A Summary of The 10th Malaysia Plan

The Government Transformation Programme (GTP) and the New Economic Model (NEM) launched earlier this year built a framework of what has to be done to lift the economy towards a higher growth. The 10th MP however promises to translate these strategies and policies into action. The key message of the 10th MP is that change is critical if Malaysia is to benefit from the shift of economic power from the West to Asia. The target: to achieve a high income and developed nation in just 10 years.

The main problems identified that face Malaysia today are falling private investment, falling productivity rates, inefficient use of its resources, outflow of talent, lack of a substantial pool of skilled labour, heavy bureaucracy and its obsolete affirmative action policies. The 10MP is targeted at attacking and overcoming these obstacles.

The 10MP is built on five key strategic thrusts (figure A):

- **Creating the environment for unleashing economic growth.**
  - Strategies to create an environment that fosters economic growth with private sector as main driver.

- **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”. (ie citizens)

- **Moving towards inclusive socio-economic development.**
  - Measures to ensure income and wealth are distributed in equitable manner.

- **Developing and retaining a First-World talent base.**
  - Key to promote productivity and innovation-led growth. 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.
To achieve the mission set forth as above, the central theme of the Tenth Malaysia Plan is encapsulated into 10 Big Ideas which if vigorously and consistently implemented, will see Malaysia through these challenging times and enable the nation to be a high income 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

In a nutshell, the 10MP has targeted a gross domestic product (GDP) growth of 6% per annum over the next five years, which will be led by the private sector and underpinned by the services sector. Gross national income per capita is projected to rise to US$ 12,139 (about RM 40,000) by 2015, from US$ 8,256 in 2010 (Figure B).

**Figure B- Real GDP and GNI per capita towards high-income economy**

Source: Economic Planning unit and Department Statistic Malaysia
In realizing this, the pivotal aim of the 10MP is in re-energizing the private sector by putting in place a conducive environment, including facilitating an economy that will have a more level playing field and which would rely on greater use of intellectual capital, skills, innovation and technology. Emphasis will also be placed on drawing in more foreign direct investment (FDI), especially into small and medium sized enterprises (SMEs). Currently SMEs make up 99.2% of all business in Malaysia, contributing 56.4% of total employment and some 31% to GDP (Figure C).

Thus the government will focus on unlocking the growth and innovation potential of SMEs, creating domestic, regional and global champions. Key measures that would be taken, include reducing regulatory costs, building capacity and capabilities, supporting an entrepreneurial culture, enhancing financing and support systems for SMEs.

The total development allocation under the 10MP is RM230 Billion, of this 55% percent is for the economic sector, 30% for the social sector, 10% for security and 5% for general governance (Figure D). Also a bigger portion of the 10MP development expenditure will be allocated for non-physical programmes, rising from 22% to 40% in the 10MP (figure E)
Figure E: Federal Government Development Allocation by Physical and Non Physical, Share to Total

9th MP
RM230 billion

Non-physical
22%

Physical
78%

10th MP
RM230 billion

Non-physical
40%

Physical
60%

Source: Economic Planning unit

Key Highlights of 10th Malaysia Plan
Figure F: Key Enablers to Support Economic Growth

Source: Economic Planning unit
CREATING A PRIVATE SECTOR-LED ECONOMY

- Business regulation would be modernized to make Malaysia among top 10 nations for doing business.
- Review led by Malaysia Productivity Corp (MPC).
- Service sector to grow at 7.2% annually until 2015, raising contribution to GDP to 61% from 58% in 2010 (Figure G).
- Subsidies and price controls to be rationalized.
- Competition law enacted by Parliament in 2010.
- Competition Commission and Competition Appeal Tribunal to be established.

**Figure G: Service Sector is expected to grow at 7.2% annually till 2015**

<table>
<thead>
<tr>
<th>Average annual growth rate for 2011-15 period</th>
<th>Share to GDP in 2015</th>
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<tbody>
<tr>
<td>GDP</td>
<td>6.0</td>
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<tr>
<td>Services</td>
<td>7.2</td>
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<td>Manufacturing</td>
<td>5.7</td>
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<td>Construction</td>
<td>3.7</td>
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<td>Agriculture</td>
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<td>Mining</td>
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</tbody>
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Source: Economic Planning unit

SUPPORTING INNOVATION-LED GROWTH

- Global headhunt for best academic leadership.
- Partnerships with leading global research institutions.
- Industry to Co-sponsor employees for industrial PHDs.
- 75% of households to have broadband by 2015.
- Innovation and R&D infrastructure to be developed in areas with competitive advantage.
- Incentive packages for FDI for transfer of knowledge.
- Incentive for MNCs to establish research centre's.
- Insolvency law to support culture of taking calculated risks.
- Funding of incubators to be shifted towards private sector.
- Emphasis on incubator model that includes business and development services.
- Knowledge SMEs to be supported.
- Foreign K- SMEs in key services and manufacturing activities to be encouraged.
CREATING INNOVATION OPPORTUNITIES

- Public procurement to create demand for innovation.
- National Green Technology Policy to promote green products and services.
- Green technology financing scheme to issue credit guarantees for companies using green technology.
- Reform of institutional structure for all sectors and all parts of innovation value chain.
- Better IP protection regime and shorter registration process for trademarks and patents.

