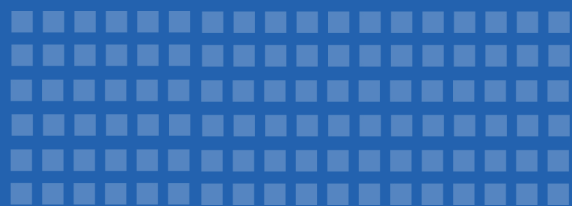


:: National Agenda for SME Development



A strong and dynamic SME sector would stimulate the economy and contribute to a wide range of economic development objectives. The growth of successful SMEs will ensure efficient use of resources, employment creation, mobilisation of domestic savings and investments, and increase in the number of indigenous entrepreneurs, thereby, increasing the use of local resources and ensuring a more equitable distribution of wealth.

Towards this end, SMEs play a critical role in the country's industrialisation programme, through the strengthening of both forward and backward industrial linkages with larger firms and multinational corporations. A strong SME sector also provides an attraction factor for foreign direct investments (FDIs).

In addition, the SME sector is critical to Malaysia's aims of developing indigenous enterprises, promoting endogenous sources of growth, and strengthening the prospect for broad-based growth.

In recognition of SMEs' substantial contribution to the country's economy, the strategies and initiatives to promote SME development feature prominently in all of the Government's economic development plans over the years, with a view to nurturing further growth in the sector. Over the last decade, a clear path for accelerating the development of SMEs has been charted through specific strategies outlined in the following development plans:

- Second Industrial Master Plan (IMP2);
- Third Outline Perspective Plan (OPP3); and
- Eighth Malaysia Plan (8MP).

Broadly, strategies to promote the development of SMEs have been formulated against the backdrop of a changing and challenging economic environment, characterised by globalisation, liberalisation, and advances in information and communication technology (ICT). The well defined phases in the national economic development plans over this period have focused on achieving sustainable growth with resilience and strengthening the nation's competitive position through increasing the knowledge content of activities, and innovation and adoption of modern technologies. While FDIs remain important, greater emphasis has been placed on domestic investment and promoting endogenous sources of growth.

As SMEs form an important source of endogenous growth, specific strategies for SME development have featured in the nation's economic development plans, with emphasis placed on enhancing capacities and capabilities of SMEs, and enhancing their access to financing. High on the agenda for enhancing capacities and capabilities, is the upgrading of SMEs' capabilities in the use of ICT as well as improving the skills of their workforce. Help has come in form of direct financial assistance and through measures aimed at providing a better operating environment for SMEs.

The Second Industrial Master Plan (1996-2005)

The Second Industrial Master Plan (IMP2) essentially charts the policies and strategies aimed at transforming the manufacturing sector into a resilient, broad based and internationally competitive sector. This is to be achieved through strengthening backward and forward industrial linkages, enhancing value-added activities and increasing productivity.

Conscious of growing competition from increased globalisation, the IMP2 laid down five thrusts to enhancing competitiveness of the manufacturing sector, namely:

- Strengthening global orientation;
- Improving economic foundation;
- Nurturing Malaysian-own brand manufacturers;
- Enhancing competitiveness through cluster development; and
- Adopting information-intensive and knowledge-driven processes.

Two strategies formed the framework for industrial development under the IMP2, namely, the Manufacturing Plus-plus and the Cluster-based Industrial Development.

The Manufacturing Plus-plus strategy was an integrated approach of moving up the value chain, from the lower-end towards higher value-added activities such as research and development (R&D), product design, and distribution and marketing. Manufacturing Plus-plus also involved shifting the entire value chain upwards through productivity growth with the use of advance technology such as automation and robotisation.

The Cluster-based Industrial Development strategy focused on the development of competitive industry clusters through the integration of industries, suppliers, supporting industries, requisite infrastructure and institutions.

This was a departure from first IMP, which adopted the traditional industry-based approach.

The IMP2 identified the absence of, or inadequate participation from, domestic small and medium industries (SMIs) as a major factor contributing to low level and poor linkages existing in Malaysian industries, reflected by the high import contents of the leading industries.

The Plan, therefore, stresses the importance of developing linkages within the various industrial sectors of the economy. The Cluster-based Industrial Development strategy under IMP2, focused on ways in which SMIs could help develop competitive industry clusters within the economy, as a means of achieving better linkages and more efficient production and distribution networks. This was expected, in turn, to increase the value added by the manufacturing sector to economic growth.

