TENTH MALAYSIA PLAN

2011 - 2015

People First,
Performance Now

MALAYSIA

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2011-2015

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**Prime Minister
Malaysia**

Foreword

The Tenth Malaysian Plan sets another historical milestone as our nation embarks on an important mission towards a progressive and high-income nation, as envisioned in Vision 2020. We have achieved great strides in economic and social development in the past 53 years of nation building, but today we face a different dimension of new challenges. We can no longer rely on past strategies and approaches that had previously driven our economic growth. Malaysia needs a new approach, a new enthusiasm and a new determination driven by the 1Malaysia spirit, to propel Malaysia into the next level of high growth.

The Tenth Malaysia Plan houses the aspirations of both the Government Transformation Programme and the New Economic Model, premised on high income, inclusiveness and sustainability. It charts the development of the nation for the next five years, anchored on delivering the desired outcomes for all Malaysians. The Tenth Plan sets the stage for a major structural transformation that a high-income economy requires. The Plan contains new policy directions, strategies and programmes that enable the country to emerge as a high income nation. The national development programmes are attuned to the six National Key Results Areas, outlined in the Government Transformation Programme, the National Key Economic Areas of the Economic Transformation Programme and the strategic economic reforms in the New Economic Model. The Plan details strategies towards a more focused role for the Government as a regulator and catalyst while upholding the principles of 1Malaysia: People First, Performance Now to ensure effective delivery of services.

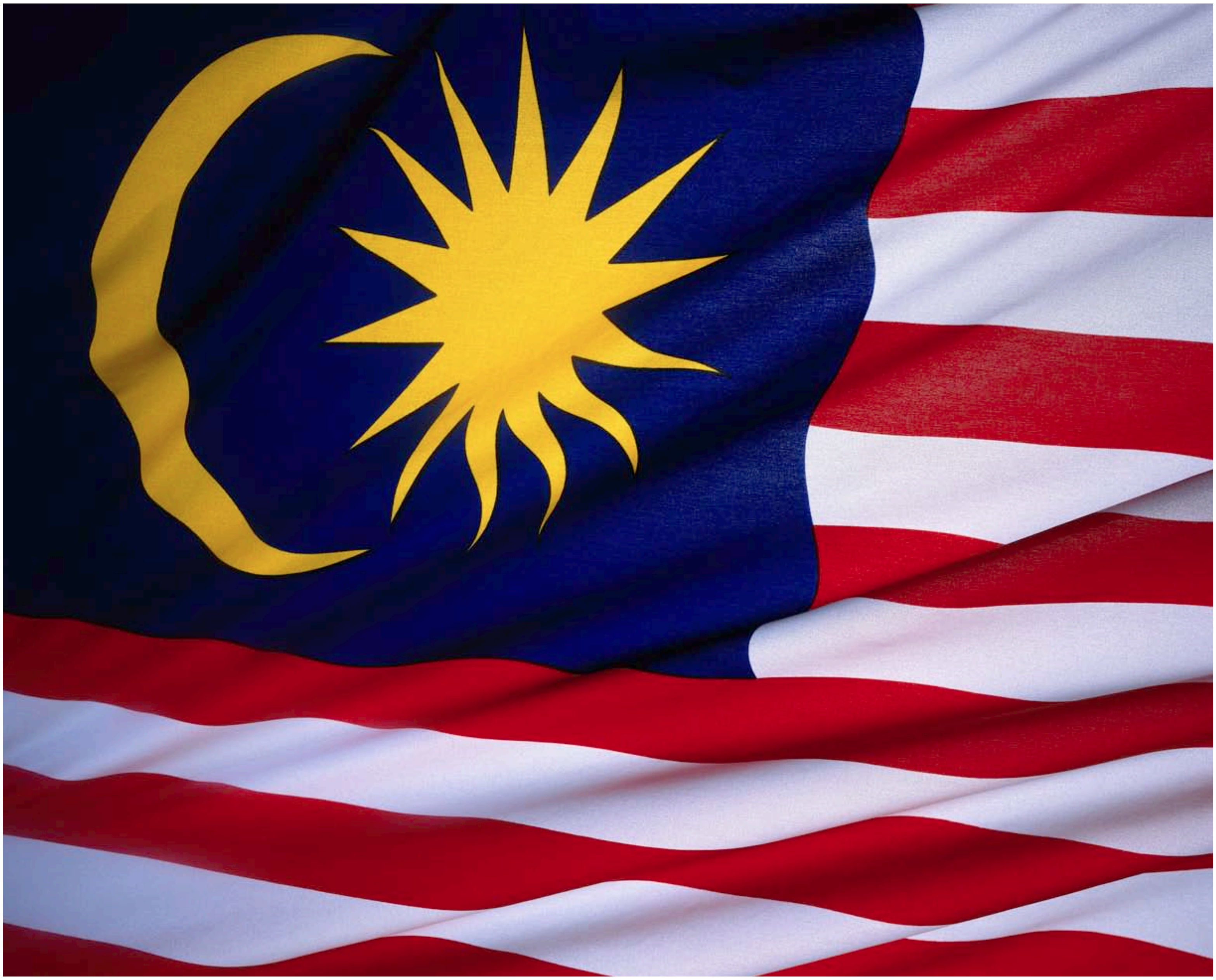
For Malaysia to be a high-income nation, we must be able to compete on a regional and global stage. This requires redoubling our effort to attract investment, drive productivity and innovation. The foundation of any productive high-income economy lies in a globally competitive, creative and innovative workforce. To achieve this, an integrated approach to nurturing, attracting and retaining first-world talent base will be implemented. The creativity, energy and initiative of the private sector will be harnessed as the primary driver of Malaysia's growth aspirations. We will remove structural barriers and outdated regulations in order to create an efficient and flexible business environment for the private sector.

Economic growth will also be more targeted with efficient use of resources on sectors that Malaysia has the competitive advantage. Specific cities and urban clusters will be developed into vibrant, productive and liveable cities comparable to other major cities in the world. This is critical in our mission to attract talent, firms and investments to Malaysia. Investment in infrastructure to connect rural areas to urban clusters will be increased to ensure inclusiveness in the sharing of economic benefits. The Government is also committed to uplift the livelihoods of the bottom 40% of households, irrespective of ethnicity, background or location, through income and capacity building programmes, strengthening the social safety net and addressing the needs of the disadvantaged groups. The agenda to create a robust and vibrant Bumiputera Commercial and Industrial Community (BCIC), as well as ownership of equity and other sources of wealth, will continue with a fresh approach, in line with the current global environment and national priorities.

In implementing this Plan, critical decisions in bringing change will inevitably need to be made. Hence, I urge all Malaysians to join hands and put forward our best in seizing the opportunity available to us – to make these difficult changes – for the future of our children and the future of our country.

DATO' SRI MOHD NAJIB BIN TUN ABDUL RAZAK
Prime Minister, Malaysia

Putrajaya
10 June 2010



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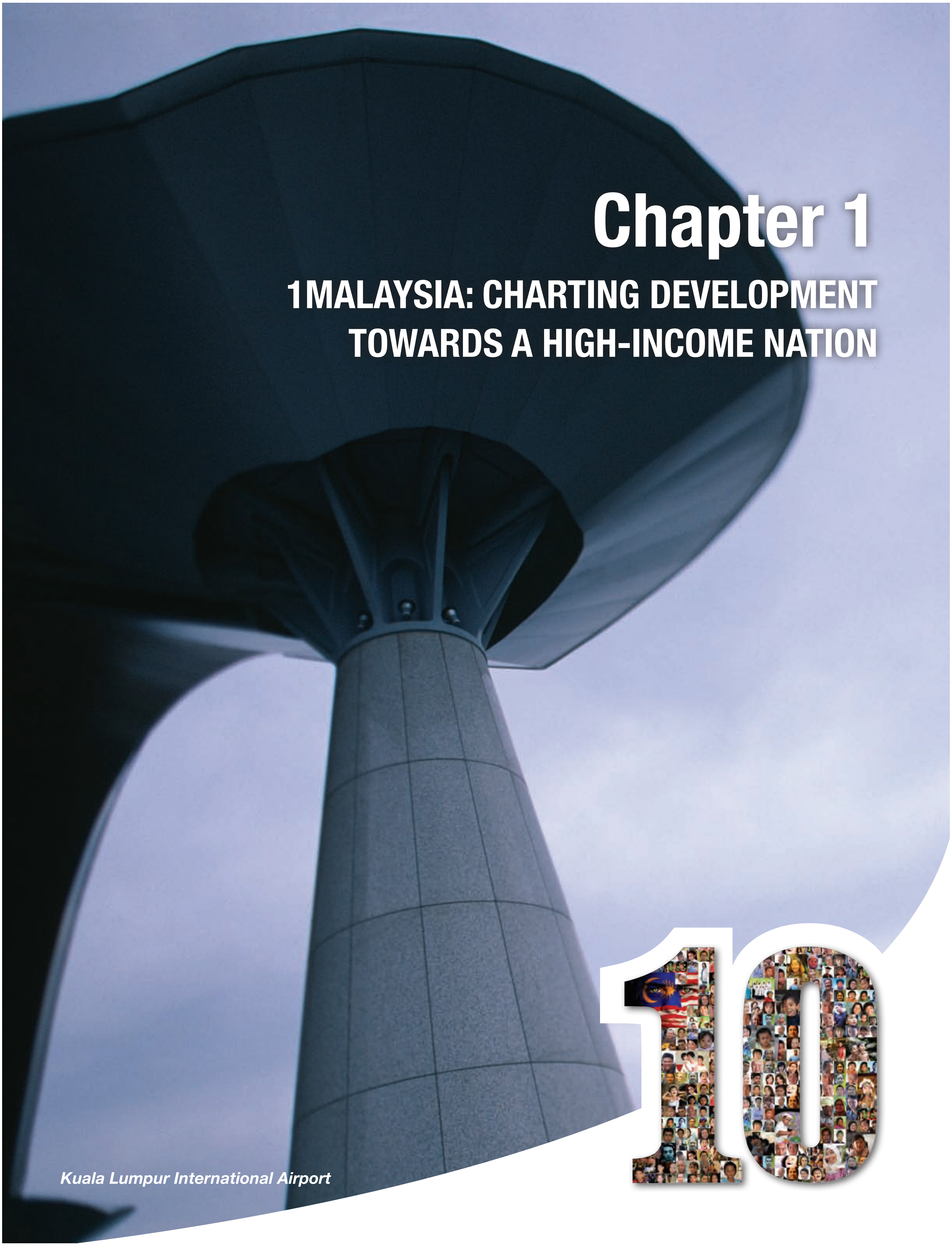
FEDERAL GOVERNMENT DEVELOPMENT ALLOCATION

Chapter 1

1MALAYSIA: CHARTING DEVELOPMENT TOWARDS A HIGH-INCOME NATION



Kuala Lumpur International Airport

Malaysia is emerging strongly from the global financial crisis. Gross Domestic Product (GDP) growth of 10.1% in the first quarter of 2010 represents the fastest quarterly growth in 10 years. Looking ahead towards 2020, the challenge is to sustain the momentum of robust growth. Our goal of high-income status by 2020 requires, among others, achieving an average GDP growth of 6.0% per annum during the Tenth Plan Period. The reality is that this target cannot be achieved without a comprehensive economic transformation. Worse, failure to transform the economy puts the nation at risk of relative decline, as many developing countries are fast catching up. While the economy is currently buoyant, we can ill afford to be complacent because the proverbial iceberg may be melting.

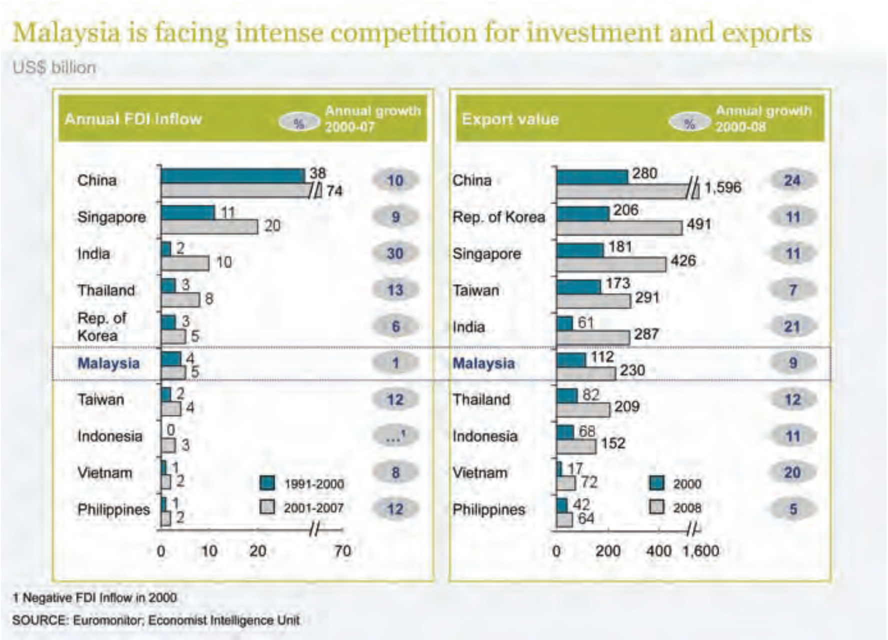
Malaysia is, undoubtedly, at a critical juncture in its developmental journey. The imperative for change is driven by two major factors: First, changes in the global competitive landscape; and second, past successful strategies are proving inadequate for the journey from middle to high-income.

In terms of the global competitive landscape, Malaysia, as a nation, currently faces far greater competition than ever before. We have begun to lag in terms of our ability to drive growth in foreign direct investment (FDI) and exports, compared to our regional peers, as shown in ***Chart 1-1.*** During the early phase of industrialisation, particularly in the 1980s, Malaysia faced much less competition in attracting FDI, partly because few countries were then having as open an economy in terms of trade and investment policies. But today openness is the norm. Globalisation has made the world increasingly smaller and flat. When pursuing a particular FDI project, for example, Malaysia often finds itself competing, not just against countries in the immediate region, but also against those in South America and Eastern Europe.

The global economic outlook remains uncertain. Key risk factors include structural issues such as continued high unemployment in developed nations, the continued risk of commodity price volatility and the financial crises in Southern Europe. Hence, not only is competition more intense, the potential weakness in global growth implies that there may also be less trade and investment available for emerging countries.

The global financial crisis has hastened the shift in the balance of global economic power to Asia. However, this trend does not automatically translate into gains for Malaysia. Economic power naturally gravitates towards the larger regional economies, particularly China, India, and Indonesia. Compared to Malaysia, these countries have the advantage of scale, both in terms of cost and size of domestic markets.

Chart 1-1



Malaysia is facing intense competition for investment and exports

1 Negative FDI Inflow in 2000

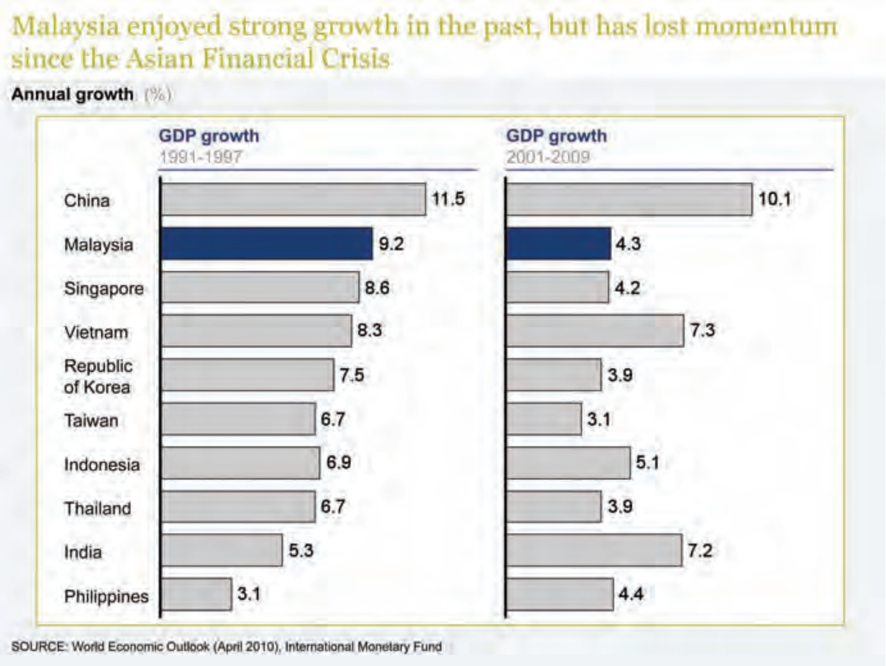
SOURCE: Euromonitor; Economist Intelligence Unit

As an economy, Malaysia risks getting caught in a middle-income trap, being neither a low cost imitator nor a high value add innovator. Strategies, which were successful in driving our transformation from a poor country, reliant on rubber and tin at independence, into a diversified upper middle-income economy, seem ill equipped for the next stage of our developmental journey. The economy appears to have reached the point of diminishing returns.

The Republic of Korea, which started with a lower Gross National Income (GNI) per capita in 1970 of US$260 compared to Malaysia's US$380 has transformed its economy to pull far ahead of Malaysia. By 2009 the Republic of Korea's GNI per capita grew to US$21,530 almost triple Malaysia's per capita GNI of US$6,760.

Over the last decade, Malaysia's momentum of growth has noticeably slowed, as shown in *Chart 1-2*, while the growth rates of several countries in the region have improved. The slowing momentum of growth is largely attributable to the lacklustre

Chart 1-2



Malaysia enjoyed strong growth in the past, but has lost momentum since the Asian Financial Crisis

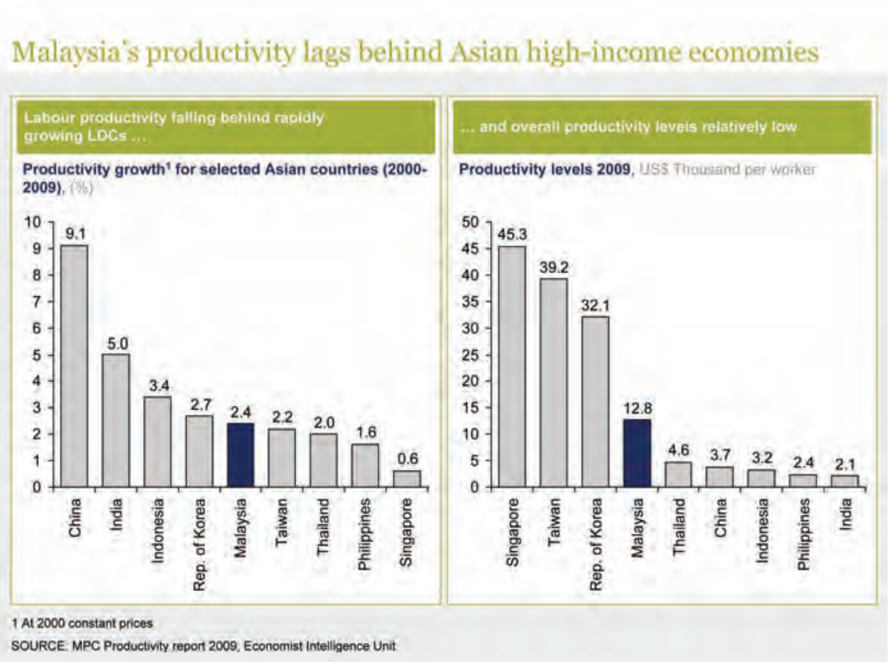
SOURCE: World Economic Outlook (April 2010), International Monetary Fund

performance of private investments, which has fallen from an average of close to 25% of GDP through the 1990s to an average of about 10% of GDP over the past decade. Achieving high-income status by 2020 requires double digit growth in private investments, which is ambitious compared to the estimated growth of only 2% per annum over the Ninth Plan Period. Over the past decade, Malaysia also experienced a net outflow of capital—both in terms of financial and human capital.

The issue of talent is critical given it is the most important ingredient in Malaysia's strategy to become a high-income, knowledge intensive and innovation-led economy. Intertwined with human capital is the issue of productivity. Malaysia's labour productivity growth is falling behind. More significantly, productivity levels are significantly below that of high-income Asian economies, as shown in *Chart 1-3.*

Malaysia's transformation since independence, from a poor country to an upper middle-income country was, in itself, a noteworthy success

Chart 1-3



Malaysia's productivity lags behind Asian high-income economies

Labour productivity falling behind rapidly growing LDCs …

Productivity growth[1] for selected Asian countries (2000-2009), (%)

… and overall productivity levels relatively low

Productivity levels 2009, US$ Thousand per worker

1 At 2000 constant prices

SOURCE: MPC Productivity report 2009, Economist Intelligence Unit

as highlighted in *Box 1-1*. However, our past success is no guarantee that we can continue with the momentum towards becoming a high-income economy by 2020. While a handful of countries were able to grow all the way to high-income status, many middle-income countries lost their growth momentum due to outdated policies that may have been appropriate during an earlier period.

Carrying on with the status quo is not an option. It will only put Malaysia at risk of being overtaken by other countries, just as we had overtaken others in the past. Vision 2020 should not be viewed merely as a lofty goal, but more as an imperative to remain relevant. We are at risk of not only being caught in a middle-income trap, but also of being squeezed in the middle between faster growing developing nations at one end and by developed nations expanding into new markets at the other end. Vietnam, for example, is already near the take-off stage and could technologically leapfrog over Malaysia. At the same time, in a post-crisis environment, developed nations are increasingly entering regional markets in direct competition with Malaysia.

Box 1-1

The Growth Report

The Growth Report (2008) by the Commission on Growth and Development celebrates the success of Malaysia as one of only 13* countries that successfully sustained growth of more than 7% over at least 25 years since 1950. Fast and sustained economic growth is possible, but clearly not easy given only 13 economies have thus far achieved it. The sample of countries is diverse, both in terms of size and resource endowments. The Growth Report highlights that notwithstanding the idiosyncrasies of each, these success stories had five common characteristics:

- Openness to the global economy, in terms of exploiting global demand and importing ideas, technology and know-how;
- Macroeconomic stability: maintaining modest inflation and sustainable public finances;
- Future orientation, exemplified by high investments and savings;
- Markets as a basis for resource allocation and resource mobility to facilitate creative destruction and structural transformation; and
- Capable and credible leadership committed to growth and inclusiveness.

The Growth Report highlighted the absence of any one single growth formula or orthodoxy. While markets were necessary to allocate resources, it was often tempered by pragmatic governments. Therefore, economic reform was typically pursued on an experimental approach, underpinned by institutional capabilities. Reform was often coordinated by small dedicated teams of highly qualified technocrats, which reported to the highest levels of leadership. The Growth Report emphasises the importance of communicating a credible vision of the future and strategy for getting there because citizens are being asked to forgo consumption today in return for higher standards of living tomorrow.

Of the 13 high growth countries, six eventually achieved high-income status. But this is uncommon. For a large group of countries, including many in Latin America, growth slowed markedly at middle-income. The Growth Report sets out that, as wages rise, the comparative advantage in labour intensive industries is eroded. Instead of consuming resources to support labour intensive

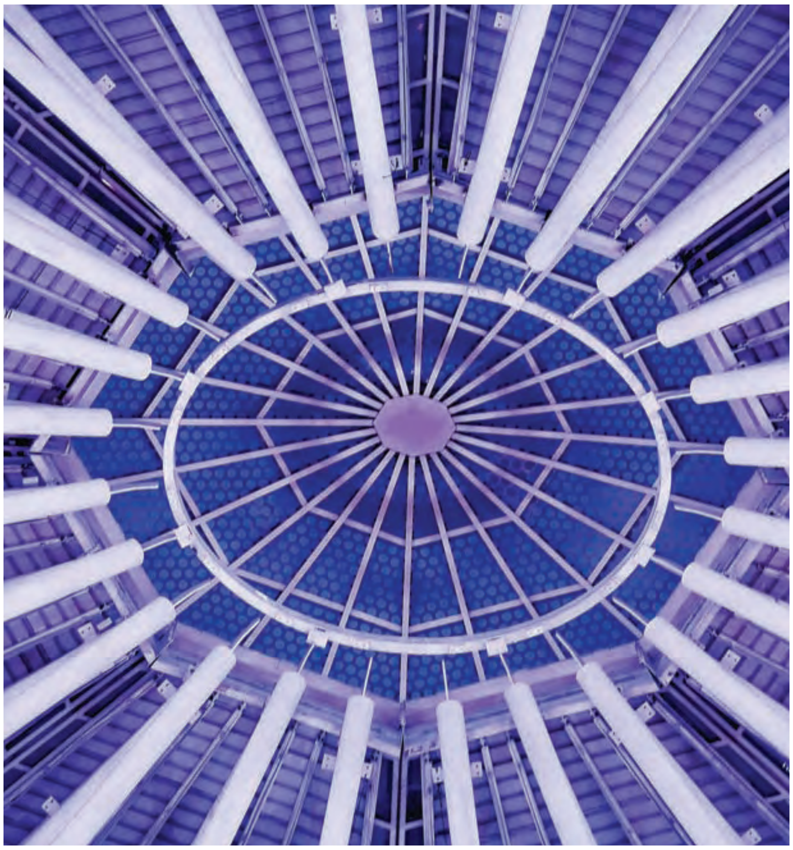
Box 1-1

sectors, investments should be made to upgrade skills across the spectrum of employment. Otherwise, the disappearance of unskilled manufacturing jobs will leave less skilled workers stranded without good employment. Hence, middle-income countries need to transition policies to support the evolution from a labour intensive to knowledge intensive economy. This includes letting go of policies that had been previously successful.

[* The 13 countries are Botswana; Brazil; China; Hong Kong, SAR; Indonesia; Japan; Republic of Korea; Malaysia; Malta; Oman; Singapore; Taiwan, and Thailand]

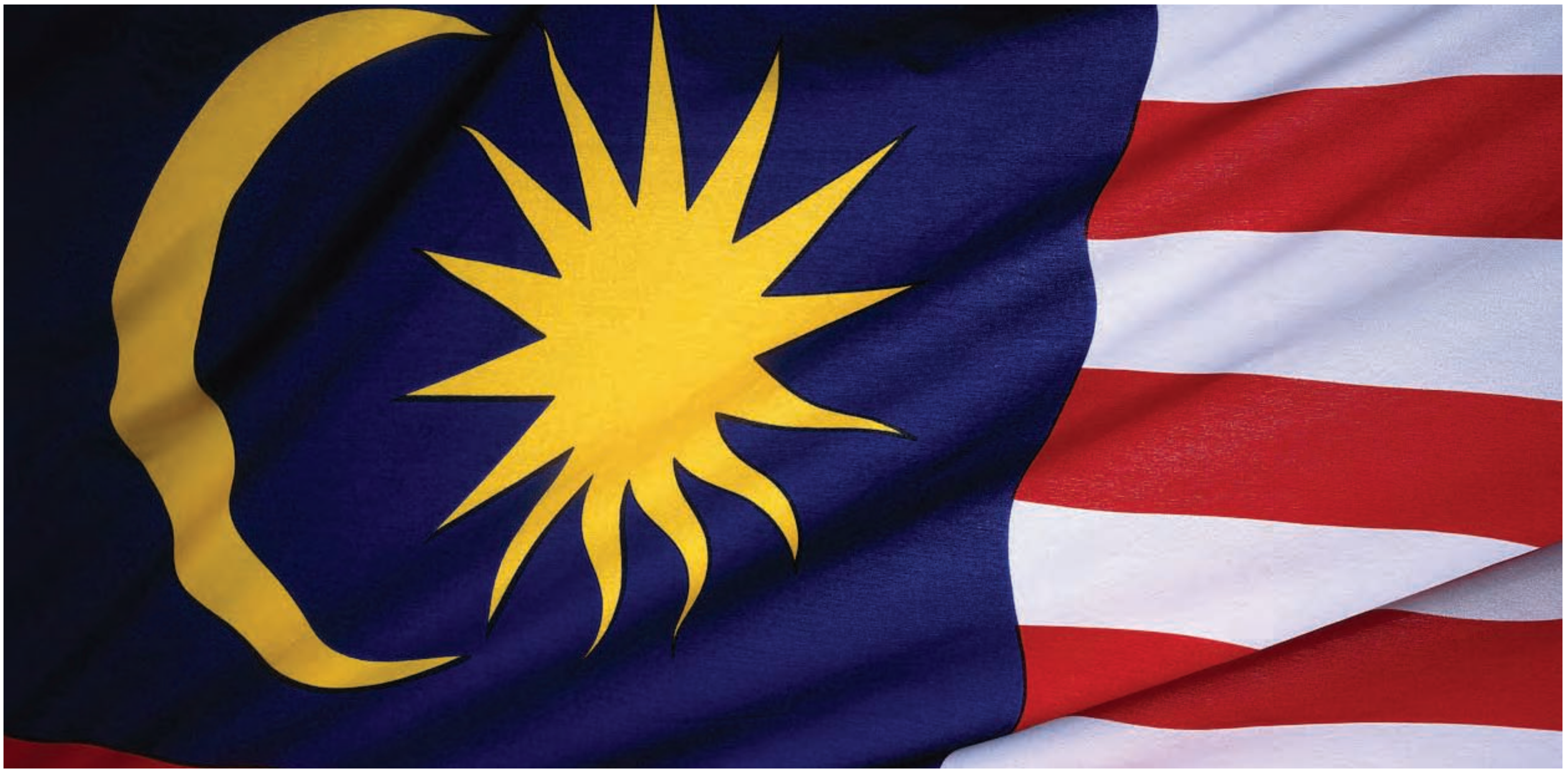
We have no choice, therefore, but to forge ahead. A new economic model is necessary for Malaysia to progress and join the league of high-income nations. A paradigm shift is required, especially in terms of national economic strategy and public policy. The transformational nature of change requires, in our collective selves, the sense of urgency for change. We need to see the reality for what it is: we are on a burning platform.

We are, indeed, at a critical phase in the nation's economic transformation towards Vision 2020. We can succeed and become a truly developed nation if we put our hearts and minds to it. We have encapsulated the central themes of the Tenth Malaysia Plan in 10 Big Ideas. These 10 Big Ideas, if vigorously and consistently implemented, will see Malaysia through these challenging times and enable the nation to be a high-income economy and developed nation by 2020.



10 BIG IDEAS

1	Internally driven, externally aware
2	Leveraging on our diversity internationally
3	Transforming to high-income through specialisation
4	Unleashing productivity-led growth and innovation
5	Nurturing, attracting and retaining top talent
6	Ensuring equality of opportunities and safeguarding the vulnerable
7	Concentrated growth, inclusive development
8	Supporting effective and smart partnerships
9	Valuing our environmental endowments
10	Government as a competitive corporation



1. INTERNALLY DRIVEN, EXTERNALLY AWARE

Malaysia cannot insulate itself from global developments, whether in terms of global economic cycles, greater competition or higher commodity prices. We do not have the requisite resources to completely or even substantially shield the country from global trends. In any case, attempting to do so would be counter productive as it would only exacerbate an inevitable adjustment.

Thus far, Malaysia's development has been largely fuelled by export-led growth. However, globalisation has increasingly intensified competition and has sharpened the distinction between winners and losers. This is not the time to withdraw but to accept and embrace the rules of the game in terms of global competition. It will require greater effort to ensure that Malaysia continues to be a beneficiary of globalisation. This is the essence of being internally driven and externally aware. It requires a unified effort and policy alignment towards a relentless pursuit of global competitiveness and economic growth.

In this context, the concept of 1Malaysia encapsulates the economic imperative to unite and optimise our collective resources as a nation to compete and cooperate for our place in the global community. Transformation often involves some temporary short term economic dislocation. Hence, the full commitment and drive of all stakeholders, in terms of the rakyat, businesses and public sector, is required. Potential short term dislocation will need to be viewed as an investment towards medium term and sustainable gains in higher income and quality of life for all. Success would be achieving Vision 2020 in a holistic sense, not just higher income and quality of life but also achieving developed nation status in a manner consistent with our cultural values.

The pursuit of competitiveness and growth will translate into implications on policy priorities and resource allocation under the Tenth Plan. There are clearly tradeoffs in terms of policy objectives, but the pressures of global competition necessitate minimising the constraints on pursuing competitiveness and growth.

Specific policy initiatives to be undertaken towards driving the competitiveness of the domestic economy include the implementation of Competition Law, removal of distortionary price controls and advancing liberalisation, especially in the services sector. Continued emphasis will be given to tradeables and export orientated sectors, in addition to services that support trade. The Government will continue to review and modernise regulations, such as labour laws, towards facilitating a well functioning market economy where appropriate price signals will lead to efficient allocation of resources.

Priority will be given to regulations that can materially improve the ease of doing business in Malaysia, towards facilitating greater private investments and enabling the private sector to be the engine of growth. The Government will also support private sector activities through facilitating availability of funding, particularly in terms of supporting micro-enterprises, venture capital for innovation, and export related financing. At the same time, the focus on growth will include prioritising public sector investments with high spinoff potential, particularly in the strategic sectors.

2. LEVERAGING ON OUR DIVERSITY INTERNATIONALLY

The concept of 1Malaysia is more than just about racial harmony and unity in the country. Malaysia's ethnic diversity and cultural heritage should be viewed as a unique asset with significant competitive value. The three major ethnic groups provide a natural linkage to China, India and Indonesia, the three largest and fast growing economies in our region. Islam, as the official religion, links Malaysia with the Organisation of the Islamic Conference (OIC), including resource rich Gulf states. In the context of an increasingly networked global economy, our cultural endowment provides a competitive advantage to build greater trade and investment linkages. We must therefore leverage 1Malaysia beyond our boundaries.

The momentum of global growth is gravitating

Box 1-2

1Malaysia in the context of Islam

The Holy Quran teaches us:
O mankind! We created you from a single pair of a male and a female, and made you into nations and tribes, that you may know each other (not that you may despise each other). Verily the most honoured of you in the sight of Allah is he who is the most righteous of you. And Allah has full knowledge and is well acquainted (with all things).

Al-Hujarat (49:13)

This verse affirms that all mankind are creatures of Allah, the descendents from one pair of parents. The various tribes, races, and nations that exist today are simply convenient labels by which we describe and see each other as human beings. Before Allah we are all one, and he who gets the most honour is he who is most righteous among us.

This divine universal lesson is a guide on how we should live together and learn from each other. The concept of 1Malaysia, which incorporates this Islamic precept, promotes unity that is anchored on a set of universal values. It is only through humility and mutual respect of the differences between us that we can be better than the sum of our individual strengths. That is what we need as a nation in charting a common path forward. That is 1Malaysia.

to Asia, and Malaysia lies at the centre of Asia. We must fully leverage on our strategic geographical location, given our proximity to fast growing markets. As a relatively small and open economy, facilitating greater global and regional economic integration is key to strengthening competitiveness. Under the Tenth Plan, Malaysia will increasingly focus on new fast growing markets, particularly in Asia and ASEAN. Key initiatives include trade promotion, enhancing regional connectivity (such as through extending the regional network of flight routes and enhancing broadband connectivity) and regional integration through trade agreements. This will be undertaken in conjunction with strengthening links with traditional export markets, such as Australia, Europe and the United States (US).

The Government will continue to support Malaysian companies to emerge as regional champions and assist in opening new markets. Both the Malaysian Investment Development Authority (MIDA) and Malaysian External Trade Development Corporation (MATRADE) have been empowered to secure new investment

and trade opportunities. At a government-to-government level, efforts to deepen collaboration will be intensified, specifically in undertaking infrastructure projects. Facilitating Malaysian companies to undertake road projects in India and leveraging on China's expertise for Malaysia's railway infrastructure are two examples of this. The Government will also pursue bilateral collaboration in jointly undertaking investments. In this respect, 1Malaysia Development Berhad has entered into Memorandums of Understanding with the State Grid Corporation of China and also Qatar Investment Authority to jointly explore investment opportunities in Malaysia.

We need to leverage not only on Malaysians in the country but also those outside. The Government will establish a Talent Corporation, which will have as one of its key functions, the task of actively sourcing top talent including among the Malaysian diaspora. Establishing links with the diaspora provides additional resources for advisory roles, international business networks and assistance for Malaysian companies entering overseas markets.

3. TRANSFORMING TO HIGH-INCOME THROUGH SPECIALISATION

At Independence, Malaysia was but a poor country reliant on rubber and tin. Malaysia's success in transforming itself from a poor country at Independence to a high middle-income economy today, was driven largely by a deliberate sectoral diversification strategy. Initially, competitiveness across multiple sectors could be supported by a generally low cost base environment. However, an excessively diverse sectoral strategy is no longer sustainable, given Malaysia can no longer rely on low cost as a competitive advantage. Further, today's globalised economy, with regional production networks and greater regional integration, creates competitive pressures for greater specialisation.

The next phase of transformation, from a middle-income to high-income nation, requires a shift towards higher value-add and knowledge intensive activities. Competitiveness in higher value-add activities necessitates specialisation, in terms of having a critical mass and ecosystem of firms and talent to drive economies of scale. A shift from an initial phase of sectoral diversification towards specialisation in the subsequent phases of development is consistent with the transformation journey experienced by high-income countries, such as the Republic of Korea and Taiwan. Malaysia's relative size and resources further limits the number of areas that its economy can specialise in and be truly globally competitive.

Sustaining industries that cannot be competitive risks crowding out competitive sectors, especially given finite resources, such as the availability of gas. Tough choices are needed against tough competition. The drive towards creating a competitive domestic economy will provide the environment for a natural process of creative destruction. Whilst the growth in GDP may be measured up in the macroeconomic treetops, all the action is in the microeconomic undergrowth, where new limbs sprout and dead wood is cleared away.

The Government has a key role to play beyond creating a facilitative environment in terms of also supporting new and competitive growth sectors by providing the policy framework, human capital development, enabling infrastructure and supporting the development of industrial clusters. In line with a private sector led economy, the Government's role is not to pick winners but rather to accelerate and facilitate emerging specialisations, especially through co-investments with industry in terms of skills training, Research & Development (R&D) and enabling infrastructure.

Therefore, under the Tenth Plan, the Government will focus its resources towards prioritising specific National Key Economic Areas (NKEAs) as part of the strategy towards greater specialisation. Further, within each NKEA, there will also be specialisation in terms of subsectors. For example, the Electrical and Electronics (E&E) sector, as an NKEA, is a broad sector, and requires subsector specialisation, such as in the area of opto-electronics and embedded systems.

These areas of subsector specialisation leverage on the presence in Malaysia of leading global firms and talent concentrated in these subsectors. In general, this reflects the thrust of the specialisation strategy to build on existing strengths and core competencies. Diversification, if any, will relate to broadening the product space within these areas of specialisation and in terms of other subsectors, which are able to leverage on the same competencies and skill sets. E&E capabilities, for example, were compatible and hence facilitated the development of solar panel and medical devices industries in Malaysia.

A recurring theme across NKEAs in the context of specialisation is the focus on quality and strengthening the value chain. This emphasis on quality as a strategy is reflected for example in terms of international accreditation of healthcare providers, targeting higher value tourists, developing E&E centres of excellence and raising the quality of education providers. Strengthening the value chain is consistent with exploiting growth opportunities in oil and gas services and downstream processing of food and palm oil.

To support the specialisation strategy and NKEA priorities, the Government will, in parallel, drive reform in the major enablers for economic transformation along the value chain. These include driving productivity and innovation, nurturing and attracting top talent and developing clusters with agglomeration economies.

4. UNLEASHING PRODUCTIVITY-LED GROWTH AND INNOVATION

In the transformation from low to middle-income, Malaysia's economic growth was driven predominantly by factor accumulation — capital (investments), energy (cheap fuel) and labour (both domestic and foreign but largely low skilled). A factor driven growth model is no longer sustainable, given the intensified competition for FDI and talent, in addition to finite natural resources. Further, this model is inconsistent with the economic structure required for a high-income economy based on higher value-added activities. A transformational shift to higher value-added activities requires productivity growth. The income of Malaysians can only grow in effective terms through sustained productivity improvements.

Thus, under the Tenth Plan, special emphasis will be given to enablers of productivity, specifically:

- Focusing on skills development, especially in terms of upskilling the existing work force to facilitate industries to move up the value chain;

- Promoting the development of concentrated industrial clusters and supporting ecosystem towards enabling specialisation and economies of scale;

- Increasingly targeting investment promotion towards investment quality (as opposed to just quantity), which support higher value add activities and diffusion of technology; and

- Increasing public investment into the enablers of innovation, particularly R&D and venture capital funding.

Under the Tenth Plan, the Government is committed to investing in creativity, including efforts such as stimulating entrepreneurship, revamping school curriculum, focusing on R&D and promoting availability of risk capital. The Government will provide a larger pool of funds for venture capital, especially on a *Mudharabah* basis (risk sharing) through co-investment with private sector funds. The Government will target to increase R&D expenditure during the Tenth Plan period through a combination of greater public R&D funding combined with facilitation support for private sector R&D.

A review of bankruptcy law will be undertaken on the premise that innovation requires an environment that accepts failure, promotes a diversity of views and gives entrepreneurs a second chance. To promote innovation through knowledge-based small enterprises, regulatory flexibility will be accorded for companies with five or less employees.

5. NURTURING, ATTRACTING AND RETAINING TOP TALENT

To be globally competitive and drive an innovation-led economy requires nurturing, attracting and retaining the best talent for Malaysia. Human capital development lies at the foundation of transforming Malaysia from middle-income to high-income.

Towards nurturing top talent, the Government will undertake a comprehensive reform across the entire life-cycle of human capital development, from upgrading early childhood education right through to upskilling the existing adult workforce. Developing and motivating teachers will be the focus towards driving improvements in student outcomes. Schools and principals will be made increasingly accountable for student performance.

Skills training will be given special emphasis under the Tenth Plan to ensure that Malaysia develops the necessary human capital to meet industry's requirements and drive productivity improvements to move up the value chain. Technical education and vocational training will be mainstreamed, with a focus towards raising the quality of qualifications. This is key towards providing a viable alternative to enable individuals to realise their full potential, according to their own inclination and talent.

The Government will also expand programmes involving practical on-the-job training through the vocational dual training system and also through graduate internship programmes. Internships, soft-skill training and job placement initiatives will be targeted towards unemployed graduates.

Reforms will be undertaken with the objective of ensuring that no child is denied the opportunity to succeed. At the same time, initiatives will be undertaken focused on nurturing the best talent and towards supporting the drive for high value-added and knowledge intensive sectors. Initiatives include the establishment of high performing schools and prestigious meritorious scholarships for top performers.

Beyond nurturing, efforts will also be concentrated towards attracting and retaining top talent. Specifically, a Talent Corporation will be formed with the primary mandate to secure the top talent required to drive key economic sectors for the nation. To support this, a more facilitative approach to immigration will be implemented for knowledge workers. At the same time, strategies to promote liveable cities and the development of specialised industrial clusters will provide the environment conducive for top talent.

6. ENSURING EQUALITY OF OPPORTUNITIES AND SAFEGUARDING THE VULNERABLE

The Government's economic development framework continues to be based on a foundation of growth with equity. Just as the nation faces fresh challenges in sustaining its growth momentum, the Government's approach to distribution requires a fresh approach to respond to developments and changing circumstances.

The 1Malaysia concept has at its core, the principle of social justice. This principle necessitates a renewed focus on championing the interests of each and every community, ensuring no group is left behind or marginalised in the course of the nation's development. Social justice in the Malaysian context however requires taking into consideration the respective levels of achievement of each community. Fairness therefore involves adopting a distributional approach in terms of providing additional assistance to disadvantaged groups. Using the analogy of a race, the objective is not to determine the result at the finish line but to ensure that all Malaysians are brought to the same starting line and that the race is fairly run. The distributional policies of the Government will therefore be focused towards ensuring equality of opportunities for all. At the same time, fairness must be pursued to ensure that hard work, ability and integrity are justly rewarded.

The incidence of poverty has been drastically reduced from 49.3% in 1970 to only 3.8% in 2009, with hardcore poverty nearly eradicated, declining to 0.7% in 2009. Therefore, Malaysia can effectively declare victory in its fight against poverty. Pockets of poverty nevertheless remain, both in terms of specific geographies and particular communities. The Government remains committed to transmitting assistance and welfare to the poor and vulnerable. Special programmes will be undertaken to address poverty on a sustainable basis, especially in terms of providing income generating opportunities, such as through agropolitan projects. The face of poverty is no longer purely a rural phenomenon. Hence, specific interventions will also be targeted towards the urban poor, such as through micro credit schemes.

Having largely addressed poverty, the Government's focus in the Tenth Plan will shift towards the low-income segment, specifically the bottom 40%, which consists of 2.4 million households. The strategy for the bottom 40% differs from the issue of poverty, in that it is not a case of dispensing assistance but ensuring that low-income households have the opportunity to enjoy a better standard of living. To facilitate this, a

key thrust is to raise their capacity and capabilities in order to increase their earning potential. Skills training and entrepreneur development programmes will be targeted towards those within the workforce with low-income and low skills. Programmes will also be implemented for those in disadvantaged communities towards inculcating a sense of self-reliance and ownership to achieve personal aspirations.

The objective of the New Economic Policy to eliminate the identification of race with economic function continues to be relevant today. However, in the context of external circumstances and domestic developments, the Bumiputera development agenda needs to be undertaken with a fresh approach. New strategies and instruments will need to be developed towards establishing effective and sustainable Bumiputera economic participation, The new approach will need to be market friendly, merit based, transparent and needs based. Special attention will be given towards Bumiputera in Sabah and Sarawak, as well as the *Orang Asli* in Peninsular Malaysia.

Market friendly mechanisms will be implemented to provide opportunities for Bumiputera to capitalise on pro-growth policies. At the same time, the Bumiputera development agenda needs to take into account the fact that Bumiputera capacity and capabilities have increased considerably compared to 40 years ago. As opposed to relying on allocations of equity, Bumiputera must leverage on their abilities to participate in the economy in a more holistic, effective and sustainable manner. The priority and focus will be towards building competitive Bumiputera enterprises and also raise the participation of Bumiputera in senior management levels. Support will be provided based on merit, focusing on Bumiputera who have proven their determination and capacity to succeed. The programmes for the development of Bumiputera Commercial and Industrial Community (BCIC) will be segmented, in terms of varying the nature of support based on size of enterprise. Direct assistance and capacity building will be focused on micro-enterprises based on needs whereas for larger Bumiputera companies, support will be merit based.

In assessing the results of the Bumiputera agenda, the metrics measuring economic participation will be reconstructed, to measure wealth in a broader sense, including equity and other asset classes such as property, in addition to measure representation in enterprises and high-income skilled jobs.

7. CONCENTRATED GROWTH, INCLUSIVE DEVELOPMENT

Competition is no longer only between nations but increasingly between cities. Towards transforming Malaysia into a high-income economy, strategy will be focused to build density, develop clusters and specialise in high value sectors. The concentration of firms and talent supports faster economic growth, primarily by reaping the benefits of agglomeration of scale, productivity and innovation. People cluster towards cities as higher density promotes higher wages and economic opportunities. A major factor in driving the increase in average income of Malaysians over the past few decades has been the increasing urbanisation of the population. By 2020 approximately 70% of Malaysia's population will be concentrated in urban areas and, therefore, the challenge is to facilitate this increasing density in cities and urban conurbations, while ensuring that the benefits of agglomeration are not lost to escalating crime, grime and time (congestion).

Liveability of cities will be an important driver in positioning our cities to compete for high-skilled talent on the global stage. Today, people not only gravitate to places where there are employment opportunities, they also gravitate to places that are vibrant and liveable. Therefore, a policy priority in the Tenth Plan will be to enhance the liveability of cities. Major initiatives have been identified under the National Key Result Areas (NKRAs), particularly to address crime and improve public transportation in major urban centres. Liveability, however, encapsulates a broader concept, in terms of striving for a vibrant environment to live, work and play. Such a holistic approach is important, specifically in the context of attracting top talent to Malaysian cities, in order to drive strategic growth sectors.

The Greater Kuala Lumpur (Greater KL) conurbation has been identified as an NKEA. Major projects and initiatives are planned for the Tenth Plan, towards transforming Greater KL into a leading global city. Specific initiatives include:

- Major new developments will be undertaken including an International Financial District in Kuala Lumpur, redevelopment of the Sungai Besi airport, township development in Sungai Buloh, establishing a world class integrated convention facilities at Jalan Duta and a Malaysia Truly Asia Centre;

- Major investments in public transport include the expansion of the Kuala Lumpur Light Rail Transit (LRT) coverage and the implementation of a high capacity mass rapid transit system. In addition, the network of feeder buses and covered walkways will be extended to provide end to end connectivity for commuters and pedestrians; and

- Urban rejuvenation efforts to restore and protect heritage buildings and to unlock the development value of land such as the Kampung Bharu urban redevelopment effort in Kuala Lumpur. In addition, the Government proposes to introduce en-bloc mechanism to facilitate redevelopment of collectively-owned property and land.

In addition, specific strategies will be implemented for other city conurbations, such as Georgetown, Johor Bahru, Kuching and Kota Kinabalu, particularly in terms of liveability, connectivity and further strengthening localised industrial clusters according to their respective strengths, for example, the E&E cluster in Pulau Pinang and tourism for Kota Kinabalu. Major liveability initiatives include enhancing public transportation and also developments to strengthen the waterfront identity of these cities. A key policy initiative of the Ninth Malaysia Plan was the development of economic development corridors. A refinement under the Tenth Plan would be to focus development on specific clusters within these corridors.

Attempting to spread out production activities across the country is counter-productive, particularly when it is the density of firms and knowledge workers in urban clusters that creates economies of scale and innovation. Hence, the Government will increasingly focus its resources to strengthen existing clusters and only promote other locations based on the respective strengths and endowments of a particular location.

Nevertheless, whilst growth will be concentrated in cities, development will undoubtedly be inclusive. Persistent differences in urban and rural living standards are neither desirable nor inevitable. Hence, under the Tenth Plan, the Government will continue to emphasise rural development particularly in the context of improving access to education and utilities, connectivity and upgrading rural economic activities. Under the NKRA for rural basic infrastructure, the Government will upgrade roads as well as the supply of water and electricity in Sabah and Sarawak. Domestic integration in terms of connectivity is critical to enable rural areas to leverage on cities as gateways for rural produce and economic opportunities.

Box 1-3

Reshaping Economic Geography

Growing cities, ever more mobile people and increasingly specialised products are integral to development. These transformations bring prosperity, but they do not happen without risks and tradeoffs. A key message in the World Development Report 2009: Reshaping Economic Geography (WDR 2009) is that as economies grow from low to high-income, economic activities become more concentrated spatially. Nevertheless, development can still be inclusive. The way to get both the benefits of agglomeration in urban conurbations and the benefits of convergence in living standards across the country is through economic integration.

WDR 2009 analyses the geography of economic development and integration in terms of three dimensions, as follows:

Density is analysed at a local level in terms of concentration in urban centres for agglomeration benefits. In the Malaysian context, the establishment of the International Financial District in Kuala Lumpur will help establish a critical mass of finance professionals and a concentration of financial institutions, including international Islamic financial institutions;

Distance is mainly considered at a national level, in terms of distance between areas that are economically successful and areas that lag. The policy challenge is to help firms and workers overcome physical distance to successful areas through improving connectivity, such as through improving road infrastructure. For example, the East Coast Highway will help enhance the connectivity of east coast states to the Klang Valley; and

Division is evaluated at an international level, pertaining mainly to the barriers at national borders which impede ease of trade, such as customs procedures. Towards reducing such divisions, the development of Iskandar Malaysia will be further facilitated through initiatives to enhance connectivity to Singapore.

To ensure greater convergence and inclusive development, WDR2009 recommends a focus on reshaping economic geography towards greater economic integration mainly through the following policy levers:

Institutions: policies that are applied universally in terms of coverage, without disadvantaging any region or area. These policies promote inclusiveness by counter balancing the concentration of economic activity in urban areas. Such an approach is consistent with Malaysia's continued emphasis under the Tenth Plan towards ensuring that the provision and standards of public services, especially education in rural areas is on par with urban areas;

Infrastructure: policies that are spatially connective in terms of facilitating the movement of goods, services and people. Thus, maximising the economic spillover from urban centres to the surrounding hinterland. As a key strategy to drive domestic integration, major new rural road infrastructure will be built, particularly in Sabah and Sarawak. This will help ensure mobility of goods and people from the rural areas to urban markets and beyond; and

Interventions: policies that are spatially targeted to address localised issues. Included in the Tenth Plan are specific initiatives for targeted communities, such as assistance with land matters in new villages, improving living conditions in estates, agropolitan projects in rural areas and micro credit for the urban poor.

8. SUPPORTING EFFECTIVE AND SMART PARTNERSHIPS

Effective and smart partnerships, particularly between the public and private sector, will be instituted as a mechanism to drive the economic transformation agenda. The main areas for smart partnerships under the Tenth Plan, include:

- Catalysing and accelerating strategic private investments;
- Partnering to advance industry and economic development; and
- Collaborating to support public delivery and social development.

Catalysing and Accelerating Strategic Private Investments

A key public-private partnership (PPP) initiative under the Tenth Plan will be the creation of a RM20 billion Facilitation Fund to catalyse private investments in nationally strategic areas. The Government will provide infrastructure and assistance, such as through grants or offtake agreements, as a tipping point for viability. Such support will be considered for private sector projects, which offer high economic spinoffs and accelerates the transformation to a high-income economy. An example of a project that the Government provided facilitation support is the High Speed Broadband initiative, which is due to be completed during the Plan period. Areas to be considered for facilitation support include strategic infrastructure, such as transportation and NKEA sectors, such as education, healthcare and tourism.

The Government proposes to undertake a new wave of privatisations during the Plan period. The emphasis will be towards forging a more equitable sharing of risks and returns with the private sector. This includes undertaking competitive bidding for future toll highways and power plants. In addition, a PPP approach will be undertaken to drive the developments of strategic industry clusters such as the development of industrial parks and incubators. The Government will also co-invest with the private sector, particularly in high growth and strategic sectors, through Government fund agencies such as Malaysian Venture Capital Management Berhad (MAVCAP), Malaysian Technology Development Corporation (MTDC) and Ekuiti Nasional Berhad (EKUINAS).

Partnering to Advance Industry and Economic Development

The Government, instead of picking winners, will support the private sector in driving industry development. Collaboration between the public and private sector in human capital development, particularly in skills training, curriculum development and internships, will help ensure the supply of talent meets the needs of industry. As an initiative to facilitate industries to move up the value chain, the Government will also initiate co-funding with industry for post-graduate courses, R&D and centres of excellence. To promote the development of small and medium knowledge enterprises (k-SMEs), the Government will provide special financing schemes and skills training and encourage foreign SMEs to set up operations in Malaysia to develop specialised capabilities.

The Government will encourage greater collaboration, particularly between Government-linked Companies (GLCs) and the private sector to pursue overseas opportunities. Private sector-GLC collaboration will also be encouraged in pioneering new growth areas and new markets, where risks are higher and the gestation period is longer. Partnerships between private sector and GLCs would be able to leverage on the respective strengths, namely the institutional longer term approach of the GLCs and the entrepreneurial spirit of the private sector. In the spirit of 1Malaysia, the Government will also promote genuine partnerships between Bumiputera and non-Bumiputera businesses.

Collaborating to Support Public Delivery and Social Development

An open and consultative approach was taken in the formulation of public policy and programmes, especially the Government Transformation Plan (GTP). The Government will support greater collaboration between the public sector, private sector and civil society to enhance delivery of social objectives. Successful partnerships will be extended, particularly between the Government and non-governmental organisations (NGOs) in welfare initiatives and between public and private sector in corporate social responsibility (CSR) programmes, such as in education and environmental conservation. The Government will also work with civil society in areas such as the maintenance of low cost housing and heritage conservation through mechanisms such as matching grants.

9. VALUING OUR ENVIRONMENTAL ENDOWMENTS

There is only one earth and only one Malaysia. It is our duty to safeguard it for our future generations. The Government will ensure that Malaysia's environmental assets and ecological resources are managed sustainably, so that present developmental needs are met without compromising the future. In responding to global climate change, the Government will focus on adaptation strategies to ensure sustainable growth and mitigation strategies to reduce the emission of greenhouse gases.

Malaysia is blessed with a wealth of natural endowments — fauna and flora bio-diversity, oil and gas as well as water, to name but a few. Mainstreaming environmental considerations will be undertaken, particularly in economic planning to ensure sustainability of resources. However, key to sustainability is a proper valuation of our environmental resources, through assessing the opportunity cost and environmental impact of public or private investments.

The biggest risk to sustainability arises from the underpricing of resources, particularly oil and gas as well as water. Thus, during the Plan period, the energy policy will move towards market pricing of gas by 2015 while water tariffs will be restructured towards full cost recovery.

Similarly, there are significant opportunities in monetising or creating value from environmental endowments. In order to finance and promote sustainability measures, initiatives planned include:

- Introducing Feed-in-tariff to help finance renewable energy investments;
- Providing fiscal incentives and funding for green technology investments;
- Promoting projects eligible for carbon credits;
- Promoting eco-tourism to create commercial value in sustainability;
- Facilitating greater participation of local communities in eco-tourism activities (e.g. fishermen as guides at Kilim Geopark, Langkawi) and bio-diversity protection (e.g. compilation of knowledge on bio-tropical herbs) as a self sustaining means to support environmental conservation. One example of self sustaining conservation is the Tagal System, as described in *Box 1-4*; and
- Initiating public-private CSR initiatives around protection of flagship species (e.g. the Malayan tiger, orangutan, leatherback turtle) as part of broader habitat conservation efforts.

Box 1-4

Tagal System: Overcoming the Tragedy of the Commons

The Tragedy of the Commons refers to the situation where a group of herders sharing the use of a common parcel of pasture land, would result in overgrazing. Each individual herder has insufficient incentive to act sustainably, thus damaging the commons in the longer run, to the detriment of all herders. The metaphor has been extended to explain environmental related problems, such as air pollution, overfishing and deforestation. It suggests that such problems can only be addressed through proper allocation of property rights and regulation.

The Tragedy of the Commons paints a bleak picture on the ability of communities to cooperate for the longer term and greater good. Further in many cases, such as forests and fishing stock, it is not practical to privatise and difficult to enforce regulation. In the ideal case, there should be systems whereby local communities self-regulate commons on a sustainable basis.

Box 1-4

In reality, there are instances across the world of communities that successfully manage communal resources. Factors that promote successful self-management of resources are as follows:

- Resources with definable boundaries such as a specific piece of land;
- Community's dependence on the resource for livelihood, combined with a real threat of losing it without available substitutes;
- Presence of a small community with strong social networks; and
- Procedures in place to incentivise responsible utilisation of the resource and punishment for overuse.

An example of successful self-management of resources in Malaysia is the Tagal system, a Dusun tradition in river conservation, which is currently practised in more than 190 rivers in Sabah and Sarawak. The Tagal system involves the prohibition of fishing in the river for one or two years. It is designed as such by local communities to ensure cleanliness of the river and to maintain a sustainable stock of fish. The success of this system is supported by the following factors:

- Stretches of river that represent a definable resource;
- The river is not substitutable and the community is dependent on the river for fishing and clean water. The economic value of the river to the community is further enhanced by the introduction of eco-tourism;
- The system is practised at a village level, which has a clear social hierarchy with a village head; and
- The incentive for responsible use is provided through the importance of income from fishing and eco-tourism to the community. Any violation of the rules is subject to a reprimand by villagers and ***sogit***, a form of fine or penalty determined through Penagalan rules, recognised by the Native Court.

Community based cooperation provides an effective and sustainable approach to environmental conservation. The Government will therefore explore means to facilitate such cooperative mechanisms, including promoting greater participation of local communities and developing income generating activities in eco-tourism. Enabling such successful group-led action is in line with empowering communities towards self-reliance.

10. GOVERNMENT AS A COMPETITIVE CORPORATION

The transformation of Malaysia requires a new approach and a transformation of Government. As the economic and social structure of the country evolves, so must the Government evolve to meet the country's economic and social development needs. As Malaysia emerges as a globally competitive and high-income country, the Government needs to increasingly act like a competitive corporation.

A globally competitive corporation of today clearly needs to be anchored on core values. Likewise, the Government of Malaysia will undertake a transformation on the basis of four key principles, namely a culture of creativity and innovation, speed of decision making and execution, value for money and integrity. These principles will be applied across the Government's priorities as articulated in the 1Malaysia concept, GTP, New Economic Model and the Tenth Malaysia Plan.

Mirroring the priorities of a competitive corporation, the transformation of Government will be focused on:

- **Customers**: which in the Government's case involves the rakyat and businesses;

- **Competitiveness**: in terms of raising the performance of public delivery;

- **Finances**: both in terms of getting value for money on expenditure and ensuring sustainability of public finances; and

- **Talent and organisation:** ensuring the necessary human capital and organisational structure to meet the needs of the country.

The customer focus of government is reflected in the consultative approach to policy formulation, particularly the GTP, NKRAs and NKEAs. In this respect, the Tenth Plan very much represents a plan by the people and for the people. Reform of Government delivery is premised on being customer-centric in terms of providing efficient, timely and convenient services to both the people and businesses.

Malaysia is increasingly subject to global competition, hence the focus on the competitiveness of public delivery. The Government is committed to ensuring Malaysia offers a compelling value proposition as a place to do business. Therefore, the efficiency and timeliness of Government procedures will be benchmarked to international comparisons. Key initiatives to enhance competitiveness include the devolving of authority, which has been implemented in the empowerment of MIDA and autonomy for high performing schools. In addition, performance is being driven increasingly through competition, such as with rankings of schools, police stations and local authorities.

Corporations optimise on finances to maximise profits. In a similar way, the Government will focus on deriving value for money in terms of outcomes. A key initiative involves operationalising an outcome-based approach to planning, budget and monitoring. Focusing on outcomes, promotes greater creativity and innovation towards achieving results.

A key shift in the approach taken for the Tenth Plan is the shift from physical hardware to soft infrastructure, whereby the proportion of development funding for soft infrastructure will be increased to about 40% compared to only about 22% in the Ninth Plan. This shift is consistent with the emphasis on outcomes, for example, moving away from merely building schools, to improving teachers to lift student outcomes. The focus on soft infrastructure is also in line with driving private sector led growth through increasing the allocation for facilitation support, financing businesses, R&D, entrepreneur development and incentives.

As part of the shift from hardware to software, the Government will increasingly shift from building and operating public services towards buying services from the private sector. For example, in terms of skills training, the modality of buying services provides the Government greater flexibility to respond to changing training requirements and facilitates greater competition between training providers in terms of training outcomes.

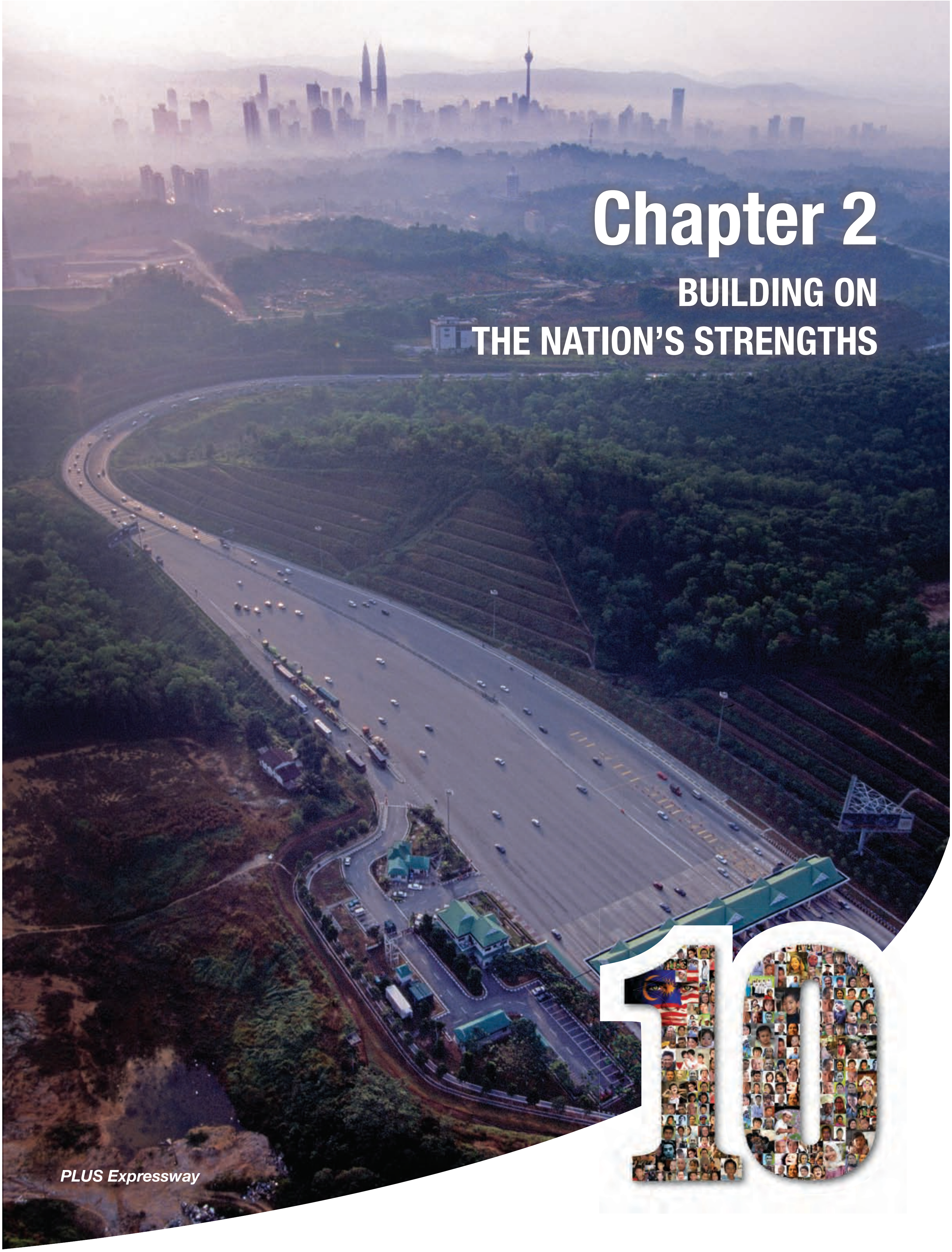
The Tenth Plan focuses on sustainability of public finances by managing the balance between supporting growth and a systematic reduction of the fiscal deficit. The continued uncertainty in the global economic outlook necessitates having sufficient fiscal flexibility to respond to any eventuality. To achieve this, the Government will focus on efforts to reduce subsidies, drive efficiencies and transparency in procurement, driving productivity in Information Communications Technology (ICT) and broadening the tax collection base.

Ultimately, the success of the Tenth Plan depends on effective implementation and that in turn, requires the right people and the right organisational structure for the public sector. During the Plan period, a special focus will be given towards attracting top talent for the public sector. A whole-of-government approach involves being aligned in objectives and cutting across silos to deliver outcomes. The Government structure will be rationalised to shift resources to the highest priorities. Implementation will also be effected through a system of Key Performance Indicators (KPIs) for Ministers and Ministries, which will be cascaded from the national level down to the implementation level of projects at ministries and agencies, with close monitoring and regular reporting back to the Prime Minister. In line with this an Economic Delivery Unit (EDU) will be established under PEMANDU, to drive and monitor an economic transformation programme, anchored on NKEAs and key enablers for the new economic model.

Malaysia has successfully transformed itself from a poor country to a middle-income country. However, we cannot afford to rest on our laurels given the very real risk of decline. There is a great urgency to act. The shift from middle to high income status requires a new economic model. The Tenth Malaysia Plan sets out the key strategies charting the development journey towards developed nation status. Such a comprehensive transformation agenda requires the concerted and consistent effort of all stakeholders – the rakyat, public and private sector. Embracing the spirit of 1Malaysia, united, we can succeed.

Chapter 2

BUILDING ON THE NATION'S STRENGTHS

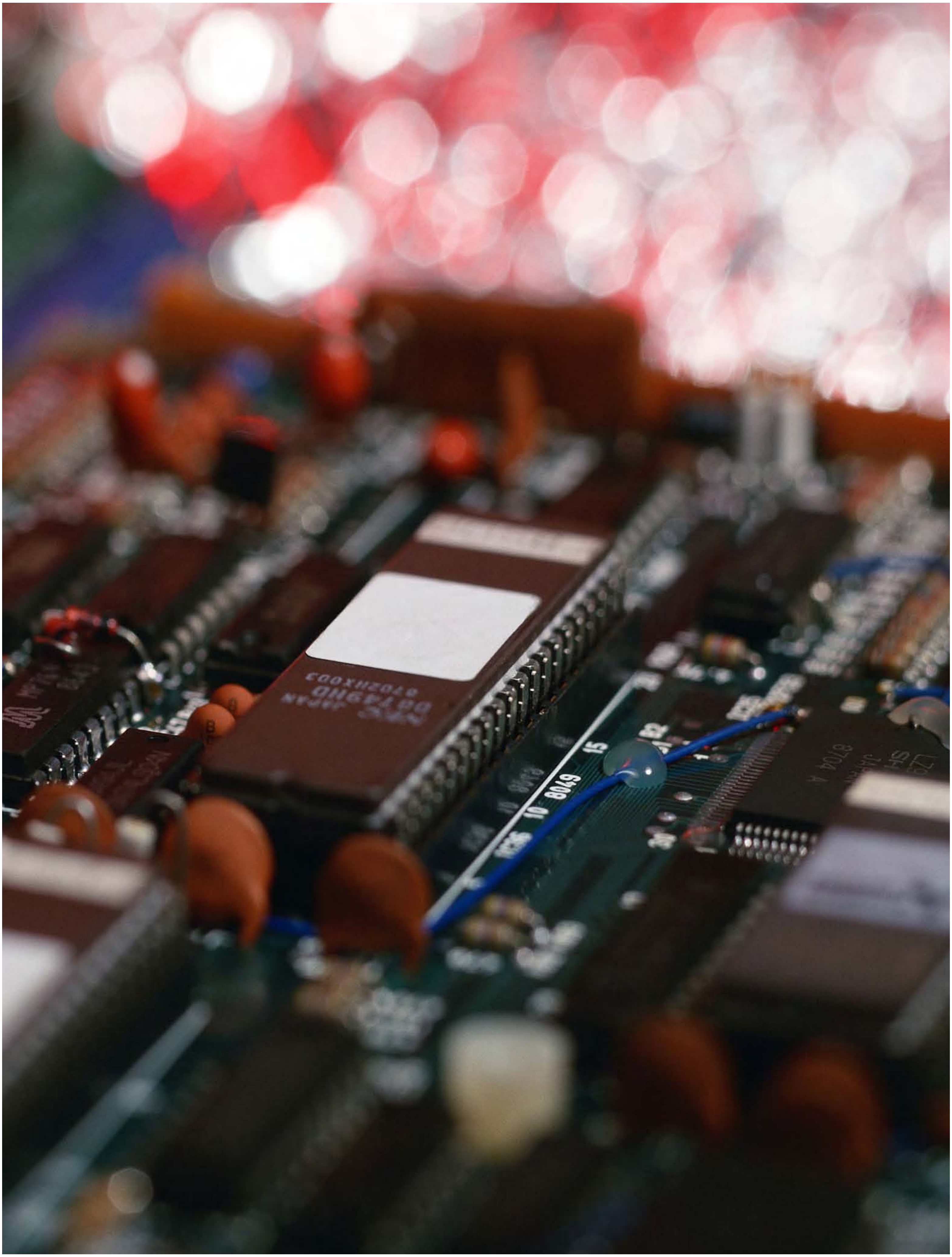


PLUS Expressway

Malaysia has experienced a period of high economic growth over the last few decades, propelling the nation from an agricultural and commodity-based economy to become a prosperous thriving middle-income nation. Malaysia's real Gross Domestic Product (GDP) has grown by an average of 5.8% per annum from 1991 to 2010. This growth rate has helped improve the quality of life for Malaysians and supported widespread advances in education, health, infrastructure, housing and public amenities.

During the Ninth Malaysia Plan period, 2006-2010, the country progressed in the achievement of the National Mission to transform Malaysia into a developed nation by 2020. Though the growth momentum has recently slowed down due to the global economic and financial crisis, public spending through the two economic stimulus packages and accommodative monetary policy have helped the nation recover. Looking ahead, Malaysia is now at an important juncture in its economic development to chart its path towards becoming a high-income economy by the year 2020. For this, the nation will need to build upon the strong platform created by the country's past achievements.

The global economic environment is, however, changing in ways that will make it more challenging to generate high rates of economic growth. There is now slower global economic growth, while competition for investment, trade and talent is more intense. In this context, Malaysia will need to intensify efforts to generate the growth required to achieve its targets under the Tenth Malaysia Plan, 2011-2015.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LOOKING BACK: ACHIEVEMENTS UNDER THE NINTH MALAYSIA PLAN

The recent global economic environment has significantly affected world growth, particularly the advanced economies, notably the United States (US), United Kingdom, European Union and Japan. The global slowdown has in turn affected the Malaysian economy which contracted by 1.7% in 2009. Given the openness of the Malaysian economy, the negative wealth effects of the global crisis on demand and world trade have resulted in a decline in industrial production and manufacturing exports.

Macroeconomic Performance During the Ninth Plan

While growth during the first three years of the Plan period remained strong at an annual rate of 5.7%, the contraction in 2009 lowered overall growth for the whole Plan period, which registered an average growth of 4.2%, as shown in *Chart 2-1*.

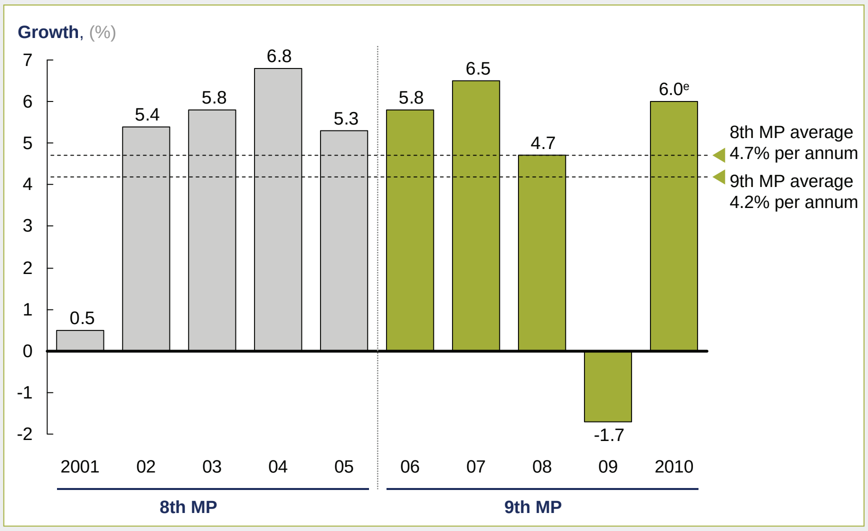
During the Ninth Plan period, the contribution of total factor productivity (TFP) to GDP growth increased to 34.7% compared to 29.0% during the Eighth Malaysia Plan, 2001-2005. The higher contribution of TFP to GDP was attributed to initiatives undertaken by both the public and private sectors to shift the economy towards higher value-added activities through innovation, high technology and human capital development. Higher investment in information and communications technology (ICT) as well as training and retraining of employees also contributed to higher TFP.

Gross National Income (GNI) per capita is estimated to increase from RM19,079 (US$5,038) in 2005 to RM26,420 (US$8,256) in 2010. Despite steep increases in global oil prices as well as higher food prices in 2008, inflation during the Ninth Plan period is expected to remain low, averaging 2.8% per annum, on account of supportive monetary responses and administrative measures to contain inflation.

During the Ninth Plan period, despite a slower growth in employment of 1.6% per annum, 0.9 million jobs were created, mainly in the services sector. With the labour force increasing by 1.7% per annum during the period of 2006 to 2009, the unemployment rate increased slightly from 3.5% in 2005 to 3.7% in 2009. Despite this slight increase in unemployment, Malaysia remains in full employment position. The unemployment rate is expected to improve marginally to 3.6% in 2010.

Chart 2-1

Real GDP growth slowed down in the Ninth Plan compared to the Eighth Plan period



e - Estimate by Economic Planning Unit as at May 2010

SOURCE: Economic Planning Unit and Department of Statistics Malaysia

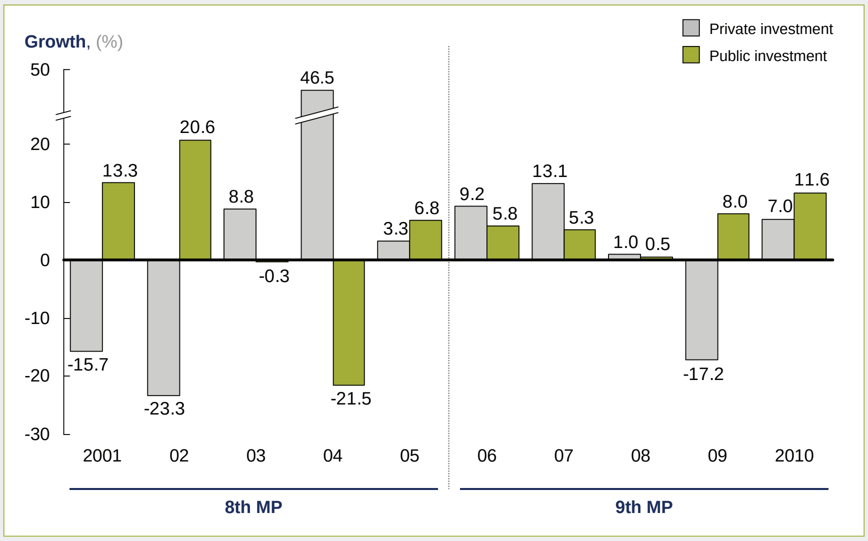
Growth Predominantly Driven by Domestic Demand

Growth in the Ninth Plan period was largely domestic driven. During the first three years, domestic demand grew by 7.7% per annum, but is estimated to moderate significantly to 2.5% per annum in 2009-2010, mainly due to a contraction of 0.5% in 2009. Growth was led by private consumption, which expanded at 6.5% per annum, on account of better commodity prices, a resilient employment market and favourable financing facilities. Salary adjustments in the civil service also contributed to higher consumption.

Private investment growth is estimated to moderate to 2.0% per annum during the Plan period caused by the slowdown in domestic and global demand, as shown in *Chart 2-2*. In terms of total value in nominal terms, private investment was RM356.1 billion during the Plan period, of which approximately 72% was private domestic investment and 28% was foreign direct investment (FDI). While FDI inflows continued to be underpinned by the large presence of multinational corporations (MNCs) in manufacturing and the oil and gas sector, FDI in the services sector has risen, particularly in financial services, shared services and outsourcing, as well as communications.

Chart 2-2

Low private investment compensated by robust public investment



SOURCE: Economic Planning Unit and Department of Statistics Malaysia

An important development has been the rise in net direct investment abroad by resident companies, totalling RM181.7 billion or 3.5% of GDP during the period 2000-2009. This global expansion has enabled Malaysian companies to tap into new and larger markets, especially in the Asian, African and Middle East regions. The scope of investment has also broadened from the oil and gas sector and plantations to the construction and services sectors, particularly financial services, telecommunications, utilities and business services. This augurs well for Malaysian firms to leverage on regional growth opportunities to drive domestic economic growth through greater regional integration.

The moderation in private investment was partially offset by higher public investment at 6.2% per annum, giving a positive growth in fixed capital formation during the Ninth Plan period. This was largely due to the two stimulus packages in 2009 and 2010 amounting to RM67 billion, as well as the implementation of the Ninth Plan projects in infrastructure, education and training and health facilities. Public consumption increased by 7.4% per annum during the first three years of the Plan but moderated sharply to a growth of only 1.0% per annum during the 2009-2010 period. The increase in the first three years of the Plan was attributed to higher expenditure on supplies and services as well as salary adjustments for civil servants.

During the Plan period, the liquidity position in the economy continued to remain high, with the resource balance position recording a surplus of 16.6% of GNI. The share of national savings was 36.3% of GNI, well above the share of total investment at 19.7% of GNI, enabling the nation to finance investment primarily from domestic sources.

Slower External Sector Performance

The recession in major export destinations severely affected the nation's external performance. Exports grew by 3.2% per annum. However, the export of electrical and electronics (E&E) products, which accounted for 59.1% of total manufactured exports, declined by 0.1% per annum. The slower growth in manufacturing exports was mitigated by better export earnings from higher commodity prices, namely for palm oil, crude petroleum and liquefied natural gas. Imports grew at a slower pace of 2.8% per annum compared to 6.8% in the Eighth Plan, primarily due to lower imports of intermediate and capital goods, which accounted for about 85% of total imports.

In terms of composition and direction of trade, the pattern remained largely unchanged during the Ninth Plan period. Manufacturing, especially E&E, continued to dominate exports while imports mainly comprised intermediate goods. In terms of trade direction, emerging Asian economies, especially China, have grown in importance as export destinations, while the US, the larger Organisation for Economic Co-operation and Development (OECD) economies and Singapore continued to be the major trading partners.

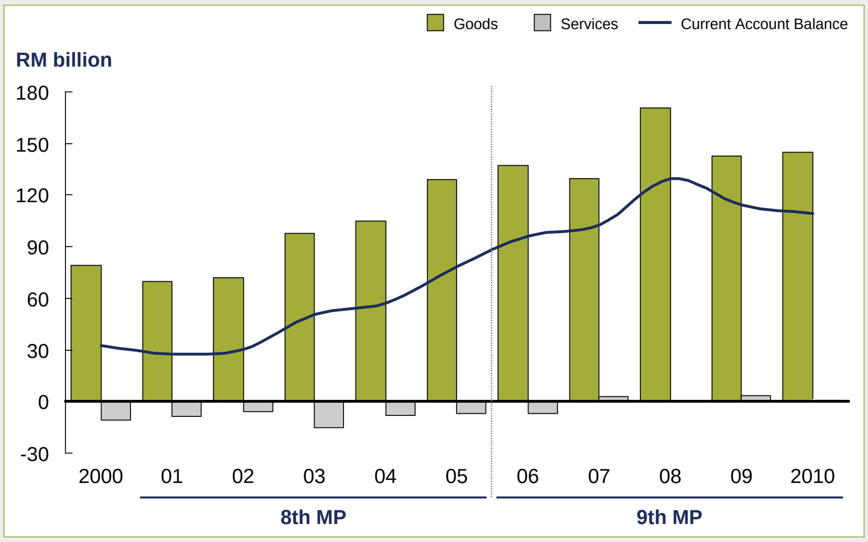
The nation's external position remained strong despite the sharp contraction in external demand, as shown in *Chart 2-3*. Supported by a sizeable trade surplus and higher tourism receipts, the current account continued to record a surplus of 14.6% of GNI in 2010 as compared to 15.8% in 2005. The income account also improved, with a smaller deficit of RM19.9 billion in 2010 on account of higher inflows of profits and dividends accruing to Malaysian companies with investments abroad.

Sectoral Performance Led by the Services Sector

In terms of sectoral performance, all sectors, except mining and quarrying, recorded positive growth, as shown in *Chart 2-4*. The services sector was the main source of growth, expanding

Chart 2-3

Balance of Payments, 2000-2010



SOURCE: Economic Planning Unit and Department of Statistics Malaysia

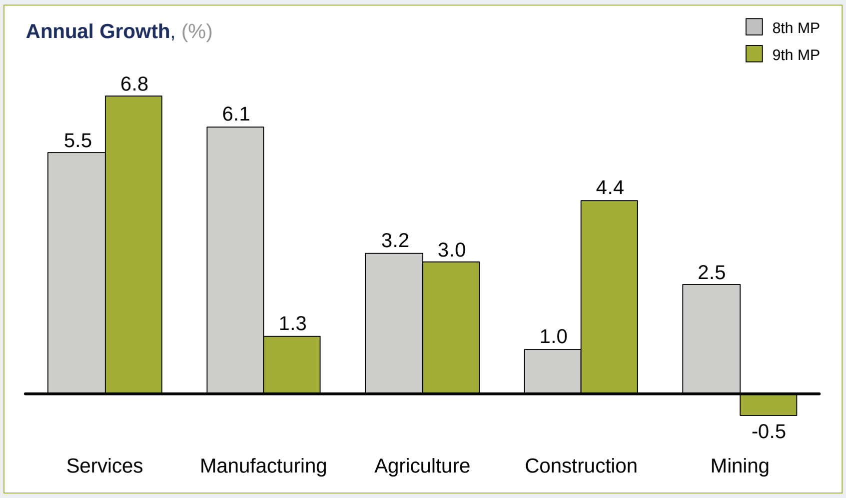
by 6.8% per annum during the Plan period, increasing its share to GDP of 58.0% in 2010. Growth in services was attributed to strong performance in the finance, insurance, real estate and business services, wholesale and retail trade, accommodation and restaurants as well as the transport and communications subsectors.

The manufacturing sector, which is largely dependent on global demand, was adversely affected by the global recession and is estimated to grow by 1.3% per annum compared to 6.1% during the Eighth Plan period. Growth weakened considerably from 6.7% in 2006 to contract by 9.4% in 2009. This was largely due to the sharp deterioration in the demand for export-oriented products, namely the E&E products. Subsequently, the manufacturing sector's share of GDP is expected to decline from 30.9% in 2006 to 26.7% in 2010, the lowest since the early 1990s.

The agriculture sector is estimated to grow at a slower rate of 3.0% per annum as compared to 3.2% per annum during the Eighth Plan period. The slower growth was mainly attributed to a

Chart 2-4

Sectoral performance under the Eighth and Ninth Plan



	8th MP	9th MP
Services	5.5	6.8
Manufacturing	6.1	1.3
Agriculture	3.2	3.0
Construction	1.0	4.4
Mining	2.5	-0.5

SOURCE: Economic Planning Unit and Department of Statistics Malaysia

decline in the output of rubber and sawlogs due to a reduction in rubber hectarage and controlled logging for sustainable forest management. However, increases in the output of palm oil, livestock and fisheries supported the growth of the agriculture sector.

The construction sector is expected to grow by 4.4% per annum, benefitting primarily from the construction-related activities under the two fiscal stimulus packages. This growth was largely supported by the expansion in civil engineering, residential and non-residential, as well as the special trade works subsectors.

The mining sector is estimated to decline by 0.5% per annum during the Plan period, due to lower output of crude oil and natural gas. The average production of crude oil was at 667,800 barrels per day and natural gas at 5,797 million standard cubic feet per day (mmscfd), well within the targets set under the National Depletion Policy.

Challenges in Fiscal Consolidation

During the first three years of the Ninth Plan, Federal Government revenue registered a strong growth of 14.6% per annum. This increase was mainly from higher collection of corporate and individual income taxes following the robust performance of the economy. However, the economic slowdown in 2009 has impacted revenue, which is estimated to increase by 0.3% per annum during the 2009-2010 period. As such, for the whole Plan period, Federal Government revenue is estimated to increase by 8.6% per annum, with oil-related revenue contributing about 40% of total revenue in 2010.

Operating expenditure grew by 16.2% per annum during the first three years of the Plan period due to a marked increase in subsidies for oil and food as well as in emoluments following the salary adjustments for civil servants. The implementation of two counter cyclical fiscal stimulus packages in 2009 and 2010 also contributed to the higher expenditure.

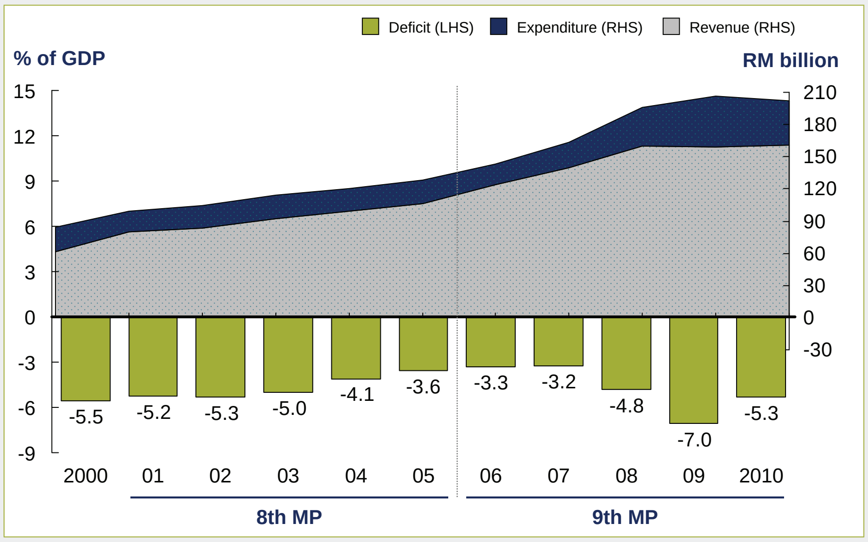
The Government's efforts at fiscal consolidation since 2000 have led to improvements in the Federal Government fiscal position with the

overall budget deficit declining from a peak of 5.5% of GDP in 2000 to 3.2% in 2007, as shown in *Chart 2-5*. However, the fiscal deficit widened to 4.8% in 2008 and 7.0% in 2009.

The Government is committed to reduce its fiscal deficit to a sustainable level and ensure the Government's current account remains in surplus. As such, the overall deficit in 2010 is targeted to narrow to 5.3% of GDP. As a result, total debt of the Federal Government will amount to RM405.1 billion or 52.9% of GDP. Of this, about 96% of debt will be financed through domestic sources.

Chart 2-5

Federal Government accounts, 2000-2010



SOURCE: Economic Planning Unit and Ministry of Finance

Progress of the National Mission

Under the Ninth Plan, the nation embarked on a new phase of development towards realising the Vision 2020. The National Mission provided the policy and implementation framework aimed at obtaining greater performance and impact from the country's development initiatives. Towards this end, the Plan focused on the five major thrusts of the National Mission:

- Thrust 1: Moving the economy up the value chain;
- Thrust 2: Raising the capacity for knowledge and innovation and nurture 'first class mentality';
- Thrust 3: Addressing persistent socio-economic inequalities constructively and productively;
- Thrust 4: Improving the standard and sustainability of quality of life; and
- Thrust 5: Strengthening the institutional and implementation capacity.

The following sections highlight progress on the five thrusts of the National Mission. A more comprehensive list of the achievements is included in *Appendix 2*.

Thrust 1: Moving the Economy Up the Value Chain

In order to move the economy up the value chain, several initiatives were launched to enhance human capital, upgrade ICT infrastructure and develop infrastructure networks. In addition, institutional and regulatory frameworks were strengthened to promote private sector participation.

During the Plan period, there was further deepening and widening of the industrial base with investments in new growth areas such as renewable energy, high-end electronic products, machinery and equipment and medical devices. The nation attracted investments in solar photovoltaic manufacturing worth RM9.8 billion or about 20% of investments in the E&E industries. The overall investment per employee in approved manufacturing projects nearly doubled from RM270,160 in 2005 to RM507,340 in 2009, reflecting the trend towards more capital-intensive, high value-added and high technology projects. In biotechnology, 349 biotech companies, predominantly in agriculture, industry and healthcare, invested a total of RM4.5 billion (RM1.9 billion from the private sector and RM2.6 billion from the Government) for the period 2005-2009. This investment was in a range of activities including genomic science, stem cells, biodiesel and medical devices. There was also progress in research and development (R&D) by biotech companies with 650 patents granted for biotech-related research in Malaysia.

