

FACILITATING SME: THE CHINESE PERSPECTIVE

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AGENDA

- Definition of SME and GMS of China
- SME: GMS of China
- SME Facilitation: Time Line & Framework
- New Development in GMS of China
- Opportunity for Regional Cooperation

SME IN CHINA: DEFINITION

Industry	Medium	Small	Micro
Agriculture	200 million > sales >= 5 million	500,000 <= sales < 5 million	sales < 500,000
Manufacturing	1000 > employee >= 300 or 400 million > sales >= 20 million	300 > employee >= 20 or 20 million > sales >= 3 million	employee < 20 or sales < 3 million
Construction	800 million > sales >= 50 million or 800 million > assets >= 60 million	50 million > sales >= 3 million or 60 million > assets >= 3 million	sales < 3 million or assets < 3 million
Whole Sale	200 > employee >= 20 or 400 million > sales >= 50 million	20 > employee >= 5 or 50 million > sales >= 10 million	employee < 5 or sales < 10 million
Retailing	300 > employee >= 50 or 200 million > sales >= 5 million	50 > employee >= 10 or 5 million > sales >= 1 million	employee < 10 or sales < 1 million
Transportation	1000 > employee >= 300 or 300 million > sales >= 30 million	300 > employee >= 20 or 30 million > sales >= 2 million	employee < 20 or sales < 2 million
Storage	300 > employee >= 50 or 200 million > sales >= 5 million	50 > employee >= 10 or 5 million > sales >= 1 million	employee < 10 or sales < 1 million
Post	1,000 > employee >= 300 or 300 million > sales >= 20 million	300 > employee >= 20 or 20 million > sales >= 1 million	employee < 20 or sales < 1 million
Hotel	300 > employee >= 100 or 100 million > sales >= 20 million	100 > employee >= 10 or 20 million > sales >= 1 million	employee < 10 or sales < 1 million
F&B	300 > employee >= 100 or 100 million > sales >= 20 million	100 > employee >= 10 or 20 million > sales >= 1 million	employee < 10 or sales < 1 million
Telecom service	2000 > employee >= 100 or 1000 million > sales >= 10 million	100 > employee >= 10 or 10 million > sales >= 0.5 million	employee < 10 or sales < 0.5 million
Information	300 > employee >= 100 or 100 million > sales >= 10 million	100 > employee >= 10 or 10 million > sales >= 1 million	employee < 10 or sales < 1 million
Real Estate	2000 million > sales >= 10 million or 100 million > assets >= 50 million	10 million > sales >= 1 million or 50 million > assets >= 20 million	sales < 1 million or assets < 20 million
Property Management	1,000 > employee >= 300 or 50 million > sales >= 10 million	300 > employee >= 100 or 10 million > sales >= 5 million	employee < 100 or sales < 5 million
Lease & business service	300 > employee >= 100 or 1200 million > assets >= 80 million	100 > employee >= 10 or 80 million > assets >= 1 million	employee < 10 or assets < 1 million
Others	300 > employee >= 100	100 > employee >= 10	employee < 10

Source: Ministry of Industry and Information Technology 2011

GREAT MEKONG SUBREGION IN CHINA

GMS in China covers 2 provincial units: Yunnan & Guangxi



Source: Statistical Bureau of China 2012

Indicator (2012)	Yunnan (% of China)	Guangxi (% of China)
Population (million)	47 (3.5%*)	52 (3.9%)
Area (1000 sq km)	390 (4%)	237 (2.5%)
GDP (billion Yuan)	1031 (2%)	1303 (2.5%)
GDP Growth (%)	13% (166%)	11% (141%)
GDP p.c. (Yuan)	22195 (58%)	27943 (73%)
Industry (billion Yuan)	345 (1.7%)	536 (2.7%)
Retailing (billion Yuan)	354 (1.7%)	447 (2.1%)
Export (billion \$)	10 (0.5%)	15.5 (0.8%)
Rural Net Income (Yuan)	5417 (68%)	6008 (76%)
Urban Income (Yuan)	21075 (86%)	21243 (86%)

SME IN CHINA: SITUATION

Share of SME in China, Yunnan & Guangxi

Indicator	China	Yunnan	Guangxi
Number*	99% (42 mil)	99%	99%
Urban Employment	80%	70%	50%
GDP	60%	42%	33%
Tax	50%	42%	35%
Innovation	65% Patent 85% new products	50% famous brand	80% Patent 70% famous brand
Export	70%	72%	70%

*including "individual owned business" 个体工商户, which is run by a natural person or a family instead of a registered company

Source: SME Yearbook of China 2011 & author's estimation

SME POLICY IN TIMELINE

Year	Name	Summary
2003 NPC	中小企业促进法 Law of SME Promotion	Promotion through financial support, support for new ventures, technological innovation, market development, social service
2005 SC	鼓励支持和引导个体私营等非公有制经济发展的若干意见 Opinions on Encouraging & Guiding Development of Individually Owned & Private Economy	Entry permission, fiscal & financial support & social service for private enterprises
2009 SC	关于进一步促进中小企业发展的若干意见 Opinions on Further Promoting SMEs	Policy environment, financial & fiscal policy, technology renovation and structural reform, market & management development, public service
2010 SC	鼓励和引导民间投资健康发展的若干意见 Opinions on Encouraging & Guiding the Healthy Development of Private Investment	Entry of private investment into infrastructure, basic industry (e.g. oil and telecom), public utility, public housing, social service (e.g. medicine, education & culture), finance, commerce, defense.
2011 MITT	中小企业划型标准规定 Standard for SMEs	Definition of SMEs in various industries which expand the scope of small & micro enterprises
2011 MITT	中小企业十二五规划 The 12th 5 Year Plan for SME Development (2011 - 2015)	Achievement & challenge, Objective & main task, Key project and measures for SME development 2011-2015
2012 SC	关于进一步支持小型微型企业健康发展的意见 Opinions on Further Supporting Healthy Development of Small & Micro Enterprises	Fiscal & financial policy, technology renovation and structural reform, market & management development, cluster development, public service,
2013 MITT	关于开展扶助小微企业专项行动的通知 Notice on Special Actions to Assist Small & Micro Enterprises	Objectives & policies to promote small and micro enterprises which are "new venture", "innovative" and "labor intensive"

