/SPs and build collaborative relationship among the network members.

(2) Reformation of SPs' Perception about BDS

One of reasons for SMEs not to use BDS is that BDS provided by SPs do not meet their needs. SPs should well understand needs of SMEs and provide well-suited BDS for them. SPs should reform their perception about BDS so that they will see provision of demand-oriented BDS as exceptionally valuable.

1) SPs Should Understand SMEs' Needs for BDS in Accordance with Scale of Enterprises

(a) Scale of enterprises and BDS

SMEs' needs for BDS differ in accordance with the situations that SMEs are in. Such situations and needs for BDS relate to characteristics of SMEs grounded in their scale. Table 10.2-1 shows relationship between BDS and scale of enterprises.

SMEs with 100 or less employees are apt for receiving public-assisted BDS. These SMEs need public assistance for BDS utilization as their management base is weak. Those SMEs carry simple organization structure, while the owners have only a little awareness of necessity for prompt action to modernize their management structure.

Nonetheless, they face mounting management problems, thus enlarging demand for BDS. Meanwhile, micro enterprises should be able to use BDS for free of charge. As scale of enterprises becomes bigger, enterprises bear larger portion of costs incurred for receiving BDS.

Table 10.2-1 Relationship between BDS and Enterprise Scale

Level	Scale	Number of Employees	Management Characteristics	Problem Finding/Solving Capacity	BDS Supply (cost burden)	Step-up by BDS
1	Micro enterprises	10 or less	Drifting management	Little awareness of problems	Free	
2	Small enterprises	11 to 30	Family-oriented management	Awareness of problems	<u>Free</u> , Subsidized	
3	SMEs	31 to 100	No managerial objective	Possible to solve simple problems	Free, <u>Subsidized</u>	
4	Relatively large SMEs	101 to 200	Short-term managerial objective	Impossible to solve advanced types of problems	Bear all cost	
5	Relatively large and leading SMEs	101 to 200	Short/mid-term managerial objectives	Possible to solve problems on its own	Bear all cost	

Note: An underline indicates the major means of supply.

Source: Prepared by the JICA Study Team

(b) Necessity of BDS in conformity to management level of SMEs

Public-assisted BDS target micro enterprises and SMEs. It follows that such BDS focus on solutions for basic management issues and consultation for production improvement in the context of actual situation on site. At present, there is a wide gap between what SMEs expect and what SPs can provide.

Table 10.2-2 presents typical management issues faced by enterprises in various scales.

SPs need to understand that SMEs have various needs for BDS according to their management levels. Further, SPs need to become capable of providing BDS that can meet needs of SMEs.

On the other hand, many of SPs in regional areas do not have practical experience, indicating necessity to impart to these SPs training to enhance their practical skills.

Table 10.2-2 Typical Management Issues by Enterprise Scale

Level	Scale	Management	Marketing	Production	Human Resource	Finance/Accounting
1	Micro enterprises	Drifting management	Passive sales	No production plan	Rely on a little skilled labor	Do not understand financial statements
2	Small enterprises	Family-oriented management	No exploitation of new customers	Production plan on a daily basis	Do not implement human resource development	Do not make financial statements
3	SMEs	No managerial objective	No long-term sales plan	Production plan on a weekly basis	Implement mainly OJTs for human resource development	Do not utilize financial statements
4	Relatively large SMEs	Short-term managerial objective	Insufficient exploitation of new customers	Production plan on a weekly or monthly basis	Implement human resource development when necessary	Analyze financial statements
5	Relatively large and leading SMEs	Short/mid-term managerial objectives	Emphasis on customer satisfaction	Short/mid-term production plan	Implemented planned human resource development	Analyze management on its own

Source: Prepared by the JICA Study Team

(3) Enhancement of SPs' Practical Skills

In order for SPs to enhance their ability, it is necessary to hire trainers who possess practical skills and to use superior textbooks, in addition to relying on direct training measures.

1) Aim at Enhancement of SPs' Practical Skills

SPs are ranked from the Grade A at the top to the Grade C at the bottom based upon their experience and ability. SPs in each grade are divided into several groups to implement OJT projects that enhance their practical skills (refer to 9.3.3 for detail).

