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Economic Management and Prospects

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Overview

Malaysia's strong economic fundamentals coupled with the Government's effective demand management policies enabled the economy to rebound strongly from the 2008/2009 global financial crisis. The swift recovery in the wake of the worst global economic slump since the 1930s, exemplifies the solidarity of Malaysians as well as the commitment of the Government in focusing and providing quick outcomes in areas that matter most to the rakyat. With the economy back on its growth trajectory, the 2012 Budget will focus on strategies and programmes to enhance the nation's potential growth as well as improve the well-being of the rakyat. Meanwhile, global growth, weighed down by structural weaknesses in the advanced economies, continues to expand at a slow pace. The Government remains vigilant to uncertainties in the global economy and is committed to staying the course, through a comprehensive economic, government, political and social transformation, to realise Malaysia's aspiration to be a developed and high-income economy by 2020. For this, the nation relies on the unwavering support, commitment and contribution of all Malaysians.

The 2012 Budget is anchored on the national transformation agenda, comprising four pillars to drive change. The New Economic Model (NEM) to be achieved through the Economic Transformation Programme (ETP) constitutes a key pillar which will propel Malaysia to a developed and high-income economy that is both inclusive and sustainable. The ETP comprises two parts, namely the Strategic Reform Initiatives (SRIs) and National Key Economic Areas (NKEAs). The two other pillars are the 1Malaysia, People First, Performance Now concept and the Government Transformation Programme (GTP). The 1Malaysia, People First, Performance Now concept permeates all public sector programmes and aims to unite all Malaysians to face the challenges ahead as a nation. Meanwhile, the GTP was formulated to strengthen public services as well as facilitate and enable the outcomes defined under the National Key Result Areas (NKRAs) and NKEAs. The Tenth Malaysia Plan (10MP), the fourth pillar, provides the policy support for various programmes from 2011 to 2015.

The 2011 Budget, the first under the 10MP, introduced several high-priority strategies and programmes to address cross-cutting issues. In the year to date, remarkable progress has been made in the implementation of programmes under the 2011 Budget while all NKRAs and NKEAs targets were achieved within the timeline. Given these developments and taking into account the strong economic growth of 7.2% in 2010, the Malaysian economy is expected to sustain its growth momentum and expand between 5% – 5.5% in 2011. On the demand side, private consumption and investment activities will support growth while economic expansion on the supply side will be driven by improvements in technology and labour productivity as well as efficient use of capital. Despite the uncertainties in the external sector, the economy is envisaged to grow between 5% – 6% in 2012 underpinned by resilient domestic demand.

Performance Review – 2011

Fiscal Operations

Given the challenging global environment, the Government will continue to further consolidate its fiscal position while ensuring the growth momentum is sustained. Although additional commitments were incurred during the year, mainly due to higher fuel and cooking oil subsidies, the fiscal deficit is expected to be reined in at 5.4% of Gross Domestic Product (GDP) in 2011

(2010: -5.6%) supported by improvements in expenditure efficiency, revenue collection and cost-cutting measures. The fiscal deficit will be financed mainly from domestic sources. Total Government expenditure is expected to be high at RM229.6 billion, an increase of 12.3% over 2010. Boosted by firm commodity prices and sustained expansion in domestic economic activity, Federal Government revenue is anticipated to be higher by 14.9% to RM183.4 billion. Fiscal discipline will be observed through various initiatives taken concurrently to trim non-critical expenditure, strengthen revenue collection and promote greater accountability in project implementation.

The Government has instituted several initiatives to strengthen public finances to improve effectiveness and efficiency in spending and enhance revenue collection. On the expenditure side, subsidy rationalisation is ongoing to ensure subsidies remain well-targeted. RON97, the premium fuel, is on a managed float subject to regular price changes which reflect international crude oil prices, while diesel super subsidy was removed for certain categories of commercial vehicles and deep sea fishing vessels. Similarly, the price of sugar was further increased by 20 sen to RM2.30 per kilogramme in May 2011 to minimise leakages and for health reasons. Optimising the utilisation of Government assets such as physical facilities and equipment has gained acceptance among Government agencies to cut costs without compromising on quality of service provided. A comprehensive audit of posts in all Government agencies is underway with a view of ensuring a lean and flexible civil service. Staff are redeployed to critical agencies while contract appointments are under review. Keeping abreast with developments in technology, the use of information and communication technology (ICT) and other new forms of media have been enhanced to deliver public services and gauge policy effectiveness through feedback mechanisms.

