

# Strengthening the Enabling Infrastructure

## CHAPTER 6

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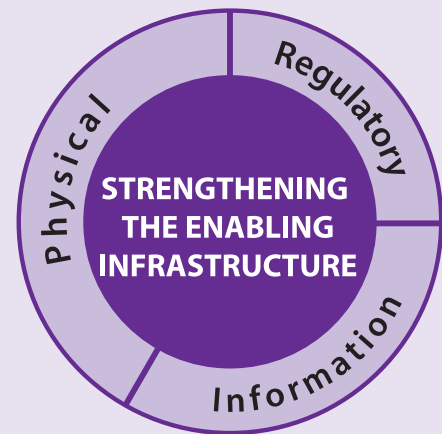


The Government strives to provide a business friendly environment with a supportive regulatory and institutional framework in which entrepreneurial activity is able to thrive. Specific initiatives to have in place an enabling infrastructure on which a sustainable and competitive SME sector can continue to develop remains a priority. These initiatives are being carried out across three key areas namely, developing and enhancing physical and information management infrastructure, as well as relevant regulatory framework to facilitate business operations.

In 2006, a total of RM72 million was spent on the implementation of 33 programmes towards strengthening enabling infrastructure, assisting over 19,000 SMEs. Of the total programmes, 23 were focused on improving the physical infrastructure available to support SMEs and their business operations. Major programmes to strengthen enabling infrastructure for SME development in 2006 include the setting-up of seven cocoa processing centres and six Agri-Food Business Development Centres, as well as formation of Information and Communications Technology (ICT) clusters.

Key achievements of programmes in 2006 include the provision of industrial and business premises with facilities for rental to 5,163 SMEs and the establishment of 205 Malaysian Standards for SMEs.

In 2007, 27 programmes will be implemented to strengthen enabling infrastructure, with a total financial commitment of RM349 million. Expected outcomes of programmes in 2007 include the provision of 500 business premises, factories and workshops for SMEs, the implementation of 200 new projects related to the livestock Technical Advisory Committee and the establishment of 80 mini post offices for entrepreneurs under the Rural Mini Post Office Entrepreneurs Development Programme.



## 1. Physical Infrastructure - Driving Synergy

The focus of the programmes is on providing infrastructure support to encourage more physical groupings or clusters of similar types of SMEs in business parks, processing and distribution centres, and factories. These clusters will enable SMEs to leverage on economies of scale, increase efficiency and effectiveness of production, and improve distribution of products and services.

## Strategic Hubs

Following their success to date, the number of strategic hubs in the form of industrial parks and incubators has been increased in ongoing efforts to facilitate a critical mass of enterprises as well as technopreneurs.

With targets to increase the participation and income of individual farmers and fishermen in agro-based processing activities, the Ministry of Agriculture and Agro-based Industries' (MOA) Cluster Programmes like Aquaculture Industrial Zones (AIZ) for fisheries helped 59 entrepreneurs earn a monthly income of RM3,000 whilst the Technical Advisory Committee (TAC) for livestock saw the development of 27 TAC areas, where SMEs can network and gain valuable marketing advice, such as how to market products in supermarkets.

A one-stop Agri-food Business Development Centre was also established in 2006 in Wisma Tani, Putrajaya. Agro-entrepreneurs can display their produce, obtain information, seek technical assistance and advisory services related to agri-food production and processing at the centre. The centre is also supported by a virtual counterpart offering the same wealth of resources and information.

*(For more information, please log onto <http://pico.neofission.com/websites/agribdccc/index.php>)*

The Ministry of Rural and Regional Development (MRRD) via its Entrepreneur Incubation Scheme provided buildings, equipment and facilities in Terengganu for entrepreneurs producing ceramics. In 2006, a total of five entrepreneurs identified through Lembaga Kemajuan Terengganu Tengah (KETENGAH) were able to begin production and sell their ceramic products.

An important strategic hub that is being developed and promoted is the Halal Hub, where the aim is to establish Malaysia as an international Halal Hub by 2010.

