Chapter 4

Overview of the National SME Development Blueprint

The Government's strong commitment in promoting the development of a competitive and resilient SME sector, outlined in the Ninth Malaysia Plan and Third Industrial Master Plan, is evidenced by the creation of the National SME Development Council (NSDC) and its annual National SME Development Blueprint, now in its third year. Chaired by the Prime Minister, the NSDC provides the framework for a cohesive national policy and programmes designed to provide the necessary support for SMEs to progress up the value chain.

National SME Development Council

The National SME Development Council (NSDC) was established in 2004. The Council is chaired by the Prime Minister and comprises 15 Ministers and heads of four key agencies involved in SME development. Bank Negara Malaysia is the secretariat to the Council.

Specifically, the scope of work of the NSDC include:

- The formulation of broad policies and strategies to facilitate the overall development of SMEs across all sectors;
- Review of the roles and responsibilities of Government Ministries and Agencies responsible for SME development;
- Enhancing collaboration, coordination to ensure effective implementation of SME development policies and action plans;
- Encouraging and strengthening the role of the private sector in supporting the overall development of SMEs; and
- Providing emphasis on the development of Bumiputera SMEs across all sectors of the economy.

1. Charting the Course

To enhance the effectiveness of the programmes for SME development achieving the desired objectives and targets, the framework involving an annual National SME Development Blueprint was adopted. An annual action plan, the Blueprint provides a clear statement of the Government's strategic intent and focus for SME development. The Blueprint outlines objectives and targets alongside programmes with financial commitments to support them.

Each year, key programmes for SME development will be designed under three strategic thrusts namely:

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

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2. Striding Forward - The National SME Development Blueprint 2008

The Government's commitment to implement SME-centric programmes moved into a higher gear through the structured approach of the Blueprint Management Framework, designed to measure the effectiveness and efficiency of the programmes. Since its implementation in 2005, the Blueprint has acted as a roadmap for Ministries and Agencies to put in place a coherent set of SME development policies and comprehensive programmes to address the many challenges faced by SMEs. Now in its third year, the implementation of the Blueprint, has shown several key benefits:

i. Performance of programmes has improved due to:
   - Emphasis being placed on effectiveness of the programmes whilst focusing on completion of programmes; and
   - Continuous improvements of programmes by the Ministries and Agencies, resulting in greater outreach to SMEs.

ii. Improved collaboration and coordination between Ministries as evidenced by:
   - Less duplication of programmes and better implementation resulting from streamlining of programmes;
   - Improved inter and intra-Ministry planning for programmes to cover any gaps in SME development; and
   - Takes into account SMEs' feedback to ensure programmes are implemented effectively.

iii. Strengthened accountability and commitment of Ministries and Agencies to achieve objectives and targets:
   - Key Performance Indicators (KPIs) are set to reinforce the Government's commitments to develop the SME sector; and
   - Improved discipline in monitoring and ensuring programmes are implemented and KPIs met.

Overview of Achievements in 2007

Improved planning resulted in better allocation of resources for implementation

In 2007, a total of 189 programmes implemented by 14 ministries and related agencies with an expenditure of RM4.9 billion benefiting 286,755 SMEs. Improved planning resulted in better allocation of resources for implementation with 97% of planned programmes implemented, as compared to 81% in 2006, and a significant improvement in discrepancy between committed and actual expenditure. The programmes have became more streamlined and the introduction of KPIs have pushed the focus amongst Ministries and Agencies from creating programmes to attaining the KPIs that have been set. The year 2007 saw marked improvements with 72% of programmes achieving or exceeding the set targets. The overall process has meant less overlap of programmes with increased collaboration between ministries and agencies.

The focus of programmes in 2007 continued to remain on enhancing the capacity and capability of SMEs, particularly in the areas of skills upgrading, entrepreneurship development, marketing and promotion, product development and technology enhancement. The major outcomes from these programmes were:

- A total of 135,000 SMEs, women entrepreneurs and students received entrepreneurship and technical training;
- A total of 3,246 SMEs participated in various exhibitions, trade fairs and promotional fairs held;
- More than 4,750 SMEs were provided with business premises and factories;
- 45 mini post-offices were set-up to create rural entrepreneurs;
- More than 2,950 agripreneurs benefited from 178 Packaging, Distribution and Agriculture Marketing Centres;
- A total of six financial institutions and three Development Financial Institutions (DFIs) have introduced microfinance products and facilities;
- A total of 18,663 SMEs received financial assistance through various Government schemes namely through the *Tabung Ekonomi Kumpulan Usahaniaga* Scheme the microentrepreneurs, *Pembiayaan Kredit IKS* Scheme and the *Pinjaman Perniagaan MARA* programme.

