

Agency for Industrial Promotion

INDUSTRIAL SME DEVELOPMENT IN VIET NAM

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Structure of the presentation

- I. Introduction of AIP
- II. Institutional framework for industrial SME development
- III. Main programs implemented during period 2005-2007
- IV. Alternative Strategy for Industrial SME Development in the period of 2008-2012
- V. Proposals

I. INTRODUCTION OF AIP

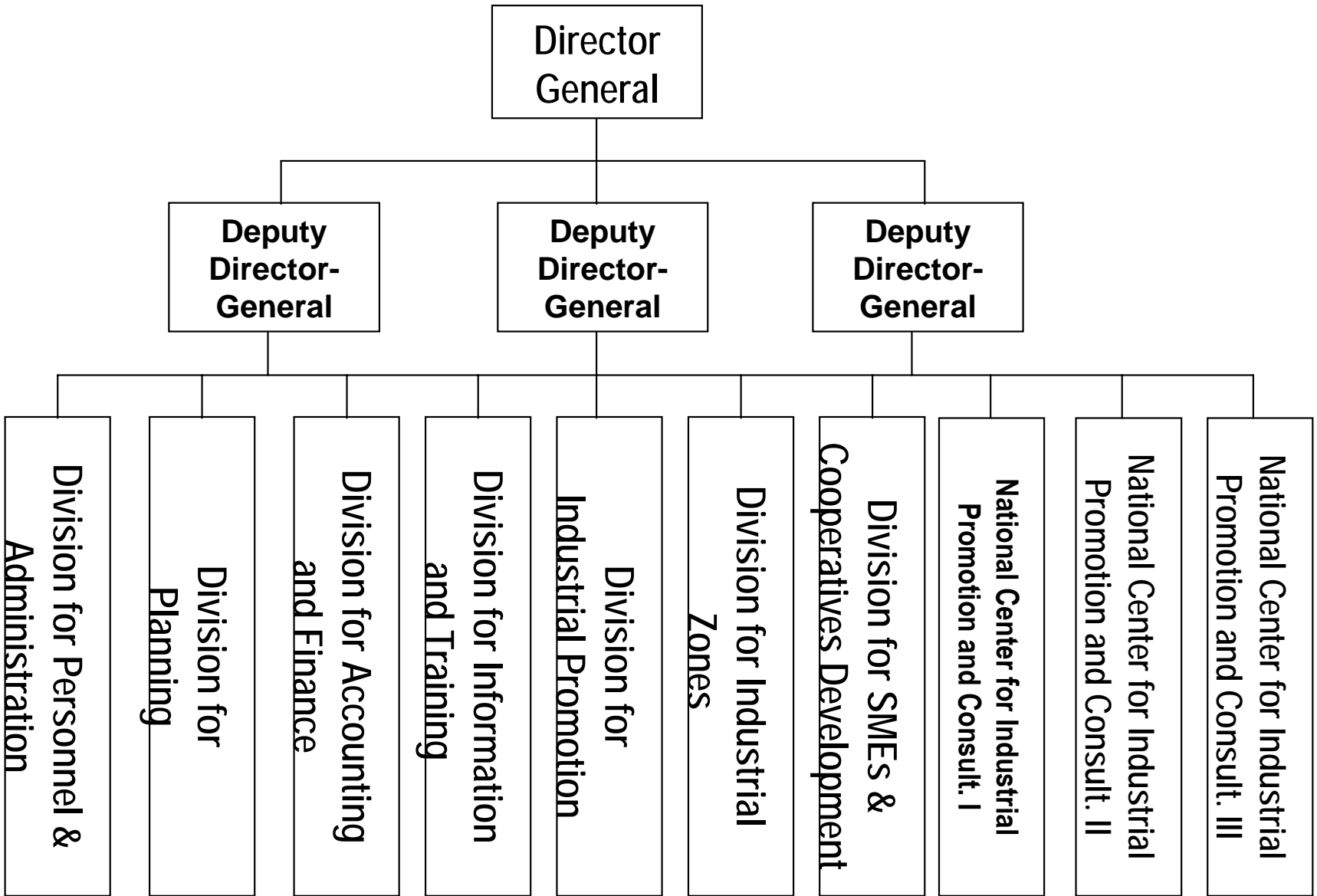
Who we are ?

Agency for Industrial Promotion, a government organization, established in 2003.

What we do ?

