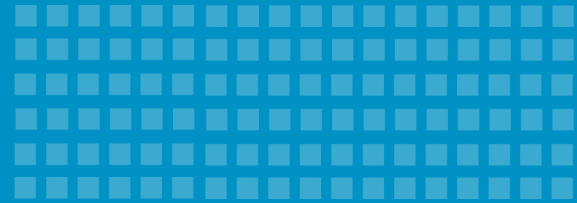


:: Ninth Malaysia Plan



In an increasingly globalised economy, enhancing national competitiveness and resilience is a main objective of the Ninth Malaysia Plan (9MP). Thus, one of the key priorities is to develop competitive and resilient SMEs that are equipped with strong technical and innovation capacity, as well as managerial and business skills.

Emphasis will be placed on strengthening the capacity and capability of SMEs to enable them to innovate, produce quality products and services at competitive costs and integrate into international supply chain. This will be complemented with strengthening of the financial infrastructure to enhance SMEs' access to financing.

The focus for SMEs in the manufacturing sector will be to upscale towards higher value added activities and upgrade in capacity of related services, in an effort to transform businesses into strong knowledge intensive and value creating entities.

In the agriculture sector, the emphasis will be on developing "New Agriculture" which will involve expanding large scale commercial farming and high quality and value added processing and biotechnology.

Agriculture and Agro-based Industries

In line with the new emphasis to revitalise the agriculture sector as the third engine of growth, the Government will be allocating a total of RM11.4 billion to implement various agricultural programmes and projects.

This allocation is 84% higher than the RM6.2 billion spent for agriculture development under the 8th Malaysia Plan.

New emphasis to revitalise the agriculture sector as the third engine of growth.

Over this 5-year period, the focus will be on the development of the *New Agriculture*, which involves expanding large-scale commercial farming, cultivating high quality and value-added agricultural activities, as well as unlocking the potential in biotechnology.

As such, specific policies and strategies will be implemented to expedite the transformation of the country's agriculture sector into a modern, dynamic and competitive sector. The policy thrusts include:

- Increasing agricultural production, including venturing into new sources of growth with greater private sector participation;
- Expanding agro-based processing activities and diversifying products;
- Strengthening marketing and global networking;
- Enhancing incomes of smallholders, farmers and fishermen; and
- Improving the service delivery system.

To turn agriculture into a viable business by increasing production, efforts will be carried out to develop agricultural entrepreneurs and strengthen existing small and medium-scale entrepreneurs. This includes the implementation of agriculture entrepreneurship programme to develop more competent Bumiputera agricultural entrepreneurs. Efforts will also be undertaken to develop entrepreneurs among the new generation of FELDA settlers and participants of other land development projects.

As such, special training, credit facilities and technical assistance will be provided.

Malaysia will be developed as a centre for certification of Halal products and Jabatan Kemajuan Islam Malaysia (JAKIM) halal certification will be promoted worldwide.

In the area of financing for the agricultural sector, Bank Negara Malaysia (BNM) will undertake measures to ensure easier access to credit. A major initiative in this aspect is the restructuring and transformation of Bank Pertanian Malaysia (BPM) to strengthen its capacity and capability in providing loans. To facilitate participation of small farmers and fishermen in various projects, micro credit will be provided.

In addition, Bank Negara Malaysia will also establish two venture capital funds of RM150 million each for the sector, to create and develop integrated agricultural businesses. The targeted areas for investment are integrated farming and fisheries as well as biotechnology-related ventures.

Emphasis will also be placed on improving marketing and distribution infrastructure. The roles of FAMA and LKIM will be reviewed to enhance coordination, and the National Agriculture and Food Corporation will be established to undertake marketing and distribution of agriculture produce on a larger scale.

Manufacturing and Manufacturing-Related Services

Over the next five years, a crucial goal will be to upscale the manufacturing sector towards higher value-added activities and to upgrade capacity. Increased priority will be given to the promotion of technology and innovation driven strategies. Meanwhile, the focus will be on transforming industrial businesses and complementary services, especially SMEs, into strong knowledge-intensive and value-creating entities.

Priority will be given to the promotion of technology and innovation driven strategies.

As such, the Government has allocated a total of RM2.2 billion for SME development in the manufacturing sector under the 9MP. This makes up nearly 30% of the total development expenditure planned for the manufacturing and related services under the 9th Plan.

