



**Asia-Pacific
Economic Cooperation**

SMEs Development: Vietnamese Experience

Presenter: Dr. CAN Van Luc

*at the Conference on “APEC’s Post 2020 Agenda: Rising Protectionism,
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*

Singapore, February 13th 2017

CONTENTS

I. Overview of Vietnamese SMEs

II. SMEs development initiatives in Vietnam

III. Achievements and limitations

IV. Recommendations

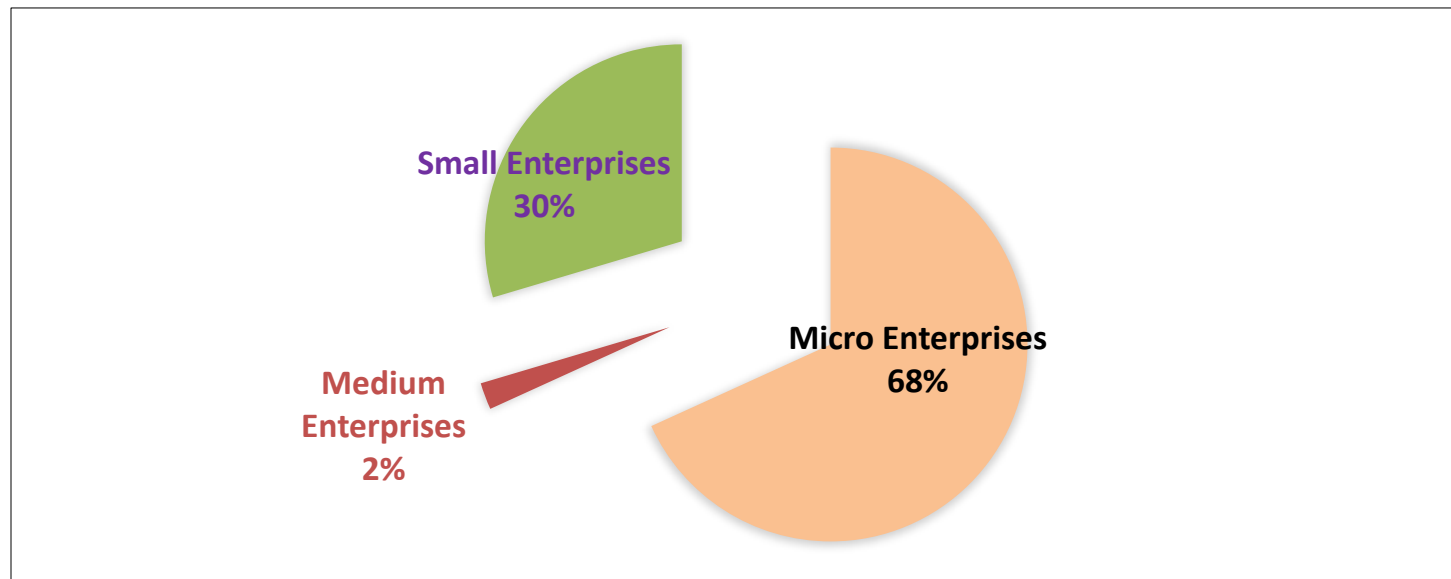
I. Overview of Vietnamese SMEs

I. Overview of Vietnamese SMEs

- Role of MSMEs in Vietnam:

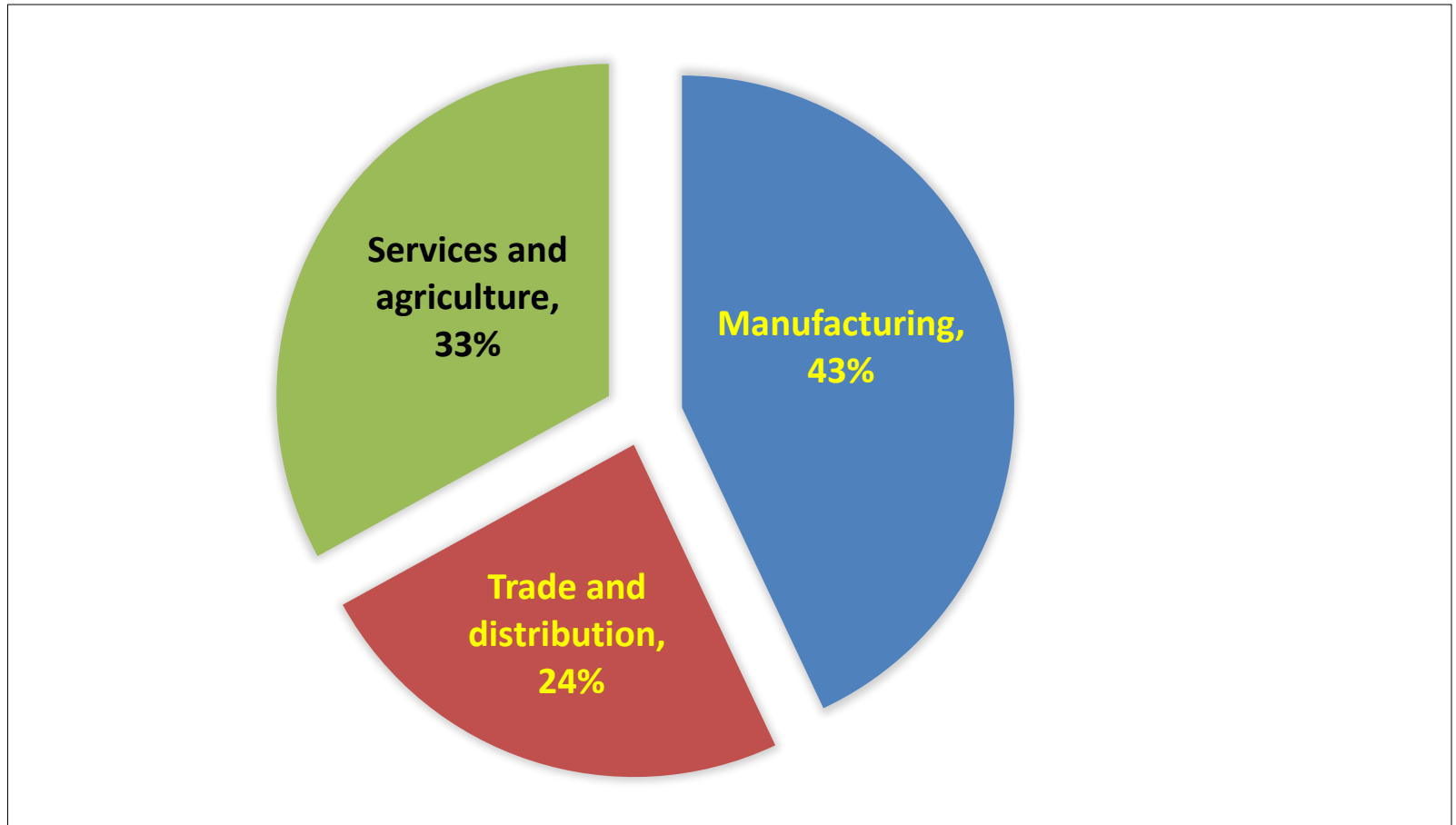
- ✓ About **97%** of total number of businesses
 - ✓ **77%** of total employment
 - ✓ Contribute **41%** of GDP.
- **590,000** active MSMEs (10/2016), of which **68%** are micro.

