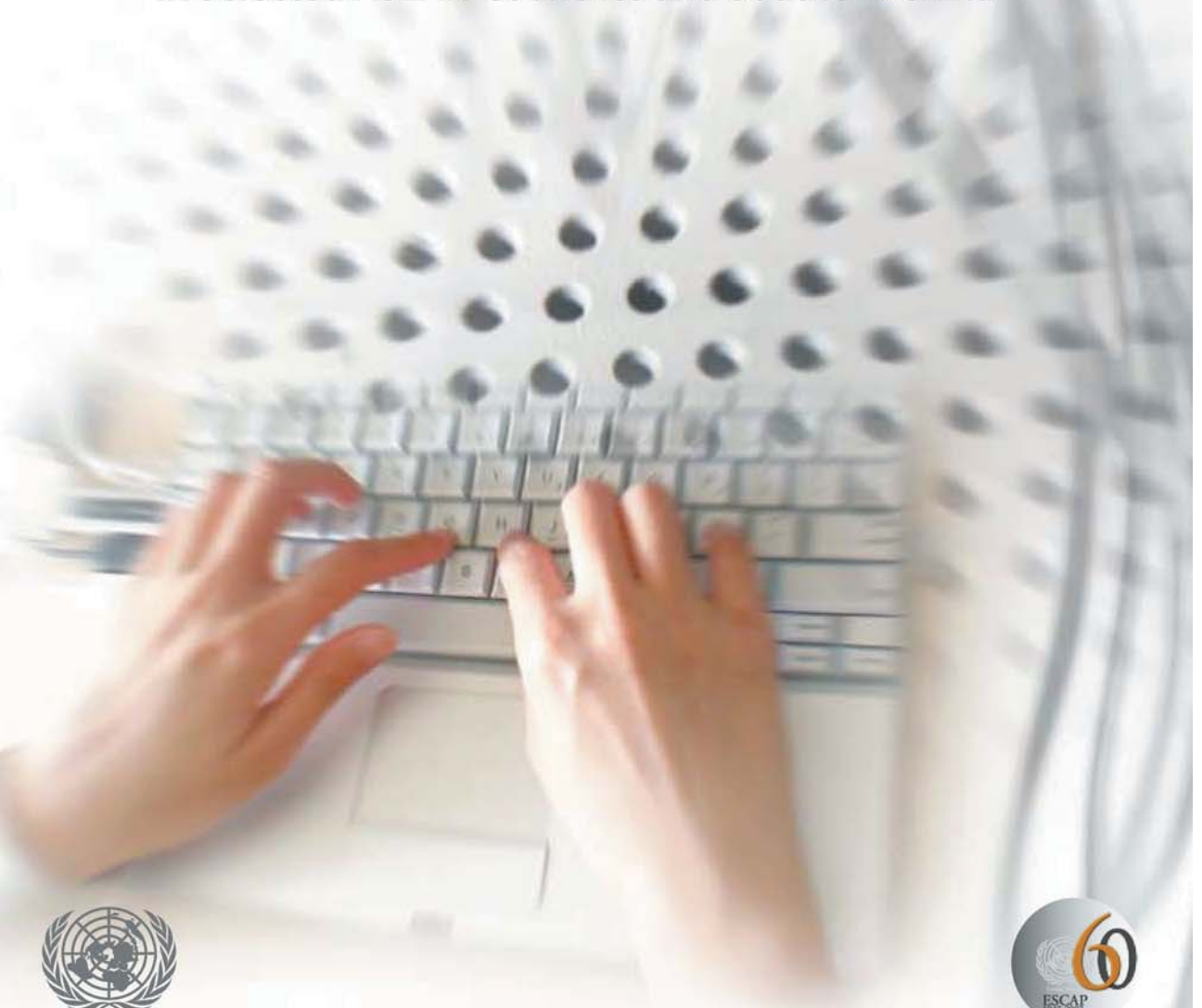




E-BUSINESS

Development Services for SMEs

in Selected ASEAN Countries and Southern China



United Nations
ESCAP

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC



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United Nations
E S C A P

New York, 2007



ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China

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PREFACE

The countries in the Greater Mekong Subregion (GMS) have a large number of small and medium-sized enterprises (SMEs), which account for the majority of the businesses in their economies. However, SMEs competitiveness is usually limited by the lack of access to information and technological know-how to support the development and marketing of value-added products. In an increasingly globalized environment, many enterprises are beginning to address these problems through the use of information and communications technology (ICT) in all aspects of business, from the use of basic accounting software to full-fledged e-commerce.

E-business, or the use of ICT for business, can transform conventional business operations and create new markets. Although the benefits of e-business are easy to identify, in many countries, ICT is perceived as a luxury which is not for SMEs to take on. However, experiences show quite the opposite and SMEs that wisely apply ICTs to their businesses are able to gain the most.

In recognition of these issues, ESCAP developed a project entitled “Development of e-business development services for SMEs in selected ASEAN countries and Southern China”. The objective of the project was to increase SMEs’ competitiveness and effectiveness through enhancement of SMEs’ use of ICT. This publication presents the result of the work of ESCAP member countries and the secretariat in connection with the implementation of this project, which included a desk study and a survey on the use of ICT by SMEs in GMS countries, six national stakeholders consultations held in GMS countries, a regional workshop on e-business development services, two training workshops on e-business for SMEs, and four pilot projects of e-business development services. This publication also includes a CD that contains, among other things, training modules on e-business for SMEs in English version and in six languages of the economies of GMS.

This publication attempts to promote the development of e-business services for SMEs by providing policymakers and enterprise support agencies with background information on the status of ICT use by SMEs, sharing experience on the development of strategic framework for the development of e-business services for SMEs, and the results of the evaluation of the four pilot projects of e-business development services implemented by the project.

ESCAP is grateful to UNDP and the Government of Japan for providing financial support for the project.

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Abbreviations

ADB	Asian Development Bank
AIT	Asian Institute of Technology
ASEAN	Association of Southeast Asian Nations
ASMED	Agency for Small and Medium Enterprise Development
ASP	Application Service Provider
ATM	automatic teller machine
B2B	business-to-business
B2C	business-to-consumer
BDS	business development services
CCs	Chambers of Commerce
EDI	electronic data interchange
ERP	enterprise resource planning system
ESA	enterprise support agency
ESCAP	Economic and Social Commission for Asia and the Pacific
FGC	Financial Guarantee Companies
GDP	gross domestic product
GMS	Greater Mekong Subregion
GMS-BF	Greater Mekong Subregion Business Forum
GMSARN	Greater Mekong Subregion Academic Research Network
GMSEB	Greater Mekong Subregion E-Business
GSO	General Statistics Office
GTZ	German Agency for Technical Cooperation
HSMEA	Hanoi Small and Medium Size Enterprises Association
HUAIC	Hanoi Union of Associations of Industry and Commerce
ICST	information, communication and space technologies
ICT	information and communication technology
IIC	International Institute of Cambodia
ILO	International Labour Organization
IP	Intellectual property

Abbreviations (*continued*)

ISMED	Institute for Small and Medium Enterprises Development
ISP	Internet service provider
IT	information technology
ITB	Institute of Information Technology for Business
JFICT	Japan Fund for Information and Communication Technology
LAN	local area network
LFA	Lao Furniture Association
LHA	Lao Handicraft Association
LTPC	Lao Trade Promotion Center
MCPA	Myanmar Computer Professionals Association
MIFFA	Myanmar International Freight Forwarders Association
MIH	Ministry of Industry and Handicrafts
MIME	Ministry of Industry, Mines and Energy
MOC	Ministry of Commerce
MoU	Memorandum of Understanding
MPDF	Mekong Private Sector Development Facility
NGO	non-governmental organization
NiDA	National Information Communications Development Authority
NSCs	National stakeholder consultations
OSMED	Office of Small and Medium Enterprises Development
OSMEP	Office of Small and Medium Enterprises Promotion
OTOP	One Tambon One Product
PPCC	Phnom Penh Chamber of Commerce
SME	small and medium-sized enterprise
SMS	short message service
STEA	Science, Technology and Environment Agency
SWOT	Strengths, weaknesses, opportunities and challenges
TCC	Thai Chamber of Commerce

Abbreviations (*continued*)

UMFCI	Union of Myanmar Federation of Commerce and Industry
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VCCI	Vietnam Chamber of Commerce and Industry
WAN	wide area network
WITSA	World Information Technology and Services Alliance
WTO	World Trade Organization

I. INTRODUCTION

A. Background and situation analysis

The economies in the Greater Mekong Subregion (GMS), namely Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan Province of China, are based on agriculture and natural resources. Except for Thailand, and to some degree in Viet Nam, the manufacturing sector in GMS is still in the early stages of development. The growth drivers of these economies are the small and medium-sized enterprises (SMEs), which account for more than 95 per cent of the enterprises in these countries (Table 1). SMEs important contributions to GDP and employment are well recognized. However, competitiveness of SMEs in the subregion is often constrained by limited access to information and technological know-how to support the development and marketing of value-added products.

The use of information, communication and space technologies (ICST), particularly e-business applications, can address some of these limiting factors in the development of enterprises, especially SMEs. E-business, or the use of information and communication technology (ICT) for business, is indisputably transforming the way business is conducted across the world. Among other benefits, it increases efficiency, promotes innovation, reduces transaction costs, facilitates networking among stakeholders and allows SMEs to participate in broader markets and compete with larger firms in what can be called a "leveled playing field".

ICT use in business, particularly among SMEs, is still low within GMS countries, and it is limited to word processing, email and search for information on the Internet. SMEs in the GMS are just beginning to make their company information available on the web and to participate in e-marketplaces, but the lack of proper infrastructure, security, skills and other resources to apply ICT has prevented SMEs from actively use ICT in their businesses to become competitive. An end-to-end system of online transactions of goods and services is still rare because online payment systems are absent in all GMS countries except China and Thailand. Except for the use of accounting software, management information systems or other specialized business management software are not commonly used among SMEs in the GMS.

In general, SMEs in the GMS have neither in-house capability nor financial resources to experiment with innovative approaches such as

Table 1. Number of enterprises and percentage of SMEs in the GMS countries

Country	Year	No. enterprises	Percentage SMEs	Source
Cambodia	2001	~40,000	98.8*	Ministry of Industry, Mines and Energy (2003)
Lao People's Democratic Republic	1999	22,131	99.4	MIH/UNIDO Survey of Industrial Establishments (1999)
Myanmar	1999	55,523	99.2	Ministry of National Planning and Economic Development
Thailand	2003	1,995,929	99.5	OSMEP (2005)
Viet Nam	2003	62,908	95.1	GSO Survey (2004)
Yunnan Province of China	2001	66,680	99.8	World Bank (2004)

* Based on data from industrial sector only

Source: ESCAP Desk Study – “Development of E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China”

e-business, especially when they do not perceive immediate returns. It is often more cost-efficient for SMEs to use business development services (BDS) offered by enterprise support agencies (ESAs). However, e-business development services (planning, implementing, and technical and consultancy services of e-business) are currently non-existent or very limited in the range of services offered by ESAs. The lack of awareness and understanding of e-business, poor ICT infrastructure and lack of ICT technical and managerial capacity were identified by ESA as the key obstacles and challenges that stand in the way of helping SMEs employ ICT to enhance their businesses. Where e-business support services exist, SMEs may not be aware of the availability of services or benefits of using the services to improve their businesses.

B. Purpose of the report

This report documents the outputs and the evaluation of the project entitled “Development of e-business development services for SMEs in selected Association of Southeast Asian Nations (ASEAN) countries and Southern China”. This project was funded by the United Nations Development Programme (UNDP) and implemented by the United Nations

Economic and Social Commission for Asia and the Pacific (ESCAP). The project intends to facilitate the use of ICT among SMEs in the subregion and southern China. The project is expected to contribute to poverty alleviation by increasing the competitiveness of SMEs in priority sectors.

This report is compiled based on the various research activities conducted during the project from April 2005 to October 2006, namely:

- Desk study conducted in cooperation with the Asian Institute of Technology – Greater Mekong Subregion Academic Research Network (AIT-GMSARN), Thailand
- Needs assessment survey conducted in cooperation with the Greater Mekong Subregion Business Forum (GMS-BF)
- National stakeholder consultations and sector meetings conducted in the six GMS countries
- Background Paper prepared for the National Stakeholder Consultations ‘Role of E-Business for SME Development’
- Report of technical assistance on e-business development of pilot e-business services
- Report of technical assistance on marketing of pilot e-business services
- Report of project evaluation

The target group of this report is policymakers and other stakeholders of e-business development for SMEs.

C. Project overview

The ESCAP project entitled “Development of e-business development services for SMEs in selected ASEAN countries and southern China” was implemented by the ICT Applications Section of the Information, Communication and Space Technology Division of ESCAP. It represents ESCAP’s continuous efforts to promote ICT applications among countries in the Asian and Pacific region in collaboration with other stakeholders, including the private sector, in planning and implementing socio-economic development policies and programmes, towards the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration.¹

¹ See General Assembly resolution 55/2 of 8 September 2000.

The project was funded by the Japan Fund for Information and Communication Technology (JFICT) through UNDP and targets the GMS countries: Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, and Yunnan Province of China. The project duration was 22 months.

This project aimed to improve the level of support for e-business initiatives of ESA in the GMS. More specifically, the project objectives were:

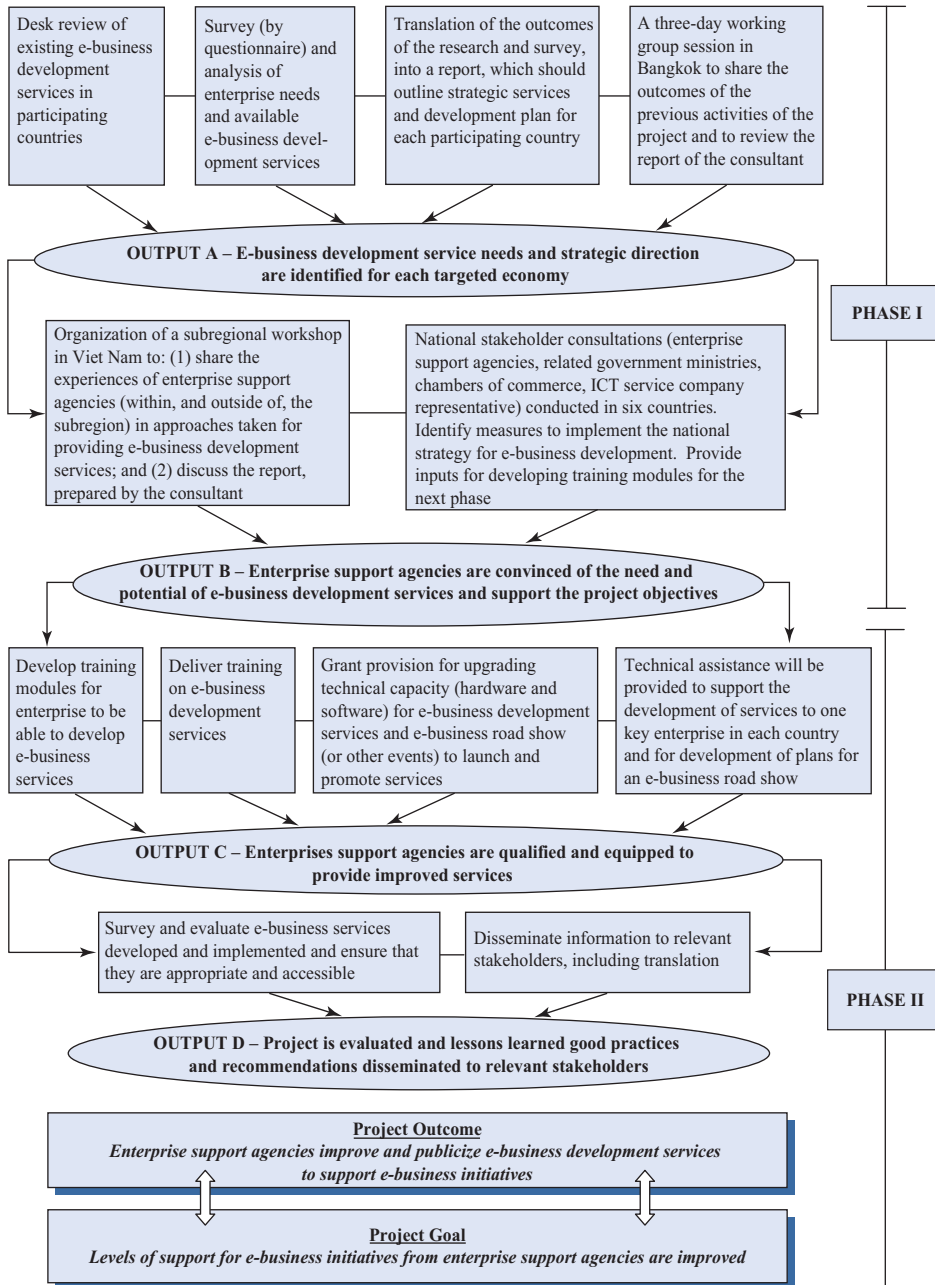
- Identify e-business development services needs and strategic direction for each targeted economy;
- Convince ESAs of the need and potential of e-business development services;
- Improve and equip e-business development services enterprises; and
- Create awareness among businesses of the new/improved e-business development services.

In order to achieve this goal, the project has chosen a two-phase approach. The activities and outcomes of each phase are described below and depicted in Figure 1, which includes a series of activities (in accordance with the project document).

Phase I – The objectives of this phase are to identify the needs and to set the strategic direction for e-business development services in targeted economies; and to create awareness among enterprise support agencies of the need and potential of e-business development services. To achieve this, the project activities under phase I include:

- Development of a desk review of existing e-business development services;
- Development of a need assessment survey to assess the needs and to evaluate the available services of the targeted enterprise support agencies, chosen by ESCAP in consultation with the GMS-BF;
- Organizing of national stakeholder consultations and meetings to develop strategies for e-business service development for each participating economy; and
- Organizing of a subregional workshop to share the results of the assessment survey and experience of participating countries in e-business development services.

Figure 1. Project overview



Phase II – The objectives of this phase are to introduce e-business development services, on a pilot basis, and to promote these services. To achieve this, the project activities under phase II include:

- Development of training modules, based on the outputs of the first phase of this project, to guide the enterprise support agencies in implementing e-business development services.
- Technical assistance to the partner enterprise support agencies in the targeted countries for further planning and implementation of the e-business development strategies.
- Grant provision to the partner enterprise support agencies to upgrade their capabilities to launch e-business development services.

Throughout the project, emphasis is placed on a participatory approach, analytical strategy development and building consensus. This helps develop a realistic understanding of the demand for e-business in key sectors, existing e-business development service markets, e-business needs at the national level, while fostering a high level of ownership and political support, as well as developing a coherent vision for the project. The lessons learned, good practices and any other project outputs will be shared widely on the project website² and by other means.

D. Structure of the report

This report is divided into five chapters:

- Chapter 2 presents the achievements of phase I of the project;
- Chapter 3 presents the achievements of phase II of the project;
- Chapter 4 presents the results of the project evaluation;
- Chapter 5 presents conclusions and recommendations.

² <http://www.unescap.org/icstd/applications/projects/e-business-GMS/>

II. ACHIEVEMENTS OF PHASE I

A. E-business development service needs and strategic direction were identified for each targeted economy

1. Desk analysis of enterprise context

The desk study³ was undertaken to provide an overview of the status, key challenges, limitations and strengths of e-business development among SMEs in GMS. It specifically aimed to: 1) provide a background of the role of business development services including e-business services in developing countries; 2) provide a contextual overview of SME development in the GMS, the enterprise support agencies in the subregion and the readiness of GMS countries for e-business; 3) identify the challenges, limitations, strengths and niche opportunities for adoption of e-business by SMEs in the GMS; and 4) formulate recommendations and strategies addressed to enterprise support agencies to enhance their capability to build e-business development services for SMEs.

The summary of the desk study is presented in the next sections.

(a) Overview of SME development in the GMS

SMEs in the GMS do not have common definitions (Table 2). They vary within ministries or sectors within a country. The terms “private sector” and SMEs are often used interchangeably in Cambodia, Myanmar and Viet Nam. Regardless of the definition, SMEs in most GMS countries make up 95 per cent of all enterprises. Their important contributions to GDP and employment growth are now gaining wide recognition from governments.

