



Service. Minding. Esteem. Awareness

Taiwan SME Policy Formulation and SME Development

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I. Foreword

1. About Taiwan

Area: 36,000 sq. km

Population: 22.7million*

Per Capita Income: US\$15,659*

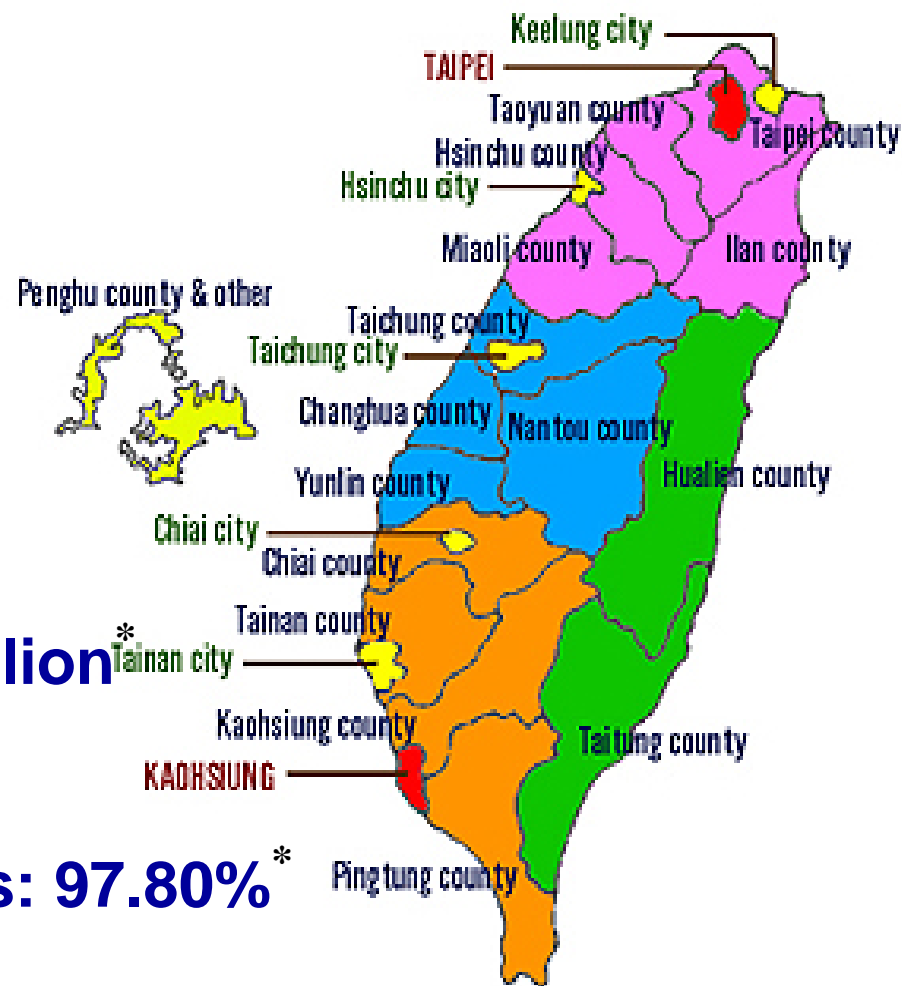
Foreign Trade: World's 17th-
largest trading nation*

Number of Enterprises: 1.25 million*

Number of SMEs: 1.22million*

Ratio of SMEs to All Enterprises: 97.80%*

*Statistics in 2005





II. Experience of Taiwan's Economic Development

1. An Outline of Taiwan's Economic Growth

YEAR	1952	2005
Population	8.13million	22.7million
GNP	US\$1,674million	US\$344.8billion
Per Capita GNP	US\$196	US\$15,659
Agri. Output/GDP	32.2%	1.7%
Industrial Output /GDP	19.7%	25.6%
Exports	US\$116million	US\$171.7billion
Imports	US\$187million	US\$142.5billion
Foreign Exchange Reserves	Less than US\$100million	US\$252.0billion

Sources: Statistics Indicators of Major Countries, Statistic Department, MOEA, January 2006



2. Structure of Production (% of GDP by Sector)

Unit: %

Year	Agriculture	Industry	Manufacturing	Services
1952	32.2	19.7	12.9	48.1
1960	28.5	26.9	19.1	44.6
1970	15.5	36.8	29.2	47.7
1980	7.7	45.7	36.0	46.6
1990	4.2	41.2	33.3	54.6
2005	1.7	25.9	22.3	72.4

Sources: 1. Taiwan Statistical Data Book 2005, CEPD, June 2006

2. Statistics Indicators of Major Countries, Statistic Department, MOEA, May 2006

3. Directorate General of Budget, Accounting and Statistics, 2006



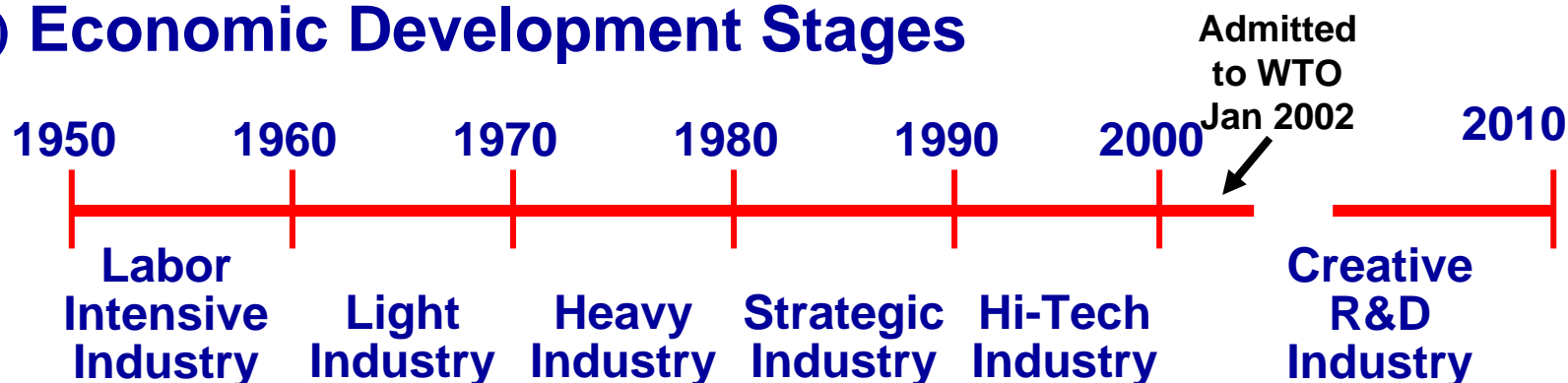
3. Policies and Strategies in Different Stages of Taiwan's Economic Development

- (1) Import-Substitution / Labor-Intensive Industry : 1953-1962**
- (2) Export-Expansion / Light Industry : 1963-1972**
- (3) Import-Substitution / Heavy Industry : 1973-1980**
- (4) Industry Upgrade / Strategy Industry : 1981-1990**
- (5) Hi-Tech Industry : 1991-2000**
- (6) Creative R&D Industry : after 2001**



