



CPPS POLICY FACTSHEET: 10 MALAYSIA PLAN

The Centre for Public Policy Studies is pleased to bring you this factsheet on the recently-announced Tenth Malaysia Plan (10MP). This factsheet will provide background information and key points, initiatives, and goals of the 10MP in the context of the discussions at the 10th Malaysia Plan National Symposium by CPPS & ASLI.

BACKGROUND

The 10MP is a comprehensive blueprint for the development of Malaysia between 2011 and 2015. The tenth in a series of five-year development plans, prepared by the Economic Planning Unit (EPU) of the Prime Minister’s Department and the Finance Ministry of Malaysia. Prime Minister Datuk Seri Najib Tun Razak unveiled the 10MP on June 10, 2010. On July 1, 2010, the 10MP was passed by a voice vote among Ministers of Parliament after 11 days of debate.

The 10MP has been allocated a total of RM230 billion, and aims to push Malaysia towards a high-income value-added economy that is knowledge- and innovation-based as the country tries to achieve the goal of becoming a developed country by the year 2020. Of this RM230 billion, 55% will be spent on the economic sector, 30% on the social sector, 10% on the security sector, and the remaining 5% will be used for general administration. Overall, 60% will be spent on physical development while 40% will be spent on non-physical development, an increase from 22% in the Ninth Malaysia Plan.

- 10 big ideas to move Malaysia into a high-income nation**
- Internally driven, externally aware
 - Leveraging on diversity internationally
 - Transforming to high-income through specialisation
 - Unleashing productivity-led growth and innovation
 - Nurturing, attracting and retaining top talent
 - Ensuring quality of opportunities and safeguarding the vulnerable
 - Concentrated growth, inclusive development
 - Supporting effective and smart partnerships

- Five key thrusts of the 10MP**
- Creating the environment for unleashing economic growth
 - Moving towards inclusive socio-economic development
 - Developing and retaining a first-world talent base
 - Building an environment that enhances the quality of life
 - Transforming government to Transform Malaysia

10th MALAYSIA PLAN SYMPOSIUM

At the National Symposium on the 10th Malaysia Plan, sessions held concerned three strategies of the 10MP, and a key question about the 10MP were asked. The sessions covered topics of:

- Promoting private sector and innovation-led growth and making Malaysia competitive globally
- Developing a public-private partnership in infrastructure development
- Promoting inclusive growth by improving the livelihoods of the bottom 40% of society

Key Question:
Is the 10th Malaysia Plan realistic, and what issues and constraints could affect implementation?

Promoting Private Sector and Innovation-Led Growth and Making Malaysia Competitive Globally

To create a private-sector led economy, the government will:

- Modernize business regulation
- Liberalize the services sector to improve productivity and attract new investment
- Remove market distortions by rationalizing subsidies
- Introduce competition legislation
- Improve the interface between government and business

To support innovation-led growth, the government will:

- Shape a supporting economic system for innovation by developing human capital, investing in innovation infrastructure, and using economic incubators
- Create innovation opportunities by improving the public procurement system and reforming regulations
- Put in place innovation enablers to reduce inefficiencies in government institutions that support research and design (R&D) and upgrade intellectual property regulations
- Fund innovation through the *Mudharabah* Innovation Fund

The government will also support small- and medium-sized enterprises (SMEs) by:

- Reducing the regulatory costs borne by SMEs
- Building the capacity and capabilities of SMEs through training programs
- Supporting the creation of an entrepreneurial culture through university-based programs and initiatives
- Strengthen support systems for SMEs to promote the development and acceptance of SME products and services
- Enhance access to financing for SMEs by using programs that allow early-stage SMEs in new growth areas to obtain financing
- Establish a Skills Upgrading Programme to improve the technical, supervisory, and managerial skills of SME workers