Beginning 2011 under the 10MP, development projects are implemented on a two-year rolling basis. This provides flexibility to undertake annual review of projects based on financial affordability, changes in policy direction and to respond swiftly to systemic shocks. Value management is carried out for all new development projects above RM50 million to ensure value-for-money and cost containment. Further, a rigorous project monitoring system has been put in place to ensure timely implementation of projects. Competitive bidding for procurement of goods and services as well as e-bidding have contributed towards greater transparency and cost efficiency.

Several initiatives, including rationalisation of fiscal incentives to industry and greater transparency in procurement as well as improving tax administration and compliance are underway. In addition, the Government has also engaged international financial institutions to assist in reviewing efficiency and effectiveness in spending as well as gauge the strength, weaknesses and transparency in public finances.

Measures to enhance revenue collection include widening the coverage and increasing frequency of tax audit, investigation and enforcement, improving tax administration and compliance through greater use of ICT as well as regular review of rules and regulations to cut red tape. The Government will continue to monetise its assets through outright sale, lease or joint development and divest non-core interests in government-owned companies to encourage value creation and spur private investment. The measures taken by the Government to promote greater fiscal sustainability in public finances will make it more nimble and afford fiscal space and capacity to reform and respond to an increasingly challenging global environment.

Monetary and Financial Developments

Monetary policy in 2011 remains accommodative to support economic growth while managing the risk of inflationary pressures as well as to avoid financial imbalances. However, with the economy sustaining its growth momentum in the first quarter of 2011, the degree of monetary accommodation was adjusted through an increase in the Overnight Policy Rate (OPR) by 25 basis points (bps) on

5 May to 3.00%. The rate was maintained during the July policy review after taking into account the risks to inflation and heightened global uncertainties posing downside risks to growth. Meanwhile, the Statutory Reserve Requirement (SRR) ratio was raised by 100 bps each time, in April, May and July 2011 to 4.00% from 1.00% held since March 2009. These were pre-emptive measures to manage the build-up of excessive liquidity, which exerted strong upward pressures on the exchange rate and asset prices.

The financial sector has undergone significant changes since the Asian financial crisis in 1997/98 supported by the implementation of the Financial Sector and Capital Market Masterplans over a 10-year period. The financial sector has evolved to be much stronger, more diversified and resilient, effectively supporting activities across all sectors of the economy. The resilience and stability of the financial system is underpinned by strong capitalisation and firm asset quality as well as prudent risk management practices. During the first seven months of 2011, loan applications and approvals continued to expand strongly by 23.1% and 20.1%, respectively. As at end-July 2011, the banking system strengthened further with the risk-weighted capital ratio and the core capital ratio at 14.3% and 12.5%, respectively.

The Capital Market Masterplan 2 was launched on 12 April 2011, based on the theme "Growth with Governance". This strategic blueprint will continue to transform the capital market over the next 10 years, addressing key structural challenges and critical linkages to foster a more diverse and innovative intermediation environment and to nurture new growth opportunities.

Currently, Malaysia has the most established shariah, regulatory and legal infrastructure, which offers a comprehensive range of Islamic financial services across banking, takaful and capital market, including innovative products. Malaysia again demonstrated leadership in Islamic finance by offering a longer tenure sukuk, the first under the wakala structure. Despite market volatility due to the European sovereign debt crisis as well as a sluggish primary market, the deal was oversubscribed 4.5 times. Following this issuance, the size of the Islamic capital market now exceeds RM1 trillion and Malaysia remains the leader in sukuk issuance accounting for 62.7% of total global sukuk outstanding, while 89% of listed stocks are shariah-compliant. The total value of sukuk listed on Bursa Malaysia stood at RM88.3 billion (USD29.6 billion) as at end-July 2011 confirming the exchange's position as the leading sukuk listing destination in the world.