Broadband infrastructure was significantly extended, with household penetration rising from 2% in 2005 to 32% in 2009. The broadband infrastructure was rolled out to facilitate growth in knowledge-intensive sectors. Additionally, high speed broadband was extended to approximately 750,000 premises while WiFi coverage grew to 5,000 hotspots. This was the result of higher demand for broadband, increased local content and applications and expanding e-Government applications.

Significant capacity expansion and improvements were made in the transportation network. During the Plan period, 45,200 kilometres of roads were constructed or upgraded including 4,045 kilometres of roads in Sabah and 13,060 kilometres in Sarawak. New highways, including the Senai-Desaru Expressway and the Kemuning-Shah Alam Highway, were constructed to reduce travel time. In order to improve the efficiency and quality of rail services, several rail projects were constructed. The Rawang-Ipoh Electrified Double Track Project, a major rail project completed in 2007, reduced travel time from Kuala Lumpur to Ipoh from five to two hours. In addition, upgrading works were undertaken at various ports resulting in the increase in total containers handled from 12 million Twenty-foot Equivalent Units (TEUs) in 2006 to 20 million TEUs in 2009. Similarly, the expansion of airports enhanced the efficiency of airport management and increased total passengers handled from 41 million in 2006 to 51 million in 2009.

The provision of reliable and quality supply of energy at competitive rates has helped contain the cost of doing business. Enhancement of the gas supply system as well as the electricity transmission and distribution networks facilitated efforts to improve supply quality. The reallocation of 100 mmscfd of gas supply from the power sector to the industrial sector was undertaken to meet the needs of the industrial sector.

The Foreign Investment Committee (FIC) guidelines were removed, eliminating equity conditions imposed on non-strategic sectors. This was designed to encourage greater foreign investment as well as domestic investment. The Government also liberalised 27 services subsectors with no equity conditions imposed. Liberalisation measures for the conventional and Islamic finance sectors were also introduced. Various measures undertaken during the Plan period to reduce the cost of doing business have helped improve the business climate. These included streamlining of business licences and reduction in time taken for business registration and registration of ownership of property.

Thrust 2: Raising the Capacity for Knowledge and Innovation and Nurture 'First Class Mentality'

During the Plan period, greater access was provided to affordable and quality education and training at all levels, which resulted in higher enrolment and participation rates. The performance gap between rural and urban schools was narrowed with the provision of basic infrastructure as well as educational and training facilities. Labour productivity improved in line with efforts to expand the provision of lifelong learning programmes in which employees, particularly in the small and medium enterprises (SMEs), were trained and retrained to improve their skills.

Enrolment at pre-school, primary and secondary levels increased with improved accessibility to quality education. In pre-school education for children aged 4+ to 5+ years old, the participation rate rose from 63.0% in 2005 to 67.6% in 2009. This increase was made possible with the expansion in pre-school classes. The number of primary schools increased from 7,601 in 2005 to 7,664 in 2009, while the number of secondary schools increased from 2,028 to 2,219. Measures were also taken to enhance the quality of teachers. The proportion of graduate teachers in primary schools increased from 6% in 2005 to 28% in 2009. Similarly, the share of graduate teachers in secondary schools rose from 82% to 89%.

Enrolment in higher education rose from 649,000 in 2005 to 949,000 in 2009. As a result, the participation rate in the 17-23 years age group rose from 27.0% in 2005 to 31.4% in 2009. During the Plan period, a total of 4,156 lecturers in public universities pursued PhD qualification.

This raised the proportion of academic staff with PhD qualification in public universities from 26.6% in 2005 to 35.9% in 2009. The Accelerated Programme for Excellence (APEX) was introduced with the Science University of Malaysia (*Universiti Sains Malaysia* or USM) as the first APEX university. This programme is intended to raise performance and competitiveness of the public universities. In order to intensify research and innovation activities, four universities were accorded Research University status. A Rating System for Malaysian Higher Education Institutions (*Sistem Penarafan Institusi Pengajian Tinggi Malaysia* or SETARA) was introduced in 2007 to enhance quality and promote best practices among public universities.

Intake in public technical and vocational training institutes rose by 1.5% per annum. With the establishment of 10 skills training institutes and upgrading of 16 existing institutes, intake rose to 88,050 trainees. Intake at the Malaysian Skills Certificate (*Sijil Kemahiran Malaysia* or SKM) at Level 4 or diploma in the advanced public training centres increased from 7,110 in 2005 to 29,840 in 2009, reflecting greater emphasis on skills enhancement to meet industry requirements. The National Dual Training System (NDTS) and apprenticeship scheme were intensified with greater collaboration with industry. A total of 20,460 trainees was trained under NDTS, with 90% of the trainees gaining employment immediately after graduation. The National Skills Development Act was enacted in 2006, which allowed for the enforcement of accreditation procedures. As a result, the accreditation of 42 institutions was revoked due to their non-compliance to the accreditation procedures.

Under the two economic stimulus packages, 76,940 unemployed graduates, school leavers and displaced workers were trained. Lifelong learning programmes were enhanced through the expansion of distance learning, e-learning, retraining and skills-upgrading offered by various institutions. At the local level, community colleges assumed a greater role in implementing retraining and skills-upgrading programmes, benefiting a total of 507,940 participants.

Thrust 3: Addressing Persistent Socio-Economic Inequalities Constructively and Productively

The Ninth Plan made progress in eradicating poverty and reducing income and wealth disparity. There was also improvement in the strengthening of the Bumiputera Commercial and Industrial Community (BCIC).

Hardcore poverty was reduced from 1.2% in 2004 to 0.7% in 2009. The incidence of overall poverty also fell from 5.7% to 3.8% during the same period. This was the result of the implementation of targeted poverty eradication programmes in both rural and urban areas.

Bumiputera ownership of share capital of limited companies rose from 19.4% in 2006 to 21.9% in 2008. Bumiputera ownership in commercial buildings and premises increased from 11.7% in 2005 to 14.0% in 2008. The proportion of Bumiputera employment in senior managerial categories improved from 37.1% in 2005 to 43.0% in 2008. *Ekuiti Nasional Berhad* (EKUINAS) was established in 2009 to enhance Bumiputera participation in the economy.

Five regional growth corridors were established, each with a Corridor Development Authority (CDA) to promote its development. The corridors have secured investments amounting to RM245 billion. Of the 196 projects approved in the corridors, 86%, or 173 projects, have commenced operations.

Thrust 4: Improving the Standard and Sustainability of Quality of Life

The quality of life for Malaysians improved through better access to healthcare, public transport, electricity and water. Measures were also taken to create a caring society and promote community well-being. Economic development was based on sustainability principles to ensure that the environment and natural resources are preserved so that growth will not come at a cost to future generations.

Access to healthcare expanded with the establishment of 39 new health clinics in the urban areas and 81 new clinics in the rural areas. In order to address the growing concern for health needs of the urban poor, 51 1Malaysia clinics were established in urban areas. As quality healthcare also hinges on human capital, measures to reduce distribution gaps, increase training capacity and improve compensation packages resulted in a significant increase in the number of doctors from 21,700 to 28,000 and nurses from 70,200 to 79,800. This resulted in an improvement in doctor-patient ratio and helped improve healthcare services delivery.

Daily urban rail ridership rose from 447,200 in 2006 to 451,000 in 2009 with improved urban public transport coverage and facilities.

Measures undertaken to improve the efficiency and reliability of urban services included the extension of Komuter rail service to Tanjung Malim, procurement of 35 sets of 4-car trains for Light Rail Transit (LRT) service, construction of the Integrated Transport Terminal (ITT) in Bandar Tasik Selatan and completion of electrified double track rail from Sentul to Batu Caves. Several urban roads were constructed and upgraded to relieve congestion and improve traffic flows in major cities. The Commission for Land Public Transport (*Suruhanjaya Pengangkutan Awam Darat* or SPAD) was established in June 2010 to improve long-term integrated planning for a safe, reliable, and affordable land-based public transport system. SPAD will be involved in regulatory oversight as well as enforcement of service standards across all modes of land-based public transport.

The National Climate Change Policy and the National Green Technology Policy were adopted in 2009 to address the pressing issue of climate change. Through these policies, Malaysia aims to implement strategies to move towards a low-carbon economy and achieve sustainable development. In addition, a Green Technology Financing Scheme amounting to RM1.5 billion was established to promote green technology. Two major initiatives were launched to ensure sustainable use of forests and their natural resources: the Central Forest Spine project covering 4.3 million hectares in Peninsular Malaysia and the Heart of Borneo project covering 6.0 million hectares in Sabah and Sarawak. The flood mitigation projects in urban areas, such as the SMART tunnel and the Sungai Damansara Package 1, have addressed flooding in these areas.

The national policy on women has helped raise representation of women in management positions in the public sector from 18.8% in 2004 to 30.5% in 2010, while it rose from 13.5% to 26.2% in the private sector. *Nur Bestari*, a leadership programme initiated in 2007, benefitted more than 147,000 women. In addition, *Jejari Bestari*, a skills training programme in cottage industries such as beading and tailoring was launched in 2007 and has trained more than 23,000 women. Seminars on violence against women involving more than 61,000 participants were conducted in 222 parliamentary constituencies.

A total of 436 registered child care centres was established at workplaces. In addition, 534 child care providers were trained to enhance their capability in operating child care centres. The National Policy and Action Plan for the Elderly was revised to enable the elderly to realise their potential and utilise all possible opportunities. Various facilities and privileges for the elderly such as special counters and seating areas in government agencies were introduced. Existing institutions for the elderly were upgraded to provide better care and services. A total of 22 daycare centres was established to take care of 16,300 older persons.

About 17,400 People with Disabilities (PWDs) benefitted through 409 community-based rehabilitation centres. These centres provided services such as disability screening and detection, vocational training, and dissemination of information on disabilities. A policy and an action plan on PWDs were formulated in 2007 with the aim of integrating PWDs into the mainstream of society. Employment opportunities for PWDs were enhanced through various policies in the public sector. A total of 7,975 PWDs was placed in the private sector through the electronic labour exchange system for PWDs.

A total of 963 programmes was conducted to promote culture and arts, attracting an audience of 1.5 million. Kuala Lumpur was promoted as the hub of cultural and artistic activities, which was supported by various local and international performances as well as art exhibitions and film and music festivals. The Arts for All Programme, which includes cultural performances, exhibitions and competitions, contributed to higher interest and appreciation of culture and arts.

Melaka and Georgetown were recognised as World Heritage Towns by United Nations Educational, Scientific and Cultural Organization (UNESCO). UNESCO also recognised the Terengganu Inscribed Stone as Memory of the World. A total of 148 heritage buildings was preserved during the Plan period. These efforts will continue to serve as a catalyst to draw tourists to the country.

Programmes were implemented to equip the youth with the necessary skills and values such as the Skills, Leadership and Entrepreneur Programme, which provided training for 124,880 participants. Specific programmes were also initiated to encourage national unity and social integration among youth. A total of 2,400 programmes was implemented involving more than half a million multi-ethnic participants. The Youth Development Programme to encourage participation in youth associations recorded 1.9 million registered members.

The Sports for All Master Plan was formulated to encourage participation in sports, and in recreational and fitness activities, thereby promoting a healthy lifestyle. A number of community sports clubs was established at the state and parliamentary levels. A total of 1,282 multipurpose sports courts and fields was built to encourage people to adopt a healthy lifestyle. In order to raise the standard of sports, coaching programmes for 21,200 trainers and facilitators were undertaken. In addition, resources were channelled into high performance sports to nurture world class athletes.

The recruitment of 19,270 police personnel from 2006 to 2009 improved public security and ensured a safe environment. A total of 162 new police stations was established in private premises and mobile police stations at crime-prone locations, mainly in Pulau Pinang, Johor, Selangor and Kuala Lumpur. The *rakyat* was also encouraged to participate in combating crimes through the Rakan Cop Programme, People's Volunteer Corps (*Ikatan Relawan Rakyat Malaysia* or RELA) and Neighbourhood Watch (*Rukun Tetangga*). As one of the six National Key Results Areas (NKRAs), greater focus was given to public safety and crime reduction.

Thrust 5: Strengthening Institutional and Implementation Capacity

Malaysia's position in the IMD World Competitiveness ranking rose sharply from 24th in 2006 to 10th position in 2010. This was attributed to various initiatives under a Special Task Force to Facilitate Business (*Pasukan Petugas Khas Pemudahcara Perniagaan* or PEMUDAH) as well as innovative measures to improve government delivery and foster collaboration between the public and private sectors. Several efforts were made to enhance services at the district and local levels, integrate services across agencies and increase public confidence in electronic services mainly through the use of ICT. The cost of doing business was lowered through the streamlining of processes and procedures and the establishment of commercial courts. One-stop centres were established to expedite approvals of development proposals. Immigration procedures were streamlined to facilitate employment of high-skilled expatriates and reduce processing time for employment visas. Time taken for approval of licences was also reduced and there has been greater use of ICT for government services through the myGovernment portal.

The Government established the NKRAs and Ministerial Key Performance Indicators (KPIs) to move towards an outcome-based approach for planning, monitoring and evaluating public sector programmes. The Ministerial KPIs in turn were translated into KPIs for civil servants. In order to effectively meet these KPIs, a different set of capabilities are required. To this end, new hybrid structures were created within the Government to leverage the best of both public and private sectors, such as the Performance Management and Delivery Unit (PEMANDU).

PROSPECTS DURING THE TENTH MALAYSIA PLAN, 2011-2015

The Malaysian economy has recovered strongly from the recent global slowdown. However, Malaysia's growth momentum has slowed over the past decade relative to its previous performance. Achieving and sustaining the 6% annual growth rate during the Tenth Plan period needed to achieve high-income status by 2020 requires significant change in economic strategies. There is a need for a transformation towards productivity-led growth, where the private sector will be the primary driver of growth and innovation.

Achieving the high growth rate will be a challenging task in the context of an uncertain global environment. Malaysia will also have to face intense competition for investment, markets and talent. In view of this, Malaysia will have to position itself strategically to compete in the new dynamic global environment. Moreover, the nation's budgetary position limits the Government's flexibility to drive growth and thus private sector activity will need to expand significantly.

Facing a Challenging Global Economy

While the global economy is on the path of recovery, the aftermath of the crisis is likely to adversely affect the growth trajectory in advanced economies, with the average growth in the short- and medium-term expected to be slower than in the decade before the crisis. Emerging and developing economies, particularly in Asia, however, are expected to lead the global recovery and become the anchors of global growth, led by the strong performances of China and India. In line with this, world growth is projected to expand by 4.5% per annum during the 2011-2015 period, on account of stronger growth of 6.6% in the emerging and developing economies. Growth in advanced economies is expected to be slower at 2.4% per annum as shown in *Table 2-1.*

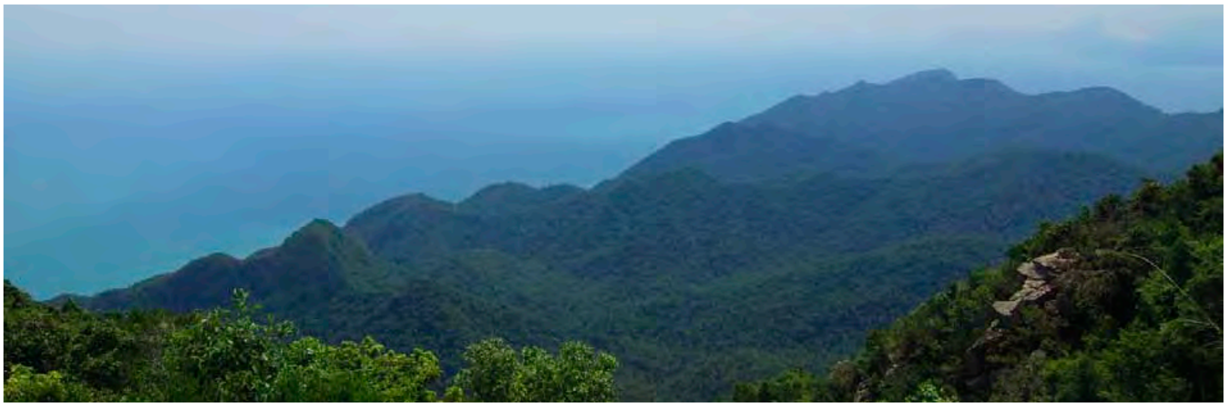


Table 2-1 World Economic Outlook, 2006-2015

	Average Annual Growth Rate (%)	
	2006-2010	*2011-2015*
World Output	***3.4***	***4.5***
Advanced Economies	*1.1*	*2.4*
Emerging Economies and Developing Countries	*6.2*	*6.6*
World Trade Volume	***2.8***	***6.7***
Imports		
Advanced Economies	*1.0*	*5.2*
Emerging Economies and Developing Countries	*6.4*	*9.0*
Exports		
Advanced Economies	*2.1*	*5.3*
Emerging Economies and Developing Countries	*4.6*	*8.8*
World Price		
Manufacturers	*3.2*	*1.4*
Non-Fuel Primary Commodities	*7.0*	*-1.2*
Oil per barrel (US$) *	81.6	90.0
growth (%)	*5.0*	*2.6*
Consumer Prices		
Advanced Economies	*1.9*	*1.8*
Emerging Economies and Developing Countries	*6.5*	*4.1*

* West Texas Intermediate Crude Oil Prices
SOURCE: World Economic Outlook, April 2010, International Monetary Fund, Bloomberg and various sources

Transforming the Malaysian Economy

The slowdown in growth momentum during the Ninth Plan period highlights that the historical sources of growth can no longer be the primary drivers of strong economic outcomes. This slowing growth trajectory, coupled with the challenging and uncertain external environment, means that the growth of the economy will be below its long-term growth trend if serious reforms are not undertaken to transform the economy. Thus, Malaysia needs to rely on improving domestic competitiveness and productivity.

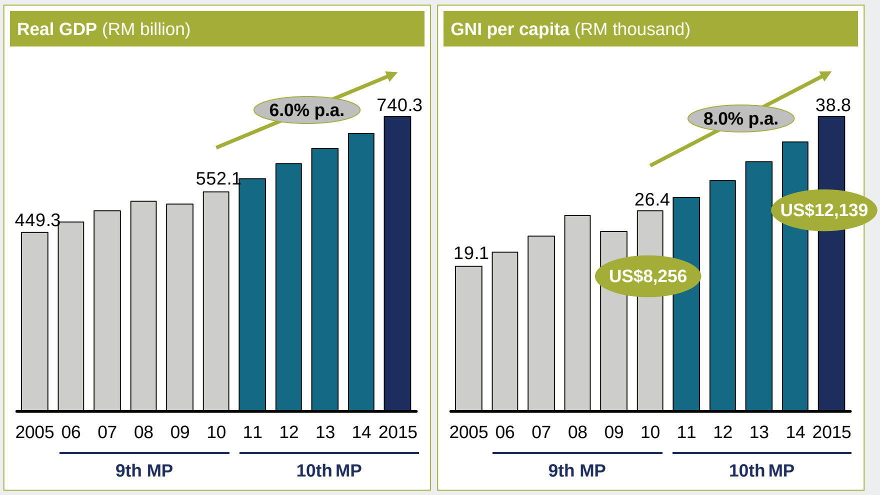
The immediate priority is to ensure that the recovery is sustained. In the medium- and long-term, the focus has to be on shifting the economy to a high value-added and high-income economy. Towards this end, the structure of the economy must be transformed to better position Malaysia to meet new challenges as well as to benefit from global opportunities.

The openness of the Malaysian economy and heavy reliance on external trade, especially with the advanced economies, make the nation highly vulnerable to external shocks. In this regard, an important strategy will be to promote domestic demand to become a major driver of growth mainly by energising the private sector. Hence, the nation must create an enabling environment which encourages productivity, competitiveness and innovation.

Premised on these policy thrusts, the 6.0% growth target during the Tenth Plan will be supported by domestic demand, primarily from greater dynamism of private investment. With this, GNI per capita will increase to RM38,845 (US$12,139) in 2015, as shown in *Chart 2-6,* in line with the target of achieving a high-income economy by the year 2020.

Chart 2-6

Real GDP and GNI per capita towards a high-income economy



SOURCE: Economic Planning Unit and Department of Statistics Malaysia

Maintaining Full Employment

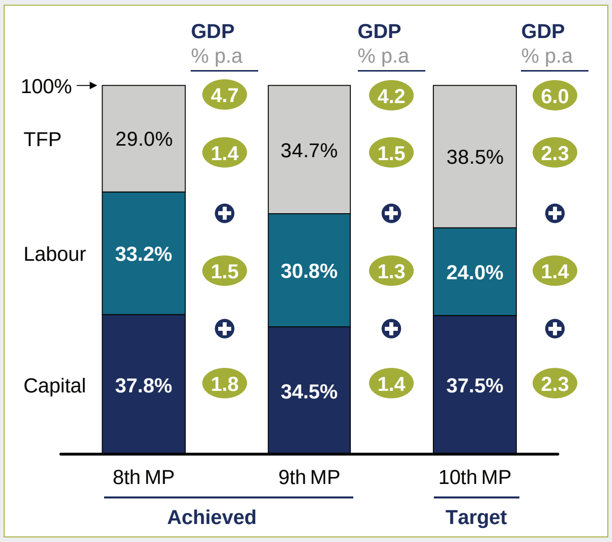
During the Plan period, employment is expected to grow at 2.4% per annum to reach 13.2 million—an increase of 1.4 million jobs, mostly in the services sector. This is significantly higher than the 0.9 million jobs created during the Ninth Plan period. As a result, the economy is expected to remain in full employment, with an estimated unemployment rate of 3.1% in 2015.

Pushing for Productivity-led Growth

Growth during the Tenth Plan period will be driven by significant increases in productivity, rather than by higher capital and labour inputs, as well as by efficiency gains from removing distortions within the economy. Productivity growth will be achieved through higher levels of input from human capital, adoption of new technologies and development of entrepreneurship to drive innovation and creativity. With this, the contribution of TFP to GDP is projected to increase to 38.5%, while that of capital and labour is estimated to decline to 37.5% and 24.0% respectively, as shown in *Chart 2-7*.

Chart 2-7

Total Factor Productivity is expected to increase



SOURCE: Economic Planning Unit

Malaysia will benefit from higher investment in niche growth areas, particularly through the intensive use of knowledge, innovation and technology. Human capital development will focus on creating talent through enhancing skills and competency of the nation's human resources.

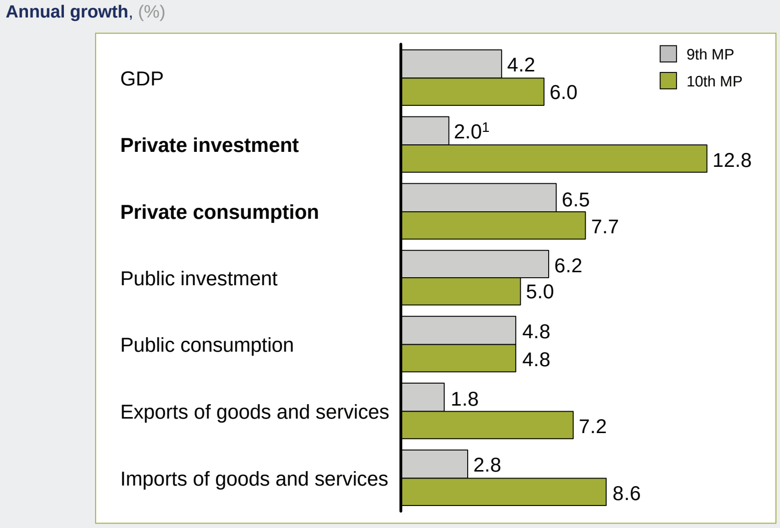
Enabling Greater Dynamism of the Private Sector

The Government will continue to leverage on more vigorous private sector expansion, particularly in providing the lead in the development of new growth areas. During the Plan period, private investment is projected to grow by 12.8% per annum as shown in *Chart 2-8*, with an investment of RM115 billion, in current prices, per year. A key component of this growth will be from FDI. Private investment will contribute 13.9% of GDP in 2015.

While both fiscal and monetary policies will continue to support private initiatives, improvements in the business environment for private investment will be given priority, including measures to further liberalise the economy. Public sector efficiency will be further strengthened by the ongoing Government

Chart 2-8

Growth in private investment and consumption will be much faster than during the Ninth Plan period



1 Private investment contracted by 17.2% in 2009

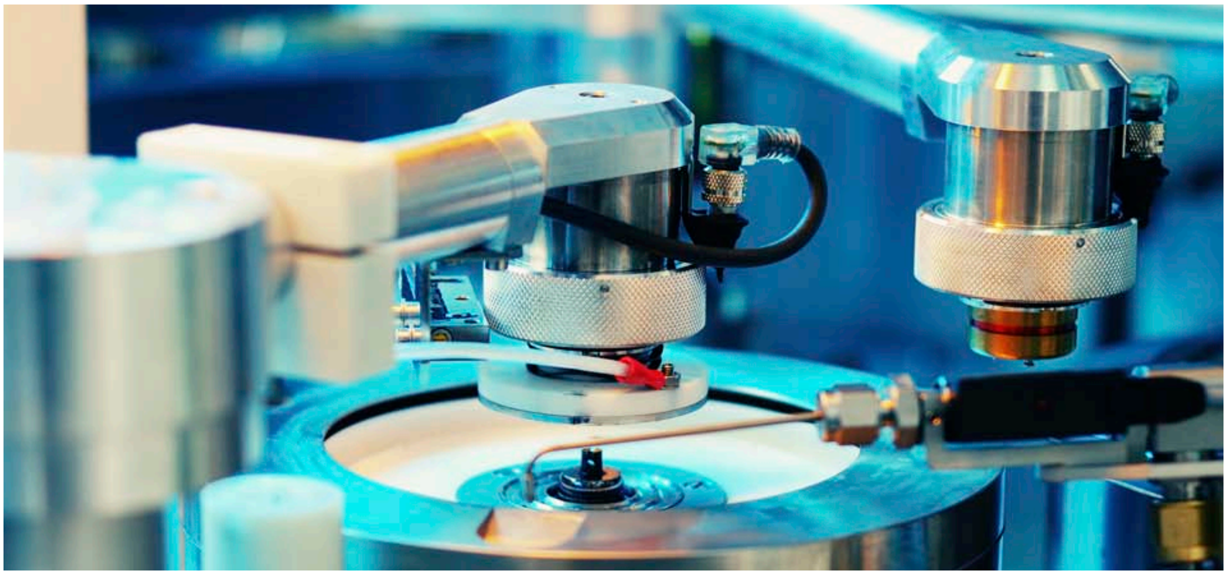
SOURCE: Economic Planning Unit and Department of Statistics Malaysia

Transformation Programme (GTP), which aims at streamlining bureaucratic processes and reducing the costs of doing business. Statutory and regulatory reviews will be undertaken to promote entrepreneurship and improve risk-taking profiles of the private sector.

The implementation of public-private partnership (PPP) initiatives worth RM62.7 billion will be a key component of the Government's efforts in promoting economic growth through private sector participation. Among the large projects to be implemented under the PPP include seven toll highways, five *Universiti Teknologi* MARA (UiTM) branch campuses, redevelopment of Angkasapuri Complex Kuala Lumpur as Media City, Integrated Transport Terminal in Gombak and privatisation of Penang Port Sdn. Bhd.

Sustaining Growth in Private Consumption

Since 2003, growth in domestic demand has been driven mainly by private consumption, surpassing the growth pace of the overall economy. During the Plan period, private consumption is projected to register sustained growth of 7.7% per annum, largely on account of higher incomes as well as better employment prospects. With this, the contribution of private consumption to GDP will



increase from 53.6% in 2010 to 58.0% in 2015, broadly comparable to developed economies, as shown in *Chart 2-9*.

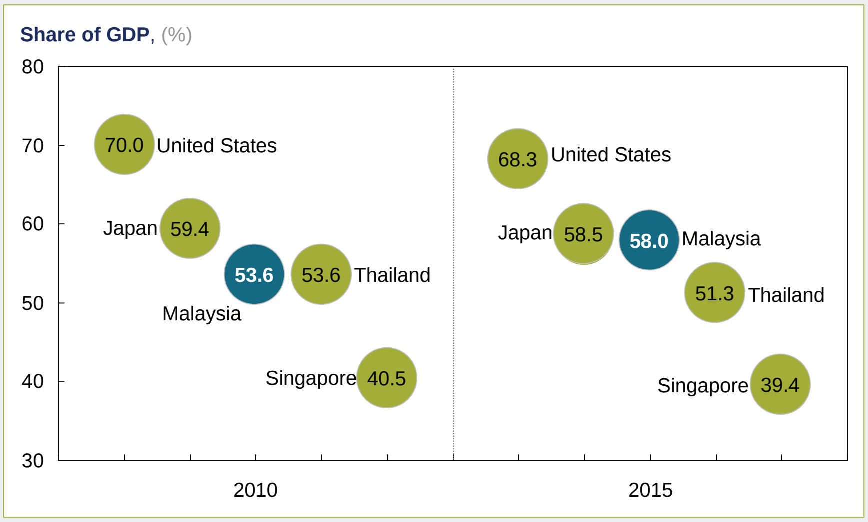
Diversifying Export Markets

The openness of the Malaysian economy and deep integration with the global supply chain have been important sources of the nation's economic strength. Going forward, international trade will continue to provide the impetus towards attaining high growth. Exports is projected to grow at 10.6% per annum mainly comprising manufactured products growing at 10.8% per annum, and accounting for 78.8% of total exports in 2015. Exports of the agricultural and mining sectors are expected to grow by 11.0% and 9.4% per annum respectively, driven largely by higher export prices.

Imports is projected to grow at 12.5% per annum, with intermediate goods and capital goods constituting 83.7% of imports. Import of consumption goods is targeted to grow at 11.5% per annum. Given the growth pace in exports and imports, the trade balance is expected to remain strong with a trade surplus of RM142.4 billion in 2015.

Chart 2-9

Comparison of private consumption between selected countries



SOURCE: Economic Planning Unit and Economist Intelligence Unit

With trade in goods and services accounting for more than 180% of GDP during the Ninth Plan period, Malaysia needs to diversify its external trade structure in order to enhance the nation's resilience to external shocks. In this regard, efforts will be taken to reduce dependence on the traditional markets and to make stronger inroads into emerging markets in Asia and the Gulf states. China and India have now emerged as the new global economic powerhouses with their combined share of world GDP amounting to 9.3% in 2008, doubling since 1980. While Malaysia has made notable progress in export market diversification, with the share of exports to emerging and developing economies expanding from 18.3% of total exports in 2000 to 37.7% in 2009, greater efforts will be undertaken to further reinforce this trend.

Sustaining a Surplus in the Balance of Payments

The nation's external account will continue to remain strong, with the overall balance of payments expected to remain favourable with a current account surplus of 10.5% of GNI in 2015. The goods account is expected to record a surplus of RM169.3 billion, while the services account surplus will rise to RM6.8 billion in 2015 compared to RM1.3 billion in 2010, as shown in *Table 2-2*. This surplus in the services account will be largely from higher net travel receipts and an increase in the export of services such as education, healthcare and outsourcing.

Table 2-2 Balance of Payments, 2010 and 2015

Items	*RM billion*	
	Estimate	*Target*
	2010	*2015*
Goods	145.0	169.3
Exports	628.0	1,038.5
Imports	483.0	869.2
Services	1.3	6.8
Transportation	-19.4	-21.0
Travel	31.8	40.0
Others	-11.1	-12.2
Income	-19.9	-33.1
Current Account	109.2	121.7
% to GNI	*14.6*	*10.5*

SOURCE: Economic Planning Unit

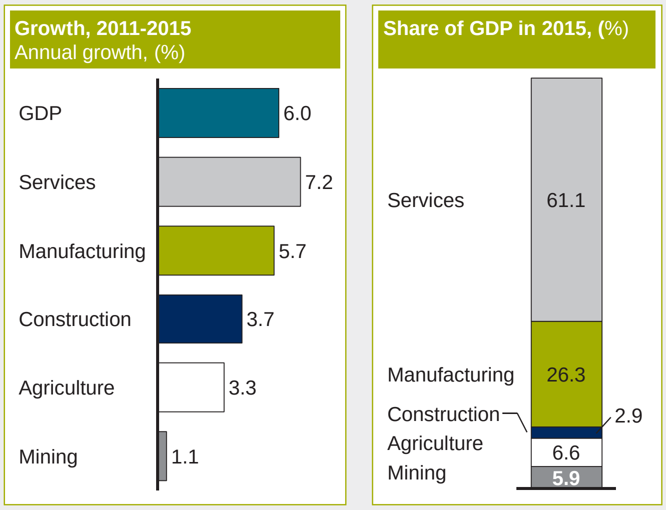
Achieving Sectoral Targets

Economic growth will leverage on the nation's strengths and competitiveness to develop new sources of growth such as healthcare, education and ICT. There are also opportunities to create higher value add products in established manufacturing and services subsectors as well as in downstream resource-based industries. These new sources of growth will rely on innovation and the use of technology as well as skilled human capital.

The services sector is expected to remain the primary source of growth, driven mainly by the expansion in finance and business services, wholesale and retail trade, accommodation and restaurants as well as the transport and communications subsectors, as shown in *Chart 2-10*. The manufacturing sector is also expected to experience robust growth, contributed mainly by higher value add in the E&E subsector. The construction, agriculture and mining sectors are expected to achieve positive growth during the Plan period.

Chart 2-10

Sectoral growth to be led by services sector



SOURCE: Economic Planning Unit

Enhancing Efficiency of Fiscal Policy

The Government will continue with fiscal reforms to bring greater value for money to government spending and widen its revenue base, particularly through a more broad-based tax system. With this, the Government's overall deficit is targeted to be reduced from 5.3% of GDP in 2010 to 2.8% in 2015 as shown in *Chart 2-11*. Consequently, Federal Government debt is expected to decline to 49.9% of GDP in 2015 from 52.9% in 2010, as shown in *Chart 2-12.*

Chart 2-11

Reducing Federal Government fiscal deficit

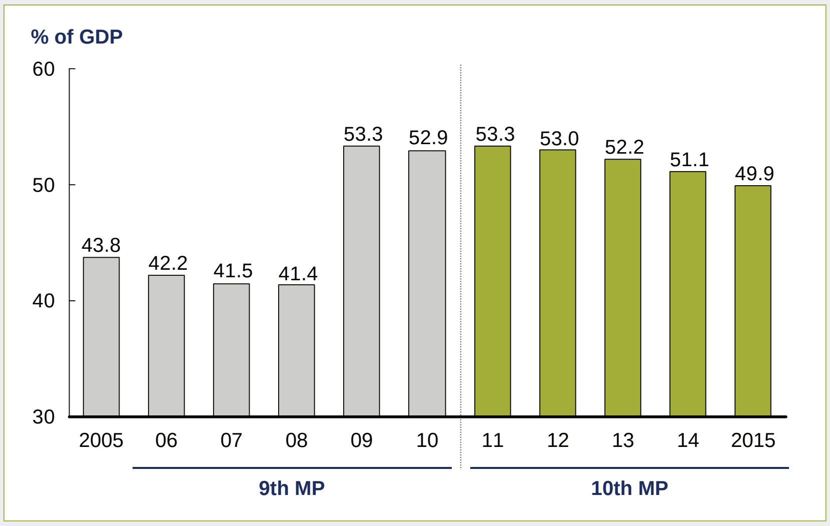
SOURCE: Economic Planning Unit and Ministry of Finance

Total Federal Government development allocation for the Tenth Plan is RM230 billion. Of this, RM126.5 billion or 55% is allocated for the economic sector, RM69.0 billion or 30% for the social sector, RM23.0 billion or 10% for the security sector and RM11.5 billion or 5% for general administration. This allocation includes a Facilitation Fund of RM20 billion to promote private sector investment in strategic priority areas including infrastructure, education and health.

The Government will introduce a two-year rolling plan to provide greater flexibility in making adjustments to Government spending, especially to respond to changes in the global economic environment. Under the first rolling plan for the period 2011-2012, a sum of RM91 billion will be allocated for development expenditure.

Chart 2-12

Towards a sustainable Federal Government debt position



SOURCE: Economic Planning Unit and Ministry of Finance

Development expenditure will be an important instrument to support the transition to a high-income economy that will rely on greater use of intellectual capital, skills, innovation and technology. As such, development expenditure will focus on non-physical programmes for which allocation will rise from 22% in the Ninth Plan to 40% in the Tenth Plan.

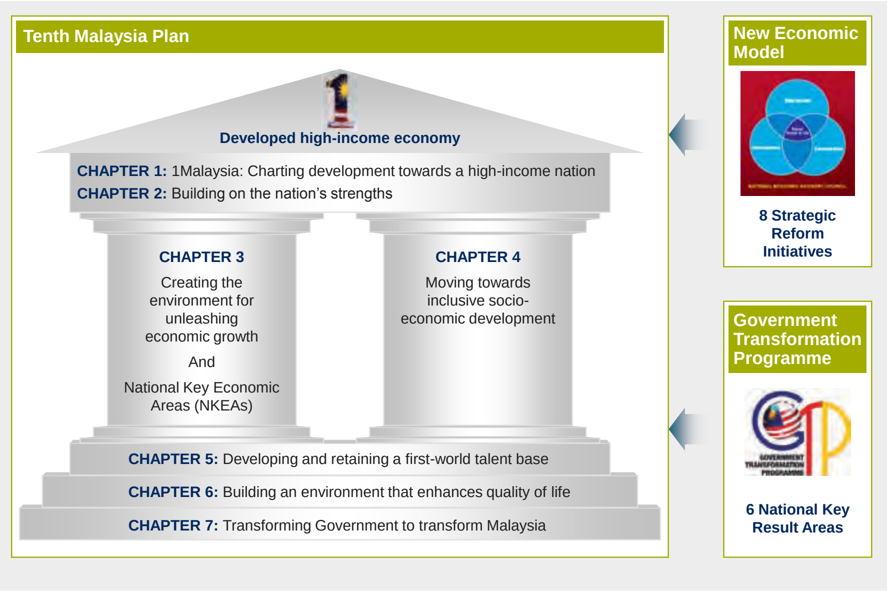
MOVING FORWARD

While Malaysia faces enormous challenges in becoming a high-income nation by 2020, the nation can build on its inherent strength in its resource base, excellent infrastructure and diligent workforce to drive the nation forward. In this respect, the Tenth Plan provides the policy framework and strategies to achieve high-income status by 2020. As shown in *Chart 2-13*, the Plan also draws on the foundations laid down by the 1Malaysia concept, and builds upon the GTP and the New Economic Model (NEM) to offer fresh policies and strategies.

The 1Malaysia concept seeks to reinforce national unity, which is crucial to maintain social and political stability — a prerequisite for Malaysia to remain an attractive place for business and investment. Respect for the values of the different communities will help the *rakyat* appreciate the differences as assets. The concept aspires for Malaysians to move beyond tolerance to accept and eventually celebrate diversity in ethnicity, religion, culture and belief. The principle of justice will be the core of this concept in which all Malaysians will be cared for with special attention accorded to the disadvantaged groups.

Chart 2-13

The Tenth Malaysia Plan will encapsulate all efforts to transform Malaysia into a developed high-income nation



The GTP was introduced in 2010 to transform the Government to be more effective in its delivery of services and accountable for outcomes. The NEM lays out Strategic Reform Initiatives (SRIs) to drive the nation towards a sustainable high-income and inclusive economy. Many of the NEM's new strategies on economic growth and the corresponding SRIs are included in the Tenth Plan. The Plan also incorporates the six NKRAs and provides an update on the improvements in the government delivery system since the launch of the GTP.

Building on the strengths and successes of the past, Malaysia is now in a strong position to propel the nation towards high-income status. However, the challenges to achieve high-income status call for an effective multi-faceted approach to overcome the nation's structural issues. For the next five years, the Tenth Plan will be the means to jumpstart the nation's move towards a high-income economy. The Tenth Plan will focus on the following key areas:

- Creating the environment for unleashing economic growth. This will be the anchor of the Plan, as it details strategies to create an environment that fosters economic growth with the private sector as the main driver;

- Moving towards inclusive socio-economic development. There will be measures to ensure income and wealth are distributed in an equitable manner thereby reducing inequalities. The objective will be to build a more inclusive society;

- Developing and retaining a first-world talent base. This will be key to promote productivity and innovation-led growth. Central to this will be strategies to develop, attract and retain quality talent base;

- Building an environment that enhances quality of life. Economic growth will be supplemented by strategies to raise the quality of life of the *rakyat* that commensurate with the country's higher income status; and

- Transforming Government to transform Malaysia. The role of government will evolve to become an effective facilitator in the transformation of the economy and provide quality services to the *rakyat*.

Chapter 3

CREATING THE ENVIRONMENT FOR UNLEASHING ECONOMIC GROWTH

Westport Klang

The Malaysian economy has turned around following the global financial crisis and key economic indicators are pointing to a strong rate of economic growth in the immediate term. However, to ensure sustained and robust growth in the long term, several structural challenges will need to be addressed. Growth in investment and productivity lags behind several other countries in the region, as *Chart 3-1* shows, and private investment is far lower than the pre-1997 Asian Financial Crisis level. Malaysia is also encountering more intense competition from its regional peers. In addition, coming out of the recent global financial crisis, many countries, including those in this region, are re-examining their growth strategies and reshaping their economies to meet the more challenging global economic landscape.

In this context, in order for Malaysia to achieve the aspiration of becoming a high-income advanced economy by 2020, where Malaysia must grow at 6% per annum over the Tenth Plan period, the environment for economic growth will need to be transformed to allow a step change in dynamism and productivity. The challenge is to move from an economy that competes on cost

Chart 3-1

Malaysia's productivity growth has declined post-1997

%

Labour productivity growth of selected Asian countries, annual average change

	Pre crisis 1987-97	Post crisis 1998-2007
China	4.5	9.2
India	3.5	4.4
Asian NIEs	4.8	3.4
Malaysia	5.5	2.9
Thailand	5.2	3.1
Indonesia	3.1	3.0
Singapore	4.5	2.4
Philippines	-0.7	2.3

Sources of growth for Malaysia's labour productivity, annual average change

	1987-97	1998-2007
Labour productivity	5.5	2.9
Contribution of		
▪ **Capital**	3.4	1.0
▪ **Education**	0.3	0.3
▪ **Land**	0	-0.1
Total factor productivity	**1.7**	**1.6**

SOURCE: World Bank; Economic Planning Unit and natural resources, to an economy that is driven by productivity, innovation and that is able to nurture, attract and retain talent, companies and capital. In order to move into the league of high-income economies, Malaysia will also need to move from the strategy of diversification of the economic base, which successfully elevated the nation to a middle- income economy, to a strategy which focuses on specialisation in a few selected economic sectors and geographies where Malaysia has a relative competitive advantage.

To make these strategic shifts, a far reaching programme of economic reforms will be undertaken during the Tenth Plan period as follows:

- **Creating a private sector-led economy** by modernising business regulation, liberalising the services sector, removing market distortions, introducing competition legislation and improving the interface between government and business;
- **Supporting innovation-led growth** by shaping a supportive ecosystem for innovation, creating innovation opportunities, putting in place innovation enablers and funding innovation;
- **Rationalising the role of government in business** by increasing privatisation and public-private partnerships (PPPs), establishing a facilitation fund and achieving an appropriate balance between government, government-linked companies (GLCs) and the private sector;
- **Developing small and medium enterprises** (SMEs) as an engine of growth and innovation by reducing regulatory costs borne by SMEs, building capacity in SMEs, supporting the creation of an entrepreneurial culture, strengthening enabling infrastructure, and enhancing access to financing;
- **Competing globally** by supporting Malaysian firms to compete in global markets and competing to attract foreign investment and talent to Malaysia;

- **Putting in place world-class infrastructure for growth** by significantly increasing broadband penetration, continuing to upgrade physical infrastructure to enhance access and connectivity, and ensuring effective sourcing and delivery of energy; and

- **Focusing on key growth engines** by building urban agglomerations, focussing corridors around clusters and developing National Key Economic Areas (NKEAs).

This far reaching programme of reforms will provide the enabling environment for NKEAs to deliver the targeted economic growth, as shown in *Chart 3-2*.

Chart 3-2

Far reaching programme of reforms will provide the enabling environment for NKEAs to deliver the targeted economic growth

CREATING A PRIVATE SECTOR-LED ECONOMY

The creativity, energy and initiative of private enterprises will be harnessed as the primary drivers of Malaysia's growth. To support the private sector and unleash its growth potential, a series of initiatives will be undertaken during the Plan period:

- Modernising business regulation;
- Liberalising the services sector;
- Removing market distortions by rationalising subsidies;
- Introducing competition legislation; and
- Improving the interface between government and business.

Modernising Business Regulation

The regulatory environment has a substantial effect on the behaviour and performance of companies. Private sector participation in the economy and innovation require a regulatory environment that provides the necessary protections and guidelines, while promoting competition. To maximise the innovation potential of an economy, for example, firms need clear price signals and incentives and the flexibility to shift resources as conditions change. Too often, Malaysian firms face a tangle of regulations that have accumulated over the years and now constrain growth. At the same time, regulations that would promote competition and innovation are absent or insufficiently powerful.

In 2007, the Government took a significant step in rationalising Malaysia's regulatory regime by launching PEMUDAH, a special task force to facilitate business. PEMUDAH's substantial achievements include reducing the process of starting a business from nine procedures and 11 days to three procedures and three days, reducing time taken to register standard property titles from 41 days to two days, and reducing time taken for tax refunds to 14 to 30 days compared to one year previously.

Based on the World Bank's Doing Business 2010 report, Malaysia ranked 23rd among 183 countries, as *Chart 3-3* shows. By the end of the Plan period, the Government aims to make Malaysia one of the top 10 nations in the world for doing business. This will not only enhance Malaysia's global competitiveness, but will also make it one of the best places in Asia in which to do business.

To achieve this goal, the Government will begin with a comprehensive review of business regulations, starting with regulations that impact the NKEAs. Regulations that contribute to improved national outcomes will be retained, while redundant and outdated regulations will be eliminated. This review will be led by the Malaysia Productivity Corporation (MPC), which will be rebranded and restructured to ensure it has strong capabilities and resources. MPC will be comprised of relevant experts from business and academia. Its work will complement the efforts of PEMUDAH. Specifically, MPC will:

- Review existing regulations with a view to removing unnecessary rules and compliance costs. Regulations affecting NKEAs will be prioritised;

Chart 3-3

Malaysia ranks 23rd in the World Bank Doing Business 2010 Report

2010 Global ranking

	Ease of doing business	Starting a business	Dealing with construction permits	Registering property	Trading across borders	Enforcing contracts
Singapore	1	4	2	16	1	13
New Zealand	2	1	5	3	26	10
Hong Kong	3	18	1	75	2	3
US	4	8	25	12	18	8
UK	5	16	16	23	16	23
Thailand	12	55	13	6	12	24
Japan	15	91	45	54	17	20
South Korea	19	53	23	71	8	5
Malaysia	23	88	109	86	35	59

SOURCE: World Bank

- Undertake a cost-benefit analysis of new policies and regulations to assess the impact on the economy;
- Provide detailed productivity statistics, at sector level, and benchmark against other relevant countries;
- Undertake relevant productivity research (e.g. the impact of regulations on growth of SMEs);
- Make recommendations to the Cabinet on policy and regulatory changes that will enhance productivity; and
- Oversee the implementation of recommendations.

This review process will draw on the expertise and perspectives of public sector and private sector leaders, who will help identify key issues and the appropriate solutions. An international best practice example is highlighted in *Box 3-1*.

Box 3-1

International best practice example - Australian Productivity Commission

Established in 1998, the Australian Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. The Commission reviews existing regulations and also conducts in-depth research on important policy issues (e.g. determining drivers of productivity and trade regulations).

The Commission is headed by a chairperson and has between four and 11 commissioners, who are appointed by the Governor-General for terms of up to five years. The Commission uses processes that are open and public; its charge is to make decisions based on overarching concerns for the community as a whole, rather than the interests of any particular industry or group.

It is well resourced, is staffed by high quality people, and has become a highly respected and authoritative voice on important issues - making a significant contribution to regulatory quality, the policy debate, and ultimately on economic outcomes. For these reasons the Australian Productivity Commission has become a model for other countries. In March 2010, New Zealand announced the establishment of a Productivity Commission that will be modelled closely on that of Australia's.

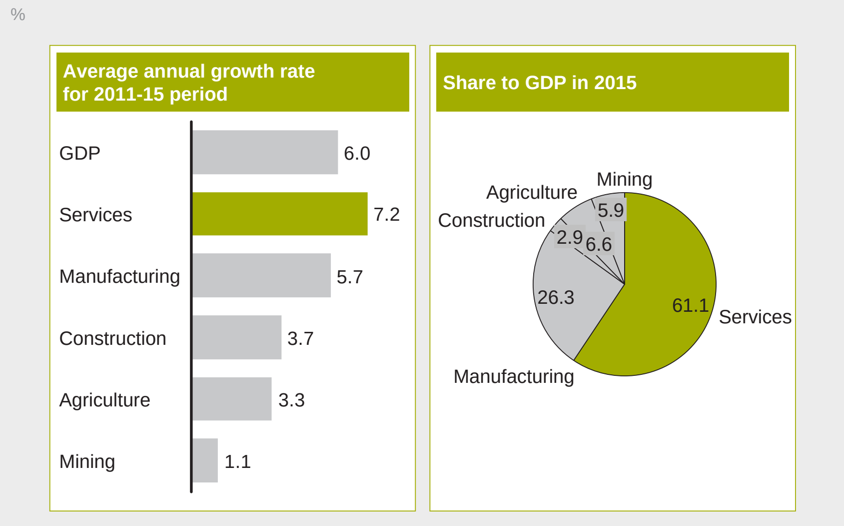
Liberalising the Services Sector

The services sector accounts for 58% of Malaysia's gross domestic product (GDP) and will need to be an important economic growth driver during the Plan period. The sector is expected to grow at 7.2% annually until 2015, raising its contribution to GDP to 61% by the end of the Plan period, as shown in *Chart 3-4*. This growth will depend largely on improving the sector's productivity and attracting new investment. An estimated RM44.6 billion in new investment is required during the Plan period for the services sector to reach the targeted GDP contribution, with an increasing portion from foreign direct investment (FDI). The realisation of this investment will largely depend on the further liberalisation of the services sector. During the Plan period, the services sector will be liberalised under the ASEAN Framework Agreement on Services (AFAS), World Trade Organisation (WTO) and free trade arrangements (FTAs).

In keeping with the AFAS timeline and equity parameters, further liberalisation will be undertaken for all 128 subsectors, allowing at least 70% ASEAN equity ownership by 2015. In this regard, improvements and new commitments will include healthcare, tourism, telecommunications, education, environment, transport and business

Chart 3-4

Services sector is expected to grow at 7.2% annually until 2015



SOURCE: Economic Planning Unit

services subsectors. This builds upon the liberalisation of 65 of the 128 subsectors as at end 2008. In addition to the 128 subsectors, financial and air transport services will also be further liberalised towards meeting the targets for 2015.

Similarly, during the Plan period, the Government will expand on its commitments made to the WTO in 1995 to liberalise 65 services subsectors. Malaysia will make further improvements to its offers covering areas such as professional services, education and telecommunications, as well as tourism and information and communications technology (ICT) services. Malaysia will also continue to negotiate free trade arrangements in the services sector with its major trading partners.

The Government will review domestic policies and regulations that inhibit effective liberalisation of the services sector, including foreign equity restrictions and limits on employment of foreign talent. Rules governing recognition of international qualifications, requirements for commercial presence, composition of board of directors, and residency for expatriates will also be reviewed. The Government will continue to support domestic service providers to build capabilities and prepare for the rise in competition after liberalisation.

Removing Market Distortions by Rationalising Subsidies

Subsidies currently represent a substantial financial burden to the Government, equivalent to 4.7% of GDP or approximately RM12,900 per household per annum. In addition, where subsidies are dispensed via price controls, the lack of market-based pricing often leads to overconsumption, waste and the misallocation of resources. During the Plan period, subsidies and price controls will be gradually rationalised to remove market distortions, which has already begun with sugar.

Subsidies currently provided to producers will be converted to productivity-based incentives, for example, in the fishing industry, incentives will be provided based on volume of fish landing rather than input subsidies. Price controls that are directed at industry and consumers will be gradually removed to reflect market prices. Consumption and investment decisions made by industry and consumers can then be made on a true economic basis, and competitiveness and productivity can then be better assessed and benchmarked.

The Government, however will not compromise on delivering social services like education, healthcare and welfare. Any rationalisation of subsidies for these services will be targeted towards more efficient and effective delivery of these services without compromising service standards. Vulnerable groups and those in low-income brackets who require support will continue to be provided with assistance, as a portion of the savings from subsidy rationalisation will be directed towards them.

Introducing Competition Legislation

Greater competition will be promoted in the domestic market to attract and sustain a high level of private investment and strengthen the business environment to become more transparent and vibrant, whereby businesses compete on quality, value and innovation. The Competition Law will be introduced to govern all firms including GLCs against anti-competitive practices. The law will provide control over abuse of market dominance and anti-competitive agreements between enterprises, including cartel behaviour that could restrict and distort competition in the market.

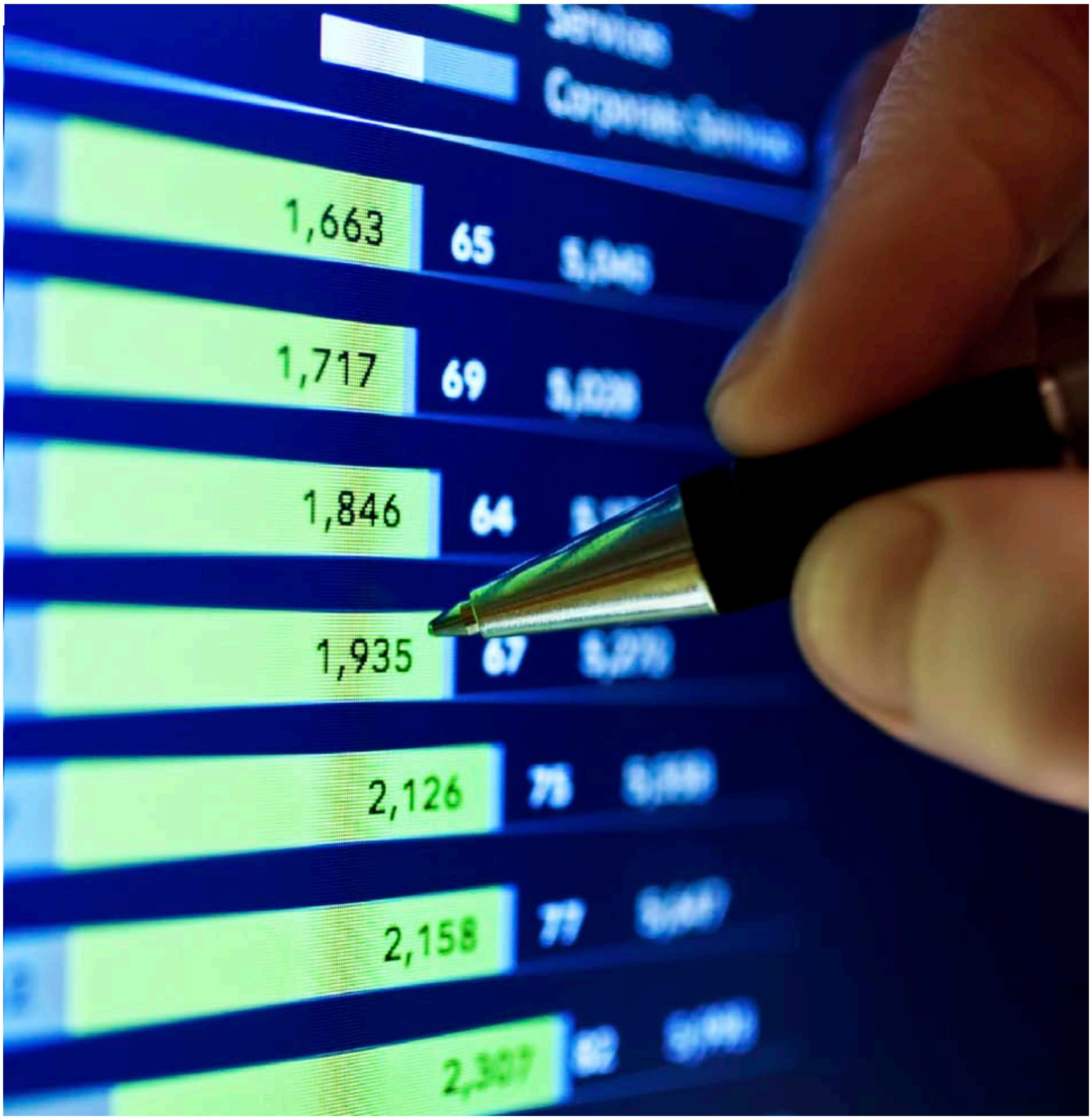
The Competition Law was enacted by the Parliament in 2010. A Competition Commission and a Competition Appeal Tribunal will be established by the end of 2010 to ensure smooth and effective implementation of the legislation. Enforcement will be implemented after an 18-month grace period to allow for advocacy and to familiarise businesses with the legislation.

Improving the Interface between Government and Business

In addition to reforming the policy and regulatory environment, the Government will also undertake a series of actions to improve the interface between business and government to make investing and operating in Malaysia more attractive. Improving the quality and timeliness of government services, and increasing transparency and certainty in government decision-making will yield significant productivity gains. During the Plan period, the Government will continue to enhance the delivery and efficiency of services to business by leveraging ICT. Some of these initiatives are outlined in *Table 3-1*.

Table 3-1

Applying a business-centric approach and facilitating trade	
Area	**Description**
MyGovXchange for businesses	- The existing MyGovXchange will be enhanced as the single gateway for businesses, covering registration, licence application, licence expansion as well as applications for loans and grants from various public agencies.
SSM Enterprise Services Gateway	- Building upon the introduction of a single company identification system, MyCoID, the SSM Enterprise Services Gateway will enable simultaneous registration across multiple agencies following the incorporation of a company with SSM. This reduces the need for companies to register multiple times across various different agencies. - The system will be expanded from five agencies to include all public agencies dealing with business entities.
National Single Window (NSW) for trade	- NSW is an online-based single point of entry for submission of trade data and information. It avoids repetition of provision of the same data multiple times and facilitates a quick and easy release and clearance of cargo. - During the Plan period, the services under NSW will be expanded to include services of Free Zone declarations, Dangerous Goods declarations, non-customs permits, phytosanitary certificates and Convention of International Trade on Endangered Species certificates.
Reducing bureaucracy and streamlining procedures	- To facilitate trade, documentation requirements will be reduced and streamlined with the aim of achieving a paperless transaction environment in line with international standards. - A single Customs Portal will be developed to reduce bureaucracy and facilitate the supply of information and services; it will be supported by an amendment to the Customs Act 1967.
Participation by banks in Financial Process Exchange (FPX)	- The FPX is an online payment gateway for any business-to-business or business-to-consumer transactions with participating banks. - During the Plan period, Bank Negara will define a timeframe for all banks to participate in the FPX to enable a more effective nationwide rollout of the NSW Electronic Customs Duty Payment.
MyExport portal	- Malaysian exporters registered with MATRADE are able to access a variety of services such as up-to-date trade information on trade events and activities, trade statistics and market alerts through the MyExport portal.



SUPPORTING INNOVATION-LED GROWTH

Innovation is a vital ingredient to increasing productivity and ultimately raising the competitiveness of the economy. Through innovation and the exploitation of new ideas, additional value can be captured from the same base of capital and human resource.

Innovation can come in many forms, for example, from improvements in products, processes, and organisational structures. Innovation involves both the creation and diffusion of knowledge. The bulk of innovation in an economy comes from a myriad of companies, institutions and individuals making improvements to products or processes, or identifying new markets and opportunities on an ongoing basis. The Government's innovation agenda will therefore promote innovative activity across the Malaysian economy. The innovation policy will require wide-ranging reform to ensure that Malaysia becomes an efficient, flexible, and vibrant business environment.

The business environment is a critical ingredient of this innovation process, for example, by ensuring a competitive environment with the right price signals, companies will see a clear incentive to innovate. Similarly, by allowing for companies to be efficiently created and ended, resources can be flexibly reallocated towards the highest growth areas of the economy.

Investing in science, research and education can also serve as a powerful engine of innovation in an economy. However, the national innovation agenda has not achieved the desired level of progress. For example, the declining capacity of knowledge generation organisations is evidenced by the decrease in the number of researchers from 21.3 per 10,000 labour force in 2004 to 20.3 per 10,000 labour force in 2008. Gross expenditure on R&D (GERD) declined from 0.69% of GDP in 2004 to 0.21% of GDP in 2008, compared to about 3% of GDP in Singapore. Malaysia targets to increase GERD to 1% of GDP by 2015. The Government will take a series of actions to strengthen Malaysia's innovation system along four key dimensions:

- Shaping a supportive ecosystem for innovation;
- Creating innovation opportunities;
- Putting in place innovation enablers; and
- Funding innovation.

Shaping a Supportive Ecosystem for Innovation

The Government will support innovation by creating an environment in which companies, research organisations, and individuals are better able to engage in innovative activity. These measures will include developing human capital, investing in innovation infrastructure and nurturing new ventures through incubators.

Education and Training

The success of the innovation agenda hinges on a Malaysian citizenry that values openness, embraces critical thinking and encourages risk taking and experimentation. This will require an education system that nurtures creative and analytical human capital. An important step is to develop world-class educational institutions with world-class leadership, particularly universities.

To that end, the Government will commit to using global search to headhunt the best academic leadership for programmes that support innovation, and will also partner with leading global research institutions to ensure deep and sustained capability transfer. In parallel, education and training will be brought closer to industry by allowing greater mobility of academics to conduct contract research and consultancy and for industry practitioners to teach in universities. A programme will be introduced to promote participation from the industry to co-sponsor employees to obtain industrial PhDs.

K- Infrastructure

Information technology (IT) infrastructure will be substantially extended under the Plan period to facilitate connectivity to the global knowledge network. The Government will target 75% of households to have broadband by 2015, and the Malaysia Research and Education Network (MyREN) will be further promoted to allow Malaysian researchers to connect to the global research community.

The Government will also focus on developing comprehensive innovation and research and development (R&D) infrastructures in selected areas where Malaysia has inherent strength and competitive advantage (such as downstream palm oil, modern agriculture, and oil and gas) in order to become a world leader in these areas. Innovation and R&D initiatives will also be aligned with NKEAs and the geographic cluster strategy to ensure that the science and technology development is consistent with the overall economic agenda.

Trade and Investment Policy

Trade and investment policy will be biased towards building innovation capabilities as well as market access and production and volume of investment. Incentive packages for FDI will have strict conditions for transfer of knowledge based on key performance indicators (KPIs), and will be reviewed every three to five years. Incentives will also be provided to multi-national companies (MNCs) for establishing research centres in Malaysia. In addition to market access, FTAs will be leveraged for knowledge transfer through programmes such as student and knowledge worker exchange and technology development collaborations.

Insolvency Law

The insolvency law pertaining to companies and individuals will be simplified to support a culture of taking calculated risk, eliminate the stigma of failure and allow those who failed in the first instance to continue being economically active. Review of the bankruptcy law is expected to be completed by end 2010, and to ensure a more efficient process in the administration of insolvency, the Malaysian Department of Insolvency will be corporatised by 2015.

Incubator Programme

Incubators are an important tool for the creation and nurturing of new ventures and entrepreneurs. However, the impact, effectiveness and sustainability of incubators towards this end has been mixed. For incubators to serve as an effective instrument for enhancing national innovation capacity, new approaches will be adopted in the Tenth Plan as follows:

- Funding for incubators will be gradually shifted towards private sector financing with PPPs as an intermediate step;

- Incubators will be encouraged to shift towards the third generation model that moves beyond provision of workspace to include business and development services. Incubator managers and operators will receive specialised training to upgrade professionalism; and

- The establishment of new incubators will be subjected to strict evaluation criteria to ensure financial sustainability, and the impact and effectiveness of incubators will be measured based on clear KPIs such as rate of company maturation into new enterprises.

K-SMEs

Knowledge SMEs (K-SMEs) have an important role to play as a catalyst of innovation among Malaysian companies. The Government will support development of K-SMEs by providing access to special financing schemes, improving research and innovation capabilities as well as providing specialised skills training. In addition, foreign K-SMEs in key services and manufacturing activities will be encouraged to set up operations in Malaysia to bring in specialised skills and knowledge as well as create a competitive environment.

Creating Innovation Opportunities

The Government will deliberately act to create incentives and opportunities for Malaysian companies to invest in innovation, through the public procurement process and the design of regulations.

Public Procurement

An improved public procurement process is a key opportunity to increase the level of innovation in Malaysian companies. Public procurement, though substantial, has not been a major driver of innovation as it has not spurred adequate competition. However, the recent increased transparency in open bidding is expected to enhance competition and drive innovation as firms compete on price and efficiency. Additionally, procurement will be used to create demand for innovation and push SMEs to develop products in areas that are of benefit to the nation and have larger commercial potential, as shown in *Box 3-2.*

Regulation

Regulatory change is a key driver of innovation as firms compete to develop new products that are more efficient, greener and safer. Other advanced economies have created leading global companies through regulatory reforms that have forced innovative solutions. During the Tenth Plan, several regulatory changes are expected to drive innovation.

There will be a push towards green technology through the National Green Technology Policy, in preparation for green products and services becoming the preferred choice for public procurement. To support this, the green technology financing scheme will continue to issue credit guarantees of 60% for companies developing or using green technology. Firms will also be encouraged to meet Malaysian Standards and recognised international standards for goods and services such as Hazard Analysis and Critical Control Points and Good Manufacturing Practice.

Box 3-2

Catalysing innovation through public procurement: The case of the electronic passport

When the Malaysian Government introduced the electronic passport in March 1998, it became a pioneer in the transformation of cross-border security. At the time, printed travel documents were the worldwide standard. Since then, other countries have followed suit, and adoption of electronic passports accelerated after International Civil Aviation Organization (ICAO) recommended putting chips in passports in 2003.

More importantly, because the Malaysian Government took the bold step of endorsing a new product that was untested, it catalysed the development of the electronic passport business.

Follow-on projects included the Auto Gate at airports and the Passport Renewal Kiosk.

The vendor that pioneered the electronic passport has since become a global company providing electronic passport solutions to more than 12 countries. As the first customer of the electronic passport, the Government of Malaysia has become a critical reference account for the company, helping its overseas expansion.

Putting in Place Innovation Enablers

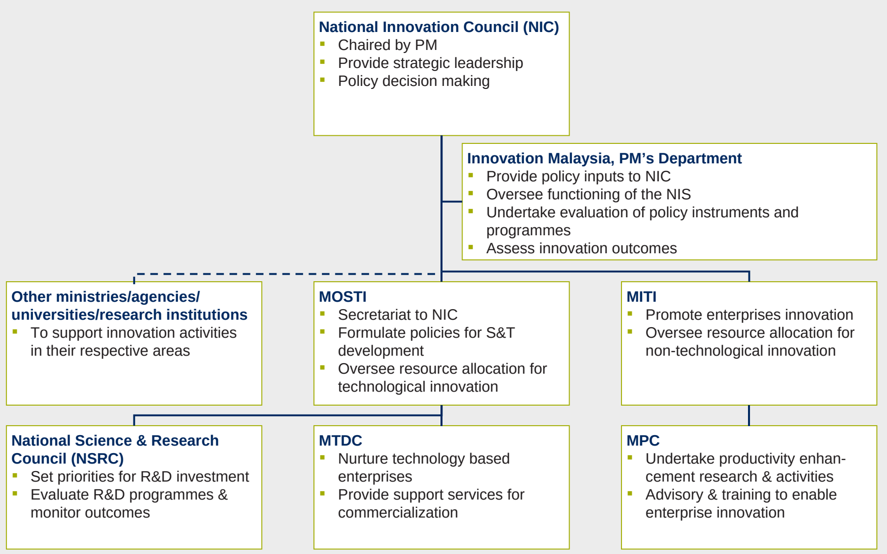
The innovation institutional structure and intellectual property (IP) regime will be strengthened during the Plan period as they are critical innovation enablers.

Institutions

A review of the institutional structure supporting innovation and R&D is imperative to improve innovation outcomes. Innovation by nature is multi-dimensional and multi-sectoral, and requires integration of a large number of policy areas. It is influenced by the structure of institutions and its performance depends on the functioning of these institutions. However, in Malaysia, institutions have, over time, expanded their original scope, thus creating overlaps and inefficiencies in policy and programme implementation. Therefore, a reform of institutional structure will be undertaken during the Plan period, as shown in *Chart 3-5*. The institutional structure will be headed by the Prime Minister's Department in order to have the breadth of scope to take into account innovation across all sectors and all parts of the innovation value chain.

Chart 3-5

Institutional structure supporting innovation and R&D



National Innovation Council (NIC)
- Chaired by PM
- Provide strategic leadership
- Policy decision making

Innovation Malaysia, PM's Department
- Provide policy inputs to NIC
- Oversee functioning of the NIS
- Undertake evaluation of policy instruments and programmes
- Assess innovation outcomes

Other ministries/agencies/ universities/research institutions
- To support innovation activities in their respective areas

MOSTI
- Secretariat to NIC
- Formulate policies for S&T development
- Oversee resource allocation for technological innovation

MITI
- Promote enterprises innovation
- Oversee resource allocation for non-technological innovation

National Science & Research Council (NSRC)
- Set priorities for R&D investment
- Evaluate R&D programmes & monitor outcomes

MTDC
- Nurture technology based enterprises
- Provide support services for commercialization

MPC
- Undertake productivity enhancement research & activities
- Advisory & training to enable enterprise innovation

SOURCE: Economic Planning Unit

An additional important institutional element that requires examination is the research system. Historically, Malaysia's research organisations were established with specific missions (e.g. Rubber Research Institute of Malaysia was for rubber research). With the changing economic landscape coupled with the expanding role of the higher education institutions, there is a need to realign research organisations with priority economic sectors and reduce overlap.

Intellectual Property

The IP regime, including the expertise and institutional capacity of IP examiners and agents, will be upgraded to improve the investment climate and investor confidence and provide a dynamic environment for the creation of new and innovative products and services. In order to further improve the protection regime and shorten the application and approval process for trademarks (from 15 months to 12 months) and patents (from 39 months to 32 months), web-based facilities will be provided including a voluntary registration system for copyright protection and a patent search database. To incentivise the filing and maintenance of IP, the Government will make available grants and preferential rate loans.

Funding Innovation

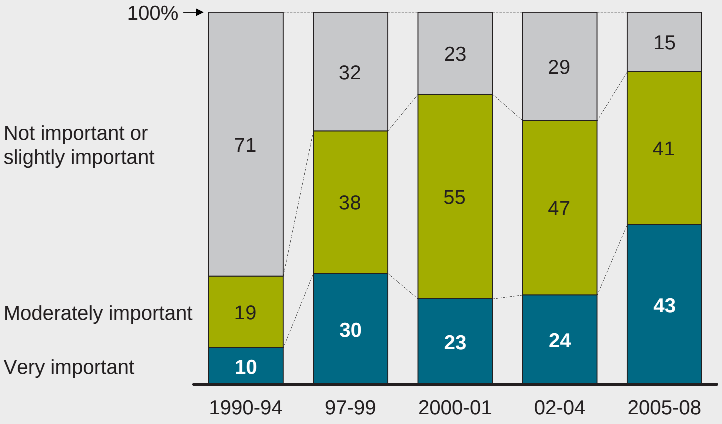
Funding is critical to innovation, but typically requires government support in early stages of development and commercialisation, as markets frequently do not supply the volume of capital to these areas that is optimal for economic development of the country, as shown in *Chart 3-6*. To this end, the Government will support R&D and commercialisation across the value chain under a number of initiatives during the Plan period, as shown in *Chart 3-7*.

During the Plan period, the risk capital industry, will be strengthened to increase access to funding for innovative start-ups. New funding modes for public venture companies will be introduced to better match investment risk profiles and promote greater private sector participation and risk-taking. Government funding to public venture companies namely Malaysian Technology Development Corporation (MTDC) and Malaysian Venture Capital Management Berhad will shift from the current lending model to an equity structure. A ***Mudharabah*** Innovation Fund (MIF), with an allocation of RM500 million, will also be introduced to provide risk capital to government-backed venture companies. The MIF will offer enhanced risk return profile to investors and thus attract greater private risk capital to co-invest, and gradually reduce dependence on public funds.

Chart 3-6

84% of firms state lack of funding as hampering innovation

Share of firms considering 'lack of appropriate source of finance' as factor hampering innovation activities, according to importance, Percent



SOURCE: MASTIC (2006); Lee and Lee (2006); Economic Planning Unit

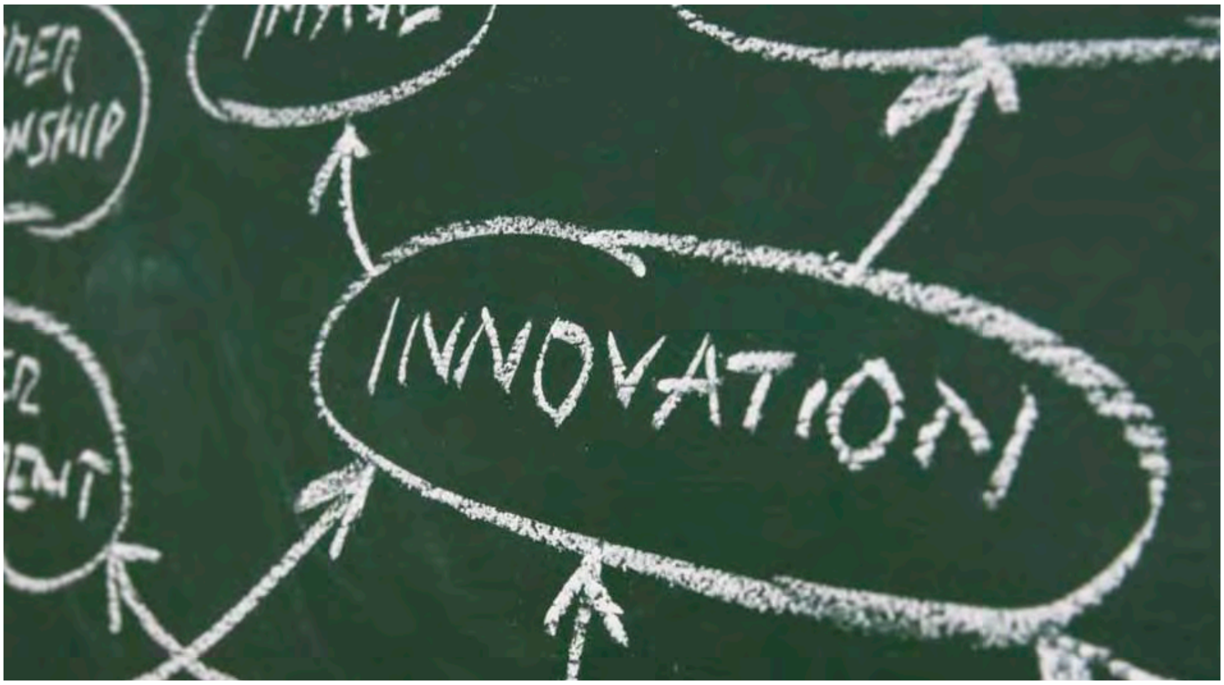
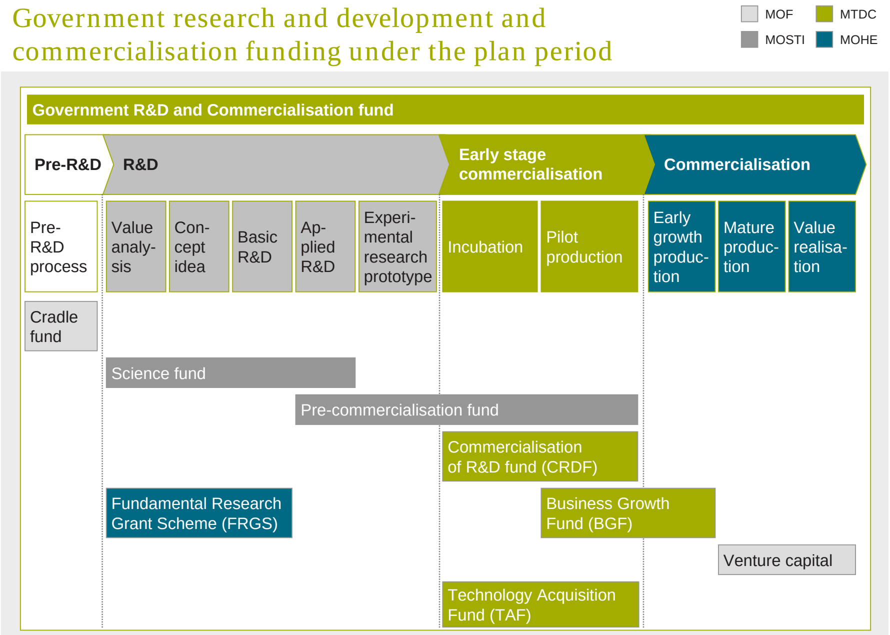


Chart 3-7

Government research and development and commercialisation funding under the plan period

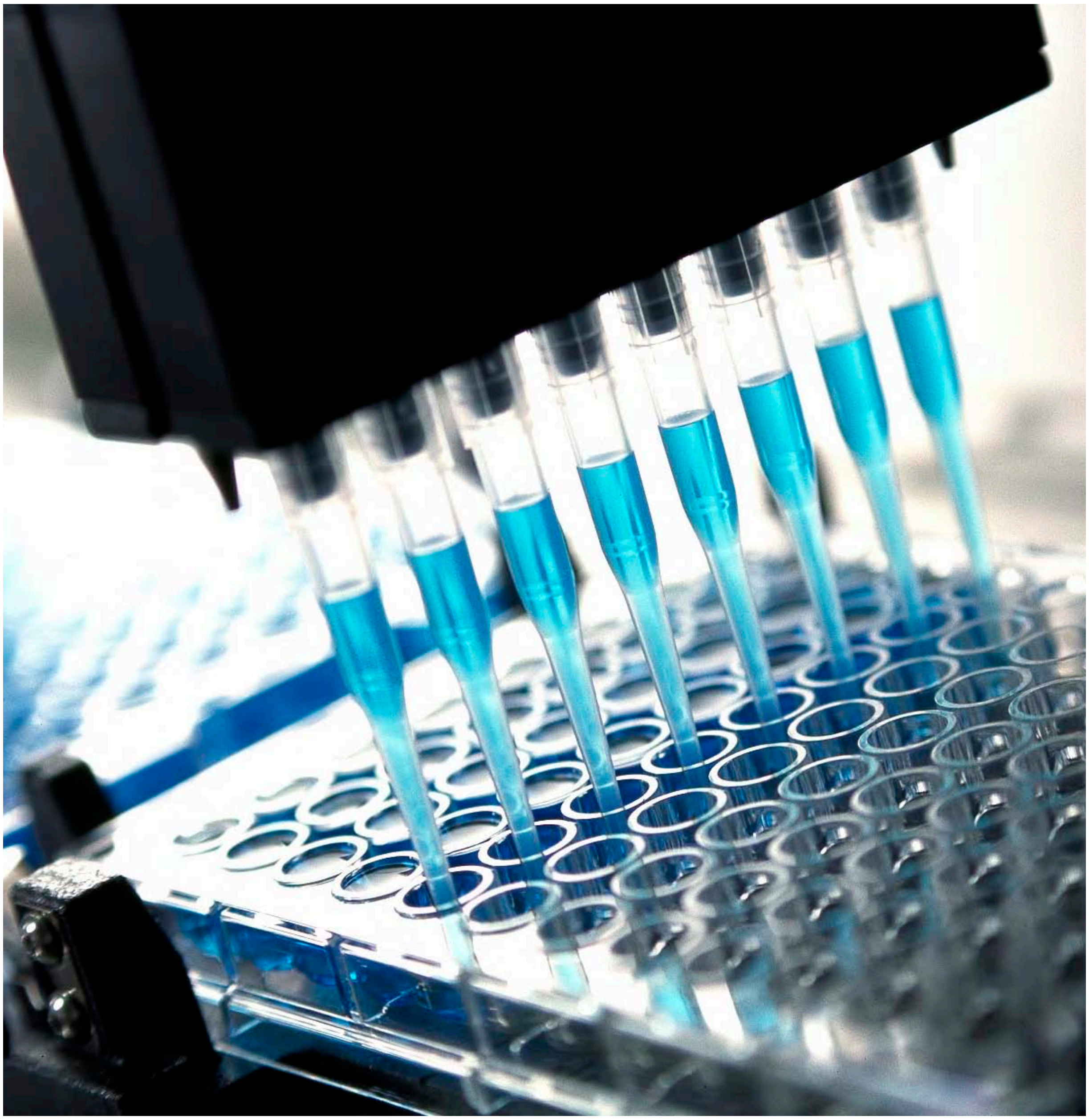


SOURCE: Economic Planning Unit

To bridge the gap between invention and commercialisation of high-technology products, the Government will establish a Business Growth Fund with an allocation of RM150 million. The fund will focus on supporting companies commercialising public sector research results and will provide hybrid grant-equity funding. The goal is to support companies until they can generate sufficient commercial value to attract venture capital funding and financing from other institutions.

Existing public venture capital initiatives will be rationalised. MTDC, will be restructured so that it focuses on its developmental mandate of nurturing technology transfer and commercialisation, while a new technology investment company will be set up to manage funds and investments transferred from the MTDC and Khazanah Nasional.

The Government will continue to fund innovation by allowing tax deductions for R&D and providing matching grants to promote private sector funding of R&D and commercialisation. In addition, a dedicated programme known as 1-InnoCERT, which assesses the innovation level of enterprises, will further stimulate R&D activities through funding incentives such as access to preferential rate loans, credit guarantees and grants.



RATIONALISING THE ROLE OF THE GOVERNMENT IN BUSINESS

In order to increase private sector participation in the economy, active steps will be taken to rationalise the role of the Government and GLCs in business. Three major initiatives will be undertaken towards this end, namely:

- Increasing privatisation and PPPs;
- Establishing a facilitation fund to provide support to private sector for projects of high strategic importance; and
- Achieving an appropriate balance between the Government, GLCs and the private sector.

Increasing Privatisation and Public-Private Partnerships

Malaysia has been implementing privatisation programmes since 1983 and has already established 510 privatisation and PPP projects in the transportation, road, communications, health and energy sectors. Under the Ninth Plan, 22 projects with an estimated value of RM12 billion were undertaken via privatisation and PPP.

A new wave of privatisation will be implemented under the Tenth Plan in order to increase private investment in the economy, improve efficiency in the delivery of services and relieve the financial burden of the Government. Privatisation and PPP will be substantially intensified under the Plan period with 52 projects with an estimated value of RM62.7 billion already under consideration. Projects under consideration include seven toll highways, five Universiti Teknologi MARA branch campuses, the Integrated Transport Terminal in Gombak, privatisation of Penang Port, and redevelopment of Angkasapuri Complex, Kuala Lumpur as Media City.

To ensure creation of value, strategies to strengthen privatisation and PPP will include:

- Monetisation of public sector assets through outright sale, joint venture or long-term lease of land with commercial potential, such as the Rubber Research Institute in Sungai Buloh and 1Malaysia Development Berhad land development project in Sungai Besi;
- Putting in place rigorous checks to ensure that prospective companies meet a minimum set of criteria, including financial standing, track record and management excellence;
- Strengthening the monitoring framework including establishing a strong project monitoring unit to ensure successful implementation of projects and adherence to contractual obligations; and

- Adopting value for money drivers such as optimal distribution of risks between the public and private sector, whole life costing, output specification that allows bidders to innovate in the design of the project, competition that provides fair value and performance-based payment mechanism.

Establishing a Facilitation Fund

A fund will be established to facilitate private sector investment in projects with high strategic value to the nation and multiplier effects. The RM20 billion fund will be designed to bridge the viability gap for private investment in priority areas such as infrastructure, education, tourism and health projects. Priority will be given to new investment and large scale ventures that are in line with the strategic priorities of the country. Projects currently under consideration include the Senai Hi-tech Park in Iskandar Malaysia, Johor and the Raw Water Supply for Industrial Complex in Tanjong Langsat, Johor.

Projects with a minimum capital cost or investment of RM100 million will be eligible for assistance. The private sector will be required to finance and undertake all risks with government funding only used to improve viability of the project. Applicants must prove that they have secured the financing for the project before funds can be disbursed.

The fund will be provided to finance land cost and basic infrastructure such as construction of access roads, bridges and provision of water supply required to make a project viable. The utilisation will be on the basis of reimbursable or progress payments. The Public-Private Partnership Unit (3PU) of the Prime Minister's Department will be the secretariat responsible for the processing of approvals, disbursement and monitoring of the fund.

Achieving an Appropriate Balance between Government, GLCs and the Private Sector

In the pursuit of economic growth there is a need to ensure an appropriate balance between government, GLCs and the private sector, as well as to create an appropriate separation between regulator and operator. This is necessary to accelerate private sector investment and create an effective platform to regionalise and globalise Malaysian firms.

Rationalising the Role of GLCs in the Economy

The role of GLCs will be rationalised to focus on areas that support the creation of a vibrant private sector while withdrawing from areas that do not enhance value creation. Non-core and non-competitive assets of GLCs will be gradually divested in areas where new strategic shareholders have the potential to enhance value creation. However, for new growth areas where entry barriers are high with little or non-existent private sector activity, GLCs will continue to catalyse and nurture development of the sectors to lower entry barriers and help build the critical mass required to stimulate private investments. GLCs will also co-invest with the private sector to venture into new markets and ensure Malaysian firms achieve a larger footprint globally. Such collaboration will promote the concept of inclusiveness and crowding-in private investment.

The Government will also ensure a level playing field between GLCs and the private sector with no preferential treatment accorded to GLCs. Introduction of the Competition Law will also ensure fair competition for all companies including GLCs and will control against abuse from market dominance.

Rationalising the Role of the Government in the Economy

To rationalise the role of the public sector, privatisation of companies under Minister of Finance Incorporated such as Percetakan Nasional Berhad, CTRM Aero Composite, Nine Bio Sdn. Bhd. and Inno Bio Sdn. Bhd. will be completed during the Plan period. The Government will divest its ownership stakes in such a way as to ensure that these assets are broadly held and that the divestment and privatisation initiatives will not affect public interest or the well-being of the *rakyat*. In carrying out divestments, rigorous checks will be put in place to ensure that they are in the public interest and transparent processes will ensure that potential private sector bidders meet a minimum set of criteria, including financial standing, success in business expansion and management excellence, and that their proposals support the 1Malaysia cause.

Separating the Role of Regulator and Operator

Consistent with the objective of promoting a transparent, sound and fair regulatory environment to spur the private sector, a clear delineation between regulator and market players will be introduced. In this regard, during the Plan period the role of government will be reviewed in areas such as public healthcare, electricity supply and telecommunications. This will remove distortions, promote healthy competition between all players including GLCs, reduce cost of doing business and create the right demand and factor conditions.

DEVELOPING SMEs AS AN ENGINE OF GROWTH AND INNOVATION

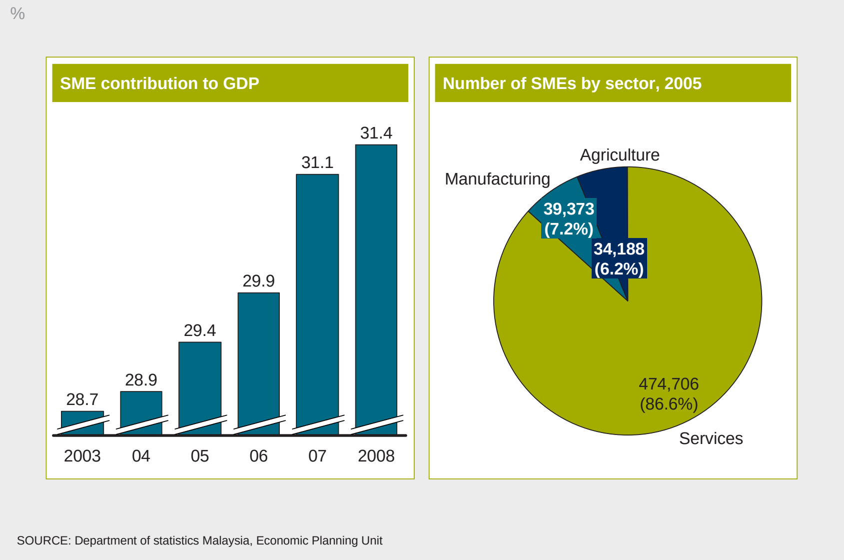
Representing 99.2% of all businesses in Malaysia and contributing 56.4% of total employment in the country, SMEs constitute an important component of the Malaysian economy and have the potential to be a powerful engine of growth and innovation. During the Ninth Plan period, despite considerable challenges, value added of SMEs grew at 7.8%, faster than the overall economic growth. Consequently, SME contribution to GDP increased from 29.4% in 2005 to 31.4% in 2008, as shown in *Chart 3-8*. This was mainly attributed to policy initiatives introduced by the Government including better coordination among the ministries and agencies with the establishment of the National SME Development Council (NSDC). However, the contribution of Malaysian SMEs to GDP remains low compared with benchmark countries in Asia Pacific, as shown in *Chart 3-9* and there is scope to enhance productivity level among SMEs by addressing structural issues.

The Government is committed to unlocking the growth and innovation potential of SMEs over the Plan period to create domestic, regional and global champions. Towards this end, the following initiatives will be undertaken:

- Reducing the regulatory costs borne by SMEs;

Chart 3-8

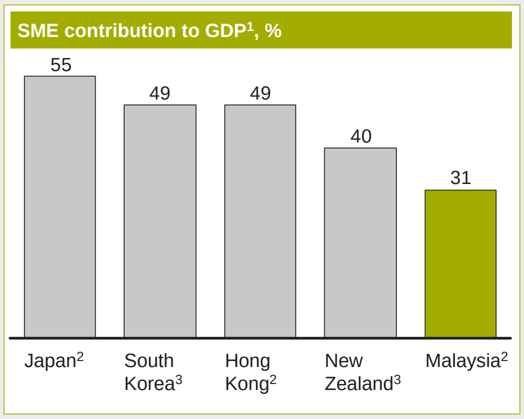
SME contribution to GDP has increased, with 87% of Malaysian SMEs in the services sector



SOURCE: Department of statistics Malaysia, Economic Planning Unit

Chart 3-9

Contribution to GDP of Malaysian SMEs is relatively low compared to other countries



1 Calculated as value added to economy, when contribution to GDP not available. 2 2008. 3 2006

SOURCE: 'Strategy Package for Higher Growth and Structural Change, 2009' Economic Planning Unit; MoF Policy Research Institute, Japan.

- Building capacity and capabilities of SMEs;
- Supporting the creation of an entrepreneurial culture;
- Strengthening support systems for SMEs; and
- Enhancing access to financing for SMEs.

SME Corp. Malaysia, as the central coordinating agency, in collaboration with other relevant ministries and agencies will be responsible to deliver the SME development targets. SME Corp. Malaysia will coordinate programmes, including funding offered by various ministries and agencies, to reduce redundancy and inefficiency as well as track and assess the impact of the programmes. It will report annually to the NSDC chaired by the Prime Minister.

