

ACTIVITIES OF SUPPORTING SMES DEVELOPMENT IN VIETNAM

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- **Role of SMEs growth in the economic development**
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DEFINITION OF SMEs

1. *International Definition*

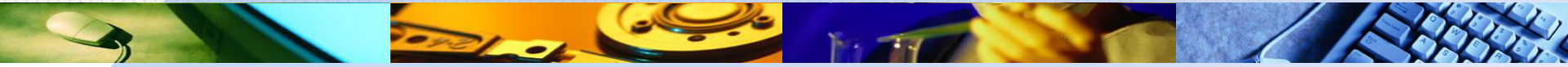
1. European Commission

Enterprise Cathegorie	Headcount	Annual Sales	Total Assets
Micro	< 10	≤ \$ 3 million	≤ \$ 3 million
Small	< 50	≤ \$ 13 million	≤ \$ 13 million
Medium Sized	< 250	≤ \$67 million	≤ \$56 million

2. UNIDO Definition

Enterprise Cathegorie	Headcount (Annual Work Unit)	Registration Capital
Micro	1-9	< \$42,300
Small	10-49	> \$42,300
Medium Sized	50-249	> \$42,300

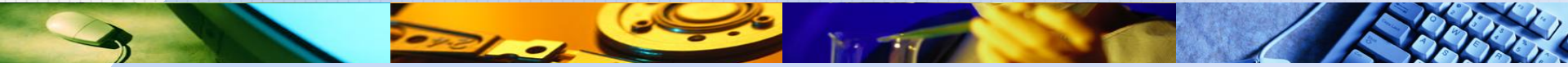
2. Regional Definition



World Bank

Enterprise Category	Headcount (Annual Work Unit)	Registration Capital
Micro	1 -9	< \$42,300
Small	10-49	> \$42,300
Medium Sized	50-249	> \$42,300

VIETNAMESE DEFINITION OF SMES



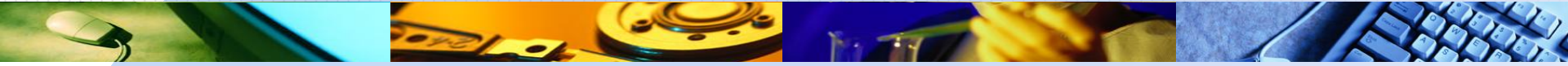
Sector	Micro enterprises	Small-sized enterprises		Medium-sized enterprises	
	Number of employees	Total capital (\$)	Number of employees	Total capital	Number of employees
1.Agriculture, forestry and fishery	< 10	< 1 million	10-200	1-5 million	200-300
2.Industry and construction	< 10	< 1 million	10-200	1-5 million	200-300
3. Trade and Service	< 10	< 0.5 million	10-50	0.5 – 2.5 million	50-100

Role of SMEs growth in the economic development



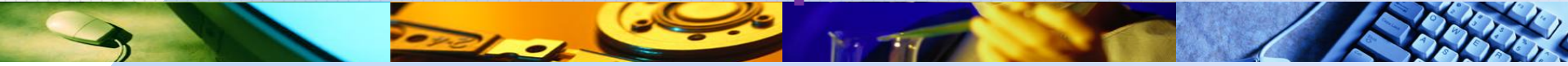
- In Vietnam, 95% enterprises are SMEs. We consider SMEs the key factor of the economy.
- Contributing to transaction the economic structure and to growth the economy (31% of GDP in Vietnam)
- Creating more employment opportunities,
- Using mainly local material
- Increasing the dynamic and effectiveness of the economy (generating higher production volumes, increasing exports).