One key programme was the Industrial Linkage Programme (ILP), which was implemented in order to integrate local SMIs into the mainstream industrial sector. The ILP aimed at creating dynamic and efficient support and ancillary industries, all necessary to forging stronger industry linkages.

The ILP initially focused on developing the role of SMIs in those industries which have the greatest potential for forging linkages. Five industrial clusters were identified, namely:

- Machinery and equipment;
- Electrical and electronics;
- Automotive and motorcycles industry;
- Marine transportation industry; and
- Wood-based products industries.

In addition, SMIs who had attained vendor status to supply larger manufacturers, were facilitated to increasingly undertake R&D in product improvement and process innovation in order to develop global competitiveness.

The success of the Manufacturing Plus-plus strategy depended on the SMIs to continuously innovate, develop new products, shorten production lifecycles and make improvements on quality.

To facilitate this, the Government provided incentives, and a supporting environment, to encourage SMIs to undertake R&D activities, especially in the area of product quality improvement. This was with a view to nurturing locally interconnected, yet globally oriented SMIs.

SMIs were also encouraged to seek out joint-ventures with counterparts in developed countries in order to seek out niche and cutting edge technologies. Emphasis on this aspect of the business was placed above or in tandem with SMIs' need to upkeep production to meet the increasing demand for intermediate components and parts, as well as finished products. To support this, the Government encouraged specialised public sector research institutions and the various technical institutions and universities to undertake and extend R&D, technical expertise and support services to SMIs.

To nurture Malaysian own brand manufacturers and promote exports, initiatives were undertaken to improve distribution channels, expand market access as well as develop specialised industrial parks for SMIs. In order to better promote SMI exports, the Government continued to support the establishment of General Trading Companies to undertake the consolidation and promotion of exports.

An important aspect is the enhancement of skills of the SMIs' workforce. Towards this end, incentives were given to SMIs to continuously train and re-train their workforce, in order to increase technical and management skills, as well as entrepreneurial know-how. In addition, SMIs were encouraged to acquire relevant knowledge and capacity to operate advanced and specialised equipments to suit different industries. There was also emphasis on continual investments by SMIs to modernise and expand plants, machinery,



courtesy of MIDA

The Third Outline Perspective Plan (2001- 2010)

The Third Outline Perspective Plan (OPP3) highlighted key strategies to strengthen the resilience and competitiveness of the economy through greater adoption of knowledge and technology. The strategies are, among others, aimed at:

- Developing Malaysia into a knowledge-based society;
- Generating endogenously-driven growth through strengthening investment and developing national capability while continue attracting FDIs in strategic areas;
- Enhancing the dynamism of agriculture, manufacturing and service sectors through infusion of knowledge; and
- Increasing Bumiputera participation in the leading sectors of the economy.

One of the key thrusts of the OPP3 is to promote new sources of growth in the manufacturing, services and agriculture sectors. The focus on sectoral strategies is aimed at achieving sustainable growth with resilience as well as strengthening indigenous capabilities and capacities in order to enhance national competitiveness in global markets.

Specific sectoral thrusts formulated for SMEs under OPP3 are:

- Strengthening the manufacturing sector by developing strong linkages, industrial clusters and improving the technological base;
- Restructuring and modernising the agriculture sector to be dynamic and competitive;
- Enhancing the services sector to be a key driver of economic growth;
- Accelerating the development capacity and capability in science and technology to further enhance competitiveness and efficiency; and
- Increasing the utilisation of ICT in all sectors to enhance productivity.



OPP3: Strengthening Strategic Sectors of the Economy

(a) Manufacturing

Development of SMEs in the manufacturing sector under the OPP3 is to be strengthened to increase their contribution towards mainstream industrial activities and export markets. The manufacturing sector is targeted to grow at 8.3% during the OPP3 period, with a focus on high value-added and high technology industries.

Emphasis is on the development of dynamic industrial clusters, improvement in the absorptive and adaptive capabilities of industries to utilise new technologies and R&D through strategic alliances and participation of private sector as well as technology acquisitions. Productivity would be increased by enhancing the skills and capabilities of the workforce and strengthening the delivery system. Export-based markets would be widened through quality enhancement programmes and improved information dissemination, the upgrading of marketing and promotional skills, and benchmarking against international standards.