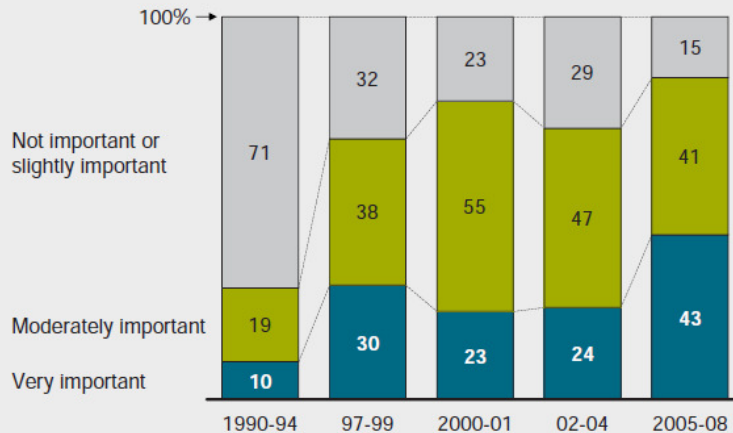
To help Malaysia compete globally, the government will:

- Improve competitiveness by expanding export markets, assisting Malaysian firms trying to break into export markets, developing FTAs, and reducing transaction costs
- Attract foreign talent and investment to Malaysia by highlighting benchmarks, empowering MIDA, and investing in talent recruitment

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

Promoting Private Sector and Innovation-Led Growth and Making Malaysia Competitive Globally

To improve education to support innovation-led growth and competitiveness, the government intends to:

- Reform the education system to increase student outcomes and improve the skills and employability of Malaysian graduates
- Expand access to and improve the quality of technical education and vocational training (TEVT) programs
- Implement the Knowledge Transfer Partnership (KTP) programme in 2011 to increase collaboration between industry and relevant universities and provide industrial-based training for graduates
- Provide a Skills Development Fund to help workers and school leavers obtain new skills

To further help in attracting and retaining talent, the government will:

- Liberalize the entry of skilled professionals as outlined by the ASEAN Framework Agreement on Services (FAS)
- Establish a Talent Corporation (TC) to promote the development of Malaysian talent and work with both the public and private sectors to develop a National Talent Blueprint by 2011

The government will also alter its role by:

- Strengthening its role as a policymaker and independent regulator as the private sector increases its participation in the economy
- Extending opportunities for private sector investment to include the delivery of front-line public services
- Transferring non-core operating functions to the private sector to improve outcomes and lower costs, and also reducing government ownership in selected companies and provide companies with a level playing field to facilitate private-sector competition
- Establishing *InnovationMalaysia* as a unit responsible for overseeing innovation initiatives to improve R&D and promote production of intellectual properties

Developing a Public-Private Partnership in Infrastructure Development

A total of RM62.7 billion will be used to create public-private partnerships.

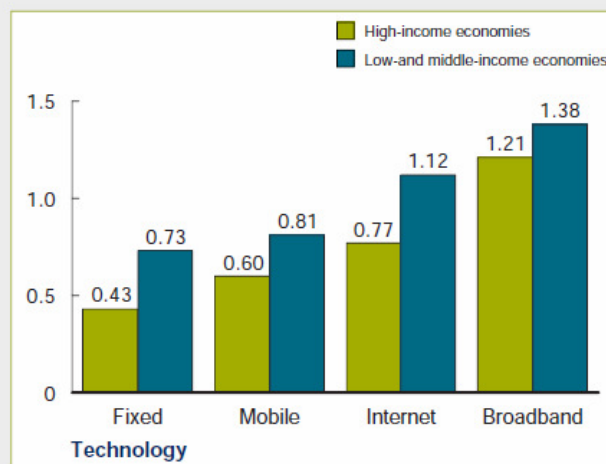
To reduce the role of government in business and leverage the abilities of the private sector, the government will:

- Increase privatization and public-private partnerships in order to improve efficiency in delivery of services and reduce the financial burden on government
- Use a facilitation fund (RM20 billion) to support private sector projects with strategic value for the nation (in infrastructure, education, tourism, health, etc.)
- Achieve an appropriate balance between government, GLCs, and the private sector that ensures Malaysian firms can effectively regionalize and globalize