4. Economic Developing Process of Taiwan

(1) Economic Development Stages



(2) 1950 – 2000 Economic Growth Rate : 8.1%(Average)

2001 Economic Growth Rate : -2.18%

(3) 2003 Economic Growth Rate : 3.4%

2004 Economic Growth Rate : 6.1%

2005 Economic Growth Rate : 4.1%

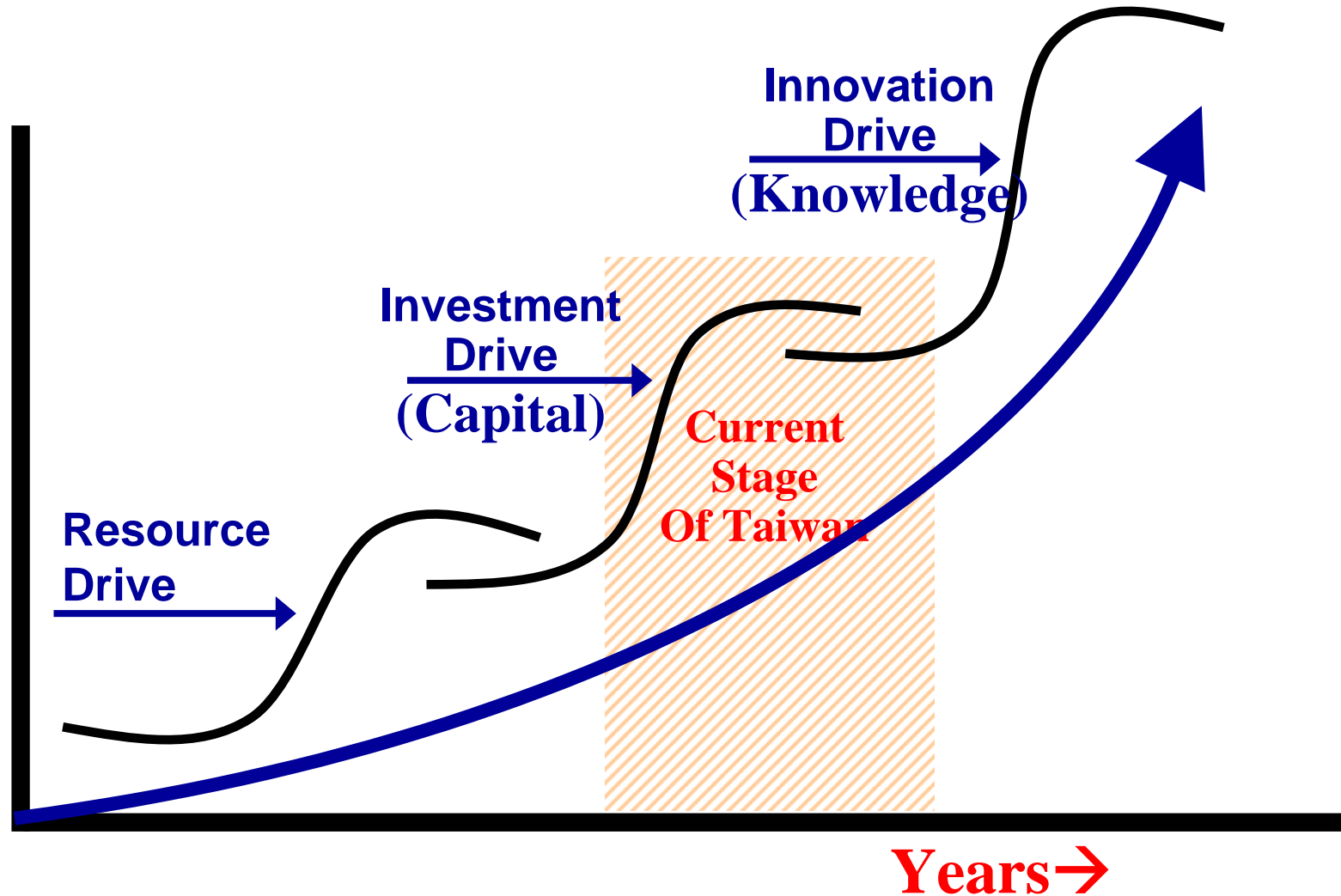
(4) 2005 GDP Structure : Service Sector 72.4%