Reducing Regulatory Costs Borne by SMEs

Many regulatory issues are felt disproportionately by SMEs, who typically do not have the financial resources to deal with regulatory requirements in a cost-effective manner. Two critical issues are ease of starting and closing a business, which the World Bank's 2010 survey ranks Malaysia at 88th and 57th respectively. During the Plan period, in order to encourage entrepreneurial activity, the Government will exempt some of the more costly business regulations for companies employing five or fewer people until the company expands beyond five employees. Regulations will be eased for these companies in areas such as registration of business and employment requirements. International experience has shown that this can be a highly effective method of stimulating entrepreneurship, as shown in *Box 3-3*.

Box 3-3

International examples of governments encouraging entrepreneurial activity

The French government introduced the 'auto-entrepreneur' scheme in 2009 as a way to encourage more start-up and entrepreneurial activity. The scheme includes measures to improve cash flow among young companies, by allowing them to spread out social security and income tax costs; measures to make business registration simpler and less costly; and providing better protection of personal assets in bankruptcy. The scheme has exceeded expectations, with an estimated 320,000 businesses already registered under the scheme and France saw a 75% surge in new business registrations in 2009.

In addition to encouraging entrepreneurs to launch businesses, governments have also adopted policies to help them evolve to employer status (as most businesses never get beyond employing the owner). For example, New Zealand has introduced a payroll subsidy for firms that employ five people or less. This is intended to remove one of the costs associated with employing additional staff: using a payroll agent. Other measures that have been considered are exempting SMEs from aspects of employment law (e.g. hiring and firing) and occupational safety and health provisions.

Building Capacity and Capability

SME growth is currently constrained by a lack of skilled labour. Programmes to address this in the Plan period include:

- **MNC/large company training.** Employees of SMEs that supply products and services to MNCs and large companies will be given hands-on training to upgrade their knowledge and skills. This will ensure SMEs are able to meet the specific requirements and standards of these large companies;

- **Skills training programmes.** Courses in management, finance, marketing and ICT applications will be delivered by government-recognised training institutes, targeting 20,000 SMEs during the Plan period;

- **Medium-term industry training maps.** To support SMEs in human capital management, the Government will collaborate with trade and industry associations to develop medium-term training maps and undertake industry-related training; and

- **Leveraging training resources abroad.** The Government will assist SMEs to obtain training in areas which are not available locally by engaging foreign trainers and experts. Malaysia will also foster links with training centres abroad via government-to-government cooperation to develop specialised courses for SMEs.

Supporting the Creation of an Entrepreneurial Culture

The Government is committed to investing in creativity by stimulating entrepreneurship. To spur the number of business start-ups and encourage a culture of entrepreneurship in Malaysia, the Government will enhance the SME-University Internship Programme. Under this programme, university students with specific skills will be assigned to a business for two to three months to gain work experience and to update knowledge of business practices. The Government will also promote entrepreneurship to young Malaysians by sponsoring business plan competitions at schools and universities, introducing business-related curricula, and funding public campaigns that showcase successful Malaysian entrepreneurs. The target is to see 2,000 new businesses launched by students and graduates by the end of the Plan period.

Strengthening Support Systems for SMEs

The support system for SMEs will be improved on several fronts during the Plan period to allow SMEs to fulfil their potential:

- To increase acceptance of SME products and services, the National Mark quality certification will be further promoted. Additionally, in order to support SMEs in developing branding, capabilities training will be provided in collaboration with universities and the mobile branding and packaging gallery initiative, which provides advisory services, will also be expanded to provide coverage to smaller towns. Additionally, specialised retail outlets will be established nationwide with private sector participation to promote and market SME products and services;

- To support innovation, 1-InnoCERT will be introduced to certify SMEs on the basis of innovation and commercialisation achievement. SMEs that receive 1-InnoCERT certification will receive benefits such as tax deduction for R&D activities and priority in government procurement. By 2015, it is targeted that 500 SMEs will be 1-InnoCERT certified; and

- To improve outreach, SME Corp. Malaysia will expand field offices with business centres to all states. These offices will disseminate information on funding and incentives, provide counselling and coaching, and act as a clearing house for all issues related to SMEs. An online centralised trade information platform will also be in place to increase access to trade opportunities overseas.

Enhancing Access to Financing for SMEs

One of the key requirements for SME growth is access to financing to fund operations and capital investment. SMEs continue to receive good access to financing from financial institutions with an approval rate of 82% between 2006-2009. During this period, 524,000 SMEs benefitted from RM220 billion of financing. SMEs' share of business financing from banks increased to 40% at end-March 2010 from 27% at end-1998. Malaysia was ranked number one by the World Bank in the category of 'Getting Credit' for three consecutive years from 2008 to 2010.

However, some early-stage SMEs in new growth areas continue to have difficulty in obtaining financing and guarantee facilities due to the lack of a proven track record. In order to enhance access to financing to such SMEs, the following programmes will be put in place:

- **Venture capital and private equity**. The development of the venture capital and private equity industry will be accelerated to provide risk capital to innovative SMEs in new growth areas;

- **Financing and guarantees**. Special financing schemes by development financial institutions and other participating institutions will be provided to SMEs in new growth areas;

- **Preferential loans and hybrids**. In order to introduce greater accountability and ownership and establish a good credit culture, financial support will be provided to SMEs in the form of preferential rate loans or hybrid grant loans. Grant schemes will be reduced in stages and only be utilised as a form of incentive for SMEs that excel. These loans are intended to help SMEs acquire business premises, upgrade equipment and finance working capital;

- **Working Capital Guarantee Scheme (WCGS)**. The scheme, with an allocation of RM7 billion, was introduced under the stimulus package in 2008 to assist companies during the economic slowdown. The WCGS will be reintroduced.

- **Financial help desks**. Financial advisory services will be enhanced with the setting up of financial help desks at trade associations and chambers of commerce, which will be promoted via road shows to enhance awareness; and

- **Diagnostic tool**. Financial institutions will be encouraged to adopt SME Competitive Rating for Enhancement (SCORE), a diagnostic tool for rating SME performance at the firm level, as a complementary tool to assess credit worthiness of SMEs.

With the financial assistance as well as the advisory services and training, it is targeted that 16,000 SMEs will be able to upgrade their business and improve their star rating under the SCORE system in the Plan period.

COMPETING GLOBALLY

Malaysia operates in an increasingly competitive regional and global environment. As a relatively small economy, Malaysia's success in achieving its growth targets will be determined in large measure by how well it competes in sales of goods and services on the global market, as well as how well it competes for capital, firms and talent. Based on the International Institute for Management Development's World Competitiveness Year Book 2010, Malaysia's ranking improved significantly to 10th position from 18th in 2009, as shown in *Chart 3-10*. During the Plan period, the Government will build upon its improved competitiveness position by focusing on two key areas:

- Competing in global markets to ensure that Malaysia participates successfully in international trade; and

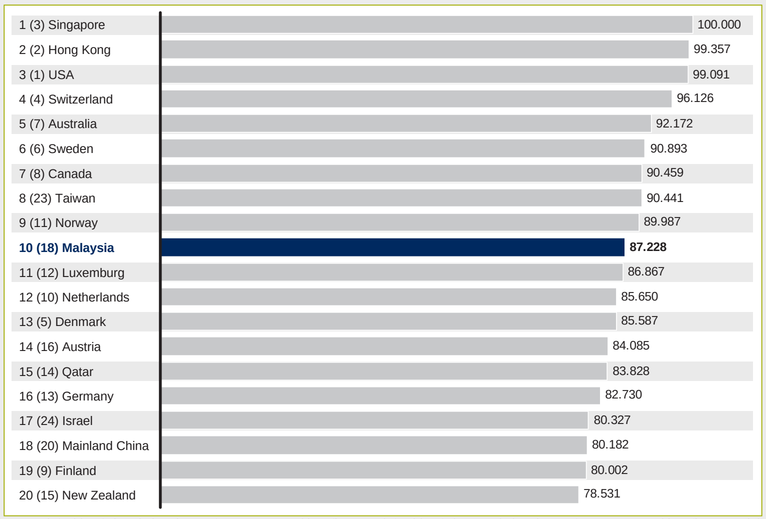
- Competing strongly to attract foreign talent and investment to Malaysia.

Competing in Global Markets

International trade is a significant part of the economy. Currently, the value of trade is more than double that of GDP, with gross exports amounting to RM1.16 trillion in 2009 and expected to nearly double to RM2.19 trillion in 2015. Currently, about

Chart 3-10

Malaysia ranks 10th in the World Competitiveness Scoreboard 2010



Notes: Figure on left side of chart in brackets refers to 2009 ranking, figure on left side of chart not in brackets refers to 2010 ranking, figure on right side of chart are indices (0 to 100)

SOURCE: IMD World Competitiveness Yearbook 2010

60% of Malaysia's exports are with countries with which Malaysia has signed FTAs, either bilaterally or through ASEAN. Malaysia will leverage on FTAs and introduce several initiatives to expand its global export market share as follows:

- Expanding export markets;
- Assisting Malaysian firms to break into export markets;
- Building trade momentum from FTAs and
- Reducing transaction costs.

Expanding Export Markets

Given the vital importance of trade to the Malaysian economy and increasing competition for markets, export promotion will be intensified in fast growing markets in East Asia, India and Gulf Cooperation Council (GCC) countries, and increased market presence will be established in new and emerging markets such as Africa, Latin America and Central Asia. Opportunities in traditional markets such as the ASEAN, the United States and European Union will be optimised by expanding into new market segments as well as enhancing market visibility and strengthening the credibility of Malaysian goods and services. ASEAN will be a key focal point as the ASEAN Free Trade Area has now been fully realised and has created a virtually duty free market of close to 600 million people.

Malaysian firms will be assisted to promote their products and services through specialised marketing missions, incoming buying missions, trade investment missions and trade fairs. Branding initiatives will be undertaken more aggressively to create more Malaysian global brands. The capability of Malaysian firms to export will be enhanced through various support programmes. Firms will also be encouraged to adopt and comply with international standards and requirements on quality, safety and environment to improve market access for their products and services.

Assisting Malaysian Firms to Break into Export Markets

Expanding business into the export market remains a challenging task for many Malaysian firms. To facilitate the expansion of Malaysian firms into the export market, the Government will provide assistance in the form of export promotion, improve international branding of leading exporters and build capacity. Specific initiatives include:

- **Services Export Support.** Financial assistance to conduct feasibility studies and secure tenders for international projects as well as for export promotion activities;

- **Brand Promotion Programme.** Financial assistance to firms to develop their brands in the international market such as for developing brand strategy, training in brand development, conducting brand market research and participating in international events. The target is to generate 200 internationally recognised Malaysian brands by 2015;

- **Malaysia Institute of Exports.** Establishing a Malaysia Institute of Exports to provide training for Malaysian exporters and provide information on target export markets; and

- **EXIM Bank.** Enhancing the capacity of EXIM Bank to provide financing to a broad range of Malaysian companies exporting products and services.

Additional support will be provided to SMEs as they are significantly under-represented in Malaysia's exports. As in many other countries, exporting is a more challenging proposition for SMEs than it is for larger firms. The Government will introduce a more active set of policies and activities to assist Malaysian SMEs to break into export markets. Activities will include support programmes to encourage SMEs participation in international trade events, export training, providing shared infrastructure and services overseas, and financial assistance such as the Market Development Grant, which will target to generate 4,000 new exporters during the Plan period.

Building Trade Momentum from FTAs

Malaysia has to-date concluded bilateral FTAs with Japan, Pakistan and New Zealand and regional ASEAN agreements with China, Japan, Korea, India and Australia-New Zealand.

The challenge is to build more meaningful trade momentum from the FTAs that have been concluded. Assisting Malaysian companies to seize the potential from the FTAs will be an important focus under the Plan period. As many other countries have experienced, signing an FTA does not necessarily translate into improved exports. There is recent evidence suggesting that only about 20% of firms in Asia take deliberate advantage of the preferences provided by the FTA. To extract full potential of the FTAs, the Government will help firms understand the opportunities provided by the FTAs in these markets and will provide appropriate support to access the opportunities that have been generated in these markets.

Moving forward, while WTO will remain the primary vehicle to open up markets on a most favoured nation basis, Malaysia will continue to engage in bilateral and regional preferential trade arrangements with its important trading partners to complement efforts in the WTO and seek better access to individual markets. During the Plan period, Malaysia will target free trade arrangements with the EU, Transpacific Strategic Partnership, ASEAN+3 and several emerging economies. In pursuing new FTAs, Malaysia will undertake a thorough evaluation of costs and benefits to Malaysian businesses to ensure that they achieve beneficial outcomes.

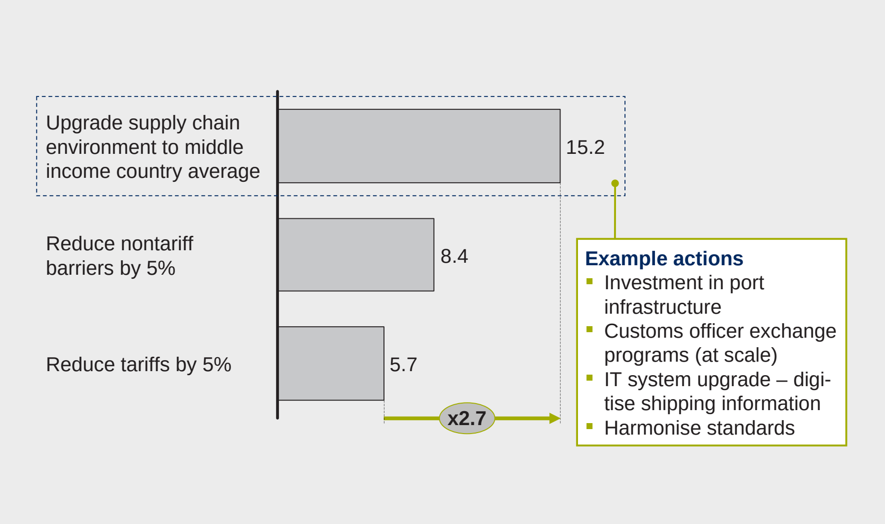
Reducing Transaction Costs

International experience shows that upgrading supply chain and reducing transaction cost can be substantially more effective than reducing tariff and non-tariff barriers, as shown in *Chart 3-11*. An active programme for reducing transaction costs such as customs procedures and logistics will be undertaken to facilitate trade and unlock the potential of FTAs. This will include expansion of services under the National Single Window to include services for Free Zone declarations, dangerous goods declarations and non-customs permit. The Government will also promote

Chart 3-11

Supply chain environment matters more than tariffs

Relative effectiveness of actions to improve trade with a low income country, % increase in imports



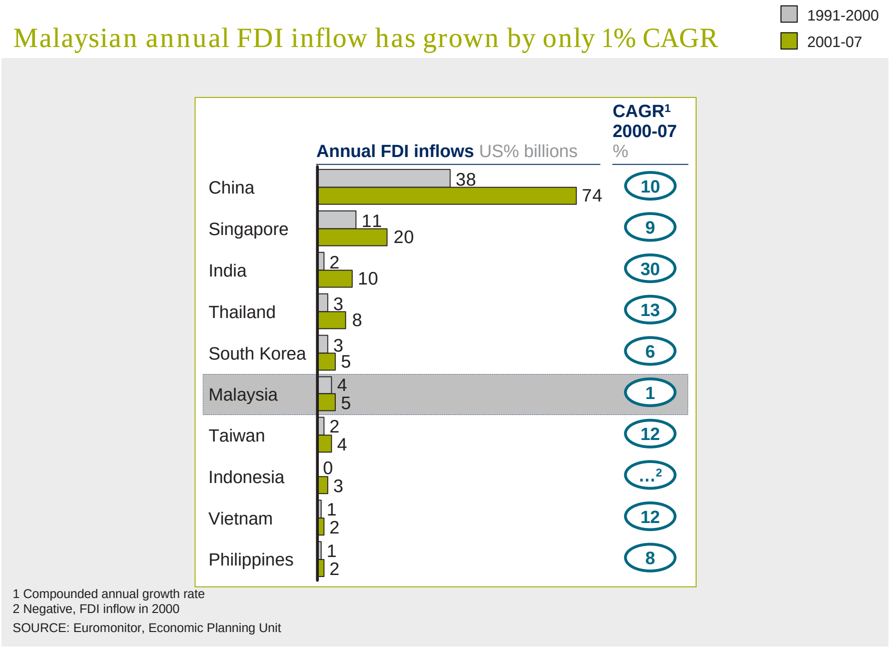
SOURCE: 'Trade Policy, Trade Costs, and Developing Country Trade' Hoekman and Nicita;,World Bank, 2008 greater use of ICT in the provision of cross border customs and logistics services and will review all regulations and procedures pertaining to trade with the view to reduce cost and time as well as increase efficiency.

Competing to Attract Foreign Investment and Talent to Malaysia

Global and regional competition for talent and FDI is increasingly intense. To achieve the target of becoming a developed nation by 2020, Malaysia must improve its performance in attracting and retaining FDI flow. As *Chart 3-12* illustrates, Malaysia does not compare well against other countries in the region on FDI. It is also not attracting and retaining its share of expatriate talent, as shown in *Chart 3-13*. To bolster performance in these critical areas, the following initiatives will be undertaken:

- Benchmarking Malaysia's attractiveness;
- Empowering Malaysian Investment Development Authority (MIDA) to attract investment; and
- Investing in talent recruitment.

Chart 3-12

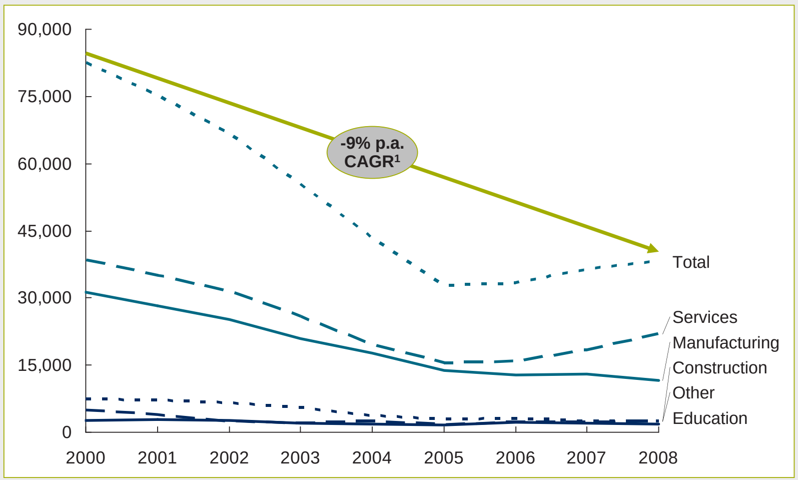


1 Compounded annual growth rate
2 Negative, FDI inflow in 2000
SOURCE: Euromonitor, Economic Planning Unit

Chart 3-13

The overall number of expatriates in Malaysia has declined since 2000

2000-2008; Number of workers



1 Compounded annual growth rate

SOURCE: Economic Planning Unit

Benchmarking Malaysia's Attractiveness

The Government will conduct an annual survey to develop a richer understanding of the drivers of the location decision of investors, companies, and people. Once the key factors are identified, data will be collected on these factors and publicly benchmarked against other relevant countries. This will inform the Government's policy decision-making process in order to ensure that Malaysia is as well positioned to compete for capital and talent. Based on this benchmarking, Malaysia will make appropriate adjustments to increase its attractiveness. Among the initiatives that will be considered are further easing regulatory burden, providing industry-tailored incentives and providing reduced corporate and personal income tax rates to selected industries in specific locations, such as the 15% income tax rate currently in effect for qualified knowledge workers residing and working in Iskandar Malaysia, Johor. In addition, physical infrastructure and utilities, including industrial parks, will be upgraded to support industries.

Empowering MIDA to Attract Investment

MIDA is the principal agency for the promotion of the manufacturing and services sectors. MIDA will target both domestic investment and FDI in priority sectors and geographies and those that support innovation and productivity growth. The focus will be on attracting quality investment rather than quantity. Several important changes will be made to MIDA during the Plan period to make it a more effective investment promotion agency. These changes will enable MIDA to approve incentives in real time and act swiftly to engage investors more effectively. MIDA will be:

- Corporatised to enable the necessary organisational flexibility to attract and retain the talent it needs to be internationally competitive;
- Given the authority to negotiate directly with investors for targeted projects; and
- Designated as the central investment promotion agency for the manufacturing and services sectors (excluding utilities and financial services), to enhance the coordination and cohesion among the relevant investment promotion bodies in the country.

Investing in Talent Recruitment

Liberalisation has increased the mobility of talent with an increasing number of highly skilled and knowledge workers moving to developed countries drawn by excellent working conditions, good quality of life and better compensation packages. To effectively compete for talent, Malaysia will introduce several initiatives including establishment of the Talent Corporation (TC). The TC will be established under the Prime Minister’s Department with the mandate to drive solutions to attract, motivate and retain the talent needed for a high-income economy.

TC will have three key roles: as a catalyst to lead and drive innovative national talent management initiatives; as a facilitator for private sector efforts in attracting, creating and motivating a world class workforce; and to deliver major national initiatives on talent across the human capital development pipeline. This will include leveraging the diaspora of Malaysians abroad, simplifying the path for foreign talent to work in Malaysia, ensuring better working conditions and providing the appropriate incentive packages. The National Talent Blueprint will also be formulated by 2011 to identify the talent needs focused on the NKEAs and develop the specific initiatives to accelerate the pipeline for the talent required.

ESTABLISHING WORLD-CLASS INFRASTRUCTURE TO SUPPORT GROWTH AND ENHANCE PRODUCTIVITY

An advanced high-income economy requires world-class infrastructure to support its economic activity. During the Plan period, continued investments will be made to upgrade the quality of the nation's infrastructure including broadband networks, ports, double-track railway lines and airports that enhance access and connectivity and, therefore, improve productivity. Infrastructure development will also include enhancements in systems to deliver fuel and electricity which are fundamental to attracting new investments, as well as encouraging existing industries to expand into high value-added activities.

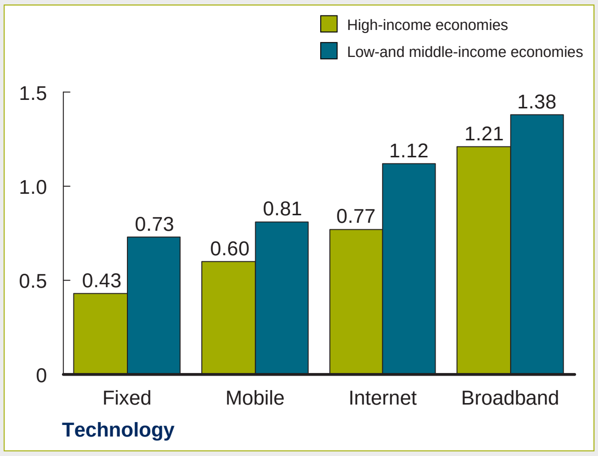
Increasing Broadband Penetration

Broadband is a key economic enabler and has the potential to revolutionise the way Malaysians live, work and play, while delivering real economic benefits via increased productivity. It will also spur the development of the domestic content industry and e-commerce. According to a World Bank study, a 10% increase in household broadband penetration can increase GDP growth by more than 1%, as shown in *Chart 3-14*. To capture this opportunity the Government has set a target of

Chart 3-14

A 10% increase in broadband penetration can support more than 1% increase in GDP growth

% increase in GDP growth per 10% increase in telecommunications penetration[1]



[1] All results are statistically significant at the 1% level except for that of broadband in developing countries, which is at the 10% level

SOURCE: Information and communications for development report 2009, World Bank raising household broadband penetration to 75% by the end of 2015, as shown in *Chart 3-15*. This will be achieved via two main initiatives: High-Speed Broadband (HSBB) and Broadband to General Population (BBGP), which leverage both wired and wireless technologies.

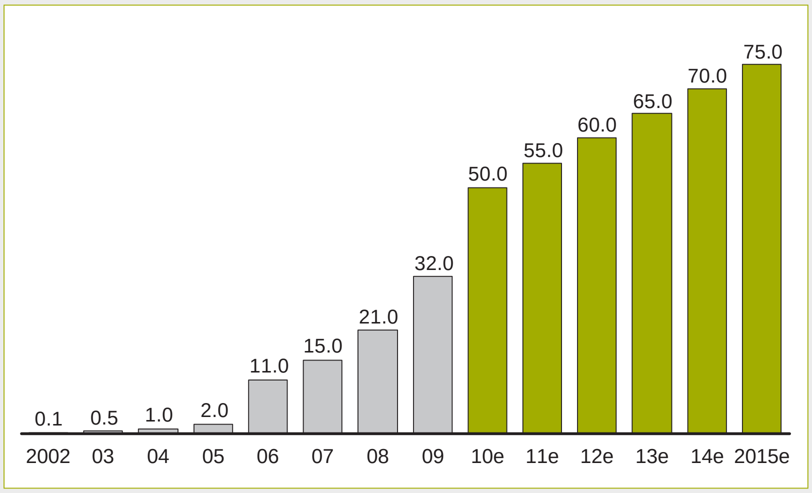
The HSBB initiative will cover about 1.3 million premises by 2012 in the high population, high economic impact 'Zone 1' areas (state capitals, large urban and industrial zones) as shown in *Chart 3-16*. HSBB will offer speeds of up to 100 Megabits per second (Mbps) through Fibre-to-the-Home (FTTH) technology. The HSBB will be complemented by the BBGP which will cover 'Zones 2 and 3' (semi-urban and rural areas). The national rollout of broadband is expected to incur a cost of approximately RM2.6 billion. The cost of HSBB rollout will be complemented by the private sector whereas that of BBGP will be partly funded through Universal Services Provision Fund.

The Malaysian Communications and Multimedia Commission (MCMC) will further strengthen the regulatory framework to ensure an equitable, non-discriminatory and a level playing field to increase competition and benefit consumers. Additionally, to stimulate demand for broadband,

Chart 3-15

Malaysia's broadband penetration reached 31% of households in 2009 and is expected to reach 75% in 2015

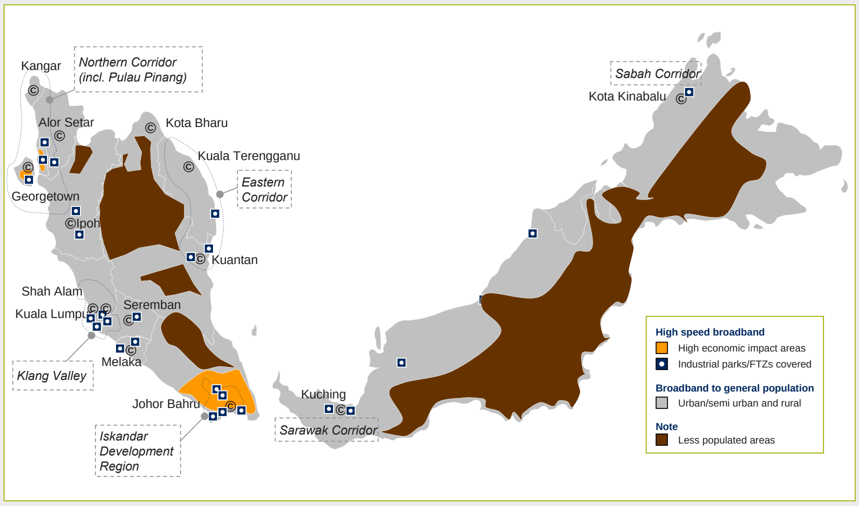
Household broadband penetration, %



SOURCE: Ministry of Information, Communications and Culture (MOICC) and Malaysia Communications and Multimedia Commission (MCMC)

Chart 3-16

Broadband coverage map in 2015



Note: Areas are indicative, not to scale and may change according to detailed plan. BBGP co-exist in all HSBB areas

SOURCE: Malaysian Communications and Multimedia Commission (MCMC)

a series of measures will be introduced, including tax rebates for broadband subscription, providing affordable packages for students and the rural population, encouraging computer ownership as well as promoting development of local content both in the public and private sectors. The existing Uniform Building By-law 1984 will also be amended to make it mandatory for developers to provide broadband facilities in residential and commercial areas.

Continuing to Upgrade Physical Infrastructure to Enhance Access and Connectivity

Physical infrastructure plays a vital role in supporting the economic development of Malaysia and is important for domestic businesses, the export sector, tourism, and to attract investment. Key physical infrastructure initiatives during the Plan period include:

Multimodal Transport Network

In line with the objective to improve trade efficiency and enhance logistics systems, a multimodal transportation network will be further developed. About RM2.7 billion will be invested to build roads and rail leading to key ports and airports while logistics management will be improved to enhance efficiency of transportation of cargo through rail, ports and airports. The East-Coast Highway from Kuantan to Kuala Terengganu will be completed in 2012, which, coupled with the expansion of Kuantan Port, will provide the basic infrastructure for trade activities and cargo movement along the east coast corridor of Peninsular Malaysia. The completion of the Penang Second Bridge, which links the mainland to the island of Pulau Pinang will provide better connectivity and accessibility to the Penang International Airport, boosting economic growth in Pulau Pinang. Similarly, the South Klang Valley Expressway, which is expected to be completed in 2012 will provide a second access to Westport of Port Klang.

Rail Development

To facilitate greater freight rail movement and relieve congestion on roads, the electrified double-track railway project will be extended to Johor Bahru to complete the network and increase operational efficiency. With the completion of the double-track project from Johor Bahru in the south to Padang Besar, Perlis in the north, at an estimated cost of RM16.5 billion, the share of freight volume by rail is expected to increase to 10% in 2015 from the current 1.3%, resulting in a reduction of transportation costs. To accommodate increasing freight volume, existing train sets will be refurbished and new ones will be purchased. In the east coast of Peninsular Malaysia and Sabah, rail services will be enhanced by modernisation of facilities and technologies to increase access to rural areas. In addition, a mass rapid transit system covering a 20km radius from the Kuala Lumpur city centre will be implemented and is expected to carry 2 million passenger-trips per day when completed.

Maritime Infrastructure

Ports remain a vital component in transportation of bulk cargo. During the Plan period, a national port policy will be formulated to outline the objectives, strategic directions and further development of the port sector. Maritime infrastructure will be upgraded to ensure competitiveness of Malaysian ports, including spending about RM1 billion for the capital dredging of port channels to cater for bigger vessels and upgrading works at Westport of Port Klang, Selangor and Port of Tanjung Pelepas, Johor to provide additional capacity for import and export of goods. Key private investments during the Plan period will include upgrading works of Westport, Port of Tanjung Pelepas and Penang Port, totalling RM6 billion.

Airport Development

Economic growth increased mobility of people while continuing efforts to attract tourists has resulted in more passenger and cargo traffic. Airline passenger arrivals are expected to grow from 47 million in 2008 to 62 million in 2015 and this will necessitate expansion of airport capacity at a cost of RM3.3 billion. A new low cost carrier terminal will be built at Kuala Lumpur International Airport (KLIA) to cater for the rising number of flights. In addition, the Penang International Airport will be upgraded, in terms of both passenger and cargo facilities, to support the development of the Northern Corridor Economic Region (NCER). The expansion of airport capacity will be complemented with concerted efforts to attract more airlines, thus creating better connectivity to support KLIA as an aviation hub. Additionally, a council consisting of major stakeholders will be formed to address issues pertaining to the aviation sector including formulating a route allocation policy.

Ensuring Effective Sourcing and Delivery of Energy

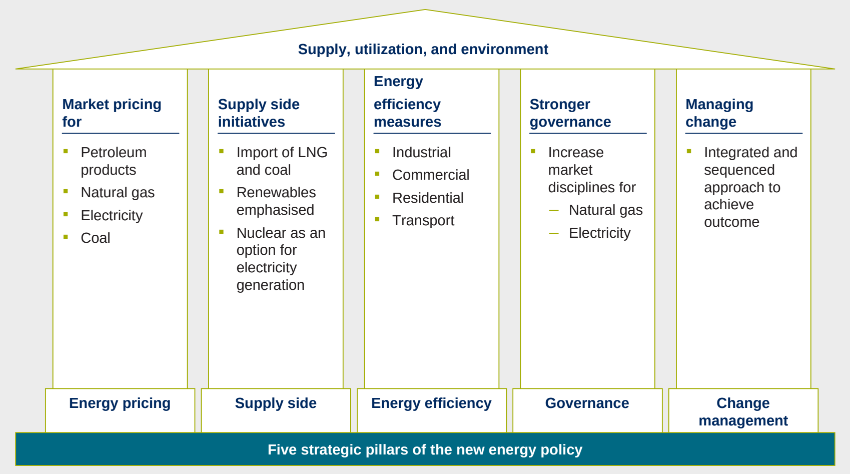
A reliable, high-quality and cost-effective supply of energy is fundamental to attracting new investments as well as encouraging existing industries to expand into high value-added activities. The New Energy Policy (2011-2015) emphasises energy security and economic efficiency as well as environmental and social considerations. The Policy will focus on five strategic pillars: initiatives to secure and manage reliable energy supply; measures to encourage energy efficiency (EE); adoption of market-based energy pricing; stronger governance and managing change, as shown in *Chart 3-17*.

Initiatives to Secure and Manage Reliable Energy Supply

Energy security will be enhanced through the development of alternative resources, particularly hydro as well as importation of coal and liquefied natural gas (LNG) by 2015. In the transport sector, blending of bio-fuel will be made mandatory beginning in 2011, further enhancing fuel security. Development of new coal-based plants will be undertaken to ensure security of supply in Peninsular Malaysia. The application of super critical coal technology will be explored to reduce carbon emissions. In addition, the development

Chart 3-17

Five strategic pillars of the new energy policy



SOURCE: Economic Planning Unit

of nuclear energy as an option for electricity generation will be considered to ensure reliable and cost-effective supply in Peninsular Malaysia. In this regard, efforts will include feasibility studies, human capital development and public awareness campaign.

Measures to Encourage Efficient Use of Energy

During the Plan period, EE initiatives will gain momentum with the formulation of the Energy Efficiency Master Plan, setting of minimum energy performance standards for appliances and development of green technologies. These measures will encourage industries and consumers to use energy productively and minimise waste to be more competitive in the global market. In addition, new energy intensive industries will not be encouraged while energy efficient and high value added industries will be promoted. In this regard, the electricity tariff structure will be reviewed as a means of attracting high-quality investment. The production of EE related machinery and equipment will also support the development of ancillary industries and services.

Adoption of Market-based Energy Pricing

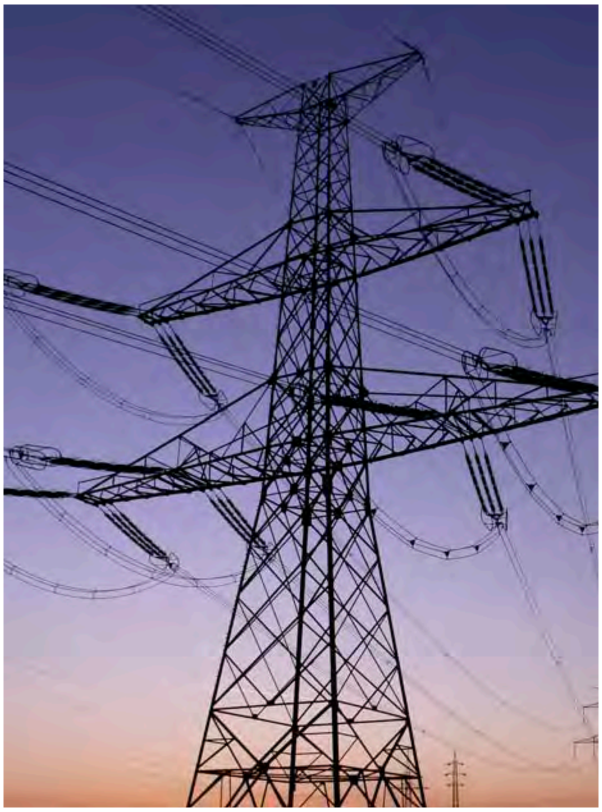
In line with overall strategy to rationalise subsidies, energy subsidies will be reduced, with the goal of achieving market pricing by 2015. Gas prices for the power and non-power sectors will be revised every six months to gradually reflect market prices. A decoupling approach for energy pricing will be undertaken to explicitly itemise subsidy value in consumer energy bills and eventually delink subsidy from energy use. For low-income households and other groups for which the social safety net is required, different forms of assistance will be provided. This will enhance transparency and improve targeting of assistance to consumers. The adoption of a market-based pricing for energy resources will also attract new players in the energy supply chain and help increase energy security.

Stronger Governance

The goal of improved governance of the energy sector is to raise productivity and efficiency. In this regard, the gas supply industry will be further liberalised to facilitate the entry of new suppliers and third-party access arrangements. The electricity supply industry will also be restructured to instill greater market discipline. This will involve measures such as creating separate accounting for generation, transmission and distribution activities; transparent and competitive bidding for new generation plants; and the renegotiation of power purchase agreements.

Managing Change

The New Energy Policy necessitates fundamental structural changes during the Plan period. There will be a broad range of initiatives, covering pricing, supply-side and demand-side management, requiring new oversight mechanisms to ensure optimum benefit. Implementation of these initiatives will be undertaken on an integrated approach to achieve the targeted outcomes.



Box 3-4

Tenth Malaysia Plan: What is in store for the private sector

In order to support the private sector the Government has set out a plethora of measures to ease business, reduce cost and stimulate growth:

What the Government will deliver:

- A supportive regulatory environment which increases the ease and reduces the cost of doing business;
- A liberalised services sector, opening up opportunities for investment and business;
- An environment providing the right market signals to make informed business decision following removal of market distortions;
- An environment that promotes fair competition and level playing field;
- An environment that supports and rewards innovation;
- Expanded opportunities for businesses to invest from the new wave of privatisation and support from the Facilitation Fund;
- Better access to financing for all stages of business growth;
- A better mechanism to support firms break into export market;
- The availability of a highly skilled talent pool with emphasis on upskilling domestic workers and easier access for expatriate employment;
- High quality infrastructure to increase efficiency and improved reliability of energy;
- Greater support for SMEs, who will gain in terms of lower regulatory requirements, additional programmes to enhance capacity, a better support system and improved access to financing; and
- New investment opportunities created out of NKEAs.

What does the private sector needs to do:

- Invest in new areas of growth and move up the value chain;
- Invest more in innovation to increase productivity; and
- Commit to improving skill levels.

FOCUSING ON KEY GROWTH ENGINES

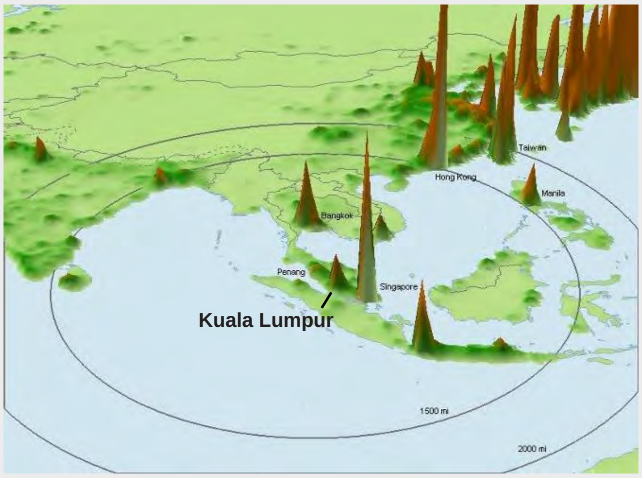
A key characteristic of the economic policy under the Plan period will be to focus growth in areas which have the highest potential for economic impact. Towards this end, priority will be given to building urban agglomerations, focusing corridors around clusters and developing high economic impact sectors. As such, 11 sectors and one geographic area have been identified as NKEAs to drive economic growth.

Driving Growth by Urban Agglomerations

There is a well established relationship between concentration of economic activity and productivity growth. Agglomeration of economic activity in urban areas allows firms to benefit from economies of scale and enjoy network effects. Greater specialisation of economic activity is also observed in densely populated areas, which correlates strongly with better economic performance. Evidence shows that cities, the nucleus of urban agglomeration, have three times the productivity of rural areas worldwide. For these reasons cities, and especially world-class cities, generate much denser 'cones' of economic activity than other areas, as shown in *Chart 3-18*.

Chart 3-18

Kuala Lumpur has relatively lower economic output per square kilometre than some other Asian cities

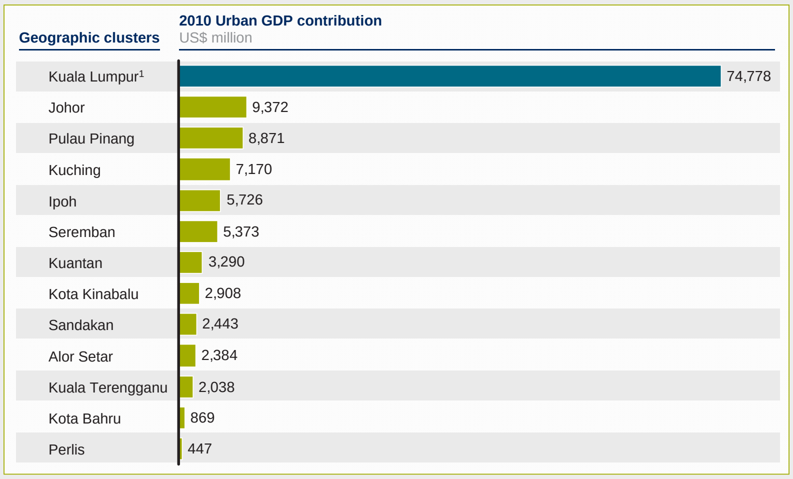


'Cones' on the map represent economic output per square kilometre; the cities with higher 'cones' are more economically dense

SOURCE: Cities, People and the Economy - World Bank – Khazanah Nasional Berhad (2010)

Chart 3-19

Kuala Lumpur contributes 8 times the GDP of any other geographic cluster in Malaysia



1 Population for KL includes FT Kuala Lumpur, Klang, Petaling Jaya, Subang Jaya, Ampang Jaya, Shah Alam, Cheras and Kajang

SOURCE: World Gazeteer, Department of Statistics Malaysia

Vibrant, productive, and liveable cities also function as a magnet to attract and retain creative and knowledge workers as well as firms. World class cities are therefore a key ingredient to becoming a high income nation. For this reason, leveraging on cities to accelerate economic growth will be an important strategy during the Tenth Plan. Kuala Lumpur, as Malaysia's primary city, will be an important focal point to drive economic growth, as shown in *Chart 3-19*.

Greater Kuala Lumpur offers extensive scope for improvement in liveability, and hence attractiveness to creative knowledge workers and firms. Based on the 2010 Economist Intelligence Unit's liveability index, Kuala Lumpur ranks 79th out of 140 countries surveyed. During the Plan period, the potential of Kuala Lumpur will be harnessed by providing a comprehensive ecosystem to attract high quality investment in a selected number of areas, improving the quality of living and bring greater vibrancy. Additionally, other cities such as Georgetown, Johor Bahru and Kota Kinabalu will specialise in order to achieve critical scale, and investments will be made to improve liveability, with clearly measurable targets.

Connectivity and linkages between the cities and its hinterland and rural areas will also be improved to facilitate movement of the resources, goods and services, and people which are critical inputs to development of cities.

Focusing Corridors around Clusters

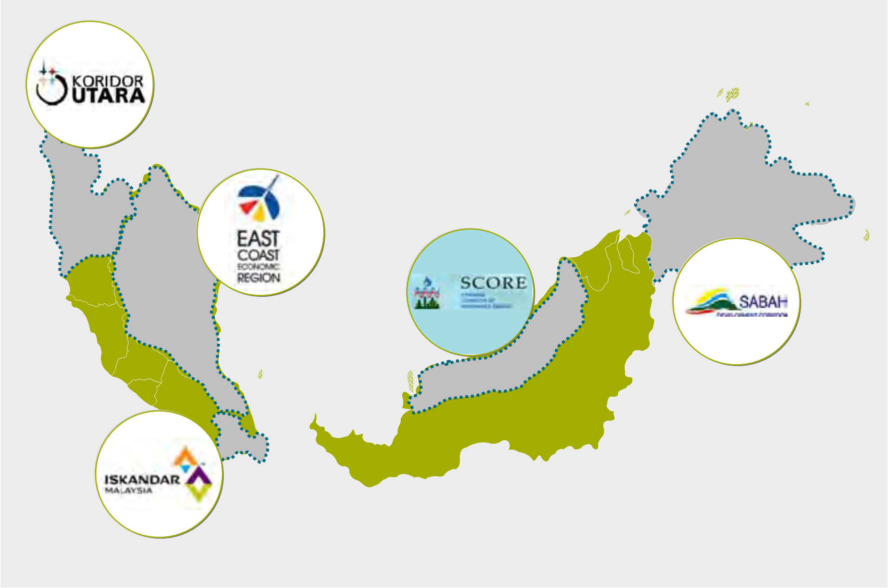
During the Ninth Plan period, the Government embarked on a number of initiatives to promote balanced regional development and accelerate growth in designated geographic areas. As a result five growth corridors were identified, as shown in *Chart 3-20.* Under the Tenth Plan, the economic development of regions will be accelerated by focusing around a limited number of high-density clusters in the corridors that have sector and geographic advantages.

Clustering enables firms to benefit from common resources, facilitates labour market matching and contributes to knowledge sharing. To achieve accelerated economic growth from corridors, the development of corridors during the Plan period will:

- Refocus on catalysing growth through collaborating with the private sector to develop priority industries;
- Focus on a limited number of sectors and clusters with clear competitive advantage to maximise impact and focus execution;

Chart 3-20

5 corridors were established during the Ninth Plan



- Focus on facilitating private investment, coordinating between agencies, supporting industry ecosystems and creating employment opportunities;

- Identify anchor investors to spearhead development of the corridors; and

- Refocus corridor authorities on smaller key industry clusters within localised geographies.

Under the Tenth Malaysia Plan, the focus of each corridor will be as follows:

Iskandar Malaysia

Iskandar Malaysia in Johor registered a total committed investment of RM59 billion as at February 2010 with 38% actualised. The committed investments were in manufacturing, properties, utilities, tourism, and logistics.

During the Tenth Plan period, Iskandar Malaysia will further draw investments into the 5 identified growth nodes to build economic clusters in the areas of education, healthcare, finance, creative industry, logistics and tourism. Among the keys projects will be the Johor Premium Outlet and MSC Cyberport City. These projects will lead to economic spin-offs and equal opportunities in employment and business to the surrounding areas. Complementing the above projects, several infrastructure projects such as the road construction surrounding Johor Bharu (JB) city centre, the improvement in the public transport system and the proposed JB City Transformation project will be implemented. The JB City Transformation project will transform the JB city centre into a vibrant economic centre while preserving its cultural and heritage values.

Northern Corridor Economic Region

The Northern Corridor Economic Region (NCER) (Koridor Utara) covers the states of Kedah, Pulau Pinang, Perlis, and the four northern districts in Perak. The NCER will focus on promoting agriculture, manufacturing and services, which comprises two components, namely tourism and logistics. It will also strengthen the key enablers of human capital, enabling technologies and infrastructure. While each region will have its respective niche areas, identified economic activities will be concentrated within the NCER Central Conurbation to achieve maximum value. During the Plan period, the key outcomes targeted include the following:

- Agriculture: To become a modern food zone with efficient technology-driven food production, commercial scale farming, farming of new crops, livestock and downstream agriculture activities;

- Manufacturing: To move up the manufacturing value chain into high-value add activities such as wafer fabrication, chip design, medical engineering devices, biotechnology and sustainable materials;

- Tourism: To be a premier destination for tourists, particularly for eco and heritage tourism; and

- Logistics: To develop the region as a major import and export centre leveraging Penang International Airport, Second Penang Bridge, double tracking and the augmentation of the Penang Port.

East Coast Economic Region

The East Coast Economic Region (ECER) covers the states of Kelantan, Pahang, Terengganu and the district of Mersing in Johor. The ECER development plan will focus on key initiatives related to tourism; oil, gas and petrochemical manufacturing; agriculture; and education.

Under the Tenth Plan, to provide more focus and strategically develop the ECER, all economic activities will be concentrated within the six identified nodes namely ECER Special Economic Zone (ECER SEZ) as the manufacturing and commercial services hub and distribution and procurement centre, Cross Border Development (Tumpat-Kota Bharu-Bachok-Tok Bali-Besut), Kuala Terengganu City Centre-Kenyir-Dungun Triangle, Mersing-Rompin, Gua Musang-Kuala Lipis and Bentong-Raub.

Sarawak Corridor Renewable Energy

The Sarawak Corridor Renewable Energy (SCORE) is located within the Central Region of Sarawak. The core of the Corridor is its energy resources, particularly hydropower, of 28,000 MW. This allows Sarawak to price its energy competitively and encourages investments in power generation and energy-intensive industries.

Five growth nodes have been identified with the aim of focusing development and investment efforts within SCORE. These growth nodes are Tanjong Manis, Mukah, Samalaju, Baram and Tunoh. The Mukah Node will be developed into a Smart City and will serve as the service and nerve centre for the Corridor. The Tanjong Manis Node will be developed into a leading regional port city and Halal Hub. The Samalaju Node will become the new heavy industry centre, whereas Baram and Tunoh will focus on tourism and resource based industries.

As economic activity spills over from the major growth nodes, the Corridor's secondary growth centres such as Semop, Balingian, Selangau, Samarakan, Bakun and Nanga Merit will also benefit. Priority industries which will be promoted and developed through greater private sector participation include aluminium, glass, steel, oil-based, palm oil, fishing and aquaculture (Halal Hub), livestock, timber-based, marine engineering and tourism.

Sabah Development Corridor

The Sabah Development Corridor (SDC) covers the entire state of Sabah but will focus on the identified Strategic Development Areas (SDAs) to generate employment and income for the local people and contribute towards sustainable economic growth. Development in these areas will have spill-over benefits for the hinterland and surrounding areas. The SDAs and their corresponding key economic activities consist of the following:

- Sandakan-Beluran-Kinabatangan Bio-Triangle: Beluran and Tongod Agropolitan, Agrobio Innovation Zone-Sandakan Education Hub, POIC Sandakan;
- Lahad Datu-Kunak-Semporna-Tawau Agro-Marine Belt: POIC, Integrated Agro-food Zone and Marine Industry and Tourism Zone;
- The Interior Food Valley: Keningau Integrated Livestock Centre, fruits and herbal products within the Interior Agropolitan Zone;
- Oil and Gas Clusters: petrochemical complex, oil and gas support services, oil refineries and tank farms, and power plants;
- Kinabalu Gold Coast Enclave: creative industry cluster, wellness and healthcare, floriculture and specialty natural products, marine sports, signature resorts and holiday homes; and
- Brunei Bay Integrated Development Area. Multi-modal logistics, tourism and waterfront development; livestock, food crops, fisheries and aquaculture, and halal products.

National Key Economic Areas

During the Tenth Plan period, Malaysia will focus its economic growth efforts on NKEAs. An NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy.

When countries transformed from middle to high income they have typically focused on a small number of sectors and geographies. Malaysia also needs to focus on a limited number of sectors and geographies in order to achieve the goal of becoming a high income nation.

The economic reform measures in the Tenth Malaysia Plan such as modernising of business regulations, human capital development, increasing domestic competition, removing market distortions and improving infrastructure will provide the enabling ecosystem for NKEAs.

The NKEAs were chosen on the basis of their contribution to high income, sustainability and inclusiveness.

An initial set of 12 potential NKEAs have been identified comprising 11 sectors and one geographic area - Kuala Lumpur. Kuala Lumpur was chosen because it accounts for almost one-third of Malaysia's total GDP and urban agglomeration can be a major driver of economic growth.

Each NKEA will have specific targets and concrete actions to drive economic growth. Implementation of these actions will be monitored by the Economic Delivery Unit with the Prime Minister providing overall leadership. The NKEAs are:

1. **Oil and gas;**
2. **Palm oil and related products;**
3. **Financial services;**
4. **Wholesale and retail;**
5. **Tourism;**
6. **Information and communications technology;**
7. **Education;**
8. **Electrical and electronics;**
9. **Business services;**
10. **Private healthcare;**
11. **Agriculture; and**
12. **Greater Kuala Lumpur**

1) Oil and gas

Oil and gas industry through its upstream and downstream activities is a significant contributor to economic growth. In 2009, the sector contributed a total of RM68.3 billion or 13.1% of GDP, of which upstream activities including petroleum and gas represented RM39.5 billion or 7.6% of GDP and downstream activities including the petrochemical industry contributed RM28.8 billion or 5.5% of GDP. Given the rise in global energy demand and economic growth, the contribution from oil and gas industry is expected to increase by approximately 20% over the next 5 years to reach RM81.9 billion or 11.1% of GDP in 2015. Upstream is expected to contribute RM43.0 billion or 5.8% of GDP whereas downstream is expected to contribute RM39.8 billion or 5.3% of GDP in 2015.

The availability of national reserves has given Malaysia distinctive advantage to focus on oil and gas industry. Solid infrastructure across the value chain such as offshore rigs, three integrated petrochemical zones and a world-class LNG production site have been built to support the growth. PETRONAS, the national oil corporation, plays a major role in driving the industry growth through its development of oil and gas resources as well as creation of opportunities for local companies to build up their capacity and capability across the value chain.

In the downstream segment, three major integrated petrochemical zones have been established and attracted foreign investments mainly from USA (33.0% of total foreign investments), Germany (22.8%) and Japan (14%); while having PETRONAS as the main domestic investor. During the Plan period, the investment target in petrochemical industry has been set at RM11.3 billion annually and exports from this industry are expected to reach RM27.7 billion in 2015.

To drive growth further, Malaysia will accelerate and optimise the development of remaining domestic reserves and existing infrastructure as well as support the formation of regional and global champions in contiguous business sectors. Despite the declining conventional oil and gas resource base, there remains significant potential in mature, small and technically complex fields. Malaysia has developed expertise in engineering, procurement, construction, commissioning and installation of offshore and onshore oil and gas facilities, which Malaysia can leverage to focus on oil field services and equipment (OFSE). Potential opportunity also presents in the logistics which Malaysia is one of the world's largest owner and operator of LNG carriers.

To leverage its potential, the following initiatives will be taken:

- Increasing international market access;
- Enhancing skills (both technical and management) training in partnership with industry;
- Enhancing linkages in the downstream industries to optimise resources, facilities and services available at the integrated petrochemical complex;
- Expanding opportunities in logistics and maritime business activities; and
- Strengthening oil and gas related professional services and creating international champions such as in OFSE, those related to deep water extraction and integrated service providers.

2) Palm oil and related products

Malaysia is a global leader in the palm oil and basic oleochemicals industry. In 2009, this sector contributed RM17.0 billion or 3.3% to GDP and accounted for RM49.6 billion in exports. Between 2005-2009, total oil palm planted increased by 15.8% to 4.69 million hectares and crude palm oil production increased by 17.4% to 17.6 million tonnes. However, despite these achievements, the industry continues to face issues related to low productivity among smallholders, rising cost of production and dependency on foreign labour in upstream activities. Further, downstream activities are confined to intermediate processing.

Significant untapped opportunities exist to grow this sector, particularly in downstream activities that generate high value add. During the Plan period, the target is to increase the palm oil industry's output to GDP to RM21.9 billion with export earnings of RM69.3 billion. To achieve this target, the following are some of the initiatives that will be undertaken:

- Promoting Malaysia as a global hub for palm oil and preferred destination for foreign investments in areas such as oleochemical based products, bulking facilities and R&D;

- Developing Palm Oil Industrial Clusters into integrated sites for promoting downstream activities such as biofuel, oleochemicals, biofertilisers, specialty food products, biomass products, nutraceuticals and pharmaceuticals;

- Encouraging good agriculture practices, agronomic management and mechanisation especially among smallholders; and

- Centralising procurement of agricultural inputs such as fertilisers and pesticides to lower input costs for smallholders.

3) Financial services

The financial services sector is well positioned to respond to the challenging and evolving global environment and enhance its contribution to the Malaysian economy. This is due to financial reforms over the last decade that have enhanced institutional capacity, domestic financial infrastructure and strengthened the regulatory and supervisory framework. The contribution of the financial sector to economic growth is high, accounting for 11.7% to GDP as at end-2009. During the Tenth Plan period, the finance and insurance sectors are targeted to grow at 8.3% and contribute 12.7% to GDP.

The Malaysian capital market, comprising equity and bond, grew by 10.2% to RM1.7 trillion and achieved strength across broad fronts between 2006 and 2009. The Islamic capital market with the most liquid *sukuk* market, accounting for 62% of the global *sukuk* market share, and the largest Islamic fund management industry remains a key competitive strength for Malaysia. Despite the successes of the Malaysian capital market, it still faces major challenges going forward, especially with market liquidity. Malaysia's liquidity ranking in Asia dropped from 3rd in 1996 to 14th in 2010. In addition, Malaysia's economic structure and growth prospects are constrained by the relatively low level of investment relative to its high level of domestic savings.

During the Plan period, the financial sector will be further strengthened so that it remains competitive, resilient, diversified, inclusive and continues to meaningfully contribute to economic growth. The role and liquidity of capital market will also continue to be enhanced. Key initiatives within this Plan period include:

- Formulating a new financial sector blueprint to articulate strategies to further evolve the Malaysian financial sector to support and drive the next phase of Malaysia's economic development, which includes promoting financial inclusion and continued equitable financing access to all segments of the economy, greater leveraging of technology and innovation in the delivery of financial services, enhancing the financial system infrastructure including institutional and capacity building, and implementing adequate safeguards to preserve financial stability. The structural issues within the general insurance industry will be addressed by promoting further consolidation and rationalisation. Insurance penetration will also be enhanced via alternative distribution channels and greater product innovation;

Continued on next page

3) Financial services (continued)

- Enhancing Malaysia's position in Islamic finance globally via the strengthening of the Malaysia International Islamic Financial Centre (MIFC) initiatives, fostering greater linkages and collaboration with international standard setting bodies and other jurisdictions, and streamlining R&D development to enhance Malaysia's attractiveness as a preferred centre for Islamic financial education, research, training and product innovation. Focus is also placed on ensuring the dynanism and robustness of the established financial infrastructure, comprising the regulatory, legal and *Shariah* framework, research and training institutions; and

- Developing the Capital Market Masterplan 2 with strategic initiatives to expand the role of capital market in supporting the transition to a high income and knowledge-based economy. This will include deepening secondary market liquidity and creating better possibilities for managing risks to encourage exploration of investment opportunities in new growth and innovative areas. This will involve broadening the variety of new financing alternatives and accelerating the growth of capital market industries such as fund mangement, venture capital and private equity.

4) Wholesale and retail

Distributive trade is among the biggest sub-sectors in the services industry, contributing 13.3% to GDP and RM334 billion in terms of sales in 2009. This sector also attracted FDI worth RM1.2 billion in 2009. During the Ninth Plan period, the sector underwent structural changes with the emergence of large scale retailers such as hypermarkets and other modern retailers including convenience stores.

There are opportunities to continue to grow this sector as demographics change, rapid urbanisation takes place and increasing affluence changes consumer behaviour and increases demand for better services. Further, alternative modes of retail trade such as franchise, direct selling and e-commerce have yet to be fully exploited.

During the Plan period, distributive trade is expected to register a growth rate of 8.3% per annum, contributing 15.1% of GDP in 2015. To achieve this, the sector will be modernised and transformed to be more efficient with higher quality services to consumers. Initiatives to be undertaken include:

- Liberalising the retail and wholesale sector and promoting investment;
- Encouraging consolidation among local retailers to encourage efficiencies and achieve economies of scale;
- Encouraging modern retail formats such as hypermarkets, supermarkets, convenience stores, specialty stores to stimulate investment and expedite modernisation; and
- Promoting franchise, direct sales and e-commerce to achieve their full potential.

5) Tourism

Malaysia ranked 16th in terms of global inbound tourism receipts, capturing approximately 2% of global market share in 2008. The tourism industries employs 1.7 million workers or approximately 16% of total employment in 2008. Between 2006-2009, revenue from the tourism industry increased 67.1% to RM53.4 billion and tourist arrivals increased 43.6% to 23.6 million.

Despite these achievements, several issues need to be addressed, including the need to develop vibrant and iconic tourism products, improve maintenance of existing tourism sites and adopting focused tourism promotions. During the Plan period, the target is to improve Malaysia's position to be within the top 10 in terms of global tourism receipts and increase the sector's contribution by 2.1 times, contributing RM115 billion in receipts and providing 2 million jobs in the industry in 2015.

To achieve the 2015 target, the focus will be on attracting a larger share of high spend travellers and capturing a higher share of high growth segments, particularly from Russia, India, China and Middle East, in addition to increasing the number of tourist arrivals. For this purpose, select key strategies are as follows:

- Promoting differentiated strategies to cater for unique and distinctive travel patterns and needs such as for nature adventure (including ecotourism), cultural diversity, family fun, affordable luxury, and Meetings, Incentives, Conferences and Exhibitions (MICE);

- Improving tourism products through the creation of focused tourism clusters that will leverage on existing and new iconic tourism products. For example, Langkawi (the Geopark and Pulau Payar Marine Park), Pulau Pinang (Georgetown UNESCO World Heritage Sites), Sabah (Sipadan Island and Kinabalu Park UNESCO World Heritage Sites) and Sarawak (Sarawak Cultural Village and Gunung Mulu National Park UNESCO World Heritage Sites);

- Developing new iconic tourism products through the private sector and public-private partnership. Examples include Kidzania and Malaysia Truly Asia Centre in Kuala Lumpur and Legoland Malaysia in Iskandar Malaysia, Johor. Tourism products and activities such as parks and gardens, arts tourism, shopping, signature events and festivals will also be promoted;

- Improving maintenance of tourist sites through multiple approaches, including through GLCs and corporate sponsorship, stronger enforcement and imposition of gate fees, particularly in environmentally sensitive and heritage sites;

- Realigning promotional and advertising activities and physical presence of Tourism Malaysia offices overseas by focusing on core markets, particularly Russia, India, China and Middle East; and

- Introducing progressively certification of tourism products and activities to ensure quality, sustainability and safety.

6) Information and communications technology

The information and communications technology (ICT) sector accounted for 9.8% of GDP in 2009. This sector will continue to be a key focus for Malaysia and is expected to gain greater momentum driven by the convergence of industries due to digitalisation. The contribution of the ICT industry to GDP is targeted to increase to 10.2% by 2015. Greater use of ICT will not only support the growth of the sector but also boost productivity and raise the nation's overall competitiveness. However, to achieve growth, Malaysia needs to shift from being an average producer of general ICT products and services to a niche producer of selected ICT products and services, and progress from a net importer to a net exporter. Issues of lack of product acceptability, weak product branding and lack of cross-discipline expertise will be addressed. Key strategies that will be adopted to propel the industry are as follows:

- MSC Malaysia will identify and support the development of niche areas in software and e-solutions, creative multimedia, shared services and outsourcing as well as e-business. FDI strategy will be to attract MNCs to anchor these selected focus areas, with clusters of knowledge-based SMEs around the MNCs. A tiered benefits scheme will be established whereby financial and non-financial benefits will be provided based on the company's needs, size, stage of maturity and criteria such as the ability to catalyse the development of SMEs in priority sectors and induce high spill over effects;

- The Government will aggressively promote the use of ICT in all industries in parallel with the development of the ICT sector. Cloud computing services will be developed to provide SMEs with critical software applications for customer relations management, enterprise resource planning, supply-chain management, human resource management, and financial and accounting management. Niche areas for applications development include healthcare, education and financial services especially in Islamic banking;

- In the creative industry that currently contributes about 1.6% to GDP, emphasis will be on creative multimedia, especially animation for simulation, advertising and entertainment, and games development. A National Creative Industry Policy will be formulated and the National Digital Terrestrial Television Broadcasting (DTTB) project will be rolled-out to help spur the expansion of related creative industries. With DTTB technology, more content will be delivered more efficiently; and

- Education and training will be prioritised to meet the human resource requirements in this sector. This will be done through focussed collaboration between the industry-academia-government, especially for curriculum development and industrial training.

7) Education

Private education services has witnessed a robust growth after a deregulation in the late 1990s. Given its high output multiplier (2.19-2.34), it has strong spill over effects on other sectors of the economy and has contributed directly to productivity enhancement. Driven by increased demand for places in institutes of higher learning from local and international students, the gross output of private education increased by 44% from 2005 to RM7 billion in 2008. Malaysia's current global market share stands at approximately 2% to 3% of total internationally mobile students. The target is to increase the contribution of private education to GDP by 1.5 to 2 times to 2% in 2015 and attract 150,000 international students by 2015.

The open regulatory and innovative environment has supported private education services in Malaysia to be widely recognised in the region. Nevertheless, several challenges need to be addressed in order to reach the aspired target. Key challenges include the risks of crowding out arising from the expansion of public institutions, unsustainable government funding with low share of private demand side financing and increased competition from the regional market.

To achieve the growth target and enhance Malaysia's position as a leading destination for education, several initiatives will be adopted across all levels of education with specific focus on tertiary education as follows:

- Expanding demand-side financing and undertake new provision of public higher learning institution (IPTA) seats through off-take in private higher learning institution (IPTS) and create private seats in IPTAs by expanding capacity through private subsidiaries. By 2015, 50% of public funds for higher education will be disbursed via demand side and 25% of all IPTA seats will be private 'fee-paying' seats;

- Improving quality of IPTS through performance-based funding by expanding the Rating System for Malaysian Higher Education Institution (SETARA) to cover private universities and college universities, and at the faculty level;

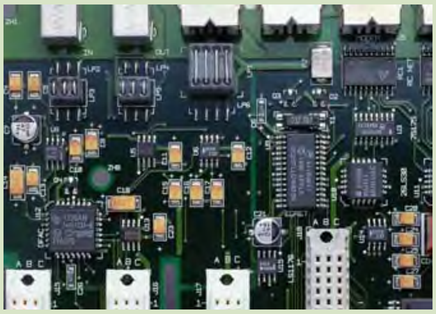
- Expanding the sliding scale on the National Higher Education Fund Corporation (PTPTN) loans to promote cost sharing based on means test of parent's income to ensure financial sustainability and increased access of low and middle income families;

- Introducing a central enrolment system for all students including international students in stages with flexible credit accumulation framework for all courses across public and private provision;

- Providing conducive educational ecosystem to attract students and world leading faculties in niche areas to set up branches in Malaysia; and

- Intensifying marketing and promotion efforts in high potential markets.

8) Electrical and electronics



The electrical and electronics (E&E) industry is the largest single contributor to the manufacturing sector accounting for 26.1% of manufacturing output. It is also the largest employer, representing more than 40% of total manufacturing labour. A strong cluster ecosystem with leading global companies like Intel, Infineon, Motorola and Agilent has been established and progress has been achieved over the past decades in terms of diversification and moving up the value chain, especially in terms of back-office shared services, development and testing. However, opportunities exist to further develop domestic capabilities, particularly in R&D and increase Malaysia's share of higher value add activities.

During the Plan period, efforts will be intensified to move the E&E industry up the value chain through effective PPPs. Opportunities in automation, miniaturisation, digitisation and multimedia applications will be pursued, and specialisation in semiconductors, embedded systems, optoelectronics, radio frequency and wireless will be promoted. The Government will focus on developing key enablers such as upskilling existing talent and increasing supply of relevant talent, strengthening the R&D ecosystem, growing the domestic vendor base and establishing infrastructure. Initiatives to be undertaken include:

- Developing centres of engineering excellence by collaborating with industry and academia, particularly for R&D and training;
- Promoting state skills training centres and co-funding masters and PhD programmes in critical fields;
- Strengthening incubators and shared services centres for knowledge SMEs; and
- Focusing incentives on strategic segments of the value chain such as design, testing and precision machining.

9) Business services

Between 2006 and 2009, business and professional services grew at 6.3% and contributed 2.6% of GDP in 2009, equivalent to RM13.3 billion. This sector has the potential to raise productivity through intra and inter sectoral linkages and the diffusion of best practices and technology. In addition, it will continue to generate knowledge-intensive employment opportunities in line with moving to a high income economy. The target is to increase this sector's contribution to 3.3% of GDP by 2015. To achieve this target, the focus will be on further developing construction related and environmental management services.

During the Tenth Plan period, the strategies to propel the construction related sector forward include:

- Providing support such as market intelligence, networks and government-to-government relations to enable firms to export professional construction services within ASEAN region, India and China as well as Organisation of Islamic Countries (OIC) countries;

- Establishing a consolidated presence and brand for Malaysian professional construction services overseas. In this regard, the role of the Construction Industry Development Board and Professional Services Development Corporation will also be rationalised; and

- Amending legislation to facilitate commitments made at bilateral, regional and multilateral levels to liberalise the industry and create new business opportunities.

Environmental management is an incipient industry with substantial growth potential in green technology and will spin off new categories of professionals and new areas of specialisation for architectural and engineering services. The key strategies to nurture the growth of this segment include:

- Streamlining the Green Technology Council to drive the green technology agenda across multiple ministries and agencies which include regulatory aspects, developmental, awareness and promotion; and

- Creating the environment and demand for the green technology industry to spur business opportunities for professional and service providers by:

  - Developing and enforcing regulations especially on energy efficiency in buildings for new developments;

  - Promoting investment in renewable energy to provide long-term contracts for renewable energy providers and create the spillover effects on the related domestic service providers; and

  - Promoting culture of conservation and efficiency in energy and water use.

10) Private healthcare

The healthcare travel industry grew by 12.3% between 2006 and 2008. In addition, Malaysia attracted over 1 million foreign patients with total medical receipts of about RM800 million. Rising affluence and an ageing and more mobile population will drive continued demand and spend for high quality healthcare services.

Malaysia aspires to create a seamless and integrated healthcare system, incorporating a competitive healthcare travel industry with strong values of professionalism and state-of-the-art medical technology. Currently, there are 273 private hospitals in Malaysia with 35 participating in the health tourism programme and 6 healthcare facilities having Joint Commission International (JCI) accreditation. As part of the initiative to promote the industry, Malaysia Healthcare brand with the tagline "Quality Care for Your Peace of Mind" was launched on 9 June 2009 and Malaysia Healthcare Travel Council (MHTC), the primary agency to promote and develop health tourism was launched on 21 December 2009.

During the Tenth Plan, the target is to grow revenue from healthcare travel by 10% per annum and make Malaysia the preferred healthcare destination in the region. Key strategies that will be adopted to achieve the target include:

- Fostering strategic alliances among local and foreign healthcare service providers, travel organisations and medical insurance groups to provide a more integrated and comprehensive package of services to healthcare travellers;
- Encouraging more private hospitals to seek accreditation with international healthcare accreditation bodies;
- Promoting investment in and utilisation of high-end medical technology to increase efficiency, effectiveness and competitiveness; and
- Intensifying coordinated and integrated promotional activities to strengthen the presence of Malaysia Healthcare brand globally.

11) Agriculture

In 2009, high value agriculture, including swiftlet farming, aquaculture, seaweed, sago, ornamental fish, herbs and spices, organic fruits and vegetables, mushroom and floriculture contributed about 1% to GDP. There is growing demand for these high value products which provide opportunities for farmers to increase their income. However, growth in these products have been constrained by limited access to suitable land and financing, lack of skilled workers, uneconomic scale operations, inadequate support services, lack of R&D support and weak linkages to the market.

During the Tenth Plan period, these high value agriculture activities will be given special focus such that the contribution to GDP increases to 2% by 2015. Strategies to achieve this include:

- Setting up agriculture consortiums and cooperatives to reap the benefits of scale, encourage adoption of accredited practices by farmers, fishermen and agropreneurs, and strengthen marketing through contract farming and strategic alliances;

- Reviewing and streamlining current regulation and procedures, particularly in the swiftlet, aquaculture and herbal industries to attract greater investments and participation from private sector;

- Promoting innovation-based growth and production processes that utilise modern farm technology and ICT, including ICT-based Agriculture Flagship Project;

- Providing adequate and specific infrastructure, facilities and logistics to support value addition activities based on availability and proximity of resources, particularly in the designated Permanent Food Production Parks and Aquaculture Industrial Zones; and

- Intensifying collaborative R&D with established agriculture research institutes to leapfrog innovation in the production processes, disease control, safety and quality control, including development of new high-value added products.

In addition, food security will be strategically addressed to ensure the availability, accessibility and affordability of food, particularly rice for the general public. During the Plan period, strategies to ensure sufficient supply of rice include maintaining rice stockpile at 292,000 metric tonnes or sustained consumption for 45 days, entering long-term contract agreements to import rice with matching agreements to export palm oil or oil, and increasing the productivity of existing granary and non-granary areas through upgrading of infrastructure. No new areas will be developed for paddy cultivation and local production of rice will be set to fulfil a 70% level of self-sufficiency.

12) Greater Kuala Lumpur

Greater Kuala Lumpur (Greater KL) comprises the national capital of Kuala Lumpur and its surrounding satellite cities. Today, Greater KL is an important economic growth cluster, contributing 8 times the GDP of any other city in Malaysia. Greater KL is well-positioned to become a national growth node, and gateway towards developing a global economy, leveraging upon its strengths of a cosmopolitan population, a uniquely Asian heritage and strong world-class infrastructure.

Liveability of Greater KL is crucial in the competition for talent, wealth and investments in the global arena. In 2010, Kuala Lumpur ranked 79 out of 130 cities under the Economist Intelligence Unit survey on liveability. Major initiatives have been identified under the national key results areas (NKRAs) to address this, particularly on combating crime and improving urban public transport. Liveability, however, encompasses a broader concept, and initiatives to create attractive public spaces, nurture a uniquely internationally relevant arts and culture scene, and provide a rich mix of leisure activities will create a distinctive urban character for Greater KL, making it an ideal place to live, work and play.

In order to position Greater KL as a world-class city, a combination of economic growth and liveability strategies will be required. Among the key programmes that will be implemented during the Plan period are:

- Establishing Kuala Lumpur International Financial District as a global financial centre, especially for Islamic finance and its related professional services, in order to attract local and international financial policy and monitoring organisations and talent;

- Establishing Sime Darby Vision Valley, which includes Guthrie Corridor Development, Ampar Tenang Green Experimental Cluster, Carey Island Eco-tourism Cluster and Sepang Estate Logistics Cluster;

- Making Greater KL a tourist destination by leveraging on existing iconic institutions such as Muzium Negara and Istana Budaya, and also Malaysia Truly Asia Centre, which is to be established during the Plan period;

- Creating a network of attractive open public spaces by developing a comprehensive open space strategy that moves beyond allocating land and infrastructure for open spaces, to one that incorporates strategies to attract people to these spaces. The 101-hectare Lake Gardens will be developed into a world-class botanical garden, connected to a citywide network of interconnected green spaces that are equipped with facilities such as cycling paths and pedestrian pathways; and

- Transforming urban public transportation across greater KL through the Mass Rapid Transit System to ensure seamless interconnectivity links.

CONCLUSION

The Malaysian economy has recovered strongly after the recent economic and financial crisis. However, sustaining the 6% growth rate needed to achieve developed nation status by 2020 will require Malaysia to address several structural challenges: raising investment and productivity, navigating a more challenging global economic environment, and responding to increased competitive pressures. In this context, the Government will adjust its economic approach during the Tenth Malaysia Plan period around four themes: driving internal competitiveness to strengthen Malaysia's global competitive position, unleashing productivity-led growth and innovation, connecting globally, and greater focus on key growth engines.

To drive internal competitiveness and strengthen Malaysia's global competitive position, the Government will make Malaysia one of the most business-friendly environment in Asia through a significant programme of liberalisation, and by empowering the MPC to identify key areas for productivity improvement. This will assist Malaysian firms to grow, and will also strengthen Malaysia's ability to attract and retain capital and talent.

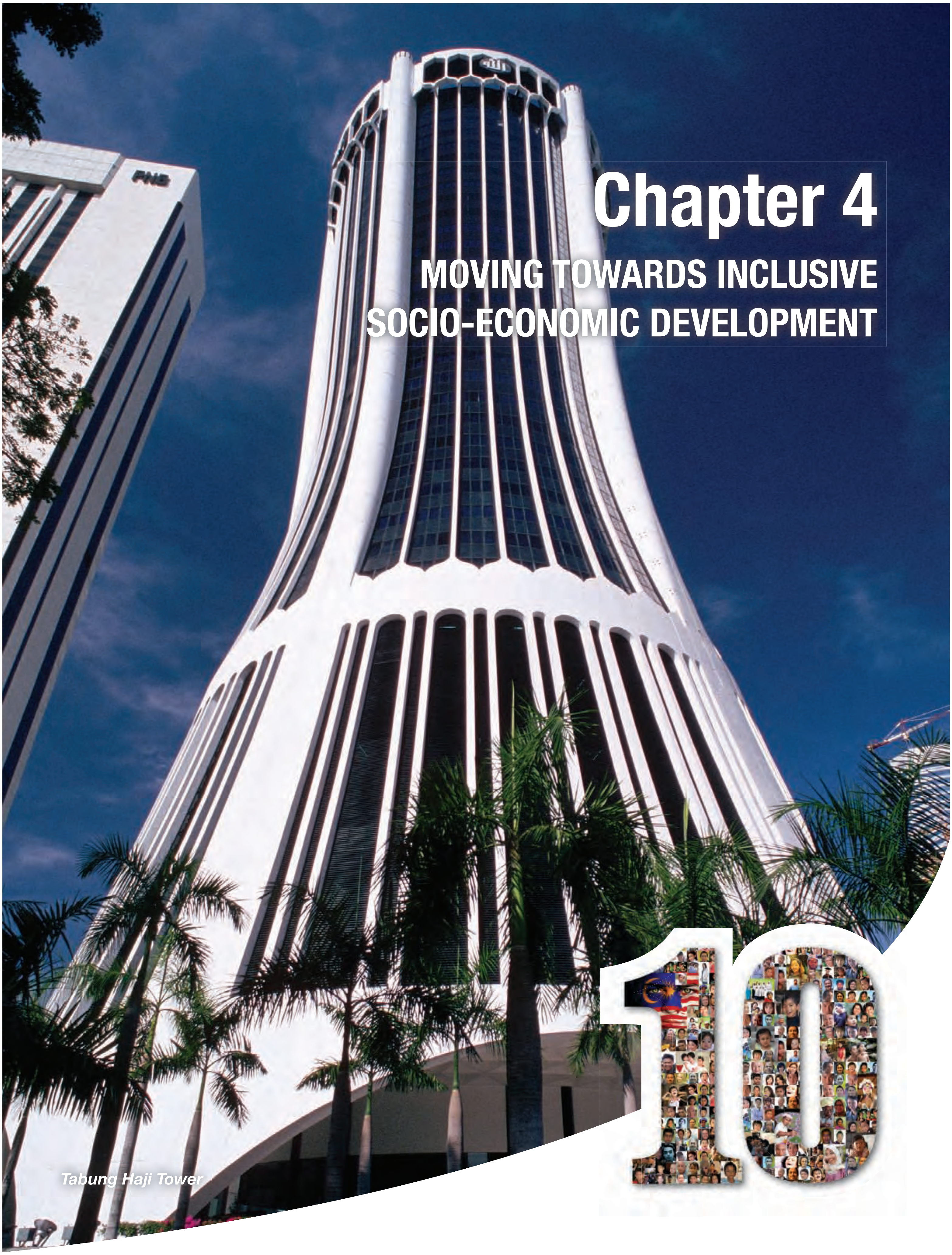
To unleash productivity led-growth and innovation the Government will create an environment that supports innovation across the economy by ensuring that the business environment creates an incentive to innovate and sends the right price signals. Special focus will be placed on reducing the barriers to growth and innovation faced by SMEs by relaxing a number of regulatory requirements. Malaysia will also commit to ongoing investment in science and technology, innovation, and human capital.

To connect globally, Malaysia will continue to strengthen trade and investment relationships within the region - ASEAN, China, India - as well as with the US, Europe, and the GCC countries. The Government will support Malaysian firms to compete in global markets. In addition, actions will be taken to improve Malaysia's ability to compete to attract foreign investment and talent to Malaysia by strengthening MIDA and creating the Talent Corporation.

To ensure greater focus on key growth engines, the Government will devote disproportionate policy focus to NKEAs. There will also be a stronger focus on a limited number of other economic clusters in order to obtain the productivity benefits that are generated in these concentrations of economic activity.

Chapter 4

MOVING TOWARDS INCLUSIVE SOCIO-ECONOMIC DEVELOPMENT



Tabung Haji Tower

The economic policies pursued since the last four decades, underpinned by the development philosophy of growth with distribution, provided decades of outstanding economic performance. This resulted in significant poverty reduction, more balanced economic participation and wider coverage of essential services such as healthcare and education nationwide.

Despite these successes, there remain vulnerable sections of the population due to their low income or disadvantaged circumstances. Therefore, an inclusive development approach that broadens the ability of Malaysians to participate in and benefit from economic development will be pursued.

Alleviation of socio-economic inequalities needs to be implemented in the context of an expanding economy. Since the Asian Financial Crisis in 1997-1998, Malaysia's growth has weakened and aggregate investment as a share of gross domestic product (GDP) has continued to decline. The Government is, therefore, embarking on an economic transformation aimed at delivering sustained high growth and moving Malaysia towards a high-income nation.

In order to be consistent with competitiveness and economic growth, a pragmatic approach will be adopted in pursuing inclusiveness. The new approach is anchored on two objectives:

- **Enabling equitable opportunities for all Malaysians**. This will enable all Malaysians to participate in the economy according to their requirements and needs. This involves stepping up capacity and capability building, enhancing access to employment opportunities and adopting a more targeted approach in encouraging innovation-driven entrepreneurship; and

- **Providing a social safety net for disadvantaged groups**. Equitable access to health, education and basic infrastructure will be emphasised, while mechanisms for targeted income support will be enhanced as general subsidies are phased out.

The Tenth Malaysia Plan, 2011-2015 will encapsulate the spirit of 1Malaysia to create a fair and socially just society with national unity as its ultimate objective. A fair and socially just society is where all people, with no exception, have the rights, freedom, and capacity to access services and resources to enhance their well being, and where the most disadvantaged are given extra support to ensure such success. In line with the '1Malaysia: People First, Performance Now' concept, the inclusive development approach will ensure equitable access to economic participation among all Malaysians in moving towards a fair and socially just society.

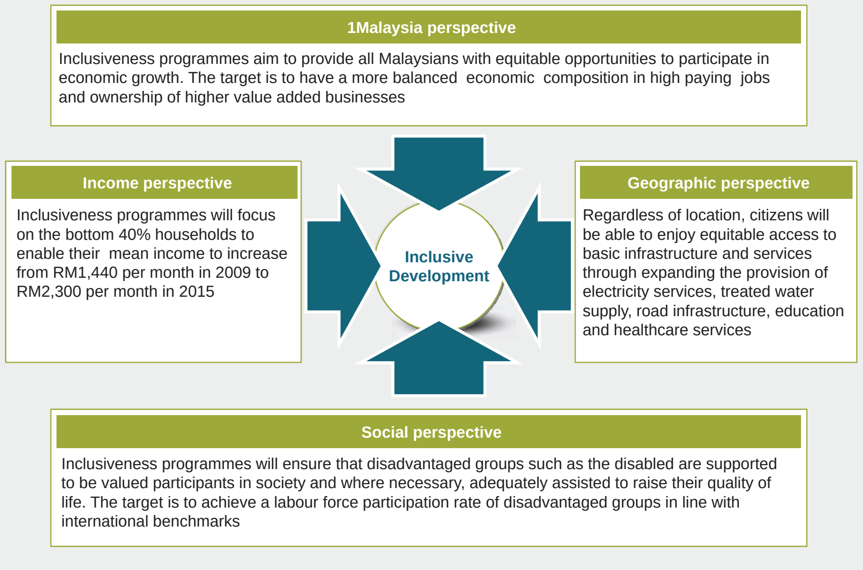
Inclusiveness will be addressed from multiple angles and various targets have been set from four perspectives as shown in *Chart 4-1*. This will involve providing focused support towards encouraging greater participation from specific groups that are most in need, especially the bottom 40% household income group (herein referred to as bottom 40% households).

In line with the inclusive development approach, programmes in the Tenth Plan will be based on four principles to support Malaysia's growth objectives and provide a better foundation for a more united and progressive society. The principles are:

- **Market-friendly.** New affirmative action instruments will allow resources to be optimally allocated and not cause, contribute or perpetuate economic distortions;
- **Needs-based.** Bottom 40% households and disadvantaged groups with specific needs will be targeted;

Chart 4-1

Targets have been set within the Tenth Plan period to ensure that inclusiveness will be addressed from multiple angles



1Malaysia perspective

Inclusiveness programmes aim to provide all Malaysians with equitable opportunities to participate in economic growth. The target is to have a more balanced economic composition in high paying jobs and ownership of higher value added businesses

Income perspective

Inclusiveness programmes will focus on the bottom 40% households to enable their mean income to increase from RM1,440 per month in 2009 to RM2,300 per month in 2015

Geographic perspective

Regardless of location, citizens will be able to enjoy equitable access to basic infrastructure and services through expanding the provision of electricity services, treated water supply, road infrastructure, education and healthcare services

Social perspective

Inclusiveness programmes will ensure that disadvantaged groups such as the disabled are supported to be valued participants in society and where necessary, adequately assisted to raise their quality of life. The target is to achieve a labour force participation rate of disadvantaged groups in line with international benchmarks

- **Merit-based.** Programmes will encourage competition and award opportunities to the most qualified individuals and businesses; and

- **Transparent.** Policies, procedures, and criteria will be made clear and public.

In addition to the four principles above, emphasis will also be given to ensure programmes and projects are sustainable and produce the desired outcomes and impact.

The four principles also translate to a more customised and collaborative approach in determining inclusiveness targets for the private sector. In the past, a number of policy instruments were used to allocate corporate equity directly to Bumiputera. However, studies have shown that the successful instruments, such as unit trust schemes, were those that enabled sustained control over companies, promoted balanced employment and participation, and established underlying enablers for viable entrepreneurship such as access to capital and business opportunities. Therefore, under the new approach highlighted in *Table 4-1*, there will be increased emphasis on instruments such as institutional ownership over corporate equity and property, which enables pooling and mobilising of funds and distribution of profits to a larger group of participants. In addition, a more consultative approach will be undertaken in setting inclusiveness requirements and targets for companies that are beneficiaries of government contracts, licences and incentives.

During the Tenth Plan period, key strategies to provide equitable opportunity to participate in the economy as well as work towards greater socio-economic inclusiveness among all Malaysians will include:

- Elevating the livelihoods of the bottom 40% households;

- Enhancing Bumiputera economic participation;

- Ensuring basic physical infrastructure is accessible to all; and

- Enabling a progressive and more inclusive society in line with the 1Malaysia concept.

Table 4-1: Policy Instruments - Before and After

INSTRUMENT	FROM	.... TO
Unit trust schemes	■ Pooling and mobilising Bumiputera capital to acquire corporate equity (mainly Malaysian listed companies) and sharing the gains	■ Expansion of this successful concept to other types of wealth, e.g. property investment via *Yayasan Amanah Hartanah Bumiputera*
Allocation-type instruments such as Industrial Coordination Act (ICA) and Foreign Investment Committee (FIC) Guidelines	■ Requiring companies to allocate 30% equity to Bumiputera	■ Emphasis on economic participation including active participation in management and businesses ■ Market-based acquisitions by institutional investors e.g. *Permodalan Nasional Berhad* (PNB) and *Ekuiti Nasional Berhad* (EKUINAS) ■ More effective entrepreneur development programmes
Access to government procurement	■ Approach not being adapted to sector needs ■ Focus on defining Bumiputera participation at shareholding level	■ Approach adapted to sector needs, with emphasis given to higher value added sectors ■ Building genuine participation and partnerships by adopting transparency and meritocracy principles ■ National agenda targets on balanced economic participation negotiated with companies
Employment	■ Indirect approach and no specific target	■ Promoting Bumiputera representation in high paying jobs through supply-side and market-friendly demand-side measures ■ Requirement for disclosure of employment composition by gender and ethnic groups

INSTRUMENT	FROM....	.... TO
Entrepreneur development	- Focusing on basic training and supporting small scale establishments, particularly to promote self employment amongst disadvantaged groups and the unemployed	- Strengthening and expanding entrepreneurship programmes for bottom 40% households regardless of ethnicity, with targeted programmes for special needs groups - Placing greater emphasis on scaling up and promoting innovation-intensive businesses to grow the Bumiputera Commercial and Industrial Community (BCIC) - Development of new approach of BCIC by segmenting Bumiputera companies by their business stages

Education	- Ethnic based quotas
	- Adopting 'means testing' as the criteria without special allocation for bottom 40% households
		- Improve access to and quality of education by:
		  - Providing special consideration to the bottom 40% households for placements in boarding schools, matriculation, universities and scholarships, to benefit all ethnicities
		  - Providing hostels to assist rural children in attending better schools in urban areas
		- Bumiputera-specific institutions such as *Majlis Amanah Rakyat (MARA)* will enhance their roles in supporting the Bumiputera development agenda

Box 4-1

Building on the success of the New Economic Policy

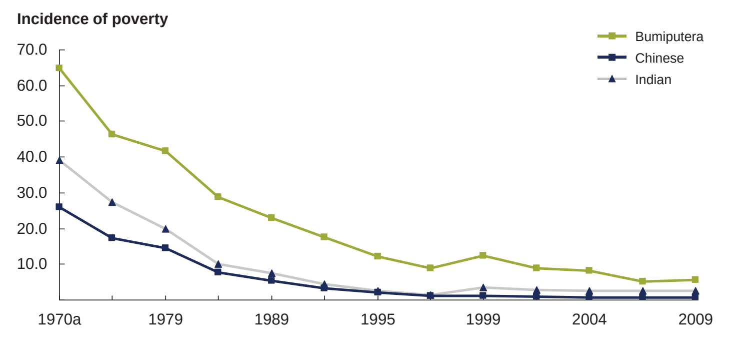
The New Economic Policy (NEP) was introduced in 1971 to address extreme economic imbalances present at the time. In 1970, 49.3% of Malaysians were living below the poverty line, which included 64.8% of the Bumiputera population, 39.2% of the Indians and 26.0% of the Chinese. Furthermore, there were significant socio-economic inequalities, with Bumiputera holding only 2.4% of the corporate equity, earning an average household income of 65.0% of the national mean and were primarily employed in the traditional rural sector (Bumiputera represented 74.0% of employment in the sector). Since these imbalances could not be corrected purely through market forces, the NEP was launched with the ultimate goal of national unity and two objectives: eradication of poverty regardless of ethnicity and restructuring of society to eliminate the identification of ethnicity from economic function.

The policies and programmes intended for social restructuring focused primarily on income parity, employment and the creation of a Bumiputera Commercial and Industrial Community (BCIC). Among them were supply-side measures aimed at elevating capabilities through education and training, scholarships and establishment of elite schools; and demand-side measures such as allocation of corporate equity to Bumiputera through the Foreign Investment Committee (FIC) Guidelines, Industrial Coordination Act (ICA), privatisation and PNB Unit Trust schemes. Developmental organisations such as Majlis Amanah Rakyat (MARA), Perbadanan Usahawan Nasional Berhad (PUNB) and Perbadanan Nasional Berhad (PNS) were also tasked to provide support facilities and special assistance programmes to boost Bumiputera participation in entrepreneurial activities.

