



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

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

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

SME01/2009A
Produced for
Asia Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace Singapore 119616
Tel: (65) 68919 600 Fax: (65) 68919 690
Email: info@appec.org Website: www.appec.org
© 2009 APEC Secretariat



SME Innovation Center

24-3 Yeoeuido-dong, Yeongdeungpo-gu,
Seoul, 150-718 Republic of Korea
Tel: (82) 2 769 6703 / 6706 Fax: (82) 2 769 6959
Website: www.appec-smeic.org



Small and Medium
Business Administration



Small & medium
Business Corporation

SESSION V

Overcoming the Economic Crisis Through SME Innovation



Sustaining Malaysian SME's Presence in the Global Market During Challenging Times

By
Radihisham Ismail
MATRADE, MALAYSIA

1

OUTLINE



- Overview of Malaysian SME's
- Current Status of Malaysian SME's
- Policies
- MATRADE Assistance to SME's

2



OVERVIEW OF MALAYSIAN SME'S

3



SME DEFINITION

Manufacturing & agricultural sector

•Having an annual sales turnover not exceeding RM 25 million

OR

•Not more than 150 fulltime employees

Trading companies

•Having an annual sales of between 10 million or export sales at least 3 million.

•Exporting Made In Malaysia products especially those manufactured by SME and;

•Not more than 20% of the company's annual sales are derived from trading in primary commodities.

Services Sector

•Having an annual sales not exceeding RM 5 million

OR

•Not more than 50 fulltime employees

Source: Census of Establishment & Enterprises 2005

4

Definition of Micro, Small and Medium



	Manufacturing	Services	Agriculture
Based On Full-Time Employees			
MICRO	Less than 5	Less than 5	Less than 5
SMALL	Between 5 to 50	Between 5 to 19	Between 5 to 19
MEDIUM	Between 51 to 150	Between 20 to 50	Between 20 to 50
Based On Annual Sales Turnover			
MICRO	Less than RM250,000	Less than RM200,000	Less than RM200,000
SMALL	More than RM250,000 but less than RM10 million	More than RM200,000 but less than RM1 million	More than RM200,000 but less than RM1 million
MEDIUM	More than RM10 million but less than RM25 million	More than RM1 million but less than RM5 million	More than RM1 million but less than RM5 million

Source: Census of Establishment & Enterprises 2005

5

SME's CONTRIBUTION TO MALAYSIAN ECONOMY



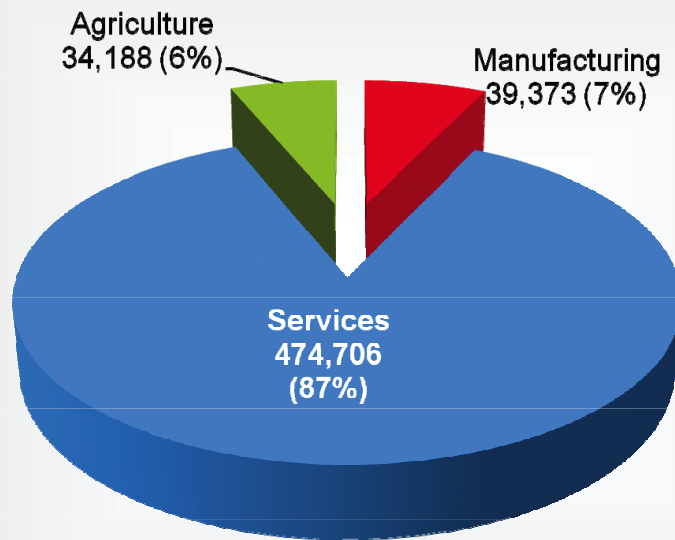
SME's has contribute:

- 32 per cent to GDP
- 56.4 per cent to Employment; and
- 19 per cent to Export

Source: National SME Development Blueprint 2007

6

SME's by Sector

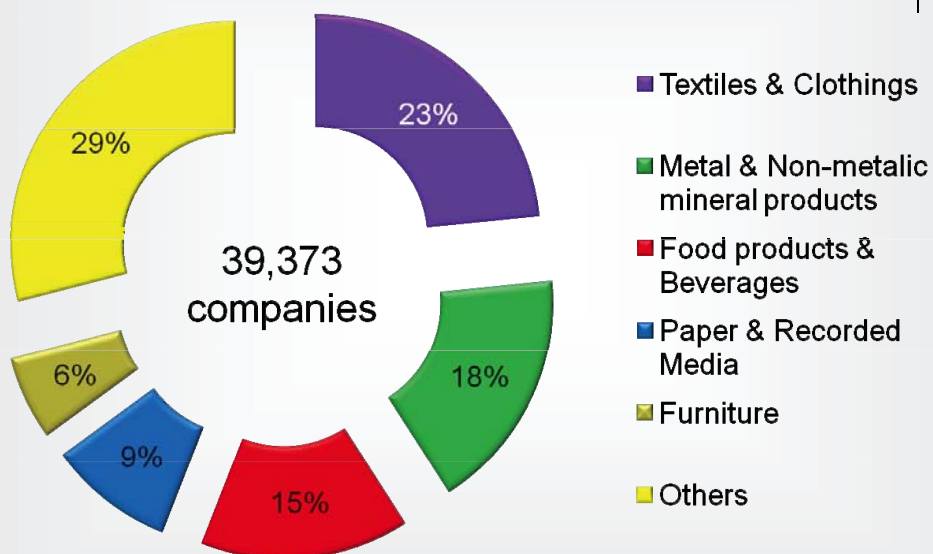


Total No. of SME's : 548,267

Source: Census of Establishments & Enterprises 2005

7

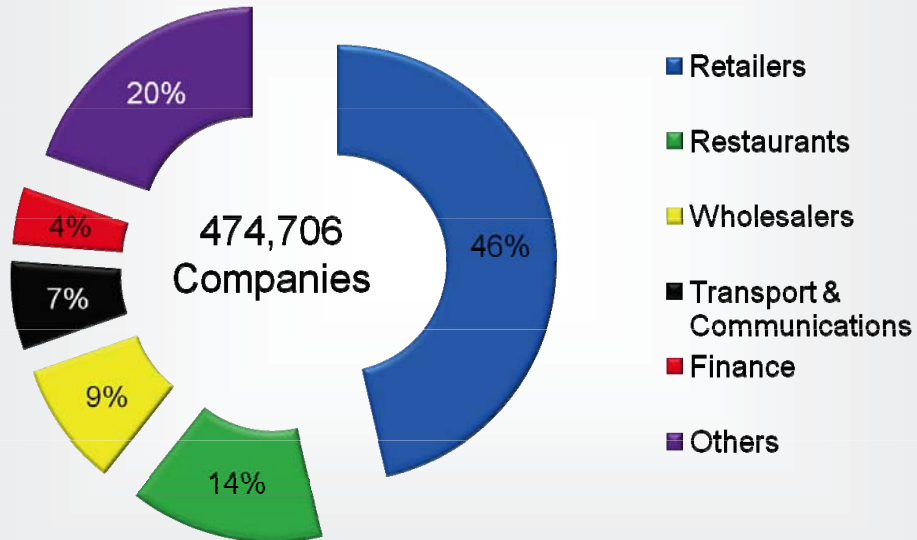
No. of SME's in Main Manufacturing Sub-sector



