



**Asia-Pacific
Economic Cooperation**

SMEs Development: Vietnamese Experience

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Economic Rebalancing and Diversified Growth”*

*Session 2: Micro Competitiveness, Inclusive and Quality Growth: Potential Synergy
and Competitiveness Profile of Regional Small and Medium Enterprises,
E-Commerce and Digital Financial Inclusion*

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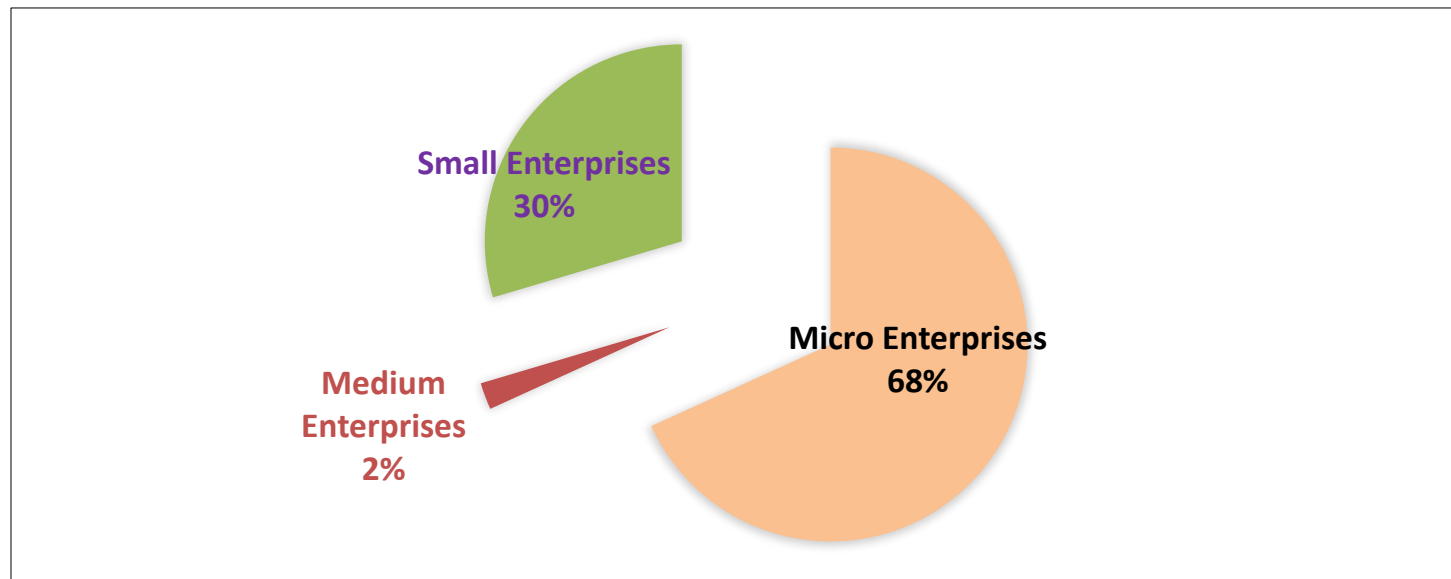
I. Overview of Vietnamese SMEs

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- Role of MSMEs in Vietnam:

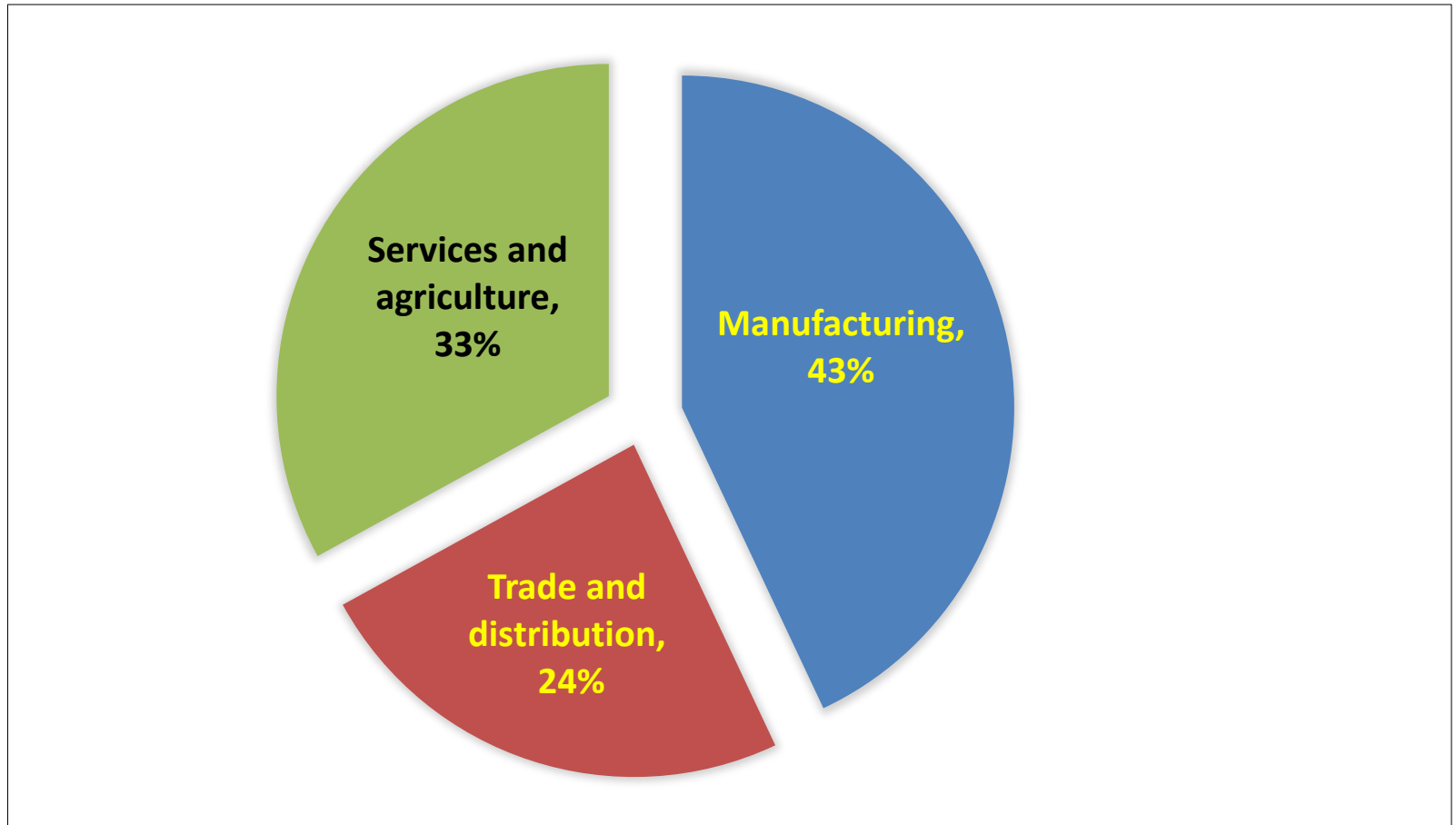
- ✓ About **97%** of total number of businesses
 - ✓ **77%** of total employment
 - ✓ Contribute **41%** of GDP.
- **590,000** active MSMEs (10/2016), of which **68%** are micro.

Fig.1: Breakdown of MSMEs in Vietnam (2016)



