



BRUNEI DARUSSALAM INDONESIA MALAYSIA PHILIPPINES
EAST ASEAN GROWTH AREA (BIMP-EAGA)
The 9th SMALL & MEDIUM ENTERPRISES DEVELOPMENT (SMED) CLUSTER MEETING

LETTER OF TRANSMITTAL

We have the honor to transmit herewith the Report of the 9th BIMP-EAGA SME Development Cluster Meeting held in Puerto Princesa City, Palawan, Philippines on 31 March – 01 April 2009.

HON. EFFANDI HAJI SALLEH
Head of Delegation of Brunei Darussalam

Indonesia

HON. IRENE JOIBI
Head of Delegation of Malaysia

HON. NAZRULLAH MANZUR
Head of Delegation of the Philippines



**BRUNEI DARUSSALAM INDONESIA MALAYSIA PHILIPPINES
EAST ASEAN GROWTH AREA (BIMP-EAGA)**

**REPORT OF THE 9th SMALL & MEDIUM ENTERPRISES DEVELOPMENT (SMED)
CLUSTER MEETING
The Legend Hotel, Puerto Princesa, Philippines
31 March – 1 April, 2009**

I INTRODUCTION

1. The 9th Small & Medium Enterprises Development (SMED) Cluster Meeting was held on 31 March – 1 April 2009 at the Legend Hotel, Puerto Princesa, Philippines. The Meeting was attended by 57 delegates comprising of BIMP-EAGA officials, representative from the BIMP-EAGA Business Council (BEBC) and the BIMP-EAGA Facilitation Center (BIMP-FC). The Meeting was also attended by representatives from the Asian Development Bank (ADB) and the German Technical Cooperation (GTZ). The complete list of participants appears as **Annex A**.
2. The Meeting was chaired by **Mr. Nazrullah Manzur**, Regional Director of the Department of Trade and Industry Region IX, who headed the Philippine delegation. The Brunei Darussalam delegation was headed by **Mr. Effandi Bin Haji Salleh**, Senior Special Duties Officer, Head of Entrepreneurial Development Centre, Ministry of Industry and Primary Resources and **Ms. Irene Joibi**, Principal Assistant Secretary, Ministry of Industrial Development, who headed the Malaysian delegation. The Chairman of Natural Resources Development (NRD) Cluster, **Dr. Gardjita Budi** is also in attendance. Indonesia extended their apologies for not being able to attend the 9th SMED Cluster Meeting in view of other urgent meetings in Jakarta.
3. The Palawan Economic Development Council (PEDCO) also organized a parallel roundtable meeting with representatives of the local private sector in the tourism, agribusiness and fisheries industries.

II OPENING CEREMONY

Welcome Remarks

4. On behalf of the City Mayor, a Welcome Remark was given by Honorable Lucilo Bayron, Vice Mayor of the City of Puerto Princesa. In his Welcome Remark, Vice Mayor Bayron highlighted the following:
 - 4.1 Importance of the SMED Cluster in providing assistance to the private sector.
 - 4.2 Promotion of small and medium enterprises as a priority of the City Government to spur growth and development in the City of Puerto Princesa.

4.3 The city's focus on two (2) priority industries for promotion, namely: tourism and agri-fisheries.

4.4 The city's policy of encouraging environment friendly industries.

5. On behalf of the Governor, a Welcome Remark was also given by Honorable Cipriano Barroma, Board Member of the Provincial Government of Palawan. In his Welcome Remark, he highlighted the following:

5.1 Strong partnership between the Province of Palawan and the City of Puerto Princesa in facilitating and managing business affairs in their area.

5.2 Emphasis has been given by the Province of Palawan in making business enterprises globally competitive.

5.3 Major contribution of SMEs in Palawan to the local economy in terms of creating employment and livelihood opportunities.

5.4 Readiness of the Provincial Government of Palawan to accommodate other non-tourism and fisheries-related investments.

A full copy of the Welcome Remark appears as **Annex B**.

Opening Statement by the Cluster Chair

6. Director Nazrullah Manzur extended his warm welcome to all the delegates. In his Opening Statement, he highlighted the following:

6.1 Emphasis on the importance of the Meeting given the results of the recently concluded Mid-Term Review of the BIMP-EAGA Roadmap, Senior Officials Retreat, and the 5th BIMP-EAGA Summit.