Industry Sector 25.9%

Agriculture Sector 1.7%

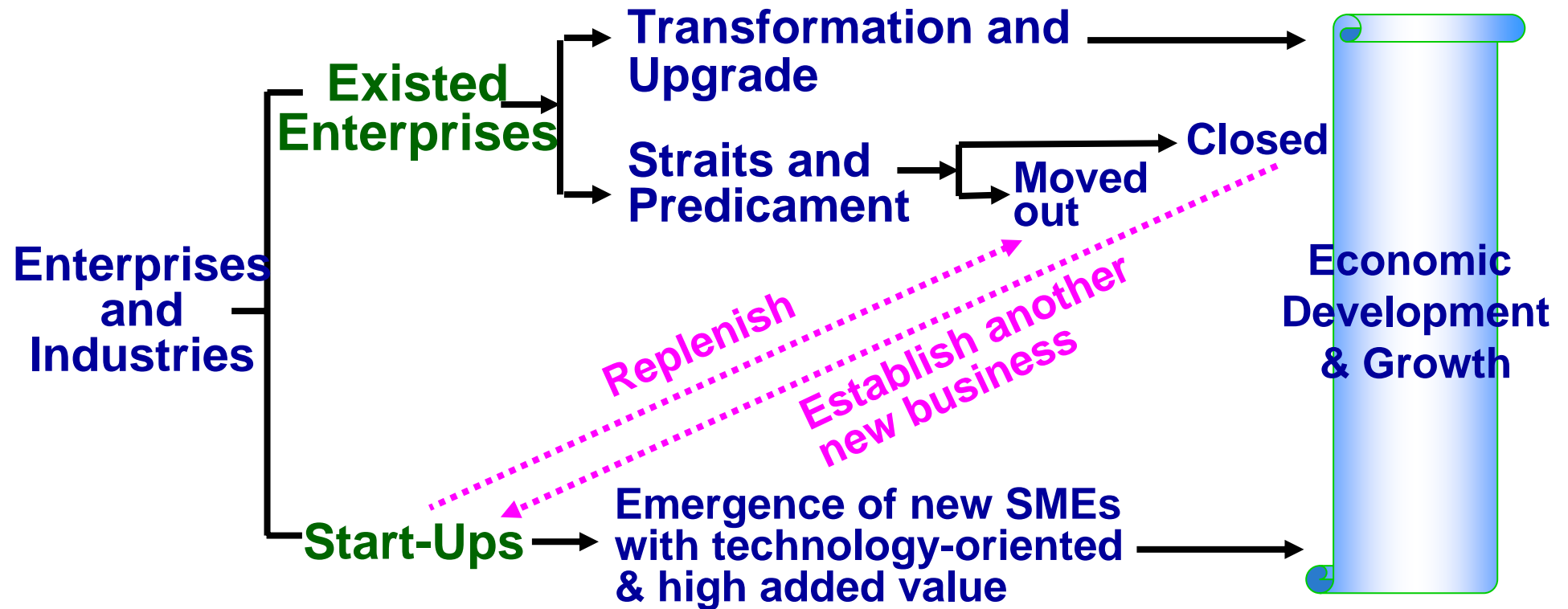


5. Trends of Industrial Development & Transformation





6. Relationship of Entrepreneurship & Economic Growth



Positive Cycle of Economic Development



III. Government Policies

1. Challenge 2008: National Development Plan

4 Major Investments

- (1) Cultivate Talent with View of Internationalization & Innovation Ability
- (2) R&D and Innovation to Develop Taiwan into R&D and Global Supply Center of Products with High Value-added
- (3) International Logistics to Build Taiwan as Regional Operation Headquarters
- (4) High-quality Living Environment to Build up Taiwan Barrier-free Sustained Living Environment

10 Major Plans

- 1 e-Generation Personnel Training Plan
- 2 Culture Innovation Industrial Development Plan
- 3 International Innovation and R&D Base Plan
- 4 High-valued Industrial Plan
- 5 Double Tourists Plan
- 6 Digital Taiwan Plan
- 7 Operation Headquarters Plan
- 8 Island-wide Transport Skeleton Plan
- 9 Conserve Water Resources & Ecology
- 10 New Urban Community Construction Plan



2. New 10 Construction Projects

Innovation,
R&D,
HR,
Investment

1 Top-ranked Universities & Research Centers (NT\$50Billion)

☞ At Least 15 Departments and Institutes Rank No.1 in Asia in 5 Years. At Least One University Ranks Top100 Worldwide within 10 Years

Cultural
Innovation,
Knowledge
Industry

2 International Arts & Popular Music Center(NT\$33.4B)
3 M Taiwan Plan(NT\$37B)
4 Taiwan Expo(NT\$30.1B)

☞ Sites in Northern, Central, Southern & Eastern Taiwan
☞ 6,000km Seamless Broadband Twin-nets
☞ Held Taiwan Expo 2008

International
Competition,
Global
Logistics

5 Convert Taiwan Railway Into High Speed Railroad System (NT\$39.9B)
6 Third-stage Highway Program(NT\$43.9B)
7 Convert Kaohsiung Harbor into Continental Container Shipping Center(NT\$24.2B)

☞ Turn in 8 Phases and Develop 3 New Branches
☞ Develop Ilan-hualien-taitung-Nantou Tourism Area Facilitating Daily Living Circles of Residents
☞ Construction of Deep-water Harbor, 15,000TEU Container Yard

Sustained
Environment,
Convenient
Living

8 Rapid Transit Systems for Northern, Central & Southern Taiwan(NT\$142B)
9 Waste Water Sewerage System(NT\$39.4B)
10 Ground Reservoir & Desalting Plant(NT\$31.5B)

☞ Construct 10 Rapid Transit Systems
☞ Pipe Rate of Waste Water Sewerage from 10.7% to 27.3%
☞ 4 Great Lakes in Taoyuan, Yunlin, Tainan, Kaohsiung-pingtung. Desalting Plant In Kinmen, Matsu, Penghu & Hsinchu
10 Science-based Park



3. Develop Service Industry to Enhance Employment & Upgrade of Living Quality

Target & Focus

Annual Growth of Service Industry at 6.1%
Annual Growth of Knowledge Intensive Service Industry at 8.0%

strategies

1. Deregulation Environment
2. Infrastructure
3. Industrial Policy
4. Incentives for Investment
5. Releasing Public Resources
6. Human Resource Development
7. Instigation of Vitality of Private Sector
8. Expansion of Demand
9. Mechanism of Innovation, R&D

Industry Assistance

1. Finance
2. Logistics & Transportation
3. Communication & Media
4. Medical Service & Care
5. Personnel Training, Dispatch & Property Management
6. Tourism, Sports & Amusement
7. Culture Innovation
8. Design
9. Information
10. R&D
11. Environment Protection
12. Engineering Consultancy

Ministry of Economic Affairs is the Principal Government Sponsoring Agency for Such Service Industries as Logistics, Cultural Innovation, Design, Information, and R&D



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4. “Large-Scale Investment” and “Big-Warmth” Plans

Vision: A Prosperous, Just, Sustainable, and Beautiful Taiwan

Aims: A GDP per person of USD 20,000 by 2009 and USD 30,000 by 2015

Industry output targets for 2009 for emerging industries

Phase I: “Three Year ‘Sprint’ Plan—Plans for Industry Development (2007-2009)”, which includes two flagship plans:

- 1. “Building a Superior Investment Environment”**
- 2. “Initiating a New Era in Industrial Development”**

- 1. Wireless broadband and related services: NTD 128 billion**
- 2. Digital home electronics: NTD 640 billion**
- 3. Health care: NTD 320 billion**
- 4. Green industries: NTD 192 billion**

Ministry of Economic Affairs (MOEA) provides measures and action plans, which includes land rent incentives, funding, and ample human resources; improving administrative efficiency; and promoting foreign investment in Taiwan. Also, MOEA provides assistance to burgeoning industries and already-existing industries in transition as well as helping weaker industries to create a new playing field for industrial development



IV. Role of SMEs in 2005

1. Criteria for Identifying SMEs

SECTORS	SMEs		Micro Business
	Basic	Exception	
Manufacturing, Construction, Mining, Quarrying	Capital < US\$2.3 Million	Employees < 200 persons	Employees < 20 persons
Commerce, Service	Preceding year revenue < US\$2.9 Million	Employees < 50 persons	Employees < 5 persons



2. Statistics of SMEs in Taiwan

(% of total)

Year	Number of SMEs	Number of Persons Employed by SMEs	Sales in US\$ billion	Export Sales in US\$ billion
1999	1,060,738 (97.73%)	7,344,000 (78.25%)	219.9 (28.95%)	38.1 (21.11%)
2000	1,070,310 (98.08%)	7,405,000 (78.06%)	229.4 (28.98%)	41.5 (20.03%)
2001	1,078,162 (98.18%)	7,288,000 (77.67%)	197.5 (28.38%)	37.5 (20.65%)
2002	1,104,706 (97.72%)	7,361,000 (77.86%)	215.7 (29.51%)	38.9 (19.28%)
2003	1,146,352 (97.83%)	7,425,000 (77.56%)	256.2 (31.47%)	39.1 (18.11%)
2004	1,164,009 (97.80%)	7,553,000 (77.18%)	294.4 (30.60%)	44.9 (17.05%)
2005	1,226,095 (97.80%)	7,648,000 (76.93%)	303.95 (29.46%)	46.13 (17.60%)