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



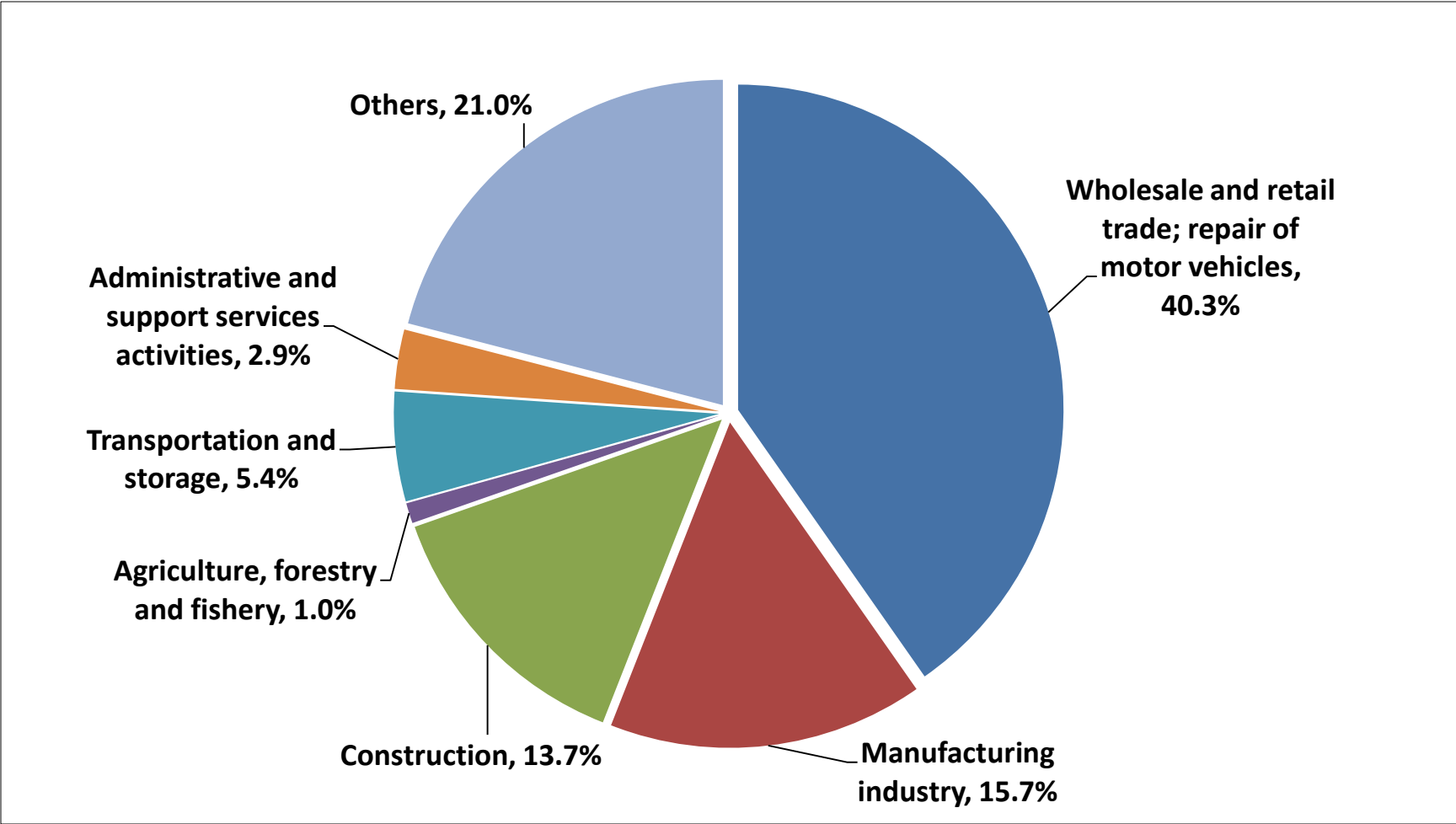
Source: Vietnam Association of SMEs.

