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Economic Management and Prospects

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Overview

Malaysia's momentous journey in its aspiration towards achieving a developed and high-income economy commenced in the 2010 Budget. Recognising that the nation has reached a defining moment in its development path as well as the need for structural reforms and mindset change, the New Economic Model (NEM) and the Tenth Malaysia Plan (10MP) were unveiled on 30 March and 10 June 2010, respectively. The 2010 Budget laid the foundation for the development of the NEM and is a precursor to the 10MP.

The 2011 Budget will further accelerate the national transformation agenda through strategies and measures to revitalise private investment, strengthen human capital development and improve productivity as well as ensure the well-being of the *rakyat.* These strategies and measures are anchored on four pillars of the national transformation programme, namely the 1Malaysia: People First, Performance Now concept, Government Transformation Programme (GTP), Economic Transformation Programme (ETP) and 10MP.

The 1Malaysia, People First, Performance Now concept is based on the principles of social cohesion and inclusiveness as well as the need for prompt delivery of public services to the *rakyat.* Meanwhile, the GTP which encompasses the National Key Result Areas (NKRAs) and Ministerial Key Performance Indicators (MKPIs) is designed to strengthen public sector delivery and enhance accountability of programmes. To address issues of concern to the *rakyat***,** six NKRAs covering crime, corruption, education, poverty, rural basic infrastructure and public transport were identified with specific measures and targets for expeditious implementation. The ETP is designed to bring about structural changes through eight Strategic Reform Initiatives (SRIs) to remove impediments and create an enabling environment to boost growth. Among the major SRIs are reinvigorating private investment, strengthening public service delivery as well as enhancing sources and sustainability of growth. To accelerate economic expansion, 12 National Key Economic Areas (NKEAs) with high growth potential were selected and several projects identified for implementation.

The 10MP is the first medium-term plan to operationalise the GTP and ETP. The Plan will promote major structural transformation aimed at enhancing competition through an innovative and skilled workforce, removing market distortions and unleashing private sector entrepreneurship. The public sector will play a catalytic role in facilitating private activity while delivering efficient services in the spirit of 1Malaysia: People First, Performance Now.

These initiatives augur well for the nation's long-term growth prospects and will contribute to a higher per capita Gross National Income (GNI) of between USD15,000 and USD20,000 by 2020. In the immediate term, the Malaysian economy is expected to register strong growth of 7.0% in 2010 after contracting 1.7% in 2009. Growth is supported by the upturn in private investment, robust consumption and strong external demand. In 2011, with moderate global growth and trade expansion, the Malaysian economy is envisaged to expand between 5.0% and 6.0%, supported by resilient domestic demand as well as the pro-growth strategies and measures introduced in the 2011 Budget.

Performance Review – 2010

Fiscal Operations

The timely and well-targeted implementation of the stimulus packages amounting to RM67 billion or 9.9% of Gross Domestic Product (GDP) in 2009 enabled the economy to rebound in the fourth quarter of 2009 and register strong growth of 9.5% in the first half of 2010. With broad-based recovery and well-entrenched growth, revenue projections were revised upwards, thus improving the fiscal position.

The Government is committed to fiscal consolidation. The fiscal deficit will be contained at 5.6% of GDP (2009: 7.0%) and largely funded from domestic sources. Total Government expenditure is expected at RM206.2 billion in 2010 (2009: RM206.6 billion). Federal Government revenue is expected to remain firm at RM162.1 billion, an increase of 2.2% over 2009. Fiscal prudence will continue to be observed while various measures will be undertaken to increase revenue collection.

Monetary and Financial Developments

Monetary Policy

Monetary policy remains supportive of growth as the economy rebounded amid benign inflation. The overnight policy rate (OPR) was raised three times, by 25 basis points in March, May and July 2010, increasing the rate from 2.00% to 2.75%. The normalisation of OPR reflects improving economic outlook and aims to prevent the build-up of financial imbalances, under-pricing of risks as well as disintermediation, which are detrimental to long-term sustainable growth. The statutory reserve requirement (SRR) was adjusted downwards from 2.00% to 1.00% in March 2009 and remains unchanged to reduce the cost of intermediation for banking institutions.

Developments in the Financial Sector

The continued resilience of the banking sector was supported by strong capital, stable asset quality and ample liquidity. To further enhance the development and competitiveness of the financial sector, five new commercial banking licences were issued in June 2010 following the liberalisation measures announced in April 2009. These banks will contribute to the diversity of the financial services industry and support new areas of growth, including green technology as well as facilitate international trade, attract investments into Malaysia and create greater employment opportunities in the financial sector.

On 18 August 2010, *Bank Negara Malaysia* (BNM) further eased foreign exchange rules to allow the ringgit for offshore settlement of trade in goods and services as well as remove the cap for exporters to hedge foreign exchange risks. This will facilitate the management of currency mismatches, reduce conversion costs as well as enable more effective risk management.

In the capital market, the Securities Commission Malaysia (SC) issued a stockbroking licence to further enhance greater intermediation of investment inflows. Malaysia is also recognised as an approved investment destination by China under the Qualified Domestic Institutional Investor (QDII) scheme for Chinese fund management and securities companies to invest in Malaysian securities. The scheme will also enhance Malaysia's attraction as a capital-raising platform, particularly for China-based companies as well as provides opportunity for Malaysian capital market intermediaries to access China's market.

Strategies Under 2010 Budget

The 2010 Budget with the theme "1Malaysia, Together We Prosper" focused on three main strategies, namely driving the nation towards a high-income economy, ensuring holistic and sustainable development and focusing on the well-being of the *rakyat*. The programmes, projects and initiatives under these strategies focused on strengthening the private sector as an engine of growth, creating skilled and talented workforce, intensifying research and development (R&D) activities as well as promoting innovation and creativity.

Driving the Nation Towards a High-Income Economy

Accelerating Private Investment

Private investment declined from an average of 25.0% of GDP in the 1990s to an average of 10.0% over the last decade. The decline in investment is attributed to shortage of skilled human capital, low level of innovation and productivity as well as weaknesses in public service delivery. Furthermore, the emergence of low-cost producers such as China, India and Vietnam has resulted in lower foreign direct investment (FDI) inflows. Given the trend, several measures were introduced in the 2010 Budget to revitalise private investment.

Providing Business-Friendly Environment

A single reference number for individuals and companies was introduced on 1 September 2009 to facilitate dealings with Government agencies. MyID uses the MyKad number, while MyCoID utilises the Companies Commission of Malaysia business registration number. Under phase one, MyID was introduced in the Road Transport Department, Immigration Department, Employees Provident Fund (EPF) and the Inland Revenue Board (IRB). As of July 2010, this facility was extended to 560 government agencies. The development of MyCoID gateway is expected to be completed by 1 November 2010 and the system will be operational in five main agencies, namely IRB, EPF, *Pembangunan Sumber Manusia Berhad*, Social Security Organisation (SOCSO) and SME Corporation Malaysia (SME Corp.).

In order to attract highly talented and skilled individuals from abroad, the Government simplified the granting of permanent residence (PR) status. In addition, working and dependent expatriate family members can obtain visas within three working days, while foreign spouses of Malaysian women are now eligible to apply for long-term social visit pass and are also allowed to work in the country.

As uninterrupted electricity supply is necessary for smooth business operations, as of July 2010, *Tenaga Nasional Berhad* expended RM4.0 billion on projects to implement electricity generation, transmission, distribution and support services. These include expenditure on preliminary works for the hydroelectric projects in Ulu Jelai, Pahang and Hulu Terengganu, which are expected to be completed by end-2015. Meanwhile, Sabah Electricity Sendirian Berhad has taken several measures to increase electricity generation capacity as well as to strengthen the delivery and distribution system in Sabah. These efforts helped to reduce the System Average Interruption Duration Index to 552 minutes as at July 2010 (July 2009: 1,362 minutes). In Sarawak, several projects were identified to enhance the development of the energy sector. In this regard, the Bakun Dam is expected to be operational by end-2010. The Murum Dam in Kapit is expected to commence operations in 2013, while preliminary work on Baram and Limbang hydroelectric projects is underway.