FUNDING INNOVATION

- Funding to Malaysian Technology Development Corp (MTDC) and Malaysian Venture Capital Management Bhd. to shift to equity structure.
- RM 500 Million Mudrabah Innovation fund to provide risk capital.
- RM 150 Million Business Growth Fund to support commercialization of public sector research.
- Tax deductions for R&D and matching grants for private sector funding of R&D and commercialization.
- 1-innoCERT programme to assess innovation level of enterprise.

Figure H: Institutional Structure Supporting Innovation & R&D

Source: Economic Planning Unit
RATIONALISING ROLE OF GOVERNMENT IN BUSINESS

- New wave of privatization, with 52 projects worth at about 62.7 billion.
- Monetization of public-sector assets through outright sale, joint ventures or long term leases.
- RM 20 Billion fund to bridge viability gap for priority areas in infrastructure, education, tourism and health.
- Non-core and non-competitive assets of GLCs to be divested.
- Companies under the Ministry of Finance Inc such as Percetakan Nasional Bhd, CTRM Aero composites, Nine Bio Sdn. Bhd. will be privatized.
- Clear delineation between regulators and market players in healthcare, electricity supply and telecommunications.

DEVELOPING SMEs AS AN ENGINE OF GROWTH AND INNOVATION

- Companies with up to 5 employees to be exempted from costly regulation.
- SME employees that supply MNC and large companies to receive training.
- Courses in management, finance, marketing and ICT for SMEs.
- Medium-Term training maps to support SMEs in human capital development.
- Supporting the creation of an entrepreneurial culture.
- SME-university internship programme to be enhanced.
- National Mark quality certification to be promoted, 1-innoCERT introduced to certify innovative SMEs for tax deduction, SME Corp Malaysia to be expanded.
- Development of venture capital and private equity industry to be accelerated.
- Special funding schemes by development financial institutions.
- Preferential-rate loans or hybrid grant loans for SMEs.
- RM 7 billion working Capital Guarantee Scheme.

Figure I: Contribution to GDP of Malaysian SME is Relatively Low Compared to Other Countries

Source: Economic Planning unit; OF Policy Research Institute, Japan
COMPETING GLOBALLY

- Trade currently more than double GDP with gross exports at RM 1.16 trillion in 2009 to nearly double to RM2.19 Trillion in 2015.
- Export promotion in fast-growing markets in East Asia, India and Gulf Cooperation Council countries, market presence in Africa, Latin America and Central Asia. Opportunities in ASEAN, the United States and EU will be optimized.
- Financial assistance for firms to conduct feasibility studies and secure contracts for international projects and export promotion.
- Firms to be helped to develop their brands for international markets.
- Capacity of EXIM bank to be enhanced.
- Firms to be aided with opportunities in bilateral FTAs with Japan, Pakistan, New Zealand and regional ASEAN agreements with China, Japan, South Korea, India, and Australia.
- FTAs to be pursued with EU, Transpacific Strategic Partnerships, ASEAN+3 and others.
- Transaction costs to be reduced to facilitate trade and unlock potential of FTAs.
- Annual survey on location decisions of investors, companies and people.
- MIDA authorized to negotiate directly with investors, as central investment promotion agency for manufacturing and services.
- Talent Corp to attract, motivate and retain talent.
- National Talent Blueprint to be drafted 2011.

Figure J: Malaysia Ranks 10th in the World Competitiveness Scoreboard 2010

Source: IMD World Competitiveness Yearbook 2010
### ESTABLISHING WORLD CLASS INFRASTRUCTURE TO SUPPORT GROWTH AND ENHANCE PRODUCTIVITY

- Household broadband penetration will be raised to 75% from 50% in 2010 (Figure K).
- RM 2.7 Billion to build roads and rail to key ports and airports.
- Electrified double-track rail project to be extended to Johor Baru.
- RM 1 billion to deepen port channels, RM 6 billion for upgrading Westport, Port of Tanjung Pelepas and Penang Port.
- RM 3.3 billion for expanding airport capacity, new low-cost-carrier terminal at KLIA and to upgrade Penang International Airport.
- Energy security to be fortified through alternative resources such as hydro, coal and liquefied natural gas by 2015.
- Blending of bio-fuel to be mandatory for transport sector in 2011.
- “Energy efficiency master plan” to be formulated.
- Energy Subsidies to be reduced to achieve market pricing by 2015.
- Gas prices to be revised every 6 months.
- Gas supply industry to be further liberalized.
- Market discipline to be imposed on electricity supply industry.