(b) Agriculture

This agriculture sector is targeted to be an important source of growth that derives mainly from industrial crops, food production and from new activities that have higher value-added such as herbs, specialty natural products, floriculture and biotechnology. This sector is to be restructured and modernised, made more dynamic and competitive under the guidance of the Third National Agriculture Policy (1998-2010), which focus on the market driven product-based and agro-forestry approaches to improve productivity and global competitiveness.

The strategic thrust in the development of the agriculture sector is to increase the uptake and commercialisation of R&D findings, developing alternative uses such as bio-fuel from palm oil and establishing niche markets for specialised products. Efforts are intensified to promote mechanisation and large-scale commercial production of food. The potential of aquaculture and satellite farming would be introduced through establishment of more food production areas. The support services, R&D, marketing, extension services; training and credit facilities will be strengthened to accelerate the modernisation process.

(c) Services Sector

SMEs also play a role in the OPP3's aims to enhance the overall services sector as a driver of economic growth. Key services sectors identified include tourism, financial services, distributive trade, infrastructure and transportation, utilities and science and technology. These sectors were to be further strengthened to generate higher growth through their activities. Development of the tourism sector would be facilitated by a more integrated approach to implementation such as the establishment of state-level tourism and culture authorities, upgrading the tourism database, and a market-driven approach to product development, marketing and promotion.

Development of the other strategic services sectors centered on providing an enabling infrastructure, enhancing strategic alliance, improving physical infrastructure, and accelerating development of capacities and capabilities in knowledge and skills.

(d) Information and Communication Technology

The development thrust is to develop a dynamic and viable e-Malaysia that will be guided by the National IT Agenda, which focuses on people, infrastructure and application development. Programmes are geared towards promoting awareness, confidence, and utilisation of ICT, as well as institutional capacity strengthening and equitable access to information and knowledge, ultimately, reducing the digital divide. Efforts will be made to develop Malaysia into a global ICT and multimedia hub by fostering healthy competition, removing barriers to entry and upgrading ICT infrastructure.

More ICT-based SMEs including ICT start-up companies would be developed to facilitate increases in productivity and market expansion. SMEs are being encouraged to pool their ICT resources, and develop e-commerce portals. The Government is providing means for developing necessary skills and competencies of SME employees to facilitate the wider use of ICT.

(e) Bumiputera and Rural SMEs

In promoting and upgrading Bumiputera SMEs under the Bumiputera Commercial and Industrial Community (BCIC), efforts would be intensified to assist Bumiputera entrepreneurs to enhance skills in business management, ICT, R&D, product development and marketing as well as establish strategic alliances with non-Bumiputera entrepreneurs.

For rural SMEs, their participation and competitiveness would be enhanced through the concept of one district one industry, usage of technology in production processes, quality accreditation, and market promotion with corporate and international clients.

The Eighth Malaysia Plan (2001-2005)

As the first of two five-year plans implementing the OPP3, the Eighth Malaysia Plan (8MP), covering the period 2001-2005, aimed to achieve the objectives of sustaining growth and strengthening economic resilience.

With globalisation and increasing trade liberalisation, coupled with the rapid development of ICT, Malaysia's competitiveness depends on its ability to strengthen its economic resilience.

Recognising this the main thrust of the 8MP was to shift Malaysia's growth strategy from being input-driven to one that was knowledge-driven. This would in turn enhance potential output growth, spur structural transformation within the manufacturing and services sectors as well as, revitalise the agriculture sector.

Greater involvement by the private sector was promoted with the public sector assuming a facilitating role through the provision of a favourable institutional framework and quality service.

8MP: Developing Resilient SMEs

In a more challenging environment SMEs are aware of the need to become more resilient and competitive in the face of economic changes. Towards this end, the Government efforts are directed to strengthening SMEs, and thus encouraging domestic investment and promoting economic growth.

Key strategies of the 8MP which involved SMEs focused on:

- Enhancing productivity growth through improvement in workers' knowledge, skills and expertise as well as upgrading of R&D and science and technology;
- Increasing competitiveness and economic resilience through accelerating the shift of the key economic sectors towards more efficient production processes and high value-added activities;
- Expanding the usage of ICT within and across sectors to accelerate the growth process; and
- Strengthening the human resource base to ensure the availability of manpower with higher levels of knowledge, technical and thinking skills.