2) Select Trainers Who Possess Practical Skills

It is an issue of urgency that SPs will obtain practical consulting skills.

In order for SPs to enhance their practical skills, qualification of trainers of SPs is also crucial. Enhancement of practical skills of SPs by the training programs requires selection of the trainers who have abundant practical experience. Rating of the trainers or qualification system of them is an agenda to guarantee a standard of training contents and quality.

3) Compile Textbooks for Consultation

Knowledge and skills of consulting, which are scattered across Thailand, can be consolidated into textbooks to which SHINDAN-SHIs/SPs can refer in the process of doing their practical business. The textbooks can contribute not only to SP training, but also to standardization of SP practices in Thailand.

(4) Securement of SPs' Credibility

1) Strengthen Accountability of SPs by Publicly Announcing Outcome of SME Assistance

In the Pilot Projects, booklets that compiled success cases of SPs and outcome of OJT projects came out in public. In addition, outcome of the OJT projects were presented at the seminar. These activities enjoyed reputations among not only BDS providers and SPs, but also SMEs. This was effective for SPs to improve quality of their BDS, on one hand, and for SMEs to be aware of effectiveness of BDS, on the other.

Attachment 1 Toward Nationwide Establishment of RISMEP Networks and RISMEP Projects

1. Importance of BDS and Challenges in Disseminating BDS

In assisting small and medium enterprises (SMEs), Business Development Services (BDS) offer expert solutions that are useful to SMEs to cope with their weakness or outdated management skills. SMEs often have difficulties when pursuing business improvement measures on their own as they face a shortage of skilled human resources, inadequate organizational capacity and other problems that cannot be solved overnight. Managing business improvement without outside support usually costs SMEs much time and money, even if successfully accomplished.

Accordingly, SMEs can make the process efficient by utilizing BDS as a means to improve management, marketing, production and personnel affairs among others. SMEs expanding into new fields and entrepreneurs starting business will also benefit from BDS in the course of preparing a viable business plan.

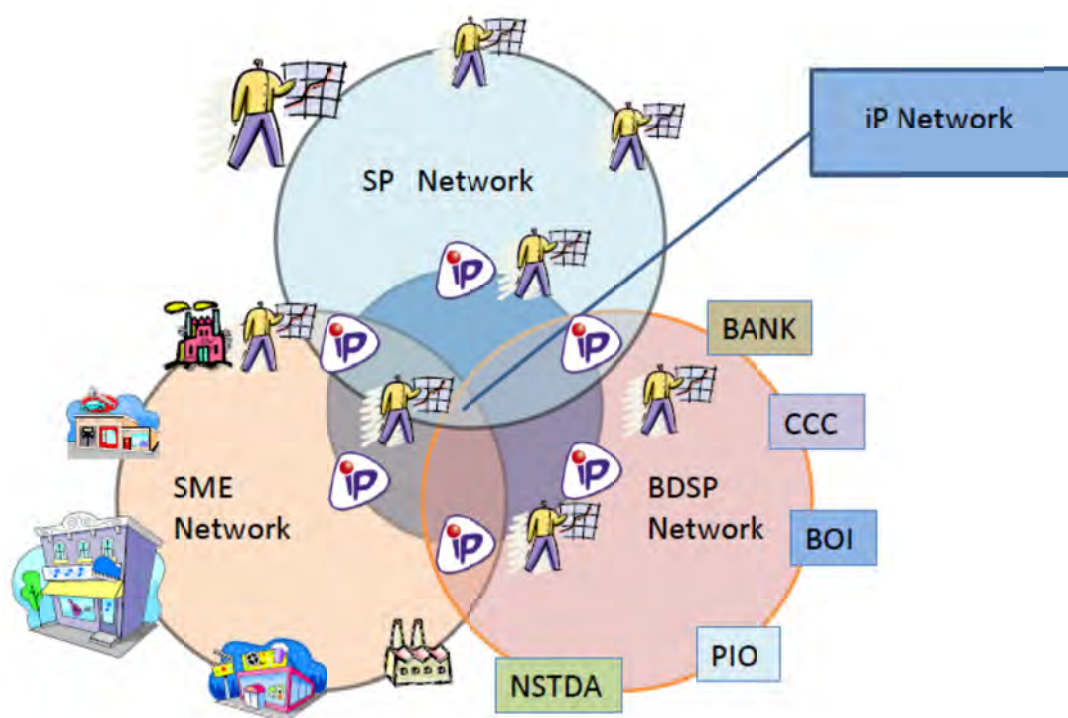
In promoting SME development in regions, BDS play a significant role of upgrading management skills of SMEs in response to individual SME's need. The large number of SMEs in regions suggests a great potential demand for BDS. Despite that, the BDS demand remains weak in regions, as mentioned earlier. The Study has pointed five reasons for the suppressed demand, one of which is lack of a new system (Regional Integrated Small and Medium Enterprise Promotion (RISMEP) Network) to link SMEs and BDS. In line with this argument, forms of the RISMEP Network were demonstrated in the Pilot Projects.

