



**APEC SME Innovation Seminar**  
(Effective Implementation and Assessment of SME Innovation Policy, SME01/2009A)

**SME Working Group**  
August 25 - 28, 2009, Seoul, Korea



Asia-Pacific  
Economic Cooperation

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# SESSION II

Financial Support for Innovative SMEs







**JUAN LADRÓN DE GUEVARA**  
HEAD OF INNOVATION POLICY  
MINISTRY OF ECONOMY

Seminar: "Innovation in SME Financing and Marketing"  
Korea, August 25 - 28, 2009



## CHILE

Chile has seen outstanding growth and stability during the past two decades.

Today's challenge is to continue the forward movement so that Chile can reach greater levels of technological sophistication and development to contribute to the country's consolidation of its ICT, mining, aquaculture, forestry, and food industries.

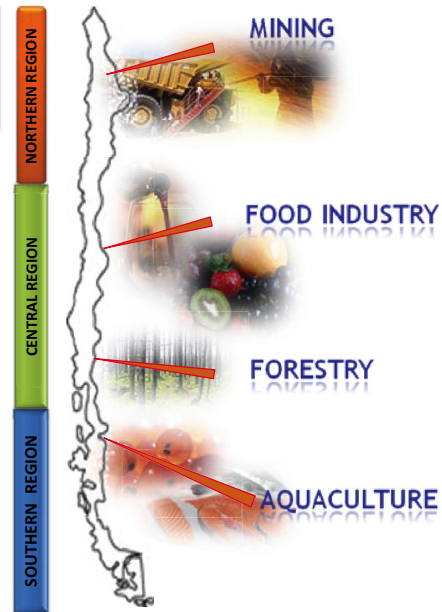
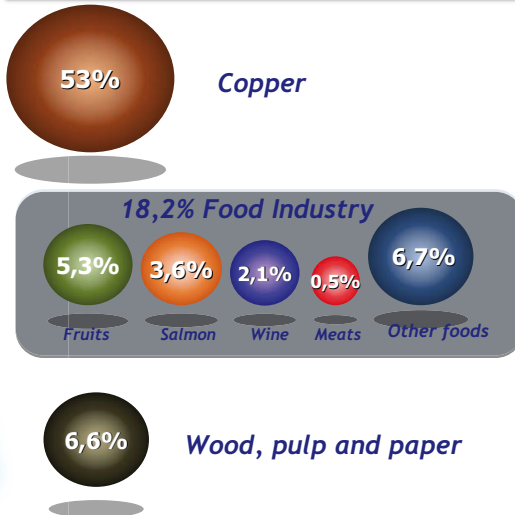
Chile has set the stage for development and innovation in Latin America.





## A STRONG NATURAL RESOURCE-BASED EXPORT ECONOMY

- US\$ 183 billions GDP (2008)
- 16,8 million population
- US\$ 64,6 billion exports

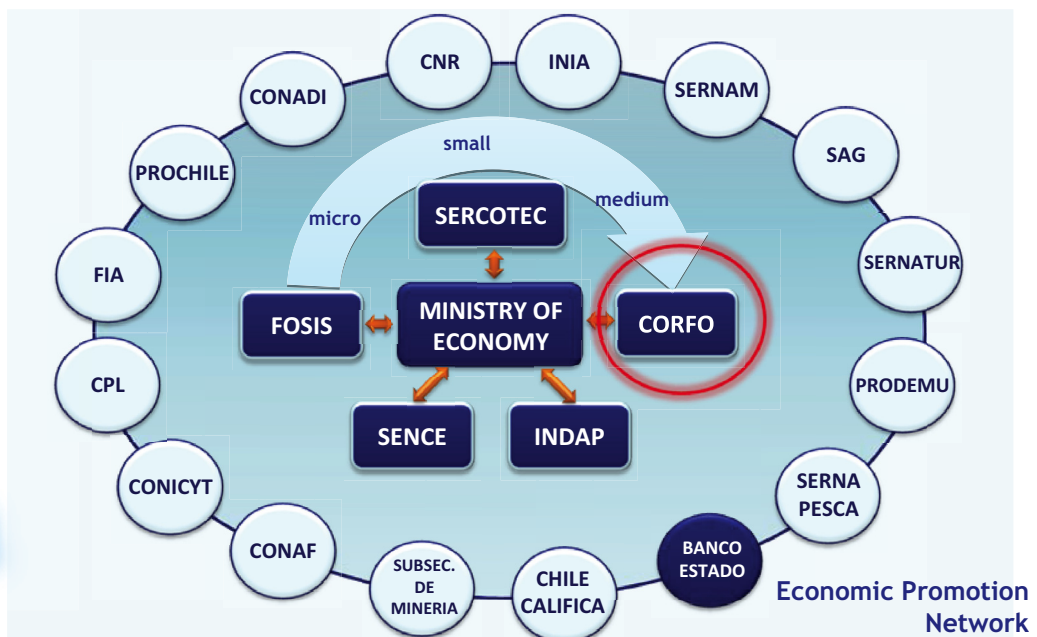


Source: Central Bank of Chile, 2009



## MINISTRY OF ECONOMY

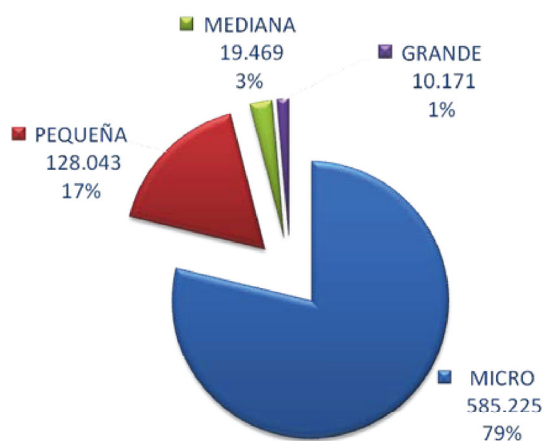
In charge of competitiveness-related public policy design and monitoring. Main areas of work are Innovation, Entrepreneurship, SME, Market Regulation, ICT, Tourism, Fisheries and Aquaculture.





## CHILEAN FIRMS STRUCTURE

N° AND % OF FIRMS, YEAR 2007 BY SIZE



2007 FIRMS TOTAL : 742.908

SOURCE: SME DIVISION. MINECON 2009



## CHILEAN ECONOMIC DEVELOPMENT AGENCY

CORFO has been the primary organization within the Chilean Government, responsible for promoting economic growth in Chile since 1939.

CORFO's pioneering spirit has played a significant role in expanding the country's economic development by promoting investment, innovation, business and cluster development, coupled with a focus on quality and productivity.

CORFO oversees a variety of programs aimed at generating the economic development of Chile, through the promotion of inward investment and the advocacy of competitiveness for domestic companies.



## CORFO's Guiding Principles

- Improving market flaws
- Enhancing Private-public Collaboration
- Matching Funds: requires beneficiaries to contribute (on average, companies contribute 50% in Innovation and 48% in Development)
- Working on a demand-driven basis (one stop shop, contests, bidding)
- Providing time-bound support
- Evaluating: Program results and impacts are regularly assessed. Fourteen assessment studies have been conducted in recent years.



## CORFO and its SME support policy

- SMEs represent a high percentage of businesses in Chile and offer a considerable amount of jobs. Nonetheless, these businesses do not generate an equivalent share of profits.
- Diversity at different levels:
  - sector
  - regional - market size
  - positioning in the global market
  - age - entrepreneurship
  - technological level





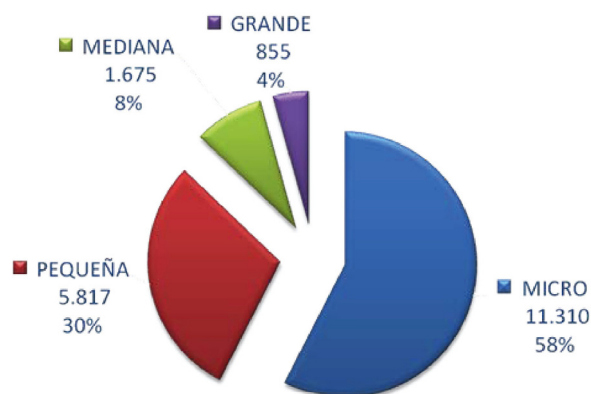
## CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
- ✓ Support for Innovation and Entrepreneurship



## CORFO: SME FOCUS

NUMBER AND SHARE OF FIRMS BENEFITED BY CORFO  
SUBSIDIES (2008) BY SIZE.

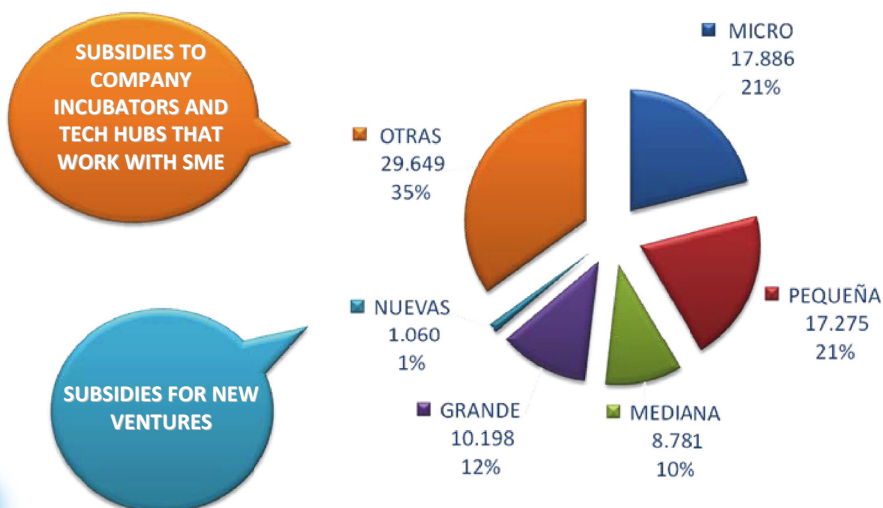


TOTAL (2008): 19.657  
(Promotion, Investment and Innovation)



## CORFO: SME FOCUS

### AMOUNT OF CORFO SUBSIDIES TRANSFERRED TO FIRMS (MM\$)



Total amount of subsidies 2008: Ch\$84.850 millions



## CORFO's Lines of Work

- ✓ **Access to Financing**
  - Financing for SME investments: bank and leasing credits
  - Credit guarantees for exporters
  - Credits for SME investments
  - Microcredits for microenterprises, through non-bank intermediaries
- ✓ **Investment Promotion**
- ✓ **Development: SME Support**
- ✓ **Support for Innovation and Entrepreneurship**

El año 2008 el número de empresas beneficiarias con créditos y coberturas fue de 60.136, por un total de \$105.870 millones. El 28% fue destinado a empresas MIPE y el 69% a empresas MIPYME



