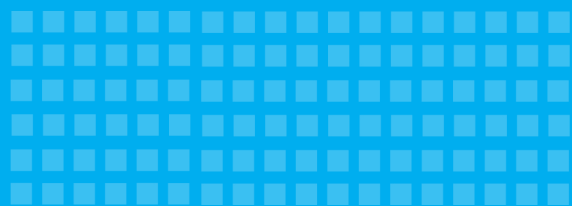


:: National SME Development Blueprint 2006



The National SME Development Blueprint 2006, a one-year action plan, was launched on 16 December 2005, in line with the Government's aim of delivering a concise and clear development path for the domestic SMEs. The plan will be implemented by Government Ministries and their related Agencies involved in SME development.

The National SME Development Blueprint provides a clear statement of the Government's strategic intent and focus for SME development in 2006, and outlines:

- Objectives, strategies and targets for SME development in 2006;
- Key programmes and financial commitment; and
- Ministries and Agencies involved in implementing these programmes.

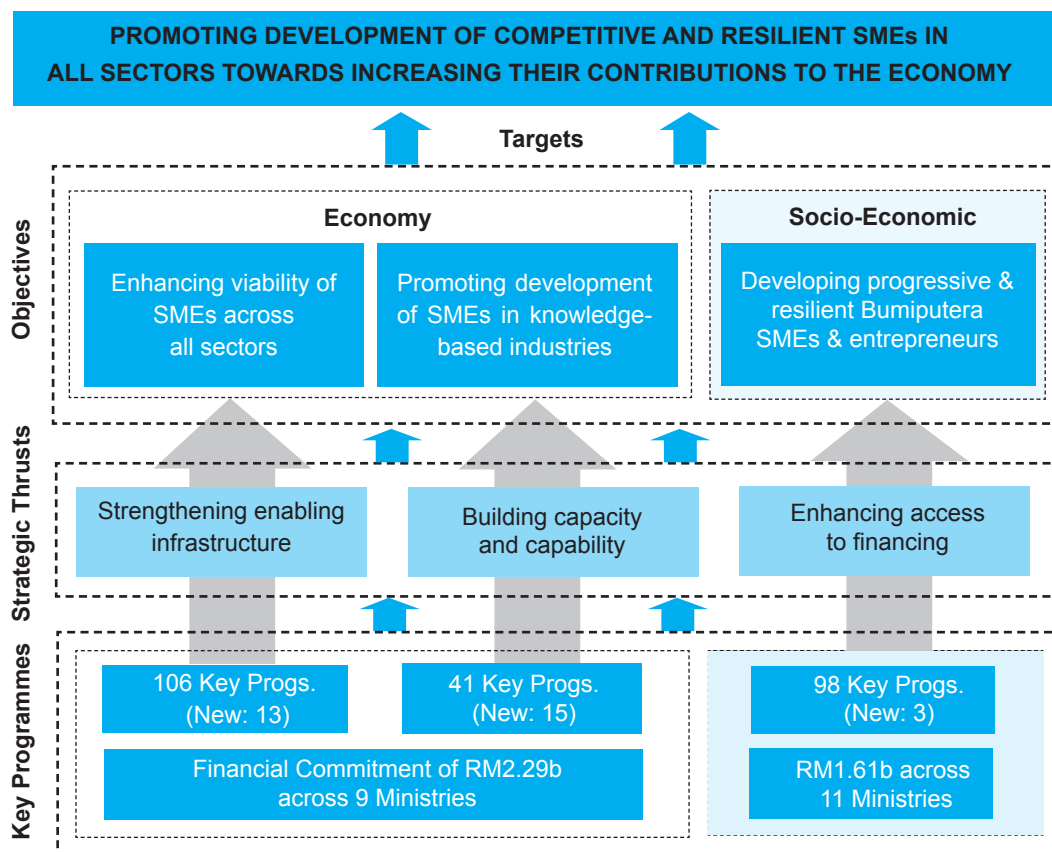
The large number of Ministries and Agencies involved in SME development will look to the Blueprint to provide direction and coordination of SME policy planning, as well as to track implementation of SME programmes and monitor the outcome and achievements of the various programmes. It will also make it easier for Ministries and Agencies to work together to achieve the best possible outcome for SME development, minimising incidences of duplication and maximising the effectiveness of programmes.

