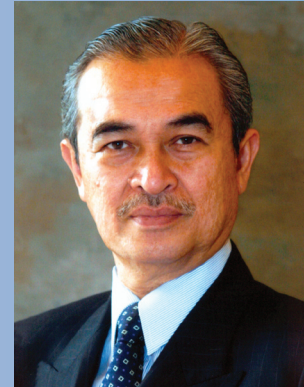




PRIME MINISTER MALAYSIA

Message

In an increasingly competitive economic environment, Malaysia must continuously seek to find new sources of growth to broaden and diversify the economic base. To achieve this, efforts will focus on generating endogenous sources of growth through strengthening the capabilities and competitiveness of domestic industries. An important segment is the small and medium enterprises (SMEs), which represent a key source of endogenous growth as well as an impetus for broad based economic development.

There are currently more than half a million SMEs in the country, making up more than 99% of total business establishments. In view of their significant presence and role, the development of SMEs is a priority for the Government. There is ample scope for enhancing SMEs' contribution to the economy. Therefore, SMEs must be strengthened further to become an important driver of growth. As outlined in the Ninth Malaysia Plan, the Government will continue to support the development of competitive and resilient SMEs in all sectors towards increasing their contributions to the economy.

A holistic and comprehensive approach is being undertaken to support the development of high performance and resilient SMEs. This encompasses three broad strategic thrusts, namely, strengthening enabling infrastructure; building the capacity and capability of SMEs; and enhancing access to financing. In 2006, a total of 245 key programmes, involving an allocation of RM3.9 billion, will be implemented by the various Ministries and agencies to support the development of SMEs. In addition, an allocation of RM2.2 billion has been made in the Ninth Malaysia Plan to further strengthen the SMEs in the manufacturing and manufacturing-related services sectors.

To ensure that the strategies and programmes to support the development of SMEs are in place and effectively implemented, the Government established the National SME Development Council in 2004. The formation of the Council represents the Government's highest commitment in promoting the development of SMEs. The Council provides the direction for the Government policies to ensure that sufficient support programmes are in place, and are effectively coordinated and implemented to assist SMEs. Among the key initiatives initiated by the Council include the establishment of the SME Bank, the launch of the SMEinfo Portal, the development of national SME database and the standardisation of SME definitions.

Ultimately, the ability of our SMEs to mature into larger entities with formidable global presence lies with the SMEs themselves. The Government will on its part continue to play a facilitative role in creating a business-enabling environment and in enhancing the responsiveness and efficiency of the public delivery system in addressing and meeting the needs of SMEs. SMEs must be dynamic and agile in adapting to competitive forces and market volatilities, and commit to improving their operations, quality and productive capabilities in order to move up the value chain. With keener competition brought about by trade liberalisation, Malaysian SMEs must be ready to offer the best quality of goods and services at competitive prices as well as explore foreign shores for wider market exposure to capitalise on the benefits of newly emerging markets.

This inaugural SME Annual Report 2005 is part of the initiatives to build the capacity and capability of SMEs through the dissemination of information. Each year, it will report on SME performance, and strategies, and highlight major initiatives undertaken by the Government during the year in promoting the development of SMEs. The Government will continue to reach out to the SMEs and hope that the SMEs would collectively respond by helping to build on our strengths and resources.

Through these collective efforts, it is my vision to realise our objective of developing competitive and resilient SMEs.



DATO' SERI ABDULLAH HAJI AHMAD BADAWI

Prime Minister Malaysia

7th August 2006