The policy thrusts to accelerate industrial upgrading and sustain competitiveness will include:

- Strengthening strategic integration with the global economy;
- Promoting new sources of industrial growth and wealth creation;
- Developing innovation-driven SMEs to compete in global markets;
- Building an efficient and competitive related services industry to enhance the performance of the manufacturing;
- Enhancing Bumiputera participation in manufacturing;
- Providing more focused incentives for high value-added industries; and
- Enhancing the supply and quality of skilled human resources required for technology and industrial upgrading.

Promoting New Sources of Industrial Growth

During the 9th Plan period, efforts will be made to enhance the development of new sources of growth, especially in science-based and innovation-based activities, and in particular, biotechnology and ICT industries. This will help diversify and broaden the manufacturing base.

Towards this end, the Government will facilitate the development of industrial clusters in the states of Penang, Kedah, Pahang and Terengganu.

Another new source of industrial growth to be further developed is the handicraft industry. As such, home-grown village industries e.g. handicrafts, batik and songket will be modernised and brought up to international standard.

Services Support for the Manufacturing Sector

The increasing trend of outsourcing by large companies, especially multinational corporations (MNCs), will open greater opportunities in the provision of support services, particularly for SMEs. As such, a Services Sector Development Fund for SMEs will be set up to assist potential entrepreneurs upgrade their technical and professional skills.

Branding is another way to help enhance the performance of the manufacturing sector. Efforts will go into enhancing SMEs' awareness on innovation, and advertising so as to strengthen local brands and build market share.

Enhancing Bumiputera Participation

Under the plan to enhance Bumiputera participation in the manufacturing sector, efforts to create Bumiputera technopreneurs through collaboration with research institutions and larger technology based enterprises will be undertaken.

This will be with a view to foster and create an innovative Bumiputera entrepreneurial community that participates in the development of potential technologies for commercialisation and wealth creation.

Bumiputera enterprises will be nurtured as partners to tap into new and diverse opportunities arising from outsourcing by MNCs and Government-linked Companies (GLCs).

The role of *Institut Keusahawanan Negara* as a centre for coordinated entrepreneurial and professional training will be enhanced. In addition, access to technology, finance, market as well as strategic locations will be improved.

Focused Incentives for High Value-added Industries

As a major effort to promote investments in the high value-added and knowledge-intensive industries, a RM600 million Strategic Investment Fund will be established. The fund will be used to attract quality investments in projects which are knowledge-intensive, labour saving and have high-technology content.

Priority will also be accorded to upgrade skills that promote intensive knowledge applications in the manufacturing sector, especially among SMEs. A total RM463 million will be provided so as to achieve this.

Because of the importance of the manufacturing-related services (MRS), particularly for SMEs, soft loans amounting to RM220 million will be allocated to entrepreneurs for the purchase of new machinery and equipment when expanding in the MRS sector.

Innovation-driven SMEs

To compete in the global markets, the strategy focus for SMEs will be to create high performance and resilient SMEs which are equipped with strong technical and innovation capability as well as managerial and business skills. This is so that SMEs can realise new job opportunities and improve market access.

Capacity and capability of domestic SMEs will be strengthened to produce innovative as well as quality products and services at competitive costs.

Inter-firm linkages between SMEs and large domestic companies, will be improved to enable SMEs to be more competitive, innovative and reliable suppliers for global outsourcing networks. This will also help facilitate their entry into new export markets.

A platform for enterprise start-ups and incubation will be built to create a pool of new and innovation driven entrepreneurs so as to sprout new businesses and services. The Government will promote the setting up of technology incubators to nurture new firms and entrepreneurs.

SMIDEC, together with other agencies and the private sector, will review the on-going and devise new training and apprenticeship programmes to incorporate knowledge management plans and strategies as well as knowledge-based application and practices among SMEs.

The Government will continue to support SMEs with the provision of industrial site at more competitive rates for them. During this plan period, a total of RM927.5 million will be provided as soft loans to state economic development corporations and regional development authorities to develop industrial sites and special SME parks. This includes agriculture and *halal* centres.

In addition, an allocation of RM833 million will be provided to build business premises and provide office space at strategic locations.

The development of rural industries will continue as an important vehicle towards increasing the income and living standards of rural population. Integrated development programmes for potential entrepreneurs including marketing and distribution as well as upgrading business management capabilities will also be provided.