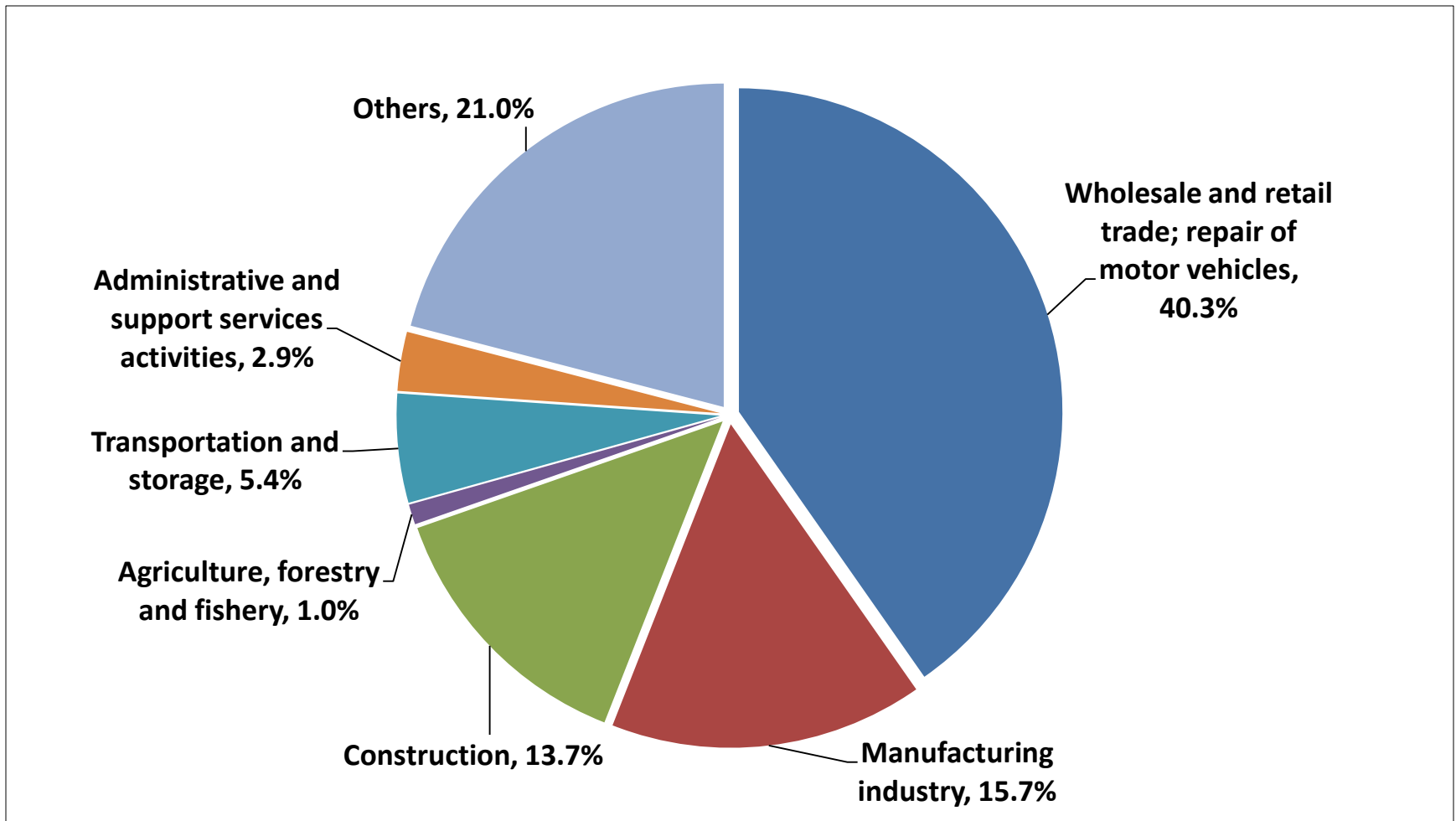
Source: Vietnam Association of SMEs.

Fig.2: Business lines of Vietnamese SMEs



Source: Vietnam Trade Promotion Agency (2016)

Fig.3: Business lines of Vietnamese SMEs



Source: MPI White Paper on Vietnamese SMEs (2014).

II. SMEs development initiatives in Vietnam

II.1 Improving business environment

- **Decree 56/2009/NĐ-CP** dated 30 June 2009 on supporting SMEs
- **Resolution 19/NQ-CP (2014, 2015, 2016 and 2017): on improving business environment and national competitiveness;**
- **Draft Law on Supporting Small and Medium Enterprises (to be passed in 2017);**
- **Resolution 35/NQ-CP dated May 16th 2016:** for enterprise development to 2020 (to achieve **1 million firms by 2020**);
- **Improving legal framework;** including guidelines and policies facilitating SME establishment and operation;
- **Promoting the role of VCCI, industry associations and career development agencies**
- **Financial institutions have diversified products and services.**

II.2 Enhancing SMEs' competitiveness

- **Decision 58/2013/QD-TTg** on establishment and operation of the **credit guarantee funds for SMEs**
- **Lower lending interest rates for 5 priority sectors including SMEs (since 2014)**
- **The SME supporting fund (since Sep 2014)**
- Increasing **access to finance** of SMEs (including knowledge of financial services for SMEs);
- Supporting **recruitment and staff training for SMEs** to develop skills in digital technology, risk management
- Facilitating **innovation and creativity** at all levels (governmental agencies and firms).

II.3 Strengthening synergy (cooperation) between SMEs and large businesses, promoting PPP

- **Strengthening public – private partnership (PPP):** a governmental decree since 2015;
- Facilitating activities of **associations and organizations** supporting large enterprises and SMEs;
- Developing **business portals and seminars**, which provide information exchange between SMEs, large enterprises, associations; and Governments;
- Promoting **cooperation** between MSMEs and investors, research centers and universities, etc;
- Strengthening **regional integration** to support cooperation between local and foreign firms
- **Encouraging FDI enterprises to partner with local firms.**