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.**

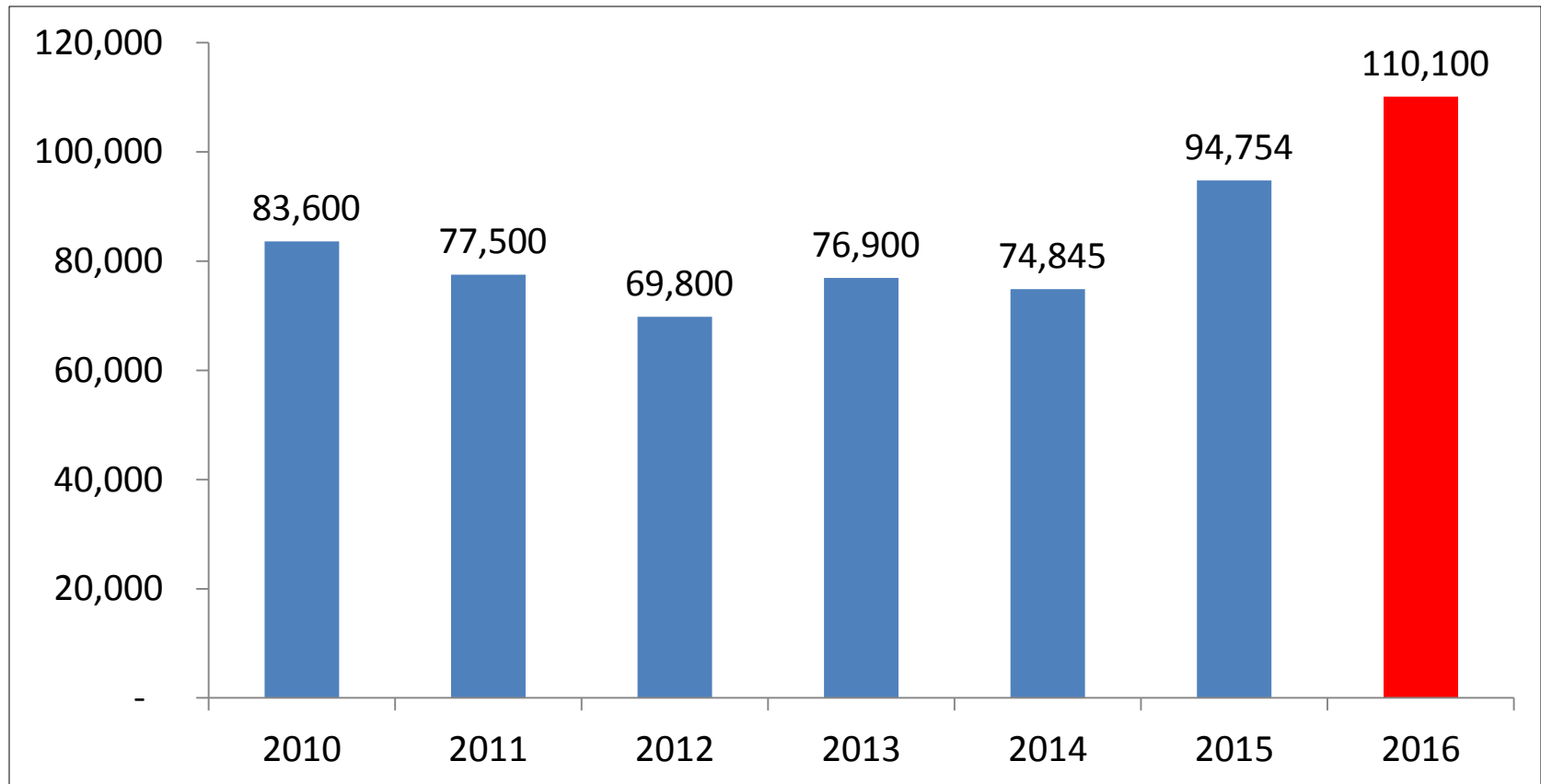
III. Achievements and limitations

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)

