

BỘ KẾ HOẠCH VÀ ĐẦU TƯ
CỤC PHÁT TRIỂN DOANH NGHIỆP
MINISTRY OF PLANNING AND INVESTMENT
AGENCY FOR ENTERPRISE DEVELOPMENT



SÁCH TRẮNG WHITE PAPER

DOANH NGHIỆP NHỎ VÀ VỪA VIỆT NAM
SMALL AND MEDIUM ENTERPRISES IN VIETNAM

2014



NHÀ XUẤT BẢN THỐNG KÊ



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ABBREVIATION

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
APBSD	ASEAN Policy Blue print For SME Development
APEC	Asia-Pacific Economy Cooperation
ASEAN	Association of South East Asia Nations
AusAID	Australian Agency for International Development
BDS	Business development services
BOT	Build, Operate, Transfer
CB	Commercial bank
CPN	Cross-border Production Network
DANIDA	Danish International Development Agency
DFID	Department for International Development (UK)
EPZ	Export processing zone
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GMS	Greater Mekong Sub-region
GPN	Global production network
GTZ	German Agency for Technical Cooperation
ICT	Information and communication technology
IFC	International Finance Corporation
IT	Information technology
IZ	Industrial zone
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
PC	People's Committee
SME	Small and medium-size enterprise
SMEMM	APEC SME Ministerial Meeting
SMEWG	SME Working Group
SOE	State-owned enterprise
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VAT	Value added tax
WB	World Bank

1. The 5-year socio-economic Development Plan for the 2011 - 2015 period is the very important first phase in the implementation of the Socio-Economic Development Strategy in 2011-2020 (the 10-year Strategy). In this phase, the objective of economic growth rate in 5 years is at average of 7-7.5%. Over three-year implementing the socio-economic Development Plan for the 2011 - 2015 period, Vietnam has achieved certain success as maintaining economic growth and macroeconomic stability and curbing inflation at low level. At the nominal price of 2010, GDP rose 6.24% in 2011, in 2012 and 2013 increased 5.25% and 5.42% respectively. Average in three years, GDP increased by 5.6% per year, the annual average consumer price index decreased from 18.13% in 2011 to 9.21% in 2012, and in 2013, inflation rate was around 6.04%, consistent with the Government's economic policy in each development stage. However, the economy remains many slow-changing, not-yet-sturdy fields, especially industry and agriculture, therefore, the Government is making a determined effort to remove difficulties for the economy with multiple coordinated and effective solutions for the 2014-2015 period.

2. The business sector - including micro, small and medium enterprises (MSMEs) - throughout the country have contributed significantly to the result of three-year implementation of the 5-year socio-economic Development Plan and continued to achieve the socio-economic development objectives in 2014-2015. In the context of the economy's common downturn, domestically and globally, these SMEs have shown strong resilience in the start-up process, market entrance, business development, innovation, stability and growth. As one of the crucial factors that create the economy's growth engine, SMEs play an important role in achieving the above objectives. The thorough evaluation of the development of the SME sector over time, the identification of their strengths and weaknesses in order for solutions to be proposed to the Government to continue reviewing and reforming policies and institutions to create a business enabling environment and to facilitate the SME sector in order to realize their enormous potential to promote the advantages to innovate and enhance their competitiveness in the market at home and abroad is needed.

3. Therefore, Ministry of Planning and Investment, Agency for Enterprise Development continues to issue the Vietnam SME White Paper 2014 with the aim of:

- Assessing the achievements of the SME sector in recent years, based on the updated official statistics.
- Identifying opportunities and challenges that Vietnamese SMEs are facing to set out a prioritized action plan to exploit opportunities and overcome challenges on the path of development.
- Developing a strategic vision and orientation for enterprise development in the future, including the promotion of linkages between SMEs and large enterprises.
- Raising awareness of the society about the contribution of the Vietnamese SME sector in economic development and poverty alleviation.

4. The Vietnam SME White Paper 2014 was drafted by Agency for Enterprise Development in collaboration with the consultants of the Asian Development Bank (ADB) using the data from the General Statistics Office. Agency for Enterprise Development researched regional and international experience to consider applying the lessons learned in Vietnam and exploring the impact of global environmental changes to enterprise development.

5. The Vietnam SME White Paper 2014 consists of 4 main parts:

- Overall environment for SME development;
- SME sector in Vietnam;
- Facilitating SME development;
- Prospects for the SME sector.

6. Ministry of Planning and Investment, Agency for Enterprise Development would like to thank the contribution and suggestions from colleagues and the support from the ADB consultants. Any comments please send to:

Agency for enterprise development
Ministry of planning and investment
6B Hoang Dieu, Ba Dinh District, Ha Noi.
Tel: 0804 3231; Fax: 043.734 2189

I. OVERALL ENVIRONMENT FOR SME DEVELOPMENT

7. Part I of the SME White Paper 2014 refers to the external economic environment, namely large economies in the euro-zone and America during recovery process, the role and growth of the East Asian countries like Japan, China and a number of factors affecting Vietnam's domestic economy. Accordingly, Part I focuses on the economic developments of Vietnam's economy in recent years through a number of macroeconomic results in 2012-2013 including monetary policy, fiscal policy and national balance of payment with growth index of gross domestic product (GDP), inflation, consumer price index, interest rate and credit growth, foreign trade activities with their advantages and disadvantages. Next, Part I reflects the impact of economic developments at home and abroad to the business sector, including SMEs, together with the Government's decisive policies to support the development of this sector.

1. Macroeconomic Environment

8. The world economy in 2012-2013 has prospered with signs of recovery, though still slow after the crisis. However, the overall prospect for global economic growth is not strong and implicit unpredictable uncertainties. Economies in the euro-zone, especially some members affected by the sovereign debt crisis and the liquidity of the banking sector have near-zero growth rates with increasing unemployment. So far, the financial and public debt crisis in Europe has not completely ended. Meanwhile, the U.S. economy has impressive recovery since the global financial crisis in 2008 (GDP growth rate of 2.5% in 2013)¹ thanks to appropriate adjustments in monetary

policy and the Government's stimulus program demonstrated through the growth of macroeconomic indicators of GDP and employment in 2013. However, the discrepancy between Democrats and Republicans on fiscal policy, public debt and tapering of unconventional method of quantitative easing may affect the supply and demand in the economy and negatively impact the growth target².

9. In the context of slow recovery of major economies as U.S. and the euro-zone members, the International Monetary Fund (IMF) claimed Asia to be an area of active movement through growth of about 5.75% in 2013 thanks to external and regional demand³. Asia is also expected to receive positive effects from the development of regional economies such as China and the return to growth of Japan's economy thanks to fiscal stimulus measures and strong integration between ASEAN member states through bilateral and multilateral cooperation in many areas including trade and investment. With new economic policies of Prime Minister Shinzo Abe (Abenomics), Japan's economy is recovering strongly (GDP growth rate of 1.5% in 2013)⁴ through tough measures against deflation, regulate and exploit the depreciation of the yen currency to boost Japan exports and strengthen direct investment abroad. However, the island sovereignty disputes with neighboring countries, and damage caused by natural disasters may slow its recovery. In 2013, China's economic growth rate remained at 7.7%, equivalent to that of 2012⁵. This economy's depressed growth rate came from the Chinese government's reform in the restriction of debt-financed investments and moving toward the goal of consumption-led growth. Cur-

1. <http://countryeconomy.com/gdp/usa>

2. <http://www.vietnambank.vn/web/home/home/search/13/bac-dong-cua-viec-ngung-goi-noi-long-dinh-luong-ge3.html>

3. <http://www.imf.org/external/lang/vietname/sepubs/ftw/2013/cpd/area0413e.nv.pdf>

4. <http://countryeconomy.com/gdp/japan>

5. <http://vneconomy.vn/20140120111331939P0C99&nh-tu-trung-quoc-tang-truong-77-trong-nam-2013.htm>

rently, deep reforms are being implemented and this country's economy will soon achieve high growth rates.

10. As an open economy based on the proportion of foreign trade over GDP, Vietnam is in the process of integration into the regional and international supply chain and should receive certain advantages for spill-effect from external economies including attracting foreign direct investment and preferential loans in combination with domestic investments to be critical components for the implementation of socio-economic development goals. At the same time, Vietnam has to directly confront negative chain impacts from the decline of the world economy. In fact, Vietnam's economic growth in 2011-2013 was lower than the set target. The global recession and domestic imbalance are two of the causes result in slower growth in the past few years. From hindsight, 2011 was a tough year in which inflation spike nearly 19%, the foreign exchange market was instable and the foreign exchange reserves fell below a safe level. The enactment of the Resolution No. 11/NQ-CP dated 24/02/2011 applying macroeconomic regulation tools was an important step toward macroeconomic stability in the next period.

11. In 2012, the macro economy achieved some stable results towards inflation curbing and prevention of economic decline. GDP growth at 5.25%. Inflation fell to one-figure level of 9.21%. The balance of payment improved thanks to good results from exports with the important contribution from the foreign invested enterprise (FDI) sector, achieved trade surplus for the first time since 1992. The current account also achieved remarkable surplus at 5.9% of GDP from deficit of 11% of GDP in 2009. Regarding monetary policy, the State Bank of Vietnam (SBV) had stabilized the official exchange rates throughout 2012

after the USD/VND exchange rate was revised up to 9.3% in 2011. At the same time, the State Bank issued interest rate reduction policy at level of 8%/year for lending rate and lower deposit rate ceiling at level of 7%/year since 03/2012⁶. Liquidity in the banking system was eased, with higher deposits and lower capital costs. The reduction of lending rates was to stimulate credit growth, investments and economic stimulus.

12. In 2013, the macroeconomic environment was reflected through GDP growth rate of 5.42% with contribution from sectors (i) agriculture, forestry and fishery, (ii) industry and construction; and (iii) service with growth rate of 2.67%, 5.43% and 6.56% respectively⁷. The inflation rate stood at 6.6%. The reason for stable inflation derived from decreased aggregate demand in the economy, particularly the CPI rose very slowly in the last months of 2013. Indeed, inflation in 2013 was mainly driven by cost-push factors from the price adjustment in public services and groups of state-managed commodities. The balance of payment was maintained through continuing surplus of trade balance, in which the FDI sector accounted for two thirds of export turnover. The current account was estimated to be surplus at 5.1% of GDP thanks to increase in exports, remittances and investment flows in the context of domestic recovery. Regarding the monetary policy, the State Bank harmoniously combined the interest rate policy with the exchange rate and foreign exchange management policy. Deposit rates were decreased, the liquidity of banking system and credit institutions was improved. Lending rates within the range of 6.5% -11% annually for the objectives of controlling inflation, stabilizing the currency and credit market and business development. The credit growth rate was nearly 12% compared to 8.91% in 2012.

6. Review of updated economic situation in Vietnam, the World Bank (WB), December 2013

7. Source: Statistics from the General Statistics Office, Ministry of Planning & Investment

13. Regarding the fiscal policy in 2013, the National Assembly amended a number of articles in the Law on Enterprise Income Tax (CIT) and the Law on Value Added Tax (VAT) during the 5th session in May 2013. Accordingly, the corporate income tax rate of 22% is applicable from 01/2014 and then further reduced to 20% from 01/2016. At the same time, the Government issued Directive No. 14/CT-TTg dated 28/6/2013 to strictly control the formulation, appraisal and approval of investment projects using State budget and Government bonds and strengthen management in order to minimize outstanding debts in basic infrastructure construction. As reported by Ministry of Finance regarding the budget situation on 30/12/2013⁸, the State budget revenue in 2013 reached the set targets and its deficit below 5.3% of GDP as allowed by the Congress in the context of public spending cut of about VND 22.7 trillion. However, this deficit level higher than the overspending level of 4.5% of GDP set out in the Congress's Resolution No. 10/2011/QH13 dated 8/11/2011 for the 2011 - 2015 period. Regarding the management of public debt, public debt was projected to be at 56.2% of GDP; government debt was 42.6% of GDP and foreign debt was 39.5% of GDP, well within safety levels and not a great threat to the macro economy.

14. Besides the results mentioned above, Vietnam is to continue the reforms to maintain macroeconomic stability with higher growth rates in the next period. (i) For the monetary policy, domestic inflation should be carefully monitored with external price pressures such as fuel prices. The continuation of interest rate cutting policy unlikely to bring effectiveness in the weak situation of commercial banking system today. Foreign exchange reserves should be accumulated more to prevent and cope up with economic shocks, if any. (ii) For the fiscal policy, fiscal consolidation road map is a critical task. Lowering the CIT and VAT

rates may affect budget revenues which led to higher budget deficit. Social expenditures should be ensured while public spending only for priority items and cut down to sustainable levels inconsistent with the Government's goal of long-term fiscal strategy. (iii) The economic structure reform should be implemented sweepingly with faster and sturdier progress to improve the efficiency of resource utilization and increase the productivity of social labor, thereby encouraging the business sector to continue to increase productivity and business efficiency. (iv) The reform road map of state-owned economic corporations and enterprises is very important, but slowly progressed and should be clearly defined. (v) The banking sector reform should be a top priority in order to properly resolve the issues related to existing asset quality and bad debt and create a development environment in which the banking system play an intermediary role between savings and investment and development of the capital market. The bad debt situation in the banking system and credit institutions with non-performing loans ratio of commercial banks was 3.79% at 31/12/2013 as reported by the State Bank. However, this level will be dangerously higher if calculated by international standards. A bad debt amount equivalents to USD 1.42 to 1.65 billion was bought back in 2013 by the Vietnam Asset Management Company (VAMC) - established under the Government's Decree 53/2013/NQ-CP dated 18/5/2013⁹. Still, along with the less stable elements in structure and allocation of financial resources in the banking system's current condition, enterprises', particularly SMEs', access to official loans is limited and bad debt still a concern.

15. In response to the difficult and challenging economic condition at home and abroad, the Government maintained sound economic policies with proactive solutions to restructure the economy based on the economic model that fit three breakthroughs in re-

8. http://www.mof.gov.vn/portal/page/portal/mof_vn/1539781?pers_id=2177082&item_id=116904435&p_details=1

9. <http://bisshve.vinhgan-hangty-le-no-xau-cua-viet-nam-nam-2013-tang-manh-50643.htm>

forms of policies and institutional, human resource development and infrastructure construction in the modern direction to well implement the targets and key indicators of the annually socio-economic Development Plan, generating the growth rate (see statistics in Table 1) is considered reasonable and confirmed the relevance, timeliness, effectiveness of the measures and policy solutions issued by the Government¹⁰.

tribute greater in economic development, along with the efforts of each business itself, the Government's practical supporting policies are essential.

17. In 2013, there were 76,955 business newly established with registered capital worth VND 398,681 billion, up 10.1% in the number of enterprises and down 14.7% of the regis-

Table 1. Key macroeconomic indicators

Index	2008	2009	2010	2011	2012	2013
GDP growth rate (% year)	6.2	5.4	6.42	6.24	5.25	5.42
Inflation (change in the CPI, % year)	23.1	6.9	9.19	18.58	9.21	6.6
Credit growth (% year)	25.4	37.7	27.65	12	8.91	12
Balance of payment (% of GDP)						

Source: Statistical Yearbook, 2012 - 2013, the General Statistics Office

2. Impact on SMEs

16. SMEs are business objects with features and important economic and social roles in the economy, especially in Vietnam, where most businesses are classified as SMEs. At the risk aspect, in the startup and development process, SMEs may suffer directly from hard economic realities at home and abroad in their weak standings due to inherent fundamental limitation of small size, low level of scientific and technological innovation applied in the manufacture of products and services, unsatisfactory quality of human resources, limited management capacity, low market access and expansion, and less flexible response capability to economic shocks. So, to create favorable business and investment environment conducive to the birth of SMEs as well as their business maintenance, development, expansion, competitiveness improvement, con-

tered capital over the same period last year. The number of newly established enterprises was in decreasing trend in recent times. In 2009, there were 85,000 new businesses formed, then by 2012 this figure dropped to nearly 70,000 businesses, and in 2013 it was only about 77,000, down 8% over the same period in 2010. By the end of 2013, Vietnam had more than 723,000 enterprises established and registered business. However, data from the Statistical Yearbook 2013 shows that, to the date of 31/12/2012, there were only 346,777 active enterprises¹¹. The numbers of businesses startup, stop operation and dissolution, all increased. Registration of new businesses across economic regions had different shifts, reflecting the strong process of business cleansing. The number of enterprises entering and exiting the market increased reflecting tough economic condition and enterprises are now under great pressure.

10. Report on socio-economic situation in 2013 <http://chinhpheu.vnpportal/page/portal/chinhpheu/ncidungtinhhinhthuchien?categoryId=100002927&articleId=10053063>

11. <http://chinhpheu.vnpportal/page/portal/chinhpheu/ncidungtinhhinhthuchien?categoryId=100002927&articleId=10053063>

18. In resolutions and policies of macro-economic stability, the Government always emphasizes the content of business environment improvement in order to remove obstacles for enterprises and this is one of the important measures for generating efficiency in the economy. The Government's Administrative Procedures Simplification Scheme (Scheme 30) has been implemented since 2010, in which a number of typical areas related to business as (i) Reform the tax billing procedures in the orientation of allowing businesses to print invoices by themselves and instead of registration, declaration and payment of taxes; (ii) Reform import-export customs procedure in the orientation of modernization by expanding electronic customs declaration, implementing a national single window mechanism connecting ministries, branches; (iii) Scrap regulation of collecting construction fee, "the valid expiry date of construction beginning" in the construction permit, meaning abolishment the have-to extension of building permits; (iv) Proposed annul of requirements of notarization and authentication for contracts and transactions related to real estate. After over three-year implementation, Scheme 30 had brought positive changes to streamline and increase the efficiency of administrative procedures as well as the relationship between government and citizens and the business community.

19. However, the administrative reform and creating effective business environment need to be continued with further efforts. Doing Business Report - Smarter Regulations for Small and Medium-Sized Enterprises of the International Finance Corporation (IFC) of the World Bank (WB) in 2013 focused on analyzing the impact of business regulations applied to SMEs in 11 areas related to enterprises in 185 countries. Those are criteria on business establishment, construction permits, access to electricity, property registration, credit loans, investor protection, taxes payment, cross-border trading, contracts enforcement, handling insolvent businesses and employment for the 2011-2012 period. According to these criteria,

Vietnam ranked 99th, belong to middle group in the rankings. Vietnam recorded improvements in areas related to business establishment through allowing self-printed invoices. However, Vietnam was still ranked 108th for this criterion (not much improved compared to the past). Some areas were ranked low as access to electricity (155/185), investor protection (169/185), taxes payment (138/185) and handling insolvent businesses (149/185). For taxes payment, although there have been improvements over the years, but the payment time is still very large (872 hours / year) and the gross tax rate is still high (34.5%), reflected the reality when businesses claimed they had to pay more than the nominal tax rate of 25%. Besides, the processing time of insolvent businesses is still very long (5 years and the loan-recovery rate is low at 13.9%). Low loan-recovery rate explains why the number of businesses declared inactive more than that of bankruptcy. The number of newly registered enterprises increased but the number and activity of enterprises, especially SMEs, after registration is still a gap in state management. Therefore, there is a need to create an accurate and comprehensive database system about SMEs with statistics index for SME quality and performance and appropriate mechanism applied so that SME withdraw from market in accordance with law.

20. In 2012-2013, Doing Business Report - Understanding Regulations for Small and Medium-Sized Enterprises in 2014 reflected Vietnam's 99th standing over total 189 economies, unchanged from the 2011-2012 period. Vietnam has implemented 21 reforms since 2005, highest in East Asia - Pacific but her ranked business climate is still not much improved. Vietnam recorded reforms in credit loans, investor protection, taxes payment, and employment. The World Bank considers reforms in credit loans and investor protection are supportive to business environment. Vietnam had improved the credit information system through the Government's Decree No. 10/2010/ND-CP dated 12/02/2010 setting up

the legal framework for the establishment of private credit information centers. Vietnam has also strengthened investor protection by introducing stricter requirements on information disclosure for listed companies. However, Vietnam received very low appreciation in other criteria in the ranking: business establishment (109/189), access to electricity (156/189), investor protection (157/189), taxes payment (149/189) and handling insolvent business (149/189) reflects inefficient and costly domestic procedures, such as power supply for business or bankruptcy procedures, as compared to neighboring countries. While Vietnam's business environment is evaluated less competitive, other countries have strong reforms in creating legal environment for business. Typically, Thailand, Malaysia, the Philippines even ranked in the top 10 most improved economies. Vietnam's weak competitiveness negatively affect the development of the business sector as a corollary.

21. Following the 2011-2012 period with many difficulties in the economy, the business sector, especially domestic SMEs, in 2013 still cannot recover to be able to develop production and business activities. Meanwhile, the Government's support policies were not uniformity and not comprehensive and timely at every echelon to meet enterprises' demand. These difficulties will continue in 2014. In particular, SMEs will not be able to fully access the Government's resources and support through their participation rate in supporting programs such as: the National Trade Promotion Program, National Foundation for Sciences and Technology Development, SME Credit Guarantee Fund remained very modest (less than 10%)¹². It is because SMEs have limited resources, or not eligible to access the Government's supporting resources to develop priority industries, sectors. Moreover, this limited access also stems from lack of in-

formation from the business side, or too complicated administrative procedures as a barrier. In 2013, the business sector, especially SMEs, faced many difficulty in financing capabilities and limitations in access to capital, low quality of human resources, poor governance skills and capacities, lack of access to productive resources, low level of technology, weak competitiveness, while the Government's supporting policies have not yet synchronized and full play at every levels to meet enterprises' demand¹³. It is because SMEs have limited resources, or not eligible to access the Government's supporting resources to develop priority industries, sectors. Moreover, this limited access also stems from lack of information from the business side, or too complicated administrative procedures as a barrier.

22. Along with continuing to improvement of business environment and institutional reform, in 2013, the Government had much effort in economic policy in order to remove difficulties for the business sector through "market support solution package" to handle business inventories and banks' bad debts and stabilize the real estate market as well as build long-term goals, economic restructure associated with growth, rearrange SMEs, organize and streamline the banking system and credit institutions and implement institutional reform and focus on high-quality human resources in order to create favorable conditions for the operation of enterprises, including SMEs. To synchronously and timely implement the policies, the Government issued Resolution 02/NQ-CP 01/NQ-CP dated 07/01/2013 focusing on major solutions directing the implementation of the socio-economic development plan- and State budget estimates in 2013 and a number of measures to remove difficulties for production and business, market support and bad debt settlement.

12. <http://www.gso.gov.vn/default.aspx?tabid=512&id=5&ItemID=14944>

13. <http://thutuchanhchinh.vn/ho-tro-truyen-thong/item/1682-dacnh-ngiep-nho-va-vua-thuc-trang-va-giai-phap-cho-tro-nam-2013.html>

23. The introduction of two Resolution No. 01/NQ-CP and 02/NQ-CP with new policies on tax incentives, lending rates and credit funds with comprehensive, accurate, clear content is expected to effectively strengthen the legal and institutional framework and favorable, fair business environment creating the development momentum for SMEs and is expected to be implemented right in the early months of 2013.

24. At the same time, the Government continued to implement fiscal policy through measures to postpone the tax payment deadline, land use fee payment deadline, tax exemptions for businesses. The National Assembly amended some articles of the Law on Enterprise Income Tax and the Law on Value Added Tax in 2013 implementing tax exemptions for some subjects to reduce their impediments, continue to invest in expanding production business, stimulating market development, attracting new investment. The corporate income tax rate of 22% was applied since January 1/2014, then continued to be reduced to 20% from 01/2016.

25. Earlier, the Prime Minister issued Decision No. 1231/QĐ-TTg dated 07/09/2012 approving the 2nd SME Development Plan for the 2011-2015 period. The objective of SME development in 2011 - 2015 is to "establish 350,000 new businesses and strive to have approximately 600,000 businesses at the date of 31/12/2015. In particular, the export proportion of the SME sector accounts for 25% of the country's total exports; investment in this sector accounts for 35% of total social investment capital; contribute 40% of GDP, 30% of total budget; create 3.5 - 4 million new jobs over the period 2011-2015." This important Decision introduce 8 groups of supporting measures for SME development include:

- Finalize the legal framework for enterprises' enter to, active in and withdraw from market;

- Support access to finance and credit, and improve the efficiency of using capital for SMEs;

- Support technological innovation and new technology application in SMEs;

- Develop human resources for SMEs, focusing on capacity building for SMEs in corporate governance;

- Promote the formation of industrial clusters, improve access to land for SMEs;

- Provide support information to SMEs and promote market expansion for SMEs;

- Build a system of SME development agencies; and

- Manage the implementation of the Plan.

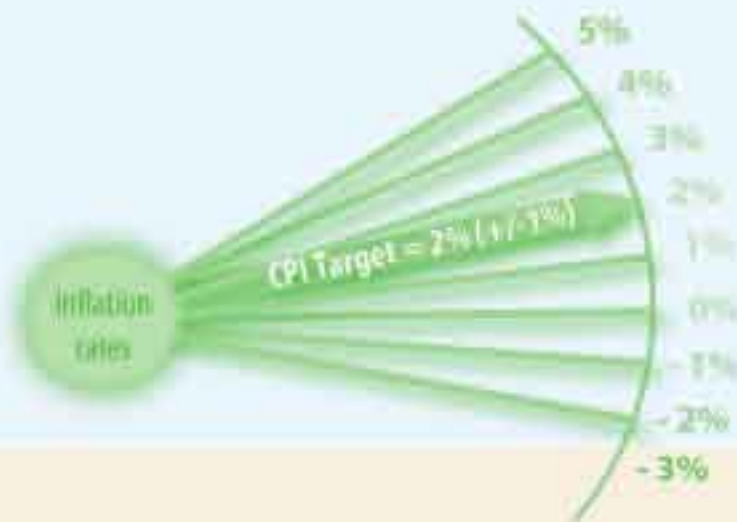
26. In particular, focusing primarily on the specific solutions (i) establish the SME Development Fund, (ii) step up programs promoting technology application and innovation, emphasis on high technology development to create new products, modern machineries and equipment; (iii) pilot formulate business incubator, (iv) pilot build comprehensive supporting model for SMEs in a number of areas; and (v) promote economic linkages, industrial clusters.