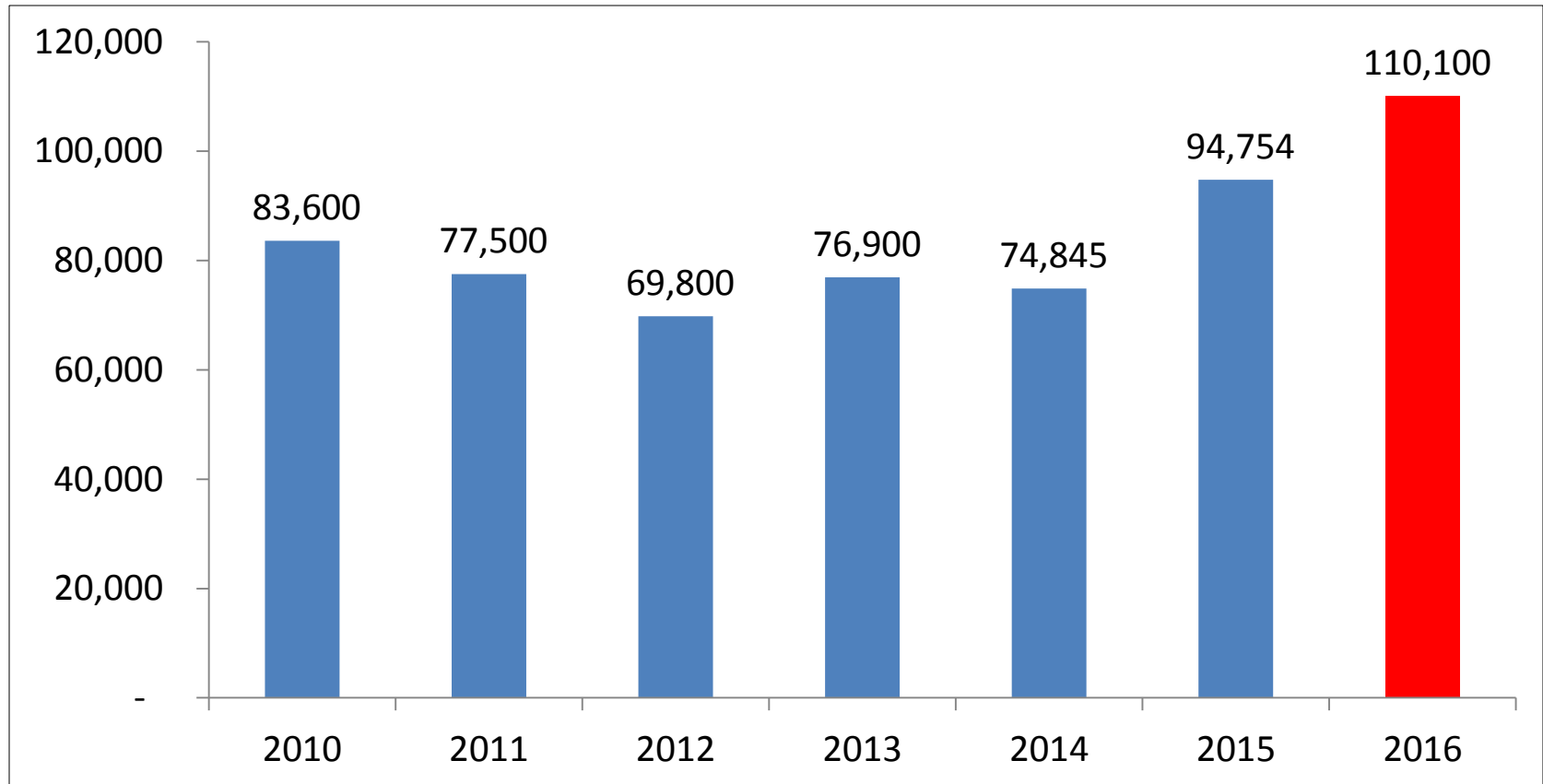
III. Achievements and limitations

Achievements

- SMEs contribute to **reduce unemployment rate, alleviate poverty and social stability**
- SMEs' registered capital was around USD130 billion, **equal to 1/3 total firms' registered capital** as of Dec 2016
- SMEs contribute **33% of total State budget revenues**
- **49%** in creating added value for the economy and **41%** of **GDP.**

Achievements (2)