- To formulate policies/mechanisms, regulations for local industry development
- To build up and implement strategies, programs, projects, ... as a **facilitator, coordinator and direct participant.**

ORGANIZATIONAL STRUCTURE



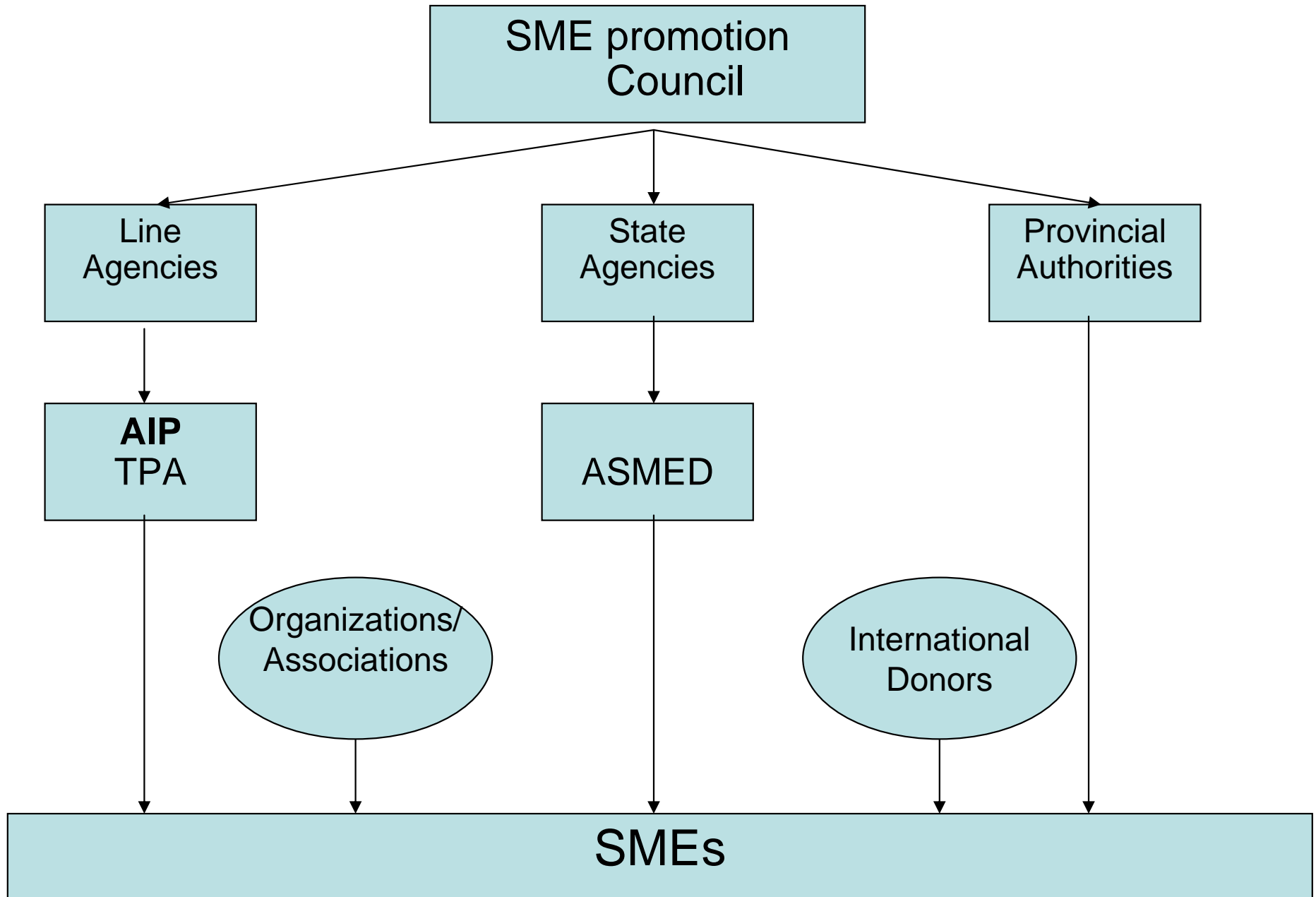
Duties and tasks of AIP

- Responsible for preparation of industrial development master plans for provinces and areas of the whole country (5 years with the vision of 10 – 20 years);
- Responsible for guidance and instruction on actual implementation of industrial development master plan;
- Facilitating the implementation of major industrial projects in provinces and areas of the country;
- Monitoring, analyzing and assessing the development of industry in the provinces, areas and whole country;
- Recommending measures and solutions for the development of industry in provinces;