27. On December 16th, 2011, the Communist Party of Vietnam adopted the Socio-Economic Development Strategy for 2011-2020. Subsequently the Government issued Resolution No. 10/NQ-CP dated 24/04/2012 on the Government's Action Plan implementing the Socio-Economic Development Strategy in 2011-2020, and the country's development orientations and tasks in 5 years from 2011 to 2015. Casting the development experience of the 2001-2010 period, one of the contents of the proposed 10-year Socio-Economic Development Strategy is to renew the growth model, restructure the economy, accordingly, strongly develop production forces,

build appropriate production relation, uniformly shape socialist-oriented market institutions. Swift from the growth model of mainly width-development to rationally width and depth development, both expansion of scale and emphasis on improvement of quality, efficiency, and sustainability. Implement restructuring the economy, focusing on restructuring of manufacturing and services in accordance with regions, promote enterprise restructuring and adjust marketing strategies, increase domestic value, value added and competitiveness of products, businesses and the whole economy, develop the knowledge economy. Attaching economic development with environmental protection, green economic development. This general orientation for the economy development continues to be specified and applied in the development of enterprises, including SMEs.

28. All the above content reflects the overall environment of SMEs, which highlighted some situation and macroeconomic outcomes in the 2012-2013 period, the impact of changes in domestic and foreign economic influence over the development of SMEs and the Government's decisive policies attached with ac-

tion plans and strategic solutions, preferred solution to create the firmly legal framework and institutional mechanism through the creation of fair business environment, applying fiscal measures, supporting access to financial resources, orientation on improving development efficiency based on new technologies, human resources quality, and promoting SME development model by sectors and clusters to help increase connectivity in the SME sector, improve their competitiveness and business efficiency. The Government's decisive policies created favorable conditions for SMEs to take advantage of the advantages and response to economic shocks when Vietnam fully integrate into the regional and global economy and hold up the role of a key element in promoting economic restructuring, creating total social product contributes to comprehensive growth, create jobs, increase incomes and social welfare for laborers, support the development of large-scale enterprises in the economy. The decisive solutions represents a strong reform of the Government with a focus on the business sector including SMEs and are expected to promote timely efficiency in the short-term and sustainability in the long-term.



II. SME SECTOR IN VIETNAM

29. Part II of the SME White Paper 2014 reflects the development of the business sector, focusing on Vietnamese SMEs through statistical data in 2008-2013 and analysis of contents and important indicators regarding number, proportion and growth of each type of business, structure and scale of investment in production and business, human resources along with labor productivity and income levels of laborers working in each business groups, industries and location of SMEs in each sector in the economy and efficiency of business operations and growth in each period as well as the role and obligations of SMEs to workers and contribution to the State budget. Other important issue in Part II is an analysis and evaluation of the status of the SME sector in the context of global recession.

1. SME sector in Vietnam

1.1. Number of enterprises

Number of business registration, operation and dissolution

30. Statistics on business in Vietnam is currently divided into two types:

- Data on registered business;
- Data on active business.

The number of registered enterprises collected by Agency for Enterprise Development previously and now by Agency for Business Registration. The number of active enterprises issued by the General Statistics Office based on annual business survey. Active enterprise is an enterprise currently operating business, generating products and services, having revenues and expenses and implementing tax obligations to tax authorities.

31. As of 31/12/2013, Vietnam had more than 771,000 enterprises established and registered business. In 2011-2013, the total number of registered enterprises was over 272,000, equal about half of that in the 10-year period from 2000 to 2010¹⁴.

Table 2. Number of registered enterprises from 2008 to 2013

Year	Number of registered enterprises	Accumulation	Registered capital (VND billion)
2008	65,319	331,060	
2009	84,531	415,591	
2010	83,685	499,276	
2011	77,548	576,824	513,700
2012	69,874	646,698	467,265
2013	76,955	723,653	398,681

Source: Agency for Business Registration, Ministry of Planning and Investment

14. In 2000-2010, with the implementation of the Enterprise Law 1999, the Enterprise Law 2005 and the Law on State Enterprises, the country had nearly 500 thousand enterprises registered business. In 1991-1999, with the implementation of the Law on Private Enterprises and the Company Law and Decree No. 50/HDBT, only 47,158 enterprises registered business (including cooperatives and business of various type) across the country - the Vietnam SME White Paper, 2011.

32. According to Agency for Business Registration's data in Table 2, the business situation has better signal when the number enterprises newly established in 2013 increase again over the same period in 2012. In 2013, the whole country had 76,955 enterprises newly established with registered capital of VND 398,681 billion, up 10.1% in the number of enterprises and down 14.7% in the amount of registered capital over the same period last year¹⁵. During the 5-year period from 2008 to 2013, the number of newly established enterprises tended to steadily increase from 2009 to 2011, but gradually decreased from 2012. In 2009, there were nearly 85,000 enterprises newly formed, then by 2012, this figure dropped to nearly 70,000 and in 2013, it fell to only 77,000, down 8% compared to the same period in 2010.

33. Business data announced by the General Statistics Office in Statistical Yearbook 2013 shows to the date of 31/12/2012, Vietnam had 346,777 active enterprises. In 2008-2012, the number of active enterprises in Vietnam maintained an average growth rate of over 10% annually, specifically, an increase of 20.9% in 2009, 11.8% in 2010, 11.6% in 2011 and 10.6% in 2012. Thus, the ratio between the number of registered enterprises and the number of active enterprises at the date of 01/01/2013 was around 53%, down nearly 10% compared to that at the moment of 01/01/2008 (62%).

34. Among 346,777 active enterprises on 31/12/2012, number of enterprises in the private sector was 334,562 (96.4%), the FDI sector: 8,976 and SOEs: 3,239.

35. Business Survey results annually published by the General Statistics Office show a large percentage of registered enterprises operating in wholesale and retail trade; repair of motor vehicles and motorcycles, accounted for 39% of total registered enterprises in 2006,

2007, 2008 and 2009. The industries (as preliminary-processing) and construction accounted for 17.69% and 14.29% of the total number of active enterprises respectively as of 1/1/2010. Most of these enterprises can only generate low value added, tend to be labor-intensive, constrained capital and low technology. On key sectoral structure in 2013, some sectors showing signs of recovery when the number of enterprises registered establishment increased, namely: (i) Arts, entertainment and recreation, newly establishment increased 27.8% compared to 2012; (ii) wholesale and retail trade; repair of motor vehicles and motorcycles 23.9%; (iii) transportation and storage 6.7%; (iv) manufacturing 7.3%. Meanwhile, the agriculture, forestry and fisheries tended to decrease. In 2013, the number of newly established enterprises decreased by 14.4%. Those in the field of financial, banking and insurance activities were in a similar situation, down 5.4%. Other sectors with decreased number of newly registered enterprises include construction, fell 3.7%, employment services, travel, equipment rentals, and other support services, decreased by 2.8%.

36. The economic situation in 2010-2013 shows the operation of the business community still faces many difficulties reflected by the large number of corporate dissolution, bankruptcy or cease operations and stop paying taxes. In 2013, there were 60,737 enterprises dissolved and ceased business operations, in which, those completed dissolution procedures were 9,818, those ceased operations were 50,919, up 119% compared to the same period last year. The number of troubled enterprises back into operation in 2013 was 14,402 and these figures increased monthly. The number of business dissolution and stop operations in 2013 was higher than that in 2012. However, according to updated data in 2013, these figures tended to decrease on a monthly basis. This is a positive sign and is the basis for the

15. Report on socio-economic situation in 2013 http://chinhpheu.vnpportal/page/portal/chinhpheu/ncidungtinhhinh-tathuc-hien?cate_goryId=100002927&articleId=10053063

business sector to contribute to the recovery and development of the economy in the future¹⁶. About industries and business sectors: individuals service sector showed positive signal when the number of enterprises must be dissolved or suspended operations in 2013 decreased 10.4% compared to the same period last year. Besides, some service sectors were still having difficulty when the number of enterprises must be dissolved or suspended operations increased as electricity, water and gas supply increased by 45.5% compared to 2012, health care and social work activities 55.6%, financial, banking and insurance activities

58.6%, education and training 77.4% and arts, entertainment and recreation 82.9%.

Number of SMEs

37. The total number of enterprises in the country had changed dramatically in the 2008-2011 period. The total number of active enterprises at 31/12/2011 increased 1.7 times from 192,000 in 2008 to nearly 325,000 in 2011 and nearly 347,000 in 2012, increased at the average rate of 16% annually in 2008-2012. The number of enterprises in the non-state sectors remained the dominant proportion of 95-96%. The number of enterprises by sector is detailed in Table 3.

Table 3. Number of enterprises by legal form, as of 01/01/2013

	2008	2009	2010	2011	2012*
Total	192,179	236,584	279,360	324,691	346,777
<i>State-owned enterprises</i>	3,307	3,360	3,281	3,265	3,239
Central state-owned enterprises	1,651	1,806	1,779	1,797	1,792
Local state-owned enterprises	1,656	1,554	1,502	1,468	1,447
<i>Non-state enterprises</i>	183,246	226,676	268,831	312,416	334,562
Private enterprises	46,530	47,840	48,007	48,913	48,159
Partnership	67	69	79	179	286,403
Limited liability company	103,091	134,407	163,978	193,281	
Joint-stock company with state capital	1,812	1,738	1,710	1,751	
Joint-stock company without state capital	31,746	42,622	55,057	68,292	
<i>FDI sector</i>	5,626	6,548	7,248	9,010	8,976
100% foreign invested enterprises	4,612	5,414	5,989	7,516	7,523
Foreign-domestic joint ventures	1,014	1,134	1,259	1,494	1,453

Note: (*) 2012 figures included businesses registered but not go into operation.

Source: Statistical Yearbook, 2013, the General Statistics Office

16. <http://dangkykinhdoanh.gov.vn/NewsandUpdates/tabid/91/ArticleID/517/Item%20Category%20Name%20-%202013.aspx>

38. As stipulated in the Government's Decree No. 56/2009/ND-CP dated 30/6/2009 on SME development, Vietnamese enterprises are classified into 4 groups according to labor size, capital size and economic sectors, specifically including: micro, small, medium and large enterprises as described in Table 4.

micro enterprises accounted for 66.75%, group of small enterprises: 28.75%, medium enterprises: 2.1% and large enterprises: 2.4%. In total, the number of micro, small and medium enterprises accounted to 97.6%.

40. According to the statistics in Table 5, the structure of active enterprises by labor size in 2012 for a total of micro, small and medium

Table 4 Classification of enterprises in Vietnam

Sector	Micro enterprises	Small enterprises		Medium enterprises		Large enterprises	
	Labor	Labor	Capital	Labor	Capital	Labor	Capital
Agriculture, forestry and fishery	<=10	Over 10 under 200	<= 20 billion	Over 200 under 300	Over 20 under VND 100 billion	Over 300	Over VND 100 billion
Industrial and construction	<=10	Over 10 under 200	<= VND 20 billion	Over 200 under 300	Over 20 under VND 100 billion	Over 300	Over VND 100 billion
Trade and services	<=10	Over 10 under 50	<= VND 10 billion	Over 50 under 100	Over 10 under VND 50 billion	Over 100	Over VND 50 billion

39. According to data released by the General Statistics Office¹⁷, most operating businesses are SMEs as defined in the Government's Decree No. 56/2009/ND-CP mentioned above. Sorting by labor size, among 324,691 active enterprises as of the date 1/1/2012, there are 216,732 micro enterprises, 93,356 small enterprises, 6,853 medium enterprises, and 7,750 large enterprises. Group of

enterprises accounted for 97.6%, of which micro 67.6%, small 28%, medium 2%, and large enterprises 2.4% in total 332,672 active enterprises. In 2008-2013, this structure did not change significantly. Regarding growth rate, micro enterprises have the largest average annual growth rate of 20.9%, medium 14.7%, small and large enterprises were 11.1% and 9.5% respectively.

17. Statistical Yearbook 2012. General Statistics Office (2013).

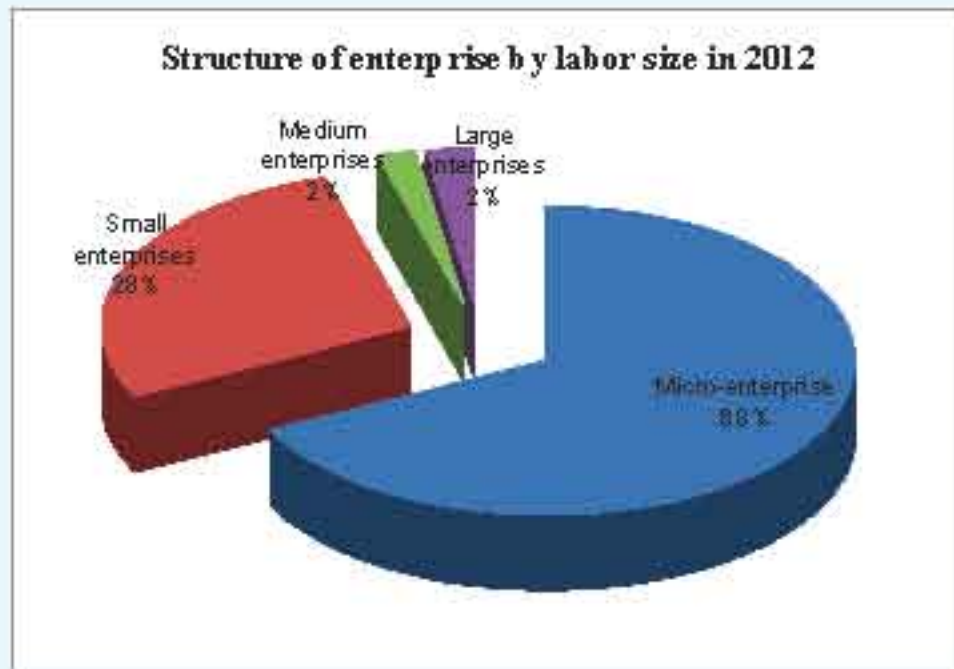


Table 5. Number of active enterprises by labor size, as of 01/01/2013

Year	Total	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
2008	205,689	127,180	68,046	4,484	5,979
2009	248,842	162,785	74,658	5,010	6,389
2010	279,360	187,580	79,085	5,618	7,077
2011	324,691	216,732	93,356	6,853	7,750
2012	332,672	225,037	93,036	6,735	7,864

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office

41. According to the statistics until 01/01/2012 in Table 6, the percentage of enterprises among groups of micro, small, medium and large enterprises have a big difference in the private sector, state sector and FDI sector. The private sector occupied 96.2% of micro and small enterprises, among which the proportion of micro enterprises was two thirds, small enterprises accounted for nearly one third, and the total medium and large enterprises accounted for the remaining 3.3%. In the private sector, limited liability companies ac-

counted for almost 62%. In the state sector, small and large enterprises with a dominant percentage of 40.1% and 39.96% respectively, while medium and micro enterprises accounted for only a modest proportion of 15.62% and 4.3% respectively. In the FDI sector, small enterprises held a majority of 47.45%, while micro enterprises was 23.95%, large enterprises was 20.04% and medium enterprises accounted for only 8.56%. Notably, 100% foreign invested enterprises accounted for 83% of all enterprises in this sector.

Table 6. Number of enterprises by legal form and labor size, as of 01/01/2012

	By labor size				
	Total	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Total	324,691	216,732	93,356	6,853	7,750
<i>State-owned enterprises</i>	3,265	141	1,309	510	1,305
Central state-owned enterprises	1,797	66	601	259	871
Local state-owned enterprises	1,468	75	708	251	434
<i>Non-state enterprises</i>	312,416	214,433	87,772	5,572	4,639
Private enterprises	48,913	37,496	10,963	321	133
Partnership	179	133	42	4	
Limited liability company	193,281	136,433	51,996	2,823	2,029
Joint-stock company with state capital	1,751	82	840	275	554
Joint-stock company without state capital	68,292	40,289	23,931	2,149	1,923
<i>FDI sector</i>	9,010	2,158	4,275	771	1,806
100% foreign invested enterprises	7,516	1,759	3,629	601	1,527
Foreign-domestic joint ventures	1,494	399	646	170	279

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

42. As of 31/12/2011, among total active enterprises on a national scale, enterprises with less than 5 employees accounted for the highest percentage of 32.6%. Enterprise with 5-10 employees ranked second, with a rate of 29.6%. Thus, micro enterprises still accounted for a large proportion of 62% of total enter-

prises. Enterprises with 10-49 employees ranked 3rd at 28.6%. Number of enterprises having 50-199, 200-299, 300-499, 500-999, 1000-4999, and 5000 or more employees occupied the lowest rate. In general, these groups accounted for 9.1% of total enterprises, ranked 4th.

43. According to the statistics in Table 7 to the date of 31/12/2011, classification of enterprises by labor size in each sector showed a difference in the proportion of each type of business in each sector. In the non-state sector, SMEs accounted for the majority with 64% of micro enterprises. In the group of micro enterprises, 34% enterprises with less than 5 em-

ployees and 30.4% enterprises had 5-9 employees. Similar to general structure, 27% enterprises with 10-49 employees and 7.3% enterprises with over 50 employees. These ratio were different from the enterprise structure in the state sector and FDI sector. SOEs with over 50 employees accounted for 76% of SOEs, and this figure for the FDI sector was 48%.

Table 7. Number of active enterprises by labor size, as of 01/01/2012

Labor size	Total	Number of enterprises			Percentage (%)		
		State enterprises	Non-state enterprises	Foreign invested enterprises	State enterprises	Non-state enterprises	Foreign invested enterprises
Less than 5 employees	105,925	36	104,931	958	1.10	33.59	10.63
From 5 to 9 employees	96,165	81	95,108	976	2.48	30.44	10.83
From 10 to 49 employees	92,912	655	89,534	2,723	20.06	28.66	30.22
From 50 to 199 employees	21,853	1,211	18,395	2,247	37.09	5.89	24.94
From 200 to 299 employees	2,841	343	1,951	547	10.51	0.62	6.07
From 300 to 499 employees	2,162	333	1,306	523	10.20	0.42	5.80
From 500 to 999 employees	1,628	315	779	534	9.65	0.25	5.93
From 1,000 to 4,999 employees	1,087	252	392	443	7.72	0.13	4.92
Over 5,000 employees	118	39	20	59	1.19	0.01	0.65
Total	324,691	3,265	312,416	9,010	100.00	100.00	100.00

Source: Statistical Yearbook, 2012, the General Statistics Office

44. The statistics in Table 8 reflects the majority of Vietnamese enterprises with small capital. As of 01/01/2012, the number of enterprises with over VND 500 billion was 2,834, accounted for 0.87% of total enterprises. Number of enterprises with capital from VND 50 billion to VND 500 billion was 16,639, accounted for 5.12%, enterprises with capital from VND 10 billion to VND 50 billion were 46,553, accounted for 14.34%. Number of enterprises with less than VND 10 billion was up to 258,665, accounted for 79.66%.

45. In 2011, the number of SMEs in the total number of enterprises classified by capital size was 95.27%. In particular, small enter-

prises accounted for 83.13%, medium enterprises: 12.14% and large enterprises: 4.73%. In 2012, the number of SMEs by capital size still dominated at 94.67%; with these figures for small, medium, large enterprises were 76%, 19% and 5%, respectively. However, according to statistics in Table 9, given the change in the number of enterprises by capital size between the years, a notable point is the continuously increasing number of small enterprises in 2008-2011, and in 2012 declined by 6,900 compared to 2011. The number of medium enterprises dropped 6,100 in 2011 before rising again in 2012. Meanwhile, the rise of large enterprise was stable through the years.

Table 8. Number of enterprises by capital size, as of 01/01/2012

Year	Total	Less than VND 0.5 billion	From 0.5 to less than VND 1 billion	From 1 to VND 5 billion	From 5 to VND 10 billion	From 10 to VND 50 billion	From 50 to VND 200 billion	From 200 to VND 500 billion	Over VND 500 billion
2008	205,689	21,957	27,233	95,873	26,169	24,728	6,834	1,737	1,158
2009	248,842	18,682	25,428	107,605	43,754	40,514	8,971	2,370	1,518
2010	279,360	14,594	22,255	117,334	53,111	54,651	12,065	3,096	2,254
2011	324,691	44,012	40,809	130,684	43,160	46,553	13,064	3,575	2,834

Source: Statistical Yearbook 2012, the General Statistics Office

Table 9. Number of enterprises by capital size in 2008 - 2012

Year	Total	By capital size		
		Small enterprises	Medium enterprises	Large enterprises
2008	205,732	177,813	20,355	7,564
2009	248,842	204,690	34,114	10,038
2010	279,360	219,934	45,553	13,873
2011	324,691	269,901	39,421	15,369
2012	332,672	252,960	61,987	17,725

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

46. Based on the statistics in Table 10, classification according to enterprise structure and form of business ownership in each sector in 2012, the non-state sector had the largest proportion of SMEs, with 95.95% compared with 4.05% of large enterprises. The state sector had the highest proportion of large enterprises, with 54.11%, while SMEs accounted for 45.89%. The FDI sector, SMEs accounted for 68.92% and large enterprises held the remaining 31.08%.

2009¹⁸). The IIP growth rate in 2012 was low and not-high value added. Meanwhile, the number of enterprises in the agriculture, forestry and fisheries sector showed a downward trend since 2008 due to unfavorable factors from effects of natural disasters, epidemics, high input costs, low unit price, shrinking export markets and limited access to capital. It should be noted that the number of scientific and technological enterprises rose steadily between the years reflected the right

Table 10. The enterprise structure according to capital size in 2012

	Total (%)	By capital size (%)		
		Small enterprises	Medium enterprises	Large enterprises
Total	100	76.55	18.25	5.20
State-owned enterprises	100	17.59	28.31	54.11
Non-state enterprises	100	78.18	17.78	4.05
Foreign invested enterprises	100	36.54	32.38	31.08

Source: Collation based on GSO data, 2012.

Distribution by industry and location

47. The statistics in Table 11 explicitly analyzed business activities include SMEs in 2008-2012 to recognize the diversity of business sectors with the participation of active enterprises on a national scale. Most enterprises in the service sector with not-large capital size and low competitiveness. The construction and manufacturing sectors have the number of enterprises increased each year in accordance with the index of industrial production (IIP) of Vietnam (in 2012, increased 4.8% compared to 2011, increased 7.3% in 2011 compared to 2010, and increased 9.4% in 2010 compared to

course according to the Science and Technology Development Strategy in the 2011-2020 period, (i) the proportion of science and technology over GDP increased 2%, (ii) the speed of technological innovation increased 15-20% per year, and (iii) the science and technology markets increased 15-17% per year¹⁹. The number of enterprises in this sector was not high showed that Vietnam's science and technology sector is in the early stages of transition and reform with the model of financial autonomy given to scientific and technological institutions to develop at a higher level in the next period.

18. <http://www.vietrade.gov.vn/tin-tuc/20-tin-tuc/3369-vm-2012-cong-nghiep-tip-to-nang-cao-ngg-lc-.html>

19. Decision 418/QĐ-TTg approving the science and technology development strategy in 2011-2020

Table 11. Enterprises by industry in 2008-2012

	2008	2009	2010	2011	2012*
Total	205,732	248,845	279,360	324,691	342,964
Agriculture, forestry and fishery	8,517	8,749	2,569	3,308	3,438
Mining and quarrying	2,257	2,521	2,224	2,545	2,501
Manufacturing	37,647	44,018	45,472	52,587	55,692
Electricity, gas, steam, hot water and air conditioning supply	3,467	2,143	910	1,045	1,095
Water supply, sewerage, waste management and remediation activities	715	882	850	928	1,117
Construction	28,246	35,554	42,901	44,183	47,911
Wholesale and retail trade; repair of motor vehicles and motorcycles	80,446	97,051	112,601	128,968	134,387
Transportation and storage	7,740	10,074	14,424	17,876	19,091
Accommodation and food service activities	7,083	8,898	10,225	12,855	12,627
Information and Communication	3,429	4,538	4,570	7,021	6,955
Financial, banking and insurance activities	2,068	2,129	1,662	1,575	1,882
Real estate activities	3,338	4,223	5,400	6,855	6,879
Professional, scientific and technological activities	13,380	17,193	20,766	27,778	29,466
Administrative and support service activities	3,838	6,172	8,374	9,790	11,414
Education and training	1,370	1,788	2,308	2,547	3,307
Human health and social work activities	473	664	839	913	989
Arts, entertainment and recreation	678	820	1,015	1,366	1,505
Other services	1,028	1,417	2,250	2,551	2,708
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	12	11	-	-	

Note: (*) 2012 figures included businesses registered but not go into operation. Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, Statistical Yearbook, 2012, the General Statistics Office.