A number of institutional building initiatives have also been taken to strengthen the foundations for SME development and financing. These include:

- The restructuring of SME Bank which is now directly under the Ministry of Finance Incorporated (MOF) to enhance effectiveness and efficiency;
- The corporatisation of Bank Pertanian Malaysia. Now under the brand name Agrobank, lending to the agriculture sector by the bank is expected to grow by about 25% per annum over the next five years; and
- The establishment of the Malaysia Cooperative Societies Commission which will provide supervisory oversight on the cooperatives to ensure prudential standards and best practices. This will strengthen the role of credit cooperatives in providing financing to micro enterprises.

To enhance access to financing by SMEs, Bank Negara Malaysia has embarked on several key initiatives to encourage banking institutions and DFIs to provide microfinance facilities. In addition, a RM300 million Venture Capital Fund for the Agriculture sector was established by Bank Negara Malaysia with two banking groups. Credit Guarantee Corporation (CGC) established an equity financing arm to provide SMEs with another avenues to financing and also introduced two new products namely, Direct Access Guarantee Scheme Start-Up (DAGS Start-Up) and Credit Enhancer Islamic (Enhancer-*i*).

Establishment of SME Central Coordinating Agency

During the 8th NSDC meeting held in June 2008, the framework for the establishment of an SME Central Coordinating Agency, to act as a dedicated Government agency to spearhead SME development in Malaysia was finalised. This new Agency named SME Corporation Malaysia (SME Corp.), will take over the role of the Secretariat of the Council from Bank Negara Malaysia to coordinate the policy formulation and SME development programmes to ensure comprehensive and effective implementation across all sectors. The SME Corp. will also act as a one-stop information centre for SMEs to obtain comprehensive information and advisory services which includes development of business plans, marketing, technology adoption, information services, and financial advisory. In addition, the SME Corp. will disseminate information on SME performance and statistics, and conduct research on SME related issues and development.

With improved KPIs, the Blueprint 2008 has become more responsive to SMEs' needs by increasing dialogue with various industry associations representing the voice of SMEs. This will ensure SMEs' requirements are being met and better planning for future programmes in 2009. Initial feedback obtained has indicated several areas to be addressed for enhanced SME development which included the following:

- To increase awareness on SME development programmes;
- To conduct regular SME focus group discussions to ensure current and future SME development programmes are SME-centric;
- To review and enhance the application approval and disbursement process for grants and soft loans for greater efficiency;
- To build reasonably priced infrastructure in strategic locations taking into account SMEs' needs and requirements;
- To streamline local exhibitions, expositions and trade shows to enhance effectiveness and efficiency; and
- To develop focused training modules to cater to the needs of SMEs in the various stages of their business life-cycles.

Expected Outcomes of 2008 Programmes

198 key programmes, about 20% of which are new, are slated for implementation in 2008 with a financial commitment of RM3.2 billion. The focus in 2008 will continue to remain on strengthening the capacity and capability of SMEs, with 141 programmes focusing mainly on entrepreneurship development, marketing and promotion, skills upgrading and the provision of advisory services for SMEs.

Highlights include:

- Enhancements to entrepreneurship programmes for the distributive trade and other strategic sectors to upgrade entrepreneurship skills of 75,000 SMEs in 2008;
- Stabilisation & Groom Big Programme, and wood-based industry training programmes are being implemented to nurture 1,100 entrepreneurs which will contribute to higher value-added products;
- 800 SMEs are expected to be assisted through the matching grant for Certification, Promotion of Halal Product, Enhancing Product Packaging and Product and Process Improvement;
- 10 local franchises will be developed and 400 franchises will be assisted through the various franchise programmes; and
- Implementation of SME Expert Advisory Panel and Technology Awareness and Advisory programmes will provide more than 38,000 SMEs with better access to advisory services provided by the various Ministries.