During the 8MP period, the Small and Medium Industry Development Plan (SMIDP) was formulated to chart the future direction of small and medium industries (SMIs). The SMIDP outlines strategies and measures to fully integrate SMIs into the mainstream of manufacturing activities and aid the development of the SMIs by providing the critical linkages in the development of a broad-based, globally competitive industrial sector. The SMIDP facilitated the transformation of SMIs from labour-intensive industries to that which are based on capital, knowledge and technology. In ensuring effective implementation of the action plans, the SMI Development Corporation (SMIDEC) was strengthened during the period, to enable the agency to serve the SMIs more effectively.

Programmes implemented for SMEs under the 8th Malaysia Plan period focused on enhancing linkages between SMEs and large companies, creating access to markets for SMEs, promoting adoption of ICT and enhancing knowledge and skills among the SMEs.

(a) Enhancing Linkages

The Industrial Linkage Programme (ILP) comprised fiscal incentives, business matching and supporting programmes such as technology development, skills upgrading, market development and provision of industrial sites. SMEs registered with SMIDEC would be provided with the platform to link to large companies and MNCs. In addition, SMIDEC also collaborated with a foreign-based hypermarket chain in Malaysia in identifying and developing local SMEs in the food processing industry to become global suppliers.

The scope of the ILP was expanded to include the Global Supplier Programme (GSP), through which SME capabilities were developed to enable them to be competitive suppliers of parts and components to MNCs and their worldwide operations. Through the GSP, SMEs were provided with training in critical skills and linked to large companies and MNCs.

(b) Creating Markets

Under the marketing promotion program, several new approaches and initiatives were taken to promote exports. This included establishing regional display and distribution centres in selected overseas markets. To promote inward buying delegations to Malaysia, distribution facilities were established and specialised international trade fairs were held. Participation in specialised and general trade fairs abroad and organisation of Malaysian Products Exhibition in new and emerging markets was also emphasised. Greater focus was given to promoting Malaysian brand names so as to differentiate Malaysian products and services in the market place.

The new markets include countries in Central Asia, Middle East and South America. At the same time, ongoing efforts were carried out to retain, and further enhance Malaysia's market share in the traditional markets as well as introduce new products to these markets. Training in the field of export marketing, procedures and documentation was also intensified to enable more SMEs to export their products and services. In addition, in order to enable SMEs to penetrate the export markets, assistance was provided to SMEs to certify their products and processes to fulfil the requirements of importing countries.

Recognising the importance of branding, a new fund amounting to RM100 million was established for the development and promotion of Malaysian brand names for Malaysian companies during the 8MP.

(c) Information and Communication Technology

To encourage the SMEs to improve further their technological capabilities and ICT competencies as well as upgrade engineering design capabilities, the Government provided incentives for product and process improvement through the Industrial Technical Assistance Fund (ITAF 2), the Technology Acquisition Fund and ICT grants, which included e-Manufacturing. Under this Fund, a matching grant of up to a maximum of RM500,000 per company was provided for the purchase of hardware and the accompanying software.

In the effort to create greater access to markets for SMEs, the widespread adoption of e-commerce applications was also promoted. Efforts were also undertaken to further intensify ICT applications in export promotion, particularly using e-commerce as a tool to promote products and services.

(d) Enhancing Knowledge and Skills

Emphasis was also given to developing the entrepreneurial skills of SMEs so as to build up their capabilities and competitiveness. Thus, more aggressive promotional efforts were undertaken to encourage SMEs to participate in training programmes in view of the low take-up rate of the training fund during the 7MP period. Several programmes to build entrepreneurial, managerial and technical skills were implemented. The Human Resource Development Berhad administers the Human Resource Development Fund from which contributing SMEs can utilise in training their staff.

To fulfil the demand for skilled workers in the new business environment, the Skills Upgrading Programme was implemented to provide training to employees of SMEs through 16 skill development centres. A grant equivalent to 50 per cent of the cost of training was extended to companies to assist in reducing the cost of training.