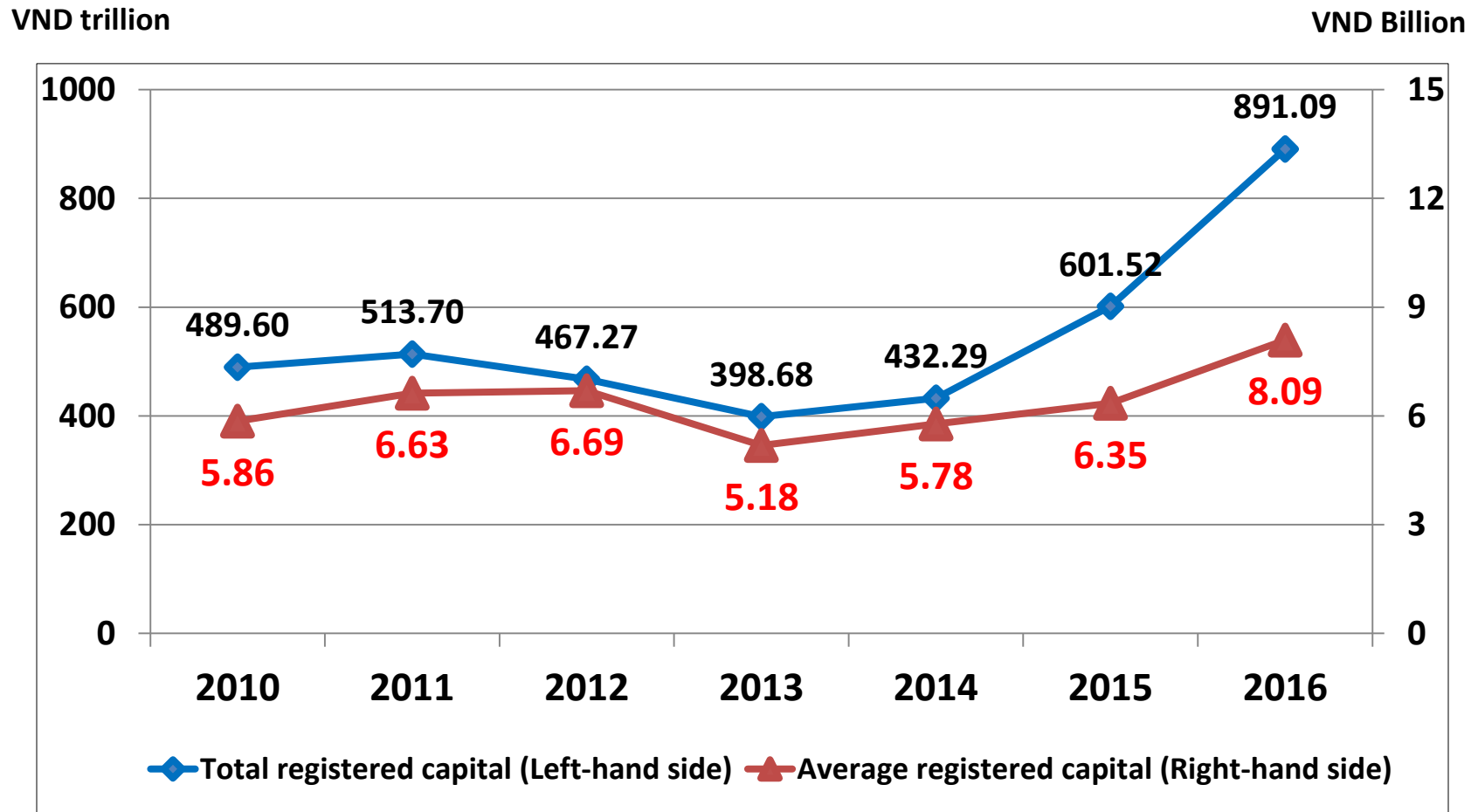
Fig. 4: Number of newly established firms (mainly SMEs)



Source: Vietnam Ministry of Planning and Investment.