*(Please refer to Chapter 8 for a detailed write-up on the Halal Hub)*

*Cluster groupings  
bring together  
entrepreneurs of  
varying sizes and  
provide an enabling  
environment for  
technology transfer,  
skills and marketing  
development to take  
place*

## A New Approach in Marketing Agricultural Produce



In Malaysia today, 65% of the fresh produce goes through the wholesale channel for distribution. Wholesale markets are an essential component of the food marketing system. Farmers need a direct point of access to the marketing system, and an efficient and well organised venue where they can meet a plurality of buyers.

With the goal of modernising marketing infrastructure and operating systems of wholesale markets eight locations were proposed for the development and building of National Food Terminals (TEMAN).



The strategic objectives of TEMAN are:

- To develop and transform the marketing infrastructure for agriculture and food products;
- To improve and promote good industry practices in the areas of quality, certification, grading, packaging, and labeling, sealing and food safety standards;
- To be the catalyst for the development of an efficient distribution and logistics system for agro business; and
- To create an efficient market place through effective pricing mechanism that can ensure fair and transparent competition among suppliers and wholesalers.

TEMAN will provide the logistics platform to meet specific requirements for a wide variety of market users, including farmers and farmers' organisations, cooperatives, packing houses, specialty and general retailers, hypermarkets, supermarkets, secondary wholesalers, institutional buyers, large restaurants, hotels and retail food outlets, importers and exporters, as well as transport operators, banks and other businesses.

Planned as a modern food supply centre linking production and consumption in a single complex, each TEMAN consists of a central trade area for collecting and redistributing agriculture products to satisfy national food demand. TEMAN will manage wholesaling activities, associated pre-packaging, assembly and distribution in an integrated and systematic environment. TEMAN aims to change the way business is conducted in the wholesale market from the operational and technological perspective, which includes quality control and packaging method, and improved marketing channels amongst others.



### Current Practices vs TEMAN Concept

	Current Market Practice	Temam Future Concept
Compliance Standard Weight & Measures	Inadequate enforcement and practices	Ensure compliance through enforcement of regulatory policy
Ensure Supply of Staple Food & Food Safety	Reducing number of producers, no assurance	Via managing the supply and demand of staple food effectively
Ensure Quality & Hygiene Control	Inadequate enforcement and practices	Ensure compliance through enforcement of regulatory policy
Effective Pricing Mechanisms	Erosion of margin, multiple-layers of marketing channels	Via implementation of transparent tendering process Provide criteria and guidelines for market transactions
Compliance Standard Grading & Packaging	Inadequate enforcement and practices	Provide criteria for quality, grade standards, packaging and labeling

Source: Federal Agriculture Marketing Authority (FAMA)

Through the use of technology and with all relevant infrastructure in place, TEMAN will be linked closely to farmers and markets throughout the country as well as with international markets. By contributing to the realisation of an integrated and controlled supply chain, TEMAN will help reduce and control overall costs, allow for the introduction and adoption of new operating procedures and equipment and ensure compliance with new statutory requirements.

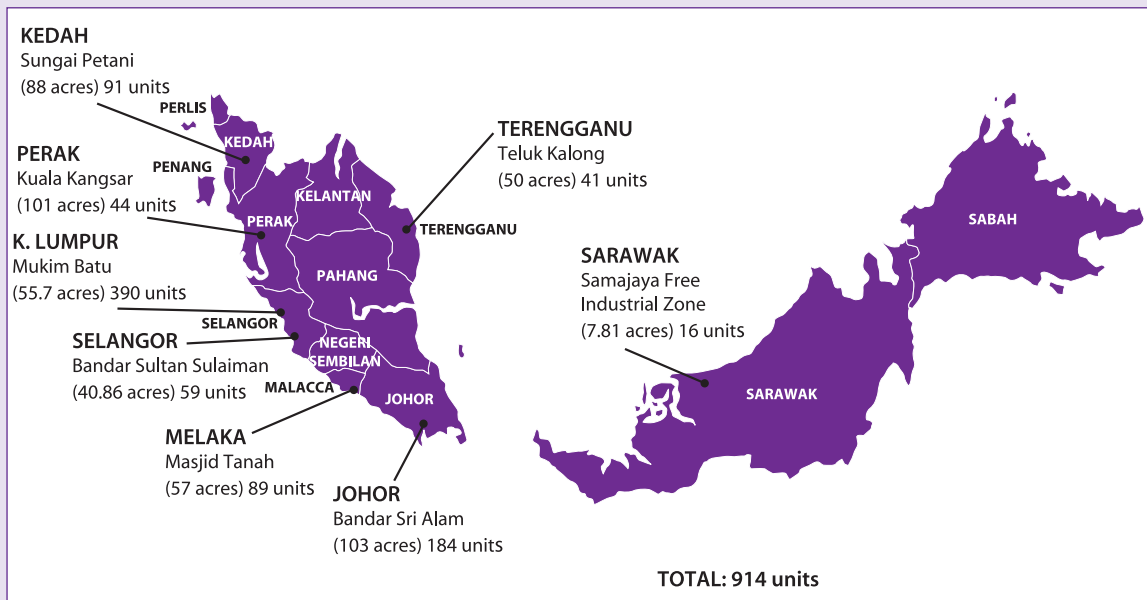
Producing goods which comply with global standards in terms of quality, safety, nutritional content and Halal certification, the TEMAN network will accelerate growth in the agriculture sector. This in turn will help expand the reach of local produce to overseas markets, attracting greater foreign investment in local agro-business opportunities