Although the NEP's remit ended in 1990, its underlying principle of growth with distribution was carried along through its successors, the National Development Policy (NDP), the National Vision Policy (NVS) and the National Mission. The NEP achieved outstanding progress towards addressing its original goals. Overall poverty has been significantly reduced from 49.3% in 1970 to 3.8% in 2009, whilst general living standards amongst the majority of Malaysians have also been raised. Similarly, inter-ethnic economic imbalances have been substantially reduced as evidenced by improved distribution of corporate ownership between 1970 and 2008.

Significant progress has been made to eradicate poverty across all ethnicities

Incidence of poverty by ethnicity, Malaysia, 1970-2009
%

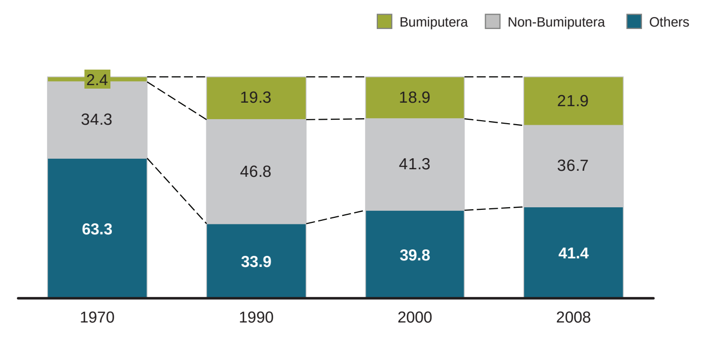


a = Refers to Peninsular Malaysia only.
Starting 1989 data is based on Malaysian citizen. From 1999 onwards, calculation of poverty is based on 2005 methodology

SOURCE: Economic Planning Unit and Department of Statistics – Household Income Surveys

Bumiputera ownership of share capital has increased

Ownership of share capital at par value of limited companies, 1970-2008
%



SOURCE: Economic Planning Unit and Companies Commission of Malaysia

The NEP also enabled the creation of a Bumiputera professional and middle class group, with higher equitable employment participation in higher value added occupations. In 2008, Bumiputera accounted for 51.0% of the management and professionals category of activities. The number of Bumiputera professionals such as doctors and accountants grew significantly from 1995 to 2008. Bumiputera share of selected professionals has also improved, accounting for 60.0% of architects, 53.0% of doctors and 52.0% of engineers.

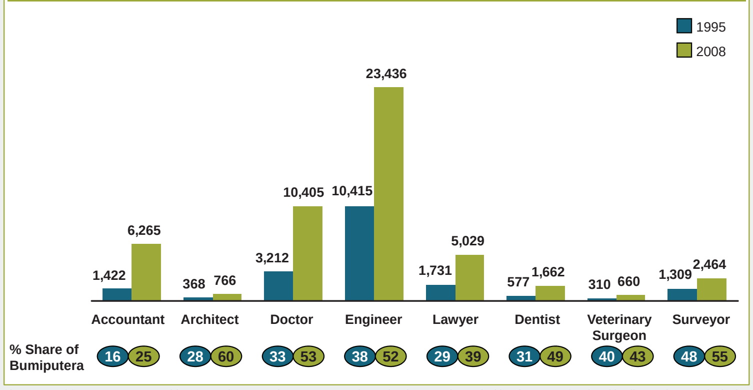
Bumiputera have higher equitable employment participation in management and professional category of occupations

Employment by occupation and ethnic group, 2008
%

SOURCE: Department of Statistics – Labour Force Survey 2008

Bumiputera participation in professional occupation category has increased

Registered Bumiputera professionals, 1995-2008[1]
Number



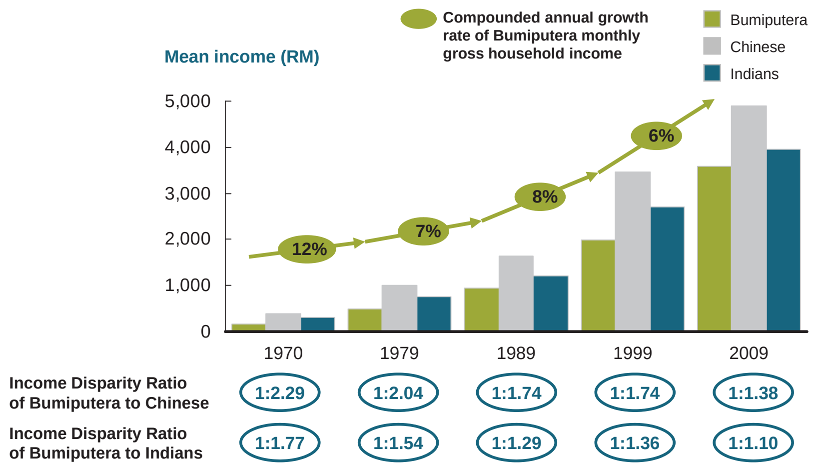
[1] Figures used for Accountants, Architects, Engineers and Surveyors are those that have registered with relevant professional bodies and not exclusively certified or accredited professionals

SOURCE: Professional associations and institutions covering both public and private sectors, including Malaysian Institute of Accountants, Board of Architects Malaysia, Malaysian Medical Council, Board of Engineers Malaysia, Bar Council Malaysia, Institution of Surveyors Malaysia, Malaysian Dental Council and Malaysia Veterinary Surgeons Council

With increased economic activity and more balanced economic participation, income disparities have been greatly reduced. Bumiputera monthly gross household income grew at a compounded annual growth rate of 8% from RM172 in 1970 to RM3,624 in 2009. The income disparity ratio between Bumiputera and Chinese reduced markedly from 1:2.29 in 1970 to 1:1.38 in 2009, whilst the ratio between Bumiputera and Indians also reduced from 1:1.77 in 1970 to 1:1.10 in 2009.

Overall, the income disparity between ethnic groups has improved as a result of various policies on growth with distribution

Mean monthly gross household income, 1970-2009
RM



SOURCE: Economic Planning Unit

The NEP achieved considerable success in overcoming past obstacles and driving the nation forward economically and socially. However, in light of the new socio-economic context, the Government recognises that today's challenges require a different approach. Past instruments, based purely on quotas that are no longer relevant and sustainable, will be phased out to make room for market-friendly policies and instruments that are compatible with national competitiveness. At the same time, the original NEP goal of national unity and social inclusion remains highly relevant albeit with a slightly different emphasis. The focus now will be to build on the new Bumiputera middle class and move the nation towards higher income, whilst at the same time improving social mobility within all parts of society and ensuring that the income gap does not widen.

ELEVATING THE LIVELIHOODS OF THE BOTTOM 40% HOUSEHOLDS

Since the 1970's, the Government focus has been on eradicating poverty regardless of ethnicity. There has been great success in reducing the incidences of poverty from 49.3% in 1970 to 3.8% in 2009, as shown in *Chart 4-2*. Therefore, focus will now be re-oriented to elevate the income levels of the bottom 40% households. Households within this group, irrespective of ethnicity or location will be eligible for support and resources, based on their specific needs, such as Bumiputera in Sabah and Sarawak, particularly ethnic minorities and *Orang Asli* communities in Peninsular Malaysia.

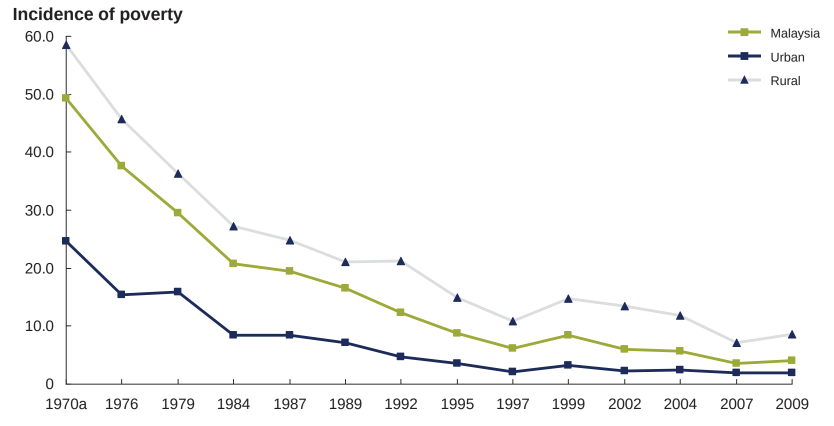
In 2009, the bottom 40% households had a total household income level of less than RM2,300 per month. There were a total of 2.4 million households in this category, with 1.8% of households within the hardcore poor group, 7.6% within the poor group, and the remaining 90.6% within the low-income households group as shown in *Chart 4-3*. The mean monthly income of the bottom 40% households in 2009 was RM1,440.

There has been a significant shift in the structure of the bottom 40% households income group.

Chart 4-2

Poverty has been declining significantly since 1970 in both urban and rural areas

Incidence of poverty by strata, Malaysia, 1970 – 2009
%



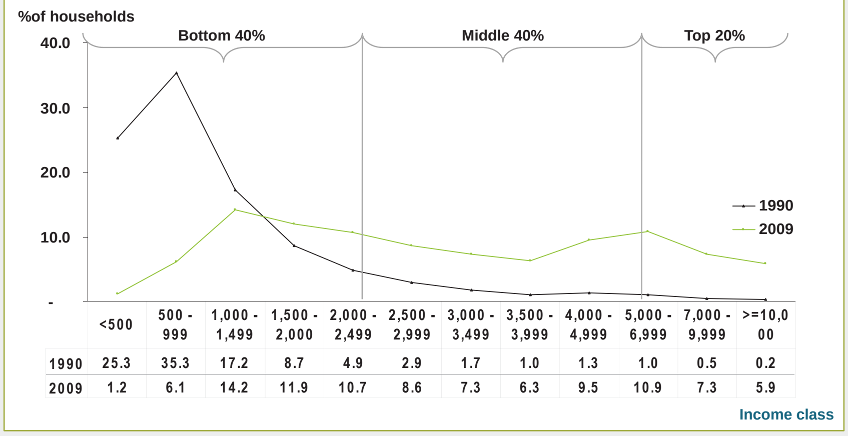
a = Refers to Peninsular Malaysia only.
Starting 1989 data is based on Malaysian citizen. From 1999 onwards, calculation of poverty is based on 2005 methodology

SOURCE: Economic Planning Unit and Department of Statistics – Household Income Surveys

Chart 4-3

Income distribution in Malaysia improved since 1990, with the population now more evenly distributed across the income class

Distribution of households by income class, Malaysia, 1990 and 2009



	<500	500 - 999	1,000 - 1,499	1,500 - 2,000	2,000 - 2,499	2,500 - 2,999	3,000 - 3,499	3,500 - 3,999	4,000 - 4,999	5,000 - 6,999	7,000 - 9,999	>=10,000
1990	25.3	35.3	17.2	8.7	4.9	2.9	1.7	1.0	1.3	1.0	0.5	0.2
2009	1.2	6.1	14.2	11.9	10.7	8.6	7.3	6.3	9.5	10.9	7.3	5.9

For 2009, the income class for bottom 40% households is less than RM 2,300; middle 40% is between RM 2,300-RM 5,599 and the top 20% is greater than or equal to RM 5,600

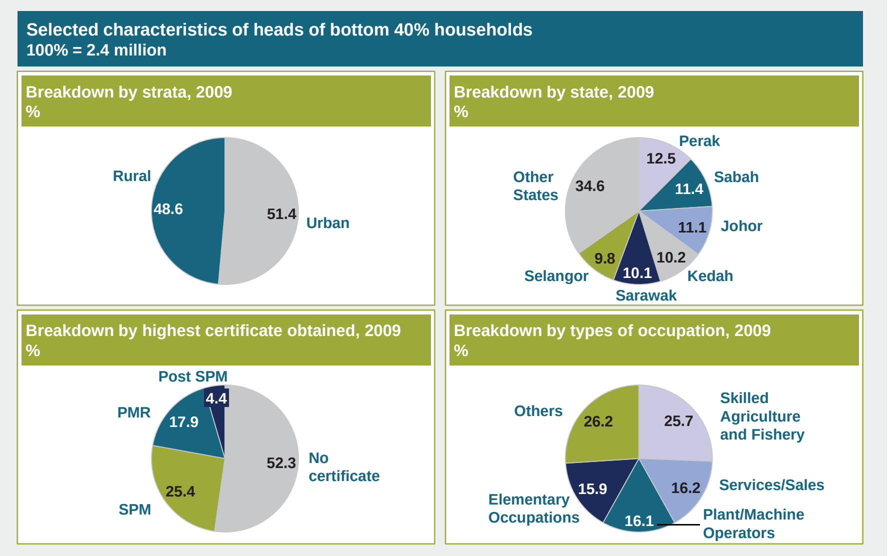
SOURCE: Economic Planning Unit and Department of Statistics – Household Income Surveys

In 1990, 35.3% of households were earning between RM500-RM999 and 25.3% were earning below RM500. In 2009, the percentage dropped to 6.1% and 1.2%, respectively. The bottom 40% households are now clustered around the RM1,000-RM1,499 and RM1,500-RM2,000 income range. In 1990, 60.6% of households were earning RM999 or below while less than 1.0% were earning RM7,000 or above. In 2009, the overall income distribution was more balanced.

In 2009, the bottom 40% households were evenly distributed between urban and rural areas whereby 65% are located in 6 states i.e. Johor, Kedah, Perak, Sabah, Sarawak and Selangor, as shown in *Chart 4-4*. Approximately 73% of these households are Bumiputera. The majority of these households are single-income recipients, with the heads of household attaining only Malaysian Certificate of Education (SPM), that is, 11 years of schooling or lower qualifications, and self-employed or employed as general workers. Due to their lower skills level and, in certain cases, their remote locations, the bottom 40% households are limited in their economic mobility and ability to secure higher paying jobs as well as income opportunities.

Chart 4-4

Selected characteristics of heads of households among the bottom 40% indicate various challenges that need to be addressed



SOURCE: Economic Planning Unit and Department of Statistics –Household Income Survey 2009

During the Plan period, a three-pronged strategy will be adopted to improve the livelihoods of the bottom 40% households as show in chart 4-5. Firstly, support will be provided in order to build capabilities and increase their income generation potential through education and entrepreneurship. Secondly, their immediate living standards will be addressed by strengthening access to basic amenities. Thirdly, tailored programmes will be implemented for target groups with specific needs such as the Bumiputera in Sabah and Sarawak, particularly ethnic minorities; Orang Asli communities in Peninsular Malaysia; residents of Chinese new villages; and estate workers, where Indian represent a significant number. By the end of the Plan period, the Government targets to:

- Reduce the incidence of poverty from 3.8% in 2009 to 2.0% in 2015;
- Increase the mean income of the bottom 40% households from RM1,440 in 2009 to RM2,300 in 2015;
- Improve overall income inequality by reducing the Gini coefficient from 0.441 in 2009 to 0.420 in 2015; and

Chart 4-5

Through Tenth Plan programmes, bottom 40% households can look forward to new opportunities and improved living standards

More opportunities for upward economic mobility	▪ Opportunities to upgrade skills in industry-relevant areas ▪ Employment hubs will be created to link employers in clusters and cities to talent pool in rural areas and provide training ▪ More opportunities for industrial attachments and jobs in employers who are recipients of major Government contracts, concessions and incentives ▪ Greater support in establishing own businesses through integrated provision of training, funding and key equipment
Strengthened social protection	▪ More accessible income support for eligible groups ▪ More opportunities to get subsidised housing ▪ Greater access to healthcare facilities ▪ Greater access to treated water, electricity and transport infrastructure

- Increase the percentage of bottom 40% households with SPM qualification and above from 30% in 2009 to 45% in 2015.

Raising the Income Generation Potential of Bottom 40% Households

The rural bottom 40% households predominantly self-employed in rural based activities or engaged as employees in the private sector as shown in *Chart 4-6*. However, despite a larger population of rural households being self-employed, the main source of income for this group is paid employment. More emphasis will be given to increasing access to opportunities for employment whilst at the same time strengthening the support for self-employment.

In 2009, a total of 51.4% of the bottom 40% households resided in urban areas in which Bumiputera constituted 59.1%, Chinese 29.2% and Indians 11.4%. These households were predominantly engaged as employees in the elementary occupation classifications in the public and private sectors and among the self-employed in the informal sector. During the Plan period, the wellbeing of the urban bottom 40% households will be addressed through capability building programmes to improve their income and overall quality of life.

Box 4-2

The Low Income Households NKRA aims to completely eradicate hardcore poverty, reduce the incidence of poverty and enhance the productivity of low-income households through:

- Standardising the definition of low-income group to accelerate the coordination in identifying and assisting poverty target groups by all ministries and agencies;
- Implementing fast, high impact initiatives immediately and laying the groundwork for longer term actions; and
- Putting enablers in place to ensure delivery of initiatives are well coordinated and implemented.

Raising the living standards of low income households is one of six National Key Result Areas

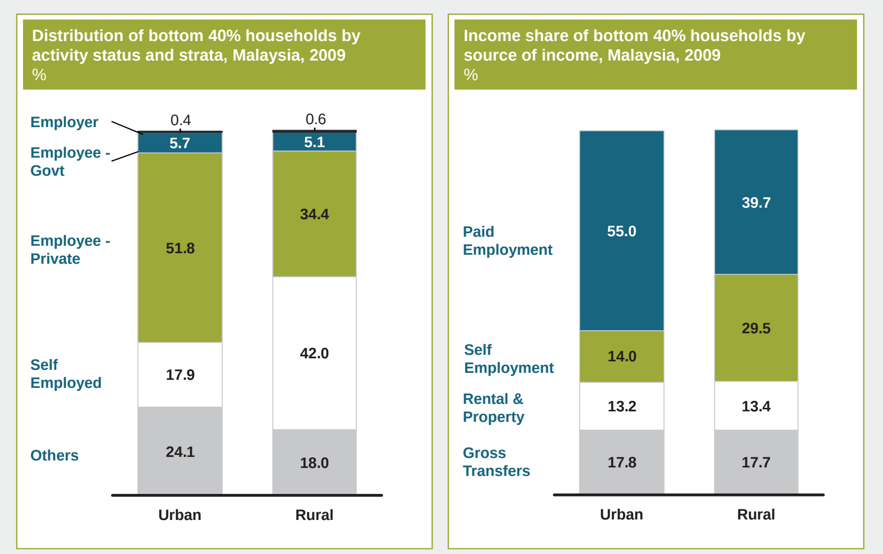
Elevating the Quality of Life of Rural Households

Programmes to increase the incomes of rural households will focus on upgrading their skills, linking them to employers in nearby clusters and cities as well as providing support for self employment, micro-businesses and small scale industries. Efforts will also be undertaken to increase the productivity and sustainability of agro-based activities through the adoption of modern agricultural technology and expansion of contract farming. Programmes will include:

- Providing holistic support programmes for micro-enterprises;
- Linking rural talent pool to employers in nearby clusters and cities;
- Increasing sustainability of income in the agriculture sector through the concept of contract farming;
- Providing opportunities for business ownership for capable rural entrepreneurs;
- Increasing land productivity and yield through land amalgamation;
- Improving human capital productivity within rural agriculture and agro-based industries; and

Chart 4-6

Whilst the majority of rural households are self-employed, the main source of income is mainly from paid employment



SOURCE : Economic Planning Unit and Department of Statistics – Household Income Survey 2009

- Expanding the application of the agropolitan concept to other agriculture and agro-based industries.

Funding programmes, conducted by agencies such as *Majlis Amanah Rakyat* (MARA), *Amanah Ikhtiar Malaysia* (AIM) and *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN), will be strengthened to provide a more holistic approach incorporating funding, equipment and training in business and technical areas. Institutions such as *Pusat Giat* MARA, community colleges, *Jabatan Kemajuan Masyarakat* (KEMAS) and skills development centres will continue to provide skills training in areas such as carpentry, tailoring, baking, hospitality, handicrafts, motor mechanics and food processing to support self-employment. The delivery of these training programmes will be tailored to the specific opportunities of target localities. For example, in areas where tourism is a key industry, residents will be provided with support to establish home stay programmes and provide eco-tourism services.

The Government will establish employment hubs to provide career counselling and job placement programmes in areas where employment opportunities are scarce. The hubs will study and identify the categories of workforce requirements through consultation with key employers in nearby clusters and cities and match the requirements with suitable candidates in adjacent rural areas. Pre-employment training will be conducted based on the need to help the candidates meet the participating employers' requirements.

To create better market access and more sustainable incomes in the agriculture sector, contract farming will be expanded. Efforts will be undertaken to enable large-scale food suppliers such as Malaysian Agriculture Food Corporation (MAFC) to collaborate with smallholders to engage in contract farming. The anchor companies will provide the farmers with agricultural input as well as conduct appropriate training and provide advisory services on good agricultural practices (GAP) to enable the farmers to increase productivity and produce quality agricultural products. These products will be supplied to the anchor companies based on a pre-agreed pricing formula according to market driven determinants, and as mutually agreed by both parties.

Government agencies such as the Department of Agriculture in collaboration with the government-linked companies (GLCs) such as *Khazanah Nasional Berhad's* subsidiary, Blue Archipelago, will take the lead in establishing modern agriculture businesses in rural areas such as environmentally sustainable aquaculture and organic farming. This will include building facilities, establishing markets, obtaining the required certification and establishing processes based on good agricultural practices. Rural entrepreneurs will initially work as apprenticed employees in the businesses to build better understanding of business management, marketing and operational processes. Upon completion of the apprenticeship, they will be offered to buy over the business, funded through future profits of the enterprise. In addition, to supporting entrepreneurs to create businesses on a sustainable scale, the programme will also provide employment opportunities for the rural community and to be part of a supply network.

Amalgamation of larger parcels of land via government agencies such as the Rubber Industry Smallholders Development Authority (RISDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA) and cooperatives will be encouraged to increase scale and improve land productivity. Smallholders will outsource the rights to manage their land to the respective agency or cooperative. Through this programme, the agency or cooperative will appoint professional management to manage the land in order to increase productivity and gain higher yield. This will benefit the smallholders through better income stream from wages and dividends.

The Government will continue to implement programmes to improve the productivity and income of workers and small business owners within the rural agriculture and agro-based industries. Training will be given to assist fishermen and farmers to increase their productivity and improve their standard of living. In addition, the fishermen community will continue to be provided with petrol and diesel subsidies as well as better infrastructure equipment and facilities such as boats, docking bays and jetties. A marketing programme will be designed to assist fishermen in direct sales of their catches to gain a greater share of profits. Under the entrepreneurship development scheme, start-up capital as well as training courses will be provided to develop more entrepreneurs and sustainable small-scale agro-businesses. Specific programmes will also be introduced to encourage greater youth participation in agricultural activities.

Agropolitan development strategies will utilise an integrated approach to advance rural development in agriculture, agro-based and other rural industries. The main objective is to upgrade the income level and eradicate poverty among the rural population by providing the able-bodied poor with shares in land development projects. This will include the establishment of centrally managed plantations, where poor families will be given shares of the estate. The areas of resettlement will be provided with basic infrastructure such as roads, electricity and water, as well as social amenities such as community halls, mosques, libraries, playgrounds and business centres. Each settler will be provided with housing and land for commercial farming, including livestock, crops or aquaculture, and participants are expected to earn a minimum monthly income. A number of support services and enablers will also be provided including capability building programmes, technology transfer for good agriculture practices, transport, marketing support and availability of consumer credit during the early stages of the project.

Enhancing the Economic Participation of Urban Households

Initiatives to increase income and quality of life of this group will include capacity enhancement programmes through skills training and skills upgrading to enable them to secure higher paying jobs as well as engage in skills-based businesses. In addition, to ensure sustainability of business ventures, efforts to modernise and scale-up small businesses will be implemented through various programmes conducted by agencies such as AIM and TEKUN. Programmes will include:

- Establishing industry-specific skills centres based on targeted geographic areas;

- Expanding micro-enterprise support programmes for bottom 40% households in urban areas;
- Enhancing mentor-mentee programmes to create additional business opportunities;
- Extending the incubator concept to increase entrepreneurship and employment opportunities; and
- Expanding anchor company programmes to enable the formation of partnerships and clusters.

Government agencies will collaborate with industry associations and key players to establish industry-related skills development programmes in targeted areas. The focus will be on creating relevant jobs programmes such as programmes to build a talent pipeline for the tourism industry in Sabah and coastal Terengganu as well as a pipeline of skilled agricultural workers in Kedah.

Micro-enterprise programmes will be expanded to assist urban bottom 40% households to establish small businesses. Technical training will be provided in areas such as health and wellness, laundrettes, auto workshops, restaurants, franchised businesses and tailoring, while general entrepreneurship training will cover financial management, marketing, contract management and operations management. Existing training institutions such as *Institut Keusahawanan Negara* (INSKEN) will be leveraged to provide the training and qualified participants who graduate from the training programmes will be provided with financial assistance to support their new business start up.

Entrepreneur development organisations such as *Perbadanan Usahawan Nasional Berhad* (PUNB) and MARA have implemented mentor-mentee programmes as a means to replicate the proven business models, product portfolios and supply chain networks of successful entrepreneurs. In the Plan period, emphasis will be given to target mentees from bottom 40% households. In addition, incentives will be provided to mentors who conduct business with entrepreneurs from bottom 40% households.

MARA has successfully piloted a food industry incubator facility, and this concept will be extended in the Plan period to provide employment opportunities in low income areas. The incubators provide ready-to-use facilities that are compliant with international standards such as Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) as well as providing shared facilities such as packaging design, testing centres and marketing support, thereby enabling small businesses to command better premium for their products. Other agencies will also develop similar integrated incubators to enable scale, reduce capital costs and propagate best practices in other industries.

Anchor company programmes led by GLCs and government agencies such as MARA will be expanded. Incentives will be provided for the anchor companies to establish clusters in partnership with smaller businesses in rural and urban areas. The anchor companies will focus on research and development, market access, product design and quality management, whereas production activities will be outsourced to smaller businesses that will manufacture the products to pre-determined specifications. In addition, funding support will be provided to facilitate the implementation of the programmes including the provision of facilities. This concept can be applied to the food, textile, wood-based and craft industries, enabling small and medium enterprises (SMEs) within these industries to scale up and access larger markets while larger firms focus on higher value-added activities.

Assisting Children in Bottom 40% Households to Boost Their Education and Skills Attainment

Children from the bottom 40% households have a lower education attainment. Challenges inhibiting children from bottom 40% households

to effectively participate in the education system include low family income, non-conducive home environment, and lack of funds to purchase school necessities. In addition, difficulties in providing quality education services in very remote areas where there are few students and challenges in retaining teachers, limits the capacity for children to improve their educational performance.

During the Plan period, more equitable access to education opportunities will be provided to children from the bottom 40% households. This will involve addressing the cost of attending school, geographic barriers to accessing schools and the provision of a more conducive learning environment.

During the Ninth Plan period, the concept of enabling rural children with high academic potential to attend better schools in urban areas was piloted whereby standard five and standard six children from rural areas were enrolled in special boarding facilities. This enabled the children to attend schools that were better equipped and have better teachers. The boarding facilities have a low student to caregiver ratio to cater for the needs of the age group. Besides simulating the home environment, the hostels also provided support in subjects such as English and mathematics, and exposure to extra-curricular activities such as sports. During the Plan period, the Government will replicate this concept as a means to provide more equitable access to better education opportunities for children from the bottom 40% households.

1Asrama programmes will also be expanded, whereby urban students from different ethnicities in primary and secondary schools are grouped in hostels to provide a more conducive learning environment and extended learning support. Eligible students from specific target groups will continue to receive assistance from *Kumpulan Wang Amanah Pelajar Miskin* (KWAPM) such as allowances, scholarships, supplementary food, school uniforms and tuition and transportation fees. A special consideration for placements in boarding schools, matriculation centers and public universities will be given to students from the bottom 40% households. In addition, students who have secured places in private education institutions will be given financial assistance based on merit, to enable them to pursue their education.

Strengthening Social Safety Net to Reduce Vulnerability of Disadvantaged Groups

Social protection programmes will be strengthened to ensure immediate issues impacting the living standards of disadvantaged groups are addressed. The focus will be on ensuring that the target groups have acceptable accommodation, have access to medical care and are able to purchase basic living necessities and services.

Providing Housing Assistance Programmes to Deserving Poor Households in Rural and Urban Areas

For rural areas, assistance will continue to be given to build and upgrade rural homes especially for households with larger household size, older persons, single parents or individuals with special needs. Where eligible households own a parcel of land, the Government will construct a house on the land. In addition, to complement government efforts, GLCs and the private sector will be encouraged to provide houses through their corporate social responsibility (CSR) programmes.

For urban and semi-urban areas, affordable housing programmes and clusters as well as the provision of low-cost housing will be expanded. These public housing units will be offered to qualified individuals and families with the aim to encourage greater home ownership among the bottom 40% households. The private sector will also be encouraged to develop more affordable medium-cost housing. In addition, efforts will be undertaken to incorporate facilities that will encourage greater community development and better access for older persons and persons with disabilities.

Providing Income Support, Subsidies and Improved Access to Healthcare

Over the past 40 years, the Government subsidised or regulated the prices of goods and services such as electricity, petrol, rice, cooking oil and sugar. However, a continued broad subsidisation approach is not sustainable. During the Plan period, subsidies will be restructured whilst a more targeted approach will be adopted to provide income support for eligible groups within the bottom 40% households.

The Department of Social Welfare or *Jabatan Kebajikan Masyarakat* (JKM) will continue to provide income support for groups with specific needs such as the older persons with disabilities and single mothers. A central database, *eKasih*, will be used to identify and coordinate the delivery of income support. The database allows for continuous monitoring and evaluation of the effectiveness of these programmes, and will enable auditing of programme beneficiaries. It will be enhanced to include more comprehensive information on the target groups to prevent duplication while ensuring better targeting. In addition to self registration and consolidation of information from existing welfare agencies, outreach programmes will be widened and intensified to enhance the comprehensiveness of the database.

As the Government adjusts the prices of key items closer to market prices, assistance will be channelled directly to the bottom 40% households to ensure that they are not adversely impacted. Information through *eKasih* will also be made available to registered non-governmental organisations (NGOs), charities and corporations to enable better targeting and disbursement of non-governmental aid programmes as well as to encourage more companies to be involved in CSR programmes. GLCs such as Petroliam Nasional Berhad (PETRONAS), Sime Darby Berhad and United Engineers (Malaysia) Berhad (UEM) will be encouraged to participate through incorporating and tailoring their own CSR programmes to provide targeted support to individuals that are most in need. PETRONAS has committed RM100 million to provide support to identified households in the form of essential food assistance to alleviate their hardships. This will be implemented through the usage of MyKad as the procurement instrument at PETRONAS Mesra stores.

Besides providing improved housing and income support, multiple approaches will be undertaken to ensure that the bottom 40% households in both rural and semi-urban areas have better access to healthcare. Special clinic days for chronic diseases will be set to enable patients with multiple illnesses to receive consultations in a single visit instead of multiple visits as previously required. Mobile clinics, including flying doctor services will be expanded for groups with lower accessibility such as Orang Asli and ethnic minorities in remote parts of Sabah and Sarawak.

1Malaysia clinics will be expanded to provide services to urban poor and other underserved areas, with additional clinics to be built during the Plan period. These clinics will continue to operate from 10 a.m. to 10 p.m. in order to provide better and more viable alternatives to private clinics.

Addressing the Needs of Special Target Groups with Integrated Programmes

There are target groups within the bottom 40% households with very specific challenges that need to be addressed. These include the Bumiputera in Sabah and Sarawak, particularly the ethnic minorities; Orang Asli communities in Peninsular Malaysia; residents of Chinese new villages; and estate workers, a significant number of whom are Indians. While eligible households within these groups will be given access to all the programmes targeted at the bottom 40%, they will also benefit from additional targeted programmes to strengthen their capabilities and reduce incidence of poverty among them.

Strengthening the Capabilities of Bumiputera in Sabah and Sarawak and *Orang Asli* communities in Peninsular Malaysia

During the Plan period, integrated development programmes and specific enhancement assistance will be implemented to address the high incidence of poverty among the Bumiputera in Sabah and Sarawak, particularly ethnic minorities such as the Bisaya, Orang Sungei, Rungus, Suluk, Tidong, Penan, Kajang, Kedayan and Kelabit, and Orang Asli communities in Peninsular Malaysia. These include those living in long houses as well as settlements in hinterland and remote areas. The target is to reduce the incidence of poverty among Orang Asli communities from 50.0% in 2009 to 25.0% in 2015 and among ethnic minorities from 22.8% to 12.0% in Sabah and 6.4% to 3.0% in Sarawak during the same period.

For the Orang Asli communities, a land development and ownership programme will be implemented to enable them to become land owners and active farmers. The Government will develop Orang Asli reserve land for agriculture use. The Orang Asli communities will be able to cultivate the land and obtain land ownership upon maturity of the estate. Each eligible household will be given the right to farm and eventually own between two to six acres, with an additional 0.5 acres allocated for them to build a house. Possibility of implementing similar programmes will be considered for the ethnic minorities in Sabah and Sarawak.

Assistance will be provided to Bumiputera in Sabah and Sarawak, particularly ethnic minorities and Orang Asli communities to establish businesses such as home stay and eco-tourism services. Assistance will include providing entrepreneurship training and funding as well as strengthening linkages with established businesses in the identified sectors.

To improve access to education, *Sekolah Model Khas* will be expanded to address high drop-out rates at secondary school level due to location factors. This concept integrates primary and secondary education up to Form Three under the same school management. In addition, boarding facilities for secondary schools will be expanded.

Despite actively producing a number of handicraft products, Bumiputera in Sabah and Sarawak, particularly ethnic minorities and Orang Asli communities are still dependent on intermediaries

to market their products resulting in lower returns. Initiatives will be undertaken to assist these communities to establish cooperatives to market their products more effectively. The cooperatives will initially appoint professional management teams and through knowledge transfer, will eventually take over the management of the business themselves.

Providing Financial Assistance to Chinese New Villages' Residents to Upgrade Their Homes and Fund Their Business Activities

The majority of the Chinese new villages' residents are occupying land with temporary occupation licence (TOL) or leasehold tenure of 30 and 60 years. Many of them are facing impending expiry of their leases as well as difficulty in renewing their leases due to financial constraints. In addition, some of the houses have not been upgraded and are in dilapidated conditions. The residents also have lack of access to capital for new business start ups.

Efforts will be initiated to introduce loan schemes by financial institutions to finance payment of premium and leasehold tenure renewal. The loan scheme will also be made available to assist the residents to upgrade their houses as well as fund their business activities. Existing funding programmes through AIM and TEKUN will be explored to assist small entrepreneurs from Chinese new villages.

Enhancing Access to Basic Amenities and Infrastructure for Estate Workers to Improve Their Living Standards

Estate workers, of whom a significant number are Indians, employed in rubber and palm oil estates throughout Malaysia, face challenges such as low income and educational attainment as well as poor living conditions and access to public amenities. In order to improve the living standards of the estate workers, a total allocation of RM109 million will be provided between 2011 and 2012 to supply treated water to estates that are 1,000 acres in size or smaller and are located less than five kilometres distance from the main pipeline. A total of 182 estates have been identified for this programme. In addition, *Jawatankuasa Kemajuan dan Keselamatan Kampung* will be established to foster closer ties between residents of estates and nearby villages with district offices.

Efforts will be initiated to encourage collaboration with estate owners in providing access roads and basic amenities such as housing and school facilities. Existing training and re-skilling programmes will also be extended to include displaced estate workers to increase their employability.

ENHANCING BUMIPUTERA ECONOMIC PARTICIPATION

Inclusiveness involves ensuring that all ethnicities are able to participate in and benefit from economic growth. Equitable economic participation includes addressing imbalances in Bumiputera representation in employment; in ownership of assets such as property and corporate equity; and representation of Bumiputera businesses in high value-added activities. Therefore, the overall Bumiputera development agenda will continue to be a major thrust of Malaysia's economic policy. Nevertheless, the strategies and instruments will continuously be improved towards establishing broad based, meaningful and sustainable Bumiputera economic participation.

Since the Second Malaysia Plan period, the Government has continuously provided programmes to enhance Bumiputera participation in the economy. Through a range of policy instruments such as education scholarships, boarding schools, privatisation and unit trust schemes, there have been successes in enhancing Bumiputera participation, ownership and control of corporate equity; in increasing Bumiputera employment in key management and professional occupations; and in establishing Bumiputera entrepreneurs.

At the end of the Ninth Plan period, equitable ethnic participation in the economy had substantially improved. However, imbalances continue to exist in ethnic composition within income groups and in ownership of key economic assets such as corporate equity and property as shown in *Chart 4-7*.

The target of attaining at least 30% Bumiputera corporate equity ownership at macro level remains. However, the focus will be on promoting genuine economic participation, consistent with the objective of sustainable high growth, rather than corporate equity allocation. This will be achieved through more transparent, market-friendly and merit-based instruments, focused on:

- Strengthening Bumiputera entrepreneurship to help create competitive businesses in high-impact sectors;
- Increasing wealth ownership beyond corporate equity to include other properties and business assets such as retail space landed properties, commercial buildings, intellectual properties and other services through pooling of funds and institutional investment; and
- Promoting Bumiputera representation in high paying jobs through enhanced capability building and demand-side incentives.

Strengthening Bumiputera Entrepreneurship to Create Competitive Businesses in High-Impact Sectors

Acknowledging that there are different levels of Bumiputera capabilities relative to their size of business and activities, a new approach to the development of a Bumiputera Commercial and Industrial Community (BCIC) will be undertaken through segmenting the Bumiputera companies by their business stage. Bumiputera enterprises will

Chart 4-7

Despite considerable progress, there is potential for improvement in Bumiputera's position of wealth

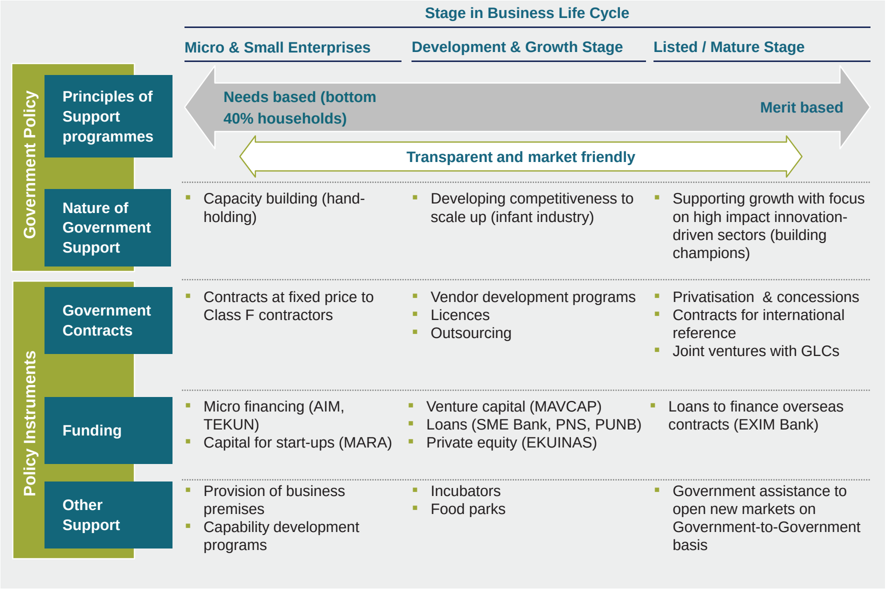
Income	▪ Bumiputera median household income of RM2,531 in 2009 is lower than the national median income of RM2,830 ▪ Despite Bumiputera representing 64.9% of total households in 2009, Bumiputera households account for 74.7% of total households with income below RM2,000
Corporate equity ownership	▪ Bumiputera ownership of share capital (at par value) of limited companies increased marginally from 18.9% in 2004 to 21.9% in 2008 ▪ Bumiputera owned companies accounted for 16.0% of domestic IPOs in 2008, with an average of 12.0% over the past 10 years
Property and savings	▪ Bumiputera ownership of commercial buildings and premises has grown at a relatively slow pace from 11.7% in 2005 to 14.0% in 2008 ▪ Bumiputera only account for 40.0% of EPF total fund size in 2009 despite accounting for 52.0% of EPF membership

SOURCE: Department of Statistics, Economic Planning Unit, Companies Commission of Malaysia, Bursa Malaysia and Employees Provident Fund be categorised into micro and small enterprises, development and growth stage, and listed/mature stage companies, as shown in *Chart 4-8.* The types of assistance provided by the Government with regards to funding, support services and implementation agencies will be differentiated according to the categories of companies.

Micro enterprises will be promoted through funding, capability building and infrastructure provision in a means-tested approach, targeted primarily at improving the livelihoods of Bumiputera in the bottom 40% households. For businesses in the development and growth stage, support will focus on promoting consolidation and scaling up to achieve competitiveness, for example through provision of private equity funding. For mature companies, assistance will include Government-to-Government negotiations to open up new markets, while government procurement, licenses and privatisation will be used to promote participation in strategic areas. Provision of support, whether in the form of funding or through licenses and concessions, will be done according

Chart 4-8

Policy instruments will be segmented to better meet requirements at the different business stages



		Stage in Business Life Cycle		
		Micro & Small Enterprises	Development & Growth Stage	Listed / Mature Stage
Government Policy	Principles of Support programmes	Needs based (bottom 40% households) Transparent and market friendly		Merit based
	Nature of Government Support	- Capacity building (hand-holding)	- Developing competitiveness to scale up (infant industry)	- Supporting growth with focus on high impact innovation-driven sectors (building champions)
Policy Instruments	Government Contracts	- Contracts at fixed price to Class F contractors	- Vendor development programs - Licences - Outsourcing	- Privatisation & concessions - Contracts for international reference - Joint ventures with GLCs
	Funding	- Micro financing (AIM, TEKUN) - Capital for start-ups (MARA)	- Venture capital (MAVCAP) - Loans (SME Bank, PNS, PUNB) - Private equity (EKUINAS)	- Loans to finance overseas contracts (EXIM Bank)
	Other Support	- Provision of business premises - Capability development programs	- Incubators - Food parks	- Government assistance to open new markets on Government-to-Government basis

to merit and will take into account the Bumiputera entrepreneurs' ability to become independent of Government assistance.

Creating Stronger and More Competitive Industry Champions

Significant progress has been achieved in creating Bumiputera enterprises through various programmes and considerable resources have been expended on supporting them. However, previous emphasis on funding through small loans and grants has led to sub-scale enterprises that are highly vulnerable as the economy matures and liberalises. Sub-scale enterprises face challenges in making investments in innovation, process improvements, market development and efficient supply chains. During the Plan period, focus will shift towards strengthening these enterprises to ensure they acquire sufficient scale of operations and therefore enable them to reinvest, improve and grow.

During the Plan period, *Ekuiti Nasional Berhad* (EKUINAS) will receive RM4.5 billion of Government allocation and raise additional funding from the private sector to undertake investments in growth stage companies. Focus will be given to three

types of investments, i.e. buy-outs of non-core assets of GLCs, Multinational Companies (MNCs) and Public Listed Companies (PLCs); buy-outs of suitable Malaysian companies where existing shareholders are exiting; and investing in existing strong Bumiputera companies to accelerate growth of the company. EKUINAS will be an active shareholder, driving growth and value creation, whilst adhering to the highest standards of corporate governance and benchmarking against leading global private equity firms.

Private equity programmes in government-linked investment companies (GLICs) such as PNB, *Lembaga Tabung Angkatan Tentera* (LTAT) and *Tabung Haji* (TH) will be renewed, strengthened and expanded to consolidate and pool various funds to expand equity ownership and control. These institutions will also be encouraged to actively venture and diversify into high-return economic activities that generate greater opportunities for Bumiputera.

Loans to enable management buy-out (MBOs) and/or acquisition of businesses with positive cash flows will be provided through PUNB. This will entail significantly increasing the ceiling that PUNB can disburse and shifting its focus from funding start-ups to funding growth and consolidation of existing enterprises.

Strengthening Capacity and Capability for Entrepreneurship in Higher Value-Added Segments

High-income economies are characterised by a higher percentage of innovation-driven entrepreneurship, such as businesses using innovative business models, companies that bring new products and services to market and businesses using new technologies to stay ahead. Bumiputera-readiness to participate in high value-added activities will need to be strengthened. Currently, Bumiputera start ups are focused in sub-sectors and activities with relatively low value added and are under represented in knowledge intensive and higher value-added segments. During this Plan period, more effective approaches will be undertaken to promote innovation-driven entrepreneurship by entrepreneurs with industry or academia track records.

A demand-driven approach will be adopted to catalyse businesses in high value added activities. In targeted sectors, industry development organisations will identify areas of high potential such as molecular marker research services for agriculture (biotech); animal fat substitutes (halal industry) and oil recovery technologies (oil and gas). Government will allocate funding and invite the private sector to bid for the rights to the ventures. Considerations in selecting the successful bidders will include proposed mechanism of setting up whether via acquisition or start-up, shareholding structure, key management, core technologies, proposed business model and amount of capital that the bidding company will contribute. Over time, the Government will divest its equity to the management team and Bumiputera institutions.

The implementation of existing cluster initiatives will be expanded while new clusters will be explored. Established companies will be identified as anchor companies for each cluster and undertake vendor development programmes to support participation across the value chain. Potential clusters include, among others, halal-related industries; Islamic banking, financing and insurance including takaful; tourism and hospitality; and the energy sector including green energy. During the Plan period, the Government targets to establish a minimum of 100 anchor companies to support the operation of 1,000 vendors.

Bumiputera entrepreneur development funding programmes will be restructured and managed by fewer agencies to ensure adequate coverage by sector and business lifecycle. In addition, funding instruments will be tailored towards business needs with higher funding limits to support establishment of businesses at the right scale.

Existing entrepreneur development organisations (EDOs) including MARA, PUNB and *Perbadanan Nasional Berhad* (PNS) and development financial institutions (DFIs) will be reviewed to increase their effectiveness. The functions of EDOs and DFIs will be rationalised and streamlined to reduce duplication, improve efficiency and effectiveness of the delivery system and optimise usage of resources. Competitive performance-linked compensation will be put in place to encourage achievement of target outcomes as well as increase the organisation's ability to attract and retain high quality talent and ensure sufficient talent specialisation in innovation-intensive sectors. With greater talent specialisation, the EDOs and DFIs will be able to offer more effective support to Bumiputera companies, especially in terms of connecting them to global markets and expanding their presence throughout the business value chain.

General entrepreneurship training is currently fragmented and will therefore be rationalised. MARA will continue to be the lead agency for building general Bumiputera entrepreneurship talent. This will be done through training, consultancy and hands-on programmes such as enabling university students to set up small businesses in campuses.

MARA's programmes will be supplemented by sector specific technical programmes conducted by industry development organisations (IDOs) such as Malaysian Biotechnology Corporation and Multimedia Development Corporation.

Broadening and Increasing Bumiputera Wealth Ownership to Ensure Sustainability

Unit trust schemes have been very successful in helping Bumiputera to participate in and benefit from national wealth creation. Participation in unit trust schemes also enabled Bumiputera to increase equity ownership in the corporate sector. Based on the principles of pooling of funds and institutionalisation of asset ownership, unit trust schemes reduce the entry barrier to participation and enable ownership of the assets to be sustainably held.

In the Plan period, the institutional investment approach will be expanded beyond corporate equity, to include other categories of wealth such as property. *Yayasan Amanah Hartanah Bumiputera* (YAHB) will set up Real Estate Investment Trusts (REITs) to reduce the entry barrier for Bumiputera to invest in commercial and industrial properties

and benefit from appreciation in their values. Initiatives will also be undertaken to strengthen the investment capability of institutions such as Baitulmal and to increase the value of their assets including land development for commercial purposes. The gains from such ventures will benefit the broader Bumiputera community by creating employment and entrepreneurship opportunities.

More concerted efforts will be undertaken to unlock value from Bumiputera assets such as land. A signature project during the Plan period will be the rejuvenation of Kampong Bharu, Kuala Lumpur, which is strategically located in close proximity to surrounding prime real estate as shown in *Chart 4-9*. The Government will establish the *Perbadanan Pembangunan Kampong Bharu* or Kampong Bharu Development Corporation that will work with the residents of Kampong Bharu to develop a business model whereby the gains from land re-development will be equitably shared, identify a mutually acceptable temporary re-settlement area and develop innovative funding schemes that would enable existing residents to purchase units in the re-developed areas.

Chart 4-9

Kampong Bharu is strategically located in close proximity to surrounding prime real estate

SOURCE: Ministry of Federal Territories and Urban Wellbeing

Promoting Bumiputera Representation in High Paying Jobs through Enhanced Capability Building and Demand-Side Incentives

Recognising the need to strengthen the ability of Bumiputera to qualify for high paying jobs, more focused programmes will be implemented to build talent and put in place appropriate incentives to enable more Bumiputera representation especially in key management, professional and technical positions. While talent development programmes will benefit all ethnicities, Bumiputera representation is assured in line with the objective of achieving equitable participation in the employment market.

During the Plan period, the number of scholarships will be increased for postgraduate programmes in renowned institutions. The objective is to enable talented Bumiputera to obtain qualifications that would enhance their upward job mobility and strengthen their international network. These scholarships will be funded through Government and corporate contributions. Funding will be awarded for scholars that meet the performance or entrance criteria. Flexible bonds will be accorded to scholars that can demonstrate their continuing contribution to Malaysia, upon completion of their studies.

The Government will establish industry centres of excellence to provide research and postgraduate training, which will be done in collaboration with industry associations and existing research institutes or institutes of higher learning. The objective is to enhance innovation and skills in target sectors to support the move to higher value-added activities.

The number of Bumiputera in attachment programmes and on overseas secondment programmes will also be increased to broaden Bumiputera exposure to higher value-added businesses, build international business experience and enable international professional networks to be forged. Companies that secure large Government contracts, as well as local and foreign investors who are the recipients of pre-package special incentives under the provision of foreign direct investment incentive schemes, will be asked to commit to balanced employment targets, training programmes or attachment/secondment programmes, especially to increase Bumiputera participation at international level. In addition, GLICs will establish similar programmes with their major business partners and overseas acquisitions.

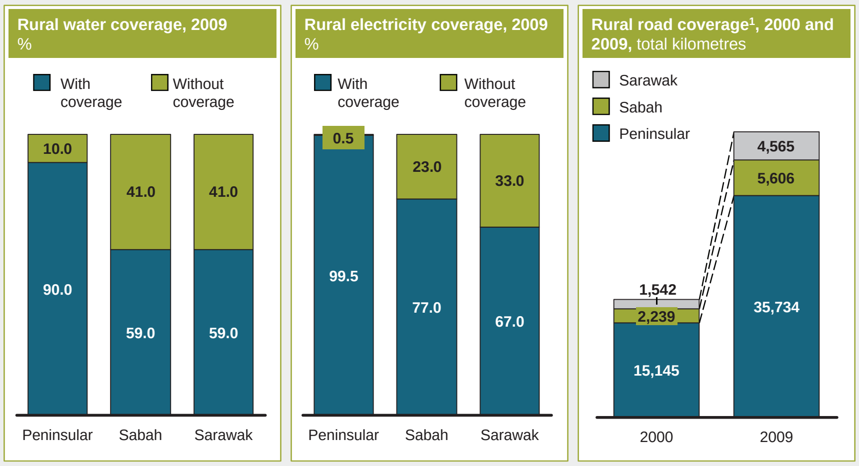
ENSURING BASIC PHYSICAL INFRASTRUCTURE IS ACCESSIBLE TO ALL

Malaysia has achieved a remarkable progress in the provision of rural infrastructure and other basic utilities. Despite these achievements, there are villages in the remote areas which are still not connected by roads and insufficient infrastructure facilities particularly in Sabah and Sarawak. Beside low incomes, the rural population often have poor access to basic infrastructure. With approximately 36% of Malaysians living in rural areas in 2009, efforts will be made during the Plan period to ensure that the *rakyat*, particularly those in rural communities, are provided with adequate supply of treated water and sanitation facilities, access to road networks, electricity supply and better connectivity through communication technologies i.e. telephone and the Internet. Beyond improving the quality of life of the rural population, this infrastructure is also critical to facilitate the generation of new economic activities.

Malaysia has had considerable success in the provision of basic infrastructure. In 2009, rural electricity coverage was 92.3%, and rural water coverage was 81.0% throughout Malaysia. In addition, rural road coverage grew from 18,927 kilometres in 2000 to 45,905 kilometres in 2009 nationwide as shown in *Chart 4-10*.

Chart 4-10

Significant progress has been achieved in providing basic physical infrastructure in the rural areas



1 Figure includes village connecting road (*Jalan Perhubungan Desa*)

SOURCE: Ministry of Rural and Regional Development

Moving forward, the Government will focus on the expansion and upgrading of rural road networks. Road design and construction will be upgraded to improve quality and reduce maintenance costs through new technologies and methods such as utilising soil stabilisers and concrete paving. The new design will increase road strength to support commercial and heavy vehicles and will enhance connectivity between rural areas and urban economic centres to expedite development of economic sectors in rural areas. By the end of the Plan period, a total of 6,312 kilometres of paved roads will be constructed in Peninsular Malaysia, 2,540 kilometres in Sabah and 2,819 kilometres in Sarawak, benefitting 3.3 million people nationwide.

More intensive efforts will be undertaken to increase the extent of treated water in rural areas by upgrading and building new pipelines and water treatment plants. Measures will also be intensified to improve services and maintenance to ensure water quality and sustainable supply. Alternative systems such as gravity systems, tube wells, underground water and rain harvest will be used in remote and isolated areas. The targeted coverage of rural houses with access to clean or treated water in 2015 is 99% in Peninsular Malaysia, 98% in Sabah and 95% in Sarawak. By the end of 2015, a total of 117,000 additional houses in Peninsular Malaysia, 112,700 houses in Sabah and 87,400 houses in Sarawak will be supplied with clean or treated water.

During the Plan period, the coverage of electricity supply in rural areas will be extended through the national grid and alternative systems such as mini-hydro and solar hybrid. Targets for rural electricity coverage will be almost 100% in Peninsular Malaysia and 99% in Sabah and Sarawak. Targets for additional houses to be supplied with electricity are about 6,000 houses in Peninsular Malaysia, 59,000 houses in Sabah and 76,000 houses in Sarawak.

Apart from expanding the provision of basic infrastructure, initiative will continue to undertaken to provide social amenities, sanitation facilities, sport facilities and recreational areas to the rural population to improve their quality of life. The rural population will also be exposed to the utilisation of ICT facilities and appropriate software packages to improve their knowledge. Currently, internet penetration in rural areas has increased from 3.9% in 2004 to 4.3% in 2007. In this context, the role of telecentres will be strengthened and reoriented to link them to income generating opportunities, particularly in enhancing marketing of rural products as well as improving access to business opportunities. To facilitate this, it is targeted that at least one telecentre will be established in each sub-district (mukim).

In line with the efforts to move towards creating a high income nation based on innovation, the Government together with the communications and multimedia industry will create 1Malaysia telecentres especially in the rural areas. These 1Malaysia telecentres will become focal points for the local community to learn new skills through the extensive use of ICT. In the context of inculcating a culture of innovation and creativity, these centres will also provide the forum for youth to engage in activities and exchange ideas. The 1Malaysia telecentres shall be based on a community self-help model with some financial assistance in partnership with private sector and civil society. These 1Malaysia telecentres will involve active participation of local youth. Moving forward, the telecentre will become self-sufficient and eventually emerge as an e-commerce nodes for the local community.

The provision of basic rural transport services, such as air and water transportation, will be further improved to increase connectivity and accessibility for rural populations especially in Sabah and Sarawak. This will include upgrading Short Take Off Landing (STOL) airstrips. In Peninsular Malaysia, new stage-bus routes and new express buses between rural centres and towns will meet the needs of the rural population for efficient, affordable and safe transport.

To ensure that focused efforts will be made towards improving access to basic infrastructure, the Government has selected rural basic infrastructure

Box 4-3

The Rural Basic Infrastructure NKRA aims to improve the provision of basic infrastructure for the *rakyat* living in rural areas through:

- Building and upgrading of roads to connect rural areas to social and economic centres;
- Supplying clean and treated water through additional connections and other alternative solutions;
- Building housing for poor and hardcore poor; and
- Supplying electricity to *rakyat* with particular focus on Sabah and Sarawak.

Improving rural basic infrastructure

is one of six National Key Result Areas

as one of the National Key Result Areas (NKRAs) under the Government Transformation Programme (GTP). To achieve their targets, increased efforts will be made to accelerate the delivery of basic infrastructure in rural areas.

At present, significant progress has been made in the GTP under the rural basic infrastructure NKRA. Work has commenced on increasing road coverage by 500 kilometres in Peninsular Malaysia, Sabah and Sarawak, whilst 86 kilometres of roads has already been completed. A total of 11 water treatment plants are under construction, whilst 70,180 houses will be expected to be connected to treated water supply by 2010. In increasing electricity coverage, a total of 670 projects have commenced, covering 25,310 houses.

To ensure effective implementation of rural basic infrastructure development programmes, the Government will put in place key enablers, including:

- Utilising developmental plans as a platform for integrating the planning and implementation of rural infrastructure development programmes;
- Improving existing administrative processes to reduce time required for the tendering process;
- Ensuring adequate supply of manpower, machines and materials by working more closely with suppliers; and
- Establishing effective programme management and governance of projects.

BUILDING A PROGRESSIVE AND MORE INCLUSIVE SOCIETY

A progressive society is one that balances personal needs and civil liberties to ensure the rights of its citizens are upheld and respected. It is a society where diversity is respected and encouraged, and where people of different backgrounds, ethnicities, and religious beliefs work together to ensure that as the nation advances, no one gets left behind. Ultimately, it is a society that is inclusive and seeks active participation from all groups. Women, youth, children, older persons, persons with disabilities (PWDs) and the family unit are all vital components of society, and therefore embracing their needs and balancing those needs against an evolving social environment is critical towards achieving a truly progressive and inclusive society.

In working towards greater inclusiveness in employment, employers will be asked to disclose their employment composition by major inclusiveness elements such as gender and ethnicity to the Securities Commission (for listed companies) or the Companies Commission of Malaysia (for all other companies) to enable the Government to better track Malaysia's overall progress on these measures.

Empowering Women to Enhance their Economic Contribution

With the size of the female population increasing from 11.5 million in 2000 to 13.9 million in 2009, women continue to be a primary force in influencing the development of future generations and contributing to the economy. Women in top management positions in the public sector increased from 6.9% in 1995 to 30.5% in 2010. Women account for 65.9% of post secondary student enrolments in Government assisted schools, as well as approximately 62.3% of enrolment in first degrees and 52.7% of enrolment in Master degrees in public higher learning institutions in 2008. Yet, a large number tend to exit the labour force early due to family and personal commitments.

The participation rate of women in the labour force increased from 44.7% in 1995 to 45.7% in 2008, and the number further improved to 46.4% in 2009. Malaysia's participation rate is relatively low in comparison to neighbouring countries such as Thailand (70.0%), Singapore (60.2%)

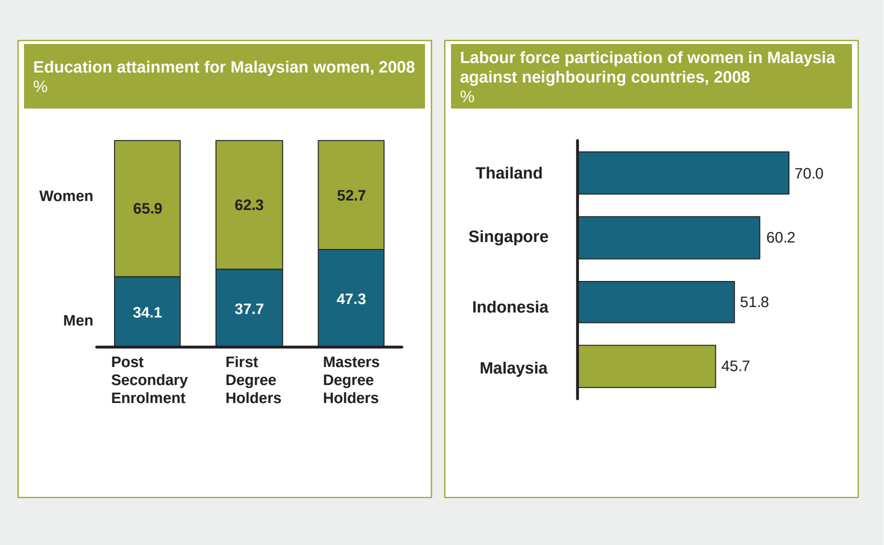
and Indonesia (51.8%) as shown in *Chart 4-11.* On average, the mean wage disparities between women and men have decreased from a ratio of 1:1.16 in 2006 to 1:1.08 in 2009. However the rate of decline has been slow. Furthermore, 155,600 women were unemployed in 2009, which included 16,182 women who were married, 2,178 widows and 2,956 divorcees.

Women's participation in decision making positions in the public sector has improved, where female members of the Senate increased from 18.2% in 1990 to 28.8% in 2009, and female members of the House of Representatives increased from 5.3% to 10.4% in the same period. Yet, in the private sector, women accounted for only 6.1% of Malaysia's corporate directors and 7.0% of CEOs in Bursa Malaysia largest 100 companies in 2008. From 2005 to 2009, female board representation in GLCs has maintained between 11.0% -14.0%.

Empowerment of women will be a key agenda of this Plan, where the Government will increase its efforts towards addressing issues confronting women to enable them to realise their full potential and participate more effectively in the economic

Chart 4-11

Women in Malaysia have high education attainment, however labour force participation is still low



SOURCE: Economic Planning Unit, Department of Statistics and International Labour Organisation – Labour and Social Trends in ASEAN 2008

and social development of the country. In addition, the Government's goal is not only to encourage more women to participate in the labour force, but also to enhance the quality of their participation by increasing the number of women in decision-making positions. Therefore, it is essential that women are given the right opportunities, environment and mindset so that they can participate and contribute in the various fields of national development. To achieve this, key programmes will focus on:

- Increasing women's participation in the labour force;
- Increasing the number of women in key decision-making positions;
- Improving provision of support for women in challenging circumstances such as widows, single mothers and those with lower incomes; and
- Eliminating all forms of discrimination against women.

Improvement in work-life balance provisions to encourage greater women participation in the workforce, particularly from the low income households, will be made by increasing the number of community-based nurseries and day care centres under JKM. There are currently 2,077 day care centres that are not registered with JKM. To this end, the Government will increase its efforts to ensure registration of the day care centres. In addition, CSR programmes to sponsor the establishment of licensed day care centres in partnership with NGOs will be actively promoted. Flexible working hours and work from home policies in the public and private sectors will continue to be promoted to encourage a more family-friendly workplace.

Training and re-skilling opportunities will also be provided through a special window under the Human Resource Development Fund. Efforts will be made to improve women's participation in entrepreneurial activities through greater collaboration between the Department of Women Development and institutions such as AIM to achieve the target of creating 4,000 women entrepreneurs by 2012.

A special committee, chaired by the Minister of Women, Family and Community Development, will be established to implement gender sensitisation programmes in the public sector with regards to recruitment, career development and succession planning to increase representation of women in key decision-making positions within the parliament, state legislative assemblies, the judiciary and ministries. The Government will also increase its efforts to achieve a quota of at least 30% of decision-making positions to be held by women during the Plan period.

Leadership and capability development will continue to be promoted under the *Nur Bestari* training programme. In addition, specialised training courses for women in key areas such as politics, management and motivation will be developed to improve confidence and soft skills for women employed in the public sector. Private sector and NGOs will also be encouraged to increase the participation of women in managerial and key positions.

Skills development programmes for single mothers will be expanded and strengthened such as the Intensive Skill Training for Single Mother (I-KIT) entrepreneurship and skills programme. Other special assistance schemes will also encourage women in challenging circumstances to undertake more entrepreneurial activities. In addition, skills training programmes in cottage industries such as beading and tailoring will be expanded through the *Jejari Bestari* and *Inkubator Keusahawanan Wanita* (I-KeuNITA) entrepreneurship programmes for women in bottom 40% households, Orang Asli communities and ethnic minorities in Sabah and Sarawak. Health awareness programmes such as on HIV prevention will continue to be promoted in rural areas with the cooperation of Ministry of Health and NGOs.

The Government will incorporate principles and initiatives on combating gender discrimination as outlined by the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Beijing Platform for Action, Millenium Development Goals (MDGs) and National Women Policy 2009. Women's rights and gender sensitisation programmes will continue to be expanded to educate women about their right and recourse for justice.

Moulding Youth to Become Dynamic and Inspired Future Leaders

Youth participation is a critical driver of the nation's growth as a key source of capable talent to support the human capital needs of the economy. The youth population comprises those in the 15-40 age group, which has grown from 11.1 million in 2005 to 11.9 million in 2009 constituting 41.5% of the population. In 2009, the number of youth employed stood at 7.1 million.

Youth unemployment increased from 10.5% to 10.9% between 2001 and 2008, accounting for 62.0% of total unemployment in 2008. The employment-to-population ratio of youth aged 15-24 reduced from 42.7% in 2001 to 36.7% in 2008. This may indicate that a larger proportion of youth choosing to further their studies, particularly as the number of the young labour force (aged 25-29 years) who have completed tertiary education also increased from 333,800 in 2001 to 571,600 in 2008.

The Government recognises the vital importance of youth in the economy, therefore the Plan aims to better prepare them to undertake their roles in contributing towards national development, through instilling the right skills set, values and positive mindset to help them succeed. The youth population will need to be proactive and dynamic in order to adapt to the evolving landscape of the market economy.

In order to mould the youth to continue its important role in the national development agenda, a Cabinet Committee on Youth Development chaired by the Deputy Prime Minister has been established. This Committee will coordinate and update the delivery system for youth development programmes as well as to streamline the roles and responsibilities of the ministries involved.

The objective of youth development programmes will be to produce a youth population that is capable in the areas of skills, entrepreneurship and leadership. The Government will nurture positive attitudes towards patriotism and volunteerism to produce youth that love the nation and appreciate the spirit of solidarity amongst all Malaysians — in line with the 1Malaysia concept. Programmes for youth will be focused to establish a competitive culture based on merit and ability.

Youth development programmes will be set up to create a generation of youth that is forward-looking and driven towards academic and career achievement. Programmes will be tailored to recognise and reward high-performing individuals in order to instil strong character and self belief, including providing monetary incentives as well as overseas study and internship programmes. The National Youth Award will continue to be used to recognise outstanding youth achievements in various categories including leadership and volunteerism. In addition, youths that have outstanding leadership qualities and active participation in societies will be given the opportunity to attend various international conferences and forums such as the Global Model UN Programme where they will be able to interact with youths from other countries on a wide range of global issues.

To improve the employability of youth, more balance will be sought in developing both technical as well as soft skills. The National Youth Skills Institute (IKBN), which offers skills courses that have high market demand, will be expanded to provide greater options for youth in various fields of study. The courses offered will be fully accredited under the Malaysian Skills Certificate. IKBN will also provide soft skills training such as leadership courses to its students. Greater exposure to capital-intensive sports such as golf and motorsports, will be provided through courses by IKBN with the objective of enhancing youth participation in potentially lucrative sports sectors. Entrepreneurship training and awareness programmes will be expanded through various institutions including the Malaysia Youth Development Academy, INSKEN and MARA. Leadership skills, particularly among youth leaders, will be strengthened through internship programmes at government departments, companies and NGOs for up to one year.

Volunteerism will be promoted among youths. The RELA Youth Squad will be expanded to encourage greater sense of volunteerism and discipline. To promote greater unity among youths, activities will be tailored to ensure more inclusive participation such as sports competitions. The Government will also strengthen and develop youth associations through leadership and management courses to ensure the associations are financially independent. The migration of youth associations registration from Registrar of Societies to Registrar of Youth Societies under the Ministry of Youth and Sports will ensure a more effective delivery and monitoring of youth related development programmes. During the Plan period, the number of youth associations are expected to increase from 5,000 to 11,500.

Preventive and rehabilitative programmes will be improved and broadened to better shape the identity of youth and enhance their outlook on life whilst strengthening their discipline to avoid social ills such as crime and drug addiction and associating with groups involved with such social ills. Awareness programmes which focuses

on discouraging youth involvement in criminal activities, will be expanded to support the reduction of street crime.

Ensuring the Protection and Well-Being of Children

During the Plan period, importance will be placed on protecting and providing for the well-being of the nation's children. Investing in children is investing in the future human capital of the country. Consequently, concerted efforts to strengthen the family institution and facilitate child welfare, protection and development will be continued. This will include enhancing the quality of childcare services, strengthening related support programmes including capacity building of caregivers, and upgrading existing welfare institutions such as rehabilitation centres and child welfare homes. In addition, the role of the community in protecting the best interest of the child will be enhanced through awareness programmes.

Community participation will continue to be a major strategy of prevention and rehabilitation programmes for children. The role of the community will be enhanced through capacity building efforts that facilitate their effective functioning in helping to protect the best interest of the child and undertake preventive and rehabilitative programmes to curb many social problems affecting children.

To better address issues relating to child abuse, the Royal Malaysian Police will conduct screening for child carers to ensure the safety and protection of children under the care of external parties such as child care centres, nurseries and kindergartens. An alert system for lost and missing children (similar to the U.S. AMBER Alert bulletin) will be established to provide additional security for children, through the cooperation of the mass media and law enforcement agencies.

Children activity centres will be strengthened to prevent children, particularly from high-risk families, from being involved in socially undesirable activities as well as to protect them from potential abuse. These centres are set up based on specific community needs in a particular area and provide comprehensive child welfare services, including sports and social activities, learning programmes and counselling facilities.

Supporting Older Persons to Lead Productive and Fulfilling Societal Roles

With declining fertility and longer life expectancy, Malaysia's population is ageing. The population older than 60 years increased from 1.5 million in 2000 to 2.0 million in 2009. By 2020 it is estimated that the number of older persons will be 3.4 million and by 2035, Malaysia will be in the category of ageing nations as defined by the United Nations, with older persons constituting more than 15% of the population. The Government realises that harnessing this pool of resource is valuable. Therefore, during the Plan period, continued emphasis will be placed on ensuring the health and well-being of older persons so that they are able to age with dignity and respect as well as lead independent and fulfilling lives as integral members of their families, communities and country.

Measures will be undertaken to provide a conducive environment for older persons to remain healthy, active and secure. In line with this, programmes will focus on enhancing elderly-friendly infrastructure, improving access to affordable healthcare, ensuring adequate provision of shelters and improving financial security and opportunities for employment. Programmes to create greater awareness among family members and the community in caring for older persons will also be undertaken. In this regard, values such as familial responsibilities, understanding and caring for older persons will be given greater emphasis.

To encourage greater employment opportunities, the 100% tax rebate on costs to retrain older persons will be continued. In addition, the database on employment opportunities for older persons under Jobs Malaysia will be promoted more actively to create greater awareness for those who are actively looking for a job.

Independent living will also be emphasised through the Home Help programme where volunteers will provide assistance in managing the daily chores especially for those who live alone. Day care centres for older persons, which are established in partnership with NGOs, will be expanded to ensure older persons are taken care of when family members are working. Access to healthcare will also continue to be improved through provision of free transport to hospitals and clinics by JKM.

Integrating Persons with Disabilities into Society

The number of registered PWDs has grown from 98,452 in 2000 to 283,204 in 2009, though estimates by the World Health Organisation indicate that actual numbers are up to ten times as large. Mainstreaming PWDs into development activities is an important element of a progressive society. The Plan will focus on integrating PWDs into society to enable them to be independent, productive and valued contributors.

Greater efforts will be made to provide easy physical access to transportation and buildings for a more disabled-friendly environment. This will be done through the adoption of universal design standards in buildings, public spaces and parks. Existing community-based rehabilitation centres will be upgraded to one-stop service centres which will provide more comprehensive services such as registration of PWDs, disability screening and detection, referral services, vocational trainings, job placements and dissemination of information on disabilities. Furthermore, the PDKNet programme will be improved to strengthen community-based rehabilitation through multimedia technologies and ICT.

The Government will also seek to provide greater employment opportunities for PWDs. In line with this, the Government will actively pursue its target of 1% disabled employment in the civil service. Other existing programmes such as Job Coach will be broadened to ensure sufficient coverage to effectively assist PWDs in seeking, obtaining and retaining positions in open employment, through ICT programmes such as an electronic labour exchange system for PWDs operated by the Labour Department. The Government will also look into establishing specialised learning institutions and vocational schools dedicated to PWDs.

Strengthening the Family Institution to Overcome Challenges of Modern Living

A strong family unit inculcated with positive family values, shared responsibilities among family members and a strong marriage institution will continue to be a priority of the Government's development agenda. Families are the cornerstone of a healthy, dynamic and productive nation and are essential in fulfilling the emotional and physical needs of individuals, which are necessary for the achievement of good economic and social outcomes. Household and community living spaces require a conducive environment to foster close-knit families and a more inclusive society.

Programmes that instil character building and family values will be implemented to promote greater resilience, integrity, solidarity and cohesiveness of the family institution. Towards this end, family support services and programmes will focus on strengthening marriage and promoting equitable sharing of resources, responsibilities and tasks.

The Smart Start programme will be expanded to create awareness about the roles and responsibilities involved in a marriage institution and promote greater understanding among couples who are about to get married. Parenting knowledge and skills, especially among working couples, will be strengthened through the Parenting@Work programme which promotes greater work-life balance and supports the parenting needs of young families. The Government will also increase the number of one-stop family service centres during the Plan period to provide accessible family support services such as counselling, therapy and mediation.

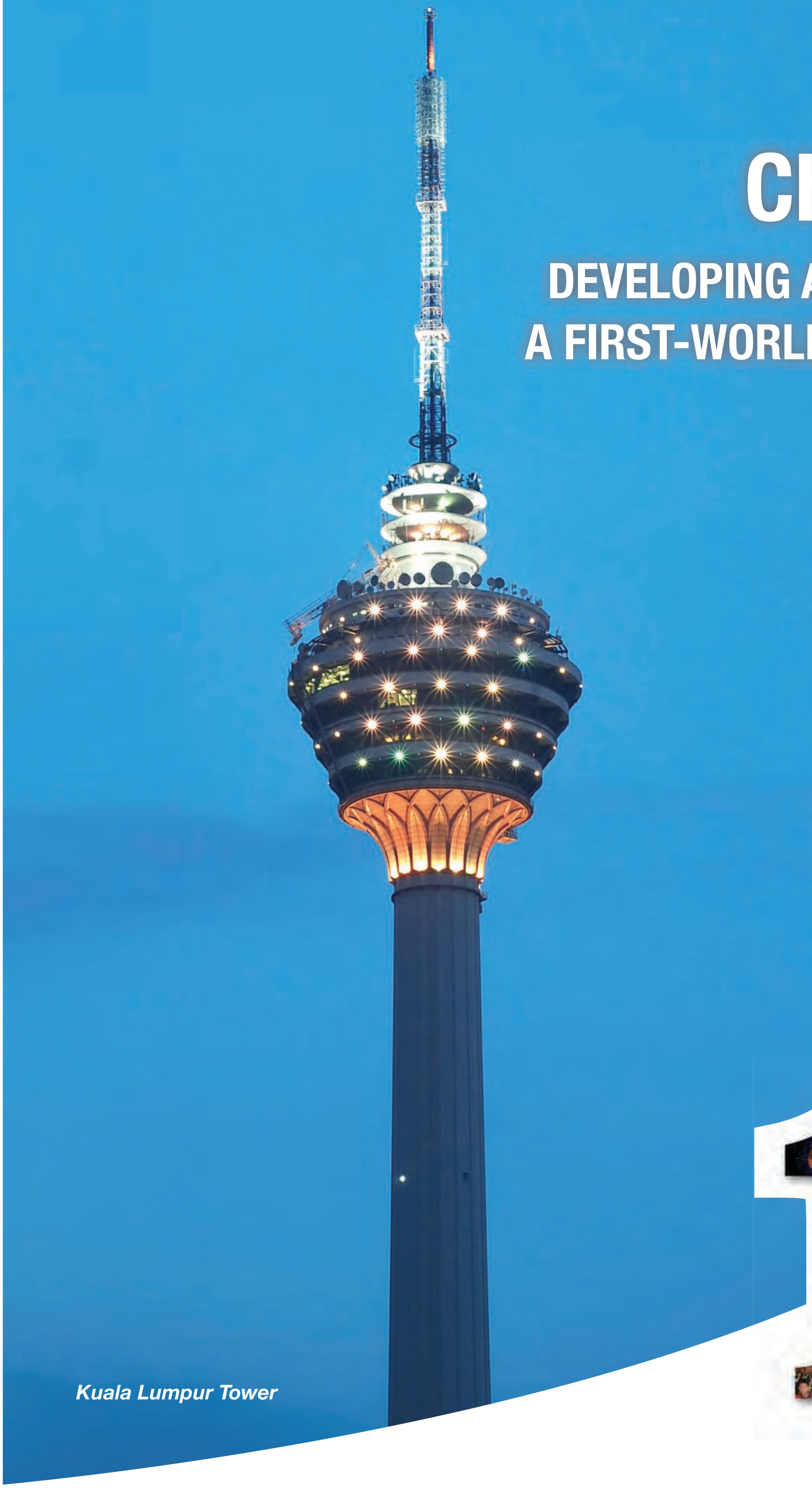
CONCLUSION

In the Tenth Plan, inclusiveness will be pursued by providing equitable access to opportunities for all. Programmes to elevate the livelihoods of the bottom 40% households and safeguard the vulnerable will be emphasised. This will be done by elevating their income-earning ability through upgrading skills, linking them with potential employers and increasing capacity for entrepreneurship. At the same time, the social safety net will be strengthened to protect the vulnerable. In addition, balanced economic participation will continue to be pursued. In the past, achievement of 30% Bumiputera corporate equity ownership was emphasised, and pursued through allocation-type instruments.

Moving forward, focus will be given towards achieving balanced participation in higher paying jobs, strengthening entrepreneurship in higher-value added activities and enabling accumulation of wealth across a broader categorisation of assets. The renewed emphasis on capability building and genuine economic participation enables Malaysia’s inclusiveness agenda to be implemented within the context of an expanding economy. Principles of market-friendly, needs based, merit-based and transparent will be applied in the design and implementation of programmes to ensure inclusiveness is consistent with growth.

Chapter 5

DEVELOPING AND RETAINING A FIRST-WORLD TALENT BASE

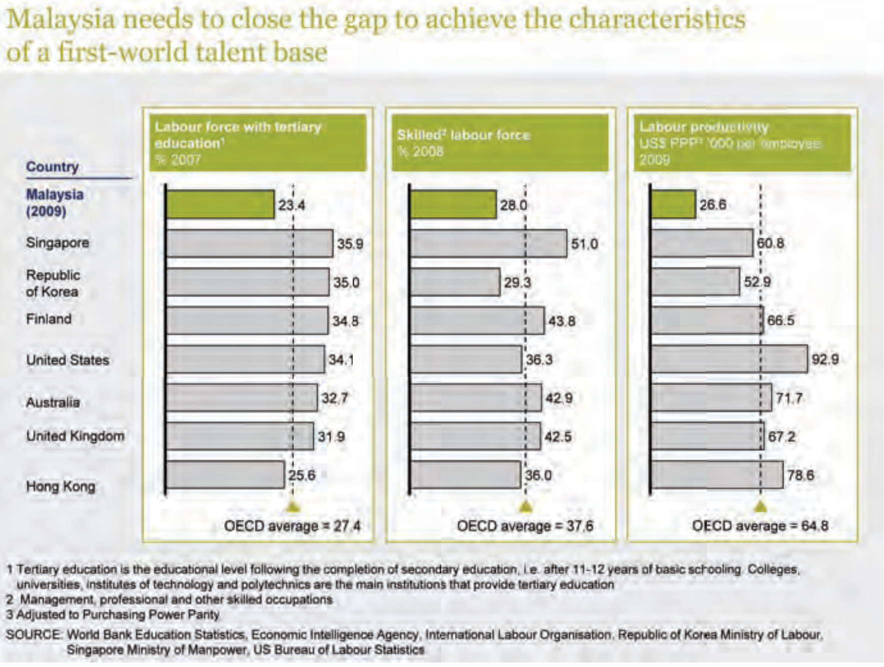


Kuala Lumpur Tower

Human capital lies at the core of innovation and a productive high income economy. It is the most important investment a country makes. No economy can succeed without a highly skilled talent base that is able to rapidly respond creatively to economic changes, and is centred on developing and utilising knowledge. To achieve the Malaysia's aspirations, it is imperative to develop, attract and retain a first-world talent base.

The talent base and workforce of high-income nations include a number of key characteristics, specifically around higher education qualifications to promote knowledge generation and innovation, high skill-levels in both technical and professional fields, and strong levels of productivity. Regarding these characteristics, Malaysia has a long way to go and will need to concentrate efforts to catch up with a first-world skill and talent base by 2020. *Chart 5-1* shows how Malaysia's human

Chart 5-1



1 Tertiary education is the educational level following the completion of secondary education, i.e. after 11-12 years of basic schooling. Colleges, universities, institutes of technology and polytechnics are the main institutions that provide tertiary education
2 Management, professional and other skilled occupations
3 Adjusted to Purchasing Power Parity

SOURCE: World Bank Education Statistics, Economic Intelligence Agency, International Labour Organisation, Republic of Korea Ministry of Labour, Singapore Ministry of Manpower, US Bureau of Labour Statistics capital today compares with other high-income economies in terms of these characteristics.

There are significant gaps to close in order to achieve a first-world talent base, and Malaysia is increasingly at risk of falling behind. Student performances, as benchmarked by international surveys, have been declining. In the Trends in International Mathematics and Science Study (TIMSS)[1], 2007, around 20% of Malaysian students failed to meet minimum benchmarks for both Mathematics and Science, compared to only 5% in Science and 7% in Mathematics in 2003. In addition, the workforce remains relatively unskilled, with 77% educated only up to 11 years of basic education at the Malaysian Certificate of Education (SPM) level or equivalent, and with only 28% of Malaysian jobs in the higher skilled bracket.

Talent shortages are almost certain to get more acute in the intensifying global competition where the best global talent is drawn across borders to the most attractive global opportunities. Asian countries such as the Republic of Korea and Singapore have propelled themselves into the group of developed nations within a generation as a result of precise, deliberate and purposeful prioritisation of focus sectors for their economies, whilst concentrating on developing, upskilling and delivering the right talent required to drive growth in these specific sectors.

For Malaysia, the development of a first world talent base requires nothing less than a comprehensive, all-inclusive national effort from the public and private sectors as well as civil society, to lift the quality of the nation's human capital. The development of human capital in Malaysia requires the collaboration of multiple ministries and the private sector to address all population segments. It requires a holistic set of measures that supports the development needs of every Malaysian at every stage of their lives.

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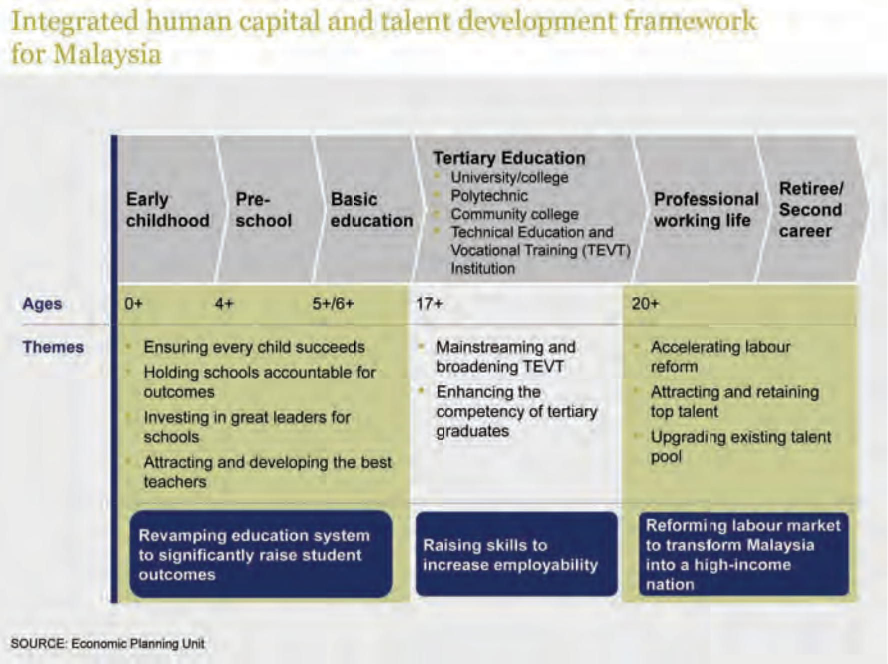
[1] The TIMSS provides international comparisons on Mathematics and Science achievement over time for students with 8 years of schooling in participating countries. In 2007, a total of 59 countries participated in the study.

Chart 5-2



Integrated human capital and talent development framework for Malaysia

	Early childhood	Pre-school	Basic education	Tertiary Education University/college Polytechnic Community college Technical Education and Vocational Training (TEVT) Institution	Professional working life	Retiree/ Second career
Ages	0+	4+	5+/6+	17+	20+	
Themes	Ensuring every child succeeds Holding schools accountable for outcomes Investing in great leaders for schools Attracting and developing the best teachers			Mainstreaming and broadening TEVT Enhancing the competency of tertiary graduates	Accelerating labour reform Attracting and retaining top talent Upgrading existing talent pool	
	Revamping education system to significantly raise student outcomes			Raising skills to increase employability	Reforming labour market to transform Malaysia into a high-income nation	

SOURCE: Economic Planning Unit

During the Tenth Plan period (2011 - 2015), the Government will adopt an integrated human capital and talent development framework, as illustrated in *Chart 5-2*. This approach will nurture and develop Malaysians across their entire life-cycle, from early childhood education, basic education, tertiary education and all the way to their adult working lives, specifically by:

- Revamping the education system to significantly raise student outcomes;
- Raising the skills of Malaysians to increase employability; and
- Reforming the labour market to transform Malaysia into a high-income nation.

Box 5-1

The Republic of Korea's astounding story of growth and modernisation through human capital development

The Republic of Korea today is a developed nation by any measure. It has a trillion dollar economy, the 13th largest in the world, and a Gross Domestic Product (GDP) per capita level that rivals most developed countries. Technologically advanced, it boasts the highest rate of broadband penetration in the world at more than 90%. Republic of Korea also consistently ranks among the top countries in international student assessments such as the Trends in International Mathematics and Science Study (TIMSS) and Programme for International Student Assessment (PISA).

Impressive as this may seem, what is more miraculous is how quickly Republic of Korea transformed itself from the ashes of the Korean war to the powerhouse it is today. Half a century ago, having an abundance of cheap labour, Republic of Korea singled out education and human capital development as the means of improving productivity to catapult itself to developed nation status. It recognised that in order to compete globally, it was important to have an education system that ensured all students were supported and could succeed without neglecting underperformers.

To this end, it focused on improving education at all levels, from elementary school to university to skills training. Initiatives undertaken included not just making middle school education compulsory, but also rapidly enhancing technical education and training via close partnerships with the largest chaebols and corporations in Republic of Korea such as the establishment of corporate universities as lifelong learning institutes. Significant investments were made in tertiary education with around 3.6 million students enrolled in both public and private higher education institutions today. In addition the government re-engineered the education system to deliver the required talent pipeline for priority industries for the country.

REVAMPING THE EDUCATION SYSTEM TO SIGNIFICANTLY RAISE STUDENT OUTCOMES

Malaysia has made enormous strides in its education system over the past years with an adult literacy rate of around 92%, universal primary enrolment, and one of the fastest growth rates in secondary school enrolment. Enhancing education is not only a matter of basic human rights, it is an economic imperative. Poor performance in education today will have negative consequences for the country's future as higher education levels are consistently correlated with more robust economic growth. Unless the Malaysian education system continues to raise the bar to international standards and to close the current achievement gap across schools, Malaysia runs the risk of being left behind in education today and in competitiveness tomorrow.

Going forward, Malaysian student performances will continue to be benchmarked against international standards and assessments. In addition to the TIMSS survey, Malaysia will participate in the Programme for International Student Assessment (PISA) to ensure that student outcomes and improvements are objectively measured and consistently compared with other countries. TIMSS and PISA are the two most widely recognised global comparisons of student achievement, with 59 countries participating in TIMSS in 2007 and 65 countries participating in the latest round of PISA assessments in 2009. During the Tenth Plan period, the Ministry of Education (MOE) will also undertake a comprehensive review and assessment of the current status of the education system focusing on implementation and delivery capabilities.

The revamping of the education system will be guided by the National Education Philosophy, which was introduced in 1989 and remains the cornerstone of all education transformation efforts. The goal of this philosophy is to further develop the potential of individuals in a holistic and integrated manner to produce individuals who are intellectually, spiritually, emotionally and physically balanced and harmonious. During the Plan period, to further reinforce this philosophy, emphasis will be placed on the participation in sports and co-curricular activities in schools to contribute towards character-building of students. The education system will reinforce the importance of values and ethics as these represent critical building blocks on the journey to Vision 2020. The use of information and communications technology (ICT) in schools will be given greater emphasis to nurture creativity and innovation among students, in order to equip them with new skills and capabilities to meet the demands of a high-income economy.

Education is a National Key Result Area (NKRA) for the Government. The Education NKRA is

intended to provide the starting point and platform to improve student outcomes across Malaysia's school system and to enable access to quality education for all students.

The education system is critical in strengthening the competitiveness of the country and in building 1Malaysia. The status of national schools will be elevated to become the school of choice for a broader segment of Malaysians by continually raising standards and closing the achievement gap across national schools.

In order to rapidly deliver significant, sustained and widespread improvements in student outcomes, the Government will move beyond an emphasis on investing in bricks and mortar for providing access to education, to investing in the most critical levers that impact student outcomes, such as the quality of teachers and the leadership in schools. Four strategies will be adopted during the Plan period to significantly improve student performance:

- Ensure every child can succeed. Set the same high expectations for all students regardless of background and provide systematic help and support to students who fall behind;
- Hold schools accountable for changes in student outcomes. Provide guided autonomy to schools in exchange for significantly improved student outcomes;
- Invest in great leaders for every school. Invest heavily in head teachers and principals as the primary drivers of change via rigorous selection, extensive training and robust performance management based on student outcomes; and

Box 5-2

Improving Student Outcomes is one of Six National Key Result Areas (NKRA)

GOVERNMENT TRANSFORMATION PROGRAMME

Six NKRAs have been selected as the priority areas for the nation and for the people of Malaysia. They represent a combination of short-term priorities and long-term issues affecting the people. To reflect the importance of the NKRAs, they are collectively owned by the Cabinet with accountability for delivery resting on a lead minister, who is appointed and formally monitored by the Prime Minister.

The education NKRAs is targeted at improving student outcomes and is anchored upon four areas: Pre-school enrolment rates, High Performing Schools, Literacy and Numeracy Screening (LINUS) programme, and a New Deal for Head Teachers and Principals.

- Attract and develop top talent in the teaching profession. Enhance the attractiveness and profile of the profession to recruit top talent, improve the quality of practicum training and put in place rigorous performance management and world-class continuous professional development.

Ensuring Every Child Can Succeed

Great education systems are those that ensure every child succeeds. They do so first by setting the same high expectations for all students regardless of their background or location and secondly, by recognising that some students, especially those from disadvantaged backgrounds, require more support to reach common performance standards. The Government has a big role to play and is committed to unlocking the potential of every child in Malaysia.