Source: Census of Establishments & Enterprises 2005

8

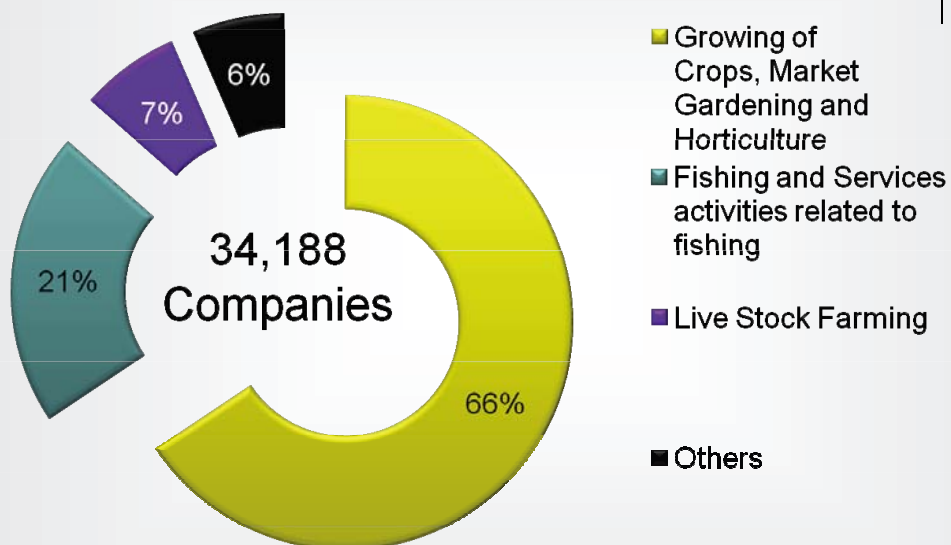
No. of SME's In Main Services Sub-sector



Source: Census of Establishment & Enterprises 2005

9

No. of SME's in Main Agriculture Sub-sector



Source: Census of Establishment & Enterprises 2005

10



CURRENT STATUS

11

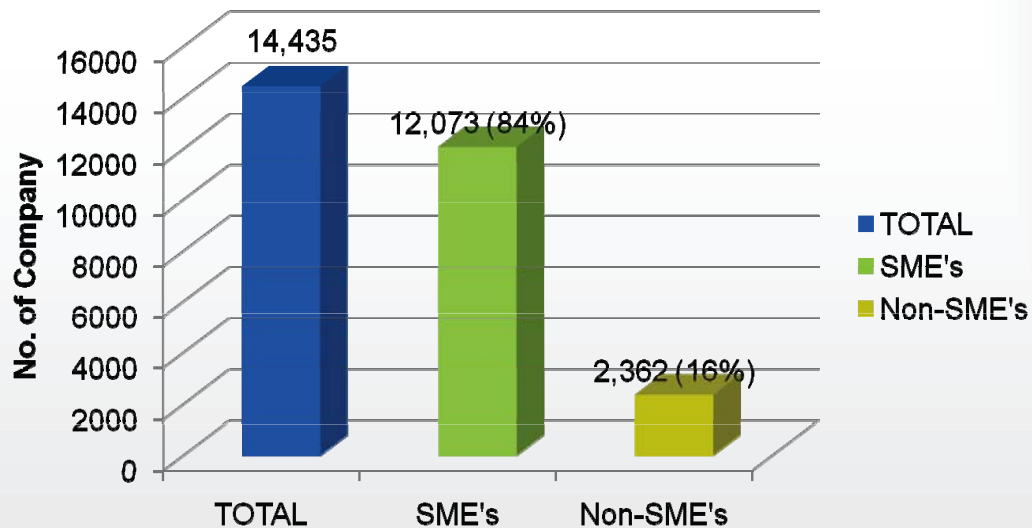


CURRENT STATUS OF MALAYSIAN SME'S

- SME's REGISTERED WITH MATRADE
- EFFECT FROM ECONOMIC SLOWDOWN
- ISSUES FACED BY MALAYSIAN SME's
- SME's CONTRIBUTION

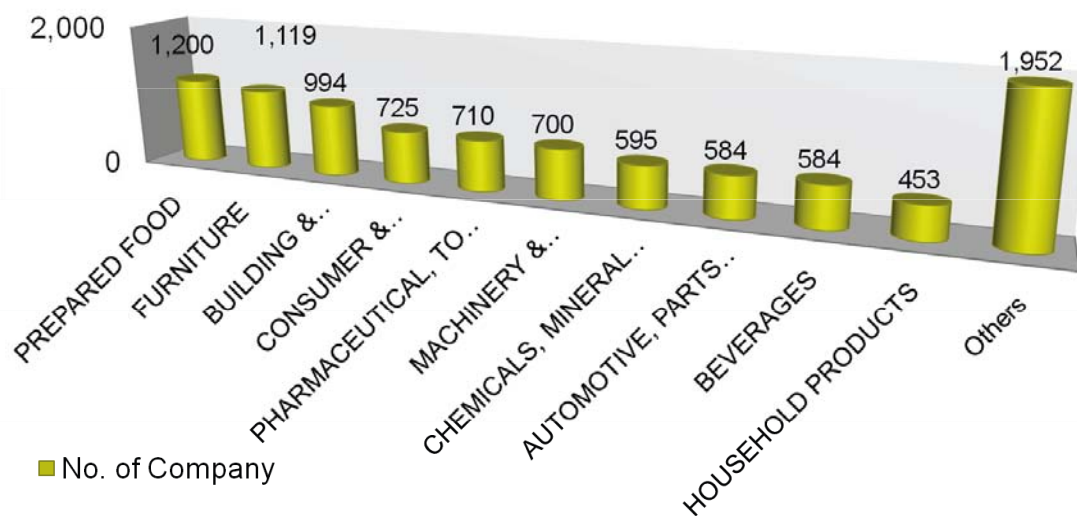
12

SME's Registered With MATRADE



13

No. of SME's Registered With MATRADE by Sector



14

EFFECT FROM GLOBAL ECONOMIC SLOWDOWN



- Slowdown in demand
- Increase in logistic cost
- Retrenchment
- Increase in Raw Material cost

15

ISSUE AND CHALLENGES FACED BY MALAYSIAN SME's



- ⌘ Limited of working capital;
- ⌘ Limited marketing & promotion strategies;
- ⌘ Lack of information about domestic & international market;
- ⌘ Management & Technology capability constraint;
- ⌘ Low value add to their product;
- ⌘ Lack of training; and
- ⌘ Limited capability in R&D and Technology

16



POLICIES

17



NINTH MALAYSIA PLAN (9MP) 2006 - 2010

18

Strategic Thrust Under 9MP



- Provide more focused incentive for high value-added industries;
- Services support for the manufacturing sector;
- Development of innovation-driven SME's and Technopreneurs;
- Enhancing SME's technology capability and capacity;
- Improving access to financing for SME's;
- Financing new sources of growth; and
- Strengthening SME's in distributive trade

Source: 9MP (2006-2010)

19

3RD INDUSTRIAL MASTER PLAN (IMP 3) 2006 - 2020



20

Strategic Thrust Under IMP 3



Enhancing the competitiveness of SME's;

capitalising on outward investment opportunities;

Integrating SME's into the regional and global supply chain;

Driving the growth of SME's through technology, knowledge and innovation; and

Enhancing the growth and contribution of SME's in services sector

Source: IMP3 (2006 - 2020)

21



MATRADE ASSISTANCE

22

Sustaining Malaysian SME's Presence in the Global Market During Challenging Times



Export Promotion Assistance

- Matching/Reimbursable Grant
- Export Promotion Activities

Exporters Development

- Seminar
- Workshop
- Export Training

23



EXPORT PROMOTION ASSISTANCE

- Matching/Reimbursable Grant
- Export Promotion Activities



24

OBJECTIVE & ELIGIBILITY FOR GRANT



OBJECTIVE

To assist Small and Medium Enterprises (SMEs) undertake activities for the development of export market.