The Federal Agriculture Marketing Authority (FAMA) will commence the development and building of two TEMAN complexes in Gopeng, Perak and Kota Bharu, Kelantan in September 2007 and March 2008, respectively.

## Industrial Estates

Malaysian Industrial Estates Bhd. (MIEL), working together with several State Economic Development Corporations, have developed eight industrial estates nationwide to assist SMEs to operate in approved areas or premises. Located near road and rail networks that provide efficient connection to ports to facilitate exports, these industrial estates enable SMEs to have the foundation and facilities to operate in the most conducive environment. Through the Soft Loan Scheme for Factory Relocation, three SMEs received RM2.2 million to relocate their businesses to these approved areas in 2006.

### SME Industrial Estates





### Technology Clusters

The Technology Development Cluster Programme, spearheaded by Malaysia Technology Development Corporation (MTDC), aims to develop a cluster of high-technology companies operating within universities and research institutes in an environment that enables interaction and enhances collaboration. By integrating Research and Development (R&D) ideas from the public institutes, together with facilitation and assistance, private sector SMEs would be able to bridge the gap between R&D and commercialisation-to-market. Ultimately, the aim is to generate competitive high-value spin-off ventures, start-ups and sustainable ICT SMEs that will drive the creation of new wealth in a knowledge-based economy.

As at end 2006, there are three incubators completed and fully operational, namely Universiti Putra Malaysia - MTDC, Universiti Kebangsaan Malaysia - MTDC and Universiti Teknologi Malaysia - MTDC Technology Centres. These three centres host a total of 48 companies (mostly ICT and Life Sciences companies)

In 2007, the Technology Development Cluster Programme will be enhanced through greater emphasis on nurturing services such as financial and risk management as well as Intellectual Property (IP) management, the promotion of best practices and mentoring services for all SMEs.

## Pooling Resources

More processing and marketing centres will be developed in 2007, especially in the rural areas. The objective is to provide physical infrastructure to SMEs, especially micro-enterprises, to strengthen their productivity and marketing capacity. This is in line with the overall aim of the Government to further improve the standard of living of the rural community. A number of key programmes include:

- The MRRD plans to provide 458 business premises which include two factories to help entrepreneurs enhance product quality;
- The MOA aims to increase the number of Product Packaging Centres, Distribution Centres and Agricultural Marketing Centres nationwide to 178, as well as set up 200 new projects via its Livestock Technical Advisory Committee;
- The Ministry of Entrepreneur and Cooperative Development (MECD), through its agencies like MARA and Uda Holdings, together with state economic development corporations, will construct or purchase new buildings, including factories, business complexes, shop lots and stalls, to rent out to entrepreneurs;
- The Ministry of Plantation, Industries and Commodities (MPIC) plans to complete three Development Centres for Cocoa Smallholders where collection and drying of cocoa can take place, and value add processing methods can be introduced;
- MECD's *Satu Wilayah Satu Industri* (SAWARI) will be intensified to help nurture micro entrepreneurs and create new growth areas. Up to 10 small industries operated by Federal Land Development Authority (FELDA) settlers and co-operatives with the potential for commercialisation will be identified under SAWARI in 2007. The Ministry will then:
  - provide assistance to improve product quality and production capacity;
  - encourage micro entrepreneurs to establish a promotion and marketing network;
  - provide and develop a local marketing centre to exhibit and promote the products;
  - co-ordinate training, development programmes and technical assistance; and
  - channel funding for project implementation.
- The Ministry of Energy, Water and Communication (MEWC), together with Pos Malaysia Bhd., will launch the Rural Mini Post Office Entrepreneur Programme in 2007. Under the programme, individual entrepreneurs who have own premises or existing businesses will be identified to operate Mini Post Offices in the rural areas. The target is to establish 80 Mini Post Offices a year between 2007 and 2010. The entrepreneurs will be provided with assistance in the form of operational equipment worth RM20,000 to set up the offices.