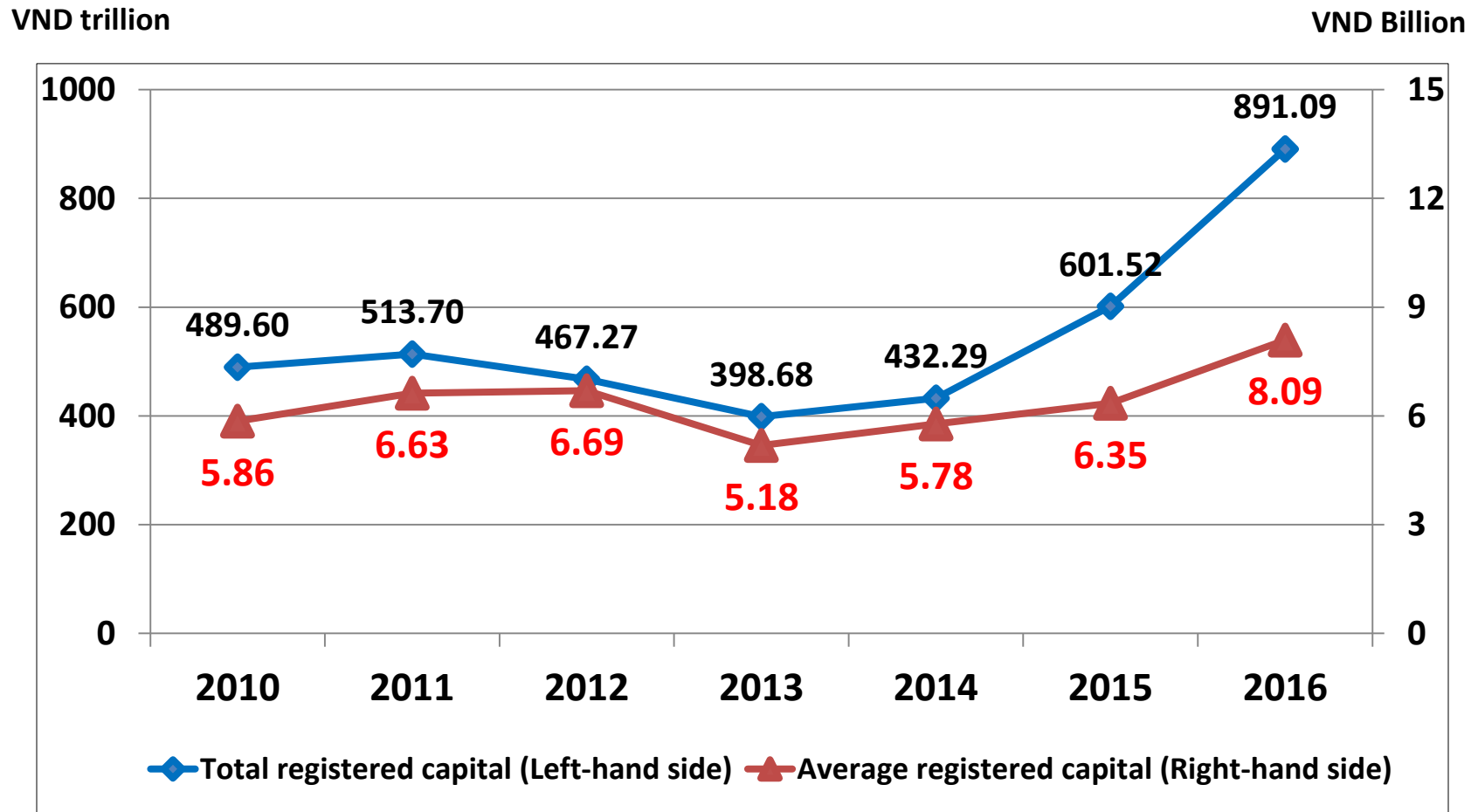
Fig. 4: Number of newly established firms (mainly SMEs)



Source: Vietnam Ministry of Planning and Investment.

Achievements (3)

