

**Message by
YAB Prime Minister**



The development of a competitive and resilient small and medium enterprise sector is a key component of the Government's economic growth strategy. As the SME sector comprises 99.2% of total business establishments and employs more than 5.6 million workers, promoting entrepreneurship and SMEs is an important thrust to support the Government's aim of achieving balanced economic development and higher standards of living at all levels of society.

The SME sector contributed 32% of the real gross domestic product (GDP) and 19% of the total export value of the nation. Given the large number of SMEs, I believe that there is ample opportunity to increase the contribution of SMEs in the domestic economy. In this regard, the National SME Development Council has set a number of performance targets for SME development. These targets are to increase SMEs' contribution to GDP to 37% and its share of total exports to 22%, and for SMEs to employ over 6.2 million workers by 2010. The Government's programmes and initiatives for SME development will, therefore, be focused on achieving these targets.

The Ninth Malaysia Plan and Third Industrial Master Plan outline key strategies to promote the development of SMEs, especially in the areas of developing human capabilities and the necessary enabling infrastructure that will allow for the establishment of high performance and high value-added SMEs.

To translate these strategies into effective results, the Council has established the National SME Development Blueprint, an annual action plan that provides a clear statement of the Government's strategic intent and the list of major programmes, with expected outcomes, to be implemented to promote SME development in a particular year. The Blueprint acts as a coordinated platform for the Ministries and Agencies to implement comprehensive programmes that will serve to develop SMEs in a holistic manner. By actively monitoring and tracking the effectiveness of these programmes in meeting the set targets, I expect a marked improvement in the delivery and impact of the said programmes to the benefit of SMEs.

In 2006, a total of 213 major programmes, involving a total expenditure of RM7.8 billion, were implemented. The main focus of these programmes was on enhancing the capacity and capability of SMEs, particularly in the areas of entrepreneurship development, marketing and promotion, product development and technology enhancement. Thus far, the implementation of these programmes have benefited more than 287,000 SMEs.

Efforts to strengthen SMEs are currently being intensified with more focused and targeted programmes in 2007. A total of 189 programmes are being implemented with a financial commitment of RM3.7 billion in 2007. These programmes will focus on building capacity and capability, human capital development as well as marketing and promotion. Specific programmes will also be introduced to strengthen linkages between SMEs, large domestic companies as well as multinational corporations. In my view, these linkages will also provide an invaluable tool for SMEs to develop strong technical, competitive and innovative capabilities as well as managerial and business skills.

In addition, the Government will continue to further develop the enabling infrastructure to support the growth of entrepreneurship and small businesses. In this respect, business premises, factories and workshops will be provided for SMEs in the rural areas. Moreover, product packaging, distribution and marketing centres will be established to ensure efficient and effective distribution of agriculture and agro-based products of SMEs.

Specific focus will also be given to enhance the penetration of the products and services of our SMEs in the global market. In this regard, the Council has endorsed 14 comprehensive strategies and programmes to be implemented, which will assist in capacity building, promotion, information management and provision of financial support to facilitate SMEs in marketing their products and services overseas.

It is important to note that enhancing SMEs' access to finance is a key strategic thrust in promoting the development of SMEs. Various initiatives have been undertaken to strengthen finance providers and widen the avenues of financing to ensure that SMEs at various stages of their business life-cycle are able to obtain the necessary amount of financing. In recognising that 80% of our SMEs are micro enterprises, the Council has approved a comprehensive institutional framework to encourage banking and development financial institutions to offer fast, flexible and convenient microfinancing to individuals and enterprises.

To address the funding needs of start-ups as well as those in strategic sectors such as agriculture, biotechnology and ICT, an increase in allocation has been made to venture capital funds. In this regard, the total available funds for venture capital investments has increased by 27.8% to RM3.3 billion in 2006, from RM2.6 billion in 2005.

To date, initiatives to improve access to financing for SMEs have shown encouraging results. In 2006, a total of RM46.5 billion of loans were approved to more than 102,000 SME accounts by both banking and development financial institutions. In 2007, these financial institutions are expected to approve a total of RM51 billion loans to about 110,000 SME accounts. In addition, more than 37,000 loans are expected to be approved under various Government schemes.

Going forward, industries involved in Halal products and services, Franchising, and Information and Communications Technology have been identified as new sources of economic wealth. In support of this, the Government has established a solid regulatory framework, necessary physical infrastructure as well as incentives to encourage SME participation in these areas.

On its part, the Government will continue to play a facilitative role in creating a conducive business environment to ensure that SMEs develop to their fullest potential as a prime driver of economic growth. In my view, the advent of globalisation and trade liberalisation will bring with it both greater competition and a wealth of opportunities. To reap the benefits, it is imperative that SMEs strive to compete with other global players offering high quality products and services at competitive prices. Hence, it is my wish that SMEs fully utilise the programmes and incentives being offered to enhance their capacity and capabilities through continuous product development, knowledge and technology acquisition.



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