FORM OF GRANT

Companies can obtain up to 50% reimbursable matching grant on the approved cost of the eligible claims and activities.

ELIGIBLE SMES

- SME Companies (Small & Medium Enterprise companies)
 - Incorporated under the Companies Act 1965 (Sdn Bhd companies)
 - At least 60% equity held by Malaysian

25

DEFINITION OF WOMEN OWNED COMPANY:



- For companies 100% owned by Malaysian:
 - ❑ A woman/ women own *at least 51% of the equity*,
or
 - ❑ The largest shareholder is a woman and she manages the company, or
 - ❑ Managing Director/ Chief Executive Officer of the company is a woman and owns *at least 10% of equity*.



26

DEFINITION OF WOMEN OWNED COMPANY:



- For companies 60% owned by Malaysian:
 - A woman/ women own *at least 51% of the local equity* and the company is managed by her/ them or
 - Managing Director/ Chief Executive Officer of the company is a woman and owns *at least 10% of the local equity*.



27

EXPORT PROMOTION ACTIVITIES



- INTERNATIONAL TRADE FAIRS
- TRADE INVESTMENT MISSION
- SPECIALISED MARKETING MISSION
- GENERAL MARKETING MISSION
- PROMOTION BOOTH
- TRADE PROMOTION VISIT
- JOINT PROMOTION ACTIVITIES

28



EXPORT DEVELOPMENT

- Workshop
- Seminar
- Export Training



29

OBJECTIVE OF EXPORT DEVELOPMENT



OBJECTIVE

To enhance Small and Medium Enterprises (SMEs) knowledge about export market and also to develop their technical and professional skill to be a sustainable exporters in international market.

FORM OF DEVELOPMENT PROGRAMME

Seminar, workshop and export training organise by MATRADE.

PARTICIPATION COST

- Minimal
- Eligible to claim under development grant

30

Export Development Programme



- **Seminars on various topics (e.g. market opportunities, import regulations, etc)**
- **Workshops on enhancing export skills**
- **Nationwide reaching-out programmes – Briefing & Business Consultation (B&C)**



31

Trade Advisory Services



Trade Advisory Help Desk

**Malaysia Exporters Registry (MER)
- 14,620 companies registered**

**Business Information Counter
(BIC) at KLIA**

Information Counter

32

MATRADE Business Library



Reference Services

- ✓ **Malaysia Trade Statistics;**
- ✓ **Malaysia Exporters Registry (MER);**
- ✓ **Foreign Importers Database;**
- ✓ **Conventions and Trade Events Compilation;**
- ✓ **Business Contacts – Malaysian and foreign trade-related organisations; and**
- ✓ **Collection includes trade directories, periodicals, statistical publications, CD-ROMs and video titles.**

33

MATRADE Business Library (Continue...)



● **Online Databases**

- ✓ **nexis.com;**
- ✓ **Global Market Information Database (GMID);**
- ✓ **World Trade Atlas;**
- ✓ **Tariff Finder Online;**
- ✓ **PalmOilis;**
- ✓ **The Public Ledger;**
- ✓ **ITC TradeMap; and**
- ✓ **UN Development Business (UNDB)**

34

THANK YOU!



Exporters Development Division
10th Floor, East Wing
Menara MATRADE
Jalan Khidmat Usaha, Off Jalan Duta
50480 Kuala Lumpur
www.matrade.gov.my
Tel: 03-6207 7077
Fax: 03-62037252



GOVERNMENT'S SUPPORT TO SMEs DURING THE GLOBAL FINANCIAL CRISIS: INDONESIA EXPERIENCES

1

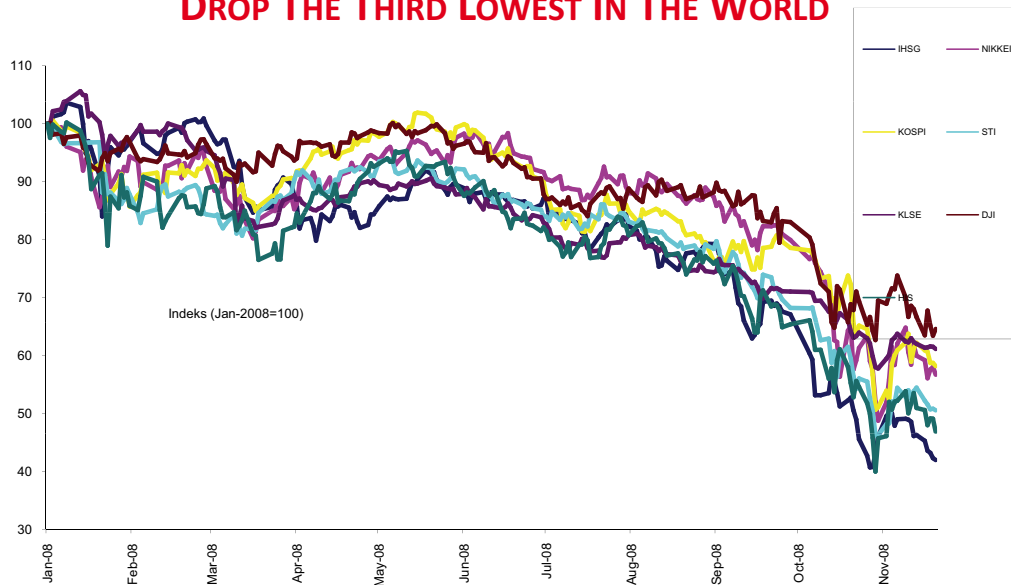
Presented by I Wayan Dipta
During 2009 APEC SME Innovation Seminar:
“Innovation in SME Financing and Marketing”
Seoul, August 25-28, 2009