2. Need for RISMEP Networks (New Model for Regional Networks)

RISMEP Networks will be a powerful institution to familiarize regional SMEs with BDS once established and utilized as a channel for service provision. A RISMEP Network comprises three networks, namely (1) a BDS provider (BDSP) network, (2) an service provider (SP) network and (3) an SME network. Another network exists, actually, as a linkage between the three networks that overlap each other.

Figure A-1 is a model extracted from the Pilot Project in Chiang Mai. The Pilot Project introduced the 'iP' counters that provide a general consultation service under accreditation from the iP Committee. The Committee's secretariat is the Business Opportunity Center (BOC) of the Industrial Promotion Center Region 1 (IPC1). SPs, while forming an SP Network, directly advise SMEs as well as help BDS provider's projects in some cases. Some SPs also take part in iP operation in ways such as being a counselor or accepting referrals. Viewed together, SPs play as nodes in a RISMEP Network.

The following further explores how each network works.



Note: CCC refers to the Chiang Mai Chamber of Commerce, BOI to the Board of Investment, and NSTDA to the National Science and Technology Development Agency.

Source: Prepared by the JICA Study Team

Figure A-1 RISMEP Network (Example from Chiang Mai Pilot Project)

(1) BDSP Networks

Business challenges facing SMEs in Thailand are becoming more sophisticated and complex. Meanwhile, today's fast-changing environment requires speed of addressing those challenges. Under such circumstances, BDS providers recognize increasing difficulty to satisfy SMEs by solely providing basic services (including business counseling) within the area of their own knowledge and experience.

Now it is highly desirable that BDS providers having advanced knowledge in specialized fields gather to form a BDSP network, share information of specialized services available from each other, and provide SMEs with best-suited services through the network.

In addition, BDSP networks may develop policy recommendations based on broad experience in the field of SME support. Other functions may include:

- Share information of the central government, events, market trends and so on;
- Raise awareness of SMEs to BDS; and
- Monitor and supervise SPs' activities (e.g. conforming to the code of ethical conduct).

(2) SP Networks

An SP network in a long run unifies the management of inbound and outbound information flow, skills certification, service standards and the code of ethical conduct. The network also serves as a direct contact point for orders from SMEs. Cooperating with general consultation service counters (e.g., iP) and business counseling service by the BDSP network, the SP network generates opportunity for SPs to win consulting works. As such, collective action of an organization has great significance.

1) Information Sharing and Skills Improvement

Intensified exchange among SPs participating in the network helps supplement shortcomings of individual SP's knowledge and technique and thus improve their consulting skills. The more SPs participate in the network, the more information (achievements made by SPs, for example) flows beyond the network. Consequently, activities of SPs will be readily visible to the public with reduced effort and time.

2) Skills Certification, Code of Ethical Conduct and Service Quality Management

There is a system of certification by a government committee that recognizes SPs with a certain level of experience and ability and promotes higher quality of BDS provided by SPs. The committee is comprised of the Department of Industrial Promotion (DIP), the Office of Small and Medium Enterprises Promotion (OSMEP) and intellectuals and oversees activities of the entire SP Home³⁸. The steering committee of each House has formulated the ethical code, ability standards and evaluation system, based on which the committee reviews the applications for certificate submitted by registered SPs.