Providing a Stronger Head-Start for More Children

Early childhood education plays a vital role in developing a child's mind and helps reduce existing and future disadvantages. The earliest formative years of a child's development are the most crucial with the biggest impact on the mental development of a child. Failure in education is cumulative, and in line with the goal of ensuring every Malaysian child can succeed, the Government will increase the focus on improving and expanding adoption of early childhood education to provide more children in Malaysia with a better head-start.

The early childhood development programme for children aged four and below (PERMATA), aimed at nurturing and producing the country's future 'gems', will come under the purview of the MOE by 2011 to improve co-ordination and integration with the formal education system. PERMATA will focus on children from households with monthly income below RM1,500. After the successful PERMATA pilot programme launched in 2007, a total of 181 PERMATA centres will be established throughout the country during the Plan period with an allocation of RM36 million.

Expanding Pre-School Enrolment and Improving Quality

Children who attend pre-school programmes are found to be more committed to education and earned higher incomes in later years[2]. Given the importance of pre-school education and the scope for Malaysia to further increase its rate of

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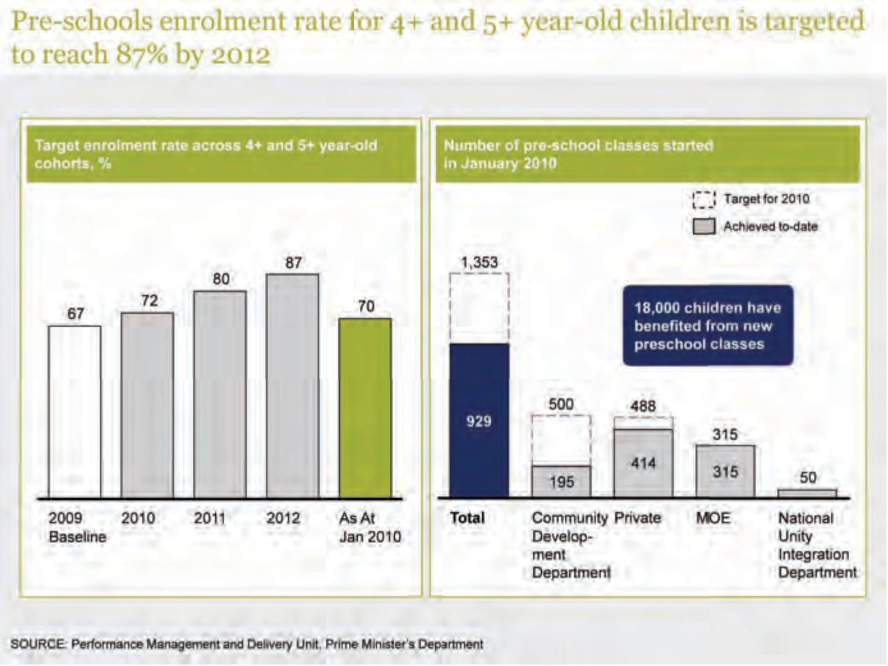
[2] High Scope Perry Pre-School Study, the United States of America (2005)

enrolment, which currently stands at 67% for children aged 4+ and 5+, pre-school education is designated a focus area under the Education NKRA. As shown in *Chart 5-3*, this programme aims to increase the pre-school enrolment rate to 87% by 2012 and to 92% by 2015, while at the same time, improving the quality of pre-school education. A total of RM2 billion has been earmarked for this programme during the period 2010-2012.

Lowering Entry Age for Schooling

With the implementation of the early childhood development and pre-school programme, more children will be ready to enter school at a younger age than is currently practised. Entry age for schooling will be lowered from 6+ to 5+ during the Plan period. This is also in line with practices in many developed countries. It will be rolled-out in stages and will begin with schools in rural and

Chart 5-3



Pre-schools enrolment rate for 4+ and 5+ year-old children is targeted to reach 87% by 2012

Target enrolment rate across 4+ and 5+ year-old cohorts, %

Number of pre-school classes started in January 2010

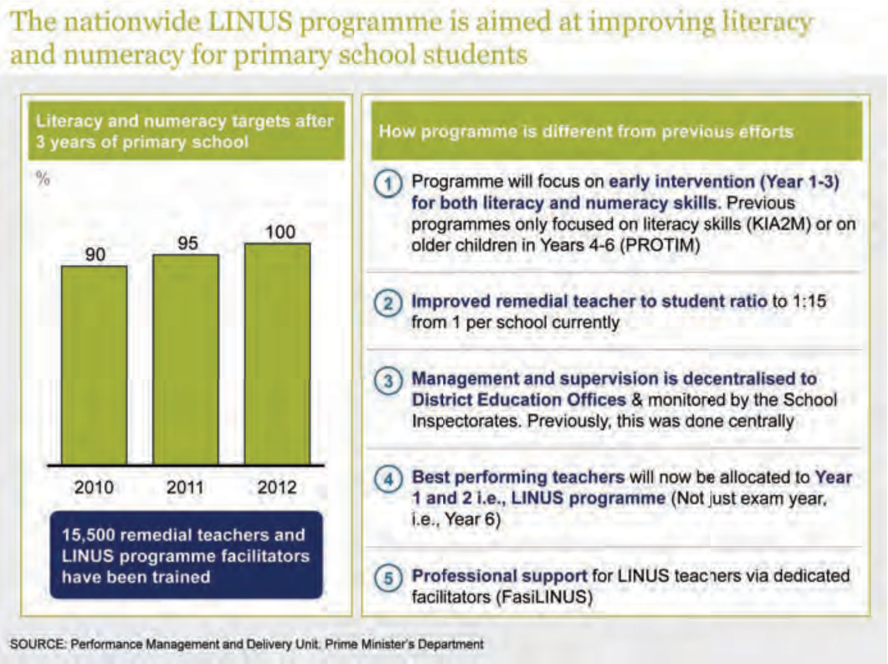
SOURCE: Performance Management and Delivery Unit, Prime Minister's Department plantation areas, particularly in schools that are under utilised allowing the students to benefit from an earlier head-start to their education.

Ensuring Literacy and Numeracy

Improving literacy and numeracy skills is critical to reduce drop-out rates due to the inability of students to cope with the syllabus being taught. Starting early is crucial as it becomes harder to compensate for deficiencies in literacy and numeracy skills as a child grows up.

The Literacy and Numeracy Screening (LINUS) programme aims to ensure all students[3] have basic literacy and numeracy skills after the first three years of primary education. A total of RM400 million will be allocated to this programme during the period 2010-2012. As highlighted in *Chart 5-4*, the LINUS programme focuses on early

Chart 5-4



The nationwide LINUS programme is aimed at improving literacy and numeracy for primary school students

Literacy and numeracy targets after 3 years of primary school

15,500 remedial teachers and LINUS programme facilitators have been trained

How programme is different from previous efforts

① Programme will focus on **early intervention (Year 1-3) for both literacy and numeracy skills.** Previous programmes only focused on literacy skills (KIA2M) or on older children in Years 4-6 (PROTIM)

② **Improved remedial teacher to student ratio** to 1:15 from 1 per school currently

③ **Management and supervision is decentralised to District Education Offices** & monitored by the School Inspectorates. Previously, this was done centrally

④ **Best performing teachers** will now be allocated to **Year 1 and 2 i.e., LINUS programme** (Not just exam year, i.e., Year 6)

⑤ **Professional support** for LINUS teachers via dedicated facilitators (FasiLINUS)

SOURCE: Performance Management and Delivery Unit, Prime Minister's Department

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[3] Children with learning disabilities will be placed in a special programme with separate targets.

intervention and will deploy trained facilitators and remedial teachers to schools to implement the programme. To-date, a total of 15,500 remedial teachers and facilitators have been trained.

Upholding Bahasa Melayu and Strengthening English Proficiency

The Government will implement the Upholding Bahasa Melayu and Strengthening English programme during the Plan period. The objective of the programme is to uphold Bahasa Melayu as the official national language, and to strengthen English proficiency to enhance Malaysia's competitiveness. It will adopt an integrated modular approach to the teaching and learning process for Bahasa Melayu and will expand the teaching of Malay literature in primary schools.

The programme will also seek to strengthen the teaching and learning of English with the introduction of a new curriculum, stressing the five key skill areas of reading, speaking and listening, writing, grammar and language arts. The time spent on teaching English will be increased from 4 hours to 5.5 hours per week for level 1 (Year 1-3), and from 3.5 hours to 5 hours for level 2 (Year 4-6) in primary schools.

Four out of 27 Institutes of Teacher Education (ITE) will focus on English language training for teachers. The Government will continue to access the effectiveness of the programme on an ongoing basis and will develop further initiatives to improve English proficiency in students.

Holding Schools Accountable for Changes in Student Outcomes

Top performing school systems set high expectations for each school in terms of student outcomes, monitoring performance against those expectations and providing appropriate support whenever those expectations are not met. Moving forward, efforts to revamp the educational system will be explicitly anchored on student outcomes and on holding schools accountable for those outcomes.

Lifting Performance of All Schools with a Comprehensive School Improvement Programme

The School Improvement Programme, launched in April 2010, is a comprehensive and ambitious effort to challenge, motivate and support all public schools to improve student outcomes. Special emphasis will be given to the low performing schools that need help the most. The programme consists of a number of elements including the following:

- **School Performance Rankings.** All schools in Malaysia will be assessed and ranked annually according to performance bands. Detailed explanation of their rankings, as measured by student outcomes and school achievements, will be made available to schools. This is intended to allow greater transparency around school performance, to motivate schools to do better and to allow the MOE to target resources to schools that need support the most; and

- **School Improvement Toolkit and Plans.** This will be rolled out to all public schools as a supporting tool to help schools help themselves. It will provide head teachers and principals a thorough overview of their school's performance and to develop action plans to fit the unique needs of each school. All schools will develop school improvement plans as a basis for monitoring progress, and to help the MOE tailor the right type of support to make the plan successful.

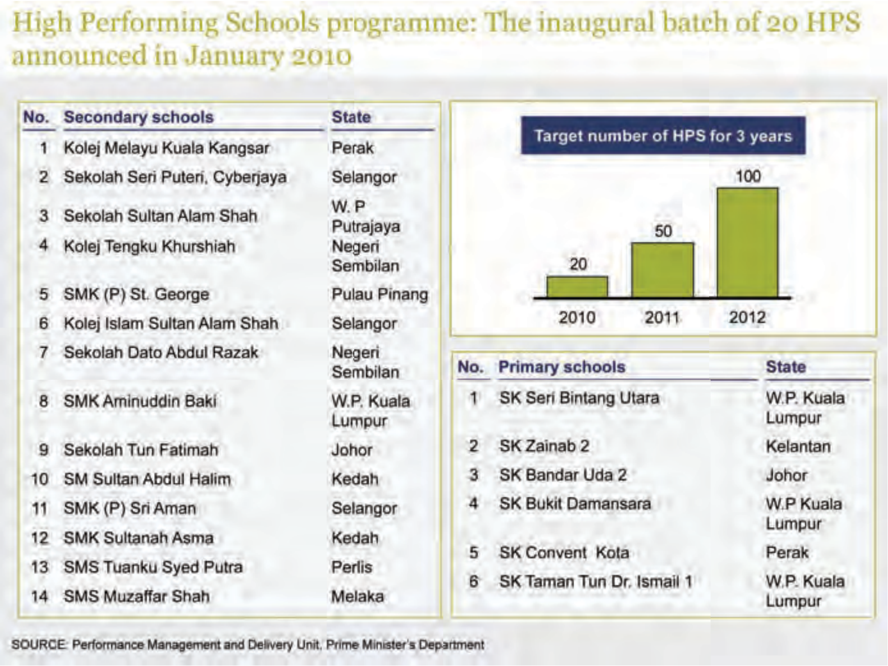
Basic school infrastructure and amenities such as electricity, water, sanitation and teaching aids represent the foundation for improving student outcomes and the Government is committed towards delivering these basic infrastructure and amenities to all schools. As part of the School Improvement Programme, the Government will continue to focus investments in infrastructure and facilities in schools across Malaysia that need support the most, especially for schools in rural areas in the states of Sabah and Sarawak.

Raising Standards to International Levels with the High Performing Schools Programme

High Performing Schools (HPS) are defined as schools with ethos and a unique identity that encourages their students to excel in all aspects of education. These schools have strong work cultures and strive for continuous improvement, in addition to having strong international linkages and networks. HPS strive to raise the standards of schools to be comparable with the best schools globally and be models as well as provide support via coaching and mentoring networks to other schools.

A total of 100 HPS will be developed by 2012 with an allocation of RM140 million. A total of 20 HPS have already been identified as shown in Chart 5-5. These schools have earned their HPS designation through their consistent performance and achievements. They include multiple categories of schools, comprised of both primary and secondary schools, day schools as well as residential schools.

Chart 5-5



High Performing Schools programme: The inaugural batch of 20 HPS announced in January 2010

No.	Secondary schools	State
1	Kolej Melayu Kuala Kangsar	Perak
2	Sekolah Seri Puteri, Cyberjaya	Selangor
3	Sekolah Sultan Alam Shah	W. P Putrajaya
4	Kolej Tengku Khurshiah	Negeri Sembilan
5	SMK (P) St. George	Pulau Pinang
6	Kolej Islam Sultan Alam Shah	Selangor
7	Sekolah Dato Abdul Razak	Negeri Sembilan
8	SMK Aminuddin Baki	W.P. Kuala Lumpur
9	Sekolah Tun Fatimah	Johor
10	SM Sultan Abdul Halim	Kedah
11	SMK (P) Sri Aman	Selangor
12	SMK Sultanah Asma	Kedah
13	SMS Tuanku Syed Putra	Perlis
14	SMS Muzaffar Shah	Melaka

No.	Primary schools	State
1	SK Seri Bintang Utara	W.P. Kuala Lumpur
2	SK Zainab 2	Kelantan
3	SK Bandar Uda 2	Johor
4	SK Bukit Damansara	W.P Kuala Lumpur
5	SK Convent Kota	Perak
6	SK Taman Tun Dr. Ismail 1	W.P. Kuala Lumpur

SOURCE: Performance Management and Delivery Unit, Prime Minister's Department

Investing in Great Leaders for Every School

Top performing school systems leverage on their head teachers and principals as primary drivers of change by implementing a rigorous selection and training process and focusing each head teacher's or principal's time on instructional leadership. Improvements in the performance of head teachers and principals have a significant positive impact on student outcomes. Head teachers and principals play an active role in developing their teachers and planning, coordinating and evaluating teaching and learning activities in their schools. They also ensure that the school environment is conducive for learning as well as establishing an orderly, supportive environment both inside and outside of classrooms.

Introducing the *Bai'ah* or New Deal for Head Teachers and Principals

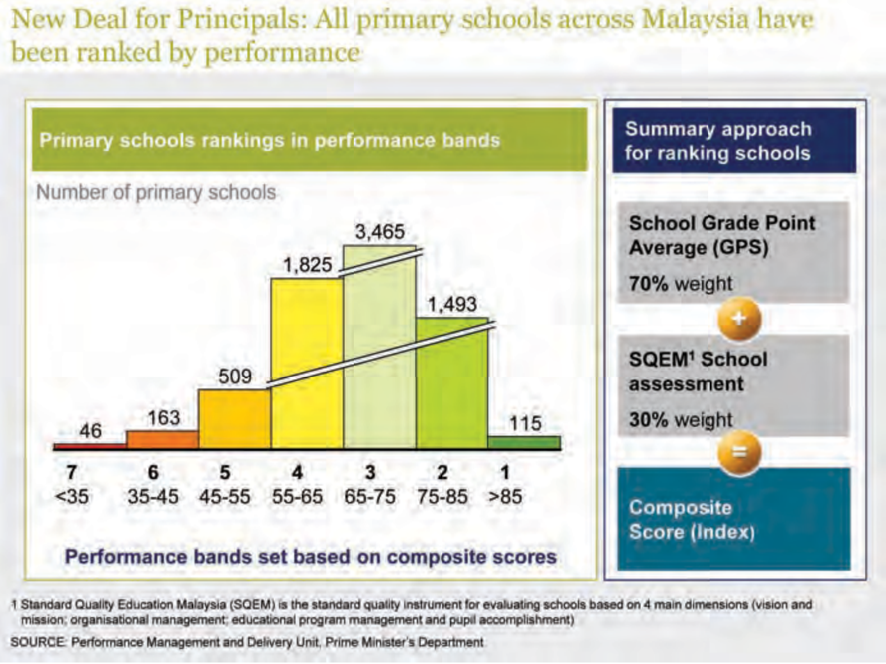
The new performance management approach

(New Deal) for head teachers and principals commencing in 2010 will reward them financially and non-financially for exceptional performance. This New Deal will apply to all head teachers and principals of all public schools in Malaysia.

The performance of all public schools will be assessed and ranked annually according to a composite score. The composite score comprises the Grade Point Average based on the school's performance in public examinations and the Standard for Quality Education in Malaysia, which measures the quality of teaching and learning, organisational management, educational programme management and student accomplishment, as shown in *Chart 5-6*.

It is estimated that approximately 2% of head teachers and principals in 2010 will be eligible for reward under this programme, with a target of 5% in 2012. They will be rewarded for achieving a specified target composite score or for delivering

Chart 5-6



1 Standard Quality Education Malaysia (SQEM) is the standard quality instrument for evaluating schools based on 4 main dimensions (vision and mission; organisational management; educational program management and pupil accomplishment)

SOURCE: Performance Management and Delivery Unit, Prime Minister's Department substantial improvements in their school's performance. This would give head teachers and principals a chance to receive a reward regardless of the starting points of their schools, as long as they are able to achieve significant improvements in the performance of their schools. In addition, approximately 10% of the bottom performing head teachers and principals will be provided with remedial and developmental training to help them improve their performance. An allocation of RM160 million will be made for this programme during period 2010-2012.

Enhancing Support and Coaching for Head Teachers and Principals

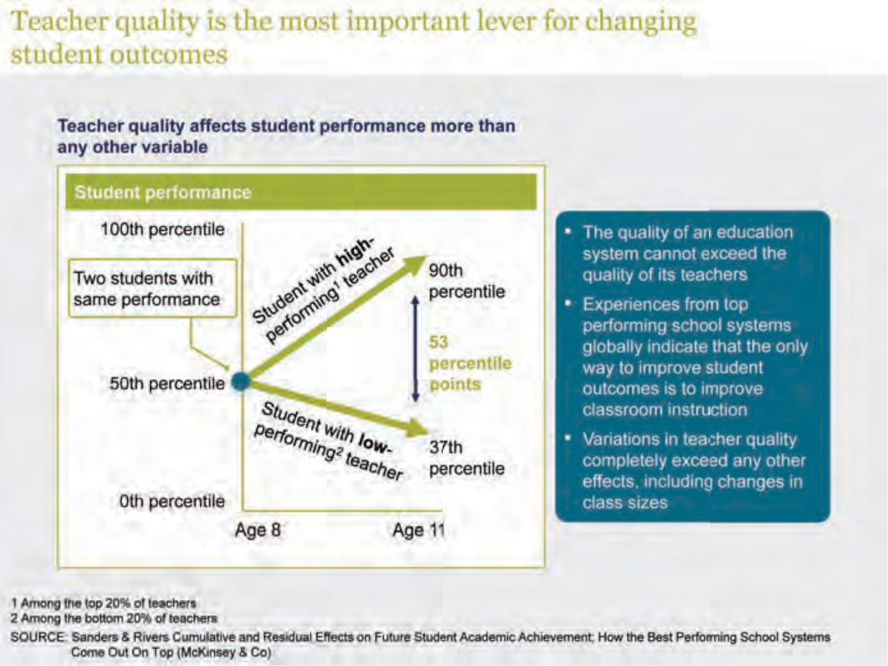
Leadership plays an extremely important role in delivering improved student outcomes. The Government recognises that leaders and drivers are critical to any change process, and will continue to strengthen the leadership training and support provided to them. The Aminuddin Baki Institute (IAB) is the primary leadership training institute for education personnel, including principals, administrators and officers. IAB targets to provide leadership training and programmes to at least 14,000 school leaders and officers each year during the Plan period, from the current level of 8,000 per year.

The delivery of training at IAB will move from a lecture-based mode to an emphasis on experiential learning. The educational and management courses will be delivered on campus as well as online using the Institute's e-learning platform, and complemented by a digital repository of knowledge. Consultation, coaching and mentoring will also be given more emphasis as IAB moves towards a service-line approach to help school leaders improve performance. In line with the School Improvement Programme, specialist principal coaches will provide additional leadership coaching and support to school leaders at low performing schools.

Attracting and Developing Top Talent in Teaching

Teacher quality is the single most important determinant of student outcomes, as highlighted in *Chart 5-7*. Experiences from top performing school systems globally indicate that the only way to improve student outcomes is to improve classroom instruction. Top performing school systems attract and admit only the best candidates into teaching, continuously develop them in school-based settings and develop a strong performance culture. During the Plan period, the Government will undertake measures to systematically improve both the quality of the new teacher intake as well as to upgrade the quality and professionalism of all existing teachers in the system.

Chart 5-7



Teacher quality is the most important lever for changing student outcomes

Teacher quality affects student performance more than any other variable

- The quality of an education system cannot exceed the quality of its teachers
- Experiences from top performing school systems globally indicate that the only way to improve student outcomes is to improve classroom instruction
- Variations in teacher quality completely exceed any other effects, including changes in class sizes

1 Among the top 20% of teachers
2 Among the bottom 20% of teachers
SOURCE: Sanders & Rivers Cumulative and Residual Effects on Future Student Academic Achievement; How the Best Performing School Systems Come Out On Top (McKinsey & Co)

Significantly Improving the Quality of New Teacher Recruits

There are currently over 175,000 applicants for entry to the teaching profession in Malaysia every year with up to 20,000 new teachers placed into schools annually. Many applicants do not have the right aptitude and attitude for becoming teachers. For applications to ITEs in 2010, only 7% of applicants to the undergraduate teaching programme had more than 7 As in their SPM, and only 3% of applicants to the postgraduate teaching programme had a combined grade point average of more than 3.5 out of 4.0. For students in the top secondary schools, teaching is not widely considered a preferred career option.

In countries like Australia or Singapore, teaching is consistently one of the highest ranked professions by school leavers. Similarly, in countries like Republic of Korea and Finland, only graduates in the top 10% and 15% respectively of their cohorts are eligible to apply to teacher training programmes. The high entry requirements

reinforce the image of teaching as a top profession that only accepts the best.

Making Teaching the Profession of Choice

It is critical to get more of the best and brightest graduates in Malaysia to be attracted to the teaching profession. Programmes will be launched during the Plan period, including a high-profile nationwide marketing campaign, to raise the awareness of teaching as a highly regarded profession.

The Government will seek to elevate the status of teaching as the profession of choice by highlighting and reinforcing the following four value propositions:

- Financially rewarding: The teaching profession is already among the highest-paying public sector profession at entry-level;

- Career-building: Under the New Deal for Teachers, the teaching profession will have excellent career prospects, with extensive opportunities for professional development, as well as an accelerated career path for performers;

- Prestigious: The teaching profession is a highly selective and prestigious career option with stringent evaluation processes. It is a highly competitive career reserved only for the best candidates; and

- Nation-building: The teaching profession is responsible for moulding the future leaders of Malaysia, and is one of the most critical professions to drive Malaysia towards high-income nation status.

Improving Teacher Training Through an Enhanced Practicum Component

Practicum experience is an essential element in teacher training as it increases the opportunities for actual classroom experiences. Top school systems such as those in Finland and New Zealand are increasing the quantity and quality of practical experience that teachers have before entering the system. In Malaysia, steps will be taken to improve the consistency and quality of the practicum experience of teacher trainees in terms of increasing time spent on practicum training, and engaging experienced teachers with strong mentoring skills to supervise trainees.

The practical training for trainee teachers will be improved through the following measures during the Plan period:

Box 5-3

Teach for Malaysia programme: A campaign to target high achievers

Teach for All is a global network of social enterprises operating in multiple countries that recruit outstanding graduates from top universities and young leaders from a variety of disciplines and career interests to commit two years to teach in high-need areas. This programme provides a critical source of additional teachers who ensure their students have the educational opportunities they deserve, despite socioeconomic factors. The Teach for America programme today has grown to include more than 20,000 individuals. The Teach for All network also covers countries as diverse as India, Australia, the United Kingdom, Germany and Peru.

Malaysia intends to launch a high profile 'Teach for Malaysia' programme to attract the best and brightest Malaysian graduates to teach for two years at underperforming or rural schools. Top graduates under corporate sponsorships will be encouraged to participate in the programme, prior to returning to work with their employers. Participating graduates will be placed at underperforming schools as these are the schools that are most in need of motivated, inspirational and high quality teachers.

Participating graduates will enter a fast-track training programme where they will receive intensive training in latest teaching methods. They will also undergo continuous mentoring and coaching, as well as peer support over the two years. Additional training in leadership development will be provided through management training and extensive networking opportunities with leading corporations. After their two years of service, graduates will be equipped with a grounded sense of reality of Malaysia's core educational issues, and can be expected to advocate change to address these concerns from within and outside of the education system.

- The Postgraduate Teaching Course will be extended from one year to one and a half years to increase the practicum experience of teacher trainees;

- State Education Departments will coordinate the practicum programme by facilitating the allocation of practicum trainees to qualifying schools and monitoring compliance of mentor teachers;

- Experienced teachers in qualifying schools will be provided with mentoring courses to upgrade their capabilities; and

- The quality of the practicum training provided will be linked to the performance evaluation of the school and the mentor teachers.

Removing Guaranteed Placement of Trainees

Currently, teacher trainees are guaranteed placements in schools regardless of how they have performed. Guaranteed placement for teacher trainees in ITEs and public universities will be removed. Only the best and most qualified teachers will be offered teaching positions. The objective of removing guaranteed placement is to ensure that there is a higher minimum quality requirement for new teachers.

Transitioning to a Full 'Open System' of Teacher Training

The talent pool of teacher trainees will also be expanded from the existing ITEs and public universities to include private universities and colleges to 'open up' sourcing of trained teachers from outside public institutions. By liberalising the teacher training system, primary and secondary schools will thus have a much larger talent pool of teachers to recruit from. This will enhance competition and improve the overall quality of the teacher training system.

Lifting the Quality of Current Teachers to Deliver Outstanding Education through a New Deal for All Teachers

During the Plan period, the Government will launch and implement a comprehensive New Deal for all teachers in Malaysia, both to fundamentally transform the attractiveness, as well as to radically raise the professionalism and profile of the teaching profession. In addition, the Government will increase the percentage of graduate teachers in schools, from 89.4% in 2009 to 90.0% by 2015 in secondary schools, and from 28.0% in 2009 to 60.0% by 2015 for primary schools.

The New Deal for the teaching profession will incorporate three elements:

- Faster career progression based on competencies and performance, not just tenure;
- Enhanced and systematic Continuous Professional Development (CPD) for all teachers; and
- New evaluation instrument and performance management approach.

Implementing a Competency Based Career Track with Faster Progression

The slow career progression of the teaching career will be addressed. The majority of teachers often go through their entire 30-year teaching career with only one or two promotions. Currently, the time-based policy means that teachers will typically take 10 years to progress from beginner to the next level.

A faster career progression and fast-tracking for high performing teachers is key to making the teaching profession attractive, and help to ensure high quality potential teacher candidates are not turned away. In addition, allowing more teachers to reach more senior grade levels will result in creating a larger pool of experienced teachers who can then mentor and coach new teachers earlier in their career.

Under the New Deal, the career track for teachers will be changed with faster timelines for them to progress through the first few grade levels based on competency and performance levels. Automatic fast track progression will be opened to all teachers at all stages of their career, instead of on an application basis. The target is for the new career track system to start in 2011 and to be fully migrated to by 2015.

Delivering Tailored Continuous Professional Development for Career Progression

Teachers will benefit from targeted training to help them prepare for new roles, as well as from training that supports them in improving their instructional abilities. Currently, there is no systematic approach for CPD in the teaching profession. A more comprehensive approach towards CPD will be rolled out in 2011, consisting of the following elements:

- Tailored CPD modules mapped to each grade level to better equip teachers for new role requirements at each grade level;

- Greater focus on school-based learning programmes; and

- A broader range of CPD modules and modes of delivery, such as formal training courses, post-graduate studies, distance learning, and coaching activities, to allow teachers to have greater choice and to be less disruptive to school operations.

Launching a New Instrument and Process for Teacher Evaluation and Assessment

The current form of evaluation for teachers is consistent with the overall civil service evaluation approach, but does not take into account student outcomes, core teaching abilities or key competencies required for the profession. Evaluation scores for teachers will need to meaningfully differentiate between different levels of performance, and be less subjective and more evidence-driven.

A new evaluation approach will be implemented in 2011 that is consistent with practices in top performing school systems, to ensure greater consistency, objectivity across evaluations and to instil a stronger performance culture in schools. This approach will include a new teacher evaluation instrument using a weighted combination of key dimensions of teaching with a heavy emphasis on teaching and learning, and including professional values, activities outside the classroom and contribution to the school and wider community.

Transforming the Effectiveness of Delivery

The urgency to improve student outcomes places immense pressure on the system to deliver effectively and efficiently. An innovative approach will be employed to ensure effective delivery.

Delivering Service Lines to Support School Improvement

Improving the delivery mechanism for schools will require changes in the most critical processes directly affecting schools, such as teacher deployment, school performance management, as well as the role of the Ministry, State, and District Education Departments. To ensure optimal delivery of service, the MOE will deploy specific 'Service Lines' to provide tailored assistance to schools that need it the most, including coaching, capability-building and supporting tools. As for pre-schools, the Government will continue to harmonise and improve the quality of all public pre-schools provided by the different Government agencies. This will require productivity improvements in human and financial capacity, as well as to significantly enhance delivery capabilities.

Implementing a New Curriculum to Nurture Creativity and Innovation

During the Plan period, a new curriculum for primary and secondary schools will be introduced. The Integrated Primary School Curriculum will be replaced by the Standard Primary School Curriculum in 2011 and this is to be followed by

a new curriculum for secondary schools. Modular in design, the curriculum will provide an avenue for students to progress according to their capabilities, nurture students to be responsible for their own learning through exploration to unleash their potentials. The curriculum will emphasis creativity, innovation, and entrepreneurship across all subjects.

Inculcating values and ethics from a young age is key to the character building of an individual. The new curriculum will incorporate the principles of 1Malaysia in the pedagogical approach to deliver education. In addition, to develop well-rounded students that excel both academically as well as in sports, the new curriculum will include Sports as a subject beginning 2011. Under the '1Student, 1Sports' policy, each student is required to take up at least one sports. The secondary school students would get 90 minutes while primary school students would spend 60 minutes a week to play a game of their choice. The annual sports grant would be increased from RM2.40 per student to RM4 for primary school students and from RM4 to RM6 for secondary school students.

Private Pre-School and Basic Education

Private provision of education is becoming more widely accepted by governments and education consumers alike. During the Plan period, private providers will be encouraged to deliver education at all stages from the pre-school to tertiary levels. The Government will implement various modes of public-private partnership in the provision of the education services such as in the management of schools and financing of students' fees.

Public-Private Partnerships in Developing Pre-Schools

The Government will leverage upon private sector provision of pre-school education. Incentives will be provided to private pre-school operators to accelerate the deployment of new pre-schools to support the goal of increasing overall pre-school enrolment. The incentives will enable private pre-school operators to access grants for the development of pre-schools in underserved rural areas. The private sector is expected to establish 488 pre-schools in 2010, a total of 1,000 pre-schools in 2011 and 1,145 pre-schools in 2012.

A co-payment scheme to increase demand for pre-school education will be implemented during the Plan period. In order to reduce the overall burden of pre-school education on household spending, low income families will receive student fee assistance, amounting to RM150 per month to enrol 4+ and 5+ year old students to private pre-schools.

Public-Private Partnerships in Basic Education

Public-private partnerships in the provision of basic education allows significant autonomy to school operators in exchange for delivering specified improvements in student outcomes under a formal performance contract. Examples of public-private partnerships in basic education include charter schools in the United States, specialist schools and academy schools in the United Kingdom and independent schools in Sweden. Similarly, such partnership has existed in Malaysia in some independent Chinese schools.

In implementing this initiative, the Government will introduce the Trust School framework for selected existing public schools. Trust Schools are public schools that are managed jointly by private partners and civil service school leaders.

Box 5-4

Trust Schools: Public-private partnerships in education to close the achievement gap

Trust Schools are public schools that are managed jointly by private partners and civil service school leaders, under the umbrella of the Ministry of Education. The Government provides Trust Schools with greater decision-making freedom and in return requires greater accountability in the form of improved student outcomes. Trust Schools will include schools from across the performance spectrum, with the goal of creating a change in outcome regardless of starting point: from mediocre to good, good to great. Trust Schools are intended to encompass a representative composition of existing government and government-aided schools (e.g. primary and secondary; urban, suburban and rural; and geographical spread). In the spirit of raising standards across the board, the schools selected will comprise schools with weak, average and good performance. Regardless of the starting point, Trust Schools aim to accelerate the improvement process to create excellent, well-rounded schools.

Trust Schools will have extensive decision-making rights over curriculum, finance and human resources to encourage innovation and responsiveness to the needs of their individual school communities. Autonomies include the ability to choose curriculum content, allocate funds as necessary, provide performance-based incentives, and select both teaching and non-teaching staff. In return, Trust Schools must meet a set of performance targets within a 5-year time frame. Failure to do so may result in the Ministry reassuming the management of schools from the Sponsor.

RAISING THE SKILLS OF MALAYSIANS TO INCREASE EMPLOYABILITY

Over the past decade, Malaysia has invested heavily in post-secondary and higher education. Currently, the nation has established 20 public universities and 26 private universities, as well as 405 public skills training institutes and 584 private skills training institutes. In 2009, higher education institutions across the nation produced more than 181,000 graduates, including more than 81,000 graduates from private higher education institutions. Similarly, in 2009, skills training institutes produced more than 120,000 graduates, including more than 30,000 graduating from private skills training institutes.

Malaysia's current workforce with tertiary education stands at 23%, whereas the average for Organisation of Economic Co-operation and Development (OECD) countries is nearly 28% with some, like Singapore and Finland, as high as 35%. For students graduating from local higher education institutions in 2009, 27% remained unemployed six months after completion of their studies. Furthermore, of the graduating students who were employed, 29% in 2006 and 33% in 2009 earned less than RM1,500 per month.

Employers and industry associations state that lack of soft skills, such as positive work ethics, communications, teamwork, decision making and leadership skills, is the primary factor hampering employability of many Malaysian graduates. As there is still a sizeable gap between the competency levels of graduates and comparable international standards, the issue of graduate competency needs to be addressed to ensure that Malaysia has a skilled, well-rounded and employable graduate pool to enter the workforce.

Similarly, there are an estimated 100,000 or 22% of Malaysian students in 2009 who enter the workforce directly upon completion of only 11 years of schooling, after achieving a SPM. This group of students may be more technically inclined and therefore offers significant opportunity to improve their skills in the technical fields.

Given the rapid pace at which Malaysia will need to develop its human capital to achieve high-income nation status, it is necessary to radically raise the skills of Malaysians to increase their employability by focusing on the following:

- Mainstreaming and broadening access to quality technical education and vocational training; and

- Enhancing the competencies of tertiary graduates to prepare them for entering the labour market.

Mainstreaming and Broadening Access to Quality Technical Education and Vocational Training

Malaysia aspires to move up the value chain to become a high-income economy, and must therefore significantly increase enrolment in technical education and vocational training (TEVT) and raise overall training quality to upskill the workforce. The purpose of TEVT is to increase the skilled human capital base in Malaysia by providing quality education to learners who possess keen interest, ability and talent in the technical and vocational fields. TEVT aims to provide skills that will be immediately applicable in the labour market.

TEVT has become a mainstream education option in many developed countries. Many high-income countries adopt a binary or 'dual-pathway' model of education that allows significant flexibility and mobility between the academic and technical or vocational streams, with equivalent career prospects. In Malaysia, only 10% of students enrol in upper secondary technical and vocational education, whereas the average enrolment rate for OECD countries is 44%. Improving the availability, access and quality of TEVT for the technical pathway is equally as important as the academic pathway of tertiary education.

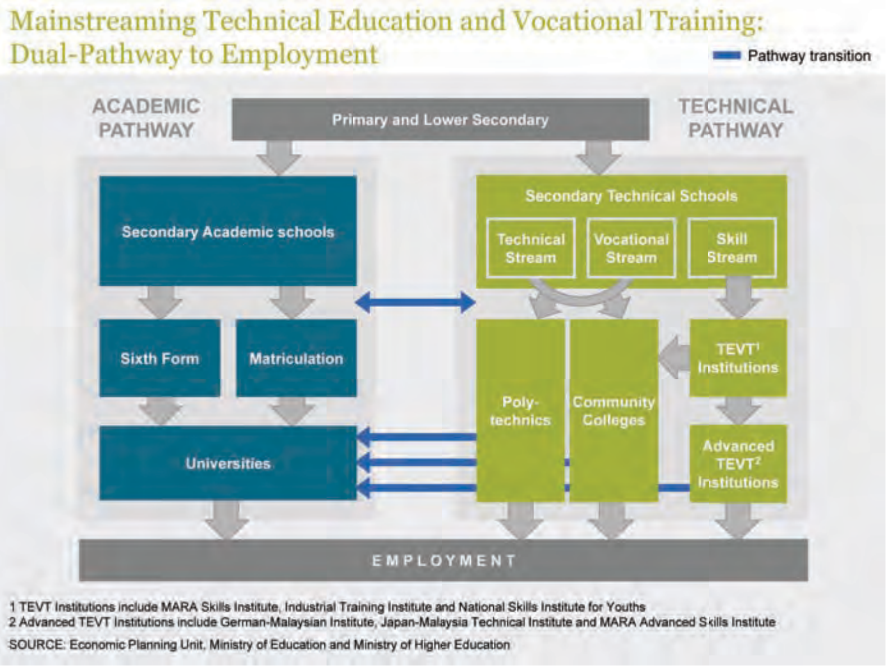
The dual-pathway approach that is currently being pursued with some degree of mobility between the two pathways is shown in *Chart 5-8*. It highlights the different components of TEVT currently available in Malaysia, as well as the transition options to and from the academic pathway. TEVT at secondary school has two main streams, namely technical and vocational. Technical stream has more academic component, whereas vocational stream has more of hands-on content.

TEVT skills benefit employees and employers directly and also benefit the specific industrial sector with the distribution of benefits dependent on the mix of skills acquired. Therefore, the intention is for costs associated with TEVT to be shared among government, employers, the industry and individual students according to the benefits obtained.

During the Plan period, the following four strategies will be adopted to mainstream and broaden access to quality TEVT:

- Improving perception of TEVT and attract more trainees;
- Developing highly effective TEVT instructors;
- Upgrading and harmonising TEVT curriculum quality in line with industry requirements; and
- Streamlining the delivery of TEVT.

Chart 5-8



Mainstreaming Technical Education and Vocational Training: Dual-Pathway to Employment

1 TEVT Institutions include MARA Skills Institute, Industrial Training Institute and National Skills Institute for Youths
2 Advanced TEVT Institutions include German-Malaysian Institute, Japan-Malaysia Technical Institute and MARA Advanced Skills Institute

SOURCE: Economic Planning Unit, Ministry of Education and Ministry of Higher Education

Improving the Perception of TEVT and Attracting More Trainees

There is a huge untapped opportunity for both private and public TEVT providers to attract school leavers who do not pursue further education to take up TEVT training and increase the proportion of skilled workers in the workforce. The focus will be to improve the value proposition and attractiveness of TEVT to prospective students, providers and industry.

Throughout the Plan period, a national media campaign will be developed and rolled-out to improve public awareness and perception of TEVT. The main target group will be potential students and their parents. The campaign will emphasise the tangible benefits of entering the labour market with TEVT qualifications, such as starting salary, types of jobs and possible career paths, as well as new opportunities such as the public sector initiative to hire Malaysian Skills Certificate graduates. Various delivery

channels such as television, radio, magazines and celebrity endorsements will be used to reach the target group.

Counsellors in schools will be tasked to take on a multi-year responsibility for students, starting from Form 4 and continuing until these students have successfully transitioned into tertiary education. This is intended to ensure as many students as possible continue their education beyond the post-secondary level. School counsellors at district levels will form counselling teams and be responsible for establishing close relationships with TEVT institutes and employers as well as improving coordination among these stakeholders through the exchange of information. The teams will also be responsible for providing comprehensive career guidance to students and their parents, particularly on the various options in TEVT.

To provide more opportunities for technically inclined students and improve awareness of TEVT, vocational and skills streams in technical schools will be rebranded. A total of 69 out of 88 technical schools will be converted into vocational schools, and six new vocational schools will be established by 2015, to allow greater focus and more targeted courses to be delivered to vocationally-inclined students.

A production and project based learning approach will be introduced to improve the quality and enhance the attractiveness of TEVT programmes to both employers and students. This will enhance the direct participation of industry in skills training programmes, apart from optimising the utilisation of facilities and equipment in TEVT institutions. This approach is expected to double the enrolment in vocational and skills streams by the end of the Plan period, which stands at 32,000. The increase will contribute significantly to the existing pool of skilled and semi skilled workers. In addition, the Government will encourage government-linked-companies to provide internships and employment for students from TEVT institutions.

Developing Highly Effective Instructors

The career progression path for TEVT instructors will be accelerated to make TEVT teaching

Box 5-5

Germany's Technical Education and Vocational Training (TEVT) System: Skilling the workforce of Europe's largest economy

The dual system of TEVT is widely considered to be one of the biggest strengths of the German educational system, with 60–70% of all students (more than 1.6 million) attending vocational schools. The training provides great breadth, covering approximately 340 occupations, and is very popular among school leavers in Germany. It is also highly successful—the unemployment rate of graduates one year later is typically only 3%.

The most common vocational education is the apprenticeship training system, where the apprentice gets trained on his future job by the employer (3-4 days per week) and experiences further education in vocational schools (1-2 days per week). He also receives a small salary paid by the employer, in addition to a recognised qualification (chamber certificate) upon completion. Due to this system, where young people are engaged in paid employment and receive qualifying training that is aligned to the labour market, the share of unqualified workers and unemployed young people in Germany is relatively low.

Both the private sector (providing about 80% of financing) and the public sector are involved in financing and delivering TEVT. The private sector, in addition to providing and financing for the training, is involved in proposing changes to the training curriculum, drafting changes in training regulations, providing advice and supervision on training and administering examinations. In parallel, the government is actively involved in enacting training regulations, issuing curriculum and paying teaching staff in vocational schools. The government also plays a very active role in co-ordinating the supply and number of TEVT seats available.

an attractive career option. On meeting clear competency requirements for each grade level, instructors will be promoted irrespective of whether or not a vacant position is available.

Highly experienced industry personnel equipped with practical workplace skills will be encouraged to become instructors in TEVT institutions. This will both increase training capacity and help to ensure that instructors are familiar with workplaces. To facilitate this, flexible pathways of entry into the vocational instructor and trainer profession will be created, and any requirements that discourage mid-career entry into the profession will be removed.

To further increase the number of excellent instructors, part-time working arrangements will be expanded and encouraged to tap those who wish to develop a career as an instructor and at the same time retain a job in industry. This will provide the extra benefit of having instructors who are up-to-date with industry developments and technology to deliver the most relevant training so that graduates become more employable.

Moving forward, the interchange and partnership between TEVT institutions and industry will be strongly encouraged, so that vocational instructors spend substantial time in industry to update their knowledge, and vocational instructors in firms spend some time in TEVT institutions to enhance their pedagogical skills. In order to deliver better training and increase the intake of instructors, the capacity of the Centre for Instructor and Advanced Skills Training will be expanded with new training approaches and methodologies. A new centre for instructor skills training will be developed to add a further training capacity of 800 instructors each year. In addition, the Department of Skills Development will coordinate the provision of instructor training programmes in other public skills training institutions.

Upgrading and Harmonising TEVT Curriculum Quality in Line with Industry Requirements

The development of TEVT curriculum has traditionally been undertaken by a number of agencies, each with their own capabilities, capacity and agenda. There is an opportunity to harmonise the quality of the curriculum, reduce curriculum development costs, improve alignment with latest industry requirements and to standardise the curriculum. The Department of Skills Development will be designated as the agency to develop and standardise TEVT curriculum starting in 2011.

The Department of Skills Development will ensure the TEVT curriculum developed meets the minimum standard required and is fully aligned with national economic priorities. The curriculum will contain a proportion of general skills dealing with literacy, numeracy and languages. These basic and important skills underpin other learning areas including practical vocational skills and are also critical in building an individual's skills set and capacity to adapt to changing circumstances and skill requirements in the workplace. In addition, the Department will establish and maintain a curriculum bank to deposit all curricula developed.

TEVT certificates have yet to be fully recognised as entry qualifications into higher education institutions, and there is currently no single TEVT certification system in place. There is an opportunity to improve the acceptance of TEVT certificates among students, parents and employers by removing the uncertainty over the quality of training delivered by different agencies. Currently, Malaysian Skills Certificate, Diploma in Technology and Degree in Technology are not fully recognised by higher education institutions and the Board of Engineers Malaysia.

To enhance standardisation and recognition of TEVT certification, the Malaysian Skills Certificate will be adopted as the national certification for TEVT. Towards this end, the following measures will be undertaken to enhance the recognition of the TEVT certificate:

- Recognising and equating various levels of Malaysian Skills Certificate with certifications issued by TEVT providers by 2012;

- Mandating workers to have Malaysian Skills Certificate or equivalent in selected occupations; this will be implemented in stages beginning 2012; and

- Broadening Malaysian Skills Certificate as the entry qualification for more programmes in public service and courses in advanced technical, vocational and higher education institutions by 2011.

To accelerate the recognition of these certifications, a Board of Technologists Malaysia will be established. This recognition will encourage institutions of higher learning including TEVT institutions to offer technology-related courses in line with the requirements of a high income economy.

In order to upgrade technical programmes in line with industry requirements, the Malaysia-Japan International Institute of Technology will be established as an independent institute under the Universiti Teknologi Malaysia. The goal of this institute is to enhance collaboration and networking with Japan in the technical and engineering fields. This institute will expose the students to the latest

technological developments in the workplace, work ethics and Japanese management practices in a cost effective manner.

There is currently a need to reduce duplication of TEVT courses offered by different training institutions to optimise the overall TEVT capacity and avoid under-utilisation. This is important as enrolment rates across TEVT institutions are expected to increase. TEVT institutions will begin to review, rationalise and improve co-ordination of courses offered by the end of 2011.

Streamlining Delivery of TEVT

The current funding approach of TEVT will be reviewed to enhance the effectiveness and efficiency of public TEVT institutions. To encourage competition among public TEVT institutions, the funds allocation will be based on performance. The Government will also provide financial assistance to students to study at Malaysian Skills Certificate Level 3 and above at high-performing public TEVT institutions. Towards this end, a system will be introduced to rate the performance of public and private TEVT institutions.

The performance rating of TEVT institutions will be utilised when making decisions for buying places, where the Government finances students to study in private TEVT institutions. The approach of buying places from private institutions will be increased and expanded during the Plan period, and will help to optimise the capacity utilisation across both public and private institutions.

School dropouts represent a large source of potential talent that if developed and equipped with the right skills, would add considerably and significantly to the pool of skilled talent. In 2007, a total of 20,000 students dropped out of the basic education system, and a further 30,000 dropped out in 2008. The National Dual Training System (NDTS) aims to expand the current curricula and provide specialised training to coaches to cater to the needs of school dropouts. Additional funds will also be set aside to provide allowances for apprenticeships and to cover their training costs incurred. A total of RM150 million will be set aside to train 20,000 school dropouts during the Plan period.

The NDTS emphasises the direct involvement of industry in training and stipulates that 70% of training must be conducted in the workplace. Therefore, in addition to institutional training, workplace training will be strongly encouraged during the Plan period as part of TEVT curriculum, since it provides:

- **A strong learning environment.** Workplaces provide a strong learning environment because they offer on-the-job experience. This makes it easier to acquire both hard and soft skills resulting in improved employability;

- **Information flow to improve recruitment.** Employers learn about the performance of trainees and apprentices as potential recruits and are thus in a better position to make decisions on recruitment; and

- **Productive contribution.** Trainees undertaking useful work generate productive benefit for the employer, making TEVT beneficial to trainees and employers.

Under the NDTS, experienced employees in the workplace act as coaches to apprentice trainees. In order for this to happen, coaches must be well trained to deliver effective training in the workplace; instructors must also be adept at training these coaches. A total of RM7.5 million will be allocated to train these coaches, instructors, and facilitators.

Enhancing the Competency of Tertiary Graduates to Prepare Them for Entering the Labour Market

A knowledge and innovation-based economy requires a critical mass of knowledge workers such as scientists, engineers, patent agents and 'technopreneurs'. As such, higher education institutions have an important role in producing highly skilled people, who are able to create, innovate, and exploit new ideas as well as apply and develop technologies.

The availability of competent graduates is a catalyst to not only attract foreign direct investment, but also to drive new sources of domestic growth. Employability issues, skills shortages and mismatches remain major issues of human capital development. As cited in many studies, graduates lack competencies in relevant technical skills required by industry, and most critically soft skills including professional work ethics, communications, teamwork, decision-making and leadership. Hence, concerted efforts will be undertaken to improve the competency of graduates, as well as enhance the funding cost-effectiveness of higher education through:

- Strengthening industry and research collaboration;

- Providing greater autonomy to universities and strengthening their performance cultures;

- Upgrading course curricula to balance academic content and soft skills; and

- Hiring and retaining the best faculty members.

Strengthening Industry and Research Collaboration

Industrial attachments are important as they help graduates to meet the evolving requirements of industry and new economic activity. In addition, market orientation of courses will be improved to ease student transition into the labour market and improve overall student employability. The involvement of the private sector in the provision of education through public-private collaboration will be improved to encourage industry participation in course provision and industrial attachments.

A standard policy framework for structured industrial attachment programmes will be implemented for higher education institutions in collaboration with industry players to improve the effectiveness of such programmes. This is intended to expand industrial attachment programmes for disciplines and courses beyond those with mandatory clinical training such as medicine, dentistry and nursing. In addition, industrial attachment programmes for faculty members will be intensified to ensure that no less than 15% of faculty members gain at least six months industrial experience every five years.

To broaden the industry experience of faculty members, the Knowledge Transfer Partnership (KTP) programme will be introduced in 2011 to facilitate collaboration between industry and relevant universities. The KTP aims to facilitate the transfer of expertise and research findings through innovation projects undertaken jointly by faculty members and business partners from the industry. In addition, the KTP will also provide industrial-based training for graduates to enhance their practical knowledge, business skills and employability.

Universities will be encouraged to develop strategic collaborations with international research institutions and foreign universities to enhance research and development (R&D) activities, especially in new emerging technologies by:

- Implementing more attachment programmes to enable lecturers to share knowledge, explore new ideas to raise their research quality and promote exchange of faculty members;

- Strengthening management of intellectual property developed in universities to improve the governance of research activities; and

- Strengthening centres of excellence in universities through industrial collaboration in R&D activities to support and accelerate the commercialisation of innovations and new technology.

Providing Greater Autonomy and Strengthening Performance Culture to Universities

Around the world, public universities are actively working with policy makers to develop models for tertiary institutions to be successful. It is recognised that autonomy together with greater transparency and performance accountability will be critical for universities in Malaysia to advance into institutions comparable with the world's best. Public universities must be held accountable for their performance, especially since they are heavily financed by public funds. Moreover, greater transparency in performance will provide the opportunity for interventions in areas that require attention and support.

Instituting Greater Autonomy in Universities

The best universities worldwide often possess significant autonomies in the following areas to enable innovation, encourage excellence and improve performance:

- **Funding.** Ability to allocate funds independently, decide priority areas of funding and set tuition fees within boundaries;
- **Faculty.** Freedom to attract and retain the best faculty members through attractive incentives and competitive remuneration;
- **Governance.** Greater responsibility and ownership of key decisions affecting the university including strategic direction, priorities and allocation of resources and increased decision rights; and
- **Admission.** Increased control over the quality and profile of students enrolled.

Under the Accelerated Programme for Excellence (APEX), an APEX university is granted autonomy in governance, human resource (selection of staff, faculty members and top management), finance and student admissions. The programme was initiated in 2008, when Universiti Sains Malaysia (USM) was selected as the programme's first participant. Currently, USM has autonomy on student admissions, and other areas will be considered once the university achieves certain preconditions and readiness. The autonomy will also be extended to research universities and other public universities when they have reached similar levels of readiness.

Strengthening Performance Culture in Universities

A Rating System for Malaysian Higher Education Institutions (SETARA) is being introduced for public universities and will be extended to all private degree-conferring tertiary institutions. The new standardised approach to performance rating is intended to produce a uniform and objective assessment to deliver greater transparency and enhanced pressure on performance to raise the overall quality of the education system. The rating system will be made public, and is based on the performance of institutions in terms of graduate employability and methods of teaching and learning and support services for students. During the Plan period, the rating system will go beyond institutional ratings to provide ratings for each institution's departments.

The vice chancellor of a university will be held accountable for the performance of the university, as determined by the performance assessment, with the consequence of non-renewal of contract in the event of poor performance. A clear set of Key Performance Indicators (KPIs) for vice chancellors of universities have been established, including a KPI on graduate employability. In turn, the vice chancellor will hold all university staff accountable for their performance, which will push the culture of accountability further through the institution.

During the Plan period, performance-based funding for public tertiary institutions will be implemented, with the intention of providing a transparent funding mechanism to catalyse improved performance. Specifically, this new approach will include the following components:

- **Government performance-based funding linked to SETARA rating.** Funding to a university will be explicitly linked to its overall and departmental performance. This will also provide a transparent mechanism for financing and encourage greater accountability in the expenditure of public funds. There will be two components to the performance based funding mechanism: fixed and variable. The fixed component does not vary with performance, and covers core operational items such as salary of faculty members and cost of utilities. The variable component, including intellectual development in R&D and student co-curricular activities, will be based on the SETARA performance rating to encourage greater accountability and performance;

- **Shift from supply-side to demand-side funding.** The Government seeks to harmonise tertiary education capacity and level the playing field for both public and private higher education institutions to enhance the performance culture, raise quality standards and improve competitiveness in tertiary education. The existing approach of direct public funding or grants disbursed to public institutions will increasingly shift towards demand-side funding via student loans and scholarships in line with a more market-based approach; and

- **Reduction in proportion of Government funding to universities.** Public universities must increasingly seek alternative sources of funds, including from corporations, the private sector or alumni. This is intended to ensure greater collaboration of universities with industry to improve the quality and relevance of their teaching and research.

Upgrading Course Curricula to Balance Academic Content and Soft Skills

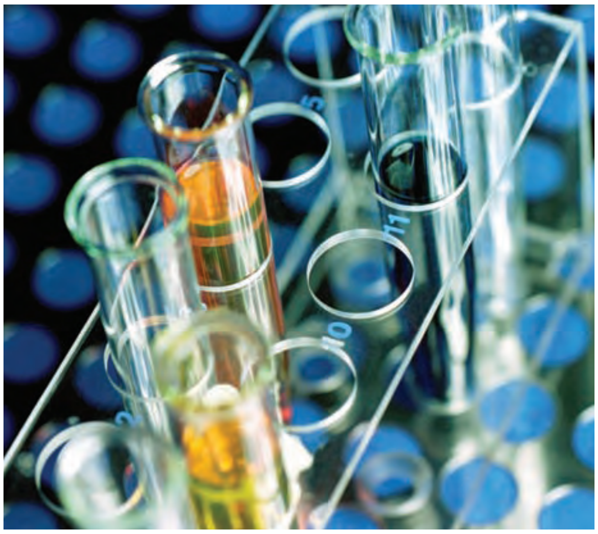
The quality and relevancy of curriculum and courses is an important factor to the employability of graduates. During the Plan period, higher education institutions will undertake an exercise to review their curricula and courses and seek to align programme and learning outcomes with requirements of industry and employers. A total of 2,730 existing programmes will be reviewed for compliance to Malaysian Qualifications Framework based on the following principles:

- Current content offered is benchmarked against nationally agreed criteria and standards in line with international best practices; and

- Incorporation of domains as stipulated in the Malaysian Qualifications Framework that includes soft skills, such as positive work ethics, communications, teamwork, and decision making and leadership skills.

In line with increasing demand for highly skilled workers and professionals, all polytechnics in Malaysia will be restructured to offer courses at diploma and degree levels while phasing out courses at certificate level by the end of the Plan period. Polytechnics will increasingly specialise to become centres of excellence. Three existing polytechnics will be upgraded to premier polytechnics to undertake applied research through collaboration with the relevant industry to nurture innovation and create home-grown new technologies.

Furthermore, in response to feedback from employers, the curriculum of tertiary institutions must place greater emphasis on soft skills development of students. The Generic Students' Attributes self-assessment test, also known as the Malaysia Soft Skill Scale or My3S, will be introduced as an instrument to assess graduate competency in soft skills, beginning in July 2010. The Malaysian Qualifications Agency (MQA) will



continue to play a crucial role in implementing the Malaysian Qualifications Framework as a basis for quality assurance of higher education and as the reference point for the criteria and standards for national qualifications. The MQA will also expand its collaboration with foreign quality assurance agencies by signing Memorandums of Arrangement to benchmark standards and help to raise the capabilities of its staff.

Hiring and Retaining the Best Faculty Members

Efforts will be intensified to raise the number of faculty members with PhD qualifications. The proportion of PhD faculty members across all public universities was 35.9% in 2009. The target is to increase this to 75% for research universities and to 60% for other public universities by the end of the Plan period. To meet this target, the MyBrain15 programme, which has the objective of having 18,000 PhD holders by 2015 and 60,000 by 2023, will be expanded to create a larger pool of qualified candidates to be appointed as faculty members. An allocation of RM2.26 billion will be provided in terms of scholarship to 16,800 faculty members to further their studies at the PhD level.

In addition, the recruitment process for faculty members will be refined and made transparent to attract top talent. Remuneration will be made competitive to match benefits offered by the private sector, as well as non-financial benefits such as flexibility in teaching hours.

Career development support will be given greater priority. In this regard, basic training modules will be made compulsory for new faculty members. To ensure that new faculty member get proper guidance and support early in their careers, each new faculty member will be assigned to a senior mentor responsible for providing career advice with periodic checkpoints. In addition, the first three years of a faculty member's career will have a reduced teaching load to allow time for them to develop a solid research portfolio and to secure external grants for research.

To complement efforts to improve the quality of faculty members, retired faculty members and capable foreign lecturers will be encouraged to serve in public universities on a contract basis. For this purpose, better remuneration packages have been put in place for these lecturers. More visiting and part-time lecturers, especially from industry, will be drawn to teach in public universities by introducing attractive incentives. In addition, the scheme of service for faculty members will be reviewed to enable them to advance to the highest grade possible within their own scheme of service without holding administrative positions such as dean or head of department.

REFORMING THE LABOUR MARKET TO TRANSFORM MALAYSIA INTO A HIGH-INCOME NATION

Achieving a high-income nation requires, among other critical factors, an efficient labour market that is able to attract, develop and retain the best talent. Shortages of the required types of skills and talent will hamper the transformation to a knowledge and innovation-based high-income economy. Efforts to reform the labour market are necessary to ensure efficient matching of demand with supply, and to improve the retention of top talent and to enhance the attractiveness of Malaysia to local and foreign talent as well as the Malaysian diaspora.

The diversity of the Malaysian workforce remains an asset for the country. Malaysians have strong cross-cultural capabilities and are highly adaptable. The country's open and connected society has enabled the Malaysian talent pool to develop strong global and regional links, facilitated by their multi-lingual capabilities.

During the Plan period, the Government is committed to undertake a reform of the labour market, with special emphasis on improving job mobility and upskilling the current workforce, in particular those from the bottom 40% of households. This reform of the labour market will be critical to provide a platform for the nation's ongoing growth efforts towards a high-income economy. The focus of reform will be on three key areas:

- Making the labour market more flexible;
- Upgrading the skills and capabilities of Malaysia's existing workforce; and
- Enhancing Malaysia's ability to attract and retain top talent.

Making the Labour Market More Flexible

An efficient labour market system is a critical factor in reducing the costs of doing business in a country, in influencing the investment climate and boosting job creation. Based on the World Bank report on Doing Business 2008, Malaysia was ranked 43 in terms of ease of employing workers. In addition, Malaysia has an over-dependence on low-cost unskilled foreign workers, which has depressed wages and hampered the move of companies to higher value-added activities, as well as contributed to the continuing outflow of local talent.

Revising Legal and Institutional Framework to Provide Flexibility in Hiring and Firing

During the Plan period, efforts will be undertaken to review provisions of labour legislation in line with the needs of a knowledge economy and the challenges of globalisation. The review will also ensure that industrial relations remain relevant to the current business environment, while balancing social stability as well as facilitate labour mobility.

The Government will undertake measures to improve the efficiency of the settlement of labour disputes in Malaysia. The dismissal cost of workers in the case of redundancies is relatively high in Malaysia compared with other Southeast Asian nations. In Malaysia, employers are required to pay an average 75 weeks of wages to employees who have worked for 20 years upon terminating a contract as compared to 56 weeks in Thailand and 4 weeks in Singapore. In addition, the resolution of labour disputes can be lengthy. Therefore, a review of labour legislation will be conducted, towards ensuring that Malaysia adopts an optimal balance between labour market flexibility and job stability and which provides for efficient and speedy settlement of labour disputes.

An increasing number of workers are being displaced due to the structural change in the local economy and exposure to external shocks. This has made the case even more compelling for establishing a comprehensive labour social safety net to support displaced workers. A labour safety net will provide flexibility for firms in managing their workforce during difficult times. The Relief Fund for Loss of Employment will be introduced to provide financial assistance for workers who do not get due compensation from their employers upon retrenchment. The eligible retrenched workers will receive RM600 per month for a maximum of six months so long as they continue to be unemployed. An amount of RM80 million will be allocated to the Relief Fund over period from 2010 to 2012.

Enhancing Employment Services to Improve Job Mobility

A critical component of a flexible and adaptable labour market is its ability to conduct effective job-matching to resolve mismatches in the supply and demand of labour. There is a significant opportunity for industry collaboration and public-private partnerships to enhance employment services available to the Malaysian workforce to help remove distortions in the labour market.

The Government will enhance and modernise public employment services by upgrading existing public job centres to improve the delivery of career advice across different industries, provide industry-driven matching and placement services and conduct continuous community outreach or education programmes on employment trends and career opportunities. Potential job candidates and the community will be made aware of employment opportunities available and potential career paths open to them. Employers will benefit from having access to an additional platform for sourcing their human capital requirements. The goal is to create an effective and efficient public clearing house operated jointly by the public and private sectors.

Reforming Unskilled Foreign Labour Policy

The influx of low-skilled foreign labour has more than doubled since 2000 to 1.9 million, as shown in Chart 5-9. The abundance of cheap low-skilled labour has delayed investments in mechanisation and innovation, particularly in the agriculture and manufacturing sectors, and thus lowered productivity growth and hampered Malaysia's aspiration to move the economy up the value chain. Sectors with the highest reliance on unskilled foreign workers have lower productivity, as highlighted in Chart 5-10.

The dependence on unskilled foreign labour will be gradually reduced. However, sectors where labour shortages persists, such as construction and plantation, will be allowed to employ foreign labour based on needs. Measures will be put in place to ensure employers improve the working conditions and welfare of these workers, including providing better housing and basic amenities.

A new multi-tiered levy system will be implemented for employers of unskilled workers to encourage the move towards a highly-skilled workforce. This will incentivise companies to upgrade their workforce or hire skilled foreign labour. In doing so, foreign labour demand can be managed, as the cost of skilled foreign labour would closely reflect local labour market wages.

Under the new levy system to regulate the entry of unskilled foreign labour, the levies will be borne by employers and not by employees. The new system will be based on three principles namely, the levy will be proportionate to the ratio of foreign to total workers, the rates will increase over time, and will vary according to the level of skills of the foreign workers.

Encouraging Greater Participation in the Workforce

The trend towards double-income households has increased demand for more flexible working arrangements. In light of this, the Government will introduce Part-Time Work Regulations under the Employment Act 1955. This initiative is aimed at encouraging greater participation of the untapped talent workforce such as housewives, retirees and disabled persons. Arrangements for working from home, teleworking, and part-time or flexi-time will be encouraged. In addition, to fully leverage the availability of women as a source of untapped labour, measures will be undertaken to increase the female labour force participation rate from 46% in 2010 to 55% in 2015.

The life expectancy of Malaysians is now comparable to that of developed countries. Adoption of flexible and part-time working practices and policies will encourage post-retiring age Malaysians to continue contributing to the economy, particularly in sectors and occupations where their specific expertise is needed.

UPGRADING THE SKILLS AND CAPABILITIES OF THE EXISTING WORKFORCE

Currently in Malaysia, only 28% of the total workforce is employed in the higher skilled jobs bracket reflecting the low level of educational attainment among a large segment of the workforce. There is an urgent need to upgrade and re-skill the existing workforce, to move the economy up the value chain. The Government aims to achieve a target of 33% of the workforce being employed in the higher skilled jobs bracket by 2015, and up to 50% by 2020. This will require greater involvement of the private sector.

Encouraging Cost Sharing for Training

The coverage of the Skills Development Fund will be expanded to promote upskilling and retraining of the workforce. It will be extended beyond school leavers to include existing workers. Recognising that not all workers have enough funds to pay for their own training, preferential loans will be provided by the Fund to pay for training costs incurred in skills upgrading. A total of RM500 million will be allocated to provide loans to workers, with a separate amount of RM500 million for loans to school leavers.

Small and medium enterprises (SMEs) play a critical role in driving economic growth. The SME Corp. will assist in the development of capable and resilient SMEs to be competitive in the global market. In addition to providing infrastructure facilities, financial assistance, advisory services, market access and other support programmes, SME Corp. will also implement a Skills Upgrading Programme. This programme is aimed at enhancing the skills and capabilities of workers of SMEs at technical, supervisory and managerial levels, particularly in areas such as electrical engineering and electronics, information technology, industrial design and engineering. Under this programme, SME Corp. will finance 80% of the training cost paid by employers to train their employees in accredited training centres.

Cost sharing will also be intensified through extending the coverage of the Human Resource Development Fund (HRDF) from 44 to 70 subsectors. The HRDF is a pool of funds where employers contribute levies for retraining and skills-upgrading of their employees. During the Plan period, an allocation of RM50 million will be provided to continue the matching grants for training and skills-upgrading for employees in SMEs. In addition, RM50 million will be allocated to fund apprenticeships involving more than 8,000 students. The allocation will be used for the allowances and course fees of apprentices in vocational training.

The Government will encourages all levels of the workforce to continuously upgrade their qualifications and capabilities to higher levels. During the Plan period, a programme will be introduced to promote participation from the industry to co-sponsor employees to obtain industrial PhDs. The industrial PhD programme will involve job-related research projects and training programmes with an industrial focus, conducted jointly by a company and a university. It is an effective approach for stimulating innovation and knowledge sharing that contributes to growth and development within enterprises, creating new knowledge at universities and industrially relevant research in the country. A total of RM50 million will be allocated for this purpose.

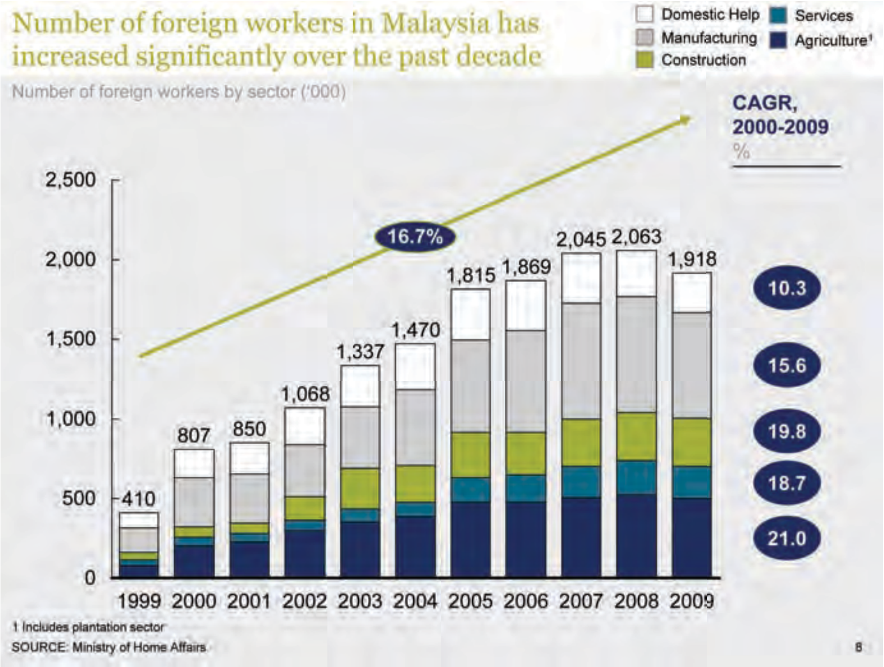
In addition, the Government will continue the successful programme introduced under the economic stimulus package in 2009 to provide partial financial assistance for candidates pursuing PhD programmes at local universities. A total of RM350 million will be allocated to this programme to benefit 5,000 PhD candidates.

Leveraging the Industry to Upskill the Workforce

Delivery of training directly by companies operating in specific industries will ensure that the training content best matches the needs of the industry. Towards this end, vocational training will increasingly be integrated with and driven by the private sector. The Government will encourage and intensify the involvement of the private sector to establish accredited in-house training programmes and to extend these programmes beyond their employees to produce qualified skilled workers who are employable across the industry. A 'buying places' approach will be adopted for these programmes, particularly for specialised skills in priority sectors. These courses will be formally certified either under the Malaysian skills certification system or by an international certification body.

The Industrial Skills Enhancement Programme (INSEP) is a training and development programme in the engineering, ICT and management fields to

Chart 5-9



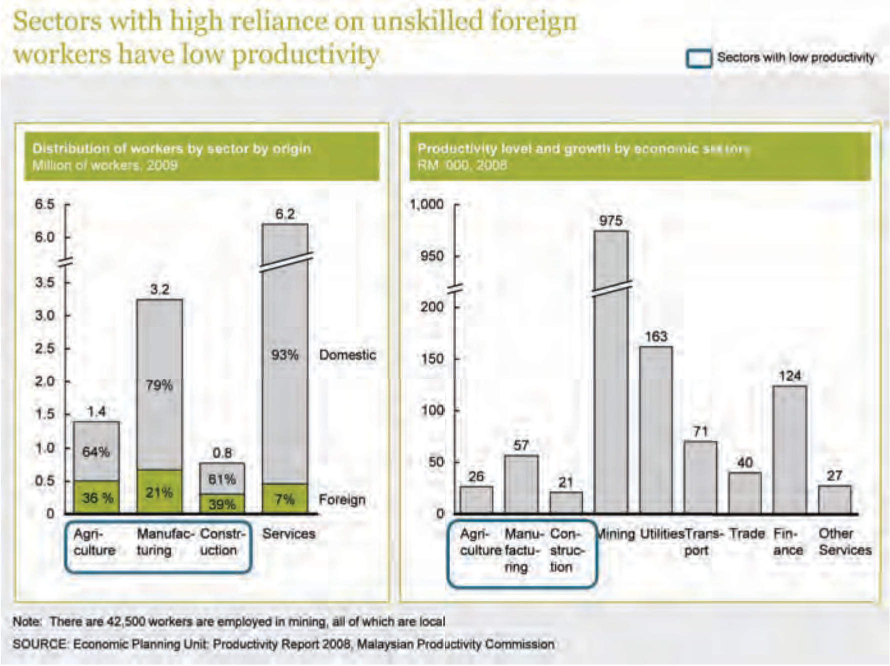
Number of foreign workers in Malaysia has increased significantly over the past decade

Number of foreign workers by sector ('000)

1 Includes plantation sector

SOURCE: Ministry of Home Affairs

Chart 5-10



Sectors with high reliance on unskilled foreign workers have low productivity

Note: There are 42,500 workers are employed in mining, all of which are local

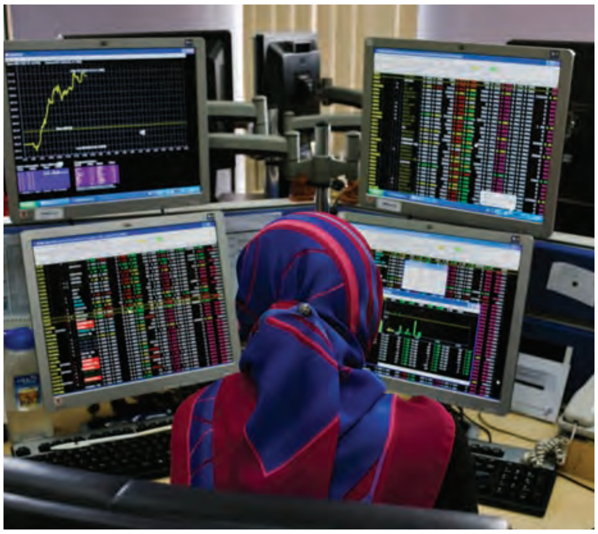
SOURCE: Economic Planning Unit: Productivity Report 2008, Malaysian Productivity Commission enhance the employability of graduates. It is run by the eleven state skills development centres in collaboration with employers. This bridging programme aims to provide recent graduates with specific skills and the right competencies as well as industry-relevant capabilities to improve their employability.

Collaboration on career building and coaching between universities and industry to enhance graduate employability will be encouraged. The Graduate Employability Management Scheme (GEMS), managed by the Putrajaya Committee for Government-Linked-Company High Performance, will continue to be implemented and expanded to enhance the employability of unemployed graduates. The objectives of this initiative are to facilitate job-matching between graduates and employers, to equip participants with the most commercially relevant knowledge, skills and attitude for targeted job positions, and to improve the assimilation and integration of graduates into the workplace. Participating organisations now include not just government-linked companies but also SMEs, government agencies and private companies. Since the inception of this initiative in March 2009, a total of 5,000 graduates have gone through the GEMS programe.

The Recognition of Prior Learning (RPL) programme will be expanded with the goal of formally recognising the experience and expertise of workers, as well as to encourage and reward lifelong learning among the workforce. The programme will enhance the career prospects of the workforce by conferring the Malaysian Skills Certificate on workers who do not have any formal certification, but who have obtained relevant knowledge, experience and skills in the workplace. It is expected to benefit more than 60,000 workers annually. Financial assistance for workers to undertake training to qualify for the Malaysian Skills Certificate will commence in 2011. In addition, a skills credit bank will be established by the Department of Skills Development to maintain a database for training records and facilitating the certification of skilled workers.

Upgrading and Broadening Access to Community Colleges

The community college system in Malaysia provides a wide range of vocational and technical post-secondary education courses within the Malaysian Qualifications Framework (MQF). The 59 community colleges nationwide play critical roles in providing upskilling and retraining for the community in diverse disciplines as well as encouraging lifelong learning across all population segments and age groups.



During the Plan period, the Government will implement a new and innovative approach for community colleges by rolling out modular programmes that allow students to complete multiple short modules at their own pace. These modules can be combined towards achieving the Malaysian Skills Certificate qualification. Around 70% of these training modules will be practical-based training on the factory floor or in work-places. In particular, these programmes will cater to the upskilling of technically or vocationally-inclined students who did not complete eleven years of basic education. This highly flexible modular approach will deliver a total of 135 different courses by 2015 from a total of 52 courses in 2010. The targeted total enrolment for community colleges will increase from 31,000 students in 2010 to 120,000 students by 2014.

Attracting and Retaining Talent

Increasing globalisation has escalated the mobility of talent to the industrialised countries, lured by better salaries, working conditions and quality of life. The best global talent are able to operate anywhere in the world, and many countries are competing to attract and retain this global talent pool. Concerted efforts will be undertaken to improve the attractiveness of Malaysia as a destination for top talent, both Malaysian and foreign, as well as to actively source for talent that the country most critically needs.

Simplifying Procedures and Providing Better Incentives to Attract Skilled Foreign Talent

The Government will improve the current procedures for approving the hiring of skilled foreign talent in Malaysia to enhance the flexibility and reduce the complexity, the number of stages and regulatory bodies involved. The objective is to align with the more liberal work permit requirements of other high income countries. The process of hiring foreign talent will be simplified, with current practices reviewed and streamlined to reduce the requirements for approval, the number of application stages and the turnaround time for making a decision.

To further attract skilled foreign talent, incentives and employment conditions will be improved. This will include flexibility in employment where a skilled foreign talent is allowed to change jobs with the first employer's approval, an exemption to bring in foreign domestic help and permission for their spouse to take up paid employment while still holding a dependent pass.

For skilled foreign talent earning more than RM8,000 per month, there will be no time limit for their employment visa, to allow for greater flexibility and mobility. Open visas will be issued to highly skilled foreign professionals, without the need for the visa to be tied to or conditional upon employment with a particular company or employer. They will also be allowed to acquire residential units costings RM250,000 and above.

Malaysia crucially needs an increased inflow of highly-skilled foreign talent in the professional services sector, to help plug the shortage of skilled local talent. To date, ASEAN has concluded Mutual Recognition Arrangements on engineering, nursing, architectural, medical and dental practitioners and signed for quantity surveying and accountancy practitioners. These efforts were undertaken with the overall objective of facilitating the mobility of ASEAN professionals. By 2015, under the ASEAN Framework Agreement on Services (AFAS), Malaysia together with other ASEAN member countries will liberalise the entry of skilled professionals. Coupled with Malaysia's ability to improve the country's attractiveness to talent in the professional services sector in ASEAN, this will attract the entry of high-skilled foreigners to contribute towards the development of the services industries in Malaysia.

Making Cities More Liveable for Global Talent

The quality of life in destination cities is a primary consideration for global talent in deciding where to live and work. Kuala Lumpur is currently Asia's 11th-most liveable city, and it has the potential to be among the top 5. Kuala Lumpur occupies a niche position as a vibrant and cosmopolitan Asian city that is a microcosm of Asia in general. In order to attract skilled foreign talent, Kuala Lumpur will be positioned as a city for people seeking quality and diverse lifestyles, close proximity to nature, cultural richness and a modern metropolis with excellent infrastructure.

In addition, the Government will undertake concerted efforts to make other major cities, such as Georgetown, Johor Bahru, Kuching and Kota Kinabalu more liveable and vibrant. Initiatives include expanding open spaces such as parks, public squares and sidewalks, restoration of waterfronts, and enhancing the arts and culture scene, as well as to improve the safety, security, transport and healthcare services in these cities.

Creating a Pipeline of Talent for the Future

Although much of the focus has been on attracting existing skilled foreign talent, there is a significant source of untapped budding talent. Foreign students in local universities are potential sources of talent. To retain these students, the existing mandatory procedures requiring them to return to their home countries immediately after completing their studies will be reviewed to facilitate their employment in Malaysia, particularly in critical areas.

Scholarships will be given to the best students from across the world to pursue postgraduate and post-doctoral studies in Malaysia in fields critical for the nation. Upon completion of their studies, they will be given the opportunity to work in Malaysia, to make an immediate contribution to the talent pool.

During the Plan period, the top 5% of students every year for the Malaysian Higher School Certificate (STPM) will be provided with scholarships to pursue further studies in local universities. The Government will also identify top Malaysian students studying in the renowned foreign universities and will provide sponsorship for their final year fees on condition they return to serve. In addition, steps will be taken to ensure Malaysians studying overseas on scholarships return to Malaysia upon completion of their studies.

Engaging the Diaspora of Malaysians

The diversity and size of the community of Malaysians abroad represents a valuable asset to be tapped to accelerate Malaysia's push towards a high-income economy. More than 700,000 Malaysians are estimated to be working and living abroad, and many of them are highly skilled professionals. The Government will undertake consistent efforts to identify talented Malaysians

overseas, to engage with them and excite them about contributing to national development via the following actions:

- **Maintain relationship.** The Malaysian diaspora will be actively engaged to build and strengthen relationships. The Government will actively seek out, convene and network with them. A detailed database of the diaspora, containing information such as expertise in priority economic sectors and background of skills, will be created and maintained so that the right people can be engaged;

- **Acknowledge and recognise contributions.** A set of highly regarded awards and events will be created to recognise and celebrate significant achievements by members of the Malaysian diaspora community. In addition, Malaysian diaspora associations will be established to provide networking opportunities via both online channels as well as physical chapters in cities with the largest concentrations of Malaysians abroad to provide greater visibility on the activities and opportunities for them;

- **Seek ideas and advice.** Regular dialogues will be set up between government representatives and the Malaysian diaspora in major cities, where members of the diaspora can exchange ideas and provide input on policy formulation, particularly technology and industrial policy. In addition, prominent members of the Malaysian diaspora recognised as authorities on certain topics, will be consulted and invited to be part of advisory boards; and

- **Source capital investment.** The Government will encourage the Malaysian diaspora to invest in Malaysia. Given their expertise in certain areas, the diaspora will be invited to invest in specific projects in partnership with local businesses or public sector agencies through joint ventures.

Creating a Talent Corporation to Deliver the Talent that Malaysia Most Needs

While efforts to attract investment have been undertaken by the Malaysian Investment Development Authority with great success, there is no single agency responsible for sourcing top global talent to fill skills gaps and to deliver the human capital that Malaysia most critically needs, from both overseas and locally. As such, a new Talent Corporation (TC) will be established in 2011 under the Prime Minister’s Department with the mandate to attract, motivate and retain the talent needed for a high-income economy. It is envisaged that the TC will have three key roles:

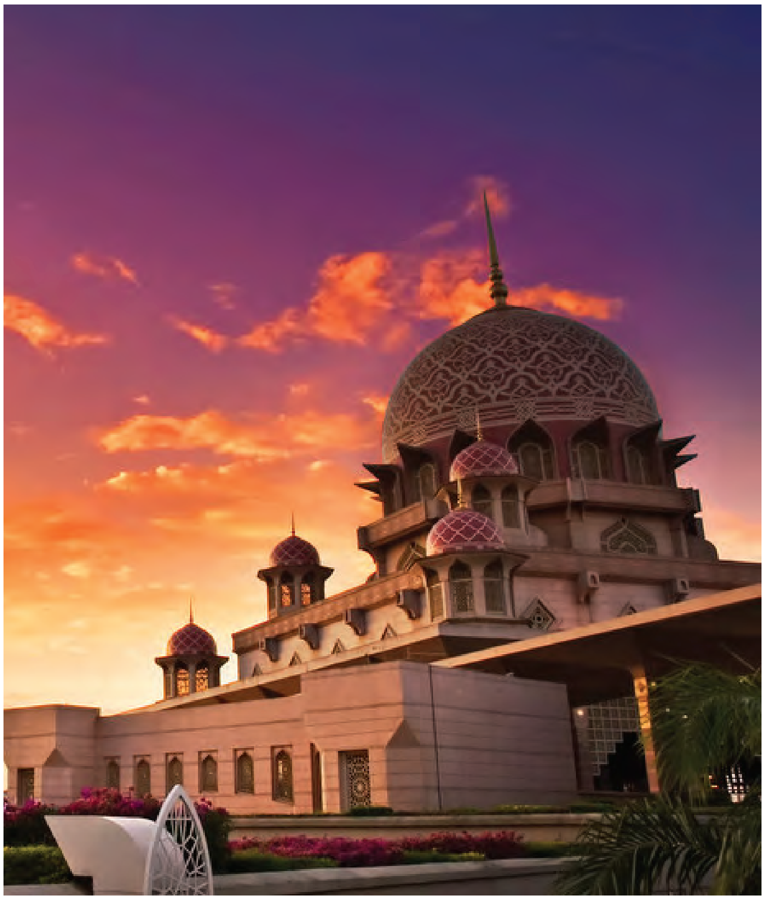
- **To Catalyse.** The TC will develop and drive specific catalytic and innovative national talent management initiatives to attract and develop world-class talent in collaboration with both the public and private sectors. This will include initiatives to engage the Malaysian diaspora, to actively identify and convene high potential Malaysian talent pools, to uncover 'hidden gems' and accelerate the development of top young leaders in Malaysia;

- **To Facilitate.** The TC will facilitate industry and private sector efforts in creating, motivating and retaining a skilled workforce. It will convene stakeholders across different agencies and companies to ensure alignment and stronger co-ordination of national talent management efforts. In addition, this role will be supplemented through the provision of incentives and support for connecting and deploying talent pools; and

- **To Deliver.** The TC will be responsible for ensuring the delivery of major national initiatives on talent across the human capital development pipeline to develop and retain talent in Malaysia and to address the biggest gaps and bottle-necks in the 'flow' and 'stock' of talent. It will be responsible for program-managing and tracking the impact of major national talent initiatives.

The TC, in collaboration with the public and private sectors, will jointly develop an integrated National Talent Blueprint by 2011, which will identify and quantify talent needs of priority economic sectors over time, and develop specific initiatives to accelerate the pipeline of these types of critical talent. The Blueprint will:

- Provide an end-to-end view by tackling talent issues from pre-school to retirement, and will be demand-driven in collaboration with



industry to ensure relevancy to the needs of the market and the knowledge economy; and

- Contain a detailed fact base of the talent pipeline for all priority sectors and NKEAs, a quantification of supply and demand gaps in the present and the future, an integrated portfolio of initiatives to ensure delivery and the necessary programme governance.

As the competition for global talent intensifies, there is a need to be much more proactive in not only attracting, but actively seeking skilled foreign talent. The approach will be to attract foreign talent just like attracting foreign direct investment. The TC will collaborate with the Immigration Department and Malaysian missions to actively plan and execute strategies to attract foreign talent and the diaspora to Malaysia, especially those with expertise in priority economic sectors or those about to graduate from top universities worldwide. In addition to broad initiatives such as conducting road shows and organising career fairs for skilled talent, the Government will also scout, identify, and tap individual skilled foreign talent that can meet specific skills or knowledge shortfalls in Malaysia.

Existing talent attraction and retention programmes such as the Returning Expert Programme and the Brain Gain Programme will be consolidated under the TC and enhanced to ensure better co-ordination, more focus and greater impact. The incentives under these programmes will be reviewed and expanded to make them even more attractive to the targeted talent groups overseas.

CONCLUSION

Human capital development is an economic imperative and lies at the foundation of transforming Malaysia from a middle income to a high income nation. Achieving a globally competitive and innovation-led economy requires a systematic and comprehensive approach to nurturing, attracting and retaining top talent for the nation. Malaysia must close the gap to achieving a first-world talent base. The Government will undertake a complete reform across the entire life-cycle of human capital development, from upgrading early childhood education right through to upskilling the existing adult workforce.

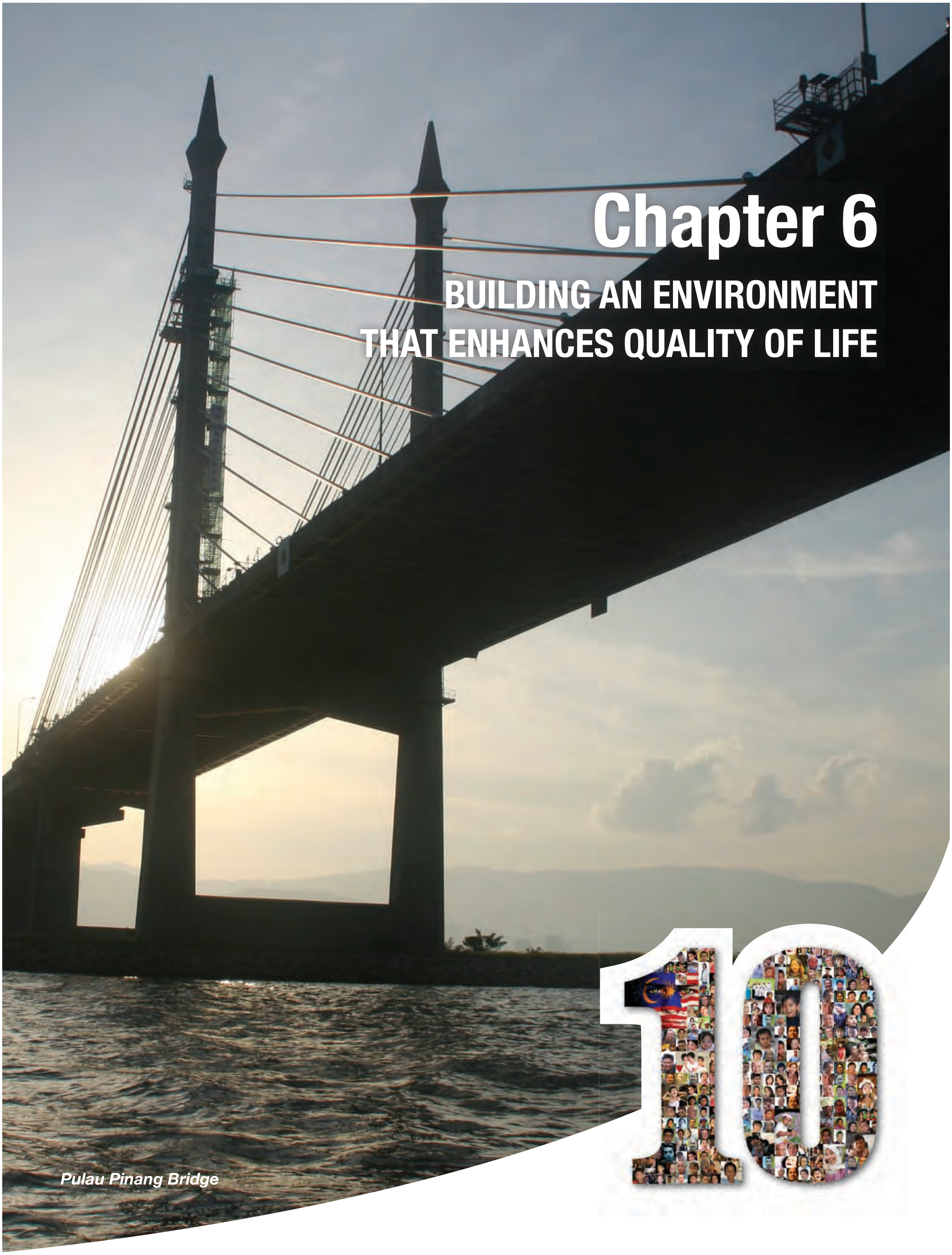
Developing and enhancing the quality of teachers will be the focus towards driving improvements in student outcomes. Schools and principals will be made increasingly accountable for student performance, and will be provided with the corresponding support and autonomies. Skills training will be given a special emphasis during the Plan period, to ensure Malaysia develops the necessary human capital to meet industry requirements, drive productivity improvements and enable moving up the value chain. Technical education and vocational training will be mainstreamed, and tertiary education will be significantly upgraded via greater institutional autonomy and performance management, with the ultimate focus towards enhancing graduate employability and job mobility.

During the Plan period, resources will be focused and targeted at developing and retaining the very best world-class talent. The TC will be established with the primary mandate to source and deliver top talent from overseas and within the country, that are most critical for the key economic sectors. At the same time, significant efforts will be made to ensure equitable access to opportunities for upgrading skills and supporting those that need help the most. In this regard, skills training initiatives will be focused on the bottom 40% of households, the school improvement programme and LINUS initiative will aim to close the achievement gap for disadvantaged students and low performing schools to ensure every student in Malaysia can succeed.