INTRODUCTION

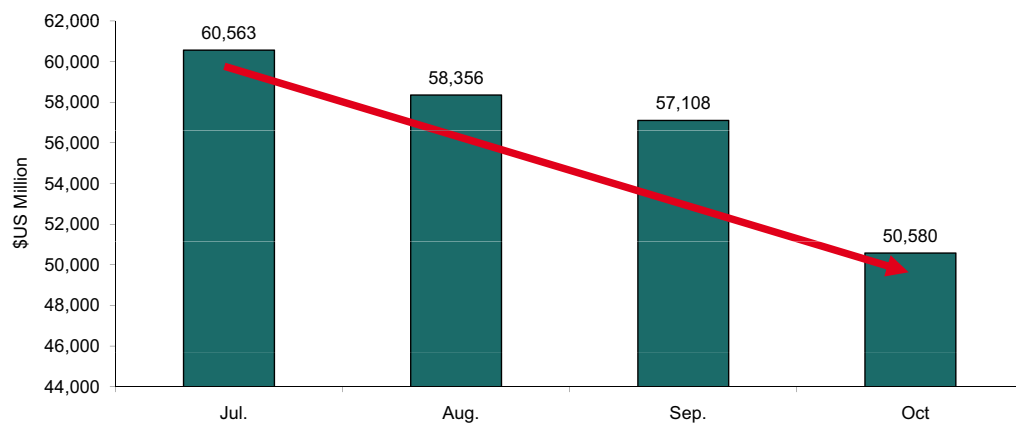
- ❖ No countries are immune to the crises. This is unprecedented crisis affecting all countries, the difference is the magnitude which depends upon the closeness and the strengthens with American economy.
- ❖ Impact to the Indonesian economy.
 - Macro economy: depreciation of rupiah, capital outflow, credit crunch, liquidity crises, problems of trust and faith in the banking sectors, difficulty of financing deficit, export declining, and unemployment rising;
 - Micro/Corporate: (a) limited access to funds; (b) extremely high cost of capital; (c) weak stock markets:
 - very difficult to raise equity from the market,
 - declining profit margin,
 - significant balance sheet risks because of asset price drop,
 - continuous volatility,
 - global trade restrictions/market protections,
 - opportunistic mergers and acquisitions/increasing industry consolidation,
 - more government intervention/new regulations,
 - demand is falling as a result of change in consumer behavior

2

COMPOSITE PRICE INDEXES DROP THE THIRD LOWEST IN THE WORLD

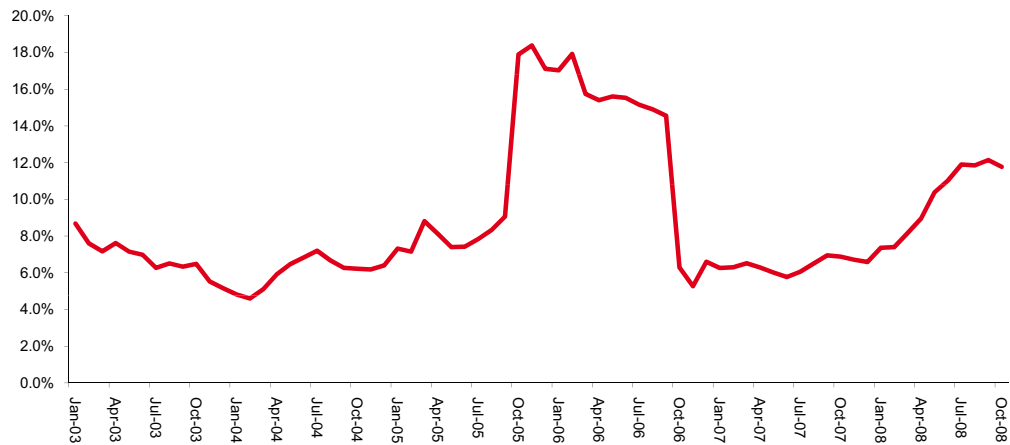


THE IMPACT OF GLOBAL FINANCIAL CRISIS TO FOREIGN RESERVES



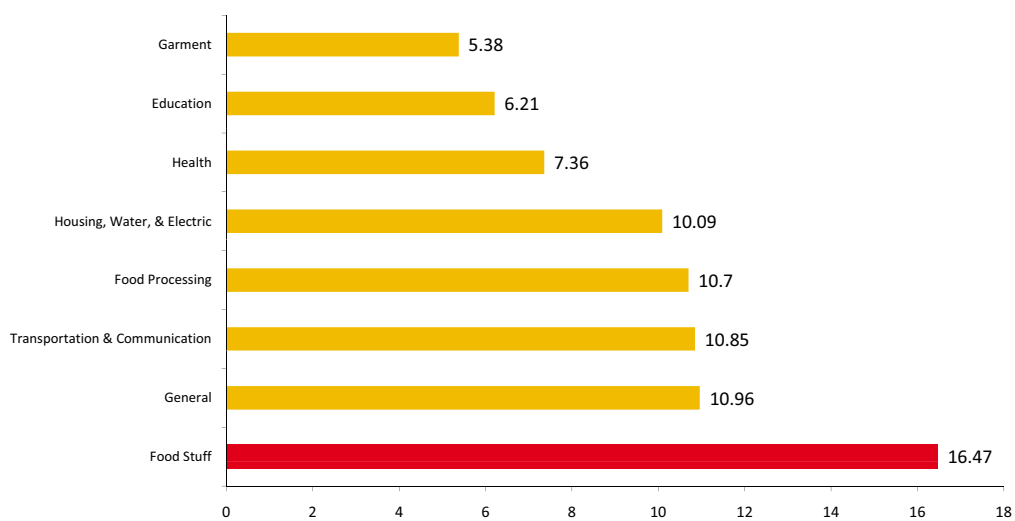
Sources: Central Bank of
Indonesia

INFLATION RATE STILL HIGH



Sources: Central Bank of Indonesia

SECTORAL BASED INFLATION FOOD INFLATION MUCH HIGHER THAN GENERAL INFLATION



*January-October

Sources: Agency for Statistics

LENDING DISTRIBUTION (IN TRILLION RUPIAH)

Economic Sectors	May-2008	April-2009	May-2009	Growth (%)
Agriculture & Agriculture Facilities	59,21	70,90	74,17	12,18
Mining	27,63	29,08	26,38	-2,02
Manufacturing	225,01	254,39	248,28	5,33
Water, Gas & Electricity	10,01	20,07	21,55	53,94
Construction	49,03	58,85	59,92	10,92
Trade, Restaurants & Hotels	228,59	264,56	269,48	8,80
Transport, Cargo Storage & Communications	42,74	60,58	61,17	21,36
Business Services	122,39	143,15	141,62	7,95
Social Services	13,09	15,90	15,83	10,51
Others	318,54	380,16	386,96	10,57

