

SME LAWS

IN SOME SELECTED COUNTRIES

AND IMPLICATIONS TO VIETNAM



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Hanoi, February 2016

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- Economica Vietnam -

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1. Background

Healthy levels of private investment will continue to be essential to achieve the 7%–8% economic annual growth rate and the 8 million new jobs targeted under Viet Nam's Socio-economic Development Strategy, 2011–2020. Increasingly, such contribution is expected to come from the domestic private sector, which is largely composed of SMEs. Since the implementation of the Enterprise Law, 2005, the Government of Viet Nam has greatly assisted the development of SMEs with the establishment of a regulatory framework conducive to private enterprise. As a result, by the end of 2010, nearly 550,000 enterprises were registered in Viet Nam, up from 14,500 in 2000. SMEs represented 97% of the country's total number of firms and 46% of gross domestic product. The domestic private sector accounted for 59% of total employment in 2010, up from 29% in 2000. The growth in the number of private companies has been followed by sustained increases in the average dimension and productivity of the firms. From 2000 to 2010, the average capital per firm has increased six-fold, and the average net revenue per employee has tripled. However, the average SME size remains quite small at 22 employees per enterprise and average capital of D17.6 billion. The contribution of SMEs to tax revenue is increasingly important. By the end of 2010, of the 336,000 enterprises paying taxes in Viet Nam, 318,000 were private enterprises, 13,000 were foreign-owned enterprises, and about 5,000 were state-owned enterprises (SOEs).

Despite recent progress, SMEs' potential to generate economic growth and create employment opportunities is still largely untapped. This stems from a combination of factors, including limited access to finance, an incomplete regulatory and competition policy framework for SME development, and inefficient access to legal services.

In recent years, Vietnam is stepping up the efforts to create an enabling environment for SMEs and have formulated different programmes and initiative in support of SME. The Government has adopted different measures to support SME, e.g. Resolution No. 19 on Improving Business Environment, SME Development Plan 2011-2015, etc. Especially, efforts are being made to introduce the first-ever SME Support Law in Vietnam.

Towards these objectives, this report aim at providing advice on the best international experiences on Regulatory framework for SMEs specifically on the role of SME Laws in other countries and evaluate the implications to and the need for an SME development law in Viet Nam and its role in the current regulatory framework.

The report is compiled by a team of experts of Economica Vietnam, including Le Duy Binh, Nguyen Kieu Dung and Truong Duc Trong. It aims at providing a quick review of regulations related to SME support in some other countries and implications to Vietnam. As a quick review, the report can only provide a rapid description of the regulations and support measures in the regulations and a brief discussions on the implications to Vietnam.

2. JAPAN

Japan has a long legal history of promoting the SMEs development. *The Law on the Cooperative Association of SMEs* was enacted in 1949 with the purpose of correcting the social and economical disadvantages of SMEs and of uplifting their social status.

During first stage of the high growth period, (1955-1962), however, large-scale enterprises and SMEs went with two different paces of growth to very different levels of productivity, wages, technology and financing ability. Thus arguments began to prevail on the "Dual Industrial Structure" of advanced large-scale enterprises and delayed SMEs. *The Law on Financial Assistance for Promoting SMEs* was passed in 1956 to support improvement in productivity by applying modern equipment. Municipal governments began to loan under the Law such kind of funds as were necessary for modernizing equipment. In 1957, *the Law Concerning the Organization of SMEs Organizations* was introduced in order to strengthen SME organizations and to establish a organization which adjusts business activities. Another important legal document, *the SME Guidance Law (1963)*, was enacted to prepare a systematic and efficient scheme of guidance for the rationalization of management and improvement in technology for SMEs, whereby municipal governments can plan and efficiently undertake the guidance.

1.1. Small and Medium Enterprise Basic Law

The *SMEs Basic Law* was firstly promulgated in 1963, during the second stage of the High Growth Period (1963-1972), for the purpose: (i) eliminating SMEs disadvantages derived from economical and social restrictions, (ii) supporting their self-help efforts, (iii) improving their productivity and trading conditions to rectify the dual-structured gap, and (iv) serving to improve the social status of their employees. The SME Basic Law stipulates general descriptions of SMEs overruling the precedents. It shows a basic idea of measures for SMEs. And then specific measures are decided and implemented under the SME Basic Law.

The first Article of the basic law stated as the follows:

“The purpose of this Law is to promote in a comprehensive manner measures for small and medium enterprises (hereinafter referred to as “SMEs”) by establishing the basic principles, basic policies and other basic matters relating to measures for SMEs and clarifying the responsibilities, etc. of the State and of local public entities, so as to contribute to the sound development of the national economy and improvement in the quality of life of the people”.

The basic measures included clauses on: (i) *Promoting business innovation and start-ups and promoting creative business activity among SMEs;* (ii) *Strengthening the business fundamentals of SMEs by facilitating the acquisition of business resources by SMEs and improving the fairness of transactions involving SMEs, etc.;* (iii) *Smoothing adaptation to changes in the economic or social environments by promoting the business stability and facilitating the business conversion of SMEs in response to such changes, etc.;* (iv) *Facilitating the financing of SMEs and enhancing the equity capital of SMEs.*

Japan has a very sophisticated and continuously improved SMEs laws system. *The Basic Laws* does not therefore play the role of a “Mother” law for all SMEs-related laws and regulations, though it is used as a framework for many legal policies and documents. Part 1.2 presents some other key laws affecting this sector along historical development of this kind of enterprises.

1.2. Other SMEs-related laws

Japanese SMEs laws and regulations can be categorized into four groups:

- Management support
- Financial support
- Fiscal support
- Commerce and regional support

1.2.1. High Growth period (1963-1972)

The following are some other important laws being effective during the High Growth Period. Most of them were promulgated in 1963, the year introducing *the SMEs Basis Law*.

- *The SME Modernization Promotion Law (1963)*. The law is enacted in order to promote upgrading of the industrial structure by improving the productivity of SMEs.
- *The Law on Financial and Other Assistance for Small Business Modernization (1963)*. was promulgated in order to promote upgrading of SME structure and modernization of their equipment. This law facilitates the promotion of upgrading industrial structure (joint business, grouping of factories or stores) when such business is carried out in the form of a cooperative.
- *The Small Business Investment Company Limited Law (1963)*. The law was enacted in response to the needs for a system to assist small and medium enterprises which faced difficulty in obtaining funds from the open stock market by injecting long-term public capital.

1.2.2. The first stage of Transition Period (1985-1999)

There is no highly influential law enacted during the Stable Growth Period (1973-1984). However from 1985 on, Japan went to the first state of the Transition Period, experiencing a drastic yen revaluation and depression. The yen revaluation damaged and spoiled the competitiveness of particular types of industry and particular regions where such industries agglomerated.

- *The Temporary Law concerning Measures for Changing Business for SMEs*. It was enacted in 1986, in order to specify type of industry for SMEs and to help convert businesses.

- *The Temporary Law concerning Measures for SMEs of Specific Regions.* It was also introduced, in order to promote the conversion of businesses of SMEs in specific regions heavily influenced by the economic depression and yen revaluation.
- *The Temporary Law Concerning Measures for the Promotion of the Creative Business Activities of SMEs.* It was enacted in 1995 in order to promote start-ups and starting new business of SMEs in such circumstances.
- *The Law on Supporting Business Innovation of SMEs.* During 1980s and 1990s, the environment surrounding SMEs in Japan has undergone many major changes, as a result of the increasingly intense competition, progress in Information Technology, and other factors in the global economy. The new law on innovation was introduced in 1999, replacing the Promotion Law (1963), in order to strengthen support for business innovation.

1.2.3. The second stage of Transition Period (1999-present)

The general perception of the origin *SMEs Basic Law(1963)* was that; i) they were small in size and large in number, ii) they were old-fashioned and undifferentiated, and iii) small businesses were particularly weak, and thus required special social policies. With such an understanding, conventional SME policies had been basically aimed at rectifying the gaps between SMEs and large enterprises. The core points of the policies were “to remedy disadvantages in business activities” as steps to modernize SMEs by each type of industry.

However, the environment surrounding SMEs has undergone various changes, such as the growth and maturation of the economy, the diversification of consumer needs, the IT Revolution, and the progress of globalization. In this circumstance, the Japanese government fundamentally revised and restructured conventional SME policies including *the Basic Law* in the so-called “*SMEs Diet*” in December, 1999. *The new Basic Law*, which is based on a new philosophy of promoting diverse and vigorous growth and the development of independent SMEs, rather than rectifying the gaps, presents three key factors for SME policies. They are: (i) promoting business innovation and new business start-ups; (ii) strengthening the management base of SMEs; and (iii) facilitating adaptation to economic and social changes.

The *SME Basic Law* was important in that it stipulated general descriptions of SMEs and consolidated in a single document all preceding laws. Until the end of 1999, the Japanese government based its SME policies on the SME Basic Law. The premise is that SMEs are small in size but large in number, old-fashioned and undifferentiated, and particularly weak. Consequently, conventional SME policies has been basically aimed at closing the gap between SMEs and large enterprises through pursuing the scale merit of SMEs while developing a uniform modernization policy for each industry. With entry to the new millennium, fundamental revision of the SME policy framework occurred, along with the revision of the SME Basic Law. The main point is to treat SMEs as the source of entrepreneurship, innovation and job creation. Differences of the old and new Japanese SME Basic Law are presented in Table 1.

Table 1 Summary of Basic Differences Regarding Japanese SME Basic Law

	Previews SME Basic Law	New SME Basic Law
Policy Concept	Rectify the Gap Between LE & SME in terms of productivity	Developing a wide range of independent SMEs for greater economic vitality <ul style="list-style-type: none"> ➢ Creation of new businesses ➢ Promotion of market competition ➢ Increase of attractive job opportunities ➢ Vitalization of regional economy
Policy System	Upgrading/Improving Productivity <ul style="list-style-type: none"> ➢ Improving Trading Conditions ➢ Finance & Taxation 	<ul style="list-style-type: none"> ➢ Supporting self-help for ambitious enterprises: ➢ Strengthening of Management Base ➢ Facilitating apt responses by enterprise for abrupt environmental change (Providing Necessary Safety Net), facilitating change of business, provision of mutual relief system & legal system of bankruptcy ➢ Finance & Taxation (i.e. establishing various ways to supply fund including direct financing)

Source: Small and Medium Enterprise Agency (www.sme.ne.jp/policies02_kaiseigaiyo/kaiseigaiyo.html)

1.3. Lessons learnt and implications for Vietnam

Depending on the change of economic and social conditions, Japan conducts relevant SMEs laws for promoting the businesses development. The legislation depends on the governmental management ability, the goals of the nation, and human and capital resources. The country has a very sophisticated and continuously improved SMEs laws system. *The SME Basic Laws* does not play the role of a “Mother” law for all SMEs-related laws and regulations, though it is used as a framework for many legal policies and documents.

The *SME Basic Law* was important in that it stipulated general descriptions of SMEs and consolidated in a single document all preceding laws. Until the end of 1999, the Japanese government based its SME policies on the *SME Basic Law*. However, as the philosophy for SMEs development changed by the beginning of the new millennium, the *SME Basic Law* was also undergone a fundamental revision. The Japan *SMEs basic law* provides a well framework for the basis laws of other countries such as those in the ASEAN group. It now emphasizes on business innovation and start-ups and creative business activities, facilitating the acquisition of business resources, improving the fairness of transactions, promoting business stability and facilitating the business conversion, facilitating the financing and enhancing the equity capital of SMEs.

Nearly the same time of the enactment of *the Basic Laws*, Japan introduces some other important laws including *Modernization Promotion Law*, the *Law on Financial and Other Assistance for SMEs*, and the *Law on the Small Business Investment Co. Ltd.* which provide measurements on modernization promotion and financial issues. These actions strengthen Japanese SMEs legal system in order to meet the requirements of the economy’s high growth period.

The economic conditions of Vietnam at the moment is similar to those Japan faced with in the early second stage of High Growth Period, the time when its *SMEs Basic Law* was introduced (1963). The Vietnamese SMEs share several characteristics with their Japanese counterparts by that time: small size and large number, old-fashioned, weak and easy vulnerable, and in needing to eliminate SMEs disadvantages derived from economical and social restrictions. Therefore the demand for a basic law is a real matter to be considered. In addition, Vietnamese government could refer other SMEs laws of Japan in management, financial, fiscal, commerce and regional supports in order to build a set of instruments for promoting its own SMEs.

3. KOREAN

Korean government considers economics as one of the most important national issues and it is necessary to include the fundamental principles for each economic model and its related corporate policies in the *Constitution*. Since its first version in 1962, the *Constitution of Korean* had several contents relating to SMEs (e.g. Article 123 Section 3 urges the government to protect and promote the SMEs so as to maintain a balanced economy between the large and small businesses, and Article 123 Section 5 also addresses that the government shall help the SMEs to attain self-growth, independent activity and development).

The *Eighth Revision of the Constitution* in 1980 began to restrain the strong government intervention in the economy, which had been granted before the Revision. This Revision created new articles regulating monopoly and oligopoly markets; protecting and aiding the SMEs; sponsoring consumer protection and the like. The Eighth Revision was executed to meet the needs of the economy during the 1970s. It was necessary to fix the problems stemming from the monopoly or oligopoly market structures; to satisfy the need to enhance consumers' welfare; and to realize the limitation of the government's subsidies. Particularly, the Revision can be interpreted as an effort to embrace spirits of the *Framework Act on Small and Medium Enterprises* of 1966 by imposing a duty to protect and aid the SMEs on the government. The *Ninth Revision of the Constitution* has become the present Constitution of Korea. The constitutional intent to protect the SMEs was reinforced again in this Revision. However, protection of the SMEs in the context of this Revision is regarded as a way to accomplish the economic democracy rather than strong government intervention in the economy.

Beside some articles in the *Constitution*, Korea has certainly many SMEs related laws to regulate "the economic activities to arrange the entire domestic economy in a reasonable way." These laws are regarded as administrative laws, which support for the growth of the SMEs in the large conglomerate-oriented economy. Therefore, the SMEs-related laws have been transformed according to the change of the macroeconomic policies and the SMEs support policies.

2.1. Five Year Economic Development Plan in 1960s

In his 1956 inauguration speech, President Lee promised to support the growth of the SMEs as a basic economic policy in his administration. Thereafter, guidelines for the growth of the SMEs were issued.

The 5-Year Economic Development Plan began in 1962 and was scheduled to be completed by 1966. During the economic plan period, Korea could achieve a rapid industrial development thanks to the government's extensive support, economic benefits from the Vietnam War, and inexpensive quality labor power. However, the rapid industrial development also caused undesirable side effects - inequality of the wealth had been deepened; dependence on foreign capital and technology had increased; and economic gap between large businesses and the SMEs

had been widened. The government made various efforts in order to solve these social and economic problems during the 1960s. In terms of the SMEs, financial support was a main tool to proliferate the SMEs in the economy. Particularly, during the 1960s, two critical laws for the SMEs – the *Industrial Bank of Korea Act* and the *Basic Law for the SMEs (the Framework Act on SMEs)*; and the first term of the Economic Plan was completed and the second term was almost ended. The GDP during this period reached KRW 243,100 million - 2,130,200 million and the GNI had KRW 244,900 million - 2,155,300 million.

➤ *Framework Act on Small and Medium Enterprises (1966)*

Despite the governmental efforts, the SMEs did not seem to benefit much. The prior two laws – the *Industrial Bank of Korea Act* and the *Small and Medium Enterprise Cooperative Act* – were under criticism in that the legislative aid were given only to the electrical communication industry. It was needed therefore to set up basic principles on economic policies for the SMEs in order to effectively aid the growth of the SMEs. Consequently, the *Framework Act on Small and Medium Enterprises* was passed in 1966. In addition, *SMEs Credit Guarantee Act* of 1967 was enacted.

The Framework Act on SMEs of 1966 (also known as ‘*SMEs Act of 1966*’) provides the basic principles of economic policies for the SMEs. Prior to the Act, the government policies for the SMEs had been no more than administrative orders, not legislations.

Since the late 1960s, the Korea’s economic status has substantially changed. The size of economy was significantly increased and the gap between the large firms and the SMEs was considerably widened. Especially, the halt of foreign subsidies led to the need for well-framed and well-structured economic policies for the SMEs to accomplish the economic independence. Recognizing those economic environments, the National Parliament passed the *SMEs Act* in 1966, which was expected to build a ground law.

2.2. Legislating for the protection of the SMEs (1970s – 1980s)

During the 1970s, the government’s industrial policy was mainly on the heavy chemical industry drive. It was needed to build a vertical relationship effectively between the large firms and the SMEs. Moreover, it was in the 1970s that the government began to take into account policy tools in order to reducing the gaps in various aspects between the large firms and the SMEs.

During the 1980s, the world economy – high oil price, high interest rate and high US dollar value – did not help the heavy chemical industry drive. So, the policy on the heavy chemical drive was set back and the policy on the balanced industrial development was getting support. Two laws were enacted during this period – the *Fair Transactions in Subcontracting Act* of 1984 and the *Support for SME Establishment Act* of 1986.