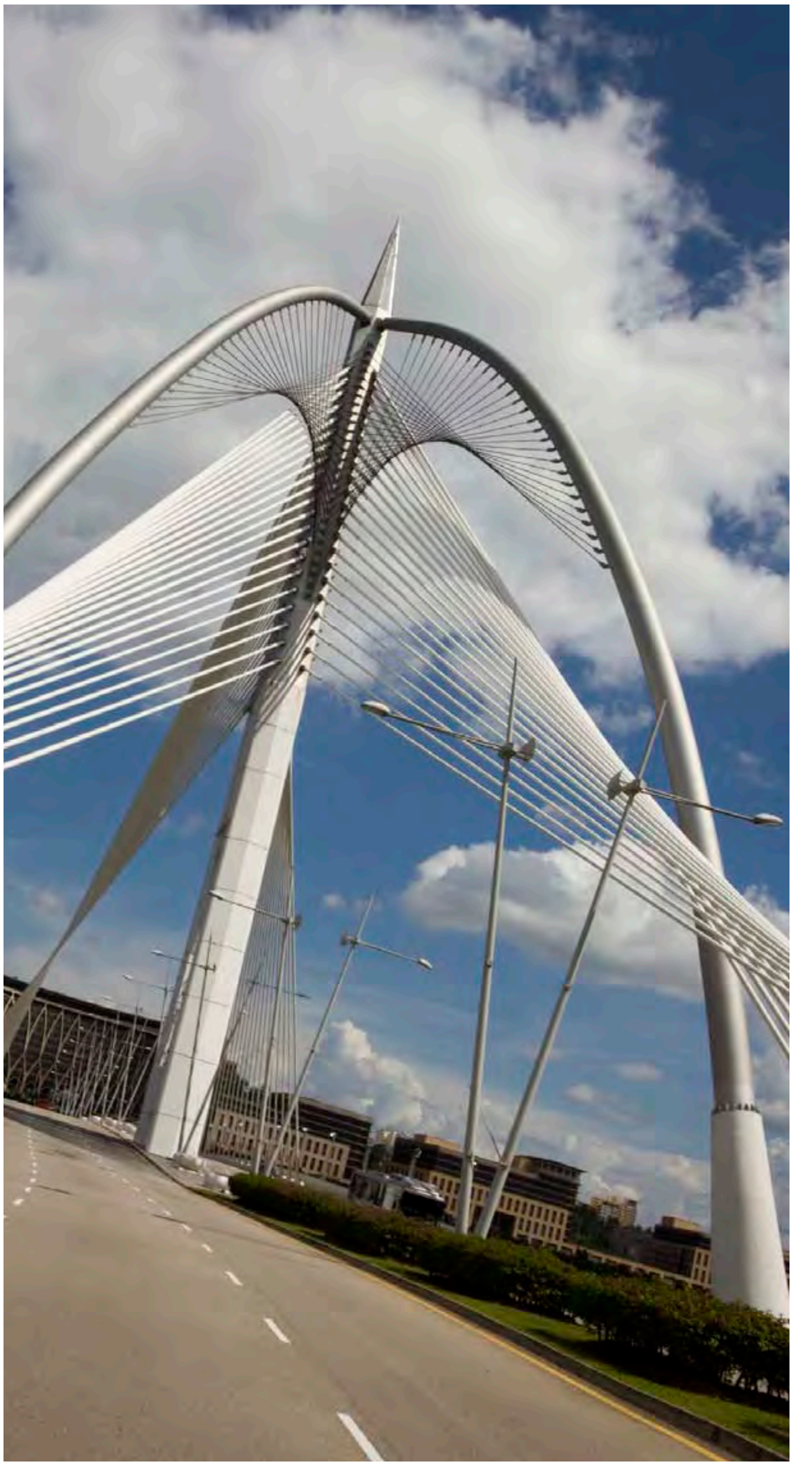
Developing human capital is an economic imperative and is central to the journey towards a high-income economy. Achieving a first-world talent base for Malaysia requires nothing less than consistent, co-ordinated and concentrated efforts to leverage our diversity internationally as well as to nurture, attract and retain top talent in Malaysia.

Chapter 6

BUILDING AN ENVIRONMENT THAT ENHANCES QUALITY OF LIFE



Pulau Pinang Bridge



The Government is committed to ensuring a high quality of life in urban and rural areas in line with Malaysia's aspiration to become a developed nation. This means that both urban and rural areas will be attractive to live in, with quality housing and services and a wide variety of leisure and cultural activities. It means that rural areas retain their distinctive characteristics while benefiting from well provided essential services. It also means that transportation is designed to move people, not vehicles, that everyone has access to quality healthcare and that people feel safe in their communities. Finally, it means that the environment is being conserved for future generations.

By these measures, Malaysia has done well. Housing policies have played a key role in tackling hardcore poverty. Today, most Malaysians live in places that have stable electricity supply, access to clean water and health services. Moving forward, Malaysia is faced with new challenges and opportunities: a rapidly urbanising population with rising expectations, changing demographics and a world confronting the effects of climate change.

To address these challenges and take advantage of these opportunities, it will require significant shifts in policies and practices. Malaysia will not only need to continue to expand coverage of services, but also raise the quality of these services. In a tight fiscal environment, the provision of these services must be done in an efficient and cost-effective manner to extract greater value for each *ringgit* spent. These shifts are important to ensure that all Malaysians can enjoy a higher quality of life and that Malaysia can compete globally to retain and attract the talent that is fundamental to shaping a developed nation. Towards this end, strategies in the Tenth Malaysia Plan will focus on the following:

- **Building vibrant and attractive living spaces.** Influencing the form and character of living spaces to make them attractive places to live, work and play;

- **Developing a *rakyat*-centric public transport system.** Restructuring the public transport sector and continuing to invest in infrastructure to make public transport the mode of choice;

- **Transforming healthcare to improve quality and provide universal access.** Restructuring the healthcare delivery system to increase the quality and capacity of care and moving from strategies that emphasise treatment, to one that emphasises wellness and disease prevention;

- **Ensuring access to quality and affordable housing.** Meeting the needs of a growing population by matching demand and supply for affordable housing, and promoting an efficient and sustainable housing industry;

- **Providing efficient public utilities and services.** Driving efficiency and productivity gains in the provision of reliable services for water and sewerage, electricity, broadband as well as waste management and public cleansing;

- **Making streets and communities safer.** Reducing crime and improving people's sense of security; and

- **Valuing the nation's environmental endowments.** Ensuring Malaysians today do their part for future Malaysians through prudent management and conservation of existing resources.

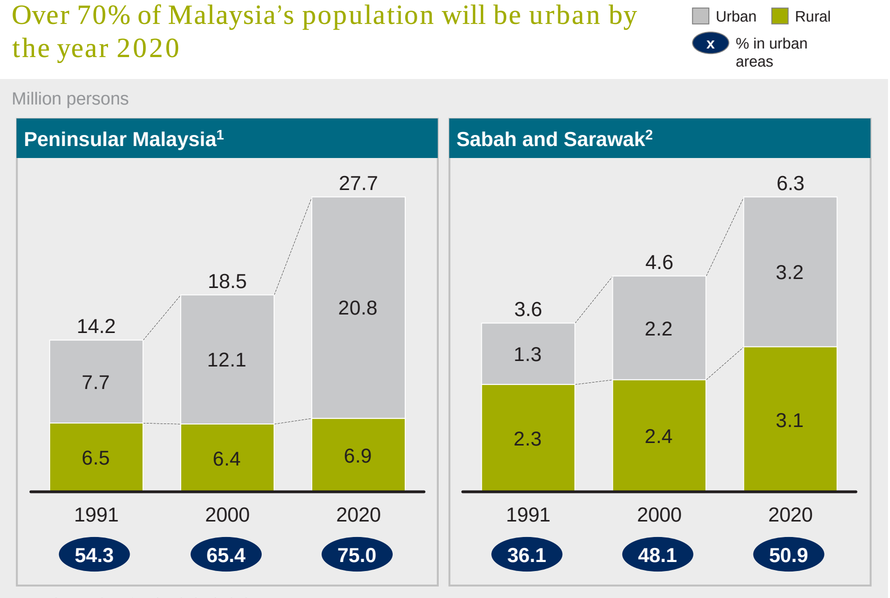
BUILDING VIBRANT AND ATTRACTIVE LIVING SPACES

Malaysia has always pursued a strategy of balanced regional growth resulting in an increased quality of life for communities across the nation. Overall quality of life, as measured by the United Nations Human Development Index (HDI), has increased from 0.80 in 2000 to 0.83 in 2007. The pursuit of a higher quality of life for all citizens continues to be a priority for the Government – making Malaysia a better place to live, work and play.

Over the past decade, Malaysia has experienced a trend of rapid urbanisation, with population in urban areas growing at a rate of 2.2% versus rural population growth rates of 1.6% over the period of 2000 to 2009. Urban populations in Peninsular Malaysia already represent 67% of total population, with urban areas growing at a rate of 2.1% versus a rural growth rate of 1.4% over the same period. In Sabah and Sarawak, urbanisation is increasingly apparent with urban areas growing faster than rural areas by 0.5% to 0.7% respectively from 2000 to 2009. This trend is expected to continue as the nation develops. In Peninsular Malaysia alone, 94% of population growth expected between 2000 and 2020 will be concentrated in urban areas, as shown in *Chart 6-1*.

Chart 6-1

Over 70% of Malaysia's population will be urban by the year 2020



1 Based on Review of National Physical Plan
2 Based on Department of Statistics Malaysia
SOURCE: Review of the National Physical Plan, Department of Statistics

The linkage between development patterns and economic prosperity is a strong one. Economic prosperity enables citizens to pursue a higher quality of life. On the other hand, people and economic activities gravitate towards vibrant places, thus creating clusters of growth, which reap the benefits of agglomeration of scale, productivity and innovation. Recognising this, the Government will pursue a strategy of concentrating growth in urban conurbations.

Concentrating growth in urban areas will not come at the expense of rural development. Across both rural and urban areas, the Government will continue to provide the fundamental building blocks for a higher quality of life – healthcare, education, security, communications and transportation. This strategy of concentrated growth and inclusive development will be supported by strengthening physical and economic linkages between urban and rural areas so that Malaysians will be healthy, educated, safe, mobile and connected, wherever they choose to live.

Urban and rural areas do, however, face different challenges. Cities need to grow in a sustainable manner as they build the infrastructure and institutions needed to uplift the quality of life. In rural areas, the challenge lies in upgrading basic services while continuing to provide for declining populations. To address these challenges, two interlinked strategies will be pursued during the Plan period:

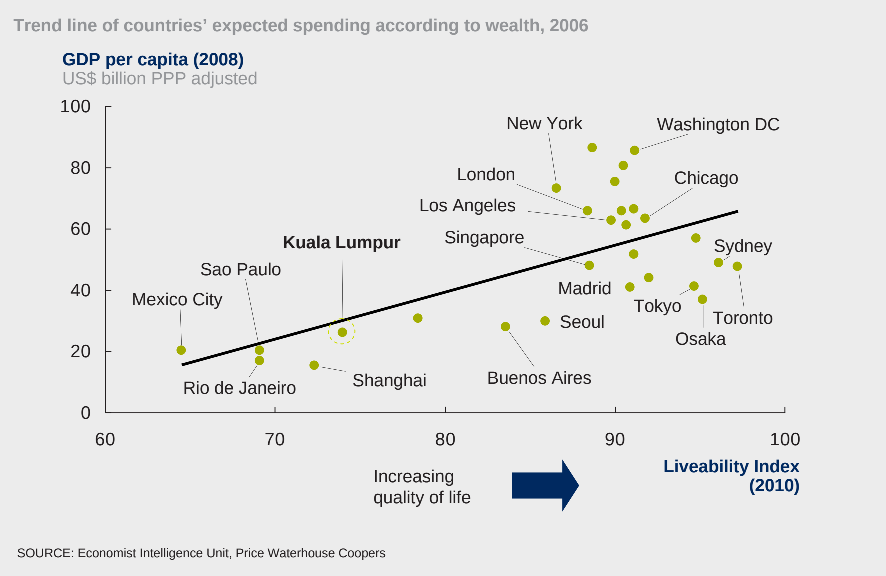
- Building world-class vibrant and liveable cities; and
- Expanding essential services in rural areas.

Building Vibrant and Liveable Cities

Liveable cities are cities that are vibrant and attractive places to live. In today's global and mobile economy, professionals and high-skilled workers have many options of where to live and work. The attractiveness of cities is strongly related to their liveability and wealthy cities are also typically cities that perform better on measures of liveability, as shown in *Chart 6-2*.

Chart 6-2

There is a strong linkage between the wealth of cities and the quality of life within cities



SOURCE: Economist Intelligence Unit, Price Waterhouse Coopers

Moving forward, Malaysian cities face challenges and rapid changes, some of which are driven by global forces:

- **Physical constraints.** There are two options to accommodate growth, building up or building out. Building out, or sprawl, brings long commutes, congestion and pollution as well as adverse effects on environmentally sensitive land;

- **Higher expectations and demands.** The influx of people into cities bring fresh ideas and new cultures, opinions and values, creating an increasingly diverse society. Cosmopolitan populations with rising income also demand a wide variety of leisure activities and sophisticated cultural options; and

- **Sustainability.** Cities everywhere face a fundamental and expanding imperative to minimise their ecological footprints.

A new approach to building vibrant and liveable cities will be adopted to address these challenges, as shown in *Table 6-1.*

There is no single formula for managing growth across cities. Every city, across every level of hierarchy, requires a unique growth strategy tailored to its inherent distinctive characteristics and strengths. Recognising this, the second National Physical Plan (NPP) will be finalised by 2010 to set out the strategic direction and priorities of physical development of Peninsular Malaysia. At the same time, the development strategies for Sabah and Sarawak will be outlined in their respective state structural plans.

The NPP and the National Urbanisation Policy (NUP) outline a hierarchy for extended urban areas (or conurbations). Each conurbation typically contains a core city centre with satellite towns on the fringes. Regional growth conurbations include the urban areas of Georgetown, Johor Bahru, Kuantan, Kuching and Kota Kinabalu.

Table 6-1: A New Approach to Building Vibrant and Liveable Cities

Elements	Current approach	New emphasis
City design	Making the city physically attractive	Making well-being, quality of life and liveability the core of any urban project
	Real estate development drives city-making	Developers are guided by public interest principles, including aesthetics
	Planning physical projects	Planning communities and neighbourhoods
	Development is functionally separated by type of land use; residential, commercial and industrial	Mixed uses are predominant to encourage living, working and leisure activities within the same compact area
Transport	Transportation networks are designed to move vehicles via roads and highways	Transportation networks are designed to move people, with a focus on public transport as the primary spine, supported by a pedestrian-friendly street network
	Movement is seen to be a transportation network and traffic engineering issue	Mobility, accessibility and seamless connectivity are the desired outcomes
Environment, activities and culture	Environment and natural resources are free goods	Urban projects account for the environmental cost of development
	Emphasis on providing urban infrastructure and services	Beyond infrastructure and services, culture is an asset and drives a city's distinctiveness
	Waste is disposed	Waste is a resource to be recycled and reused, for example via waste-to-energy initiatives
Governance	Planning and provision of infrastructure is predominantly a central/federal role	Greater collaboration and cooperation with local authorities to incorporate frontline input into planning and decision making
	Limited civil participation and consultation	Consultative approach to planning and design, with the voice of citizens and businesses forming an important input

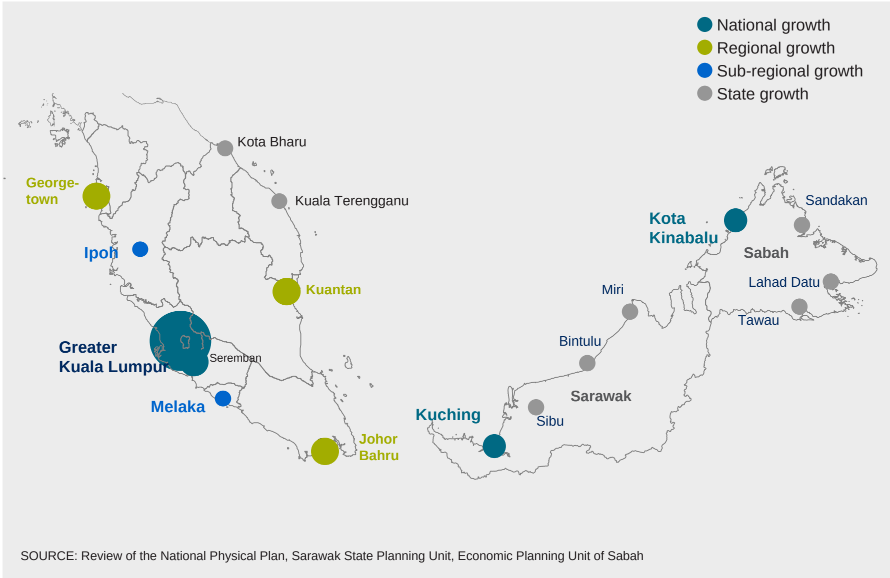
> **"... young workers and retir(ees) are actively seeking to live in densely packed, mixed-use communities that don't require cars; that is cities or revitalised outskirts in which residences, shops, schools, parks and other amenities exist close together."**

"Back to the City", Harvard Business Review (May 2010)

Chart 6-3

Growth will be concentrated in urban conurbations

ILLUSTRATIVE
NOT TO SCALE



SOURCE: Review of the National Physical Plan, Sarawak State Planning Unit, Economic Planning Unit of Sabah

This hierarchy of conurbations, as shown in *Chart 6-3*, will facilitate the Government's prioritisation of plans and channelling of resources to ensure optimal growth.

Kuala Lumpur, the capital and financial heart of the nation, has a rich, diverse and international mix of cultures and activities. Georgetown has an enduring reputation for being a cosmopolitan city, steeped in heritage and tradition, earning its status as a World Heritage City by UNESCO. Down south, Johor Bahru prospers due its strategic location along major shipping lanes, with the added advantage of proximity to Singapore. Kuantan, Kuching and Kota Kinabalu all serve as cultural and economic centres of their regions and act as important gateways for those regions with the rest of the world. All these cities have the right ingredients to build on: a vibrant mix of cultures, a uniquely Asian heritage and strong infrastructure.

During the Plan period, the focus will be on:

- Making cities compact and efficient; and
- Creating attractive and enjoyable cities.

Making Cities Compact and Efficient

Under current growth projections, urban areas in Peninsular Malaysia will need to accommodate six million new residents between 2010 and 2020. Land required for development is scarce, and demand will outstrip the supply of land available for development, especially in urban environments, such as in Greater Kuala Lumpur (Greater KL). In order to accommodate growth, compact urban development will be encouraged. For conurbations composed of multiple towns or cities, this means ensuring that each satellite city or town surrounding the core city centre is in itself a vibrant place to live, work and play.

Managing Growth

To encourage the development of compact cities, the Government will facilitate better use of mechanisms for managing growth such as zoning, urban growth boundaries, growth control regulations and other development incentives. This will allow cities to achieve more intensive developments that are designed to ensure long-term efficient usage and in forms that are safe and sensitive to their surroundings. Since such mechanisms are within the jurisdiction of local and state authorities, the Federal Government will co-operate with and provide support to the relevant local and state agencies in pursuit of this shared objective of building vibrant cities.

In order to unlock the development potential within cities, urban renewal and redevelopment of brownfield sites will be pursued. This will be achieved through appropriate incentives and mechanisms to support the redevelopment of unused, dilapidated or abandoned sites. One such incentive being considered is the implementation of mechanisms to facilitate the sale of collectively-owned developments to encourage redevelopment, or an *en-bloc* sale mechanism. The Government will also actively seek opportunities to partner with the private sector to redevelop high-potential Government-owned land and properties. The development of Government land will be managed to ensure that the types of development commensurate with the commercial potential and market value of the land.

Mixed-use Developments

City planning will promote a human-scale development approach. This means designing our cities to reduce the need for travel and to encourage the presence of people-centric activities within the urban landscape by concentrating a wide range of activities and amenities within walking distances. This will be achieved through encouraging mixed-use developments in neighbourhoods, combining residential, retail and office uses. State and local authorities will be encouraged to move towards having a higher proportion of mixed-use commercial/ residential zoning in their Structural and Local Plans.

To succeed, however, the building of high-density mixed-use developments must be integrated with a well functioning public transport system. Transit-oriented development will be encouraged

to ensure that developers take into account the needs of pedestrians and public transport, allocating sufficiently wide roadways for buses and areas for bus stops, ensuring that public transport is easily accessible by foot from home or from work. Where there are high capacity rail stations, these areas will be identified as transit corridors, where development will be managed to encourage higher densities with a vibrant mix of uses that will unlock the value of development that comes with increased accessibility.

Integration of land use and transportation plans in shifting towards compact and efficient cities will be an important component of Local Plans. An example of such a development is the New Urbanism model as illustrated in *Chart 6-4.*

Creating Attractive and Pleasant Cities

Creating attractive and pleasant cities require a combination of strategies; providing attractive shared spaces and drawing people to them.

Chart 6-4

Case study: New Urbanism, a shift towards compact urban models

Studies show sprawling suburbs have a damaging impact on quality of life …

"(The) acceleration of sprawl has surfaced enormous social, environmental and economic costs, which until now have been hidden, ignored, or quietly borne by society. The burden of these costs is becoming very clear. Businesses suffer from higher costs, a loss in worker productivity, and underutilized investments in older communities…"

Beyond Sprawl: New Patterns of Growth to Fit the New California

New Urbanism: Promoting compact, walkable, mixed-use neighbourhoods built around public transport

- **Every town is made up of compact mixed-used neighbourhoods** with a range of housing, leisure and employment options
- **Each neighbourhood has a centre and an edge** at approximately 400 metres from centre to the edge
- **Places are built around public transport** and **pedestrian infrastructure** where streets are safe, comfortable, interesting places for people to walk and meet
- **Public transport connects** neighbourhoods, towns and the broader region

SOURCE: Beyond Sprawl (BoA), Charter for New Urbanism (CNU), How Cities Work (Marshall)

Open Spaces and Green Corridors

Local Plans will incorporate open space strategies that move beyond just allocating land for open space activities, to understanding how cities can enhance and attract people to these public spaces. In order to encourage the development of public spaces, the Government will support local authorities in creating a seamless network of interconnected green spaces within the cities, connecting major activity hubs and housing sites, and be equipped with facilities such as amphitheatres, cycling and pedestrian pathways and other amenities. Companies will be encouraged to provide support in the establishment and maintenance of green spaces as part of their corporate social responsibility programmes.

In Greater KL, the 101-hectare Lake Gardens will be developed into a Botanical Garden with a wide variety of unique trees and flowers, nature trails and themed mini-gardens. In order to enable easy access to the garden, pedestrian walkways connecting the Lake Gardens and the city centre will be built along with improved public transport services. Within the garden, activity centres such as open plazas and cafes will be introduced. A range of cultural and contemporary performances will be encouraged to premiere at the amphitheatre facility within the garden.

Waterfront Rejuvenation

Many of the world's iconic cities share an important characteristic: a vibrant waterfront. The Thames River in London, the Esplanade in Singapore, the Cheong Gye Cheon in Seoul, Republic of Korea, these cities all have well-preserved waterfronts that are vibrant public spaces. In recognition of this, the restoration of rivers and waterfronts in Malaysian cities will be a priority. Cities such as Kuala Lumpur, Melaka, Kota Kinabalu and Kuching have strategic waterfronts, which are already major activity centres today. The Melaka River Rehabilitation and Beautification project is an example of how rejuvenation efforts can benefit a city. It has won awards for its unique public architecture that integrates modern design with the rich cultural heritage of the city. Such efforts are inherently long term in nature, requiring large-scale coordinated efforts in cleaning the rivers, reviving the ecosystem and protecting the rivers, both where they run through cities as well as upstream where they begin.

Arts, Culture and Leisure

Arts and culture not only play an important role in making cities more liveable, but they are also catalysts for innovation in developed economies that are increasingly knowledge-based. With higher incomes and wealth, Malaysians, especially the young, will have increasing opportunities to turn their attention to issues of culture, heritage and quality of life. The Government will work towards enhancing the vibrancy and international relevance of its arts and culture scene with the objective of creating an artistic and cultural identity that is uniquely Malaysian and globally relevant. Cities are the natural incubator points for such a transformation; they have the diversity of cultures and perspectives that can spark a vibrant arts scene. Other cities have recognised the importance of this, as shown in *Chart 6-5.*

Transforming the arts requires addressing both artists and audiences. Support for artists will be provided in the form of creative industry grants or loans for the creation of art clusters, namely the Art Enclave or ***Perkampungan Seni.*** This will feature affordable workspaces for artists and a concentration of commercially-viable art activities and opportunities, such as art auction houses, galleries, performing spaces, restaurants and shops. In order to measure success in terms of audience participation, the Government will begin to track outcomes in arts and culture such as

Chart 6-5

Other Asian cities have recognised the importance of a vibrant arts and culture scene

Abu Dhabi, United Arab Emirates

- Under the Saadiyat island project, the Abu Dhabi Government established a long term collaboration with various world-renowned institutions, such as the Louvre and Guggenheim for the use of their brand name and loans from their collections
- The US$27 billion also involves building a bienniale exhibition space, arts school and an arts college

Seoul, South Korea

- Seoul released "Vision 2015, Cultural City, Seoul" to increase the city's competitiveness by reinventing the city landscape and developing a high quality culture
- Seoul will invest US$7.9 billion to build more performing arts theatres, increase the number of art galleries from 25 to 50, and museums from 67 to 150 by 2015

Beijing, China

- In Beijing, the government is investing US$289 million to renovate historical places of interest, such as the China National Museum
- In 2006, China announced that it would build 1,000 new museums across the country, such that every significant city would have a modern museum

Singapore

- Under the Renaissance City Plan, the government set out a vision to turn Singapore into a *Distinctive Global City for the Arts*
- Key cultural institutions such as the Singapore Art Museum and the National Museum showcase works from renowned museums, including the Vatican Museum, the Louvre and the Topkapi Palace Museum in Istanbul

SOURCE: Seoul Metropolitan Government website, Singapore Renaissance City Plan, Press clippings the number of theatre and music performances, number of arts companies and societies, audience attendance and value-add of arts and culture to Gross Domestic Product (GDP).

In addition, the Government will encourage the hosting of international arts and cultural events in cities. Large events, such as an arts biennale, art expositions, film or music festivals, attract worldwide participation and international audiences, while other events, such as the Rainforest Music Festival in Sarawak, attract regional and niche audiences. At the same time, iconic cultural institutions such as the ***Muzium Negara***, ***Balai Seni Lukis Negara*** and ***Istana Budaya*** will be transformed to attract international talent to create, premiere, perform and exhibit in Kuala Lumpur.

Beyond the arts, a wide range of leisure and sporting activities will be encouraged to create a vibrant, exciting environment in which to work in the day and play in the evenings and on weekends. The rejuvenation of places with distinctive identities, such as Little India in Greater KL will capitalise on the strengths of Malaysia's ethnic diversity and unique cultural heritage. The focus will be on activities that appeal to a broad segment of audiences. The Malaysia Truly Asia Centre will be developed as an iconic tourism destination to showcase Malaysian culture, art and heritage within a vibrant, interactive and lively environment. Smaller activity centres such as community libraries and neighbourhood activity hubs will also be emphasised.

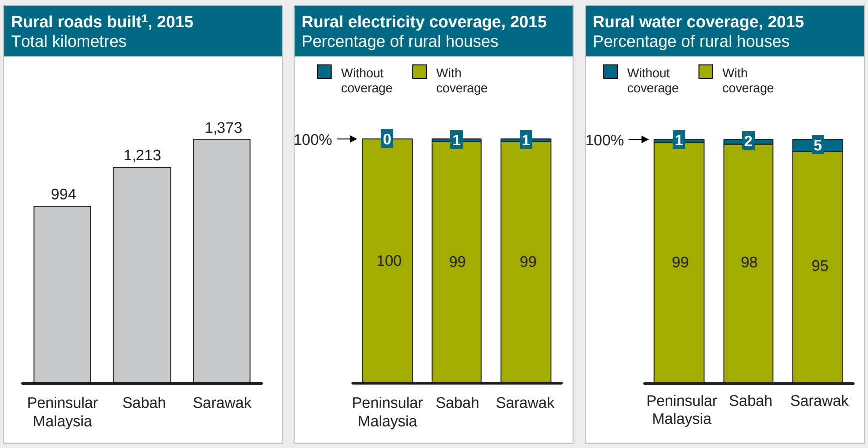
Expanding Essential Services in Rural Areas

Cities and rural areas are symbiotic, with rural areas providing inputs into the economic activities of cities. Cities also function as important gateways for rural communities and rural economies can only succeed if the economic and physical infrastructures between rural areas and their city gateways are strong. Rural areas will benefit from urban agglomeration through strong economic integration of rural and urban activities. Well-functioning regional growth poles will provide logistics services to adjacent rural areas enabling the integration of these areas into local or international supply chains. Non-agricultural employment opportunities in rural areas, which support upstream economic activities in urban areas will be promoted in intermediate towns and major local centres, within commuting distances of rural villages, to provide opportunities for increasing rural income levels.

As rural populations continue to decline, some villages are likely to decline to a level where the provision of public facilities and services is no

Chart 6-6

Focus in rural areas will be on upgrading basic infrastructure



1 Rural roads or *Jalan Luar Bandar*. This figure excludes village connecting roads or *Jalan Perhubungan Desa*

SOURCE: Ministry of Rural and Regional Development

longer sustainable. Streamlining rural settlements will not only support an expanding urban-based economy but more importantly ensure that a higher quality of public services can be efficiently delivered to the rural areas. It is therefore important to enhance and expedite the implementation of Rural Growth Centres (RGCs), where rural citizens can choose to live in order to benefit from high-quality public services such as health, education, communications, public transport, utilities and other community-based services. Social and commercial services and public facilities will be consolidated in the RGCs allowing rural communities to enjoy a higher quality of life.

A key enabler of social and economic integration between urban and rural areas will be the provision and upgrading of basic physical infrastructure. During the Plan period, targets for improving rural basic infrastructure are as shown in *Chart 6-6* and described as follows:

- **Expanding and upgrading rural road networks.** A total of 3,580 kilometres of paved roads will be constructed by the end of the Plan period, with 72% of road construction concentrated in Sabah and Sarawak, increasing the number of rural households living within 500 metres of a paved road;

- **Expanding coverage of electricity supply.** Coverage of electricity supply in rural areas will be extended through the grid and alternative systems such as mini hydro and solar hybrid. Coverage of electricity supply is expected to reach almost 100% in Peninsular Malaysia and 99% in Sabah and Sarawak by 2015. To achieve this target, an investment of about RM4.9 billion is required;

- **Expanding coverage of treated water supply.** Rural area coverage will be improved to 99% of Peninsular Malaysia, 98% of Sabah and 95% of Sarawak by 2015. This will be implemented through construction of pipelines and additional water treatment plants. Remote and isolated areas will be served through alternative methods such as gravity systems, tube wells, underground water and rain harvesting facilities; and

- **Connecting rural communities to the world via virtual networks.** Rural communities will be virtually connected to the world through the provision of Internet and broadband services. 1Malaysia Internet Centres in rural communities will provide affordable internet access as well as function as community centres.

DEVELOPING A *RAKYAT*-CENTRIC PUBLIC TRANSPORT SYSTEM

A comprehensive and efficient public transport network is a proven enabler of sustained economic prosperity and is vital to ensuring that places become attractive to live, work and play. This is especially important in cities that function as economic hubs and where public transport is critical to providing mobility for hundreds or thousands of people a day. Without a well-functioning public transport system, congestion, productivity losses and an eroded quality of life can reduce the liveability and competitiveness of both large and medium sized cities.

Recognising this as a priority, the Government undertook a major restructuring effort in the public transport industry, culminating in the formation of a commission for land public transport, *Suruhanjaya Pengangkutan Awam Darat* (SPAD) and the introduction of the Land Public Transport Bill in 2010. Improving urban public transport was chosen as one of six National Key Result Areas (NKRAs), which are national priority areas of focus identified under the Government Transformation Programme (GTP), as shown in *Box 6-1*. An allocation of approximately RM2.8 billion has been made for the NKRA initiative to be completed in the first two years of the Plan period.

Box 6-1

The goal of the Urban Public Transport NKRA effort is to significantly increase public transport ridership in three urban areas; Greater KL, Pulau Pinang and Johor Bahru. For the Greater KL, initiatives will focus on:

- **Increasing the capacity of the system** to cater for latent and future growth by investing in high-capacity rail and innovative bus rapid transit systems;
- **Stimulating demand** through improvements to the quality of service;
- **Diverting heavy vehicles** from the central business districts;
- **Regulatory restructuring** of the transport industry; and
- **Managing demand** to reduce private vehicle usage.

Improving urban public transport
one of 6 National Key Result Areas

Efforts under the GTP are already showing signs of early success with the following outcomes:

- **Four Bus Expressway Transit routes in Greater KL** and a high-speed limited stop service were launched since January 2010, significantly reducing travel times by over 50% on selected routes for commuters;
- **Eight sets of four-car trains on the Kelana Jaya Light Rail Transit line** were made operational progressively between the end of 2009 and the first quarter of 2010; a total of 27 more sets will be delivered by the end of 2010. Ridership has improved by 7% year-on-year for the period of January to March of 2010 compared to the same period in 2009; and
- **Completion of IntegrateTransport Terminal (ITT) in Bandar Tasik Selatan and constructionof ITT Gombak** by 2012 to alleviate congestion caused by intercity buses congregating in Kuala Lumpur's city centre.

During the Tenth Plan period, the Government will continue its efforts to strengthen its approach to transportation planning, integrating public transport and land use development in all national, regional and local development master plans. The goal of improvements will be to advance the development of vibrant and liveable cities, while also ensuring that small and medium sized cities are not left behind.

The Government has set a goal of significantly improving the share of public transport journeys across all urban areas. In Greater KL, the target will be to increase the public transport modal share from 12% in 2009 to 30% by 2015. During the Plan period, strategies to position public transport as the mode of choice for all commuters will focus on:

- Driving regulatory and industry reform;
- Increasing investments in transport capacity to keep pace with urban growth;
- Promoting a seamless system across modes and operators; and
- Establishing a robust monitoring and enforcement regime.

Driving Regulatory and Industry Reform

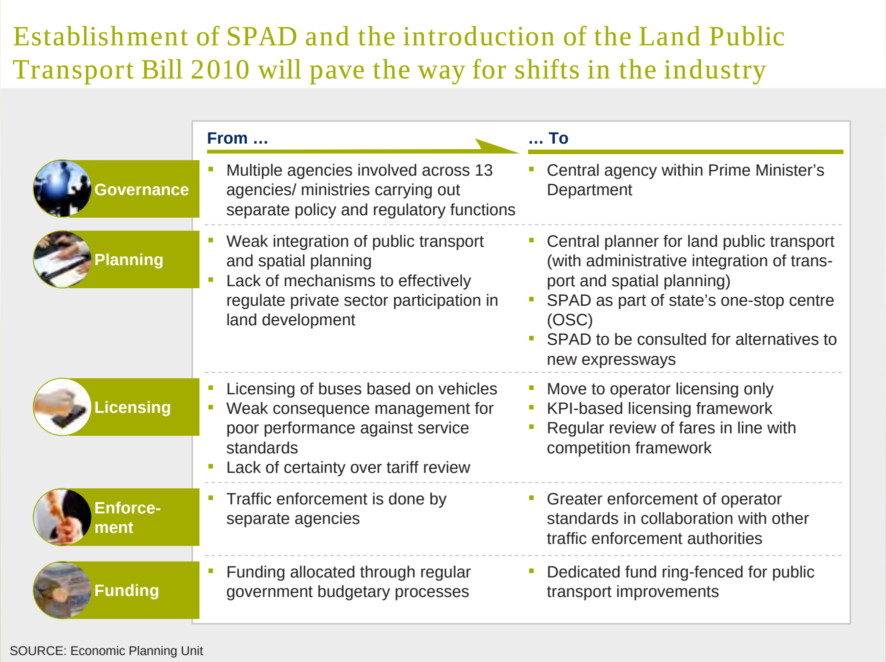
The public transport industry has crossed a critical juncture. With the establishment of SPAD, there is now a single point of accountability to deliver improvements in public transport, as shown in *Box 6-2*. SPAD will begin operations in June 2010, and as part of its mandate, during the Plan period, it will embark on the following initiatives:

- Developing and monitoring the implementation of a 20-year National Land Public Transport Master Plan, along with region-specific master plans to identify macro-level

Box 6-2

Suruhanjaya Pengangkutan Awam Darat (SPAD): The commission for land public transport

The commission for land public transport or SPAD was established in June 2010 and will pave the way for important shifts in the industry along the levers of governance, planning, licensing, enforcement and funding. A land public transport fund, created under the Land Public Transport Bill, 2010, will be operated by SPAD for improving land public transport and providing land public transport services for rural development.



Establishment of SPAD and the introduction of the Land Public Transport Bill 2010 will pave the way for shifts in the industry

	From ...	... To
Governance	▪ Multiple agencies involved across 13 agencies/ ministries carrying out separate policy and regulatory functions	▪ Central agency within Prime Minister's Department
Planning	▪ Weak integration of public transport and spatial planning ▪ Lack of mechanisms to effectively regulate private sector participation in land development	▪ Central planner for land public transport (with administrative integration of transport and spatial planning) ▪ SPAD as part of state's one-stop centre (OSC) ▪ SPAD to be consulted for alternatives to new expressways
Licensing	▪ Licensing of buses based on vehicles ▪ Weak consequence management for poor performance against service standards ▪ Lack of certainty over tariff review	▪ Move to operator licensing only ▪ KPI-based licensing framework ▪ Regular review of fares in line with competition framework
Enforcement	▪ Traffic enforcement is done by separate agencies	▪ Greater enforcement of operator standards in collaboration with other traffic enforcement authorities
Funding	▪ Funding allocated through regular government budgetary processes	▪ Dedicated fund ring-fenced for public transport improvements

SOURCE: Economic Planning Unit

policies, strategies and plans for the sector, including major infrastructure investments as well as policy and regulatory changes;

- Establishing a new operating framework for public transport operators starting with the introduction of a fare regime that will enable financial self-sufficiency for private operators while preserving affordability for commuters and ensuring continuous improvements in service standards. This framework will require significant restructuring and streamlining of routes. Operators will be subjected to a stringent performance monitoring regime to ensure that all operators of buses, rail and taxis meet minimum performance standards;

- Introducing innovative initiatives, such as the Bus Rapid Transit (BRT) System and a single cashless ticketing system across various operators; and

- Pending successful implementation in Peninsular Malaysia, the Government will review the potential of expanding SPAD's scope to Sabah and Sarawak.

As the central point of authority for public transport, SPAD will be responsible for driving the delivery of the initiatives outlined in the Tenth Plan. It is envisaged that with the formation of SPAD, the land public transport structure will be revamped to improve regulation of the industry including planning, licensing, fare regulation and enforcement.

Increasing Investments in Transport Capacity to Keep Pace with Urban Growth

Investments in public transport will focus on enhancing the efficiency of existing systems that already operate at their limits of capacity as well provide capacity to accommodate future growth. Efforts at increasing public transport capacity will be carried out across large urban areas, such as Greater KL as well as medium sized cities across the nation.

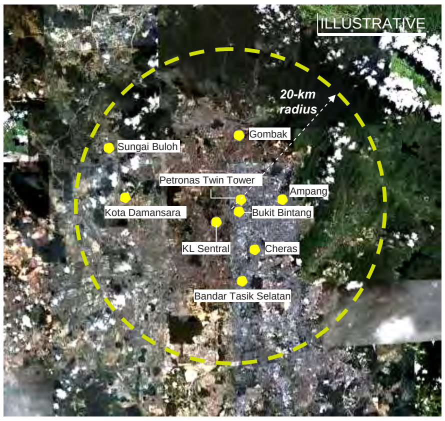
Greater Kuala Lumpur Initiatives

In Greater KL, a major initiative to improve the capacity of the Light Rail Transit (LRT) lines is the 34-km extension of the existing lines. In addition, the full delivery of the 35 sets of new four-car trains will increase the capacity of the Kelana Jaya LRT line from approximately 24,000 to 98,000 passengers per hour and

Chart 6-7

The mass rapid transit system will be a landmark project for Greater KL

The system will be integrated with existing systems and serve a 20-km radius coverage from the city centre



Key statistics

- Total **system length of 156** kilometres
- Mixture of **above-ground** and **underground** tracks and stations
- When fully operational, the system will serve up to **2 million trips per day from 480,000 trips**[1] on current urban rail systems
- Project will be carried out as a **Public-Private Partnership (PPP) initiative**

[1] Daily ridership on KTM Komuter, RapidKL LRT and Monorail systems in 2009

SOURCE: Map from Google Earth

allow the reduction in headways from 3.3 minutes to 2.0 minutes during peak hours. To improve connectivity between the KTM Komuter, LRT and Monorail systems, a potential extension of the monorail system will be considered. The capacity of the KTM Komuter system will be augmented with the purchase of 38 new six-car Electric Multiple Units (EMUs) to be delivered by 2012 which will benefit over 500,000 commuters daily. To further expand capacity, a 49-km Greater KL BRT System consisting of three major corridors will be implemented.

Given the accelerated growth trajectory of Greater KL, a high-capacity mass rapid transit system will be implemented to meet future demand of thousands of commuters moving in and out of the city daily. This system will be integrated with existing and planned public transport systems, as shown in *Chart 6-7*, as well as expected trends of urban development.

Other Cities and Urban Areas

Outside Greater KL, a BRT system will be considered for implementation to connect new urban growth centres in the Iskandar Region of Johor. The project would be integrated with demand management initiatives, park-and-ride facilities and bus terminals. In Pulau Pinang, RapidPenang, will continue to expand the frequency and coverage of its bus services.

In addition, the Government will consider the implementation of smaller-scale approaches to increase the capacity of public transport for medium sized cities that would enhance a city's distinctive character, such as trams in cities like Melaka. In such cities, efforts will be made to optimise bus routes to minimise travel time and introduce dedicated bus lanes in city centres with high demand. The Government will also further enhance river transportation as a mode of public transport, particularly in Sarawak. River transportation will be promoted as a tourism product thus creating an opportunity for visitors to explore the cities through water taxis.

Intercity systems

The 197-km extension of the electrified double-track project (DTP) from Gemas to Johor Bahru will increase KTM's track capacity by 5 to 10 times and allow for significant reduction in journey times. With the full completion of the DTP project, from Johor Bahru in the south to Padang Besar in the north during the Plan period, total passenger traffic is expected to increase from 4.3 million passengers in 2009 to 5.7 million passengers by 2015 and freight traffic from 5.2 million tonnes to 8.5 million tonnes over the same period. In the east coast of Peninsular Malaysia and Sabah, rail services will be enhanced by modernisation of facilities and technologies to increase access to rural areas.

Promoting a Seamless System Across Modes and Operators

Interconnectivity between transportation modes is critical in creating a seamless journey from people's homes to their destinations. Efforts will be directed towards increasing the percentage of one-way journeys completed within one hour and with fewer than four transfers. The Government, in collaboration with relevant agencies, will improve the pedestrian experience by increasing the number of bus stops closer to homes, upgrading pedestrian walkways so that they are covered, wide, safe and adequately lit as well as upgrading major rail and bus stations.

During the Plan period, connectivity across different modes of public transport will be improved through the establishment of multi-modal transfer hubs for services within cities, from suburban areas into cities as well as for intercity travel. In Greater KL, these efforts will start with the upgrading of 14 ***Hentian Akhir Bandar*** (HAB) or city centre bus hubs, two inter-urban transport terminals to facilitate the flow of bus services from satellite cities surrounding the Kuala Lumpur city centre. The ITT in Bandar Tasik Selatan will be completed in 2010, while construction of an additional ITT in Gombak will commence during the Plan period. These ITTs will reduce congestion in the city centre and facilitate the smooth flow of intercity passenger traffic in and out of the city.

An integrated cashless ticketing system will be introduced across all 16 public transport operators in Greater KL, eliminating the need for multiple tickets across various operators and shortening journey times. Passengers will be provided with easily accessible information on stations and journey schedules to improve the ease of using public transport. Bus stops will be upgraded to display scheduling information for all bus operators and a central website established to display public transport-related information across all modes.

Establishing a Robust Monitoring and Enforcement Regime

With regulatory restructuring, land public transport operators including taxis will be subjected to stringent performance monitoring and enforcement. The Integrated Transport Information System (ITIS) in Greater KL will be upgraded into the performance hub for land public transport monitoring and enforcement efforts through the usage of closed-circuit televisions (CCTVs) and global positioning system (GPS) trackers on buses. This will allow automating the collection of operating information across 16 bus operators and two major rail operators to enable efficient performance monitoring.

Key performance indicators (KPIs) for land public transport operators, such as on-time performance, condition of equipment and reliability will be established. Clear minimum service standards will be set and linked to a system of reward and penalties to ensure compliance. Implementation of the performance monitoring regime will start in Greater KL, but will be progressively rolled out to other urban centres across Malaysia. The Government will also strengthen enforcement of existing laws restricting the entry of heavy vehicles into the Central Business District (CBD) area during peak hours to reduce congestion through joint enforcement initiatives by SPAD, the Road Transport Department and the traffic police.

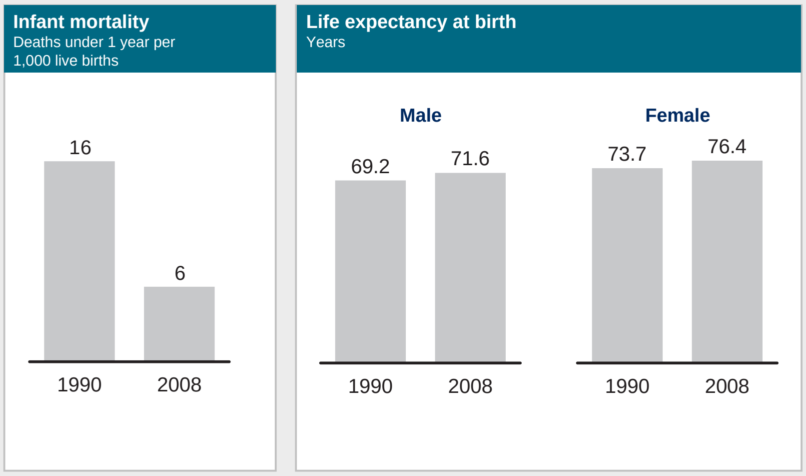
TRANSFORMING HEALTHCARE TO IMPROVE QUALITY AND PROVIDE UNIVERSAL ACCESS

Ensuring the health and well-being of the *rakyat* is an important element in achieving Malaysia's economic and societal development objectives. Better healthcare leads to a more productive workforce and is core to making Malaysia a better place to live. Malaysia has done well in extending affordable basic healthcare services to all citizens and has achieved impressive outcomes with a reduction in infant mortality rate from 16 to 6 per 1,000 live births over the period of 1990 to 2008. Average life expectancy at birth has increased from 69.2 years to 71.6 years for males, and 73.7 years to 76.4 years for females between 1990 and 2008 respectively, as shown in *Chart 6-8*.

In a 2007 study by the London School of Economics, Malaysia's healthcare system was highlighted as one that has been relatively successful in providing equitable healthcare in terms of targeting public health subsidies towards the poor. World Bank statistics, as in *Chart 6-9*, shows that in Malaysia, total expenditure for health per capita, was US$307 per person, compared to countries like Singapore at US$1,148 per person and the United Kingdom at US$3,867 per person. While Malaysia has been efficient in delivering improved health outcomes, as the nation develops, expenditure on healthcare may need to increase in tandem, to address rising

Chart 6-8

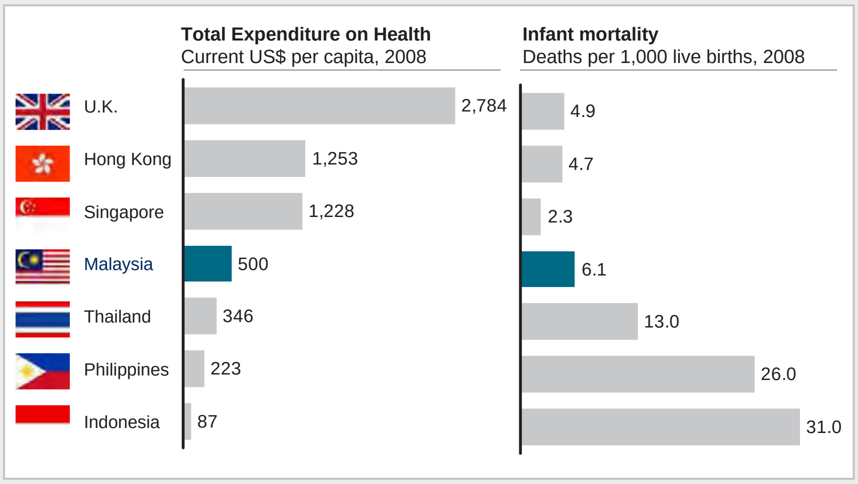
Malaysia has shown progress in improving the health of its citizens



SOURCE: Department of Statistics

Chart 6-9

Benchmarked against countries at a comparable income level, Malaysia has been efficient at achieving improved health outcomes



SOURCE: World Bank

expectations and pressures on the healthcare system.

Moving forward, the healthcare system is faced with challenges and opportunities from a rapidly changing operating environment, including:

- **Increasing expectations on quality of healthcare.** Trends show that with increasing wealth, people spend more on healthcare, demanding higher quality and utilising more services;
- **Increasing pressure on the public healthcare system.** Malaysia practices a dual healthcare system where public healthcare is heavily subsidised while the private healthcare system, is thriving but concentrated mainly in urban areas;
- **Increasing workload in public hospitals, which are already stretched to capacity.** Today, the public sector resources are already stretched to capacity compared to the private sector, that it affects the public healthcare system, as shown in *Chart 6-10*;
- **Changing lifestyles and demography.** Malaysia faces increasing incidences of lifestyle-related diseases, and by 2020 will

have reached an ageing nation status with 10% of the total population above the age of 60. Both these trends have challenging implications for healthcare providers; and

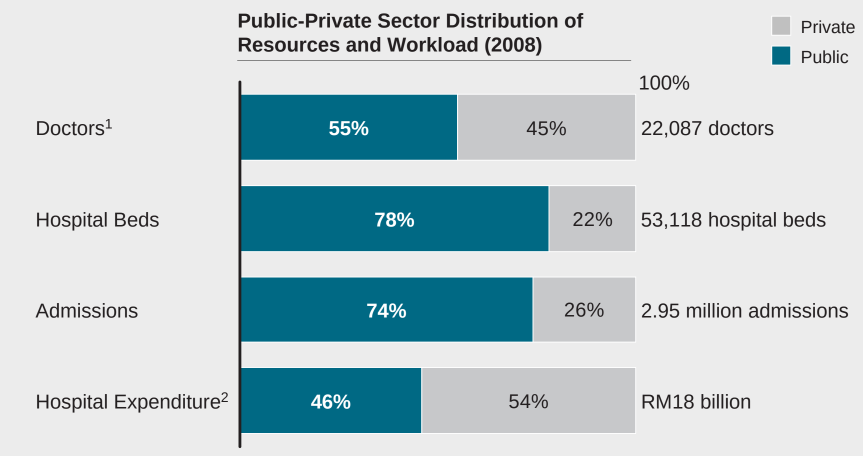
- **Advancements in technology.** The advent of technological advancements creates opportunities for significant improvements in the coverage and quality of healthcare, such as the use of tele-primary care services to reach communities in rural areas.

In light of these challenges and opportunities, the Government will reform the healthcare delivery system, with a focus on four key areas:

- Transforming delivery of the healthcare system;
- Increasing quality, capacity and coverage of the healthcare infrastructure;
- Shifting towards wellness and disease prevention, rather than treatment; and

Chart 6-10

Public healthcare has a higher share of beds and admissions but only moderately higher proportion of doctors than the private sector



1 Total number of doctors excluding housemen
2 Malaysian National Health Accounts

SOURCE: Ministry of Health

- Increasing the quality of human resources for health (HRH).

Transforming Delivery of the Healthcare System

Transformation of the healthcare delivery system calls for the restructuring of the national health system, both public and private, to enhance coverage for all. It will ensure optimal use of scarce resources and create a system that is responsive, provides choices of quality care and is anchored on the principles of equity. The approach will require greater collaboration between the public and private healthcare systems to allow effective delivery, greater efficiency and affordable costs. Among the major initiatives under the Plan are:

- **Streamlining regulatory and service provision roles.** A clearer demarcation of regulatory and service delivery functions where the Ministry of Health will focus mainly on governance, stewardship of the healthcare sector and enforcement of legislation. This includes enforcing measures to enhance quality of care in both public and private sectors and ensuring patient safety;

- **Reviewing legislations and regulations.** A review of existing legislation and the introduction of new regulations to emphasise enforcement of accreditation, credentialing and privileging; and

- **Reviewing financing options.** A review of financing options that allow management of rising costs, while ensuring that healthcare remains accessible and affordable to the people. This includes the introduction of cost sharing options that will allow Malaysians a wider choice in the purchase of health services.

Increasing Quality, Capacity and Coverage of Healthcare Infrastructure

The Government will continue to upgrade and expand its health facilities across both urban and rural areas. Provision of secondary and tertiary care services will be strengthened and consolidated, while primary care services will be further extended to underserved areas. Key efforts during the Plan period include:

- **Expanding primary care services.** A total of 197 new clinics at a cost of approximately RM637 million, will be completed during the first half of the Plan period. This will comprise of 156 clinics in the rural areas and 41 community health clinics. A total of 50 additional 1Malaysia clinics will be set up with expanded scope of services in urban poor and other underserved areas;

- **Strengthening secondary and tertiary care services.** In the first two years of the Plan period, four new and four replacement hospitals that cost the government around RM600 million, will be completed. These include specialised medical institutions such as the National Cancer Institute and the Cheras Rehabilitation Centre;

- **Streamlining service delivery.** Mapping of existing healthcare providers against underserved areas will be undertaken in order to identify gaps or opportunities to streamline service delivery. This will be complemented with the development of a personnel database and their training needs to facilitate planning for a network of facilities that will be the basis of a comprehensive healthcare system; and

- **Improving provision of healthcare services.** Provision of mobile clinics, flying doctor services and village health promoters will be expanded to cater to less accessible groups in remote areas. Delivery of pre-hospital and emergency care will be enhanced to ensure effective early response. Ambulatory care services will also be expanded and enhanced to reduce the cost and duration of hospitalisation.

Shifting Towards Wellness and Disease Prevention

As incomes rise and behaviour changes, certain health risks increase. Sedentary or stressful lifestyles, unhealthy food intake, alcohol and tobacco consumption, lead to higher incidences of chronic conditions such as diabetes, hypertension and cardiovascular diseases. These conditions have significant implications on healthcare costs and drive increasing demand for relatively expensive treatment and long-term rehabilitative care. From 1996 to 2006, Malaysia saw a dramatic increase in the prevalence of behaviour-linked diseases, including a 43% increase in hypertension, 88% increase in diabetes and 250% increase in obesity, as shown in *Chart 6-11*.

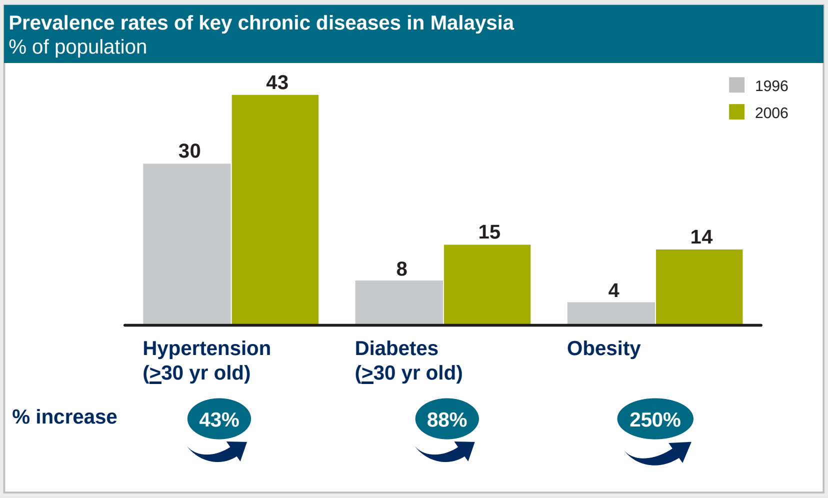
An important initiative in reducing demand for healthcare is by promoting healthy lifestyles. People and communities must play bigger roles in maintaining their health individually and collectively while the Government will create an environment that promotes wellness and healthy living. Aggressive efforts to increase awareness for the practice of healthy living by individuals and communities will be undertaken, including:

- **Expanding the Healthy Lifestyle Campaign.** The campaign, which emphasises healthy eating, physical activity, anti-smoking and mental health, will specifically target school children, adolescents, women and the elderly to ensure better health outcomes; and

- **Encouraging healthy and active lifestyles.** Sports and recreational activities will be promoted to enable people to adopt a healthy and active lifestyle. Existing sports and recreational amenities will be upgraded and the private sector will be encouraged to build new facilities in accessible locations. To instill the active lifestyle culture amongst children, participation in at least one sports activity will be made compulsory for students in schools beginning in 2011.

Chart 6-11

Changes in lifestyle are linked to increasing prevalence of chronic diseases



SOURCE: NHMS III Report, Ministry of Health

Increasing the Quality of Human Resources for Health

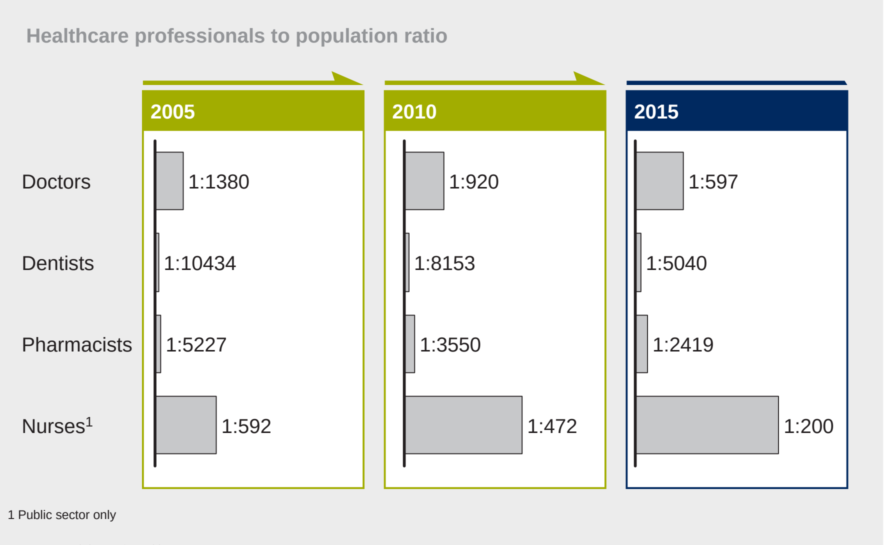
Investments in human resources for health (HRH) remain a central component of the healthcare system. The doctor-population ratio is expected to improve from 1:1,380 in 2005 to 1:597 in 2015, while the nurse-population ratio is also expected to increase from 1:592 to 1:200 during the same period, as shown in *Chart 6-12*. In order to cope with the increased demand for training, the Government will increasingly utilise specialists from the private sector for training, as 60% of total specialists available in the country are in the private sector. In addition, the Government will continue to outsource and collaborate with private training institutions for the training of allied health personnel.

Other efforts to meet the rising demand for quality healthcare will focus on the following efforts:

- Increasing the specialist training allocation for doctors and other healthcare professionals;

Chart 6-12

During the Tenth Plan period, there will be significant increase in the capacity of human resources for health



1 Public sector only

SOURCE: Ministry of Health

- Improving and expanding post-basic training for nurses and allied healthcare personnel;

- Addressing personnel retention through provision of better remuneration, promotional opportunities and steps to provide greater job satisfaction; and

- Improving the quality of private healthcare professionals through credentialing, privileging and structured training.

ENSURING ACCESS TO QUALITY AND AFFORDABLE HOUSING

One of Malaysia's longstanding development objectives is the provision of affordable housing for Malaysians in both rural and urban areas, with a focus on lower-income groups. Malaysia has made impressive strides in this effort with the provision of affordable housing playing a key role in supporting successful efforts of poverty eradication. From 1990 to 2009, about 808,000 units of low-cost affordable housing were provided to support Malaysians in need with approximately 128,000 of these built during the Ninth Plan period, as shown in *Chart 6-13.*

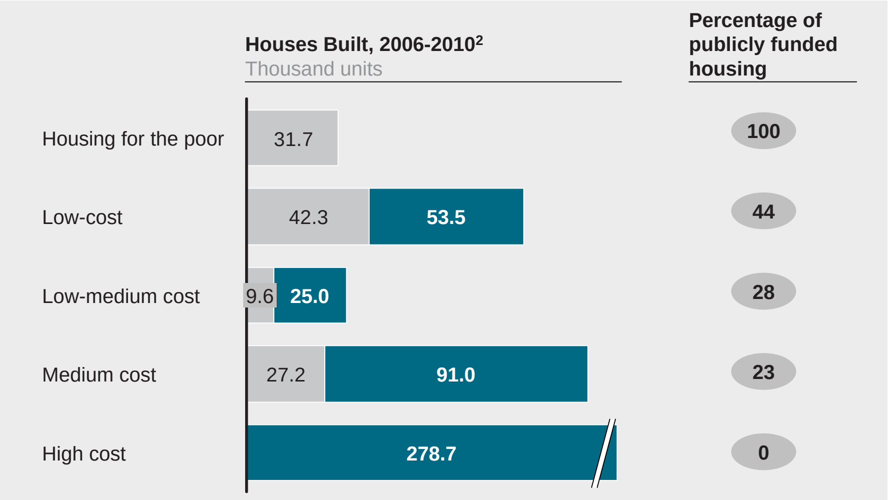
Today, the housing issue for Malaysia is no longer about insufficient housing stock, but rather about ensuring that there are enough houses for various segments of society. It is also about having houses in a safe, healthy and comfortable built environment befitting the socio-economic status of the country.

The key challenges the sector faces are:

- **Matching supply of and demand for affordable housing.** In 2009, a total of 13,529

Chart 6-13

Approximately 111,000 units of public affordable housing built during the Ninth Plan Period



1 Excluding housing provided by state and local authorities
2 Up to June 2010

SOURCE: Ministry of Housing and Local Government individuals and families applied for public housing, while a survey of states showed that there were 97,260 squatter families who were yet to be relocated to permanent housing. Currently there are 11,800 available units, with an estimated 161,000 units more to be built during the Plan period. The challenge is to match demand for housing with supply, based on location and affordability;

- **Increasing quality of affordable new and existing housing.** Weak quality control during construction and poor maintenance have contributed to a decline in the quality of affordable housing; and

- **Meeting the call for environmentally sustainable design.** In line with Malaysia's overall agenda of promoting sustainable and environmentally friendly development, housing design will need to incorporate Green Building design elements and technology.

To meet these challenges, the Government will focus on three strategies:

- Streamlining the affordable housing delivery system;

- Strengthening efforts to deliver high quality and environmentally sustainable housing; and

- Cultivating a healthy and sustainable housing industry.

Streamlining the Affordable Housing Delivery System

During the Plan period, a total of 78,000 units of new affordable public housing will be constructed by the Federal Government across the nation. Low-cost public housing units will be provided to qualified individuals and families with household income levels of less than RM2,500 per month. This is in line with the Government's agenda to increase the monthly income level of the bottom 40% households. The Government typically subsidises approximately 30% to 75% of total construction costs for public housing units. A 700 square foot urban low-cost housing unit is sold for RM42,000 to qualified families and individuals under schemes provided by the National Housing Department (NHD).

To increase the efficiency of housing provision, the Government will rationalise and streamline the role of federal agencies involved in public housing. Today, public housing is the responsibility of several ministries and federal agencies, such as the NHD, the Ministry of Rural and Regional Development, the Kuala Lumpur City Hall, the

Implementation Coordination Unit and *Syarikat Perumahan Negara Berhad.* Moving forward, the Government will rationalise housing provision with only one federal agency responsible for the provision of federally funded housing, with the private sector being expected to play a greater role in these efforts.

To address the issue of poor housing maintenance, the Government will establish a Housing Maintenance Fund with an initial funding of RM500 million to assist the residents of both public and private low-cost housing units. The fund will be used for major repair and maintenance works such as the replacement of lifts and water tanks. This fund will be based on a matching grant where half of the contribution comes from residents through their joint management body or management corporation. This is in addition to the fund known as *Tabung Perumahan* 1Malaysia, established in February 2010 that provides support for the maintenance and major repairs of low-cost private housing in Kuala Lumpur with contributions from the Government and a number of large private corporations.

Strengthening Efforts to Deliver High Quality and Environmentally Sustainable Housing

During the Plan period, existing laws, including the Uniform Building By-Laws 1984, will be reviewed to incorporate minimum specifications of housing quality, particularly on ensuring quality in the provision of affordable housing developments. The Government, through the Construction Industry Development Board, will encourage housing providers to be accredited, particularly for the usage of skilled and qualified labour and improved construction processes.

Environmentally friendly townships and neighbourhoods will be encouraged through the introduction of Green Guidelines and a Green Rating System. Putrajaya and Cyberjaya will be the flagship Green Townships. The Government will review tax incentives, such as tax breaks for buildings and designs that are environmentally friendly, incorporating green design elements like solar panels for heating, rain water harvesting facilities and water conservation features. There will also be focus on creating public community spaces within housing projects that are well-landscaped and equipped with basic amenities, such as parks and playgrounds, to reinforce interaction and integration among local communities.

Cultivating a Healthy and Sustainable Housing Industry

The National Housing Policy sets out the strategies for the Government to promote a healthy industry and protect the public's interests. Among the major efforts that will be made include:

- **Encouraging urban rejuvenation through an en-bloc sale mechanism.** The Government will implement a mechanism to ease the sale of collectively-owned developments. This will be done by amending laws governing the sales of property and land to allow collective sale of properties, including land, when majority consent is obtained, or an *en-bloc* sale mechanism. The appropriate level of majority consent will be determined from at least 80% to 90% of owners agreeing to a sale. This will create market incentives for private redevelopment of aging properties in prime locations;

- **Strengthening monitoring and enforcement.** Monitoring and enforcement regulation and capabilities will be strengthened to protect the interests of house buyers, especially on quality of housing construction;

- **Promoting the adoption of the Build-Then-Sell (BTS) approach.** Housing developers will be encouraged to adopt the BTS approach through the provision of additional incentives such as shortening the approval processes for land and building plans and exemption of deposit payments for licensing housing developments; and

- **Rehabilitation of abandoned housing projects.** The Government will continue to provide assistance towards the rehabilitation of abandoned housing projects. As of April 30th 2010, there were 107 abandoned projects with 38,600 units involving 25,300 buyers.

PROVIDING EFFICIENT PUBLIC UTILITIES AND SERVICES

The provision of essential public utilities in terms of both quality of service and coverage will be strengthened. The focus of improvements will be to establish robust and efficient public utilities and services that are sustainable from both an operating and environmental perspective. During the Plan period, emphasis will be directed towards:

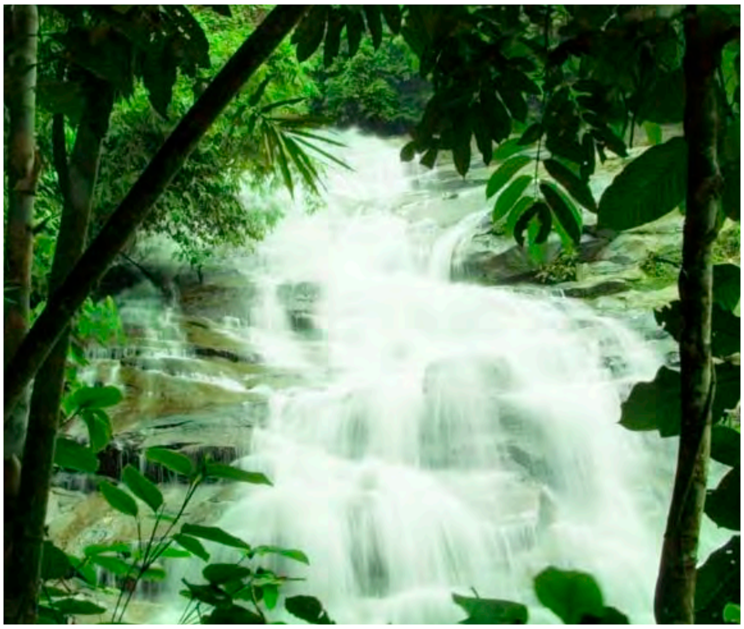
- Managing water endowment and supply;
- Ensuring the reliability of electricity supply;
- Significantly increasing broadband penetration; and
- Restructuring solid waste management.

Managing Water Endowment and Supply

Malaysia is blessed with an abundance of water, with water resources of 21,500 cubic meters per capita per year. However, with a growing economy, Malaysia will need to become more prudent and efficient in its management of water resources and supply. The highest demand for water comes from the agricultural sector. In Peninsular Malaysia, projected demand for irrigation water in 2010 comprises 54% of total demand for water or 33,100 million cubic metres. Demand for water, excluding the agriculture sector, is expected to grow from 8,550 million litres per day in 2009 to 10,520 million litres per day by 2015.

Malaysia will reassess the management of its resources across the entire water cycle – from where water is drawn, to how water is treated and supplied to citizens and how wastewater is returned to the environment. During the Plan period, Malaysia's strategy for ensuring sustainable water supply will have three areas of focus:

- Developing a long-term strategy for water resource management to achieve water security;
- Continuing efforts to restructure the water services industry; and
- Protecting rivers from pollution.



Developing a Long-Term Strategy for Water Resource Management To Achieve Water Security

Given the expected rapid pace of economic development, sustainability of water resources is becoming an increasingly important issue. Some states have already experienced shortages. The challenges in water resource management lies in addressing the mismatch between regions that have abundant access to water resources and those where economic and population growth, and hence demand, is high.

During the Plan period, the National Water Resources Policy (NWRP) will chart the future course for the sector. In considering Malaysia's long term supply-demand profile, the policy will outline measures to ensure efficient and effective management of this increasingly scarce resource, including streamlining policies and legislations to allow for more efficient and equitable distribution of water resources. The NWRP marks an important milestone, because it will establish a process for ensuring the security of water supply in an era of rapid economic development, growing cities and population growth, all of which have important implications on how Malaysia manages its water resources in the coming years.

Other measures to be implemented during the Plan period include expanding the implementation of the Integrated Water Resources Management and Integrated River Basin Management approaches in planning, managing, protecting and rehabilitating water resources. The Government will provide RM5 billion for flood mitigation programmes. This includes the application of the Integrated Flood Management approach to manage the risks of flood damage through forecasting and warning facilities as well as the development of disaster preparedness and community awareness programmes and flood hazard maps. In addition, research and development efforts will be intensified in area of conservation of water resources to support efforts to develop a sustainable water sector for the national economy.

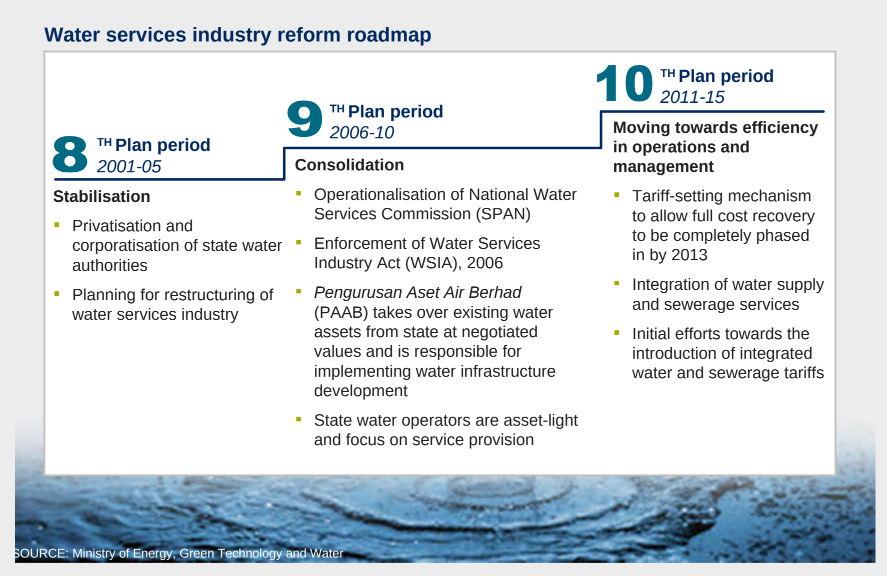
Continuing Efforts to Restructure the Water Services Industry

Restructuring of the water service industry, covering water supply and sewerage services began during the Eighth Plan period with the objective of creating an efficient and sustainable water services industry. During the Plan period, restructuring efforts will enter into its final phase, as shown in *Chart 6-14*, with a focus on the following areas:

- **Completing the migration of state water operators.** Currently, water operators in Johor, Melaka and Negeri Sembilan have completed the migration to the new licensing regime. Full migration of the remaining states will be completed during the Plan period. Upon migration, water operators will have to comply with the provisions of the Water Services Industry Act, 2006 and will be regulated by the National Water Services Commission or *Suruhanjaya Perkhidmatan Air Negara* (SPAN);

Chart 6-14

Restructuring of the water services industry towards improving efficiency in operations and management



Water services industry reform roadmap

8TH Plan period *2001-05*

Stabilisation

- Privatisation and corporatisation of state water authorities
- Planning for restructuring of water services industry

9TH Plan period *2006-10*

Consolidation

- Operationalisation of National Water Services Commission (SPAN)
- Enforcement of Water Services Industry Act (WSIA), 2006
- *Pengurusan Aset Air Berhad* (PAAB) takes over existing water assets from state at negotiated values and is responsible for implementing water infrastructure development
- State water operators are asset-light and focus on service provision

10TH Plan period *2011-15*

Moving towards efficiency in operations and management

- Tariff-setting mechanism to allow full cost recovery to be completely phased in by 2013
- Integration of water supply and sewerage services
- Initial efforts towards the introduction of integrated water and sewerage tariffs

SOURCE: Ministry of Energy, Green Technology and Water

- **Moving towards full cost recovery.** Tariffs in 2009 covered only 78% of operating expenditure. To address this problem, the Government will phase in a tariff-setting mechanism that allows full recovery of costs to encourage sustained investments in upgrading and rehabilitating water treatment plants and distribution systems. The phasing of the tariff increases will be segregated into tariff bands based on consumption levels to ensure that the vulnerable segments of society are protected;

- **Driving efficiency in operations and capital expansion.** Water operators will be required to provide detailed 30-year business plans and 3-year operational plans. These plans will be the basis for a roadmap towards full cost recovery and will allow *Pengurusan Aset Air Berhad* (PAAB) to plan long term capital expenditure funding. SPAN will regulate and monitor the performance of water operators based on the plans, linking tariff increases to efficiency gains in operations and capital expenditure;

- **Improving water services infrastructure.** The national water supply coverage will increase from 93% of population in 2009 to 97% in 2015. Sewerage services for households served by the grid and households served by septic tanks, will be extended from 28.8 million to 37.7 million population equivalent during the same period. The non-revenue water (NRW) programme, involving replacement of pipes and old meters, will be expanded with an allocation RM1.1 billion to improve the quality of water and reduce losses in water supply. Out of this amount, approximately RM369 million will be allocated in the first two years of the Plan; and

- **Integrating water and sewerage services.** Restructuring of sewerage services will be implemented by parcelling out the operations of centralised sewerage services to the respective state water operating companies. When completed, the industry will move towards implementing an integrated tariff for both water and sewerage services. This will link sewerage charges to water consumption, moving away from flat rate tariffs that do not adequately capture the cost of service provision given the inherent link between water consumption and sewerage production profiles.

Protecting Rivers from Pollution

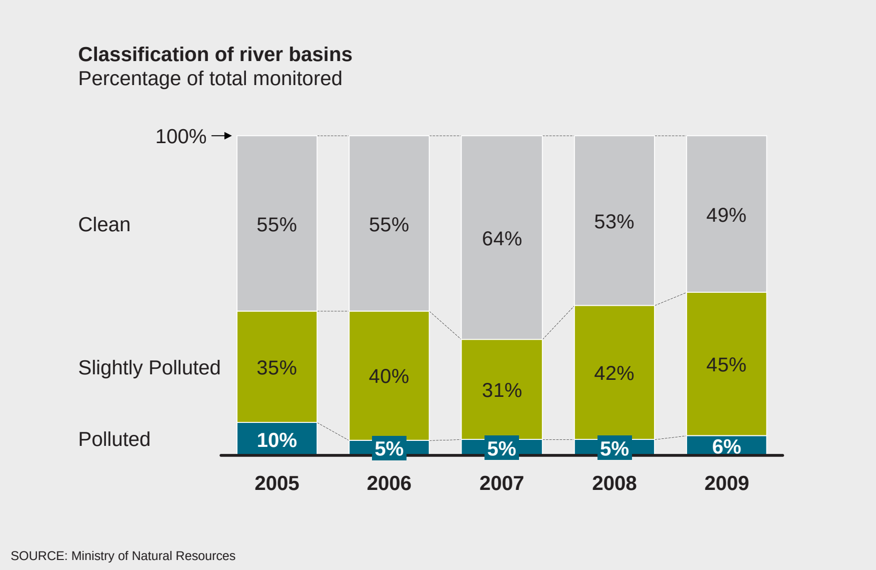
More than 90% of Malaysia's water supply comes from rivers and streams. Thus, efforts to tackle river pollution have always been, and will continue to be given due emphasis. In 2009, 70 out of 143 river basins monitored were classified as clean, compared to 80 in 2005, as shown in ***Chart 6-15***. The number of polluted river basins increased from 51 to 64 over the same period due largely to two factors: an increase in the number of sources of pollution and a decrease in the amount of rainfall.

Major sources of pollution include improper discharge from sewerage treatment plants, agro-based factories, livestock farming, land clearing activities and domestic sewage. During the Plan period, measures to improve pollution control targeting these sources will be implemented through:

- Strengthening the enforcement on industrial effluents and sewage discharge in line with the revisions to the regulations under the Environmental Quality Act 1974;

Chart 6-15

Addressing pollution of river basins to be a focus during the Plan period



SOURCE: Ministry of Natural Resources

- Assessing the Total Maximum Daily Load and carrying capacity of rivers to determine allowable discharge loads, for both point and non-point sources of pollution;
- Revising the current Water Quality Index to incorporate additional parameters, such as biological parameters, for more accurate river water classification;
- Developing the National Marine Water Quality Index to replace the current Marine Water Quality Criteria and Standard, which was developed in 2008; and
- Expanding outreach and awareness programmes targeting various segments of society, such as the Langkawi Award, Rakan Alam Sekitar, Malaysia Environment Week, Promotion of Cleaner Production to Industries and Environmental Debate amongst higher institutions.

Ensuring the Reliability of Electricity Supply

Malaysia currently benefits from a strong and stable electricity supply system. Efforts to ensure continued security of electricity supply will focus on a number of areas. These include creating a sustainable electricity supply industry in light of volatile global energy prices and declining gas production particularly in Peninsular Malaysia. In addition, the productivity and efficiency of utility providers will also be enhanced. During the Plan period, the New Energy Policy will drive major shifts in the electricity sector, including:

- Increasing and diversifying generation capacity;
- Strengthening transmission and distribution networks;
- Restructuring the electricity supply industry; and
- Improving customer service delivery.

Increasing and Diversifying Generation Capacity

The development of alternative sources of energy, particularly hydro as well as importation of coal and liquefied natural gas (LNG) by 2015 will improve security of supply. To further reduce carbon emissions, super-critical coal technology will be explored for new generation investments. Nuclear energy as a longer term option for electricity generation will be considered to ensure reliable and cost effective supply in Peninsular Malaysia. Given the scale and scope of this effort, a detailed feasibility study will be carried out together with the necessary training of human capital and awareness campaigns to increase the public's understanding and acceptance of nuclear energy.

Specific initiatives to increase generation capacity include:

- **In Peninsular Malaysia.** Two hydroelectric plants will be commissioned during the Plan period in Ulu Jelai and Hulu Terengganu with a combined capacity of 622 MW;

- **In Sabah.** Three new power plants will be commissioned with a combined capacity of 700 MW. These include two gas-based power plants in the west coast, and one coal-based power plant in the east coast using clean coal technology; and

- **In Sarawak.** The 2,400 MW Bakun Hydroelectric Project will be commissioned in stages.

Strengthening Transmission and Distribution Networks

Transmission and distribution systems will be strengthened and expanded. New transmission projects that will be implemented include overhead lines from Bentong South to Kampung Pandan via Ampang East in Peninsular Malaysia, from the Bakun Hydroelectric Project to Similajau in Sarawak and other transmission projects in Sabah. By 2015, the System Average Interruption Duration Index (SAIDI), a measure of supply reliability, is expected to improve from 68 to 50 minutes per customer per year in Peninsular Malaysia. The potential of implementing a Smart Grid system will also be reviewed to minimise losses, reduce costs and increase reliability.

Restructuring the Electricity Supply Industry

In line with the New Energy Policy and the overall strategy to rationalise subsidies, gas prices for the power and non-power sectors will be revised every six months to reflect market prices. Consumer energy bills will explicitly itemise subsidy values and eventually de-link subsidy from energy use. Different forms of assistance will be provided to low income households for which the social safety net is required. Greater market discipline will be instilled through measures such as creating separate accounting for generation, transmission and distribution activities, introducing performance-based regulation and renegotiation of power purchase agreements.

Improving Customer Services

Delivery of services by utilities to new and existing customers will be accelerated through the use of new technologies and performance-based regulations. These will include faster response time in providing new electrical connections and restoring supply interruptions.

Significantly Increasing Broadband Penetration

Broadband is a key economic enabler and has the potential to revolutionise the way Malaysians live, work and play, while delivering real economic benefits via increased productivity. To capture this opportunity the Government has set a target of raising household broadband penetration to 75% by the end of 2015. This will be achieved via two main initiatives High-Speed Broadband (HSBB) and BBGP. The HSBB initiative will cover about 1.3 million premises by 2012 in the high population, high economic impact ‘Zone 1’ areas (state capitals, large urban and industrial zones). HSBB will offer speeds of up to 100 Mbps through Fibre-to-the-Home (FTTH) technology. The BBGP initiative will cover ‘Zones 2 and 3’ (suburban and rural areas) offering speeds of between 2-10 Mbps.

Restructuring Solid Waste Management

Solid waste disposal and collection is an important public health issue that touches the everyday lives of all Malaysians. Similarly, the upkeep of basic infrastructure such as drains and public toilets, to communal facilities, such as markets and beaches, is critical for overall liveability.

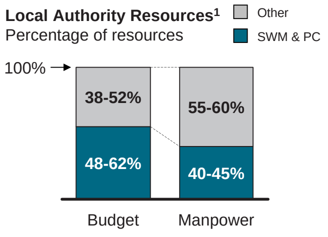
During the Plan period, the Government will complete restructuring efforts in this sector with the federalisation of solid waste management and public cleansing and full enforcement of the Solid Waste and Public Cleansing Management Act 2007. Under these efforts the responsibility of solid waste management and public cleansing will be shifted from local authorities to the jurisdiction of the Federal Government. The key outcomes of these efforts are shown in *Chart 6-16* and include:

- Providing support to local authorities;
- Delivering comprehensive and sanitary services; and
- Ensuring that waste is managed in a sustainable manner.

Chart 6-16

Federalisation of solid waste management and public cleansing functions to drive improved outcomes for the public and environment

Local authorities will be able to focus on core functions



- With federalisation, Solid Waste Management (SWM) and Public Cleansing (PC) responsibilities will be transferred to the federal government
- This allows local authorities to focus on core functions such as licensing, enforcement, planning and development

Significant improvements in outcomes for the public and the environment

Residential and commercial premises

- Sanitary handling with modern trucks and standardised bins for collection
- Frequent pickups from two to seven times a week depending on type of premise
- Wider coverage with 3.7 million premises, 0.6 non-residential premises and 5,600 shared facilities covered by 2015
- Improved environment for shared infrastructure such as drains, roads, markets and beaches

Safeguarding the environment

- Closure of unsanitary dumpsites with 112 closed by 2015
- Separation at source by households to facilitate recycling
- Increased household recovery of waste from from 15% to 25% by 2015
- New technology for improved disposal and treatment for maximising resource and energy recovery

1 Based on survey of three local authorities in 2008 – Pulau Pinang, Ipoh and Kinta Selatan

SOURCE: Ministry of Housing and Local Government

Providing Support to Local Authorities

Under the current structure, the local authorities are responsible for solid waste management and public cleansing. Local authorities typically commit 40% to 45% of manpower to this function. With the completion of the federalisation effort, local authorities will be relieved of this workload, allowing them to focus their efforts on core functions such as licensing, enforcement, planning and development.

Delivering Comprehensive and Sanitary Services

The Government will fully privatise the collection of household solid waste to three concessionaires. Other private operators will be licensed to operate solid waste management and public cleansing services. These operators will be subjected to a stringent performance management regime linked to KPIs such as the coverage of service, compliance to schedule and frequency of collection, number of complaints and soiling of roads from leachate. Payments to concessionaires will be linked to achievement of these KPIs. Contract negotiations with the concessionaires are expected to be completed by end 2010. Measures to drive efficiencies in operations will include optimising transportation costs by utilising the best available route to the disposal sites, the most suitable type of vehicle and the optimum number of crew.

Across the nation, households, businesses and shared premises will experience improved quality of service, as the level of service will be monitored against specific targets across all areas. Collection frequency will increase, for example to twice a week for households and seven times a week for wet markets. The introduction of sanitary handling methods with modern handling trucks and standard 120-litre bins for every household will also reduce the problem of leachates and improve overall hygiene conditions.

Under this effort over 5,600 shared premises including wet markets, parks, food courts and other such facilities will be provided frequent and

reliable cleaning services. This is expected to provide a conducive and attractive environment for people to congregate as they carry out their daily activities.

Ensuring Waste is Managed in a Sustainable Manner

The Government will close and rehabilitate the existing 112 unsanitary landfills across the nation and upgrade some of them to sanitary landfills. In addition, transfer stations, integrated material recovery facilities, sanitary landfills and other disposal and treatment facilities will be built. Separate collection will be done for bulky waste, garden waste and recyclables from the rest of the household solid waste to facilitate recycling and recovery of waste.

Options to make it compulsory for homeowners to separate waste at source to facilitate recycling will be reviewed. The Government will require private sector commitment, in particular manufacturers, to improve solid waste management, especially through the Reduce, Reuse and Recycle (3R) programmes. As part of this effort, a deposit refund scheme and a take back system will be implemented. This systems allows consumers to receive refunds upon return of used recyclable products and requires manufacturers and supplier to take back specified products after use.

MAKING STREETS AND COMMUNITIES SAFER

Crime, and the fear of crime, can have a significant impact on the quality of life. Overall, index crime has increased slightly in recent years, as shown in *Chart 6-17*. Malaysians and businesses have identified tackling crime as one of their main concerns. In 2007, 17% of respondents from manufacturing companies said that crime, theft and disorder are severe obstacles for investment, up from 11% in 2002. For service companies, the number of respondents citing these factors as severe rose from 8% to 17% in the same period.

Recognising that crime is a critical concern of the people and to the economy, the Government selected Reducing Crime as one of the six NKRAs, as shown in *Box 6-3*. Given limited police resources, a new approach that engages every arm of the criminal justice system will be emphasised, from Government bodies, at federal and state levels, to the private sector and citizens through programmes that encourage volunteerism. For this purpose, a total of RM2.04 billion will be allocated in the Plan period.

Chart 6-17

Index crime refers to 14 types of crime that occur regularly. It is divided into property theft and violent crimes, with property theft contributing 82% of all reported index crimes.

1 2009 figures projected based on Jan-Oct 2009 data

SOURCE: Royal Malaysian Police (PDRM)

Box 6-3

Reducing crime

one of 6 National Key Result Areas

The Crime NKRA is anchored upon reducing crime through actions focused on delivering three outcomes:

- Reducing overall reported index crimes, with a focus on street crime;
- Improving public perception of safety, especially through public participation and volunteerism; and
- Improving performance across the criminal justice system to build public confidence and strengthen professional pride across the system.

Five crime related national key performance indicators were announced as part of the GTP:

- Reducing overall index crimes by at least 5% in 2010;
- Reducing street crime by at least 20% by December 2010;
- Improving the sense of security;
- Bringing 2,000 more violent crime cases to trial; and
- Increasing satisfaction with the police service.

Since the launch of the GTP, significant progress has been made:

- Street crime fell by 39.6% in the first quarter of 2010 compared to the first quarter of 2009; and
- Overall index crimes have fallen by 15.1% for the first quarter of 2010, compared to the first quarter of 2009. This equates to a reduction in reported crimes of 7,979 cases.

The Government is committed to reducing overall index crimes by an annual average of at least 5% from January 2010 to December 2015. Achieving this target will mean a reduction in overall crime of more than a quarter by the end of the Plan period.

Strengthening Efforts to Fight Crime

The visibility of the police will be increased, with a focus on hot spots through a new volunteerism initiative. To date an additional 3,150 volunteer police have been deployed from the People's Volunteer Corp or ***Ikatan Relawan Rakyat Malaysia*** (RELA) and Malaysian Civil Defence Department or ***Jabatan Pertahanan Awam Malaysia*** (JPAM) and the medium-term goal is to expand this to at least 5,000 volunteers by 2015. The well-being of the police will also be improved through upgrading police stations and living quarters as well as by improving their career prospects to motivate them to perform better and the Government will set aside RM2.4 billion towards this end.

Drug abuse is a major driver of crime in Malaysia. The Royal Malaysian Police or ***Polis DiRaja Malaysia*** (PDRM) estimates that 50% of those arrested for snatch theft are drug addicts. New measures to address drug abuse will include improving the effectiveness of drug treatment programmes. These are expected to have an immediate impact on crime rates, and in the long term could significantly reduce the level of reoffending in Malaysia, especially for property crime.

Forging a New Relationship between the Police, the Public and the Private Sector

Volunteerism is being encouraged through a range of initiatives such as the ***Skim Rondaan Sukarela***, a voluntary community activity under the Rukun Tetangga in which local residents patrol their own neighbourhoods. The initiative will be supported with an allocation of RM120 million. ***Rakan Cop***, a scheme where people register for membership by short text message (SMS) and then help by reporting crimes or suspicious behaviour to the police via SMS, will also be expanded to encourage greater enrolment and educate people on the type of information that is useful for the police.

High profile policing that demonstrates the commitment of the PDRM to serve the community and reduce crime will be intensified. Senior officers in full uniform have already begun to patrol with beat officers for at least three hours per week. The patrols help to demonstrate the commitment of the police to the public and to role model what senior officers expect of front-line officers.