Enhancing Implementation of Public-Private Partnership

The Government remains committed to gradually reducing its involvement in economic activities, particularly in areas where it competes with the private sector. In this respect, the privatisation agreement relating to development of the Malaysia External Trade Development (MATRADE) Centre was signed on 21 December 2009 and the project is expected to be completed by 2014. In addition, the construction of six *Universiti Teknologi MARA* (UiTM) campuses in Pasir Gudang, Puncak Alam, Tapah, Jasin, Seremban and Kota Samarahan is expected to be completed by 2013. To intensify FDI, *Khazanah Nasional Berhad* collaborated with several foreign entities including Marlborough College Overseas Limited, Raffles Education Corporation and Netherlands Maritime Institute of Technology. In a related move, the world-renowned teaching, research and medical institution, Johns Hopkins University will establish a medical school and hospital in Malaysia. A site in Serdang, Selangor has been identified to set up the facilities, which would become a medical research hub for the region.

Intensifying Research, Development and Commercialisation

A strong foundation in research, development and commercialisation (R&D&C) activities is paramount to achieve a developed and high-income economy. In this regard, the *Unit Inovasi Khas* or UNIK was established in July 2010. Staffed by professionals from the public and private sector, UNIK will be responsible for creating a conducive ecosystem to drive innovation, including promoting innovation in the public sector, universities and education system.

Efforts were also taken to integrate R&D activities with patents, copyrights and trademarks registration to ensure R&D&C processes are implemented effectively. Processes and procedures were further improved to expedite patents, copyrights and trademarks registration in the country. In addition, small and medium enterprises (SMEs) are allowed tax deductions on expenses incurred in the registration of patents and trademarks. Consequently, the number of patents and trademarks registered domestically increased 8.8% during the first seven months of 2010 compared with the same period last year.

Leveraging on Niche Areas

The Government remains steadfast to strengthening niche areas. Towards this, various measures were undertaken to boost GNI through tourism, information and communication technology (ICT), *halal*, green technology and creative industries.

Boosting Tourism Industry

Tourism is a rapidly growing industry with tourist arrivals and receipts increasing 9.0% and 12.0% per annum, respectively, from 2004 to 2009. Despite the challenging environment in 2009, when countries worldwide suffered declines in tourist arrivals, Malaysia posted growth of 7.3% in tourist arrivals to 23.6 million while receipts increased 7.7% to RM53.4 billion. In terms of global ranking for 2009 by the United Nations World Tourism Organisation, Malaysia moved up two notches to ninth in tourist arrivals and 13th in receipts.

Efforts will be intensified towards maintaining Malaysia among the top 10 tourist destinations, particularly focusing on attracting a larger share of high-spending and long-stay tourists. While continuing to promote existing tourism products such as eco-tourism, edu-tourism and health tourism as well as the Malaysia My Second Home (MM2H) and homestay programmes, the promotion of innovative tourism products will be accelerated. These include Malaysia's beautiful parks and gardens, culinary delights, arts tourism, women's golf and flower trails. In July 2010, Malaysia launched the inaugural 1Malaysia Contemporary Art Tourism (MCAT), which will be a 3-month event held from July to September annually, aimed at attracting high-yield tourists. The MCAT initiative not only showcases the works of local artists, but will establish Malaysia as a hub for art in the region. In addition, the Fabulous Food 1Malaysia, also a 3-month annual event, will display local best foods. These initiatives will contribute towards achieving the target of 24 million tourist arrivals and receipts of RM59.2 billion for 2010.

Enhancing Information and Communication Technology Industry

ICT is a key driver to promote higher value-added sources of growth. Greater use of ICT will not only support growth but also improve productivity and competitiveness. Recognising this, the Government continues to facilitate the development of the ICT industry through various initiatives such as upgrading information technology (IT) infrastructure and networks, increasing IT utilisation across economic sectors and providing incentives. The industry is expected to gain greater growth momentum through projects under the NKEAs.

Broadband is a key enabler to spur the development of local content industry and e-commerce, while delivering economic benefits through increased productivity. To enhance demand for broadband, a series of measures were introduced, including tax relief for broadband subscriptions, promoting computer ownership as well as providing netbook and broadband packages for students and the low-income group. The 10MP targets broadband penetration to reach 75% of households by end-2015 from 37.5% as at end-June 2010. In addition, the roll-out of the High Speed Broadband (HSBB) project is expected to further boost the national broadband penetration rate. As of August 2010, there were 10,625 HSBB subscribers in the Klang Valley, Penang and Johor. A total of 1.3 million premises nationwide are expected to have access to HSBB by 2012.

Intensifying Halal Industry

Malaysia has the potential to further develop the *halal* industry. Towards this, the Government will amend the Trade Descriptions Act 1972 to empower the Department of Islamic Development Malaysia (JAKIM) and *Majlis Agama Islam* as authorities for *halal* certification. To ensure *halal* certificates issued are internationally recognised, JAKIM collaborated with several international *halal* certification bodies such as Australian *Halal* Food Services, Islamic Centre of the Argentine Republic, Islamic Food Council of Europe and China Islamic Association. In addition, the *Halal* Industry Development Corporation (HDC), which assisted in the development of *Halal* Parks in Kelantan, Melaka, Selangor and Terengganu, was corporatised as an agency under Ministry of International Trade and Industry (MITI) in October 2009, to enable it to function more effectively. HDC will continue its efforts in attracting and creating investment opportunities in the *halal* industry.

Developing Green Technology

Towards sustainable management of the environment, the Government launched the National Green Technology Policy in August 2009. The main aim of the policy is to provide a conducive environment for green technology development. For this, the Government established a fund amounting to RM1.5 billion to provide soft loans to companies that supply and utilise green technology. This scheme, under the Malaysia Green Technology Corporation, was available from 1 January 2010. In the first nine months, a total of nine loans amounting to RM132.3 million was disbursed to five producer and four user companies. In addition, priority will be given to environment-friendly products and services that comply with green technology standards in Government procurement. Efforts are also underway to develop Putrajaya and Cyberjaya as pioneer townships in green technology. In this regard, several Government buildings, including the Prime Minister’s Office, Economic Planning Unit and Ministry of Finance have been identified to be converted as High Performance Green Building projects. On completion these projects are expected to reduce utility bills by 10% in the respective buildings.

Promoting Creative Industry

The Government established a RM200 million Creative Industry Fund on 23 October 2009 to finance activities such as film and drama productions, music, animation, advertisements and local content development. As at September 2010, a total of RM16.3 million was disbursed by *Bank Simpanan Nasional* to 27 entities. To ensure the welfare of artistes, *Tabung Kebajikan Penggiat Seni* was established on 23 October 2009 with a launching grant of RM3.0 million.

As of August 2010, a total of RM202,000 was disbursed to 39 artistes under the programme.

Advancing Agriculture Sector

The Government introduced several measures in the 2010 Budget to modernise the agriculture sector as well as increase self-sufficiency and ensure food security. Under the National Food Security Programme, a sum of RM190.8 million was allocated to upgrade and improve drainage and irrigation infrastructure for *padi* cultivation. As of July 2010, a total of RM75.9 million was spent benefiting 8,345 farmers. In addition, the construction of Paya Peda Dam Project to increase water supply to *Skim Pengairan Padi* in Besut commenced on 1 June 2010 and is expected to be completed by 2014.

In order to modernise the aquaculture industry, 47 entrepreneurship-training programmes were held in the first seven months of 2010 benefiting 800 breeders. Efforts were also taken to implement the incubator programme to train and guide youths and graduates to be successful entrepreneurs. For this, an incubator centre in Kuala Kedah is under construction and is expected to be completed by April 2011. To enable entrepreneurs to export more agriculture produce, the Government took efforts to upgrade air cargo facilities. In this regard, MASKargo upgraded its cargo facilities at Kuala Lumpur International Airport (KLIA) by expanding the warehouse area by about 5,700 square metres as well as introducing various IT initiatives to increase efficiency and to comply with international standards.