Mainstreaming Information and Communications Technology

Under the 9th Plan, advancements in the global digital environment are expected to impact Malaysia's position as a competitive knowledge-based economy.

As such, information and communications technology (ICT) is the key determinant in the development process to move the economy up the value chain.

A total of RM12.9 billion will be allocated for ICT-related programmes and projects under this plan, of which a major portion is for the computerisation of Government ministries and agencies. Specific funding will be made available to promote ICT content and entrepreneurship development.

Under the Technopreneur Development Programme, more incubators will be established to develop competitive ICT SMEs. This will be carried out together with selected MNCs and GLCs, as well as the academia and R&D institutions.

The mode of assistance will go beyond the provision of matching funds to include the provision of a wide range of mentoring assistance and technology risk assessment services. As such, pre-seed, seed and early stages of financing will be made available.

Biotechnology for Wealth Creation

Biotechnology is poised to drive the next wave of knowledge-based industries that will contribute to growth and wealth creation in the country. The objective is to harvest its potential as a growing source of wealth creation and enhance applications on biotechnology in various sectors of the economy.

As such, an enabling institutional, regulatory and financial framework will be developed to promote biotechnology as a major driver of economic growth. An allocation of RM2 billion will be provided for biotechnology development, of which nearly half will be for the development of physical infrastructure. The balance will go towards soft infrastructure development including R&D and business development programmes.

The target is to at least double the number of biotechnology and biotechnology-related companies to 400 by year 2010.

Biotechnology projects face high risks, long gestation period, substantial upfront investment and stringent regulatory compliance. To transform this sector into a vibrant one, financing will be crucial.

As such, the public sector will complement private sector financing with an allocation of RM2 billion, which include a number of programmes to improve access to financing by the private sector.

Funding for R&D in biotechnology will be provided through existing sources and new funds such as the ScienceFund and TechnoFund. To commercialise research

findings, matching grant via the Commercialisation of R&D Fund is available.

A dedicated Biotechnology Commercialisation Fund (with an allocation of RM100 million) will be set up to provide matching grants to R&D companies and companies conducting in-house R&D. This early stage financing can be obtained from Malaysian Life Sciences Fund.

Soft loans will be made available for international business development, especially for those that require intensive technology, product evaluation, complex registration and approval processes before entering into international market.

So as to commercialise R&D and create new spin-off companies, measures to nurture a critical mass of biotechnology entrepreneurs will be undertaken. With an initial RM50 million allocation, the biotechnology entrepreneur development programme will be implemented.

Meanwhile, the Biotechnology Implementation Council will set the overall policy direction, oversee implementation of nation's biotech initiatives and provide forum to ensure inter-Ministerial coordination. The council will work closely with relevant Ministries and stakeholders to attract investment and increase private sector participation.

Vibrant Financial Sector - Enhancing SMEs' Access to Financing

It is recognised that there is a need to improve SMEs' access to financing so that they can become greater contributors to the national economy.

Banking institutions will continue to be the main providers of funds to SMEs while the Government will complement their role by providing special funds and financing packages.

The Government schemes include funds for micro financing for SMEs in specific areas, including agriculture and agro-based industries, biotechnology and ICT.

Meanwhile, Development Financial Institutions (DFIs) will continue to complement banking institutions in providing financing, especially in priority and new growth areas will continue. One of the key strategies under the 9th Plan is for DFIs to focus on developing competitive and globally-oriented SMEs.

As such, the SME Bank will further enhance its role in mobilising and providing alternative sources of funding as well as facilitating access to related non-financial services. The SME Bank will also guarantee and facilitate securitisation of SME loans.

To encourage greater participation of SMEs in export markets, new trade financing arrangements (pre and post shipment financing) have been introduced. Dissemination of information on financing schemes as well as consultancy and advisory support services will be improved.

Thriving Distributive Trade

The distributive trade sector, comprising of wholesale and retail trade, generates multitudes of investment and employment opportunities across many sectors. During 9th Plan, efforts will be undertaken to improve regulatory framework so as to bring about an orderly development and monitoring of the domestic distributive trade.

As more than 85% of SMEs in the country are involved in distributive trade activities, efforts will be undertaken to promote the development of supporting infrastructure. These include provision of business premises and related services, as well as strengthening managerial and technical skills.

The Government will continue to collaborate with the industry to enhance inter-firm linkages and market access, including the use of ICT to raise productivity and efficiency along and up the supply chain.