Since the year 2000, GMS countries have been drafting to draft laws to serve as an initial framework for SME promotion (Table 3). In Thailand and Viet Nam, these laws also provided the mandate to create a central agency that has the mandate to recommend policies for SME development and formulate relevant action plans. The need to support SMEs with business development services is a key element in many of these policies. Support agencies for SMEs in the GMS may be found in government departments falling under the Ministries of Trade, Commerce or Industry, or as a central SME agency. In the private sector, support organizations are

³ <http://unescap.org/icstd/applications/projects/e-business-GMS/DeskStudy.pdf>

Table 2. Variations in SME definitions across the GMS

Country	SME Definition	
	By no. of employees	By assets
Cambodia	<200 (industrial sector)	
China	(Different definitions for 7 sectors)	
Lao People's Democratic Republic	5 to 99	1,200 million Kip assets
Myanmar	<200 (depends on sector)	<5 million kyat capital outlay
Thailand	<100	<200 million baht assets
Yunnan Province of China	<300	<200 VND registered capital

Source: ESCAP Desk Study – “Development of E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China” at <http://www.unescap.org/icstd/applications/projects/e-business-GMS/documents.asp>

in the form of local and international non-governmental organizations (NGOs), the national chambers of commerce and its provincial branches, as well as multisectoral or sector-based business associations. These associations serve a mix of small and large enterprises and sometimes include both private and state-owned enterprises.

(b) SME development projects

With the exception of Thailand and Myanmar, international donor support and activities related to SME or private sector development are abundant in the subregion. At the national level, programmes most relevant

Table 3. SME promotion laws in the GMS

Country	SME Promotion Law	Date
China	Law of the People's Republic of China on Promoting SMEs	29 June 2002
Lao People's Democratic Republic	SME Decree	(Drafted in 2002)
Thailand	SME Promotion Act B.E. 2543	6 February 2000
Viet Nam	Decree No. 90/2001/CP-ND on Supporting for the Development of SMEs	23 November 2001

Source: ESCAP Desk Study – “Development of E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China” at <http://www.unescap.org/icstd/applications/projects/e-business-GMS/documents.asp>

Table 4. E-Readiness ranks of GMS economies in various studies

Country	E-Readiness rank			
	ESCAP 2003	ITU 2003	EIU 2004	WEF 2003-2004
Thailand	1	68	43	38
China		84	52	51
Viet Nam	2	122	60	68
Myanmar	3	141-146		
Lao People's Democratic Republic	4	149		
Cambodia	5	141-146		
Total no. economies	5	178	64	102

to e-business development among SMEs pertain to online trade promotion (e.g. E-Trade Bridge Programme for SMEs in Cambodia, China and Viet Nam) and Internet-based business information services (e.g. www.sme.com.vn). On a subregional scale, these programmes particularly focus on SME development as well as ICT business applications in the GMS.

(c) E-Business policies and strategies

It is common for GMS countries to be guided by an ICT master plan to direct national ICT development, including information technology (IT) applications in business. Furthermore, the e-ASEAN Agreement Framework to which most GMS countries are signatories drove the development of some of the national policies on ICT. Since the framework endorses IT application, particularly e-commerce, the promotion of e-business has become integral to national ICT policies in the GMS.

The growing emphasis placed by ICT policies on e-governance has also led to many government initiatives that provide ICT-based business information, particularly relevant to SMEs. Examples are the National Business Information Network of Viet Nam, websites of the Lao Trade Promotion Agency and the Office of SME Promotion in Thailand, and sme.gov.cn of China.

(d) E-Readiness of the GMS

A sharp line divides the e-readiness state of GMS countries into two, with Thailand, China and Viet Nam on one side and Myanmar, Lao People's Democratic Republic and Cambodia on the other side of countries with low-access to ICT (Table 4). Within China, Yunnan Province is ranked

among the lowest in terms of its informatization quotient. Its ranking is possibly comparable to that of Viet Nam.

(e) Strengths, weaknesses, opportunities and challenges (SWOT) to the adoption of e-business for SMEs in GMS

The SWOT analysis conducted as part of the desk study is presented in Table 5. It demonstrates that GMS countries could capitalize on their own strengths to encourage e-business development among SMEs, but they must also address basic weaknesses internal and external to SMEs. Opportunities at the international, national and SME level that could be tapped to promote ICT uptake are also identified. Resistance to change in the way of doing business as well as the potential reduction in employment are some of the threats faced by SMEs as they introduce e-business.

(f) Key segmentation

The desk study identified that in the GMS, sectors most likely to benefit from the introduction of higher-end e-business applications include the following:

ICT sector and ICT consumers: i.e. sectors with information-intensive activities and products, or sectors with products and services that can be delivered electronically. These include printing, publishing, travel, tourism, export-oriented businesses; finance, business and technical service sectors, businesses with digitized products or services (music, CDs, books), with supply chain compliance requirements, and with e-commerce customers.

ICT-ready businesses: e.g. individual businesses that recognize own need for growth; businesses that have grown to a point where basic management skills have been met; enterprises that are already ICT users.

(g) Main findings of the desk study

The main findings of the desk study were:

- SME development policies in the GMS recognize the need for a business-enabling environment and access to infrastructure, information, markets and financing to promote SME development. ICT-based services could play a key role in fulfilling some of these needs.
- With the exception of Thailand, many SME development activities in the GMS are supported by the international donor

Table 5. SWOT analysis on e-business adoption among SMEs in the GMS

Strengths	Weaknesses
<ul style="list-style-type: none"> • Political will and policies to increase IT applications or build an e-society (China, Myanmar, Thailand, Viet Nam) • Significant number of software parks and ICT companies to support development of e-business solutions for SMEs (China, Myanmar, Thailand, Viet Nam) • Growth of intensive ICT-user sectors, particularly tourism and export-oriented manufacturing industries • Some experience of success in B2B e-commerce (China, Thailand, Viet Nam) and SME information portals (China, Viet Nam) 	<ul style="list-style-type: none"> • Lack of ICT planning and management skills within SMEs • Lack of ICT workforce and specialists within SMEs • Poor telecommunication infrastructure (Cambodia, Lao People's Democratic Republic, Myanmar) • Wide rural-urban digital divide • Underdeveloped e-commerce systems (e.g. lack of online payment systems) • Lack of security on online transactions • Insufficient regulatory frameworks on electronic transactions • Lack of sector-wide, local models on e-business
Opportunities	Threats
<ul style="list-style-type: none"> • Entry to international trade agreements (e.g. WTO) which should spur ICT uptake to improve competitiveness • International donor support for SME development, which could be expanded to support e-business development for SMEs • Numerous enterprise support agencies at all levels that could be tapped to offer e-business services for SMEs 	<ul style="list-style-type: none"> • Resistance to change in the way of doing business • Labour reduction with improved computerized systems

Source: ESCAP Desk Study – “Development of E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China” at <http://www.unescap.org/icstd/applications/projects/e-business-GMS/documents.asp>.

community. Since few of these activities are focused on e-business development, there is still a great need for projects and programmes that promote ICT use in business among SMEs.

- E-readiness in the GMS is characterized by a sharp divide between the group of countries with relatively good access to ICT represented by China, Thailand and Viet Nam, and the group of low-access countries represented by Cambodia, Lao People's Democratic Republic and Myanmar. The design of e-business programmes must therefore take this divide into account.
- ICT use among businesses and SMEs in the GMS is limited to document preparation, information research and e-mailing at best. Comprehensive e-commerce systems are rare and often applicable only to subsidiaries of multinational corporations. Online payment systems are available only in Thailand and China.
- Among SMEs, there is a growing interest to participate in business-to-business (B2B) transactions or e-marketplaces. Among many sectors, the tourism industry is most active in harnessing the benefits of ICT applications, including online transactions.
- GMS countries are at various stages of implementing ICT policies and regulations. These efforts are seen to be supportive of e-business among SMEs. The challenge is how to translate these policies into concrete national programmes on e-business development.
- Support for SME development in the GMS comes from all angles, including government, international NGOs, and business associations. Trade promotion agencies are usually involved in online activities serving enterprises and SMEs. Since most programmes are subsidized by the government or donors, the business services offered by these programmes may not be financially sustainable after the subsidies end. Demand based and paid for e-business services should be considered to address sustainability issues.

2. Survey and analysis of enterprise needs and available e-business development services

Following the desk study, a needs assessment survey of ESAs in the GMS was conducted in partnership with the GMS-Business Forum (GMS-BF) Secretariat. Its main objective was to analyze the level of ICT usage and adoption among ESAs in the GMS countries.

Table 6. Type of agency/institution/organization involved in the survey

	Trade Promotion (%)	Chamber of Commerce (%)	Industry Associa- tion	SME Develop- ment Agency (%)	Training & Education Institution (%)	Co- operative (%)	Other (%)
Yes	7.3	5.5	32.1	8.3	8.3	7.3	38.5
No	90.8	92.7	66.1	89.9	89.9	90.8	59.6
N/A	1.8	1.8	1.8	1.8	1.8	1.8	1.8

The survey questionnaire was sent to ESAs in the five participating countries. The questionnaire was also translated into local languages from the English master version. It consisted of mainly open ended and closed questions with a very few open for additional specified answers. Approximately 70 questionnaires were sent in Viet Nam, 30 in the Lao People's Democratic Republic and 30 to 70 in the rest of the countries surveyed. In total, 109 questionnaires⁴ were returned to ESCAP/GMS-BF. The results of the survey helped fine-tune a demand driven approach in the implementation of the project and produce country strategies as well as advocacy and training modules on e-business development.

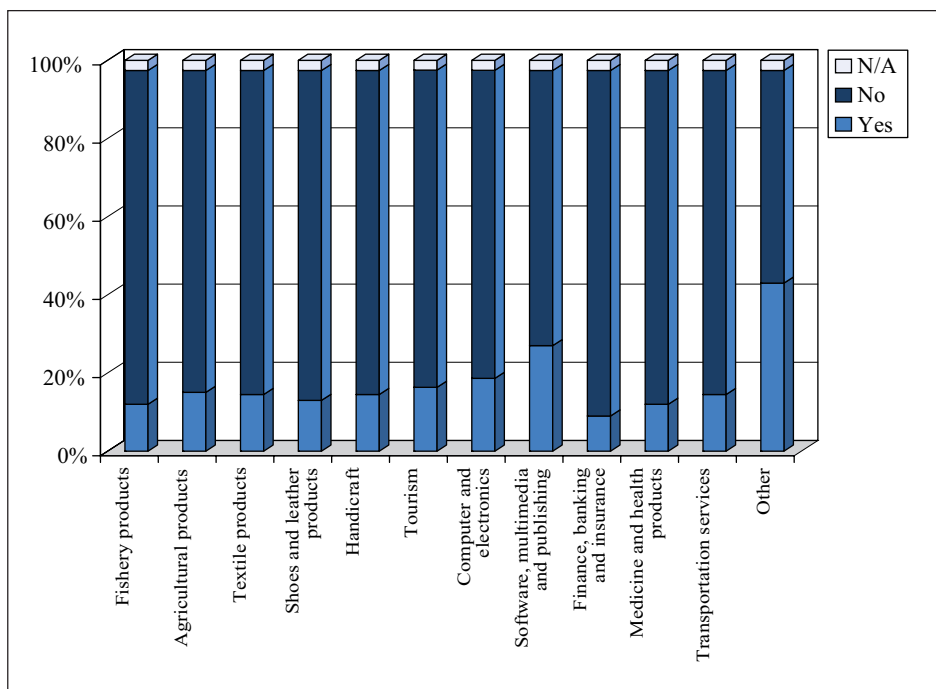
The sample size was not representative across all sectors in all countries so this data has to be considered in relation to the other research activities conducted in phase I. It does however provide an overview of some key issues as identified in the survey instrument.

(a) Profiles of the agency/institution/organization involved in the survey

Of the whole respondents from the five GMS countries, 32 per cent represented agencies that are categorized as industry association and training/education institution, 8 per cent represented SME development agency and training/education institution. Chamber of Commerce organizations represented the least number, 5 per cent (Table 6).

Majority of them, 39 per cent have been operated for 0 to 5 years, 22 per cent and 20 per cent operated for 5 to 10 years and 10 to 15 years respectively. These results indicate that associations are the predominant form of enterprise support agency and that many of them have been operational for under 5 years.

⁴ Lao People's Democratic Republic (15); Viet Nam (41); Cambodia (14); Myanmar (20) and China (19).

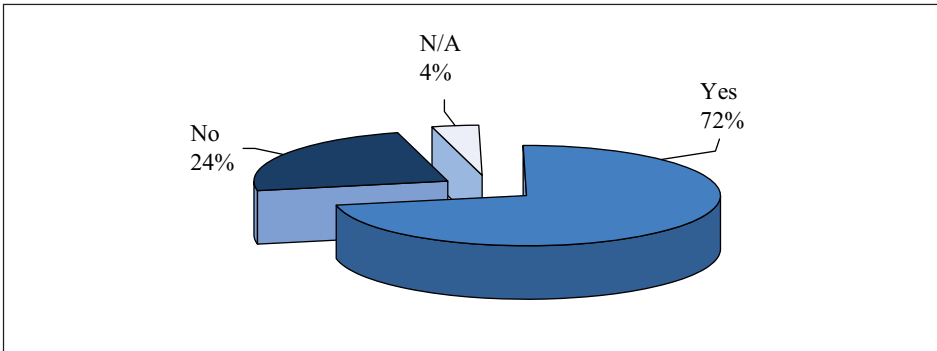
Figure 2. Percentage of different sectors/industries supported

(b) Sectors supported by the GMS responding agencies

Software, media and printing sector received most support counted by 27 per cent of all respondents, followed by computer sector 19 per cent, tourism 17 per cent, and agricultural products 15 per cent. Finance, banking and insurance sector received least support from the responding countries, 9 per cent (Figure 2).

These results have supported the subsector approach adopted by the project in phase II, which targeted tourism, handicraft/artisans, small manufacturers and IT services.

The responding agencies provided support to SMEs ranking from a minimum 1 (3 per cent of them) enterprise to a maximum 100,000 (1 per cent) enterprises. There is a big gap in terms of number of enterprises they are serving, which could reflect different sizes of the companies relevant to the survey in the six GMS countries. A high number (36 per cent) of the respondents saw the question ‘number of enterprises they serve’ as not applicable, which may indicate that some of them were government organizations, traders, etc.

Figure 3. Percentage of agencies that provide information to SMEs

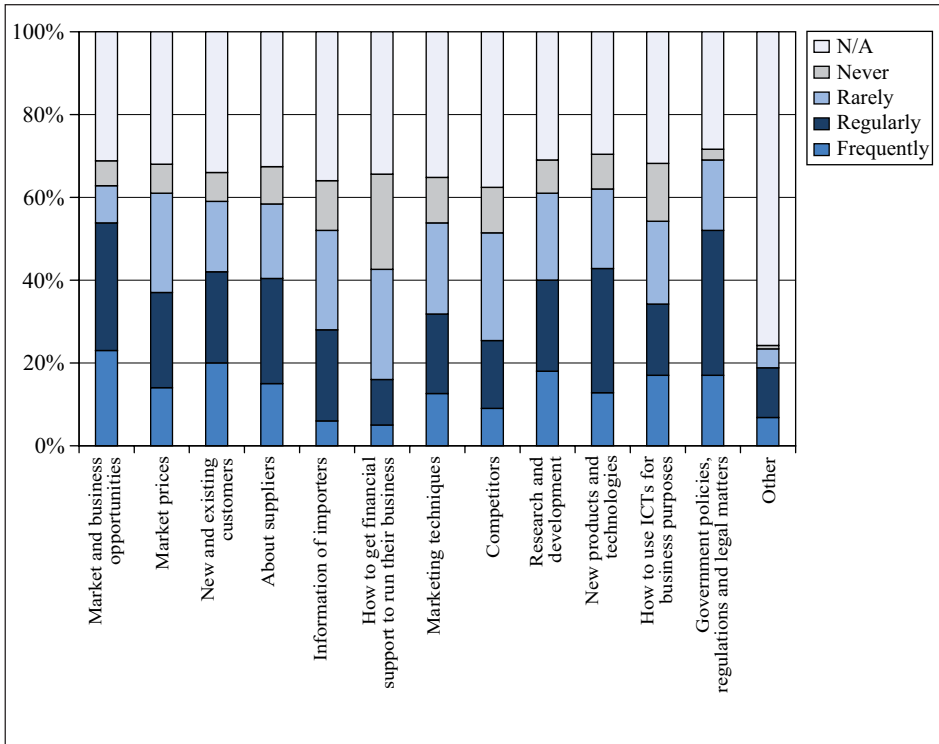
(c) Information provided, sources of information, and channels to reach SMEs

Majority of the respondents (72 per cent) provide information to SMEs, including information on government policies, regulations and legal matters; new products and technology and research and development; and market and business opportunities (Figure 3). Among the different types of information that responding agencies provide to SME clients, information on market and business opportunities and production and technologies are provided regularly by many of them (Figure 4). This supports the projects supposition that ESAs are an effective intermediary for disseminating information.

Among different kinds of information, most of the interviewees rated (1) market and business opportunities; (2) marketing skills and (3) government policies, regulations and legal matters as ‘very important information’, noted by 67 per cent for the first type, and 50 per cent and 49 per cent for the second and third types respectively (Figure 5).

If the message is tailored with the right information types, then the awareness-raising programme can be more relevant to SME needs and thus more effective in promoting the benefits and uptake of ICT usage in business. These types of information also provide further evidence as to the training needs of SMEs, in particular market and business opportunities and marketing skills.

Regarding sources of information, most agencies obtain information through journals, magazines and newspaper; followed by government website; and email newsletters and online database (Figure 6). Broadcast

Figure 4. Types of information provided

media (radio and TV) followed by ICT, including Internet, website, emails, and SMS, are mostly rated as first priority for ‘the most appropriate channels to reach SMEs information users’. The second priority of the most appropriate are trade events (trade fairs, road shows, and seminar) and training workshop and basic communication (telephone and fax) (Table 7).

(d) Current use of ICT, expectation of the ICT impact on SME

Among the ICT tools, fixed line telephones are used most (93 per cent); personal computer is ranked in second (90 per cent). Fax, mobile phone and Internet are also used, responded by 89 per cent, 88 per cent and 88 per cent respectively (Table 8).

Regarding ESAs expectations on the impact of ICT, 73 per cent of the interviewees expected that the ICT would have impact (in 2005) on their SME clients in terms of creating or enabling competitive advantage; 65 per cent of them expected the impact in terms of improving customer satisfaction and 63 per cent in terms of enabling growth. (Figure 7).