Factors effect the SMEs growth



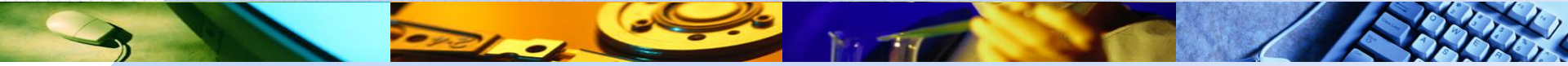
- + Market
- + Investment,
- + Finance (Credit policy)
- + Tax policy
- + Technology
- + Human resource

The current status of Vietnamese SMEs development



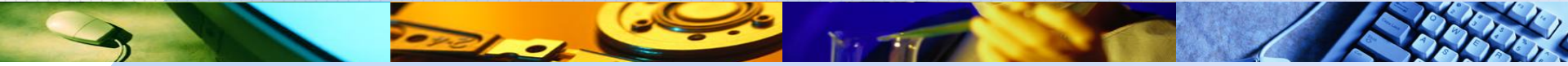
- Small scale, less capital
- Lack of financial and marketing support, hence they are always negative in the market
- The technology level of SMES is low. They can not do the R&D and create the new technology
- The linkage between enterprises is limited. SMEs are very small. They have always difficulties to set up the stable position in the market, no ability to connect the international market.
- SMEs haven't habit to participate in the production Network. They manufacture the product from A to Z. Few SMEs can attend to the supporting industry.
- SMEs haven't land. They have difficulty to rent the land.

Business Environment



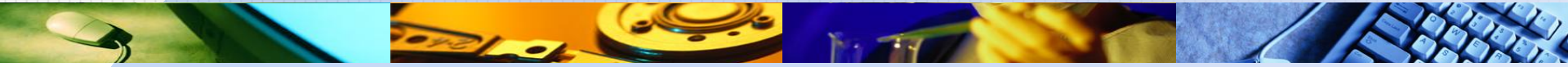
- The inflation is very high.
- High interest rate in the bank (15%-18%/year).
- The bad debt is increasing.
- 50,000 enterprises went bankrupt.
- jobless

DIFFICULTIES



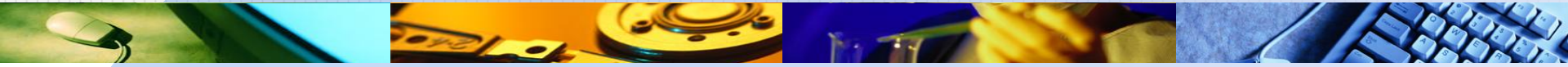
- However, in order to resolve this crucial problem, Vietnam economy is facing two conflicts:
- for curbing the inflation, Government keep the credit growth low, implement monetary policies cautiously and flexibly.
- This make enterprise more difficult in capital mobilization. The production sector is stagnant.

VIETNAMESE GOVERNMENT SOLUTIONS IN 2012



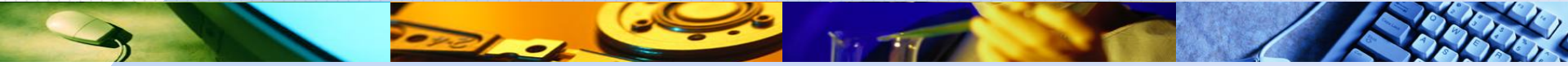
- *First, focus on controlling inflation, stabilizing macro-economy*
- Implement monetary policies cautiously and flexibly:
- Keep inflation below 10%. Ensure liquidity of credit institutions. Reducing the interest rate to a reasonable level associated with macro-economic changes.
- Strengthening the control of markets, prices and running well domestic markets
- Enhance the inspection and supervision of the implementation of regulations on price management, taxes and charges to the items priced and stabilized prices by the state or to the products essential for production and livings.
- Encourage exports and control imports and limit trade deficit
- Use tax policies flexibly to encourage the production, business and exports, controlling and limiting imports, reducing the trade deficit to below 10%, decreasing and limiting exports of minerals, agricultural products and raw and unprocessed forestry