Creating a Safer and More Secure Environment

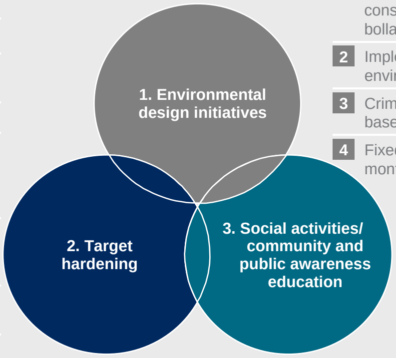
The Government is rolling out 496 Closed Circuit Television (CCTV) cameras in hot spot areas across Malaysia. These will be linked to PDRM's control centres so that the police can respond rapidly to incidents. The possibility of connecting the network of several thousand existing CCTV cameras, many of which are in the transport system, to PDRM control centres will also be explored. Comprehensive surveillance will help deter criminals from committing crimes and help police respond to incidents and identify and apprehend criminals.

Engagement with the private sector will also be intensified. This includes measures such as extending the purview of private security guards to guard the safety beyond the building they are protecting to the surrounding area.

The Safe Cities Programme will be given added emphasis. The programme brings together the PDRM, local authorities, National Anti-Drugs Agency, the Welfare Department and other relevant bodies to tackle local problems with localised initiatives. Among the actions that will be taken include improving street lighting, enhancing the quality of pavements and introducing barriers between the pavement and the road. Each local programme group will decide on the actions to take based on their local priorities and the funding they have available. Their actions will enhance the environment for citizens and visitors and is also expected to reduce crime and improve the sense of security. A sum of RM510 million will be allocated for this programme. The Safe City initiative is shown in *Chart 6-18*.

Chart 6-18

Safe City initiatives to promote crime prevention



1 Separation of pedestrian walkways from motor vehicles lanes through construction of dedicated walkways, bollards, railings or hedging
2 Implement crime prevention through environmental design
3 Crime information sharing through GIS-based mapping
4 Fixed agenda on safe city status at monthly full council meeting

5 Crime prevention signages
6 Safety mirrors
7 Safety alarms (panic button)
8 Cleaning/tidying concealed and unkempt areas
9 Motorcycle locking facilities
10 Installation of Closed Circuit Television (CCTV) in commercial, housing and public places
11 Lighting side, front and back lanes of houses and shop houses
12 Unobstructed view of public walkways
13 Prohibition of business and parking on the walkways and pedestrian footpaths
14 Generate small business activities at vulnerable crime spots

15 Public education/ awareness/ publicity
16 Improve surveillance in housing areas (through Rukun Tetangga or private security firms)
17 Set up safe city status websites at local authority

SOURCE: Government Transformation Programme

Providing Transparency on Performance and Perception of Performance

Police performance will be made more transparent through the new *Balai* or Police Station League Table launched in March 2010, which will show each *Balai's* performance in reducing crime. This will be used to encourage improvements of the 767 *Balai* across Malaysia through identifying the best practices of the highest performing *Balai* and ensuring they are shared with the rest of the country. The highest performing station will then be rewarded.

Surveys to measure satisfaction with the police service as well as to measure the sense of safety of Malaysians will also be conducted periodically. The results will be published to show how satisfied the people are with police performance on tackling crime, making a police report and on overall treatment of victims of crime.

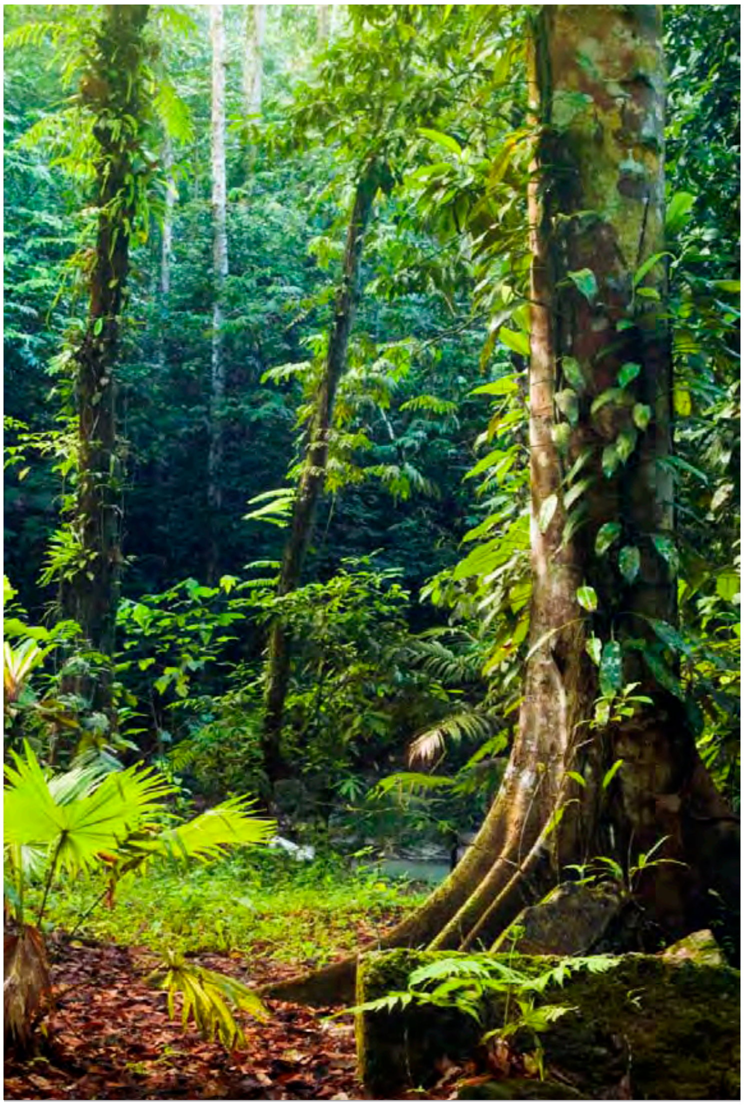
VALUING THE NATION'S ENVIRONMENTAL ENDOWMENTS

From our coastal areas and rivers, our islands and highlands, our forests and the air that we breathe, healthy ecosystems are a key determinant of our physical and economic well-being. Currently, Malaysia ranks 54 out of 163 countries under the Environmental Performance Index that measures and ranks the environmental performance of countries, as developed by Yale and Columbia University.

Moving forward, Malaysia's agenda will be one of protecting the environmental quality of life, caring for the planet, while harnessing economic value from the process. In achieving this, among others, the Government will be guided by sustainable production practices to decouple economic growth from environmental degradation. It will be guided by the view that environmental sustainability is not only about saving the planet, but also about developing business models to compete sustainably in the global economy and in building values in ways that help address some of the world's most profound social, economic and environmental challenges.

To achieve this, the Government has introduced several progressive policies to set the national agenda on environmental protection and conservation as shown in *Table 6-2*. The focus during the Plan period will be to operationalise these plans and policies.

As a first step, the Government has introduced the AFFIRM framework, which outlines the government's approach towards creating a comprehensive ecosystem for environmental sustainability, as outlined in *Box 6-4.*



> "I bring to you the voice of Malaysians who are of no doubt that **climate change**, and the cataclysmic consequences arising from it are indeed real."
>
> "Despite the many problems and difficulties we see on the long road ahead to address climate change, **Malaysia is willing to contribute** to the global efforts…"

The Right Honourable Dato' Sri Mohd. Najib Tun Abdul Razak,
COP15, United Nations Framework Convention on Climate Change (17 December 2009)

Table 6-2 Progressive National Policies on Environmental Protection and Conservation

National Policy on the Environment (2002)	National Green Technology Policy (2009)	National Climate Change Policy (2009)
● Ensure economic, social and cultural progress through environmentally sustainable development ● Strategies focus on effective management of natural resources and the environment, prevention and control of pollution, strengthening institutional capacity, education and awareness efforts and formulation of action and implementation plans	● Ensure sustainable development ● Develop roadmaps to guide application of green technologies in various sectors, including power generation, transport and construction ● Establishment of a Green Technology Financing Scheme (GTFS) with a RM1.5 billion fund to encourage investments in green technology, construction and innovation	● Streamline and coordinate across existing legislation and policies ● Establish inter-ministerial and cross-sectoral committee to drive and facilitate implementation of adaptation and mitigation measures ● Identify options and strategies to achieve a low-carbon economy

Box 6-4

AFFIRM Framework

As a cross-cutting framework, the Prime Minister introduced the AFFIRM framework of Awareness, Faculty, Finance, Infrastructure, Research and Marketing to develop a complete ecosystem for environmental sustainability.

- **Awareness**: Increasing the level of awareness of all Malaysians that environmental sustainability is a shared responsibility. All levels of society need to play their part in protecting the environment, not only for the management of tangibles such as solid and liquid household and industrial wastes, but also intangibles such as electricity. To achieve this, the Government will pursue co-operative efforts with the private sector and civil society to bring this message to all Malaysians;

- **Faculty**: Increasing local capacity and capabilities in areas of relevant knowledge through introduction of green topics in the curriculums of schools and institutions of higher learning. The Government will also introduce a system for formulation of grading and certification mechanisms for competent personnel in green technology;

- **Finance**: Financial incentives will be critical in driving businesses to explore, adopt and innovate on green technology. A green technology soft loan scheme of RM1.5 billion has been launched to provide soft loans to companies that supply and utilise green technology, in which the Government bears 2% of the total interest rate and a guarantee of 60% on the financing amount and banking institutions back the remaining 40%. The Government will also implement tax incentives such as tax breaks for buildings and designs that work harmoniously with nature;

- **Infrastructure**: The Government will initiate green townships in Putrajaya and Cyberjaya with guidelines and rating scales based on carbon footprint. The roll-out of these guidelines will be implemented for other green townships across the country;

- **Research**: The Government will enhance research, development and commercialisation efforts in green technology through local research centres and industries. The Government will encourage partnerships with foreign institutions such as universities or multi-national companies; and

- **Marketing**: Ministry of Energy, Green Technology and Water together with Standard and Industrial Research Institute of Malaysia (SIRIM), will develop a national eco-labelling scheme and standards for our products and services that matches international standards. This will in turn support the Government's green procurement initiative as well as assist local manufacturers to export their products. Increased labelling of environmentally-friendly goods and services such as Energy Efficiency Star Rating, Low Carbon Footprint Products and Green Building Index will increase Malaysia's competitiveness.

During the Plan period, efforts will continue to focus on two main areas:

- Developing a roadmap for climate resilient growth; and
- Enhancing conservation of the nation's ecological assets.

Developing a Climate Resilient Growth Strategy

Climate change is a global issue with significant implications for Malaysia. Carbon dioxide (CO_2) from fuel combustion and deforestation activities contributes to global warming and has caused a shift in the climate system. During the Plan period, Malaysia will adopt a dual strategy in addressing climate change impacts: firstly, adaptation strategies to protect economic growth and development factors from the impact of climate change; and secondly, mitigation strategies to reduce emission of greenhouse gases (GHGs).

Climate Adaptation: Protecting the Nation from the Risks of Climate Change

Rising temperatures are associated with volatile weather changes, shifts in rainfall patterns and climate zones and a rise in sea levels. Due to its climate and location, Malaysia is among the many economies that are likely to feel the force of climate events sooner, rather than later – in the form of coastal and inland flooding, rise in vector borne diseases, or drops in agricultural yields due to continuous occurrence of droughts. These events not only have the potential to destroy lives and communities, but also pose a significant economic risk.

The Government will review the value at risk for communities to develop a clear understanding of the cost-benefit trade-offs involved in averting or reducing the impact of such climate-related hazards. During the Plan period, the following measures will be taken:

- Developing a robust risk framework to assess and quantify the climate risk faced by the economy and prioritise measures to address those risks;
- Implementing policy decision frameworks to ensure that future infrastructure investments are climate resilient; and
- Enhancing capacity in the field of climate prediction and modelling to develop stronger Malaysia-specific and sector-specific knowledge.

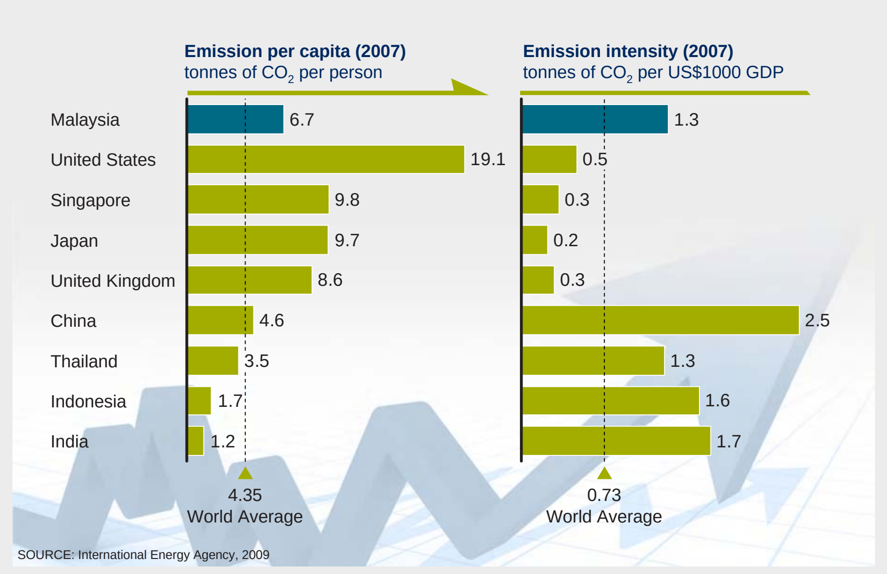
Climate Mitigation: Reducing Malaysia's Carbon Footprint

Recognising that Malaysia is part of a large global community, it is important to note that Malaysia contributes only 0.7% to global CO_2 emissions based on the UNDP Human Development Report 2007/2008. However, on an emissions intensity levels basis, calculated as a ratio of GHGs emissions to the country's GDP, Malaysia's emission intensity levels are above the global average in the energy sector as shown in *Chart 6-19*. Major efforts will be introduced to reduce emissions intensity, and as Malaysia moves towards a high income economy, emissions intensity is expected to decline.

The Government has embarked on several programmes aimed at reducing emission of GHGs. During the Plan period, these efforts will continue to focus on five areas:

Chart 6-19

For the energy sector in 2007, Malaysian's emission intensity was higher than the global average



SOURCE: International Energy Agency, 2009

- Creating stronger incentives for investments in renewable energy (RE);
- Promoting energy efficiency to encourage productive use of energy;
- Improving solid waste management;
- Conserving forests; and
- Reducing emissions to improve air quality.

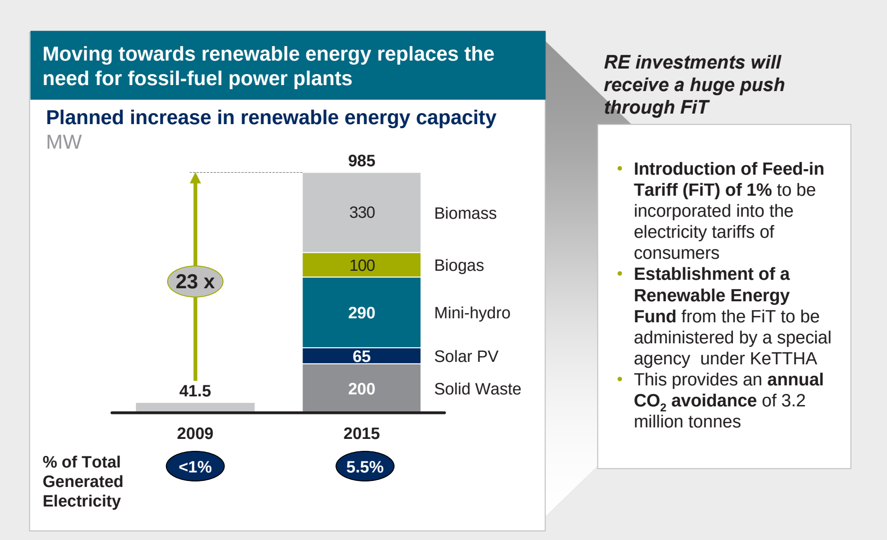
Creating Stronger Incentives for Investments in Renewable Energy

Malaysia is blessed with multiple RE resources, such as biomass, biogas, mini-hydro and solar, that will be leveraged to ensure a more sustainable energy supply. However, despite rigorous initiatives, the renewable target set out under the Ninth Plan period was not achieved. Under the Tenth Plan, several new initiatives anchored upon the Renewable Energy Policy and Action Plan will be undertaken to achieve a renewable energy target of 985 MW by 2015, contributing 5.5% to Malaysia's total electricity generation mix, as shown in *Chart 6-20*. Amongst the measures taken will be:

- **Introduction of a Feed-in Tariff (FiT)** of 1% that will be incorporated into the electricity tariffs of consumers to support the development of RE. This mechanism allows electricity produced from RE to be sold to utilities at a fixed premium price and for a specific duration; and
- **Establishment of a Renewable Energy Fund from the FiT** to be administered by a special agency, the Sustainable Energy Development Authority, under the Ministry of Energy, Green Technology and Water (KeTTHA) to support development of RE.

Chart 6-20

Renewable energy will increase from <1% in 2009 to 5.5% of Malaysia's total electricity generated by 2015



- **Introduction of Feed-in Tariff (FiT) of 1%** to be incorporated into the electricity tariffs of consumers
- **Establishment of a Renewable Energy Fund** from the FiT to be administered by a special agency under KeTTHA
- This provides an **annual CO_2 avoidance** of 3.2 million tonnes

SOURCE: Ministry of Energy, Green Technology and Water

Promoting Energy Efficiency to Encourage Productive Use of Energy

Energy efficiency measures will be intensified to harness energy savings potential and reduce Malaysia's carbon emissions and dependence on fossil fuels. Intrinsic barriers to energy efficiency that pose challenges in capturing this opportunity will also be addressed. The National Energy Efficiency Master Plan, 2010 will be a holistic implementation roadmap to drive efficiency measures across sectors with a target to achieve cumulative energy savings of 4,000 kilo tonnes of oil equivalent (ktoe) by 2015. Initiatives to drive energy efficiency efforts are shown in *Table 6-3.*

Improving Solid Waste Management

The Government will continue efforts to enhance the efficiency and effectiveness of solid waste management, which will also lead to the reduction of GHGs emission. Among measures that will be undertaken include building material recovery facilities and thermal treatment plants as well as recycling of non-organic waste. The segregation of organic material from waste can be turned into compost or used for other purposes. This in

Table 6-3 Initiatives to Drive Energy Efficiency Efforts

Sector	Highlight Initiatives
Residential	● Phasing out of incandescent light bulbs by 2014 to reduce carbon dioxide emissions by an estimated 732,000 tonnes and reducing energy usage by 1,074 gigawatts a year ● Increasing energy performance labelling from four (air conditioner, refrigerator, television and fan) to ten electrical appliances (six additional appliances - rice cooker, electric kettle, washing machine, microwave, clothes dryer and dishwasher). Labelling appliances enables consumers to make informed decisions as they purchase energy efficient products
Township	● Introduction of guidelines for green townships and rating scales based on carbon footprint baseline and promoting such townships starting with Putrajaya and Cyberjaya
Industrial	● Increasing the use of energy efficient machineries and equipment such as high efficiency motors, pumps and variable speed drive controls ● Introduction of Minimum Energy Performance Standards for selected appliances to restrict the manufacture, import and sale of inefficient appliances to consumers
Building	● Revision of the Uniform Building By-Laws to incorporate the Malaysian Standard: Code of Practice on Energy Efficiency and Renewable Energy for Non-Residential Buildings (MS1525). This allows for integration of renewable energy systems and energy saving features in buildings ● Wider adoption of the Green Building Index (GBI) to benchmark energy consumption in new and existing buildings ● Increasing the use of thermal insulation for roofs in air conditioned buildings to save energy

turn will reduce the volume of waste disposed at landfills, thus reducing the emission of methane. A holistic management of solid waste through sanitary landfills will help recover the methane produced from the waste and use it to generate energy. The Government will further enhance public awareness on the importance of reducing, reusing and recycling of waste.

Conserving Forests

Deforestation is considered as the second most important human-induced source of GHGs and is responsible for approximately 20% of total global emissions. At present, more than 55% of land area in Malaysia is covered with forests. Malaysia has long practiced sustainable forest management in utilising its resources, and at the same time, ensures these forests continue to function as carbon sinks. During the Tenth Plan period, further initiatives will be undertaken to encourage States to gazette forests, especially the water catchment areas, as protected areas. In addition, the Government with the participation of the private sector, non-government organisations (NGOs) and the public at large will continue its efforts in planting more trees to green the country.

Reducing Emissions to Improve Air Quality

The implementation of the Clean Air Action Plan will be intensified. Efforts will be directed towards five focus areas:

- **Reducing emissions from motor vehicles.** Stricter enforcement on emission standards will be implemented and emission standards will be further improved in line with global standards;

- **Preventing haze pollution from land and forest fires.** In partnership with neighbouring countries, the Government will continue to address transboundary haze pollution while strengthening sustainable peatland management efforts in Malaysia to prevent peatland fires;

- **Reducing emissions from industries.** Regulations governing industrial emissions will be reviewed with new emission standards for specific industries. Industries will be encouraged to self-regulate with the use of pollution control and monitoring systems and environmental audits;

- **Building institutional capacity and capabilities.** Focusing on building capacity in monitoring and enforcement within the government and building competencies in air quality management within the private sector; and

- **Strengthening public awareness and participation.** Promoting education and awareness programmes in collaboration with universities, research institutes, NGOs, as well as the private sector as part of their corporate social responsibility programmes.

Enhancing Conservation of the Nation's Ecological Assets

The conservation and sustainable utilisation of the nation's ecological assets, both physical and biological, will be further enhanced especially in an environment of accelerated economic growth. During the Plan period, measures will include:

- Enhancing forest and wildlife conservation efforts; and

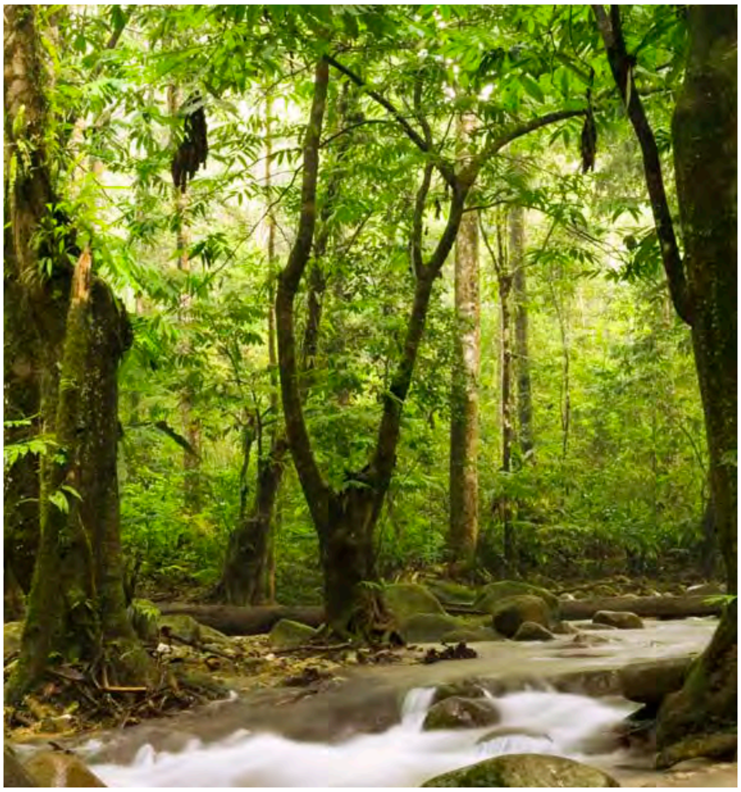
- Ensuring sustainable and safe utilisation of resources.

Enhancing Forest and Wildlife Conservation Efforts

Recognised as a mega-biodiversity country in the world, Malaysia is blessed with rich biodiversity in forests and marine areas. To protect these assets, the Government adopted the Common Vision on Biodiversity, which promotes a three-pronged implementation approach and outreach strategy that consists of: strengthening the Protected Areas System; managing landscapes and seascapes for biodiversity; and mainstreaming of biodiversity.

During the Plan period, efforts to protect biodiversity and habitats will be strengthened with the implementation of the Central Forest Spine of 4.32 million hectares in Peninsular Malaysia and the Heart of Borneo of 6.0 million hectares in Sabah and Sarawak. The establishment of ecological linkages within these areas will reconnect fragmented forest complexes to allow for the movement of wildlife and biological processes and reduce conflicts between humans and wildlife. These areas will also serve as biodiversity reservoirs and watershed areas, with potential to be developed for eco-tourism. These areas will be classified as Environmentally Sensitive Areas, where limited or no development will be permitted.

Malaysia will intensify its efforts in wildlife management and in the protection of endangered species. The Government will enforce regulations governing the trade of endangered fauna and flora in line with Malaysia's obligation to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The orang utan, Malayan Tiger, tapir and gaur, among others, serve as flagship species for Malaysia and will become focal points for conservation efforts in partnership with the private sector. The National Tiger Conservation Action Plan will be implemented to increase the tiger population and provide effective protection for tigers and their prey including through efforts to conserve contiguous forest ecosystems.



In the area of coastal and marine protection, the integration of the Coastal Zone Physical Plan into the NPP will allow improved management and protection of the shoreline, including efforts to intensify mangrove planting. The Marine Park Management Plan for Peninsular Malaysia and existing legislation will be reviewed to further enhance the management of marine biodiversity. In addition, the National Action Plan on the Coral Triangle Initiative will be implemented to ensure the conservation and sustainable use of marine resources, and the capacity of marine resource management will be enhanced to track changes in marine habitats and resources.

The availability of comprehensive data is required to support conservation efforts. Currently, various agencies and departments manage individual biodiversity databases. During the Plan period, efforts will be implemented to link or integrate existing biodiversity inventory and databases, with a view to develop a comprehensive one-stop database in the future.

Ensuring Equitable and Sustainable Utilisation of Resources

Local communities play an important role in conservation and utilisation of environmental resources as they possess a depth and breadth of knowledge and capabilities in matters relating to nature handed down over many generations. Initiatives involving local communities include:

- **Co-opting local communities in conservation efforts.** Local communities will play a big role in sustainable use in resources. As an additional source of income, communities can also play a big role in conservation activities such as acting as tour guides and forest guides. A successful example of how local communities have played a role in eco-tourism activities is the Tagal system for conserving fish stock in rivers, which has been practiced for many generations amongst the Dusun community in Sabah; and

- **Introducing the Access and Benefit Sharing framework.** Indigenous people and local communities in Malaysia possess traditional knowledge with potential value for development into medicinal, pharmaceutical, nutraceutical and bio-technological products. The Government will establish a legal framework on access and benefit sharing to ensure that the benefits derived are distributed fairly and equitably. This framework will be supported by an institutional arrangement to enhance awareness and disseminate information.

In pursuing biotechnology as a source of wealth creation for the country, the issue of biosafety related to the safe transfer, handling and use of living modified organisms (LMOs) will become increasingly important. Effective enforcement of the Biosafety Act 2007 will ensure that potentially adverse impacts on biodiversity and human health from biotechnology that uses LMOs is minimised and properly managed.

CONCLUSION

At the heart of any national development strategy lies the imperative to raise the quality of life of its citizens. For Malaysia, this means continuing to invest in physical infrastructure as well as driving productivity and efficiency gains across the board. A new and rapidly evolving environment requires a new approach. The nation has recognised this, and will embark on a systematic restructuring of and investment in the provision of essential services, including:

- Restructuring of the public transport licensing and operating framework to be led by the commission for land public transport or SPAD, and supported by major investments in public transport such as the introduction of the mass rapid transit system in Greater KL;
- Major shifts in housing policies with a new emphasis on the entire life-cycle of housing provision from construction to maintenance, with the introduction of a Housing Maintenance Fund;
- Transforming the healthcare sector to reduce the gap between private and public healthcare systems with a focus on the delivery of healthcare services;
- Continuing efforts to move the water services industry towards efficiency in operations and creating a financially sustainable platform for continued investments in the sector;
- Completing the federalisation of solid waste management and public cleansing services to facilitate the modernisation of waste collection, handling and disposal as well as the upkeep of shared public spaces; and
- Intensifying efforts to fight and prevent crime by addressing the entire criminal justice system with increased police presence and improved enforcement efforts.

The Tenth Plan period also marks a major shift in spatial growth strategies. The Government will move towards an approach of concentrated

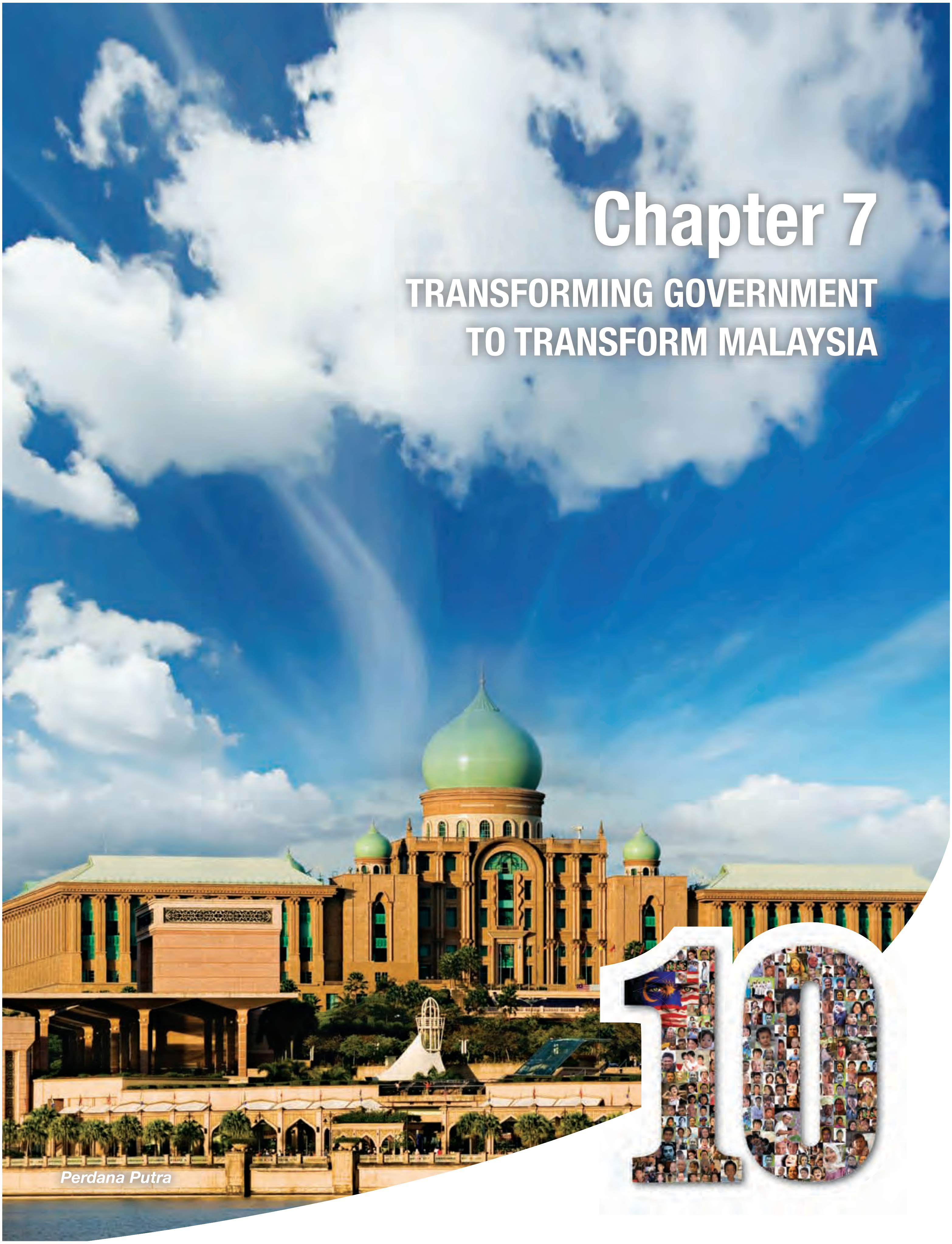
growth, adopting strategies to build density, develop clusters and specialise in high value sectors to exploit increasing returns to scale in cities. To position them as catalysts of growth, the attractiveness and vibrancy of cities will take centre stage, with a renewed emphasis on creating attractive public spaces and cultivating arts, culture and leisure activities to support an increasingly cosmopolitan population. Denser growth in cities will be managed and supported by world-class infrastructure. Every city in Malaysia is unique with distinctive characteristics and strengths and each city will have strategies tailored to its unique heritage, composition and potential opportunity for growth.

Every generation of Malaysians has the responsibility of keeping the environment safe for the next. In a world confronted with the impacts of climate change and increasing environmental pressures, the Government is presented with the challenge of managing its environmental endowments prudently while unleashing the economic potential of these resources in a sustainable manner. This means establishing policies and mechanisms for the proper valuation of environmental resources in terms of assessing opportunity costs and environmental impacts of both public and private investments.

The policies, strategies and programmes to be implemented in the Tenth Plan will not only contribute towards the proper valuing of Malaysia's environmental endowment, but will also ensure that the quality of life of all Malaysians is sustainable.

Chapter 7

TRANSFORMING GOVERNMENT TO TRANSFORM MALAYSIA



Perdana Putra

> "There is a remarkable future that we can achieve together in Malaysia if we spark innovation, bring public and private sector expertise together for the common good, focus on delivery, have the courage to make the right choices for our country, and maintain our commitment to 1Malaysia."

The Right Honorable Dato' Sri Mohd Najib bin Tun Abdul Razak,
Prime Minister of Malaysia (February 12th, 2010, NCCIM)

The Malaysian Government, along with other governments around the world, is faced with operating in a rapidly evolving global environment. Expectations and demands for public services are increasing, fiscal positions are tightening and issues are more complex as they cut across traditional organisational and geographical boundaries. This new environment requires a new approach. As Malaysia becomes a globally competitive and high-income country, the Government needs to increasingly act like a competitive corporation. The Government, and more specifically, the public sector, must transform.

Whole-of-Government Approach

Increasingly, challenges and opportunities will transcend the traditional boundaries of public agencies in Malaysia, and therefore a higher level of inter-agency collaboration and cooperation is required. A whole-of-government approach will be adopted to ensure cross-cutting issues are addressed with a focus on the people as customers. This requires agencies to work across portfolio boundaries and across federal, state and local levels as an integrated government. This whole-of-government approach will be applied to policy formulation, programme development and delivery of outcomes.

Principles of Government Transformation

Malaysians will be able to rely on a government that is efficient, effective, responsive and committed to the national objective of building a high-income economy and an advanced nation. The Malaysian Government will be transformed into a government that embodies the following four principles:

- **Delivers through creativity and innovation.** Developing a public service that thinks outside the box by using creative and innovative methods within the Government's processes, systems and policies to deliver solutions. As the driver of the nation's

> " … we need public officials who will challenge the norms, dare the traditions and customs of what used to work…"
>
> *Tan Sri Mohd Sidek bin Haji Hassan,*
> *Chief Secretary to the Government (June 24th, 2009)*

development and economy, this aspect is crucial to allow the public service to respond to a dynamic global environment;

- **Emphasises speed of decision-making and execution.** The Government will need to show speed of decision-making and execution while exercising fact-based and sound judgement. This will require streamlining traditional decision-making and implementation processes and finding innovative ways to respond quickly to rapidly changing public demands;

- **Delivers value-for-money.** Wastage and mismanagement of public finances will be eliminated. A value-management approach towards planning and evaluation of projects will ensure that every project takes into account holistic life-cycle costs and benefits to ensure that every ringgit is well spent. This is critical to deliver in a tight fiscal environment without compromising on the desired outcomes; and

- **Upholds the highest level of integrity.** As a custodian of the public's interest, the Government will embody the highest standards of ethical conduct and good governance to gain the public's confidence and trust.

While full outcomes are only expected beyond the Plan period, the transformation of Government will begin now. The five levers to deliver this are:

- Designing public services around people and business;

- Accelerating delivery through transparent and accountable management of priority outcomes;

- Positioning Government as an effective facilitator of private sector-led growth;

- Driving productivity to ensure prudent use of public finances; and

- Rationalising and building capacity in government.

DESIGNING PUBLIC SERVICES AROUND PEOPLE AND BUSINESS

Globally there is an increasing expectation for public sector services to be comparable to the best in the private sector. In line with this, the Government will continue to be responsive, flexible and consultative in its approach to providing public services. During the Plan period, the Government will embark on a series of transformational initiatives to respond to the needs of the people and business, including:

- Designing efficient and convenient services for people and business;
- Adopting a more consultative approach and proactively seeking input and feedback;
- Devolving powers to agencies at the frontline of delivery to increase responsiveness and improve speed of decision-making;
- Introducing competition and other market mechanisms within public services to encourage innovation and improvement; and
- Combating corruption for effective delivery.

Designing Efficient and Convenient Services for People and Business

Government service delivery will be designed to provide people and business with efficient and convenient services based on understanding and anticipating customer needs. Previous innovative efforts have yielded positive results. The 1Malaysia clinic rollout exemplified the Government's commitment to speed of execution and ability to deliver improved healthcare services to the underserved in an innovative and affordable manner. Improvements to fiscal policies, business legislations and institutional frameworks have similarly driven the improvement in Malaysia's ranking under the IMD World Competitiveness Scoreboard. Over the period of 2009 to 2010, the country's ranking improved from 18th to 10th position. Efforts to improve ease of doing business, many which were driven by PEMUDAH, have shown clear outcomes, as illustrated in *Box 7-1*. As a measure of success, Malaysia is ranked 23rd among 183 countries under the World Bank's Ease of Doing Business index in 2010. Within the East Asia and Pacific region, Malaysia ranked fourth after Singapore, Hong Kong SAR and Thailand. The Government aims to make Malaysia one of the top ten nations in the world for doing business.

Box 7-1

Achievements in ease of doing business

- **Starting a business now takes 3 procedures and 3 days compared to 9 procedures and 11 days previously.** A standard company identification number or MyCoID was introduced for companies to use in interactions with government agencies.
- **Time to register a standard property now takes 2 days compared to 41 days previously** at a cost of between 1–3% of the value of the property.
- **Tax refunds are now made within 14 to 30 days** when returns are filed through e-filing, compared with 1 year previously.
- **Insolvency process reduced from 2.3 years to 4 months** with the recovery rate increased from 38.3 sen on the ringgit to 90.5 sen on the ringgit.
- **103 One-Stop Centres (OSC) were launched to streamline and expedite the approvals process for development proposals.** This enables applications for development proposal to be submitted concurrently for processing. Development proposals can now be approved within 120 days. The system has been further improved with the introduction of OSC Online whereby the Principal Submitting Person (PSP) can submit their development proposals online.
- **Deregulation of the Foreign Investment Committee (FIC) Guidelines** enabling greater inflow of private investment.
- **Six new Commercial Courts were established.** In addition, the Commercial Division of the Kuala Lumpur High Court has been reorganised into two groups, the “A” or fast track judges who only hear and dispose of interlocutory matters and “T” or trial track judges who hear and dispose of all legal applications involving oral evidence. This is to ensure that interlocutory matters can be disposed of speedily.
- **Automatic approval for work permit applications by expatriates** with salaries of more than RM8,000 per month to increase employment of knowledge workers.

During the Tenth Plan period, efforts will be intensified and expanded to further facilitate services for people, businesses and trade where efficiencies and response times will be benchmarked with international best practices. Processes and services across agencies will be re-engineered and streamlined to design interfaces that address customer needs and are simple to use, leveraging on the latest technology. New channels and modes of service delivery will be explored to extend outreach. Due attention will be given to security and privacy to safeguard confidential personal and business data and earn the trust and confidence of the public in using these services. The improvements to service delivery, covering redesigning, upgrading and expansion is expected to cost about RM850 million. Such initiatives that will be implemented during the Plan period are outlined in *Table 7-1*.

Table 7-1: Facilitating people, business and trade

Applying a people-centric approach	
Initiative	**Description**
National Registry System (NRS)	• Through the Citizen Registry System (CRS) the public no longer has to provide personal information separately to different agencies every time they make a public service transaction. Personal information will be collected by a single agency and shared across others to avoid duplication. • CRS is the first component of the National Registry System and will involve five agencies; the National Registration Department, Immigrations Department, Road Transport Department, Employees Provident Fund and Inland Revenue Board. • Subsequent systems will include registries for vehicles, income, businesses and land.
Malaysian Emergency Response System (MERS 999)	• With the introduction of MERS 999, the public will be able to seek emergency assistance from the police, hospitals, Fire Departments, and civil defence through a single emergency number. • MERS 999 further enables accelerated response to the location of emergency through common despatch centres.

Initiative	Description
	• This system replaces the multi-agency number currently in use and will be expanded nationwide by 2015.
MyGovXchange for public services	• This online portal offers services that cut across multiple agencies through a single interface. The public is no longer required to be physically present to conduct selected public service transactions. • To improve ease of use, the service offers payments via credit or debit card transactions as well as tailored notifications and alerts through email and SMS.
Trustmark for online transactions	• Trustmark is a certification of recognition for public and private sector websites that will help to increase public confidence and adoption of online transactions. A website that is certified will comply with stringent online privacy and security regulations, thus reducing the risk of fraud.
e-Tanah	• The e-Tanah system establishes a single interface for all land administration matters, which include registration of land and strata titles, land development process, land disposal and acquisition as well as revenue collection. This provides users with an efficient and uniform service for all matters relating to land administration. • During the Plan period, e-Tanah services will be extended to other states in Peninsular Malaysia, based on successful implementation in Melaka, Negeri Sembilan and Pulau Pinang.
e-PBT	• The e-PBT is another online-based system that allows local authority-related transactions to be conducted online without the customer having to be physically present. Among the services it offers includes revenue management, tax collection, accounting, complaints management and licensing. • e-PBT will be rolled-out to the remaining 114 out of 147 local authorities across the nation in phases starting with the local authorities located within priority economic clusters.

Initiative	Description
eKL expansion	• eKL initiative is an online-based portal for the Klang Valley that provides a single interface for services such as electronic payment (myBayar), Government SMS gateway (mySMS 15888), online submissions, online news and JobsMalaysia providing job matching for employers and job-seekers across various agencies and local authorities. • During the Plan period, the system will be expanded to other regions outside of the Klang Valley, with a focus on areas of strategic economic growth under the Government Regional Electronic Advancement Transformation Programme (GREAT). • GREAT will establish a unified government delivery system that embraces the No Wrong Door approach where customers will be able to enjoy the services without having to know the agencies involved.
Telecentres	• Centres providing Internet access will be established as community and business centres in rural communities. These centres will serve as a community hubs as well as play an important role in ensuring that rural communities are virtually connected to the world. • These hubs will also function as an additional channel for people in underserved communities to access public services such as renewal of road tax, driving licenses and business licenses.
Applying a business-centric approach and facilitating trade	
MyGovXchange for business	• The existing MyGovXchange will be enhanced as the single gateway for businesses, covering registration, licence application, licence expansion as well as applications for loans and grants from various public agencies.
SSM Enterprise Services Gateway	• Building upon the introduction of a single company identification system, MyCoID, the SSM Enterprise Services Gateway will enable simultaneous registration across multiple agencies following the incorporation of a company with SSM. This reduces the need for companies to register multiple times across various agencies.

Initiative	Description
	- The system will be expanded from five agencies to include all public agencies dealing with business entities.
National Single Window (NSW) for trade	- NSW is an online-based single point of entry for submission of trade data and information. It avoids repetition of provision of the same data multiple times and facilitates quick and easy release and clearance of cargo. - During the Plan period, the services under NSW will be expanded to include services of Free Zone Declarations, Dangerous Goods Declarations, Non-Customs Permits, Phytosanitary Certificates and Convention of International Trade on Endangered Species Certificates.
Reducing bureaucracy and streaming procedures	- To facilitate trade, documentation requirements will be reduced and streamlined with the aim of achieving a paperless transaction environment in line with international standards. - A single Customs Portal will be developed to reduce bureaucracy and facilitate the supply of information and services; it will be supported by an amendment to the Customs Act 1967.
Participation by banks in Financial Process Exchange (FPX)	- The FPX is an online payment gateway for any business-to-business or business-to-consumer transactions with participating banks. - During the Plan period, Bank Negara will define a timeframe for all banks to participate in the FPX to enable a more effective nationwide rollout of the NSW Electronic Customs Duty Payment.
MyExport Portal	- Malaysian exporters registered with MATRADE are able to access a variety of services such as up-to-date trade information on trade events and activities, trade statistics and market alerts through the MyExport Portal.

Adopting a More Consultative Approach and Proactively Seeking Input and Feedback

The Government will adopt a more consultative approach and proactively seek input and feedback from multiple stakeholders from within government, the private sector and non-government organisations (NGOs) in the development of government policies, plans and programmes. This will allow the Government to receive firsthand input from the frontline, respond to the concerns of stakeholders and improve the overall quality of solutions. More importantly, it ensures that the wants and needs of people and business are taken into account. This approach has been adopted in delivering the most important priorities of the nation, including:

- **Developing the Government Transformation Programme (GTP).** The selection of the National Key Result Areas (NKRAs) was based on three main inputs; opinions through surveys and wide-ranging media analysis, Cabinet and top leadership of the public service as well as feedback from the private sector and NGO representatives. Text messages were sent to over 12 million people to seek ideas, and Open Days with over 5,000 visitors were held across multiple locations to seek feedback on initiatives;

- **Developing the Tenth Malaysia Plan.** The priority areas and programmes for the Plan involved extensive consultation with over 3,000 representatives from over 400 agencies in the public and private sectors, through workshops, seminars, industry dialogues and cluster group meetings; and

- **Forming effective public-private partnerships.** A Special Task Force to Facilitate Business (PEMUDAH) is a consultative forum on issues concerning public service delivery and Malaysia's business environment. Reporting directly to the Prime Minister, it comprises 23 highly respected members from the public and private sectors. Since it was formed, PEMUDAH has charted many successes making Malaysia an easier place to do business.

Continuous monitoring of people and business perceptions through regular surveys will be conducted to assess the extent to which government programmes are translated into outcomes that people and business can see, touch and feel. Feedback and ideas on improvement from these surveys will be collated as input in the formulation of government policies, plans and programmes. To embed a people-centric culture into frontline service agencies, customer satisfaction will form a component of their key performance indicators (KPIs).

Devolving Powers to Agencies at the Frontline of Delivery

During the Plan period, empowerment and decentralisation of authority will be given renewed focus. Appropriate decision-making authority will be devolved to frontline agencies to accelerate decision-making and to enable them respond better to increasing expectations from customers. With empowerment, comes greater accountability and a need to build capacity to enable efficient and effective delivery. Initiatives to devolve powers include:

- **Enabling high performing schools to tailor services and resources to students needs.** High performing schools will be given flexibility in adapting curriculum and instruction methods

Chart 7-1

MIDA will be empowered with additional decision-making authority in negotiations with investors

MIDA (formerly known as the Malaysian Industrial Development Authority) will be repositioned as the **Malaysian Investment Development Authority**

As the principal agency responsible for the promotion of the manufacturing and services sectors, MIDA will play a critical role in ensuring investments are directed to priority sectors and geographies and that they support innovation and productivity growth

Key shifts in role and powers

- **MIDA will be corporatised** to enable the necessary organizational flexibility to attract and retain talent it needs to be internationally competitive
- **MIDA will be empowered with additional decision-making authority in negotiations** with investors for targeted projects
- **MIDA will be designated as the central investment promotion agency for the manufacturing and services sectors** (excluding utilities and financial services), to enhance the coordination and cohesion among the various investment promotion bodies in the country

as well as over selection and deployment of teachers. This flexibility comes with increasing accountability for outcomes. These schools are responsible for maintaining excellent student outcomes as well as sharing knowledge and expertise with other schools through mentoring networks, teacher attachments and student exchange programmes; and

- **Empowering MIDA to be an effective international facilitator.** MIDA will be empowered as the central investment promotion agency for the manufacturing and services sector as shown in *Chart 7-1*. Important shifts in MIDA's functions include corporatisation to provide greater organisational flexibility, decision-making autonomy as well as authority for direct negotiations.

Introducing Competition and Market Mechanisms Within Public Services

Greater competition will be introduced to encourage agencies to learn from best practices, be more responsive to the changing demands of customers and to continuously strive for better performance. The introduction of performance competition among peer agencies such as schools competing with other schools, is expected to compel quicker response to changing customer needs and establish a virtuous cycle of continuous improvement, innovation and induces self-regulation. The experience of other countries indicate this, as shown in *Chart 7-2*.

Overall standards and level of performance will be raised through the introduction of such competition. Efforts in this areas include:

- **Ranking police stations.** Police stations will be transparently ranked along three dimensions of public satisfaction: response time, ease of making a report and effectiveness in reducing crime;

- **Ranking schools based on performance bands.** As part of the School Improvement Programme, the performance of all schools on student outcomes will be ranked into various performance bands. This transparent reporting of outcomes will motivate and challenge schools to improve, be linked to rewards and consequences and highlight to school principals the specific areas that require attention;

- **Introducing demand-side funding in tertiary education.** Demand-side rather than supply-side funding will be emphasised and expanded to introduce competition among suppliers for customers. For example, in tertiary education, a portion of funding will be provided to students rather than institutions of higher learning. The institutions will then have to ensure that their standards and offerings are of sufficient quality and are relevant to attract students. With institutions competing for students and funding, standards are expected to rise and overall outcomes to improve; and

- **Ranking local authority performance.** A star rating system was developed to evaluate and rank local authorities on their performance along the four criteria of management effectiveness, quality of core services, degree of community consultation and customer satisfaction. The rating system is available for public viewing online, creating an environment of competition across local authorities to improve service delivery. During the Plan period, this system will be extended to local authorities in Sabah and Sarawak.

Chart 7-2

Introduction of competitive pressure in the UK healthcare system has contributed towards improved patient outcomes

Healthcare in the UK was facing declining quality

- During the 1990's, waiting lists of the National Health Service (NHS) grew under tight funding controls
- The situation was exacerbated by funding through "block contracts" which remunerate providers regardless of the amount of work carried out
- This resulted in long waiting lists and sub-optimal use of healthcare facilities, where there were waiting lists despite having unused beds in hospitals nearby

NHS introduced choice and competition in healthcare

Creating competition for funds

- Payment-by-result (PbR) system was introduced where hospitals are paid on per activity basis, with different national prices by procedure. This creates an environment where hospitals compete for patients

Empowering patients to choose

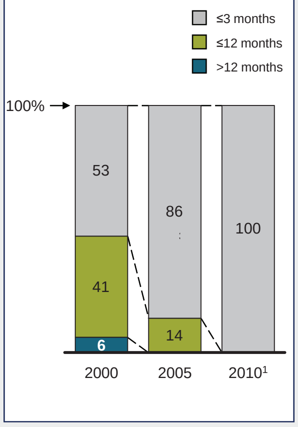
- NHS Choices websites provide transparent data and hospital performance (e.g., waiting times, mortality rates) to allow patients the ability to make informed decisions

Autonomy to respond

- Foundation Trust hospitals were introduced where hospitals enjoy greater financial freedom and flexibility in investments to improve quality of care

Leading to improved outcomes

Inpatient waiting list (provider-based)



1 2010 based on average from January to March 2010

SOURCE: Department of Health; UK Office of Fair Trading (Choice and competition in public services)

Combating Corruption for Effective Delivery

Combating corruption is a high priority as corruption fundamentally undermines the integrity of the Government. In 2009, Malaysia's ranking in the global corruption benchmark Transparency International's Corruption Perception Index (TI-CPI) dropped to 56 from 47 in 2008. This erosion in confidence in our institutions by the public and business community is detrimental to our nation's competitiveness. Combating corruption is therefore integral to the Government's transformation efforts. In line with this, the Government has identified combating corruption as one of the six National Key Result Areas (NKRAs) as shown in *Box 7-2*.

Since the launch of the GTP, efforts under the NKRA programme have reported early signs of success.

- Information on government tenders including tender advertisements and successful bidders can be accessed by the public through MyProcurement Portal effective April 1st, 2010;

- A guideline was issued to all civil servants on how to react to support letters to minimise any interference with proper procedures on March 8th, 2010;

- The Whistleblower Protection Act 2010 was passed by Parliament in April, under which a comprehensive whistleblower protection framework will be established to cover members of the private and public sectors who disclose wrongdoings as well as those who are required to assist in investigations; and

- Malaysian Anti-Corruption Commission (MACC) has begun publishing a webpage with the names of all convicted offenders, and a court circular has been issued to all judges requesting for all corruption cases to be completed within one year.

The Government is committed to combating corruption and establishing a reputation for being a government that upholds the highest levels of integrity. Efforts to combat corruption will focus on:

- **Strengthening compliance and monitoring.** To support this, compliance and monitoring will be strengthened to take action on reported instances of abuse of discretionary power. Compliance efforts within customer-facing agencies will be strengthened through regular inspection of enforcement processes,

Box 7-2

In assessing the Government's performance in fighting corruption, the KPIs and targets will be objectively measured, clearly linked to outcomes and internationally benchmarked. They include improving Malaysia's score on the TI-CPI.

Efforts are focused on the following three areas:

- **Reducing instances where discretionary power is allowed in agencies dealing with the public.** Initiatives will also be taken to strengthen and empower agencies to report and take action in cases of malpractice, misconduct or abuse of power;
- **Ensuring transparency in the award of government contracts.** Initiatives here include publicly disclosing government procurement; and
- **Tackling high-level corruption to prevent the abuse of power and misuse of public resources.** This is supported by a zero tolerance policy on corruption and the Whistleblower Protection Act 2010.

Combating Corruption is one of 6 National Key Result Areas

as well as through investigation of reported cases of malpractice, misconduct and abuse of power;

- **Enhancing transparency in the government.** Efforts to create greater transparency and accountability will be enhanced, including through the continued public release of the Auditor-General Reports and the establishment of the MyProcurement portal. Government contracts will be procured through competitive bidding adhering to standard guidelines and policies;
- **Enforcing swift and stiffer punishments to deter corrupt practices.** Corruption trials will be accelerated by reducing the duration of court processes. Stiffer penalties for inviduals found guilty of corruption will be implemented as a strong deterrent. Details of convicted

offenders will be made public as an act of deterrence. This effort has already begun with the MACC's initiative to publish the names of convicted offenders on their website;

- **Increasing public awareness.** The Government will adopt a zero tolerance policy towards corruption with a clear stance that no individual is above the law and all reported cases of corruption will be fully investigated. As corruption is a two-way process, involving the giver and the taker, campaigns will be launched to increase awareness of the public on the important role that they can play in combating corruption;

- **Reviewing key institutions.** The Government will undertake a comprehensive review of the institutions at the frontline of combating corruption with the objective of developing ways to promote the independence and empowerment of these institutions; and

- **Nurturing a system based on integrity and moral values.** The National Integrity Plan has an important role in cultivating a society that adheres to the highest ethical and moral standards and is strong in religious and spiritual values. Towards this end, the Tekad Integriti action plan will be introduced as an enhancement to Tekad 2008.

ACCELERATING DELIVERY THROUGH TRANSPARENT AND ACCOUNTABLE MANAGEMENT OF PRIORITY OUTCOMES

The Tenth Malaysia Plan marks the beginning of a new way for the government to deliver. An outcome-based approach will be adopted for planning, resource allocation, monitoring and evaluation. This means establishing a clear set of outcomes for national priorities measured by objective KPIs. The focus on outcomes will allow for more effective resource management and therefore greater value-for-money in terms of public investments. As resources are finite, it is important that leadership, talent and funding are directed towards the delivery of outcomes for the nation's priorities. The key steps of the outcome-based approach are as follows:

- **Defining national priority outcomes.** The Government has gone through a systematic process with multiple stakeholders to determine the nation's priorities. These priorities include the NKRAs, the Tenth Plan Key Result Areas (KRAs) and National Key Economic Areas (NKEAs). Selection of these priorities was based on extensive consultation with multiple stakeholders. These were selected based on the current wants and future needs of the people and as the critical drivers of economic growth that will propel our nation to high-income status;

- **Leveraging broad expertise to develop strategies and plans.** Cross-functional technical working groups are formed to develop strategies and plans to deliver the outcomes identified for all priorities. The development process of the GTP and the Tenth Plan adopted this approach, with intensive working groups, or NKRA Labs in the case of GTP, established with participants from various ministries and agencies as well as the private sector and NGOs in a collaborative effort to develop detailed strategies and implementation plans;

- **Establishing single-point accountability for outcomes.** To ensure accountability, the KPIs to measure outcomes will be attributed to individuals. In the case of NKRAs, the KPIs will be attributed to Ministers and senior civil servants. These KPIs, in addition to the KPIs linked to the Tenth Plan KRAs, will be systematically cascaded from the national level down to implementation level of projects at ministries and agencies. This ensures that every ministry and agency is aligned to delivering these priority outcomes. Once clear outcomes and accountability have been established, increasing autonomy for resource management will be devolved to ministries and agencies; and

- **Creating transparency on performance.** Transparency on performance will reinforce accountability for outcomes. KPIs will be regularly and transparently reported to the public. Both the GTP and Tenth Plan embrace a transparent approach, where targets and initiatives are provided in the GTP Roadmap and its annual report, as well as the Tenth Plan document.

Enabling the Outcome-Based Approach

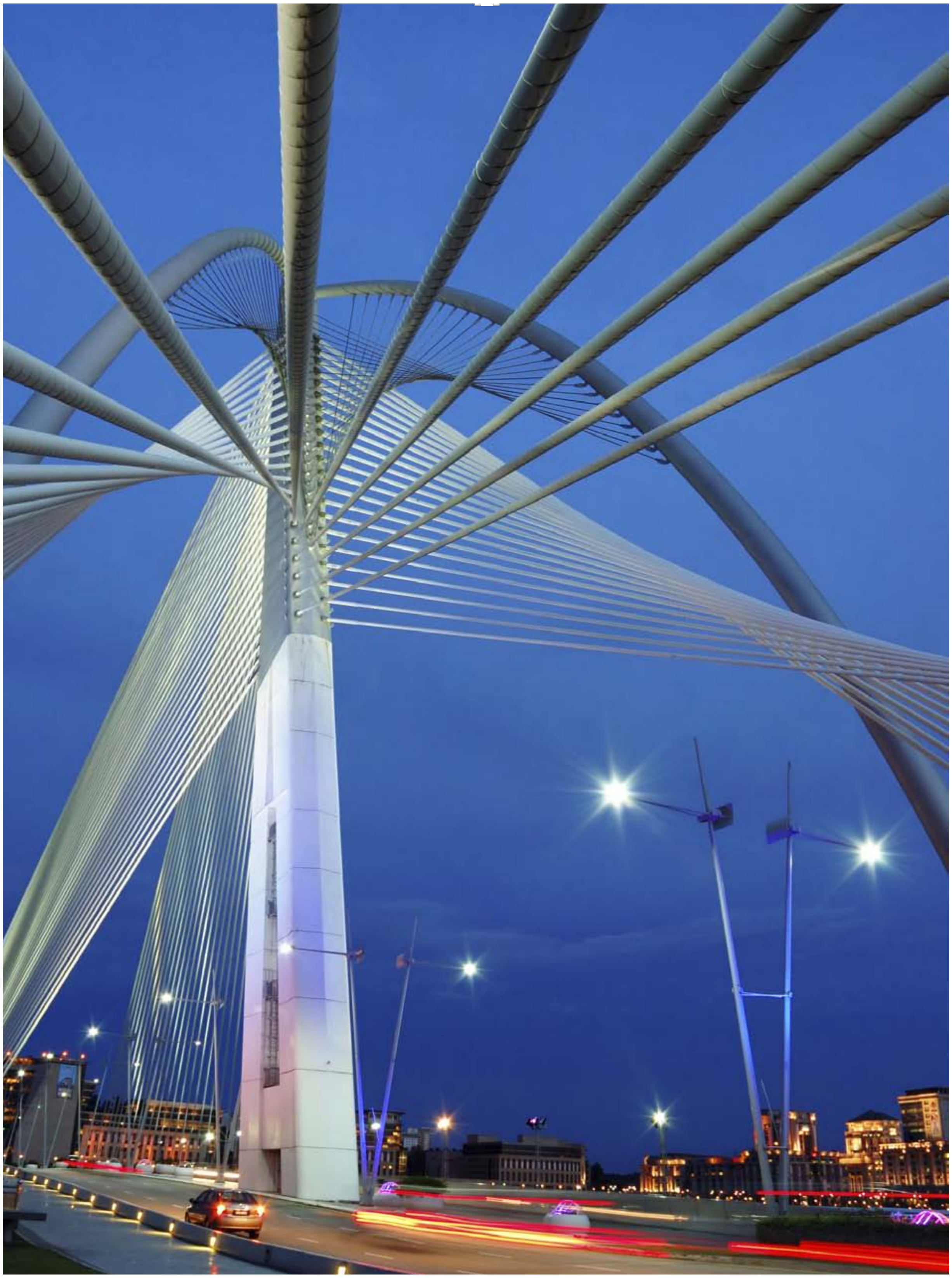
Resource allocation will be designed around the outcome-based approach. These improvements mark a major shift in the way the Government plans and manages to ensure value-for-money for public investments, creating a strong link between funding and outcomes. Key initiatives are detailed below:

- **Adopting outcome-based budgeting.** This approach will take an integrated view of the financial requirements of the programme, including both development and operating costs. This will allow for more efficient management of resources, assist in eliminating redundancy of programmes and projects and ensure that the nation's resources are allocated proportionately to its priorities;

- **Introducing a two-year rolling cycle within a five-year planning horizon.** This acknowledges the dynamic nature of development planning and enables the government to make commitments within its financial capacity and allows for greater flexibility in the reprioritisation of programmes and projects, incorporating new opportunities as they arise. Programmes and projects are allocated budgets based on two-year rolling cycles, with an annual review process to ensure seamless planning and implementation;

- **Embedding an integrated approach to planning.** Greater coordination across agencies at an earlier stage will ensure more effective use of resources. An integrated approach will be adopted that requires all stakeholders to examine economic, social and environmental costs and benefits prior to project selection. This approach also makes a holistic assessment of existing facilities and other projects in the same area, while considering the National Physical Plan, State Structure Plans and Local Plans as a guide in planning and sharing of resources, particularly land use, infrastructure, utilities and services; and

- **Regular monitoring and evaluation of outcomes.** This is the most critical factor in the outcome-based approach. Management information systems will be strengthened to enable systematic and



regular performance monitoring, evaluation and reporting. Information on progress will assist in ensuring that remedial actions are taken where necessary. Funding of future programmes and projects will be contingent on achievement and delivery of programme milestones and outcomes as measured by KPIs.

Shifting Funding from Physical Infrastructure to Soft Infrastructure to Achieve Outcomes

Two key factors drive the imperative for Malaysia to shift from emphasising physical infrastructure to soft infrastructure. Firstly, the next phase of Malaysia's transformation, from a middle-income to high-income country, requires a shift towards higher value-added and knowledge-intensive activities. Secondly, the Government will adopt a strategy that carves out a greater role for the private sector in the provision of infrastructure and public services. To enable this, a shift in emphasis from physical infrastructure to soft infrastructure is required.

During the Plan period, approximately 40% of total funding, compared to 22% during the Ninth Plan period, will be directed towards soft infrastructure with a focus on the following areas:

- Emphasising skills development, especially in terms of upskilling the existing workforce to support efforts of industry moving up the value chain;

- Providing the enablers to support the development of concentrated industrial clusters and supporting ecosystem towards enabling specialisation and economies of scale; and

- Increasing investment into the enablers of innovation, particularly R&D and venture capital funding.

In line with this shift from physical to soft infrastructure, the Government will increasingly move away from building physical infrastructure and operating public services towards buying services from the private sector. For example, in terms of skills training, the modality of buying services provides for greater flexibility to respond to changing requirements and facilitates greater competition between training providers in terms of training outcomes.

POSITIONING GOVERNMENT TO BE AN EFFECTIVE FACILITATOR OF PRIVATE SECTOR-LED GROWTH

To date the Government has played a critical role as a core strategic investor and thus a driver of the economy. This strategy has worked well, resulting in the emergence of Malaysia as a middle-income economy with large and strong government-linked companies (GLCs), including a few that have developed regional or global footprints. However, to move towards a high-income nation, the resources, talent, technology and innovation of the private sector will need to be unleashed so that it becomes a more significant engine of growth for the economy. The Government's role will become that of a catalytic facilitator, to create an enabling environment for the private sector through effective policies and regulations, as shown in *Chart 7-3*. In its facilitation role, the Government will remove distortions and provide the appropriate environment for the market to respond to.

Chart 7-3

Position role of government as an effective facilitator to unleash private sector-led growth

	From ...	**... To**	**Examples**
Policy-making and regulation	▪ Policy, regulatory and operating functions managed within a single entity	▪ Separate and distinct policy, regulatory and operating entities ▪ Strong business-friendly regulation that still protects public interest	▪ Aviation ▪ Healthcare ▪ Housing ▪ Energy (electricity) ▪ Telecommunications
Economic engine	▪ Government plays key role as investor and operator	▪ Private sector as key players – Investments through PPPs – Delivery of frontline services – Outsourcing of non-core government functions	▪ Education ▪ Healthcare ▪ Large-scale infrastructure investments
Ownership and control of assets	▪ Government as owner of key assets	▪ Reducing government ownership of non-core companies and assets by transferring stakes to private sector ▪ Creating a level playing field for industries where government maintains presence	▪ Reducing stakes in non-core GLCs ▪ Unlocking value of other commercial assets

During the Plan period, the Government will:

- Strengthen its role as policy-maker and independent regulator;
- Increase the role of the private sector in new national investments and delivery of public services; and
- Systematically reduce its ownership and control of non-core assets.

Strengthening Government's Role as Policy-Maker and Independent Regulator

The Government's role and effectiveness as a policy-maker and independent regulator will be strengthened in line with increasing participation from the private sector. The objective of this is to create a business-friendly regulatory environment that has clear, stable and consistent policies. Regulations will be tailored to the maturity, structure and needs of each sector. The focus will be on establishing transparent objectives for the sector and on defining clear roles and boundaries for respective players. Disclosure-based practices will be encouraged, rather than strict enforcement of rules and regulations.

The agenda for regulatory reform will focus on four pillars:

- **Creating structures to separate policy-making from regulation and specifies clear lines of accountability.** Separate commissions will be created as industry regulators, similar to the Malaysian Communications and Multimedia Commission for the telecommunications sector. Immediate focus in this plan period will be on sectors such as healthcare where the Government plays a sizeable role as a policy-maker, regulator and operator;
- **Creating structures to address areas of overlapping jurisdiction.** The commission for land public transport or SPAD has been established as the single-point of accountability for land public transport planning and regulatory functions. This commission consolidates functions previously held by 13 separate agencies;
- **Improving the formulation of regulations.** Robust and comprehensive processes that address stakeholder concerns and institutionalises public consultation will be adopted in the formulation of regulations; and
- **Enhancing the capabilities of policy-makers and regulators**. Capacity and

capability building of policy-makers and regulators will be critical and aligned with changes in the global and domestic landscape of respective sectors.

Increasing the Role of the Private Sector in National Investments and Delivery of Public Services

Under the competitive pressure of market forces and a clear objective of improving shareholder value, private sector companies are forced to quickly respond to customers and the operating environment in innovative and creative ways. With increasing shareholder value as the primary goal, private sector companies are focused on the bottom-line and the top-performing companies are typically those that exercise prudent management of resources and lean operations. To harness these entrepreneurial characteristics of the private sector in the delivery of public goods and services, the Government will create opportunities for private sector participation in investments and service provision. These models will not be limited to investments in physical infrastructure, but extended to increase collaboration with the private sector in the delivery of frontline public services.

Engagement with the private sector, either directly or via industry associations, will be intensified, as it provides broader viewpoints and transparency in developing the way forward. In particular, input will be actively sought in the formulation of policy to ensure that the needs of the private sector are understood and incorporated such that market-friendly environments are created.

The Government will carve out a greater role for the private sector in the delivery of frontline public services, both as owners and operators. An early example is the Trust School initiative, where private sector companies will operate schools. The Government will provide funding, allow greater operating autonomy and set accountability standards, and in return operators must adhere to clear standards and achieve specific improvements in student outcomes. The same principles will be applied to the provision of other public services, for example selected segments of the healthcare services. Carving out roles for the private sector in the delivery of frontline public services will also create competition between public and private services providers, driving improved outcomes in services.

The Government will also increase outsourcing of non-core government functions. This will enable the Government to better focus on policy and strategy formulation, regulatory and core operating functions. Transferring non-core operating functions to private sector players with scale and expertise should improve outcomes and potentially save costs. Steps will also be taken to improve capabilities and accountability in the Government to enable the long-term goal of autonomy for ministries and agencies, in return for the delivery of specific outcomes and adherence to pre-determined standards.

Systematically Reducing Government Ownership and Control of Non-Core Assets

During the Plan period, the Government will pursue privatisation and divestments of non-core and non-competitive assets that operate in areas where strategic shareholders or innovative entrepreneurs have the potential to create more value. The government will divest its ownership stakes in selected companies to ensure that assets are broadly held and that initiatives will not affect public interest or the people's well-being. The objective is to reduce the Government's involvement in economic activities, particularly those that compete with the private sector. This includes the announced divestment of Khazanah's shareholding in Pos Malaysia and the privatisation of selected Petronas subsidiaries via initial public offering. Other divestments, include the privatisation of companies under the Ministry of Finance Incorporated such as Percetakan Nasional Malaysia Berhad, CTRM Aero Composite, Nine Bio Sdn Bhd and Inno Bio Sdn Bhd. The Government will ensure that any divestment and privatisation is in the public interest, and will use transparent processes to ensure that potential private sector bidders meet a minimum set of criteria.

In line with positioning the Government as an effective facilitator, a level playing field will be created such that all companies can compete fairly even in areas where the Government remains as shareholder or operator New government investment will be used to accelerate and facilitate emerging specialisations, especially through co-investments with the industry in terms of skills training, R&D and enabling infrastructure. Other potential areas for facilitation support include NKEAs, such as education, healthcare and tourism, to help drive these sectors up the value chain.

DRIVING PRODUCTIVITY TO ENSURE PRUDENT USE OF PUBLIC FINANCES

The Government is committed to delivering better outcomes for people and business and some of these outcomes will require higher funding. Additionally, the Government is also committed to reducing its fiscal deficit from 7.0% of GDP in 2009 to below 3.0% of GDP by 2015 and reducing total Federal Government debt from 53.3% in 2009 to 49.9% of GDP at the end of the Plan period. Consequently, the Government will significantly improve productivity to deliver better outcomes without increasing allocations, ensuring the public receives better value for each ringgit spent.

To achieve greater value-for-money, the Government has taken measures to increase transparency and efficiency with a commitment to maintain integrity among all parties. The adoption, adaptation and application of best practices will continue to be strengthened. This effort will drive an estimated cost savings of 5-10% through, among others, the following measures:

- **Implementing value-management analysis and life-cycle cost evaluation for procurement.** Development programmes and projects costing RM50 million or more will be subject to value-management analysis. This approach requires consideration of various options to arrive at the optimal project design aligned to the desired outcomes. Life-cycle cost evaluation will ensure cost optimisation and value-for-money while meeting required performance levels. Ministries and agencies implementing projects costing less than RM50 million will also be encouraged to conduct similar analyses;

- **Taking a centralised whole-of-government view on procurement.** Common items, such as office supplies, Information Communications Technology (ICT) and selected services will be procured centrally to achieve savings across government. To achieve economies of scale in rubber and oil palm plantations, FELDA, FELCRA and RISDA have started collaborative efforts through a consortium where selected operational activities in these agencies will be undertaken collectively by the consortium as a central provider of shared services. The activities include investment, procurement of common items such as fertilisers and chemicals, upstream and downstream activities, R&D as well as supply and marketing of rubber and oil palm. The consortium will also allow for technology sharing and capacity building among these agencies.

- **Reviewing common procurement standards and policies.** Strengthening common procurement standards and policies to ensure that ministries and government agencies have autonomy to make fast procurement decisions within these standards and policies; and

- **Ensuring contracts are conducted in a transparent manner** using competitive bidding, and publicly reporting the names of awarded parties and the value of each award on the MyProcurement Portal.

The Government will continue to improve its productivity through a whole-of-government ICT infrastructure consolidation exercise which will result in increased productivity, minimised redundancies and improved efficiencies brought about through centralised management and maintenance of shared resources. The projected cost is estimated to be approximately RM650 million. This will provide cost savings on an increasing basis as more agencies migrate to the shared network and centres. Towards this end, the following initiatives will be implemented:

- **Further streamlining ICT architecture.** This initiative will simplify systems, remove duplication and leverage technologies that enhance the Government's delivery of services and relationships with the people and businesses;

- **Simplifying and consolidating ICT operations.** This will include consolidation of wide area networks, data and disaster recovery centres, as well as common applications; and

- **Implementing cost-benefit assessment to obtain more value from ICT projects.** Cost-benefit assessment of proposed projects will be carried out to determine priority of project implementation. Analysis will be undertaken to assess actual cost and benefits relative to planned costs and benefits.

The Government will broaden the tax collection base. Tax collection from individuals and businesses that underpay their taxes will be enhanced through:

- Tightening and enforcing regulations around specific areas of non-compliance, such as transfer pricing and thin capitalisation;

- Enhancing tools and analytics that identify individuals and businesses with a high likelihood of non-compliance, such as matching declared information to third-party data;

- Increasing enforcement capacity and capabilities through additional recruitment, more specialised training and enhanced auditing techniques;

- Focusing specific enforcement campaigns on segments of individuals and businesses that have low levels of compliance;

- Improving the collection of taxes through enhanced collection techniques such as contact strategies, closer corporation with the legal system and other agencies, as well as targeted use of legal remedies; and

- Improving the time taken to handle and settle tax cases through various options such as allocating specific days in a week of court time dedicated to tax issues.

RATIONALISING AND BUILDING CAPACITY IN GOVERNMENT

The structure of government to support a high-income economy is different from that required to support a middle-income economy. The issues and challenges faced will also be different. These will often be cross-cutting and transcend the traditional boundaries of agencies. Efforts will be directed towards reducing bureaucracy and improving the interface between government and people, and government and businesses, where a higher level of inter-agency collaboration and cooperation will be adopted. These efforts will be focused on four areas:

- Rationalising existing government organisations and structures;
- Building capacity in organisations focused on national priorities;
- Establishing high performance monitoring units; and
- Attracting, developing and retaining top talent in the public service.

Rationalising Existing Government Organisations and Structures

In striving to become a high-income nation the structure of government ministries and agencies will be shifted towards supporting the economic and social sectors that will drive our nation, to high-income status. Talent and funding will also be allocated along these priorities. During the Plan period, a comprehensive audit of all government organisations and structures will be carried out looking across government roles, functions, gaps and overlaps. The objective of this will be to develop a plan for rationalising agencies with overlapping or redundant functions to align the structure of government with contribution to GDP and national priorities. The extra manpower resulting from this rationalisation will be redirected from lower priority to priority areas. This will create an agile government and improve speed of decision-making and execution.

Rationalisation efforts will include:

- **Federalisation of solid waste management and public cleansing responsibilities.** Under the federalisation initiative, the functions of solid waste management and public cleansing responsibilities will be shifted from the jurisdiction of local authorities to the federal government. This will have a major impact on resource management for local authorities, especially on manpower. Local authorities will now be able to focus on their core functions of planning, licensing, processing of development orders, enforcement and implementation of local by-laws, thus, increasing efficiencies in the delivery of these services;

- **Streamlining functions in fisheries industry.** The functions of the Department of Fisheries (DOF) and the Malaysian Fisheries Development Board (LKIM) will be streamlined. Under this streamlined structure, DOF will assume LKIM's previous role as a market player and in upstream production activities while all processing and downstream activities will now be undertaken by LKIM; and

- **Streamlining diplomatic missions and other offices abroad.** Efforts will be made to streamline diplomatic missions and all other Malaysian offices abroad to optimise deployment of human resources in the public service.

Building Capacity in Organisations Focused on National Priorities

The ministries and agencies responsible for facilitating and delivering top national priorities will be strengthened. Top talent, funding and leadership attention will be redirected to these agencies. In addition, several agencies will have their mandates refined or expanded to reflect new priorities.

- **Establishing a new Talent Corporation.** A new independent Talent Corporation will be established in 2011. This unit will assume a catalytic role in attracting, creating and motivating a world-class workforce and act as a facilitator to both industry and private sector;

- **Expanding the efforts of poverty eradicating agencies to support the bottom 40% of households.** Poverty eradication implementing agencies, particularly those under the Ministry of Rural and Regional Development, the Ministry of Agriculture and Agro-based Industries, the Ministry of Housing and Local Government, and the Ministry of Federal Territories and Urban Well-being will be given a greater mandate to cover and assist the bottom 40% of households;

- **Expanding the role of the Malaysian Investment Development Authority (MIDA).** MIDA will have an expanded mandate as the central investment promotion agency for manufacturing and services with decision-making authority in negotiations with investors; and

- **Establishing InnovationMalaysia™.** This unit is responsible for overseeing and coordinating innovation initiatives to improve the quality of R&D and its contribution to generation of intellectual properties (IPs). A key outcome of this will be an increase in the commercialisation rate of R&D outputs through proper management of IPs.

Establishing High Performance Monitoring Units

Besides the Implementation Coordination Unit (ICU) of the Prime Minister's Department, other monitoring and delivery units to manage the delivery of specific outcomes include the Project Management Unit (PMU), Performance Management and Delivery Unit (PEMANDU) and the new Economic Delivery Unit (EDU). These units, as shown in *Chart 7-4*, have common characteristics:

- **Direct reporting to the highest levels of leadership.** ICU, EDU and PEMANDU are within the Prime Minister's Department, while the PMU is a unit within the Ministry of Finance. This allows for increased speed of decision-making based on direct feedback from the monitoring agencies;

- **Narrow and specific mandates.** These units monitor and track the delivery of specific projects and initiatives. Actual implementation and delivery is carried out by the relevant ministries and agencies. With dedicated focus on specific initiatives, this allows for quick intervention and remedial actions when required;

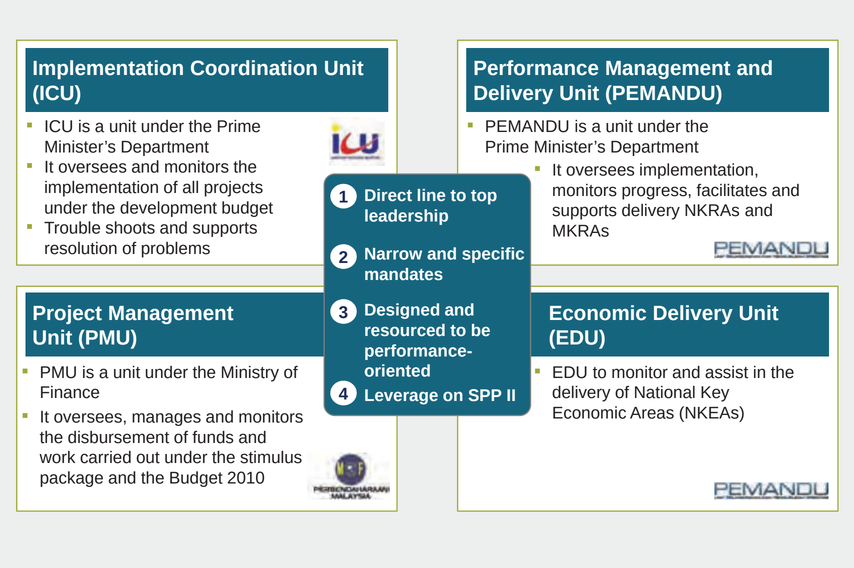
- **Designed and resourced to be highly capable and performance-oriented units.** Data-driven techniques and performance mindsets are embedded within the approach of these units. In some cases, these units are resourced with talent from both the public and private sectors; and

- **Leverage Project Monitoring System II (SPP II) as a common data and reporting system.** This system is a shared repository of data related to all projects and programmes. The system provides a comprehensive, transparent and up-to-date view of the status of current projects via a single interface enabling comprehensive status reports to be generated when necessary.

Collaboration across agencies and between federal, state and local governments will also be strengthened particularly on national priorities. Lean, dynamic governance structures with representation from all constituents, such as the Prime Minister-led delivery taskforces for NKRAs will be used to drive the delivery of high priority

Chart 7-4

Performance-oriented units monitor and track the delivery of priority areas



Implementation Coordination Unit (ICU)

- ICU is a unit under the Prime Minister's Department
- It oversees and monitors the implementation of all projects under the development budget
- Trouble shoots and supports resolution of problems

Performance Management and Delivery Unit (PEMANDU)

- PEMANDU is a unit under the Prime Minister's Department
- It oversees implementation, monitors progress, facilitates and supports delivery NKRAs and MKRAs

Project Management Unit (PMU)

- PMU is a unit under the Ministry of Finance
- It oversees, manages and monitors the disbursement of funds and work carried out under the stimulus package and the Budget 2010

Economic Delivery Unit (EDU)

- EDU to monitor and assist in the delivery of National Key Economic Areas (NKEAs)

1. Direct line to top leadership
2. Narrow and specific mandates
3. Designed and resourced to be performance-oriented
4. Leverage on SPP II

issues. These structures are time- and issue-based and will be dissolved upon achievement of outcomes. Labs consisting of cross-agency working teams will be more frequently deployed to deliver national priorities that cut across federal, state and local government responsibilities.

Attracting, Developing and Retaining Top Talent in the Public Service

In 2009, there were 1.27 million employees in public service, with 47% or approximately 600,000 serving as teachers, doctors, nurses, police and the armed forces and the remainder serving in various administrative roles across federal, state and local governments. To achieve Malaysia's aspirations, the talent within the Government must be of the highest quality. During the Plan period, the following strategies will be implemented to develop and retain top talent in the public service:

- Strengthening the performance culture within the public service;
- Attracting talent by identifying talent early

and raising the profile of the public service to attract them;

- Injecting best practices into the public sector through lateral hires and exchange programmes;

- Designing flexible schemes of service to effectively match talent and experience with the requirements of the public service; and

- Realigning capacity-building programmes to meet job requirements.

Strengthening the performance culture

In order to enhance its effectiveness as an integrated government, the public service will continue to enhance its culture, mindset and practices to be delivery-oriented, highly collaborative and seamless across jurisdictional and functional boundaries and across every level of government. These values will be core to the public service and will be cascaded across all of government, right through to those at the frontline of delivery. These best practices will also be institutionalised to build a sustainable and enduring system.

Performance management is critical to ensure accountability for outcomes and to drive improved performance. Rewards, such as accelerated career tracks, higher performance bonuses and high-profile recognition will be accorded for outstanding performance. The Annual Performance Evaluation Report will be improved in order to incorporate more objective measures that are linked to ministry or agency specific KPIs. In order to ensure that the public service continues to have the best and brightest, the Government will review exit policies and mechanisms, such as voluntary separation schemes to remove underperforming personnel from the service.

Attracting talent

The public service will increase its focus on attracting high calibre young talent, leveraging the best practices of agencies within the private sector. During the Ninth Plan period, the Government offered approximately 47,300 scholarships to students in courses in various public and private institutes of higher education, with 18% of these scholars pursuing studies at international institutions, including world-renowned universities. During the Plan period, the Government will continue to strengthen this scholarship programme with a target to provide 60,000 local and overseas scholarships, an increase of 27% of scholarships offered compared to the previous Ninth Plan. In addition, talent scouting programmes will continue to be strengthened to identify, attract and recruit nonscholarship holders in universities and institutes of higher education to join the public service.

Currently, scholars are required to serve the Government for a period of between four to ten years depending on their field of study. Moving forward, the Government will continue to strengthen its scholarship programme by increasingly offering flexible scholarship schemes that provide graduates with excellent result the flexibility to serve part of their bonds in GLCs or in the private sector. This ensures that young graduates are exposed to a wide range of experiences, which will serve them well as they progress in their careers. To identify and groom outstanding young talent, a fast track career progression path will be introduced. These talents will be given challenging roles across various ministries, agencies and departments.

Effective marketing and awareness campaigns linked to a strong value proposition will be crucial in attracting recruits into the public service. One such effort is the high-profile nationwide marketing campaign to position the teaching profession as one that is financially attractive, nation-building, career-building and prestigious. During the Plan period, the public service will similarly undergo a rebranding and promotional exercise to redefine the image of the civil service as one composed of the best and brightest talents in Malaysia.

Injecting best practices into the public sector

Lateral hiring from the private sector will be expanded to attract high calibre individuals into key strategic posts within the Government. Multiple entry points will be created with competitive benefits for lateral hires of private sector leaders into ministries and agencies responsible for Malaysia's highest priorities.

Efforts to expose the public sector to international best practices have long been a priority for the Government. The first such programme was launched in 1992 with attachment programmes to international bodies, such as the World Bank and UNESCO. In 2009, a cross-fertilisation programme was established with GLCs with participation of 37 individuals from 9 GLCs and 10 agencies within the Government. During the Plan period, this cross-fertilisation programme will be expanded and enhanced to allow for one to two years of mobility between the public sector, GLCs and the private sector.

Designing flexible schemes

Recognising the need for talent with deep content knowledge as well as breadth of experience, the public service will introduce schemes of service that will ensure that both content specialists and generalists are provided with competitive career progression tracks, depending on performance and personal preferences. The public service today has a wealth of highly qualified individuals, from PhD holders to those with deep practical experience. The Government will implement measures to optimise the usage of these talents, matching placements within the service to their qualifications and preferences. The Government will also consider opening up more senior positions to enable them to be filled by a broader range of candidates, from both within and outside the public service.

Schemes of service will be rationalised and new service schemes created to reflect changing job descriptions and the new skills required. To create a more adaptable workforce, individuals should be trained to carry out a variety of roles and functions. To support this, a study on multi-skilling requirements will be undertaken. As part of this, entry into the public service will be possible at multiple entry points for the administrative service to allow for lateral hires from the private sector or from the other services. To support existing personnel to move to higher skilled positions and also take advantage of these opportunities, skills training programmes for existing personnel will be enhanced.

Realigning capacity-building programmes

Training programmes will be reviewed and aligned with personalised on-the-job needs. Individuals will be provided with greater flexibility in choice, content and location of in-service training programmes. The Government will establish a world-class civil service college, leveraging on existing physical facilities. This college will be staffed with top local and global faculty and its curriculum will be tailored to the needs of the changing role of government.

CONCLUSION

The public sector must transform to effectively respond to a rapidly evolving global environment. Four key principles will underpin the transformation, namely a culture of creativity and innovation, speed of decision-making and execution, value-for-money and integrity. As challenges and opportunities will increasingly transcend traditional boundaries, a whole-of-government approach will be deployed, where inter-agency collaboration and working across federal, state, and local levels as an integrated government, will be adopted to ensure cross-cutting issues are addressed.

Public sector reforms will be customer-oriented, with delivery systems and interfaces improved and centred around people and businesses. To enable greater speed of decision-making and execution, greater empowerment will be provided to selected agencies tied to increased accountability and capability. Further, greater autonomy will be provided to operating agencies, such as universities and hospitals to increase responsiveness to the customer. To enhance delivery, competition and market mechanisms will increasingly be introduced, such as league tables for police stations and schools and demand-side financing for universities and training institutions.

An outcome-based approach will be adopted for planning, resource allocation, monitoring and evaluation. This focus on outcomes will allow for more effective resource management and therefore greater value-for-money in terms of public expenditure. To ensure accountability, KPIs to measure outcomes will be attributed to individuals and their KPIs will be regularly monitored. The Government will also focus on improving its fiscal position during the Plan period, broadening the tax base through more effective collection, achieving productivity gains in the public sector by consolidating infrastructure requirements and introducing shared services as well as driving efficiencies in procurement and ICT management.

The Government will focus on being a facilitator that provides an enabling environment for the private sector through effective policies and regulations. In tandem with this, the participation of the private sector via outsourcing, PPPs and privatisation, will be enhanced in the delivery of public services. There will also be a fundamental shift in public sector expenditure towards soft infrastructure rather than physical infrastructure, particularly on upskilling programmes, R&D, venture capital funding and other enablers of innovation. The Government will also increasingly shift from building infrastructure and operating public services towards buying services from the private sector.

The new structure of the Government will require some existing government organisations,

particularly those with overlapping or redundant functions, to be rationalised. Organisations focused on national priorities will be strengthened and talent in the public service will continue to be developed.

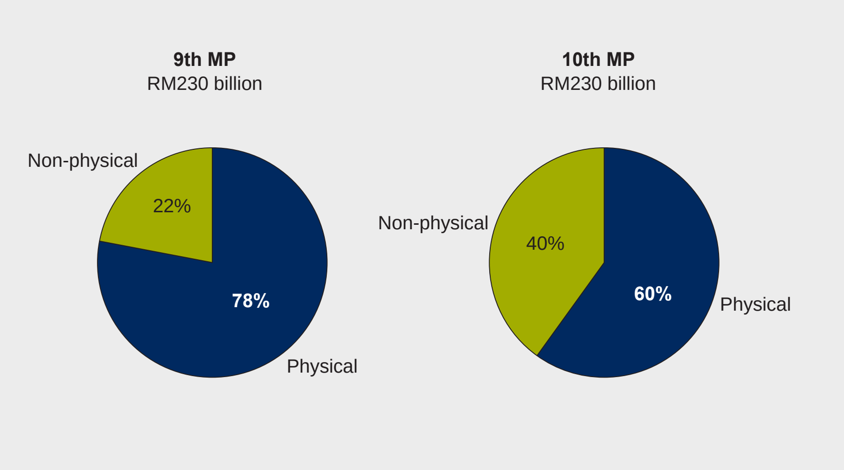
The implementation of these measures will contribute to making the aspiration of an innovative, speedy and prudent government that delivers with integrity, a reality.