Source: White Paper on Small and Medium Enterprises in Taiwan, MOEA



- 3. The Age of Most SMEs is 10 to 20 Years, which Shares 23.63% in SMEs. The Age over 20 Years Shares 18.20%. And the Ownership Structure is mostly of the Single-owner Type**
- 4. The Number of newly Start-up SMEs is 126,000. SME Maintains its Vitality and Spirit of Entrepreneurship**
- 5. Average Number of Persons Employed by SMEs is 6.23 (9.45 in Manufacturing Sector)**

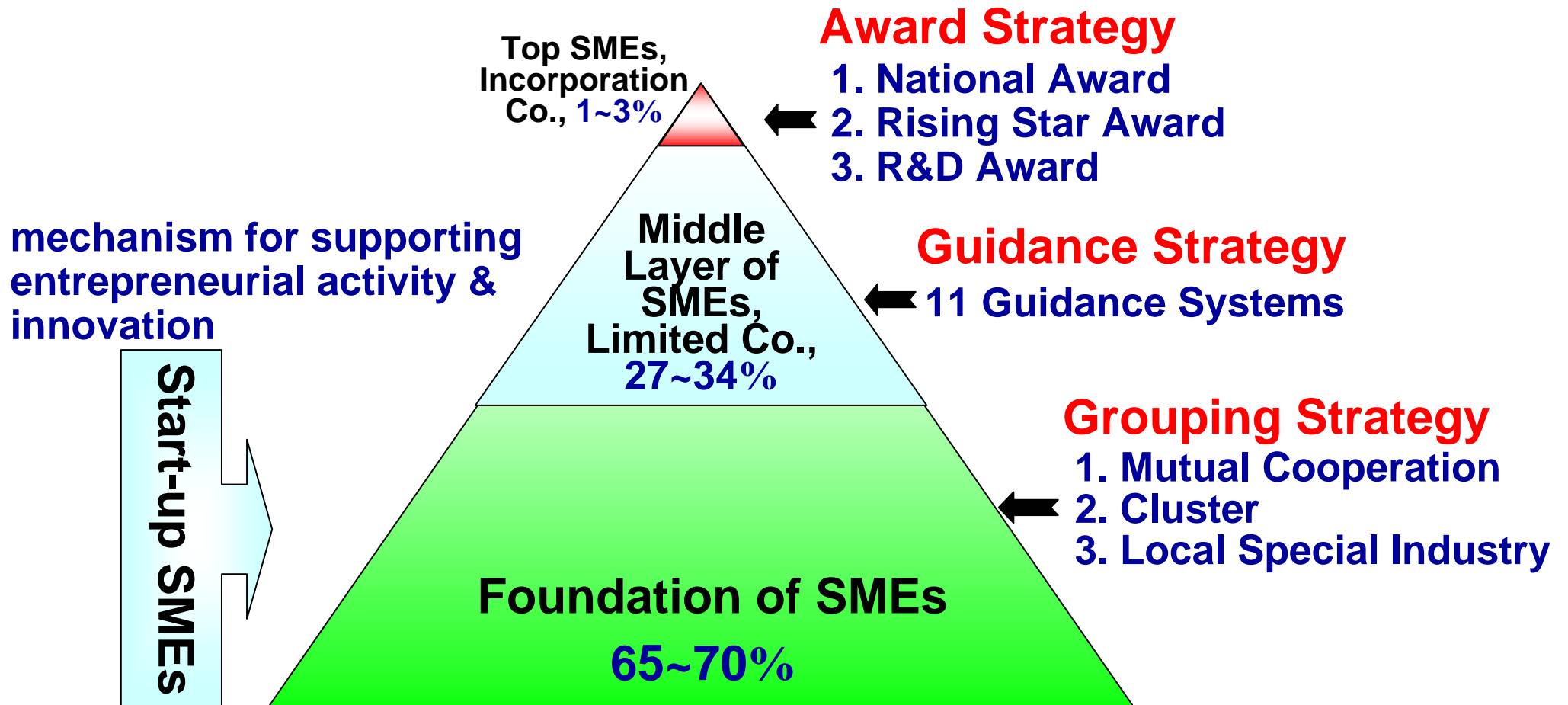


6. After Got the Assistance Measures of Management, Financing & Credit Guarantee, etc., Many SMEs Become Large Enterprises. Among Them, 226 Enterprises Listed on Taiwan Stock Exchange Corp. Market, 276 Listed on GreTai Securities Market, 141 listed on Emerging Stock Securities Market. For example, the acer and the FOXCONN Are the Benchmark Enterprises.



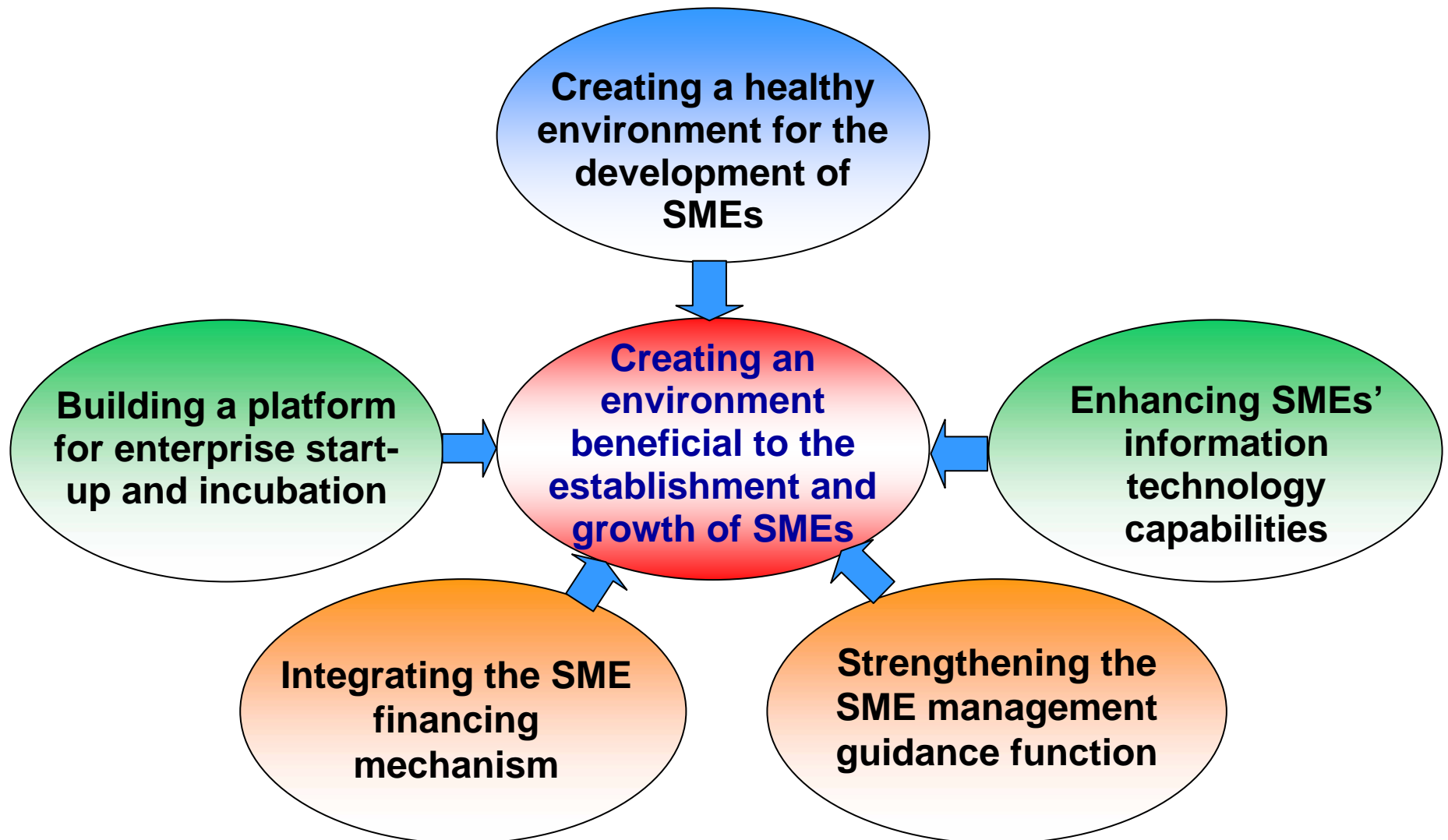
V. Policy Formulation for Fostering SMEs