48. Highest proportion in enterprise structure by industry as of 2011 are those active in the fields of wholesale and retail trade; repair of motor vehicles and motorcycles (39%), manufacturing (18%), construction (13%), agriculture, forestry and fishery (1%); transportation and storage (5.5%). Banking and finance (0.49%) is one of several sectors that has declined significantly due to a number of causes related to the Government's and the Central Bank's credit tightening policy in order to adjust the monetary policy in 2010-2011, for example nationwide close of gold trading counters, approved the amending State Bank Law and the amending Law on Credit Institutions, issued Circular No. 13/2010/TT-NHNN dated 20/05/2010 to increase the capital adequacy ratio (CAR) of commercial banks and credit institutions from 8% - 9% and applied new methods of risk factor calculation for bank loans, including loans to real estate sectors.

49. Along with the science and technology sector, the national target programs on education, health, culture implemented at each stage are the Government's efforts to attract investment to these sectors, especially programs on

deregulating health care, education, expand beneficiaries and the public-private partnership have made initial results. Number of enterprises operating in education, training, health care and social work activities nearly doubled, from 1,843 in 2008 to 3,460 in 2011.

50. Operating areas: most enterprises operate in the big cities belong to the Red River Delta, North Central and Central Coast, Southern East regions such as Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, Binh Duong, Dong Nai with the competitive advantages of hard and soft infrastructure such as transportation, technology, communication, investment and qualified human resources as well as provincial linkages within the country and with other countries in the region. The remaining areas less enviable as the Midlands and northern mountainous regions, Central Highlands and the Mekong Delta have less number of enterprises, but the statistics in Table 12 shows the increase trend in 2008-2011. This reflects a number of positive signs about enterprises moving to less enviable areas (including border provinces) but has trade and investment potential in parallel with increased connections of

Table 12. Active enterprises by region in 2008-2012

	2008	2009	2010	2011	2012*
The whole country	205,732	248,842	279,360	324,691	342,964
Red River Delta	61,093	72,676	82,251	103,518	110,492
Midlands and northern mountainous region	11,564	11,627	11,671	14,045	12,948
North Central and Central Coastal region	31,033	36,608	37,740	42,679	46,093
Central Highlands	6,576	7,294	7,282	8,532	8,566
South-eastern region	73,877	97,253	117,008	128,590	137,569
Mekong Delta	21,425	23,220	23,284	27,210	27,185

Note: (*) 2012 figures include businesses registered but not go into operation and exclude those not under regional division. Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office.

transport infrastructure and cooperation opportunities with common-bordered countries in consistent with policies of local economic development including the formation and development of border economic zones. Number of enterprises in the key areas continued to grow until 31/12/2011.

51. On the number and proportion of enterprises by economic region, the Southeast region and Red River Delta are two areas with the largest scale of enterprises nationwide and in stable development. At 31/12/2011, the Southeast region had the highest number of enterprises throughout the country with 128,590 enterprises, accounting for 39.6% of the country's total enterprises (where Ho Chi Minh City

has the most number of enterprises throughout the country with 104,299 enterprises, accounting for 32.1%). Next is the Red River Delta with 103,518 enterprises, accounting for 31.9% (which, Hanoi has the second largest number of enterprises throughout the country with 72,455 enterprises, accounting for 22.3%). North Central and Central Coast had 42,679 enterprises, accounting for 13.1%, Mekong Delta: 27,210 enterprises (8.4%); Midland and northern mountainous region: 14,045 enterprises (4.3%) and the Central Highlands: 8,532 enterprises (2.6%). Number of enterprises in each of the provinces and cities in all regions throughout the country are statistically detailed in Table 13.

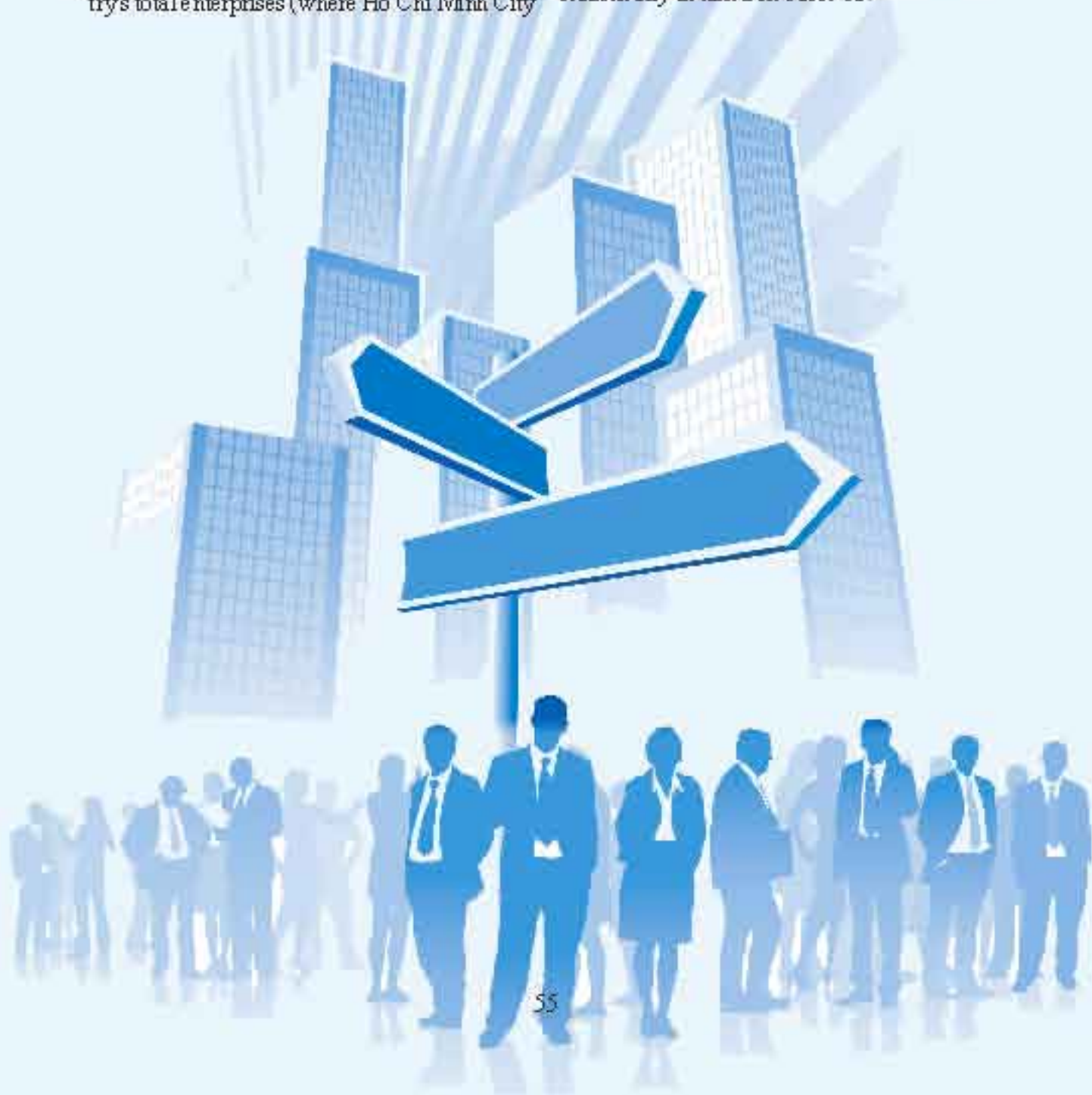


Table 13. Number of active enterprises as of December 31st

	2008	2009	2010	2011	2012*
The whole country	205,732	248,842	279,360	324,691	342,964
Red River Delta	61,093	72,676	82,251	103,518	110,492
Ha Noi	39,547	48,455	58,639	72,455	78,506
Vinh Phuc	1,501	1,652	1,554	2,339	3,647
Bac Ninh	2,162	2,394	2,050	3,354	2,590
Quang Ninh	1,800	2,021	2,672	3,451	3,232
Hai Duong	2,741	2,990	2,767	3,747	3,783
Hai Phong	4,913	5,646	5,803	7,548	7,587
Hung Yen	1,355	1,605	1,605	2,082	2,289
Thai Binh	2,041	2,214	1,886	2,230	2,259
Ha Nam	1,102	1,391	1,445	1,550	1,603
Nam Dinh	2,521	2,634	2,318	2,725	2,748
Ninh Binh	1,410	1,674	1,512	2,037	2,248
Midlands and northern mountainous region	11,564	11,627	11,671	14,045	12,948
Ha Giang	472	572	495	657	602
Cao Bang	553	601	490	644	573
Bac Kan	362	376	404	457	440
Tuyen Quang	647	729	631	728	675
Lao Cai	802	861	810	1,022	1,041
Yen Bai	732	794	797	921	831
Thai Nguyen	1,633	1,018	1,332	1,908	1,346
Lang Son	697	580	622	762	706
Bac Giang	1,600	1,497	1,316	1,633	1,697
Phu Tho	1,733	1,851	1,916	2,232	2,326
Dien Bien	402	468	502	647	642

	2008	2009	2010	2011	2012*
Lai Chau	377	521	557	577	-
Son La	563	653	657	718	813
Hoa Binh	991	1,106	1,142	1,139	1,256
North Central and Central Coastal region	31,033	36,608	37,740	42,679	46,093
Thanh Hoa	3,719	4,127	3,903	4,536	4,656
Nghe An	3,910	4,406	4,228	5,115	5,378
Ha Tinh	1,512	1,702	1,695	2,137	2,245
Quang Binh	1,606	2,012	2,032	2,129	2,219
Quang Tri	1,266	1,517	1,342	1,575	1,741
Thua Thien - Hue	2,440	2,878	2,819	3,078	2,946
Da Nang	4,352	6,004	7,092	8,050	8,584
Quang Nam	1,732	1,897	2,092	2,698	2,750
Quang Ngai	2,129	2,542	2,451	2,149	2,161
Binh Dinh	2,433	2,769	2,768	2,943	4,765
Phu Yen	974	1,058	1,039	1,322	1,342
Khanh Hoa	3,009	3,403	3,701	3,902	4,168
Ninh Thuan	584	683	765	915	912
Binh Thuan	1,367	1,610	1,813	2,130	2,226
Central Highlands	6,576	7,294	7,282	8,532	8,566
Kon Tum	586	738	845	1,048	1,022
Gia Lai	1,725	1,796	1,630	1,937	1,976
Dak Lak	2,075	2,368	2,404	2,684	2,530
Dak Nong	429	520	538	656	658
Lam Dong	1,761	1,872	1,865	2,207	2,380

	2008	2009	2010	2011	2012*
South-eastern region	73,877	97,253	117,008	128,590	137,569
Binh Phuoc	1,060	1,179	1,351	1,811	1,847
Tay Ninh	1,596	1,795	1,894	2,040	2,055
Binh Duong	5,320	6,384	7,368	8,600	10,122
Dong Nai	6,104	7,080	7,288	7,944	8,182
Ba Ria - Vung Tau	1,403	2,793	3,270	3,896	5,369
Ho Chi Minh City	58,394	78,022	95,837	104,299	109,994
Mekong Delta	21,425	23,220	23,284	27,210	27,185
Long An	2,460	2,781	2,947	3,236	3,296
Tien Giang	2,235	2,326	2,447	2,813	2,881
Ben Tre	1,515	1,542	1,509	1,707	1,769
Tra Vinh	673	761	788	1,025	934
Vinh Long	1,285	1,256	1,327	1,539	1,625
Dong Thap	1,446	1,583	1,347	1,713	1,728
An Giang	1,796	1,768	1,743	2,231	2,293
Kien Giang	2,831	3,021	2,969	3,412	3,485
Can Tho	3,125	3,437	3,463	4,302	3,875
Hau Giang	599	710	733	887	968
Soc Trang	808	1,241	1,234	1,297	1,308
Bac Lieu	776	802	757	892	829
Ca Mau	1,876	1,992	2,020	2,156	2,194

Note: (*) 2012 figures included businesses registered but not go into operation.

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office.

1.2. Capital size of the business sector

52. In recent years, Vietnamese SMEs have achieved remarkable growth in terms of investment and production. The total capital of SMEs, including fixed assets and long-term investment as well as net revenue, all increased. However, their earnings before tax since 2011 and 2012 were lower than those in the years 2008-2010. Table 14 below shows several financial and performance indicators of the business sector in 2008-2012.

sectors such as industrial, construction, services were reduced, especially in sectors directly affected by SBV's credit tightening policy. In this context, enterprises also tend to downsize labors and increase business efficiency. Average number of employees per enterprise decreased from 24 in 2008 to 16 in 2011 and 15 in 2012. In order to maintain production and business activities, the investment level in each enterprise had a slight upward trend and was reflected through several indicators, such as average capital per enterprise, fixed assets and long-term investment per employee and aver-

Table 14. Financial indicators of SMEs in Vietnam during 2008 - 2012

Unit: VND billion

Year	Total capital	Fixed assets and long-term investment	Net revenue	+ Earnings before tax:
2008	2,723,008	957,342	2,973,456	36,566
2009	4,197,475	1,289,190	3,351,404	78,386
2010	4,681,677	1,877,337	3,641,191	80,588
2011	5,369,536	1,839,961	4,673,543	48,111
2012	5,930,800	2,107,379	5,032,576	22,819

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office.

53. Overall, the volume of private SMEs' capital remained bullish. The total amount of capital invested by the private sector in the economy in 2011 has increased by 15% compared to 2010 and continued to increase in 2012. Fixed assets and long-term investments in 2011 decreased slightly by 2% from 2010 but increased again in 2012, up 15% compared to 2011. Net revenue in 2011 increased by 28% from 2010, and increased 8% in 2012 compared to 2011. However, earnings before tax of the SME sector in 2011 decreased 40% compared to 2010 due to the difficult economic situation in 2011 when the growth level in most

age net sales per employee between the years from 2008 to 2012. It should be noted that the slightly-rose level of enterprise investment just-mentioned need to take into account the factors of workforce reduction and input costs rising in the actual context of private sector's investment proportion declined from an average of 15% of GDP in the 2007-2010 period to 11.5% in 2011. At the same time, the investors' wobbly confidence was reflected in the Provincial Competitiveness Index Report about the business environment of Vietnam's 63 provinces among which 43 provinces' index declined in 2009-2012²⁰.

20. Review of updated economic situation in Vietnam, the World Bank (WB), December 2013

Table 15. Performance indicators of SMEs in Vietnam

Year	Average number of employees per enterprise	Average capital per enterprise (VND billion)	Fixed assets and long-term investment per employee (VND million)	Average net revenue per employee (VND million)
2008	24	14.0	204	634
2009	22	17.6	245	636
2010	15.6	16.9	432	838
2011	16	17.2	367	933
2012	15.2	18	417	997

Source: *Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office*

54. On assets scale including working capital and short-term investments with fixed assets and long-term investments of the whole business sector including SMEs in 2008-2012, Table 16 reflects the change of size and structure of enterprises' assets between the years in which the proportion and demand for working capital of enterprises greater than demand for investment in fixed assets. Moreover, it can be seen that the shift in enterprises' capital size, specifically SMEs, in the last 2 years 2011 and 2012 was not significant. In other words, it was a less optimistic signal about the interest level and investment in manufacturing of the SME sector in the post-2010 period.

55. Besides asset size and investment situation of SMEs, Table 17 reflects the number and import-export situation of SMEs in 2012. SMEs in the non-state area dominantly accounted for 97.8%, of which Vietnamese SMEs accounted for 65% of the total 11,387 SMEs. Vietnam's total exports of goods

reached USD 114.57 billion²¹, an increase of 18.2% in comparison with the same period in 2011, exceeded 12% in comparison with the proposed plan for the 2011-2015 period in the "Strategy for Import and Export in 2011-2020, vision to 2030" according to the Prime Minister's Decision 2471/QĐ-TTg dated 28/12/2011. By sector, the exports of 100% domestic capital enterprises accounted for 36.9% of total exports, up 1.3% compared to 2011 and the FDI sector accounted for over 63.1%, up 31.2% compared to 2011. The FDI sector's structure of advantaged exports is textiles and clothing, phones and accessories, computers, electronics products and footwear. Meanwhile, domestic enterprises focus on staples such as rice, coffee, seafood, oil, wood and wood products.

56. Table 18 statistics shows liabilities and equities of the whole business sector in 2008-2012. In particular, liabilities were always higher than equities. Debt equity ratio decreased from 2.09 times in 2008 to 1.51 in

21. Statistics from General Department of Vietnam Customs, 2012

Table 16. Assets and investments of Vietnamese SMEs in 2008-2012*Unit: VND billion*

	2008	2009	2010	2011	2012
Current assets and short-term investments of the whole business sector	3,947,289	3,584,326	6,182,125	8,032,106	10,011,482
Current assets and short-term investments of SMEs	1,766,690	2,908,286	2,804,340	3,529,576	3,823,421
Fixed assets and long-term investment of the whole business sector	2,814,026	3,584,326	4,658,942	5,590,695	5,686,468
Fixed assets and long-term investments of SMEs	958,042	1,289,190	1,877,337	1,839,960	2,107,379

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office.

Table 17. Investment situation of SMEs in 2012 (by labor)

	Total capital investment VND billion	Total capital investment VND billion			SMEs with import and export activities (Enterprise)		
		Medium enterprises	Small enterprises	Micro enterprises	Medium enterprises	Small enterprises	Micro enterprises
Total	235,463	65,996	147,091	22,375	1,803	7,691	1,893
State-owned enterprises	23,770	9,807	13,914	48	103	161	4
Non-state enterprises	144,369	33,248	93,658	17,463	1,171	4,771	1,447
Foreign invested enterprises	67,324	22,941	39,519	4,864	529	2,759	442

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

Table 18. Capital of Vietnamese SMEs in 2008-2012

Unit: VND billion

	31/12/2008		31/12/2009		31/12/2010		31/12/2011		31/12/2012	
	Liabilities	Equities	Liabilities	Equities	Liabilities	Equities	Liabilities	Equities	Liabilities	Equities
Total	4,571,097	2,189,764	6,009,059	2,794,262	2,810,977	1,870,700	2,975,625	2,393,912	3,565,994	2,364,807
State-owned enterprises	2,169,279	780,535	2,473,811	800,137	186,701	115,605	204,679	120,241	206,706	144,365
Non-state enterprises	1,747,295	976,984	2,754,795	1,442,680	2,145,638	1,501,810	2,225,111	1,875,254	2,788,904	1,819,478
Foreign invested enterprises	654,524	432,246	780,453	551,446	478,638	253,285	545,835	398,417	570,384	400,964

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

Table 19. Laborers aged above 15 by industry, as of July 1st*Unit: Thousands of laborers*

	2009	2010	2011	2012 (preliminary)
Total	47,744	49,049	50,352	51,699
Agriculture, forestry and fishery	24,606	24,279	24,363	24,488
Mining and quarrying	292	276	279	287
Manufacturing	6,449	6,646	6,973	7,140
Electricity, gas, steam, hot water and air conditioning supply	132	130	140	130
Water supply, sewerage, waste management and remediation activities	95	117	106	108
Construction	2,594	3,108	3,221	3,289
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,151	5,550	5,828	6,348
Transportation and storage	1,426	1,417	1,414	1,506
Accommodation and food service activities	1,574	1,711	1,995	2,149
Information and Communication	228	257	269	285
Financial, banking and insurance activities	230	255	301	314
Real estate activities	65	101	119	149
Professional, scientific and technological activities	219	218	220	250
Administrative and support service activities	172	186	198	231
Activities of the Communist Party, political-social organizations, state management, defense and security, compulsory social security	1,597	1,570	1,542	1,591
Education and training	1,584	1,673	1,732	1,777

2012. Categorized by sector in 2012, this ratio ranged from 1.42 to 1.50 times, in which the non-state sector has more liabilities than the other two sectors. Particularly equity in the business sector, there was an increase in the 2008-2009 period, declined in 2009-2010, increased again in 2010-2011 then slightly decreased in 2011-2012. Notably, total equities decreased 33% in 2010 compared to 2009. Specifically, it was the change in equities of the SOE sector; the rate fell sharply from 35% in 2008 to 6% in 2012 in the total equities of the whole business sector. In contrast, the equity proportion of non-state enterprises increased from 44% in 2008 to 76% in 2012. This significant change came from the fact that over 1,500 not-completed-equitization SOEs have to convert to the model of one member limited liability company under the Enterprise Law 2005 and equally operate with other forms of enterprises after the Law on State owned Enterprises expired since 01/07/2010.

1.3. Employment in the business sector

57. The structure of labor working in economic sectors has a change in the direction of reducing the number of workers in the agricultural sector and increase in the industrial and service sector. The number of laborers working in the agricultural sector decreased from 51%

(in the country's total employment) in 2009 to 47.4% in 2012. The industrial - construction sector had witnessed steady growth from 2008 to 2012, rose from 20% in 2009 to 21% in 2012, especially in the construction sector, up from 4.6% in 2009 to 6.4% in 2012. The number of employees working in the service sector increased from 28% in 2008 to 31.4% in 2012, of which, the wholesale and retail trade; repair of motor vehicles and motorcycles increased from 10.7% in 2009 to 12.2% in 2012, the accommodation and food service sector increased from 1.9% in 2009 to 4.2% in 2012.

58. The statistics published by the General Statistics Office showed that the non-state sector with largely SMEs generated employment. This trend remained in 2008-2012. Specifically, in 2012, the non-state sector provided employment for 86.3% of laborers aged 15 and older. The state sector provided employment for 10.4% of total laborers. The FDI sector brought jobs for 3.3% of total employment in the economy.

59. According to the statistics in Table 21, there was a change in the number of employments created in the state and private sector in 2008-2012. Number of laborers working in the business sector until 31/12/2012 was 10.9 million people, 1.34

Table 20. Laborers aged above 15 by sector, as of July 1st

Unit: Thousands of laborers

	Total	State sector	Non-state sector	FDI sector
2008	46,460.8	5,059.3	39,707.1	1,694.4
2009	47,743.6	5,040.6	41,178.4	1,524.6
2010	49,048.5	5,107.4	42,214.6	1,726.5
2011	50,352.0	5,250.6	43,401.3	1,700.1
2012 (preliminary)	51,699.0	5,381.0	44,603.4	1,714.6

Source: Statistical Yearbook, 2012, the General Statistics Office

times higher than in 2008. The non-state sector attracted the largest number of laborers with 6.7 million people (61.6% of the whole business sector). The number of employments in the private sector tend to increase, from 4.7 million in 2008, accounting for 57.5% of total employment, to 61.6% in 2012 (6.7 million jobs) due to the industry diversification and higher employers' demand than two remaining sectors, especially the FDI sector with less number of laborers recruited due to the conditions of experience and qualifications higher than the domestic enterprise sector. In 2008, the number of laborers working in the state sector about 1,635 million people, accounting for 20% of total employment and reduced to 13.58% in 2012 (1.5 million jobs). The FDI sector maintained its attraction and job creation for laborers between the years. In 2008, this sector provided employment for 1,829 million people, accounting for 22.4%, in 2012, this ratio increased to 24.8% of the total 10,948 million laborers working in the whole business sector (2,716 million).

60. The labor structure of the SME sector according to statistics in Table 22 shows that

private enterprises create more jobs than SOEs and FDI enterprises, accounting for approximately 85-90% of total employment from 2008 to 2012. Annual labor structure categorized by business form in the SME sector reflected a gradual decrease in the number of laborers in SOEs and an increase in private enterprises and FDI enterprises. Average labor structure for the period 2008-2012: the SOE sector about 3-5%, the FDI sector about 8-9%, private sector about 85-90%.

61. According the statistics by the General Statistics Office published in the Statistical Yearbook 2012, the total income of laborers had increased two-fold from VND 269,766 billion in 2008 to VND 592,419 billion in 2011. In particular, the non-state sector accounted for more than half (VND 297,835 billion). The average income of laborers increased 1.6 times from VND 2.9 million per month in 2008 to VND 4.7 million in 2011. The average salary of employees in the non-state sector increased significantly from VND 2.3 million per month in 2008 to VND 3.8 million in 2011, but still lower than the average income threshold of the whole business sector.

Table 21. The private sector is the largest employer

Year	Number of laborers by sector			(%) of laborers by sector			
	Total	State-owned enterprises	Private enterprises	FDI enterprises	State-owned enterprises	Private enterprises	FDI enterprises
2008	8,154,850	1,634,500	4,690,857	1,829,493	20.00	57.50	22.40
2009	8,927,900	1,741,800	5,266,500	1,919,600	19.50	59.00	21.50
2010	9,830,896	1,691,843	5,982,990	2,156,063	17.20	60.87	21.93
2011	10,895,600	1,664,420	6,680,610	2,550,570	15.27	61.33	23.40
2012	10,948,158	1,487,097	6,744,677	2,716,384	13.58	61.61	24.81

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office

Table 22. Labor structure in the SME sector

Year	Number of laborers by sector			(%) of laborers by sector			
	Total	State-owned enterprises	Private enterprises	Foreign invested enterprises	State-owned enterprises	Private enterprises	Foreign invested enterprises
2008	3,348,741	176,780	2,860,295	311,666	5.28	85.41	9.31
2009	3,893,814	181,110	3,372,689	340,015	4.65	86.62	8.73
2010	4,347,743	175,187	3,818,868	353,688	4.03	87.84	8.13
2011	5,009,658	172,162	4,434,371	403,125	3.44	88.52	8.05
2012	5,079,684	168,743	4,504,863	406,078	3.32	88.68	7.99

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

Table 23. A monthly average income of laborers in enterprise by legal form

Unit: VND thousand

Year	2008	2009	2010	2011	2012
Total	2,909	3,399	4,094	4,700	5,664
<i>State-owned enterprises</i>	4,236	4,960	6,233	7,532	8,601
Central state-owned enterprises	4,662	5,342	6,791	7,997	
Local state-owned enterprises	2,972	3,618	4,354	5,883	
<i>Non-state enterprises</i>	2,346	2,832	3,420	3,857	4,640
Private enterprises	1,735	2,108	2,950	2,620	
Partnership	5,359	5,868	5,881	5,365	
Limited Liability Company (LTD)	2,228	2,698	3,146	3,520	
Joint-stock company with state capital	3,049	3,597	4,575	5,562	
Joint-stock company without state capital	2,561	3,095	3,735	4,271	
<i>Foreign invested enterprises</i>	3,005	3,380	4,252	4,994	6,600
100% foreign invested enterprises	2,659	3,127	3,852	4,780	
Foreign-domestic joint ventures	5,431	5,243	7,170	6,820	

Source: Statistical Yearbook, 2012, the General Statistics Office

62. For the SME sector, the average income per month of laborer lowers than the average level of the entire sector, at around 80%. Workers in FDI enterprises have a monthly average income at maximum of about VND 12 million in 2012. Meanwhile, workers' income in non-state (private) SMEs lower than the average level of the SME sector, equal around 85%.