Achievements (3)

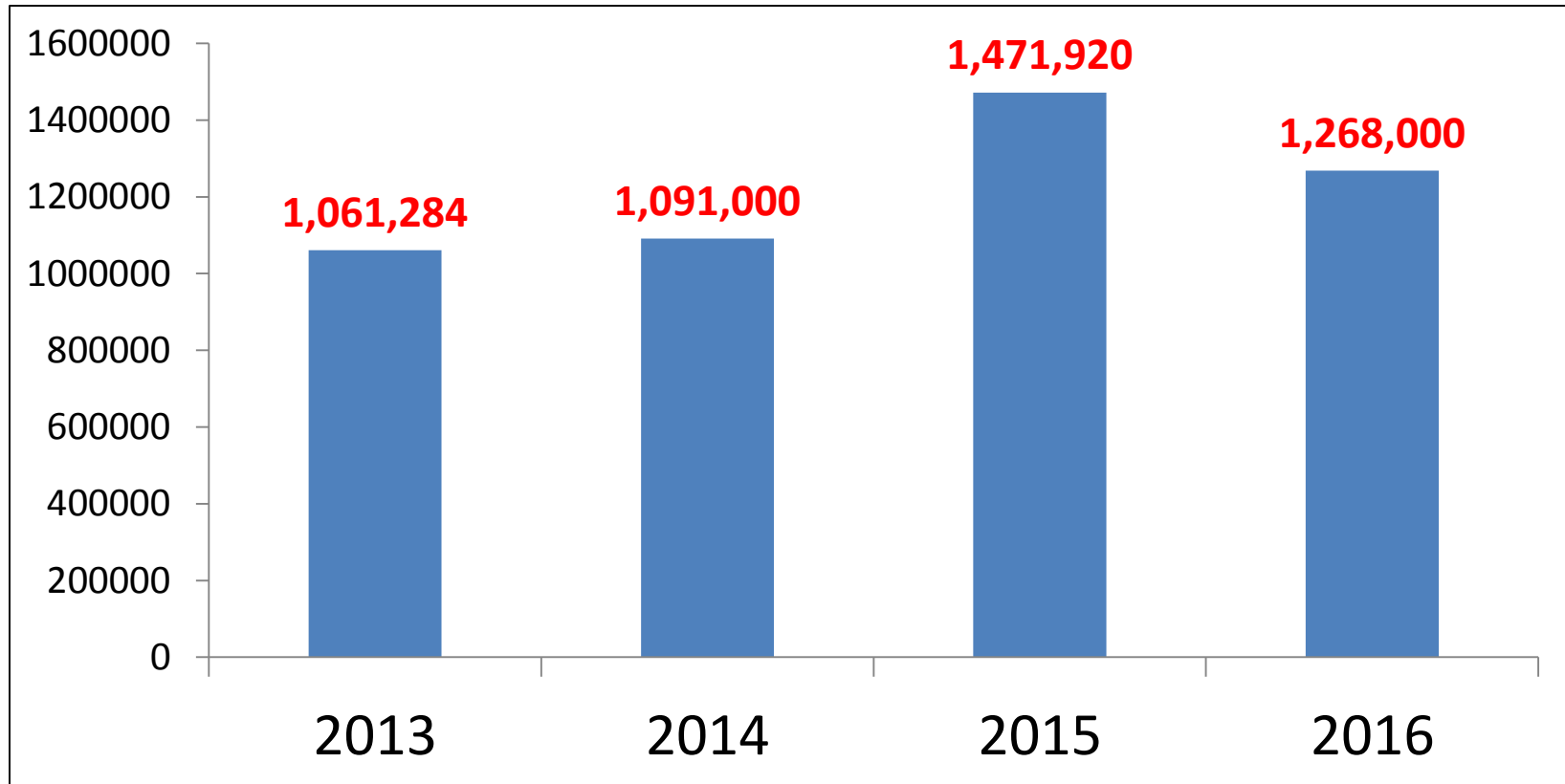
Fig.5: Registered capital of newly established firms



Source: Vietnam Ministry of Planning and Investment.