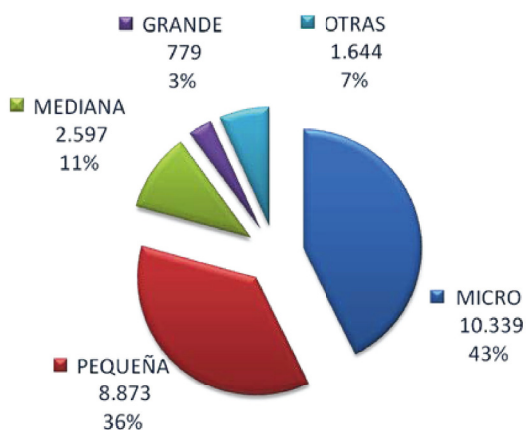
## CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
  - General Programs
    - Quality Promotion
    - Technical Assistance Fund
    - SME Network Projects (PROFO)
    - Suppliers Development Program (PDP)
  - Special Programs
    - Local Entrepreneurship Program
    - Pre-investment Studies (Irrigation, Artisanal Fishing Management Areas, Environment, Energy Efficiency)
    - Film and Audiovisual Industry Development Program
    - Cluster Development Program
- ✓ Support for Innovation and Entrepreneurship



## Development: SME Support

AMOUNT OF CORFO WITHIN PROMOTION AREA  
(BY FIRM SIZE)



Total resources amount transferred during 2008 was Ch\$24.232 millions, leveraging private resources for Ch\$14.437 millions (37,3%)

OTRAS: Spatial-Integrated Program



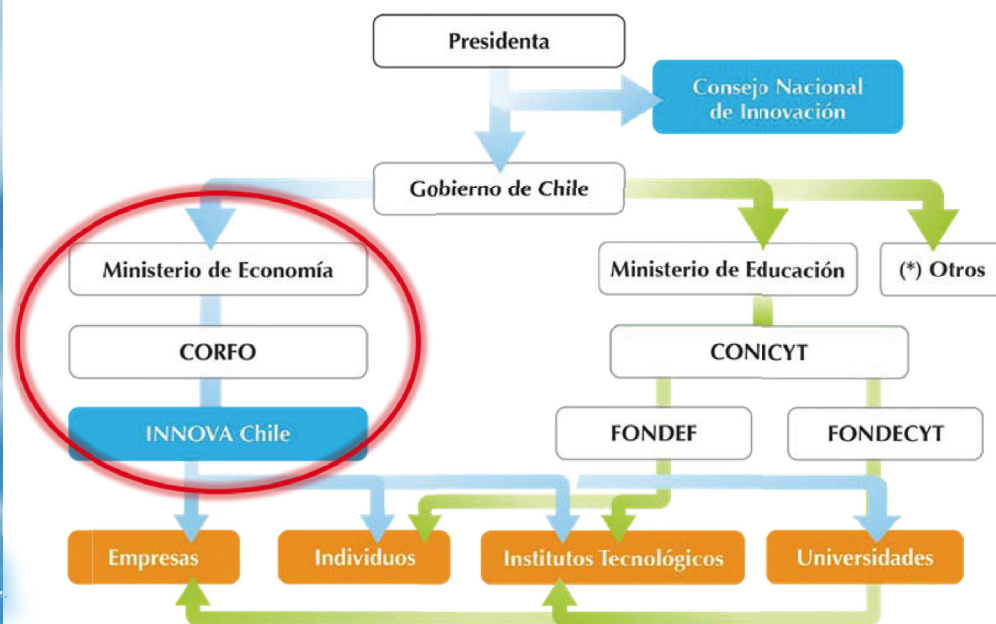


## CORFO's Lines of Work

- ✓ Access to Financing
- ✓ Investment Promotion
- ✓ Development: SME Support
- ✓ Support for Innovation and Entrepreneurship
  - Promoting and supporting entrepreneurial innovation is a priority for Chile and its Government.
  - CORFO, as the agency responsible for addressing this task, provides matching funds through **InnovaChile**, to meet the needs of those wishing to undertake innovative initiatives.
  - Main Innovation Areas:
    - Public Interest and Pre-Competitive Innovation
    - Corporate Innovation
    - Technology Transfer
    - Innovative Entrepreneurship



## CHILE'S INNOVATION MAP



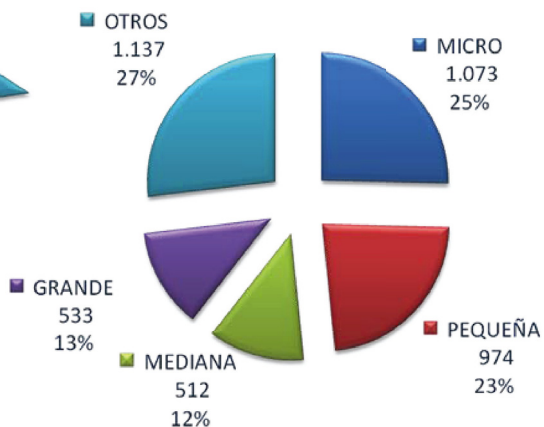
(\* ) Otros: FIA - Programa Milenio



## Support for Innovation and Entrepreneurship

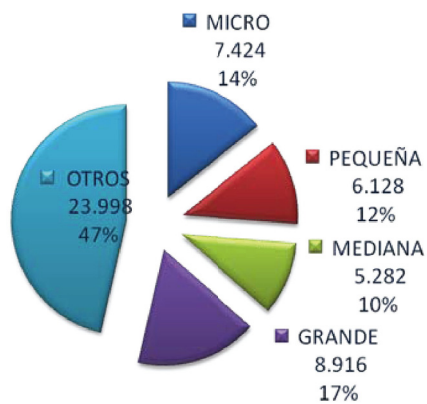
NUMBER OF FIRMS SUBSIDIZED BY INNOVA CHILE  
(2008, BY SIZE)

UNIVERSITIES, TECHNICAL AND  
TECHNOLOGICAL INSTITUTES AND  
TRAINING INSTITUTIONS

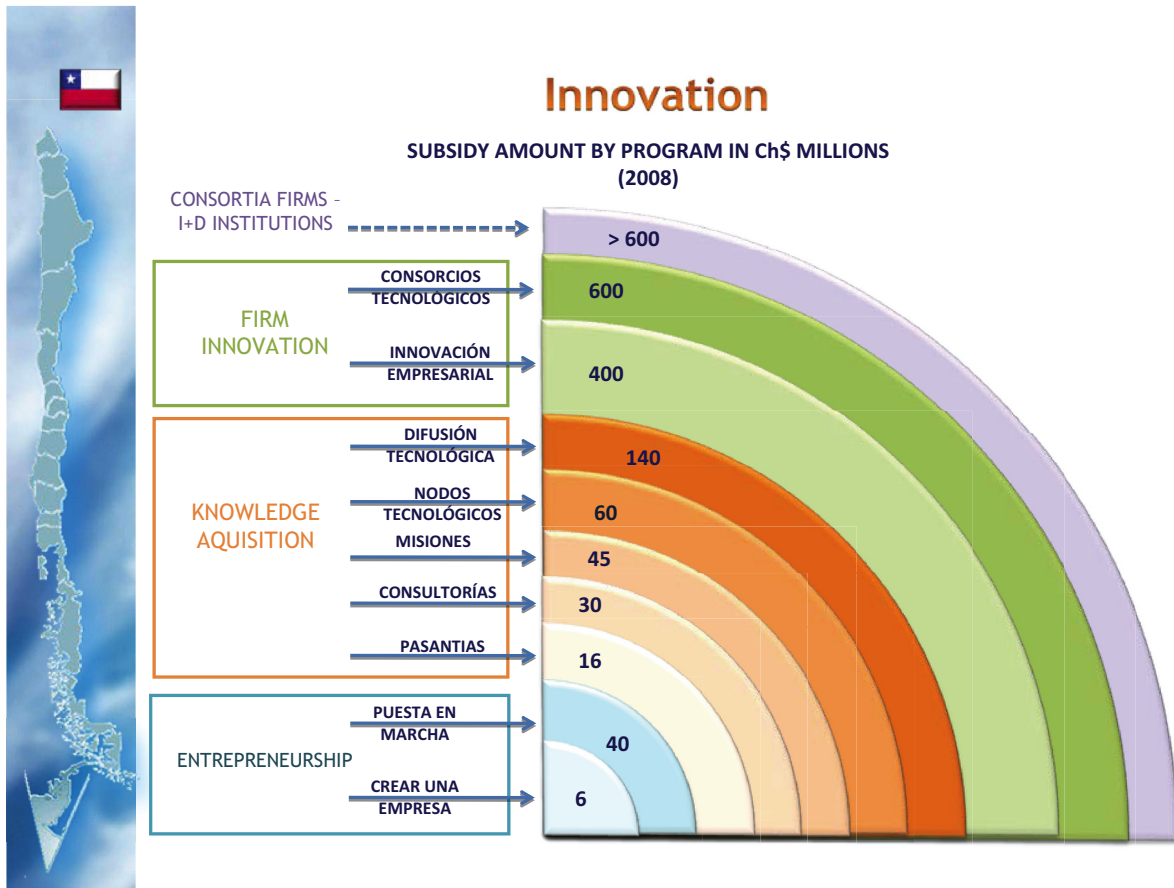


## Support for Innovation and Entrepreneurship

AMOUNT AND SHARE OF INNOVA CHILE SUBSIDIES  
(2008, BY SIZE)



TOTAL RESOURCE AMOUNT TRANSFERRED DURNIG 2008 WAS Ch\$51.748 millions, LEVERAGING PRIVATE RESOURCES FOR Ch\$47.864 millions (48%)







## Main weaknesses of Chile's innovation system

- ✓ Low level of R&D and innovation investment (<0.7 % GDP)
- ✓ Very low business participation (< 1/3 financed and executed), rent-seeking behavior
- ✓ Focus on basic research carried out by universities (>2/3)
- ✓ Low supply of seed and risk capital
- ✓ Underdeveloped infrastructure for knowledge/ technology diffusion
- ✓ Shortage of specialized human resources for innovation (technical and managerial competences)
- ✓ Weak governance, lack of strategic vision and evaluation, fragmentation.

(1) OECD Review of Chile's Innovation Policy (OECD(2007))



## Growing political awareness on the challenge of innovation for the country's future has resulted in 2 key decisions (2005):

- a) The creation of a **National Innovation Council for Competitiveness**, with the mission of proposing guidelines for a long term national innovation strategy and for improving the performance of the domestic innovation system.
- b) The introduction of a specific mining tax (royalty), oriented to increase the resources dedicated to promote innovation, through a new **Innovation Fund for Competitiveness (FIC)** (building dynamic advantages from static ones).



+New strategy approach: more **selectivity (focus)** is needed --not only good horizontal policies-- around traditional **clusters** (mining, food industry, acuiculture) and emergent ones (off shoring -Chile ranks 7th by AT Kearney--, tourism).

Set of **competitiveness studies on clusters** conducted by BCG, to build road map and **priority agendas on innovation** (> US\$ 2 million).