Macro targets have been laid out to monitor the achievement of these objectives, and key performance indicators for the key programmes will be developed to effectively monitor the proper implementation and effectiveness of these programmes.

With clearly stated objectives and targets for the key programmes, and having in place effective monitoring and evaluation systems to track the progress, the Blueprint represents a significant milestone in efforts to ensure that Government programmes are efficiently and effectively implemented to the benefit of SMEs.

In 2006, a total of 245 key programmes, involving financial allocation of RM3.9 billion, will be implemented to accelerate the development of SMEs. The programmes extend across all sectors, including SMEs in agriculture and agro-based industries, and those involved in knowledge-based industries. Efforts will also be directed to developing progressive and resilient Bumiputera entrepreneurs and SMEs.

Overview of SME Development Objectives, Strategies, Key Programmes and Financial Commitment in 2006



Objectives and Targets for SME Development

The Government's overriding mission is to promote the development of competitive and resilient SMEs in all sectors, in order to increase their contribution to the economy.

To achieve this mission, two sets of objectives for SME development have been identified, namely economic objectives and socio-economic objective. The clear distinction between economic and socio-economic objectives are necessary in view that different emphasis on strategies and programmes are required in order to achieve these two sets of objectives:

Economic objectives:

- i) Enhancing viability of SMEs across all sectors; and**
- ii) Promoting development of SMEs in knowledge-based industries.**

These objectives are aimed at developing viable SMEs in all sectors to ensure the achievement of broad-based and sustainable economic growth. Emphasis is given in promoting knowledge-based SMEs, which is also one of the key strategies for strengthening the country's competitiveness.

Socio-economic objective:

- i) Developing progressive and resilient Bumiputera entrepreneurs and SMEs**

This objective is in line with the Government's overall aim of achieving a sustainable and balanced economic growth.

Macro targets will also be set to enable an assessment be made on the achievements of these objectives. Targets set will measure SMEs' contributions to GDP, employment and exports, as well as Bumiputera SMEs' participation in commerce and industry. In addition, specific targets for the key programmes have also been set to facilitate impact assessment of the effectiveness and outreach of SME programmes.

Strategies and Key Programmes in 2006

Bank Negara Malaysia's SME Survey 2001 indicated that SMEs were mostly small and inward looking, faced with constraints in management and technological capabilities. This has limited their ability to compete and value-add effectively.

Recognising this, the key programmes for SME development in 2006 are designed to address SMEs' internal and external challenges to enhance their competitiveness.

The 245 key programmes for implementation in 2006 are aimed at three strategic thrusts, namely:

- Strengthening the enabling infrastructure to support SME development;
- Building the capacity and capability of SMEs; and
- Enhancing SMEs' access to financing.

The key programmes for SME development in 2006 are designed to address SMEs' internal and external challenges to enhance their competitiveness.

Strengthening Enabling Infrastructure for SME Development

Efforts to strengthen the infrastructure for SME development are geared towards creating an enabling environment that fosters and encourages the formation and growth of SMEs.

The key components include improvements in physical infrastructure for SMEs, development of databases and directories, and enhancements in on-line infrastructure, as well as setting-up of accreditation systems are supportive of small businesses.

A total of 42 key programmes will be implemented in 2006 to further strengthen the infrastructure for SME development. This includes the setting-up of a Franchise Mediation Centre by the Ministry of Entrepreneur and Cooperatives Development (MECD), and the development of Malaysian Standards and formation of ICT Clusters by the Ministry of Science, Technology and Innovation (MOSTI).

Building Capacity and Capability of SMEs

A total of 170 key programmes, including 19 new programmes, will be implemented to improve SMEs' capacity and capability in seven priority areas. This represents 69% of total key programmes for implementation in 2006.

Entrepreneurship development is aimed at cultivating the culture of entrepreneurship and fostering the progression of entrepreneurs into larger business entities. Key programmes for 2006 include the Pioneer Package Programme by MECD, and the technopreneurs development programme for microelectronics by MOSTI. Steps will also be taken to inculcate entrepreneurship at schools and institutes of higher learning. The Ministry of International Trade and Industry will continue to organise the Enterprise 50 Award on an annual basis to recognise the top 50 enterprises in the manufacturing and services sectors.