Some other important laws promulgated during this period include:

- *Credit Guarantee Fund Act of (1974)*. The Act was enacted to meet the needs of capital for the SMEs. The Act, inter alia, made it possible for the SMEs with insufficient collaterals or the SMEs satisfying the requirements of the Act to secure capital.
- *Promotion of Alliance between Framework Act on SMEs (1975)*. The need for an effective vertical relationship between large firms and the SMEs had already been raised during the 1960s. It was also expected that effective vertical structure in each industry would be built without hindrances, but it didn't work out as expected. The Act was passed to achieve an operational vertical structure in each industry.
- *SMEs Promotion Act (1981)*. A vertical structure sponsored by the Promotion of Alliance between Framework Act on Small and Medium Enterprises was not successful because of the resistance of large firms. The government passed the 'Small and Medium Enterprises Promotion Act' and set up 'Small and Medium Enterprises Corporation.' as an alternative effort. This Act was repealed by the Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products Act in 1981.
- *The Facilitation of Purchase of SME- Manufactured Products Act*. After the 1970s, the economic development of Korea was accelerated thanks to the successful industrial policy driven by the government. However, in spite of continuous support for the SMEs, the results were not very satisfactory. The government, faced with harsh attack on the SMEs policies, took a balanced approach to the industrial plans and policies. It set forth '10-year Plan for the SMEs Growth' in 1981 and the Facilitation of Purchase of SMEs-Manufactured Products Act was passed.
- *Support for SME Establishment Act*. Various tools had been employed to aid the SMEs but the benefits therefrom had been given only to the existing SMEs. The startups were often excluded from the governmental subsidies. Therefore, in order to provide aid for the startups, the Act was introduced.

2.3. Change of International Trade Environment (late 1980s – mid 1990s)

Rapidly changes in international trade environment such as increasing pressure from trading partner countries and the trend of free trade compelled the government to raise concern about the competitiveness of the SMEs. To make more SMEs sustain under the changing economic environment, the government has driven the SMEs from lower value added industries or labor intensive industries to high value added industries or technology intensive industries.

The main theme of the 1990s policy was to make the market to be 'self-regulation and competition' rather than 'protection and aid,' which had been sought after during the 1970s and 1980s. Such a change in policy direction resulted in the opening of the domestic market to foreign competitors. Accordingly, strong foreign competitors started wiping out the domestic market and many SMEs helplessly shut their businesses. Again, the SMEs asked the government for assistance. Following are some SMEs related laws enacted during this period.

- *Act on Special Measure for the Promotion of Managerial Stability and Structural Adjustment for SMEs:* Although Korea was enjoying the economic boom, opening the market had made the SMEs confronting intense competition with foreign firms. Many of the SMEs were considering the need for restructuring so that they could survive in the competition. The government, responding to the need for restructuring, set forth the Act on Special Measure for the Promotion of Managerial Stability in 1989.
- *Balanced Regional Development and Support for Local Framework Act on SMEs:*The Act aimed at pursuing the balanced development by enhancing economic support for the local economy and providing aid for the SMEs located in the local economy. The economic development in local area by aiding the SMEs therein was expected to bring in more people and invigorate the local economy.
- *Promotion of SMEs and Encouragement of Purchase of their Products Act:*Most of economic aid was given to large business conglomerates due to the industrial policy. The SMEs, not fully benefitted from the government aid, could not but be in a disadvantageous position against the international competitiveness. Particularly, the Uruguay Round in 1993 accelerated the economic globalization. Concerns over the SMEs under the harsh economic environment were deepened. The Act was enacted to help the SMEs under harsh competition to secure distribution channels and sufficient demands for their goods and services.
- *Act on Special Measure for Supporting the Structural Improvement and Managerial Stabilization of SME:*This Act was to provide aid for the SMEs confronted with harsh global competition which was accelerated after the Uruguay Round in 1993. The government thought that it was necessary for the SMEs to restructure in order to fit in the rapidly changing economic environment.

2.4. Balanced Development of Intersectoral after Financial Crisis (Late 1990s – Early 2000s)

After the financial crisis in 1997, the structural reform has been propelled in the fields of corporate, financial, labor, and public sectors. There is no exception even for SMEs when it comes to deal with insolvent companies. But, through enhancing the role of institutional investors and fostering credit guarantee, policies to ensure the stable management of SMEs were also carried out. After experiencing the financial crisis, policies to promote a sound financial system and improve the financial safety net were also propelled. It results to some important laws:

- *Act on Special Measures for Support to Small Enterprises and Small Commercial and Industrial Businessmen (1997).*This Act set up the small business promotion fund account in ‘Small Business and Entrepreneurship Promotion Fund’ to support the growth of small businesses. The resources of the fund account consisted of the government contribution and lottery proceeds allocated according to the ‘lottery and lottery fund’. The small business promotion fund account was used to finance small business, restructure and transform overcrowded sector’s business, and support shopping malls and

traditional markets based on ‘Special Act on Fostering Traditional Markets and Shopping Centers’.

- *Act on the Promotion of Technology Innovation of SMEs (2001)*. Technological innovation by small business activities in the field of telecommunication led to the growth of the world economy with venture craze in 1990s. Due to the liberal policy in the world market, all companies were faced with intense technological competition. However, the competitiveness of the SMEs in Korea was not enhanced in spite of incessant policy supporting the SMEs. It was required to restructure the SMEs adhering to traditional production methods into high technology ventures by upgrading quality of information, technology, and knowledge of the SMEs.
- *Act on Special Measures for the Structural Improvement of SMEs and Vitalization of Customary Markets (2002)*. After the financial crisis in 1997, the gap between large and small firms in profitability, wages, and innovation capabilities had been widened. Also, the polarization in the industry had been worsened in parallel with the polarization of local business and distribution industry. Thus, it was required to ensure a stable management, facilitate the improvement of the SME management structure, and enhance the environment of the local business through vitalizing traditional markets.

2.5. Trend of Functional Legislation of SME Laws (2000s-)

Since 2000s, the main legislative policy for the SMEs had been intended to put a new growth engine for global competitiveness and job creation. Policies to support the supply of SME’s workforce and to protect the commercial area of traditional markets were the good examples. Also, the government had tried to lay the groundwork for promoting collaboration between large enterprises and small-medium enterprises to level up the national competitiveness.

- *Special Act on Support for Human Resources of SMEs (2003)*. Although the unemployment rate of young people increased during the 2000s, the SMEs still had difficulties in employing qualified people. The reason was that the gap between the expected wage and the real wage existed in the SME labor market. As a result, the SMEs that failed to hire domestic workers were alternatively employing foreign laborers. Thus, it was necessary to take a special measure to relieve the SMEs of the shortage of labor force.
- *Special Act on the Promotion of Business Conversion in SMEs (2006)*. In the 2000s, as the gap between large and small businesses was getting wider, the government continually promoted financing, technology, and labor supply for the SMEs. As most of the SMEs had failed to restore their competitiveness, the government’s ongoing efforts to enhance the competitiveness of the SMEs resulted in the enactment of the Act and ‘Act on the Promotion of Collaborative Cooperation between Large and Small-Small-Medium Enterprises’.
- *Act on the Promotion of Collaborative Cooperation between Large Enterprises and SMEs*. In the 1990s, the competitiveness gap between large and small businesses expanded despite the government policies after the financial crisis. In order to solve these problems, since the 2000s, the relationship between large and small businesses had to be

switched from competition to a win-win relationship because just getting support would not enable the SMEs to compete with large companies.

Thanks to government's intensive policy efforts, SMEs began to recover their growth momentum and made a significant progress. The following table reflects the growth of Korean large firms and SMEs in respond to the changes of SMEs basic law.

Table 2 Summary of Basic Differences Regarding SME Basic Law

	1963	1973	1980	1990	2000
Number of Establishments:					
Large firms	237 (1.3)	1,037 (4.5)	1,044 (3.4)	1,193 (1.7)	731 (0.7)
SMEs	18,073 (98.7)	22,256 (95.5)	29,779 (96.9)	67,679 (98.3)	97,379 (99.3)
Number of Workers (in thousands):					
Large firms	135 (33.6)	701 (60.6)	1,015 (50.4)	1,156 (38.3)	690 (26.0)
SMEs	267 (66.4)	457 (39.4)	1,000 (49.6)	1,864 (61.7)	1,963 (74.0)
Value Added (percentage):					
Large Firms	47.2	72.8	64.8	55.7	49.8
SMEs	52.8	27.2	35.2	44.3	50.2

Source: Small and Medium Business Administration, Statistics on Small and Medium Enterprises, Various Issues.

Note: Figures in parenthesis are percentages.

2.6. Lesson learnt and implications for Vietnam

The Korean model of industrialization is often described as “large-scale enterprise-oriented development model”. As a result, the large scale firms grew faster than SMEs until the 1970s. The government recognized the gap between the development of large businesses and SMEs and made efforts on reducing it. The earliest commitment of the government on SMEs development is the inauguration speech of President Lee, in which he promised to support the growth of the SMEs as a basic economic policy in his administration, Thereafter, guidelines for the growth of the SMEs were issued.

One of the most important attempts is incorporating SMEs related issues into the *Constitution* since the earliest version of the document and then. SMEs related laws also change in order to reflect the alternation of economic conditions. For example, the Eight Revision of the *Constitution* includes articles on protecting and promoting SMEs in order to balance economy between the large and small businesses, restricting of strong governmental intervention, regulating monopoly and oligopoly markets. However, the Nine Revision considers protection of the SMEs as a way to accomplish the economic democracy rather than strong government intervention in the economy. Beside some articles in the *Constitution*, Korea has certainly many SMEs related administrative laws in order to regulate “the economic activities to arrange the entire domestic economy in a reasonable way”. Like Japan, Korea has an abundant and sophisticated SMEs law system. Many laws have been enacted or revised adapting to the changes of the economic environment.

The economic conditions for the introduction of the Korean SMEs basic law (*SMEs Act*) in 1960s are similar to those of Vietnam currently: the size of economy was significantly increased and the gap between the large firms and the SMEs was considerably widened. Especially, the halt of foreign subsidies led to the need for well-framed and well-structured economic policies for the SMEs to accomplish the economic independence. Recognizing those economic environments, the National Parliament passed the *SMEs Act* in 1966, which was expected to build a ground law. At the moment, Vietnam is classified into the lower-middle-income economies group by the World Bank and on the way to be an upper-middle-income nation. Many foreign aid funds are going to reduce or withdraw from the country. It is the time for a basic law and its under-laws document to be presented in order to meet the demands of SMEs community.

On the other hand, the Korean government has made serious efforts to promote SMEs through various support programs beginning in the early 1980s. Thanks to government's intensive policy efforts SMEs began to recover their growth momentum and made a significant progress thereafter.

4. THAILAND

2.7. SMEs laws system

Needs of a *SME Promotion Act* had been discussed for years. The Thai *SME basic law* consisted of 48 articles was enacted in February 6, 2000 as part of economic reconstruction policy in the wake of economic crisis in 1997. Current SME promotion policies are developed under this basic law. The law established the important matters such as responsibility for SME measure (establishment of a board) and clarification of tasks, its virtual responsibility (establishment of an executive board), establishment of project implementing organization (the Office of SMEs Promotion, OSMEP), clarification of concrete responsibility, establishment of SME fund and establishment of SME promotion plan being a must for SME promotion.

Concerning SME's activities, there are not only laws targeting only SMEs but also industries promotion laws. Therefore SME related laws cover a broad range as listed below, (based on provision from expert who is in charge of laws in the OSMEP).

- *SME Bank Act, 2002.* The Act provides for establishment of SME Development Bank of Thailand. Objectives of Bank are to develop, promote and support establishment, operation, expansion and improvement of SMEs by granting loans, providing security guarantees, making joint investments, and providing advice and other services.
- *Small Industry Finance Corporation Act, 2001.* The Small Industry Finance Corporation (SIFC) was established by the Act of Parliament in 1991 in order to increase the capacity of small industries in playing an important role in the economic and social development of the country through extension of long-term credit for the establishment of new business, expansion of existing business and for business improvement. It currently operates 2 provincial branches. On 20 December 2002, SIFC was re-established as the Small and Medium Enterprise Development Bank of Thailand or "SME Bank".
- *Small Industry Credit Guarantee Corporation Act, 2001.* The Act established the corporation to enable collateral-short but viable small industries to obtain more loans from financial institutions, to increase credit extensions form financial institutions, to small-scale industries (SSIs), strengthen the confidence of financial institutions, in providing to small industries, and to accelerate the dispersal of loans to SSIs.

The policies of the Thai government for SME development are embodied and articulated in various forms. These include Acts of Parliament, National Economic and Social Development Plan, and Cabinet resolutions. These, in turn, are translated into objectives, targets, strategies and action plans by the various ministries. The various instrumentalities of the government operate these plans, strategies and action plans into programs, projects and activities.

The Department of Industrial Promotion (DIP) under the Ministry of Industry acts as the leadagency of government for SMEs Promotion and development and follows the guidelines set

by the Ministry of Industry and the National Plan in elaborating its own policies to support the sector.

SME policy had been implemented as part of industrial development policies until the OSMEP established in February 2002 under the enactment of SME promotion bill. The offices in charge had ranged from the Ministry of Industry and the Ministry of Commerce to the Board of Investment. The establishment of the OSMEP made it possible to implement policy with cross-cutting concept. The base of Thai economic policy is five-year plan by the NESDB (the plan has been developed from 1960s). It's usually the case that every ministry develops the concrete policy implementation plan (practical plan) roughly in accordance with the five-year plan, setting aside the question of how much the ministry is conscious of the plan. That may be the reason why Thai ministries has a tendency to not only develop a plan but also to implement the plan and to have specific workforce. The OSMEP also has these characteristics. Not only the development of policies but also coordination of action plans, implementation of promotion activities and allocation of the budget are included in the duties of the OSMEP. Duty of the Executive Board and the SME Committee is to give final decision and directions to the OSMEP. (Promotion Plan is to be approved by the cabinet meeting.) This form of organization might be very active and effective or inactive depending on the character of the committee.

Public offices, government agencies/organizations and state enterprises which are designated to implement the Plan will have to file an operational report to the Board of Small and Medium Enterprises Promotion once a year.

2.8. Problem of the SMEs legal and policy system

It is considered that problems of the SME policy in Thailand are found more among the system rather than among the policy itself. The OSMEP is responsible for wide range of task including policy planning, implementation planning (coordination of the implementing organizations) and allocation of implementation plan (including budget allocation). This trend is one of the characteristics of Thai administrative organs, especially economic and industrial organizations such as the Ministry of Industry, the Ministry of Commerce and the Board of Investment. As a result, problems are often resolved by action-responsive way (response with decree issued by the ministries and the board rather than laws), not by creating an environment for resolution by sorting out the problems in line with legal system. It is hard to deny that this method is flexible and effective depending on the ability of acting organization and in the case the target area is small. However, it may cause the case impossible to respond when the problems is wide-range and with regional characteristics like problems about SME. In particular, it isn't sufficient to respond to regional problems with central-concentration way and it would be necessary to enhance the ability of promotion activity and improve system.

The enactment of the law (scheme, system) which links directly to the concrete measures and corresponds to the Japanese special laws for SME such as the *Advancement of SME Manufacturing Law*, the *SME New Business Activity Promotion Law*, the *Regional Industrial Cluster Invigoration Law*, the *Central City Invigoration Law*, the *Law for Promotion of*

Generalization and Efficiency of Distribution Operation, the *SME Retailing Industry Promotion Law*, the *SME Labor Power Securement Law*, the *Area Adjustment Law*, and the *Small Enterprise Support Promotion Law* does not show substantial progress. It appears to be a reality in Thailand that the matters which these laws mean are implemented if not all in a manner that corresponds to the situation. It is necessary to review if this system is enough in the aspect of effect and durability.

SME problems in Thailand have been treated in the past as one of the problems in industrial promotion. However, it would be required to clarify the allocation of roles between industrial promotion and SME promotion.

➤ **Lesson learnt implications for Vietnam**

Differ from other countries like Japan or Korea, where the SMEs basic laws were conducted during the high growth period of the economy, the Thai basic law (SME Promotion Act) was introduced as part of economic reconstruction policy in the wake of economic crisis in 1997. As for laws about SME's activities, there are not only laws targeting only SMEs but also industries promotion laws. However, after the establishment of OSMEP in 2002, SMEs policies were separated from industrial development policies.

The policies of the Thai government for SME development are articulated in various forms, including Acts of Parliament, National Economic and Social Development Plan, and Cabinet resolutions. These, in turn, are translated into objectives, targets, strategies and action plans by the various ministries. The Department of Industrial Promotion (DIP) under the Ministry of Industry acts as the leadagency of government for SMEs Promotion and development and follows the guidelines set bythe Ministry of Industry and the National Plan in elaborating its own policies to support the sector.

Most of developed and good developing countries have a specific institution responsible for SMEs related matter and Thailand is not an exception (i.e. OSMEP). The organization and functions of this institution is mentioned on the SMEs basic law. Thus, beside the enactment of the basic law, preparation for the foundation of such an institution, which is in charge of policies under the law, is also a very important job to think about. Thailand does not have many SMEs related laws, except for some involving financial activities. However, it has an abundant source of policies under the laws, projects and programs promoting SMEs, including those operating oversea. The country has a SMEs Development Institute and several graduate courses on SMEs offered by universities. The cooperation between Thailand and other countries (e.g. with Japan, Italy, France, Malaysia) in SMEs legal sector also show very effective.