SMEs will be given assistance to provide a wider range of innovative products and services as well as enhance their capacity to operate in strategic location. This will encourage them to increase their domestic market share and venture into the export market.

Access to information and market intelligence will be improved so that SMEs can respond to changing consumer demands.

Harnessing Science, Technology and Innovation

The 9th Plan will harness science, technology and innovation as a key driver in raising capacity to meet the more challenging and competitive global environment.

Higher priority will be given to market-oriented R&D and increasing the rate of commercialisation. Meanwhile, efforts to strengthen human capital with technological capability and capacity to support innovation-led growth will be made.

With respect to SMEs, the 9th Plan aims to enhance their technological capability and capacity in view of the challenges of globalisation and increasing competition.

This means that strategies will be directed at acquiring technologies that will propel SMEs up the value chain in the manufacturing, agriculture and services sector.

To fast track domestic technology development capabilities of SMEs, specific programmes will be implemented to nurture local SMEs as R&D partners to tap opportunities of R&D outsourcing by MNCs and GLCs.

Measures to encourage collaborative ventures among MNCs, GLCs and SMEs will be undertaken. This is to facilitate technology transfer and skills development as well as marketing. More targeted R&D will be undertaken by universities and research institutes in collaboration with SMEs.

Meanwhile, technopreneur development will be expanded to support science and technology-based SMEs to benefit from home-grown technologies, especially Bumiputera SMEs.

Promoting New Sources of Growth Opportunities for SMEs

With the trend towards globalisation and the development of a knowledge economy, the key factors affecting the operations of small and medium enterprises (SMEs) today are innovation, quality, speed and markets. Global and local value chains are being reorganised, while economic integration is being accelerated even as productivity and costs rise unabated.

The Government is continuously strengthening enabling infrastructure to promote development of high-performing SMEs through acculturation of a pro-business climate as well as the provision of a wide array of incentives, including fiscal measures, financing, skills formation, infrastructure and support systems. Special attention is also being given to expand the scope and coverage of Malaysia's regional and bilateral arrangements, through free trade agreements and economic partnership agreements to ensure greater access to markets, trade and investment opportunities.

The Government's efforts will not be effective without commitments from SMEs to spearhead creation of new and sustainable sources of competitive advantage. This can only emanate from forward-looking SMEs aggressively moving up the value chain, by developing as well as adopting core and emerging technologies while seeking new opportunities in key industries and services.

Box Article : Promoting New Sources of Growth Opportunities for SMEs

Future SME performance will increasingly hinge on their ability to build up capacity and capability to generate income and wealth from existing industrial clusters and newly emerging clusters, including services.

As such, a number of potential growth sectors have been identified in the agriculture, manufacturing and services sectors, under the Ninth Malaysia Plan. These essentially involve the application of new and improved technologies that will facilitate the progression to higher value-added and high technology activities thereby mitigating somewhat the direct competition from lower wage economies, while simultaneously strengthening the country's position in international value chains.

In essence, these involve the development of high level entrepreneurship and next generation global entrepreneurs in high-end products in the manufacturing, agriculture and services sectors, with expanded R&D and innovation functions:

- In manufacturing, the product base of the **electronics and electrical** (E&E) industry is expected to expand with the wider application of advanced materials and emerging technologies including digital, wireless, nanotechnology and photonics. New developments, especially in the northern region, covering Pulau Pinang and the expansion of Kulim High Tech Park in Kedah, and within the Klang Valley, are expected to stimulate greater growth of the E&E subsector. Multinational companies (MNCs) in this industry are expected to continue to source locally as well as outsource some of their non-core activities worldwide. As such, Malaysian SMEs in particular will need to be geared towards tapping these opportunities and increase participation in the E&E global supply chain.
- The expansion in the **machinery and equipment** (M&E), defence and petrochemical industries will also offer new growth opportunities in terms of new product and process development, and through linkages with other industries, including aerospace, automotive and ICT activities. Among others, these will involve the implementation of designated M&E Parks within existing Free Trade Zones or in the vicinity of transportation hubs that will house companies specialising in innovative design, engineering, fabrication and manufacture of a wide range of parts and components cutting across many sectors of the economy.

