

Section III



KEY PROGRAMMES FOR SME DEVELOPMENT

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Overview of the National SME Development Blueprint

CHAPTER 4

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The national agenda for SME development is clearly outlined in the Ninth Malaysia Plan and Third Industrial Master Plan. To translate SME development strategy into reality, the National SME Development Council (NSDC) was established in 2004 to set strategic direction for Government policies on SME development and to ensure coordination and effectiveness of Government programmes. One of the key initiatives developed by NSDC is the National SME Development Blueprint, an annual action plan for SME development.

1. NSDC - From Strategy to Action Plan

The NSDC is the highest policy-making body related to SME development. Chaired by the Prime Minister, the NSDC comprises representation from Ministers and Heads of 18 Ministries and Agencies involved in SME development.

Specifically, NSDC's scope of work is to:

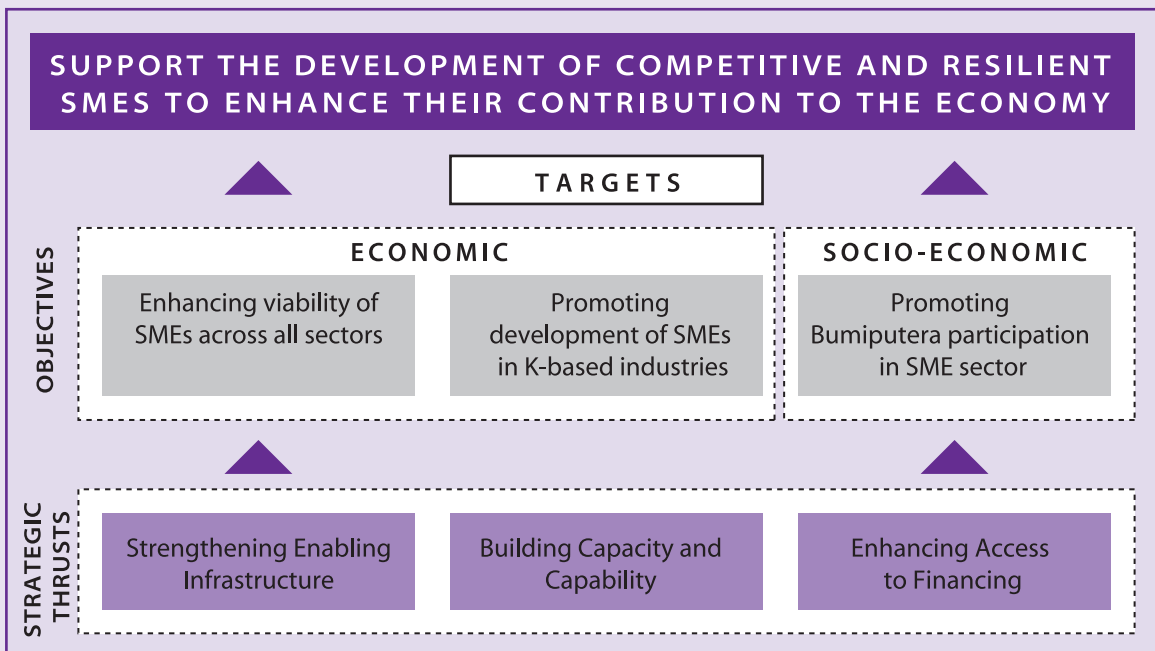
- Formulate broad policies and strategies to facilitate the overall development of SMEs across all sectors;
- Review the roles and responsibilities of Government Ministries and Agencies responsible for SME development;
- Enhance cooperation and coordination, as well as guide stakeholders to ensure effective implementation of SME development policies and action plans;
- Encourage and strengthen 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.



2. Objectives for SME Development

The Government's main mission and focus for SME development is to support the development of highly competitive and resilient SMEs to enhance their contribution to the economy.

Overview of SME Development Objectives and Strategies



Source: National SME Development Blueprint 2007

To achieve this mission, two sets of objectives for SME development have been set:

- i. Economic objectives:
 - a. Enhancing viability of SMEs across all sectors; and
 - b. Promoting development of SMEs in knowledge-based industries.
- ii. Socio-economic objective:
 - a. Promoting Bumiputera participation in the SME sector to enhance their participation in the economic sectors.



Each year, key programmes for SME development will be formulated and designed under three main strategic thrusts, which are:

- **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 as well as ensuring conducive regulations and operating requirements relating to SMEs; and
- **Enhancing access to financing by SMEs**, which involves developing and strengthening institutional arrangements to support SME financing requirements.

3. Blueprint - Charting The Direction for Growth

The key role of NSDC is to formulate strategies and programmes to promote SME development, and ensure that these strategies and programmes are effectively implemented for the benefit of the SMEs. To achieve this, the NSDC established the National SME Development Blueprint (Blueprint), which is an annual action plan that provides a clear statement of the Government's strategic intent and focus for SME development. It outlines:

- Objectives, strategies and targets for SME development;
- A list of major programmes, their expected outcomes and financial commitment; and
- An assessment of the achievements against targeted outcomes at programme and macro levels.