In many developing countries, there is no fundamental law on SME promotion. As consequences, the role and responsibilities including budgeting of central and local governments is unclear, creating difficulties in guaranteeing long-term policies. Furthermore, in some cases, effective planning and implementation of measures for SME promotion cannot be executed due

to underdeveloped governmental institutions that support SMEs and a lack of capacity of administrative officers.

On the other hand the Thai SME policies system is not a flawless one. Its problems are found among the system structure rather than among the policies itself. Like other institutions in many countries, OSMEP is responsible for too much tasks: policy planning, implementation planning and allocation of implementation. As a result, problems are often resolved by action-responsive way, not by creating an environment for resolution by sorting out the problems in line with legal system. This way of operation causes serious problem when OSMEP deals with matter with wide-range and with regional characteristics like those about SMEs. Especially, it isn't sufficient to respond to regional problems with central-concentration way.

Furthermore, when integrating SMEs issues into industrial system, it is necessary to clarify the allocation of roles between industrial promotion and SME promotion.

5. TAIWAN

Taiwan's economic model is unique. Unlike the economies of Japan, Korean and mainland China, where large multi-national corporations dominate most of their domestic markets and external trade, Taiwan's industrial economy has long been dictated by SMEs. Taiwanese SMEs have three main characteristics; they are large in number, fast in growth, and keen on innovation. Many successful Taiwanese SMEs in the past have grown into large, internationally recognized corporations.

SMEs thrived under Taiwan's development policies. The period 1953-60 was marked by policies favoring import substitution, in which high tariffs and other measures were used to reduce the reliance of the island on foreign exchange-consuming imports. SMEs producing for local consumption flourished as a result. The policy of export promotion was introduced in 1960. Exports grew rapidly, especially in the plastics, textiles, glass cement and plywood industries, and SMEs achieved remarkable export rates. As their importance to Taiwan's economic success became ever more apparent, government created the first institutions for the assistance of SMEs (in the second half of the 1960s). In the 1970s, SMEs began producing computers and computer components.

Whilst in the early stages of Taiwan's economic development, SMEs focused on labor-intensive low-tech industries such as clothing, textiles, plastics and so on, this gradually changed, for a variety of reasons. In the 1980s, SMEs were forced to alter their production methods in order to face the challenges arising from exchange rate appreciation, wage increases, labor shortages and competition from developing countries, especially Southeast Asia and the People's Republic of China (PRC). SMEs had to move their production offshore to these countries, as many did, or to shift their focus to more high-tech value-added products, and increase productivity and marketing, use resources and technology more efficiently, and so on. These challenges intensified in the 1990s, with the new buzzwords 'globalization' and 'the new millennium' giving a sense of urgency to the need for all economic players to change. Dynamism and flexibility came to be considered as two of the most important factors in economic growth. It is exactly these factors that are strengths in SMEs, which is one reason why the support and encouragement of SMEs is so important.

The changing Industrial Structure period of Taiwan happened in the 1990s. In the early part of the period, global and regional organizations became increasingly important. Taiwan gradually lost its competitive advantage in labor-intensive products with low added value. The government was working hard to improve the investment environment and foreign technology, so as to help in the upgrading of domestic industry. The government thus enacted the *Act for Development of Small and Medium Enterprises*, in 1991 for the furtherance of sound development of SMEs by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts. For achieving the objectives of this Act, the competent authority concerned shall take appropriate assisting or encouraging measures in respect of the

following: (i) Market research and development, (ii) Furtherance of rationalization of business operations, (iii) Promotion of mutual cooperation, (iv) Acquisition and securing of production factors and technology, (v) Education and training of competent personnel, and (vi) Other matters relating to the establishment or sound development of small and medium enterprises. In addition, the government promulgated the *Statute for Small and Medium Enterprise Development*, along with the Statute for Upgrading industries and the Six-year National Development Plan. In 1997, the *SMEs Protection Clause* was incorporated into *the Constitution*, and the government began to pay more attention to the survival and development of SMEs. Similar efforts have continued to the present day, particularly in response to increased competitive pressures following Taiwan's accession to the World Trade Organization at the beginning of 2002. Public construction was stepped up, and tax incentives were used to stimulate R&D, manpower training, the automation of production and pollution prevention. SMEs gradually upgraded or transformed themselves so that they became more knowledge-intensive, technology-intensive and innovation-intensive.

It is interesting to note that the initial rise of SMEs happened 'by accident'. There were no policies for the assistance or promotion of SMEs in the initial stages of Taiwan's economic development. This contrasts strongly with the active role currently played in SME development by Taiwan's government, which set up the SMEA in the Ministry of Economic Affairs in 1981. Since then the SMEA has been actively guiding and assisting SMEs in adapting to the fast-changing economic environment. In the early 1990s, it developed its '10 Guidance Systems' for SMEs to fulfill the following functions: (i) providing credit and assisting SMEs to improve their financial structures; (ii) assisting SMEs in setting up management systems, boosting management efficiency, and human resource development; (iii) assisting in the development of new products and supporting research and development efforts; (iv) collecting information and establishing information management systems; (v) improving industrial safety; (vi) establishing or improving pollution control facilities; (vii) providing market intelligence to assist in the market expansion of SMEs; (viii) bolstering co-operation among SMEs in order to boost competitiveness; and (ix) assisting SMEs to raise the level of service and production quality.

These guidance systems are aimed at addressing the age-old problems of access to financing and lack of human resource development that SMEs face. But the SMEA also offers programs to help SMEs cope with new realities: the need for research and development, environmental controls, finding new markets, and improved quality, to satisfy the discerning First World consumer (in Taiwan as well as internationally, because Taiwan can no longer compete with other developing countries in its traditional products).

A very interesting point to note in respect of SMEs in Taiwan is that all companies, large and small, are obliged by law to form part of an association, either in terms of the sector in which they operate, or the locality in which they are situated. Thus government has an effective way of consulting with companies, and communicating information and policies. In return, companies also have an effective means of consulting government, lobbying on important issues and receiving (sector-specific) information.

Last but not least, Taiwanese business community enjoys some domestic factors which contribute to the extraordinary success of the economy and which do not present in Vietnam.

- Taiwan has an extremely active small, micro and medium enterprise (SMME) sector, resulting from a well-established culture of entrepreneurship. SMMEs export the majority of their output, since the Taiwanese market is too small to achieve economies of scale. The SMME sector in Taiwan is renowned for the ease with which these businesses can close one enterprise and start another, or adapt in response to international fluctuations.
- Taiwan's development was given early assistance in the form of aid and market access by the US. This aid was conditional on changes in government policy toward the liberalization of exchange control and trade regulations.
- Because Taiwan is lacking in natural resources, it was necessary for Taiwan to export its abundant labor in the form of value added to imported materials and components.
- Taiwan supports an ethical system that requires intellectual leaders to share their knowledge. In return they are rewarded with status. This system is markedly different from the Western practice of having respect for intellectual property rights. This system also encourages the culture of fast technological diffusion and imitation, given the low level of technological creativity among individual firms (especially SMMEs), which do not have sufficient resources to develop new technology.
- Taiwan enjoys a large-scale inflow of foreign investment and a high savings rate of over 30%, which have increased the amount of capital available to expand production capacity.

➤ **Lesson learnt and implications for Vietnam**

Unlike neighborhood countries, where large multi-national corporations dominate most of their domestic markets and external trade, Taiwan's industrial economy has long been dictated by SMEs. Taiwanese SMEs have three main characteristics; they are large in number, fast in growth, and keen on innovation. While SMEs make up similar proportions of the total number of enterprises in both Vietnam and Taiwan, their role in terms of employment, contribution to GDP, and exports, is far greater in Taiwan. In addition all Taiwanese companies regardless their size should take part in an association by laws. This provides government and companies an effective way to communicate and consult each other. Taiwanese SMEs also benefit from some domestic factors which are not available in Vietnam: extremely active business spirit, well-established culture of entrepreneurship, large-scale inflow of foreign investment and a high savings rate.

Like Korea, Taiwanese government highlights the importance of SMEs in the economy by incorporating *SMEs Protection Clause* into the *Constitution*. Furthermore, in order to help create a first-class environment in which SMEs can grow and prosper, the Small and Medium Enterprise Administration was established under the Ministry of Economic Affairs (MOEA). The Administration strives to function as a bridge for communications via which SMEs and government agencies can coordinate the making of necessary changes to laws and regulations.

The *Act for Development of Small and Medium Enterprises*, the most important law for SMEs, was promulgated in 1991, in order to respond to the changes of industrial structure, the loss of competitive advantage in labor-intensive products with low added value, and to improve the investment environment and foreign technology, so as to help in the upgrading of domestic industry.

6. PHILIPPINES

5.1. During the period 1960s

Industrial policies of Philippines after WW II have slowly but substantially changed throughout the years. From 1946 to mid-1960s, the development of the industrial sector was achieved through a conscious strategy of import substitution that catered to the domestic market. The government embarked on a program to rehabilitate the economy during the early post-war period. Focus was on large-scale enterprises and import-intensive industries. Policies included import controls, low interest rate, low foreign exchange rate and specialized incentives to attract foreign investments.

The 1960s was witness to sparse policies and programs focal to SME development. There were only two notable policies/programs that were centrally focused on small enterprises. Firstly, the *Cottage Industries Act* during this period was the first to recognize the importance of small enterprises in the grand scheme of industrial development. With this Act, tax incentives were extended to small enterprises registered with the *National Cottage Industries Development Authority* (NACIDA). Secondly, training and service provision programs were undertaken to address the growing needs of small enterprises. These programs, which were facilitated by the University of the Philippines, came into existence with the support of the Netherlands government.

5.2. During the period 1970s and 1980s

By the second half of the 1960s, when traditional exports like coconut, gold and chromite could no longer support foreign exchange requirements of the growing imports, the government shifted from import-substitution strategy to export-oriented industries. Thus the creation of the *Investments and Incentives Act* was passed into law with the Board of Investments as lead agency. In 1970, the *Export Incentives Act* was enacted. The importance of SMEs was recognized at the onset of 1970s amidst the worst oil crisis that crippled energy-intensive industries. Formal planning for the development of SMEs came about after an International Labour Organization (ILO) mission in the early 1970s. For the first time, SMEs were given emphasis in the *Philippine Development Plan (1972-1976)*.

The 1979 *Investment Promotion Act*, among others, provided support to SMEs, particularly in non-traditional export sectors to promote employment. This Act introduced training and other services into SME programs.

However, despite the increase in the number of SMEs during the period, household industries and the SMEs did not grow as significantly as large enterprises did. Hence the perception that the 1970s is the growth era for SMEs is a misnomer. One can look to three reasons behind the above-mentioned eventuality. First, in spite of the incentives and the services extended to SMEs

during this period, very few SMEs made use of the incentives and services made available to them. Second, incentives and investments during this period favored big enterprises. And last, formal lending bodies had very little involvement in SMEs because of the perceived risks and the high costs associated in processing and supervising the projects.

The above discussion on broad industrial policies during the 1980s, particularly during the Aquino administration, may point to an implicit preference to large enterprises. The incentives extended to SMEs went through the same route as incentives extended to large enterprises. Although there was a categorical development focus on SMEs and countryside development, liberalization efforts during this period placed pressures on SMEs that had difficulty in coping with spiraling interests and the more competitive business environment. In 1987, the *Omnibus Investment Act* was enacted as the key legislation for investments generation, whether foreign or local. Fiscal and other forms of incentives were given to projects identified under the Investment Priority Plan (IPP). A major policy of the Act was to encourage SMEs by providing assistance in the preparation of feasibility studies and sourcing of financial packages. Investments locating in "less developed areas" were given additional incentives. Towards decentralization of SMEs to the countryside, the Board of Investments was very active in coordinating with local entrepreneurs and government units in investment promotion.

5.3. From 1990s to present

SME policies in the 1990s were more focused, directed and sweeping. Clearly, policies in the 1990s drew from the experiences of SMEs in the past. The general SME development strategies adopted during this period were on market access, export expansion, identification of specialization, entrepreneurship and management, technology and quality systems upgrade and domestic linkages. One important piece of legislation, which formally acknowledged the importance of SMEs, was the *Magna Carta for Small Enterprises*, passed into law in 1991 (RA 6977) and amended in 1997 (RA 8289). The *Magna Carta* was a landmark legislation, which reflected the objective to foster a dynamic SME sector, particularly rural and agriculture-based manufacturing ventures. Three principles in setting the pace of SME development served as guides for the *Magna Carta*. These are minimal set of rules and simplification of procedures and requirements, participation of private sector in the implementation of SME policies and programs, and coordination of government efforts. Moreover, there were three major provisions contained in the *Magna Carta*: creation of the *SME Development Council*, creation of the *Small Business Guarantee and Finance Corporation*, and eight-percent mandatory bank channeled loan to SMEs (6 percent for small enterprises and 2 percent for medium enterprises).

The "*Magna Carta for Small Enterprises*" was the first piece of legislation to put under a "unified institutional framework all the government programs for the promotion and development of small and medium enterprises." Prior to its passage, there were a number of attempts of government to promote them, especially through the creation of special lending and guarantee programs as well as the establishment of specialized institutions offering training, technical and extension services, information and marketing assistance. However these attempts were mainly fragmented and uncoordinated. Existing laws, on the other hand, applied to

establishments of all sizes and did not distinguish between large and small business entities. And although there was no law or regulation that was explicitly disadvantageous to their growth, it was believed that the policy environment *effectively* created an environment unfavorable to the development of small enterprises. Thus even the promotional programs and special credit facilities created by government could not offset the deep-seated policy biases against them (Llanto, Viray & Hyman, 1991). The *Magna Carta* could not serve however as a magic wand to dissipate the biases created by the policy environment. A short, cursory look at the policy environment would easily show why it cannot take a law like the *Magna Carta* to reverse such biases: (i) High Cost of Registration, (ii) Lack of Access to and High Cost of Credit, (iii) Tax Burden, (iv) Labor Cost, (v) Bias of Trade and Industrial Policies.

In 2002, *Barangay Micro Business Enterprise Act* was introduced. The aim of this law is the support of micro enterprises (business tax exemptions for a fixed period, the dispensation of minimum wage regulations, loans from government financial institutions, and technological support from government institutions), including the informal sector, for the reduction of poverty and rural development. Subsequent to the passage of the *Barangay Micro Business Enterprise Act*, different government departments and agencies issued their respective guidelines regarding the implementation of the law. For microenterprises to register under the Act, the granting of tax incentives by the Law assumes that they stand to benefit from them. And yet, those that are expressly targeted by the Act, namely the microenterprises belonging to the informal sector of the economy, work effectively outside the purview of any law. In other words, by being part of the informal economy, they have already exempted themselves from the constraints imposed by the regulatory framework. Hence there are no incentives that the law can offer that they do not already enjoy by being part of the informal sector. The guidelines issued by the DOF, requiring them to produce voluminous documentary requirements in order to benefit from incentives that they already effectively enjoy, are just additional disincentives from joining the formal economy.

➤ **Lesson learnt implications for Vietnam**

As the traditional exports product could not meet the foreign exchange requirements and Philippine shifted from import-substitution to export-oriented strategy, the role of SMEs was highlighted. Several important policies relating to this business group was introduced. Especially, during the worst oil crisis that crippled energy-intensive industries, SMEs were mentioned for the first time in the *Philippine Development Plan (1972-1976)*.

The Investment Promotion Act among other policies focused mostly on non-traditional export sectors in order to create new market and to promote employment. However, during 1970s and 1980, the gap in growth between SMEs and large enterprises are still broad. Incentives and investment policies during the period still favored mostly large enterprises. Formal lending bodies had very little involvement in SMEs because of the perceived risks and the high costs associated in processing and supervising the projects.

Philippine government recognizes that promotion programs could not solve the disadvantages of SMEs compared to large enterprises and these attempts were mainly fragmented and uncoordinated. Thus *Magna Carta for Small Enterprises* was promulgated and played the role of a basic law for SMEs. In addition, the second most important law for SMEs, *Barangay Micro Business Enterprise Act*, was enacted focusing on more detail issues involving this kind of enterprises such as tax exemption, loan and technology support from public institution, and rural poverty alleviation.

7. INDIA

India has a long history of promoting the development of small scale businesses. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. *Khadi and Village Industries Commission Act* in 1956 established the Khadi & Village Industries Commission (KVIC), a statutory organization engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. Khadi and Village Industries (KVI) are two national heritages of India. One of the most significant aspects of KVI in Indian economy is that it creates employment at a very low per capita investment. The KVI Sector not only serves the basic needs of processed goods of the vast rural sector of the country but also provides sustainable employment to rural artisans. The KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable rural nonfarm employment opportunities at low per capita investment. This also helps in checking migration of rural population to urban areas in search of the employment opportunities.