Promoting Construction Industry

Development projects implemented by the Government will further increase the potential of the construction and building materials-related industries. In 2010, a sum of RM4.7 billion was allocated for road and bridge projects as well as RM2.6 billion for water supply and sewerage services. Among roads upgraded include Jalan Rawang to Tasek Puteri, Selangor; Jalan Ng. Buai – Merinjau – Ulu Sepak in Betong, Sarawak and Jalan Kota Marudu – Marak Parak – Melinsau – Poring – Ranau, Sabah. Meanwhile, implementation of water supply and sewerage projects including the construction of treatment plants is ongoing in several states. Allocations were also provided for enhancing port and sea services in Pahang, Johor, Labuan and Terengganu as well as for airport upgrading projects in Kota Kinabalu, Labuan, Kuching, Sibu, Kota Bharu and Ipoh.

Strengthening Small and Medium Enterprises

As SMEs constitute 99.2% of business establishments and contribute 56.4% to total employment, several measures were taken to further develop and improve the potential of SMEs. To ensure effective and efficient administration of SME funds and grants, 79 SME funds and grants totalling RM8.8 billion administered by various agencies were rationalised to 33 funds and coordinated by SME Corp. In addition, approval of micro finance by financial institutions was shortened to an average of six days, with disbursements to be made within four days. Meanwhile, RM200 million was given to *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN), including RM20 million for *Skim Pembangunan Usahawan Muda India.*

Ensuring Holistic and Sustainable Development

The Government aims to transform the nation into a developed and high-income economy through inclusive, balanced and sustainable development. Towards this, priority continues to be given to nurturing highly skilled human capital, improving Government efficiency and enhancing the growth corridors.

Nurturing Highly Skilled Human Capital

The Government continues to focus on increasing access to quality and affordable education. This is reflected in the large share of education to total expenditure at 27.2% in 2010. Towards this, the NKRA on education emphasises four main areas. The areas are strengthening pre-school education, improving literacy and numeracy, developing high-performance schools and a new deal for teachers.

Strengthening Pre-School Education

As early education is important in the pursuit of knowledge, the Government has decided to incorporate pre-school education into the mainstream education system. The NKRA on improving student outcomes has set a target of 72% enrolment in pre-schools by 2010 from 67% in 2009. In addition, the quality and number of pre-school teachers and assistants will be increased. As of August 2010, about 72% of children in the age cohort four to five were enroled in pre-schools, including those managed by Ministry of Education, National Unity and Integration Department (JPNIN), *Jabatan Kemajuan Masyarakat* (KEMAS) and the private sector. Furthermore, training was provided to 2,060 pre-school teachers from the private sector and JPNIN.

Improving Literacy and Numeracy

The NKRA target is to increase literacy and numeracy (LINUS) rate of year-one pupils to 90% in 2010 from 35.0% and 45.0%, respectively in 2009. As of August 2010, 65.0% of the pupils have achieved literacy and 74.0% numeracy skills. Expert facilitators were placed in all District Education Departments to support language and mathematics teachers. New LINUS modules were also developed to enable students to comprehend concepts easily.

Creating Quality Schools

In efforts to further improve the standard of education, the Government introduced a new ranking to classify high-performing schools based on academic achievements and extra-curricular activities. Thus far, 20 schools have been classified as high-performing schools. These schools will be given flexibility in terms of curriculum and selection of staff as well as students to encourage innovation in management of schools and improve performance. In addition, an incentive of RM700,000 will be given to the schools while RM1,000 and RM700, respectively, will be offered to each teacher in secondary and primary schools. High-performance schools will serve as a benchmark and are required to network with other schools within the vicinity by sharing facilities and expertise towards narrowing the performance gap.

New Deal for Head Teachers and Teachers

Recognising the role of teachers in student outcomes and standard of schools, a ‘New Deal’ to motivate teachers was announced in May 2010. Through this, headmasters and teachers who improve the ranking of their schools will receive RM7,500 and 5% of top-performing teachers will receive RM1,800 while others will receive RM900, based on yearly performance assessments. An online monitoring system for teachers in rural areas was also established to ensure more efficient and fairer postings.

Rewarding Outstanding Students

As part of efforts to motivate high performance and nurture a culture of excellence among students, the National Higher Education Fund Corporation (PTPTN) loans will be converted into scholarships for students who achieve first class honours. As of September 2010, a total of 2,162 students from public and private institutions were eligible for the scholarships amounting to RM59.7 million. Additionally in July 2010, the Government decided to recognise academic excellence and offered scholarships to all students who scored 9A+ or more in the *Sijil Pelajaran Malaysia* (SPM).

Improving Welfare of Students

A special netbook package with free broadband service was introduced in January 2010 to enable university students from low-income families access ICT facilities. Initially, this package will be offered to 100,000 students for RM50 per month for two years. As of September 2010, a total of 87,343 students have benefited from this programme with total Government spending of RM3.7 million.

Since January 2010, *Keretapi Tanah Melayu Berhad* (KTMB) has given 50% discount on fares for long distance travel to Malaysian students aged 13 and above through the 1Malaysia KTM Discount Card. This initiative is to improve the welfare of students, particularly those from low-income families. The Government absorbed the cost of printing the discount cards as well as expended RM4.0 million to offset revenue losses to KTMB. As of June 2010, a total of 53,190 students benefited from this scheme.

PERMATA Programmes

In addition to the Childcare and Early Education Programme (PERMATA *Negara)*, four other PERMATA programmes were introduced in 2010. These were centred on developing fine arts (PERMATA *Seni*), guiding exceptionally intelligent students (PERMATA *Pintar*), understanding Islam better (PERMATA *Insan*) and training youths to be responsible and contribute positively to society (*Perkasa Remaja*). The PERMATA *Negara* programme is expected to be extended to another 220 childcare centres in 2010, bringing the total to 647 since its inception in 2007. Meanwhile, the PERMATA *Seni* programme was launched in January 2010 and has two main components, the choir and music. The choir has performed locally and internationally, while the music component involved workshops, school holiday camps and presentations.

Among activities under the PERMATA *Pintar* programme include the special Intelligence Quotient (IQ) tests conducted on nearly one million students to identify highly intelligent students. In addition, discussions with Johns Hopkins University to train lecturers and conduct summer camps for students in Washington DC are ongoing. As for the PERMATA *Insan* Programme, a comprehensive curriculum is being developed in consultation with experts in the study of *Al-Quran*, science, Arabic, English and spiritual development. Selection of students is ongoing and nearly 9,000 have been assessed, with the first batch of 50 participants expected to attend training in December 2010. The *Perkasa Remaja* programme has two activities, namely *Perkasa Remaja* Camp to reform *Mat Rempit* (illegal motorbike racers) and *Perkasa Remaja* Community to raise civic consciousness among youth.

Combating Corruption

The Government continued to implement initiatives under the NKRA on corruption to enhance public trust as well as introduce greater transparency in Government administration. In line with this, the Whistle Blower Act was approved on 6 May 2010 and gazetted on 10 June 2010. To improve transparency and value-for-money in Government Procurement, contract awards have been published in the MyProcurement portal of the Ministry of Finance website since April 2010. As of October 2010, details of 3,716 tender awards were available online. The Government issued guidelines on 8 March 2010 to civil servants on the appropriate action to be taken with regard to support letters.

In addition, to strengthen confidence and integrity, the Government is committed to expediting prosecution of corruption cases. For this, 14 Special Corruption Sessions Courts and four Special Corruption Appeal High Courts are under construction and due for completion by end-2010. Three sessions courts will be established in Kuala Lumpur, Selangor and Johor, while one sessions court will be set up in Pahang, Perak, Negeri Sembilan, Sabah and Sarawak, respectively. Two appeal high courts will be located in Kuala Lumpur and one each in Selangor and Johor.