The Blueprint, with its structured approach, brings several benefits:

- Ministries and Agencies have developed and implemented more SME-centric performance driven programmes;
- Enhanced collaboration and coordination amongst Ministries and Agencies to streamline their programmes and to develop new programmes to address potential gaps for SME development; and
- Strengthened the commitment of the Ministries and Agencies in achieving the objectives of the key programmes.

Since its implementation in 2005, the Blueprint has acted as a platform for the Ministries and Agencies to implement coherent and comprehensive programmes for the development of SMEs. This has resulted in improved delivery and effectiveness of Government programmes for maximum benefits to the SMEs.

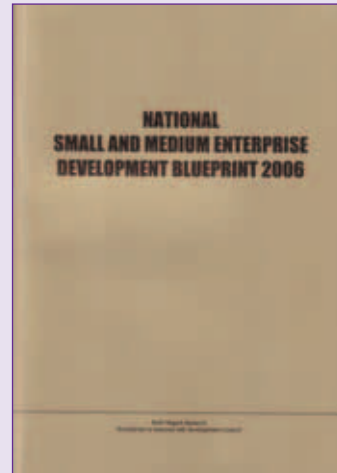
The key role of NSDC is to formulate strategies and programmes to promote SME development, and ensure that these strategies and programmes are effectively implemented for the benefit of the SMEs

The NSDC has launched two Blueprints to-date, namely, the National SME Development Blueprint 2006 and 2007.

i. The National SME Development Blueprint 2006

The National SME Development Blueprint 2006 (Blueprint 2006) identified a total of 248 programmes which involved a financial commitment of RM3.9 billion, for implementation in 2006. The key programmes were designed to address SMEs' internal and external challenges to enhance their competitiveness, and were focused mainly on capacity building in the areas of entrepreneur development, human capital expansion and product marketing and promotions.

(Please refer to SME Annual Report 2005 for more details)



ii. The National SME Development Blueprint 2007

The action plan mapping out the programmes for the development of SMEs for 2007 was launched by the National SME Development Council in January 2007. The National SME Development Blueprint 2007 (Blueprint 2007) introduced, two new components:

- Macro Performance Targets for 2006 - 2010 to provide direction for the development of SMEs and to monitor SME performance; and
- An assessment on the progress of the key programmes implemented in 2006.

The third component of Blueprint 2007 identifies the major programmes for SME development in 2007.



Development Road Map

The Blueprint 2007 sets out comprehensive macro performance targets for SME development to be achieved by 2010. These macro targets are formulated to provide the direction for the development of SMEs and to monitor SME performance for the next five years. With the setting of the targets, efforts will be taken to monitor the performance of SMEs on an annual basis vis-à-vis these targets, and thus enable the Government to assess the effectiveness of the overall Government programmes to support SMEs. With these targets serving as a benchmark on SME development, it will also enable the Government to respond pro-actively by introducing support programmes and measures to accelerate SME development.

Macro Performance Indicators for SME Development 2006-2010

Economic Objective	Macro Performance Indicators
Enhancing Viability of SMEs across all sectors	<ul style="list-style-type: none"> • % contribution of SMEs to GDP • % contribution of SMEs to employment • % of share of exports contributed by SMEs • % of viable (profitable) SMEs
Socio-Economic Objective	<ul style="list-style-type: none"> • Number of total new Bumiputera SMEs • % of Bumiputera SME participation in commercial and industrial sectors

Source: National SME Development Blueprint 2007

By 2010, the SMEs' contribution to the economy is targeted to increase as follows:

- Contribution to Gross Domestic Product (GDP) by SMEs to increase from 32% in 2005 to 37% in 2010 with the bulk of the growth targeted to come from the services sector, making up 23% of GDP contribution by 2010;
- Contribution to employment (excluding Government) by SMEs to increase from 56% in 2005 to 57% of total employment in 2010; and
- Share of total exports by SMEs to increase from 19% to 22% in 2010, with SMEs in the manufacturing sector contributing to 12% of the country's total exports.

The achievement of these targets are dependent on the effective implementation of Government policies and initiatives in supporting the SME development for the next five years.

Overview of Achievements in 2006



A total of 213 (out of 248 identified) key programmes were implemented in 2006 involving a total expenditure of RM7.8 billion, a figure equivalent to 1.6% of nominal GDP.

Six Ministries and Agencies completed 24 programmes at a cost of RM2.5 billion benefiting 13,485 SMEs across three strategic thrusts mainly in capacity building efforts.

A total of 177 programmes continue to be on-going, the bulk of which include programmes to strengthen SME capacity, and access to financing, which assisted 274,207 SMEs.

The implementation of programmes in 2006 benefited more than 287,000 SMEs

The major programmes for SME development implemented in 2006 focused mainly on capacity building of SMEs in the areas of entrepreneur development, human capital development, and marketing and promotion of SMEs' products.

The implementation of these programmes benefited more than 287,000 SMEs.