Figure 5. Importance of different types of information

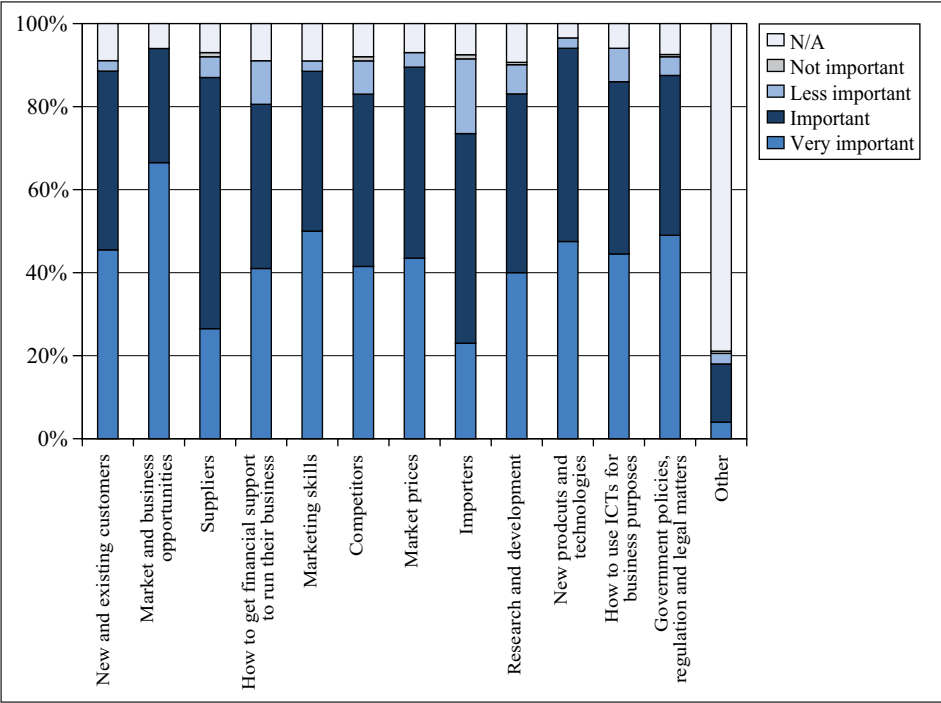


Figure 6. Sources of information collection

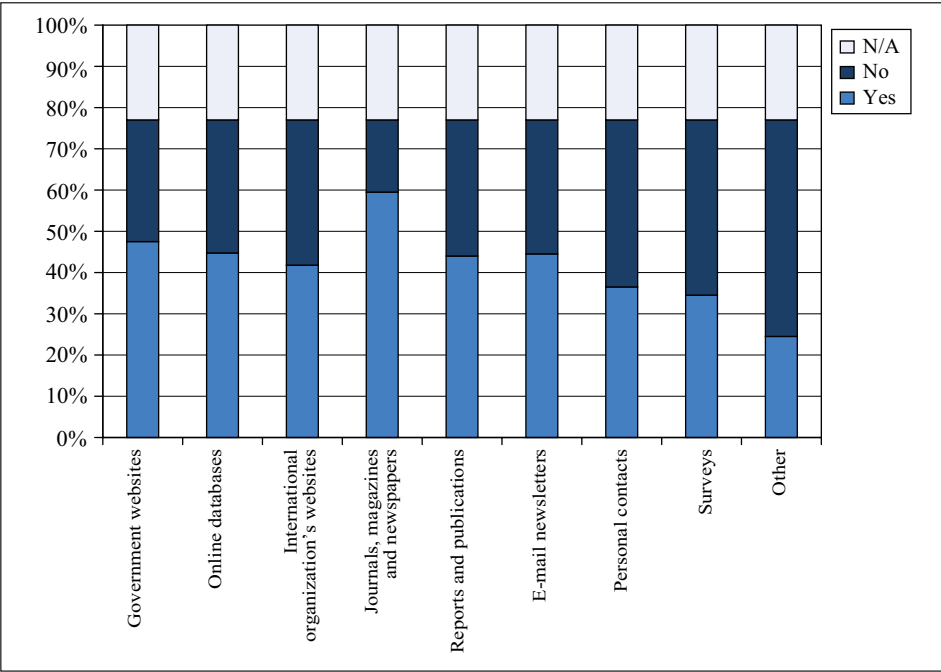
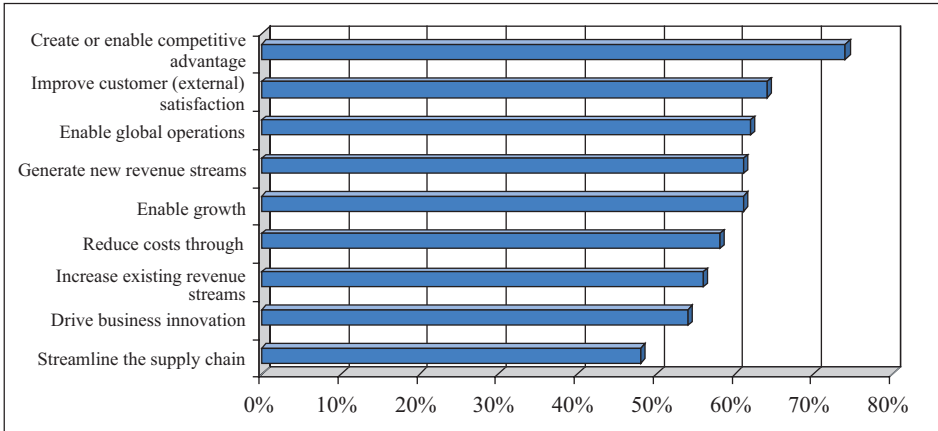


Table 7. Most appropriate channels to reach SMEs

Channels	Priority 1 (%)	Priority 2 (%)	Priority 3 (%)	Priority 4 (%)	Priority 5 (%)	Priority 6 (%)	Priority 7 (%)
Print media (magazines, newspapers, journals, etc.)	11.0	8.3	37.6	10.1	8.3	4.6	0.0
Broadcast media (radio and TV)	21.1	11.0	12.8	22.9	7.3	5.5	0.0
ICT (Internet, email, SMS, etc.)	16.5	17.4	7.3	9.2	14.7	13.8	0.0
Basic telecom- munication (telephone and fax)	14.7	13.8	4.6	15.6	17.4	13.8	0.0
Trade events (trade fair, road shows, seminars)	11.0	15.6	11.9	10.1	20.2	11.0	0.0
Training workshops	5.5	13.8	5.5	11.9	11.9	31.2	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	79.8

Table 8. ICT being used by ESAs

ICT	Yes (%)	No (%)	N/A (%)
Fixed line telephone	93.6	4.6	1.8
Fax	89.0	9.2	1.8
Mobile phone	88.1	10.1	1.8
Personal computer	90.8	7.3	1.8
Email	91.7	6.4	1.8
LAN (local area network)	60.6	37.6	1.8
WAN (wide area network)	25.7	72.5	1.8
Internet	88.1	10.1	1.8
Intranet	22.9	75.2	1.8
Extranet	10.1	88.1	1.8
EDI (electronic data interchange)	14.7	83.5	1.8
Other	7.3	90.8	1.8

Figure 7. Expected ICT impact on SMEs

(e) ICT support to SME clients, importance of ICT services and obstacles

Comparatively, enterprise support agencies use ICT applications most frequently and regularly for email connection purpose; followed by for website development. They are also used regularly for customer relations management and enterprise resources planning (Figure 8).

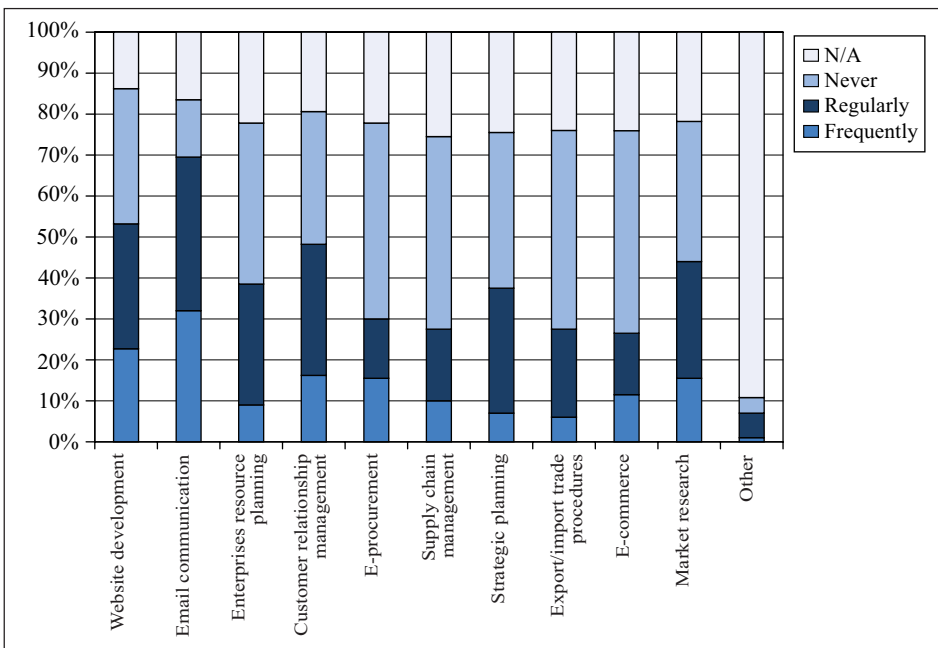
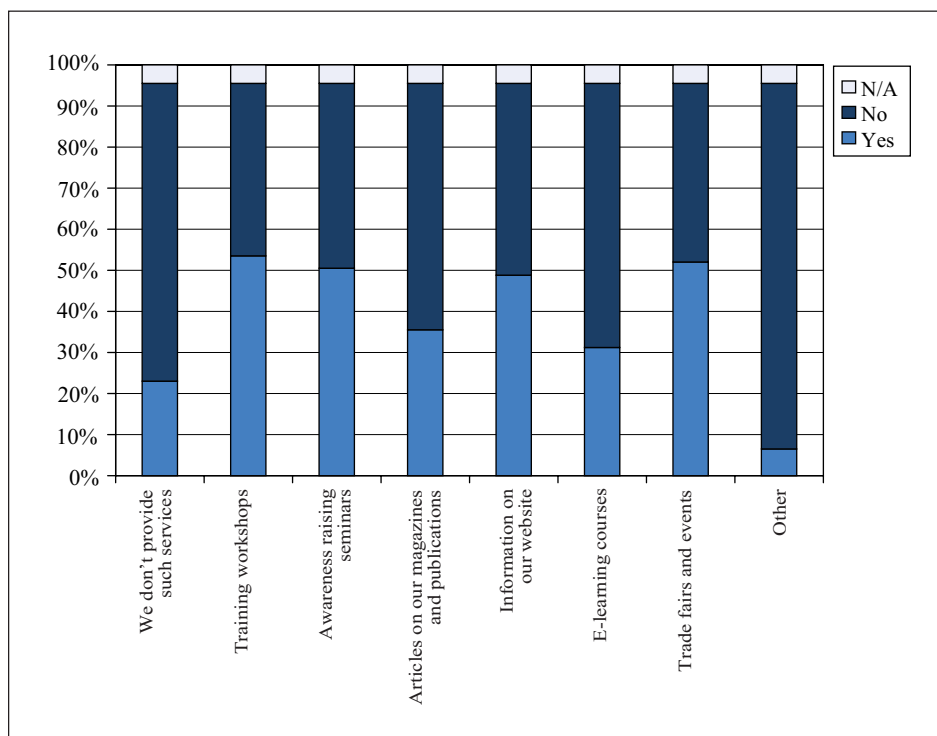
Figure 8. The use of ICT to support SMEs through different services

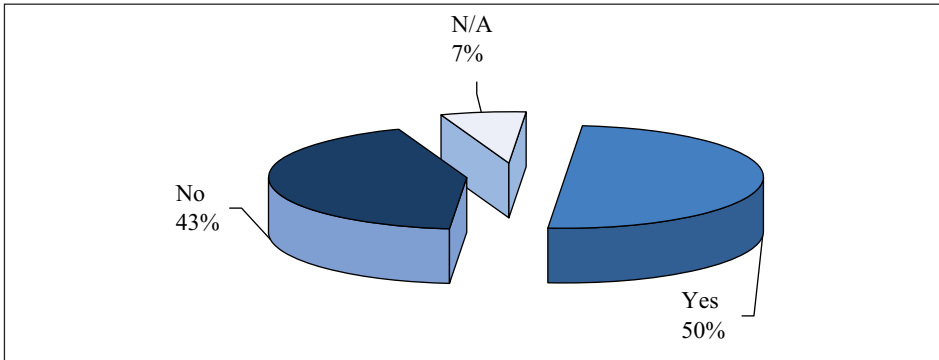
Figure 9. Means to create or promote ICT awareness/services

The three means that responding countries used most to promote ICT awareness and usage were (1) training workshop, 53 per cent; (2) awareness-raising seminar, 50 per cent and (3) information on the web, 48 per cent. High percentage of them, 72 per cent, said they do not provide such training (Figure 9).

The respondents shared the opinions that the biggest obstacles of the SMEs in using ICT applications include 'ICT is not relevant for our clients', 'do not have human capacity'; and 'legal framework is inadequate'. These results indicate that interventions that aim to support SMEs use of ICT need to illustrate the value-added through advanced use of ICT for e-business.

(f) Promotion of the ICT usage for business purpose

Almost half of the respondents of the GMS countries who were involved in the survey provide training on how to use ICT for SMEs business purposes (Figure 10). Notably, the courses offered by the majority are ICT applications, 41 per cent and ICT skills, 32 per cent (Figure 11).

Figure 10. Agencies providing training on ICT for business purposes

In order to increase ICT usage among enterprises support agencies and SMEs, 79 per cent of the respondents suggested such activities as training workshops for ICT service providers and SMEs; 60 per cent suggested support to an improved telecommunication infrastructure; followed by 58 per cent that suggested the creation of an enabling policy environment (Figure 12).

Regarding the most relevant ICT applications to be included in ICT training for SMEs, website development and online databases; e-communication and e-commerce were considered priority areas.

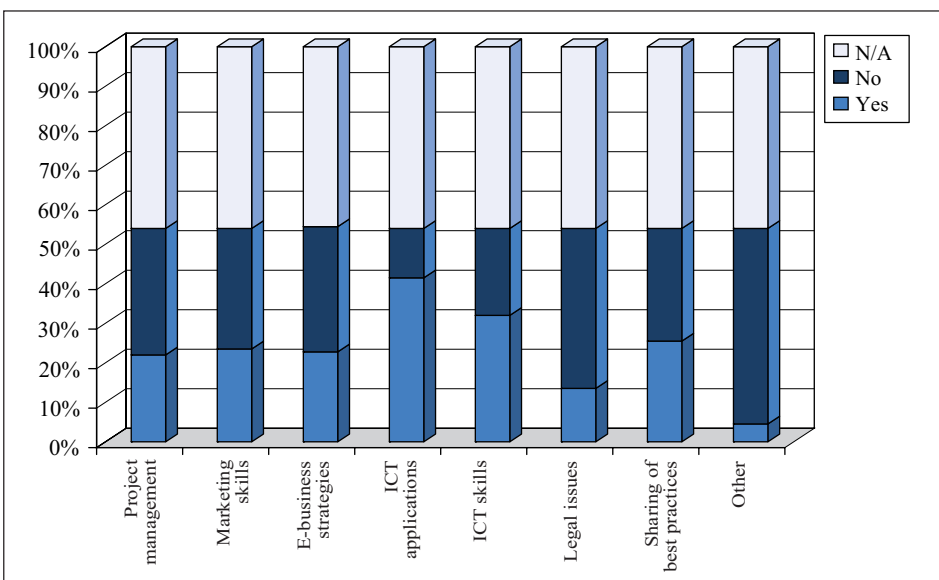
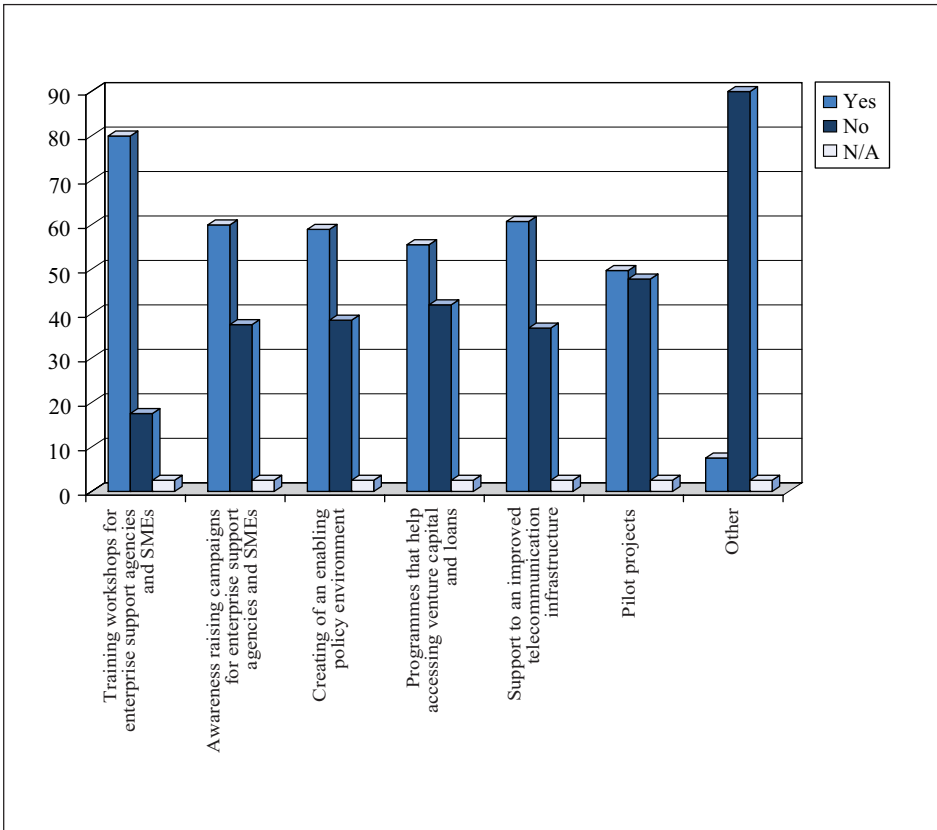
Figure 11. Training courses provided to SMEs through ICT applications

Figure 12. Activities to increase the use of ICT for business purposes



(g) Main findings of the survey

The main findings of the survey were:

- Advanced ICT (e.g. Internet) are not as widely used as the traditional ICT (e.g. fax and fixed line telephone). Therefore, e-business development programmes should consider how to engage SMEs in using more advanced ICT in the future. One way is for business associations or ESAs to lead the way with web-based services to members as an example of e-business.
- ESAs shared the opinion that the biggest obstacles in introducing ICT to SMEs are limited awareness and capacity. It indicates that interventions that aim to support SMEs use of ICT should include awareness-raising and capacity-building for ESAs and SMEs through training workshops.

Table 9. Content of basic e-business modules

Module 1. E-Business Strategies	Module 2. Website Development
<ul style="list-style-type: none"> ☐ Analyzing E-Business Readiness • Best Practice E-Business Models • Strategic Planning • Legal and policy issues 	<ul style="list-style-type: none"> • Defining website purpose, audience and content • How to develop a website: design principles, technical issues, working with IT contractors, and maintenance • Legal and policy issues

3. Development of outline training modules

Based on the desk study and the need assessment survey, ESCAP developed e-business training modules⁵ which aim to equip ESAs with methodologies and practices for assisting SMEs to initiate e-business development services through development of actual e-business services and conducting e-business training courses for SMEs.

Two sets of training modules were developed: one on basic e-business and the other on advanced e-business features. The first set provides training to develop core basic skills for ESAs that do not have an established website or do not undertake any e-business activity currently but are committed to developing their e-business capacity for their organizations and their SME clients (Table 9).

The advanced e-business modules provide more advanced skills for ESAs that already have an established website or undertake e-business activities already and are seeking to develop their e-business capacity for their organizations and their SME partners by utilizing more advanced techniques in e-marketing and e-commerce (Table 10).

4. Working group session and analysis to develop an outline strategic service development plan and training proposal

The Working Group Meeting was held in Bangkok on 9 and 10 March 2005 with the participation of selected focal points for each country. The outcome of the meeting was a comprehensive implementation plan including the organization of national stakeholder consultations, subregional workshop and training workshops.

⁵ Available at ESCAP website – <http://www.unescap.org/icstd/applications/projects/e-business-GMS/tw1/doc.asp>

Table 10. Content of advanced e-business modules

Module 3. Electronic Marketing	Module 4. E-Commerce
<ul style="list-style-type: none"> • Online Marketing Basics • Product/Service Definition • Product Development Strategy • Branding and Traffic Building • Pricing on the Internet • Website Promotion and Advertising • Direct Marketing • Legal and policy issues 	<ul style="list-style-type: none"> • Business Models of E-Commerce, B2C/B2B E-Commerce • Online Customer Service • Internet Shopping • Selling on the Web • Security and Electronic Payment Systems for E-Commerce • E-Auctions • Legal and policy issues

B. ESAs were convinced of the need and potential of e-business development services and supported the project objectives

1. National stakeholder consultations on project direction (enterprise support agencies, related government ministries, chambers of commerce, ICT service company representatives)

National stakeholder consultations (NSCs) were held in six participating countries from May to June 2005. These meetings were attended by more than 200 participants from various business associations, enterprises, IT companies, education institutions and government agencies. Information gathered through these consultations was used to validate the findings of the desk study and need assessment survey, and to develop the above training modules.