63. Structure of female laborers in the 2008-2012 period according to the statistics in

Table 25 reflected the female laborer proportion in total employment in the whole business sector was relatively stable at 42-43%. In 2011, this proportion was highest in the FDI sector at 67%, in the non-state sector was 37% and in the SOE sector was 31%. In the non-state sector, the percentage of female employees in limited liability companies was 50%, 42% in stock companies, and 8% in private companies and partnerships.

Table 24. A monthly average income of laborers in SMEs by sector

Unit: VND thousand

	2008	2009	2010	2011	2012
Total	2,397	2,817	3,528	3,855	5,124
State-owned enterprises	2,975	3,473	5,232	5,464	6,727
Non-state enterprises	2,203	2,625	3,275	3,512	4,390
Foreign invested enterprises	3,856	4,369	5,415	6,952	12,606

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

Table 23. Female laborers in enterprises by legal form, as of December 31st

	2008	2009	2010	2011	2012
Total	3,524,523	3,749,998	4,182,371	4,692,786	4,788,155
<i>State-owned enterprises</i>	561,788	559,226	542,209	520,273	475,545
Central	388,049	408,755	397,605	377,577	
Local	173,739	150,471	144,604	142,696	
<i>Non-state enterprises</i>	1,726,373	1,897,480	2,199,586	2,457,812	2,500,623
Collective	73,346	60,725			
Private	187,783	186,801	211,938	185,715	
Partnership	399	370	394	809	
Limited liability company	835,627	935,806	1,142,804	1,240,609	
Joint-stock company with state capital	202,576	191,849	195,221	205,709	
Joint-stock company without state capital	426,642	521,929	649,229	824,970	
<i>Foreign invested enterprises</i>	1,236,362	1,293,292	1,440,576	1,714,701	1,811,987
100% foreign invested enterprises	1,132,113	1,190,805	1,323,730	1,596,544	
Foreign-domestic joint ventures	104,249	102,487	116,846	118,157	

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office

64. In terms of structure, as of 1/1/2012, the non-state enterprises, mostly SMEs, provided employment for female workers the most, with 52.37%. FDI enterprises 36.54% and SOEs 11.09%. According to reported data, in 2012, there was not remarkable change compared to 2011.

65. The average number of laborers per enterprise in 2008-2012 according to the statistics in Table 26 showed a declining trend over the years. In 2008 that number was 41, fell to 34 in 2011 and 32 in 2012. In 2011, the SOE sector was still where the average number of employees per enterprise was largest with 510 employees per enterprise. Meanwhile, in

the FDI sector, this number was 325 in 2008, and fell sharply to 283 in 2011. The non-state sector, mainly SMEs, the average number of employees per enterprise was low: 21 in 2011. In this sector, the joint-stock companies with state capital had a quite large average number of employees per enterprise: 286. That amount in private enterprises and partnership were very low, about only 10 employees in 2011.

66. The average number of laborers per enterprise by industry according to statistics in Table 27 reflected a shift in industries during the 2008-2011 period. In overall industries, this number decreased since 2008 from 41 to 34 in 2011. Of these, some industries had an increas-

Table 26. The average number of laborers per enterprise by sector and legal form

Year	2008	2009	2010	2011	2012
General	41	37	35	34	32
<i>State-owned enterprises</i>	513	535	516	510	466
Central state-owned enterprises	772	777	734	721	
Local state-owned enterprises	255	253	258	251	
<i>Non-state enterprises</i>	24	22	22	21	20
Private enterprises	12	12	13	11	
Partnership	12	12	12	9	
Limited liability company	22	19	19	17	
Joint-stock company with state capital	276	276	296	286	
Joint-stock company without state capital	36	33	32	33	
<i>FDI sector</i>	325	293	297	283	310
100% foreign invested enterprises	348	312	318	304	
Foreign-domestic joint ventures	222	202	202	175	

Source: Statistical Yearbook, 2012, the General Statistics Office

ing trend as electricity, gas, steam, hot water and air conditioning supply, financial, banking and insurance activities, education, human health care and social work activities, other industries with reducing trend were activities of households as employers; undifferentiated goods and services producing activities of households for own use, transportation and

storage, arts, entertainment, recreation, information and communication, science, technology and industries with increase-decrease trend in the average number of employees per enterprise over the years were agriculture, forestry and fisheries, real estate, construction and mining and quarrying.

Table 27. The average number of laborers per enterprise by industry

Year	2008	2009	2010	2011
General	41	37	35	34
Agriculture, forestry and fishery	44	43	104	76
Mining and quarrying	93	80	86	77
Manufacturing	105	94	98	93
Electricity, gas, steam, hot water and air conditioning supply	45	57	185	191
Water supply, sewerage, waste management and remediation activities	82	73	81	89
Construction	43	39	38	40
Wholesale and retail trade; repair of motor vehicles and motorcycles	12	12	12	12
Transportation and storage	48	43	30	28
Accommodation and food service activities	22	20	20	18
Information and Communication	37	41	40	28
Financial, banking and insurance activities	87	92	127	156
Real estate activities	15	16	15	15
Professional, scientific and technological activities	14	13	13	12
Administrative and support service activities	30	25	25	25
Education and training	17	16	17	19
Human health and social work activities	29	29	30	34
Arts, entertainment and recreation	40	36	34	27
Other services	13	11	9	9
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	38	45		

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office

1.4. Business lines

67. Enterprise structure by labor and business sector to 31/12/2011 had no significant change in comparison with the 2007-2008 period, according to Table 28 statistics. Enterprises operating in the field of wholesale and retail trade; repair of motor vehicles and motorcycles had the largest proportion of total active enterprises (39.7%), leading in the group of micro enterprises (47.25%) and medium enterprises (29.81%), ranked second in the group of small enterprises (24.87%), and large enterprises (16.71%). Enterprises operating in the manufacturing industry had the second highest proportion of total active enterprises (16.2%), leading in the group of large enterprises (37.46%) and small enter-

prises (26.26%), ranked second in the group of medium enterprises (19.47%) and micro enterprises (11%). Enterprises operating in the construction sector accounted for the third highest in the total number of active enterprises (13.61%), and ranked third in the number of active small enterprises (23.13%). In addition, enterprises operating in the field of science and technology, accounted for 8.56% of the total number of active enterprises in 2011. The number of enterprises operating in the field of agriculture, forestry, fisheries had continued a downward trend, from 3.52% in 2009 to 1.02% in 2011. In the field of health, education, this number had been modest, accounted for only 1.07% of the total 324,691 active enterprises in 2011.



Table 28. Number of enterprises by industry and labor size in 2001 - 2012

	Total	By labor size			
		Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Total	324,691	216,732	93,356	6,853	7,750
Agriculture, forestry and fishery	3,308	1,463	1,681	53	111
Mining and quarrying	2,545	1,083	1,368	25	69
Manufacturing	52,587	23,834	24,516	1,334	2,903
Electricity, gas, steam, hot water and air conditioning supply	1,045	697	316	3	29
Water supply, sewerage, waste management and remediation activities	928	486	314	44	84
Construction	44,183	21,158	21,589	648	788
Wholesale and retail trade; repair of motor vehicles and motorcycles	128,968	102,412	23,218	2,043	1,295
Transportation and storage	17,876	11,110	5,464	659	643
Accommodation and food service activities	12,855	8,970	3,164	371	350
Information and Communication	7,021	5,388	1,265	202	166
Financial, banking and insurance activities	1,575	1,130	242	63	140
Real estate activities	6,855	5,280	1,200	216	159
Professional, scientific and technological activities	27,778	21,023	5,859	573	323
Administrative and support service activities	9,790	7,275	1,711	361	443
Education and training	2,547	1,819	533	117	78
Human health and social work activities	913	436	345	56	76
Arts, entertainment and recreation	1,366	1,001	232	61	72
Other services	2,551	2,167	339	24	21

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

68. The 2008-2012 period witnessed relatively sharp changes in industries. Overall, the total number of enterprises increased by 69%. Industries with the highest growth rate of number of enterprises in 2008-2011 are service, administrative and support service activities, transportation and storage (increased 2.5 times). The service sectors with high increasing trends were information, communication, real estate, professional, scientific and technological activities, education, health, arts, entertainment and recreation (two-fold). Some industries with low growth rate were agricultural, forestry and fishery, electricity, gas, steam, hot water and air conditioning supply, financial, banking and insurance activities, mining and quarrying. However, if consider the enterprise growth rates between two years 2010-2011, then these rates differed according to size. In the group of micro enterprises, the highest growth sectors were agriculture, forestry and fishery (69%); information and

communication (60%); arts, entertainment and recreation (39%), professional, scientific and technological activities (33%); transportation and storage (30%), accommodation service (29%). Among small enterprises, the sectors with high growth rates were professional, scientific and technological activities (37%); information and communication (37%); arts, entertainment and recreation (36.5%); real estate (32%); administrative and support service activities (31%). Among the group of medium enterprises, the sectors with high growth rates including education and training (75%); real estate (62%); service (60%), electricity, gas, steam, hot water and air conditioning supply (50%); professional, scientific and technological activities (45%); information and communication (44%); administrative and support service activities (42%). Notably, the number of enterprises operating in the field of financial, banking and insurance slightly decreased (-5%).



Table 29. Growth rate of enterprises in terms of number by industry and labor size

Unit: %

	Comparing years 2011/2008	Comparing years 2012/2011				
		General	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Total	68.95	16.23	15.54	18.05	21.98	9.51
Agriculture, forestry and fishery	46.44	28.77	68.94	9.65	20.45	-11.90
Mining and quarrying	33.11	14.43	23.35	9.70	-41.86	23.21
Manufacturing	44.24	15.65	19.06	14.41	9.79	3.31
Electricity, gas, steam, hot water and air conditioning supply	26.06	14.84	13.52	18.80	50.00	3.57
Water supply; sewerage, waste management and remediation activities	52.38	9.18	7.05	9.03	4.76	27.27
Construction	58.55	2.99	-5.55	12.58	19.78	0.77
Wholesale and retail trade; repair of motor vehicles and motorcycles	61.68	14.54	12.68	22.41	24.95	16.56
Transportation and storage	156.88	23.93	29.68	16.43	15.01	8.80
Accommodation and food service activities	82.52	25.72	29.23	18.81	13.46	19.05
Information and Communication	104.81	53.63	59.93	36.61	44.29	22.96
Financial, banking and insurance activities	46.92	-5.23	-8.87	9.01	-13.70	10.24
Real estate activities	108.49	26.94	24.65	31.72	62.41	32.50
Professional, scientific and technological activities	107.87	33.77	32.87	37.08	45.43	17.03
Administrative and support service activities	157.63	16.91	12.60	31.01	42.13	25.50
Education and training	86.59	10.36	5.63	16.63	74.63	25.81
Human health and social work activities	93.43	8.82	-0.68	21.48	-8.20	38.18
Arts, entertainment and recreation	102.37	34.58	38.83	36.47	3.39	10.77
Other services	151.83	13.38	11.53	24.63	60.00	5.00

Source: Collation based on GSO data

69. Overall, in 2008-2012, Vietnamese SMEs also largely grew in number with the total growth rate of 62%. In particular, micro enterprises grew 77% in 2008-2012, 16% in 2010-2011 and 2.5% in 2011-2012. Small enterprises grew 37% in 2008-2012. However, growth in the number of small enterprises fell 19% in 2011-2012 (comparing 2012/2011). The medium enterprises achieved a high growth rate of 137% in 2011-2012, low growth rate of 22% in 2010-2011 and 50% in 2008-2012 as shown by the statistics in Table 30.

70. By capital size, the top three industries

continued unchanged position of growth rate in the number of enterprises in the 2009-2012 period. The wholesale and retail trade; repair of motor vehicles and motorcycles sector continued to hold the top spot in the number of active SMEs largest to date of 1/1/2012 (39.49% for small, 44.93% for medium and 30.42% for large enterprises). The manufacturing sector also continued to hold the second place with 15.43% for small, 17.91% for medium and 25.27% for large enterprises. The construction sector ranked third with 13.91% for small, 12.93% for medium and 10.12% for large enterprises.

Table 30. Growth rate of enterprises in terms of number by labor size

Unit: %

Comparing years	Total	By labor size			
		Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
2012/2011	2.46	11.35	-18.93	137.06	57.44
2011/2010	16.23	15.54	18.05	21.98	9.51
2012/2008	61.74	76.94	36.73	50.20	31.53

Source: Collation based on GSO data

Table 31. Number of enterprises by industry and capital size in 2012

	Total	By capital size		
		Small enterprises	Medium enterprises	Large enterprises
Total	324,691	269,901	39,421	15,369
Agriculture, forestry and fishery	3,308	2,699	414	195
Mining and quarrying	2,545	2,023	353	169
Manufacturing	52,587	41,642	7,062	3,883
Electricity, gas, steam, hot water and air conditioning supply	1,045	875	52	118
Water supply, sewerage, waste management and remediation activities	928	674	149	105
Construction	44,183	37,532	5,096	1,555
Wholesale and retail trade; repair of motor vehicles and motorcycles	128,968	106,581	17,712	4,675
Transportation and storage	17,876	14,734	2,318	824
Accommodation and food service activities	12,855	11,367	1,061	427
Information and Communication	7,021	6,329	500	192
Financial, banking and insurance activities	1,575	1,124	97	354
Real estate activities	6,855	3,783	1,306	1,766
Professional, scientific and technological activities	27,778	25,096	2,082	600
Administrative and support service activities	9,790	8,911	675	204
Education and training	2,547	2,242	211	94
Human health and social work activities	913	712	130	71
Arts, entertainment and recreation	1,366	1,133	118	115
Other services	2,551	2,444	85	22

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

1.5. Business performance

71. The percentage of enterprises producing profitable business in the whole business sector was 53.9% in 2011, lower than the rate of 69.37% in 2008. The percentage of those making loss was 42.9% in 2011, higher than the rate of 27.7% in 2008. By economic sectors, SOE sector had the highest proportion of profitable enterprises in 2011, 80.8%. Those proportions in non-state sector and FDI sector were 53.7% and 53.8% respectively.

72. The total earnings of enterprises was VND 489 trillion in 2011, a two-fold increase compared to 2008, the average earnings per enterprise also increased from VND 2.1 billion in 2008 to VND 2.8 billion in 2011. The total number of those making losses also increased, from 54,000 in 2008 to 139,000 in 2011 (up 2.5 times). The total loss in 2011 was VND 155 trillion (up 2.3 times). The average loss per enterprise was approximately VND 1 billion.

Table 32. Number of enterprises reporting profits/losses in 2008-2011

Interpretation	Unit	2008	2009	2010	2011
Total number of profitable enterprises	Enterprises	144,425	156,457	179,117	175,104
Number of profitable SMEs		138,920	150,303		
Total earnings of the whole business sector	VND billion	310,753	389,017	447,486	489,533
Total earnings of SME sector	VND billion	72,103	116,449		
Average earnings per enterprise	VND million	2,152	2,486	2,498	2,796
Average earnings per SME	VND million	519	775		
Total number of loss-making enterprises	Enterprises	53,944	63,779	70,225	139,231
Number of loss-making SMEs	Enterprises	50,638	60,101		
Total losses of enterprises	VND billion	-66,720	-68,319	-91,185	-155,125
Total losses of SMEs	VND billion	-355,524	-38,063		
Average loss per enterprise	VND million	-1,237	-1,071	-1,299	-1,114
Average loss per SME	VND million	-702	-633		

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

73. Net revenue of SMEs increased by 1.7 times in 2008-2012, from VND 2,974,326 billion in 2008 to VND 5,032,576 billion in 2012. However, in terms of percentage of total net revenue for the whole business sector, net revenues of SMEs tended to decline, from 53% in 2008 to 43% in 2012. Although their revenues increased in absolute terms in the last 5 years

but earnings before tax of SMEs was only VND 48,110 billion in 2011, down nearly half compared to 2010 (VND 80,588 billion) and this number continued to decrease 50% in 2012 compared to 2011 (VND 22,819 billion). This is a notable indicator of business performance of SMEs.

Table 33. Revenue and profit of enterprises in 2008-2012

	2008	2009	2010	2011	2012
Business capital of the whole business sector	5,888,053	7,936,671	10,841,067	13,622,801	15,697,950
Business capital of SMEs	2,723,008	4,197,475	4,681,677	5,369,536	5,930,800
Net revenue of the whole business sector	5,593,946	5,956,245	7,773,984	10,706,286	11,509,089
Net revenue of SMEs	2,974,326	3,351,404	3,641,191	4,673,543	5,032,576
Net revenue from business of the whole business sector	5,384,268	5,785,146	7,487,724	10,301,985	11,120,756
Net revenue from business of SMEs	2,869,669	3,272,300	3,466,498	4,578,538	4,831,696
Earnings before tax of the whole business sector	244,033	320,698	356,301	334,407	314,289
Earnings before tax of SMEs	36,579	78,386	80,588	48,110	22,819

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, Statistical Yearbook, 2012, the General Statistics Office

74. Profit margin of the SME sector also reflected the difficult situation of the economy. In 2008, the rate of return on business capital of SMEs reached 1.34% but fell sharply to 0.38% in 2012. Return on sales of SMEs also

fell steeply from 1.23% in 2008 to 0.45% in 2012. Compared to the whole business sector, profit margins of SMEs was significantly lower. This clearly reflected the low performance of the SME sector in recent years.

Table 34. Profit margin of SMEs in 2008-2012

Unit: %

	2008	2009	2010	2011	2012
Rate of return on business capital of the whole business sector	4.14	4.04	3.29	2.45	2.00
Rate of return on business capital of SMEs	1.34	1.87	1.72	0.90	0.38
Return on sales of the whole business sector	4.53	5.54	4.76	3.25	2.83
Return on sales of SMEs	1.23	2.34	2.21	1.03	0.45

Note: (*) Calculated based on net revenue and earnings before tax Collation based on GSO data

1.6. SMEs contribution to the State Budget

75. In 2008-2012, taxes and contributions to the state budget by the SME sector increased enormously, from VND 90,507.8 billion in 2008 to VND 205,266 billion in 2012. The proportion of total taxes and contributions to the

state budget by SMEs in the whole business sector increased from 27% in 2008 to 34% in 2012. The growth rate of total taxes and contributions to the state budget by SMEs had increased 2.26 times in 5 years, higher than the overall rate of the whole business sector, 1.78 times in 2012 compared to 2008.

Table 35. Taxes and other payables to the State budget by SMEs in 2008-2012

Unit: %

	2008	2009	2010	2011	2012
Taxes and contributions to the state budget of the whole business sector	335,226	360,074	437,226	538,235	599,053
Taxes and contributions to the state budget by SMEs	90,507	111,181	181,063	176,932	205,266

Source: Business performance of enterprises by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

Table 36. SMEs contribution to the State budget in 2008-2012

Unit: %

	2008	2009	2010	2011	2012
The percentage of contributions to the state budget on sales of the whole business sector	5.99	6.05	5.62	5.03	5.21
The percentage of contributions to the state budget on sales of SMEs	3.04	3.32	4.97	3.79	4.08

Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC 2007, the General Statistics Office

76. The percentage of contributions to the state budget on sales of SMEs tended to increase. In 2012, this ratio was 4.08%, up 33% compared to 2008. However, this ratio was still lower than that of the whole business sector.

1.7. Liability for employees

77. In 2011, the proportion of enterprises contributed to social insurance, health insurance and union funds was 31.39%, half that of 2010, down precipitously from the previous years (2008: 57.8%, 2009: 61.06%, 2010: 73.76%). However, in value terms, the total wage fund and salary-related payments in 2012 was VND 512,737 billion, more than doubled compared to 2008, an increase of 23% compared to 2010.

78. Total social security funds, health insurance and union dues of the whole business

sector have increased significantly over the years in 2008-2010. In 2011, this number was VND 56,367 billion, a 3-fold increase compared to 2008. The rate of payment to social insurance, health insurance and union dues in wage funds also increased from 7.66% in 2008 to 11% in 2011.

79. Working conditions of workers directly involved in production generally slow to be improved, especially in SMEs and individual production facilities. Situations of obsolete technology and equipment, manual, heavy and toxic labor remained high; personal protective equipment was still lacking and in poor quality; workers, laborers still had to work in contaminated environments which do not guarantee the conditions of hygiene and occupational safety²². In SMEs, up to 66% of the production facilities were seriously environmental polluted, 30% were noise polluted.

22. Information in the Workshop on "Solutions for environmental and working condition improvements of SMEs in Vietnam context" held by Vietnam General Confederation of Labor in Hanoi on 19/10/2012.

Table 37. Number of enterprises participating in social insurance, health insurance, and trade unions

	Unit	2008	2009	2010	2011
Number of enterprises participating in social insurance, health insurance, union dues schemes	Enterprises	122,054	155,061	203,265	101,919
Proportion of enterprises actually paid to social insurance, health insurance, union dues	%	59.33	62.31	73.76	31.39
Number of SMEs participating in social insurance, health insurance, union dues schemes	Enterprises	113,736	145,895		
Proportion of SMEs actually paid to social insurance, health insurance, union dues	%	57.8	61.06		
Total salaries and salary-related payments of the whole business sector	VND billion	238,653	288,406	415,262	512,737
Total salaries and salary-related payments of SMEs	VND billion	95,980	130,365		
Total social security funds, health insurance, union dues of the whole business sector	VND billion	18,274	23,610	37,148	56,367
The rate of payment to social insurance, health insurance and union dues in wage funds of the whole business sector	%	7.66	8.19	8.95	10.99
Total social security funds, health insurance and union dues of SMEs	VND billion	5,813	8,935		
The rate of payment to social insurance, health insurance and union dues in wage funds of SMEs	%	6.06	6.85		

Source: The report "The development of enterprises in Vietnam during 2006-2011", Statistical Publishing House, 2013, the General Statistics Office

80. One of the criteria considered important factors affecting the competitiveness of enterprises in the production of goods and services with high quality at optimum cost is labor productivity - an indicator for measuring labor efficiency, which reflects the relationship between inputs and outputs in manufacturing and business operations. Labor productivity is one of the important factors reflecting the quality of labor and human resources, the core component of development in the context of increased competition at home and abroad and the development of science and technology and the knowledge economy today. Labor productivity is an indicator for measuring labor efficiency, characterized by the comparison relationship between an outputs target (results produced) and labor to produce it. Labor productivity is one of the important factors affecting competitiveness, in particular, labor productivity also reflects the quality of employees - the core elements of development in the global competition, the development of science and technology and the knowledge economy today.

81. According to results of the Survey "Shortage of skilled labor in Vietnam" in 2011 by the Institute of Labor Science and Social Affairs, Ministry of Labor - Invalids and Social Affairs (MOLISA), together with the Manpower Group conducted in 6,000 enterprises in nine economic sectors in nine provinces, cities, enterprises assessed the quality of Vietnamese labors were among the lowest 10% in the region. According to the General Statistics Office's assessment of Vietnam's GDP growth quality in 2013, productivity of Vietnamese labors was much lower than

other countries in the region and Asia. Specifically, lower than Indonesia 10 times, Malaysia: 20, Thailand: nearly 30 and Japan: 135 times²³. Low productivity while workers' wage demand tends to increase is gradually undermining the attraction of foreign investment than other countries in the region such as China and affects the competitiveness of the domestic manufacturing sector in service for export. According to statistics on the labor productivity in Table 38, overall labor productivity computed by worker's annual income in the economy tended to increase gradually in 2008-2012, from VND 37.9 million per person in 2009, to VND 62.8 million in 2012, which, in the mining and quarrying industry and real estate business, worker's annual income were much higher than other industries. Indeed, income factor relevant to the measurement of labor productivity. And our country's labor productivity have lower growth rate than wage growth in the past years. According to the General Statistics Office, Vietnam's labor productivity is much lower than other countries in the region and Asia. Low productivity is adversely affecting the competitiveness of the economy.

82. Overall, Vietnam's labor productivity was low (overall productivity of the national economy in 2008-2012 had kept increasing trend, from VND 37.9 million per person in 2009, to VND 62.8 million in 2012). However, this increase was not high and in fact, Vietnam's labor productivity is lower than other countries in the region and Asia as mentioned above. Our country's labor productivity increased lower than wage growth reduces the competitiveness of the economy.