(e) Bumiputera Entrepreneurs

During the Plan period, the Government continued to promote and upgrade Bumiputera SMEs in line with the objective of creating a Bumiputera Commercial and Industrial Community. Ministry of Entrepreneur and Cooperative Development as the lead agency in developing Bumiputera entrepreneurs, implemented programmes such as the Vendor Development Programme to promote participation and upgrade skills of Bumiputera entrepreneurs. Integrated assistance packages, which at time included financial support, training components and other support services, were designed to meet the varied and specific needs of Bumiputera SMEs.

The Government also intensified efforts to assist Bumiputera entrepreneurs to acquire proper premises for business and manufacturing operations under the Business Premises Programme, SMI Industrial Parks Programme and Nursery Factory Scheme.

(f) Rural Industries

More focused efforts were undertaken to improve the competitiveness of SMEs in rural industries, particularly the handicraft and food products industries. For the handicraft industry, existing craft centres were used to further develop the industry. In addition, selected villages will be identified as craft centres for the mass production of handicrafts for the local market as well as for exports.

Additional efforts were also taken to assist Bumiputera entrepreneurs in rural industries to market their products both in the domestic as well as overseas markets. As such, local crafts were marketed particularly in Japan and the United States of America. Crafts production was modernised through the application of ICT that included the use of rapid prototyping system for mould making to produce ceramic products and CAD system for the designing of jewellery products, *batik* materials and *songket*. In addition, the Government introduced the *one district one industry* programme whereby 16 districts were involved in the production of rubber leaves-based products, woodcarvings and indigenous tribal crafts and ceramic products.

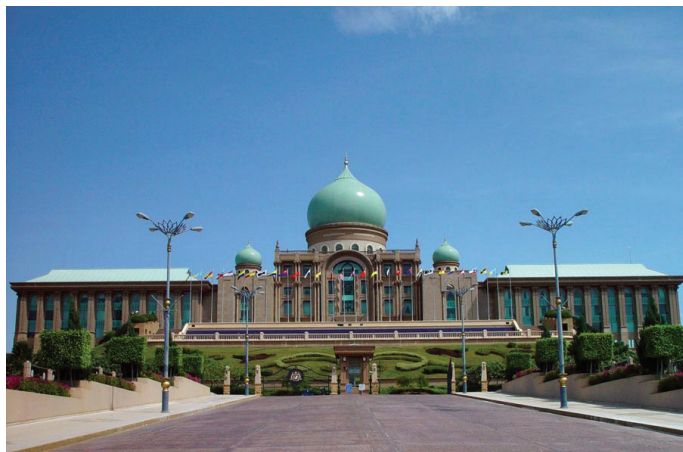
National SME Development Council

The Government can play an important role in spearheading the development of SMEs, and in ensuring that an enabling environment is in place to promote the creation and growth of competitive and resilient SMEs.

The experience of Japan, Chinese Taipei, Thailand and Germany, showed that Governments of these countries provided strong support to the SMEs by putting in place the necessary infrastructure for the development of SMEs. The approach adopted by these governments was structured and focused on both areas of financing and development. A specific SME Agency was established under the purview of a Federal Ministry, with a clearly defined role to support the SMEs and coordinate the implementation of SME development strategies at the national (federal) and provincial (state) level. A high-level SME policy-making committee was also established to set the broad strategies and objectives for SME development.

In Malaysia, there are more than 12 Ministries and 38 Agencies involved in SME development. While each Ministry has its specified role and respective target groups for SME development, a more focused and coordinated approach was seen to be needed to enhance efficiency and outreach to SMEs in all sectors of the economy.

To further enhance the Government's role, and for greater coordination and focus in SME development across the various stakeholders, the National SME Development Council was formed in June 2004.



courtesy of MIDA

Chaired by the Prime Minister, with representation from Ministers and Heads of 18 key Ministries and Agencies involved in SME development, the NSDC serves as the highest policy making body to set the strategic direction for the Government policies on SME development so as to ensure coordination and effectiveness of Government programmes.

Specifically, the scope of work of the NSDC is to:

- Formulate broad policies and strategies to facilitate the overall development of SMEs across all sectors;
- Review the roles and responsibilities of Government Ministries and Agencies (i.e. the “stakeholders”) responsible for SME development;
- Enhance cooperation and coordination, as well as guide stakeholders to ensure effective implementation of SME development policies and action plans;
- Encourage and strengthen the role of the private sector in supporting the overall development of SMEs; and
- Provide emphasis to the development of Bumiputera SMEs across all sectors of the economy.