## 2. Regulatory Infrastructure - Meeting Global Requirements

To compete effectively and successfully, local manufacturers and exporters must also strive to meet global market requirements, such as compliance with international standards in health, safety, environment, labour and quality.

As such, the formulation and adoption of the Ministry of Science, Technology and Innovation's (MOSTI) Malaysian Standards for Products and Services was accelerated in 2006. A total of 205 standards were formulated to promote SME competitiveness through the adoption of global standards. Similarly, a pricing and specifications guide for parties involved in Landscape Gardening businesses will be put in place by the Ministry of Housing and Local Government to identify the most appropriate plants and trees to be used in public landscaping projects in terms of pricing and suitability. The streamlining of registration and licensing for the homestay industry will also be implemented in 2007 by the Ministry of Tourism.

## 3. Information Infrastructure - Strength Through Knowledge

As part of increased efforts to coordinate and centralise information, databases are being expanded. The purpose is twofold, to help Ministries and Agencies formulate effective policies and to help SMEs make informed decisions.

One key initiative was the establishment of the National SME Database to provide stakeholders with timely information on SMEs to evaluate their performance, monitor contribution to the economy and to facilitate formulation of effective policies to support SMEs. The Department of Statistics Malaysia (DOS) has been mandated to establish and maintain the database. The National SME Database covers the following nine key performance areas:

- Overview/status of SME development;
- SME contribution to the economy;
- Financial management;
- Access to financing;
- Production and operational management;
- Access to technology and technological advancement;
- Human resource;
- Marketing and promotion; and
- Access to Government assistance programmes.

The first phase of the database was to set up a baseline data by conducting a nationwide census across all establishments in the manufacturing, agriculture and services sector by DOS in March 2005. Moving forward, DOS will be conducting SME surveys and collecting more information on SMEs from the relevant Ministries and Agencies to ensure that the database provides relevant and up-to-date information on SMEs. The database is expected to be launched in July 2007. The relevant Ministries and Agencies that are directly involved in SME development will be given access to the database to assist them in their analysis and formulation of policies.

In an effort to keep tabs on the changing status of SMEs, MECD is in the process of setting up a database on SMEs in the wholesale and retail sector. The results will also be used to formulate future policies. MOA also maintains an SME database and in 2006, a total of 6,714 new members were registered.

Another effort that has resulted in creating an enabling infrastructure for SMEs, is the adoption of the SME Blueprint Management Framework by the National SME Development Council since 2005. The Blueprint has strengthened strategic focus, progress monitoring and the assessment of programmes for SMEs. This has improved delivery and effectiveness of Government programmes for the benefit of SMEs.

Various physical and information infrastructure are provided by the Government to catalyse the growth of SMEs and help businesses to thrive. Focus remains on efforts to place enabling infrastructure to develop sustainable and competitive SMEs. One of the key drivers in providing infrastructure support to deliver dynamic growth across SME sectors and assist SMEs to move up the value chain is the formation of cluster groupings. These groupings bring together entrepreneurs of varying sizes and provide an enabling environment for technology transfer, skills and marketing development to take place.

Through the physical, regulatory and information infrastructure in place, SMEs are then able to benefit from economies of scale, increased efficiency and effectiveness in production, and improvement in distribution of products and services.

*The National SME Database was established to provide stakeholders with timely information on SMEs to evaluate their performance, monitor contribution to the economy and to facilitate formulation of effective policies to support SMEs*