1. Philosophy – Service, Minding, Esteem, Awareness





2. Vision and Strategies





3. Measures in Strategies

- (1) Creating a Healthy Environment for the Development of SMEs**
 - a. Advocating the fair laws for SMEs**
 - b. Research on and analysis of SMEs' business environment**
 - c. Promotion of general planning affairs**



(2) Building a Platform for Enterprise Start-up and Incubation

- a. Establishment of a mechanism for supporting entrepreneurial activity and innovation**
- b. Strengthening the SME innovation and incubation function**
- c. Strengthening SME Manpower Resource Development**
- d. Participation in international activities and cultivation of international SME talent**



(3) Enhancing SMEs' Information Technology Capabilities

- a. Strengthening SMEs' information management capabilities**
- b. Promotion of knowledge management applications**
- c. Strengthening SMEs' quality management capabilities**



(4) Strengthening the SME Management Guidance Function

- a. Strengthening management quality and promoting upgrading and transformation**
- b. Helping SMEs to secure business opportunities of government procurement**
- c. Development of industries with local characteristics**
- d. Promotion of mutual assistance between enterprises**
- e. Helping small enterprises to survive and develop**



(5) Integrating the SME Financing Mechanism

- a. Strengthening the functions of the One-stop Service Center**
- b. Holding various SME Joint Services to help SMEs solve financing problems**
- c. Encouraging the development of sound financing and accounting systems**
- d. Promoting Credit Guarantee Fund, Joint Assistance Fund to offer SMEs various diagnosis, financing and credit guarantee**
- e. Establishing trust investment account for start-up enterprise and incubation**



VI. Key Measures for SMEs Development

1. Eleven Guidance Programs to Assist SMEs

- (1) Finance and Credit Guidance System**
- (2) Management Guidance System**
- (3) Production Technology Guidance System**
- (4) Research & Development Guidance System**
- (5) Information Management Guidance System**



(6) Industrial Safety Guidance System

(7) Pollution Control Guidance System

(8) Marketing Guidance System

(9) Mutual Support & Cooperation Guidance System

(10) Quality Enhancement Guidance System

(11) Business Startup & Incubation Guidance System



2. Advocacy of SMEs the Fair Legal Environment

Undertake Research and Collect Information on SME-related Legislations. The Statue Governing the Development of Small and Medium Enterprises Is Revised frequently in Line with Changes in the Overall Environment. Work with SMEs and SME Associations to Draw up Legislations Relating to SMEs, then Making Decisions in Small and Medium Enterprise Policy Review Committee. Advocacy of SMEs Legal Rights for their Healthy Development.



3. SME Credit Guarantee Fund

(1) Established in 1974, Provide Credit Guarantees to SMEs which Are Promising but Short of Collateral. Help Obtain Finance from Financial Institutions

(2) Credit Guarantee Service Statistics

Unit: No., NT\$billion

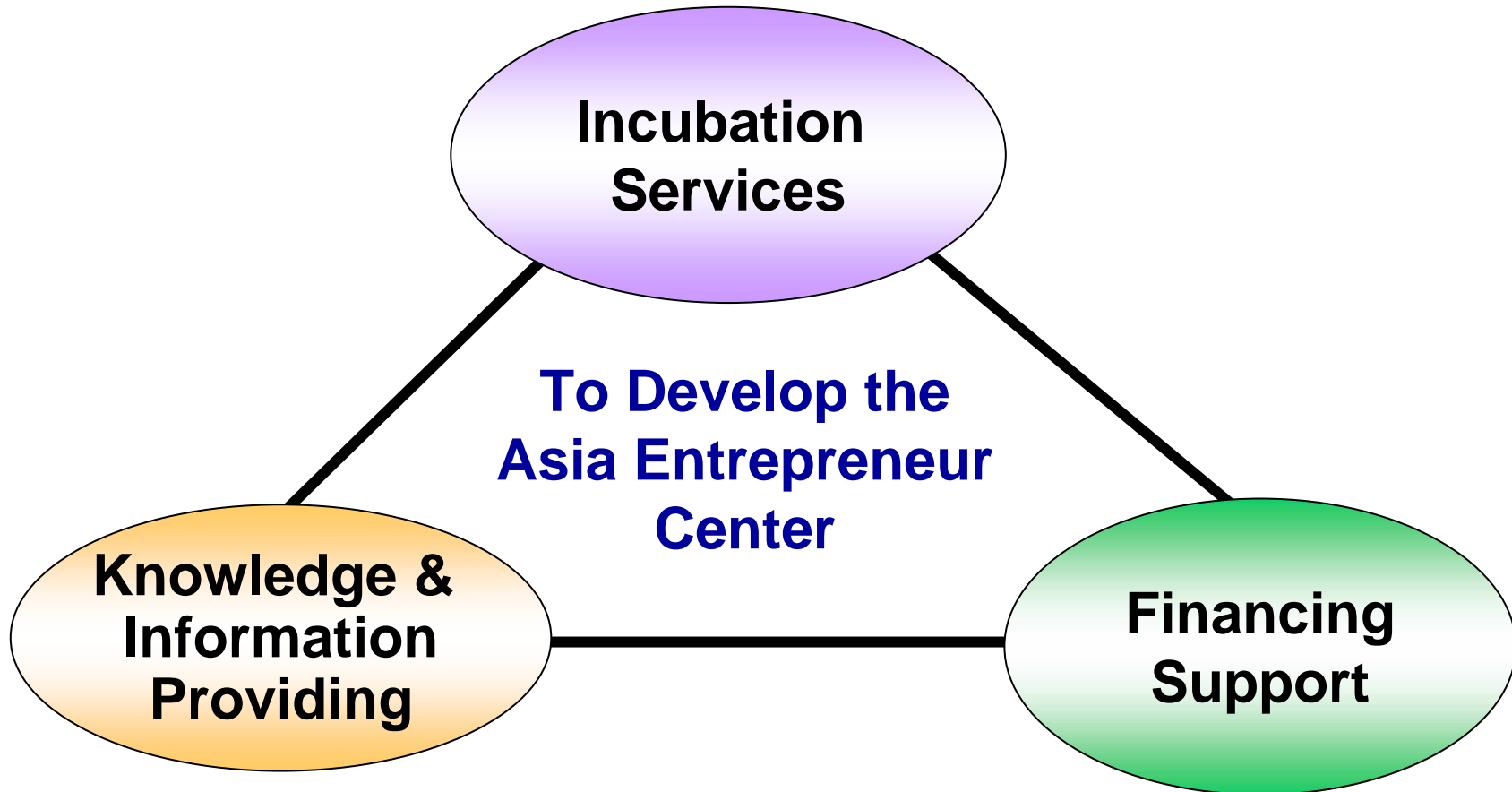
No. of guaranteed enterprises	255,023
No. of cases guaranteed	3,021,613
Amount guaranteed	3,521
Amount financed	5,134