The objectives of the national stakeholder consultations were to:

- Raise awareness regarding the importance of e-business;
- Improve understanding on e-business of national stakeholders of the project;
- Identify and discuss the enterprise support agencies and SMEs needs and challenges;
- Identify main problems and concerns of the enterprise support agencies for providing e-business development services and assess SMEs main concerns when applying ICT to their business practices; and

Table 11. Venue and dates of NSCs

Venue	Date
Kunming, Yunnan Province of China	19-20 April 2005
Yangon, Myanmar	26-27 April 2005
Phnom Penh, Cambodia	9 May 2005
Hanoi, Viet Nam	31 May 2005
Vientiane, Lao People's Democratic Republic	13 June 2005
Bangkok, Thailand	17-20 June 2005

- Transform the needs and challenges into activities to address these concerns and challenges.

Information gathered through these consultations was used to validate the findings of the desk study and need assessment survey, and to develop the training modules.

NSCs were held in each GMS on the dates listed in Table 11.

(a) Defining the challenges and opportunities

Participants were placed in a number of small working groups and asked to discuss the key obstacles and challenges that ESAs face in providing e-business development for SMEs. The data from the group discussions was categorized and ranked according to the quantity of reference across countries and the priority placed on each challenge.

The ranking of the top 15 challenges identified is:

1. Lack of awareness and understanding of e-business
2. Infrastructure
3. Lack of human resources
4. Legal framework
5. Language barriers
6. Lack of support for SMEs
7. Internet access issues
8. Lack of financial resources
9. Lack of e-payment system
10. Lack of confidence and trust in e-business
11. Resistance to change of business practice

12. Lack of government action
13. Lack of quality information
14. Product/Service quality
15. Intellectual property/copyright

The top 5 challenges, as identified through the national stakeholder consultations, correlated to the perceived challenges that this project aimed to address. The range of views, ideas expressed and experiences shared across the various sectors made it a most worthwhile event for participants and provided a good foundation for the following stages of the project. The key discussion themes from each country which were raised during the question and answer sessions are presented in Table 12.

Table 12. Key discussion themes during NSCs

Country	Theme
Cambodia	<ul style="list-style-type: none"> • Cost of Internet access • Language issues • How do you get SMEs to understand the value of ICT? • Reaching the decision makers • What is the government's process for adoption of Unicode into mainstream Cambodian usage? • NiDA is a big state department, how does it relate to SMEs? And how can it influence ICT usage in SMEs?
China	<ul style="list-style-type: none"> • Once online how do we link to other service providers? • The boss doesn't understand the benefits of ICT • It is hard to use ICT to improve internal business
Lao People's Democratic Republic	<ul style="list-style-type: none"> • What is the role of education institutions in this project? • What is the difference between e-commerce and e-business? • How will structural issues and attitude to e-commerce need to be addressed? • Although we know tourism sector is successful yet why do we continue to focus on this? • Customers do not believe the quality of the product on the Internet. Which government sector is responsible for SMEs and the Lao People's Democratic Republic product promotions? • Challenge is being able to communicate clearly and conduct business online • Often bookings are made yet the guest is a no show. How does the SME deal with the situation? • Security and trust

Table 12. (continued)

Country	Theme
Myanmar	<ul style="list-style-type: none"> • Contracts • Internet security • Copyright and Intellectual property (IP) • High cost of license fees: cost of PC and access to ICT • Low number of SMEs online in Myanmar • Lack of e-payment system • Success of private sector ICT projects underreported
Thailand	<ul style="list-style-type: none"> • What issues do SMEs face using ICT? • What is the role of business association in Thailand? • What is the role of OTOP programme in Thailand?
Viet Nam	<ul style="list-style-type: none"> • SMEs need ICT Leadership • Legal framework is needed to provide support for e-business • Lack of ICT usage in business affects trade • Lack of ICT usage in government • In Viet Nam there's an urgent need to develop more business portals

(b) Recommendations for e-business services and training requirements

Participants were placed in a number of small working groups and asked to discuss the biggest needs in terms of training, e-business services and ICT applications for SMEs. The top 10 training needs identified across all countries are:

1. ICT skills
2. ICT applications
3. Project management
4. E-business strategies
5. Marketing
6. E-commerce
7. Management information systems
8. Websites
9. Sharing of best practices
10. Production issues

Table 13. Framework for e-business development: country strategy

Priority sectors	<ul style="list-style-type: none"> Which sectors are able to benefit from e-business development most?
	<ul style="list-style-type: none"> What current success can be build on or what potential is there for future e-business development?
Potential ESAs	<ul style="list-style-type: none"> Which ESAs are ready to benefit from training and then transfer their new skills to their SME partners?
Existing programmes for leverage	<ul style="list-style-type: none"> What current SME programmes or e-business activities are able to benefit from further training?
	<ul style="list-style-type: none"> Who could be supported to leverage existing activities to reach more SMEs in the future?
Specific e-business services	<ul style="list-style-type: none"> Which e-business services are best suited to the country context?
	<ul style="list-style-type: none"> What are the key e-business service that need further support?

The data from the group discussions was categorized and ranked according to the same classification system in the needs assessment survey. This allowed for cross reference of the training needs between the qualitative NSC data and the quantitative data from the survey.

The priority areas, as identified through the national stakeholder consultations and the needs assessment survey, indicated that there are a range of issues and skill levels which need to be addressed. There are basic ICT training courses available in all GMS countries and so it was recommended that the training modules be aimed at the intermediate level to enable more advanced skills development that is currently unavailable in the various markets.

(c) Country strategies for e-business development support for SMEs

As an output of the NSCs, the following framework presented in the Table 13 has been devised to outline the proposed country strategy for e-business development support for SMEs in each country of the GMS. The framework consists of four main areas of priority sectors, potential ESAs, existing programmes for leverage and specific e-business services which could be developed.

(i) Cambodia

Priority sectors

- Many NGO initiatives have actively supported the development of the *handicraft* subsector of the country. The silk industry is

also part of this subsector and is supported by a number of donor initiatives. There is an emergent online market for Cambodian handicrafts and there is an interest in the subsector to develop e-business initiatives.

- *Tourism* is a key industry that many SMEs operate within. It needs e-business support to leverage their position in the competitive market. A number of tourism based business associations have been established and are viable potential participants for this project.
- *Information technology* is an emerging subsector that has recently established an ICT Association with the support of the United States Agency for International Development (USAID)⁶ and the World Information Technology and Services Alliance (WITSA).⁷ An active outsourcing sector for international clients, Cambodia is in a unique position to further develop e-business services for both Cambodia and the region.

Potential ESA partners

- Business/Trade Associations
 - ❑ Cambodia Chamber of Commerce
 - ❑ Artisans Association of Cambodia
 - ❑ Silk Forum
 - ❑ Cambodia Hotels Association
 - ❑ ICT Association of Cambodia
 - ❑ Women's Association SME
- Government Support Agencies
 - ❑ National Information Communications Development Authority (NiDA), SME Department
 - ❑ Ministry of Industry, Mines and Energy (MIME), SME Department
 - ❑ Ministry of Commerce (MOC), Trade Promotion Agency

Existing programmes for leverage

- Mekong Private Sector Development Facility (MPDF), programmes in handicraft, tourism and business development services.
- Asian Development Bank (ADB), SME development.

⁶ <http://www.usaid.gov/>

⁷ <http://www.witsa.org/>

- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Private Sector Development Programme.
- Yellow Pages as an electronic business directory could be further developed as a component of business portals for Cambodia and the GMS.
- Mobile connectivity provides the best access to information and potential e-business or e-commerce possibilities.
- Existing business focused websites should be linked together to build a more effective network for the business community.

Specific e-business services

- E-payment system via mobile phones and automatic teller machine (ATM) systems within the newly enhanced banking and telecommunications sectors.
- SME portal developed in Khmer language and Unicode applications development.

(ii) *Yunnan Province of China*

Priority sectors

- *Tourism* is a key industry that many SMEs operate within and that need e-business support to leverage their position in the competitive market. A number of tourism based business associations have been established and are viable potential participants for this project.
- *Information technology* is an emerging subsector with an established ICT and software park. Active government support for informatization means that there are incentives for the business sector to utilize ICT in their operations.

Potential ESA Partners

- Business/Trade Associations
 - ❑ Yunnan Provincial Chamber of Commerce and Industry
 - ❑ Yunnan Tourism Authority
 - ❑ Software Center Yunnan
- Government Support Agencies
 - ❑ Yunnan Provincial Economic Commission, SME Department
 - ❑ Institute of Scientific and Technical Information of Yunnan (ISTIY)

Existing programmes for leverage

- The site of the Yunnan Government (www.smeyn.com/ www.smeyn.gov.cn) is well developed and has extensive capabilities for SMEs. However, the level of awareness of the site within Yunnan Province of China is low and Yunnan Information requested some assistance on promoting their services to SMEs in the province. Given that this SME portal is the channel that the provincial government uses to publish news and policy and that the key challenge identified in the NSCs was that SMEs were unaware of government policies regarding SMEs and e-business, this portal has a unique potential to significantly improve the SME sector and their uptake of e-business in Yunnan Province of China.
- The China Yunnan & GMS Destination Marketing System (www.yunnantourism.com) is the leading tourism portal for Yunnan Province of China and a private enterprise representing the government's tourism interests online. Their extensive database of cultural and tourism related information extends to the other countries of the Mekong. Their aim to strengthen regional tourism and their currently advanced level of operation means they could be leveraged to provide linkages with the neighbouring countries to expand the tourism in the region.
- The above examples illustrate the common model in China of private public partnerships.

Specific e-business services

- The examples above indicate that Yunnan Province of China has existing e-business services that could be leveraged to maximize impact of e-business uptake by SMEs.

(iii) Lao People's Democratic Republic*Priority sectors*

- *Handicraft* subsector has been assisted by a number of NGO initiatives. The silk and cotton industry is also part of this subsector and is supported by a number of donor initiatives from Europe and Japan. There is a potential online market for Lao handicrafts and there is an interest in the subsector to develop e-business initiatives, yet the current capacity is low.
- *Tourism* is a key industry that many SMEs operate within. It needs e-business support to leverage their position in the

competitive market. A number of tourism based business associations have been established and are viable potential participants for this project.

- *Agribusiness* is a growing subsector which is led by the Lao Coffee Export Association. An active sector focusing on international clients, the Lao coffee industry is in a unique position to develop e-business services to further market expansion.

Potential ESA Partners

- Business/Trade Associations
 - ❑ Lao Handicraft Association (LHA)
 - ❑ Laos Hotel and Restaurant Association
 - ❑ Lao Coffee Export Association
- Government Support Agencies
 - ❑ Lao Trade Promotion Center
 - ❑ Department of Handicrafts, Design Center
 - ❑ Lao Women's Union
 - ❑ Ministry of Industry and Handicrafts
 - ❑ National Tourism Authority of Lao People's Democratic Republic

Existing programmes for leverage

- There are a few online portals, including Lao Trader (<http://www.laotrader.com>) and LaoPDR.com (<http://laopdr.com>), promoting business and trade activities and the tourism sector. These could perhaps be supported to expand the range of their current services specifically targeting at SMEs.
- Enterprise Development Consultants Co., Ltd. was an NGO that is now a sustainable social enterprise. They provide training and consulting services for associations and SMEs in the Lao People's Democratic Republic. They also conducted the needs assessment data entry and top line analysis. As the only BDS firm in the Lao People's Democratic Republic and due to their current work within the handicraft and agribusiness sector in improving production standards and product development they could potentially develop e-business services.

Specific e-business services

- Basic ICT skills development is still required: SMEs need introductory computer training as well as foundations of e-business.
- SME portal in Lao language with Unicode applications development.

(iv) Myanmar*Priority sectors*

- *Handicraft* subsector has been supported by many NGO initiatives. The silk industry is also part of this subsector and is supported by a number of donor initiatives in Myanmar. There is an emergent online market for the handicrafts and an interest in the subsector to develop e-business initiatives.
- *Tourism* is a key industry that many SMEs operate within and that needs e-business support to leverage their position in the competitive market. A number of tourism based business associations have been established and are viable potential participants for this project.
- *Information technology* is an emerging subsector that has a well developed supply of quality services and skilled professionals. Active government support of the ICT sector means that there have been a number of innovative e-government programmes. There need to be more incentives for the business sector to utilize ICT in their operations.

Potential ESA Partners

- Business/Trade Associations
 - ❑ Union of Myanmar Federation of Commerce and Industry (UMFCI)
 - ❑ Myanmar Hotels Association
 - ❑ Myanmar Computer Professionals Association
 - ❑ Myanmar Industries Association
 - ❑ Myanmar Women Entrepreneurs Association
 - ❑ Union of Myanmar Tourism Association
 - ❑ Myanmar Marketing Committee (Myanmar Tourism Promotion Board)

- Government Support Agencies
 - ❑ Ministry for Cooperatives, Handicraft Export Promotion
 - ❑ Ministry of Industry, SME Department

Existing programmes for leverage

- There are some government initiatives and programmes by the Myanmar Computer Professionals Association (MCPA) that could be leveraged to increase the uptake of ICT by SMEs in Myanmar.

Specific e-business services

- E-payment system should be developed with the financial sector.
- Public Access Centres for SMEs to access shared ICT resources located in Industrial Zones to support uptake of new skills and services.
- SME portal in Myanmar language and Unicode applications development.

(v) **Thailand**

Priority sectors

- *Handicraft* industry has been very active with the One Tambon One Product (OTOP)⁸ initiatives developing the subsector. There are a number of government agencies that are involved in the OTOP approach. It is a concept that allows products to be classified at varying levels with the top level being selected for sale to international markets. There is an online market for OTOP by both public and private enterprises and the Office of SME Promotion is planning to launch a new online shop as their latest e-business initiative.
- *Tourism* is a key industry that many SMEs operate within and that needs e-business support to leverage their position in the competitive market. A number of tourism based business associations have been established and are viable potential participants for this project. There are many private operators in this sector and the travel and tourism associations and government authority are leaders in the field. They operate at an advanced level in regard to e-business so it is unclear what

⁸ For more information, <http://www.thai-otop-city.com/>

initiative will best benefit from this current project. However, given the importance of this sector for the Thai economy and the GMS as a whole, it was recommended that potential ESAs should be invited to submit an application and illustrate what their needs are.

Potential ESA Partners

- Business/Trade Associations
 - Tourism Authority of Thailand
 - OTOP
- Government Support Agencies
 - Office of Small and Medium Enterprises Development (OSMED)
 - Institute for Small and Medium Enterprises Development (ISMED)

Existing programmes for leverage

- OTOP programmes in handicraft
- Post-tsunami tourism programmes
- Thai Chamber of Commerce current e-business programmes
- Office of Small and Medium Enterprises Development (OSMED)
- Institute for Small and Medium Enterprises Development (ISMED)

Specific e-business services

- OTOP e-business programmes to assist handicraft producers to better promote their products via the Internet

(vi) Viet Nam

Priority sectors

- *Tourism* is a key industry that many SMEs operate within and that needs e-business support to leverage their position in the competitive market. A number of tourism based business associations have been established and are viable potential participants for this project.
- *Information technology* is an emerging subsector that has many established associations. An active outsourcing sector for

international clients, Viet Nam is in a unique position to further develop e-business services for both Viet Nam and the region.

- *Small manufacturing* is a large sector for potential SME growth in Viet Nam.

Potential ESA Partners

- Business/Trade Associations
 - ❑ Vietnam Chamber of Commerce and Industry (VCCI)
 - ❑ CraftLink
 - ❑ Vietnam Hotels Association
 - ❑ ICT Association of Cambodia
 - ❑ Hanoi Small and Medium Size Enterprises Association (HSMEA)
 - ❑ Hanoi Union of Associations of Industry and Commerce (HUAIC)
- Government Support Agencies
 - ❑ The Agency of SME Development (ASMED) of the Ministry of Planning and Investment (MPI)
 - ❑ The SME Development Centre (SMEDEC)
 - ❑ The Investment and Trade Promotion Centre (ITPC, www.itpc.hochiminhcity.gov.vn)
 - ❑ Ministry of Trade SME Support Programme
 - ❑ Vietnam Trade Promotion Agency (www.vietrade.com.vn)
 - ❑ The Ministry of Trade E-Commerce Department

Existing programmes for leverage

- ADB, SME development
- United Nations Industrial Development Organization (UNIDO), SME programmes which focus on business support services, modeling the national SME agency and SME promotion council and entrepreneurship programme
- International Labour Organization (ILO) entrepreneurship training, capacity-building for enterprises, business development services

Specific e-business services

- SME portal for GMS.
- Provincial e-business centres.

- Designing services for enterprises in different stages of ICT development – non-IT users versus IT users (networked versus non-networked).
- Awareness raising among relevant enterprises on how to participate in e-marketplaces and online auctions.

2. Organization of a subregional workshop to share the experiences of enterprise support agencies in providing e-business development services

The Subregional Workshop on E-Business Development Services for ESAs was held in Hanoi, Viet Nam, from 17 to 19 August 2005. It was organized by ESCAP and hosted by the Vietnam Chamber of Commerce and Industry (VCCI). The workshop was attended by 28 participants from the GMS countries including representatives from the Government, the national focal point of the GMS Business Forum (Chamber of Commerce) and enterprise support agencies.

The objectives of the workshop were to:

- Provide a forum for the six GMS countries to share experiences and good practices of enterprise support agencies in approaches taken to provide e-business development services for SMEs;
- Share e-business experiences of enterprises in the project countries;
- Discuss measures that can be taken to increase SME competitiveness;
- Discuss potential subregional initiatives with comparative advantages; and
- Promote e-business development among government decision makers and relevant stakeholders.

Of particular interest of the meeting were the presentations by various enterprise support agencies on their experiences with e-business development. Experiences were shared among the enterprise support agencies that enhanced participants' awareness on the role of e-business applications. Eight cases were presented with different perspectives and purposes within the sectors of tourism, IT outsourcing, handicraft, software solutions and directory services. The participants agreed that the governments play a leading role in creating an enabling policy environment for e-business development as they provide the legal framework and regulation for digital transactions that are crucial.

The findings of the desk study and the needs assessment survey were shared with project stakeholders. Unreliable electricity supply, lack of human capacity, inadequate legal framework and lack of basic telecommunication infrastructure were identified as some of most important constraints for SMEs uptake of ICT in business development.

The meeting observed initiatives to create regional portals but concluded that it was too early to make formal commitment to such initiatives. The Workshop, re-emphasizing the important role of ESAs in the participating countries, identified tourism, handicraft, small manufacturing, and IT outsourcing as four priority sectors for e-business development. Those areas have potential for stronger regional cooperation through e-business as each country has a comparative advantage in these sectors.

III. ACHIEVEMENTS OF PHASE II

A. ESAs were qualified and equipped to provide improved services and have increased demand for their e-business development services

1. Training on e-business for SMEs

The Regional Training Workshop on E-Business Development was organized by ESCAP in collaboration with the Asian Institute of Technology (AIT) Extension in Bangkok, Thailand, from 7 to 11 November 2005. The main objective of the workshop was to enhance knowledge and skills of ESAs so that they can provide e-business development services to SMEs.

Based on various findings of the phase I, it was recommended the project to focus on selected categories of ESA to include in the training in order to be able to select an appropriate pilot project (Table 14).