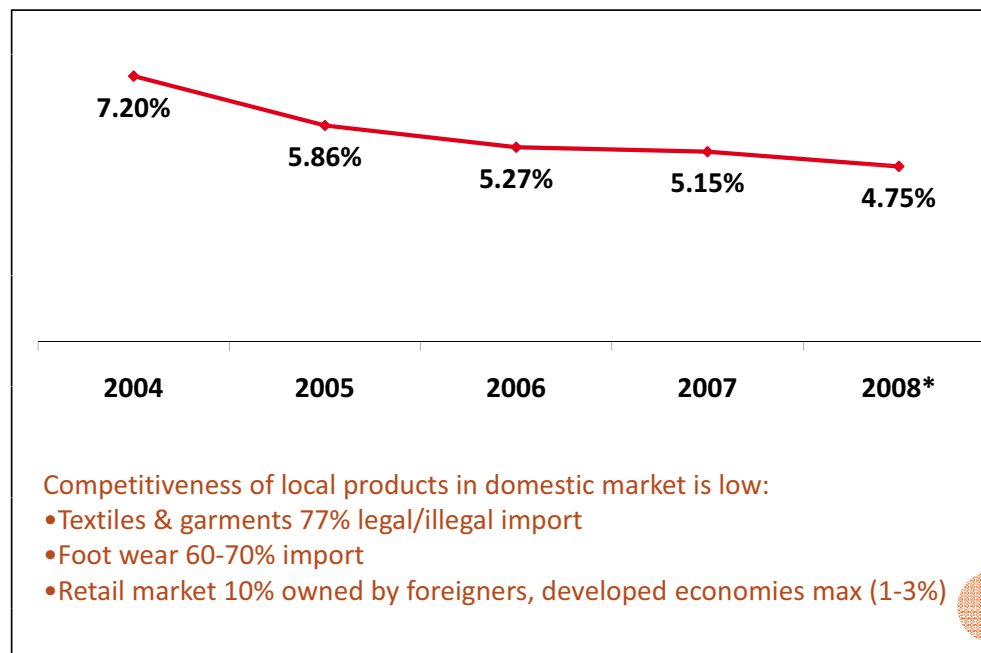
Source: Bank Indonesia

7

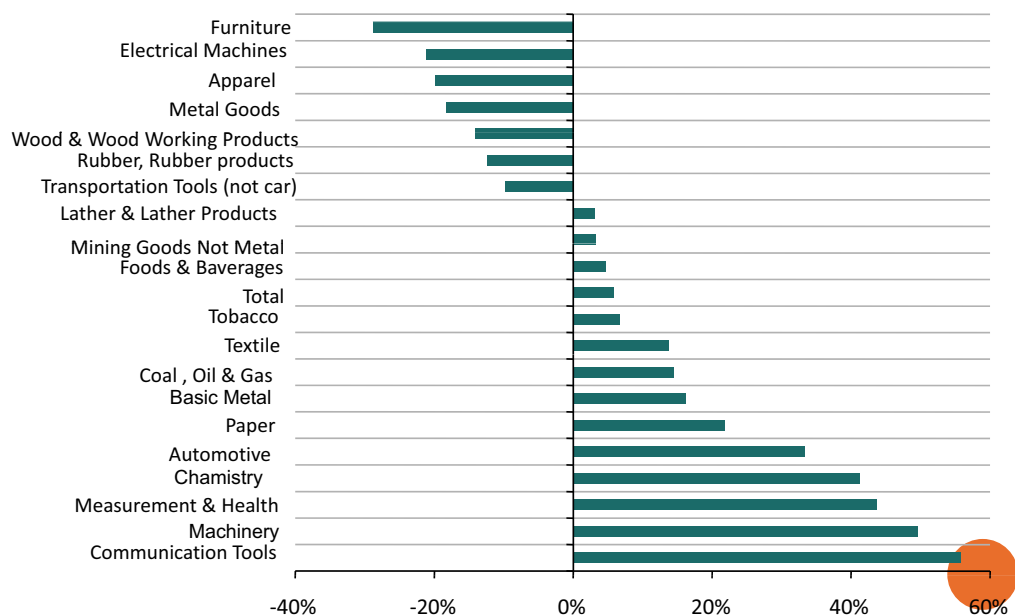
DECREASING ON PURCHASING POWER

- ❑ Poor groups 70-80% of their income for food (non poor 23%)
- ❑ Food inflation (the latest year) 2 times of general inflation
- ❑ Based on Central Agency of Statistics and ADB, poor groups/rural inflation: 2 times of the national inflation

The Growth of Manufacturing Industries

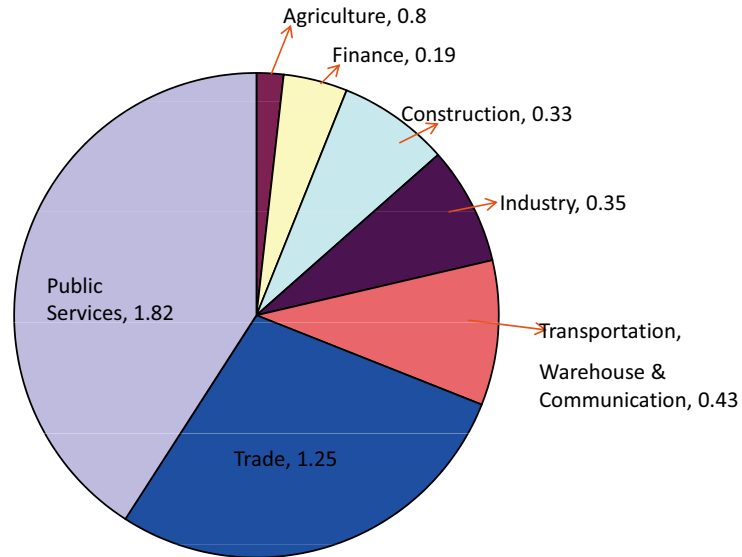


SUBSECTOR MANUFACTURING INDUSTRY HIGH DENSITY EMPLOYEES HAVING NEGATIVE GROWTH (2007)



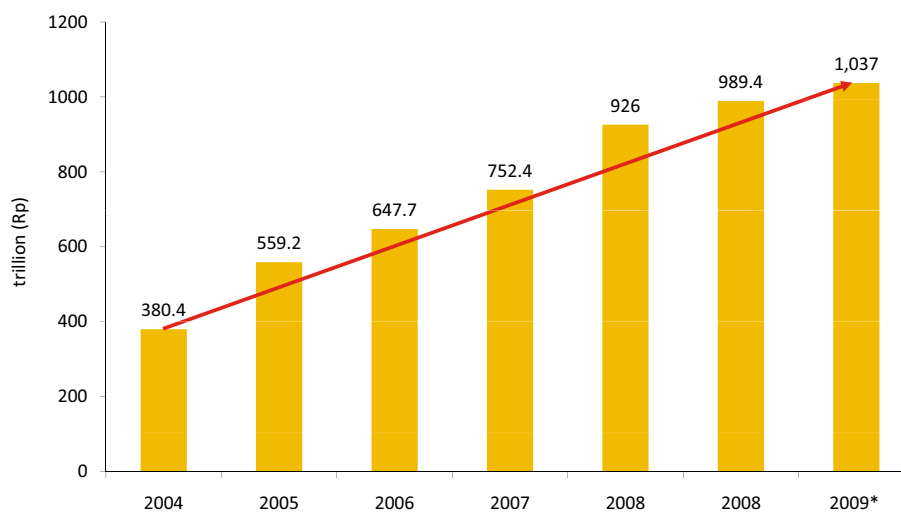
Sumber: BPS

ADDITIONAL EMPLOYMENT BASED ON WORKING STATUS, FEB 2007 – FEB 2008 (MILLION PEOPLE)



Sources: Central Agency of Statistics

GOVERNMENT BUDGET (Rp TRILLION)



ECONIT Advisory Group

WHY SHOULD SMEs?

