



## Regional: Strategies to Support Small and Medium-Sized Enterprises in the People's Republic of China and Mongolia

Project Name	Strategies to Support Small and Medium-Sized Enterprises in the People's Republic of China and Mongolia	
Project Number	47339-001	
Country	Regional	
Project Status	Closed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	<b>TA 8600-REG: Strategies to Support Small and Medium Enterprises in the People's Republic of China and Mongolia</b> Technical Assistance Special Fund <span style="float: right;">US\$ 225,000.00</span>	
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Private sector development	
Sector / Subsector	<b>Industry and trade</b> - Small and medium enterprise development	
Gender Equity and Mainstreaming		
Description	<p>The goal of the TA is to improve empirically-based policies that underpin the dynamism of SMEs. Specifically the TA will address the following development issues:</p> <p>a. Private sector development. SMEs constitute the majority of enterprises in the PRC and Mongolia. They are also important sources of employment. In Mongolia, SMEs account for approximately 50% of employment. In the PRC, they also contribute the majority (75%) of employment in the private sector. Thus SMEs play an important role in generating employment and their well-being affects the dynamism of the whole economy. Yet the business environments in both countries are still not fully conducive for SMEs. This TA would also examine constraints on SME growth, either externally imposed or seemingly self-chosen.</p> <p>b. Inclusive financing. Today, SMEs in Asia still have much less access to finance. The gap of SME financing in East Asia, of which the PRC constitutes a significant share, is estimated to range from \$700 to \$850 billion. The PRC government has adopted a range of measures to address these challenges for SMEs, especially towards increasing their access to finance. However, so far small PRC firms still access credit less frequently than the larger firms, and also at much higher costs. In Mongolia, SMEs access to credit is relatively better, but they face high interest rates and much higher collateral requirements than in other regions. More disconcertingly, evidence suggests that financial constraints lead to lower levels of investments by SMEs than larger firms, especially in the PRC. This entails significant repercussions, since the health and dynamism of the private sector depend on precisely these private investments.</p> <p>c. Structural transformation and productivity. Structural transformation of the economy has led to the emergence of the tertiary (services) sector as the main contributor of employment in the PRC (36%) and Mongolia (55%) by 2012. Services also created the bulk of value-added in both countries. Supporting the growth of the services sector has the added benefit of greener growth, as services are typically less energy-intensive as manufacturing. Yet compared to Organisation for Economic Co-operation and Development (OECD) countries, the productivity of the services sector is still low in PRC (approximately 10% of OECD levels) and Mongolia (less than 5% of OECD levels). Efforts to improve overall productivity in both countries would necessarily require efficiency and productivity improvements in the services sector, where SMEs can play a critical role.</p> <p>d. Gender equity. Participation of women in the ownership and of small firms in the PRC (64%) and Mongolia (65%) is higher than average. Thus, enhancing the growth of SMEs would also contribute significantly to gender inclusiveness of growth. Policies to support this goal would benefit from better data on the skills needs and gaps of the SMEs, especially in the services sector.</p>	

Project Rationale and Linkage to Country/Regional Strategy	<p>The PRC's Twelfth Five-Year Plan 2011-2015 acknowledges the importance of a dynamic private sector and supports economic transformation towards a more innovation-driven, consumption-based growth model. Support for the government reform priorities is reflected in the objectives of ADB's Country Partnership Strategy (CPS) 2011-2015. Similarly, the Mongolia CPS stressed the importance of boosting the country's competitiveness, especially through private sector development. In this regard, SMEs could play an important role in providing employment, given that the employment-generation of Mongolia's current growth-model is low. The Mongolian Government has approved "SME development program 2014-2016" on 18 September 2013. This document defines the public policy of the development of SMEs.</p> <p>This TA is aligned with the objectives of the CPS of both the PRC and Mongolia to pursue inclusive growth and foster balanced development, a target to which improved SME development will contribute. Better data about the SME sector would improve and enhance policy inputs for future comprehensive development strategies. A more robust and dynamic SME growth can play a leading role in promoting the transition towards more inclusive economic development.</p>
Impact	Strengthened empirically-based policies pertaining to SMEs

## Project Outcome

Description of Outcome	Availability of better information on SMEs to improve analysis and policy-making, especially for the tertiary sector and in the areas of SME financing and productivity
Progress Toward Outcome	It will be evaluated when the project is completed.

## Implementation Progress

Description of Project Outputs	<p>Policy brief(s) on SME development in the PRC and MON</p> <p>Comprehensive ADB-OECD study on the priorities of SME policy reforms to promote inclusive financing and inclusive growth in the PRC</p>
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>Consultant was engaged and submitted the first batch of outputs. Draft for Mongolian case study is completed.</p> <p>ADB signed a MOU with State Intellectual Property Office (SIPO) to conduct a survey on small and medium sized enterprises (SMEs), especially in the area of innovation and intellectual property activities. The project aims to provide better inputs for SME policies through better data and high-quality empirically-based studies.</p> <p>In addition, ADB signed a MOU with China Development Research Foundation to support the activity of building a website which aims to collect data pertaining SME development.</p> <p>The TA will be completed on 30 September 2016 as scheduled, and will be financially closed on 31 December 2016.</p>

Geographical Location

## Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

## Stakeholder Communication, Participation, and Consultation

During Project Design	Relevant stakeholders were closely consulted during project design.
During Project Implementation	Relevant stakeholders will be closely consulted during project implementation.

## Business Opportunities

Consulting Services	Implementing the TA will require 7 person-months of national consultant services and 1.5 person-months of international consultant services to assist the ADB-OECD team. The consultancy requirements are: (i) up to three national SME specialists (6 person-months, intermittent); (ii) one national graphics design/layout editor (1 person-month, intermittent); and (iii) one international copy editor (1 person-month, intermittent). Provision for international resource persons is also included. All consultants will be engaged as individual consultants by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time).
Procurement	The survey of SMEs in the PRC will be conducted by the National Bureau of Statistics (NBS) of the PRC. ADB will institute a framework of partnership with the NBS for the survey. The NBS is the only institution with access and ability to implement such surveys in the PRC.

## Responsible Staff

Responsible ADB Officer	Khor, Niny
Responsible ADB Department	East Asia Department

Responsible ADB Division

PRC Resident Mission

Executing Agencies

Asian Development Bank  
6 ADB Avenue,  
Mandaluyong City 1550, Philippines

**Timetable**

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	10 Dec 2013
Last Review Mission	-
Last PDS Update	27 Sep 2016

**TA 8600-REG**

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
10 Dec 2013	-	10 Dec 2013	31 Mar 2016	30 Sep 2016	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	10 Dec 2013	195,651.70

Project Page <https://www.adb.org/projects/47339-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=47339-001>

Date Generated 06 July 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.