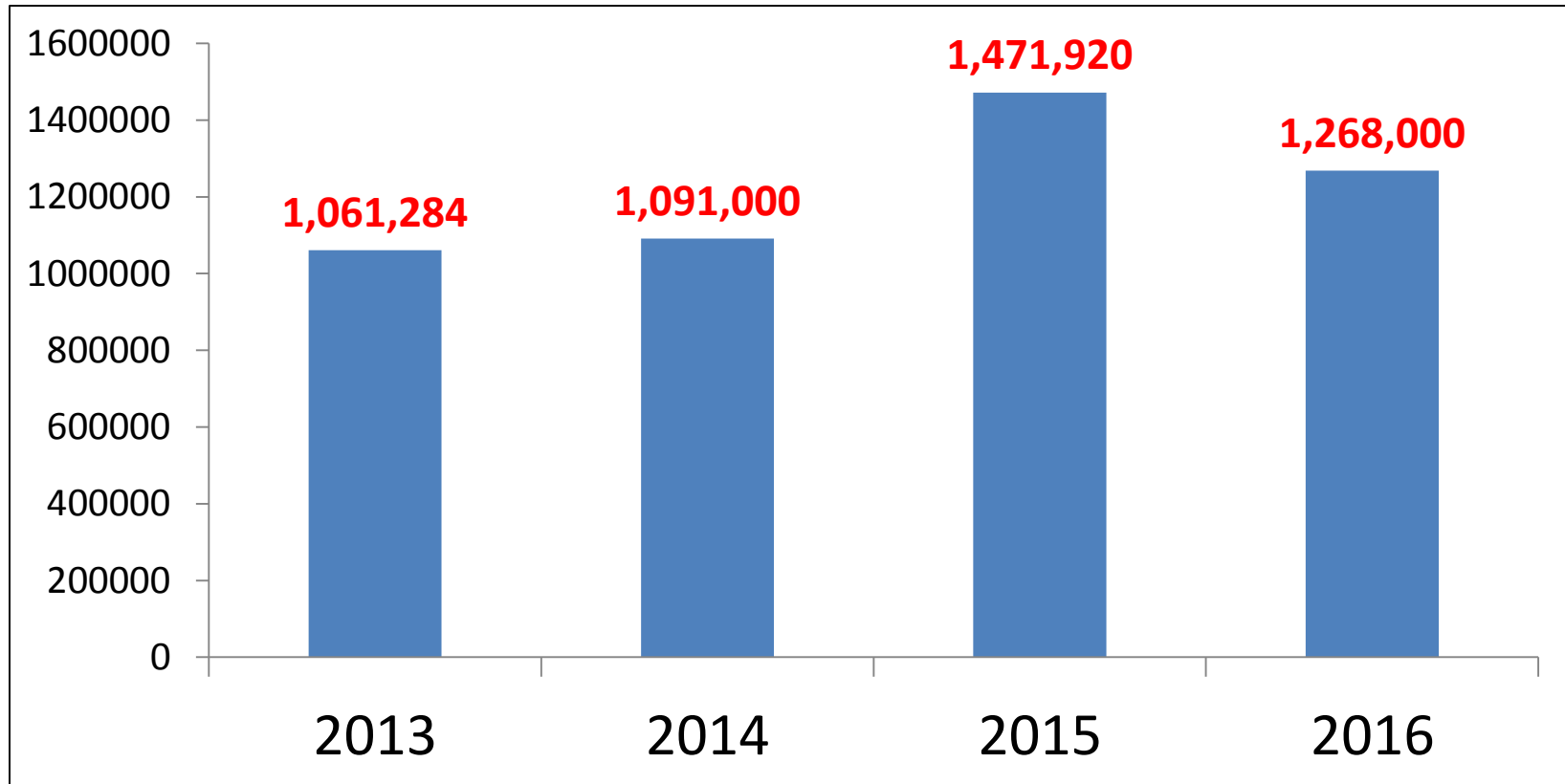
Fig.5: Registered capital of newly established firms



Source: Vietnam Ministry of Planning and Investment.

Achievements (4)