Strategic Performance of the 2011 Budget

The 2011 Budget with the theme "Transformation Towards a Developed and High-Income Nation" underscores the objectives and aspirations of the national transformation agenda. The theme was translated into four main strategies, namely reinvigorating private investment, intensifying human capital development, enhancing quality of life of the rakyat and strengthening public service delivery. Several projects under the 2011 Budget have been completed while others are progressing as scheduled.

Reinvigorating Private Investment

Given that capital stock accumulation is a necessary condition for economic growth, the Government implemented several measures, including fostering greater private and public sector collaboration to enhance investment activities in the country. Following these measures, gross fixed capital formation increased 4.7% in the first half of 2011 compared with 9.5% during the same period in 2010. After recording the highest foreign direct investment (FDI) growth in Asia for the year 2010 and in tandem with continued confidence in the domestic investment ecosystem, FDI grew further by 75.4% during the first six months of 2011. These developments augur well for the economy that targets a 12.8% growth in private investment during the 10MP period.

Public-Private Partnership Initiatives

The dynamics of a modern economy entails the private sector to play a prominent role in generating economic activities in the country. The Government continues to engage the private sector as a strategic partner in nation building. Accordingly, the 2011 Budget further intensified the Public-Private Partnership (PPP) initiatives by allocating RM1 billion for infrastructure support to facilitate and ensure viability of private sector-led projects.

The PPP projects implemented in 2011 include hospitals, health research centres, power plants and universities. In this regard, construction of the permanent campus of Perdana University in Serdang, Selangor will begin in November 2011. Perdana University is a project by Academic Medical Centre Sdn. Bhd. in collaboration with Johns Hopkins University School of Medicine and Royal College of Surgeons in Ireland. Upon completion in 2013, the University will have the capacity to train up to 1,500 medical students and provide medical and healthcare services to about 200,000 patients annually. Meanwhile, the construction of the International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang is expected to begin in 2012 and scheduled for completion by 2016. The 300-bed hospital will have the capacity to train about 735 medical students annually and provide medical services to over 700,000 patients when fully operational. Concurrently, work on the Public Women and Children's Hospital in Kuala Lumpur will commence in 2012 and will be completed by 2015. This project is envisaged to benefit about 170,000 patients annually. Construction work on the Integrated Health Research Institute Complex in Kuala Lumpur will also commence in 2012 and is expected to be completed by 2015.

Other PPP projects initiated under the 2011 Budget are the two 300-megawatt gas power plants in Kimanis and Lahad Datu, Sabah. Construction of the power plant in Kimanis commenced in April 2011 and is expected to be completed by April 2014. Construction of the Lahad Datu plant is expected to commence in January 2013 and is scheduled for completion by January 2016. These power plants will help meet the higher energy demand in Sabah, particularly from the oil and gas industry clusters in Kimanis and Sipitang.

High-Impact Strategic Development

With the aim of strengthening private investment further, the Government has identified several strategic high-impact projects for implementation under the 2011 Budget. To position Malaysia as the premier international Islamic financial hub, the 1Malaysia Development Berhad (1MDB) is tasked to develop the Kuala Lumpur International Financial District (KLIFD). The KLIFD is expected to attract local and overseas financial institutions to a purpose-built area in the vicinity of Bukit Bintang. The detailed master plan, covering a period of 20 years, is scheduled to be completed by the first quarter of 2012 while construction work will start in June 2012. The first phase of the KLIFD is expected to be operational by 2016.

At the same time, the first phase of the 51-kilometre MY Rapid Transit (MRT) project from Sungai Buloh to Kajang is another initiative by the Government to improve public transport and enhance private investment activities. The project was launched in July 2011 and construction is expected to commence in November 2011 and will be completed by 2016. On completion, this project will provide better connectivity, increase frequency and ease road traffic congestion. Thus, by 2020 it will increase the public transport modal share in Greater KL/Klang Valley to 50% (2010: 17%), benefiting about 1.2 million people.