- Having significant contribution to the national economy:
 - Job creation: 90.89 million (94.42%);
 - Contribution to GDP: 52.67%
 - Contribution to Exports: 20.17%
 - Establishments: 51.26 million (99.66%)
- Having strong resistance to economic shock (internal & external)
- Becoming social safety nets during economic downturn.

13

SME PROFILES IN 2008

Items	Micro Enterprise	Small Enterprise	Medium Enterprise	Big Enterprise
Establishment				
-Unit	50,697,659	520,221	39,657	4,372
-%	98.58	1.01	0.98	0.01
G D P				
-US\$ (billion)	150.53	47.33	63.08	208.71
-%	30.39	9.55	12.73	42.13
Job Creation				
-People (million)	83.65	3.99	3.26	2.78
-%	86.89	4.15	3.38	2.88
Export				
-US\$ (billion)	2.02	4.41	11.94	72.72
-%	2.22	4.85	15.13	79.83

14

Note: US\$=Rp. 10,000

WHY SMEs CAN EXIST DURING ECONOMIC CRISIS?

- In general SMEs producing consumers' goods;
- SMEs do not depend on banking financing;
- SMEs having tight product specialization, producing certain goods/services;
- SMEs having high flexibility in many aspects;
- SMEs having low in barrier to entry and exit;
- SMEs are well developed during economic crisis as a result of increasing lay-off from big enterprises and formal sectors.

15

GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

1. Promote Innovative SMEs, through:
 - Developing conducive business environment to promote innovative SMEs by reducing administrative burdance; promoting infrastructures; and providing facilitation for IPR protection;
 - Increasing quantity and quality of human resources for innovative SMEs by improving and promoting training centers/institutes for innovative SME development;
 - Providing award/appreciation to the inventors in terms of financi and non-financial supports;
 - Providing ICT support in order to easier access and sharing information, technology and market access for innovative SME products.

16

GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

2. Providing access to financial sources:

- Increasing capacity of credit guarantee corporation to guarantee banking credit from Rp. 1.45 trillion (2008) to Rp. 2.0 trillion (2009). In 2009, total banking credit allocation for SMEs will be around Rp. 20.0 trillion;
- Increasing capacity of micro finance institutions to finance micro and small enterprises. Since 2003 to 2008, the government of Indonesia has promoted 9,871 micro finance institutions with total support Rp. 1.2 trillion;
- Promoting linkage program between bank and micro finance institutions;
- Promoting banking consulting partners to support micro and small enterprises access to banking sectors.

17

GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

3. Providing fiscal stimulus in order to:

- Reduce unemployment rate through tax subsidy for individual employee in a certain sectors: agriculture, manufacture, and trade. Total fiscal stimulus for individual tax subsidy is Rp. 6.5 trillion;
- Improve traditional market to become modern market for SMEs' products;
- Promote entrepreneurship development program, especially for the lay-off employees who would like to become entrepreneurs.

18

GOVERNMENT'S SUPPORT TO SMEs FACING GLOBAL FINANCIAL CRISIS

4. Promoting market access for SME products:
 - Campaigning local product usage, especially produced by SMEs;
 - Conducting and attending trade promotion/ exhibition both in domestic and foreign countries;
 - Trade mission to non-traditional market.

19

RECOMMENDATION FOR APEC

- Each APEC member economy not to implement market protection for SME products;
- Promote SME cooperation in order to promote SME internalization;
- Developed economies may provide trade financing to promote SME market access from developing economies.

20

**Ministry of Planning and Investment (MPI)
Enterprise Development Agency (ASMED)**

Policies to Strengthen Viet Nam's SME capacity in the Global Economic Crisis

Pham Thi Hong Trang (MS)
International Cooperation Official

Seoul, 8/2009

Content

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

Viet Nam

Viet Nam is located in the Eastern part of the Indochina peninsula, bordering China to the North, Laos and Cambodia

to the West with a long land border of 4,550 km, and facing the

Eastern Sea (South China Sea) and the Pacific to the East and

the South

Climate: Vietnam lies in the tropics and monsoon

Topography: Three quarters of Vietnam's territory consist of

mountains and hills

Administrative Units: Vietnam is divided into 63 provinces and cities.

Population: about 86,5 million people (Density 260 ppl per square kilometer).

Language: Vietnamese. Capital: HA NOI. Currency: DONG



Overview on Vietnam economy

Compare to the first quarter 2008

- Industrial output increase 2.4%.
- Agricultural output increase 0.9%;
- Total sale in service sector increase 21.9%;
- GDP in 1st quarter 2009 is 3.1%
(compared to 7.4% in 2008)

Overview on Vietnam economy

Compare to the first quarter 2008

- Export turnover is US \$4.7 billion, decrease by 15% compare to the first quarter 2008.
- Import turnover is \$4.3b, decrease by 45% compare to 2008;
- Total committed ODA capital is US\$26.23m;
- Total newly FDI registered capital is \$1.2m, equivalent 30% the same period in the previous year;

1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

New SME Definition

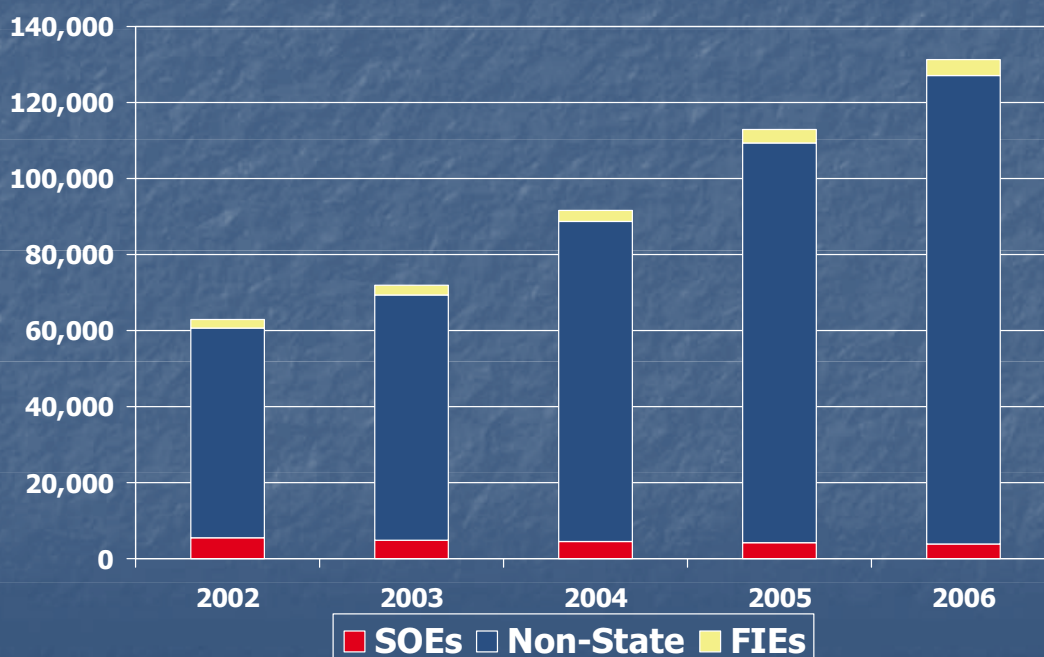
Decree 56/2009/ND-CP on Supporting for the development of small and medium-sized enterprise