Achievements (4)

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

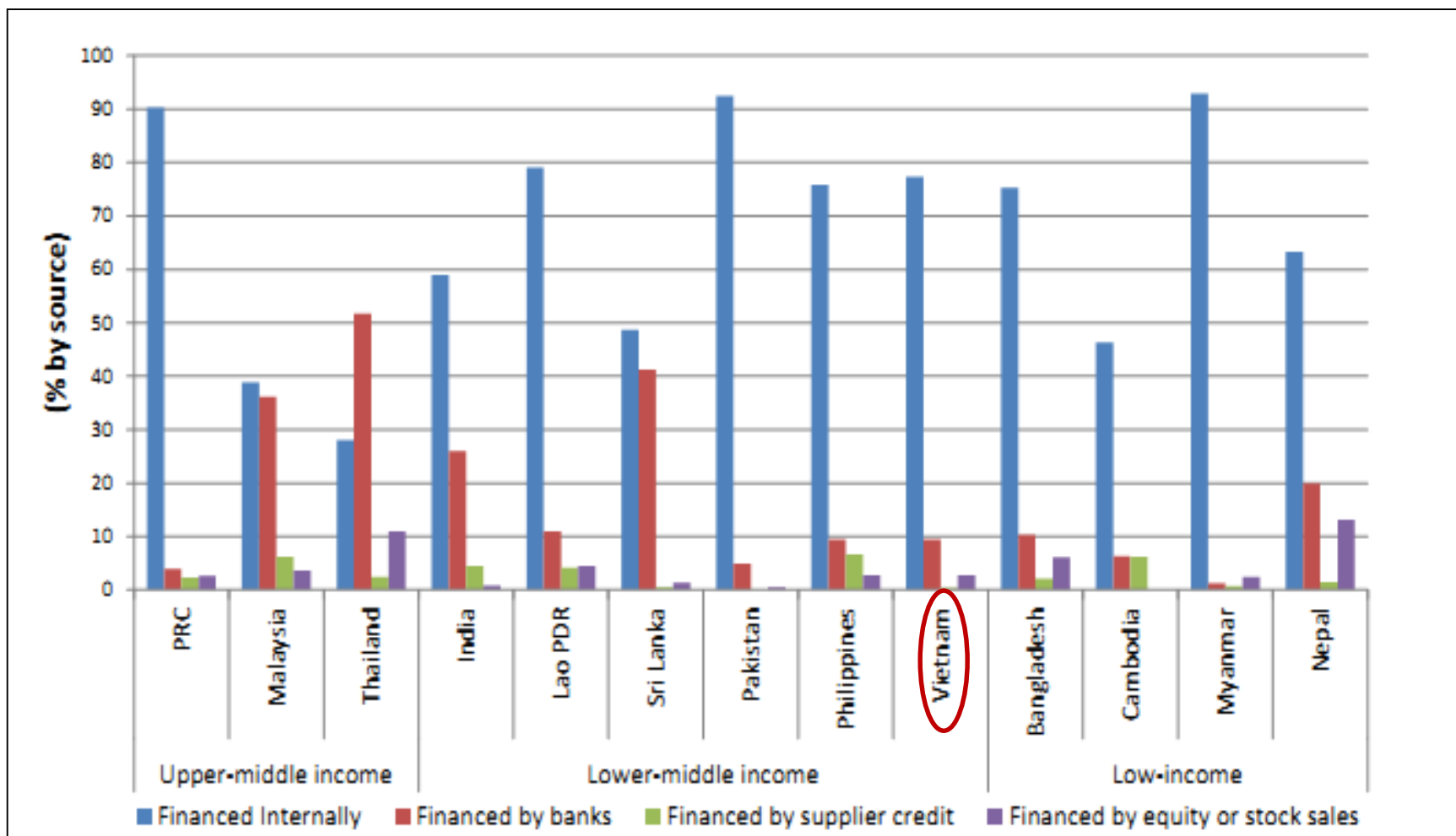


Source: Vietnam Ministry of Planning and Investment.