Another major project designed to drive investment activities as well as create a sustainable township is the development of the Malaysian Rubber Board land in Sungai Buloh. The proposed township covering an area of 1,060 hectares is earmarked for mixed development comprising modern residential, commercial, recreational, educational and institutional facilities. Work on the project is expected to commence in the second half of 2012, with the first phase to be completed by 2017.

Permodalan Nasional Berhad (PNB) is finalising the building design of the Warisan Merdeka project. The RM5 billion integrated development project, which includes a 100-storey tower, retail mall, hotel and service apartments is located within the enclave of Merdeka Stadium and Stadium Negara. The construction of the 100-storey skyscraper will begin in 2012 and is expected to be completed by 2017.

Revitalising Capital Market

The 2011 Budget introduced several measures to revitalise the domestic capital market. In this regard, Khazanah Nasional Bhd. (Khazanah) divested its 32.21% stake in Pos Malaysia Berhad on 21 May 2011, while Federal Land Development Authority's (FELDA) MSM Malaysia Holdings was listed on Bursa Malaysia on 28 June 2011. Prior to this, two other GLCs, namely Malaysia Marine and Heavy Engineering Berhad as well as PETRONAS Chemicals Group Berhad were listed on 29 October 2010 and 26 November 2010, respectively. Concurrently, Government-Linked Investment Companies (GLICs) were also allowed to increase their investment overseas and explore opportunities for better returns. Following this measure, the Employees Provident Fund's investment overseas currently accounts for 12.7% of total assets compared with 9.8% as at end-December 2010.

To increase retail market participation, the Securities Commission (SC) issued three new stock broking licences, including one licence to a foreign controlled company. In addition, the Government is expected to announce the framework for the development of retail sukuk and conventional bonds with the first retail issuance expected by the end of 2011. On 25 March 2011, the SC increased the number of Proprietary Day Traders (PDTs) from 36 to 100. To date, 22 new PDTs were granted approval to commence trading. Furthermore, on 12 July 2011, the SC issued the revised Private Debt Securities (PDS) Guidelines, Sukuk Guidelines and Trust Deed Guidelines to enhance the regulatory framework for fund raising and product regulation in the PDS and sukuk market.

Intensifying Venture Capital Industry

In efforts to further boost the role of venture capital industry in economic development, the 2011 Budget allocated a start-up fund of RM100 million to the Malaysian Technology Development Corporation (MTDC). The fund provides soft loans with the flexibility for companies to commence repayments upon generating income. To date, a total of RM13 million has been disbursed to three companies in agri-bio, advanced engineering and renewable energy (RE) industries. In addition, to enable networking and partnering of foreign and local venture capitalists, MTDC will host the Kuala Lumpur International Venture Capital Symposium 2011 from 9 to 12 October. About 1,500 representatives from venture funds, technology companies, research institutions and the corporate sector are expected to participate in the symposium. The 2011 Budget also made provisions for the training of new entrepreneurs. In this regard, Cradle Fund Sdn. Bhd., a Ministry of Finance Incorporated company (MOF Inc.), commenced the Coach and Grow Programme in September 2011 to train about 500 entrepreneurs over a period of one year.

Bumiputera Property Trust Scheme

The Government continues to encourage the Bumiputera community to actively engage in the creation and ownership of the nation's wealth. In this context, on 29 November 2010, the Bumiputera Property Trust Foundation launched the RM1 billion, Amanah Hartanah Bumiputera (AHB) scheme. With an initial investment of only RM500, this shariah-compliant group ownership scheme enables the community to own prime commercial properties in the Klang Valley. To date, a total of 56,318 unit holders, including individuals and companies have invested in the scheme while AHB's investment in properties currently stands at RM800 million.