6.2 Opportunity to clarify the roles and deliverables of the Cluster and clarify collaborative mechanisms with other EAGA institutions especially with the Natural Resources Development (NRD) Cluster and the BIMP-EAGA Business Council (BEBC).

A full copy of the Opening Statement appears as **Annex C**.

Adoption of the Agenda

7. The Meeting adopted the agenda of the meeting, which appears as **Annex D**.

Appointment of Drafting Committee Members

8. The members of the drafting committee are the following:

COUNTRY	NAME
Brunei Darussalam	Ms. Zurairatul Amanee Haji Ahmad
Indonesia	Mr. Octa Muchtar
Malaysia	Mr. Edward Nyalang Ms. Lofina Justin

COUNTRY	NAME
Philippines	Mr. Jonathan Miral Ms. Grace Aduca

III DISCUSSION OF THE AGENDA ITEMS

Agenda I: Report by the SMED Cluster Secretariat

9. The SMED Cluster Secretariat briefed the meeting on the highlights and updates on the matters arising from the 8th BIMP-EAGA SMED Cluster Meeting and the 3rd SMED – NRD Cluster Convergence on 10 – 11 June 2008 in Manado, Indonesia. The highlights also include the results of the MTR workshops which revised and enhanced the SMED Cluster Revised Action Plan 2006-2010. The report also cited the recommendations for a closer collaboration between and among the NRD and SMED Clusters and BEBC.

A full copy of the presentation appears in **Annex E**.

During the discussion, the following were raised and agreed upon:

- 9.1 In response to the query of BEBC, it was clarified in the Meeting that 10-10-20 targets of the BIMP-EAGA roadmap was agreed during the SOM/MM in 2005 and presented to the 2nd BIMP-EAGA Summit in 2005. The Meeting noted that the official data on trade and investment performance in 2005-2007 came from relevant statistical agencies of each member-country. The Meeting further noted that the data should include trade and investments from BIMP-EAGA facilitated projects with direct and indirect intervention, as well as those within and from EAGA though the influence of EAGA activities on them may not be clear. This recognizes the fact that EAGA's general interventions to promote a business friendly environment (such as providing business information, business forums) are not directly measurable.
- 9.2 The Meeting agreed for the SMED Cluster to come-up with more effective monitoring and evaluation mechanisms to measure the contribution of EAGA activities to trade and investment performance.
- 9.3 The Meeting agreed to consider new approaches in the conduct of SMED Cluster Meetings, as follows:
- 9.3.1 Adopt a common theme in every SMED cluster meeting, wherein a resource person will be invited to give a talk on a certain topic relevant to the various undertakings of the cluster (e.g., global economic crisis).
- 9.3.2 Conduct a private sector meeting/activity back-to-back with SMED Cluster Meeting to encourage more private sector participation.
- 9.3.3 Include sharing of SME best practices in cluster meeting discussion.
- 9.4 On the Private Sector Development Fund (PSDF), the Meeting agreed to convene the PSDF Task Force soonest. So far, the Philippines has nominated Assistant Secretary Eleanor de la Cruz and Mr. Alex Buenaventura, and BEBC has nominated Mr. Dino Vega as Task Force

members. The other member-countries will submit to BIMP-FC the names of their respective Task Force nominees on or before 15 April 2009. The SMED Cluster HoDs will coordinate with their respective National Secretariats on the nominees to the PSDF TF. BIMP FC will provide the countries with copies of the PSDF report and the PSDF TF terms of reference. ADB reiterated its openness to consider providing a resource person to assist the PSDF TF, if requested.

- 9.5 The halal poultry project has been reported to be facing problems of uncompetitive pricing for the Middle East market and too large a demand to supply from EAGA. The NRD Cluster agreed to conduct an assessment study, with possible technical assistance from ADB or GTZ, on the production cost and competitiveness of EAGA poultry production and recommend viable business models. The Meeting agreed for Brunei Darussalam to prepare a draft Terms of Reference (TOR) for the study. The Brunei Darussalam SMED HoD will coordinate with the NRD HoD in preparing the TOR. The TOR will be circulated among member countries for comments by 15 April 2009, and finalized and submitted to NRD Cluster Chair by 30 April 2009.
- 9.6 On the compilation of the BDS best practices and BDS providers, Brunei Darussalam circulated the draft template for comments and requested the member countries to provide their input on or before 15 April 2009.
- 9.7 GTZ reported that it is finalizing the value chain action plans and will submit these to the NRD and SMED clusters for comments. The EAGA Business Handbook and Directory has already been published by BEBC, with GTZ assistance. Copies of the Handbook are downloadable from the BEBC website www.bimpbc.org. GTZ is also supporting a series of seaweeds Good Aquaculture Practices (GAqP) training in Semporna, Makassar and Zamboanga between March and May 2009, as well as a Seaweeds R & D Forum in Semporna in July 2009.