23. <http://gafin.vn/2013122303155766p0c336nam-2013-xing-truong-gap-chu-ye-u-dua-vao-von-va-lao-dong.htm>

Table 38. The social labor productivity by industry*Unit: VND million per person*

	2009	2010	2011	2012
Total	37.9	44	55.2	62.8
Agriculture, forestry and fishery	14.1	16.8	22.9	26.1
Mining and quarrying	567.1	780.4	1,029.7	1,347.6
Manufacturing	51.3	58.3	71.8	79
Electricity, gas, steam, hot water and air conditioning supply	468.6	550.8	629.2	804.2
Water supply, sewerage, waste management and remediation activities	84.7	98.5	133.2	145.9
Construction	42.5	44.8	50.7	55.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	46.7	51.2	62.3	66.8
Transportation and storage	38.8	46.1	58.7	64.6
Accommodation and food service activities	42.8	47.2	52.9	56.8
Information and Communication	84.9	88.3	88.7	89.3
Financial, banking and insurance activities	435.6	466.4	501.5	553.3
Real estate activities	1,769.2	1,330.4	1,399.2	1,220.5
Professional, scientific and technological activities	111.2	130.8	162.8	167.8
Administrative and support service activities	41.6	45.4	54	54
Education and training	27	30.2	38.5	47.5
Human health and social work activities	58.3	53.9	55.7	69.4
Arts, entertainment and recreation	61.9	64.8	69.2	74.5
Other services	51.1	50.2	59.2	68.3
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	15.8	17.2	23.3	28.4

Source: Statistical Yearbook, 2012, the General Statistics Office

83. Labor productivity based on the ratio of business revenue per employee. Table 39 reflects the increase in net revenue per employee in the whole business sector in 2008-2012 (an increase of 55% from VND 678 million/employee/year in 2008 to VND 1,051 million/employee/year in 2012). For the SME sector, net revenue per employee was higher than that of the whole business sector in 2010, but insignificantly lower in 2011-2012. Net revenue per employee in the whole business sector had increased significantly over the 2008-2012 period (up 55% from 678 million/employee/year in 2008 to 1,051 million/employee/year in 2012). Net revenue per employee in the SME sector was insignificantly lower than the average of the whole business sector.

1.3. Social dialogue and labor relations in enterprises

84. Annually, over 95% agencies, units conduct employee meetings and more than 93% state-owned enterprises conduct employee general meetings, over 55% joint-stock and limited liability companies hold open union employee meetings. The direction, guidance and implementation of signing the collective labor agreements were deployed uniformly. The annual number of units signed collective labor agreements at an average of 64.6%. In 2009, the proportion of enterprises with trade unions to sign collective labor agreements reached 65.22%, 2010: 61.59%, and 2011: 66.99%. As of 2012, there were

Table 39. Average net revenue per employee in the whole business sector in 2010-2012

Unit: VND million

	2010	2011	2012
<i>Net revenue per employee in the whole business sector</i>	791	983	1,051
State-owned enterprises	1,253	1,759	2,018
Non-state enterprises	505	581	622
Foreign invested enterprises	194	218	219
<i>Net revenue per employee in the SME sector</i>	837	933	991
State-owned enterprises	1,143	1,377	1,441
Non-state enterprises	792	875	931
Foreign invested enterprises	1,180	1,381	1,465

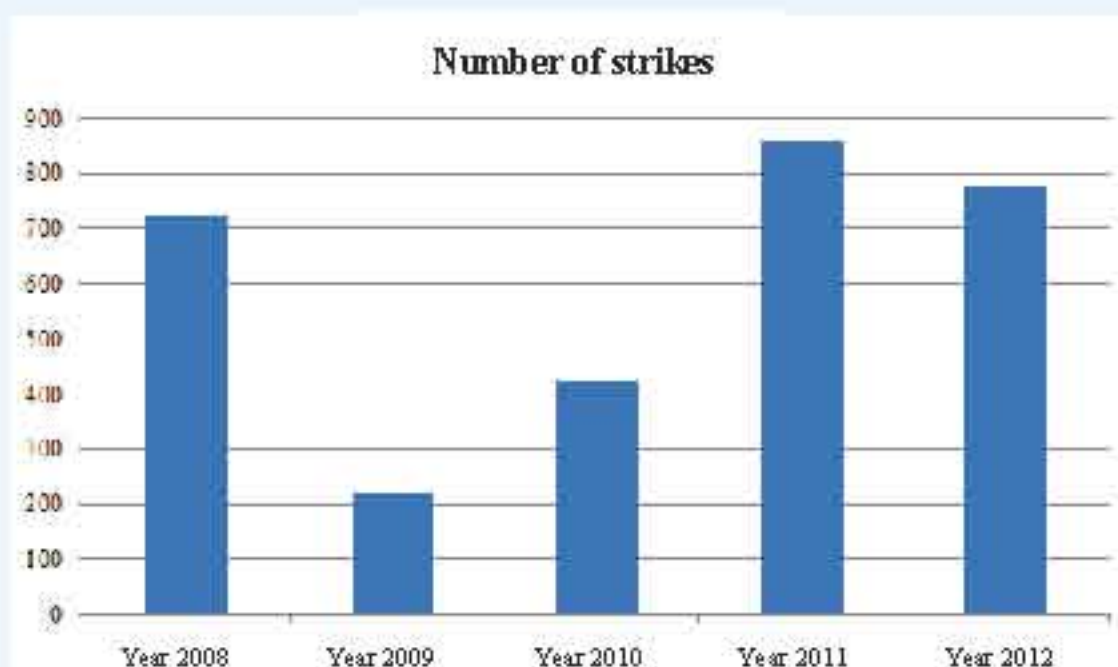
Source: Business performance of enterprise by Vietnamese standard industrial classification, VSIC2007, the General Statistics Office

more than 7.9 million members and more than 114 thousand grassroots trade unions. Compared to 2008, an increase of more than 1.7 million members and over 21 thousand grassroots trade unions. The rate of grassroots trade unions at powerful standard was of around 77% annually²⁴. However, grassroots trade unions' activities in enterprises had some limitations: a number of rights and legitimate interests of workers were violated but had not been effectively protected by the union. The inspection and supervision of trade unions in implementing policies and laws for workers were still less²⁵.

85. The conclusion of labor contracts and collective labor agreements in the SOE and FDI sector was currently over 90%; private enterprises: 60%. Most of them were kind of short-term labor contracts with a term of 1 to 3 years. Many collective labor agreements were signed but still perfunctory, copy of the laws' provisions and there were few terms more beneficial to workers.

86. Labor relations in the SOE sector remained basically stable. Labor relations in the non-state enterprises and FDI sectors in many places were still complicated, due to workers' very low wage and income, remuneration from employers were not good; many employers failed to comply with the labor law and the commitments and agreements with employees, especially the provisions on labor contracts, wages, bonuses, social insurance, working time and rest break, working conditions etc. These were the main causes that conflicts, labor disputes, collective work stoppage and spontaneous strikes were increasingly growing. As reported by the Vietnam General Confederation of Labor, since the Labor Code entered into force (from 1995 to 2012), 4,922 strikes occurred nationwide, among which: SOEs: 100 cases (accounted for 2.03%), FDI: 3,526 (71.64%), private enterprises: 1,296 (26.33%). Calculating five years alone (from 2008 to 2012), in the area of 29 provinces and cities nationwide, there occurred over 3,000 disputes and strikes. In 2011, there was largest number of

Chart Number of strikes in 2008 - 2012



Source: The statistics of the Ministry of Labor Invalids and Social Affairs.

24. *Propaganda Outline in Vietnam Union Congress XI*

25. congdoanvn.org.vn

strikes occurred with nearly 1,000 cases. Strikes occurred mainly in key southern provinces, cities such as Ho Chi Minh City (592, representing 19.63%), Binh Duong (757, 25.10%) and Dong Nai (563, 18.67%), where are the home to many workers. According to statistics of Ministry of Labor Invalids and Social Affairs, in 1995-2012, more than 74.8% strikes occurred in FDI enterprises, followed by 22.85% in private enterprises, in SOEs only 2.35%.

87. Regarding the purposes of strikes: strikes mainly for the interests, then both rights and interests. Strikes for interests accounted for about 60%, for rights about 20% and both rights and interests: 20%. Through analysis, the main cause of strikes in years from 2008-2012 were still that employees required to be paid higher wages, bonuses, allowances, increase lunch money and welfare regime. There were also a number of other reasons as enterprises requiring employees to continuously working overtime, not-guaranteed working conditions, poor-quality meals between shifts, evading social insurance and health insurance for employees, not signing contract with workers, strict management and harsh treatment of bosses etc. As reported by Vietnam General Confederation of Labor, in the years 2008 - 2010, strikes mainly for rights, then in 2011 - 2012, there were more strikes for benefits. The main reason was due to the economic downturn which led to difficult business situation and lack of employment opportunities. High inflation led to the situation that even though workers' wages increased but still failed to keep up with the market prices and could not guarantee their lives. Thus, a major cause of strikes in 2008 - 2012 was that employees required salary increases, bonuses, allowances, lunch money and welfare regime increase.

2. The SME sector in the context of global economic downturn

88. Part II.1 of the SME White Paper 2014 reflects the panorama of the whole business sector and Vietnamese SMEs in the period of 2008-2013. More broadly, SMEs continued to grow since 2000 after the Enterprise Law 1999 came into force with certain advantages and disadvantages of each period in implementation of the country's socio-economic development plan. To date, SMEs hold the majority and mainly divided by business sector, economic sector and industry sectors. Following the 1st SME Development Plan (2006-2010), the 2nd SME Development Plan (2011-2015) set higher goals and specific indicators for the development and contribution of the SME sector to the economy: to 2015, the SME sector to contribute to (i) 40% of GDP; (ii) 25% of total exports and imports; (iii) 35% of total investment capital; and (iv) 3.5 million - 4 million new employments (Decision 1231/2012/QĐ-TTg dated 07/09/2012). According to the 2nd SME Development Plan, there will be additional 70,000 enterprises established annually. So, to achieve the objectives in the 2nd SME Development Plan is a significant challenge in economic developments at home and abroad recently, especially since 2011 when the economy continues to be affected by adverse factors from external influence (such as price fluctuations of raw materials, fuels) and the decline in domestic demand, the shrunk scale of production and business activities and consumption market of the business sector. Therefore, the demand for capital to expand production was not increased even when enterprise can get a loan which leads to the situation that total means of payment increases faster than credit growth.

89. The current situation is that the number of enterprises implementing dissolution, filing for bankruptcy or ceasing operations totaled approximately 55,000 enterprises in 2012 and continued to increase to more than 60,000

25. Speech by Deputy PM Hoang Trung Hai at Viet Nam Business Summit, Ha Noi, May 3, 2011.

26. Report by Mr. Pham Minh Duc, Representative of World Bank (WB), at Seminar on promoting export competitiveness hosted by World Bank in Viet Nam and Viet Nam Chamber of Commerce and Industry (VCCI) on October 11, 2011.

enterprises in 2013. The existence of bad debt in pending status shows weaknesses preventing cash flow in the economy that create an imbalance in credit demand and supply. In hardship, many enterprises need loans that only for debt rollover. But credit can only become a leverage for enterprise's financial strength is when the fulcrum is the quality and efficiency of production and business activities of enterprises and the economy's demand. The solutions in fiscal policy (exemption, reduction, extension of tax payment for enterprises to overcome difficulties) are contemporary and it takes time to see clear results in the medium and long term. Furthermore, the result of Vietnam's trade surplus in 2012 and sustain growth in 2013 was due to declined domestic demand which led to reduced demand for imported consumer goods and raw materials for production as well. Export turnover increased primarily from the FDI sector (typically groups of phones, computers and components). Meanwhile, the major exports such as agricultural products and fisheries of domestic enterprise sector faced impediments of export prices, technical barriers and other non-tariff measures applied by importing countries. Export price index fell 0.54% in 2012 compared to 2011 and decreased 2.41% in 2013 compared to 2012.

90. During the period of economic downturn in 2008, SMEs, particularly those in the domestic private sector, revealed weaknesses and weak position in the market. Some findings from the Report "Characteristics of business environment in Vietnam: The survey of small and medium enterprises in 2011"²⁶, following surveys in 2005, 2007, 2009, be implemented to nearly 2,500 private SMEs operating in the field of processing in 10 provinces, cities showed that 60% enterprises see the global economic crisis negatively affected their business operation. Although believed that the crisis could be temporary, urban enterprises felt more difficult than those in rural areas. The

proportion of enterprises implementing reinvestment declined and the reinvestment amount from retained return increased. 39% of enterprises had obstacles in accessing bank credit. The number of enterprises borrowed from informal credit market was twice higher than those received formal loans. In addition, the VCCI Report on Vietnam Enterprise Dynamics 2013²⁷ implemented during 2 months 11-12/2013 on a national scale reflected favorable and unfavorable changes in the SME sector towards a decline in enterprise's profitability per product, domestic market demand, number of orders, average price per product, number of employees and access to finance. For access to formal credit, 65% of enterprises surveyed had loan demand and 35% did not need a bank loan. Enterprises do not want to borrow money from banks because of high interest rates, not sufficient profitability to pay interest and it will be very difficult for paying interest rates of 12%/year in a long time.

91. Statistics on a national scale in Part II.1 shows that SMEs account for over 97% of the whole business sector are characterized by rapid development but not strong. Especially in the period of economic crisis at home and abroad, SMEs, particularly those in the domestic private sector, susceptible to vulnerability due to negative changes of the business environment. Response to the decline in the number of enterprises in the past years, big solutions were issued by the Government, in which enhancing SMEs' accessibility to credit resources and mobilizing financial supports for SMEs, at the same time removing obstacles in production sites as stipulated in Resolution No. 22/NQ-CP from May 2010. Over three years since the resolution was issued, solving capital difficulties for enterprises remains a top priority and most-needed fundamental solution. Various proposals from the enterprise community, business associations, academics and

26. "Characteristics of business environment in Vietnam: The survey of small and medium enterprises in 2011", CIEM, DoE, ILSSA, UNU-WIDER, Labor and Social Publishing House, 2012

27. "Vietnam Enterprise Dynamics and Recommendations", Business Development Institute, VCCI, 2014

scholars recommend that the SOE restructuring should be performed well, cut recurrent expenditure from the state budget to improve infrastructure and more funding to SMEs. Create comprehensive legal framework and conditions for SMEs to access the Government's preferable loans, increase the structure and proportion of short-term loans for SMEs in commercial banks' portfolio and it is imperative to have a specialized bank for SMEs.

92. Credit Guarantee Fund for SMEs has been implemented since 2001. As of 31/12/2012, the charter capitals of 10 SME Credit Guarantee Funds (CGF) on a national scale were VND 512 billion and a guarantee turnover of VND 3,000 billion. In recent years, many localities would like to establish SME Credit Guarantee Fund but faced capital impediments or already established CGFs but were limited in scale. By Jan 2013, the Government agreed in principle on the use of revenues from the equitization of local SOEs to increase financial resources for local SME Credit Guarantee Fund. Specific plans must be drafted by the Provincial People's Committee to propose to Ministry of Finance. Only in Mar 2013, the review and evaluation of activities of SME Credit Guarantee Fund system and proposals to strengthen financial resources then began implementing after more than 10 years of operational deployment. To date, professional functions of SME Credit Guarantee Fund need to be adjusted and supplemented to strengthen and diversify guarantee activities to meet practical needs, improve efficiency of SME support and expand SME subjects participating and benefiting from the Credit Guarantee Fund. Accordingly, Decision 58/2013/QĐ-TTg dated 15/10/2013 issued Regulation on the establishment, organization and operation of SME Credit Guarantee Fund coming into effect from 12/2013 replaced the Decisions 193/2001/QĐ-CP and 115/2004/QĐ-CP.

93. Decision 601/2013/QĐ-TTg dated 17/04/2013 on the establishment of the SME Development Fund to provide entrusted funds channeling through commercial banks to lend to SMEs with feasible projects and business plans of priority sectors encouraged by the State to enhance their competitiveness. The subjects of the SME Development Fund are prescribed by law, directly invest and manufacture on the list of priorities of the Fund (this list issued by Ministry of Planning and Investment in each period). The charter capital of the SME Development Fund by the State budget is VND 2,000 billion. State budget grants sufficient charter capital for the SME Development Fund for three years from the date of the establishment decision (grants VND 500 billion per year in the first 2 years and VND 1,000 billion in the third year). Additional capital are from the Fund's operation results and other sources, including contributions and mobilized sources as prescribed, for the development of the SME sector. Dec 2013, the SME Development Fund was established. So, the SME Development Fund will go into operation in 2014.

94. In Resolution No. 22/NQ-CP in 2010, the Government requested the review of land fund to facilitate SME accessing to and exploitation of business premises. This is one of the very important institutional reform that the SME sector should be treated equally as those in the state sector under the current development situation. Provincial Competitiveness Index Report of VCCI 2013 reflected the concerns of the private sector about unfair competition between business sectors through the index "equal competition". In 2013, 31% of enterprises surveyed said that SOEs were in favor of access to land, credit, and public procurement. Surveyed participants also mentioned two similar forms of preferable treatments. This was preferable treatment for former SOEs and those have "crony relationships" with government agencies with the consent rate of 35%. And 32% of enterprises believed that the

28. http://www.mof.gov.vn/portal/page/portal/mof_vn/1539781?pers_id=2177092&item_id=102724291&exp_details=1

provincial leaders gave priorities to FDI enterprises rather than the development of provincial private enterprises. The "equal competition" index were mostly low in the rankings reflect inequalities between the domestic private sector and other remaining business sectors in access to resources, unprotected ownership. Moreover, the market support institutions are not truly efficient. These challenges undermine the fairness of treatment which led to the decline of the domestic private sector.

95. For SMEs, the fact that the Government issued policies to facilitate access to fi-

nance and land is very important because these are the two fundamental elements and decisive to the upstart and development of operation, including the recovery of the SME sector, especially domestic SMEs, after recently economic vicissitude. Equally important is the establishment of a sufficient strong and effective institution to implement policies in this field in practice to support SME development in the next stages - which is investment in product quality, research and development and new technologies, improvement of competitive position in the market and participation in the regional and global supply chain.



III. FACILITATING SME DEVELOPMENT

1. Supporting SMEs in overcoming difficulties, promoting production and business development

96. In 2012 and 2013, Vietnam's economy continued to face many rigors and challenges; inflationary pressures and macroeconomic uncertainty were still large, unrealized currency market stability, interest rates although felt but still high, bad debts tended to increase; production and business operation were troublesome, especially access to credit resources, high inventory, dormant property market; depressed stock market. In this context, the Government issued policies to curb inflation, stabilize the macro economy and ensure social security, implemented solutions to overcome difficulties and create more favorable conditions for enterprises, particularly SMEs to grow business, step-by-step settle bad debts associated with supporting market development.

1.1. Inventory clearance, market and investment support

Expansion of markets at home and abroad

Trade promotion in domestic market:

97. The Government endeavors to support enterprises in promoting domestic production on the domestic market, bringing Vietnamese goods to rural areas; encouraging enterprises to consume domestic production; step up the "Buy Vietnamese" campaign.

98. The campaign "Buy Vietnamese" launched by the Politburo in the context of the financial crisis and economic recession in the world negatively impacted Vietnam's econ-

omy²⁹. This is a major policy of the Party, having important implications for the country's development and helping raising Vietnamese consumers' awareness for domestic goods. At the same time, this is also a favorable opportunity for enterprises to assert their capabilities and bravely identify specific tasks, production and business targets, expand markets, enhance product credibility, build and maintain Vietnamese brands on the domestic and international markets.

99. The campaign was initially achieved some positive results, contributing to promoting the Vietnamese bravery and intelligence, raising awareness and national pride of Vietnamese people, enhancing the economy's competitiveness.

100. According to the survey by the Central Committee for Propaganda and Education on the implementation of the "Buy Vietnamese" campaign: up to 59% of consumers "self-identify to give priority to Vietnamese goods when shopping"; 38% of consumers "recommend family members, friends, acquaintances to buy Vietnamese goods"; 36% of consumers "previously have habits of buying foreign goods, now have stopped (or less) buying, and instead, choosing Vietnamese goods".

101. Currently, Ministry of Industry and Commerce is finalizing the Scheme "Development of the domestic market in association with the "Buy Vietnamese" campaign for the 2014-2020 period³⁰" to submit to the Prime Minister.

Strengthening trade promotion activities abroad:

102. The Government asked Ministry of

29. Notification of the Politburo's Conclusion No. 264-TB/TW, the Notice No. 36/TB-MTTU-BTT and the Plan No. 18/KH-MTTU-BCDTU of the Standing Committee of the Central Committee of the Vietnam Fatherland Front to deploy the "Buy Vietnamese" campaign.

30. Official document No. 585/VP-CP-KITH of the Office of the Government dated 24/01/2014 "Development of the domestic market in association with the "Buy Vietnamese" campaign for the 2014-2020 period"

Industry and Trade to accelerate the approval and implementation of foreign trade promotion programs and sign trade agreements with partners.

103. As reported by Ministry of Industry and Trade, to the date of 16/12/2013, the Ministry has approved about 505 projects under the National Trade Promotion Program with support from the state budget of over VND 493.3 billion, including more than 251 projects for development of domestic markets, i.e mountainous, borders and islands with the approved total budget of over VND 180 billion (about 49.7% of total projects and more than 36.4% of total funding).

104. In 2012, the National Trade Promotion Program has supported 4,596 turns of enterprises participating in activities of trade promotion and market development, exports, trade information at home and abroad, trade promotion in economic regions, capacity building for enterprises, cooperatives, trade promotion organizations; enterprises have made 677,582 transactions, initially signed 28,879 contracts with the total value and revenue of over \$ 1 billion and VND 1,228 billion (respectively). The National Trade Promotion Program has contributed to maintaining and expanding export market, consolidating market share of key export sectors.

105. In 2013, through trade fairs abroad, and international trade fairs at home, enterprises signed contracts worth hundreds of millions of dollars along with a few hundred more than that number of Memorandum. At local fairs, amount and value of contracts and sales are good. Particularly the exhibitions under the National Trade Promotion Program have supported 1,834 enterprises, an increase of 34% compared to 2012, staged up 10,623 booths, attracted 1.85 million turns of visitors trading, procuring, signing 572 contracts, memorandums of understanding worth over USD 1.4 billion and VND 162 billion, sales reached VND 400 trillion³¹.

Additional tax incentives for expanded investment

106. Additional tax incentives for expanded investment belong to the fields, occupations and areas under the Enterprise Income Tax Law. Period for tax exemption, reduction applies to expanded investment equal with period for tax exemption, reduction applies to newly-established enterprises in the same area.

107. To meet the practical requirements and encourage, attract investment and contribute to effectively allocate resources, the Law Amending and Supplementing the Law on Enterprise Income Tax (effective from 01/01/2014) has additional tax exemption, reduction for expanded investment. In particular, specify the scope of privileges, preferential rates and expanded investment criteria for tax incentives.

108. Since 01/01/2014, it will be added fields, professions and preferential areas (outside preferential fields and areas under the provisions of the current Enterprise Income Tax Law) as: added to the application of preferential tax rate of 10% in fifteen years, tax exemption in maximum of four years and a 50% reduction of tax amount payable for maximum of the next nine years applicable to enterprise's income generated from new project implementation, application of hi-tech in the list of high technologies given priority in investment and development under the provisions of the Law on High Technology, Venture capital for high-tech development in the list of high technologies given priority in development under the provisions of Law on High Technology etc.

109. At the same time, added to the application of preferential tax rate of 20%, tax exemption in maximum of two years and a 50% reduction of tax amount payable for maximum of the next four years, applicable to enterprise's income generated from the implemen-

31. Report on the implementation of tasks in 2013 - Trade Promotion Agency, Ministry of Industry and Trade

tation of new investment project: production of high-grade steel, manufacturing energy-saving products etc. In addition, implementation of tax incentives for industrial parks: enterprise's income generated from the implementation of new investment projects in industrial parks (except those located in favorable socio-economic conditions). Accordingly, enterprises are exempt from tax in two years, a 50% reduction of tax amount payable in the next four years.

Step up attraction, disbursement of FDI, ODA, cooperate with foreign enterprises in human resources and technology transfer.

Enhance attraction and disbursement of FDI:

110. Implement appropriate measures to enhance the attraction and disbursement of FDI, focusing on a new wave of investment in large-scale and high technology. Promote human resource training and supply according to enterprises' demand; rapidly deploy cooperation with foreign enterprises in human resources and technology transfer.

111. In 2012, 1,287 new foreign-invested projects were granted investment certificates with total registered capital of USD 8.6 billion, equal to 71.2% that of 2011. Also in 2012, there were 550 projects registered additional investment capital with total value of USD 7.7 billion, an increase of 2.3 times compared to 2011. In combination of new registration and additional registered capital, foreign investors registered to invest in Vietnam USD 16.3 billion in 2012, up 4.7% compared to 2011. FDI disbursement in Vietnam in 2012 was estimated at USD 10.46 billion, or 95.1% that of 2011. In 2012, although the economy faced many difficulties but FDI disbursement has reached nearly equivalent to the same period in 2011. Overall in 2012, FDI sector had trade surplus of USD 11.9 billion.

112. In 2013, the total newly registered and additional capital was USD 21.628 billion, an increase of 54.5% over the same period in

2012. In 2013, it was estimated that FDI projects have been disbursed USD 11.5 billion, an increase of 9.9% over the same period in 2012. Foreign investors have invested in 18 industries, sectors, in which the manufacturing sector attracted the interest of foreign investors with 605 newly-registered projects, total newly registered and additional capital were USD 16.636 billion, accounting for 76.9% of the total registered investment capital. Electricity, gas, steam, hot water and air conditioning supply sector came in second with the total newly registered and additional capital of USD 2.031 billion, accounting for 9.4% of the total registered investment capital. Ranked third is the field of real estate with 20 new investment projects, the total newly registered and additional capital of USD 951 million. In 2013, there were 54 countries and territories that had invested projects in Vietnam. Japan led with the total newly registered and additional capital of USD 5.747 billion, accounting for 26.6% of the total registered investment capital in Vietnam; Singapore ranked second with USD 4.376 billion, accounting for 20.2%; Korea ranked third USD 4.293 billion, representing 19.9%. Overall in 2013, the FDI sector had a trade surplus of USD 13.954 billion, while the whole country had a trade surplus of USD 863 million³².