* Statistics from 1974 to the End of July, 2006



4. Platform of Entrepreneurship and Incubation for SMEs

Vision: To Foster Taiwan as an Entrepreneur Society





4-1 Incubation Services

(1) Purpose

- A. Help SMEs Access Resources of Innovation and Entrepreneur**
- B. Enhance SMEs Ability in R&D and Start-up New Business**
- C. Facilitate More Competitive SMEs and Promote Economic Development**



(2) Functions

- A. Foster New Technology, New Product and New Business**
- B. Reduce Risks and Expenses of Investment**
- C. Provide Guidance in Commercializing R&D**
- D. Provide a Location for Cooperation of Academic and Industries**
- E. Provide Testing Services and Speed up the Development of Products**
- F. Provide Training Courses, Information and Consultation**



- (3) Since 1996, Have Set up 95 Incubators Spread over Taiwan. Among Them, Universities Share 77%, Non-profit Organization & Research Institution Share 11%, Government shares 8%, Private Sector Shares 4%**
- (4) Have Incubated over 2,428 SMEs, Induced Investment Amount NT\$37.03 billions**
- (5) Successfully Incubated Paradigm Enterprises Conclude Electronics, Information Technology, 3D Animated, Communication, Bio-tech Industries, etc.**



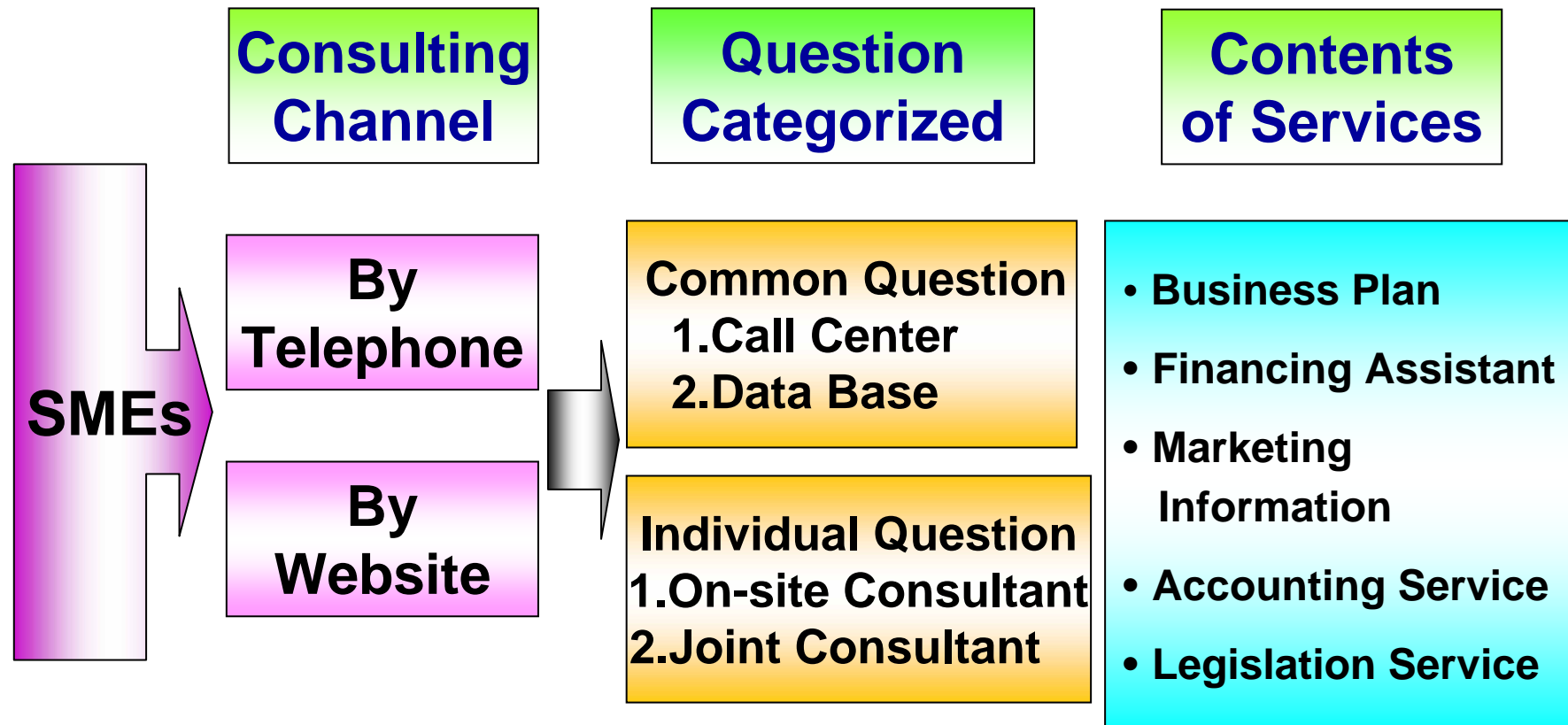
4-2 Financing Supporting

- (1) SME Incubation Trust Investment Account**
- (2) SMEs Investment Companies**
- (3) Strategic Alliance with Venture Capital**
- (4) Various Programs of SMEs Loan**
- (5) Micro Business Start-up Loan**
- (6) Low-interest R&D Loan**
- (7) SME Credit Guarantee Fund**



4-3 Knowledge and Information Providing

(1) Entrepreneur Consultation / Knowledge Center





(2) Entrepreneur Learning Center

College of Entrepreneur

Programs

1. Training Courses
2. Case Study
3. Field Visit
4. Seminar
5. Business Plan

Objective Trainees

1. New enterprises established within 3 years
2. Plan to start a new enterprises

Virtual Programs (<http://emba.moeasmea.gov.tw>)