In providing infrastructure support to SMEs, the Government will assist in the provision of business premises, factories, business stalls and incubation centres for SMEs. Highlights include:

- Establishment of three Halal Parks in Negeri Sembilan, Melaka and Selangor, in addition to four breeding and reproduction centres for Boer goats;
- To assist marketing capability of SMEs in the agro-based industry, an additional 11 marketing centres to package, distribute and market agriculture products (PUSPRO) will be established in strategic places; and
- SMEs in rural areas are also encouraged to participate in business through the establishment of 70 mini post offices in selected rural areas.

In the area of financing, banking and DFIs are expected to approve a total of RM70 billion financing to about 140,000 SME accounts in 2008. This will be complemented by various Government funds and schemes. A total of 200 micro entrepreneurs are expected to be assisted under the Rural Economy Funding Scheme (SPED), while a further 200 franchise entrepreneurs are expected to benefit from the Franchise Financing Scheme.

To further increase the avenues for SMEs to obtain financing, the SME Credit Bureau has been established by CGC. The SME Credit Bureau operates as a comprehensive SME information centre offering credit reports, credit ratings, monitoring services, as well as SME and industry reports. The Bureau will facilitate SMEs in obtaining financing at more favourable terms and in a shorter period of time, and enhance SMEs' competitiveness by inculcating a healthy credit culture. The Bureau commenced operations on 1 July 2008.

Focus on Services and Agriculture Sectors

In 2008, the majority of the programmes to be implemented are focused towards the services and agriculture and agro-based sectors. There is an increase in the number of programmes planned for the two sectors, in view of the fact that 87% of SMEs are in the services sector and expected to contribute more significantly to GDP growth in 2010, and consistent with the 9MP strategy identifying agriculture as the third engine of growth for the economy. In 2008, the agriculture sector will have 42 programmes being implemented, to boost the agriculture and agro-based sector to benefit approximately 32,000 SMEs. The programmes for 2008 are mainly focused on increasing the yield of industrial crops with the bulk of the programmes designed to build the capacity and capability of agripreneurs in the agriculture sector.

Highlights of Key Programmes for SME Development for 2008

Strengthening Enabling Infrastructure

- SME Credit Bureau by CGC - BNM
- Promotion of sustainable microfinance - BNM
- Transformation of Bank Pertanian Malaysia - BNM
- Set-up of stall, business premises and factories for rural entrepreneurs - MRRD
- Breeding and Reproduction Centre for Boer goats - MRRD
- Provision of Business Premises - MECD
- Incubation Centres in SIRIM - MOSTI
- Centre to collect, dry and process cocoa beans - MPIC
- Marketing infrastructure to package, distribute and market agriculture products - MOA

Building Capacity & Capability

- Provision of financial advisory services for SMEs - BNM
- Entrepreneur Guidance programme to inculcate entrepreneurship among Orang Asli - MRRD
- Entrepreneurship acculturation at schools and universities - MECD
- Product and Technology Development programme for SMEs in Telecommunication sector - MEWC
- Taste of Malaysia - MDTCA
- SME Mentoring programme with Nestle - HDC
- Training programme for budget hotel operators - MOTOUR
- Product branding programme - MOA
- SMIDEC Annual Showcase (SMIDEX 2008) - MITI

Enhancing Access to Financing

- Venture Capital for the Agriculture Sector - BNM
- Rural Economy Funding Scheme - MRRD
- *Bantuan Ekonomi Kampung* - MRRD
- MARA Business Financing Scheme - MECD
- Funding for Early Stage Technology Commercialisation - MOSTI
- Soft Loan through Japan Bank for International Cooperation for ICT and Biotech sectors - MOF
- Special Fund for Tourism - MOTOUR

The National SME Development Blueprint, now in its third year, is an important tool for the Government to constantly review and fine tune strategies to ensure a flexible and competitive SME sector. Since its inception, the implementation of the Blueprint has brought significant improvements to the planning and performance of SME development programmes. As a result of improved collaboration and coordination between Ministries and Agencies, programmes are more streamlined to have a wider outreach to SMEs. With a more focused Blueprint the NSDC will be better placed to analyse the current needs of SMEs so that they can be taken into consideration in the design and modification process of programmes. The next step will be to follow the progress of SMEs who have benefited from the programmes to ensure their continued success.