Table 14. Recommendations of type and number of ESAs

ESA	Subsectors/types	#
Business/Trade Associations/Chamber of Commerce	<ul style="list-style-type: none"> • Handicraft • Travel/Tourism • IT services • Small manufacturing 	4-5
Government Agencies/Ministries (Commerce; Industry; Cooperatives; Tourism)	<ul style="list-style-type: none"> • Trade promotion agencies • Export promotions • SME agencies/institutions 	2-3

Each participating countries were invited to nominate 10 to 15 enterprise support agencies to participate in the workshop. Nominees were invited to submit an application in two parts:

(i) *Part A*

- Organization description
- Number of SME they serve and sector
- Type – Government Agency/Business Association/Chamber of Commerce

(ii) Part B

- Identify the needs of their organization in regards to e-business
- Clear goal of what they wish to achieve out of attending the course
- Clear plan to apply what they learnt from the training course
- Number of expected SMEs they will provide e-business support (per cent)

ESCAP selected 6 to 8 ESAs from each country based on the following criteria:

Criterion

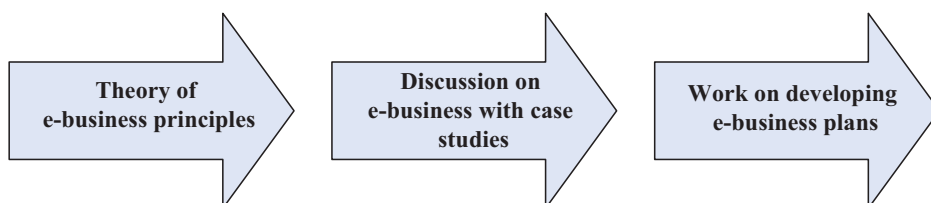
- Who has best outreach to SMEs?
- Who can return and share the training with their clients?
- Those industries that have a competitive advantage
- The maturity to take advantage of e-business

Basic Requirements

- English – upper intermediate.
- IT literate – able to use a computer, the Internet, email, etc.
- Interest in e-business and awareness of its benefits.

A total of 37 participants from 6 countries in the Greater Mekong Subregion participated in the workshop. The participants were mid-level to senior managers of enterprise support agencies handling marketing, promotion, business development training and related support services for SMEs.

During the workshop, participants learned, discussed and reviewed the key concepts, approaches and challenges for the development of a new e-business service or the enhancement of an existing e-business service for SMEs. The training combined basic theories, case study examples, and participative exercises to provide a practical, hands-on introduction to the practice of e-business. A step by step approach was adopted for each day of the training, with the first step focusing on the theoretical aspects, followed by discussion and practical application of the topic (Figure 13).

Figure 13. Components of the training workshop

The training was also an opportunity to develop regional linkages for both sub sector groups and government agencies. Participants were divided into working groups according to the different ESAs:

- Handicraft/Artisans Associations
- Travel/Tourism Associations
- Government Trade Promotion Agencies
- Government SME Agencies

The training material was translated into the 6 languages of GMS countries and distributed prior to the training to allow the participants to fully participate in and benefit from the training.

All ESAs that participated in the workshop were encouraged to submit a project proposal for implementation/improvement of e-business development services in partnership with ESCAP. The participants were instructed to develop the project proposals as e-business plans, specifying goals, beneficiaries, resources and budget. The project proposal also included a promotion plan for the roadshow of the pilot e-business services, including target audience, message and specific budget.

A second training workshop on enhancement of e-business development services for selected enterprise support agencies was conducted in Bangkok, from 26 to 28 June 2006, to strengthen their capacities for e-business development skills. The Training Workshop was attended by 38 participants, including 29 from participating countries (Cambodia, Yunnan Province of China, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam).

These training modules were intended to serve as training materials during e-business training courses to be organized by the ESA of the selected project countries, mainly targeting at SMEs as part of the project outcomes.

These modules were developed based on the materials used during the training workshop on E-Business Development Services for Enterprise Support Agencies in the Greater Mekong Subregion (GMS) held from 7-11 November 2005 with the intention of providing practical information to trainee SME representatives who can start applying the knowledge and skills in their daily business operations.

The training modules consist of two sections: 1) e-business fundamentals; and 2) sector specific materials for handicrafts and tourism sectors. The regional training workshop focused on training the trainers in the materials as well as training methodologies, so that the participating ESAs could integrate the modules into existing programmes or activities and build capacity among SMEs on e-business.

E-business fundamentals

1. What is e-business?

This module *presents* e-business from technical and business perspectives in order to illustrate how it works and how business processes are transformed. It also illustrates different types of e-commerce and e-business, such as B2B, B2C, B2E and B2G, as well as industries which have benefited from e-business.

2. Why e-business for SMEs?

This module provides an overall trend of e-business/e-commerce development at the global and regional levels, with illustrating SME examples from selected countries. Opportunities as well as challenges SMEs might face were also discussed.

3. Buying and selling online

This module go through the essentials of possible strategies to engage in e-business, their advantages and disadvantages and their particular benefits for SMEs.

4. E-payment

This module covers e-payment. It discusses the challenges SMEs might face is facilitating payment and how to embrace e-payment.

5. Offline infrastructure for e-business – logistics

This module discusses how logistics affect the whole e-business transactions and key success ingredients.

6. *E-marketing*

This module presents the details of e-marketing and how it works. It covers the market analysis, product designing and packaging, competitive analysis, pricing and promotion, among other issues.

7. *Policy and regulations*

National policies and regulations influence how SMEs conduct business online and across the borders. This module highlights some of the key topics SMEs should be aware of.

8. *Dos and Don'ts*

There are internationally accepted code of conduct and dos and don'ts. This module explains consumer protection, privacy, spam and other relevant issues.

9. *E-business development plan*

This module gives a step-by-step guide of how to develop an e-business and resources SMEs can take advantage of.

10. *What it takes to operationalize e-business*

This module gives an example of what is needed to conduct an e-business operation with a generic cost estimate and need for human resources and organizational changes.

Sector-specific Approaches

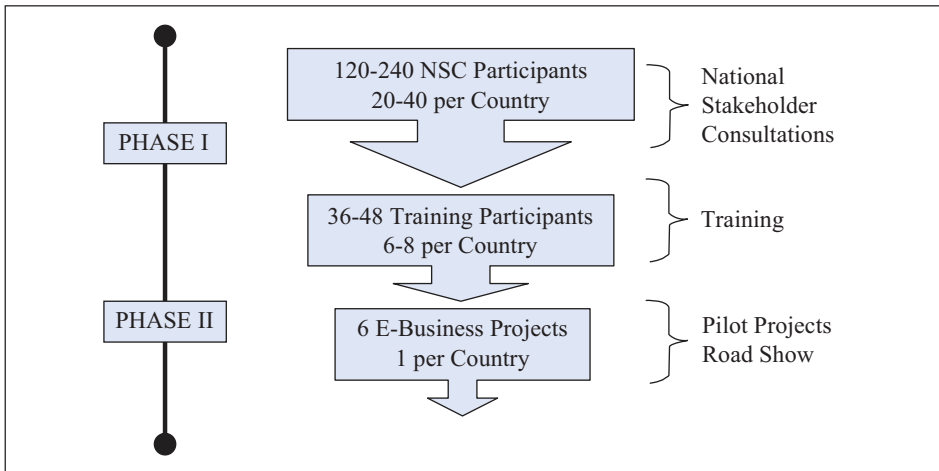
1. *Handicraft*

This module reviews specific characteristics of international and regional markets and analyse what successful SMEs have done to promote their products online. The lessons learned and best practices were synthesized into sector specific training modules.

2. *Travel/Tourism*

This module presents an overall trend of travel/tourism sector and how e-business has positioned the industry in the region. It also highlights successful examples of how some SMEs in the sector take advantage of online tools and what it takes.

Figure 14. Stages of selection



2. Grant provision for upgrading technical capacity (hardware and software) for e-business development services and e-business roadshow (or other events) to launch and promote services

ESCAP has established Letters of Agreement with one ESA each in Cambodia, Lao People's Democratic Republic, Viet Nam and Yunnan Province of China to provide grant for upgrading technical capacity for development of e-business development services and to launch and promote the developed services.

The partner organizations were selected based on the quality of project proposals developed during the above mentioned regional training workshop on e-business development (Figure 14). The selection process was conducted based on the following criteria:

- Is the output of the project an e-business development service?
- Is the proposed e-business development service sustainable?
- Is SMEs the target group of the project?
- What is the impact of the project for SMEs e-business development?
- Does the project increase SMEs awareness regarding the benefits of e-business?
- Does the project build e-business' capacity of SMEs?
- Is the project feasible in a four months' timeframe?

The partner organizations and the projects selected in each country are presented in the following sections.⁹

(a) Cambodia

Although all participants were required to submit the project proposals, the participants from Cambodia jointly requested to consider only one joint-proposal due to the lack of capacity and resources of provincial chambers of commerce, from which many participants were represented. Therefore, one joint project proposal from the Phnom Penh Chamber of Commerce (PPCC), representing other provincial chambers of commerce (Kampot, Sihanouk Ville, Kampong Cham, Siem Reap, Banteay Meanchey and Battambang), was selected.

The objective of the project proposed by PPCC was to build capacity of the ESA or provincial chambers of commerce on the use of ICT and raising awareness on the benefits of ICT in order to provide e-business trainings and seminars to Cambodian SMEs. PPCC proposed the project to enhance its existing website and establish six provincial websites for SMEs that would serve as hubs for getting SMEs online.¹⁰ The provincial chambers of commerce in the chosen six provinces were involved in the project by updating and developing further their websites, and supporting and training SMEs that want to develop e-business.

(b) Yunnan Province of China

Four ESAs from Yunnan Province of China submitted their proposals: Yunnan SME Bureau, Yunnan SME Online, Dali Investment Counseling Service Centre for SMEs, Chuxiong Service Center for SMEs. The selection process resulted in the selection of Yunnan SME Bureau as the partner organization in China. The list below shows the result of the evaluation in the order of total score:

1. Yunnan SME Bureau
2. Yunnan SME Online
3. Dali Investment Counseling Service Centre for SMEs and Chuxiong Service Center for SMEs

The objective of the project proposed by Yunnan SME Bureau was to implement an Application Service Provider (ASP) portal for SMEs in

⁹ Detailed information about the pilot project is available at ESCAP website – <http://www.unescap.org/icstd/applications/projects/e-business-GMS/pilots/>

¹⁰ <http://www.unescap.org/icstd/applications/projects/e-business-GMS/pilots/Cambodia/>

countries in the GMS. This portal aimed to provide e-business services such as web based enterprise resource planning system (ERP). The initial plan was to target SMEs in Cambodia, Viet Nam, Lao People's Democratic Republic, Thailand, Myanmar and Yunnan Province of China. However, because of time and budget constraints, the project was revised to target SMEs in Thailand and in Yunnan Province of China. Yunnan SME Bureau plans to extend the portal to other GMS countries in the future.

(c) Lao People's Democratic Republic

The following four ESAs submitted their proposals: SME Promotion and Development Office, Lao National Chamber of Commerce and Industry, Lao Trade Promotion Center (LTPC), and Science Technology and Environment Agency. The selection process resulted in the selection of Lao Trade Promotion Center as the partner organization in the Lao People's Democratic Republic. The list below shows the result of the evaluation in the order of total scores:

1. Lao Trade Promotion Center (LTPC)
2. Lao National Chamber of Commerce and Industry
3. SME Promotion and Development Office
4. Science Technology and Environment Agency

The objective of the project proposed by LTPC was to increase exports of the Lao People's Democratic Republic products through the implementation of following e-business development activities and generate income of exporters, producers, and other SMEs:

- Identify potential members to conduct e-business online through the website;
- Enhance the existing website to be more dynamic and capable to sell products online (offline payment);
- Provide training course on new e-business development services on the website.

(d) Myanmar

Three ESAs from Myanmar submitted their proposals: Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), Myanmar International Freight Forwarders Association (MIFFA), and Myanmar Forest Products and Timber Merchants Association. The selection process resulted in the selection of UMFCCI as the partner

organization in Myanmar. The list below shows the result of the evaluation in the order of total score:

1. Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)
2. Myanmar Forest Products and Timber Merchants Association
3. Myanmar International Freight Forwarders Association (MIFFA)

The objective of the project proposed by UMFCCI was to provide e-business services to SMEs in Myanmar, through the implementation of the B2B services in the UMFCCI's website (<http://www.umfcci.com.mm/>), including B2B market place, virtual trade fair/exhibition, business information, business publicity, and business directory.

The pilot project in Myanmar could not be implemented due to delays in proposing a detailed project plan and due to changes in partner's priorities.

(e) Viet Nam

Five ESAs from Viet Nam submitted their proposals: the Small and Medium Enterprise Promotion Center (Viet Nam), Vietnam Leather and Footwear Association, Agency for Small and Medium Enterprise Development (ASMED), Institute of Information Technology for Business (ITB) of Vietnam Chamber of Commerce and Industry (VCCI), and Hoang-Hanoi Trade Promotion Center/Dung-Vietnam Trade Promotion Agency/Mau Trade Promotion and Investment Centre. The selection process resulted in the selection of Vietnam Chamber of Commerce and Industry as the partner organization in Viet Nam. The list below shows the result of the evaluation in the order of total score:

1. Institute of Information Technology for Business of Vietnam Chamber of Commerce and Industry
2. Hoang-Hanoi Trade Promotion Center/Dung-Vietnam Trade Promotion Agency/Mau Trade Promotion and Investment Centre
3. Small and Medium Enterprise Promotion Center (Viet Nam)
4. Agency for Small and Medium Enterprise Development (ASMED)
5. Vietnam Leather and Footwear Association

The objective of the project proposed by ITB-VCCI was to improve the e-business services for paid members of VCCI's website (Vietnam

Business Portal – <http://www.vnemart.com/>), through the implementation of the following services:

- Service that allows paid members to create their own customized online shop
- Service that allows paid members to post product images in their online shop
- Online transactions for payment of member's fees
- Service to verify business information
- Service to promote trade leads in other B2B sites
- Training course on e-business

(f) Thailand

Although two organizations from Thailand participated in the training workshop, only the Thai Chamber of Commerce (TCC) had participated throughout the sessions and submitted the proposal. Therefore, one project proposal from TCC was selected.

The objective of the project proposed by TCC was to transform the existing website <www.thaiechamber.com> into an E-Business Web Service and to allow its SME communities to have trade and sell their products online through the implementation of the following e-business development activities:

- Develop instant website templates
- Organize training on e-business concept and instant website creation
- Promote Thai chamber website

The pilot project Thailand could not be implemented due to delays in proposing a detailed project plan and due to changes in partner's priorities.

3. Technical assistance to support the development of pilot e-business services and roadshow

Remote and on-site technical assistance to support the development of e-business services were conducted, including though missions carried out to four participating countries implementing pilot projects (Cambodia, Lao People's Democratic Republic, Viet Nam, and Yunnan Province of

China) from April to May 2006. The objective was to provide technical assistance to partner organizations in implementing their pilot e-business services and in preparing marketing plan, including:

- Planning, managing and evaluating technical work;
- Assisting the development of web-based services including tools and information on accessibility, navigation, usability, content management and site visibility;
- Monitoring the implementation of the pilots of e-business services including reporting status and recommending preventive and corrective actions;
- Assisting development of marketing plan, including e-marketing.

The summary of the pilot implementations is presented in the following sections.

(a) Cambodia

(i) *Situation analysis*

Phnom Penh Chamber of Commerce (PPCC) under the Ministry of Commerce is established to support and represent the interests of SMEs and do so with a range of services. As part of this, the website www.ppcc.org.kh has been established. The website offers information about PPCC, meetings, newsletters and other relevant information, and regularly updates and publishes a business directory. The website is targeted at enterprises and partners. The pilot project aimed to enhance the web pages under <http://www.ppcc.org.kh> and establish six additional provincial chambers of commerce websites that will support SME development in these provinces (Kampot, Sihanouk Ville, Kampong Cham, Siem Reap, Banteay Meanchey and Battambang).

There were not many serious competitors on the Cambodian market offering e-business to SMEs. Most SMEs are not online with a website, and do not have many opportunities to go online, so PPCC is the sole player. However, if the Internet development of Cambodia follows its neighbouring countries this will change in the next few years.

There are a number of challenges for Internet presence in Cambodia, as well as employing e-business initiatives in connection with enterprise development. The Internet coverage is low outside Phnom Penh and Siem Reap, and access to computers is not affordable for most SME. Also in provincial administrations, the computer penetration is low, meaning that

most procedures are manual. As computers are not always used as a work tool to mainstream and store information and data, as well as support the day-to-day work, the whole concept of ICT as a tool for supporting and developing SME business development is not well understood in the provinces. Many SMEs are not aware of the benefits that they could gain from the integration of ICT into their business. This also applies to the provincial chambers of commerce who are ESAs.

It was therefore recommended that PPCC focus the marketing of the training of the ESAs on the launching event of the websites. This event had the theme “Benefits of e-business for Small and Medium Enterprises in Cambodia”. It was participatory in its approach and informal in its presentation, allowing for lots of inspiration and plenary sessions. The main challenge was:

How can PPCC raise positive awareness of ICT and its potential benefits in private sector development among key staff at provincial chambers of commerce and indirectly among Cambodian SME owners?

Working on changing the mindset of the target group, the suggested positioning statement was:

“PPCC offers the opportunity to expand your knowledge and capacity on computers & new technology and shares lessons learned on how ICT can support national business development for SMEs.”

(ii) *Technical implementation*

The plan for the development of the websites of the Cambodian Chambers of Commerce was a turn-key delivery per site. The sites were developed in a non-concurrent, subsequent order, with the main site being delivered first. The development work was done off-line and once all the design, content, graphics, pictures and functionality were tested it was be uploaded as a fully finished product. This was considered the proper development approach for IT/webdesign projects where the participating project members have a limited knowledge base as is the case in Cambodia. It had the following advantages:

- Thrashing (deleting already developed code, design or functionality) occurred less frequently due to the closed environment where the work processes took place;
- Defect tracking took place more efficiently and error corrections were handled faster;

- System integration (in our case here: link checks, standard content verification) was easier to handle than with staged delivery.

There was however one big disadvantage: turn-key delivery caused a serious lack in establishing proper work processes during the development phase. Given the fact that all development, error tracking, design and content changes took place outside the view of the end-user/visitor and within the small circle of project members only, it was rather convenient not to establish rigid processes for the project. The major negative consequence was project delivery delay/postponed live dates, a direct result of the lower impact of internal accountability versus external accountability. As the conclusion, turn-key delivery was the proper development strategy for the e-business services, but controls were lacking.

(iii) *Marketing plan*

The objective of the pilot project was to activate and encourage directly the enterprise support agencies (basically provincial chambers of commerce) to understand the benefits of ICT and how to use ICT and indirectly instruct Cambodian Small and Medium-sized Enterprises to understand ICT by providing trainings and seminars. Working on the values of encouraging and involving, the objective of the marketing of these services (training and seminars) was to promote to the participants and especially the target group (provincial ESAs and SMEs) a positive attitude that ICT can help them develop businesses in a simple way.

The strategy had as its goal to change the perception of ICT as something out of reach, difficult and perhaps unnecessary to the SMEs in the provinces in Cambodia into something that will add value to SME business development. The focus of the marketing strategy was to support these initiatives through the values of innovation, participation and dialogue. This marketing strategy aimed to promote and support the training of the provincial ESAs that will then in turn be promoting ICT to the SMEs that they support in their provinces.

The marketing activity focused on the launching event. It was used as a mile stone for further development of the awareness-raising campaign. It was suggested that other marketing activities support the awareness-raising. They may consist of announcements of training on e-business through the online and off-line channels of communication to the provincial ESAs and through dedicating one issue of the online newsletter to promoting the new Internet services.

(b) Yunnan Province of China

(i) *Situation analysis*

There were a number of challenges that need to be addressed when analyzing the market that GMSEB, the e-business portal for GMS SME created by the Yunnan SME Bureau, is now part of. When scanning the Internet for websites and portals that offer online services – especially ones that involve some degree of e-commerce – it is easy to find a number of potential competitors offering some of the services that GMSEB is proposing to offer. B2B portals such as alibaba.com are both popular and visited within China and among potential customers all over the world, so getting to know their business, their strengths and especially their weaknesses was essential. This knowledge was valuable in deciding which elements to focus on in the marketing strategy, and also guided the development of the website.

The main challenge was therefore:

How do we package GMSEB so it appeals to SME owners from Yunnan Province of China and Thailand (but in the second phase all other GMS countries) and sign up as members of GMSEB instead of the similar service that the chamber of commerce or corresponding enterprise support agency offers them in their own country?

The recommended strategy was to focus on the web based ASP platform as the main product/service of the GMSEB portal. This service is different from what GMSEB's competitors offer, and adds value to the SME owners' business – two very strong selling points. Focusing on the ASP platform did not imply that the other services to be provided by GMSEB should change, but the portal was packaged under one product, making it simpler to understand for potential customers, partners and consumers.