(3) SME Networks

Commercial and industrial associations have SMEs as their members. Those associations participate in a BDSP network and concurrently hold networks of SMEs in themselves. Such associations can help improve effectiveness of BDS, which is one of the challenges pointed earlier, by making recommendations on SME promotion measures and encouraging SME promotion policies to adequately reflect the SME reality. They will facilitate BDS to be provided in a way more effective on and suitable to the actual SME need.

3. An Efficient Model of RISMEP Networks

In Japan, abovementioned networks of BDSPs, SPs and SMEs have worked efficiently. When planning those networks in Thailand, it is necessary to examine Japanese methods and adjust them to suit the Thai context.

³⁸ For the SP Home, refer to 2.5.4

(1) BDSP Networks (SME Support Networks)³⁹

In April 2011, the Strengthening SME Support Network Project started, replacing the preceding SME Support Center Project. It had been difficult to address sophisticated problems SMEs had within individual organizations including chambers of commerce and industry, societies of commerce and industry, federations of small business associations, prefectural SME support centers and others.

The Project calls for SME support organizations to form SME Support Networks by region corresponding to the territory of the nine Regional Bureaus of Economy, Trade and Industry. The Networks will be able to handle the problems with intensified cooperation among participating organizations and thus with increased ability to support SMEs. The Project has a target to have 3,000 organizations participate in the Networks nationwide.

SME Support Network Advisors, recruited and selected by each Bureau, assist SMEs with sophisticated and specialized problems. Counselors at participating organizations learn from observing Network Advisors' practice on occasions such as accompanying an Advisor to visit SMEs. In this way the Project helps individual organizations improve their own ability to support SMEs and enhances the Network's ability as a whole.

The scheme described above that experienced Network Advisors foster skills of less-experienced counselors resembles to the On-the-Job Training (OJT) projects in SP training implemented in the Pilot Projects.

(2) SP Networks (experts associations)

The Japan Small and Medium Enterprise Management Consultants Association, an association of Registered SME Management Consultants, has a national headquarters and 47 nationwide branches located in each prefecture. There are several associations of experts with national certification such as the Institution of Professional Engineers, Japan.

Those experts associations form an alliance. Eight or ten associations join to provide one-stop consultation (often called 'joint consultation') for free of charge at events organized by local governments.

It has been a custom that presidents of experts associations attend general meetings of other associations, which has built and sustained relationship among different professions to exchange information.

Many associations enforce a code of ethics and reinforce ethics training. Members who have violated the code of ethics may be expelled from the association. Associations themselves provide extensive training programs to upgrade member experts' dignity.

Such engagement in promoting ethical conduct and other collective activities enables experts associations to strengthen their ties to related (or supervising) ministries, local governments and other SME support institutions. Japanese SPs work and maintain

³⁹ Refer to the website of the Organization for Small and Medium Enterprises and Regional Innovation, Japan: <http://www.smrj.go.jp>

relationship with a number of organizations including SME support institutions and related ministries.

(3) SME Networks (commercial and industrial associations)

The leading SME networks in Japan, or so-called “Three Leading Organizations of Commerce and Industry,” include the Japan Chamber of Commerce and Industry, the Central Federation of Societies of Commerce and Industry and the National Federation of Small Business Associations. Presidents of the three organizations are members of the Small and Medium Enterprise Policy Making Council⁴⁰ and play a significant role in promoting comprehensive measures for SME development. Those organizations thoroughly understand what is happening with SMEs and their suggestions have been reflected in the policy making process to realize efficient support measures every fiscal year.

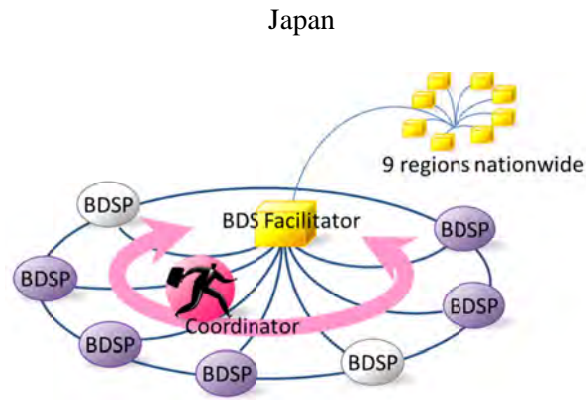
4. Model of RISMEP Networks in Thailand

Figure A-2 compares simplified pictures of the RISMEP Networks in Japan and in Thailand.