Enhance attraction and disbursement of ODA:

113. The Government requested ministries, branches and localities to ensure the necessary conditions to enhance attraction and disbursement of ODA funds, which focus on site clearance, ensuring counterpart funding for socio-economic infrastructure projects, especially in the areas of power, transportation.

114. By the end of 2012, total ODA disbursements reached USD 37.59 billion, accounting for 66.92% of total ODA signed. In particular, the disbursement rate of Japanese ODA in Vietnam in 2011 ranked second and in 2012 ranked first in the world, the disburse-

³² Report by Foreign Investment Agency, Ministry of Planning and Investment

ment rate of the World Bank in Vietnam up from 13% in 2011 to 19% in 2012.

115. The signed ODA projects, programs focused mainly on transportation sector (accounting for 30.88%); water supply, drainage and environment (16.08%), agriculture and rural development in combination with poverty reduction (15.84%), urban development (15.23%) and less proportion in the field of energy, health, education and training, capacity building and institutional strengthening etc.

1.2. Reduce business costs and enable enterprises to lower costs and boost consumption

116. Ministry of Finance issued Circular No. 16/2013/TT-BTC dated 08/02/2013 guiding the implementation of the extension and reduction several items of state budget revenue under Resolution No. 02/NQ-CP of the Government dated 07/01/2013 on a number of solutions to solve difficulties for enterprises, market assistance, bad debts settlement, which focus on extension and reduction of the corporate income tax, value-added tax, environmental protection tax and land rent.

Extension of corporate income tax payment

117. Six-month extension for corporate income tax payable in Quarter 1/2013 and three-month extension for these amounts payable in Quarter 2 and 3/2013 for following subjects:

118. SMEs (less than 200 full-time employees and annual revenue less than VND 20 billion). Extended corporate income tax amount excludes those generated from financial, banking and insurance activities, securities, lotteries, prize-winning games, return from business of goods and services subject to excise tax.

119. Enterprises employing over 300 workers in the field of production, manufacturing and processing: agricultural, forestry and aquatic produce, textiles, footwear, electronic components; construction of socio-economic infrastructure.

120. Enterprises investing and operating (sale, lease, post-lease purchase) housing are extended tax payment for return from housing investment business, regardless of size and number of employees.

Extension of VAT payment

121. Six-month extension for VAT payable in January, February, March 2013 against enterprises applying deduction method:

122. SMEs (less than 200 full-time employees and annual revenue less than VND 20 billion). Extended VAT amount excludes those generated from financial, banking and insurance activities, securities, lotteries, prize-winning games, return from business of goods and services subject to excise tax. Enterprises employing over 300 workers in the field of production, manufacturing and processing: agricultural, forestry and aquatic produce, textiles, footwear, electronic components; construction of socio-economic infrastructure. Enterprises investing and operating (sale, lease, post-lease purchase) housing and manufacturing business items: iron, steel, cement, brick, tile (only extend for independent products, or allocate according to the proportion of revenue in case of non-separate accounting).

Refund of environmental protection tax

123. Refunds for environmental protection tax amounts paid from 01/01/2012 to 14/11/2012 applicable to nylon bags for ready-made packaging under the provisions of Decree No. 69/2012/ND-CP of the Government dated 14/09/2012.

Reduction of land rent

124. 50% reduction of land rent in 2013 and 2014 for economic organizations, households and individuals leasing state lands that land rent payable under the provisions of Decree No. 121/2010/ND of the Government dated 30/12/2010 increased over two times of the level paid in 2010. Where the post-reduced rent still higher than doubling the rent payable in 2010, it shall be reduced to equal doubling the rent payable in 2010.

125. Amend regulations on land rent reduction procedures towards implementation simplification (this amendment also applicable to the cases of eligible land rent reduction in 2012 but has not been handled due to records problems).

126. Allow investors who were allocated land by the State but not yet completed land use payment obligations due to financial difficulties to pay according to sales collectible schedule during maximum of twenty-four months from the date of notification of payment from tax authorities.

Early application of reduced tax rates

127. On October 16th, 2013, Ministry of Finance issued Circular No. 141/2013/TT-BTC guiding the implementation of Decree No. 92/2013/ND-CP of the Government dated 13/08/2013 effective from the date of 01/07/2013, amending and supplementing a number of articles of the Enterprise Income Tax Law and the Law amending and supplementing a number of articles of the Law on value added tax, as follows:

- Apply the corporate income tax rate of 20% from 01/07/2013 (six months earlier than the implementation schedule of the Law amending and supplementing a number of articles of the Enterprise Income Tax Law) for SMEs (less than 200 full-time employees and annual revenue less than VND 20 billion).

- Apply the corporate income tax rate of 10% from 01/7/2013 (six months earlier than the implementation schedule of the Law amending and supplementing a number of articles of the Enterprise Income Tax Law) for return on investment from social housing business.

- 50% reduction of the VAT amount applicable on outputs from 01/07/2013 to the end of 30/06/2014 for social housing business activities.

- 30% reduction of the VAT amount applicable on outputs from 01/07/2013 to the end

of 30/06/2014 for investment and business activities (sale, lease, post-lease purchase) of apartments with floor area under 70m² and price below VND 15 million per m².

128. The promulgation of these policies is considered timely, has positive effect in enterprises supporting and market boosting. According to preliminary assessment of Ministry of Finance, some results of the first six months of the year 2013, as follows:

- About Value Added Tax: A total of 105,037 taxpayers were extended for a total VAT amount of VND 4,428 billion, of which 1,756 SOEs (VND 596 billion); 944 FDI enterprises (VND 370 billion); 101,858 non-state enterprises (VND 3,457 billion) and 479 other economic organizations (VND 6 billion).

- About Corporate Income Tax: A total of 45,037 taxpayers were extended for a total CIT amount of VND 952 billion, of which 442 SOEs (VND 237 billion), 377 FDI enterprises (VND 225 billion); 44,145 non-state enterprises (VND 490 billion) and 230 other economic organizations (VND 1.2 billion);

129. Projected state budget revenue decreased due to the implementation of policies on tax exemption, reduction and extension: in 2013, it will be reduced by about VND 17,613 billion (VAT of about VND 375 billion, corporate income tax of about VND 1,538 billion, environmental protection tax (on plastic bags) of about VND 700 billion; land rent and land use fees of about VND 15,000 billion); in 2014, it will be reduced by about VND 17,580 billion (VAT: VND 500 billion, CIT: VND 2,080 billion, land rent and land use fees of around VND 15,000 billion)³³.

Shorten the clearance time and strengthen the online tax declaration

130. Shorten the clearance time, strengthen the online tax declaration, step up the payment of tax returns through the banking system, promote the automation of records

³³ Ministry of Finance's Report on the implementation of the Resolution 02/CP-NQ

reception, tax administrative procedures and customs. Strive to reduce 10-15% tax and customs compliance cost for individuals, organizations and enterprises.

131. Promote monitoring, inspection and control of tax declaration, tax refund, enhance inspection and review of business-registered enterprises subjects, timely detect cases of non-tax registration for being put under scrutiny.

132. Ministry of Finance has directed the whole industry to continue promoting administrative reform, especially in the areas directly related to individuals and enterprises. Modernize the management process of tax collection and payment between tax authorities - State Treasury - Customs - Finance and commercial banks.

133. Publicly list of tax administrative procedures in the tax authorities' one-stop shops at all echelons; Expand online tax declarations at 50 local Taxation Bureaus, thus further shorten and reduce compliance costs for taxpayers, bring convenience and efficiency to the people and tax authorities in the implementation of tax law obligations.

134. For the Customs sector: has implemented a pilot e-customs procedures and national and ASEAN one-stop shop mechanism. The number of enterprises participating in e-customs was 36,808, accounting for 93.8% of enterprises implementing customs procedures. Import and export turnover through e-customs reached USD 83,835 million, accounting for 94.9% of total national imports and exports (the first 6 months of 2013).

135. For the state treasury sector: Perform deployment of building the State Treasury's electronic portal and TABMIS project to meet requirements of timely provision of information to state management agencies, organizations and individuals having transactions with Treasury.

1.3. Access to credit

Lower credit interest rates

136. The State Bank of Vietnam continue to lower interest rates in line with inflation de-

crease; support and simplify loan procedures and increase credit lending to the agricultural and rural sector, SMEs, export enterprises and enterprises in supporting industries.

137. Extension of duration for short-term loans in foreign currency by credit institutions and branches of foreign banks to exporters until the end of 31/12/2013.

138. In 2012 and 2013, the State Bank maneuvered monetary policies flexibly and carefully, concentrated on pecuniary and credit measures to remove impediments for enterprises and boost market. The State Bank has issued various guidance documents for credit institutions to channel funds for production in the priority sectors, including SMEs. The State Bank made solutions to reduce the interest rate to remove obstacles for enterprises, namely in 2012, reduced interest rates 5 times in a row (from 12% to 8% per year) and at the level of 7.5% per year in the early of 2013 as a basis for credit institutions to lower lending rates. Currently, the interest rate ceiling for short-term borrowing by VND is 10% per year for 5 priority sectors, including SMEs (which are agricultural and rural sectors, exports, SMEs, supporting industries and enterprises applying high-technologies). Beside 5 sectors mentioned above, credit institutions also have unique client policies for SMEs based on creditworthiness, financial strength and efficiency of loan plans. In addition, the State Bank also asked credit institutions to save operating costs so that being able to further cut interest rates to share enterprises' hardship.

139. As reported by the State Bank, as of 31/12/2012, outstanding loans to SMEs reached VND 862,392 billion, accounting for 27.9% of total loans for the whole economy. Estimates outstanding loans for SMEs to reach VND 871,000 billion to the date of 30/4/2013, up 1% compared to 31/12/2012.

Promote credit guarantee for SMEs

140. Ministry of Finance to finalize the credit guarantee mechanism for SMEs through Vietnam Development Bank and the system of

Credit Guarantee Funds in localities, which focuses on following measures: (i) mobilize VND 250 billion from the Corporation Arrangement Support Fund to supplement the guarantee reserve fund at the Vietnam Development Bank; (ii) Ministry of Planning and Investment balance from investment and development spending in the next several years to finance the Credit Guarantee Fund at the Vietnam Development Bank; (iii) strengthen the financial resources for local Credit Guarantee Fund from following sources: Revenues from equitization that haven't been paid by local authorities to the central, local budgets to grant additional charter capital for local Credit Guarantee Fund.

141. Regarding credit guarantee for SMEs through the Vietnam Development Bank:

Vietnam Development Bank guarantees part or whole of the SME loans which are subject to underwriting loans at commercial banks (up to maximum 85% of project's total investment capital)³⁴. Vietnam Development Bank has reviewed, evaluated, approved and issued more than 1,500 guarantee deeds for enterprises (of which, nearly 100% clients were SMEs) with a value of around VND 11,000 billion. So far, commercial banks have granted loans to enterprises totaling nearly VND 9,000 billion. The total amount that Vietnam Development Bank repaid debts for SMEs from guarantee tasks as stipulated in Decision No. 14/2009/QĐ-TTg to the date of 29/2/2012 were VND 11.2 billion. By the end of 29/02/2012, SMEs repaid to Vietnam Development Bank VND 4.7 billion, of which VND 4.5 billion were principal.

142. Credit Guarantee Fund for SMEs in localities:

Up to now, there are 15 localities that established Funds: Ha Noi, Ho Chi Minh City, Ha Giang, Yen Bai, Bac Ninh, Vinh Phuc, Ninh Thuan, Binh Thuan, Tra Vinh, Kien Giang, Ben Tre, Dong Thap, Tay Ninh, Can Tho and Soc Trang. Particularly, in 2013, two province

has established funds were Can Tho and Soc Trang. Some localities are deploying establishment of the SME Credit Guarantee Fund including Hai Phong, Tien Giang, Son La, Vung Tau, Dong Nai, Da Nang, Tay Ninh. However, guarantee amounts in these localities to remain modest, only some Funds are effectively as Ho Chi Minh City, Vinh Phuc, Tra Vinh, Ha Noi; in which the HCMC Credit Guarantee Fund is one of the most effective. Total charter capital of those Funds are VND 575 billion (highest in Ho Chi Minh City: VND 194.5 billion and Kien Giang: 130 billion; lowest in Bac Ninh: VND 21.9 billion.)

Adjust lending interest rates and extend lending duration for investment and export credit

143. Reduce the Vietnam Development Bank's lending rate for investment and export credit in line with market rates.

144. Accordingly, on Jun 04th, 2013, Ministry of Finance issued Circular No. 77/2013/TT-BTC regulating the State's lending rates for investment and export and the interest rate spread for post-investment support as follows: (i) the lending rate for the State's investment credit in VND is 11.4% per year; (ii) the lending rate for the State's export credit in VND is 9.3% per year; (iii) the interest rate differential for post-investment support of projects borrowing in VND is 2.4% per year. This Circular took effect after its signing and replaced Circular No. 09/2013/TT-BTC dated 17/01/2013, Circular No. 104/2012/TT-BTC dated 25/06/2012.

145. Next, Ministry of Finance issued Circular No. 161/2013/TT-BTC amending and supplementing Circular No. 77/2013/TT-BTC regulating the lending rate for the State's investment and export credit and the interest rate difference for post-investment support. Accordingly, the lending rate for the State's investment credit in VND is 10.8% per year. Thus, this rate is adjusted down from 11.4% per year specified in Circular No. 77/2013/TT-

34. The Prime Minister's Decision No. 03/2011/QĐ-TTg dated 10/1/2011 on issuing guarantee regulations for SMEs' loans at commercial banks.

BTC. This rate of 10.8% per year applies to the disbursement of the State's investment credit after the date of 14/11/2013.

146. Extend the duration for the State's investment credit from twelve years to maximum of fifteen years for a number of infrastructure projects with large-scale investment that face difficulties in the field of power generation, water supply, cement, steel and environment.

147. Extend the duration from twelve months to maximum of thirty six months for the State's export credit for vegetable and fishery products.

Establish the SME Development Fund

148. On Apr 17th, 2013, the Prime Minister issued Decision No. 601/QĐ-TTg on the establishment of the SME Development Fund. The Fund has a total chartered capital of VND 2,000 billion from the State Budget and other sources mobilized from organizations and individuals at home and abroad. The Fund focuses its support to SMEs with feasible projects and business plans falling under priorities encouraged by the State, in consistent with the Fund's purposes to enhance the competitiveness of enterprises, contribute to income improvement and employment for workers.

149. On Dec 31st, 2013, Minister of Planning and Investment issued Decision No. 2008/QĐ-BKHDT on the establishment of the Fund's Management Council.

150. Currently, Ministry of Planning and Investment and Ministry of Finance is working with relevant agencies to develop regulations on the Fund's organization and operation in order launch it to operation soon.

1.4. Remove obstacles for the real estate market

Tax breaks and incentives for social housing investment and operation³⁵

151. Apply the corporate income tax rate

of 10% from 01/7/2013 (six months earlier than the implementation schedule of the Law amending and supplementing a number of articles of the Enterprise Income Tax Law) for return on investment from social housing business.

152. 50% reduction of the VAT amount applicable on outputs from 01/07/2013 to the end of 30/06/2014 for social housing business activities.

153. 30% reduction of the VAT amount applicable on outputs from 01/07/2013 to the end of 30/06/2014 for investment and business activities (sale, lease, post-lease purchase) of apartments with floor area under 70m² and price below VND 15 million per m².

Capital support

154. The Government issued decisions to allocate a reasonable amount of capital for activities of leasing, loans for social housing, commercial housing with area of less than 70m². Accordingly, the State Bank directed of state-owned commercial banks to allot a reasonable amount of capital (minimum of 3% of total outstanding loans) for the low-income group, public officials and employees, armed forces to lend for leasing, post-lease purchasing of social housing and leasing, purchasing commercial houses with area of less than 70m², price under VND 15 million per m² with low interest rates, repayment periods in line with terms of capital and clients' repayment capability and give loans to social-housing construction enterprises and those convert investment projects into social housing projects.

155. In early 2013, the Government issued policy of allocating VND 20-40 trillion through refinance with a reasonable lending rate and term of up to 10 years depending on the borrowing subjects to support state-owned commercial banks in service to those mentioned above.

156. To implement this policy of the Government, on the same day of 15/05/2013, Ministry of Construction issued Circular No.

35. Circular No. 141/2013/TT-BTC guiding the implementation of Decree No. 92/2013/QĐ-CP of the Government dated 13/08/2013 amending and supplementing a number of articles of the Enterprise Income Tax Law and the Law amending and supplementing a number of articles of the Law on Value Added Tax.

07/2013/TT-BXD and the State Bank issued Circular No. 11/2013/TT-NHNN. Accordingly, the State Bank disburses loan refinancing of VND 30,000 billion under the form of "refinancing" (wording in the Circular 11/2013/TT-NHNN) for those following banks: Bank of Agriculture and Rural Development of Vietnam; Joint Stock Commercial Bank for Investment and Development of Vietnam; Joint Stock Commercial Bank for Industry and Trade of Vietnam; Joint Stock Commercial Bank for Foreign Trade of Vietnam; Joint Stock Commercial Bank for Housing Development of the Mekong Delta.

157. The lending rate for borrowers under this support package applied in 2013 was 6% per year. Periodically in December each year, the State Bank identifies and publicizes the interest rate applicable to the next year, with about 50% of the average lending rate of banks in the market but not to exceed 6% per year. Duration to apply this interest rate is up to maximum of 10 years for individual clients purchase, lease, post-lease purchase of social housing and lease, purchase of commercial houses and five years for corporate clients, but not beyond the date of 01/06/2023.

158. On Jan 2nd, 2014, the State Bank has decided on the lending rate of commercial banks in 2014 applied to the outstanding balance of loans for housing assistance under the provisions of Circular No. 11/2013/TT-NHNN dated 15/5/2013, which was 5% per year. This Decision took effect right from the signing date.

159. Implement the Program, up to Jan 15th, 2014, the amount disbursed in total packages of VND 30,000 billion was more than VND 862 billion or 2.8%. This number has increased by VND 130 billion compared to the end of 2013. For corporate clients, the State Bank has written confirmation of registered loan contracts to 15 enterprises in the amount of VND 1,390 billion. In particular, the banks have disbursed to 8 enterprises amounting

VND 380.45 billion. For individual clients, five banks have loan commitments to 1,994 clients in the amount of about VND 720 billion; of which nearly VND 482 billion has been disbursed.

160. To accelerate the disbursement rate of this subsidy package (VND 30,000 billion) for low-income home buyers, in 2014, regulating agencies will issue a joint circular allowing home buyers mortgage by the assets of contract (mortgage purchasing contract) for a loan in the VND 30,000 billion package³⁶. At the same time, research will be conducted to extend the term of the loan, up to 15 years to create favorable conditions for home buyers to accumulate sufficient capital and adjust lending rates to corporate clients at higher levels.

161. Ministry of Construction and the State Bank will decide to add joint-stock banks participating in the disbursement of the VND 30,000 billion package and focus on solutions creating long-term capital sources as developing trust funds, real estate funds.

Allow the conversion of commercial housing to social housing projects

162. Since early 2013, the Government allowed the conversion of commercial housing to social housing projects for leasing or post-lease purchasing to policy subjects: low-income people, civil servants, officials, armed forces, workers, and students and build service works such as schools, hospitals, hotels, in-demand commercial services but appropriate with master plans and infrastructure conditions.

163. Localities allocate budget for buying suitable commercial housing projects to serve the needs of resettlement, social housing.

164. Localities having large inventory of properties minimize using budget to invest and build new resettlement and use these funds and other legitimate financial resources to acquire suitable commercial housing projects to serve

³⁶ Ministry of Construction's Report on Summarization of the construction industry in 2013.

the needs of resettlement and social housing for leasing or post-lease purchasing to policy subjects.

165. Quickly resolve procedures allowing structural adjustment of projects in stock, unfinished construction, and procedures for conversion of commercial housing to social housing projects.

2. Improve management skills and governance capability of SMEs

2.1. Training to improve the quality of human resources for SMEs

Training on entrepreneurship and corporate governance

166. Every year, the State spend funding supporting knowledge acquirement about starting a business for business owners, individuals and organizations wishing to establish enterprises; capacity building in business administration for business owners and management staff of SMEs³⁷. Accordingly, a 5-day course on entrepreneurship; and a 7-day course on corporate governance. The State support does not exceed 50% of the total cost of a training course; trainees in areas of particularly difficult socio-economic conditions are being support 100% of the accommodation and travel cost.

167. In 2012, total central budget for implementation of training activities is VND 44,554 million, increased by 4 times compared to 2011. Meanwhile, the total number of organized training courses was 928 to 35,974 trainees, an increase of nearly 5 times higher than in 2011 in terms of training courses and number of participants. 31/55 localities (56%) have allocated budget for training activities with total amount of VND 11,845 million. Typically, some localities have arranged a huge budget for this activity as Ha Noi (VND 6.2 billion), Vinh Phuc (VND 2.5 billion), Thai Binh (VND 1.9 billion), Kien Giang (over VND 1 billion), Phu Tho (VND 1.56 billion) etc.

168. In 2013, the central budget supports a total of VND 40,379 billion for 877 courses to 35,000 trainees across the country, reaching approximately 68% of the year's plan.

Vocational training, propaganda and professional development for rural labor

169. The Program of vocational training, propaganda and professional development for rural labor (under the National Promotion Program): has been implemented to focus support for rural industrial enterprises wishing to expand their production need to recruit more workers, vocational training for workers transferred to other enterprises due to bankruptcy or lay-off due to declined business condition. With specific target of at least 70% of trainees have jobs after finishing courses. In 2012, the program organized vocational training that helped stabilize or generate employments for 64,811 workers at a cost of about VND 71.1 billion, accounting for 33.42% of the total budget of the National Promotion Program in 2012.

170. The Scheme of Vocational Training for rural laborers until 2020 (approved by the Government on 27/11/2009): From now to 2020, average annual training will be provided for more than 1 million rural laborers, in which, training and fostering for 100,000 communes' civil servants and staff. By doing so, improve the quality and efficiency of vocational training, in order to create jobs, increase incomes of rural laborers; contribute to the restructuring of labor and economic structure, serving the cause of industrialization and modernization of agriculture and rural areas.

171. Rural laborers being subjects to the Scheme is supported the cost of short-term (under 3 months) vocational training with a maximum of VND 3 million per person per course. Beside, they are supported meals of VND 15,000 per day (actual presence) per person; travel cost of maximum VND 200,000 per person per course for apprentices away from 15 km or

37. Joint Circular No. 05/2011/TTLT-BKHDFBTC of Ministry of Planning and Investment and Ministry of Finance dated 31/3/2011 guiding support of human resources training and fostering for SMEs.

more. Rural laborers with maximum incomes equal to 150% of the poverty income are supported maximum of VND 2.5 million per person per course. Similarly, laborers work stably in rural areas after being apprenticed are supported 100% interest on apprenticeship loans.

172. The Scheme is divided into three implementation phases. The first phase in 2009-2010, continuing vocational training for 800,000 rural laborers and pilot training models for about 18,000 rural laborers, the employment rate after training according to this model is at least 80%; in 2011-2015, continuing vocational training for about 5.2 million rural laborers and training and fostering of leadership management, administration and implementation of public services for approximately 500,000 communes' civil servants and staff, vocational training for 6 million rural laborers in the 2016-2020 period, the percentage of post-training jobs at this phase is at least 80%.

173. National Target Program on Employment and Vocational Training in the 2012-2015 period³⁸. The Program's target is to support the development of vocational training, job creation, strengthening labor export and labor market development to meet the requirements of national building and development and international economic integration, mostly in rural areas for the 2012-2015 period. Specifically:

174. Support synchronous development of 130 key occupations at national, regional and international level, establish 26 high-quality schools (of which, 5 reached international level); Help increasing the proportion of trained workers to 40% in 2015; Increase the proportion of labors seeking jobs through the system of job placement centers to about 30%; Support vocational and foreign languages training, needed knowledge fostering for 80 thousand - 120 thousand laborers from poor or near-poor households, minorities, close relatives of policy families, revolution-contributed

individuals, households that agricultural land being acquired to work overseas (not including those in 62 poor districts³⁹); Support high-level training for about 5 thousand laborers to meet the requirements of the labor-receiving countries; 60% of laborers being trained, 100% of laborers being fostered needed knowledge before going to work abroad; Support employment generation for 0.7 to 0.8 million laborers through job-creation loans projects from the National Employment Fund; Training, professional fostering and study missions abroad for about 20 thousand officials in charge of labor, employment and vocational training from central to local levels.

175. The Program's total funding is: VND 30,656 billion, is expected to be raised from various sources; in which: Central budget: VND 18,106 billion (VND 3,580 billion from investment capital and VND 14,526 billion from operating capital), Local budgets: VND 5,907 billion; Foreign aid: VND 4,227 billion; other legitimate sources: VND 2,416 billion.

2.2. Consultancy support for SME development

Consultancy on business, technology and production management

176. The Government with active support from international partners (Japan, Korea) implemented activities to support SMEs operating in an efficient manner through the dispatch of SME consultants (international experts and Vietnamese colleagues) to SMEs for diagnosis and find out the irrationality in the processes of production, quality and business management. From there, conducting activities to support them planning and making improvement schemes to address their problems.