THE BOSTON CONSULTING GROUP

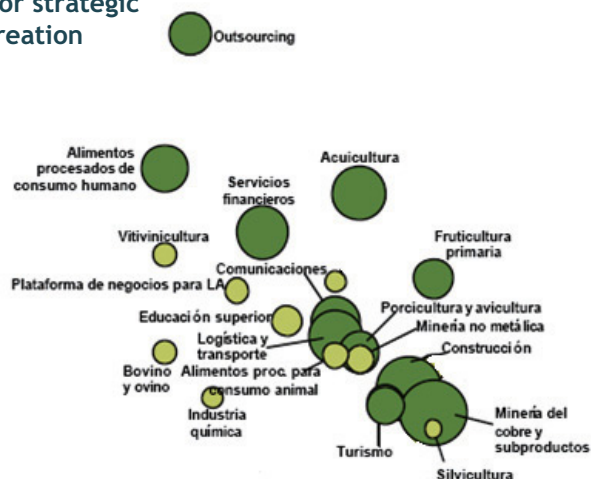


## CHILE: Main Challenges to become a developed country

1. Diversify the export portfolio
2. Improve the quality of our human capital
3. Increase the ability to innovate

Around **CLUSTERS** opportunities for strategic collaboration and new business creation abound.

1. Aquaculture
2. Mining
3. Special interest tourism
4. Global services/ Offshoring
5. Food industry



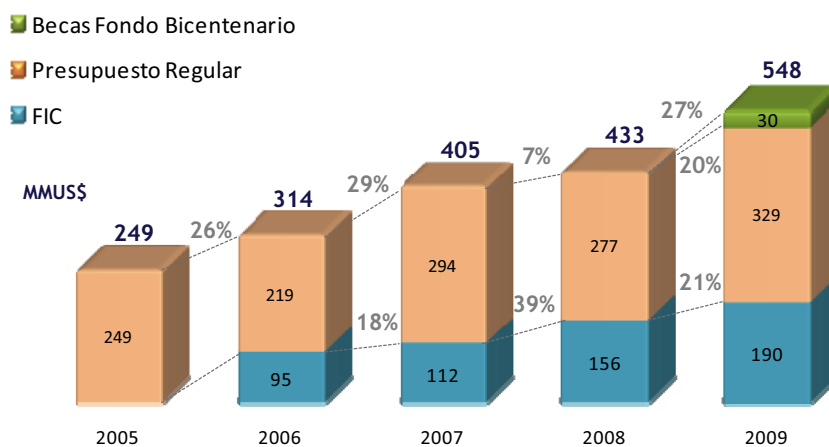


## 2008-2010 ACTION PLAN



## GROWTH OF PUBLIC INVESTMENT IN INNOVATION

Public investment in innovation grew 74% in 2008 compared to 2005, and 27% (2009/2008).



Fuente: Ley de Presupuestos de cada Año-DIPRES.  
Cifras en millones de dólares.

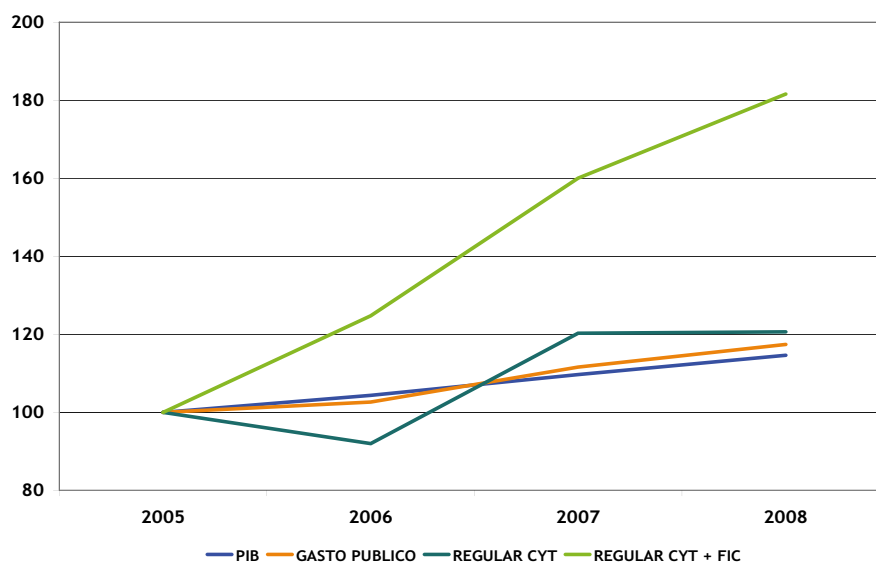
Nota: se considera valor medio dólar 2008 a \$538.



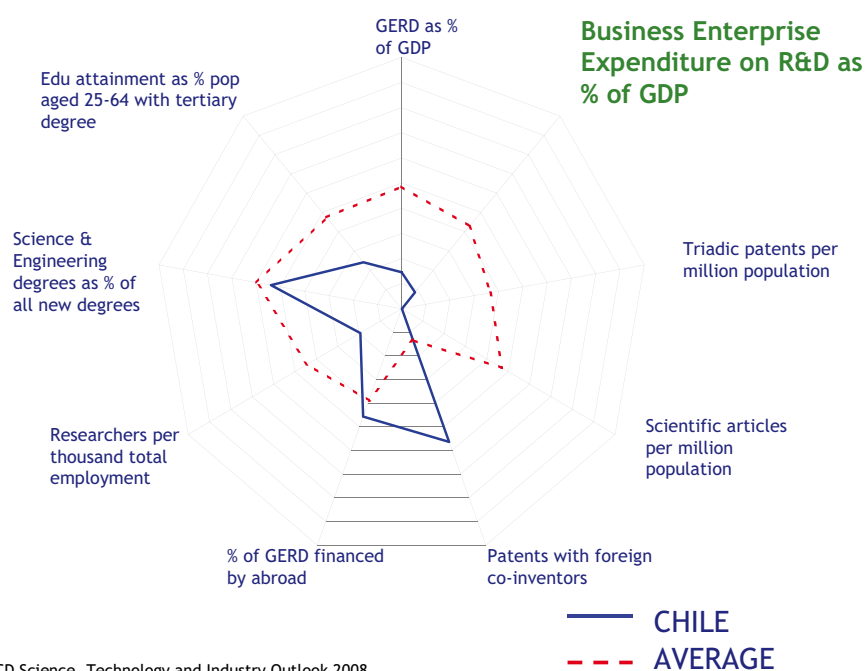


## PUBLIC EXPENDING TO FOSTER INNOVATION: A SERIUOS STEP

GDP, PUBLIC EXPENDITURE AND PUBLIC EXPENDITURE IN R+D TRENDS  
(Base 2005=100)



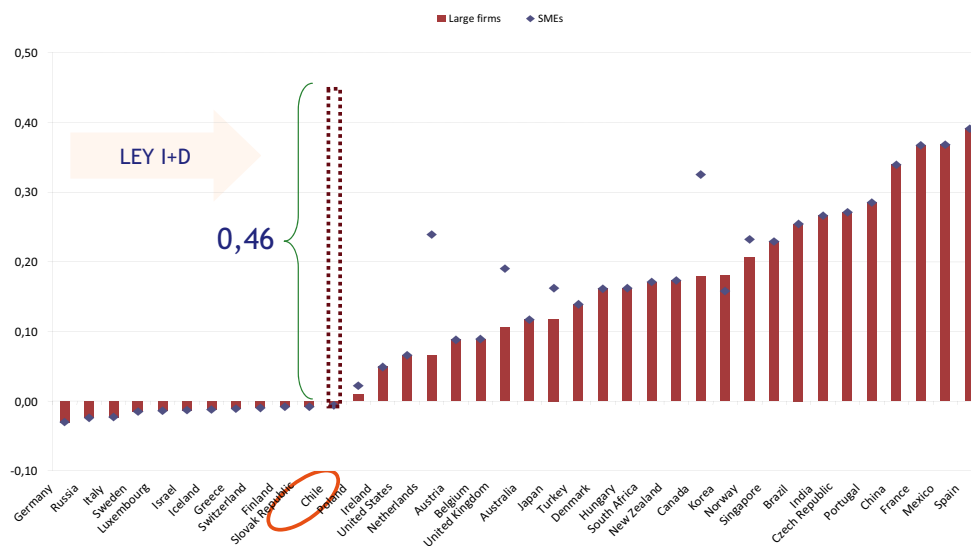
## SCIENCE AND INNOVATION PROFILE OF CHILE





## TAX TREATMENT OF R&D IN OECD AND NON-MEMBER COUNTRIES, 2008

(Rate of tax subsidies for USD 1 of R&D, 1 large firms)





# **Government's Support to SMEs During the Global Financial Crisis**

Miss Belinda Kwan

Trade and Industry Department  
Hong Kong, China

1

## **SMEs in Hong Kong**

- Manufacturing firms: < 100 employees
- Non-manufacturing firms: < 50 employees
- About 270 000 SMEs in Hong Kong
  - 98% of the business establishments
  - 47% (1.16 million people) of the private sector workforce
  - Backbone of Hong Kong's economy

2



## Problems Faced By SMEs During the Financial Crisis

- Loss of business from major markets as a result of the global economic downturn
- Liquidity problems arising from
  - Dwindling business turnover
  - Suppliers' reluctance to grant credit
  - Delay/default in buyers' repayment
- Difficulties in securing commercial credit facilities from lending institutions

3

## How Hong Kong Combats the Crisis

- Hong Kong's economy demonstrates resilience to withstand the downturn with its
  - sound fundamentals
  - strong regulatory framework
  - robust Exchange Fund
  - sound and reliable banking system
  - adaptive entrepreneurship and self-reliant workforce

4

## Measures Taken by the Government to Keep the Economy Afloat

- To maintain a healthy and stable financial system
  - The Hong Kong Monetary Authority *injecting substantial liquidity into interbank market* as necessary to ensure a good supply of liquidity
  - *Use of Exchange Fund* to guarantee repayment of all Hong Kong-dollar and foreign-currency deposits held with all authorised institutions in Hong Kong, including branches of overseas institutions
  - *Establish a Contingent Bank Capital Facility* to make available additional capital to locally incorporated licensed banks when necessary
  - The measures will remain in force until end 2010.