Fig.6: Registered number of employees of newly established firms

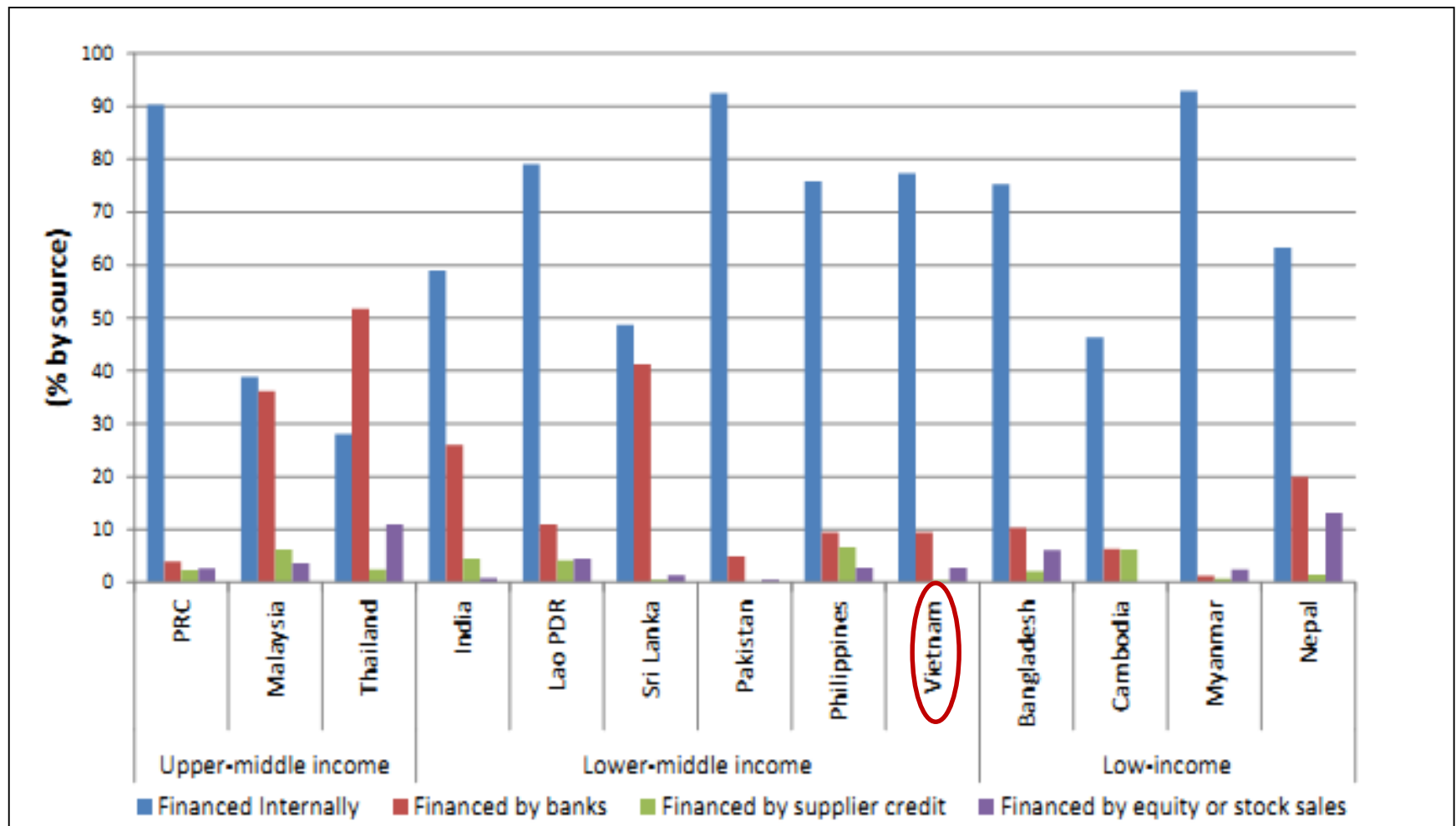


Source: Vietnam Ministry of Planning and Investment.