Enhancing Growth Corridors

The five growth corridors, namely Iskandar Malaysia, the Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE) were initiated under the Ninth Malaysia Plan (9MP) to spur regional development towards balanced growth and bridge income disparities. To ensure the successful development of the corridors and facilitate private sector activities, the Government has invested in infrastructure and basic amenities as well as implemented training and socio-economic projects. A total of RM7.0 billion was allocated for this purpose. Of the revised number of 181 projects, 162 have been implemented, while 19 projects are in the pipeline. A sum of RM3.4 billion was allocated for the five corridors in 2010.

Under the 9MP, a sum of RM2.3 billion was allocated for Iskandar Malaysia to implement 18 projects, of which 16 are ongoing and two completed. Some of the ongoing high-impact projects include public housing, cleaning of Sungai Segget, upgrading the Skudai – Senai Highway and drainage system in Johor Bahru. NCER was allocated RM636 million for 33 projects. Major projects in the region comprise improving the drainage and irrigation systems in the Muda Agriculture Development Authority (MADA) area as well as establishment of *Institut Kemajuan Sains Gunaan dan Teknologi*. As for ECER, RM1.3 billion was allocated for 67 projects, mainly in tourism, agriculture and petrochemical industries. Some of the larger projects are *Halal* Food Industrial Park in Pasir Mas, Integrated Pineapple Development in Pekan – Rompin and *agropolitan* projects in Southern Kelantan, Pekan and Besut – Setiu.

In the SDC, a sum of RM1.3 billion was allocated for 54 infrastructure and agriculture projects. These include the Palm Oil Industry Cluster in Lahad Datu, the Sandakan and Keningau Integrated Livestock Centre, infrastructure for Sandakan Education Hub as well as construction of a dual-carriageway from Lintas to Libaran.

An allocation of RM1.5 billion was provided to SCORE for nine projects including access roads to Murum Dam, industrial park and water supply in Samalaju as well as Mukah Airport.

Improving Government Administration

Efforts are ongoing to improve effectiveness and efficiency of Government administration. Programmes and activities as well as expenditure are closely monitored to ensure optimal benefits to the *rakyat*. Policies and guidelines have been reviewed to ensure relevance to current circumstances.

Strengthening Management of Government Finance

The Government remains committed to pursuing a prudent fiscal policy that supports initiatives to strengthen economic growth and strategic reform efforts, while ensuring sustainability of public finances over the medium term. Towards this end, Government expenditure will be geared towards meeting reform targets as well as ensuring all development projects and programmes are completed within the 9MP period. Subsidies for selected items will be further rationalised to remain purposeful, while the procurement process made more transparent to ensure value-for-money.

Towards strengthening the revenue stream, continuous improvements will be made to enhance efficiency of tax administration through capacity building, greater use of IT as well as constant engagement with the public to enhance tax compliance. Apart from this, efforts will be on monetisation of Government assets, including land, buildings and equity holdings. These initiatives will also facilitate meaningful participation of the private sector in the economy. Measures to promote greater sustainability in public finances will not only provide fiscal space to respond more effectively to systemic risks and crises but also the ability to finance the Government's reform initiatives for a more dynamic and competitive economy.

Rationalisation of Subsidies

The Government is committed to restructuring subsidies to be better targeted to benefit the poor and vulnerable groups. As an initial step, on 15 July 2010, the Government restructured fuel and sugar subsidies. The subsidy on RON95 and diesel was reduced 5 sen per litre; RON97 will be subjected to a managed-float with the price determined by the automatic pricing mechanism; and liquefied petroleum gas (LPG) subsidy was also reduced by 10 sen per kilogramme. Additionally, the price of sugar was adjusted upward by 25 sen per kilogramme.

Intensifying Government Delivery System

The Special Task Force to Facilitate Business (PEMUDAH) has initiated several bold changes to improve public service delivery. For instance, the average time taken for registration of property at land offices was reduced from 144 days to one day. Meanwhile, with the establishment of new commercial courts, cases which previously took years to be resolved will now be disposed within nine months.

The GTP aimed at improving the public delivery system significantly, was introduced as part of efforts to achieve Vision 2020. Specific ministries have been identified to ensure the NKRA targets under the GTP are achieved. These include: fighting crime under Ministry of Home Affairs, combating corruption (Malaysian Anti-Corruption Commission), improving rural basic infrastructure (Ministry of Rural and Regional Development), improving urban public transport (Ministry of Transport), raising living standard of low-income households (Ministry of Women, Family and Community Development); and improving student outcomes (Ministry of Education). Meanwhile, the Performance Management and Delivery Unit (PEMANDU) was set up with expertise from the private and public sectors to monitor the progress of NKRA targets.

Human capital development and training of public service personnel remain a priority. In September 2009, the Government launched a Cross-Fertilisation Programme with Government-Linked Companies (GLCs) to enhance greater understanding of Government operations and business facilitation for better public-private cooperation. This programme is expected to inculcate strong leadership for employees at the management level. As of August 2010, a total of 38 officers, comprising 22 from Government and 16 from GLCs have participated in the programme.

Focusing on Well-Being of the *Rakyat*

The well-being of the *rakyat* is of paramount importance to the Government. Concerted efforts have been taken to enhance public safety, improve income and quality of life, upgrade basic infrastructure in rural areas as well as improve public transport.

Preventing Crime

The Government is committed to ensuring public safety in order for the *rakyat* to live and work in a safe environment. The NKRA target for 2010 is to reduce the crime index by 5% and reported street crimes by 20%; reduce fear of crimes; prosecute an additional 2,000 violent crime offenders; and increase public satisfaction of police performance.

In realising the targets, the Government took several measures including the redeployment of policemen on desk duty to the core business of patrolling and maintaining security. A total of 6,751 police personnel were reassigned and 3,557 civil servants redeployed to provide administrative support to the police. Apart from that, as of June 2010, 60 vans and 30 mini buses were stationed as mobile police bases in 50 crime hotspots. Meanwhile, a *Balai* League Table was established to rank police stations, based on crime-fighting effectiveness. To increase patrolling and improve police response in urban areas, an additional 404 motorcycles were provided as of September 2010.

Given that the public has an important role in reducing crimes, the number of People's Volunteer Corps (RELA) and Civil Defence Department members were increased significantly by 4,466 through the Feet-on-Street programme. In addition, community policing activities through *Rukun Tetangga* and Voluntary Patrol Scheme were enhanced, while the *Rakan* Cop programme was reactivated with 358,800 members. Other initiatives include accelerating violent crime trials; convening night courts to charge offenders on the same day of the crime; instalation of closed-circuit televisions (CCTVs) in crime hotspots; local authorities to enhance maintenance of facilities such as lighting, fixing alarm systems as well as providing separate lanes for pedestrians and motorbikes with the aim to create safe townships.

Following the measures undertaken to reduce crime, the Reported Crime Index and Street Crime Index fell 15.0% and 39.0%, respectively during the first nine months of 2010. A study conducted from December 2009 to May 2010 indicated that the fear of crimes decreased from 58.5% to 55.1% and public satisfaction of police performance increased from 36.1% to 42.1%.

Improving Income and Quality of Life

In efforts to increase income and raise the living standards of the *rakyat***,** the 2010 Budget among others continued to provide resources for eradicating hardcore and urban poverty; assisting the poor and vulnerable groups; increasing home ownership; expanding public health facilities; and enhancing the social safety net.

Eradicating hardcore poverty

The Government aims to eradicate 44,643 hardcore poor households by end-2010. During the first seven months of the year, the Government spent RM646 million on welfare assistance to help hardcore poor households. Of this, RM162 million was allocated to Sabah and Sarawak. Concerted efforts were also undertaken to ensure welfare aid is provided on the first day of the month. To further alleviate hardcore poverty in rural areas, the Government continued with *Skim Program Lonjakan Mega* which involves integrated land development for agriculture. As of June 2010, a sum of RM75.0 million was expended for this programme from the total allocation of RM141 million. Projects under this programme are ongoing in 11 rural areas including in Ulu Awik and Batang Lupar in Sarawak, Pulau Banggi and Kota Marudu in Sabah. As a result of these initiatives, the number of hardcore poor households declined 46.0% to 23,679 as of August 2010. In addition, the *e-Kasih* database was continuously updated to identify and assist the poor.