Enhancements in *human capital management* involve the upgrading of knowledge and skills of SMEs, through technical training programmes and business skills, leveraging on learning tools and benchmarking for effective learning. These include the implementation of management and technical skills programmes by various Agencies, as well as the development of a financial training programme by Bank Negara Malaysia in 2006. The Ministry of Human Resource is also overseeing the development of an SME Training Accreditation System.

The *marketing and promotion* of SMEs' products is an important element in improving the competitiveness of SMEs. This involves the provision of financial and non-financial support for market expansion, linkage programmes with hypermarkets and government-linked companies, enhancement of branding, packaging and design of products by SMEs, and strengthening of networks and trade alliances. Several exhibitions and conferences to promote the local SMEs to our regional and international partners will be conducted in 2006, such as, the Malaysian International Furniture Fair by the Ministry of Plantation Industries and Commodities and SMIDEX 2006 & ASEAN + 3 SME Convention by SMIDEC. The Ministry of Domestic Trade and Consumer Affairs will continue its hypermarket linkage programme to promote the development of SMEs in distributive trades.

Technology enhancement programmes, including upgrading of technological capability, provision of funding, technical support and facilitation of process improvements, will assist SMEs progress up the value chain, while improving efficiency of operations and performance of SMEs. Key programmes for 2006 include Technopreneurs Technology Support Programmes and Bio-Entrepreneurship Development Programme by MOSTI.

Product development for SMEs focuses on improvements in features and quality of products, as well as development of new products by SMEs. Key programmes in 2006 include the provision of financial and non-financial programmes to support the adoption and promotion of research and development activities by SMEs for quality and product innovation. For example, the Ministry of Plantation Industries and Commodities will launch the quality seedling scheme for smallholders in East Malaysia, as well as new product and quality development programmes for oil-palm based products. The Ministry of Energy, Water and Communications will also continue with its product and technology development programmes for Bumiputera SMEs in the telecommunications sector.

Various Ministries and their respective Agencies provide *advisory and consultancy* services to provide technical, business and financial management support to SMEs and entrepreneurs. Bank Negara Malaysia provides financial advisory services to SMEs, and is overseeing the set-up of an SME Advisory Panel and Counsellors by development financial institutions in 2006.

To ensure effective outreach to entrepreneurs and SMEs, *awareness and outreach programmes* using various channels such as reports, portals and road shows to disseminate information to SMEs will continue to be conducted. The SMEinfo Portal, www.smeinfo.com.my, went live in January 2006. The SMEinfo Portal is a one-stop online information gateway for SMEs, which provides comprehensive information on assistance and financial programme, as well as free registration in the SME Business Directory for SMEs and entrepreneurs to advertise their companies and products. SMIDEC is publishing an “*SME Handbook on Policies, Incentives, Programmes and Financial Assistance for SMEs*” to further enhance awareness on Government support available to SMEs across all sectors.

Enhancing Access to Financing by SMEs

For greater access to financing for SMEs, Government programmes in 2006 will focus on improving the availability of financial products and funds to support the working capital requirements and business expansion plans of SMEs. The allocation for Fund for Food has been increased by an additional RM300 million towards increasing food production by SMEs in Malaysia. Bank Negara Malaysia will also be establishing two venture capital funds amounting to RM150 million each for the agriculture sector. In April 2006, Bank Negara Malaysia provided additional allocations of RM2 billion and RM500 million to the Fund for Small and Medium Industries 2 and New Entrepreneur Fund 2 to bring the total allocations of these funds to RM6.75 billion and RM2.85 billion respectively.

Initiatives to enhance access to financing will also involve strengthening the institutional arrangements of providers of SME financing. This includes the transformation of Credit Guarantee Corporation Malaysia Berhad to better serve the financing and development needs of SMEs, as well as the strengthening of Bank Pertanian Malaysia to enhance its effectiveness in supporting the agriculture sector and agro-based industries.