The Policy of Reservation of Products for Exclusive Manufacture in SSI (now MSEs) was initiated in 1967 with the objective of achieving socio-economic development, through development and promotion of small units all over the country. This was expected to result in countering the challenges of regional industrial imbalances, employment generation through self-employment ventures, increased productivity, etc. However, with the gradual opening up of the economy, de-reservation had to be resorted to for providing opportunities to MSEs for technological upgradation; promotion of exports and achieving economies of scale. Accordingly, the MSEs are being encouraged to modernize and enhance their competitiveness for facing the challenges arising out of liberalization and globalization of the economy.

The Industrial Policy of July 1991 marks a conscious shift from the regulated and controlled policy to a liberal one. Most of the medium and large industrial units, with a few exceptions, would no longer need licenses. Full foreign ownership will henceforth be possible in export-oriented enterprises. Import of capital goods has been significantly made free from restrictions. Foreign equity participation is also encouraged. The openness that has come with the ongoing economic reform process during the last five years has hastened several changes and the debate has shifted from the 'whys' to 'hows' indicating high level of acceptability of the reform process. With the lifting of several trade and investment related restrictions, India is witnessing a mini-revolution in its economic growth faced with the challenges of global market and competitiveness.

Despite the impressive performance of the economy during the period, the per capita GNP is still very low and is US dollar 310 a year. There exists a large disparity in the income levels. About 250 million people in the middle class constitute a major market for domestic and imported goods while an estimated 30% of her population lives below poverty line. Second, inflation is an

area of concern and continues to be around 10% during the period 1991-92 to 1994-95. It is only in the last year that the rate of inflation has declined to about 6%. Third, the balance of payments situation is an area of concern. Imports in the Indian economy have been fueled up by liberalization while rate of growth in exports has not been able to keep pace with it. In order to help the small scale sector integrate with the industry at large within liberalized economic framework, the government of India has announced new policy measures. *The Act on Delayed Payments to Small and Ancillary Enterprises* has been promulgated. Under this act, buying/mother units will be required to pay interest on delayed payments for supplies bought from SSI units if the payments are delayed beyond the negotiated and agreed upon time period.

In 2006, *the Micro, Small and Medium Enterprises Development (MSMED) Act* was enacted to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/ programs for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act. In exercise of the powers conferred in section 11 of MSMED Act, 2006, the Government of India has notified *Public Procurement Policy for goods produced and services rendered by Micro & Small Enterprises (MSEs) Order, 2012* which is applicable for every Central Ministries/ Departments and PSUs for effective implementation.

Office of the Development Commissioner (MSME), MSME Enterprises, had so far conducted three censuses on micro and small enterprises. The latest Census which is the Fourth Census, was conducted with reference period 2006-07 and was completed during 2010-11.

➤ **Lesson learnt implications for Vietnam**

Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and Village Industries (KVI) are two national heritages of India. KVI today represent an exquisite, heritage product, which is ‘ethnic’ as well as ethical. It has a potentially strong clientele among the middle and upper echelons of the society. *Khadi and Village Industries Commission Act* in 1956 established the Khadi & Village Industries Commission (KVIC), an organization engaged in promoting and developing khadi and village industries.

After the introduction of *Khadi and Village Industries Commission Act*, India has several laws engaging SMEs such as *The Policy of Reservation of Products for Exclusive Manufacture in SSI*, *The Industrial Policy of July 1991* and *The Act on Delayed Payments to Small and Ancillary Enterprises*. However, just until the enactment of the *MSME Development Act*, SMEs

were assigned a central role in the economy. The Act came into effect in 2006. Subsequently both the Central and State Governments have taken effective steps towards implementation of the Act. While the Central Government has framed a number of Rules and issued Notifications in respect of the Act; different State Governments have also issued notifications under the Act.

Beside laws and policies, India has many programs and initiatives in order to promote SMEs development. This includes *Notification for Authority for receiving Memoranda for MSEs*, *Notification of Rules of MSE-Facilitation Council*, *Notification of Constitution of SMEs Facilitation Council*, *Prime Minister's Task Force on Micro, Small and Medium Enterprises*, *Rajiv Gandhi Udyami Mitra Yojana*, (a legal document provide handholding support and assistance to the potential first generation entrepreneurs), and *Public Procurement Policy for Goods Produced and Services rendered by SMEs*. Many institutes and centers relating to SMEs are also put into operation such as the Office of the Development Commissioner, MSME Development Institutes, MSME Tool Rooms, MSME Technology Development Centers, MSME Testing Centers, MSME – Technology Development Centers, MSME - Training-cum-Product Development Centers, MSME tool rooms, MSME Training Institutes, etc.

8. INDONESIA

In Indonesia, policies for SMEs are determined by the coordinating committee of the Minister appointed by the President. The actual responsibility for changes lies with the Minister for Economic Development. Other members of the coordinating committee include the Ministers for Finance, Agriculture, Fisheries, Industry, Forestry, and Cooperatives/Small & Medium Enterprises. Each Ministry is responsible for implementation of policies for SMEs within each of their fields, and more specific policies are left to regional governments. After the collapse of the Suharto administration in 1998, the pace of regional decentralization accelerated in Indonesia. At the prefecture and city level, measures and standards necessary to the effective implementation of policies for cooperatives and SMEs are set out by the Cooperative and SMEs Minister in the *Ministerial Directive No. 20* of 2000.

The Indonesian SMEs basis law is the *Small Enterprise Act 1995*. The purpose of this law is to assist the activation of small and medium enterprises to lead to further development in the economy as a whole, and also to provide a legal framework upon which small and medium enterprises may develop. The introduction of the Act, sets out the definition of small enterprises under the Act, the aim of developing enterprises that are strong and independent, the role of government in establishing a legal framework and implementing policies, and the need for strengthening the support of government and society for small enterprises, the security of a supply of capital and credit guarantees etc., and cooperation between small and large and medium enterprises. Chapter 4 includes the ability to secure capital, the strengthening of competitiveness, the maintenance of infrastructure, the provision of information, the cooperation and joint activities with large and medium enterprises, and the improvement of the approval and licensing and credit guarantee systems. Chapter 5 lists improvements in manufacturing and processing, market cultivation, staff training, and technology as important for the development of small enterprises. Chapter 6 sets out the acquiring of capital and credit guarantees, including bank funding, non-bank funding, venture capital, state funding, grants, and other means of funding. Chapter 7 sets out cooperation and tie-ups between large and medium enterprises and small enterprises. Chapter 8 sets out the integration required by government for the development of small enterprises, including the President establishing and chairing coordinating institutions, the development of policies, implementation of policies, and evaluation.

In relation to the *Small Enterprise Act*, in 1998 the Government Ordinance for the *Development of Small Enterprises No. 32* was enacted. This government ordinance sets out policies for the development of small enterprises that are strong and independent, which are also a source of strength in the development of the national economy. The main point of the revision in 2008 is the definition for “small enterprise” no longer supports fair and effective policy development, and there is a need for a separation into micro, small, and medium enterprises.

The government has advocated the importance of SMEs in many official statements. It has formulated and implemented various types of policies and measures aimed at the development of the SME sector. Almost all known types of government intervention to promote the development of SMEs have been tried at one time or another. These include subsidized credit, such as credit for small

farmers and village cooperatives (KUD), small-scale credit (KIK, KMKP, KUK), and credit for village units (KUPEDDES); development of small rural development banks (BKD); human resource development trainings such as in production technique, general management (MS/MUK), management quality systems ISO-9000, and entrepreneurship (CEFE, AMT); providing total quality control advice, technology and especially internet access (WARSI) and advisory extension workers, subsidized inputs, facilitation, setting up of Cooperatives of Small-Scale Industries (KOPINKRA) in clusters, development of infrastructure, building special small-scale industrial estates (LIK), partnership program (the Foster Parent scheme), Small Business Consultancy Clinics (KKB); establishment of the Export Support Board of Indonesia (DPE), establishment of common service facilities (UPT) in clusters, and implementation an incubator system for promoting the development of new entrepreneurs.

However, despite of all these efforts, Indonesian SMEs still face a number of problems which make them still difficult to performance as good as their larger counterparts in e.g. productivity, quality of products, and export, and to compete with imported goods.

In Indonesia, the financial system is still not working well for SMEs and at least 60% of SMEs at present are unable to obtain loans. They are generally self-funded micro enterprises in the informal sector, difficult to obtain access to banks, expensive interest rate on loans currently at 18%, difficult to secure necessary collateral. For them it is much easier to finance by borrowing from family or friends. There is no special tax system for the income of SMEs in Indonesia, and taxes on profits are imposed the same on individuals and companies. Policies for the provision of information are regulated by the *Small Enterprise Act*, and the government and private sector are gradually taking action in this field. For the SMEs to grow, policies must be implemented to develop people that are conversant with current technological developments. The SMEs Human Resource Development Committee was established mainly by the Directorate General of Small and Medium Scale Industry of the Ministry of Industry and the Education and Training Center. In addition, the SMEs Human Resource Development Clinic was established. The establishment of the SMEs Human Resource Development Center becomes the goal in the future. The Ministry of Industry established a team and a center for introduction of the SME Management Consultants System. And human resources development was enhanced by private sector. Government is developing a system incorporating these supports into law, but it is at the regional level that most of the specific policy measures are being implemented. Regional governments are mainly responsible for the implementation of specific policies, and they are seeking to develop an effective working relationship between government and the public. As for cluster promotion, the concept of cluster was determined in the industrial policy announced in July 2005 and 10 sectors were set as priority development sectors in 2005-2009. Chambers of Commerce is organized at the national and regional levels, and there is some difference between regions, but they do offer support to SMEs. There are a variety of industry associations, but these are not very active. Cooperatives are set out by law as similar to SMEs. Most micro enterprises are stalls or traders, etc., which belong to the informal economic sector. Measures to protect SMEs against bankruptcy, corporate reorganization, and disaster have not been improved.

➤ Lesson learnt implications for Vietnam

Indonesia has the *Small Enterprise Act*, namely, the basic law since 1995. Its SMEs legal system does not well developed. Instead, the government promotes SMEs development by programs and initiatives. However, Indonesian SMEs still face many problems and could not be seen as a strong community. These problems cover in a wide range from finance system, tax system, information provision, industry association to SMEs protection system. Though both countries have a similar non-sophisticated SMEs legislation system, Indonesian SMEs could not benefit from special factors like those of Taiwan, such as an extremely active entrepreneurs community, well established business culture, US assistance and high inflow of foreign investment.

Other implications are as the follows:

- Within SMEs, MEs are more developed and better organized or managed than SEs and MIEs. So, MEs are more ready as subcontractors than SEs and MIEs. Consequently, without government support for SE and MIEs, the subcontracting opportunities from the presence of foreign firms or provided by domestic LEs will only open to MEs.
- The government supports for SMEs have been in various forms, ranging from a variety of special credit schemes to technical assistance and various types of training and skill upgrading. The emphasis, however, has been given too much on financial aspect; much less attention has been given on technology development, innovation capability and skills development. This paradigm should change. The focus should be on the “hardware” of the capacity building, namely skills and technology upgrading. Capital or credit is indeed important, but, it is not the hardcore of the problem facing many SMEs in Indonesia: i.e. low competitiveness due to their low technology and skill capability.
- The existing paradigm of SME development should change, from “the successful SMEs development strategy is marked by the annual increase in number of units” and “SMEs are important because they create employment”, to “the successful SMEs development strategy is marked by the annual increase in number of innovated and productive enterprises”, and “SMEs are important because they generate high value added, export, and they form domestic competitive supporting industries”.
- Networks between SMEs and R&D institutes or universities are still less important compared to networks with LEs through subcontracting. This may indicate that in Indonesia R&D institutes or universities are not yet so important as a source of technology development, skill upgrading or innovation activities in SMEs. So, in efforts to support capacity building in SMEs, the government should promote closer integration between R&D institutes and universities and SMEs by facilitating their effort to build strong networks.
- Globalization and trade and investment liberalization should also give opportunities to local SMEs to integrate into global production network. Subcontracting is one thing to facilitate this. To develop into highly competitive supporting industries or vendors supplying certain parts of global products is another way. For this too, the government has a very important role to play to support this development, not only through special designed schemes but also indirectly through creating “easy doing business” environment.

9. CHINA

Over the past two decades, Chinese SMEs have gone through roughly three development phases, along with the development of China's reform and opening-up. The first phase was from 1978 to 1992, characterized by the expansion of SMEs in number and scale. This resulted from the government's encouragement of and support for the development of township, collective and self-employed enterprises. The rapid expansion of these enterprises has made great contribution to economic development and improvement of the people's living standards. The second phase was from 1992 to 2002. During this period, the emphasis was reform of state-owned SMEs and the development of non-public sectors. The government adopted various measures, such as restructuring, merger and acquisition, joint partnership, leasing, contracting and sell-off, to speed up reforms of state-owned SMEs and to gradually reduce the state's ownership in SMEs. At the same time private-owned SMEs enjoyed rapid development along with the establishment of the socialist market economy. The phase was an important historical period for the development of Chinese SMEs. The third phase began with 2002. In June 2002, China promulgated the SMEs promotion law, which symbolized that the development of SMEs has ushered in a new era. The government also conducts strategies for SMEs development within national innovation system. This model follows Japanese innovation system.

The Chinese government attaches significant importance to the development of SMEs and has integrated issues of small business development into its overall strategic planning for national economic and social development. In order to promote the development of SMEs, the government adjusted related legislations and policies step by step, and launched a series of policies and initiatives. *Income tax policies for small enterprises* lowered the tax rate and reduced the value-added tax (VAT) for low profit enterprises. Township SMEs were allowed to enjoy a 10 per cent discount on their payable income tax as compensation for their expenditures on social welfare that should have been paid by the government. In addition, *taxation policies to promote employment* mean new urban job agencies which able to find jobs for unemployed workers enjoy 50% or 100% exemption from business income tax for some periods. Still, there are special taxation policies for promoting high-tech enterprises and service industries. Concerning fiscal policies, since the reform and opening-up, especially 1990s, the Ministry of Finance (MoF) of China has been increasing fiscal fund inputs into SMEs and has set up several funds with SMEs as the targeted beneficiaries. These funds play an increasingly important role in the development of SMEs. Financial and credit policies also contribute to the improvement of financial services, adjust credit structure and provide diversified financial products, thus improving the business environment for SMEs. Some other important regulatory documents issued between 1999 and 2001 are: "*Circular on transmitting and issuing the opinion of the state economic and trade commission on several policies of encouraging and promoting the development of SMEs*", "*Opinion on strengthening trainings for SME managers*", "*Opinion on several issues concerning the development of socialized service system for SMEs*", "*Opinions on enhancing credit management of SMEs*", and "*Opinions on enhancing SME quality supervision*".

The most special laws and regulations for SMEs in China at present are “*Law of the People’s Republic of China on Promotion of SMEs*” and “*Interim Provisions on the Standards of SMEs*”. The first was passed in 2002 and is the basic law in the SMEs legal system. It has played active role in promoting SMEs development and although lots of its provisions are not specific and they have mainly been used for guidance. Nevertheless, the “*Interim Provisions on the Standards of SMEs*” published in 2003 is criticized to be too strict. It is very possible that SMEs needing support be refused by government concessions. Have been influenced by the global financial crisis in 2009, Chinese SMEs were in difficult producing and marketing situation. Accordingly, the state council has promulgated the “*Suggestions on further promote of SMEs development*” which gives several principles for SMEs development and these principles will be specified by different levels of governments. “*Employment Promotion Law of the People’s Republic of China*” enacted in 2007 also includes some articles involving in SMEs.

There are however a series of problem existing, such as some encouraging, preferential policies are too ambiguous and certain detailed provisions on specific issues are not complete. Overall, the current legal protection for SMEs in China is not complete; encouraging and provisions are ambiguous; promotion for sustainable development of SMEs cannot be carried out in practice.

Following are some implications for Chinese SMEs policies:

The economic laws and the fundamental role of the market in allocating resources should be respected to guide SMEs to a sound track of industrial development. SMEs are blessed with such unique nature as small investment, fast yield, flexible operation and quick adaptability to market changes. They can only achieve robust development when the government can abide by the objective laws of the market economy, bring the role of the market in allocating resources into full play, consider the development needs of SMEs and guide them to the sound track centralizing on the light and tertiary industries. The self-operation status of SMEs should be fully respected, so as to facilitate the establishment of a sound mechanism of self-investment and self-development of SMEs.

The fast development of SMEs, especially private ones, has become the most dynamic facet of the Chinese economy. In some areas, private SMEs have become the backbone of the local economy. This should be attributable to the relaxed environment provided by the government to SMEs in the process of reform, opening up and the improvement of the market economy. Meanwhile, the role of SMEs as major players in the market has been brought into full play. They adapt themselves to the requirements of the market economy and adjust their development strategy and industrial structure to formulate a healthy mechanism of self-governance, self-determination and self-development, thus boosting their development initiative and dynamism. This is the overriding reason for the rapid growth of China’s SMEs, the private ones in particular, since the reform and opening-up program was started.