In this light, GMSEB's positioning statement was:

“GMSEB offers a web based service to SMEs that allows SMEs to conduct business on the Internet using only a computer and an Internet connection – including online transactions and enterprise management tools while connecting you to a body of SMEs across the GMS and keeping you updated on national and regional SME business traits and developments.”

(ii) *Technical implementation*

During the whole project the team members have implemented smaller and larger changes in real-time. This was done both at the ASP level as well as the website/e-commerce portal level. This development on a live project requires high skill levels from the technical staff and the project management. For Yunnan Province of China the advantages of this type of development were:

- Immediate bug feedback. Errors in system behaviour or functionality came to light at the very first possible moment after implementation/upload of the change;
- Transparency for collaborating team members. Each project member could check in real-time the progress and status of the project.

There were some disadvantages too:

- No phase containment. Due to the fact that there were no real development phases in the project it has not been possible to implement a so-called phase containment policy. In phase containment the project team detects and corrects defects within the same phase in which these bugs were incorporated, a significant time saver in any IT project. Common knowledge for development and deployment of IT projects states that the correction of errors in later phases of the project is more difficult and expensive than if these errors are found and fixed early;
- End-user exposure. The Yunnan SME Bureau has already an existing end-user base for its GMS application. Furthermore a large number of companies is listing their services and products on the e-business pages of the gmseb.net website. Users of these two services are exposed to changes in programme, design and/or functionality changes in a live environment. This could lead to some confusion whenever only a part of the projected change has been carried out.

This was a large-scale project, for which the most workable and pragmatic development approach has been chosen. The new site meets international standards, and is ready to be rolled out to potential new customers in the GMS countries.

(iii) *Marketing plan*

The objective is to offer online services that connect SMEs in the GMS across borders in order to build a strong, body of SMEs that are connected through their potential global market value. The ultimate goal is to bring more business to SME owners in China and other GMS countries. The target group of the marketing plan was SME owners and Chambers of Commerce in China and the other GMS countries.

The marketing strategy adopted was:

- Target already online users with cross references on other websites;
- Target potential online SME owners and international buyers with web banners;
- Target partners in other GMS countries with a written invitation to be a partner in the GMS collaboration that GMSEB offers; and
- Target potential national ESAs/SME owners with e-business seminar.

(c) *Lao People's Democratic Republic*

(i) *Situation analysis*

The Lao Trade Promotion Center was established in 2001 under the Ministry of Commerce. The website www.laotrade.org.la was created under this initiative, and has been running for some time. It contained mostly static information and listed contact information of Lao SMEs categorized by sector. The LTPC has chosen to focus its effort on the SMEs that work in the handicraft sector, allowing for development of a pioneer case with this sector group and expanding in steps to other sectors.

Although the website was not dynamic, it already had several strong points. The domain name www.laotrade.org.la is logical and easy to remember – no difficult abbreviations or strange spellings. This works well for an international target group. The basic website structure was quite logical and did not have too many elements that confuse. Also, there was already a reserved space for advertising on the right side of the website, an important element for potential income from the website.

There was not much competition yet, although there are a few sites that show case Lao community handicrafts. Two of these are www.mulberries.org and www.camacrafts.org – both attractive, professional

websites that focus on the products and the small enterprise production type. They have many images of the goods that are sold and stress that they are selling Lao handicrafts. Much attention is given to language and the content is written by a native English speaker on both websites. None of them have payment gateways yet, but are potential competitors on the market for promoting Lao products – it was recommended to have a close look at their websites to ensure that there is no duplication. It was also recommended to establish a relationship with these websites so that the websites become complimentary and LTPC's website differentiates itself from the other websites on the market.

There were some very fundamental challenges connected to the project that were considered in the design of the pilot project. Internet access is not widely available among SMEs in the Lao People's Democratic Republic, especially outside Vientiane. Computers are expensive, connectivity is slow and unpredictable and the cost of acquiring an Internet connection is high, meaning that most SMEs choose not to invest in the technology. Awareness of the Internet and its potential for bridging the communication gap between developing markets and the developed world is low. Many SMEs have not had the opportunity to learn what the Internet can in fact offer, and hence do not feel that the Internet is something that is worth investing in, as it will surely not benefit their business.

In general terms, the main challenge was:

How do we establish a dynamic website that actively supports LTPC's objective of utilizing ICT as a way to promote Lao handicraft to both national and international markets while addressing the fundamental challenge that the main source of content – the SMEs – are not online?

To effectively address this, the positioning statement for the marketing of LTPC's website was:

“Through a simple, user-friendly and intuitive web interface supplemented by training, support and long term awareness-raising, Lao Trade Promotion Center (LTPC) offers Lao handicraft SMEs access and exposure to global markets”.

(ii) Technical implementation

The development approach adopted was the staged delivery: blocks of the new site were built and uploaded once finished. These blocks were tied together as the project progressed. A turnkey delivery approach would

have been much easier for the Lao team, but as a consequence of the heavy time pressure to finish the project this could not be achieved.

Is important to note some aspects of the website:

- The pro-active advertising sales approach. In the website, there is a graphic hyperlinked to the contact form. The graphic depicts a standard advertisement, including format in pixels, plus an embedded email address. Other pages of the website offer the same, but then the advertisement shows a different format in pixels. This is a efficient method to advertise how big ads will look like.
- The currency converter. An embedded currency converter enhances the overall feeling of being on a site that does business globally.
- Background loading. During the loading process of a new page, the LTPC logo is displayed, i.e. the pages requested from the web server are loaded in the background. This is an efficient way to inform the visitor that he is still on the LTPC website, although it might take a while for the new page to load. Most websites either show no movement (low refresh rate due to low bandwidth or high traffic volume), or show a blank page. The display of an intermediate page has 2 positive effects: the visitor does not click twice on a link (which happens very frequently if no movement is shown) causing yet another page refresh, and once the new page is loaded it displays at once (still giving the impression that the site is rather fast despite low bandwidth on the side of the visitor).

(iii) *Marketing plan*

It was suggested to focus on establishing a trusted relationship with the priority sector handicraft SMEs through different channels, including personal contacts and building knowledge through networking, and printed material that supports training in basic Internet knowledge. It was recommended the promotion of the website as an inherent part of the above activities.

(d) *Viet Nam*

(i) *Situation analysis*

The Vietnam Chambers of Commerce and Industry (VCCI) planned to expand its existing e-commerce business-to-business portal with a range of new activities. It also planned to differentiate its customers in three

groups: 1) Free members – a free membership with limited features and services available, 2) PRO paying members – a basic membership with some interactive features and services available and 3) Gold paying members – an advanced membership, which gives access to verification (being guaranteed by VCCI as a trustworthy business), a service that allows VCCI to conduct business communication with foreign companies on behalf of the Gold member (VCCI will act as the trusted intermediary for business communications) as well as a wider range of features and services within the e-commerce portal.

VCCI is the responsible for the B2B portal called VNemart, which has both Vietnamese and English versions and allows anyone to apply and receive membership online. At the initial of the project, the portal had 4,693 members. It has been running successfully for 3 years – initially VCCI wanted to create a forum for small enterprises so that they could market their products to potential buyers, and this, to some extent has been a successful channel of providing exposure and promotion space for small enterprises. The main obstacles in the existing setup was a secure online payment procedure (and verification process), the SME knowledge/confidence about using the Internet to post and market their products, and the amount of trust that was needed to establish a shop where customers feel that it was safe to do business and exchange credit card information.

(ii) *Technical implementation*

The VNemart project was an example of staged delivery, which is neither automatically the easiest nor most convenient way for change implementation on a live website. Although the enhanced functionality was clearly defined in the initial stages of the project, it became clear that certain abstract ideas were gradually converted into specific and tangible activities.

Staged delivery did increased project overhead due to the simple fact that the various components or enhancements were lifted to a bug-free releasable stage several times. Furthermore the behaviour of component inter-dependencies is more difficult to predict. The advantages of staged delivery are improved status visibility (not only by VCCI project members but – maybe even more important – also by the site's customers), flexibility and risk reduction. Prerequisite however for staged delivery is that the development team must have, or has direct access to, ample IT/web design experience due to the fact that negative feedback from end consumers must be analyzed, tackled and eventually corrected immediately. The site was operational at the time of the development of the new services, and annoying errors and bugs in new, partial uploads could most certainly cause visitor numbers to drop dramatically.

(iii) Marketing plan

The recommended marketing strategy for the new e-business services was to create a VNemart brand that supports the values of trust, and simple, effective business support that expands and strengthens the member's own business. The target group was the Vietnamese SME owners that wished to expand their outreach and markets, as well as have access to other SMEs both within their own niche and across product categories. There are various business portals in Asia, and although sites such as alibaba.com and others are sources of inspiration, they also mean competition. It was therefore recommended that VCCI should focus their branding exercise and positioning statement towards only Vietnamese suppliers and international buyers.

VCCI's already established reputation as an effective and supportive Enterprise Support Agency in Viet Nam improved the website's credibility among potential Pro and Gold members. VNemart planned to cater to two differentiated groups: Vietnamese SMEs that want to expand their markets and international buyers looking for cheap, good quality SME products, characterized by small batches, Asian aesthetics and very competitive prices.

VCCI's main challenge was:

How to create a website that will attract paying members to the VNemart portal while maintaining overall member satisfaction (among both paying and non-paying members) with the services that VNemart provides?

The positioning statement was:

"VNemart offers Vietnamese SMEs access to global markets. VNemart's secure e-business portal offers you to set up an Internet shop within minutes, with both technical and business support. VCCI can vouch for the security for both the VNemart buyer and seller online."

The marketing strategy employed a mix of on- and off-line activities to promote and create awareness about the business portal and to support VNemart's brand identity. While it was crucial to have built-in features online that effectively delivered VNemart's message to its users, it was also recommended to employ a number of off-line activities to support the mission of building trust and spurring recognition for its key target group.

4. Provision of training for selected enterprise support agencies to provide improved e-business development services

As one of the final activities of the project, the Regional Training Workshop for Enterprise Support Agencies to Promote E-Business for Small and Medium Sized Enterprises in the Greater Mekong Subregion (GMS) was held in Bangkok from 26 to 28 June 2006. It was organized by ESCAP as training for trainers on e-business to assist ESAs to raise awareness and build capacity of SMEs on e-business. Its objectives were to assist the participating ESAs and trainers in training institutions in participating countries to gain familiarity with the modules and methodology which were developed by the project¹¹ and to discuss the way forward in integrating the training modules in the pilot project activities and advocating e-business among SMEs. The regional training workshop was attended by 38 participants.

B. Project evaluated and lessons learned, good practices and recommendations disseminated to relevant stakeholders

ESCAP has conducted the evaluation in the four countries implementing pilot projects (Cambodia, Yunnan Province of China, Lao People's Democratic Republic, and Viet Nam). The results of this evaluation are presented in the Chapter 5 of this document. All the information related to and produced by this project is available in the ESCAP website.¹²

¹¹ Training modules are available at ESCAP website – <http://www.unescap.org/icstd/applications/projects/e-business-GMS/tw2/modules.asp>

¹² (<http://www.unescap.org/icstd/applications/projects/e-business-GMS/index.asp>)

IV. EVALUATION RESULTS

The evaluation of the project was conducted from August to October 2006 by an external evaluator. The purpose of the evaluation is to identify and document the relevance, performance, success and lessons learned of the project. It has used various evaluation tools, such as surveys, interviews and focus group meetings, targeting both SMEs and ESAs.

The distribution of the surveys was coordinated by each of the partner ESA. The advantage of this approach was that it was the most likely means of obtaining reasonable returns. The disadvantage was that the survey sample was not random. The interpretation of the results is therefore an indicative of the SME community that can be addressed immediately by the ESAs. In the cases of Cambodia and Lao People's Democratic Republic, this community is restricted mostly to the capital city and other major towns owing to the newness of the portals, which are little known beyond those SMEs who have been approached directly, and to the very limited access of SMEs to the Internet beyond the capital cities. In the case of Viet Nam and Yunnan Province of China the community of SMEs is very much larger owing to the fact that the portals are building upon established websites and Internet access is more widespread, especially in China.

The results of the evaluation show that the project has been successful in building the capacity of ESAs to improve and publicize e-business development services to support e-business initiatives among SMEs. The four ESAs that developed e-business pilot projects in partnership with ESCAP were able to develop/upgrade their e-business services for SMEs, which were inaugurated during launching ceremonies in July 2006.

At the official launching event of the e-business services at the Lao Trade Promotion Centre (LTPC), the Director General of Foreign Trade Department, Ministry of Commerce and Industry, praised the e-business services as the service that can save costs of promoting products and companies and communication, while extending the reach across the world. In Yunnan Province of China, the project is expected to "play a significant role in enhancing the level of informatization and e-business among the enterprises of GMS countries and improving their market competitiveness as well as further promoting economic and trade exchanges among these countries", according the Deputy Secretary-General of the People's Government of Yunnan Province of China.

Although the e-business services developed under the project have been in use for just two months, there are already some indications of success. In Viet Nam, more than 300 companies registered on the B2B website of the Vietnam Chamber of Commerce and Industry (VCCI) during the first month after the launching of the updated services developed under this project. In the Lao People's Democratic Republic, one SME, which was going to start its own website, decided to use the LTPTC website developed under this project. The company reported that through the LTPTC website it received ten inquiries from companies outside the country in just a couple of days. Another company, a SME in the timber sector, has received four inquiries from Japan.

A. Summary of evaluation in Cambodia

The evaluation of the pilot project in Cambodia was conducted on 28 and 29 August 2006. Currently the Phnom Penh Chamber of Commerce (PPCC) and six provincial Chambers of Commerce (CCs) have launched websites. Although the website became active in July 2006, it was fully functional just in late September. The main focus of activity at this stage is to invite SMEs to submit company information for posting on the site.

The evaluator met with representatives of the provincial chambers of commerce from Siem Reap, Kampong Cham, Banteay Meanchey, Battambang, Sihanouk Ville and of the Ministry of Mines and Energy and the SME Association in Phnom Penh and the PPCC. The Ministry has a website and provides policy information, a newsletter and statistics, and the SME Association launched a website in July 2006. There are plans to make their website interactive to include business registration (online registration) and possibly online payment for the future. The sites are only in the Khmer language and rural areas in particular have problems finding ways to access the site. Three of the provincial CCs represented reckoned that it would take another 12-18 months before their sites were ready for launch.

The evaluator also met with seven SMEs from Kampot, Sihanouk Ville, Kampong Cham, Siem Reap, Banteay Meanchey and Battambang and one from Phnom Penh. Three companies had websites, three had Internet access, five used Internet cafes mostly to check emails and gather information, but only two have logged into the PPCC website. One SME in Siem Reap has started his own website to promote various categories of products from local SMEs, but is also experiencing difficulties in persuading SMEs to provide information. In all the meetings it was agreed that the PPCC website should try to become a portal for the others and this

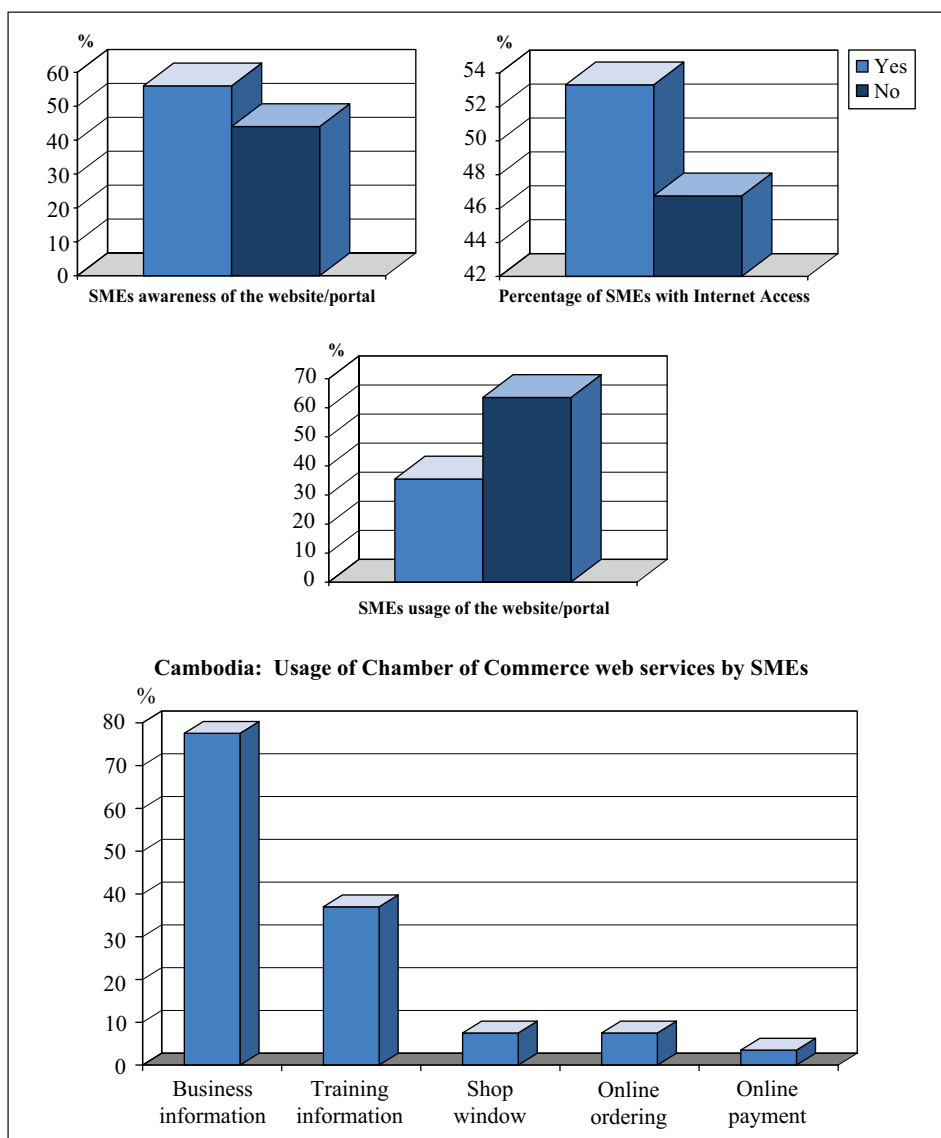
is a hopeful sign that a collaborative approach would be acceptable in principle. According to the PPCC, all seven CCs with websites signed an Memorandum of Understanding (MoU) to cooperate in this regard.

The PPCC organized a training course held on 27 and 28 July 2006 with support from the International Institute of Cambodia (IIC) who provided a computer lab to demonstrate e-business. Seventeen participants from the provincial chambers and other enterprise support agencies attended the workshop and received instructions in web design from a Cambodian IT consultant. The PPCC also organized two publicity campaigns in Phnom Penh using the local media (TV, radio, press) and it is planning more training courses in conjunction with the IIC. According to the PPCC, the lack of ICT expertise in Cambodia is a major constraint.

From the SME perspective, a number of barriers stood in their way and reduced the incentive to use websites. Those mentioned included the fact that most SMEs were not confident about handling exports and preferred to deal through agents or take their goods to the border and hand them over to a buyer. One reason given was the perceived need of bribery to clear a smooth path through customs. Another reason was exposure of prices. SMEs preferred to keep the prices confidential. Another reason was that overseas buyers wanted to see and handle the goods, and Cambodia does not have any certification and standards bodies that can act as guarantors of quality. SMEs also lack technical personnel knowledgeable about websites. But there was general agreement that they welcome PPCC taking the lead by organizing training and building support from the business community for the website.

The provincial CCs confirmed most of these concerns, again stressing the need for technical support, training and also equipment. In all cases there is no equipment that is solely dedicated to the website projects, including computers, printers, scanners and copiers. These items all have to be shared among different departments and projects of the CCs.

Unlike the projects in other GMS countries, the Cambodian project received no independent financial support other than from ESCAP. There needs to be a plan to broaden the base of funding. For the foreseeable future this cannot be from SMEs, and the priority is to offer incentives for them to provide their information. This means free postings. If it could also mean assistance with those postings, such as translation of product information into English, producing professional images of products to showcase them, this would be a great help. However, given existing resources and capacity, such assistance seems most unlikely.