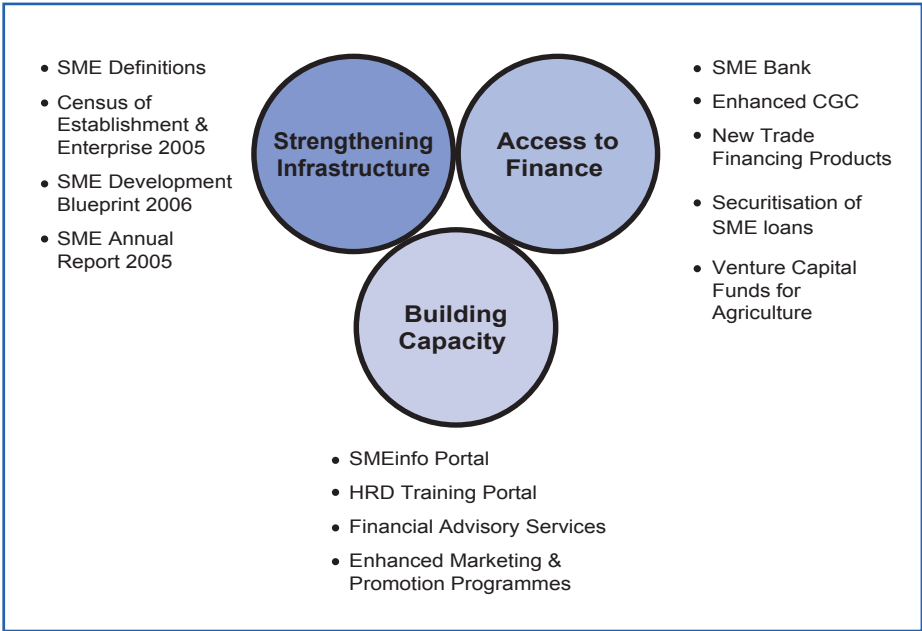
The Council focus its efforts on three broad strategic areas towards promoting an enabling environment to foster and support the development of SMEs, namely:

- Strengthening enabling infrastructure for SME development. This involves developing and enhancing physical infrastructure and information management, as well as ensuring conducive regulations and operating requirements pertaining to SMEs;
- Building the capacity and capability of SMEs, particularly in the areas of marketing and promotion, human capital management, advisory services, awareness and outreach, entrepreneur development, technology enhancement and product development; and
- Enhancing access to financing by SMEs, which involves developing and strengthening of institutional arrangements to support SMEs’ financing needs.

The Council meets twice a year, with its inaugural meeting held on 13 August 2004. Since then, the Council has convened four times, with the 4th National SME Development Council meeting held on 16 December 2005.

The key developments and achievements of the Council in the three broad strategic areas for SME development are summarised in the diagram below.

Achievements of National SME Development Council



Source: Secretariat, Bank Negara Malaysia, 2005

An account of the key initiatives of the Council is provided in Chapter 5 of the Report.

Regional Cooperation on SME Development

With the intensification of globalisation and growing interlinkages among countries, particularly inter-regional trade and investment, collaboration among countries on SME development has become increasingly important.

It is with this in mind that Malaysia has participated actively in regional groupings and forums promoting development of SMEs, aimed at creating opportunities for Malaysian SMEs to venture abroad, as well as for foreign companies to find their business counterparts here. In particular, Malaysia has been actively participating in and contributing to regional initiatives on SME development under ASEAN and APEC.

SME Programmes under Asia-Pacific Economic Cooperation (APEC)

APEC SME Working Group

The SME Working Group first took form only as an Ad Hoc Policy Level Group on SMEs in February 1995, with an initial plan for a limited two-year term.

The Group initially aimed to help SMEs in member nations improve their competitiveness and to facilitate a more open trade and investment environment for these enterprises. The Group's original two-year term was subsequently extended twice, first in 1996 and then again in 1998.

During the 4th APEC SME Ministers' Meeting in Ottawa on September 1997, Ministers of Trade endorsed the "Framework for APEC SME Activities" and committed to nurturing business environments that would address the special needs of SMEs.

It was then that this Group was renamed the Small and Medium Enterprises Working Group (SMEWG) and was granted permanent status in 2000.