Sector	Super small enterprise	Small enterprise		Medium-sized enterprise	
	The number of employees	Total capital	The number of employees	Total capital	The number of employees
I. Agriculture, forestry and aquaculture	<10	< 20 Billion VND	< 200	< 100 billion	<300
II. Industry and Construction	<10	< 20 Billion VND	< 200	< 100 billion	<300
III. Trade and Service	<10	< 20 Billion VND	< 50	< 50 billion	<100

Overview on SME in Viet Nam

- Total number of registered SME: around 370,000
- SME present around 97% of total enterprises
- SME create around 3 million jobs, account for 40% GDP and 29% export value with growth rate of 18%/year
- Registration is steadily rising since simplification of procedures and introduction of new laws

Number of Enterprise by Legal Form



1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

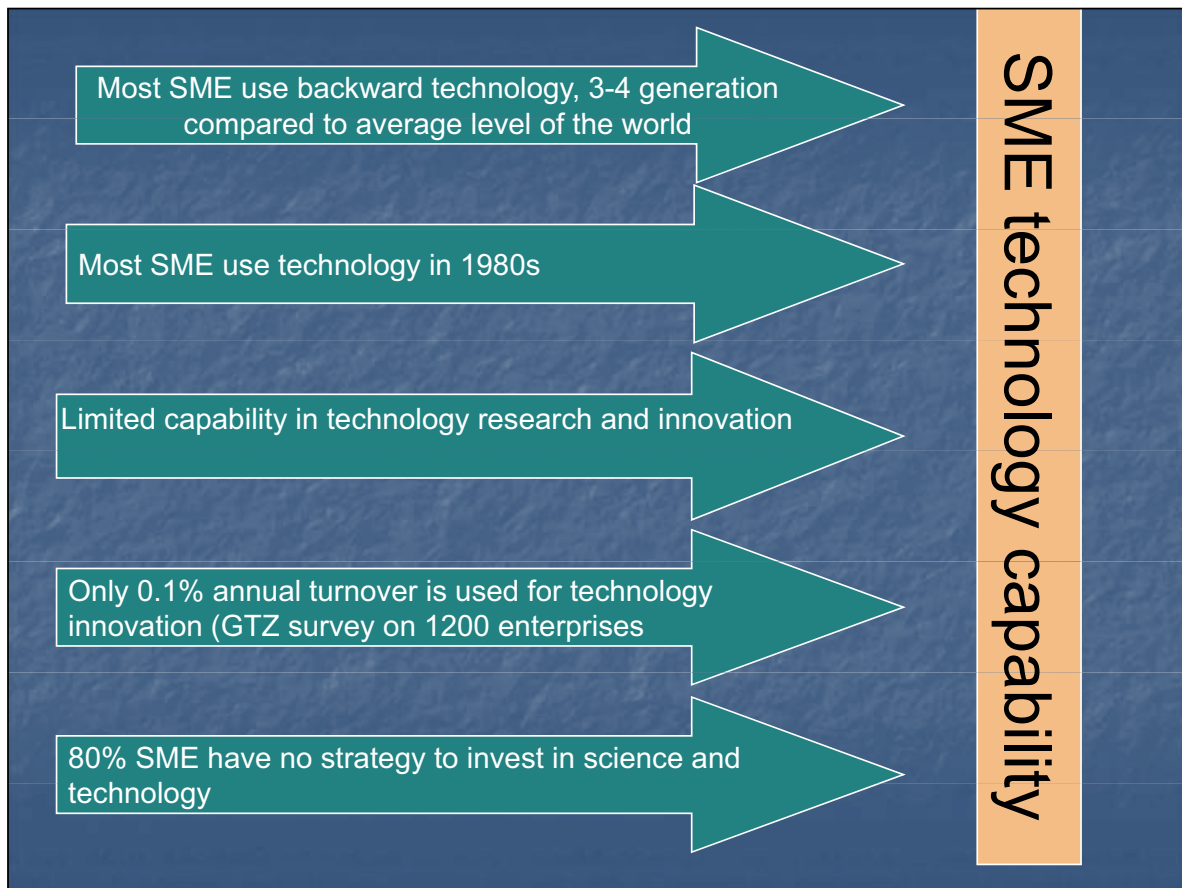
Major problems with SME

- Lack of recognition of the great impact of globalization, the international and regional integration process
- Have a small scale, have limited capital, a small number of employees.
- Lack of information on input markets.
- Limitation in market access; the quantity of products manufactured by SME is small in scale, mainly for domestic use, and even for very small local areas.

Major problems with SME

- Weaknesses in science and technology capacity and unskilled workers
- Constraints in relation to linkages between business and production units
- Unprofessional Internal management of SME
- Lack of transparency in financial management

Technology Capability of SME



R&D activities

- There is less than 5% enterprise implement R&D activities, R&D mainly happen in large companies;
- There is no enterprise in insurance and ICT sector implement R&D
- Technology innovation happen most often in garment and automobile sector

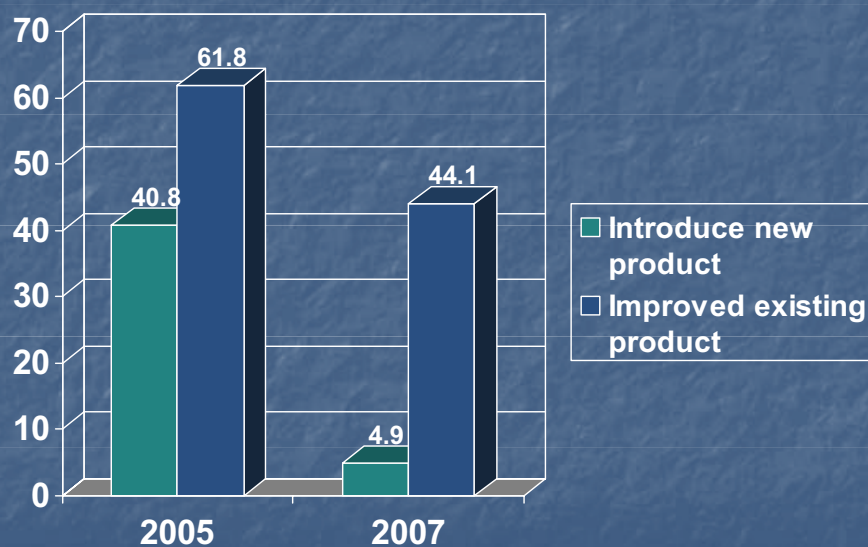
(VCCI survey in 2006 in 8 sectors: Garment and textile, automotive, insurance, banking, ICT, sea transportation, fishery, electronic)

Capability in technology research and innovation

- Less than 1% total cost used for R&D and 0.2% for technology innovation in all sectors
- Almost enterprise has no strategy and budget for this activities

Innovation rates

(SME survey 2007 by CIEM, DOE, ILISSA)