Under the NKRA on low-income households, efforts were intensified to tackle hardcore poverty. Among the initiatives, is the *Gerakan 1AZAM* programme aimed at creating jobs through employment and entrepreneurship. There are four components under *Gerakan 1AZAM,* namely *AZAM Tani, AZAM Niaga, AZAM Kerja* and *AZAM Khidmat*. As at August 2010, a total of 7,125 households were identified to participate in *AZAM Tani*, followed by 2,584 in *AZAM Niaga*, 969 in *AZAM Kerja* and 798 in *AZAM Khidmat*.

Assisting the Poor and Vulnerable Groups

In line with the target to reduce the poverty rate to 2.8% by end-2010, intensified efforts have been made to enhance the earning capacity of the rural poor. In the 2010 Budget a total of RM90.0 million was allocated for *Skim Pembangunan Kesejahteraan Rakyat* (SPKR) to implement income-enhancing, skills training and capacity building programmes. As of August 2010, a total of RM14.2 million was spent under *Program Peningkatan Pendapatan* benefiting 3,012 participants. Meanwhile, RM4.1 million was spent under *Program Latihan Kemahiran dan Kerjaya* benefiting 441 trainees. To improve education outcome, RM4.8 million was spent under *Program Kecemerlangan Pendidikan* benefiting 7,000 students. Efforts were also undertaken to provide affordable housing and restore dilapidated houses. For this, RM30.6 million was expended under *Program Bantuan Rumah* benefiting 1,368 households. An additional 3,320 participants have benefited from capacity building initiated through the *Program Pembangunan Minda Insan* with an expenditure of RM6.5 million. Meanwhile, as of July 2010, a total of 3,255 women underwent skills training and entrepreneurship programme through the Department of Women's Development and *Amanah Ikhtiar Malaysia* (AIM). Of the total, 31.0% completed training, while the rest are still undergoing training.

Eradicating Urban Poverty

The Government allocated a total of RM48.0 million to provide welfare assistance and support house rental payments for the urban poor. As of September 2010, RM17.7 million was spent to assist 25,659 urban poor households. Furthermore, in April 2010, the Ministry of Federal Territories and Urban Wellbeing launched a Strategic Plan for the period 2010 – 2014, to address urban poverty in a holistic manner, including to assist households with monthly income below RM3,000. In addition, to support the urban poor venture into small businesses, RM60.5 million was disbursed to 16,907 applicants under the Urban Micro Credit programme by AIM, during the first eight months of 2010.

Increasing Home Ownership

Continuous efforts have been undertaken to provide affordable housing to the *rakyat*, particularly those in the low and middle-income groups. A total of 44,146 low-cost houses priced between RM21,500 and RM35,000 per unit have been offered for sale to current tenants by the Kuala Lumpur City Hall (DBKL) and National Housing Department (JPN). As of August 2010, a total of 23,239 tenants have agreed to purchase the houses under the scheme. In addition, 61,136 low-cost houses were offered for rental under JPN, of which 47,984 houses were occupied. To increase the purchasing power of house buyers, the Government launched the Flexible Housing Withdrawal scheme in August 2010 that enables EPF contributors to utilise current and future savings in Account 2 to obtain higher financing. As an important initiative in encouraging home ownership, the Government established *Syarikat Jaminan Kredit Perumahan* (SJKP) in December 2007, to guarantee bank loans of those without fixed income. As of September 2010, SJKP has guaranteed 2,033 housing loans amounting to RM96.4 million.

Expanding Public Health Facilities

In 2010, a sum of RM3.6 billion was allocated to build and upgrade hospitals and clinics. As of August 2010, a total of RM1.7 billion was spent for expansion of the National Heart Institute (IJN), construction of hospitals in Tampin, Kluang and Tampoi as well as upgrading hospitals in Batu Pahat and Kota Bharu. In addition, 51 premises were converted into 1Malaysia Clinics in selected urban areas of Selangor, Kuala Lumpur, Penang and Johor. As of August 2010, a total of 808,831 patients received treatment in 1Malaysia Clinics nationwide, averaging 70 patients per day.

Enhancing Social Safety Net

The Government remains committed to providing welfare assistance for the disabled, senior citizens and single mothers. To enhance self-employment and employability of the disabled, RM75.3 million was spent for the implementation of Community Based Rehabilitation Programme, which benefited 18,943 disabled persons as of September 2010. In addition, a total of RM3.3 million was expended for the construction and upgrading of four *Taman Sinar Harapan* for the disabled, while RM6.6 million was spent for the construction of two *Rumah Seri Kenangan* for senior citizens in Melaka and Selangor, respectively. Furthermore, the monthly allowance for disabled children was increased from RM50 to RM150 for each child enroled in special schools run by non-governmental organisations (NGOs). This has benefited 3,923 disabled children.

Sukuk 1Malaysia 2010

In an effort to provide investment opportunities and improve income of the *rakyat***,** the Government issued a RM3.0 billion *Sukuk* 1Malaysia on 21 June 2010, of which RM2.4 billion was subscribed. *Sukuk* 1Malaysia guarantees a return of 5.00% per annum to be paid quarterly and provides flexibility for subscribers to buy and sell before the maturity period. A total of 74,781 investors with an average holding of RM32,078 subscribed to *Sukuk* 1Malaysia, of which 41.7% are aged 56 years and above.

1Malaysia Retirement Scheme

Inadequate retirement savings remain a major concern for most Malaysians, in particular the self-employed and those without a fixed income. To assist these individuals, the 1Malaysia Retirement Scheme was introduced in January 2010. The scheme is flexible with minimum contribution of RM50 to a maximum of RM5,000 per month. Contributors will enjoy annual dividend declared by EPF, in addition to a 5.00% contribution from the Government up to a maximum of RM60 per year over the next five years. As of June 2010, there were 14,786 contributors to this scheme. The 1Malaysia Retirement Scheme was extended to housewives since 19 July 2010.

Developing Wakaf Properties

Wakaf properties nationwide will be developed to benefit under-privileged *Muslims* through income generating as well as education and social welfare programmes. *Yayasan Waqaf Malaysia* (YWM), *Jabatan Waqaf, Zakat dan Haji* (JAWHAR) and *Majlis Agama Islam Negeri* are in the process of developing *Wakaf Mart* and *Bazar Wakaf Rakyat* at selected mosques nationwide with an allocation of RM20 million provided by the Government. A total of 69 areas with potential were identified. As of September 2010, a total of 17 projects have been completed, while work on 52 projects is ongoing.

Strengthening Rural Infrastructure

The Government has intensified efforts to improve rural infrastructure. These include increasing electricity and water supply coverage as well as building more roads and houses. As of August 2010, RM93.0 million was spent to provide clean water supply to 10,908 households, while electricity coverage was extended to 9,042 households involving an expenditure of RM317.4 million. In addition, 518.8 kilometres of rural roads were completed with total spending of RM756.2 million. Meanwhile, RM58.7 million was spent to build 4,482 units of houses.

Improving Public Transport

A comprehensive and efficient public transport system is imperative to enhance quality of life, livability and productivity. In this regard, improving urban public transport was identified as one of the NKRAs. Various initiatives have been undertaken to enhance public transport services, especially in Greater Kuala Lumpur (Klang Valley). Among major projects include the ongoing Light Rail Transit (LRT) extensions, which are expected to be completed by end-2013; the delivery of 35 four-car train sets for the Kelana Jaya Line, of which 17 sets commenced operations in September 2010; the introduction of four Bus Expressway Transit routes in Greater Kuala Lumpur (Klang Valley), which reduces travel time by 50%; and the construction of an Integrated Transport Terminal (ITT) at Bandar Tasik Selatan, which is scheduled for completion by November 2010.