Limitations

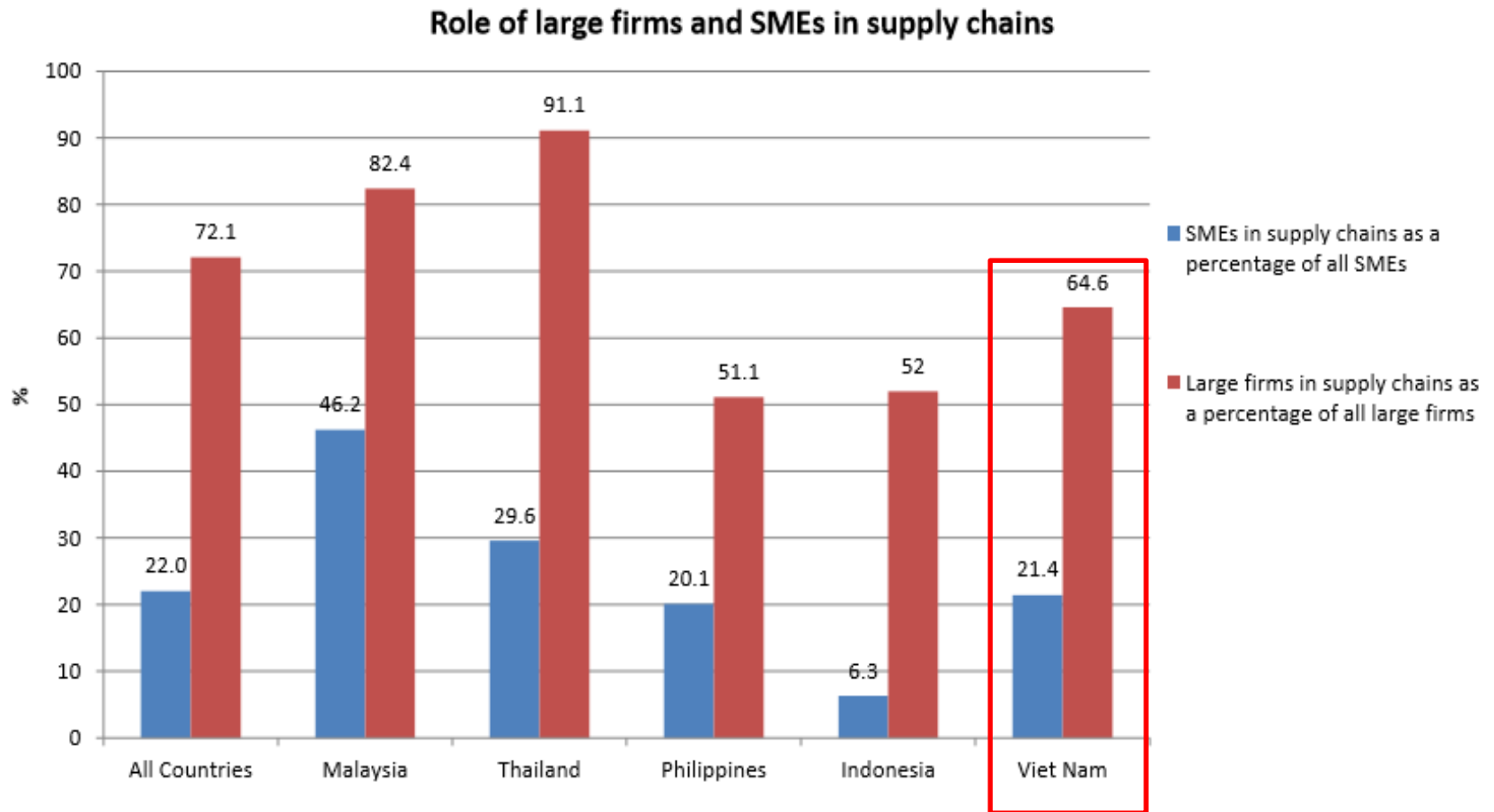
- **Limited access to finance (Fig.7)**
- **Difficulty in accessing other resources** such as land, registering assets , information, etc.
- **Still un-leveled playing fields among FDI, SOE and private enterprises**
- **Limited participation in global value chains (Fig.8).**

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!