It is imperative to encourage SMEs to optimize industrial structure and enhance their competitiveness. Chinese SMEs have gained an amazing expansion in terms of number and scale. A group of SMEs have stood out and some of them have even grown into large enterprises or conglomerates. On the whole, however, most of SMEs still hang around at a low level of development. One important reason is that Chinese SMEs have a short period of development

and still pursue the extensive mode of growth. Therefore, their management philosophy, style, industrial structure and product mix do not meet the demands of market competition. It is still a demanding issue confronting SMEs as to how to meet the requirements of the market reform, enhance industrial structure and transform the extensive business mode into an intensive one. Therefore, it is a fundamental way for SMEs to adapt themselves to the WTO requirements and market competition by strengthening institutional capacity in management, technology and personnel training, enhance overall qualification and build up vitality and competitiveness. This is important experience summed up from the rapid development of SMEs since the reform and opening-up.

Taking into account both the nature and important role of SMEs in the economic and social development, the Chinese government has transformed its functions in line with the requirements of the market economy and improved its way to support SMEs. While facilitating the strategic restructuring of the economy and implementing the strategy of nurturing large enterprises and conglomerates, the Chinese government has issued policies to relax control over SMEs and adopted various effective methods, with the ownership reform as the focus, to accelerate the reform of state-owned SMEs. Evidence has proven that the vitality and competitiveness of SMEs and the comprehensive and coordinative social and economic development can be enhanced, only if the government adopts appropriate economic policies that are in line with the nature of SMEs, properly handle its relations with enterprises, exercise macro controls of appropriate intensity and timing, and create a more fair, open and enabling external environment for enterprises of varied ownership.

➤ **Lessons learnt and implications for Vietnam**

China promulgates the SMEs basic law, “*Law of the People’s Republic of China on Promotion of SMEs*”, since 2002 and another key law, “*Interim Provisions on the Standards of SMEs*”, in 2003. In addition, there are a lot legal documents following to the basic law. Vietnam has a long tradition following Chinese views and opinions in many economic matters. Surprisingly, there is no special law for SMEs in the country up to now. Chinese SME policies benefit a lot from Japan law and policy system. Although these two economies are clearly distinct in terms of both their economic as well as political structures, Japan's historical progress toward a mature SME sector does suggest strategies that China can adopt in its own development. In particular, Japan's decision to encourage joint partnership between SMEs and academic institutions, together with its innovative approaches toward SME financing, do echo somewhat our own discussion of these issues.

10. UNITED STATES

Americans have long revered small businesses for not only building the economy but also bolstering democracy. For more than a century, the United States has implemented laws aimed at preventing big business from competing unfairly with small businesses. Whether small businesses creating a disproportionate number of jobs are not clear, but they clearly have influenced big businesses, which have adopted the flexible practices of smaller companies. Policy-makers have sought repeatedly to reconcile Americans' appreciation for the benefits that big business brings them with their reverence for the small businessperson. Since the end of the nineteenth and beginning of the twentieth century, several laws had been enacted in order to protect smaller businesses from what was deemed a natural monopoly and to prevent big companies from exercising excessive power in the marketplace.

In each of these laws, however, small-business enthusiasts had to mollify legislators who opposed government interference in the economy and saw big business as more efficient than small business. The result was a series of compromises that limited the ability of big businesses to use their power to stifle competition at least somewhat, but did not prevent them from growing big through methods deemed fair. The Sherman Act (1890), for instance, did not crack down on bigness per se, and in fact often was used to prevent collusion among small businesses as well as big ones. Similarly, the Clayton Act did not outlaw bigness itself, but merely prohibited "unfair" methods of competition.

In 1953, lawmakers took a different approach: they established the Small Business Administration (SBA), a federal agency that provides training and helps small enterprises secure financing, land contracts with government agencies, and raise equity capital. The SBA's actual impact is difficult to gauge. But economists believe small business has survived over the years more as a result of economic realities—and its own ingenuity—than as a result of legislation. In some industries—furniture-making, lumber milling, and many service businesses, for instance—small businesses continued to play an important role because the kind of economies of scale that allowed businesses to grow big in other sectors were largely absent. In some sectors, small businesses found market niches where there was too little demand to require large-scale production. Some businesses have stayed small simply because their owners don't want them to grow bigger. And economists have noted one other role of small businesses: In economic downturns such as the Great Depression of the 1930s and the recessions of 1973-1975 and 1980-1982, many people who lost their jobs in larger companies formed their own small businesses to stay afloat through the hard times.

Overall, while the dream of running one's own business has fueled a steady rise in the number of small businesses in America, the general trend since the 1880s has been for small businesses to grow in number along with the population, but for their relative share of economic output to decline as large corporations have emerged in various sectors. The SBA itself has tacitly

acknowledged the trend toward largeness by redefining small business upward. In the 1950s, the agency counted any manufacturer employing fewer than 250 people as small, but today it considers companies with as many as 500 employees to be small. Still, the vast majority of American businesses are small. In 2002, for instance, there were only 16,845 companies employing more than 500 people, compared to 5,680,914 employing fewer people, according to the SBA. It should be noted that the notion of Small Business in the US is equivalent to the notion of both Small and Medium sized Business in Europe. For example, as to Small Business Administration, small businesses in the US are those employing less than 500 labors. But this definition is similar to the combining definitions of both small and medium business in Europe.

The Small Business Act, promulgated in 1953, determine the role of federal government in promoting the development of the small business. Federal Government should act in cooperation with the Department of Commerce and other relevant State and Federal agencies in order to aid and assist small businesses, to increase their ability to compete in international markets by (i) enhancing their ability to export; (ii) facilitating technology transfers; (iii) enhancing their ability to compete effectively and efficiently against imports; (iv) increasing the access of small businesses to long-term capital for the purchase of new plant and equipment used in the production of goods and services involved in international trade; (v) disseminating information concerning State, Federal, and private programs and initiatives to enhance the ability of small businesses to compete in international markets; and (vi) ensuring that the interests of small businesses are adequately represented in bilateral and multilateral trade negotiations.

Beside the Small Business Act, in order to creating and guaranteeing the SMEs participation opportunities, United States Government promulgated other laws and regulations, which established solid foundation for healthy development of SMEs.

Other important SMEs related laws include:

- *Small Business Job Act (2010)*:The Act aims at creating the Small Business Lending Fund Program to direct the Secretary of the Treasury to make capital investments in eligible institutions in order to increase the availability of credit for small businesses, to amend the Internal Revenue Code of 1986 to provide tax incentives for small business job creation, and for other purposes.

- *Small Business Tax Cut Act (2012)*:This legislation would provide a 20-percent tax cut to companies employing 499 or fewer employees during either calendar year 2010 or 2011. The way this works is that any business, without regard to revenues, would be given a tax deduction equal to 20 percent of that business' net income.

- *Jumpstart Our Business Startups Act (JOBS Act)*:The Act is designed to encourage small business and startup funding by easing federal regulations and allowing individuals to become investors.

- *Small Business Investment Act (2013)*:The Act mentions on Small Business Investment Division, investment division programs, small business investment companies, organization of small

business investment companies and long term loan for small business, provision of equity capital for small business.

- ***Small Business Innovation Act of (2013)***: This Act is an amendment of the Small Business Investment Act of 1958. The bill enhances the Small Business Investment Company Program and provide for a small business early-stage investment program. It authorizes the Administrator of the Small Business Administration (SBA) to guarantee the payment of up to \$4 billion per fiscal year for debentures or participating securities issued by small business investment companies (SBICs) to encourage the formation and growth of small businesses.

- ***Small Business Investment Enhancement and Tax Relief Act (2013)***: It is an amendment of the Small Business Investment Act of 1958. The Act directs the Administrator of the Small Business Administration (SBA) to establish and carry out an early-stage investment program (program) to provide, through participating investment companies, equity financing to support early-stage businesses (gross annual sales of \$15 million or less in any of the previous three years).

- ***Small Business Capital Access and Job Preservation Act (2013)***: It is an amendment of the Investment Advisers Act of 1940. The Act exempts private equity fund investment advisers from its registration and reporting requirements, provided that each private equity fund has not borrowed and does not have outstanding a principal amount exceeding twice its invested capital commitments.

➤ **Lessons learnt and implications for Vietnam**

Americans have a long tradition of binding small businesses with democracy matters. Since the end of the nineteenth and beginning of the twentieth century, several laws had been enacted in order to protect smaller businesses from what was deemed a natural monopoly and to prevent big companies from exercising excessive power in the marketplace.

One of the most important articles in the US ***Small Business Act 1953*** is the creation of the Small Business Administration, whose function was to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that the SBA would ensure small businesses a "fair proportion" of government contracts and sales of surplus property. The SBA does not actually make these loans, but it does guarantee them. Banks are more likely to loan money to risky new businesses when they know that the SBA and the U.S. government will guarantee repayment, even if the borrower defaults. The result is a vibrant U.S. economy in which 99 percent of all businesses are small businesses. So the first thing any government seeking to promote small business should do is to establish a pool of state guaranteed loans. Easy access to capital creates the foundation for a lively small-business sector.

Over the past 60 years, SBA has grown in terms of total assistance provided and its array of programs tailored to encourage small enterprises in all areas. SBA's programs now include

financial and federal contract procurement assistance, management assistance, and specialized outreach to women, minorities and armed forces veterans. The SBA also provides loans to victims of natural disasters and specialized advice and assistance in international trade. Nearly 20 million small businesses have received direct or indirect help from one or another of those SBA programs since 1953, as the agency has become the government's most cost-effective instrument for economic development. In fact, SBA's current business loan portfolio of roughly 219,000 loans worth more than \$45 billion makes it the largest single financial backer of U.S. businesses in the nation. A similar organization like the US Small Business Administration may need to include to the basic law for Vietnam in order to benefit from such an efficient model.

11. MALAYSIA

Small and Medium Industries Development Corporation Act 1995 play key role in promoting SMEs development in Malaysia. A chapter on SME development has always been included in any Malaysian mid and long-term development plans such as the 15-year Third Industrial Master Plan (2006 – 2020) (with Year 2020 being the final year for “Vision 2020”) and the Ninth Five-year Malaysia Plan (2006 – 2010). This shows the great commitment of the Malaysian Government in developing SMEs.

The National SME Development Council (NSDC) was established in 2004 and is chaired by the Prime Minister himself. The objectives of NSDC include coordinating inter-Ministries / inter Agencies SME development program and formulate policies that can strategically develop SMEs. NSDC started publishing its yearly *SME Development Blue Print* in 2005. This *Blue Print* contains specific details of SME development program and its budget. In 2006, 248 programs were implemented at a budget of RM3.9 billion. Focus was placed on capacity building, human resource development and improvement of marketing skill so as to increase SME competitiveness. The 2007 *Blue Print* included the review of program implemented in 2006. It also gave out the following macro numerical targets as the “road map” to be followed from now on.

Currently, Bank Negara Malaysia serves as the Secretariat for NSDC. SMIDEC will be upgraded to an Agency to be named as SME Central Coordinating Agency. This upgrading is meant to give SMIDEC a better coordinating strength. When this happens, the Secretariat for NSDC will be undertaken by this Agency. In 2006, the Federal Government implemented 213 SME promotion program (against 248 planned) for a total budget of RM7.8 billion. This amount is equal to 1.6% of the Malaysian GDP.

Joint projects between the State Government and SMIDEC or other Government Agencies to provide comprehensive assistance to the selected SMEs recommended by the State Government have started. At present, Terengganu and several other states are involved in this program. This assistance covers a various areas including capital funding, product development, quality improvement, certification, design and packaging training, and market development. The objectives of these joint projects are to develop and advance identified SMEs through a combination of the various SME promotion policies and functions that the Federal Government has.

12. RUSSIA

The new law *On Development of Small and Medium Business in the Russian Federation* came into force on January 1, 2008. The law set new SME definitions (criteria) and determined the status of a medium business at the legislative level. In addition, the Russian Government issued a decree *On Thresholds of Annual Sales Revenues for Each SME Category*. Also in 2008, Russian president promulgates *On Urgent Measures Aimed at Elimination of Administrative Barriers for Entrepreneurship* marked the intensification of government activities to support the SMEs sector since the enactment of the new law. The adoption of the new law and other relevant legislative acts were followed by discussions about priorities in SME support and development at the level of the Russian President, the Russian Prime Minister and at the level of regional authorities and political parties.

Furthermore, the Russian government enacts several laws on reducing tax and removing administrative barrier for SMEs. For instant, *Federal Law # 224-FZ* came into force on January 1, 2009 lowered the profit tax by 4% (this benefit concerns rather medium businesses and mature small businesses). Amendments to the tax legislation approved in late November 2008 delegated to the regional governments the right to set differentiated rates of 5 to 15% for individual categories of SMEs - taxpayers using the simplified system of taxation with regard to profits reduced by expenses. Such differentiated rates were introduced in 15 regions; several regions have developed relevant draft laws. Similar efforts are made at the regional level aimed at reducing tax burden for taxpayers-SMEs which pay unified tax on imputed income. *Russian Government Decree # 1559-r* of October 27, 2008 approved the new membership of the Government Committee for SME development, now it is headed by First Deputy Prime Minister of the Federation. The missions of the Committee include: (i) ensuring SME access to public procurement; (ii) facilitation of SME access to finance; (iii) development of the market of microfinance services and credit cooperation; (iv) improving conditions and ensuring effective procedures for the provision of federal budget funds for SME support; (v) improving conditions and ensuring effective procedures for the provision of federal budget funds for SME support; and (vi) SME development in the field of social services and on the consumer market.

13. CANADA

Under *the Canada Small Business Financing Act*, the business owner is expected to provide their personal guarantee in support of business borrowings. However, the maximum amount of their guarantee cannot exceed 25% of the initial amount of financing provided. This is a very important consideration for any business owner as it provides a limit to their potential liability should the business not succeed.

The Canada Small Business Financing program is often referred to as the “government guaranteed loans program.” Consequently business owners often have a perspective which conflicts with that of the bank concerning qualification criteria, application requirements, security, business viability, etc. There is a perception by some that the loan is guaranteed so there should be no concern by the bank regarding the prospects of the business. If the business fails, the bank can just claim from the government. This perception is incorrect and an important point of clarification is necessary in this regard

While all lending institutions (the banks) are encouraged by the federal government to make and administer CSBF loans under the Act, it is also understood that the banks should and will apply the same care, scrutiny, due diligence and prudent lending practices as they would in granting any other loan facility. In other words, just because the loan would be supported by a government guarantee does not mean that the lender should bend or change the rules associated with good lending practices. The initial application will still need to be supported by a business plan and financial forecasts. Periodically thereafter, the bank will also conduct a review of credit facilities provided to the business to ensure financial performance remains in order.

14. AUSTRALIA

Under the *Small Business Commissioner Act 2003*, the Victorian Commissioner had the function of promoting a free and fair trading environment, advising government on matters affecting small firms, and providing a mediation service for the settlement of business-to-business disputes, with a special focus on retail tenancy issues.

A similar position was created shortly afterwards in the Australian Capital Territory under its *Small Business Commissioner Act 2004*. This Small Business Commissioner likewise was responsible for the provision of advice and review of policy to government; introduction of a business mediation service; and the introduction of small business service charters within other government agencies. However, it ceased operating in 2006 when the Territory government decided to eliminate several statutory offices and departments as a budget-saving measure. Despite this setback, the Commissioner model began to develop wide appeal: by the end of 2010, both the Western Australian and South Australian Parliaments were debating similar initiatives: the *Small Business and Retail Shop Legislation Amendment Bill 2011* and the *Small Business Commissioner Bill 2011* respectively.

15. ISRAEL

In Israel, governmental responsibility for small business is organized in a diffuse and fragmented fashion and a variety of unrelated and generally under-evaluated programs have been tried over the years. At the moment, there is no specific law relating to SMEs in this country. The Government has never taken a systematic look at the importance and impact of small business on overall economy. Agencies responsible for this sector include the Ministry of Trade, Industry and Employment; the Ministry of Finance; the Ministry of Immigration and Absorption; and the National Insurance Institute. The Israel Small and Medium Enterprises Authority (ISMEA) was created in 1993 to coordinate these agencies, initiate government policies and establish funds and other financial instruments to assist these businesses.

According to Ran Kiviti, director of the Ministry's SMEs agency, "Figures show that small and mid-sized businesses in Israel are a particularly weak sector, stemming from three main reasons: extreme regulation, hard to obtain bank credit and loans, and the absence of knowledge due to the lack of a professional managerial rank in small businesses".

The OECD recently released a scoreboard ranking SMEs and financing in its member states. Since Israel is absent from the report, the Ministry of Industry relied on CBS data to obtain a picture of the country's SMEs. Figures show that on many indices, Israel falls behind its OECD counterparts by a wide margin, and that there is a substantial gap between SMEs and large businesses in Israel.

16. EUROPEAN UNION

In 2008, the EU adopted a US-style '*Small Business Act*' for Europe to improve market conditions for small and medium-sized enterprises and boost the economy. However, SME groups continue to be critical of implementation at national level despite the European Commission highlighting progress by member states. The improvements in SMEs' performance are underpinned by an impressive number of policy measures by the EU and the Member States since 2008. These policy developments, taken under the umbrella of the *Small Business Act* (SBA) for Europe have been instrumental in mitigating the effects of the crisis and in creating a pro-SME policy momentum across the European Union. In 2010-2012 only, the EU's Member States implemented a total of almost 2,400 policy measures to support SMEs, i.e. an average of 800 measures per year, and almost 90 measures per country.