**Figure K: Broadband Coverage Map in 2015**

![Broadband Coverage Map](source)

Source: Malaysian Communications and Multimedia Commission
FOCUSING ON KEY GROWTH ENGINES

Eleven sectors and one geographical area make up the NKEAs to drive economic growth;

1. OIL AND GAS
To leverage the potential of oil and gas even further, initiatives such as increasing international market access, enhancing skills training in partnership with industry and enhancing linkages in the downstream industries would be taken. Further efforts would involve expanding opportunities in logistics and maritime business activities and strengthening oil and gas related professional services.

2. PALM OIL AND RELATED PRODUCTS
During the 10MP, the target is for the industry to increase output to GDP to RM 21.9 billion. To achieve this, key initiatives include promoting Malaysia as a global hub for palm oil and preferred destination for foreign investments. Also palm oil industrial clusters would be developed into integrated sites to promote downstream activities such as bio-fuel, oleo chemicals and etc. The government also plans to centralize the procurement of agricultural inputs such as fertilizer and pesticides to lower input costs for small holders.
3. FINANCIAL SERVICES
Here a new financial sector blueprint will be devised to articulate strategies to further evolve the Malaysian financial sector to support and drive the next phase of Malaysia’s economic development. Furthermore, Malaysia’s position in Islamic finance would be enhanced globally via the strengthening of the Malaysia International Islamic Financial Centre (MIFC) Initiatives.

4. WHOLESALE AND RETAIL
The retail and wholesale sectors would be liberalized to promote investments. Local retailers would also be encouraged towards consolidation to promote efficiency and economies of scale. Franchise, direct sales and e-commerce would also be promoted to achieve its full potential.

5. TOURISM
Differentiated strategies would be promoted to cater for unique and distinctive travel patterns. Tourism products would also be improved through the creation of focused tourism clusters that will leverage on existing and iconic tourism products. Also, new tourism products would be developed through the private sector and public private partnerships.

6. INFORMATION AND COMMUNICATIONS TECHNOLOGY
MSC Malaysia would identify and support the development of niche areas in software and e-solutions, creative multimedia, shared services, outsourcing and as well as e-business. The government will also aggressively promote the use of ICT in all industries in parallel with the development of the ICT sector. Education and training will be prioritized to meet the human resource requirements in this sector.
7. EDUCATION
The government would improve the quality of public higher learning institutions through performance based funding by expanding the rating system for Malaysian Higher Education Institution (SETARA) to cover private universities and college universities, and at faculty level. Also a central enrolment system would be introduced in stages for all students, including international students with flexible credit accumulation framework. A conducive educational ecosystem would be provided, to attract students and world leading faculties in niche areas to set up branches in Malaysia.

8. ELECTRICAL & ELECTRONICS
Centres of engineering excellence would be developed by collaborating with industry and academia. State skill centres and co-founding masters and PhD programmes in critical fields would also be promoted. Furthermore, incentives would be focused on strategic segments of the value chain, such as design, testing and precision machining.

9. BUSINESS SERVICES
Here the focus will be on further developing construction related and environmental management services. A consolidated presence and brand for Malaysian construction services overseas would be established. Legislation would also be amended to facilitate commitments made at bilateral, regional and multilateral levels to liberalize the industry and create new business opportunities.

10. PRIVATE HEALTHCARE
During the tenth plan, the target is to grow revenue from healthcare by 10% per annum. Thus key strategies to be taken include encouraging more private hospitals to seek accreditation with international healthcare accreditation bodies, promoting investment in and utilization of high end medical technology and also intensifying coordinated and integrated promotional activities to strengthen the presence of Malaysia healthcare brand globally.
11. AGRICULTURE
In this sector, consortiums and cooperatives would be set up to reap the benefits of scale. Reviewing and streamlining current regulation would also be undertaken to attract greater investment and participation from private sector. Also innovation based growth and production processes that utilize modern farm technology and ICT would be promoted.

12. GREATER KUALA LUMPUR
In order to position Greater KL as a world class city, a combination of economic growth and liveability strategies would be needed. The Kuala Lumpur International Financial district would be established as a global financial centre. The Sime Darby Vision Valley would also get the green light. Also urban public transportation will be transformed through the mass rapid transit system to ensure seamless interconnectivity links.

In concluding, the 10 MP is definitely a step in the right direction. It vitally emphasizes a paradigm shift in government policies and maps out its approach to achieving its targets for the five year period. More details are pending on the 10MP as well as Part 2 of the NEM, which would be a blueprint for the implementation needed towards economic transformation.