For the convenience and comfort of commuters, construction of covered walkways at key LRT stations and tourist spots are ongoing. These include the walkways at Pasar Seni, Bandaraya and Jalan Hang Tuah stations, which are expected to be completed by end-2010. As for bus services, 1,011 RapidKL buses have been procured since 2006 to October 2009. To meet the rising demand for efficient bus services, an additional 400 RapidKL buses will be procured, of which 75 will be delivered in 2010 and the balance in 2011. To further enhance bus services in Penang, four new bus hubs were established at Bukit Jambul, Bandar Baru Farlim, Teluk Bahang and Sungai Nibong.

In terms of institutional capacity, the Land Public Transport Commission (LPTC) was established in June 2010 with the aim of integrating policy and planning, regulation as well as enforcement of land public transport. For a start, the functions of Department of Rail, Commercial Vehicle Licencing Board and Licencing Division of the Tourism Ministry will be placed under the Commission. The restructuring process is still ongoing and is expected to be finalised by year-end.

Economic Management – 2011

The 2011 Budget, the first budget of the 10MP, is pivotal in the nation's economic development. It marks the turning point in Malaysia's transformation process towards a developed and high-income economy based on the principles of inclusiveness and sustainability as envisaged under the NEM. The Budget will intensify the realisation of NKRA targets as well as the implementation of programmes and projects under the 10MP and NKEAs.

Issues and Challenges

Economic management in 2011 will emphasise strategies and measures to transform the nation into a developed and high-income economy by 2020. While Malaysia has comparative advantage in several areas including manufacturing, financial services and tourism as well as excellent physical infrastructure and sound banking system, there are several issues and challenges that need to be addressed towards achieving Vision 2020.

A key issue that requires immediate action is the low level of private investment. Despite various measures to improve the investment climate, private investment has remained low since the 1997/98 Asian financial crisis. The challenge would be to address the shortage of skilled human capital, low productivity and innovation as well as further simplify bureaucratic procedures. Issues concerning start-up companies in accessing funds and restrictions in market access, particularly in the services sector, will also be addressed.

Human capital development issues remain a concern. High dependence on foreign workers as well as reluctance to adopt automation and new technology by companies has contributed to lower wages. In addition, there is insufficient creation of high-wage jobs while wages are not competitive. This has partly resulted in the rising number of skilled Malaysians working abroad. Outdated labour regulations have further distorted the labour market, resulting in higher cost of doing business. Furthermore, the education system is not producing sufficient expertise and skills demanded by industries.

Despite successfully reducing the incidence of poverty through various social assistance programmes, income inequality remains a challenge. The bottom 40.0% of households who earn less than RM2,300 per month have low skills level and limited income opportunities. Insufficient coverage of basic infrastructure in rural areas, such as uninterrupted supply of electricity and potable water as well as inadequate network of roads have contributed to the widening rural-urban divide. In addition, rapid urbanisation is placing pressure on the provision of basic amenities as well as employment opportunities for the urban poor.

In respect of public finance management, overdependence on petroleum revenue, which accounts for about 40% of total revenue, is a matter of concern. Hence, a central issue for fiscal management is the diversification of revenue sources. In addition, operating expenditure is rising at a faster pace than revenue, while borrowing is also trending upwards. Furthermore, there is a need to strike a balance between spending for development and pursuing fiscal consolidation in the medium term.

Strategic Initiatives – 2011 Budget

Taking cognisance of the issues and challenges in realising the overarching objectives of the NEM, the 2011 Budget with the theme **“Transformation Towards a Developed and High-Income Nation”** is guided by four strategies, namely reinvigorating private investment; intensifying human capital development; enhancing the quality of life; and strengthening public sector delivery.

Reinvigorating Private Investment

Private investment is targeted to grow 12.8% or RM115 billion per annum to sustain growth of 6.0% during the 10MP period. To ensure this target is achieved, the Government will vigorously promote investments in the services sector, focusing on niche areas such as capital market and financial services, tourism, ICT as well as health and business services. In addition, private investment will be accelerated to further develop downstream activities in petroleum and agricultural commodities. Value-added activities in manufacturing, particularly the electrical and electronics (E&E) industry will be given priority. The unique value potential in various growth corridors will continue to be leveraged to attract private investment. In addition, public-private partnership will also pave the way for increased investment in strategic areas and projects that have high-multiplier impact. SMEs, the backbone of the economy, will be further developed and encouraged to be part of the global supply chain. Funds and advisory services will be made available to assist start-up companies and businesses. Meanwhile, the competitiveness of Malaysian products and services will be enhanced through intensified efforts to build globally recognised brands and make further inroads into international markets.

Intensifying Human Capital Development

A skilled and knowledgeable workforce is a prerequisite for an innovation-driven economy with high value-added industries. Developing such a workforce starts with the education system, which provides a strong foundation for literacy and numeracy skills as well as inculcates quest for knowledge and self-improvement. In this regard, the access to and quality of education will be improved by providing various incentives for excellent schools and teachers. Basic skills acquired through early educational intervention are crucial to build and create lifelong learning. Thus, the early education programme will be strengthened by improving the curriculum as well as increasing the number of pre-school classes and teachers. Efforts will be taken to restructure primary school curriculum and improve secondary education. Vocational education and training programmes will be expanded towards continuous skills upgrading and multiskilling to cater for the huge demand of skilled workers. In ensuring sustainable income and developing a quality workforce, the Government is in the process of formulating a minimum wage policy. This is expected to encourage industries to move up the value chain and create demand for skilled workers, hence reducing dependency on unskilled foreign workers.

Enhancing the Quality of Life

The Government is committed to improving the well-being and quality of life of the *rakyat* to ensure that the benefits of development reach all segments of society. Nevertheless, the vulnerable segments and the less fortunate require Government assistance to enjoy a decent standard of living. In this regard, the Government will work with the private sector and empower NGOs to assist the elderly, disabled, single mothers and homeless. The empowerment of women remains an important agenda for the Government. Towards this, efforts will be intensified to implement gender-responsive budgeting to address the needs and interests of women. Affordable housing programmes will be expanded to include those in rural areas, new villages and estates, while continuing the rental support scheme. A comprehensive review of the programmes for the *Orang Asli* and *Pribumi* will be undertaken to ensure relevance and effectiveness.

The rural basic infrastructure programmes under the NKRA to provide good roads access and public amenities will continue. In urban areas, particularly in Greater Kuala Lumpur (Klang Valley), inefficient public transport remains a concern. In this regard, the LPTC will prepare a comprehensive Integrated Public Transport Master Plan to address transport issues, while efforts will be taken to improve bus and rail services, including payment systems.

Environmental preservation and conservation are important in improving quality of life. In this regard, measures will be undertaken for sustainable environmental development including promoting the use of green technology, increasing renewable energy generation as well as encouraging construction of green buildings and retrofitting old buildings to conserve energy consumption. To improve accessibility to health services, the 1Malaysia Clinic initiative will be expanded and mobile clinics established in rural areas. Engaging in sports enhances physical fitness and promotes a healthy lifestyle. In this context, the sports industry will be further developed and 2011 will be declared as the National Sports Industry Year. Despite commendable improvements achieved through the NKRA on crime, additional measures will be introduced to enhance public safety.

Strengthening Public Sector Delivery

Efficient delivery of public services is essential to create a conducive environment for the private sector to thrive and the *rakyat* to have a better quality of life. The public sector needs to undergo a mindset change and respond to the higher expectations of the *rakyat*. Therefore, Government agencies will be systematically rationalised and strengthened to improve productivity. Furthermore, adoption of e-Government applications will be enhanced, while cloud computing for shared ICT services will be initiated to increase efficiency and reduce costs. As part of efforts to increase competency of public sector employees, measures will be introduced to encourage support staff to upgrade skills and knowledge and enhance career prospects. The appraisal system will be reviewed to better align performance with rewards and career development. The performance of Ambassadors and those in missions abroad will be further improved through the implementation of specific KPIs. In addition, public sector financial management will be improved through various measures including fiscal reforms and streamlining functional areas across ministries.