Agenda II: Report and discussion on the Highlights and Directives from Relevant EAGA Meetings: 17th SOM/13th MM, MTRTF Retreat and Strategic Planning and 5th BIMP-EAGA Leaders Summit

10. BIMP-FC briefed the Meeting on the highlights and major outcomes of the 17th SOM/13th MM, MTRTF Retreat and Strategic Planning and the 5th BIMP-EAGA Summit. During the presentation, the following were highlighted:
 - 10.1 The significant gains achieved in the implementation of the projects identified in the BIMP-EAGA Roadmap to Development particularly in transport connectivity, tourism development and trade facilitation initiatives.
 - 10.2 Based on the results and recommendations of the Mid-Term Review of the BIMP-EAGA Roadmap, the Ministers have directed the respective country heads of delegation of the clusters and working groups to strengthen the implementation arrangements and monitoring mechanisms for the priority projects, and to take concrete and expeditious actions to ensure their timely implementation. The Ministers also emphasized the need to deepen ownership of the roadmap priority projects by the BIMP-EAGA local governments, local communities, and the private sectors and to broaden their active and consistent participation in the implementation

of these projects.

10.3 In response to the Leaders directives and moving towards the realization the long-term goal of transforming BIMP-EAGA into a single production and manufacturing base and tourism destination, the following has been identified for convergence:

10.1.1 In achieving the goal of BIMP-EAGA as Food Basket for ASEAN and Asia, the SMED may consider (i) facilitating market studies for EAGA agriculture/fishery-based food products; (ii) facilitating business matching and market linking activities; (iii) facilitating BDS support for EAGA agriculture/fishery-based food project proponents; and (iv) identifying and facilitating policy interventions for trade and investment.

10.1.2 To facilitate tourism in the region, the SMED may consider promoting tourism through business events (e.g., tours for business delegates, tourism presentations, etc.)

A full copy of the presentation appears in **Annex F**.

The following are the highlights of the discussion:

11.1 The Meeting noted that the multi-island geography of the EAGA subregion makes it more difficult to tract intra-EAGA trade. The Meeting agreed to utilize official trade and investment data of each country but noted that the SMED cluster should also monitor and measure the direct and indirect impact of its interventions in trade facilitation and investment generation.

11.2 The Meeting noted that while extra-EAGA trade has been consistently growing, intra-EAGA trade has been on the downtrend. The Meeting agreed for the Cluster to identify and address the issues contributing to this decline.

Agenda III: Updates from BEBC

12. The Interim Chair of the BEBC from Brunei Darussalam, presented the BEBC updates as follows: To achieve the target of 10% increase of trade and 10% increase of investment, the SMED Cluster should look into BIMP-EAGA resources, technology and aftermarket potential.

12.1 BEBC Brunei is currently looking at the following EAGA projects: (i) a renewable energy development project (10 MW capacity) being discussed the Philippines' Department of Trade and Industry; (ii) marketing of Palawan agri-based food products (e.g., cashew) to Brunei; (iii) export of surplus fertilizer from China to EAGA; (iv) air linkages between Brunei and Palawan through Kota Kinabalu.

12.2 BEBC Brunei has been registered in Brunei, adopting the mother constitution and by-laws of BEBC. Private sector participation can be strengthened by the EAGA governments by addressing the private sector business concerns more speedily.

A full copy of the presentation appears in **Annex G**.

The following are the highlights of the discussion:

- 12.3 GTZ reported that preliminary results of its EAGA stakeholder mapping may be useful in strengthening institutional mechanisms. The study, for example, indicate that there are many EAGA private sector stakeholders who are interested in participating in EAGA activities but they either lack information on EAGA and/or existing institutional mechanisms do not allow them to maximize their participation.
- 12.4 The Meeting noted that the lack of information and awareness of EAGA is still a critical factor in the weak private sector participation. There should be more information dissemination.
- 12.5 Relative to this, the Meeting agreed for SMED Cluster to assist in the conduct of various business matching sessions and business forums to be organized by the private sector.
- 12.6 The Meeting noted the forthcoming activities to be organized by development partners supportive of BEBC initiatives, as follows:
 - 12.6.1 With GTZ assistance, conduct of a Private Sector Roundtable Meeting on 28-29 April 2009 in Kota Kinabalu to identify priority policy reforms requiring immediate national government actions.
 - 12.6.2 With ADB assistance, conduct of a Strategic Partners Forum in August 2009. BIMP-FC informed that the SPF was first proposed during the SOM in June 2008. The Meeting agreed for the SMED Cluster Chair to officially endorse the request for ADB assistance in organizing the said Forum.