The market and framework conditions in which European SMEs operate have improved in recent years, but there is still much room for improvement. Despite European Member States making reasonable progress in the adoption and implementation of new policy measures under the Small Business Act¹⁹, more needs to be done.

The *Small Business Act* has instilled a notable - and much needed - momentum in the EU SME policy making. While it cannot be said with absolute certainty what improvements in business environment are triggered exclusively by the enactment of policy measures proposed by the *Small Business Act*, the measures taken under the *Small Business Act* definitely support existing initiatives and speed-up further improvements.

The first 5 years since the launch of the *Small Business Act* for Europe were encouraging. This holds true even in light of the fact that for most SBA policy areas the progress is still uncertain and varying in relation to specific measures and by country performances.

In general, the *Small Business Act* has helped to stem the negative tide triggered by the 2008 crisis mitigating its negative effects on SMEs. Certainly, the *Small Business Act* has helped to put SMEs firmly on the policy makers' radar. SME policy is no longer a fringe issue. This opens the way to future improvements in policy making and the convergence towards sustainable policies which pursue the improvement of SMEs competitiveness in a long-term and strategic fashion.

Member States and the European Institutions are set in the pursuing of a two-pronged strategy: First, by putting more emphasis on the policy areas which were side-lined in the first five years, most notably "second chance". Secondly, improvement in the core areas of the SBA responsive administration, entrepreneurship, access to finance and access to markets have to be followed-up upon by further actions. There can be no reason for complacency following the advances in these areas: the objective remains the restoration of a competitive European SME sector which is able to absorb its share of the 26 million European unemployed and the millions of young people without training opportunities, while standing its ground against overseas competition.

ANNEX – MATRIX OF SME-RELATED LAWS AND REGULATIONS IN SOME OTHER COUNTRIES

Areas of support	Description of the law/ regulation	Content
China		
Information	Name: The Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises Date: June 29, 2002 Authority: Congress Type: basis law	The law states that: The budget of the Central Government arranges special funds for supporting the development of SMEs. The State development funds for SMEs shall be used to support the following fields: (i) instructions on and services for establishment of enterprises, (ii) establishment of a credit guarantee system, (iii) technological innovation; (iv) cooperation with large enterprises; (v) creation of international market; (vi) cleaner production. The State encourages all sectors of the society to establish and improve the service system for SMEs.
General	The law is enacted for the purpose of improving the business environment for small and medium-sized enterprises, promoting their sound development, creating more job opportunities in both urban and rural areas, and giving play to the important role of such enterprises in national economic and social development.	
Japan		
Information	Name: SMEs Japan Basis Act Date: Act No. 154 of 1963: Amended in 2013 Type: basic law	Promoting business innovation, start-ups and creative business activity among SMEs, strengthening the business fundamentals of SMEs by facilitating the acquisition of business resources, improving the fairness of transactions, smoothing adaptation to changes in the economic or social environments by promoting the business stability and facilitating the business conversion of SMEs, facilitating the financing and enhancing the equity capital of SMEs
General	The act mentions on general principles (e.g. promoting innovation and start-up of SMEs, Strengthening of Business Fundamentals of SMEs, Smoothing Adaptation to Changes in the Economic or Social Environment, Facilitation of Financing and	

Areas of support	Description of the law/ regulation	Content
	Enhancement of Equity Capital) but do not describe any practical method or mechanism for the promotion.	The Government shall periodically conduct the surveys to determine the actual conditions of SMEs. The SMEs Policy-Making Council has been established in the Ministry of Economy, Trade and Industry
Information	Name: Japan Finance Corporation Act Date: 2007 Type: independent law	The Government shall, at all times, hold the total number of outstanding shares of JFC.
Finance/credit	The Act leads to the foundation of The Japan Finance Corporation (JFC). JFC takes responsibility for (i) the financial function to provide fund procurement assistance to the general public, SMEs and those engaged in agriculture, forestry and fishery and (ii) the financial function to promote the overseas development and securement of resources which are important for Japan, to maintain and improve the international competitiveness of Japanese industries and to promote the overseas business having the purpose of preserving the global environment, such as preventing global warming, also providing the financial services that are necessary to take appropriate measures with respect to disruptions to domestic or international financial order or damages	JFC insures in accordance with the provisions of the SMEs Credit Insurance Act. Where JFC guarantees part of the debt related to the Specific Loan Receivables for SME as prescribed by the competent Ministry Ordinance. The competent Ministers shall supervise JFC in accordance with the provisions of this Act or the SME Credit Insurance Act.
Information	Name: Shoko Chukin Bank Limited Act Date: 2007 Type: independent law	Borrowers are primarily limited to SME cooperatives and their members. The Bank will continue to issue bank debentures. SME cooperatives will continue to conduct business as a proxy for the Bank. The Bank will be government appointed financial institutions to undertake a special response should a crisis occur.
Finance/credit	Shoko Chukin's objective is to conduct businesses necessary to facilitate financing for SME cooperatives, other organizations that primarily consist of SMEs and their members, while ensuring the	

Areas of support	Description of the law/ regulation	Content
	Bank's autonomy in management toward its goal of complete privatization.	
Information	Name: Act on Mutual Relief System for the Prevention of Bankruptcies of SMEs revised Date: 2010 Type: independent law	A member of the mutual relief system deposits premiums in advance (limited to 3,200,000 yen at most) and, when it has difficulty in collecting the accounts receivable, can take out interest free loans that do not require guarantors or any surety for the amount it has difficulty in collecting, or amounts ten times the premiums it has deposited, whichever is lower.
Finance/credit	The Act causes the foundation of the Mutual Relief System for Prevention of Bankruptcies of SMEs. The system provides loans for SMEs that have difficulty in collecting accounts receivable because of the bankruptcy of their customer, so as to prevent chain reaction bankruptcies, etc.	The Ministry of Economy, Trade and Industry (METI) revised the system so that mutual relief system members (creditors) can use mutual aid loans even in the case where their customers (debtors) cannot make debt consolidation arrangements by themselves because they are dead or missing in a serious disaster such as the recent Great East Japan Earthquake.
Information	Name: SME Manufacturing Enhancement Act Date: 2006 Type: independent law	Under this Act, the Minister of Economy, Trade and Industry sets guidelines indicating the direction for technology development, and the government authorizes research and development plans prepared by SMEs that are in accordance with these guidelines. SMEs implementing authorized research and development plans can receive support under budgetary provisions (the Strategic Core Technology Advancement Program) and low-interest financing.
Technology/innovation	The Act aims at assuring the proper protection/exploitation of industrial property among SMEs and thereby achieve growth in the Japanese economy through innovation.	
Information	Name: Promotion of Business Activities by Small and Medium Sized Enterprises Utilizing Regional Resources Act Date: 2007 Type: independent law	Create "premium regional brands". Utilize high level JIS/JAS. Establish "the Council on Regional Industrial Competitiveness". Aim that business startup rate exceeds business closure rate and business startup and closure rate rises to 10 % range on par with the U.S. and U.K. (current

Areas of support	Description of the law/ regulation	Content
Regional economy	Support for SMEs' new products and service development and market cultivation outside region support for enhancing regional industrial resources	situation: both new-business opening rate and business closing rate are 4.5%)
Information	Name: Local Shopping Area Activation Act Date: 2009 Type: independent law	Developing local shopping areas to be the center of already performed various activities such as cleaning projects, afforestation projects, and participation in associations of SMEs.
Organization	The Act is for the purpose of preserving the living environment of the surrounding area, and thereby to contribute to the sound development of the national economy and local communities and the improvement of the lives of the citizenry.	Facilitating the collaboration between municipal governments, shopping areas and large-distribution companies to give support to activities in local communities.
Information	Name: SME New Business Activity Promotion Act Date: 2005 Type: independent law	This provides support to cooperation between SMEs in different industries.
Organization	Through designating existing SME supporters, financial institutions, tax accountants or their firms, etc. as SME support service providers, the Act aims to realize providing SMEs with highly professional support services. In addition, the Small and Medium Enterprise Agency will assist SME support projects by cooperating through sending experts from the Organization for Small and Medium Enterprises and Regional Innovation, Japan, to SMEs and by supporting fundraising through granting credit guarantees.	<p>New Partnership Support Program is a comprehensive support (in the form of subsidies, loans, guarantees, tax exemptions etc.) to develop or distribute new products and services created through the effective combination of business resources resulting from partnerships between SMEs in different fields under the Act.</p> <p>Agricultural-Commercial-Industrial Collaboration Promotion Support Program is comprehensive support to develop new products and services created through organic partnerships between SMEs and agricultural, forestry, and fishery business to make effective use of their resources under the Agricultural-Commercial-Industrial Collaboration Promotion Act.</p>

Areas of support	Description of the law/ regulation	Content
Information	Name: Collaboration Between SMEs and Agriculture/Forestry/Fishery Business Act Date: 2008 Type: independent law	Comprehensively assists business activities conducted by organic partnerships between SMEs and those engaged in agriculture, forestry, fisheries through the effective use of their business resources
Promotion policy	The Act supports new products and services development and cultivation market of collaboration between SMEs and agriculture, forestry and fishery and improve management of SMEs and that of three industries.	
Information	Name: Act on Special Measures for Industrial Revitalization Date: 2009 Type: independent law	Support for Specified Business Activities by the Innovation Network Corporation of Japan. Facilitation of Start-ups and Small and Medium-Sized Enterprise Management Resource Utilization.
Promotion policy	The purpose of this Act is to take measures for the facilitation of business reconstruction, management resource reutilization, management resource integration, and resource productivity innovation executed by business operators, while taking into consideration employment stability, and to take measures for the establishment of the Innovation Network Corporation of Japan and for business operations concerning support for specified business activities, measures for supporting the revitalization of SMEs, and measures for the facilitation of business revitalization, along with promoting the utilization of intellectual property rights on business activities, thereby revitalizing Japanese industrial activities	Utilization of Intellectual Property Rights in Business Activities
Information	Name: Small and Medium Enterprise Charter	Inter-ministerial collaboration will enhance the effectiveness of

Areas of support	Description of the law/ regulation	Content
	Date: June 18, 2010 Type: independent law	measures to support SMEs efforts for starting up or changing/expanding businesses. Small and Medium Enterprise Agency and all other ministries and agencies concerned will work in strengthened unity to develop and implement SME policies in relation to industry, employment, social security, education, finance, public finance, and the taxation system. In so doing the Government will listen to SME voices across the country in cooperation with local business associations and reflect them in reviewing the effects of the policies implemented
General	The charter states that the Government will implement SME policies in accordance with the following principles: (i) Supporting SMEs as a source of economic vitality, to make full use of their capabilities. (ii) Encouraging SMEs to start up new businesses; (iii) Encouraging the challenges of SMEs to advance into and develop new markets with their creativity and ingenuity; (iv) Enhancing fairness in markets; and (v) Providing the safety net for worry-free business operations of SMEs	
Korean		
Information	Name: Framework Act on SMEs Date: Last amendment 20122 Type: basic law	The Act regulates on the scope of SMEs Proprietors, duties of government, securing market, protection of business sphere, establishment of Mutual Aid System, organization of SMEs proprietors, surveys, operation of Ombudsman program for SMEs, SME week.
General	The Acts provides fundamental matters pertaining to the direction in which the SME sector is to advance and measures to be taken to develop SMEs with aims of supporting the creative and independent growth of SMEs, advancing their industrial structure, and facilitating the balanced development of the national economy	
Information	Name: Act on Facilitation of Purchase of SME-manufactured Products and Support for Development of Their Market Date: 2009 Type: independent law	The Act states on method of contracting competing products, qualification for participation of competitive bidding, confirmation of direct manufacturing, increase in direct purchase of construction materials, priority purchase of products manufactured with technology developed by SMEs proprietors, market development support project, connected production support projects.
Procurement	The purpose of this Act is to contribute to the enhancement of the competitiveness of SME and to	

Areas of support	Description of the law/ regulation	Content
	the management stability by facilitating the purchase of SME-manufactured products and supporting the development of markets.	
Information	Name: Act on Special Cases Concerning the Regulation of the Special Economic Zones for Specialized Regional Development Date: 2009 Type: independent law	Plan for special economic zone for specialized regional development, special cases for establishment of schools, local public officials and public educational officials, immigration control, distribution and price stabilization of agricultural and fishery products, special cases for regulation on land use, establishment and operation of committee on special economic zones for specialized regional development.
General	The Act supports the specialized regional development systematically and to contrive to stimulate regional economies and the growth of the national economy by applying special cases for regulation selectively in accordance with characteristics of each region through the designation and operation of special economic zones for specialized regional development. Some articles on the act involves in SMEs.	
Information	Name: Act on Special Measures for SMEs and Small Commercial and Industrial Businessmen Date: 2008 Type: independent law	The Act regulates on formulation of plans for support to SMEs, factory installation, establishment of measures to support credit guarantee, aid in establishing enterprise, support for management stabilization of small enterprise, promotional institution for small commercial and industrial businessmen.
Special sector	The Act contributes to balanced development of the national economy by promoting the free business activities, restructuring and management stabilization of SME commercial and industrial businessmen	
Information	Name: Act on Special Measures for the Promotion of Venture Businesses Date: 2010	The Act states on the establishment of foundation for promotion of venture businesses, facilitation of business activities and smooth supply of manpower, efficient supply of location,

Areas of support	Description of the law/ regulation	Content
Merge/Transformation	<p>Type: independent laws</p> <p>The Act facilitates the structural adjustment of the industry as well as to the enhancement of the competitiveness, by promoting the conversion of existing enterprises into venture businesses and the establishment of venture business. It has some articles involving in SMEs.</p>	<p>special cases on laboratory factory, venture business and founder moved into business incubator, support for promotion zone,</p>
Information Social policy	<p>Name: Act on Support for Female-owned Businesses Date: 2009 Type: independent law</p> <p>The Act seeks actual gender equality in the economic realm by actively supporting the activities of female-owned businesses and women's establishment of business and to contribute to the development of the national economy by facilitating women's economic activities and elevating the status of businesswomen.</p>	<p>The Act mentions on facilitating activities of female-owned businesses, establishment of balanced growth promotion committee, investigation on actual conditions, special cases of support for women in establishing businesses, preferential purchase by public institutions, preferential treatment in financial support, improvement of business management capacity, establishment of Korean Women Entrepreneurs Association.</p>
Information Competition	<p>Name: Act on the Promotion of Collaborative Cooperation between Large Enterprises and SMEs Date: 2012 Type: independent law</p> <p>The Act sharpens the competitiveness of conglomerates and SMEs by consolidating win-win cooperation between them and to attain their shared growth by resolving the polarization of conglomerates and SMEs with the aim of laying the foundation for the sustainable growth of the national economy</p>	<p>Development of plans to facilitate win-win cooperation between conglomerates and SMEs, promotion of policies for facilitating win-win cooperation between conglomerates and SMEs (fair distribution of results of win-win cooperation, technological cooperation), exchange of human resources between conglomerates and SMEs, calculation and publication of win-win cooperation index between conglomerates and SMEs, consultative council of commissioned enterprises, cooperation between public institutions and SMEs.</p>
Information	<p>Name: Act on the Promotion of Technology Innovation of SMEs</p>	<p>Establishment of plans for promotion of technological innovation of SMEs, projects to assist in promotion of</p>

Areas of support	Description of the law/ regulation	Content
Technology/innovation	<p>Date: 2009 Type: independent law</p> <p>The Act strengthens the technological edges of SMEs by expanding infrastructure to promote the technological innovation of SMEs and by establishing and implementing policies related them.</p>	<p>technological innovation of SMEs, fostering technical professionals of SMEs, assistance of joint utilization of research facilities and equipment.</p>
Information Business start-up /Social policy	<p>Name: Promotion of Disabled Persons' Enterprise Activities act Date: 2010 Type: independent law</p> <p>The Act proactively facilitates business start-ups and entrepreneurial activities of disabled persons, improving the economic and social status of these persons, and endeavoring to enhance their economic strength</p>	<p>The Act states on responsibilities of state and local governments, installation of committee for facilitation of entrepreneurial activities of disabled persons, support business start-up, establishment of Korean Disabled Entrepreneurs Association.</p>
Information Production	<p>Name: Promotion of SMEs and Encouragement of Purchase of Their Products Act Date: 2008 Type: independent law</p> <p>The Act aims at strengthening the competitiveness of SMEs, encouraging the purchase of their products, extending the markets for them and expanding the business sphere for SMEs through their structural advancement.</p> <p>The Act highlights on the role of government in promoting SMEs and indicates various ways and mechanism to enhance the production among SMEs.</p>	<p>The Act mentions on supporting structural advancement, projects for supporting automation of SMEs, supporting inter-business exchanges, designation of projects subject to competitive bidding between SMEs proprietors, examination on proprietors to perform contracts, cooperative movement projects, collaborative projects, projects for providing supports for business site development and reduction of environmental pollution, guidance and training programs, supports for stable business management of SMEs, fund for establishment and promotion of SMEs, small business corporation.</p>