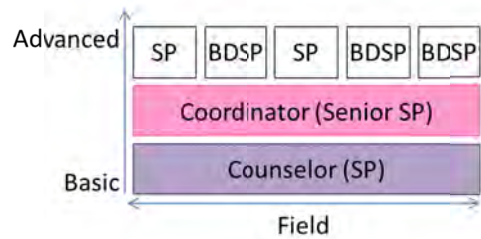
Site surveys in the Study had suggested that virtually no BDS provider in regional Thailand was able to provide all-round consultation for SMEs’ everyday problems. Therefore, a scheme for general consultation was built through two approaches tried in the Pilot Projects in Chiang Mai and Surat Thani. Currently, however, the RISMEP Network in either province has not distinguished the Coordinator’s function that links daily consultation and specialized services. Counselors and specialty BDS providers extend their scope each other to bridge the gap.

Establishing a separate role of the Coordinator in the future will serve for efficiently providing a larger number of SMEs with both readily available consultations for everyday problems and highly advanced technical services when necessary. Under clear specialization, actors in the service scheme can pursue their own roles and become adept. Consequently, SMEs will receive services of improved quality.

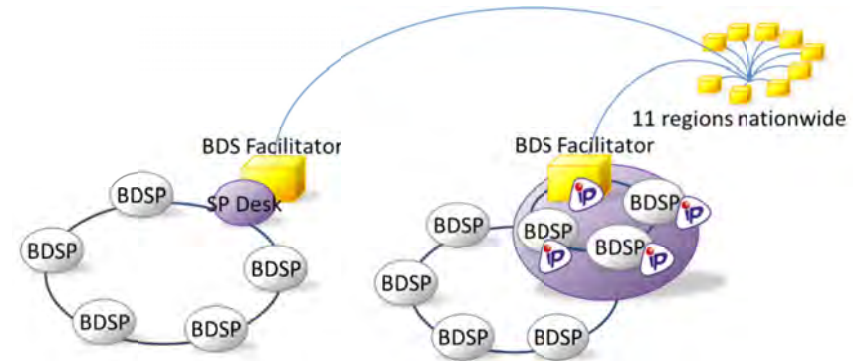
⁴⁰ The council is established at the Small and Medium Enterprises Agency under the Ministry of Economy, Trade and Industry, based on the Small and Medium Enterprise Basic Law. Following consultation by the Minister of Economy, Trade and Industry or other related Ministers, it deliberates on important issues related to the enforcement of the Basic Law.



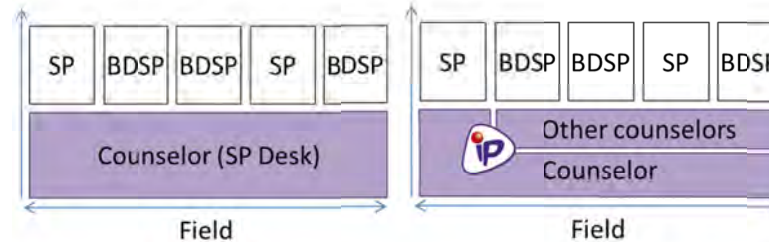
BDSPs advising SME's daily problems and BDSPs specialized in certain areas join in a network and share a Coordinator dispatched under contract with the BDS facilitator. The Coordinator pays visits to each member BDSP and provides advanced consultation and coordination with other experts.



The SME support system has a trilaminar structure which distinguishes Counselors for daily consultation, Coordinators for advanced consultation and BDSPs/SPs for specialized services.



Without a BDSP capable by itself of providing comprehensive counseling to SMEs for their daily problems, the BDS facilitator staffs counselors (e.g. SP Desk) or forms an alliance with BDSPs (e.g., iP) so as to accommodate SME needs for daily consultation. Established counseling desks are the first point of contact for SMEs where they can seek referral to specialty BDSPs.



Without a Coordinator, Counselors cover a certain level of coordination while specialty BDSPs extend their services to take care of less specialized support needs. In the alliance model, Counselors collaborate and make up for each other's weakness to offer all-round counseling services.

Source: Prepared by the JICA Study Team

Figure A-2 Comparison of RISMEP Networks in Japan and Thailand