5

## How Hong Kong Combats the Crisis

- In Oct 2008, the *Task Force on Economic Challenges*, chaired by the Chief Executive, was set up to
  - monitor and assess impact of financial crisis on Hong Kong's economy
  - propose specific options to address the challenges

6

# How Hong Kong Combats the Crisis

- To turn crisis into opportunities, the *Task Force on Economic Challenges* recommended six key areas where Hong Kong will further pursue development:
  - *innovation and technology*
  - cultural and creative industries
  - testing and certification
  - environmental industry
  - medical services
  - educational services

7

## Measures Taken by the Government to Assist SMEs

### SME Funding Schemes

- SME Loan Guarantee Scheme (SGS)
- Special Loan Guarantee Scheme (SpGS)
- SME Export Marketing Fund (EMF)

8

## **SME Loan Guarantee Scheme (SGS)**

9

## **SME Loan Guarantee Scheme**

- Helps SMEs secure loans from participating lending institutions (PLIs)
- Amount of guarantee: 50% of the approved loan
- Types of guarantees:
  - (a) Guarantee for Business Installations and Equipment (BIE) Loans
  - (b) Guarantee for Working Capital Loans (WCL)

10



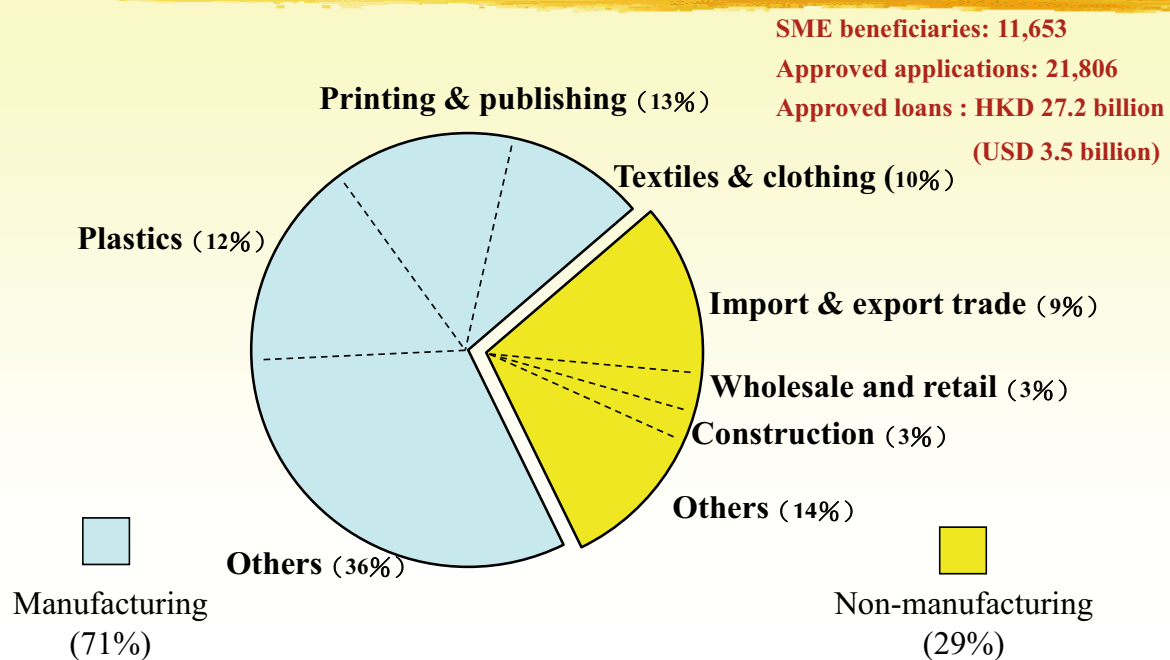
## Guarantee Ceiling

	<u>Before Mar 2008</u>	<u>Mar 2008</u>	<u>Nov 2008</u>
<b>Business Installations and Equipment Loans</b>	<b>HKD 2 million</b> (USD 0.26 million)	<b>HKD 5 million</b> (USD 0.65 million)	<b>HKD 6 million</b> (USD 0.78 million) (for either BIE or WCL or both)
<b>Working Capital Loans</b>		<b>HKD 1 million</b> (USD 0.13 million)	

- If an SME has fully repaid loan(s) backed up by the guarantee, it is eligible for the respective guarantee amount one more time.

11

## SME Beneficiaries (31 July 2009)



12

## **Special Loan Guarantee Scheme (SpGS)**

13

## **Guiding Principles**

- Market driven
- Risk of default to be shared between participating lending institutions and the Government
- A separate and time-limited scheme

14

## Special Loan Guarantee Scheme – Major features

- The Government's total loan guarantee commitment is HKD 100 billion (USD 12.9 billion)
- Government's loan guarantee ratio: 70%→80%
- Maximum amount of loan: HKD 6 million (USD 0.77 million) →HKD 12 million (USD 1.55 million)
- Within this limit, up to 50% (HKD 6 million/USD 0.77 million) can be used as revolving credit line

15

## Special Loan Guarantee Scheme (cont'd)

- All companies registered and with substantive business in Hong Kong (except listed companies) can apply
- Application period: up to 31 December 2009
- Guarantee period: Maximum 60 months, or up to 31 December 2014 (whichever is the earlier)
- A grace period of 6 months may be allowed, during which may repay interest only

16

## Safeguards against Abuse

- Personal guarantee by owner or shareholders
- Companies must have been in operation for at least one year as at 15 December 2008
- Companies must have no outstanding default in any lending institutions
- The loan should not be used for repaying, restructuring or repackaging other loans

17

## Special Loan Guarantee Scheme (cont'd)

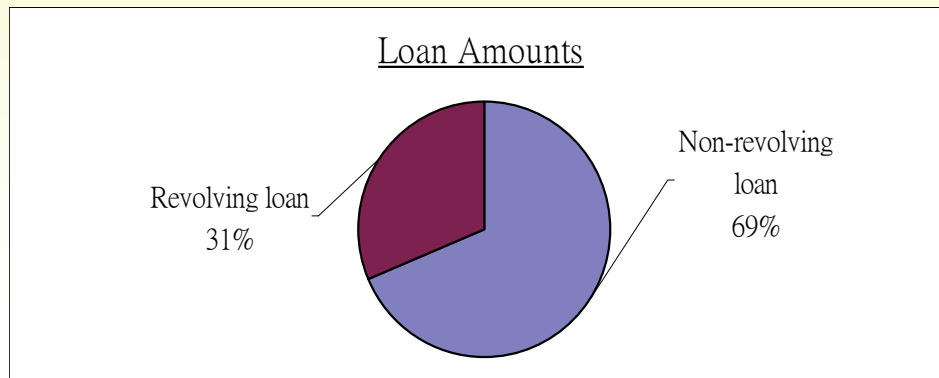
- As at 31 July 2009, 41 PLIs have signed up
- Guide for SMEs in obtaining business loan from lending institutions ([www.smefund.tid.gov.hk](http://www.smefund.tid.gov.hk))

18



## Number of Applications (as at 31 July 2009)

- Number of applications approved : 14,854
- Total amount of loan facilities : HKD 32.1 billion (USD 4.14 billion)



19

## SME Export Marketing Fund (EMF)

20

## Scope

- Overseas trade fairs/exhibitions and business missions
- Local trade fairs/exhibitions which are export-oriented
- Advertisements on printed trade publications targeting export markets
- Advertisements on eligible trade websites

21

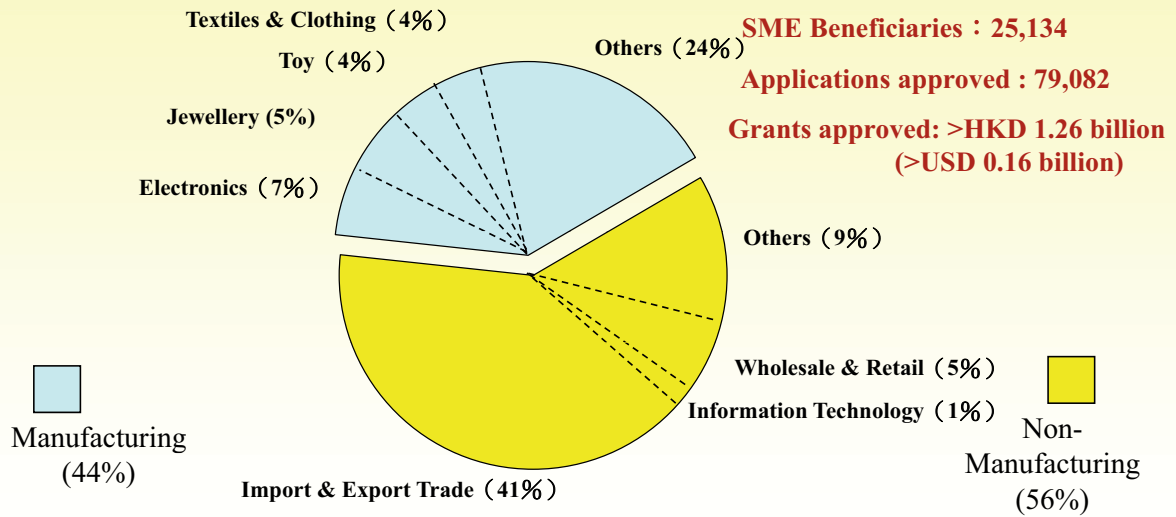
## Amount of Grant

- 50% of approved expenses

	<u>Before Mar 2008</u>	<u>Mar 2008</u>	<u>Nov 2008</u>
Maximum grant for each application	HKD 30,000 (USD 3,871)	→ HKD 30,000 (USD 3,871)	→ HKD 50,000 (USD 6,452)
Maximum cumulative grant per SME	HKD 80,000 (USD 10,323)	→ HKD 100,000 (USD 12,903)	→ HKD 150,000 (USD 19,355)

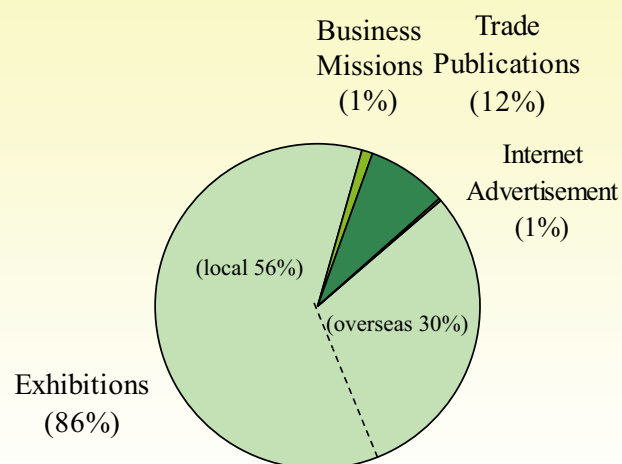
22

## SME Beneficiaries (31 July 2009)



23

## Distribution of Fund (31 July 2009)



24

## More Information



■ [www.smefund.tid.gov.hk](http://www.smefund.tid.gov.hk)

25

**Thank you!**





# Current Status and Direction of SME Policies in Japan

August 2009

Masao Uno

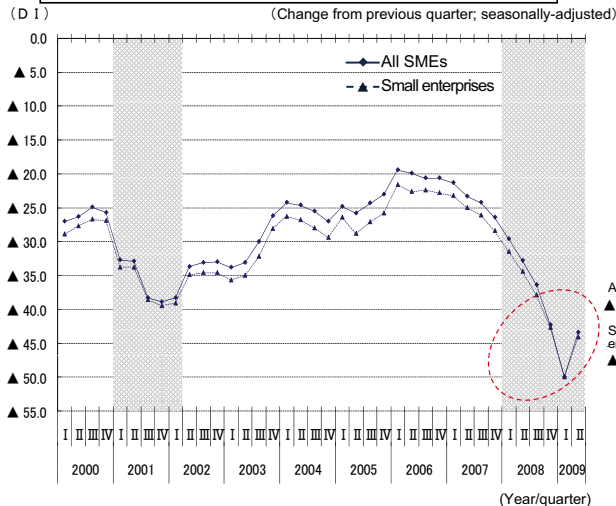
Director, International Affairs Office  
Small and Medium Enterprise Agency

**Emergency Measures for SMEs  
to Respond Financial Crisis**

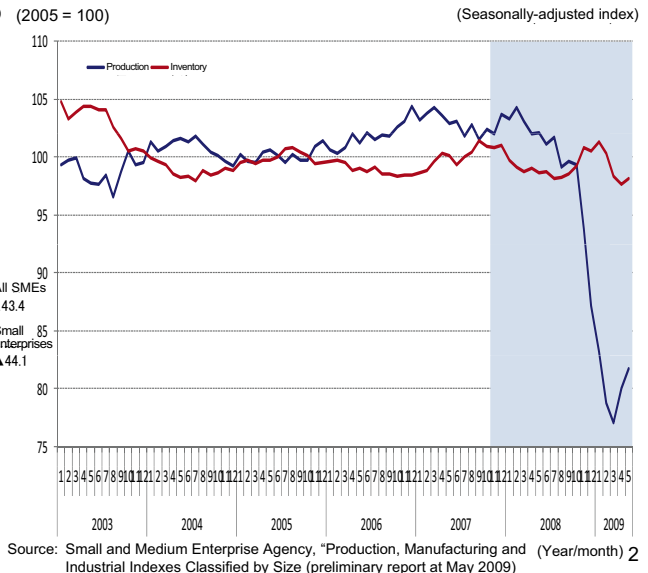
## Current Business Conditions and Forecasts of SMEs and Micro Businesses

Followed by a sharp drop of export caused by the slowdown of the world economy and adverse impact of the recession in Japanese economy, business conditions of SMEs and micro businesses became worse. Although some statistics currently indicated signs of bottoming out, the economy remains severe conditions. Current manufacturing activities of SMEs are seemed to improve slightly after some adjustment of inventory.