- Responsible for preparation of policies and legal documents for the industrial promotion activities;
- Responsible for the implementation of National Industrial Promotion Program;
- Responsible for the development of policies and legal regulations, master plan on the development, operation and management of small and medium industrial parks and SMEs, including SME formulation; competitiveness improvement;
- Participating in the investment promotion activities for industrial parks and provinces;
- Responsible for programs supporting industrial SMEs; supervise and guide the implementation process;
- Providing industrial SME information on market; technology; management etc.; Carrying out training programs on business management;

II. INSTITUTIONAL FRAMEWORK FOR INDUSTRIAL SME DEVELOPMENT

1. Institutional SME support infrastructure



- 1.1. State agencies are in charge of coordinating SME supporting activities among relevant organizations, such as: SME Promotion Council, Ministry of Planning and Investment (Agency for SME Development), Ministry of Finance, Vietnam State Bank, Provincial People's Committees

- 1.2 Line agencies act as facilitators and direct participants in supporting programs, providing partially or fully state funded services for SMEs, including **Ministry of Industry and Trade (Agency for Industrial Promotion, AIP)**, Ministry of Agriculture and Rural Development, Ministry of Science and Technology, Development Assistant Fund, Vocational schools, technical centers, universities and colleges, research institutes

- 1.3 Business and social –economic membership organizations include Vietnam Chamber of Commerce and Industry (VCCI), Vietnam Cooperative Alliance, Business Associations, Vietnam Women Union...

2. Role of MOIT

- **MOIT's Vice-Minister:** member of National SME Development Promotion Council (*SME-PC, headed by Minister of MPI – designated by Prime-Minister*)
- **A leader of AIP:** member of SME-PC's Secretariat
- Agency for Industrial Promotion (AIP): in charge of promotion of industrial SMEs, for whole country
- National (area) Centers for Industrial Promotion: 3 centers will be established (*north, central, south*)
- Provincial Centers for Industrial Promotion and development Consulting: 63/63 operating.

Policies

1. Government's Decree 90/2001/ND-CP on 23rd Nov. 2001 on SME development
2. Government's Decree No. 134/2004/ND-CP on promotion of rural industries
(*and related sub-decrees*)
3. Government's Decree No. 66/2006/ND-CP on development of rural production activities
4. Government's Decree No. 108/2006/ND-CP guiding implementation of Law on Investment

Decree 134/ND-CP, dated June 09, 2004 on local industries development promotion

- **Main Objectives of Industrial Promotion (IP)**

- To support and mobilize all resources to invest in the local industries and industrial extension services
- To increase the competitiveness of SMEs in the rural area
- To implement effectively and efficiently the roadmap of international integration: joining WTO.
- **Target groups:** all the Industrial SMEs (mostly located in the rural area) and IP service organization and personnel.

- Main content of IP:

1. To guide and support start-up/spin-off local industrial SMEs in term of land, business registration, labor recruitment and training,
2. To guide and support local industrial SMEs to improve the managerial capability,
3. To guide and consult local industrial SMEs to upgrade the production line, to change technology, to apply the new tech.
4. To organize occupational training courses, dissemination programs.
5. To support in providing information in terms of market, tech, business registration, exhibition ...
6. To organize the study tours, workshops, conferences for industrial SMEs

II. Decision No. 136/2007/QD-TTg dated AUG. 20th, 2007 (Newly-approved by Prime-Minister's

Period 2008-2012:

- Mobilize multi-sectoral participation to promote SMEs development and industrial production
- Priority: training, capacity building, technology transfer, products, consultancy, information supply for SMEs, cooperation etc.

Network

- 64 Departments of Industry and Trade (of all 64 cities/provinces of the country) - DOIT
 - => 63 since AUG.1st 2008 (*Hanoi+Hatay = New Hanoi*)
- 64 Provincial Centers for Industry Promotion and Consultancy (of 64 cities/provinces); CIPC
 - => 63 since AUG.1st 2008
- Total staffs: 556,
 - of which: permanent: 413
 - short-term contract: 143
- Professional level: university: 15, college: 459,
 - secondary level: 82

Shortcomings

- Lack of cohesion and co-ordinations in the network from central to local
- The national budget is too small, not enough in implementing the national level programs/projects
- IE official and manager is not fairly qualified

International Relation

- Participating in some SME programs funded by GTZ, UNIDO, JICA
- Signing Cooperation Agreements on SME development with Thailand, Egypt
- Participating in some international workshops on SME development

**III. MAIN PROGRAMS IMPLEMENTED
IN THE PERIOD 2005-2007**

1. Occupational Training program:

- Number of people: 36,047
- Total Budget: 47 billions VND

2. Entrepreneurship development Program:

- Start your business:
 - Number of people: 1,050
 - Total budget: 0.670 billions VND
- Managerial capability improvement Program for entrepreneur
 - Number of people: 4,820
 - Total budget: 2.351 billions VND