Private Pension Scheme

To further strengthen capital market activities and encourage Malaysians to invest for their retirement, the Government will facilitate the establishment of a private retirement scheme

(PRS) to complement the existing public pensions. In this regard, the amendments to the Capital Markets and Services Act 2007, which include provisions on the regulatory framework for the PRS was passed by Parliament on 11 July 2011. Currently, discussions are being held with relevant authorities, industry players and other related parties to implement the PRS.

Enhancing Electrical and Electronics Industry

Notwithstanding increasing regional competition amid significant changes in technologies and supply chain strategies of global players, the electrical and electronics industry remains an important contributor to the national economy. The industry accounts for about 8% of GDP, 39% of gross exports and employs 4.5% of the Malaysian workforce. To enable local corporations to move up the value chain, the Government allocated a sum of RM253.5 million in the 2011 Budget. In this regard, a total of RM72 million was expended among others for the establishment of a light emitting diode certification laboratory in Pulau Pinang, commercialisation of wireless sensor network for agriculture and environmental monitoring in Pahang, Sabah and Terengganu as well as conducting a feasibility study on an industrial design centre of excellence.

Boosting Oil, Gas and Energy Industry

The domestic oil, gas and energy industry continues to play a crucial role in the growth of the economy. To further propel the industry, the Government allocated RM298 million in the 2011 Budget. To date, a total of RM59.2 million was expended on the development of the Oil Field Services and Equipment Centre as well as energy efficiency projects. To facilitate the construction of the Centre in Johor, a sum of RM32.6 million has been spent in the year to date. The fund was also utilised for the establishment of the Malaysia Petroleum Resources Corporation which, among others, will promote the Malaysian oil and gas industry. Construction work on this private sector-led project commenced in April 2011 and is expected to be completed by July 2012. The Centre will generate RM1.2 billion income annually through the provision of services to the industry. In addition, the PETRONAS regasification project in Sungai Udang, Melaka commenced in April 2011 and is expected to be completed by August 2012. With regard to energy efficiency projects, on 7 July 2011, the Government launched the Sustainability Achieve Via Energy (SAVE) project. The project provides cash rebates to consumers for the purchase of energy-efficient refrigerators and air conditioners as well as enterprises that procure energy-efficient chillers.

Advancing Green Technology

In efforts to reduce greenhouse gas emission, the Government implemented the B5 programme in Putrajaya on 1 June 2011. B5 is a blend of 5% palm oil methyl ester and 95% diesel. The programme was later extended to other states and by 1 November 2011, B5 fuel will be available at 1,150 petrol stations in Kuala Lumpur, Melaka, Negeri Sembilan, Putrajaya and Selangor. Following the enactment of the Renewable Energy Act by Parliament on 27 April 2011, the Feed-in Tariff (FiT) mechanism is expected to be implemented by December 2011. This mechanism will enable individuals and independent producers to supply electricity generated from RE to electricity utility companies. Furthermore, on 11 August 2011, the Government made a policy decision to set air conditioners in all government buildings no lower than 24° Celsius.

Invigorating Agriculture Sector

The agriculture sector was allocated a sum of RM3.4 billion in 2011 to enhance productivity and returns of the sector. Of the total, RM253 million was designated for the development of Aquaculture Industrial Zones in Desaru, Johor; Pulau Permatang Pauh, Pahang; Selinsing, Perak; Setiu, Terengganu; as well as Pitas and Tawau, Sabah. The projects in Selinsing and Tawau commenced in 2010 while the rest commenced in 2011 and are expected to be completed by

2016. On completion, these projects with 4,000 farmers in Sabah as well as 1,030 farmers in Johor, Pahang, Perak and Terengganu, are expected to increase aquaculture output by 483,800 tonnes or RM4.5 billion. In addition, RM97.8 million was allocated for upgrading the drainage and irrigation system as well as enhancing productivity through the usage of high-quality padi seeds in the Muda Agriculture Development Authority (MADA) areas of Kedah and Perlis. To date, RM13.3 million was spent on surveys, minor infrastructure and extension work while the balance of RM36.5 million will be utilised for land acquisition. A sum of RM48 million was also allocated as incentives for farmers, of which RM10 million will be disbursed during the second planting season beginning September 2011. About 2,900 farmers are expected to benefit from these incentives and the balance of RM38 million will be disbursed during the next four planting seasons.