Trends on the Business Conditions DI on Economic Survey of SMEs in Japan (Small and Medium Enterprise Agency (SMEA) and Organization of Small & Medium Enterprises and Regional Innovation, Japan (SMRJ))



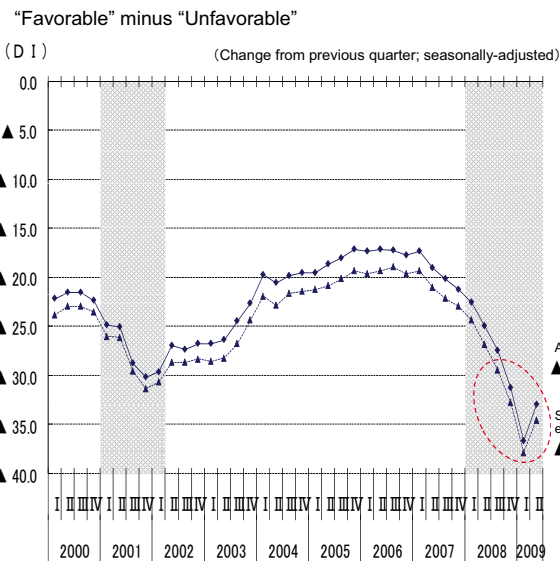
Trend of production and inventory indexes for SME manufacturers



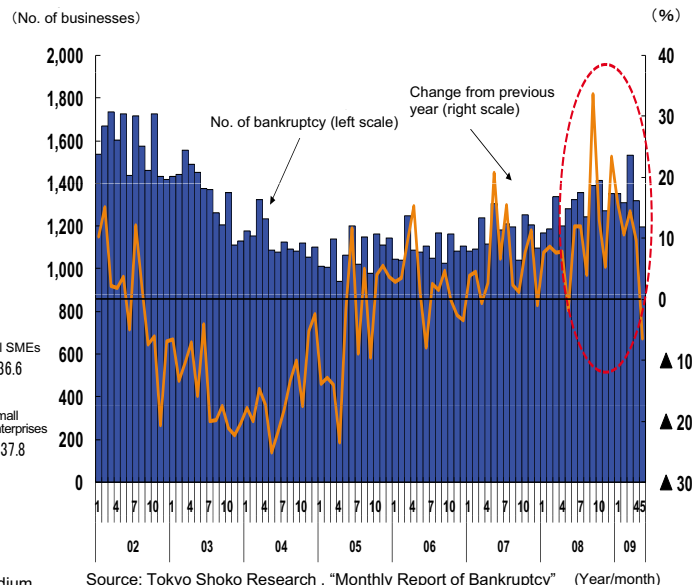
## Financial position of SMEs and Micro Businesses

Although financial position of SMEs and micro businesses currently seems to be improved compared with the January to March 2009 period, DI still remains historically low level. The number of bankruptcy of SMEs and micro businesses, which had increased so far, become decelerating its speed recently.

Trend in financial position DI of SMEs and micro businesses



No. of bankruptcy of SMEs and micro businesses and percentage change (change from previous year)



# Emergency Measures for SMEs to Respond Financial Crisis

## FY 2008

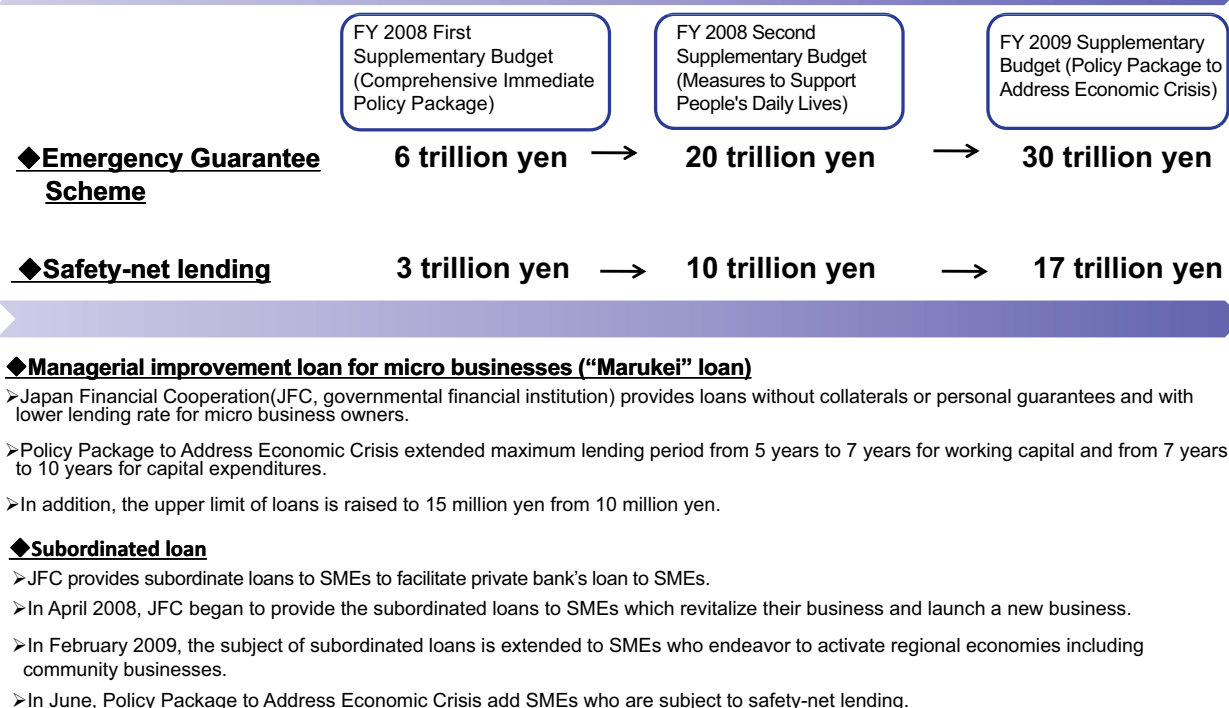
- ✓ Comprehensive Immediate Policy Package to Safeguard People's Daily Lives established on August 29  
(First supplementary budget of 416.2 billion yen was approved on October 16.)
- ✓ Measures to Support People's Daily Lives established on October 30  
(Second supplementary budget of 501.4 billion yen was approved on January 27.)

## FY 2009

- ✓ Policy Package to Address Economic Crisis established on April 10  
(First supplementary budget of 1,621.3 billion yen was approved on May 29.)

4

## 1. Measures for Providing Liquidity to SMEs



5



## 2. Tax System for SMEs

The following tax measures for SMEs were implemented effective on April 1, 2009.

### ◆ Cut of reduced corporate tax rate for SMEs

- ✓ Currently, the corporate tax rate to SMEs (less than 100 million yen of capital) is 22% for the portion of annual income of below 8 million yen (reduced corporate tax rate) compared with general corporate tax rate of 30%. This rate would further cut to 18% (temporary measures for two years).

### ◆ Refund of tax loss carry-back

- ✓ When SMEs record net loss for the business period ending on and after February 1, 2009, they can obtain refunds of corporate tax paid if they recorded profit for the previous year so as to pay corporate tax.

### ◆ Tax system for promoting energy saving measures

- ✓ Certain facilities with high energy efficiency (e.g. high efficiency industrial furnace) are authorized to depreciate immediately in the first year (temporary measures for two years).

6

## Supporting Measures for Innovation of SMEs

7

## 1. Supporting Measures for Technology Development

- ✓ It is still critical to enhance technological improvement of SMEs in medium and long-term point of view.
- ✓ The high manufacturing technology is important also for the low carbonization and the energy conservation for global warming.

### a) Promotion of development of key technology in manufacturing (R&D for strategic key technology)

Budget in 2009FY: 18.7bil yen

If R&D plan of manufacturing SMEs is authorized by government as "special R&D plan on 20 strategic technologies of strategic Manufacturing technology improvement law", government sponsors for their R&D activities.

- ◆ Period : 1year(2 to 3 years as exception)
- ◆ Upper limit of sponsorship: 50mil yen (as commission)  
100mil yen(as commission)\*

\* SMEs plan to do R&D in several sectors.

■ The No. of applicants: 857

#### Key Technologies (20sectors)

• Die	• Powder metallurgy	• Positioning
• Forging	• Thermal Spraying	• Cutting
• Casting	• Power transmission	• Dye
• Metal pressing	• Heat treatment	• Fermentation
• High function chemical composition	• Electric parts & device equipment	• Embedded Software
• Welding	• Vacuum keeping	• Plastic casting
• Plating		
• Combination of parts		

### b) Supporting for trial production plan and marketing by manufacturing SMEs

Budget in 2009FY: 54.2bil yen

- ◆ Period : 1year ◆ The rate of subsidy:2/3 ◆ Upper limit of subsidy:100mil yen
- The No. of applicants :7,387

### c) Supporting cost for quality certification of SME's products by public research center .

Budget in 2009FY: 3.1bil yen

- ◆ Period : 1year ◆ The rate of subsidy:Fixed ◆ Upper limit of subsidy:5mil yen
- The No. of applicants :478

8

## (Example) Supporting for trial production development of manufacturing SMEs

### Development of die for production of high precision optical lens for DVD player, recorder and digital camera.



#### (Challenge)

- Die (which is good for high temperature state) is needed to produce non-spherical lens for miniaturized and high-quality digital camera & etc.



#### (Details of development)

- Development of high quality material and grinding/ polishing technology for die which can be used in high temperature as 1,300 degrees.
- Production of die by utilizing these technologies.

### Street light which is made by combination of LED rump and epoch-making lens



#### (Challenge)

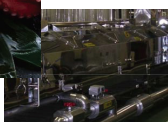
- LED rump is not suitable for street light because the irradiate angle of LED rump is narrow.



#### (Details of development)

- Development of cutting technology of precision glass in order to manage the light of LED efficiently.
- Development of street light using this technology .

### Development of mass production machine of "steamed" octopus utilizing super-heated vapor



#### (Challenge)

- Color of octopus is lost in by processing in boiling water. Octopus with light color is not valuable in market.



#### (Details of development)

- Development of mass production machine to process octopus efficiently by heated vapor with long life and silent power transmission technology.