MITT: Ministry of Industry & Information Technology, NPC: National People's Council, SC: State Council

POLICY FRAMEWORK (I)

Policy	Content
Fiscal	<p>Enterprise Income Tax (EIT): 20% for SME, 50% of taxable income (firms income <30,000)</p> <p>Increase the threshold of taxable revenue for business tax and VAT</p> <p>Special SME Funds 14.1 billion for 2012</p> <p>SME Development Fund: 15 billion total in 5 years starting from 2012</p> <p>Government procurement: 18% for small & micro enterprises</p> <p>Reduction of administrative fees for SMEs</p>
Financial	<p>Monetary policy on growth and amount of loan to SMEs, and related reserve ratio, NPL</p> <p>Small financial institutions for small & micro enterprises</p> <p>New instrument e.g. "composite bond", "business district loan" "supply chain loan" "factoring"</p> <p>New collateral e.g. a/c receivable, shares, IP right, warehouse receipt, lease right</p> <p>Credit guarantee and insurance service for SMEs</p> <p>Standard on fees for financial service to SMEs</p>
Innovation & Reform	<p>Technical renovation for new materials, machines & technology</p> <p>R&D expense extra tax reduction, open R&D facilities, IT application</p> <p>Creation, utilization, protection & management of IT</p> <p>Technology incubator for new ventures</p> <p>Expand areas for private investment: education, social welfare, technology, tourism & commerce</p> <p>Eliminate capacities with pollution, high energy & resource consumption</p>

Source: SC 2012 "Opinions on Further Supporting Healthy Development of Small & Micro Enterprises"

POLICY FRAMEWORK (II)

Policy	Content
Market Development	<p>Encourage e-commerce, international exhibition & Joint purchase and delivery</p> <p>Improve Customs passthrough convenience for SMEs</p> <p>Simplify procedure for selling in domestic market for export processing firms</p>
Management Development	<p>Enhance management of accounting, safety, energy saving, environment protection & staffing</p> <p>Improve QA and compliment with national & international standard</p> <p>HR development: training of managers, entrepreneurs, technical specialists</p> <p>Subsidy for university graduates to start new venture or work in small or micro enterprises</p>
SME Clusters	<p>Land & rent subsidy for base of new venture, technology incubator, & commercial clusters</p> <p>Infrastructure & service platform of technology, e-commerce, logistic & information</p>
Public Service	<p>Public service platform for policy enquiry, venture & innovation, investment & finance, management clinic, IP, testing, HR, marketing, accounting, IT etc.</p> <p>Survey and monitoring of SMEs</p>

Source: SC 2012 "Opinions on Further Supporting Healthy Development of Small & Micro Enterprises"

SPECIAL FUND & DEVELOPMENT FUND

Special Fund 2013	
Category	Details
SME Structure Reform & Optimization	Manufacturing Capability R&D Capability IT Application Specialization Strategic New Industry Environment Protection Safety Patent
Service for SME	Base for New Small Venture Business Service for SME Venture & Innovation Service Subsidy for SME Expo Professional Manager Development

Development Fund	
Central budget 15 billion in 5 years starting from 2012	Supporting early stage micro and small enterprises together with funds from local government, donation, and VC

NEW DEVELOPMENT IN YUNNAN

Private Economy by 2016 GDP 900 billion (50%) Tax 100 billion	Policy	Content
	Fiscal	Special fund for private economy 200 million in 2102 30% of government procurement from SMEs, (18% from small & micro)
	Financial	50% of new loan for SME development Pilot project with 3000 micro enterprises without collateral Bank loan with government procurement contract as collateral
	Innovation & Reform	20% subsidy first key equipment of advanced technology Entry permission into project in border and ethnic minority area
	Market Development	Encourage SME participate exhibition and invest abroad Participation in board economic zone Improve Customs passthrough convenience for SMEs
	Management Development	HR support to SME by encouraging new ventures by specialists, civil servants and university graduates
	SME Clusters	Base for ventures Enterprise cluster with logistic, processing & testing facilities in center of agricultural products
	Public Service	30 SME service platform in key cities by 2014 with investment of 150 million Simplify and speed up registration & approval procedure

NEW DEVELOPMENT IN GUANGXI

Upgrade Small	10000 sales > 200 mil by 2015
Support Micro	100,000 by 2015

Investment by investor
Fiscal subsidy
Tax rebate
Bank loan
Fee Reduction
Government Assistance

Policy	Content
Fiscal	6%-10% price advantage for government procurement business tax starting point raised to 20,000 yuan
Financial	Private loan guarantee service, leasing 500 micro credit firm, accumulated loan 150 billion by 2015 Subsidy for loan guarantee
Innovation & Reform	Interest subsidy for SME in new technology Promote labor intensive, environment friendly micro enterprises
Market Development	Subsidy for international market development 42 million in 2012
Management Development	Subsidy for university graduates in small or micro enterprises
SME Clusters	100 base for ventures Standard factory for small & micro enterprises
Public Service	SME service center in 14 cities

COOPERATION IN GMS

Platform of Cooperation	Media for dialogue & business matching
Areas of Cooperation	Identify the key products & industry
Level of Cooperation	From trade to investment, R&D SME parks
Environment of Cooperation	Coordination of policy to facilitate trade & investment