The 2011 Budget also provided RM135 million to encourage wider participation in high-value agriculture activities, including swiftlet nests, seaweeds as well as herbs and spices. Subsequently, several projects to facilitate swiftlet farming, including edible bird nest traceability, enforcement, certification as well as research and development (R&D) with Universiti Putra Malaysia were carried out. As for seaweeds, RM46.3 million was allocated in 2011 for the establishment of 15 mini plantations covering 1,214 hectares in Lahad Datu, Semporna and Tawau in Sabah. Expected production for 2011 is around 22,000 tonnes of dried seaweed valued at RM66 million. Concurrently, RM78.9 million was provided for Herbal Cultivation Parks in Chegar Perah, Pahang and Pasir Raja, Terengganu. To date, the parks are 30% completed.

A sum of RM5.9 million was provided to Federal Agriculture Marketing Authority (FAMA) to carry out marketing analysis and activities benefiting 3,754 agriculture entrepreneurs. Other efforts to enhance the agriculture sector include the construction of three Integrated Diagnostic Laboratories in Besut, Terengganu to facilitate research on agriculture-related activities and an International Centre for Crops of the Future in Semenyih, Selangor to promote R&D of under-utilised crops. Construction of the projects commenced on 1 March 2011 and 27 June 2011, respectively and is expected to be completed by early 2013. The Government also extended the tax incentive for companies engaging in food production activities for another five years until 31 December 2015 to encourage continuous development in the agro-food and agro-based industry.

Energising Tourism Industry

The tourism industry is an important contributor to the national economy, accounting for 12.3% of value-add and employs approximately 16% of the workforce. Malaysia is also recognised globally as one of the leading tourism destination, ranking among the top 10 in tourist arrivals and top 15 in global tourist receipts. To strengthen the industry further, the 2011 Budget waived the import duty on 300 goods popular among tourists and residents. To increase the number of tourist arrivals, several events were organised in 2011, including Le Tour de Langkawi 2011, Royal Langkawi International Regatta, International Surfing Competition, Pasir Gudang International Kites Festival 2011 and Port Dickson International Triathlon 2011. Another initiative to attract visitors is the homestay programme, which provides opportunities for guests to experience village lifestyle. The programme also enables the rural population to benefit from tourism-related activities. Currently, there are 3,162 trained and licenced homestay operators nationwide and about 54,000 visitors are expected to participate in the programme in 2011.

Revitalising Palm Oil and Related Industries

The domestic palm oil industry, which is more than 100 years old, has strong global leadership in terms of productivity as well as R&D. Given its capacity to contribute further to the nation's value-add, the 2011 Budget allocated RM297 million to encourage replanting of unproductive trees with high-quality new clones and improve productivity of the industry. Following this, about 45,139 hectares of plantation land and 3,083 hectares of smallholdings were replanted during the first eight months of 2011. During the same period, production of crude palm oil increased 8.2% to 12 million tonnes (January – August 2010: 1.8%; 11.1 million tonnes) while fresh fruit bunches yield per hectare increased to 12.52 tonnes per hectare (January – August 2010: 11.76 tonnes per hectare). An allocation of RM23.3 million was also provided to expand downstream palm oil activities. Of this amount, RM19.7 million will be spent on R&D on tocotrienols (natural vitamin E) in strategic collaboration with several institutions.

Corridor and Regional Development

The Government remains committed in leveraging on the comparative advantage of different regions in the country to optimise ETP outcomes and enable all communities to benefit from economic development. Towards this, the 2011 Budget allocated RM850 million to the five growth corridors in the country. Iskandar Malaysia was provided RM339 million for construction of highways, development of housing estates as well as providing and improving public transport services. To date, RM191.5 million has been expended on the construction of highways, RM130 million for development of housing areas and RM7.8 million on improving public transport services. In concert, several private sector-led projects are also in progress. In particular, the Newcastle University of Medicine, Malaysia was completed in May 2011 with the first intake of 100 students in September 2011. The Johor Premium Outlet in Kulaijaya which will offer branded items at discounted prices, is expected to be operational by November 2011 while the construction of Marlborough College, an independent boarding and day school, commenced in December 2009 and is scheduled for completion by 2012. The college, which can accommodate 1,300 students, will enrol its first batch in August 2012.