9

## 2. Collaboration between agriculture, commerce and industry / Program to promote utilization of regional oriented resources

### Collaboration between agriculture, commerce and industry

- Supporting development of new market and new products and services by enhancing collaboration between agriculture, forestry and fisheries, which produce regional products utilizing regional natural resources, and commerce and industry, which have sales channel and processing and preserving technology.

### Utilization of regional oriented resources

- Supporting from development of new products and services to development of new market, in order to utilize regional oriented resources such as regional traditional technologies, agricultural, forestry and fishery products and tourist attractions.

### Supporting for collaboration between agriculture, commerce and industry, and utilization of regional oriented resources

Support	Details
Subsidy for starting new business	The rate of subsidy: 2/3 Upper limit of subsidy: 30mil yen
Consulting service by marketing specialist & etc.	Project planning, project assessment, market survey and market development and etc.
Special treatment in loan and credit guarantee by governmental financial institute	Financing capital expenditure and working capital without collaterals or personal guarantees Expansion of upper limit of credit guarantee
Special treatment in taxation	Tax deduction or special depreciation for acquiring machinery equipment & etc. Tax deduction for training of employees

10

## Practical Case Approved by the Program to Promote SME Utilization of Regional Resources 1

Product development and market expansion of sake based liqueur made from local blueberries, tomatoes and strawberries.

Cooperation name: Tuzyun Brewers Co. Ltd, in Yamato-cho, Kamimashiki-gun, Kumamoto-prefecture

### Outline of the business

- The company has been an established enterprise since 1770 and noted for its use of pure spring water and good quality rice, which are features of the local area.
- The company has expanded its range of original products of liqueurs based on local fruits and vegetables.
- The company works together with local farmers and the agricultural cooperatives to grow and secure its supplies of fruits and vegetables at low costs.

### Competitiveness

Fresh, delicious and healthy liqueurs that are hygienically produced from locally grown fruits and vegetables.

### Merchantability

Liqueurs are marketed as healthy lifestyle products that have safe and natural ingredients and are seeing growing sales to women.

### Marketing Channels

Planning to expand the market to the local, prefecture then throughout the nation through exhibitions, web advertisement, direct mail, and so on.



【Blueberry liqueur】

11

## Practical Case Approved by the Program to Promote SME Utilization of Regional Resources 2

Product development and market expansion of Kutani ceramics that combine Kutani-based wares and handmade blowing glass

Cooperation name: Seihoudo Co., in Nomi-city, Ishikawa-prefecture

### Outline of the business

- The concept of the product, combining Kutani porcelain and handmade Edo-style glass combines the best of Japanese and Western tastes, and was developed over seven years.
- This reflects the concept of fusion between Japanese and Western styles that is increasingly taking place in cuisine.
- Sales of these products have been increasing both at specialist gift shops and as regular products in department stores, etc.

### Competitiveness

The joint between the two materials is extremely strong and this technique was awarded a good design prize in FY 2006.

### Merchantability

The combination of different materials has brought new value to glass and the combination of tradition and modernity has proved very popular.

### Marketing Channels

Marketing through both major department stores and mail order companies continues, along with TV and newspaper advertizing, etc.



12







# **Financial Support on the China SMEs' Innovation**

**LIU YUANCHAO  
PEOPLE'S REPUBLIC OF CHINA**



## **Index**

- **1. Basic situation of Chinese SMEs**
- **2. SMEs as main force of technology of innovation**
- **3. The innovation of Chinese SMEs confronting bigger difficulties**
- **4. Measures taken by China' s administrative organization to stimulate innovation**

## **Basic situation of Chinese SMEs**

- **In 2003, Interim Provisions of the Standard of SME come into effect**
- **Standard of Industry SMEs in China**
- **\*SMALL ENTERPRISE:**
- **the standard of "2-3-4"**
- **\*MEDIUM-SIZED ENTERPRISE:**
- **the standard of "3-3-4"**

## **Total figure of China SMEs**

- **Up to June, 2008, the total figure of China SMEs has exceeded 366 million, occupying 99.8% of all enterprises nationwide.**
- **The registration of SMEs in administrative departments has reached 9 million, individual businesses have been 27.6 million.**

## **About the individual businesses**

- **The constitution of Chinese individual businesses commonly points to Micro-Business, self-employed business, individuals taking all the business responsibilities**
- **wholesale and retail industry**
- **housing and restaurants**
- **non-public sector economy is main stream**

## **SME's contribution to economy**

- **contribution of SMEs to:**
  - **GDP**
  - **TAX**
- **growth rate of SMEs**
- **beyond the average growth rate of national economy.**



## **SME's contribution to economy**

- **SMEs provide 77% employment positions in cities and towns**
- **laid-off workers in state-owned enterprises find their positions in SMEs.**
- **migrant rural workers mostly work in SMEs.**



## **SMEs as main force of technology of innovation**

- **66% of patent inventions**
- **75% of new products in China are proceeded by SMEs**




## **leading the upgrading of China's industrial structure**

- **SMEs engaged from dense-labor fields in the beginning such as processing industry, construction, transportation, commerce and trade, shifting to high-tech fields, such as infrastructures, manufacture, new-type service industry, bio-technology, new materials, IT, etc.**

## **The innovation of Chinese SMEs confronting bigger difficulties**

- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
- **venture capital of China SMEs originally comes from self-capital and loans from relatives**
- **lack of capital causes little loan from financial institutions and limits the investment of SMEs in innovation.**

- 
- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
  - **Status in 2009 Private Economy Blue Book, released by All-China Federation of Industry and Commerce**
  - **the direct beneficiaries are mainly large-sized enterprises when the country carries out positive fiscal policies.**

- 
- **(1) Shortage of capital is the biggest constraint for China SMEs to innovate.**
  - **the loans from main banking financial institutions to SMEs only takes 14.7% of the whole loans system**
  - **Chinese government is conducting various positive measures and policies, changing this situation in the financing market**



## **The uniqueness of commercial environment for SMEs in China**

- **Imperfection of credit system and underdeveloped capital market restrict innovation**
- **accountant materials and system**
- **a vast and broad market, SMEs incapable to build national brand**


## **International financial crisis**

- **the shrank of market demand**
- **banks keep modest attitude to give out loans to SMEs which are involved in difficulties.**
- **SMEs are more modest when they expand the scale of production and introduce new products, which cools the enthusiasm of SMEs towards innovation.**

## **Measures taken to stimulate innovation**

- **(1)Support by establishing SMEs board and GEM(Growth Enterprises Market) in capital market**
- **SMEs board**
- **GEM**

- **(2)To establish the business bases for small enterprises, service system offers encouragement and subsidy, emphasizes the related training for supporting the small enterprises.**
- **training work of SMEs**
- **guidance services**

- 
- **(3)More effective supports by the innovation of SMEs from the Diversified Financing System**
  - **the guarantee institutions**
  - **banks of the villages and small towns, the small loan companies and the small and medium financial institutions**



**THANK YOU!**





## Financial Support for innovative SMEs : Thailand Experiences

Mr. Wachira Kaewkor  
Director of SMEs Promotional  
Development Scheme Department, OSMEP

APEC SME Innovation Seminar  
25-28 August 2009 Seoul Korea

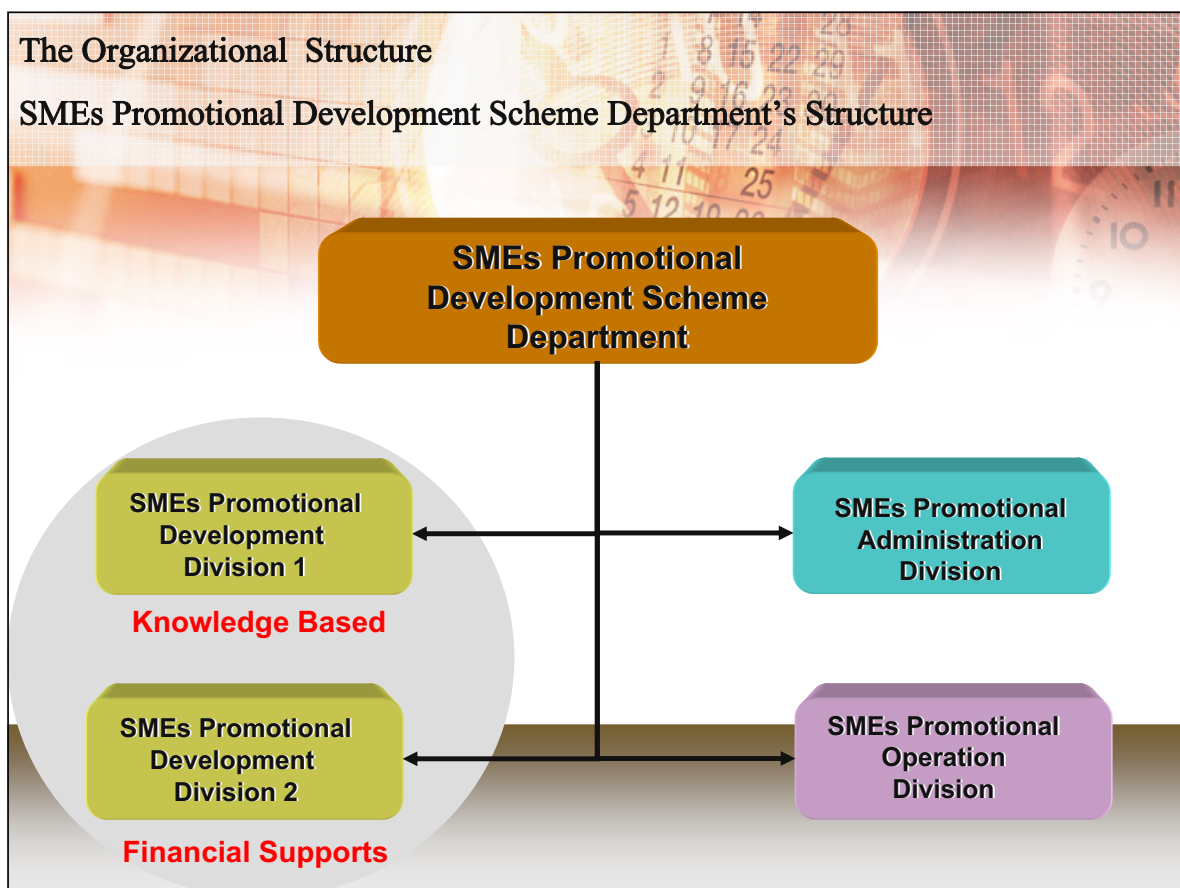
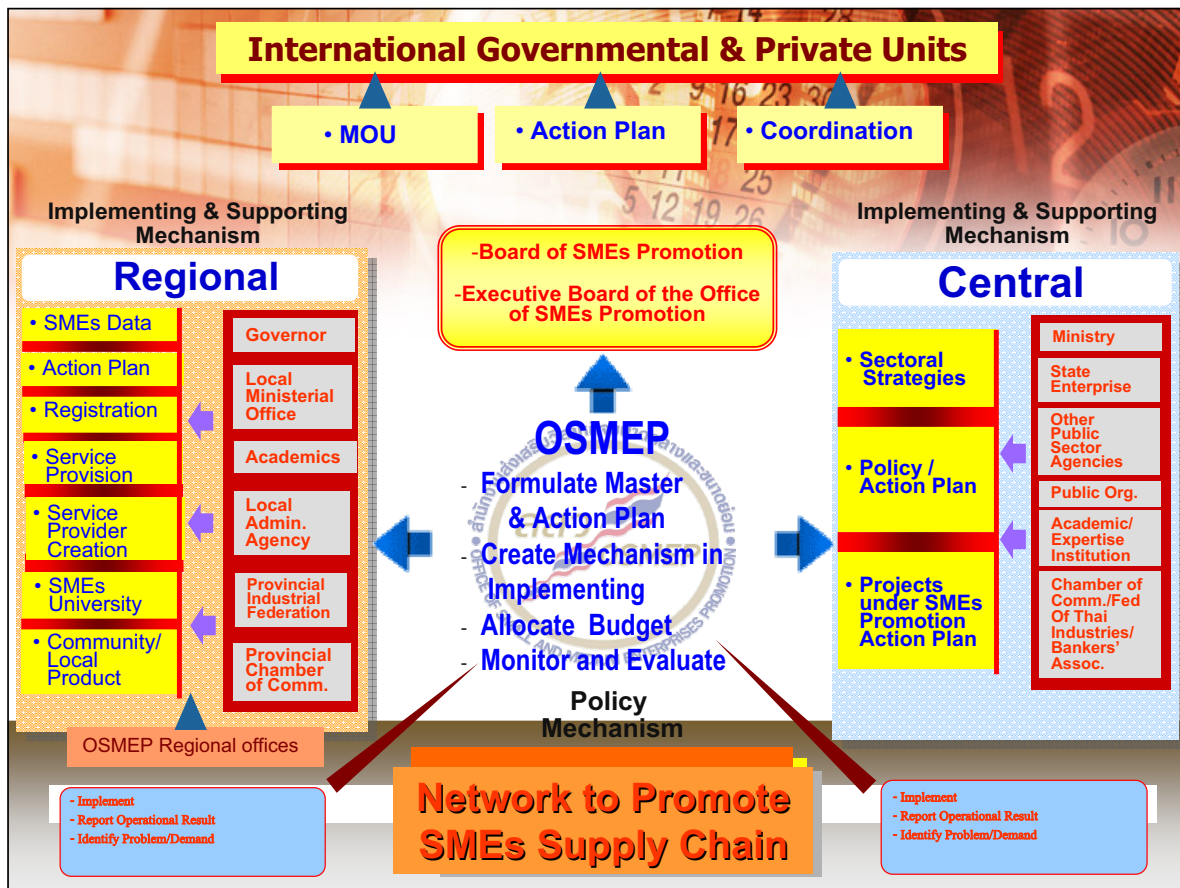
### The presentation outlines:

1. OSMEP 's roles how to integrate with international governmental & private units.

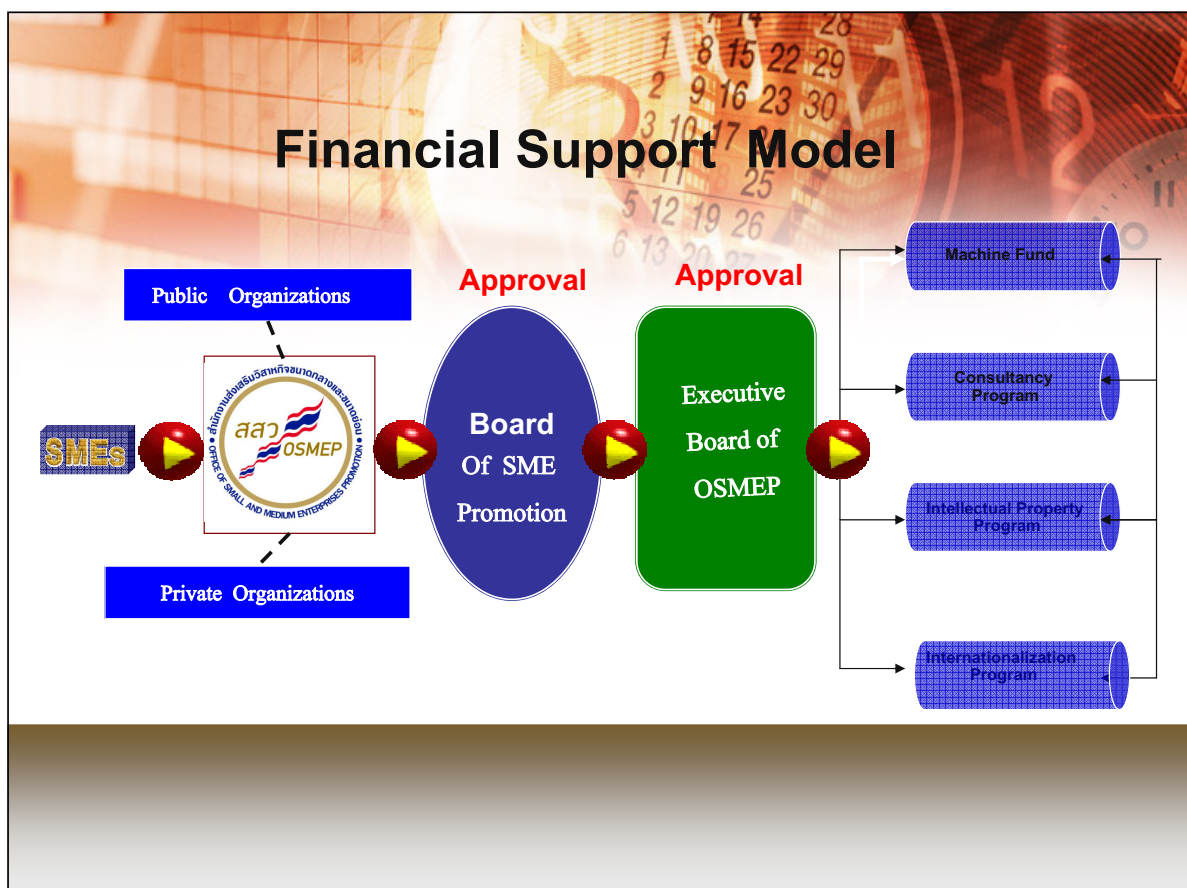
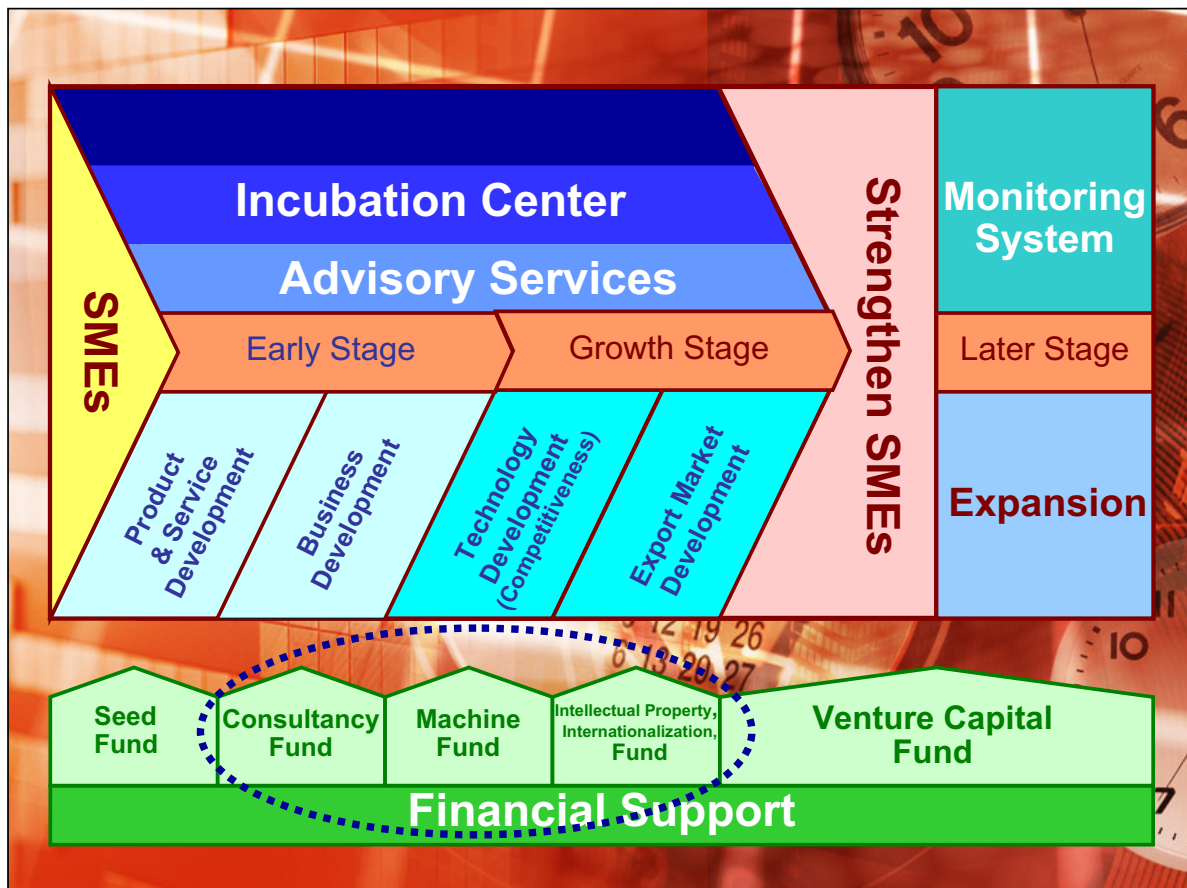
2. How to strengthen innovative SMEs.