The SMEWG's main objective is to encourage the development of SMEs, which represent the backbone of regional economic growth.

Meanwhile, APEC Ministers responsible for SMEs agreed to establish the Micro-Enterprise Sub Group (MESG) in 2002, having recognised the unique requirements and characteristics of micro-enterprises. The MESG aims to formulate policies and develop a framework to improve the efficiency, productivity and competitiveness of micro-enterprises.

Box Article : Regional Cooperation on SME Development

The Daegu Initiative

In 2005, the “Daegu Initiative on SME Innovation Action Plan” was endorsed by APEC. The objective of the Initiative was to encourage member nations to improve and accelerate the adoption of innovation and creativity of SMEs. The action plan identifies cooperative and efficiency measures which are directed at improving SME innovation through voluntary reviews, information sharing and recommendations among peers.

The seven major areas emphasised by the Daegu Initiative are:

- Developing human resources and technology through industry, educational and research institutions;
- Facilitating access to expert assistance and consulting services;
- Enhancing availability of capital to innovative SMEs;
- Networking and clustering for innovative SMEs;
- Establishing appropriate legal and regulatory structures;
- Establishing a market consistent economic environment; and
- Developing methodologies to effectively measure progress in the implementation of innovation programmes for SMEs.

The APEC Innovation Centre for SME Development, a self-funding centre with a start-up cost of US\$1 million and located in Seoul, was established in 2005, to serve as the main platform for sharing policy experiences within APEC, on matters related to SMEs, such as the promotion of SME innovation in the region. It will also link SMEs within the APEC nations with support from organisations of member economies to enhance the innovation capacity of regional SMEs as a whole.

Activities in the Centre include education and training for innovative capacity building, developing innovation models, and building a cooperative network of SMEs in the region.

SME Programmes under Association of Southeast Asian Nations (ASEAN)

ASEAN SME Working Group

Under the purview of the ASEAN Economic Ministers, the ASEAN SME Working Group (WG) was established to provide the platform for sharing common interest, views and information on the development of SMEs. The Group serves as a network for SME-related agencies to share ideas. This cooperation network is complemented by efforts to strengthen SMEs through capacity building programmes intended to improve SME competitiveness.

One of the key initiatives of the ASEAN SME WG is the formulation of the *Policy Blueprint for ASEAN SME Development Decade 2004-2010* (“ASEAN SME Blueprint“). The blueprint outlines the framework for SME development in the ASEAN region. It aims to accelerate the pace of SME development and increase the cooperation and integration efforts of SMEs in the region.

The thrust of the blueprint includes nurturing entrepreneurship culture, promoting innovation and improving networking among the SMEs in the region. Specifically, the blueprint will focus on:

- Capacity-building in SMEs’ organisational structure and management, with a view to making them largely self-reliant;
- Benchmarking SMEs’ capabilities;
- Promotion of inter-firm sub-contracting and other networking arrangements;
- Improving SMEs’ access to e-commerce and finance; and
- Enhancing the policy environment and promoting a synergic partnership among public and private stakeholders for SMEs’ development.

The Beijing Initiative

Following the directive by Leaders at the 8th ASEAN+3 (China, Japan and the Republic of Korea) Summit, China organised the First High Level Seminar on Promoting SME Development and Investment in East Asia in Beijing, China from 27 to 28 October, 2005.

The Beijing Initiative was borne as a result of this seminar, and it was adopted as a framework to improve cooperation in SME development among the participating countries. Work programme outlined under the Initiative include improving the investment and financing environment for SMEs in the East Asia Region, explore and establish investment financing schemes as well as strengthen the promotion of economic, trade and cooperation between SMEs in East Asia.

The Beijing Initiative also made a commitment to organise the High Level Seminar on Promoting SME Development and Investment in East Asia on an annual basis. Thailand will host the event in 2006.

Highlights of the Beijing Initiative include proposed initiatives to:

- Establish a mechanism for regular communication and negotiation;
- Explore new fields of cooperation, enrich cooperation content, enhance higher level and modes of cooperation as well as share knowledge and experiences to promote SME growth;
- Set up and improve multi-level investment and financing system for SMEs; and
- Further explore the development of regional infrastructural initiatives to promote ASEAN+3 SMEs, such as the establishment of SME Regional Development Fund and SME Consultancy Service Centre.