Figure 15. Results of the evaluation survey in Cambodia

Among the SMEs responding to the survey in Cambodia, 55 per cent showed awareness of the portal and 53.3 per cent of SMEs reported Internet access. The fact that more SMEs are aware of the portal than have Internet access suggests that many SMEs have seen reports or leaflets about the portal and not that they have actually visited it. Less than 40 per cent of responding SMEs reported having visited or having used the portal. Given that the sample population is not random, the 53.3 per cent undoubtedly over-represents those SMEs who are already connected. In Phnom Penh, Siem Reap and major towns many SMEs have to

rely upon Internet cafes for their access, while, outside these towns, telecommunications is predominantly by cellular mobile phone and Internet connections are few.

Of SMEs reporting they have used the portal, nearly 80 per cent had accessed the business information facility, but less than 40 per cent had visited the online training facility and less than 10 per cent reported having visited or used the shop window, online ordering and online payment. Online payment in this context refers to invoicing, not to electronic payment.

The data supports the view that the Cambodian portal is at its very initial online stage and with, as yet few, services and few users (Figure 15).

B. Summary of evaluation in Yunnan Province of China

The evaluation of the pilot project in Kunming, Yunnan Province of China, was conducted on 31 August and 1 September. The GMS website developed under this project (GMSEB) is part of a wider initiative by the Enterprise Service System Section of the Yunnan Provincial Economic Commission, also known as the Yunnan SME Bureau.

In Yunnan Province of China, there are an estimated 70,000 SMEs responsible for around 45 per cent of the province's GDP and creating the most the employment, so the government in Yunnan Province of China is highly committed to supporting a website for SMEs. Given Yunnan Province of China proximity to and trading relations with the GMS countries, the government fully supports the GMS aspects of the website project. The GMS e-business website has effectively subsumed an existing website (www.cneb.net) initiative which has already attracted over 37,000 SMEs from all over China to register. Currently, over 13,000 Yunnan-based SMEs have registered with the GMSEB.

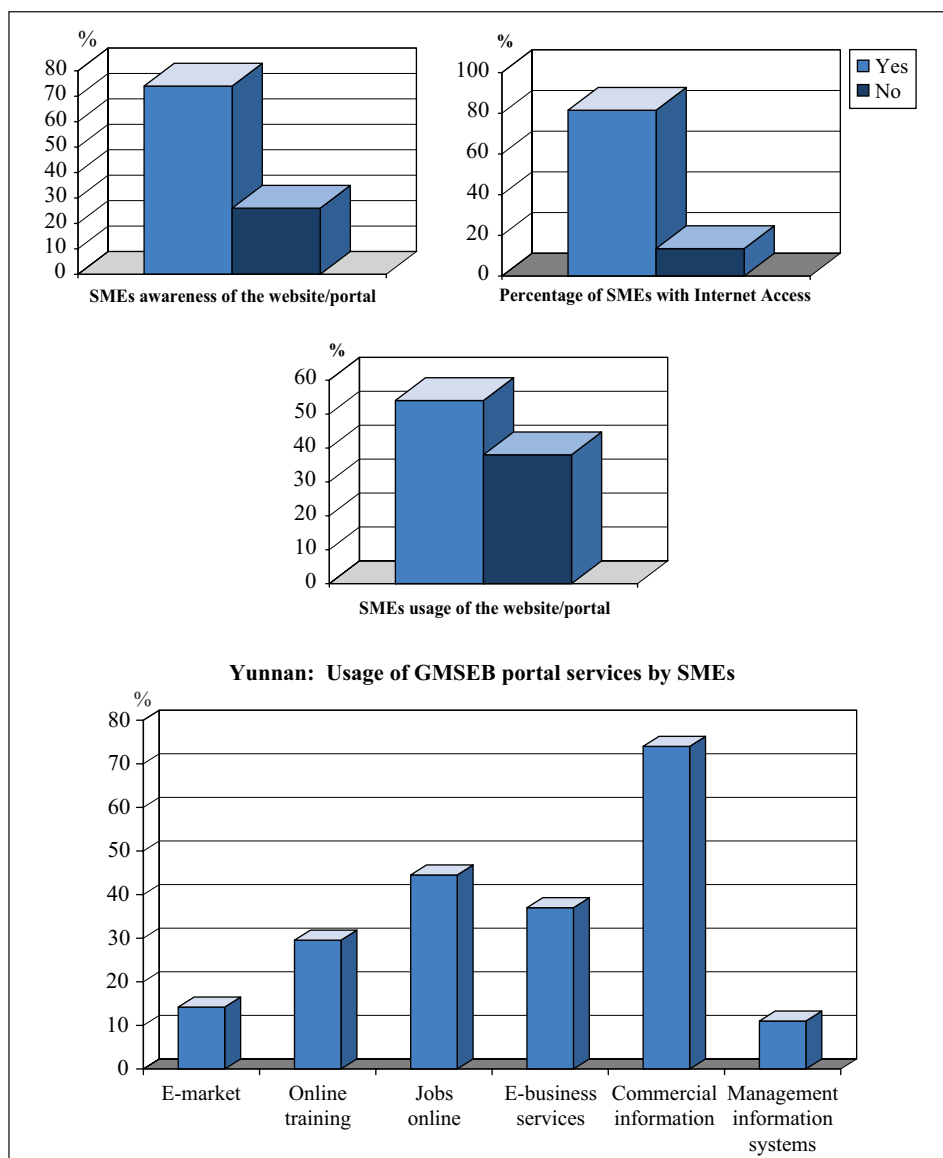
The GMSEB has both the political and financial support of the Government of China. Around Yuan 4 million (US\$ 500,000) from the National Development and Reform Commission (NDRC) and Yuan 1 million (US\$ 125,000) from the Yunnan SME Bureau to promote e-business for China's SMEs to support e-business between Yunnan Province of China and the other GMS countries. This, together with the very large base of SMEs already registered, places the GMSEB project on an entirely different level from the other pilot projects. The general issue of sustainability hardly arises with such levels of support, although financial (profitability) sustainability may be hard to achieve.

With 45 staff to assist the development of the GMSEB, and a strong local environment of IT support, for example from the Kunming University of Science and Technology, and a steady supply of graduate students trained in China's many computer science departments, the project faced few difficulties in providing the technological platforms for e-business services, including online payments which are planned for the future. While the GMSEB service offers translation work for SMEs for a fee, registered SMEs are able to do their own self-posting in Chinese, English or Thai and additional GMS languages will be added later. The current challenge is not technical but simply keeping the information up-to-date, which is a responsibility left to the SMEs themselves.

The website also supports a sophisticated online video training facility. But several SMEs expressed the view that online training was often not sufficiently industry or company specific and that face-to-face instruction was preferable.

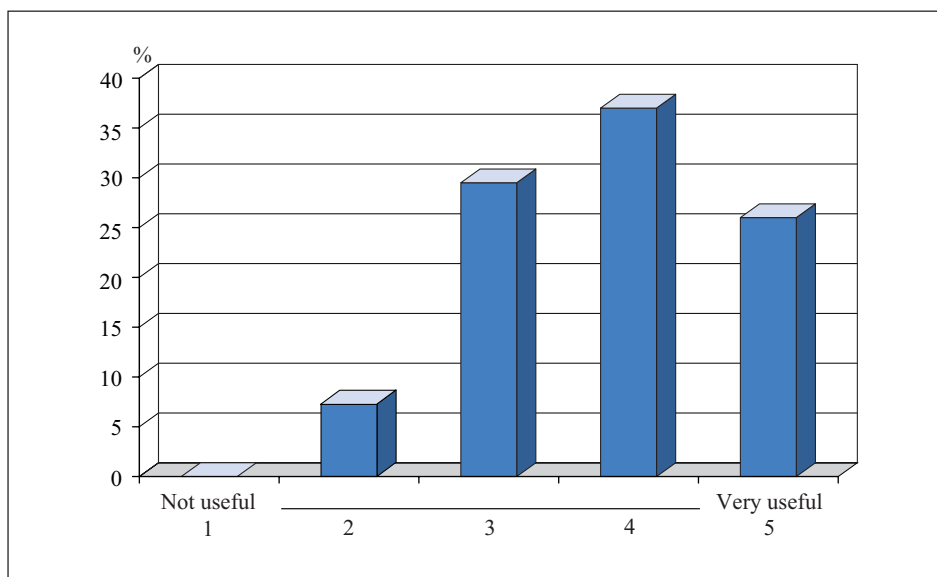
The purchasing-ordering system is not linked to any logistics services. Most companies rely either upon China Post, which is considered expensive and not always reliable, or local transportation and shipping companies. This relates back to the issue of the supply chain, and the lack of an infrastructure to facilitate efficient transportation, warehousing, documentation, freight forwarding, shipment and trans-shipment. But one very significant development being promoted by the Yunnan SME Bureau is the role of Financial Guarantee Companies (FGC) who provides credit guarantees to SMEs who have to put up collateral, such as their home or car or other tangible assets, and in exchange gain access to bank loans. The GMSEB is cooperating with the China Construction Bank to offer SMEs lines of credit within two days of online application (instead of one month) if they have FGC guarantees. At least four of the sixteen ESAs represented were from FGCs and there are over 100 FGCs in Kunming alone.

The Yunnan Government has invested Yuan 4.6 million to establish 28 FGCs and has invested Yuan 40 million in selected FGCs to reduce their risk and plans to establish a Credit Association to promote and regulate the industry. Inquires about lines of credit have proved a big driver of SMEs accessing the GMSEB. Lines of credit are essential to the development of SMEs, and if the GMSEB can facilitate this development it will represent a genuine value-added to the website. Whether these services could be extended to GMS countries is unclear at this time. Trade and investment would benefit enormously if these institutions, properly regulated, could extend their reach to GMS countries, possibly in local partnerships.

Figure 16. Results of the evaluation survey in Yunnan Province of China

In a related development the GMSEB is in the cooperation with the China Finance Security Centre to develop a certification service (e-certificate) to give warranty of the financial status of the SME for purposes of trading online.

According to the Yunnan SME Bureau, there are currently 7,000 messages a day passing through the website, and 14 enterprises are posting product information every minute, but much of this activity seems directed

Figure 17. Usefulness of GMSEB portal to SME business activities

at the domestic market and, because of transportation costs, it seems that most products are promoted to the local Yunnan market. Eight of the SMEs exported goods or services, mainly through business contacts at trade fairs and through third party agents and some through their company website in the Chinese language. There was general agreement that the value of the website should be judged primarily upon finding customers. A big concern of several of the SMEs present was how to gain the attention of international buyers to the website. A pharmaceuticals company mentioned their reluctance to post prices online for fear of being undercut by rivals.

The GMSEB is clearly well funded and well supported by the government of Yunnan and by the Government of China. It was described by one official as a 'charity website; the government is willing to pay for good service'.

The results of the survey show that 70 per cent of SME respondents were aware of the Yunnan portal, over 80 per cent reported they had Internet access, and over 50 per cent reported having used the site (Figure 16). The most encouraging sign is that around 60 per cent of SME respondents found the site useful or very useful and less than 10 per cent found the site not so useful. This suggests the Yunnan portal is able to build upon substantial good will from its customers (Figure 17).

C. Summary of evaluation in the Lao Peoples' Democratic Republic

The evaluation of the pilot project in the Lao People's Democratic Republic was conducted on 24 and 25 August 2006 by an external evaluator through holding four meetings: with the 5 person team of the LTPC of the Ministry of Commerce, with a focus group of 10 SMEs and 3 enterprise support agencies, and separate meetings with two industry associations, the Lao Furniture Association (LFA) and the Lao Handicraft Association (LHA).

The website developed under the project has been available for just one month prior to the evaluation. The team for the entire e-business project is 5 persons, none of whom is able to devote their full time to the website and its promotion as they all have other duties to perform for the LTPC. Despite this, the evaluation found a high level of enthusiasm for the project and a sense of justifiable pride in what they had managed to achieve so far, tempered with a welcome realism that they have a way to go on many fronts and a recognition that they still do not possess all the skills and experience necessary to take the project to the next level according to LTPC plans, which includes technical features such advanced search and further development of database architecture, and business capacities such as advanced e-marketing.

Just 5 SMEs were displaying their products on the website out of the 19 SMEs who have registered with the site. The initial feedback to the LTPC from SMEs is that they fear that if they display the prices of their products online then other companies will undercut them, and if they display their products then other companies will copy their designs. SMEs reported difficulties in preparing product descriptions and having them translated into English for an international audience. Some SMEs did not know what information to provide, some were simply not interested in using the website, some were still preparing information and others were just too busy to provide it, some lacked the staff with the skills required to provide the information and others were simply unaware of the site. This reflects the short period of advertising of just one month in Vientiane.

The focus group meeting with SMEs and enterprise support agencies reinforced these problems adding that producing information was a learning process and SMEs had little experience. Although the LTPC has sent by mail and fax a *pro forma* Information Sheet outlining the product description categories to 19 companies, many in the focus group were unaware of this, which points to the problem of communication. In only

7 cases of the 13 focus group participants did their company or agency have a person with special responsibility for handling correspondence with the LTPC.

SME feedback also covered the two-day training session organized by LTPC held on 22 and 23 June 2006. Fifty representatives of 35 companies participated in the training, which outline covered how to use the Internet, how to use the services of the LTPC, with a practical demonstration provided by the Hotel and Restaurant Association and web-design demonstrated by the E-Advance Technology company. The feedback from the SMEs was the recognition that using the LTPC website was cheaper and more convenient than building their own website. One SME, a fashion clothes shop, said she was going to start her own website but decided to use the LTPC website instead.

One interesting fact is that the LTPC did not know until the focus group meeting that any of its clients had received inquiries back from overseas, and they have no direct means of knowing as overseas buyers contact the companies directly. Clearly the garment and accessories company was gaining some real benefit which could be realized as value through sales for using the website and that is the beginnings of a success story that needs to be widely publicized.

The evaluator also interviewed two industry associations, the LFA and the LHA. The LFA has around 100 members, thirty of whom are in the provinces and 80 per cent are SMEs. It was founded in 2003 and it is raising funds to develop its website. The LFA would consider helping members to post up showcase displays and product descriptions and would consider charging a fee for the service. The LFA also welcomed the idea of the LTPC website acting as a portal with links to the LFA website. The LHA has around 120 members. It was founded in 1998 and has one website. LHA charges fees to assist their members write product descriptions. One way that SMEs could post their adverts with the LTPC is possibly through their industry associations who could offer the service for free or charge as they decided. Whatever arrangement may arise, the evaluation recommends LTPC to work closely with industry associations to help overcome the SMEs problems in developing and translating content.

At the meeting there were three government agencies present. The Government SME Promotion Office does have a website offering legal information, but does not have the resources to assist neither LTPC nor SMEs with their websites. The Lao Chamber of Commerce and Industry has its own website and offers business directory information, but at this

time their technician was away on study leave leaving the website static. The IT Centre of the Science, Technology and Environment Agency (STEA) offers SME training, and the LTPC is a member and its website is used as a case study in the training. The STEA is encouraging SMEs to establish websites, and to use the LTPC as a start-up. To help provincial SMEs gain access to the Internet the STEA is planning the building of 5 telecentres as part of an e-Government project with financial support from the Government of India.

One service that will not be available for a long time is payment online. Credit cards are rarely used in the Lao People's Democratic Republic, and the Bank of Lao has no e-payment platform, so this excludes the possibility of the LTPC itself becoming an e-payment intermediary. Transactions by bank transfers are possible, but the transaction costs would be too high compared with the value of most of the sales.

On a more strategic note, LTPC has expressed that during the course of the project development the objectives changed from providing information about the LTPC to serving the needs of customers. This is a good perception and underscores the alertness and the capacity of the staff involved to learn as they go.

The results of the survey show that, in contrast to Cambodia, suggests most SME surveyed, around 65 per cent, remain unaware of the site. 80 per cent of respondents claim to have Internet access which suggests that most are located in and around the capital city of Vientiane. As most of the publicity for the site has so far been confined to Vientiane this suggests there is still an important awareness campaign to be developed. Only just over 10 per cent of respondents have used the site, and, for those that have, nearly 90 per cent visited the online shop compared with just over 40 per cent seeking business information, and less than 30 per cent seeking transaction information (Figure 18).

In the case of the Lao People's Democratic Republic the SME responses also included the value they placed upon the services a portal can provide. Over 60 per cent voted for the 'shop window' followed by 'business information', 50 per cent voted for 'online ordering' and over 40 per cent for 'training information'. By contrast, 'online payments' attracted only 20 per cent, reflecting the reality that few SMEs in the Lao People's Democratic Republic have the means of transacting electronic payments. This data suggests there is a potential for growing SME interest in the portal in the Lao People's Democratic Republic (Figure 19).

Figure 18. Results of the evaluation survey in the Lao People's Democratic Republic

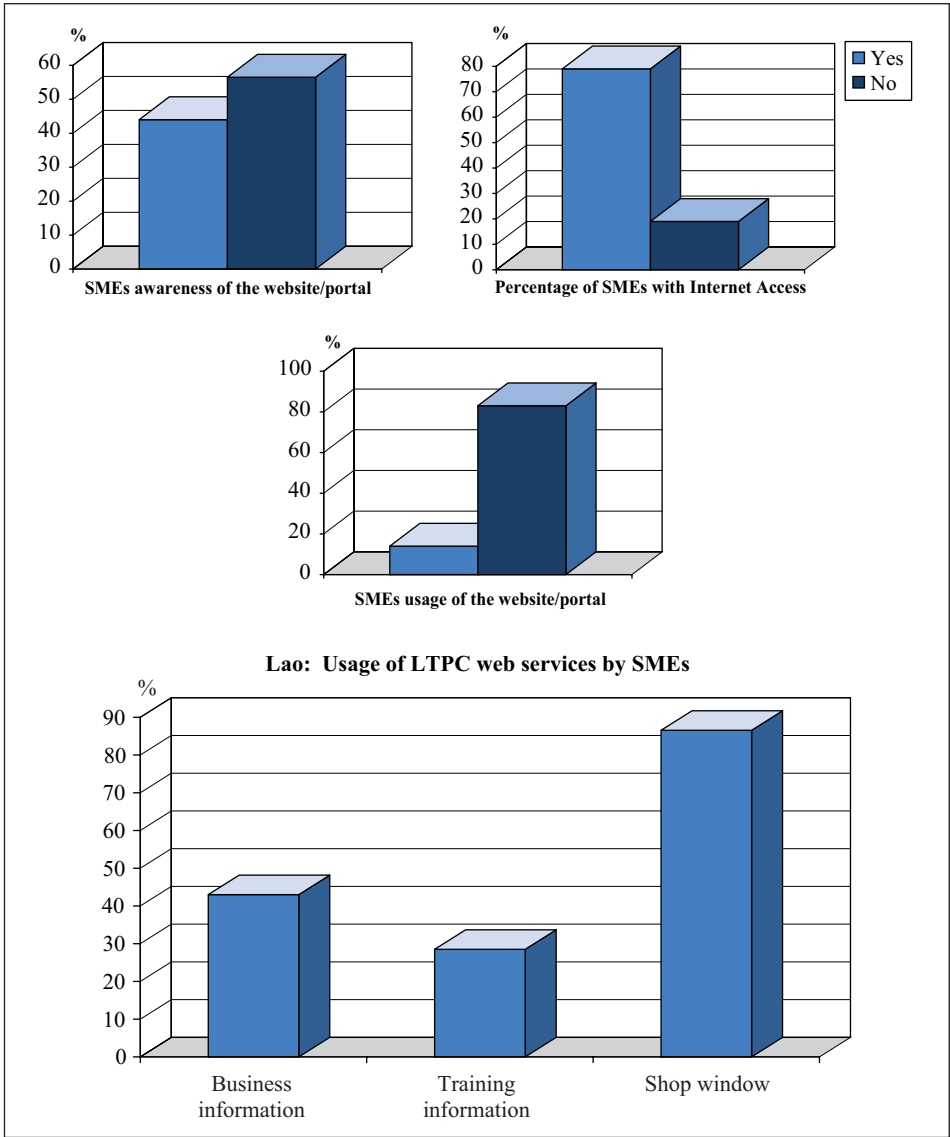
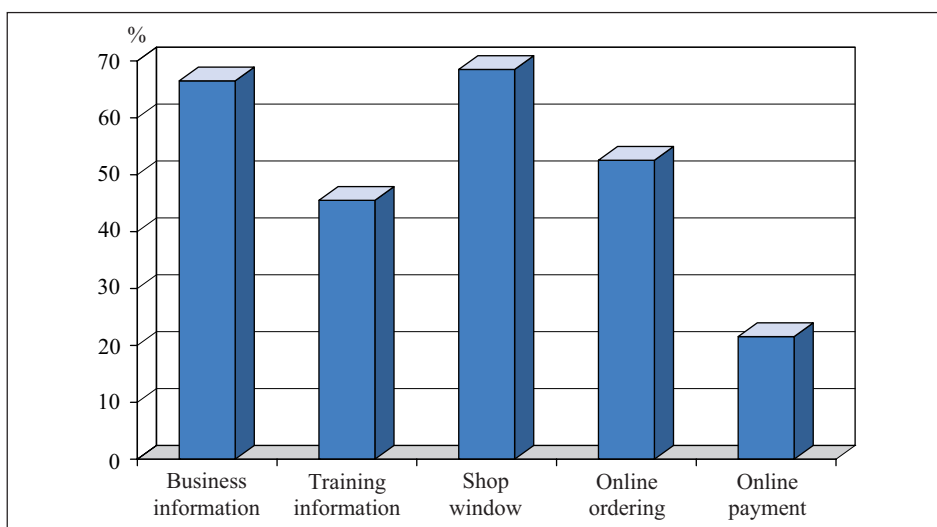


Figure 19. LTPC web services desired by SMEs

D. Summary of evaluation in Viet Nam

The evaluation of the pilot project in Viet Nam was conducted from 1 to 4 October 2006. The external evaluator held meetings with six SME companies on 2 October at the offices of the Vietnam Chamber of Commerce and Industry (VCCI), with Mr Bui Duc Tuan, Deputy Director of the E-Commerce and Information Department of the VCCI, and the VNemart team on 3 October, and with Mr Do Tung Lam and Mr Nguyen Phuc Luu, Director and Deputy Department Manager of the Foreign Affairs Committee respectively of the Vietnam Tourist Association.