3. Technology transferring Program: technology improvement, performance model (new product or process), new technology
 - Executive Model: 126
 - Total budget: 19.47 billions VND
4. Trade Promotion Program:
 - Number of trade fairs: 7
 - Total budget: 1.365 billions VND
5. New Business Association establishing Program:
 - Number of new associations: 11
 - Total budget: 0.51 billions VND

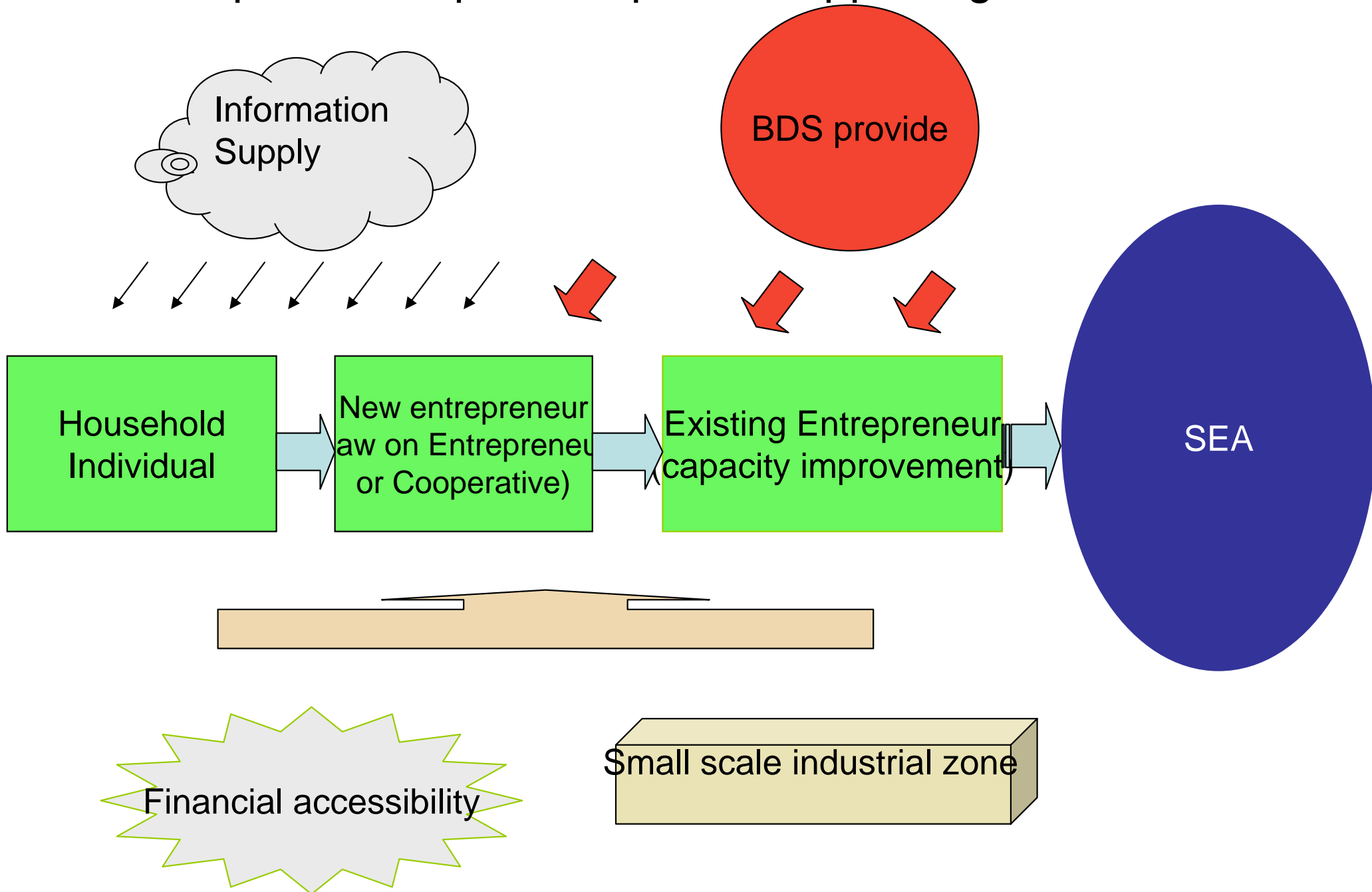
PART III

**ALTERNATIVE STRATEGY FOR
INDUSTRIAL SME DEVELOPMENT
IN THE PERIOD OF 2008-2012**

1. Objectives

- (1) To promote the new entrepreneur in rural area.
- (2) To improve the competitiveness of the industrial SMEs
- (3) To create the low-cost production space for the industrial SMEs
- (4) To establish the efficiency-effectiveness information system suitable for industrial SMEs
- (5) To strengthen the capacity of BDS providing system for industrial SMEs.
- (6) To improve the financial accessible capability for industrial SMEs