As a result of 2006 key programmes:

- About 128,000 SMEs, women entrepreneurs, graduates and students received entrepreneurship and technical training;
- About 34,000 SMEs received advisory services provided by various Government agencies;
- More than 5,100 SMEs were provided with industrial and business premises;
- About 780 SMEs benefited from business matching and expansion programmes such as the Industrial Linkage Programme and SMIDEX 2006; and
- 272 SMEs received grants and financial assistance to improve and upgrade their technology and business processes through the Technology Acquisition Fund, Grant for Certification and Quality Management System, and Grant for Product and Process Improvement.

Overview of SME Development Programmes 2007

The key programmes slated for implementation in 2007 are based on the SME challenges identified in the Census of Establishment and Enterprise 2005.



Sources: Census of Establishment and Enterprises 2005

To assist SMEs in overcoming these challenges, a total of 189 programmes have been designed to be implemented with a financial commitment of RM3.7 billion. The bulk of the programmes, 135 in all, will focus on building capacity and capability, human capital development and marketing and promotion.

The focus of programmes in 2007 is on the manufacturing and related sectors, while consideration has also been given to ensure that sufficient programmes are implemented to support SMEs in the services sector, which has the highest contribution to GDP.

Expected Outcomes of 2007 Programmes

The implementation of the Vendor Development, New Franchise Scheme, Biotechnology Entrepreneur Development and Information Communications Technology (ICT) SME Development programmes are expected to benefit 780 entrepreneurs in 2007. Various training programmes in the broad range of areas will be held to help SMEs develop financial management and accounting skills, as well as to develop SMEs in the retail and agriculture industries.

Market expansion programmes which develop SMEs' linkages with large corporations, government-linked companies and hypermarkets will continue to be implemented in order to develop the marketing and promotional capabilities of SMEs, and expand market network. Expositions such as SMIDEX 2007, SME Convention and Malaysia International Halal Showcase, will be held to provide opportunities for SMEs to showcase their products and increase market penetration.

To provide infrastructure to support SME growth, business premises, factories and workshops will be provided for SMEs in the rural areas. The Government also aims to develop 80 mini post offices to be managed by entrepreneurs under the Rural Mini Post Office Entrepreneurs Development Programme. In addition, product packaging, distribution and marketing centres will be established to ensure efficient and effective distribution of agriculture and agro-based products of SMEs.

On access to financing, banking institutions and development financial institutions are expected to approve a total of RM51 billion loans to about 110,000 SME accounts in 2007. This is in addition to the 37,000 loans, targeted to be approved under the various Government schemes in 2007. A total of 40 new companies in the ICT sector are expected to be financed under the ICT Fund, while the Biotechnology Commercialisation Grant aims to establish 35 projects.

Several key initiatives will also be implemented to further increase avenues of financing for SMEs, including the introduction of Shariah-based financing facilities under the Bank Negara Malaysia's Special Funds and New Trade Financing Products, as well as strengthening the roles of the factoring and leasing companies. The Credit Guarantee Corporation (CGC) will also be introducing several credit enhancement products to further facilitate access to financing by SMEs. The securitisation of SME loan programme will also be introduced in 2007, while the SME Bank is also expected to increase its lending activities.

SME DEVELOPMENT PROGRAMMES IN 2007 189 key programmes planned for SME development in 2007	
Highlights of Key Programmes for SME Development for 2007	
Access to Financing <ul style="list-style-type: none"> • New Entrepreneurs Fund 2 • Fund for Small and Medium Industries 2 • Small Debt Resolution Scheme • Securitisation of SME Loans • SME Bank Business Loans 	<ul style="list-style-type: none"> • Food Production Credit Scheme • Fund for Food • ICT Fund • Biotechnology Commercialisation Grant • Shariah-based Financing Facilities for Special Funds and New Trade Financing Products
Entrepreneur Development <ul style="list-style-type: none"> • Biotechnology Entrepreneur Development Programme • New Franchise Scheme for graduates and women entrepreneurs 	<ul style="list-style-type: none"> • ICT SME Development Programme • Retail Training Programme • Enterprise 50 Award Programme • Training programmes in Financial Management and Accounting
Marketing and Promotion <ul style="list-style-type: none"> • Promotional Programmes in Hypermarkets • Malaysia International Halal Showcase (MIHAS) 	<ul style="list-style-type: none"> • SMIDEX 2007 and SME Convention • Industrial Linkage Programme • MATRADE Trade Outreach Programme
Advisory Services <ul style="list-style-type: none"> • SME Business Advisers Network 	<ul style="list-style-type: none"> • Entrepreneur Support Services Programme • Contractor Advisory Services
Infrastructure <ul style="list-style-type: none"> • Product Packaging, Distribution and Agriculture Marketing Centres for Agriculture and Agro-based products 	<ul style="list-style-type: none"> • Rural Mini Post Office Entrepreneurs Development Programme • Provision of business premises, factories, processing centres and workshops for SMEs

SME development is a continuous process - the framework is sound only when there is mutual development, acceptance and cooperation. An integrated and comprehensive action plan has therefore been designed for SME development. The National SME Development Blueprint not only provides a cohesive framework, it also provides for assessment and measurement of the effectiveness of Government programmes, and thus drives the improvement in the delivery system to benefit SMEs.