Technology characteristics

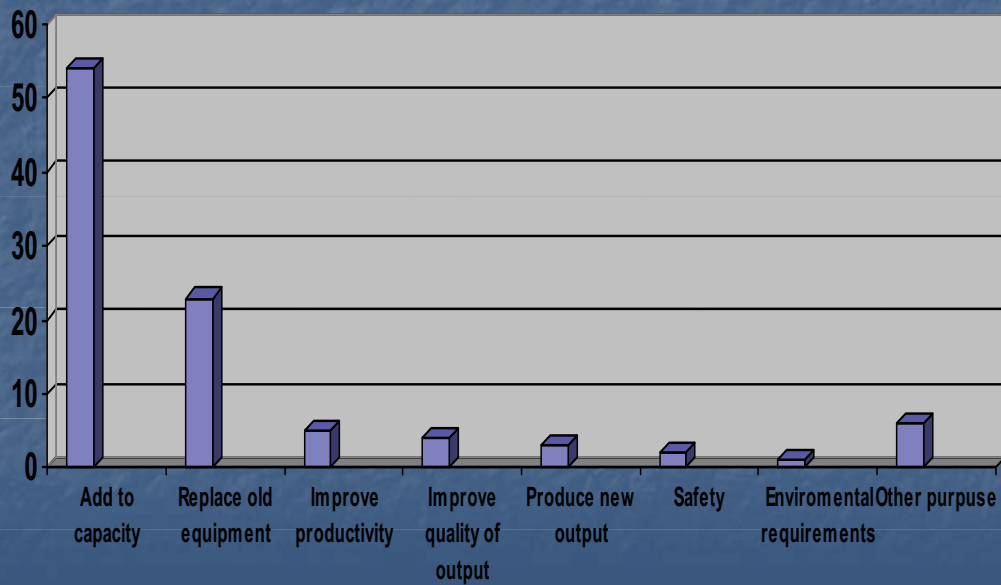
		2005	2007
Level of technology	Only hand tools only	10.3	7.7
	Manually operated machinery only	3.5	5.0
	Power driven machinery only	24.6	27.5
	All of the above	61.6	59.8
Age of technology	Under 3 years old	22.9	22.0
	Between 3 and 5 years old	34.9	36.5
	Between 6 to 10 years old	30.4	27.5
	Between 11-20 years old	9.5	12.5
	More than 20 years old	2.3	1.5
New or second hand	New	61.1	71.1
	Used	34.1	24.4
	Self-constructed	4.8	3.9

Demand for techno innovation by SME New investment

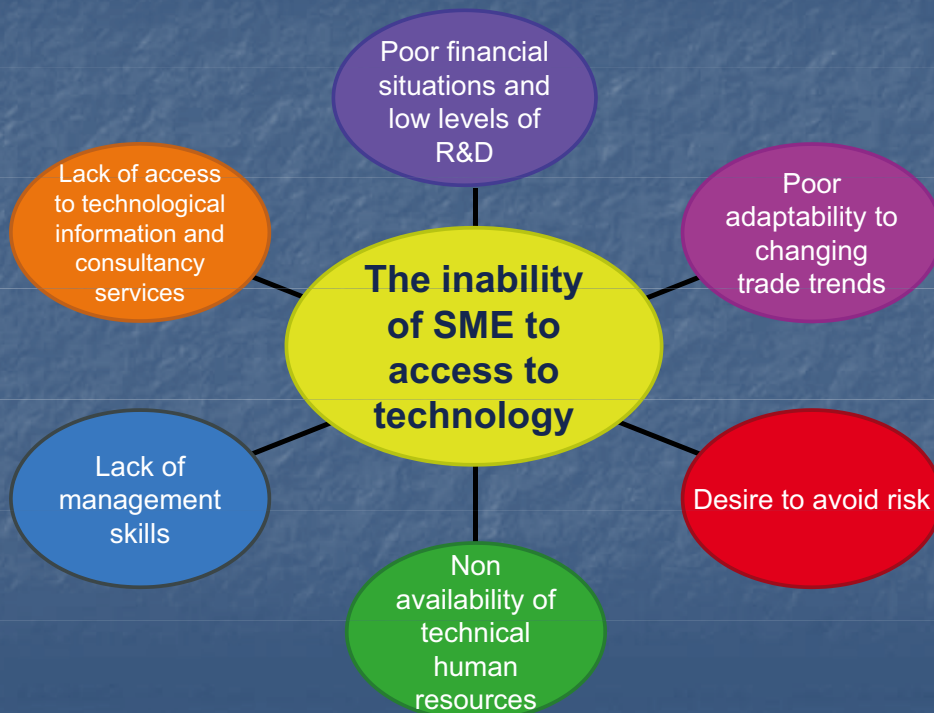
	% enterprise has made investment 2005-2007		% financed by own capital/retained earnings	
	2005	2007	2005	2007
All	62.2	42.2	66.9	74.0
Micro	55.5	34.2	67.3	77.9
Small	72.4	56.3	69.3	71.8
Medium	76.7	69.4	57.1	61.2
Urban	56.5	38.6	72.1	70.1
Rural	66.6	45.2	64.0	76.5

Demand for techno innovation by SME

Investment purpose



Reasons for the inability of SME to access to technology



1. Overview on Viet Nam's economy
2. SME in Viet Nam
3. Major Problems
4. Government Policies

Short term measures to help SME over crisis

- Credit guarantee program for enterprise: 575 billion VND
- 4% interest rate subsidy program: 85 banks participate; 178.722 billion VND is disbursed;
- Subsidy interest rate for export lending is 2.9%;

Short term measures

Tax policies

- To issue policies on tax delay, reduction and exemption (PIT, CIT and VAT);
- CIT: To reduce by 30% on CIT for SME. Reduction of 9,900 billion VND in state budget, 6,800 billion dong delay to 2010;
- VAT: 50% reduction in VAT for some goods (1,050 billion dong), reduction in state revenue of 1000 billion dong; delay up to 180 days for import goods;
- PIT: Delay in tax revenue is 1,600 billion (1st quarter 2009)

Long term strategy

GOVERNMENT DECREE

On supporting for the development of SME

30/6/2009, Prime Minister issued **Decree 56/2009/ND-CP** and will be implemented on 20th August, 2009”

- **New definition of SME**
- **Supportive policies are in more detail**
- **Enhance the role of Enterprise Development Agency (ASMED):** ASMED shall assist the Minister of Planning and Investment in performing the function of state management over SME development.
- **The State management body in SME development in localities:** Department of Planning and Investment (DPI) to be the focal point in formulating the development programs and plans for SME.
- **SME development support plan:** must be incorporated into the annual plan and 5-year plan of Ministries, agencies, localities, national economy plan with budget and solutions for implementation

Domestic SME policy trends and initiatives

- Facilitating SME's access to finance
- SME accounting regime
- Human resource training support for SME
- Technical and technological assistance
- Promoting market expansion

Domestic SME policy trends and initiatives

- Supporting local industry development
- Supporting SME's access to information
- Building up SME promotion institutional infrastructure
- Implementation of the SME Development Plan 2006 -2010
- ODA attraction: ODA commit capital for 2009 – 2010 is expected US\$8-10 billion

Thank you very much

Contact:

Enterprise Development Agency
Ministry of Planning and Investment
No 6B, Hoang Dieu Street, Hanoi, Viet Nam.
Tel: +84 80 4 3231
Fax: +84 43 734 2189