The VNemart portal is part of a larger website that ranks number one in Viet Nam. The VCCI has around 2,000 staff nationwide and with Government support has established specific websites supporting Viet Nam business forums for Africa, China, India and Republic of Korea. VNemart is the only one of the sites that is entirely in English. The portal is the responsibility of the Institute of Information Technology for Business (ITB) unit of the VCCI, established in 2001. The ITB provides ICT business services, such as accounting software, business information in CD format, e-commerce services and is involved in the “191 Project” – “Supporting Vietnam Enterprise in Application of ICT” – a 5 year project 2006-2010 of training and awareness-raising supported by Government, the VCCI and various ICT partners, such as Intel and Microsoft. This is the environmental context VNemart has been launched into with 20 staff in support for technical, design, content and editing work.

In the meeting with five senior VNemart staff, the evaluator was informed that since the launch of the portal in July, 15 Gold members and 14 Pro members have been signed up. Gold members are allowed to manage their own webpages, or request the ITB to do the task for them. VIP members of the previous site, who like Gold and Pro members could post up product information, are allowed to continue their membership for twelve months after which they must either become Gold or Pro members or Basic members without such rights. The marketing campaign for the portal began with printed brochures in English and Vietnamese distributed at conferences, training sessions and trade fairs. About 5,000 VCCI members listed in the business directory were contacted together with some addresses supplied by the Internet service provider (ISP), a logo was placed in Viet Nam's most popular online newspaper, adverts were placed in the printed media and the site registered with the Google and Yahoo web engines. But marketing was brought to a temporary halt for a time in September due to congestion/capacity problems with the single server and the connectivity bandwidth. Both problems have been solved. A second, more powerful, server has now been installed and bandwidth has improved, partly by using two ISPs instead of just one. The team had underestimated demand.

Part of the marketing campaign was the training programme to attract Gold members. Over 200 enterprises met on 31 July 2006 in the VCCI office in Hanoi for a workshop equipped with PCs. A further workshop is planned for Ho Chi Minh City. The project team estimates 13 Gold and Pro members joined directly as a result of this event. Around 100 participants joined a SME seminar on 18 July 2006 co-sponsored by ESCAP. Approximately half were SMEs and others were journalists, members of trade associations and the Trade Promotion Centre.

The project team seems very alert to the need to continually develop the portal's services to members, with the emphasis upon rapid growth as a result of which it is expected that the site could become financially sustainable after two years. For example, offering business directories and other marketing tools in specific product areas such as handicrafts, assistance to members in translating their product promotions, updating and posting their company information, possibly for the future offering mobile short message service (SMS) text message alerts to companies when product inquiries are received, and developing international marketing skills to promote the portal globally. This is seen as especially crucial and it is expected that, with a more search engine-friendly text design for the portal, many potential buyers were able to identify SME websites through the VNemart portal. But this process becomes transparent because the searcher

uses Google without being aware – or needing to know – that Google’s spider identified the SME site in this way. This underpins the model VNemart is working to. Gold and Pro members are encouraged to have their own websites as well as webpages in the portal. It does not matter that when buyers contact SMEs by email the process by-passes VNemart because the portal has done its job. However, it is important that SMEs are made aware how the portal assists them and adds value to their own websites in this way.

The meeting with the SMEs involved six different companies, five who were already members of the portal (one Gold, three Pro and one Basic) and the sixth wanted to know more. They pretty much confirmed the SME survey data the ITB had collected for this report, namely they had reasonably good access to the Internet, were very aware of the portal, they used the portal, but tended to use the lower and intermediate level services, such as product catalogue, business directories and the online shop, but not the higher end services such as online training and no-one used online payments. Responses to the survey incorrectly interpret the question of online payment and suggest some members do use credit cards to pay their membership fees. No one uses online payments at the current time and within Viet Nam neither the government nor the banking system has the infrastructure to support credit card payments by local SME companies. The ITB uses an international agency for its credit card support system.

Only one handicraft SME at the meeting considered the VNemart not very useful on the grounds that his business came directly by email to his website, from Google searches or from Alibaba inquiries from Italy, Germany and the United States of America in his case. Whether any of the email inquiries and Google searches originated from VNemart is, of course, impossible to verify. But one service the SME representatives would like to see is a page counter that shows the location of the inquirer. As it is VNemart uses Google Analytics and the website Alexa to calibrate day to day usage of the portal.

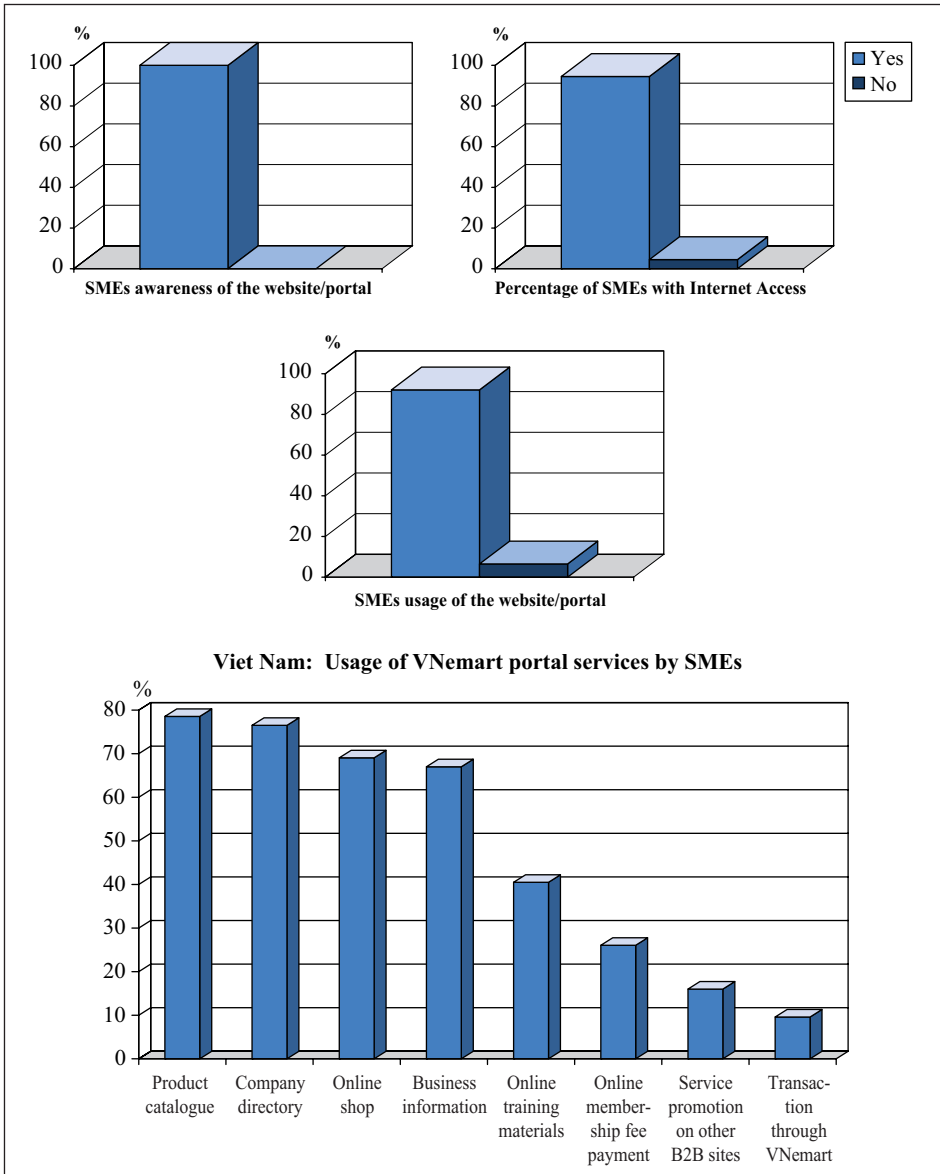
When asked where the value of VNemart lay for them, the answers were interesting. There was agreement that visibility improved the image of the company and also offered an opportunity to promote a product brand. Online payments were also considered important for the future. This raised the question of security and due diligence, a service VNemart already offers to Gold and Pro members which gives overseas buyers a greater sense of trust in the veracity of the information posted. This service may be expanded in the future to include foreign companies.

When asked about problems and areas for improvement, the SMEs suggested that the mechanics of sizing the camera pictures was sometimes a problem, webpage management is not software agnostic, some would like to see a more simple design of the portal, more information on business opportunities and more encouragement of overseas visitors to the site. It was suggested this could be done by banner exchanges with websites, more web links, and more advertising of the site at popular trade shows. These points all suggest an active interest in the portal, which is a good sign. From the ITB's corner, the crucial first step is to encourage its members to be more active in updating their own information to keep the portal fresh and ever changing.

The SMEs were also asked about their attitude to collaboration across the GMS countries, for example having an Indochina portal linking the four country portals. There was general enthusiasm for this idea; with one SME suggesting other portals in the region could be included, for example Thailand. The interest in asking this question was to test whether the idea was too abstract to illicit an enthusiasm, but in fact it was thought this would help generate more international attention to the region and to the countries of the region.

In Viet Nam almost all the SME respondents were aware of the portal, and almost all of them reported having Internet access. Even more impressive is that around 90 per cent of respondents have visited or used the site and the range of services that respondents say they have used includes over 70 per cent using product catalogue and company directory information and over 60 per cent using the online shop and business information. Usage levels then drop off, with around 40 per cent using online training materials, and less than 20 per cent service promotion through other websites and less than 10 per cent using transactions facilities, which do not include electronic payments. Twenty-five per cent reported using online payment of membership fees, but this result, in light of the previous point, clearly implies that the meaning of the question was "lost in translation" and probably means that SMEs submitted membership forms online, not payments (Figure 20).

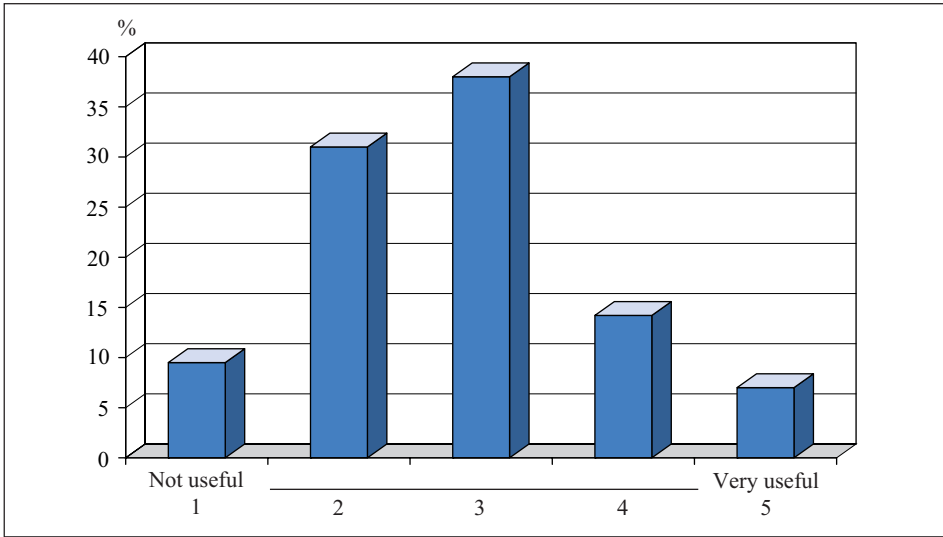
The responses regarding how useful SMEs found the portal confirm that at this early stage they are looking for value from the site. Only 20 per cent reported finding the site useful of very useful, while double that proportion, around 40 per cent found the site not very useful or not useful, with the remaining 40 per cent in the middle. This suggests that many

Figure 20. Results of the evaluation survey in Viet Nam

SMEs are prepared to be won over to the site if it can prove itself valuable to them (Figure 21).

These results indicate are quite advanced level of SME involvement and interest, but also suggest that actual transactions remain more a potential than a reality at this stage. An international marketing effort may change this data profile.

Figure 21. Usefulness of VNemart portal to SME business activities



E. Results of the evaluation

The results of the evaluation show that the impact of the project is expected to be sustainable in countries where informatization of SMEs is strongly supported by the Government, which is the case in Viet Nam and Yunnan Province of China. In general, lack of financial and human resources to maintain e-business operations and marketing of the e-business development services is considered the main challenge faced by ESAs.

The evaluation results can be summarized as follows:

(a) *Relevance (The extent to which the project addresses the priorities of ESAs and SMEs):* The project has been considered relevant by all stakeholders. The project has helped ESAs to develop client-oriented strategies to support the informatization of SMEs. For instance, it was reported that, during the course of the project, ESAs changed their pilot project objectives from simply providing information to serving the needs of the SMEs;

(b) *Efficiency (Measures the quantitative and qualitative outputs in relation to the inputs of the project):* It has been assessed that the project has efficiently developed technical capacity of ESAs to develop e-business development services for SMEs. However, it has been identified that there is still the need for capacity-building in both technical and business aspects of e-business in order to sustain and improve the services;

(c) Effectiveness (*Extent to which the project attains its objective of improving the levels of support for e-business initiatives from ESAs*): The project has been effective in developing ESAs' capacity in promoting e-business development services to support e-business initiatives of SMEs. SMEs are already benefiting from the implemented e-business services including through online sales. However, the language barrier has been identified by those SMEs as one of the most challenging factors in conducting online business with overseas companies. ESAs should develop their capacity in providing services to help SMEs in this regard;

(d) Impact (*The positive and negative changes produced by the project, directly or indirectly, intended or unintended*): Noticeable impacts of the project are enhanced awareness of ESAs and SMEs on the benefits of e-business, capacity built among ESAs, and the establishment of networks of ESAs in promoting e-business in the GMS countries;

(e) Sustainability (*Whether the benefits of the project are likely to continue after its end*): It has been assessed that the project is sustainable in countries where the Government is already strongly supporting the development of informatization services for SMEs, while other countries might need further assistance.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Recommended approaches for future projects on e-business development for SMEs

1. Association building

Private sector development requires an active and unified network of associations. The international development community has identified association building as a key pillar to enable SMEs to grow. A core principle of this ESCAP project is the identification of intermediary bodies who work with SMEs to provide advice and services.

This report recommends the strengthening of the institutions through engaging the business associations and other enterprise support agencies as the intermediaries in future projects. Through leveraging existing associations future project will be able to be most effective in supporting SMEs.

Public policy issues and legal framework were identified in all countries as important issues that need to be addressed. Directly addressing these issues is outside the scope of this current project but there is some potential for advocacy from the intermediaries as identified through the research activities of phase I. Associations are perhaps the best avenue for advocacy for SMEs concerns. By joining an association SMEs can make a network that can identify the issues facing them and then jointly put a position to the relevant regulatory or government body.

Individual SMEs have limited impact if they try and affect government policies. However associations with representatives from the private sector can play an important role in developing the private sectors and participating in the creation of an enabling environment in the GMS countries. In a number of GMS countries the ICT sector associations work closely with the government agencies to develop the private sector.

Another important initiative is to develop strategies, tools and knowledge base to promote e-business development in specific sectors of economy, in coordination with their respective associations.

2. Regional linkages

SMEs can address many of the issues raised in this project by creating linkages amongst the sector based associations of the GMS.

During the national stakeholder consultations and the meetings with sector based associations in each country, there was a request to create linkages with other sector based associations in the region. In particular the tourism sector sees the benefit of creating regional linkages for travel products and services for their existing client base and the potential to expand their customer reach.

There is also an interest to create more linkages amongst SME agencies within the region and there could be more promotion and linkages between the various trade promotion agencies to SME associations. There is also a need to create linkages of those Ministries involved in SME development. There was a specific request from the Yunnan Provincial Economic Commission SME Department to engage with neighbouring governments. They believe a project will be useful to promote SMEs on how to use ICT and industry will develop rapidly. It is also expected that leading SME institutions, such as the Institute for Small and Medium Enterprise Development (ISMED) in Thailand, can provide leadership examples to their GMS neighbours. There just needs to be some linkages to foster this regional dialogue and exchange of good practices.

Another important initiative is the development of networks of policymakers, ESAs and SMEs to share knowledge and experiences on development of e-business development services.

3. Address online transactions

One possible approach to reduce the requirements for e-payment is by establishing a partial transaction network partnered with a country that has a developed banking system. Thailand may be potential partner candidate since it already has the required environment for online transactions. Another possible intervention is to explore the potential of various e-commerce tools, including open source, as an option for e-commerce services for GMS.

Also important are projects to raise awareness of the issues to national agencies such as Ministry of Finance and the National Bank of each GMS country as to the need for SMEs to access financial services to take up e-commerce.

4. Local language content development

ICT adoption requires promotion of benefits of Unicode¹³ and an implementation plan. Perhaps there is scope for a project to implement

¹³ For more information on Unicode, <http://www.unicode.org/>

adoption of Unicode in Cambodia, Lao People's Democratic Republic and Myanmar. These are the countries that the market forces need some external assistance to adopt Unicode and develop local language content.

B. Policy recommendations

The following recommendations on regional cooperation for more effectively meeting the challenges identified above:

- Governments in the region are encouraged to introduce specific programmes to develop ESAs' capacity and promote e-business development services such as content creation, SME databases, product catalogues, online payment and translation.
- Since e-business is considered as a tool for expanding marketing opportunities, the promotion of e-business for SMEs would provide better results if developed together with initiatives facilitating trade and transport including those using ICT as a means for facilitation. Therefore, Governments in the region are encouraged to exchange knowledge, experience and good practices in applying ICT for trade and transport facilitation and in integrating this effort with e-business development programmes.¹⁴
- Governments are encouraged to develop enabling policies and regulations to promote the development of domestic ICT markets and ICT services and products to meet the e-business needs of SMEs.
- Governments are also encouraged to further develop/implement ICT policies and regulations related to online transactions.

¹⁴ ESCAP also developed an ICT guidelines for trade and transport facilitation for landlocked countries at <http://www.unescap.org/icstd/applications/projects/TTF/guidelines.asp>