Emphasising on the Northern Corridor Economic Region's (NCER) four thrust areas, namely agriculture, manufacturing, tourism and logistics, a total of RM133 million was allocated for 25 projects. Of this, RM10.8 million was expended on development of the Northern Corridor Aquaculture Complex in Selinsing, Perak. The complex, covering 445 hectares of land, is expected to be completed by March 2012. Another, RM13.6 million was allocated for upgrading of tourism infrastructure in Belum–Temenggor Tropical Rainforest, Sayong Riverfront in Kuala Kangsar as well as Zoo and Night Safari in Taiping. The RM7.4 million Biotechnology Incubator Centre in Bukit Minyak, Pulau Pinang is also under construction and is scheduled for completion by August 2012. The centre will provide the latest full-fledged service platform to accelerate development of the biotechnology industry in the northern region.

The East Coast Economic Region (ECER) was provided with an allocation of RM178 million for projects, including industrial parks, water treatment plants, development of tourist areas, an agropolitan scheme as well as redevelopment of former Pahang Tenggara Development Authority and Jengka Region Development Authority areas. The Industrial Parks in Pasir Mas and Pekan is under construction and will be ready for operations by April 2012. In addition, the Water Treatment Plant in Panching is also under construction and will improve water supply to Kuantan. Several tourist areas, including Museum Sultan Abu Bakar, Pelancongan Warisan Pekan and Taman Negeri Tasik Chini in Pahang as well as Kuala Terengganu City Centre in Terengganu are currently being developed. The agropolitan scheme is aimed at eradicating poverty in ECER. The project, which includes sheep rearing and oil palm plantations, is being implemented in Kelantan, Terengganu and Pahang. To date, the project has benefited about 140 poor families and by mid-2012, another 638 poor households will participate in the project. With regard to the redevelopment of the former Pahang Tenggara Development Authority and Jengka Region Development Authority areas, RM30 million was allocated for 96 projects, including development of traditional villages and a new transport terminal at Bandar Baru Jengka.

The implementation of infrastructure and industrial projects in the Sarawak Corridor of Renewable Energy (SCORE) is progressing well. In particular, the Samalaju Water Supply project in Bintulu Division, which commenced on 1 September

2009 was completed in March 2011. The water supply project will benefit all the energy-intensive industries operating at the Samalaju Industrial Park. The construction of access roads leading to the hydro electric power dam and coal sites as well as the Samalaju Industrial Park and New Mukah Airport is currently in various stages of implementation. The aluminium smelting plant in Mukah Division, the first in Malaysia, commenced production in November 2009. To date, the plant has reached its production capacity of 60,000 tonnes per annum. Following the success of this project, an aluminium extrusion plant with a production capacity of 100,000 tonnes per annum is being planned. Other ongoing projects include the polycrystalline silicon and metallic silicon factories.

The Sabah Development Corridor was provided with RM110 million for several projects, including palm oil industry cluster projects, an agro-industrial precinct and an integrated farming centre. The palm oil cluster project is designed to provide basic infrastructure facilities in Lahad Datu and Sandakan and are expected to be completed by 2012. The construction of Sabah Agro Industrial Precinct in Kimanis, Papar will provide the impetus and support for transformation of the traditional and small-scale agriculture sector into an innovation-driven and technology-led sector. The project is expected to be completed by end-2011. Earthwork on the Keningau Integrated Livestock Centre commenced in September 2010 and was completed in April 2011. Physical construction is expected to commence in 2012 and will be completed by end-2013. The project will increase the supply of dairy products in the country.