FEDERAL GOVERNMENT DEVELOPMENT ALLOCATION

FEDERAL GOVERNMENT DEVELOPMENT ALLOCATION

Chart FGA-1

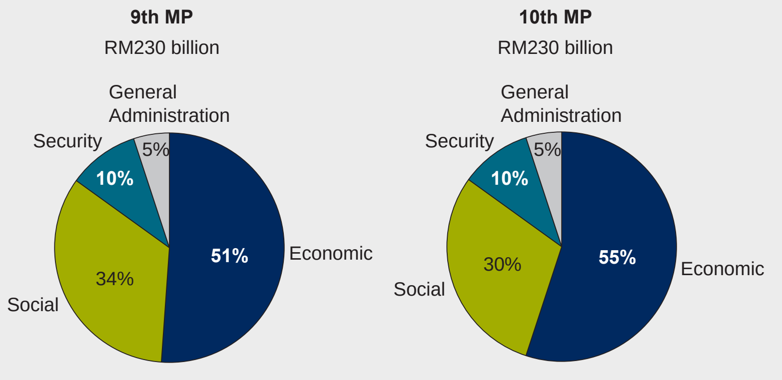
Federal Government Development Allocation by Physical and Non-Physical, Share to Total (%)



SOURCE: Economic Planning Unit

Chart FGA-2

Federal Government Development Allocation by Sector,
Share to Total (%)



SOURCE: Economic Planning Unit

APPENDICES

10

APPENDICES

APPENDIX 1: STATISTICAL TABLES

APPENDIX 2: PROGRESS AND ACHIEVEMENTS OF NINTH MALAYSIA PLAN, 2006-2010

Appendix 1:
Table 1
Ninth Malaysia Plan: Key Economic Indicators, 2006-2010

Item	9th MP			
	Target	Estimate	Actual	Estimate
	2006-2010	2006-2010	2006-2008	2009-2010
Real GDP (% growth p.a.)	**6.0**	**4.2**	**5.7**	**2.0**
Per Capita Income (in current prices)[1]				
RM	29,711	26,420	25,866	26,420
US$	9,285	8,256	7,760	8,256
Purchasing Power Parity (US$)	18,439	13,977	13,740	13,977
Demand Side (% growth p.a.)				
Domestic Aggregate Demand	7.9	5.6	7.7	2.5
Private Expenditure	8.4	5.7	8.4	1.7
Consumption	8.0	6.5	8.6	3.3
Investment	9.8	2.0	7.6	-5.9
Public Expenditure	6.7	5.4	5.8	4.8
Consumption	6.2	4.8	7.4	1.0
Investment	7.0	6.2	3.8	9.8
External Sector				
Exports of Goods and Services	4.8	1.8	4.1	-1.4
Imports of Goods and Services	6.4	2.8	5.4	-0.9
Supply Side (% growth p.a.)				
Agriculture	4.1	3.0	3.6	2.1
Mining and Quarrying	2.1	-0.5	-0.5	-0.4
Manufacturing	4.1	1.3	3.6	-1.9
Construction	4.3	4.4	3.7	5.4
Services	8.2	6.8	8.3	4.6

Item	9th MP			
	Target	Estimate	Actual	Estimate
	2006-2010	2006-2010	2006-2008	2009-2010
External Trade (% growth p.a.)				
Gross Exports	*7.4*	*3.2*	*7.4*	*-2.7*
Gross Imports	*9.1*	*2.8*	*6.4*	*-2.3*
Balance of Payments (RM billion)[2]				
Goods	134.1	145.0	170.6	145.0
Services	3.8	1.3	0.2	1.3
Income	-21.4	-19.9	-23.7	-19.9
Current Account Balance	95.7	109.2	129.5	109.2
% to GNI	*11.4*	*14.6*	*18.1*	*14.6*
Savings (% to GNI)	***37.6***	***36.3***	***38.2***	***33.8***
Federal Government Deficit (RM billion)[1]	**-27.9**	**-40.3**	**-35.6**	**-40.3**
% to GDP	*-3.2*	*-5.3*	*-4.8*	*-5.3*
Consumer Price Index (% p.a.)	***3.0***	***2.8***	***3.7***	***1.4***
Producer Price Index (% p.a.)	**-**	***3.4***	***6.2***	***-0.6***
Labour and Employment				
Labour Force ('000)[1]	12,407	12,217	11,968	12,217
Employment ('000)[1]	12,023	11,775	11,577	11,775
Unemployment Rate (%)	*3.1*	*3.6*	*3.3*	*3.6*

Note : 1 end period
2 end period, net
SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 2
World Economic Outlook, 2006-2015

Item	Growth Rate (%)					Average Annual Growth Rate (%)	
	2006	2007	2008	2009	2010	2006-2010	2011-2015
World Output	**5.1**	**5.2**	**3.0**	**-0.6**	**4.2**	**3.4**	**4.5**
Advanced Economies	3.0	2.8	0.5	-3.2	2.3	1.1	2.4
Emerging Economies and Developing Countries	7.9	8.3	6.1	2.4	6.3	6.2	6.6
World Trade Volume	**8.8**	**7.2**	**2.8**	**-10.7**	**7.0**	**2.8**	**6.7**
Imports							
Advanced Economies	7.6	4.7	0.6	-12.0	5.4	1.0	5.2
Emerging Economies and Developing Countries	10.9	12.7	8.5	-8.4	9.7	6.4	9.0
Exports							
Advanced Economies	8.6	6.3	1.9	-11.7	6.6	2.1	5.3
Emerging Economies and Developing Countries	10.4	9.7	4.0	-8.2	8.3	4.6	8.8
World Prices							
Manufactures	3.7	8.7	8.5	-6.9	2.7	3.2	1.4
Non-fuel Primary Commodities	23.2	14.1	7.5	-18.7	13.9	7.0	-1.2
Oil Per Barrel (US$)[1]	69.6	78.2	125.0	60.5	74.5	81.6	90.0
Growth (%)	19.0	12.4	59.8	-51.6	23.1	5.0	2.6
Consumer Prices							
Advanced Economies	2.4	2.2	3.4	0.1	1.5	1.9	1.8
Emerging Economies and Developing Countries	5.6	6.5	9.2	5.2	6.2	6.5	4.1

Note : 1 West Texas Intermediate crude oil prices
SOURCE : World Economic Outlook, April 2010, International Monetary Fund, Bloomberg and various sources

Table 3
Contribution of Factors of Production, 2006-2015

Item	9th MP				10th MP	
	Original Target		Achieved		Target	
	Contribution to Growth (%)	Share of GDP (%)	Contribution to Growth (%)	Share of GDP (%)	Contribution to Growth (%)	Share of GDP (%)
Real GDP	**6.0**	**100.0**	**4.2**	**100.0**	**6.0**	**100.0**
TFP[1]	2.2	36.2	1.5	34.7	2.3	38.5
Capital	2.1	35.7	1.4	34.5	2.3	37.5
Labour	1.7	28.1	1.3	30.8	1.4	24.0

Note : 1 Total Factor Productivity (TFP) is estimated using the Cobb-Douglas production function by subtracting from total growth, the portion which is accounted for by increases in labour and capital

SOURCE : Economic Planning Unit

Table 4
Gross National Income by Category, 2006-2015

Item	RM million (in current with 2000 prices in italics)							Average Annual Growth Rate (%)	
	Actual				Estimate	Target		Estimate	Target
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
Private Expenditure	320,419	369,617	414,513	404,049	440,080	545,449	768,594	*8.9*	*11.8*
	286,486	*318,076*	*340,411*	*331,364*	*351,906*	*411,605*	*531,571*	5.7	8.6
Consumption	258,280	293,040	334,712	338,894	367,629	448,964	615,330	*9.4*	*10.9*
	230,948	*255,263*	*276,998*	*278,872*	*295,716*	*341,072*	*429,039*	6.5	7.7
Investment	62,139	76,577	79,801	65,155	72,452	96,484	153,264	*6.2*	*16.2*
	55,538	*62,813*	*63,413*	*52,492*	*56,190*	*70,532*	*102,532*	2.0	12.8
Public Expenditure	125,683	140,212	157,365	167,588	177,811	200,993	245,698	*8.5*	*6.7*
	112,544	*119,319*	*126,603*	*133,175*	*139,122*	*151,959*	*176,424*	5.4	4.9
Consumption	68,609	78,396	92,531	95,918	95,750	107,393	130,270	*8.2*	*6.4*
	61,332	*65,381*	*72,406*	*74,669*	*73,800*	*80,346*	*93,204*	4.8	4.8
Investment	57,074	61,816	64,834	71,670	82,061	93,599	115,427	*8.9*	*7.1*
	51,212	*53,938*	*54,197*	*58,506*	*65,321*	*71,613*	*83,220*	6.2	5.0
Change in Stocks	-1,722	10	-1,685	-38,358	2,157	1,557	-708	-	-
	257	*-770*	*-4,324*	*-14,289*	*1,435*	*996*	*-427*	-	-

Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual				Estimate	Target		Estimate	Target
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
Exports of Goods and Services	669,505	706,382	765,370	655,336	732,030	884,151	1,183,588	*3.6*	*10.1*
	590,784	*614,815*	*624,605*	*559,537*	*606,815*	*694,885*	*858,768*	*1.8*	*7.2*
Imports of Goods and Services	539,443	574,172	594,655	508,927	585,775	720,575	1,007,450	*3.4*	*11.5*
	514,544	*545,099*	*557,114*	*488,691*	*547,163*	*638,898*	*826,087*	*2.8*	*8.6*
Gross Domestic Product at Purchasers' Prices	**574,441**	**642,049**	**740,907**	**679,687**	**766,303**	**911,574**	**1,189,722**	**8.0**	**9.2**
	475,526	***506,341***	***530,181***	***521,095***	***552,115***	***620,547***	***740,250***	***4.2***	***6.0***
Net factor payments	-17,294	-13,984	-23,707	-14,639	-19,918	-24,255	-33,117	-	-
	-20,517	*-23,373*	*-36,989*	*-22,689*	*-25,139*	*-23,768*	*-23,594*	-	-
Gross National Income (GNI) at Purchasers' Prices	**557,146**	**628,065**	**717,200**	**665,048**	**746,385**	**887,320**	**1,156,605**	**8.4**	**9.2**
	455,009	***482,968***	***493,192***	***498,406***	***526,975***	***596,780***	***716,655***	***4.4***	***6.3***
Per Capita Income (in current prices)									
RM	20,914	23,113	25,866	23,841	26,420	30,751	38,845	*6.7*	*8.0*
US$	5,701	6,724	7,760	6,764	8,256	9,610	12,139	*10.4*	*8.0*
Resource Balance Position (% to GNI)									
Savings	*38.3*	*38.3*	*38.0*	*31.7*	*35.6*	*35.1*	*33.7*	*36.3*	*34.5*
Investment	*21.1*	*22.0*	*19.9*	*14.8*	*21.0*	*21.6*	*23.2*	*19.7*	*22.2*
Resource Balance	*17.2*	*16.3*	*18.1*	*16.9*	*14.6*	*13.5*	*10.5*	*16.6*	*12.3*

SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 5
Gross Domestic Product by Kind of Economic Activity (Sector), 2006-2015

Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual				Estimate	Target		Estimate	Target
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
Agriculture, Forestry, Livestock and Fishing	37,701	38,177	39,828	39,992	41,497	44,212	48,812	3.0	3.3
Mining and Quarrying	42,030	42,881	41,831	40,246	41,522	42,093	43,875	-0.5	1.1
Manufacturing	147,154	151,257	153,171	138,809	147,406	165,885	194,823	1.3	5.7
Construction	14,640	15,707	16,366	17,321	18,187	19,775	21,818	4.4	3.7
Services	247,099	272,406	292,555	300,154	320,089	366,704	452,221	6.8	7.2
Electricity, Gas and Water	14,523	15,106	15,430	15,488	16,142	17,559	19,750	3.1	4.1
Wholesale & Retail Trade, Accommodation and Restaurants	65,492	74,380	81,351	82,505	88,882	103,857	132,367	7.7	8.3
Transport, Storage and Communications	35,185	38,191	40,743	41,379	44,330	51,152	63,752	6.2	7.5
Finance, Insurance, Real Estate and Business Services	71,253	80,893	85,903	89,530	96,094	112,659	143,295	8.0	8.3
Government Services	33,412	35,099	38,875	39,671	41,318	44,143	48,873	6.3	3.4
Other Services	27,234	28,737	30,252	31,580	33,322	37,333	44,184	5.0	5.8
Less : Undistributed FISIM[1]	18,385	19,607	20,410	21,872	23,436	25,794	30,538	5.7	5.4
Plus : Import Duties	5,287	5,521	6,839	6,445	6,850	7,673	9,238	2.6	6.2
Gross Domestic Product at Purchasers' Prices	**475,526**	**506,341**	**530,181**	**521,095**	**552,115**	**620,547**	**740,250**	**4.2**	**6.0**

Note : 1 FISIM - Financial intermediation services indirectly measured

SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 6
Gross Domestic Product for States by Kind of Economic Activity (Sector), 2006-2015

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			Estimate		Forecast		Estimate	Forecast
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
JOHOR									
Agriculture	4,939	4,705	5,344	5,385	5,496	5,846	6,308	*3.7*	*2.8*
Mining and Quarrying	56	59	64	64	52	59	62	*-2.5*	*3.6*
Construction	1,427	1,412	1,389	1,877	1,954	2,125	2,384	*5.2*	*4.1*
Manufacturing	18,018	18,109	17,285	16,224	17,891	20,700	23,934	*0.5*	*6.0*
Services	21,468	23,198	25,002	27,125	29,119	33,767	41,404	*7.7*	*7.3*
Total	**46,608**	**48,316**	**50,041**	**48,868**	**51,714**	**58,230**	**69,293**	**3.2**	**6.0**
Growth (%)	*5.3*	*3.7*	*3.6*	*-2.3*	*5.8*	*6.4*	*5.5*		
KEDAH									
Agriculture	1,556	1,729	1,824	1,675	1,728	1,870	2,260	*4.1*	*5.5*
Mining and Quarrying	22	25	25	25	27	28	29	*3.0*	*1.3*
Construction	427	474	503	559	591	676	750	*5.4*	*4.9*
Manufacturing	6,420	7,136	6,342	5,998	6,804	7,845	9,133	*2.8*	*6.1*
Services	8,152	8,682	9,356	10,192	10,919	12,394	15,229	*7.6*	*6.9*
Total	**16,684**	**18,142**	**18,153**	**18,001**	**19,492**	**22,187**	**26,859**	**4.7**	**6.6**
Growth (%)	*7.8*	*8.7*	*0.1*	*-0.8*	*8.3*	*7.0*	*4.6*		

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			Estimate		Forecast		Estimate	Forecast
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
KELANTAN									
Agriculture	1,625	1,880	1,913	1,839	1,804	1,996	2,340	*4.5*	*5.3*
Mining and Quarrying	14	16	16	16	13	15	16	*-5.1*	*4.6*
Construction	144	129	138	180	189	205	239	*4.7*	*4.9*
Manufacturing	353	369	400	405	417	456	525	*1.8*	*4.7*
Services	5,874	6,263	6,788	7,383	7,846	8,963	11,136	*7.2*	*7.3*
Total	**8,020**	**8,672**	**9,273**	**9,281**	**9,759**	**11,144**	**13,263**	**5.3**	**6.3**
Growth (%)	*6.4*	*8.1*	*6.9*	*0.1*	*5.1*	*6.9*	*4.6*		
MELAKA									
Agriculture	514	561	658	600	591	635	699	*6.4*	*3.4*
Mining and Quarrying	9	10	10	10	9	9	9	*-2.3*	*0.8*
Construction	252	372	389	335	351	392	449	*5.2*	*5.0*
Manufacturing	6,699	6,857	6,895	6,576	7,002	7,931	9,238	*2.7*	*5.7*
Services	5,599	6,075	6,425	6,935	7,485	8,599	10,512	*7.5*	*7.0*
Total	**13,091**	**13,883**	**14,385**	**14,327**	**15,332**	**17,454**	**20,846**	**4.9**	**6.3**
Growth (%)	*8.5*	*6.1*	*3.6*	*-0.4*	*7.0*	*5.8*	*5.9*		

State/Item	*RM million (in constant 2000 prices)*							*Average Annual Growth Rate (%)*	
	Actual			*Estimate*		*Forecast*		*Estimate*	*Forecast*
								9th MP	*10th MP*
	2006	*2007*	*2008*	*2009*	*2010*	*2012*	*2015*	*2006-2010*	*2011-2015*
NEGERI SEMBILAN									
Agriculture	1,226	1,187	1,222	1,292	1,361	1,452	1,590	*4.2*	*3.2*
Mining and Quarrying	17	19	19	19	14	15	17	*-5.0*	*4.6*
Construction	370	385	421	485	508	557	619	*6.2*	*4.0*
Manufacturing	9,443	9,781	9,848	9,338	9,963	11,291	12,990	*3.2*	*5.4*
Services	6,637	7,238	7,792	8,449	8,886	9,981	12,143	*7.6*	*6.4*
Total	**17,744**	**18,653**	**19,353**	**19,101**	**20,605**	**23,719**	**28,463**	***4.9***	***6.7***
Growth (%)	*9.2*	*5.1*	*3.8*	*-1.3*	*7.9*	*7.4*	*5.8*		
PAHANG									
Agriculture	4,214	3,849	4,011	4,309	4,609	4,916	5,514	*3.2*	*3.7*
Mining and Quarrying	27	37	34	34	25	28	32	*-6.2*	*5.2*
Construction	460	456	502	599	628	684	751	*6.3*	*3.6*
Manufacturing	7,064	7,009	7,309	7,016	7,290	8,185	9,973	*2.6*	*6.5*
Services	10,411	11,421	12,358	13,140	13,959	15,781	19,135	*7.3*	*6.5*
Total	**22,182**	**22,777**	**24,217**	**23,852**	**25,209**	**28,579**	**34,379**	***4.1***	***6.4***
Growth (%)	*7.3*	*2.7*	*6.3*	*-1.5*	*5.7*	*6.8*	*5.3*		

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			*Estimate*		*Forecast*		*Estimate*	*Forecast*
								9th MP	*10th MP*
	2006	*2007*	*2008*	*2009*	*2010*	*2012*	*2015*	*2006-2010*	*2011-2015*
PERAK									
Agriculture	3,733	3,873	3,876	3,944	4,146	4,490	5,035	*2.9*	*4.0*
Mining and Quarrying	79	87	86	85	76	84	90	*0.2*	*3.3*
Construction	565	425	448	642	680	739	777	*3.0*	*2.7*
Manufacturing	5,348	5,481	5,765	5,565	5,861	6,490	7,658	*4.3*	*5.5*
Services	15,777	17,042	18,322	19,915	21,220	24,238	30,568	*7.3*	*7.6*
Total	**25,526**	**26,931**	**28,518**	**28,375**	**29,935**	**34,136**	**41,000**	***4.6***	***6.5***
Growth (%)	*6.7*	*5.5*	*5.9*	*-0.5*	*5.5*	*7.4*	*5.9*		
PERLIS									
Agriculture	710	823	830	757	778	871	1,042	*4.3*	*6.0*
Mining and Quarrying	16	18	19	19	16	18	18	*-0.8*	*3.1*
Construction	69	66	64	95	100	110	129	*7.1*	*5.4*
Manufacturing	323	301	328	333	349	367	469	*1.2*	*6.1*
Services	1,393	1,494	1,593	1,703	1,780	2,028	2,512	*5.8*	*7.1*
Total	**2,630**	**2,805**	**2,890**	**2,920**	**3,011**	**3,350**	**3,940**	***3.3***	***5.5***
Growth (%)	*2.7*	*6.6*	*3.0*	*1.0*	*3.1*	*4.3*	*6.6*		

State/Item	*RM million (in constant 2000 prices)*							*Average Annual Growth Rate (%)*	
	Actual			*Estimate*		*Forecast*		*Estimate*	*Forecast*
								9th MP	*10th MP*
	2006	*2007*	*2008*	*2009*	*2010*	*2012*	*2015*	*2006-2010*	*2011-2015*
PULAU PINANG									
Agriculture	786	799	824	840	870	933	1,046	*4.1*	*3.8*
Mining and Quarrying	12	13	13	13	11	11	13	*-2.5*	*3.4*
Construction	669	730	764	878	922	1,046	1,154	*5.7*	*4.6*
Manufacturing	23,425	24,227	25,072	23,472	24,712	27,651	32,873	*3.7*	*5.9*
Services	16,545	18,576	19,717	20,937	22,376	26,001	32,633	*7.6*	*7.8*
Total	**41,721**	**44,608**	**46,744**	**45,868**	**49,510**	**55,816**	**66,170**	**5.6**	**6.0**
Growth (%)	*10.4*	*6.9*	*4.8*	*-1.9*	*7.9*	*6.3*	*4.9*		
SABAH									
Agriculture	7,618	7,957	7,810	8,126	8,498	9,054	9,878	*2.7*	*3.1*
Mining and Quarrying	2,797	2,286	4,312	4,186	4,566	4,946	5,641	*10.9*	*4.3*
Construction	583	422	409	765	804	855	918	*8.4*	*2.7*
Manufacturing	2,517	2,562	2,613	2,607	2,829	3,034	3,731	*3.3*	*5.7*
Services	12,965	14,333	14,529	15,505	16,869	20,061	24,363	*6.8*	*7.6*
Total	**26,563**	**27,679**	**29,827**	**29,616**	**31,389**	**36,415**	**43,078**	**4.4**	**6.5**
Growth (%)	*5.1*	*4.2*	*7.8*	*-0.7*	*6.0*	*7.6*	*3.6*		

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			Estimate		Forecast		Estimate	Forecast
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
SARAWAK									
Agriculture	7,472	7,599	7,715	7,993	8,331	8,729	9,331	*1.8*	*2.3*
Mining and Quarrying	9,295	10,153	9,689	9,208	9,490	9,575	10,598	*1.2*	*2.2*
Construction	916	1,061	983	1,200	1,262	1,451	1,579	*6.9*	*4.6*
Manufacturing	13,429	13,997	13,865	13,512	14,483	16,101	18,831	*3.3*	*5.4*
Services	14,506	15,726	17,015	18,302	19,525	22,394	27,242	*7.0*	*6.9*
Total	**45,750**	**48,702**	**49,485**	**49,641**	**53,448**	**61,033**	**72,445**	***4.0***	***6.3***
Growth (%)	*4.3*	*6.5*	*1.6*	*0.3*	*7.7*	*6.6*	*5.6*		
SELANGOR									
Agriculture	1,605	1,513	1,783	1,737	1,762	1,828	1,981	*5.9*	*2.4*
Mining and Quarrying	153	158	160	155	146	155	158	*0.0*	*1.5*
Construction	4,680	5,188	5,255	6,260	6,581	7,055	7,740	*7.0*	*3.3*
Manufacturing	37,759	38,298	40,125	37,801	39,159	43,754	52,044	*0.9*	*5.9*
Services	53,243	59,643	65,543	69,858	73,024	82,287	103,043	*8.6*	*7.1*
Total	**100,529**	**107,880**	**116,883**	**113,999**	**120,186**	**131,491**	**157,932**	***4.6***	***5.6***
Growth (%)	*4.7*	*7.3*	*8.3*	*-2.5*	*5.4*	*4.2*	*7.2*		

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			Estimate		Forecast		Estimate	Forecast
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
TERENGGANU									
Agriculture	1,254	1,238	1,446	1,362	1,387	1,446	1,627	*3.7*	*3.2*
Mining and Quarrying	16	15	17	19	16	17	18	*-3.5*	*2.9*
Construction	414	533	500	541	567	703	783	*8.5*	*6.7*
Manufacturing	4,442	4,790	4,741	4,559	4,961	5,517	6,042	*4.1*	*4.0*
Services	7,163	7,598	7,978	8,564	9,116	10,026	12,073	*6.0*	*5.8*
Total	**13,300**	**14,199**	**14,715**	**14,515**	**14,762**	**16,693**	**19,436**	***3.5***	***5.7***
Growth (%)	*7.0*	*6.8*	*3.6*	*-1.4*	*1.7*	*7.0*	*6.3*		
WP KUALA LUMPUR									
Agriculture	32	42	38	34	36	38	44	*-2.5*	*4.5*
Mining and Quarrying	24	27	27	27	24	22	24	*-1.3*	*-0.1*
Construction	2,190	2,126	2,243	2,880	3,025	3,149	3,513	*6.8*	*3.0*
Manufacturing	4,475	4,871	4,994	4,950	5,078	5,541	6,447	*3.5*	*4.9*
Services	56,153	61,644	65,405	70,377	76,085	87,967	107,360	*8.1*	*7.1*
Total	**63,515**	**69,442**	**73,536**	**73,842**	**77,389**	**86,867**	**105,654**	***5.7***	***6.4***
Growth (%)	*8.2*	*9.3*	*5.9*	*0.4*	*4.8*	*6.8*	*6.7*		

State/Item	RM million (in constant 2000 prices)							Average Annual Growth Rate (%)	
	Actual			Estimate		Forecast		Estimate	Forecast
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
WP LABUAN									
Agriculture	92	92	100	100	102	108	119	*9.0*	*3.0*
Mining and Quarrying	-	-	-	-	-	-	-	-	-
Construction	17	12	13	25	26	29	34	*8.4*	*5.5*
Manufacturing	693	634	456	453	580	639	715	*4.7*	*4.3*
Services	1,394	1,565	1,688	1,769	1,881	2,216	2,870	*3.9*	*8.8*
Total	**2,207**	**2,314**	**2,273**	**2,277**	**2,498**	**2,873**	**3,351**	***3.4***	***6.0***
Growth (%)	*4.6*	*4.9*	*-1.8*	*0.2*	*9.7*	*6.9*	*2.9*		

Note : Excludes import duties and undistributed financial intermediation services indirectly measured (FISIM)
SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 7
Balance of Payments, 2006-2015

Item	RM million						
	Actual				Estimate	Forecast	
	2006	2007	2008	2009	2010	2012	2015
Goods and Services	**130,062**	**132,209**	**170,715**	**146,409**	**146,255**	**163,576**	**176,138**
Goods	**137,292**	**129,488**	**170,552**	**141,745**	**144,993**	**160,238**	**169,321**
Exports	590,018	605,175	664,325	554,067	627,960	766,412	1,038,504
Imports	452,726	475,687	493,773	412,322	482,967	606,174	869,183
Services	**-7,230**	**2,722**	**163**	**4,664**	**1,262**	**3,338**	**6,817**
Transportation	-19,731	-13,032	-15,400	-17,034	-19,392	-19,895	-21,019
Travel	22,633	29,052	28,515	32,704	31,753	34,502	40,001
Other Services	-9,693	-12,939	-12,376	-10,399	-11,044	-11,262	-12,114
Government Transactions n.i.e.[1]	-440	-359	-576	-607	-54	-7	-51
Income	**-17,294**	**-13,984**	**-23,707**	**-14,639**	**-19,918**	**-24,255**	**-33,117**
Compensation of Employees	-306	-622	-731	-1,491	-2,045	-3,092	-4,382
Investment Income	-16,988	-13,362	-22,977	-13,148	-17,874	-21,163	-28,735
Current Transfers	**-16,739**	**-16,035**	**-17,495**	**-19,631**	**-17,111**	**-19,475**	**-21,322**
Current Account Balance	**96,030**	**102,190**	**129,513**	**112,139**	**109,226**	**119,846**	**121,700**
% to GNI	*17.2*	*16.0*	*18.1*	*16.8*	*14.6*	*13.5*	*10.5*
Capital Account	**-264**	**-186**	**592**	**-161**	**-**	**-**	**-**
Financial Account	**-43,182**	**-38,954**	**-118,501**	**-80,208**	**-**	**-**	**-**
Direct Investment	144	-9,348	-26,058	-22,908	-	-	-
Abroad	-22,086	-38,892	-50,192	-27,948	-	-	-
In Malaysia	22,230	29,545	24,134	5,040	-	-	-
Portfolio Investment	12,786	18,384	-84,377	764	-	-	-
Other Investment	-56,112	-47,991	-8,066	-58,064	-	-	-
Official Sector	-8,018	-5,787	852	6,556	-	-	-
Private Sector	-48,094	-42,203	-8,918	-64,620	-	-	-
Balance on Capital and Financial Account	-43,446	-39,140	-117,909	-80,369	-	-	-
Errors and Omissions	-27,427	-17,754	-29,854	-17,939	-	-	-
Overall Balance	**25,158**	**45,296**	**-18,249**	**13,831**	**-**	**-**	**-**
BNM International Reserves, Net	290,399	335,695	317,445	331,277	-	-	-
Months of Retained Imports	7.8	8.4	7.6	9.7	-	-	-

Notes : As at May 27th, 2010
[1] n.i.e.-not included elsewhere
Source : Economic Planning Unit and Department of Statistics Malaysia

Table 8
Federal Government Financial Position, 2006-2015

Item	RM billion							Average Annual Growth Rate (%)	
	Actual				Estimate	Target		Estimate	Target
								9th MP	10th MP
	2006	2007	2008	2009	2010	2012	2015	2006-2010	2011-2015
Revenue	**123.5**	**139.9**	**159.8**	**158.6**	**160.9**	**176.5**	**216.7**	***8.6***	***6.1***
Direct Taxes	61.6	69.4	82.1	78.4	80.3	90.0	114.7	*8.5*	*7.4*
Indirect Taxes	25.1	25.8	30.8	28.1	29.7	34.2	42.8	*1.9*	*7.6*
Non-Tax Revenue	36.0	44.0	45.9	50.8	50.0	51.4	57.9	*14.8*	*3.0*
Non-Revenue Receipt	0.9	0.8	1.0	1.3	0.8	0.9	1.2	*4.9*	*7.0*
Operating Expenditure	**107.7**	**123.1**	**153.5**	**157.1**	**147.5**	**165.4**	**204.6**	***8.6***	***6.8***
Emolument	28.5	32.6	41.0	42.8	43.2	49.6	62.5	*11.1*	*7.7*
Supplies and Services	20.9	23.6	25.2	26.4	23.4	27.1	37.3	*5.4*	*9.8*
Pensions and Gratuities	7.0	8.3	10.0	10.1	10.8	12.4	15.5	*9.7*	*7.5*
Debt Service Charges	12.5	12.9	12.8	14.2	15.9	19.7	24.9	*6.5*	*9.4*
Grants and Transfers[1]	12.0	14.6	16.9	18.7	16.5	18.6	22.6	*8.6*	*6.5*
Subsidies	10.1	10.5	29.9	13.5	18.3	15.9	15.7	*6.4*	*-3.1*
Other Expenditure[2]	16.6	20.6	17.7	31.3	19.5	22.1	26.2	*11.2*	*6.1*
Current Account Surplus	**15.9**	**16.8**	**6.3**	**1.6**	**13.3**	**11.1**	**12.0**	**-**	**-**
% to GDP	*2.8*	*2.6*	*0.8*	*0.2*	*1.7*	*1.2*	*1.0*	-	-
Gross Development Expenditure	**35.8**	**40.6**	**42.8**	**49.5**	**54.2**	**47.2**	**46.5**	**-**	**-**
Overall Deficit	**-19.1**	**-20.7**	**-35.6**	**-47.4**	**-40.3**	**-35.1**	**-33.4**	**-**	**-**
% to GDP	*-3.3*	*-3.2*	*-4.8*	*-7.0*	*-5.3*	*-3.8*	*-2.8*	-	-
Total Debt	**242.2**	**266.7**	**306.4**	**362.4**	**405.1**	**483.1**	**593.9**	**-**	**-**
% to GDP	*42.2*	*41.5*	*41.4*	*53.3*	*52.9*	*53.0*	*49.9*	-	-
Domestic	217.2	247.1	286.1	348.6	390.9	461.6	562.2	-	-
Foreign	25.0	19.6	20.3	13.8	14.3	21.5	31.7	-	-

Note : 1 Includes grants and transfers to state governments and grants to statutory bodies

2 Includes scholarships and educational aid; operating grants to primary and secondary schools; asset acquisition; refunds and write-offs; and other expenditures not classified

SOURCE : Economic Planning Unit and Ministry of Finance

Table 9
Consolidated Public Sector Account, 2006-2015

Item	RM billion						
	Actual				Estimate	Target	
	2006	2007	2008	2009	2010	2012	2015
General Government[1]							
Revenue	102.0	110.7	128.4	121.2	123.0	152.7	183.1
Operating Expenditure	117.7	135.0	165.0	172.5	166.0	178.9	216.7
Current Deficit	-15.8	-24.3	-36.7	-51.3	-43.0	-26.2	-33.6
NFPEs Current Surplus	100.7	130.1	119.4	143.4	143.8	166.1	188.7
Public Sector Current Surplus	**84.9**	**105.8**	**82.7**	**92.1**	**100.8**	**140.0**	**155.1**
Development Expenditure	**86.5**	**96.3**	**124.4**	**118.0**	**115.5**	**126.4**	**142.4**
General Government	40.8	44.7	50.5	52.2	57.2	64.3	63.9
NFPEs	45.7	51.6	73.8	65.8	58.3	62.1	78.5
Overall Public Sector Surplus/Deficit	**-1.6**	**9.4**	**-41.7**	**-25.9**	**-14.7**	**13.5**	**12.7**
% to GDP	*-0.3*	*1.5*	*-5.6*	*-3.8*	*-1.9*	*1.5*	*1.1*

Note : 1 General Government comprises the Federal Government, State Governments, Local Authorities and Statutory Bodies

SOURCE : Economic Planning Unit and Ministry of Finance

Table 10
Population Size and Age Structure, 2006-2015

Item	*Population (million persons)*							
	2006	*%*	*2007*	*%*	*2008*	*%*	*2009*	*%*
Total Population	**26.8**		**27.2**		**27.5**		**27.9**	
Citizens	**24.3**	***100.0***	**24.7**	***100.0***	**25.0**	***100.0***	**25.4**	***100.0***
Bumiputera	16.0	*65.6*	16.2	*65.6*	16.5	*66.0*	16.8	*66.1*
Chinese	6.2	*25.5*	6.3	*25.5*	6.3	*25.2*	6.4	*25.2*
Indian	1.8	*7.6*	1.9	*7.6*	1.9	*7.6*	1.9	*7.5*
Others	0.3	*1.3*	0.3	*1.3*	0.3	*1.2*	0.3	*1.2*
Non-Citizens	**2.5**		**2.5**		**2.5**		**2.5**	
Age Structure								
0 - 14	7.8	*29.2*	7.8	*28.7*	7.8	*28.2*	7.7	*27.7*
15 - 64	17.8	*66.5*	18.2	*66.9*	18.5	*67.3*	18.9	*67.7*
65 and above	1.2	*4.3*	1.2	*4.4*	1.2	*4.5*	1.3	*4.6*
Dependency Ratio (%)	***50.3***		***49.4***		***48.5***		***47.7***	
Median Age (years)	**26.1**		**26.5**		**26.8**		**27.1**	
Total Fertility Rate (%)	***2.3***		***2.3***		***2.2***		***2.2***	
Malay	*2.8*		*2.8*		*2.7*		*2.7*	
Other Bumiputera	*2.4*		*2.4*		*2.3*		*2.3*	
Chinese	*1.8*		*1.8*		*1.8*		*1.8*	
Indian	*1.9*		*1.9*		*1.9*		*1.8*	
Rural (%)	***37.1***		***37.0***		***36.8***		***36.7***	
Urban (%)	***62.9***		***63.0***		***63.2***		***63.3***	

Item	Population (million persons)						Average Annual Growth Rate (%)	
							9th MP	10th MP
	2010	%	2012	%	2015	%	2006-2010	2011-2015
Total Population	**28.3**		**28.9**		**29.8**		***1.3***	***1.1***
Citizens	**25.8**	***100.0***	**26.5**	***100.0***	**27.6**	***100.0***	***1.4***	***1.3***
Bumiputera	17.0	*66.1*	17.5	*66.1*	18.5	*67.0*	*1.6*	*1.6*
Chinese	6.5	*25.0*	6.6	*24.9*	6.7	*24.3*	*1.0*	*0.8*
Indian	1.9	*7.5*	2.0	*7.5*	2.0	*7.2*	*1.1*	*0.9*
Others	0.4	*1.4*	0.4	*1.5*	0.4	*1.5*	*2.8*	*2.6*
Non-Citizens	**2.5**		**2.4**		**2.2**		**0.1**	**-2.2**
Age Structure								
0 - 14	7.7	*27.2*	7.6	*26.3*	7.5	*25.2*	*-0.4*	*-0.5*
15 - 64	19.3	*68.2*	19.9	*68.9*	20.7	*69.4*	*1.9*	*1.4*
65 and above	1.3	*4.6*	1.4	*4.8*	1.6	*5.4*	*3.6*	*4.1*
Dependency Ratio (%)	***46.9***		***45.7***		***44.1***			
Median Age (years)	**27.4**		**28.0**		**28.7**			
Total Fertility Rate (%)	***2.2***		***2.1***		***2.1***			
Malay	*2.7*		*2.6*		*2.6*			
Other Bumiputera	*2.3*		*2.2*		*2.2*			
Chinese	*1.7*		*1.7*		*1.6*			
Indian	*1.8*		*1.8*		*1.7*			
Rural (%)	***36.6***		***36.4***		***36.2***			
Urban (%)	***63.4***		***63.6***		***63.8***			

SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 11
Employment by Sector, 2006-2015

Industry	Thousand Persons									
									Estimate	
	2006	%	2007	%	2008	%	2009	%	2010	%
Agriculture, Forestry, Livestock and Fishing	1,392.4	*12.5*	1,389.8	*12.2*	1,390.9	*12.0*	1,390.8	*12.0*	1,389.7	*11.8*
Mining and Quarrying	42.6	*0.4*	43.0	*0.4*	42.8	*0.4*	42.5	*0.4*	43.3	*0.4*
Manufacturing	3,227.2	*28.9*	3,296.7	*28.9*	3,338.3	*28.8*	3,209.9	*27.6*	3,267.6	*27.8*
Construction	755.2	*6.8*	757.3	*6.6*	758.4	*6.6*	762.4	*6.6*	765.4	*6.5*
Services	5,741.6	*51.4*	5,911.2	*51.9*	6,046.1	*52.2*	6,214.9	*53.4*	6,307.3	*53.5*
Total	**11,159.0**	***100.0***	**11,398.0**	***100.0***	**11,576.5**	***100.0***	**11,620.5**	***100.0***	**11,773.3**	***100.0***
Labour Force	11,544.5		11,775.1		11,967.5		12,061.1		12,216.8	
Unemployed	385.5		377.1		391.0		440.4		443.5	
Unemployment Rate (%)	*3.3*		*3.2*		*3.3*		*3.7*		*3.6*	

Industry	***Thousand Persons***				***Job Creation ('000)***		***Average Annual Growth Rate (%)***	
	Estimate				***9th MP***	***10th MP***	***9th MP***	***10th MP***
	2012	***%***	***2015***	***%***	***2006-2010***	***2011-2015***	***2006-2010***	***2011-2015***
Agriculture, Forestry, Livestock and Fishing	1,387.9	*11.2*	1,385.2	*10.5*	-11.6	-4.5	*-0.2*	*-0.1*
Mining and Quarrying	43.5	*0.4*	43.9	*0.3*	0.6	0.6	*0.3*	*0.3*
Manufacturing	3,427.1	*27.7*	3,638.1	*27.5*	134.4	370.5	*0.8*	*2.2*
Construction	770.7	*6.2*	776.5	*5.9*	5.8	11.1	*0.2*	*0.3*
Services	6,727.3	*54.5*	7,381.9	*55.8*	751.3	1,074.6	*2.6*	*3.2*
Total	**12,356.5**	***100.0***	**13,225.6**	***100.0***	**880.5**	**1,452.3**	***1.6***	***2.4***
Labour Force	12,792.1		13,654.0				*1.6*	*2.2*
Unemployed	435.6		428.4					
Unemployment Rate (%)	*3.4*		*3.1*					

SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 12
Employment by Major Occupational Group, 2006-2015

Major Occupational Group									Estimate	
	2006		2007		2008		2009		2010	
	000'	%	000'	%	000'	%	000'	%	000'	%
Senior Officials and Managers	903.9	*8.1*	832.1	*7.3*	810.4	*7.0*	906.4	*7.8*	941.9	*8.0*
Professionals	613.8	*5.5*	649.7	*5.7*	671.4	*5.8*	697.2	*6.0*	741.7	*6.3*
Technicians and Associate Professionals	1,417.2	*12.7*	1,515.9	*13.3*	1,620.7	*14.0*	1,650.1	*14.2*	1,660.0	*14.1*
Clerical Workers	1,048.9	*9.4*	1,117.0	*9.8*	1,146.1	*9.9*	1,115.6	*9.6*	1,142.0	*9.7*
Service Workers and Shop and Market Sales Workers	1,729.6	*15.5*	1,846.5	*16.2*	1,933.3	*16.7*	1,917.4	*16.5*	1,942.6	*16.5*
Skilled Agricultural and Fishery Workers	1,450.7	*13.0*	1,470.3	*12.9*	1,377.6	*11.9*	1,347.9	*11.6*	1,295.1	*11.0*
Craft and Related Trade Workers	1,249.8	*11.2*	1,231.0	*10.8*	1,250.3	*10.8*	1,196.9	*10.3*	1,259.7	*10.7*
Plant and Machine Operators and Assemblers	1,528.8	*13.7*	1,458.9	*12.8*	1,458.6	*12.6*	1,475.8	*12.7*	1,495.2	*12.7*
Elementary Occupations	1,216.3	*10.9*	1,276.6	*11.2*	1,308.1	*11.3*	1,313.2	*11.3*	1,295.1	*11.0*
Total Employment	**11,159.0**	***100.0***	**11,398.0**	***100.0***	**11,576.5**	***100.0***	**11,620.5**	***100.0***	**11,773.3**	***100.0***

Major Occupational Group	Target				Job Creation				Average Annual Growth Rate (%)	
	2012		2015		Estimate		Target		9th MP	10th MP
	000'	%	000'	%	000'	%	000'	%	2006-2010	2011-2015
Senior Officials and Managers	1,000.9	8.1	1,097.7	8.3	103.1	11.7	155.8	10.7	2.3	3.1
Professionals	827.9	6.7	1,031.6	7.8	142.6	16.2	289.9	20.0	4.4	6.8
Technicians and Associate Professionals	1,915.3	15.5	2,248.4	17.0	287.5	32.7	588.4	40.5	3.9	6.3
Clerical Workers	1,210.9	9.8	1,256.4	9.5	63.6	7.2	114.4	7.9	1.2	1.9
Service Workers and Shop and Market Sales Workers	2,112.9	17.1	2,274.8	17.2	330.5	37.5	332.2	22.9	3.8	3.2
Skilled Agricultural and Fishery Workers	1,297.4	10.5	1,230.0	9.3	-77.4	-8.8	-65.1	-4.5	-1.2	-1.0
Craft and Related Trade Workers	1,272.7	10.3	1,322.6	10.0	17.9	2.0	62.9	4.3	0.3	1.0
Plant and Machine Operators and Assemblers	1,371.6	11.1	1,362.2	10.3	-193.2	-21.9	-133.0	-9.2	-2.4	-1.8
Elementary Occupations	1,346.9	10.9	1,401.9	10.6	205.9	23.4	106.8	7.4	3.5	1.6
Total Employment	12,356.5	100.0	13,225.6	100.0	880.5	100.0	1,452.3	100.0	1.6	2.4

SOURCE : Economic Planning Unit and Department of Statistics Malaysia

Table 13
Student Enrolment in Public Education Institutions, 2006 - 2015

Level of Education	*Number of Students*			
	2006	*2007*	*2008*	*2009*
Pre-school (age 4-6)	**698,223**	**753,027**	**732,854**	**754,749**
Primary	**3,030,325**	**3,035,177**	**3,004,912**	**2,959,092**
Lower Secondary	**1,353,656**	**1,373,136**	**1,409,888**	**1,417,453**
Government and Government-Aided Schools	1,345,048	1,363,162	1,397,523	1,402,765
MARA Junior Science Colleges	8,608	9,974	12,365	14,688
Upper Secondary	**766,216**	**791,769**	**822,393**	**841,937**
Government and Government-Aided Schools (Academic)	683,467	707,810	739,153	767,814
MARA Junior Science Colleges	13,485	14,602	14,387	15,346
Government and Government-Aided Schools (Technical and Vocational)	69,264	69,357	68,853	58,777
Post Secondary	**158,896**	**138,186**	**139,313**	**135,590**
Government and Government-Aided Schools	130,287	113,049	105,731	102,545
Pre-Diploma and Pre-University Courses	28,609	25,137	33,582	33,045
Teacher Education	**30,851**	**30,937**	**33,744**	**34,360**
Total	**6,038,167**	**6,122,232**	**6,143,104**	**6,143,181**

Level of Education	***Number of Students***			***Average Annual Growth Rate (%)***	
	Estimate			***9th MP***	***10th MP***
	2010	***2012***	***2015***	***2006-2010***	***2011-2015***
Pre-school (age 4-6)	**793,529**	**859,254**	**878,729**	***2.5***	***2.1***
Primary	**2,955,635**	**2,864,802**	**3,101,811**	***-0.6***	***1.0***
Lower Secondary	**1,408,806**	**1,380,723**	**1,334,084**	***1.2***	***-1.1***
Government and Government-Aided Schools	1,389,846	1,359,495	1,309,454	*1.0*	*-1.2*
MARA Junior Science Colleges	18,960	21,228	24,630	*18.8*	*5.4*
Upper Secondary	**849,167**	**860,484**	**848,809**	***2.1***	***0.0***
Government and Government-Aided Schools (Academic)	677,874	685,258	668,774	0.0	-0.3
MARA Junior Science Colleges	17,140	18,473	21,440	7.1	4.6
Government and Government-Aided Schools (Technical and Vocational)	154,153	156,366	158,595	*16.2*	*0.6*
Post Secondary	**158,731**	**170,443**	**179,234**	***-1.6***	***2.5***
Government and Government-Aided Schools	106,800	114,857	117,185	*-5.8*	*1.9*
Pre-Diploma and Pre-University Courses	51,931	55,586	62,049	*13.6*	*3.6*
Teacher Education	**37,954**	**37,944**	**38,050**	***1.8***	***0.1***
Total	**6,203,822**	**6,173,700**	**6,380,717**	***0.5***	***0.6***

SOURCE : Economic Planning Unit and Ministry of Education

Table 14
Enrolment in Higher Education Institutions by Levels of Study, 2006-2015

Level of Study	**Number of Students**											
	2006			**2007**			**2008**			**2009**		
	Public	**Private**	**Total**	**Public**	**Private**	**Total**	**Public**	**Private**	**Total**	**Public**	**Private**	**Total**
Certificate	44,480	68,442	112,922	49,165	75,060	124,225	48,499	62,626	111,125	43,906	78,354	122,260
Diploma	116,252	123,937	240,189	127,215	144,703	271,918	100,915	195,381	296,296	143,552	207,321	350,873
First Degree	224,298	124,071	348,369	247,881	140,699	388,580	270,156	156,927	427,083	272,012	206,209	478,221
Masters	30,347	6,477	36,824	30,383	4,372	34,755	36,094	8,540	44,634	44,880	13,372	58,252
PhD	8,752	860	9,612	10,167	957	11,124	12,243	1,331	13,574	14,669	2,278	16,947
Total	**424,129**	**323,787**	**747,916**	**464,811**	**365,791**	**830,602**	**467,907**	**424,805**	**892,712**	**519,019**	**507,534**	**1,026,553**

Level of Study	**Number of Students**								
	Estimate			**Target**					
	2010			**2012**			**2015**		
	Public	**Private**	**Total**	**Public**	**Private**	**Total**	**Public**	**Private**	**Total**
Certificate	40,204	85,885	126,089	33,733	103,166	136,900	25,927	135,822	161,749
Diploma	149,702	225,997	375,699	162,853	268,507	431,360	184,778	347,724	532,502
First Degree	287,354	227,764	515,118	313,507	278,105	591,612	358,791	375,229	734,020
Masters	51,133	15,690	66,822	66,335	21,588	87,923	98,021	34,842	132,863
PhD	17,425	2,810	20,235	24,592	4,279	28,871	41,233	8,041	49,274
Total	**545,817**	**558,146**	**1,103,963**	**601,021**	**675,646**	**1,276,667**	**708,749**	**901,658**	**1,610,408**

Level of Study	Average Annual Growth Rate (%)					
	9th MP			10th MP		
	2006-2010			2011-2015		
	Public	Private	Total	Public	Private	Total
Certificate	-1.4	11.1	6.1	-8.4	9.6	5.1
Diploma	8.1	17.4	13.1	4.3	9.0	7.2
First Degree	6.5	17.6	10.6	4.5	10.5	7.3
Masters	12.1	26.5	14.7	13.9	17.3	14.7
PhD	17.9	36.3	19.7	18.8	23.4	19.5
Total	**6.9**	**16.6**	**11.2**	**5.4**	**10.1**	**7.8**

SOURCE : Economic Planning Unit and Ministry of Higher Education

Appendix 2:
Progress and Achievements of the Ninth Malaysia Plan, 2006-2010

Thrust 1: Moving the Economy up the Value Chain

Commitment	Output
Enhancing Productivity and Competitiveness	
● Increase value-added and share to GDP of the services sector	● Increased value-added of the services sector by 6.9% to RM1,112.2 billion ● Increased share of services sector to GDP to 57.9%
● Increase contribution of tourism to foreign exchange earnings	● 23.6 million tourist arrivals with receipts of RM53.4 billion ● Increased tourist per capita expenditure to RM2,103.5
● Increase investment and value-added in the manufacturing sector	● Value-added of the manufacturing sector increased by 0.2% to RM590.4 billion ● Value-added of major subsectors in 2009: E&E RM40.1 billion M&E RM3.7 billion Petrochemical RM28.8 billion Transport equipment RM15.3 billion ● Average annual investment level of RM38.5 billion ● Investment by major subsectors: E&E RM8.0 billion M&E RM2.0 billion Petrochemical RM8.7 billion Transport equipment RM1.6 billion Medical devices RM0.6 billion
● Increase gross expenditure in R&D	● Gross expenditure on R&D to GDP at 0.21%[1] Note: 1 Preliminary data for year 2008

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

<table>
<tr><th>Commitment</th><th>Output</th></tr>
<tr><td colspan="2"><i>Enhancing Productivity and Competitiveness</i></td></tr>
<tr><td>
Increase production and local processing of industrial commodities
</td><td>
Production and local processing of industrial commodities
<table>
<tr><th rowspan="2">Commodity</th><th colspan="2">Production (MT)</th><th colspan="2">Local processing (MT)</th></tr>
<tr><th>2005</th><th>2009</th><th>2005</th><th>2009</th></tr>
<tr><td>Palm Oil</td><td>14.9 mil</td><td>17.6 mil</td><td>14.2 mil*</td><td>15.8 mil*</td></tr>
<tr><td>Rubber</td><td>1.1 mil</td><td>0.9 mil</td><td>386,472</td><td>468,706</td></tr>
<tr><td>Cocoa</td><td>27,964</td><td>18,152</td><td>15,766**</td><td>16,600**</td></tr>
</table>
<p>Note: * Processed palm oil, oleochemicals and biodiesel
** Excludes processing of imported cocoa beans</p>
<p>SOURCE: Ministry of Plantation Industries and Commodities</p>
</td></tr>
<tr><td>
Increase food production and achieve self sufficiency level (SSL)
</td><td>
Food production and SSL
<table>
<tr><th rowspan="2">Commodity</th><th colspan="2">Production (MT)</th><th colspan="2">SSL (%)</th></tr>
<tr><th>2005</th><th>2009</th><th>2005</th><th>2009</th></tr>
<tr><td>Rice</td><td>1.5 mil</td><td>1.6 mil</td><td>80.6</td><td>70.4</td></tr>
<tr><td>Fisheries</td><td>1.4 mil</td><td>1.6 mil</td><td>90.5</td><td>100.1</td></tr>
<tr><td>Beef</td><td>29,400</td><td>42,200</td><td>21.1</td><td>27.0</td></tr>
<tr><td>Poultry</td><td>980,050</td><td>1.2 mil</td><td>124.7</td><td>122.2</td></tr>
</table>
<p>SOURCE: Ministry of Agriculture and Agro-based Industry</p>
</td></tr>
</table>

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

<table>
<tr><th>Commitment</th><th>Output</th></tr>
<tr><td colspan="2"><i>Enhancing Productivity and Competitiveness</i></td></tr>
<tr><td>● Increase capacity, efficiency and network coverage of transport infrastructure</td><td>● A total of 45,200 km of roads upgraded or constructed including 4,045 km in Sabah and 13,060 km in Sarawak
● 196 km electrified double track rail added
● Airline passenger arrivals increased from 41 million to 51 million
● Total container handled at Malaysian ports increased from 12 million TEUs to 20.2 million TEUs
<u>Major projects completed:</u>
● Rawang-Ipoh Electrified Double Track Project
● Senai-Desaru Expressway
● Kemuning-Shah Alam Highway
● Upgrading of Kuching International Airport
● Upgrading of Alor Setar, Kuala Terengganu, Labuan and Melaka Airports</td></tr>
<tr><td>● Increase sufficiency, security, reliability, quality and cost-effectiveness of energy supply</td><td>● Efficiency of gas supply system: (2006: 99.8%; 2009: 99.9%)
● Efficiency of electricity supply system:
<table>
<tr><th rowspan="2">Performance Indicator</th><th colspan="2">Peninsular Malaysia</th><th colspan="2">Sabah</th><th colspan="2">Sarawak</th></tr>
<tr><th>2005</th><th>2009</th><th>2005</th><th>2009</th><th>2005</th><th>2009</th></tr>
<tr><td>Reserve Margin (%)</td><td>41.1</td><td>53.2</td><td>37.1</td><td>38.9</td><td>31.4</td><td>22.7</td></tr>
<tr><td>SAIDI[1] (minutes/customer/year)</td><td>147.9</td><td>68.6</td><td>4,109</td><td>2,284</td><td>310</td><td>223</td></tr>
<tr><td>System Losses (%)</td><td>10.5</td><td>9.7</td><td>19.5</td><td>17.5</td><td>13.4</td><td>19.0</td></tr>
</table>
Note: 1 System Average Interruption Duration Index
SOURCE: Tenaga Nasional Berhad, Sabah Electricity Sdn. Bhd. and Sarawak Energy Berhad</td></tr>
</table>

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

Commitment	Output
Enhancing Productivity and Competitiveness	
● Reduce dependence on petroleum products by increasing the use of alternative fuels	● Biofuel: o Number of companies: (2006 : 4; 2009 : 14 in operation) o Total volume of biofuel used by the transport sector (2009: 5.49 million litres B5) ● Number of vehicles running on natural gas (NGV) (2006: 25,000; 2009: 40,955 vehicles)
● Increase use of renewable energy (RE) for power generation and by industries	● RE Grid-Connected Capacity: o 2005: 12 MW o 2009: 41.5 MW ● 30 MW biomass ● 2 MW biogas ● 4 MW mini-hydro ● 5.5 MW municipal solid waste ● 430 MW off-grid electricity generation by palm oil millers utilising biomass/biogas
● Intensify energy efficiency (EE) initiatives in the industrial, transport and commercial sectors as well as in government buildings	● EE labelling initiatives: (Number of appliances, 2005: 1; 2009: 4) ● Energy audit: 54 factories ● Energy efficient buildings: 3 Government buildings ● Energy intensity (energy consumption/capita) (2005 : 1.45; 2008 : 1.62)

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

<table>
<tr><th>Commitment</th><th>Output</th></tr>
<tr><td colspan="2"><i>Generating New Sources of Growth</i></td></tr>
<tr><td>● Health and education tourism established as major tourism products</td><td>● Earnings of health tourism to RM299.1 million (2008)
● No. of international students in 2009:
IPTA 22,456
IPTS 58,294
IPS (Expatriate & Int. School) 16,587
● Average annual expenditure per international student is estimated at RM23,000</td></tr>
<tr><td>● Malaysia as Islamic banking and finance hub</td><td>● Takaful assets comprised 8.0% of total assets in insurance and takaful industry as at end 2009
● Islamic banking assets comprised 19.6% of total assets in banking industry as at end 2009</td></tr>
<tr><td>● Achieve targeted number of BioNexus status companies</td><td>● 151 BioNexus status companies</td></tr>
<tr><td>● Increase production of agricultural new sources of growth</td><td>● Production of agricultural new sources of growth
<table>
<tr><th rowspan="2">Commodity</th><th colspan="2">Production (MT)</th></tr>
<tr><th>2005</th><th>2009</th></tr>
<tr><td>Deep Sea Fishing</td><td>221,000</td><td>351,000</td></tr>
<tr><td>Seaweed</td><td>31,426</td><td>135,000</td></tr>
<tr><td>Ornamental Fish</td><td>458 mil tails</td><td>801 mil tails</td></tr>
<tr><td>Herbs and Spices*</td><td>36,868</td><td>52,596</td></tr>
</table>
Note: * Excluding pepper
SOURCE: Ministry of Agriculture and Agro-based Industry</td></tr>
</table>

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

Commitment	Output
Generating New Sources of Growth	
• Expanding communications network	• Broadband penetration rate rose from 2% of households in 2005 to 32% in 2009 • High speed broadband extended to approximately 750,000 premises • WiFi coverage grew to 5,000 hotspots
• Increase ICT-related jobs	• MSC Malaysia ICT-related jobs increased to 99,590 jobs
• Malaysia as a multimedia and ICT hub and as an attractive destination for Shared Services Outsourcing (SSO) activities	• MSC status companies increased to 2,488 companies • 12 global MSC status companies approved in high-valued projects • Exports from MSC status companies increased to RM6.304 billion
• Secured new market for ICT products and services	• Secured new markets in People's Republic of China, India and West Asia for multimedia digital content for education and entertainment
Expanding Markets for Malaysian Products and Services	
• Increase share of exports to new markets and increased export value	• Export value of selected manufacturing subsectors E&E RM1,112.7 billion Chemical products RM145.1 billion Metal products RM101.1 billion Petroleum products RM96.5 billion

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 1: Moving the Economy up the Value Chain

Commitment	Output
Expanding Markets for Malaysian Products and Services	
● Increase exports of agriculture and agro-based products	● Agriculture exports increased from RM62.6 billion in 2005 to RM86.9 billion in 2009 ● Exports of agro-based products increased from RM60.9 billion in 2005 to RM80.4 billion in 2009 ● Total export value of frozen food to Australia and the Netherlands increased from RM39.7 million in 2005 to RM123.4 million in 2009 ● Total export value of processed food to People's Republic of China, Japan, the Netherlands and Saudi Arabia increased from RM1.5 billion in 2005 to RM2.3 billion in 2009
● Increase export of professional services	● Increased presence of Malaysian professionals in Africa (34 firms), the Gulf (71 firms) and new emerging economies (ASEAN-75, Other Asian countries-45, South Asia-37)
● Expand global presence of Malaysian Islamic finance	● Malaysia as a global leader in sukuk issuance with 62% of total global sukuk outstanding originated in Malaysia as at end 2009
● Higher tourist arrivals from non-ASEAN market	● Increased share of tourist arrivals from non-ASEAN market to 22%

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 2: Raising the Capacity for Knowledge and Innovation and Nurture 'First-Class Mentality'

Commitment	Output
Improving Education Quality and Accessibility	
● Increase education attainment of labour force for better productivity and quality	● Enrolment in higher education rose from 649,000 in 2005 to 949,000 in 2009, raising the participation rate of population in the age group 17-23 years from 27.0% in 2005 to 31.4% in 2009 ● Community colleges assumed greater role in implementing retraining and skills-upgrading programmes, benefiting a total of 507,940 participants ● 76,940 unemployed graduates, school leavers and displaced workers were trained under the two economic stimulus packages ● Labour force with tertiary education was 23.4%
● Greater private sector participation in training and increased supply of work force with hands-on training to meet industrial needs	● A total of 1,357 companies participated in National Dual Training System involving 20,460 trainees ● The intake of public technical education and vocational training rose by 1.5% annually to reach 88,050 in 2009 with the establishment of 10 skills training institutes and upgrading of 16 existing institutes ● Intake at the Malaysian Skills Certificate (SKM) at Level 4 or diploma in the advanced public training centres increased from 7,110 in 2005 to 29,840 in 2009 ● The National Skills Development Act was enacted in 2006 to enable enforcement of accreditation procedures

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 2: Raising the Capacity for Knowledge and Innovation and Nurture 'First-class Mentality'

Commitment	Output
Improving Education Quality and Accessibility	
● Equal opportunity to quality education	● The number of primary schools increased from 7,601 in 2005 to 7,664 in 2009 ● The number of secondary schools increased from 2,028 in 2005 to 2,219 in 2009 ● Clean water supplied to 555 schools in rural areas benefiting more than 200,000 pupils (as at March 2010) ● All rural schools in Sarawak and 92% in Sabah provided with adequate electricity supply (as at March 2010) ● Projects for solar energy were initiated to complement the existing electricity supply to 102 remote schools in Sabah (as at March 2010)
● All pupils able to read and write prior to formal education	● Pre-school participation rate for children aged 4+ to 5+ year-olds rose from 63% in 2005 to 67.6% in 2009
Making National Schools the School of Preferred Choice	
● Quality teachers that will increase the appeal of national schools ● Improve teaching and learning methods to enhance quality of national schools	● Graduate teachers for primary and secondary schools are 28.0% and 89.4% (2010) ● Established internet access centres in 30.6% or 3,025 schools (2010)

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 2: Raising the Capacity for Knowledge and Innovation and Nurture ‘First-class Mentality’

Commitment	Output
Creating Tertiary Institutions of International Standing	
● Malaysia as a regional educational hub	● Increased proportion of academic staff with PhD qualification in public universities from 26.6% in 2005 to 35.9% in 2009 ● 4,156 lecturers in public universities pursued PhD qualification ● Enrolment of post graduate was 19.5% in public institutions ● Accelerated Programme for Excellence (APEX) was introduced to raise performance and competitiveness of the public universities ● Rating System for Malaysian Higher Education (SETARA), was introduced in 2007 to enhance the quality and promote best practices among public universities
Nurturing Quality R&D and Enhancing Scientific and Innovation Capabilities	
● Increase capability for scientific R&D and innovation to move the economy up the value chain	● The ratio of research scientists and engineers per 10,000 labour force was 20.3 (2008)
Fostering a Society with Strong Values	
● United society with high patriotism and integrity	● 430,776 youth benefited from National Service Programme (2010) ● 1,896,496 participants benefited from National Civics Bureau programmes

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Poverty Eradication	
Eradicate hardcore poverty	Hardcore poverty was reduced from 1.2% in 2004 to 0.7% in 2009
Reduce overall poverty to 2.8%	The incidence of overall poverty fell from 5.7% in 2004 to 3.8% in 2009

Selected Poverty Statistics, Malaysia, 2004 and 2009

Items	**2004**			
	Peninsular Malaysia	**Sabah and Labuan**	**Sarawak**	**Malaysia**
Incidence of Poverty[1] (%)	*3.6*	*23.0*	*7.5*	*5.7*
No. of Poor Households ('000)	162.3	114.2	34.8	311.3
Mean PLI (RM monthly)	661	888	765	691
Mean Per Capita PLI[2] (RM monthly)	152	173	167	155
Poverty Gap Index[3] (%)	***0.8***	***7.1***	***1.5***	***1.4***
Total Households ('000)	4,497.8	496.1	465.4	5,459.3
Mean Household Size				
National	4.4	5.2	4.6	4.5
Urban	4.3	5.1	4.6	4.4
Rural	4.7	5.4	4.7	4.8
Poor	6.7	6.9	6.3	6.7

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Poverty Eradication	

Items	2009			
	Peninsular Malaysia	Sabah and Labuan	Sarawak	Malaysia
Incidence of Poverty[1] (%)	*2.0*	*19.2*	*5.3*	*3.8*
No. of Poor Households (‘000)	102.2	99.1	27.1	228.4
Mean PLI (RM monthly)	763	1,048	912	800
Mean Per Capita PLI[2] (RM monthly)	194	225	208	198
Poverty Gap Index[3] (%)	***0.4***	***5.0***	***1.1***	***0.8***
Total Households (‘000)	***4,998.2***	***515.9***	***510.4***	***6,024.5***
Mean Household Size				
National	4.1	4.9	4.5	4.2
Urban	4.0	4.8	4.6	4.1
Rural	4.4	5.0	4.5	4.5
Poor	6.4	6.5	6.2	6.4

Note: 1 Refers to households with mean monthly gross income below its mean PLI
2 Due to varying household sizes, the per capita PLI will be used by implementing agencies to identify the target groups
3 Refers to the total income shortfall (expressed in proportion to the poverty line) of poor households

SOURCE: Economic Planning Unit and Department of Statistics Malaysia -Household Income Survey, 2004 and 2009

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Income Distribution	
● Improve income distribution	**Mean and Median Monthly Gross Household Income by Ethnic Group and Strata, Malaysia, 2004 and 2009**

Ethnic Group and Strata	Mean Household Income (RM)		Average Annual Growth Rate (%)	Median Household Income (RM)		Average Annual Growth Rate (%)
	2004	2009	2004-2009	2004	2009	2004-2009
Malaysia	3,249	4,025	*4.4*	2,186	2,830	*5.3*
Bumiputera	2,711	3,624	*6.0*	1,858	2,531	*6.4*
Chinese	4,437	5,011	*2.5*	3,076	3,631	*3.4*
Indians	3,456	3,999	*3.0*	2,469	2,836	*2.8*
Others	2,312	3,640	*9.5*	1,525	2,088	*6.5*
Urban	3,956	4,705	*3.5*	2,759	3,426	*4.4*
Rural	1,875	2,545	*6.3*	1,394	1,829	*5.6*

SOURCE: Economic Planning Unit and Department of Statistics Malaysia -Household Income Survey, 2004 and 2009

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Income Distribution	
● Improve income distribution	**Mean Monthly Gross Household Income and Incidence of Poverty by State, Malaysia, 2004 and 2009**

State	Mean Household Income (RM)		Average Annual Growth Rate (%)	Incidence of Poverty (%)	
	2004	2009	2004-2009	2004	2009
Malaysia	**3,249**	**4,025**	***4.4***	***5.7***	***3.8***
Johor	3,076	3,835	*4.5*	*2.0*	*1.3*
Kedah	2,126	2,667	*4.6*	*7.0*	*5.3*
Kelantan	1,829	2,536	*6.8*	*10.6*	*4.8*
Melaka	2,792	4,184	*8.4*	*1.8*	*0.5*
N. Sembilan	2,886	3,540	*4.2*	*1.4*	*0.7*
Pahang	2,410	3,279	*6.4*	*4.0*	*2.1*
Perak	2,207	2,809	*4.9*	*4.9*	*3.5*
Perlis	2,046	2,617	*5.0*	*6.3*	*6.0*
Pulau Pinang	3,531	4,407	*4.5*	*0.3*	*1.2*
Sabah	2,395	3,102	*5.3*	*24.2*	*19.7*
Sarawak	2,725	3,581	*5.6*	*7.5*	*5.3*
Selangor	5,157	5,962	*2.9*	*1.0*	*0.7*
Terengganu	1,984	3,017	*8.7*	*15.4*	*4.0*
WP Kuala Lumpur	5,011	5,488	*1.8*	*1.5*	*0.7*
WP Labuan	4,054	4,407	*1.7*	*2.7*	*4.3*
WP Putrajaya	-	6,747	-	-	-
Region					
Peninsular Malaysia	3,387	4,162	*4.2*	*3.6*	*2.0*
Sabah and Labuan	2,487	3,144	*4.8*	*23.0*	*19.2*
Sarawak	2,725	3,581	*5.6*	*7.5*	*5.3*

SOURCE: Economic Planning Unit and Department of Statistics Malaysia -Household Income Survey, 2004 and 2009

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Income Distribution	
- Improve income distribution	**Gini Coefficient by Ethnic Group and Strata, Malaysia, 2004 and 2009**

Gini Coefficient by Ethnic Group and Strata, Malaysia, 2004 and 2009

Ethnic Group and Strata	Gini Coefficient	
	2004	2009
Malaysia	**0.462**	**0.441**
Bumiputera	0.452	0.440
Chinese	0.446	0.425
Indians	0.425	0.424
Others	0.462	0.495
Urban	0.444	0.423
Rural	0.397	0.407

SOURCE: Economic Planning Unit and Department of Statistics Malaysia -Household Income Survey, 2004 and 2009

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment	Output
Balanced Regional Development	
● Reduce regional disparities through corridor development	**National : State Income Disparity Ratio, Malaysia, 2004 and 2009**

National : State Income Disparity Ratio, Malaysia, 2004 and 2009

State	Income Disparity Ratio	
	2004	2009
Johor	1:0.95	1:0.95
Kedah	1:0.65	1:0.66
Kelantan	1:0.56	1:0.63
Melaka	1:0.86	1:1.04
Negeri Sembilan	1:0.89	1:0.88
Pahang	1:0.74	1:0.81
Perak	1:0.68	1:0.70
Perlis	1:0.63	1:0.65
Pulau Pinang	1:1.09	1:1.09
Sabah	1:0.74	1:0.77
Sarawak	1:0.84	1:0.89
Selangor	1:1.59	1:1.48
Terengganu	1:0.61	1:0.75
WP Kuala Lumpur	1:1.54	1:1.36
WP Labuan	1:1.25	1:1.09
WP Putrajaya	-	1:1.68

SOURCE: Economic Planning Unit and Department of Statistics Malaysia -Household Income Survey, 2004 and 2009

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

<table>
<tr><th>Commitment</th><th>Output</th></tr>
<tr><td colspan="2"><i>Balanced Regional Development</i></td></tr>
<tr><td>● Reduce regional disparities through corridor development</td><td>● The value of investment secured in all growth corridor :
<table>
<tr><th rowspan="2">Corridor</th><th rowspan="2">Investment Target (RM billion)</th><th colspan="2">Investment (RM billion)</th></tr>
<tr><th>Secured</th><th>Actual</th></tr>
<tr><td>IM</td><td>47.00</td><td>59.58</td><td>22.64</td></tr>
<tr><td>NCER</td><td>28.00</td><td>39.94</td><td>1.40</td></tr>
<tr><td>ECER</td><td>20.00</td><td>28.30</td><td>2.06</td></tr>
<tr><td>SDC</td><td>16.00</td><td>30.06</td><td>11.95</td></tr>
<tr><td>SCORE</td><td>34.00</td><td>87.61</td><td>2.69</td></tr>
<tr><td>Total</td><td>145.00</td><td>245.49</td><td>40.70</td></tr>
</table>
Source: Economic Planning Unit
<u>Note:</u>
IM: Iskandar Malaysia
NCER: Northern Corridor Economic Region
ECER: Eastern Corridor Economic Region
SDC: Sabah Development Corridor
SCORE: Sarawak Corridor of Renewal Energy</td></tr>
</table>

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 3: Addressing Persistent Socio-economic Inequalities Constructively and Productively

Commitment | **Output**

Ownership Restructuring

- Increasing Bumiputera equity ownership to 20%-25%

Ownership of Share Capital (At Par Value) of Limited Companies by Ethnic Group, 2004, 2006 and 2008

Ownership Group	2004		2006		2008	
	RM million	(%)	RM million	(%)	RM million	(%)
Bumiputera	**100,037.2**	***18.9***	**120,387.6**	***19.4***	**127,407.6**	***21.9***
Individual	79,449.9	*15.0*	93,982.2	*15.1*	109,982.6	*18.9*
Institution	11,890.7	*2.2*	16,039.6	*2.6*	10,811.0	*1.9*
Trust Agencies	8,696.6	*1.7*	10,365.8	*1.7*	6,614.1	*1.1*
Non-Bumiputera	**214,972.8**	***40.6***	**273,214.4**	***43.9***	**213,355.5**	***36.7***
Chinese	206,682.9	*39.0*	263,637.8	*42.4*	203,092.1	*34.9*
Indians	6,392.6	*1.2*	6,967.8	*1.1*	9,564.6	*1.6*
Others	1,897.3	*0.4*	2,608.8	*0.4*	698.8	*0.1*
Nominee	42,479.1	*8.0*	41,185.7	*6.6*	20,547.2	*3.5*
Foreigners	172,279.6	*32.5*	187,045.8	*30.1*	220,530.8	*37.9*
Total	**529,768.7**	***100.0***	**621,833.5**	***100.0***	**581,841.2**	***100.0***

SOURCE: Economic Planning Unit and Companies Commission of Malaysia.

- Ekuiti Nasional Berhad (EKUINAS) established in 2009 to enhance Bumiputera participation in the economy

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Health	
● Improve health status	● Access to healthcare expanded with the establishment of 39 new health clinics and 81 new clinics in the rural areas ● 51 1Malaysia clinics established in urban areas ● Infant mortality rate decreased from 6.6 to 6.0 per 1,000 live births (2006 to 2008) ● Maternal mortality rate decreased from 25 to 20 per 100,000 live births (2006 to 2009) ● Incidence of TB decreased from 62.6 to 38.1 (2006 to 2009) ● Doctors: population improved from 1:1,383 to 1:1,024 (2006 to 2009) ● Nurses: population improved from 1:559 to 1:464 (2006 to 2009)
Housing and Urban Services	
● Adequate, quality and affordable houses	● 31,859 units of public housing (rental) built ● 1,650 units of public housing (sale) built
● Improve urban services	● 103 One Stop Centres (OSC) were established ● 31 local authorities implemented e-PBT system ● 99 local authorities implemented star-rating system ● 3 thermal treatment plants built

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Family Development	
● Improve family well-being	● 140 Parenting@Work programmes benefitted 6,173 participants ● 84 SMARTSTART programmes benefitted 2,581 participants ● Women in decision making position increased from 18.8% (2004) to 30.5% (2010) in the public sector ● More than 147,000 women benefitted from *Nur Bestari* programme (leadership) ● More than 23,000 women took part in the *Jejari Bestari* programme (skills training) ● About 740 single mothers took part in I-KIT Entrepreneurship Skills Programme ● Seminars on Violence Against Women involving more than 61,000 participants were conducted in 222 parliamentary constituencies ● 436 registered child care centres established at the workplace ● 534 child care providers given training to enhance their capability in operating child care centres ● 17,440 people with disabilities (PWDs) benefitted through 409 community-based rehabilitation centres ● 7,975 PWDs placed in the private sector through the electronic labour exchange system for PWDs ● 22 day care centres established benefitting 16,300 older persons

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
● Empower youth with positive attitudes	● 124,880 trained in the Skills, Leadership and Entrepreneur Programme ● Gazettement of the Youth Societies and Youth Development Act 2007 which resulted in 9,600 associations being registered ● The Youth Development Programme to encourage youth participation in youth associations recorded 1.9 million registered members ● 40 trainers were trained in Japan for Job Coach Programme
Culture, Arts and Heritage	
● Enhance appreciation of culture, arts and heritage	● 963 programmes were conducted to promote culture and arts, attracting an audience of 1.5 million ● 1,153 graduates trained in various fields of arts and culture ● Melaka and Georgetown recognised as World Heritage Towns by UNESCO ● Terengganu Inscribed Stone recognized as Memory of the World by UNESCO ● 148 heritage buildings preserved

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Sports	
• Active and healthy lifestyle	• Number of people embracing sports as a culture increased from 21% in year 2006 to 29.3% in year 2008 • A total of 1,282 multipurpose sports courts and fields were built • 21,200 trainers and facilitators in sports were trained • 78 healthy lifestyle programme carried out • 2.6 million people participated in 2,012 aerobic and fitness programme conducted nationwide
Electricity Supply	
• Expand rural electricity coverage	• Rural electricity coverage (%):

Region	2009	2010
Peninsular Malaysia	99.5	99.6
Sabah	77.0	80.8
Sarawak	67.0	72.6

SOURCE: NKRA Lab

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Environment	
● Addressing climate change issue	● National Climate Change Policy and National Green Technology Policy adopted in 2009 ● National Green Technology Council formed in 2009 ● Total of certified emission reduction units from Clean Development Mechanism projects are 673,857 CO_2 eq ● Green Technology Financing Scheme amounting to RM1.5 billion established in 2010 to promote green technology
● Improve air quality	● Clean Air Action Plan developed in 2009 ● EURO 2M standards implemented in 2007
● Improve river water quality	● Integrated Action Plan to Prevent Pollution and Improve Water Quality developed for Sg. Linggi, Sg. Sepetang, Sg. Merbok, Sg. Kuantan and Sg. Kinabatangan ● Environmental Quality (Industrial Effluent) Regulations 2009, Environmental Quality (Sewage) Regulations 2009 and Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009 formulated

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Environment	
● Managing Hazardous Substances	● Strategy and Action Plan on Environmentally Hazardous Substances (EHS) Management developed in 2009 ● On-line Notification and Registration Scheme for EHS implemented in 2009
● Better management of biodiversity and habitats	● Biosafety Act gazetted in 2007 ● International Trade in Endangered Species Act gazetted in 2008 ● Second National Mineral Policy adopted in 2008 ● National Tiger Conservation Action Plan formulated in 2009 ● Heart of Borneo project initiated in 2007 ● Coral Triangle Initiatives initiated in 2009 ● Lower Kinabatangan, Sabah listed as a Ramsar site in 2008
● Reduce incidences of floods	● Flood mitigation projects implemented such as the SMART tunnel and Sungai Damansara Package 1

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

<table>
<tr><th>Commitment</th><th>Output</th></tr>
<tr><td colspan="2"><i>Public Safety</i></td></tr>
<tr><td>● Enhancing public safety</td><td>● Additional 19,271 police personnel recruited
● Establishment of 162 new police stations in private premises and mobile police stations at crime-prone locations mainly in Pulau Pinang, Johor, Selangor and Kuala Lumpur
● Encouraging public participation in combating crimes through the <i>Rakan Cop</i> Programme, People's Volunteer Corps (RELA) and Neighbourhood Watch (Rukun Tetangga)</td></tr>
<tr><td colspan="2"><i>Water Supply</i></td></tr>
<tr><td>● Increase efficiency of water services management</td><td>● Increased production capacity, quantity and quality of water supply
<table>
<tr><th>Malaysia</th><th>2006</th><th>2009</th></tr>
<tr><td>Production capacity (mld)</td><td>15,449</td><td>16,077</td></tr>
<tr><td>Quantity of water supply (mld)</td><td>12,296</td><td>14,743</td></tr>
</table>
Note: Million liters per day (mld)
● Completion of Kinta Dam in Perak and two barrages in Terengganu
● Completion of 12 new water treatment plants
● Installing and laying 14,988 km of new pipes
● 95% compliance to National Standard for Drinking Water Quality set by Ministry of Health</td></tr>
<tr><td>● Reduce Non-Revenue Water (NRW) Percentages</td><td>● Replacement of old meters and 2,577 km of pipes
● Reduction rate of NRW from 37.7% to 37.2%</td></tr>
</table>

Note: Output as at December 31^{st}, 2009, unless stated otherwise

Thrust 4: Improving the Standard and Sustainability of Quality of Life

Commitment	Output
Sewerage	
● Increase coverage and efficiency of sewerage services	● 2.541 million Population Equivalent served ● 34 km new sewerage pipes were installed and 16 km of existing sewerage network pipes were rehabilitated ● 500 sewerage treatment plants were rectified and upgraded to suit the effluent quality requirement standard (Environmental Quality Act, 1972)
Urban Transport	
● Increase urban public transport network coverage and facilities	● Daily urban rail ridership rose from 447,200 to 451,000 ● Extension of Komuter rail service to Tanjung Malim, Perak ● Five new Electric Train Sets procured, while 18 sets of Electric Multiple Unit and 39 passenger coaches refurbished ● Procurement of 35 sets of 4-car trains for LRT service ● Construction of the Integrated Transport Terminal in Bandar Tasik Selatan ● Electrified double track project from Sentul to Batu Caves completed (2010) ● Establishment of the Commission for Land Public Transport (SPAD) (June 2010) ● Urban roads were constructed and upgraded to relieve congestion and improve traffic flows including: o Kuala Lumpur-Putrajaya Highway o Jalan Dewan Bahasa to Jalan Hang Tuah flyover o Interchange at Jalan Gombak/Jalan Pahang and Jalan Cheras/Taman Leng Seng

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 5: Strengthening the Institutional and Implementation Capacity

Commitment	Output
● Integrating services across agencies	● eKL initiative as an online-based portal for the Klang Valley that provides interface for services such as electronic payment, online submission, online news and job application ● iSPAAA, a complaints management system, provides faster resolution of complaints to less than two months ● MyGovernment Portal set up as a single services and information gateway - provides 1,274 online services and 3,094 downloadable forms ● MySMS 15888 set up as a mobile platform for government services with 121 participating agencies and 1,620 services being offered ● EG-Net and Putrajaya Campus Network (PCN) secured network infrastructure for electronic communication and transaction ● More application processes with shorter approval time from 367 days to 120 days through the setting up of One-Stop Centres (OSC) ● Reducing the time taken for property registration through improvement of processes and enabling online applications for property registration ● Reducing the procedures and time taken to start a business to 3 procedures and 3 days with the introduction of a standard company identification number or MyCoID

Note: Output as at December 31st, 2009, unless stated otherwise

Thrust 5: Strengthening the Institutional and Implementation Capacity

Commitment	Output
● Increasing confidence in electronic-based services	● Growth in e-payment channels such as the Financial Process Exchange (FPX) ● Improvements in tax collection mechanisms with tax refunds made within 14 to 30 days when returns are filed through e-filing ● Establishment of OSC online to process development orders more efficiently
● Implementing outcome-based planning, monitoring and evaluation	● A more integrated approach to planning with identification of Key Result Areas, strategies and Key Performance Indicators in preparing for the Tenth Malaysia Plan

Note: Output as at December 31st, 2009, unless stated otherwise

GLOSSARY OF ACRONYMS

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GLOSSARY OF ACRONYMS

1MDB	1Malaysia Development Berhad
1-Inno CERT	1 Innovation Certification for Enterprise Rating and Transformation
3R	Reduce, Reuse and Recycle
8th MP	Eighth Malaysia Plan
9th MP	Ninth Malaysia Plan
10th MP	Tenth Malaysia Plan
AFAS	ASEAN Framework Agreement on Services
AFFIRM	Awareness, Faculty, Finance, Infrastructure, Research and Marketing
AIM	*Amanah Ikhtiar Malaysia*
APEX	Accelerated Programme for Excellence
ASEAN	Association of Southeast Asian Nations
ASWARA	National Arts, Culture and Heritage Academy *(Akademi Seni Budaya dan Warisan Kebangsaan)*
BBGP	Broadband to General Population
BCIC	Bumiputera Commercial and Industrial Community
BGF	Business Growth Fund
BRT	Bus Rapid Transit
BSTC	Bumiputera Science and Technology Community
BTS	Build-Then-Sell
CAGR	Compounded Annual Growth Rate
CBD	Central Business District
CCTVs	Close-circuit Televisions
CDA	Corridor Development Authority
CEDAW	Convention on the Elimination of all forms of Discrimination against Women
CEO	Chief Executive Officer
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO_2	carbon dioxide
CPD	Continuous Professional Development
CRDF	Commercialisation of R&D fund
CRS	Citizen Registry System
CSR	Corporate Social Responsibility
CTRM	Composites Technology Research Malaysia
DFIs	development financial institutions
DOF	Department of Fisheries
DTP	double-track-project
DTTB	Digital Terrestrial Television Broadcasting
E&E	electrical and electronics
ECER	East Coast Economic Region
EDOs	entrepreneur development organisations
EDU	Economic Delivery Unit
EE	Energy Efficiency
EKUINAS	*Ekuiti Nasional Berhad*
EMUs	Electric Multiple Units
e-PBT	Electronic *Pihak Berkuasa Tempatan*
FDI	foreign direct investment
FELDA	Federal Land Development Authority
FELCRA	Federal Land Consolidation and Rehabilitation Authority
FIC	Foreign Investment Committee
FINAS	National Film Development Corporation Malaysia
FiT	Feed-in Tariff
FPX	Financial Process Exchange
FRGS	Fundamental Research Grant Scheme
FTTH	Fibre-to-the-Home
GAP	good agricultural practices
GBI	Green Building Index
GCC	Gulf Coorperation Council
GDP	Gross Domestic Product
GEMS	Graduate Employability Management Scheme
GERD	Gross Expenditure on Research and Development
GHGs	Greenhouse Gases
GLCs	Government-linked Companies
GLICs	Government-linked Investment Companies

GMP	Good Manufacturing Practices
GNI	Gross National Income
GPS	School Grade Point Average *(Gred Purata Sekolah)*
GPS	Global Positioning System
GREAT	Government Regional Electronic Advancement Transformation Programme
GTFS	Green Technology Financing Scheme
GTP	Government Transformation Programme
HACCP	Hazard Analysis Critical Control Point
HDI	Human Development Index
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HPS	High Performing Schools
HRDF	Human Resource Development Fund
HRH	human resources for health
HSBB	High Speed Broadband
IAB	Aminuddin Baki Institute *(Institut Aminuddin Baki)*
ICA	Industrial Coordination Act
ICT	Information and Communications Technology
ICU	Implementation Coordination Unit
IKBN	National Institute of Youth Skills *(Institut Kemahiran Belia Negara)*
I-KeuNITA	*Inkubator Keusahawanan Wanita*
I-KIT	Intensive Skill Training for Single Mother *(Inkubator Kemahiran Ibu Tunggal)*
IMD	International Institute for Management Development
INSEP	Industrial Skills Enhancement Programme
INSKEN	*Institut Keusahawanan Negara*
IP	Intellectual Property
IPP	Independent Power Producers
IPTA	Public Higher Learning Institution *(Institusi Pengajian Tinggi Awam)*
IPTS	Private Higher Education Institution *(Institusi Pengajian Tinggi Swasta)*
IT	Information Technology
ITE	Institutes of Teacher Education
ITIS	Integrated Transport Information System
ITT	Integrated Transport Terminal
JKM	Social Welfare Department *(Jabatan Kebajikan Masyarakat)*
JPAM	Malaysia Civil Defense Department *(Jabatan Pertahanan Awam Malaysia)*
KEMAS	*Jabatan Kemajuan Masyarakat*
KeTTHA	Ministry of Energy, Green Technology and Water *(Kementerian Tenaga, Teknologi Hijau dan Air)*
KIA2M	*Kelas Intervensi Awal Membaca dan Menulis*
KL	Kuala Lumpur
KLIA	Kuala Lumpur International Airport
km	kilometre
KPI	key performance indicator
KPLI	Postgraduate Teaching Course *(Kursus Perguruan Lepasan Ijazah)*
KRAs	Key Result Areas
K-SMEs	Knowledge SMEs
KTM	*Keretapi Tanah Melayu*
KTP	Knowledge Transfer Partnership
Ktoe	kilo tonnes of oil equivalent
KWAPM	*Kumpulan Wang Amanah Pelajar Miskin*
LINUS	Literacy and Numeracy Screening
LKIM	Malaysian Fisheries Development Board *(Lembaga Kemajuan Ikan Malaysia)*
LMOs	Living Modified Organisms
LNG	liquefied natural gas
LRT	Light Rail Transit
LTAT	Armed Forces Fund Board *(Lembaga Tabung Angkatan Tentera)*
M&E	machinery and equipment
MACC	Malaysian Anti-Corruption Commission
MAFC	Malaysian Agriculture Food Corporation
MARA	*Majlis Amanah Rakyat*

MATRADE	Malaysia External Trade Development Corporation
MAVCAP	Malaysia Venture Capital Management Bhd
MBMMBI	Upholding Bahasa Melayu and Strengthening English *(Memartabatkan Bahasa Melayu, Memperkukuh Penguasaan Bahasa Inggeris)*
MBOs	management buy-outs
MCMC	Malaysian Communications and Multimedia Commission
MDGs	Millenium Development Goals
MERS	Malaysian Emergency Response System
MICE	Meetings, Incentives, Conventions and Exhibitions
MIDA	Malaysian Investment Development Authority
MIF	Mudharabah Innovation Fund
MITI	Ministry of International Trade & Industry
MKRAs	Ministerial Key Result Areas
MLNG2	Malaysia Liquefied Natural Gas Project 2
mmscfd	million standard cubic feet per day
MNCs	multinational companies
MOA	Ministry of Agriculture and Agro-Based Industry
MOE	Ministry of Education
MOSTI	Ministry of Science, Technology & Industry
MQA	Malaysian Qualifications Agency
MQF	Malaysian Qualifications Framework
MRSM	MARA Junior Science College *(Maktab Rendah Sains MARA)*
MyBayar	Government Online Payment
MyCoID	Malaysian Corporate Identity
MyExport	Malaysian Export
MyGovXchange	Malaysian Government Exchange
MyProcurement	Government Procurement Information Centre
MySMS	Government SMS Gateway
NCCIM	National Chamber of Commerce and Industry of Malaysia
NDP	National Development Policy
NDTS	National Dual Training System
NEM	New Economic Model
NGOs	Non-Governmental Organisations
NHD	National Housing Department
NHS	National Health Service
NIC	National Innovation Council
NIEs	Newly Industrialised Economies
NKEAs	National Key Economic Areas
NKRAs	National Key Result Areas
NPP	National Physical Plan
NRS	National Registry System
NSDC	National SME Development Council
NSRC	National Science & Research Council
NSW	National Single Window
NUP	National Urbanisation Policy
NVS	National Vision Policy
NWRP	National Water Resources Policy
OECD	Organisation of Economic Co-Operation and Development
OSCs	One-stop Centres
PAAB	*Pengurusan Aset Air Berhad*
PbR	Payment-by-Result
PDRM	The Royal Malaysian Police *(Polis DiRaja Malaysia)*
PEMANDU	Performance Management & Delivery Unit
PEMUDAH	Special Task Force to Facilitate Business *(Pasukan Petugas Khas Pemudahcara Perniagaan)*
PERMATA	Early Childhood Development Programme for Children Aged Four and Below
PETRONAS	Petroliam Nasional Berhad
PhD	Philosophy Doctorate
PISA	Programme for International Student Assessment
PLCs	Public Listed Companies
PMU	Project Management Unit

PNB	*Permodalan Nasional Berhad*
PNS	*Perbadanan Nasional Berhad*
PPP	public-private partnerships
PROTIM	*Program Pemulihan Asas Kemahiran Membaca, Menulis dan Mengira*
PSP	Principal Submitting Person
PUNB	*Perbadanan Usahawan Nasional Berhad*
PWDs	persons with disabilities
R&D	research and development
REITs	Real Estate Investment Trusts
RELA	People Volunteer Corps *(Ikatan Relawan Rakyat Malaysia)*
RGCs	Rural Growth Centres
RISDA	Rubber Industry Smallholders Development Authority
RM	Malaysia Ringgit
RPL	Recognition of Prior Learning
RSEs	Research Scientist and Engineers
SAIDI	System Average Interruption Duration Index
SCORE	Sarawak Corridor of Renewable Energy
SCORE	SMEs Competitive Rating for Enhancement *(Penggredan Daya Saing untuk* *Peningkatan EKS)*
SDAs	Strategic Development Areas
SDC	Sabah Development Corridor
SETARA	Rating System for Malaysian Higher Education Institutions *(Sistem Penarafan Institusi Pengajian Tinggi Malaysia)*
SIRIM	Standards and Industrial Research Institute of Malaysia
SMEs	Small and Medium Enterprises
SMS	Short Message Service
SPAD	Public Land Transport Commission *(Suruhanjaya Pengangkutan Awam Darat)*
SPAN	National Water Services Commission *(Suruhanjaya Perkhidmatan Air Negara)*
SPM	Malaysian Certificate of Education *(Sijil Pelajaran Malaysia)*
SPNB	*Syarikat Perumahan Negara Berhad*
SPP II	Project Monitoring System II *(Sistem Pemantauan Projek II)*
SQEM	Standard Quality Education Malaysia
SRIs	Strategic Reform Initiatives
SSM	Companies Commission of Malaysia *(Suruhanjaya Syarikat Malaysia)*
STOL	Short Take Off Landing
STPM	Malaysian Higher School Certificate *(Sijil Tinggi Pelajaran Malaysia)*
SWM	solid waste management
TAF	Technology Acquisition Fund
TC	Talent Corporation
TEKUN	*Tabung Ekonomi Kumpulan Usaha Niaga*
TEUs	Twenty-foot Equivalent Units
TEVT	Technical Education and Vocational Training
TFP	total factor productivity
TH	*Tabung Haji*
TI-CPI	Transparency International's Corruption Perception Index
TIMSS	Trends in International Mathematics and Science Study
TOL	Temporary Occupation License
UiTM	MARA University of Technology *(Universiti Teknologi MARA)*
UK	United Kingdom
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
USM	Science University of Malaysia *(Universiti Sains Malaysia)*
WAN	Wide Area Networks
WDR	World Development Report
YAHB	*Yayasan Amanah Hartanah Bumiputera*

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