2. Entrepreneurship development supporting infrastructure



3. Solutions

- Solution to gain the objective 1: “To promote the new entrepreneur in rural area”
 - (1) To propagandize and encourage the household to register their business by Law on Entrepreneur or Cooperative
 - (2) To improve the provincial/commune officer capability about LED and IED
 - (3) To encourage the spirit of starting your business in rural area
 - (4) To continue improving the administration proceeding towards satisfying the entrepreneur’ demand
 - (5) To form the commercial raw material areas available at local
 - (6) To develop the skilled labor force according to the industrial development master plan
 - (7) To continue the start your business program: from new idea to business plan
 - (8) To study and identify the industrial development potentials at provincial level (PACA)
 - (9) To improve the domestic and international marketing research capability

- Solutions to gain the objective 2: To improve the competitiveness of the industrial SMEs
 - (1) To build the industrial SME development strategy at district/provincial level
 - (2) To improve the managerial capability for SMEs
 - (3) To enhance the training programs for entrepreneur
 - (4) To enhance the cooperation and coordination among the industrial SMEs
 - (5) To develop the industrial based cluster and value chain
 - (6) To encourage the SMEs to apply the ISO, HACCP
 - (7) To foster applying the new technology and technical innovation
 - (8) To continue skill training program for the worker
 - (9) To improve entrepreneur's capability to penetrate into the new market

- Solutions to gain the objective 3: To create the low-cost production space for the industrial SMEs
 - (1) To review and regulate all relating managerial document: small scale industrial zone managerial regulation, master plan for small scale industrial zone development, industrial zone development detailed master plan, model building
 - (2) To propagandize and campaign for the government policies and mechanisms on small scale industrial zone development
 - (3) To perfect and develop the success small scale industrial zone development model
 - (4) To develop the industrial zone business-investment cooperative model

- Solutions to gain the objective 4: To establish the efficiency-effectiveness information system suitable for industrial SMEs
 - (1) To enhance the information supply capacity of existing organizations:
 - To assign the one organization to the accountability of information supply.
 - To build up the database
 - To invest in the infrastructure
 - (2) To improve the entrepreneur's capability about the exploiting the information on internet:
 - Consulting and training
 - Supporting the commune to establish the Training and Information center, that link the rural entrepreneur with the sources of information: books; communication facilities
 - (3) To build the national coordinating mechanism on information supply and sharing.

- Solutions to gain the objective 5 “To strengthen the capacity of BDS supplying system for industrial SMEs”
 - (1) To propagandize and campaign for the BDS
 - (2) To improve the capacity of the existing BDS provide organization

- Solutions to gain the objective 6 “To improve the financial accessible capacity for industrial SMEs”
 - (1) To improve the capacity of financial service supply institutions
 - (2) To improve the capacity of commercial bank
 - (3) To improve the entrepreneur’s capability to satisfy the loan demand of financial service supply institutions and commercial bank
 - (4) To better the norm document, mechanism ...

4. Policies on:

- Small Scale industrial zone development
- Training and human resource development
- Loan Accessibility
- new market and new product development
- Technology transfer and technical innovation
- Association Establishment
- BDS provide
- Information system

5. Action plan

- Total programs: 6
- Total sub programs: 26
- Number of project: 101
- Total budget: 1,169.859 millions VND
 - Of which:
 - State: 1,101.359 millions VND
 - Entrepreneur: 68.500 millions VND
- Implementing agencies: related ministries and organization, business associations BDS providing organizations,

V. PROPOSALS

- To strengthen the capacity of Industrial Promotion Centers and supervising authorities to improve training programs
- To develop the industrial based SME cluster
- To help the MOIT in developing institutional capacity for the management of strategy and policy coordination for rural industry development at all level
- To establish a business information system
- To improve the linkages in the value chain of handicraft and food processing products
- ...

What is follow up activities

- Desiring:
 - * To be invited to the seminars regarding to SME development and so on
 - * To take part in some projects regarding to SME development
- Contribution:
 - * Labor force through the networking over the country
 - * Financial support

THANK YOU VERY MUCH FOR YOUR
ATTENTION AND COMMENT!

Q & A