

### Report on SME Development Framework

In October 2002, an Inter-Ministry SME Steering Committee was formed to take forward the recommendations by Bank Negara Malaysia contained in its report, Proposed Comprehensive Framework for the Development of Small and Medium Enterprises (SMEs). The proposed framework outlines recommendations for the creation of an enabling environment for development of SMEs across all sectors of the economy. The proposals are aimed at strengthening the infrastructure for SME development, building the capacity of the SMEs and improving their access to financing towards increasing their capacity to contribute to the economy.

#### Strengthening the Infrastructure for SME Development

Since its inception, the Steering Committee has conducted assessments on the existing infrastructure for SME development. The underlying objective was to identify areas of resource duplication among the various Government ministries and agencies, and to address gaps in the existing infrastructure for SME development. This undertaking involved: -

- A review of the roles and responsibilities of the ministries and agencies involved in SME development;
- An assessment on the need to form a central coordinating body for SME development;
- An evaluation of the feasibility of enacting an SME Law to coordinate efforts for SME development.

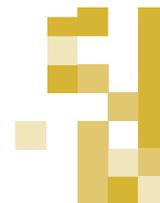
For greater focus and enhanced coordination, the Steering Committee proposed that a permanent institutional framework be established in order to enhance the Government's capacity and ability to continuously promote the development of competitive and resilient SMEs across all sectors. Having a formal structure dedicated to the development of SMEs would result in greater synergies and synchronisation of efforts among the various stakeholders involved in SME development, while ensuring that SME development issues across all sectors are appropriately identified and addressed.

Following the Steering Committee's presentation of its recommendations to the Cabinet Committee for National Competitiveness, the Government will establish a National SME Development Council. The SME Council will function as the highest policy-making body to chart the future direction and strategies for SME development and will be chaired by the Prime Minister. Membership to this high-level SME Council will comprise Ministers from stakeholder ministries, as well as appointed representatives of private sector organisations involved in SME development, with Bank Negara Malaysia serving as the Secretariat.

#### Bridging the Gap

To further enhance the coordination and comprehensiveness of SME development, the Steering Committee has embarked on several initiatives to address the gaps in the current infrastructure for SME development: -

- Establishment of a standard definition for SMEs across all sectors. Currently, the definition of an SME varies amongst the various Government ministries and agencies based on their respective criteria. Standardising the definition of SMEs within the national context will enable effective policy setting to target sectors within the economy, facilitate the provision of technical assistance and improve the channeling of financial benefits and other incentives under various policies. It allows for the physical identification of SMEs at the micro-level, encourages the formation of SME associations at the macro-level, and facilitates better articulation of the problems and prospects of the sector. The standardisation of definition of SMEs will also support the collection of relevant and comparable SME data for database-building purposes.



- Establishment of a comprehensive national SME Database. The absence of a central database with relevant SME and entrepreneurship statistics makes it difficult to gauge the present stage of SME development, their operating conditions, financial viability and developmental needs. To cultivate the potential of SMEs as a source of endogenous growth, and to facilitate informed policy decision-making with regard to SME development, SME policymakers need to be able to measure, monitor and evaluate the performance and contribution of SMEs to the nation's overall economic growth process. The availability of a comprehensive national SME Database will greatly assist in the process of monitoring and evaluating the level of SME development, determining their development needs and providing critical input for the formulation of development policies.
- Formulation of a coordinated framework for the marketing and promotion of SMEs across all sectors. The emphasis is on the overall marketing and promotion of SMEs in terms of products, services, and the SMEs themselves. SMEs also need special assistance in the areas of product development and improvement, design, packaging and branding of their products. The formulation of a comprehensive and coordinated framework will ensure the efforts of the various stakeholders are concerted towards assisting SMEs to penetrate new markets, increase awareness on branding and intellectual property, enhance business networking, linkages and strategic alliances between SMEs and other larger firms.