Prospects for 2011

The NEM provides policy directions for long-term growth, while the 10MP outlines strategies in a medium-term framework with detailed growth targets as well as specific programmes and projects. The 2011 Budget details measures and resources towards achieving a developed and high-income economy by 2020. With the implementation of programmes and projects under the 2011 Budget as well as the prospects of moderate global economic and trade expansion, the Malaysian economy is expected to register growth of 5.0% – 6.0%. The expansion will be supported by resilient domestic demand, particularly private expenditure. Growth is expected to be broad-based, led by strong expansion in the manufacturing and services sectors in an environment of stable prices with inflation below 3.0%. Per capita income will increase 6.0% from RM26,355 in 2010 to RM27,950 in 2011 or in purchasing power parity terms from USD14,102 to USD16,028. Meanwhile, continued emphasis on fiscal reforms for greater efficiency and value-for-money in Government spending as well as a wider revenue base is expected to further reduce the fiscal deficit to 5.4%.

Ultimately, the realisation of 2011 Budget strategies and growth targets depends on the ability of all Malaysians to rise to the challenge. The competitiveness of the nation depends upon private and public sector efficiency. Towards this, private entities must respond positively to the reform initiatives undertaken by the Government through the NEM and avail themselves to the opportunities in the NKEAs. As growth in 2011 will be driven by the private sector, firms and businesses must step up efficiency and productivity. The Government, on its part, will continue with relentless efforts to improve the well-being of the *rakyat* as well as ensure a business-friendly environment. Thus, it is incumbent on all Malaysians to enhance efforts and provide undivided support towards achieving the nation's aspiration of a developed and high-income economy.

Transforming into a Developed and High-Income Economy

Introduction

Over the last decade, Malaysia's growth momentum has slowed, largely attributed to low private investment which fell from an average of about 25% of Gross Domestic Product (GDP) pre-Asian financial crisis to an average of about 10% of GDP post-crisis. This is aggravated by the shortage of skilled and professional workers as well as declining labour productivity compared with other high-income Asian countries, such as the Republic of Korea, Singapore and Taiwan.

These constraints are preventing Malaysia from getting out of the middle-income trap to transform into a high-income, knowledge intensive and innovation-led economy. Towards this end, the Government has formulated a blueprint comprising four pillars of national transformation to move the nation to its next stage of development towards achieving Vision 2020.

Four Pillars to Achieve Vision 2020

Towards achieving developed and high-income economy status by 2020, the Government has introduced various measures premised on four pillars, as follows:

- i. 1Malaysia: People First, Performance Now;
- ii. Government Transformation Programme (GTP);
- iii. Economic Transformation Programme (ETP); and
- iv. Tenth Malaysia Plan (10MP).

CHART 1

Four Pillars of National Transformation

Source: National Economic Advisory Council (NEAC).

Source: National Economic Advisory Council.

- **1Malaysia: People First, Performance Now** aims to unite all Malaysians to face the challenges ahead, emphasising national integration and mutual acceptance. The eight core values are perseverance, culture of excellence, acceptance, loyalty, education, humility, integrity and meritocracy.

- The **GTP** aims to strengthen public service delivery with focus on six National Key Result Areas (NKRAs).

TABLE 1

Six National Key Result Areas

Indicators	Targets
1. Reducing Crime	
• Crime Index	• 5% reduction every year for the next 3 years (2010 – 2012).
• Street Crime Index	• 20% reduction of street crimes by December 2010.
2. Fighting Corruption	
• Regain public confidence in regulatory and enforcement agencies	• Increase the following ratios in 2010: o The number of cases charged: the number of arrests for drug trafficking and possession under Dangerous Drugs Act to 80% from 75%. o The number of summons settled: the number of summons issued by the Royal Malaysia Police (PDRM) to 61% from 50% and by the Road Transport Department (JPJ) to 78% from 60%. o The number of cases charged: the number of arrests and detentions under Immigration Act to 60% from 53%. o Increase taxes recovered from under-declared goods to RM21 million from RM9 million.
• Reduce leakages in Government procurement	• To reduce number of audit findings for procurement maladministration per ministry sampled to 10.6 in 2010 from 11.2.
• Tackle grand corruption	• Increase the trials completed within one year to 30% in 2010 from 8.5%.
3. Improving Student Outcomes	
• Pre-schools	• Increase enrolment rate of those in the age cohort 4 – 5 to 72% (2010) and 87% (2012).
• Literacy and numeracy (LINUS) in primary schools	• Literacy – 90% of total Year-1 students in 2010. • Numeracy – 90% of total Year-1 students in 2010.
• High-performing Schools	• Develop 100 high-performing schools by 2012.
• Rewards on high-performing leadership	• 2% of head teachers and principals who exceed target in 2010.
4. Raising Living Standards of Low-Income Households	
• Hardcore poor and low-income households	• Hardcore poor: o To eradicate 44,643 hardcore poor households to zero by end-2010. • Poor: o To reduce the incidence of poverty to 2.8% from 3.6% by end-2010. • Women entrepreneurs: o Develop and train 2,000 women entrepreneurs by end-2010. • Housing: o To offer 44,146 *Projek Perumahan Rakyat* (PPR) and *Perumahan Awam* (PA) houses under Kuala Lumpur City Hall (DBKL) for sale to current tenants by end-2010. o To offer 61,136 PPR houses to low-income households for rent under *Jabatan Perumahan Negara* (JPN) by end-2010.
5. Improving Rural Basic Infrastructure	
• Build and upgrade roads	• Build more than 7,000 kilometres of new and upgraded roads by 2012, including 1,900 kilometres in Sabah and Sarawak.

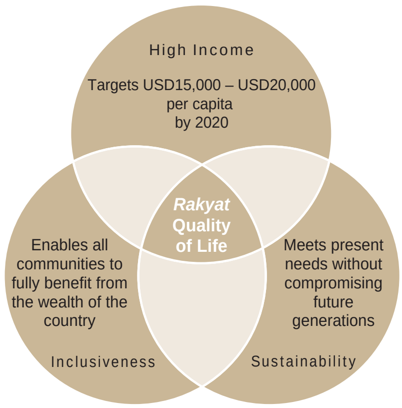
Indicators	Targets
• Provide clean or treated water	• Ensure access to clean or treated water to over 360,000 additional households by 2012.
• Provide electricity access	• Provide access to 24-hour electricity to over 140,000 additional households by 2012.
• Build and restore houses	• Provide 50,000 new and restored houses to the rural poor and hardcore poor by 2012, of which two-thirds are in Sabah and Sarawak.
6. Improving Urban Public Transport	
• Streamline capacity of a system already at its limits	• Increase capacity on *KTM Komuter* and Light Rail Transit (LRT) lines by 1.7 to 4 times by 2012. • Increase ridership between 6% to 9% or 35,000 to 55,000 during morning peak hours by 2012. • Increase the size of the existing bus fleet by 850 buses by 2012 (75 in 2010).
• Stimulate demand to attract people to use public transport	• Introduce an integrated ticketing platform and fare structure across 16 operators in Klang Valley. • Provide roughly 6,800 new parking spaces by 2012 (4,713 in 2010) across 14 rail stations outside the urban core. • Increase physical connectivity between modes, for example via completely enclosed walkways. • Integrate back-end information technology (IT) systems and launch joint on-the-ground enforcement efforts.
• Divert heavy vehicles from the Central Business District	• Integrated Transport Terminal (ITT) Bandar Tasik Selatan to be operational by March 2011. • ITT Gombak is expected to be completed by 2012. • ITT Sungai Buloh is expected to be completed beyond 2012.
• Regulatory restructuring	• Land Public Transport Commission (LPTC) to be fully operational by end-2010.

Source: Performance Management and Delivery Unit.