Box Article : Promoting New Sources of Growth Opportunities for SMEs

- There are vast investment opportunities arising from high value-added and technology-intensive activities in the **automotive industry** that remain untapped. The enhanced productive and technical capacity in the automotive industry will enable greater participation by local manufacturers, especially SMEs, in the production of high performance auto parts and components for both the domestic and global markets. The existing and new automotive clusters, particularly in the Klang Valley and Tanjung Malim as well as Gurun and Bertam in the Northern Region will facilitate the further growth of the automotive sector.
- The holistic approach to **biotechnology industry** development, covering agro-biotech, healthcare and industrial biotech, will also serve as a new source of growth, especially for SMEs that can develop niche products and services. There is tremendous scope in strengthening on-going, bio-based R&D as well as the transfer, commercialisation and use of new biotech products and processes. Bioproducts, including traditional medicine and herbs and other food supplements will need to be developed for niche markets. The development of the nutraceutical industry is expected to benefit from the wider use of plants and marine resources. In the area of healthcare and pharmaceutical products, the production, distribution and marketing of generic drugs and vaccines provide new investment possibilities. In industrial biotechnology, avenues exist in the development of new products including biomaterials, industrial enzymes and biocatalysts. SMEs need to partake in building Malaysia's own BioNexus brand, by innovating and growing into world class biocompanies.
- The renewed emphasis on **agriculture** will provide for a more commercial and technology-based platform to spur the growth and development of the sector. In particular, the halal food industry including the processing of meat, livestock products, fisheries as well as vegetables and fruits, provides an array of new investment opportunities that have extensive global reach. An integrated approach to the development of the halal food industry, from farm to table, is being designed that SMEs can leverage on. For this purpose, a number of states, including Perlis, Kedah, Kelantan, Terengganu and Pahang will expand existing and/or develop new halal parks. In addition, the special programme 'Malaysia the Truly Asian Kitchen' will be implemented to promote SME participation in the thriving food industry, both at home and abroad.

Box Article : Promoting New Sources of Growth
Opportunities for SMEs

- There is a rising demand for specialised knowledge and expertise in a number of **services subsectors**. The growing subsectors including financial, tourism, education, health, distributive trade as well as ICT-related services including high-end shared services and outsourcing (SSO) provide additional investment opportunities and strategic alliances that can be further developed by SMEs.
- The **digital content industry**, comprising largely innovation and technology-based multimedia creative industries, has strong development potential. These include mainly computer software and internet services. Areas that require a high level of digitalisation cover broadcasting, design and engineering, digital leisure or games, advertising and publishing activities as well as related telecommunications industries.
- The **tourism industry** offers tremendous scope for creativity, innovativeness and entrepreneurship development in business and leisure activities. Wide ranging investment opportunities including hotels and resorts development as well as the provision of a varied range of services and attractions will continue to promote Malaysia as a choice destination include eco and agro-tourism, culture and heritage, international shopping as well as a major events destination, especially for international sports and conference activities.
- Better prospects await for Malaysia's **health and education tourism sectors** as the demand for professional and competitive as well as personalised and customised services in these areas increases, both domestically and globally. The financial services sector also offers opportunities for SMEs to develop niche products and services for targeted customers.
- Development in **distributive trade**, including homegrown retail chains, franchising and direct selling, are expected to create more competitive SMEs, having the capacity to respond to changes in consumer lifestyles, seek new business opportunities and participate in global supply chains. Strategic alliances between small and medium scale suppliers and buyers, especially the hypermarkets, will be promoted to expand international collaboration and global market presence.

Box Article : Promoting New Sources of Growth
Opportunities for SMEs

- In the area of innovation and ***technopreneurship***, with greater access to venture capital, incubation activities, product development as well as design and quality improvements, SMEs will be able to generate newer and higher profit-generating economic activities. A pre-requisite is that SMEs need to upgrade technology and IT information and knowledge management capabilities. SMEs must establish industry specific on-line data bases and e-commerce systems, set up e-enablement and e-service teams, for integrated e-adoption, create electronic market places, promote on-line learning and adopt broadband internet access.

In summary, to participate and to have a more significant role in driving economic growth and development, SMEs will need to continuously adjust business strategies and reposition to meet changing regional and global economic conditions. It is inevitable for Malaysian SMEs to form strategic partnerships with international businesses to sustain competitiveness and build a culture of innovation and entrepreneurship which would lead to strong expansion of capacity to create new demand and generate new markets. Simultaneously, the integration with global players will provide for capacity and capability build up as well as extensive multiplier effects and spin-offs in the domestic economy.

Box Article : Promoting New Sources of Growth
Opportunities for SMEs