177. In three years, from 06/2010-06/2013, the Japanese Senior Volunteer Pro-

38. Prime Minister's Decision No. 1201/QĐ-TTg dated 31/8/2012

39. Regulation in Prime Minister's Decision No. 71/2009/QĐ-TTg dated 29/4/2009 approving the Scheme on Supporting poor districts boost labor export and contribute to sustainable poverty reduction in the 2009 - 2020 period

gram (SME Support Center in the North, Agency for Enterprise Development, Ministry of Planning and Investment in collaboration with JICA) has supported implementation of 354 initiatives in 84 SMEs in the northern areas, typically technical innovations, production process improvements 3S/5S, quality improvement etc. helped enterprises reduce production costs, remarkably improve productivity and product quality and some enterprises were initially connected with foreign companies including Japanese businesses.

Consultancy on product and market development

178. To promote trade and export-orientation, enterprises are supported by the State to hire local and foreign experts to advise product development, product quality improvement, export development, foreign market penetration. Supporting costs from 50% - 100% depending on the content of each program (National Trade Promotion Program - Prime Minister's Decision No. 72/2010/QĐ-TTg dated 15/11/2010 and Ministry of Finance's Circular No. 88/2011/TT-BTC dated 17/6/2011).

2.3. Information support for management, production and business activities

Information on products and markets

Provide market information for export and import activities

179. Foreign markets Portal at <http://www.tttm.com.vn/> built by the Center for E-commerce Development, Agency for E-commerce and Information Technology, Ministry of Industry and Trade with the aim of contributing to support enterprises expand export markets and thus enhance its competitiveness. Foreign markets Portal is the first and only electronic portal in Vietnam offers online a systematic market intelligence of most countries, territories and economic and trade institutions. Much of this information is

provided by units under Ministry of Industry and Trade and a system of over 60 branches of Vietnam Trade Office in foreign countries and territories.

Support online business linkage

180. The National E-commerce Portal (ECVN) operated mainly by Ministry of Industry and Trade at <http://www.ecvn.com/> with the aim of supporting enterprises to quickly get acquainted with and engage in the method of business-to-business (B2B) e-commerce. ECVN supports enterprises both online and offline:

- Online support includes: a completely free booth in two languages (English and Vietnamese) for enterprise, which can: Introduce company profile: Photos, videos, contacts, etc.; post bid information of goods or services; Business support tools; enterprise matching; Regularly update information on the latest business opportunities, partner-seeking demands, importers introduction; Access to the latest, most powerful and most informative widgets; Online public services such as: electronic C/O declaration system, export support, etc.; Promote via the B2B system in the country and the world, search engines, yellow pages, etc.

- Offline support includes: Support enterprises participating in exchange forums with foreign business delegations; Provide international-standard training rooms, meeting rooms with high-speed wifi; Regularly provide monthly reports on ECVN's activities; Support the evaluation of business information; Introduce suitable partners; Support free e-commerce training for enterprises.

181. SME Support Center in the South (Agency for Enterprise Development, Ministry of Planning and Investment) developed the SMEs commerce portal at www.unionb2b.com/ to support SMEs promoting products, services, business linkage and business opportunities. At the same time, pro-

40. Established by the Prime Minister's Decision No. 266/2003/QĐ-TTg dated 17/12/2003

viding economic information for production and business activities.

Develop a business-supporting information system

182. In order to build a multi-dimensional relationship in the exchange of information between central and local agencies, state management agencies altogether in provision of information to the business community, the Government assigned Ministry of Planning and Investment (Agency for Enterprise Development) to formulate the Scheme of SME-supporting information system on the basis of the Business Portal www.business.gov.vn⁴¹. The Scheme to achieve the specific target of 30% of more than 500,000 enterprises nationwide to use and tap the Portal, equivalent to 150,000 enterprises. Among them will be about 10% or 15,000 enterprises access regularly. Estimated Budget: about VND 80 billion; of which: Central budget is VND 50 billion, local expected-mobilization state budget: VND 20 billion, other sources: VND 10 billion.

3. Legal support for enterprises

183. The Government continues policies of legal supporting for enterprises⁴² (Program 585) to contribute to overcoming the weaknesses of enterprises in accessing law information, law enforcement, and supporting enterprises on minimizing risks and enhancing competitiveness. The interdisciplinary legal-supporting program in the 2010-2014 period⁴³ with a total cost estimated at about VND 190 billion, of which the State budget is VND 170 billion, agencies, organizations and enterprises participating in the program contribute VND 20 billion. The Program has implemented many supporting activities as: building law databases; documents on law introduction and dissemination; fostering legal knowledge and answering legal questions for

enterprises; receipt of recommendations and completion of law.

184. Fostering law knowledge for enterprises: In 2012, Ministry of Justice organized 82 classes, workshops, seminars, forums on business law to exchange, recommend and enhance knowledge for enterprises. These activities attracted 15,720 business owners, business representatives, legal-supporting officials etc. mostly from seven pilot localities and some regional-unique localities (Ha Nam, Bac Lieu Ho Chi Minh City, Nghe An, Ninh Binh etc.).

185. Regarding legal support for enterprises: Through the construction of portals of ministries, agencies under ministries and departments and provision of relevant legal documents, enterprises have been answered, better removed of legal obstacles and in particular have contributed to strengthen and enhance their right to participate in the legislation, law recommendations and law enforcement as well. According to statistics by Ministry of Justice, 73% of legal information on websites of ministries, central governmental agencies are effectively tapped, this figure for PPCs websites is 52%; 42% of enterprises have been provided information, documents, legal documents, policies, new enacted legislation; 54% of enterprises highly appreciated the quality of workshops, seminars, forums on business legal topics which helps them avoid legal risks. Besides, consulting activities for enterprises are increasingly effective: 62% of enterprises highly appreciated the quality of legal answers in written documents by state agencies; this figure for electronically answering form is 59%.

186. Activities of constructing legal-support newsletter for enterprises and "Program of business legal dissemination on the Vietnam Television and the Voice of Vietnam" have

41. *The 2nd SME Development Plan 2011-2015 attached with Decision No. 1231/QĐ-TTg dated 07/09/2012*

42. *The Government's Decree No. 66/2008/QĐ-CP on legal support*

43. *Decision No. 585/QĐ-TTg dated 05/05/2010 approving the interdisciplinary legal-supporting program in 2010-2014.*

been implemented and achieved some remarkable results. Specifically, the Program has built, released two volume of legal-support newsletter for enterprises with over 10,000 booklets on a number of topics regarding the work of legal support for enterprises and free distribution to ministries, branches and People's Committees, Department of Justice in provinces and cities under central authority, enterprises' representative organizations to introduce information about business legal topics and the Program's activities. As of 31/12/2012, the Program 585 has performed 125 subjects "Business and Law" on the Voice of Vietnam (VOV channel) and 24 programs "Business and Law" on the Vietnam Television (VTV2 channel). These radio and television programs above have met the requirements of the Program 585 and received positive feedback from the audience, especially enterprises.

187. The enterprises' representative organizations receiving legal support are highly self-consciousness in studying material and learning policies, legal documents relating to their business operation. As a result, 92% subjects captured the content and deployed the activities defined in Decree 66; 72% of civil servants and staff captured in detail the content, legal assistance programs for enterprises stipulated in Decree No. 66; the number of staff assigned to perform legal assistance tasks were increased: nearly 86% of officers were assigned full-time or part-time implementing legal support for enterprises.

4. Support enterprises in brand building and trade promotion

4.1. National Branding

188. The Nation Brand Program⁴⁴ consists of two key components: (1) Help Vietnamese enterprises raising awareness and building capacity in brand building, promotion, development and protection, (2) Select Vietnam's

typical brands for participating in the Program. The Program aims to three core values of "Quality - Innovation - Leadership" and promote the image of Vietnam attached with these values on domestic and foreign markets.

189. The Prime Minister has decided the date of April 20th annually to be the "Vietnamese Brand Day" to honor, promote the brand and image of Vietnam in the context of international economic integration.

190. Recently, the Program continued to be implemented in in-depth direction, in order to better support participating enterprises, as focus on marketing of the Program, promoting publications obtained national brands. In the beginning of 2013, the Nation Brand Council held a ceremony announcing 54 enterprises obtaining national brands in 2012, among which 37 enterprises achieved national brands in 2010; and 25 enterprises achieved this award for consecutive 3 years.

4.2. Support for trade promotion

191. The National Trade Promotion Program⁴⁵ is one of the important policies supporting crucial funding sources for industry associations, trade promotion agencies, and other localities to implement activities supporting enterprises to consolidate and expand export market, domestic market and mountainous areas, borders, islands, training on capacity building for businesses, cooperatives etc. with the goal of exports boost, trade deficit restriction, given priority to major activities/programs, with focus and efficiency.

192. In 2012, thousands of trade promotion activities organized nationwide in many different forms. Of which, the National Trade Promotion Program played a core role with total budget of VND 93.08 billion for 114 proposals, disbursement rate of 99.1%. The Program supported 4,596 enterprises, of which 90% was SMEs with more than 7,924 booths, nearly 677,582 transactional turns, 28,879 con-

44. The Nation Brand Program were approved by the Prime Minister in Decision No. 253/2003/QĐ-TTg dated 25/11/2003

45. The Prime Minister's Decision No. 72/2010/QĐ-TTg date 15/11/2010

tracts and the number of visitors reached 979,935 people. The total value of contracts and revenue of nearly USD 1 billion and more than VND 1,200 billion.

193. In 2013, with a total budget of VND 94 billion (disbursement rate of 100%), the Program was implemented in 5 phases with 144 proposals from 71 chaired units, continued to support thousands of businesses, including SMEs, in maintaining old clients and expanding new partners relationships, developed markets, promoted Vietnamese goods and enterprises in domestic markets as well as on the world markets, helped foreign consumers identifying and consuming Vietnam's goods and services, given priority to Vietnam's advantaged export sectors such as fisheries, textiles, footwear, agricultural products, furniture, crafts art etc.

194. In addition, Ministry of Industry and Trade has also conducted the Strategy for merchandise exports in the 2011-2020 period and orientation to 2030⁴⁶ contributed to support enterprises in building their export strategies. On July 25th, 2012, the Prime Minister signed Decision No. 950/QĐ-TTg issuing Action Plan to implement the Strategy for merchandise export in the 2011-2020 period and orientation to 2030, in which there are group of solutions for enhancing the competitiveness of enterprises and the role of industry associations.

5. Technology capacity building for enterprises

5.1. Financial support for enterprises to conduct study on science, technology and innovation

195. The Government support not exceed 30% of total funding for research to create new technologies under the priority industries encouraged by the State and implemented by enterprises themselves or jointly coordinate with scientific academies (Decree No. 119/1999/ND-CP dated 18/9/1999 of the Government and the guiding documents).

196. In 2012, The National Foundation for Science and Technology continued to support 22 researches, funding approximately VND 8,072 million. In 2013, the Foundation received 35 research proposals, funding approximately VND 11,951 million.

197. Preferential loans for projects applying the results of research, innovation and technology transfer for socio-economic development through two forms of zero-rate loans and soft loans with rates equal interest of the State's investment credit, is a key task of the Foundation. Maximum loan for a project is 70% of the total investment capital but not exceeding VND 10 billion (cases of over that amount will be considered and decided by the Chairman of the Foundation's Council). In 2012, the Foundation received four proposals, one project was approved with funding less than VND 8.82 billion, rate equal interest of the State's investment credit. By the end of the first 6 months of 2013, the Foundation received additional 18 proposals with the total loan requests of about VND 161.5 billion, these records are now being reviewed and appraisal.

198. Besides preferential loans, the Foundation is also conducting loan guarantees to improve energy efficiency in SMEs in Vietnam. The guarantee level for an energy efficient project not exceeding VND 3 billion, and/or for the guaranteed a maximum of VND 4.5 billion. Funding source of about VND 34.9 billion was handed over from the Project "Improving energy efficiency in SMEs in Vietnam" by Global Environment Facility sponsored by Germany. Currently, 18 over 53 projects have paid off, 5 projects are repaid debts and 30 projects are guaranteed with outstanding amount of around VND 9.1 billion and not any new projects are received.

5.2. Support on information, scientific and technological statistics, technology and equipment market (Technart) development

46. The Prime Minister's Decision No. 2741/QĐ-TTg dated 28/12/2011

199. With the aim to support enterprises access to science and technology information, create favorable conditions for units offering and buying technologies, equipment to meet, contact, exchange and perform transactions online, Ministry of Science and Technology (Agency for National Science and Technology Information) has developed the technology and equipment online market (Techmart Online) at <http://www.techmartvietnam.vn/>. This is a bridge supporting three kind of stakeholders: science, management, production developing altogether in order to promote the application of science and technology in production, support enterprises in technology innovation, product quality and competitiveness improvement at low cost; A place of supply-demand connection, study, order, transact, transfer of technology and equipment; Effective tool to help organizations and individuals to find partners, customers quickly, reduce costs of searching, advertising, trade, participating in international integration.

200. Besides, the National technology and equipment fair - Techmart Vietnam organized biannually by Ministry of Science and Technology (Agency for National Science and Technology Information) and regional techmart annually have attracted hundreds of participating businesses each times.

201. In 2012, Techmart Hanoi had 600 booths, including 100 overseas, introduced 3000 technologies, software solutions and supporting products and services. The participating booths were mainly in the field of biotechnology, clean and renewable energy, new materials, electricity - automation, food processing technology and beverages, information communication technology and technologies for the development of new rural. Techmart 2012 to promote innovation, accelerate transactions of advanced technology, strengthen exchange and cooperation in research, technology transfer to other countries in the region and around the world. It is con-

sidered to be the largest techmart ever.

202. In 2013, over 300 booths of nearly 250 units participated, showcasing, introducing and selling 352 technological products, equipment, software solutions, technological services at Techmart Hanoi.

203. This Techmart focused primarily on following areas: Mechanic-automation; information technology; electronics and telecommunications; manufacturing and processing agro-forestry-fishery, foods, technology for rural, agriculture, plant varieties and animal breeds having economic value, materials-chemicals-pharmaceuticals; tourism, services, health, education, banking etc.

204. This was also a national-scale multidisciplinary fair, given priority to technologies and equipment relating to the production of export products, products with competitive edges, import-substitution products and products of Vietnam's origin. All of these technologies have been researched and owned by units and readily transferred to needed organizations, units and individuals.

5.3. Support SMEs in technology innovation

*National Technological Innovation Program until 2020*⁴⁷

205. To support SMEs to invest in technology innovation, improve productivity, quality and competitiveness of products, goods and support capacity building in technological acquisition, ownership and innovation; improve enterprises' technological management, one of 04 main contents of the Program is to support SMEs in technology innovation, namely: (a) Support enterprises in application of information technology, construction of enterprise resource planning and product advertising system; (b) Develop a database of new and advanced technologies and technological experts to create favorable conditions for SMEs to use and tap for technology innovation; (c) Support

47. Decision No. 677/QĐ-TTg dated 10/5/2011 approving the National Technology Innovation Program until 2020.

enterprises research, trial production, advanced technology application, training, hiring professionals to design, manufacture new products and change technological processes; (d) Support the establishment of business incubators and technological and scientific research, application and manufacture of new products.

206. As reported by Ministry of Science and Technology, by the end of the first 6 months of 2013, the Program has received approximately 30 proposals totaling funding amount of about 300 billion, and initiated implementation of the approved projects in late 2013.

*Technology Market Development Program until 2020*⁴⁸

207. The Program set out a number of oriented tasks to promote service activities of science and technology market, technology needs and capacity building in technology transfer for enterprises, especially SMEs, such as:

- Construct technology incubators, incubating science and technology enterprises. Encourage and support organizations and individuals to invest in the construction and operation of technology incubators, incubating science and technology enterprises, high-tech enterprises.

- Build a database system of technology science and technology market for promotion of searching, technology innovating of enterprises, especially SMEs.

- Training and building a legion of professional consultants on technology services and science and technology markets.

- Establish several public organizations providing free consultancy to SMEs.

- Survey, enumerate and assess technology needs and availability, exploit intellectual property resources, especially technology needs of enterprises.

- Perfect mechanisms to promote public-private partnerships, link scientific and techno-

logical organizations with enterprises to promote the commercialization of the results of scientific research and technological development.

- Encourage and support organizations and individuals, especially enterprises to establish R&D units, establish scientific and technology enterprises with sufficient capability enough to perform a pivotal role of leading technology, promoting innovation and technology transfer.

- Rapidly develop the number and technological capacity of SMEs in supporting industries.

5.4. Improve enterprises' productivity and product quality

208. The Prime Minister's Decision No. 712/QĐ-TTg dated 21/5/2010 issuing the National Productivity and Quality Improvement Program of Vietnamese Enterprise until 2020 includes projects supporting local SMEs to improve productivity and product quality.

209. In the period 2010-2015, the Program's specific objectives is to construct 4,000 new national standards, ensure uniformly national standards for the key commodities of the economy, 45% of the national standards harmonized with international and regional standards. Besides, conduct management by national technical regulations for 100% of groups of products, commodities potentially unsafe, sanitation and environmental pollution. 40,000 enterprises will be guided application of scientific and technical progress and technological innovation, application of management systems, models and tools for productivity and quality improvement. And the most important thing at this stage is to strive and help improving the contribution of total factor productivity in the GDP growth rate to 30% by 2015.

210. In 2012, Ministry of Science and Technology with a pivotal role in the implementation of supporting policies for productiv-

48. The Prime Minister's Decision No. 2073/QĐ-TTg dated 08/11/2013 approving the Technology Market Development Program until 2020

ity and quality improvement of Vietnamese enterprises, including SMEs, initiated two projects of the Program have been approved by the Prime Minister. Project 1 "Construction and application of standards, technical regulations" and Project 2 "Promoting productivity and quality activities".

211. In both years 2012 and 2013, Project 1 has held 9 conferences disseminating Vietnam's national standards and norms, training and guidance for 30 enterprises registered to develop base standards with funding from the central budget is VND 1,130 million. Project 2 is conducting research, survey and training for the evaluation and certification of quality management system applied from the pilot results in 2012, guiding the pilot application of the integrated model of management systems in accordance with international standards for corporate organizations in Vietnam. It is expected that 100 businesses are certified to ISO 90001 and 15 enterprises applying integrated systems. In addition, Project 2 commenced construction of replicate models of quality management system ISO 9000 in seven enterprises with funding from the central budget was VND 96 million per enterprise. In the first six months of 2013, the Project gave advice and support to seven northern enterprises for application of ISO 9001:2008, two enterprises applied ISO 22000; one enterprise applied 7 tools. Estimated funding for counseling and guidance was VND 7,900 million implemented from 1/2013 to 12/2014. Consulting activities for application of ISO 9000 and 5S completed projects for 04 enterprises in 2012 with a budget of VND 150 million, supported 11 enterprises in 2013 with a budget of VND 600 million from the central budget.

5.5. Support the development of science and technology enterprises

212. The supporting Program for the development of science and technology enterprises and public autonomous, self-responsible

science and technology institutions⁴⁹ mainly implemented by Ministry of Science and Technology with the aim of: (1) Support the establishment and development of 3,000 science and technology enterprises; 100 technology incubators, incubating science and technology enterprises, which focuses mainly on research institutes and universities; (2) Support 1,000 individuals, organizations and enterprises, strong research teams to be technologically incubated, incubate science and technology enterprises in technology incubators. Organize training and fostering for 5,000 subjects establishing science and technology enterprises and other related subjects; (3) Support public not-yet-converted science and technology institutions to implement autonomous and self-responsible mechanism, completed before 31/12/2013.

213. In both years 2012 and 2013, the Program focused on instructing procedures for the recognition of science and technology status for qualified enterprises; supported the foundation of several technology incubators, incubated science and technology enterprises and implemented some tasks of the Program; reviewed, constructed, integrated planning and conversion roadmap for science and technology institutions established under ministries, branches and localities. At the end of 2013, conducted preliminary evaluation of results supporting public science and technology institutions implementing the autonomous and self-responsible mechanism.

5.6. Develop national products associated with advanced technology

214. The National Product Development Program until 2020⁵⁰ mainly implemented by Ministry of Science and Technology in 2011-2020 with the main objective is to form and develop Vietnamese brand commodities by advanced technology, having competitiveness in uniqueness, quality and cost based on the exploitation of comparative advantages in the

49. The Prime Minister's Decision No. 592/QĐ-TTg dated 22/05/2012

50. The Prime Minister's Decision No. 2441/QĐ-TTg dated 31/12/2010

country's human resources and natural conditions; enhance technology transfer, acquisition, ownership and applications in pivotal economic, technical, industries; improve the technology innovation capability of enterprises and the national technological capabilities. Specifically:

In the period of 2011-2015:

- Form and develop at least ten products based on advanced technologies and manufactured by science and technology enterprises;

- Create technical infrastructure, science and technology staff capable of acquiring, owning, and localizing and toward the autonomy and innovation of technologies to meet the development requirements of producing other national goods substituting imports and boosting exports, creating the premise for new industries formation.

In the period of 2016-2020:

- Expand production scale, improve product quality to reach or approach international standards for products deployed in the 2011 - 2015 period; expand domestic market shares, increase exports, develop Vietnamese brands on the international market.

- Continue the establishment and development of new national products and science and technology enterprises based on promoting the domestic science and technology potential strength in conjunction with external resources in order to create breakthroughs in some industries, economic, engineering sectors.

- The Program is scheduled to implement 3 main contents which are: research and development of national products on the basis of implementing scientific and technological tasks, create competitive and high value products; pilot manufacture national products, form enterprises pioneering in the production and commercialization of national products and market development, economic, engineering industries based on national products.

- The Program's oriented priorities will focus on key industries: new products in the fields of electronics, mechanical engineering, chemical, power, metallurgy - materials, industrial infrastructures, helping maintain economic growth, domestic consumption and industrial structure optimization; new industries creating high added value in the fields of information and communication, biology, electronic mechanical, new materials, new energy, agricultural and rural development, industries for environmental protection and energy saving.

5.7. Develop high-tech enterprises

215. Form and develop enterprises of a number of high-tech industries is one of the objectives of the National High Technology Development Program until 2020⁹¹ specifically:

216. By 2015, form and develop at least 200 enterprises manufacturing and supplying high-tech products and services on the list of high-tech products encouraged to be developed; at least 80 agricultural enterprises applying high-technologies in key economic regions; Construct and develop about 30 high-tech incubators, incubating high-tech enterprises and facilities supporting high-tech products manufacturing.

217. By 2020, these targeted figures are 500, 200 and 40, respectively. Form and develop 50 scientific research groups with technological edge having researches on high technologies that achieve the region's advanced level. Develop 20 international standard human resource training centers.

218. The Program is expected to support enterprises in research, pilot production, high technologies incubation, incubate high-tech enterprises; support and facilitate the application, production and supply of high-tech products and services; support the organization of short-term training for business leaders in the fields of high technology in technology and innovation management; organize and facilitate students research and practice in enterprises.

51. The Prime Minister's Decision No. 245/TTG dated 31/12/2010

219. Some specific preferential policies and mechanisms: (i) Enjoy the highest incentives for land, corporate income tax, import-export duties, value added tax in accordance with law; (ii) Loans up to maximum of 85% equity in the Vietnam Development Bank and supported by the Program the whole interest for a period of 5 years; (iii) Support the cost of research, training, consultancy, technology transfer, testing, laboratory and design centers construction, pilot manufacturing, purchasing of sample products, equipment and lines, test-measuring equipment.

6. Support enterprises by sector

6.1. Industrial encouragement⁵²

220. The year 2012 was the last year for implementing the National Industrial Promotion Program according to the Prime Minister's Decision 136/2007/QĐ-TTg. Total funding in 2012 reached VND 215 billion, an increase of 144.4% (the national industrial promotion budget was VND 80 billion, the local budgets was VND 135 billion, up 53.43% compared to 2011).

221. In 2012, there were over 200 industrial promotion schemes (of which 165 proposals implemented by provincial Industrial Promotion Centers) is supported by national budget with total cost of VND 80 billion. These schemes focused on: organization of vocational training, mastering and career development; building technical demonstration models, supporting application of modern machineries and equipment for rural organizations and individuals; guiding, supporting organizations and individuals to start businesses, improving business management capacity for rural industrial facilities etc.

222. In 2013, with total budget allocated VND 91.150 billion, the Program disbursed

VND 75.368 billion, accounting for 82.69% of the year's plan. The proposals have contributed to practical support for rural businesses, manufacturing units especially in the current difficult conditions.

223. By the end of the Program in the 2007-2012 period, the Prime Minister issued Decree No. 45/2012/ND-CP dated 21/05/2012 on industrial promotion. In order to guide the process of elaboration, management, use, implementation funding and management of national and local industrial promotion budget, Ministry of Finance and Ministry of Industry and Trade issued Circular No. 26/2014/TTLT-BTC-BCT dated 18/02/2014. At the same time, Ministry of Industry and Trade is elaborating the National Industrial Promotion Program until 2020 to submit to the Government.