Agenda IV: Brief on NRD Cluster Action Plan/Priorities: Areas of Collaboration

13. Mr. Octa Muchtar, on behalf of the Chairman of the NRD Cluster, presented the NRD Cluster Action Plan and highlighted the specific areas of collaboration between SMED and NRD Clusters, namely: Halal, VCO, seaweeds and rubber.

A full copy of the presentation appears as **Annex H**.

During the discussion, the following were agreed and noted:

- 13.1 The Meeting agreed to identify country champions that will come-up with the quality standards for flagship commodities, namely: VCO, seaweeds and rubber.
- 13.2 The Meeting noted the need for the SMED Cluster to assist in the conduct of business matching activities in support of NRD Cluster flagship projects.
- 13.3 The Meeting agreed for Brunei Darussalam to come-up with Halal market quota in the Middle East and for such information to be disseminated to interested private sector players.
- 13.4 The Meeting further agreed to adopt the value chain approach as a platform for NRD and SMED Clusters' convergence for flagship projects.

Agenda V: Review, Discussion, Presentation and Finalization of the BIMP-EAGA SMED Cluster Plan

14. Mr. Romeo Castañaga of the SMED Cluster Secretariat presented the SMED Cluster Action Plan, reformatted based on the outcome of the MTR Finalization Meeting.

14.1 The Meeting adopted the specific revisions to the action plan based on the results of the discussion.

A copy of the revised action plan appears in **Annex I**.

Agenda VI: Other Matters

Presentation on the Highlights of the Roundtable Discussion among the Private Sector

15. The Palawan Economic Development Council (PEDCO) presented a summary of the results of the Private Sector Roundtable discussion. The local private sector requested SMED Cluster to assist them with their following needs:

15.1 Facilitate the trading connections between the ports of Brooke's Pt. and Kudat, Malaysia, particularly for live fish trade.

15.2 Facilitate trading connections between Brooke's Pt. and other alternative ports, such as Sepanggar or Kota Kinabalu in Sabah.

15.3 Assist in linking the Palawan live fish traders with buyers from other parts of Malaysia and with Brunei.

15.4 Assist in sustaining the flights from Puerto Princesa to Kota Kinabalu by promoting tourism exchanges between Palawan and Sabah travel and tour operators, identifying viable products that may be flown along this route, and looking into possible flights between Puerto Princesa and Brunei Darussalam through Kota Kinabalu.

15.5 Assist in identifying and matching Palawan oil palm producers with capital investors in BIMP, and in inviting potential investors to the 6th National Oil Palm Congress to be hosted by Puerto Princesa in June 2009.

16. The Meeting took note of the private sector's requests and committed to address them in coordination with the other concerned Clusters.

17. The Meeting also took note of additional proposals from BEBC, as follows:

17.1 To look into trade opportunities for cashew nuts from Palawan.

17.2 To initiate moves to open-up business/investment cooperation with extra-EAGA markets such as: Brazil and South Africa.

17.3 To maximize utilization of the EAGA-e-Biz facility to encourage more trade and business transactions in the sub-region.

A copy of the private sector presentation is attached as **Annex J**.

18. Presentation and discussion on the BIMP-EAGA Calendar of Activities 2009

18.1 Following the presentation made by BIMP-FC, the Meeting took note of the additional activities that were incorporated in the list.

The updated calendar of activities appears as **Annex K**.

19. Date and Venue of the Next Meeting

19.1 Malaysia agreed to host the next SMED Cluster meeting. The date will be determined later, taking into consideration the need to meet prior to SOM in October 2009.

ACKNOWLEDGEMENT

The delegations from Brunei Darussalam, Malaysia, and Indonesia as well as ADB and GTZ, expressed their sincere appreciation and gratitude to the Government of the Republic of Philippines, particularly the Provincial Government of Palawan and the City Government of Puerto Princesa for the warm hospitality accorded to them and the excellent arrangements made for the Meeting.