VIETNAMESE GOVERNMENT SOLUTIONS IN 2012



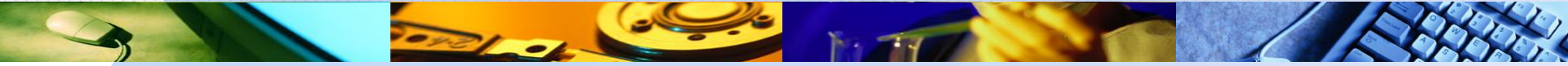
- *Second, focus on restructuring the economy, innovating growth models with efficiency and competitiveness*
- Focus on tasks of restructuring the economy (public investment, financial system and banks, businesses)
- Economic restructuring associated with innovating growth models
- Concentrate resources on agricultural and rural development
- Ensure supply of sufficient power for production and consumption

Solution in long - term



- 1. Financial Assistance**
- 2. Supporting technique and technology**
- 3. Promoting the market expansion**
- 4. Supporting the development of human resource of SMEs**

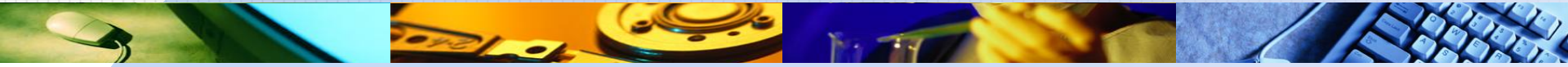
Solution in long - term



1. Financial Assistance

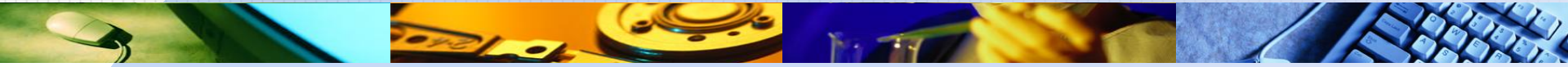
- Encouragement policy of investment for SMEs
- The State encourages the establishment of guarantee fund for SMEs.
- Establishment of development Fund for SMEs
- Supporting the rate for SMEs medium –term and long term of loan

Solution in long - term



- **2. Supporting technique and technology**
- Encourage investment of technological renovation and renewal of technical equipment according to the strategy development and production expansion of SMEs.
- Raise the technology capability of SMEs through programs to support research, technological development to produce new products, technology transfer.
- Development of Science and Technology for an annual national funds to support SMEs innovation, technological capacity building.

Solution in long - term

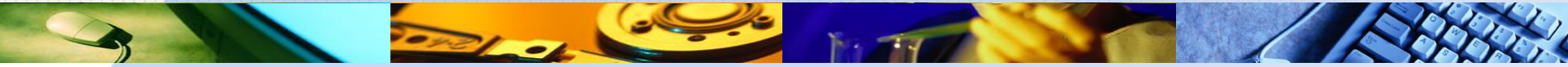


3. Promoting the market expansion

- Annually, relevant ministries, branches, local planning, arranging the funding for the implementation of the promotion activities to expand the market for SMEs

4. Supporting the development of human resource of SMEs

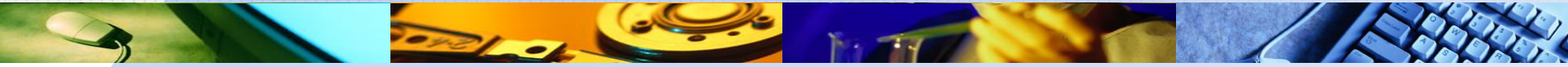
- Organising training courses, seminar, workshop on enterprises management in the financial crisis and how to attract the capital through the business plan.



5. Production premises

- People 's Committee provinces and cities directly implement the measures to encourage the construction of industrial cluster for SMEs as land rent production

Proposals to support SMEs growth



- Establishing the Network to support SMEs
- Organizing together the Event to exchange the technology, products, market need
- Exchanging the capital resources each other
- Sharing the experiences and opportunities to do business
- Enhancing the ability of SMEs through diffusing technology, market information and exchanging human resources



“Partnership for Integration and Sustainable Development”