Limitations

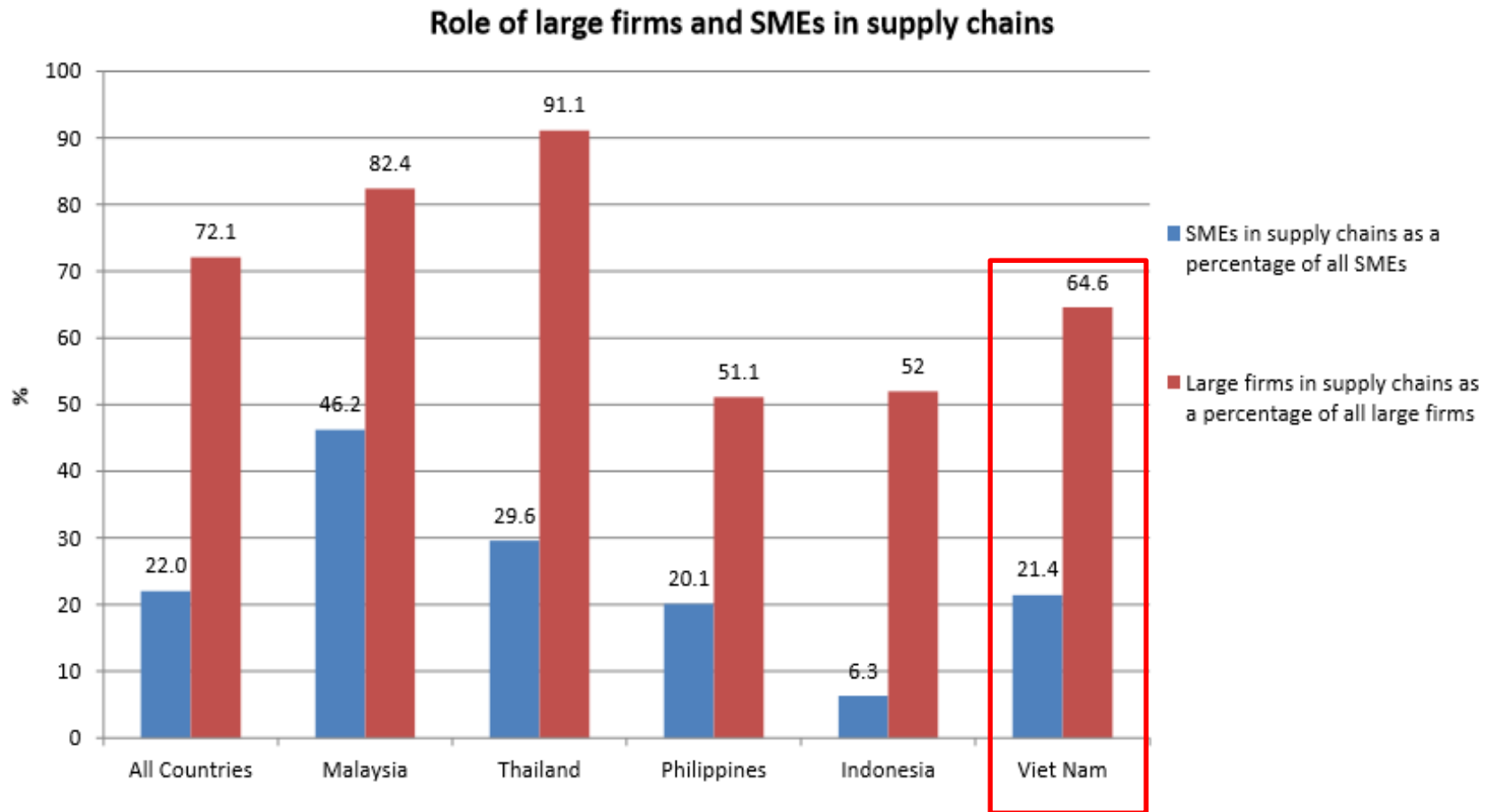
- **Limited access to finance (Fig.7)**
- **Difficulty in accessing other resources** such as land, registering assets , information, etc.
- **Still un-leveled playing fields among FDI, SOE and private enterprises**
- **Limited participation in global value chains (Fig.8).**

Fig.7: Finance for SMEs in Asia



Source: Yoshino và Wignaraja – ADBI (2015).

Fig.8: Large firms and SMEs in supply chain



Note: * Direct exporters and tier 1 suppliers only. Tier 2 suppliers excluded.

Source: Wignaraja, G., (2013), "Can SMEs participate in global production networks", in Elms, D., and Low, P., (ed), *Global Value Chains in a Changing World*, World Trade Organization: Geneva

Causes of limitations

1. **High cost of finance** (especially, unofficial/hidden costs)
2. Cumbersome lending procedures and **stringent collateral requirements**
3. **Underdeveloped capital markets**
4. **Uneffective loan guarantee funds**
5. Financial sector has been under **radical restructuring**
6. **“Crowding-out” Effect** (credit for SOEs, policy credit...)
7. Due to **SMEs themselves** (limited capability and inefficiency, lacking transparency; lack of management skills, strategic planning, skilled employees...).

IV. Recommendations

Recommendations: For APEC

- To establish **institutions/agencies in APEC** to support, propagandize and counsel SMEs in information, policy, market, and technological issues, etc;
- To form the **regional Union of businesses** to **facilitate SMEs to join the value chain of MNCs and FDI firms** in the region and beyond;
- To promote **APEC entrepreneurial spirit and start-ups**
- **To promote dialogues, forums and experience sharing** among SMEs and other firms.

Recommendations: For Government and Ministries

- To improve **institutions** (especially legal framework and administrative procedures) and transparency to reduce unofficial costs; **to facilitate SMEs participation in global/regional supply chains**
- To support and advise SMEs **in legal, management and information** issues;
- To enhance the **role of supportive institutions** and programs **encouraging creativity, research and development** of SMEs;
- To enhance **performance of the SME loan guarantee funds, R & D funds; and encourage banks to provide loans to SMEs, etc;**
- To improve **IT infrastructure** and supporting SMEs in **applying and developing appropriate technology.**

Recommendations: For SMEs

- To enhance strategic planning, **corporate governance and risk management**;
- **To diversify funding sources** (thus reducing reliance on bank credit);
- **To focus more on R & D and Staff training to develop skills in digital technology, risk management, and foster innovation**;
- **To proactively engage in global and regional supply chains**;
- **To seize opportunities for cooperation** among enterprises to improve creativity, innovation and participation in the global value chain;
- **To join industry associations** to access information about state policies, corporate governance experience, etc.

Q & A
THANK YOU!