Areas of support	Description of the law/ regulation	Content
Information	Name: SMEs Cooperatives Act Date: 2008 Type: independent law	The Act mentions on duties of government and local governments to cooperate, prohibition on public officials from holding concurrent offices, industrial cooperatives, federation of cooperatives, Korean Federation of SME, mutual aid fund for SMEs.
Organization	The Act provides for the matters concerning the establishment, management, and development of cooperative organizations, through which small and medium enterprisers consolidate and promote collaborative projects, with aims of providing equal economic opportunities to SMEs and encouraging their independent economic activities to improve the economic status of SMEs and accomplish the balanced development of the national economy	
Information	Name: SMEs Promotion Act Date: 2010 Type: independent law	The Act mentions on cooperative movement projects, standards for cooperative movement of SMEs, collaborative projects, projects for providing supports for business site development and reduction of environmental pollution, guidance and training programs, projects for providing support for internationalization, establishment of Fund for Establishment and Promotion of SMEs, small business corporation.
Competition	The purpose of this Act is to strengthen the competitiveness of SMEs through their structural advancement, and expand the business sphere for SMEs, thereby contributing to the balanced development of the national economy. It includes many clauses involving in supporting structural advancement, automation among SMEs, cooperative movement projects, collaboration projects, development and reduction of environmental pollution, stable business management, family business etc.	
Information	Name: Special Act on Support for Human Resource of SMEs Date: May 21, 2009	The Act mentions on basic plans for supporting human resources of SMEs, training human resources necessary for SMEs through Industry-Academia Cooperation, projects for

Areas of support	Description of the law/ regulation	Content
	Type: independent law	experience in SMEs, upgrade structure of human resources of SMEs and intense training, creating environment for inflow of human resources into SMEs.
Human resources	The Act supports the smooth supply and demand of human resources of SMEs and the upgraded structure of human resources.	
Information	Name: Special Act on the Development of Traditional Marketplaces and Shopping District Date: June 9, 2009 Type: independent law	The Act mentions on development of master plan for market revitalization, support of modernization of commercial infrastructure by using of state-owned or public land, special exception for contribution of expenses for moving utility poles, protection of lessee-merchants and occupant-merchants in public markets, marketplace eligible for marketplace improvement project
Regional economy	The Act facilitates the modernization of facilities and management of traditional marketplaces and shopping districts and repair, improve and upgrade them in order to boost business activities in local commercial zones, promote the balanced growth of the distribution. It includes some articles involving in SMEs.	
Information	Name: Special Act on the Promotion of Business Conversion in SMEs Date: May 21, 2009 Type: individual law	The Act mentions on establishment and implementation of plans for promotion of business conversion of SMEs, approval on and smooth procession of business conversion, and support the conversion.
Conversion/ Transformation	The purpose of this Act is to promote the business conversion of SMEs that suffer difficulties due to changes in the economic environment, which will enhance the competitiveness of SMEs and upgrade the industrial structure.	
Information	Name: Support for SME Establishment Act Date: December 30, 2009 Type: independent law	It includes articles on small and medium business start-up investment company, cooperative, consulting companies. Designation of operators of business incubators, education for business start-ups, preferential grant of subsidy from Fund,
Business	The Act contributes to the establishment of a solid	

Areas of support	Description of the law/ regulation	Content
Start-up	industrial structure through sound development of SMEs by facilitating the setting-up of SMEs and developing and firm basis for their growth.	
India		
Information	<p>Name: Micro, Small and Medium Enterprises Development Act</p> <p>Date: October 2, 2006</p> <p>Type: basic law</p>	The Act mentions on national board for MSMEs, classification of enterprises, advisory committee and memorandum of MSME, measures for promotion, development and enhancement of competitiveness of MSMEs, and roles of central government.
General	The Micro, Small and Medium Enterprises Development Act, 2006 aims at facilitating the promotion, development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto. The Act seeks to provide for statutory definitions of SME and provide for the establishment of a National Small and Medium Enterprises Board, a high-level forum consisting of stake holders for participative review of and making recommendations on the policies.	
Taiwan		
Information	<p>Name: Act for Development of Small and Medium Enterprises</p> <p>Date: last revision November 25, 2009</p> <p>Type: independent law</p>	For achieving the objectives of this Act, the competent authority concerned shall take appropriate assisting or encouraging measures in respect of the following: 1. Market research and development, 2. Furtherance of rationalization of business operations, 3. Promotion of mutual cooperation, 4. Acquisition and securing of production factors and technology, 5. Education and training of competent personnel, and 6. Other matters relating to the establishment or sound development of small and medium enterprises.
General	The Act is enacted for the furtherance of sound development of small and medium enterprises by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts. With regard to matters not provided for in this Act, the provisions of other relevant acts and regulations shall apply.	

Areas of support	Description of the law/ regulation	Content
Indonesia		
Information	Name: Small Enterprise Act Date: 1995 Type: basic law	The introduction (Chapter 1 Article 1) of the Act, sets out the definition of small enterprises under the Act, the aim of developing enterprises that are strong and independent, the role of government in establishing a legal framework and implementing policies, and the need for strengthening the support of government and society for small enterprises, the security of a supply of capital and credit guarantees etc., and cooperation between small and large and medium enterprises.
General	The purpose of this law is to assist the activation of small and medium enterprises to lead to further development in the economy as a whole, and also to provide a legal framework upon which small and medium enterprises may develop. The Act has 9 Chapters and 38 Articles.	Chapter 4 includes the ability to secure capital, the strengthening of competitiveness, the maintenance of infrastructure, the provision of information, the cooperation and joint activities with large and medium enterprises, and the improvement of the approval and licensing and credit guarantee systems. Chapter 5 lists improvements in manufacturing and processing, market cultivation, staff training, and technology as important for the development of small enterprises. Chapter 6 sets out the acquiring of capital and credit guarantees, including bank funding, non-bank funding, venture capital, state funding, grants, and other means of funding. Chapter 7 sets out cooperation and tie-ups between large and medium enterprises and small enterprises. Chapter 8 sets out the integration required by government for the development of small enterprises, including the President establishing and chairing coordinating institutions, the development of policies, implementation of policies, and evaluation.
Information	Name: Government Ordinance for the Development of Small Enterprises No. 32 Date: 1998 Type: Independent law	This ordinance has 6 Chapters and 23 Articles. Chapter 1 sets out the purpose of the ordinance, which is for the government to lead in the development of small enterprises, and that the Minister of Control should correlate with other related ministers

Areas of support	Description of the law/ regulation	Content
Administration	<p>This government ordinance sets out policies for the development of small enterprises that are strong and independent, which are also a source of strength in the development of the national economy.</p> <p><u>2008 Revision to the Act</u> The main point of the revision is the definition for “small enterprise” no longer supports fair and effective policy development, and there is a need for a separation into micro, small, and medium enterprises.</p>	<p>in this endeavor.</p> <p>Chapter 2 sets out the need for small enterprise development policies to be unified and continuous, for policies to be implemented dependant on the conditions of small enterprise development, and that small enterprise should be classified according to net assets and annual sales by the Minister of Control, in discussion with other related ministers.</p> <p>Chapter 3 sets out the role of investors and financing organizations as support for the development of small enterprises. Regarding investors, concessional loans, reduced collateral, and favorable interest systems are set out. In regard to funding institutions, the establishment of new credit protection institutions in addition to the current institutions is set out.</p> <p>Chapter 4 sets out that in response to the planning and implementation of policies for small enterprise development, the Minister of Control shall conduct surveys of the government and public entities, and shall evaluate the response of related Ministers to their responsibilities. The related Ministers shall hold forums to evaluate the policies, implementations, and management of policies.</p>
Information	<p>Name: Presidential Directive for Small and Medium Enterprise Trust Restructuring No. 56 Date: June, 29, 2002 Type: Independent policy</p>	<p>The content includes: (i) Lending Banks and the Bank Reconstruction Agency (BPPN) cause creditors to fulfill their duties to SMEs, (ii) Banks as defined have their shares fully or majority owned by the state, (iii) Debts that are subject to restructuring are those that are worth up to 5 billion rupiah as of December 31 1997, (iv) Debts as herein defined are loans that were borrowed for a productive purpose prior to December 31 1997 or middle-class residences (RS) or low-grade housing (RSS) loans that have been purchased by businesses, and that</p>
Finance/credit	<p>In order to relieve bad debts of SMEs due to the impact of global crisis, the Indonesian government enacted the directive.</p>	

Areas of support	Description of the law/ regulation	Content
		<p>have become unpaid between January 1 1998 and December 31 2000, (v) The creditor is cooperative in the restructuring, and although there is some hope for future activity repayment is not possible at the present time, and the debt is being processed according to regulations, and the creditor is not a subsidiary of a large company, (vi) Where the bank that is performing the restructuring pays back the government within 6 months of the promulgation of this Presidential directive, they shall be exempted from paying any interest or fees to the government.</p>
Information	<p>Name: Cooperative SME Mid-term Development Plan for Capital Investment in Corporations Act No. 38 Date: 1999 Type: independent law</p>	<p>Establishment of the Madani State Investment Company as a body to promote capital participation. Madani Corporation was established as a state asset, outside of the national budget, and the state's investment totaled 300 billion rupiah.</p>
Finance/ credit	<p>In order for cooperatives and SMEs to help develop the national economy in a fair and just way, it was necessary for them to participate in the development of corporations, and for them to receive the capital and management assistance of the state</p>	<p>In accordance with the law, a policy to support the start-up of incubator businesses for young entrepreneurs was established. Also, incubator parks were established in 6 states (including 107 small and medium enterprises), for a total investment of 5 billion rupiah, or 500 million rupiah per incubator park.</p>
Malaysia		
Information	<p>Name: Small and Medium Industries Development Corporation Act 1995. Date: 1995, amendments: 2006 Type: independent law</p>	<p>The Act mentions on the establishment of the corporation, function and powers, the establishment of Small and Medium Industries Development Fund.</p>
General	<p>The Act provides for the establishment and incorporation of the Small and Medium Industries Development Corporation, and for matters connected with.</p>	
Philippines		
Information	<p>Name: Magna Carta for Small Enterprises</p>	<p>a) intensifying and expanding programs for training</p>

Areas of support	Description of the law/ regulation	Content
	Date: 1991, amended as RA8289 in 1997 Type: basic law	inentrepreneurship and for skills development for labor; b) facilitating their access to sources of funds; c) assuring to them access to a fair share of governmentcontracts and related incentives and preferences; d) complementing and supplementing financing programs for MSMEs and doing away with stringent and burdensome collateral requirements that small entrepreneurs invariably find extreme difficulty complying with; e) instituting safeguards for the protection and stability of the credit delivery system; f) raising government efficiency and effectiveness in providingassistance to MSMEs throughout the country, at the least cost; g) promoting linkages between large and small enterprises, and by encouraging the establishment of common service facilities; h) making the private sector a partner in the task of building up MSMEs through the promotion and participation of private voluntary organizations, viable industry associations, and cooperatives; and i) assuring a balanced and sustainable development through the establishment of a feedback and evaluation mechanism that will monitor the economic contributionsas well as bottlenecks and environmental effects of the development of MSMEs.
General	Under this charter, the basic laws, definition, and institutional structure to promote the development of small and medium enterprises are set out, and the Small and Medium Enterprises development Council (SMEDC) and Small Business Guarantee and Finance Corporation (SBGFC) were established.	
Information	Name: Barangay Micro Business Enterprise Act Date: 2002 Type: independent law	Income tax exemption from income arising from the operations of theenterprise; Exemption from the coverage of the Minimum Wage Law (BMBE employees will still receive the same social security and health care benefits as other employees); Priority to a special credit window set up specifically for the financing requirements of BMBEs; and Technology transfer, production and management training, and marketing assistance programs for BMBE beneficiaries.
Finance/credit	The aim of this law is the support of micro enterprises (business tax exemptions for a fixed period, the dispensation of minimum wage regulations, loans from government financial institutions, and technological support from government institutions), including the informal sector, for the reduction of poverty and ruraldevelopment.	

Areas of support	Description of the law/ regulation	Content
Singapore		
Information	Name: Singapore Company Act Date: 1967 with many amendments. The last review was in 1999 Type: independent law	The Act mentions on constitution of companies, management and administration, shares, debentures and charges, account and audit, judicial management and investigation
	The Singapore Companies Act provides for the formation (and ultimately termination) of companies, confers on companies some special features (for example, limited liability), regulates the relationships between participants in companies and facilitates dealings between companies and outsiders	
Thailand		
Information	Name: Small and Medium Enterprises Promotion Act Date: August, 2000 Type: basic law	The SME basic law consists of 48 articles as part of economic reconstruction policy in the wake of economic crisis in 1997. Current SME promotion policies are developed under this basic law. The law established the important matters such as responsibility for SME measures (establishment of a board) and clarification of tasks (article 5, article 10), its virtual responsibility (establishment of an executive board, article 17), establishment of project implementing organization (the Office of SMEs Promotion=OSMEP, article 15), clarification of concrete responsibility, establishment of SME fund (article 31) and establishment of SME promotion plan (article 36) being a must for SME promotion.
General	Comprehensive legislation on small and medium-size enterprises. Makes provision for establishment of a Board of Promotion of Small and Medium Enterprises, Office of Promotion of Small and Medium Size Enterprises, Fund of Promotion of Small and Medium Size Enterprises, Plan of Operation of Small and Medium Enterprises, promotion and support of the State, and some related matters.	
Information	Name: Medium and Small Enterprise Development Bank of Thailand Act Date: August, 2000 Type: independent law	Regulates powers, composition and procedures of Bank. Repeals Small Industrial Finance Corporation Act 1991. The bank give recommendation on the matter of finance, technique, production, marketing, administration and management to SMEs and assist SME to obtain these services
Finance/	Provides for establishment of Medium and Small	

Areas of support	Description of the law/ regulation	Content
credit	Enterprise Development Bank of Thailand. Objectives of Bank are to develop, promote and support establishment, operation, expansion and improvement of medium and small enterprises by granting loans, providing security guarantees, making joint investments, and providing advice and other services.	
Barbado		
Information	Name: The Small Business Development Act Date: 1999 Type: independent law	The Act introduces definition and registration of small businesses, policies on incentives and loan, technical assistance, monitoring and inspection and appraisal.
Tax/Budget	This Act introduces a new fiscal regime and regulatory framework designed to facilitate the growth of the small business sector in Barbado. The Act provides a variety of incentives, technical assistance and relief from taxation to qualified small business persons willing to undertake the challenge as well as the discipline of running their affairs through the vehicle of a company incorporated under the Companies Act, Cap. 308.	
Bulgaria		
Information	Name: Law for SMEs of Bulgaria Date: Type: independent law	The law states on the definition of different types of SMEs, role of the Council of Ministers, the Minister of Economy and Energy, the establishment of Small and Medium-Sized Enterprise Promotion Executive Agency and Consultative Council for Small and Medium-Sized Enterprise Promotion with the Minister of Economy and Energy, and measures to develop the SMEs, national strategy for SMEs development, financial assistance and promotion programs.
General	This Act regulates the social relations associated with the implementation of the state policy promoting the establishment and development of small and medium-sized enterprises. The purpose of this Act is to create conditions for the evolvement of a favourable and stable institutional and economic environment for establishment and	

Areas of support	Description of the law/ regulation	Content
	development of competitive small and medium-sized enterprises.	
South Africa		
Information	Name: National Small Business Act Date: 1996 Authority: Parliament of the Republic of South Africa Type: independent law	The Act provides definition of SMEs, the establishment of the National Small Business Council and its functions, the Ntsika Enterprise Promotion Agency; and to provide guidelines for organs of state in order to promote small business in the Republic.
General	The Act provides for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; and to provide guidelines for organs of state in order to promote small business in the Republic.	
Zambia		
Information	Name: Small Enterprise Development Board Act Date: 1996 Type: independent law	Functions of the SED Board are: (i) to formulate, co-ordinate and implement policies and programmes for promoting and developing micro and small enterprises, (ii) to develop industrial estates and common facilities for use by micro and small enterprises, (iii) to establish a training and processing centre to provide machinery and equipment to micro and small enterprises on a lease-out basis, (vi) to make recommendations on any legislative reform which may be required for the development of micro and small enterprises.
General	The Act provides for the establishment of the Small Enterprise Development Board and define its functions; establish the Micro and Small Enterprise Development Fund; provide for the development of the micro and small enterprises; provide for the registration of micro and small enterprises; repeal and replace the Small Industries Development Act, 1981; and provide for matters connected with or incidental to the foregoing	
Ireland		
Information	Name: Microenterprise Loan Fund Act Date: 2012 Type: independent law	The Act mentions on the establishment of Microenterprise Loan Fund, investment of money standing to credit of the Fund, lending to micro enterprises, borrowing by Social Finance Foundation.
Finance/credit	The Act facilitates the lending of money to microenterprises; for that purpose to make	