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 penetration¹



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

Developing a Public-Private Partnership in Infrastructure Development

Some areas of infrastructure the government intends to improve are:

- Broadband internet services (target of 75% household penetration by 2015)
- Physical infrastructure that enhances access and connectivity (multimodal transport services, rail development, maritime infrastructure, and airport development)
- Energy sourcing and delivery (by encouraging existing industries to expand into high-value added activities and attract new investments)

Public-private collaboration will be improved to encourage industry participation in course provision and industrial attachments

The government's Special Task Force to Facilitate Business (PEMUDAH) has already helped make Malaysia an easier place to do business through the development of public-private partnerships

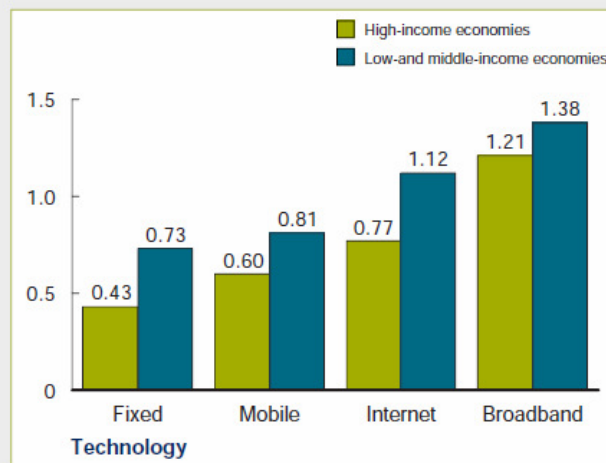
To help facilitate public-private partnerships in infrastructure development, the government will:

- Use approximately 40% of the total funding for the 10MP for the development of soft infrastructure, compared to 22% in the Ninth Malaysia Plan, focusing on skills development and innovation rather than physical infrastructure
- Provide opportunities for private sector investment to invest in physical infrastructure alongside with the delivery of services

Chart 3-14

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Promoting Inclusive Growth by Improving the Livelihoods of the Bottom 40% of Society

Characteristics of the bottom 40% of households:

- In 2009, they had an average household income of RM1,440 or less
- They are evenly distributed between urban and rural areas
 - 65% are located in Johor, Kedah, Perak, Sabah, Sarawak, and Selangor
- The vast majority (73%) are Bumiputera households
- They generally have limited economic mobility and a weakened ability to secure higher-paying jobs and income opportunities because of remote location and inadequate levels of education



Promoting Inclusive Growth by Improving the Livelihoods of the Bottom 40% of Society

To improve the livelihoods of the bottom 40% of households, the government intends to:

- Increase income generation potential through education and entrepreneurship programs
- Strengthen access to basic amenities
- Tailor programs to target groups with specific needs such as the Bumiputera in Sabah and Sarawak as well as Orang Asli communities

To help promote inclusive growth, the government will:

Bumiputeras

- Institute market-friendly and merit-based instruments to reform the Malaysian economy
- Strengthen Bumiputera entrepreneurship to create competitive businesses and increase wealth ownership beyond corporate equity
- Promote Bumiputera representation in high-paying jobs through demand-side incentives

All

- Ensure basic physical infrastructure is available
- Put into motion key enablers to provide strengthened infrastructure
- Utilize development plans for integrating the planning and implementation of rural infrastructure development programs

To further enable an inclusive society along the 1Malaysia concept, the government plans to:

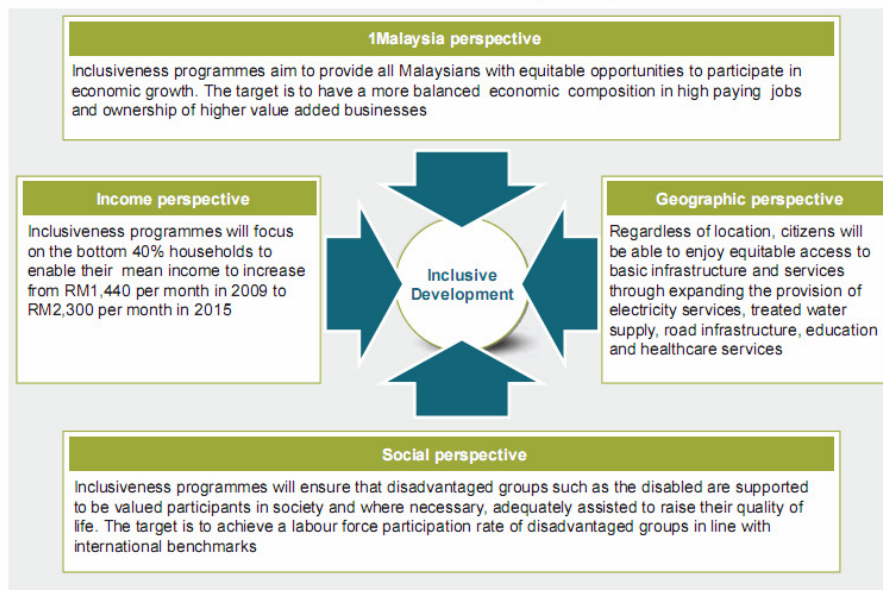
- Develop programs to encourage the inclusion of marginalized groups (women, youth, children, the elderly, and persons with disabilities)
- Pay special attention to the family unit as a vital component of society that needs tailored economic support

In terms of specific development for rural areas, the government plans to:

- Build 72% of the 10MP's 3,580km of total planned roads in Sabah and Sarawak
- Extend electricity coverage to rural areas using alternative systems such as mini-hydro and solar-hybrid energy systems (100% coverage in Peninsular Malaysia and 99% in Sabah and Sarawak by 2015)
- Increase rural coverage of treated water supply to 99% in Peninsular and 98% in East Malaysia by 2015
- Build 197 new clinics (156 in rural areas and 41 as community health clinics) and 50 1Malaysia clinics
- Build four new hospitals and four replacement hospitals between 2010 and 2012
- Increase the number of mobile clinics, flying doctor services, and village health promoters in rural areas
- Build 78,000 new affordable public housing units with low-cost units given to qualified individuals and families with incomes lower than RM2,500 per month
- Establish a Housing Maintenance Fund for residents of low-cost housing units to conduct repairs
- Poverty eradication agencies such as the Ministry of Housing and Local Government will be given greater mandates to cover and assist the bottom 40% of households

Chart 4-1

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



Is the 10th Malaysia Plan Realistic, and What Issues and Constraints Could Affect Implementation?

Allocations of the 10MP

- ✘ RM230 billion total
 - RM126.5 billion (55%) for the economic sector
 - RM69 billion (30%) for the social sector
 - RM23 billion (10%) for the security sector
 - RM 11.5 billion (5%) for general administration

- ✘ RM91 billion for the first two-year rolling plan (2011-2012)

- ✘ To help improve the lives of the bottom 40% of households:
 - RM4.9 billion to extend electricity coverage
 - RM2.8 billion to improve urban transport
 - RM637 million for the new clinics
 - RM600 million for the new and replacement hospitals
 - RM500 million for the Housing Maintenance Fund

Key questions

- ✘ How do we ensure that the private sector helps cater to the public good in order to achieve the goals of the 10MP?

- ✘ How do we best use the increased funding for soft infrastructure development, and what limitations do we have to be aware of when selecting infrastructure development projects?

- ✘ Is our measurement of “bottom 40% of households” accurate, and is our targeting of the bottom 40% the correct target?

- ✘ How do we ensure that the bottom 40% of households takes advantage of new programs and initiatives developed by the 10MP so that the goals of the 10MP will be realized?

- ✘ Is there a need for the new agencies created in the 10MP; for example, can the role of the Talent Corporation be played by the Ministry of Education instead?