6.2. SMEs support in supporting industries

224. The Government encourages the development of supporting industries⁵³ through policies: (1) Encourage market development (free introduction of product information, funding from trade and investment promotion programs, assistance from high-tech development sources); (2) Encourage infrastructure development (given priority to support and allocate appropriate land funds regarding area, location, rent and enjoying other supporting policies as stipulated in Decision No. 105/2009/QĐ-TTg dated 19/8/2009 and Decree 56/2009/ND-CP on supporting SME development); (3) Promote science and technology, human resource development (from the National Foundation for Science and Technology, preferential policies under Decree 56/2009/ND-CP and high technology development policies); (4) Support provision of information and advice; support financing (import-export tax incentives, partially loans

52. The Prime Minister's Decision No. 136/2007/QĐ-TTg and the Government's Decree No. 45/2012/ND-CP dated 21/05/2012 on industrial promotion

53. The Prime Minister's Decision No. 12/2011/QĐ-TTg dated 22/02/2011 on policies regarding the development of supporting industries.

from development and investment credit sources, financial aid policies under the provisions of Decree No. 56/2009/ND-CP, high technology development policies).

225. In addition, projects manufacturing products of supporting industries on the priority list are being considered the application of appropriate incentives. Investors elaborate projects according to current regulations, including specific recommendations for appropriate incentives, submit to the Appraisal Council for reviewing and reporting to the Prime Minister.

6.3. Encourage enterprises to invest in agriculture and rural areas

226. At the end of 2013, the Government has issued additional investment preferential and supporting policies more specific and practical for enterprises investing in agriculture and rural areas⁵⁴, including:

- Exemption, reduction of land use fee: Investors having specially-preferential-investment agricultural projects are exempted from land use fee when being allocated land by the State, 50% reduction for investment-encouraged projects, 70% reduction for investment-preferential projects.

- Exemption from and reduction of land and water surface rent (for the entire period from the date of operation, the first 15 years, the first 11 years, the area of land to build housing for workers, land for tree planting and public welfare).

- Support land and water surface rent of households and individuals (20% of rental assistance in the first 5 years after completion of basic construction)

- Exemption, reduction of land use fee when converting usage purpose: Investors having specially-preferential-investment agricultural projects in the planning of the State's competent authorities are exempted land use

fee when converting usage purpose for project implementation; investment-encouraged projects are reduced 50% land use fees.

- Support human resource training, market development and science and technology application: Support 70% funding of domestic vocational training; Support 50% costs of advertisement about enterprises and products on mass media; Support 50% cost of participation in domestic fairs; Reduce 50% fees of accessing marketing information and service fees from the State's trade promotion agencies; Support 70% funding for research to create new technologies implemented mainly or licensed by enterprises; Support 30% total expenditure of new investment for implementing pilot production projects.

227. In addition, enterprises having agricultural investment projects are also entitled to policies and funding to support the investment expenditure of cattle and poultry slaughter, investment in livestock facilities; planting herbs, macadamia trees; marine aquaculture; investment in units of drying rice, corn, potato, tapioca, seafood byproducts, processing coffee; investment in plantation of timber specific to northwestern provinces and provinces with poor districts; investment in facilities of manufacturing, storage and processing of agricultural, forestry and fisheries.

7. Other support policies

7.1. Support Clean Production Enterprise

228. On December 24th, 2012, Ministry of Industry and Trade and Ministry of Finance issued Circular No. 221/2012/TTLT-BTC-BCT guiding the management and use of state budget for implementation of schemes that are part of the "Strategy for Cleaner Production in Industry until 2020", issued in conjunction with the Prime Minister's Decision No. 1419/QĐ-TTg dated 07/9/2009, in which manufacturing units, industrial enterprises are sup-

⁵⁴ The Government's Decree 210/2013/ND-CP dated 12/19/2013 on policies encouraging enterprises to invest in agriculture and rural areas replaced Decree No. 61/2010/ND-CP.

ported evaluation of cleaner production; training on cleaner production techniques; industrial enterprises transferring, innovating, perfecting technologies that are encouraged transferring to comply with the Law on Technology Transfer (No. 80/2006/QH11) and the guidelines of the National Technology Innovation Fund, in which supporting fee for evaluation of cleaner production for industrial production facilities shall not exceed 50% of consulting expense and not over 50 million per 1 facility.

7.2. Support enterprises applying information technology, e-commerce

229. The Prime Minister signed Decision No. 12/7/2010 dated 10/73/QĐ-TTg approving the E-commerce Development Master Plan in the 2011-2015 period, in which targets for enterprises applying e-commerce achieved in 2015 as follows:

- All major businesses conduct B2B e-commerce transactions, in which: 100% of enterprises using e-mail regularly in production and business; 80% of enterprises having websites regularly updated activity information and product promotion; 70% of enterprises participating in selling websites; 5% of enterprises participating sites in the model of electronic documents exchange; 20% of enterprises applying software applications specialized in management.

- All SMEs conduct B2C or B2B e-commerce transactions, in which 100% of enterprises using e-mail regularly in production and business; 45% of enterprises having websites, regularly updated activity information and product promotion; 30% of enterprises participating in selling websites.

230. The Plan also include content related to development and application of technology, e-commerce services: Promulgate policies to encourage enterprises using open source software to deploy e-commerce applications; Poli-

cies and measures to encourage consumers purchasing-selling online digitized products; promote the development of e-commerce and digital content industry, Encourage organizations, enterprises leasing computing devices, software and information technology and other telecommunication services; Encourage research and technology transfer for the development of online payment; encourage businesses to develop electronic payment utilities to support shoppers.

231. Also the Plan proposed solutions of issuing and disseminating common standards and norms used in e-commerce: The national standards and technical norms on electronic data exchange applied in e-commerce to businesses and e-commerce training organizations; Support pilot enterprises applying electronic data exchange for business operations to create e-business networks between enterprises and replicate this model to more businesses.

7.3. Support the development of intellectual property

232. The Intellectual Property Development Program in the 2011-2015 period⁵⁵ with objectives to meet (i) 70% of requirements from enterprises, science and technology institutions related to awareness raising of intellectual property, (ii) 70% of requirements from universities, scientific research and technological development institutions related to guidance and support to create, manage, protect and develop the intellectual property of research results, (iii) 70% of requirements from localities related to support the development of intellectual property for local specialties; 50% of requests related to registration of intellectual property protection of enterprises having strategic, unique products with export-potential in key and potential markets.

233. The Program includes some support measures for enterprises like: Propaganda, training on intellectual property, support man-

⁵⁵ The Government's Decree 210/2013/QĐ-CP dated 12/19/2013 on policies encouraging enterprises to invest in agriculture and rural areas replaced Decree No. 61/2010/QĐ-CP.

agement of intellectual property, Support the creation, exploitation, management, protection and development of intellectual property of Vietnamese enterprises, organizations and individuals at home and abroad; Support the development and application of management processes, scientific research results and products to enhance the value of intellectual property, Support exploiting science - technology information and intellectual property for research, development, production and business; Support the application of a foreign patent not protected in Vietnam for research, development, production and business.

234. Total approved funding from the central budget in the 2013-2015 period approximately VND 37.6 billion, of which: VND 12.8 billion for centrally managed projects (11 projects); VND 14.8 billion for locally managed projects (33 projects).

235. In 2012, total funding from the central budget in the 2012-2013 period were VND 19.8 billion for centrally managed projects (18 projects); VND 10.6 billion for locally managed projects (25 projects)⁵⁶.

236. Currently, the Program's work items are being implemented in accordance with

rules and procedures. As preliminary statistics in 2013, the Program organized Councils for evaluation, appraisal of cost estimates for implementation of selected projects in 2 years 2013-2014 (15 centrally-managed projects and 03 projects identified host units); building project list to be implemented in the years 2012-2013 (complementary); signed contracts assigning host units and initial funding allocated for 12 centrally-managed projects; signed authorization contracts on project management and initial funding allocated for 14 centrally-managed projects authorized for local management; inspected the implementation of planned projects in provinces, cities; inspected the results of 10 projects.

237. Although the total number of industrial property applications processed in 2013 decreased 5.4% compared to 2012 due to a direct effect of data loss incidents, however, the number of handled applications increased (patents up 20.3%, useful solutions: 22.8%, industrial designs: 13.7%, Vietnamese origin international brands: 16.2%. Fees and charges collection was estimated at 97.2% compared with the plan of the year 2013 and reached 106% in comparison with 2012.



⁵⁶ Report on the implementation of the Intellectual Property Development Program in the 2011-2015 period by National Office of Intellectual Property of Vietnam, Ministry of Science and Technology

IV. PROSPECTS FOR THE SME SECTOR

238. Before commenting on the development prospects of the SME sector in the period from 2014, should see the process of policy reforms laid the foundation for the development of the business sector later on. Indeed, the economic reform policies of Vietnam has made significant progress since the 1980s. Those were reforms in the agricultural sector in 1981 with the transformation of economic management mechanism, applied agricultural contracting models altogether with mechanism of agricultural land allocation to units, organizations, individuals for long-term using under the Land Law in 1987⁵⁷ created momentum for the development of agricultural production and brought Vietnam from a food deficit country to become an exporter of rice, the second largest in the world, only behind Thailand, in 1989. This initial success has created the basis for the formation and development of non-agricultural cooperatives and fledging private enterprises in Vietnam during this period.

239. The next reform is the macroeconomic stabilizing efforts through interest and exchange rate policies to raise interest rates forming the real interest rate and removing the dual price system in the economy and successfully surmounted the hyperinflation condition. Also in the 1980-1999 period, Vietnam reformed and restructured state-owned enterprises by giving them the autonomy status to gradually reduce their dependence on budget subsidies (subsidies gradually eradicated by Decision No. 217/HDBT dated 14/11/1987 of the Council of Ministers issuing the policy of planning innovation and socialist business accounting for SOEs). In fact, SMEs in the state sector was formed in 2004 stemmed from the process of SOEs restructuring since 2000. The

Law on Foreign Investment in 1987 was the first legislation generating the legal framework for the establishment of market economy in Vietnam. And an important implication for SMEs development is the reform of the non-state sector until the introduction of the Enterprise Law in 1999 formed the legal basis for the remarkable growth of a number of registered businesses since 2000 so far⁵⁸.

240. Foreign trade policy reform was done from the 1989-1998 period through the abolition of SOEs monopoly in the field of foreign trade and enabled enterprises of all forms of ownership to directly engage in import and export activities. When Vietnam became a member of the World Trade Organization (WTO) in late 2006, the reforms implemented under the direction of Vietnam's commitments to the WTO since 2007 lead to changes in regulations and policies and created a fair business environment for enterprises in the state, private and foreign investment sector. Besides, Vietnam enacted Law on Domestic Investment Promotion in 1999 to mobilize resources invested in production business, which emphasized the role of local authorities in creating an investment environment conducive to the development of the private sector.

241. Along with the above-mentioned reforms was the process of public administration reform implemented from 2001 with emphasis on strengthening and developing the legal framework and institutional policies and activities of administrative organizations, public finance and human resources. The effect of the reform in this sector altogether with one-stop business registration mechanism helped businesses, especially SMEs, in the private sector

57. http://toaan.gov.vn/portal/page/portal/taandoc/Baiviet?p_page_id=1754190&p_catid=1751909&article_details=1&item_id=13780563

58. http://www.moit.gov.vn/vn/pages/bsc_hsuphatbrien.aspx?IDNews=543

to save time and costs when entering the market. At the same time, the reform of financial and capital markets since 2001, with a gradual reduction in the preferential loan policy for SOEs and created more favorable conditions for private enterprises access to credit of commercial banks. And, the formation and development of stock markets in Ho Chi Minh City and Hanoi in 2000 and 2005 created more channels for investment attraction to serve the development of enterprises in all sectors of the country.

242. To date, Vietnam has implemented many reforms in most areas directly related to the business sector, including SMEs. During the period of integration, participation in the multilateral trading system (WTO) and signing bilateral and multilateral trade and economic cooperation agreements with other countries, Vietnam is continuing to implement the international commitments and major reforms in the customs area, following the route of tariffs reduction and non-trade barriers removal, namely commitments to implement free trade agreements in the ASEAN region, free trade area between China and ASEAN, as well as commitments related to trade in goods, service and investment market access, protection of intellectual property rights, and tax cuts in order to create opportunities for exports as in bilateral trade agreements between Vietnam and the United States. Currently, Vietnam is in the process of negotiating a free trade agreement with the European Union (EU), the Trans-Pacific Partnership, Regional Comprehensive Economic Partnership agreement between ASEAN member states and partner countries including India, South Korea, New Zealand, Japan, China and Australia toward building a larger free trade area. In the context of Vietnam developing and expanding economic cooperation relations regionally and globally, the factors on capital flows, financial, manufacturing, commodities and services, market, competition

among countries and regions altogether with the labor movement between countries and regions will create an ongoing trends and development prospects of the business sector in Vietnam in the new period.

243. With the deep and broad trend of globalization and economic integration, SMEs are seen as potential areas to contribute to the process of globalization and development, economic cooperation through deeper integration in the regional and global supply chains. Practice has proved that regional integration process is moving increasingly faster on both speed and space. The large-scale companies generally operate more effectively grasp the opportunity to create momentum in the domestic and external markets. Meanwhile, SMEs under more pressure facing the environment change and economic developments. About the size and level of development, multinational corporations and large-scale enterprises in the country played an important role in accelerating the industrialization process and SMEs are a vital component creating industrial linkage in the supply chain. This means that the participation of SMEs as subcontractors and/or suppliers of intermediate products for multinational corporations, large-scale domestic enterprises to create added value and a proportion of localized components in the total value of commodities, increase labor productivity - are important factors forming the quality of economic growth (focusing on total productivity factor)⁵⁹ while supply labor source and generate employment and have the ability to respond and recover facing economic changes, if any.

244. It can be seen clearly at the level of regional cooperation such as ASEAN, Vietnam is still a gap in the level of development compared to countries like Singapore, Malaysia, Thailand and the Philippines. To shorten the gap between Vietnam and ASEAN-6, the time schedule, the regulation of tariff preferences as

59. <http://vpc.org.vn/PortletBkank.aspx?A5917F7DADBD4DD88A61E572C68419FC/View/Chuyen-de-ve-Do-luong-Nang-suat/Vai-tro-cua-IFP-trong-chat-luong-tang-truong-kinh-te-o-Viet-Nam/?print=6294989>

well as the commercial and technical supporting programs established in the trade agreement and regional cooperation, in particular initiatives such as the ASEAN integration. Similarly, regional ASEAN-China trade area as well as the free trade area between ASEAN and East Asian countries have developed policies to support technology development and transfer to least-developed economies are considered part of the process of liberalization of trade and investment in the region. In parallel, the international division of labor and specialization has become an important function of the trade and investment pattern⁶⁰. Therefore, capacity and expertise building, science and technology application in industries, especially those that Vietnam has comparative advantage and strategic development orientation, with SMEs participation are indispensable policies to help SMEs take advantage of the globalization and economic integration process that create rapid and more sustainable development as Vietnam is in the early stages receiving the benefit from participation in regional production and cooperation networks.

245. In the trend-driven development enhances the quality of economic growth, one of the industries with high contribution potential with SMEs participation is supporting industries. The Supporting Industry Development Plan to 2010, with a vision to 2020 of Vietnam focuses on 5 main areas of electronic-information technology, textiles, footwear, automotive manufacturing and assembly and mechanical fabrication. For example, the automobile industry for the 2010-2020 period set a target of exporting some products supporting the automobile industry with the localization rate of 60%. Accordingly the Government promulgated Decision No. 12/2011/QĐ-CP dated 24/02/2011 on development policies of some supporting industries, products of supporting industries and other supporting industry development projects in Vietnam. In the context of Vietnam's commitment to implement free trade

and investment agreements which Vietnam has participated in parallel with the development of this industry, review implementation process and elaborate a strategy to develop supporting industries in consistent with industry orientation and specific policies and expand the participation of all economic sectors to stimulate fair competition and must facilitate and encourage SMEs (in large numbers) participated is an imperative task for the next development stage. If not, Vietnam will become the import and distribution market of products of foreign investors instead of manufacturing products of supporting industries to provide and develop export markets.

246. As stated in Chapter 1 and Chapter 2, Vietnamese SMEs present in most sectors, fields. In this diverse development, SMEs operating in key sectors where Vietnam has a competitive advantage in line with the strategy of socio-economic development in the 2011-2020 period, manufacturing materials, export goods, playing a role in leading and creating positive spillover effects to other commercial and service industries for the development of the SME sector is very important for generating and providing jobs, contributing to economic growth, providing income equality and ensuring social security and human protection toward sustainable direction. To reach a higher level and larger scale of development, should continue to improve the competitiveness of SMEs in domestic and international markets through appropriate legal framework for new development situation, including policies on financial markets, investment, land being executed in efficient institutional environment, promoting market-supporting tools. At the level of industry and business, SMEs can be enhanced their position through enhanced competitiveness due to the investment in research and development (R&D), upgrading production processes, improving quality control standards in accordance with international practices to create greater value added in man-

60. *The Internationalisation of SMEs in the regional and global value chain*, Hank Lim & Fukuzumi Kimura, 2009

ufacturing network and strengthen linkages between SMEs and large enterprises in the country.

247. An example of the global supply chain of agricultural and aquacultural products, including: (i) farmers, (ii) processing enterprises, (iii) international importers, (iv) retailers, and (v) consumers. In particular, Vietnamese enterprises are in 2nd place in the supply chain and sell products to foreign companies before reaching consumers. In the global supply chain, the position of Vietnamese enterprises is very important, but also easily be replaced by manufacturers or processors in other countries if problems related to goods arise, even for industries that Vietnam has advantages in terms of labors, materials and manufacturing such as textiles, footwear, furniture, coffee, rice, or problems related to anti-dumping policies, tax increases, or technical barriers applied by importing countries. Besides, enhance the competitiveness of SMEs need the development of industrial clusters. The practice from previous years showed that the weak linkages between firms in the same industry reduces competitiveness and difficult to create the industry's development quality. Moreover, the lack of linkages between foreign-invested enterprises and domestic enterprises can hinder the effect of technology, experience and modern knowledge management transfer from FDI enterprises on the economy and the domestic enterprise sector and reduce the effectiveness of this investment model⁶¹. Therefore, to strengthen its position and enhance the competitiveness of Vietnamese enterprises in markets based on quality and value of products, labor productivity, strengthening industrial linkages are always the deciding factors in the context of increasing competition with other countries having similar advantages as Vietnam.

248. In the period since 2015 when the ASEAN Economic Community will be established with a market of about 600 million consumers and a great business community, including SMEs active in many areas. Accordingly, the free trade agreements will cause more pressure on the economy that has not fully prepared against rivals before tariffs being lifted, particularly for goods commerce due to the deep cuts of tariff lines with 90% of tariff lines reduced to 0% in 2015 and almost at 0% in 2018. There should be a full appreciation for the business sector, especially domestic SMEs with export activities, in terms of capacity to take advantage of tax reduction under the free trade agreement, capture comprehensive information, particularly on tax incentives as well as technical barriers, and market opportunities brought by the free trade agreements to enhance the efficiency and competitiveness in the process of integration and sustainable development, especially when Vietnamese economy is still in the period of economic difficulties and challenges are not only from participation in the regional and global economy but also the increasing competition right at home⁶².

249. In the development context with mix of opportunities and challenges, and challenges are higher and put the economy and business community in a status that needs a more effective policy orientation and solutions. And the role of Vietnamese SMEs become larger by days, potential and demand for sustainable development becomes more urgent during the period of globalization and economic integration, especially when Vietnam is entering the final two years of socio-economic development in the 2011-2015 period. Ensure the goals for the successful development of SMEs should have a system of coordinated

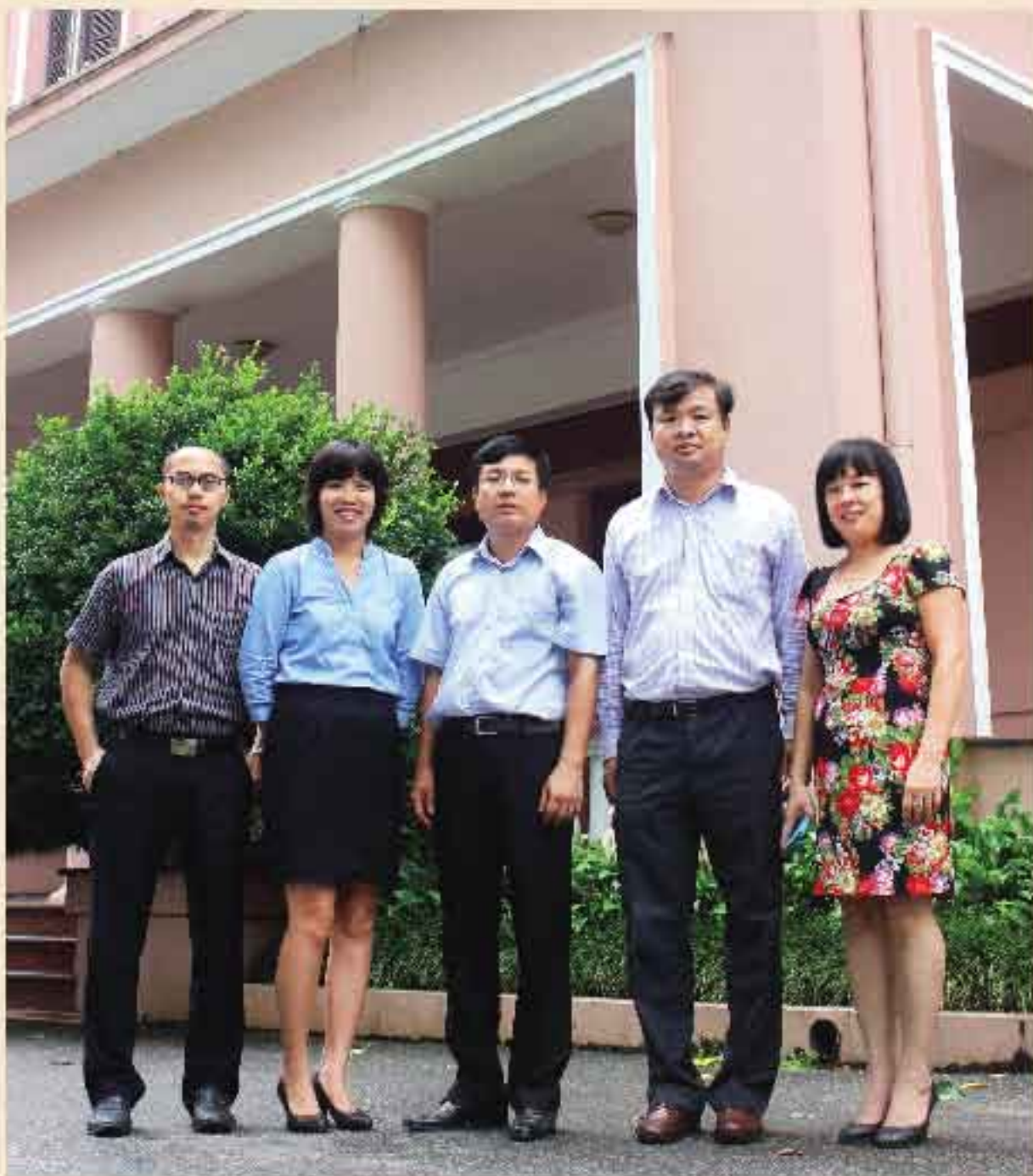
61. Phan, T.C.X.S. Le and K. A. Nguyen, 2008, *Viet Nam's Small and Medium Sized Enterprises Development Characteristics Constraints and Policy Recommendations*

62. *Joining ASEAN Economic Community and the impact on international trade of Vietnam*, Science Journal of Vietnam National University, Hanoi, Economics and Business, vol 29, No. 4 (2013), 44-53

and consistent development policies. Therefore, Vietnam continues the important policies. Specifically and practically, those are (i) strengthen the legal framework based on market principles applicable to the SME sector, including development policy for public-private partnership (PPP); (ii) enhance SMEs financial access to the banking system with specific solutions regarding interest rate, collateral type and other financial and credit products along with the quality standards of corporate activities and corporate financial information in accordance with the size and characteristic of each sector. In addition, unclogging investment channels on the capital market and exploiting the participation of private investment funds and promoting the effectiveness of the Government's SME Development Fund have a significant meaning in the context that investment is urgent need of many SMEs; (iii) enhance equal access to land for production and business between business sectors; (iv) enhance SMEs capability to penetrate and expand the international markets through approach and application of industrial engineering standards, improving the quality and competitiveness of domestic products and goods with appropriate institutional reforms to promote this process; (v) continue to develop infrastructures of industrial, commercial, transportation, electricity, water, communication toward the completion of connecting information systems, modern and accurate databases and timely provision of information, and (iv) develop human resource quality while enhancing the management capacity altogether with the business ownership spirit and

capability with strategic vision in the SME sector.

250. By 2013, the policies have implications for the development of the SME sector as the Price Control Law, the amending Tax Administration Law, the amending Cooperative Law, the Personal Income Tax Law, the Corporate Income Tax Law outlined in the SME White Paper 2011 were promulgated and guiding documents were specified and applied. Especially, after the Constitution versions 1946, 1959, 1980, 1992, the 5th Constitution was enacted, which regulates economic sectors with the leading role of the state sector in shaping and regulating the development of socialist-oriented market economy. Accordingly, the new Constitution further states: *"Vietnamese economy is a socialist-oriented market economy with various forms of ownership, many economic sectors and the state economy plays a key role. The economic sectors are important components of the national economy. The subjects of the economic components are equal, cooperate and compete under the law. The State shall encourage and create favorable conditions for entrepreneurs, businesses and individuals, other organizations to invest, produce, business; sustainable development of economic sectors, contributing to nation building. The lawful property of individuals, organizations investing, producing and doing business are protected by law and not be nationalized"*. This is the highest legislation again define the position and role of the private and SME sector in the economic sectors of Vietnamese economy.



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