Application for e-learning



e-learning courses of Entrepreneur



Competition of Business Plan

Others

Superiors



Nominate to Entrepreneur Lab



Transfer to Entrepreneur Consultant Center



(3) Entrepreneur Lab

**Entrepreneur Consulting/
knowledge Center**

- (1) **Select 100 entrepreneurs for entry into Entrepreneur Lab**
- (2) **Conditions: Must have preparatory capacity and a feasible business plan**

**Entrepreneur Learning
Center**

- (1) **Select 200 entrepreneurs for entry into Entrepreneur Lab**
- (2) **Conditions: the best business plans written in the course of a systematic entrepreneurial course training**

Entrepreneur Lab

- (1) **Through promotional activities, select 200 for entry into Entrepreneur Lab**
- (2) **Conditions: Provide a feasible entrepreneurial business plan, which after assessment can begin to receive entrepreneurial guidance**



5. Women Entrepreneur Guidance

“Free & Young” Women’s Entrepreneurial Guidance Program, National Youth Commission:

- (1) Establish Service Network for Women Entrepreneurs**
- (2) Online Counseling and Guidance**
- (3) Research Into Women’s Entrepreneurial Trends**
- (4) Training**
- (5) Unify Resources**



6. Micro Business Start-Up Loan

(1) Purpose

Enhance the Entrepreneurship & Assist the Middle-age Unemployed Person to Create New Business in Knowledge Economic Era

(2) Loan Source

Banks' Own Capital

(3) Eligibility

Must be Unemployed, Age 45 to 65 Years Old, Who Have New Business Plan

- New Start-up Business, or**
- Business Within One Year**

(4) Loan Size

For Each Person NT\$1million Is Maximum



(5) Interest Rate

3% Per Year. Fixed Rate

(6) Guarantee

80% of Loan Guaranteed by SME Credit Guarantee Fund

(7) Purpose of Loan

- **Working Capital**
- **Real Estate, Machinery and Equipment**

(8) Loan Period

6 Years Maximum

(9) Other Matching Measures Provided

- **Management & Technical Assistance to Help Ensure Success**
- **Awards to Excellent Entrepreneurs**
- **Regular Report to Executive Yuan**



Entrepreneur capitalized Micro Business Start-Up Loan

Unit: number, (%)

Years Old	45 ~ 49	50 ~ 54	55 ~ 59	60 ~ 65	SUM
Woman	1,326	1,013	420	267	3,026(40.83)
Man	2,197	1,382	576	240	4,395(59.17)
TOTAL	3,523	2,395	996	507	7,421

* Statistics from January 2003 to July 2006

Entrepreneur capitalized Micro Business Start-Up Loan by Sector

Unit: number

Sector	Manufacturing	Trade	Eating-drinking Place	Other Services	SUM
Woman	133	1097	682	1,114	3,026
Man	261	1,675	619	1,840	4,395
TOTAL	394	2,772	1301	2,954	7,421



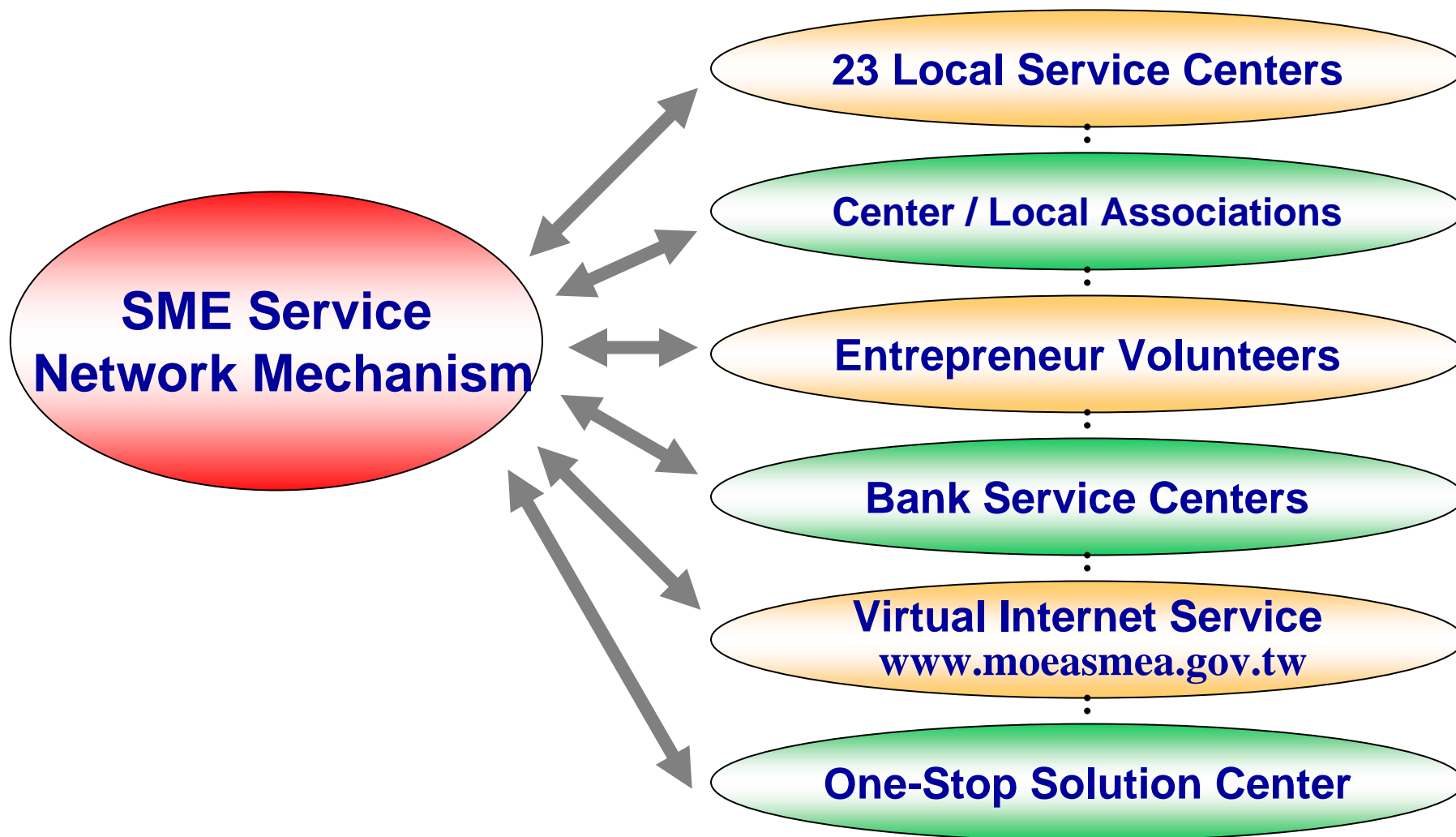
7. Local Feature Industry & Community Small Business Development

Since 1989, 111 Successful Consulting Cases Have Been Sought across Taiwan. Consulting Programs Are on Strengthening Local Development Organizations, Instilling Local Feature Industry Identification System, Improving New Product Technical R&D Capabilities, Culminating Professional Talents, Integrating Local Feature Resources and Jointing Collaborated Marketing, etc.