- The **New Economic Model (NEM)** through the **ETP** aims to transform the nation into a developed and high-income economy with inclusiveness and sustainability. The ETP comprises eight Strategic Reform Initiatives (SRIs) identified as the enablers and 12 National Key Economic Areas (NKEAs) with the highest potential for growth.

CHART 2

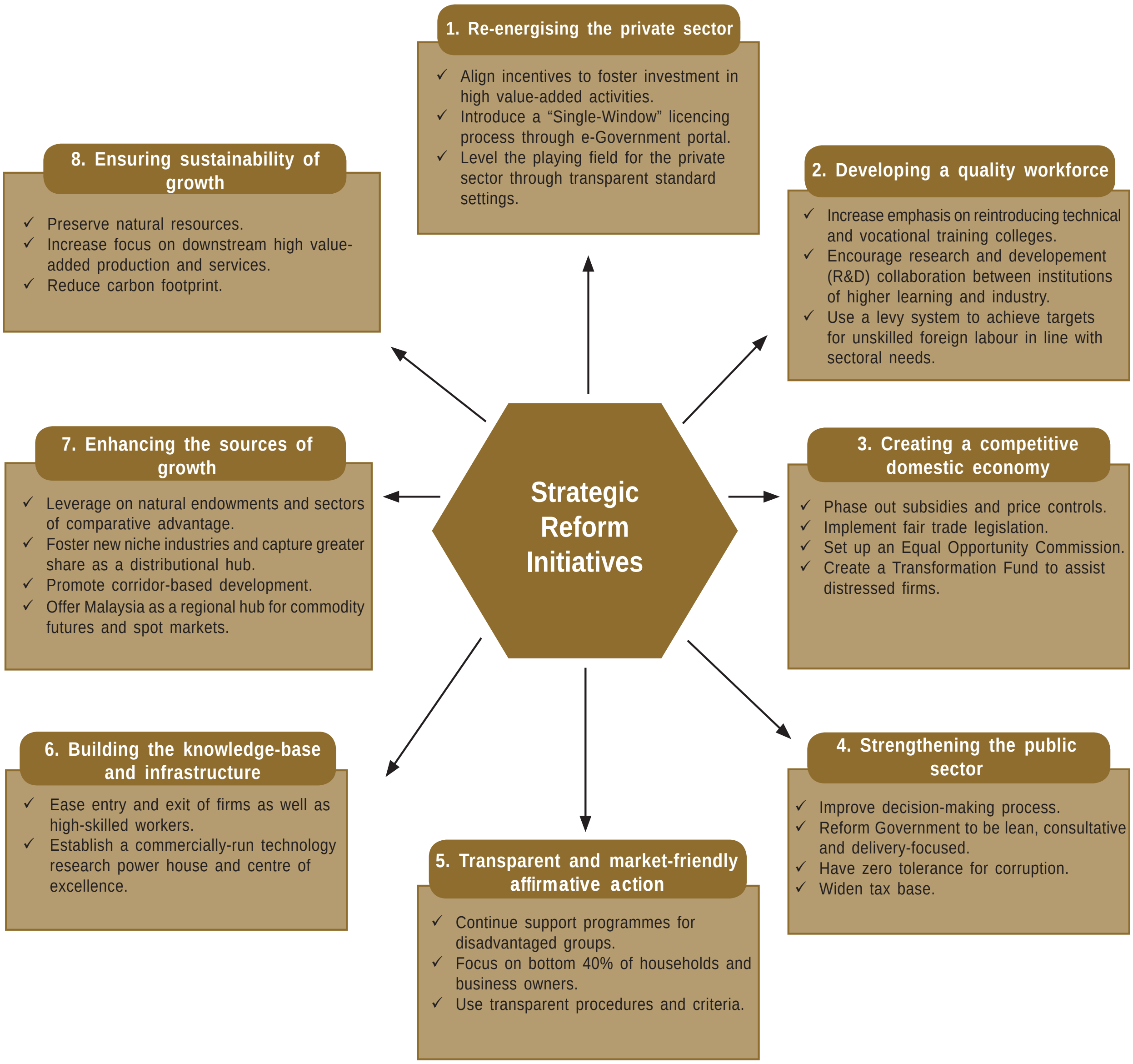
Goals of the New Economic Model



Source: National Economic Advisory Council.

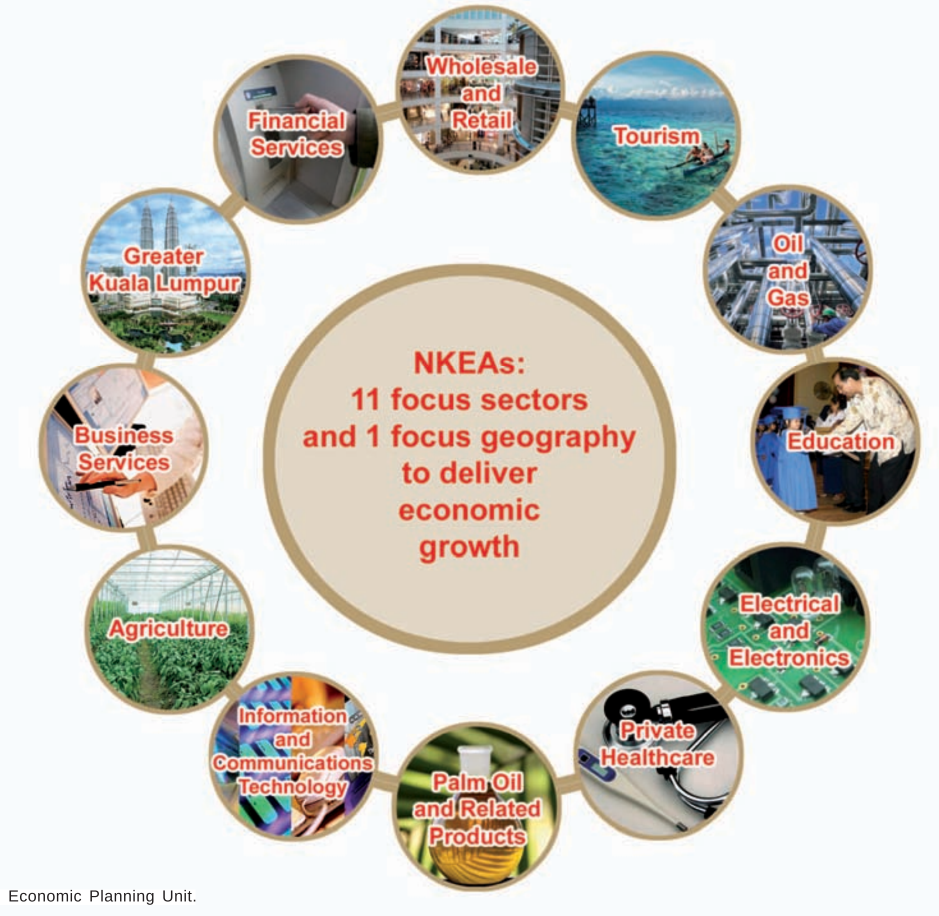
CHART 3

Eight Strategic Reform Initiatives and Selected Policy Measures



Source: National Economic Advisory Council.

CHART 4
National Key Economic Areas



Source: Economic Planning Unit.

- The **10MP** aims to translate policy objectives of the ETP and GTP into programmes and projects as well as provide development funding to realise Vision 2020. The 10MP focuses on five key strategic thrusts, namely designing Government philosophy and approach to transform Malaysia using the NKRA methodology; creating a conducive environment to unleash economic growth; moving towards inclusive socio-economic development; developing and retaining a first-world talent base; and building an environment that enhances quality of life. During the 10MP, the Government aims to achieve average annual GDP growth of 6%.

Conclusion

The Government has crafted a blueprint comprising four pillars to address shortcomings and transform Malaysia into a developed and high-income economy. However, equally important is the urgency and change in mindset of the *rakyat* to do things differently as well as enhance productivity and innovation towards realising Vision 2020. Meanwhile, the commitment and perseverance of all stakeholders are imperative in the nation's strive to become an advanced economy.