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	provision for a fund to be known as the Microenterprise Loan Fund. It also provides for the formation of a company to manage that fund and for matters connected.	
European Union		
Information	Name: Small Business Act Date: 2008 Type: independent law	Ten principles include: (i) Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded; (ii) Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second Chance; (iii) Design rules according to the “Think Small First” principle; (iv) Make public administrations responsive to SMEs’ needs; (v) Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs; (vi) Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions; (vii) Help SMEs to benefit more from the opportunities offered by the Single Market; (viii) Promote the upgrading of skills in SMEs and all forms of innovation; (ix) Enable SMEs to turn environmental challenges into opportunities; (x) Encourage and support SMEs to benefit from the growth of markets
General	A set of 10 principles to guide the conception and implementation of policies both at European Union and member state level. These principles are essential to bring added value at European Union level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU.	
United States		
Information	Name: Small Business Act Date: January 13, 2013 Type: independent law	Federal Government, through the Administrator of the Small Business Administration, acting in cooperation with the Department of Commerce and other relevant State and Federal agencies, should aid and assist small businesses, as defined under this Act, to increase their ability to compete in international markets by (i) enhancing their ability to export; (ii) facilitating technology transfers; (iii) enhancing their ability to compete effectively and efficiently against imports; (iv)
Public Purchases/Procurement	The Act declares that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases for the	

Areas of support	Description of the law/ regulation	Content
	<p>government and o the total sales of Government property be made to small business, and to maintain and strengthen the overall economy of the Nation.</p> <p>Targeted sectors: export & import, transfer technology, long-term credit, business related information.</p>	<p>increasing the access of small businesses to long-term capital for the purchase of new plant and equipment used in the production of goods and services involved in international trade; (v) disseminating information concerning State, Federal, and private programs and initiatives to enhance the ability of small businesses to compete in international markets; and (vi) ensuring that the interests of small businesses are adequately represented in bilateral and multilateral trade negotiations.</p>
Information	<p>Name: Small Business Job Act Date: September 27, 2010 Type: independent law (Senate and House of Representatives of the United States of America)</p>	<p>The Act mentions on small business access to credit and capital, Small business intermediary lending pilot program., trade and exporting, contracting, encouraging investment, promoting entrepreneurship and small business fairness, state small business initiative and the establishment of Small Business Lending Fund.</p> <p><i>The new law also extended the successful small business enhanced loan provisions while offering billions more in lending support, tax cuts, and other opportunities for entrepreneurs and small business owners.</i></p>
Employment Finance/credit	<p>To create the Small Business Lending Fund Program to direct the Secretary of the Treasury to make capital investments in eligible institutions in order to increase the availability of credit for small businesses, to amend the Internal Revenue Code of 1986 to provide tax incentives for small business job creation, and for other purposes.</p>	
Information	<p>Name: Small Business Investment Act Date, 1958, last enacted January, 13, 2013 Type: independent law</p>	<p>The Act mentions on Small Business Investment Division, investment division programs, small business investment companies, organization of small business investment companies and long term loan for small business, provision of equity capital for small business.</p>
Finance/credit	<p>It is declared to be the policy of the Congress and the purpose of this Act to improve and stimulate the national economy in general and the small-business segment in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business</p>	

Areas of support	Description of the law/ regulation	Content
	concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply: provided, however, that this policy shall be carried out in such manner as to insure the maximum participation of private financing sources.	
Information	Name: Veterans Entrepreneurship and Small Business Development Act of 1999 Date: August 17, 1999 Type: independent law	The Act mentions on veteran business development, technical and financial, and procurement assistances (e.g. National Veterans Business Development Corporation, and Advisory Committee on Veterans Business Affairs, General business loan program, assistance to active duty military reservists, Defense Economic Transition Loan Program., State development company program and Microloan program, Participation in Federal procurement, Service Core of Retired Executives program). In addition, on December 16, 2003, the Veterans Benefits Act of 2003 was passed by Congress. Section 308 of the Act (Public Law 108-183) established aprocurement program for Service-Disabled Veteran-Owned Small Business Concerns (SDVOSBC). This procurement program provides that federal contracting officers may restrict competition to SDVOSBCs and award a sole source or set-aside contract where certain criteria are met.
Social policy	The Veterans Entrepreneurship and Small Business Development Act of 1999 established an annual government-wide goal of not less than 3% of the total value of all prime contract and subcontract awards for participation by small business concerns owned and controlled by service-disabled veterans.	
Information	Name: Small Business Tax Cut Act Date: April 19, 2012 Type: regulation under law	This legislation would provide a 20-percent tax cut to companies employing 499 or fewer employees during either calendar year 2010 or 2011. The way this works is that any business, without regard to revenues, would be given a tax deduction equal to 20 percent of that business' net income.
Tax/Budget	The Act deducts for domestic business income of qualified small business	

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Information	Name: Jumpstart Our Business Startups Act (JOBS Act) Date: April 5, 2012 Type: independent law	For the first time, Americans will be able to go online and invest in small businesses and entrepreneurs. Not only will this help small businesses and high-growth enterprises raise capital more efficiently, but it will also allow small and young firms to expand and hire faster. The Act mentions on the reopening American capital markets to emerging growth companies, access to capital for job creators, crowdfunding, small company capital formation, capital expansion.
General	The JOBS Act is designed to encourage small business and startup funding by easing federal regulations and allowing individuals to become investors.	
Information	Name: Small Business Innovation Act of 2013 Date: June 11, 2013 Type: an amendment of the Small Business Investment Act of 1958	The Act - amends the Small Business Investment Act of 1958 to authorize the Administrator of the Small Business Administration (SBA) to guarantee the payment of up to \$4 billion per fiscal year for debentures or participating securities issued by small business investment companies (SBICs) to encourage the formation and growth of small businesses. It increases from \$225 million to \$350 million the maximum amount of outstanding leverage for two or more commonly-controlled SBICs. Direct the Administrator to establish and carry out an early-stage investment program to provide, through participating investment companies, equity financing to support early-stage businesses (gross annual sales of \$15 million or less in any of the previous three years). It outlines investment company application requirements and selection and approval procedures. It allows the Administrator to make one or more equity financings to a participating company, with a limit of \$100 million to any one company. It requires the company to make all of its investments in small businesses, of which at least 50% shall be early-stage small businesses in specified targeted
Finance/credit	The bill enhances the Small Business Investment Company Program and provide for a small business early-stage investment program. It authorizes the Administrator of the Small Business Administration (SBA) to guarantee the payment of up to \$4 billion per fiscal year for debentures or participating securities issued by small business investment companies (SBICs) to encourage the formation and growth of small businesses.	

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		industries. It establishes in the Treasury a separate account for equity financings under the program.
Information	Name: Small Business Investment Enhancement and Tax Relief Act Date: January 3, 2013 Type: an amendment of the Small Business Investment Act of 1958	The Act amends the Small Business Investment Act of 1958 to direct the Administrator of the Small Business Administration (SBA) to establish and carry out an early-stage investment program (program) to provide, through participating investment companies, equity financing to support early-stage businesses (gross annual sales of \$15 million or less in any of the previous three years). It outlines investment company application requirements and selection procedures. It allows the Administrator to make one or more equity financings to a participating company, with a limit of \$100 million to any one company. It requires the company to make all of their investments in small businesses, of which at least 50% shall be early-stage small businesses. It establishes in the Treasury a separate fund for equity financings under the program. It amends the Internal Revenue Code to provide a small business investment tax credit of 20% of the amount paid or incurred for small business investments. It directs the Secretary of the Treasury to conduct a study of the effectiveness of the tax credit in providing incentives for investment in small businesses.
Finance/credit	Small Business Investment Enhancement and Tax Relief Act directs the Administrator of the Small Business Administration (SBA) to establish and carry out an early-stage investment program (program) to provide, through participating investment companies, equity financing to support early-stage businesses (gross annual sales of \$15 million or less in any of the previous three years).	
Information	Name: Small Business Capital Access and Job Preservation Act Date Mar 13, 2013 Type: an amendment of the Investment Advisers Act of 1940	The Act amends the Investment Advisers Act of 1940 to exempt private equity fund investment advisers from its registration and reporting requirements, provided that each private equity fund has not borrowed and does not have outstanding a principal amount exceeding twice its invested capital commitments. It directs the Securities and Exchange Commission (SEC) to promulgate final rules that:(1) require
Finance/credit	The Act exempts private equity fund investment advisers from its registration and reporting	

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	requirements, provided that each private equity fund has not borrowed and does not have outstanding a principal amount exceeding twice its invested capital commitments.	such investment advisers to maintain records the SEC determines necessary, taking into account fund size, governance, investment strategy, and risk; and(2) define the term "private equity fund" for purposes of this Act.
Information	Name: Postsecondary education: Small Business Procurement and Contract Act. Date September 02, 2013 Type: California state law	Existing law, the Small Business Procurement and Contract Act, permits a state agency to award a contract for goods, services, or information technology with a value of between \$5,000 and \$250,000 to a certified small business, including a microbusiness and a disabled veteran business enterprise, without complying with specified competitive bidding requirements. Existing law establishes provisions regarding the award of contracts for goods and services applicable to the University of California, the California State University, and the California Community Colleges, and establishes criminal penalties for the violation of those provisions.
Human resource	The Act permits a state agency to award a contract for goods, services of information technology to small business without requiring any competitive bidding.	
Information	Name: Bill on Establishes Microenterprise Training Program and Assistance for Micro Entrepreneurs Date September 02, 2013 Type: New Jersey state law	A microenterprise business is a small business of less than five employees and requires less than \$35,000 in startup capital. This bill amends the definition of work activity for recipients of Temporary Assistance for Needy Families (TANF) to allow for either microenterprise training or self-employment, or both as ways to meet the work requirement of the program. The bill also amends the counseling requirements to be offered at One Stop Career Centers to include an evaluation of an individual's ability to engage in self-employment training, information about self-employment training opportunities, and information about the success of past participants in such training. Finally the bill requires the Commissioner of the Department of Community Affairs to provide \$500,000 of the non-entitlement
Human resource	This bill provide assistance for individual who own or are starting a microenterprise business.	

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		portion of the Community Development Block Grant each year to a nonprofit community organization that will administer the money as grants and loans to individuals who own or are starting a microenterprise.
Information	Name: High Growth Small Business Access To Capital Act Date: June 24, 2013 Type: South Carolina state law	The Act is a relatively small bet on a potentially sizeable return in economic growth and job creation at a critical time in South Carolina's economic history. Some highlights of Act includes: (i) state income tax credit of 35% of investments in qualified startups, (ii) non-refundable credit with 10-year carry forward provision, (iii) credit to be taken 50% in year of investment, 50% in following year, (iv) annual cap of \$100K per investor and \$5 million in aggregate, (v) investors must meet SEC definition of "accredited" investor, (vi) no brokerage fees or commissions allowed, (vii) qualified businesses must have:
Finance/credit	Enact The "high Growth Small Business Access To Capital Act Of 2013" by providing for State nonrefundable income tax credits for qualified investments in businesses meeting certain criteria and primarily engaged In Manufacturing, Processing, Warehousing, Wholesaling, Software Development, Information Technology Services, Research And Development or other nonprohibited services.	<ul style="list-style-type: none"> o Been organized within the last 5 years o Headquarters located in South Carolina o Fewer than 25 employees o Annual revenues less than \$2 million o Less than 25% of business activity from excluded activities <p>Unique recapture provision to recover amount of credit on successful investment o Also disallows double-counting of capital loss on unsuccessful investment</p>
Information	Name: Act on Encouraging the Exportation of State Products and Services Through the Small Business Express Program Date: June 24, 2013 Type: Connecticut state law	This bill requires the economic and community development (DECD) commissioner, when distributing funds for the Small Business Express Program, to give priority to businesses seeking to export their products or services to foreign markets. The commissioner must already give priority for this program to (1) small businesses creating jobs and (2) economic base industries in the precision manufacturing, business services, green and sustainable technology, and bioscience and information technology fields.
Import/Export	To encourage the exportation of the products and services of Connecticut businesses by establishing a preference in the Small Business Express application process for businesses that are attempting to enter	The Small Business Express Program provides deferrable or

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	foreign markets.	forgivable loans and matching grants to state-based small businesses and small manufacturers. Loan and grant amounts range from \$10,000 to \$300,000. The DECD commissioner must work with eligible applicants to create packages combining the loans or grants with assistance provided under other DECD programs.
Information	Name: OED Small Business Navigator Date: May 09, 2011 Type: Colorado state law	The bill requires the small business assistance center under the office of economic development to create a small business navigator to provide a single point of contact for small businesses in order to facilitate and assist small businesses by: Diagnosing problems; Making referrals to small business development centers, the business advancement center operated by the university of Colorado, or other such centers or organizations; Providing information regarding state government contracting offices and processes; ! Providing assistance with state rules; and ! Conducting any follow-up with the small business as needed. The bill also requires the office of economic development to advise and provide guidance to the small business navigator.
Business Information/Counseling	The Colorado office of economic development shall advise and provide guidance to the small business navigator and shall advise and provide guidance to coordinate activities of small business development centers and the business advancement center.	
Canada		
Information	Name: Canada Small Business Financing Act Date: last amended on April 1, 2009 Type: independent law	Several regulations made under this act: <ul style="list-style-type: none"> - Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations - Canada Small Business Financing Regulations (SOR/99-141) - Order Repealing Order in Council P.C. 1999-472 and Designating the Minister of Industry for the purposes of the Act (SI/2013-114) - Small Business Loans Regulations, 1993 (SOR/93-169) Small Businesses Loans Regulations (C.R.C., c. 1501)
Finance/credit	This is an Act to increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses.	

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Information	Name: Competition Act Date: last amended on March 12, 2010 Type: independent law	The purpose of this Act is to maintain and encourage competition in Canada in order to promote the efficiency and adaptability of the Canadian economy, in order to expand opportunities for Canadian participation in world markets while at the same time recognizing the role of foreign competition in Canada, in order to ensure that SMEs have an equitable opportunity to participate in the Canadian economy and in order to provide consumers with competitive prices and product choices.
Competition	The Act provides for the general regulation of trade and commerce in respect of conspiracies, trade practices and mergers affecting competition.	
Information	Name: Small Business Venture Capital Act Date: November 20, 2013 Type: independent law	The Act mentions on venture capital corporation tax credits, eligible business corporation tax credits. It means fewer corporate and program filings and cost savings from not having to incorporate a holding company. A viable alternative to raising seed capital in the \$0M to \$1M range. The ability to offer voting or non-voting common or preferred shares to investors (debt is not permitted)
Venture capital/private equity	The Act ensures the continued availability of needed venture capital for small firms. It will also simplify the program's regulations, encouraging new and existing investors to increase their involvement.	
Australia		
Information	Name: Small Business Commissioner Act (2013 No 22) Date: September 19, 2013 Type: independent law	The object of this Act is to create the office of Small Business Commissioner and to specify the objectives and functions of that office. Among the Commissioner's objectives will be to deal with issues concerning the small business sector in a neutral and independent manner and to provide a central point of contact for SME to make complaints about their commercial dealing with other businesses and with government agencies. The legislation allows the Commissioner to: <ul style="list-style-type: none"> • Require parties to a dispute to attend mediation prior to
Commission	The Act creates the office of Small Business Commissioner and to provide for the objectives and functions of that office; and for other purposes	

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		<p>the initiating of a legal process and impose penalties for any non-adherence to the requirements.</p> <ul style="list-style-type: none"> • Investigate allegations of unfair treatment and unfair contract terms in a neutral and independent manner. • Require local councils, State Government bodies and other businesses to provide information or answer questions if a complaint is made. • Report directly to parliament where there is an issue of real importance to small businesses.
Multinationals		
Information	<p>Name: Bologna Charter on SME Policies Date: 15 June 2000 Type: independent law</p>	<p>The Bologna Charter provides a frame of reference for efficient SME policies aimed at strengthening SME competitiveness worldwide and furthering economic growth and social enhancement.</p>
General	<p>The charter was approved by Ministers and Representatives of governments¹ of Algeria, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Morocco, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States and Vietnam.</p> <p>The ministers and representatives of these countries agreed to work together and within international organizations to improve the complementarity of bilateral and multilateral initiatives to foster global</p>	<p>In pursuit of these aims, the OECD subsequently launched the OECD Bologna Process on SME and Entrepreneurship Policies, a dynamic political mechanism which: (i) Fosters the entrepreneurial and SME agenda at the global level through extended analytical work; (ii) Promotes high-level dialogue on SME and Entrepreneurship policies worldwide ; (iii) Encourages co-operation between OECD countries and non-member economies, other international organisations/institutions, and non-governmental organisations in the field of SMEs and entrepreneurship</p>

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	SME partnerships and enhance the availability of financial and nonfinancial instruments to promote SME development.	
Information	Name: The Istanbul Ministerial Declaration on Fostering the growth of innovative and internationally competitive SMEs Date: 5 June 2004 Type: independent law	In the declaration, Ministers committed to: (i) Working co-operatively to achieve progress in reducing barriers to SMEs' access to international markets; (ii) Considering SME needs, including for simplified, streamlined and integrated administrative processes, when formulating new legislation, regulations and product standards; (iii) Assessing the effects of globalisation on SMEs and in particular examine issues related to SME access to financing and to support for innovation; (iv) Recognising and building on SMEs' role as engine for growth, employment and poverty alleviation, particularly in developing countries.
General	The declaration reaffirms the need to support the development of the best set of public policies that will foster the creation and rapid growth of innovative SMEs	

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