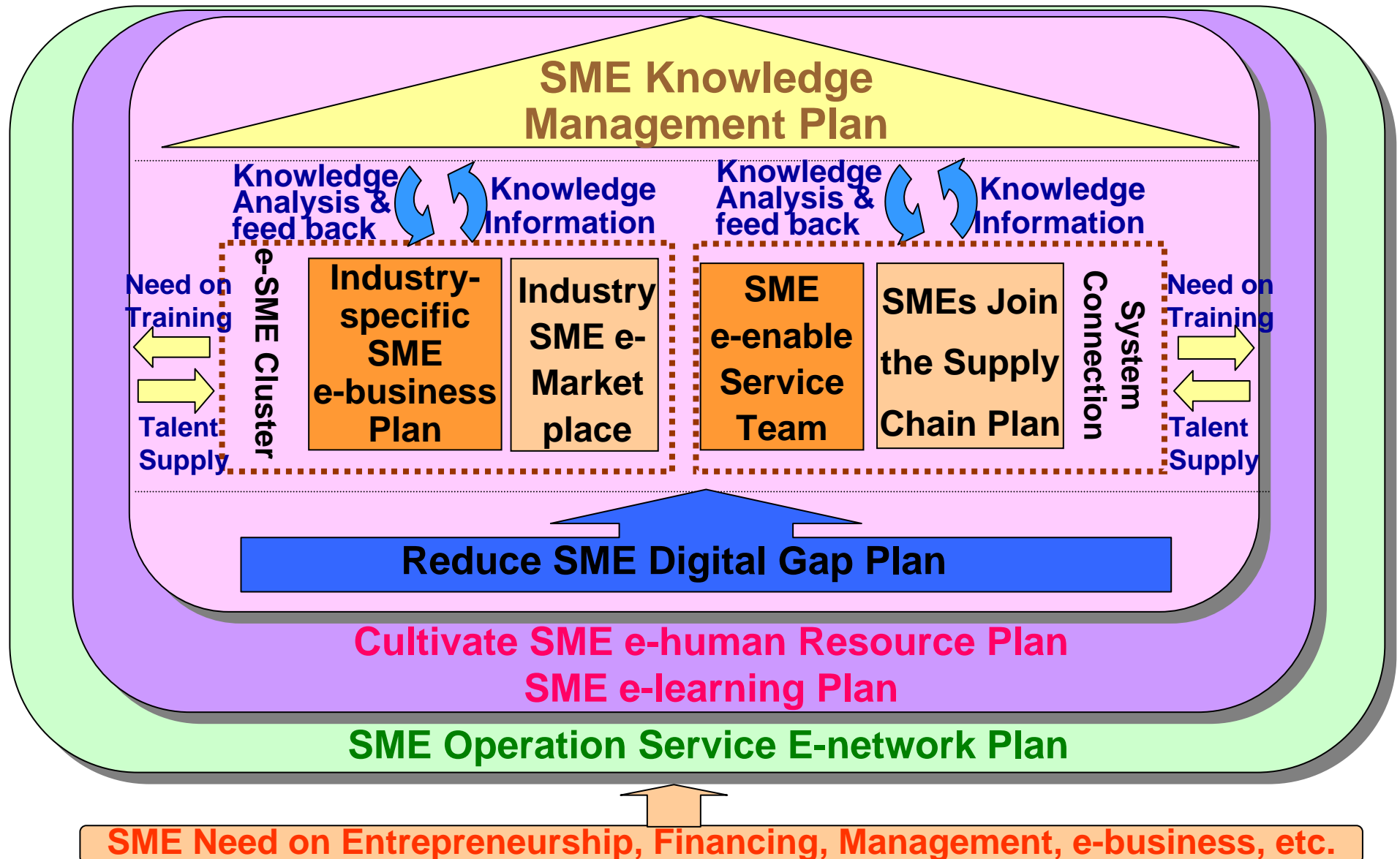


8. Building Up the SME Service Network Mechanism





9. Enhancing SMEs Information Technology





VII. Conclusion and Suggestions

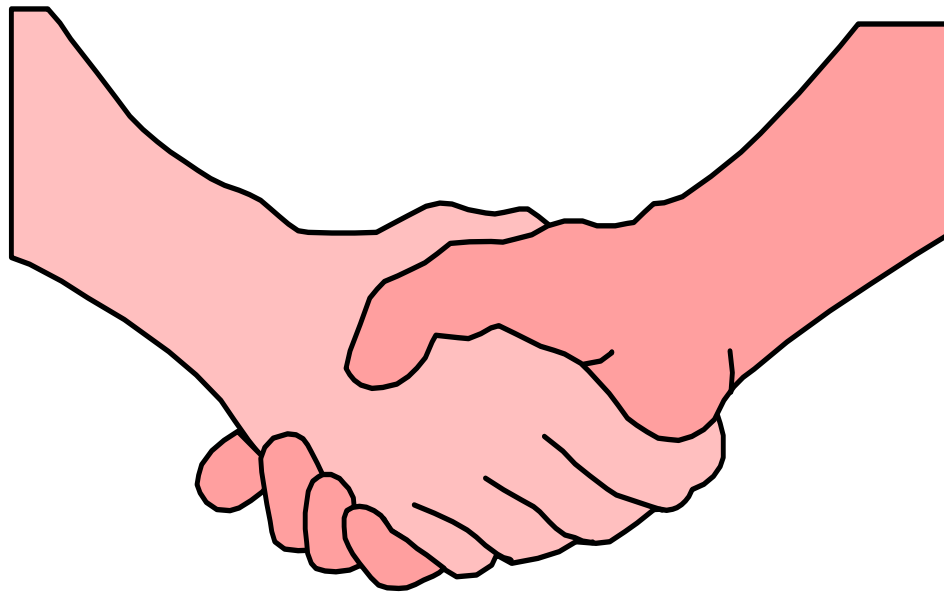
- 1. Maintenance of Political and Social Stability, timely Implementation of Effective Policies, and Vigorous Private Entrepreneurship Stand out as Key Factors in Taiwan Experience**
- 2. Consider Adopting Export-oriented Development Strategy and Selecting a Group of Strategic Industries on which Government Would Concentrate Its Resources to Promote Their Development**



- 3. Government Should Collaborate with Civic Organizations for Promotion of Foreign Trade, thereby Helping Companies to Access International Markets**
- 4. Keep Exchange Rate Stable to Promote Saving, and Turn Saving into Productive Capital**
- 5. Provide Start-up Capital but Coupled with Own Capital and Management Assistances for newly Set-up SMEs to Raise Successful Rate**
- 6. Create a Favorable Environment for SMEs without Being Crowded out Resources by Large Enterprises**



Thank you for your attention



For further information
www.moeasmea.gov.tw