3. Financial Support Model of OSMEP.









# Machine Fund

**3%** *Interest Subsidy*  
up to **5 years**

## Machine Fund

### MAIN OBJECTIVES

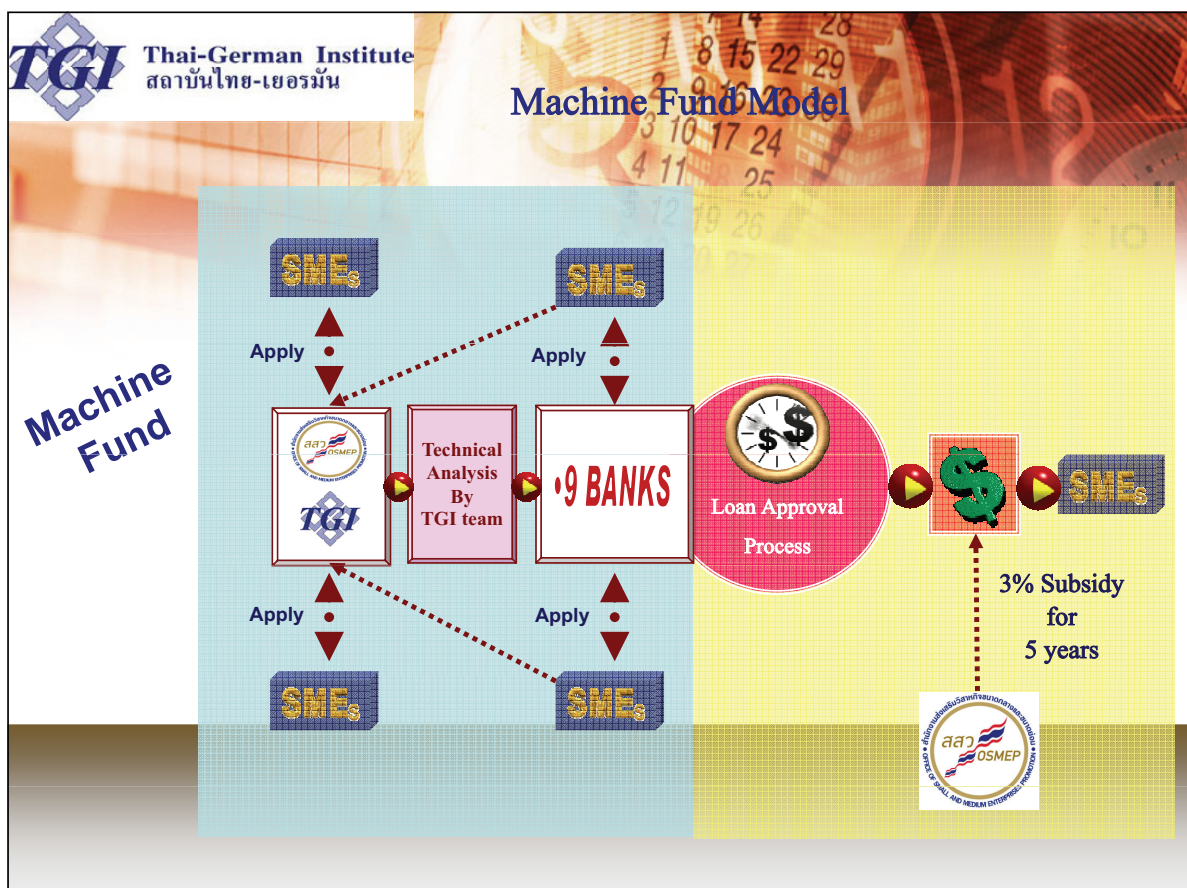
- **Supporting Industry Development** – Prototype Building, Reverse Engineering, Retro-fit and Testing
- **Machine Modification**
- **System Installation**
- **Machine Replacement** – Mainly focusing on productivity

### MAIN CONDITIONS

- OSMEP subsidizes 3% loan interest/yr. for 5 yrs.
- Thai- German Institute (TGI) is a major agency in technical analysis and evaluation (fee = 10,000 Baht)
- Financial Institution will consider loan approval to SMEs.

**Machine Fund**





## Success Case I : Innovative SMEs in Machine Fund Project

Essential Oil Plant



Lanna Products Co.,Ltd.

Evaporator System



Mustard  
Essential Oil

Fuel for Biomass Boiler



Spin Flash Dry (Drying Machine)



• Lanna's main product is **Mustard Essential Oil** which production process generates many **Mustard Slurry**.

• **Machine Fund** accomplished in supporting new innovation project that aims to collect more Essential Oil and recycled water from Mustard Slurry by installing Special Designed Evaporator Set.

Moreover, the rest slurry from Evaporator will be dried by Spin Flash Dry and become fuel for Biomass Boiler.

*"With this project, all of waste from production will be fully collected and fully recycled as Energy for production again."*

## Success Case II: Innovative SMEs in Machine Fund Project

Palm oil production plant have a lot of **waste water** mainly consist of oil and protein, which are very good resource for **Biogas system**.

**Machine Fund** here to support the Biogas Project, changing waste water to energy by microbial process.

### TRANG PALM OIL

Waste Water from Palm Oil Factory



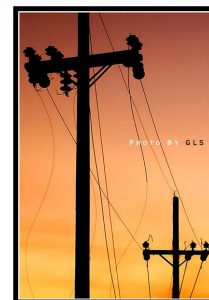
Biogas System

Bacteria change organic matter to gas, enrich with Methane, called **Biogas**. As the fuel of Engine, Biogas is turned to **Electricity** and sale to Grid line.

Beyond the Biogas System, this project also install **Boiler** and **Chiller** which use **exhausted hot air** from Engine to generate steam and cool water, using in process of the factory.

With the lower organic in waste water after Biogas system, the problem of water treatment system are relief.

Electricity to Grid Line



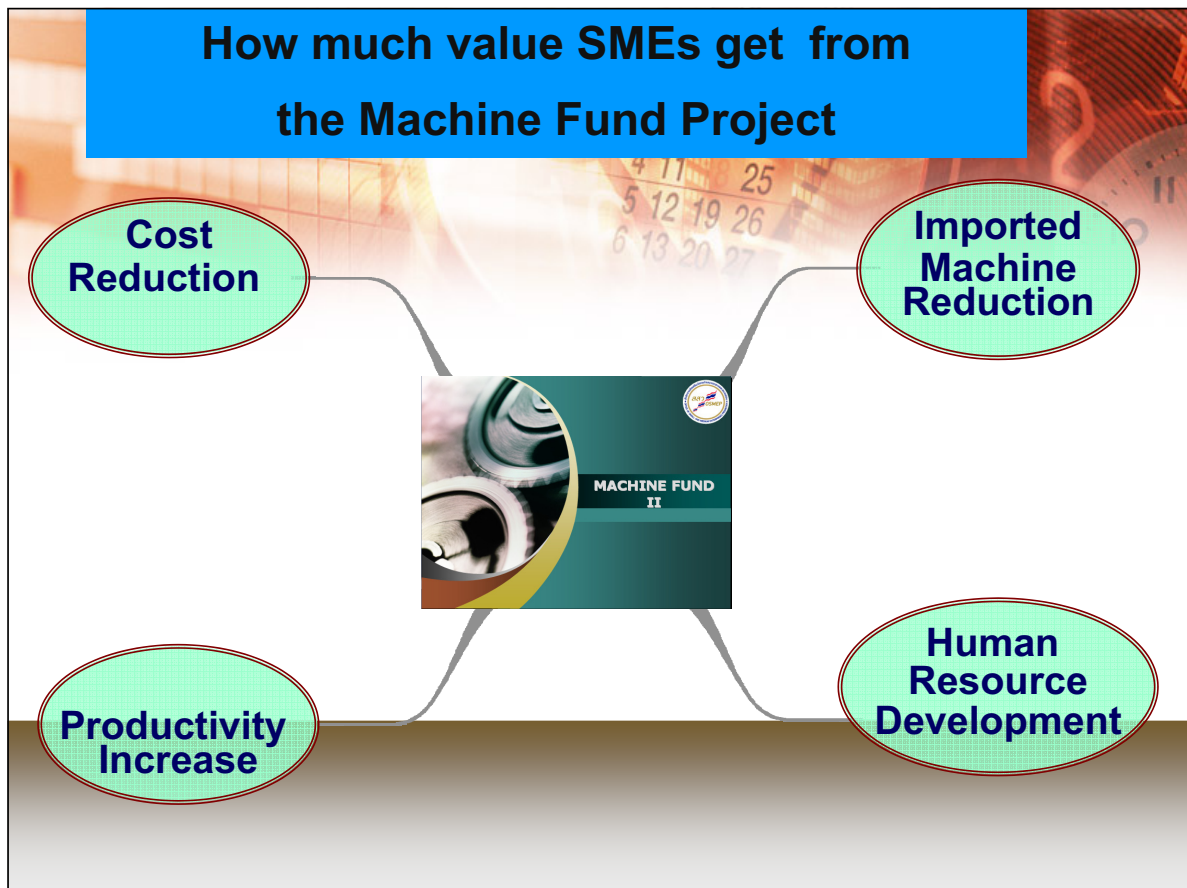
2 MW Gas Engine



Exhausted Gas for Boiler & Chiller







## Capacity Building Fund for Thai SMEs

Capacity  
Building  
Fund

### MAIN OBJECTIVES

- To support SMEs in developing business in such areas as IP management, , and marketing
- To enhance SMEs capabilities and standards to increase opportunities in the international market.
- To add value to SMEs businesses, products and services.

### MAIN CONDITIONS

- Is a financial support given in form of a grant.
- The maximum subsidy is 50 % of the related expenses and not exceeding 500,000 THB. per enterprise.

## Capacity Building Fund for Thai SMEs

Capacity  
Building  
Fund


### A.) Consultancy Fund


### B.) Intellectual Property Fund

### C.) Internationalization Fund









## Consultancy Fund

### Capacity Building Fund

### OBJECTIVES

It is a financial support for SMEs consultancy on business system development, product/service development. Moreover, it supports SMEs that face entrepreneurial problems in management, accounting, financing and so on.

### CONDITIONS

Stage 1 Business Diagnosis Process

Maximum 25,000 THB.

within Bangkok and vicinity.



Maximum 35,000 THB. in other provinces.

Stage 2 Consulting Process

The subsidy is 50% of the related consulting expenses and not exceeding 250,000 THB.

Subsidy Process	Reimbursement
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Intellectual Property Fund

### OBJECTIVES

It is a financial support for SMEs in intellectual property registration both domestically and internationally as well as in acquiring licenses and buying from local IP owners.

**The Maximum Subsidy**

CONDITIONS	
The Maximum Subsidy	50 %
The Maximum Amount	500,000 THB.
Subsidy Process	Reimbursement



**Capacity Building Fund**

```

graph TD
    IPFund[IP Fund] --> AcquiringLicenses[Acquiring Licenses]
    IPFund --> IPRegistration[IP Registration]
    IPFund --> BuyingIP[Buying IP]
    AcquiringLicenses --> Domestic1[Domestic]
    IPRegistration --> Domestic2[Domestic]
    IPRegistration --> International[International]
    BuyingIP --> Domestic3[Domestic]
    
```





## Internationalization Fund

### OBJECTIVES

It is a financial support for SMEs in the internationalization process, which involves participation in international level for foreign trade fairs, business matching, market research and survey.

### CONDITIONS

The Maximum Subsidy	50 %
The Maximum Amount	250,000 THB.
Subsidy Process	Reimbursement

### Internationalization Fund

```

graph TD
    A[Internationalization Fund] --> B[International Trade Fairs]
    A --> C[Business Matching]
    A --> D[Market Research and Survey]
    
```

Capacity Building Fund

## Success Cases for innovative SMEs participating in Internationalization Fund



Prempracha' Collection is a leading manufacturer and exporter of ceramic household product such as vase, bowl, plate. Each piece is individually hand crafted, with quality and elegance being the criteria.

**NOHMEX**  
Northern Handicrafts Manufacturers  
And Exporters Association



An association of small & medium enterprises of Chiangmai handicraft manufacturers, exporters & related service companies that have banded together to promote and support the development of the handicraft industries and assist in the marketing of their products.



## How much value SMEs obtain from Internationalization Fund

**Prempracha' Collection Co.Ltd.**

### • Ceramics



Fair Trade/ Exhibition	OSMEP support 50% of total cost (not exceeding 250, 000 baht)	Value of purchasing & sales during the Fair (Million baht)	Value of purchasing & sales after the Fair (Million baht)
<b>MACEF SPRING FAIR (Milano, ITALY)</b>	<b>82,500</b>	<b>2.4</b>	<b>3.6</b>

Subsidy process : Reimbursement

# Q&A

# Q&A

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