Promoting Research, Development and Commercialisation

To enhance innovation and facilitate the commercialisation of R&D findings in universities and research institutions, the Agensi Inovasi Malaysia Act was passed by Parliament on 21 December 2010. With the enactment of the Act, Agensi Inovasi Malaysia (AIM) was operationalised on 15 April 2011. AIM was allocated RM71 million to design programmes and activities to enhance innovation, creation and commercialisation of new products. Of this sum, approximately RM10 million was spent on various programmes and activities, including Innovation Accelerators Programmes, Inno Think Programmes and development of the National Innovation Strategy. Another RM279.5 million was allocated to other agencies for R&D activities. Of this, RM130 million was disbursed for several initiatives, including the Science Fund, Commercialisation Fund and Human Capital Development Programmes. Following these efforts, the number of trademarks and patents registered domestically increased 55.4% in the first eight months of 2011 compared with 14.7% in the corresponding period of 2010.

Advancing Creative Industry

The creative industry which encompasses three categories, namely creative multimedia, creative arts and culture as well as creative heritage has the capacity to directly contribute to the nation’s economic growth. To unleash the potential of the industry, the Government unveiled the Creative Industry Policy on 12 November 2010. In addition, the 2011 Budget allocated RM200 million for the purchase of creative products, including locally produced animations, documentaries and films. Following these efforts, the number of animations, documentaries and films produced domestically increased 36.4% in the first eight months of 2011 compared with 6.5% during the corresponding period of 2010.

Intensifying Human Capital Development

The efforts of labour are an important component in the production function of an economy. Enhancing skills of labour force or what is commonly referred to as human capital development remains an important strategy in improving workforce productivity. Towards this objective, the 2011 Budget allocated RM40.1 billion for human capital development programmes across the country.

Intensifying Efforts to Attract Talent

Recognising the role of talent as a key enabler for the ETP, the Government established Talent Corporation Malaysia Berhad (TalentCorp) on 1 January 2011. Early initiatives implemented include upskilling programmes, the Scholarship Talent Attraction and Retention Programme (STAR), Returning Expert Programme (REP) and Residence Pass.

To date, RM13.7 million has been expended on various initiatives. On 24 April 2011, the FasTrack, a 12-month upskilling programme was rolled out, targeting at high-achieving Malaysian engineering graduates in efforts to enlarge the pool of R&D engineers. STAR, which was launched on 22 August 2011, is a collaboration with the Public Service Department (JPA) to retain top young talent by enabling JPA scholars to serve their bond of service with leading companies. TalentCorp also assumed the role of administering the REP. Since its introduction in 2001, the Government has approved 977 applications from Malaysian professionals. During the first eight months of 2011, the number increased by an additional 424 approvals. To retain foreign talent, the Residence Pass was introduced in April 2011, which enables holders to reside and work in Malaysia for up to 10 years.

Expanding Access to Quality Education

The provision and access to quality education is essential to equip Malaysians to compete globally and lead the nation to greater heights. Towards this, the Government allocated RM6.4 billion for development expenditure to build and upgrade schools, hostels, facilities and equipment as well as advance the status of the teaching profession. Of the amount, RM5.4 billion was allocated for construction of 1,474 schools and 30 hostels as well as upgrading of 574 schools. In addition, RM213 million was allocated to reward high-performance schools as well as excellent principals, head teachers and teachers. To date, a total of 52 high-performance schools, and about 14,600 teachers, including 586 head teachers have been rewarded. These measures enabled Primary 2 students in 2011 to achieve a literacy rate of 95% and numeracy rate of 97%.

Strengthening Early Education

Early childhood education plays a vital role in developing minds and providing a headstart in primary school education. Given the importance of pre-school education, the Government targets to increase the pre-school enrolment rate to 80% by end-2011 compared with 68.9% currently. Towards this, 2,962 pre-schools have been established, including 197 in Sabah and 352 in Sarawak. To further enhance quality of education in these schools, a total of 3,919 graduate teachers were appointed. The Budget also allocated funds for construction of the second phase of Sekolah PERMATA Pintar School Complex in Universiti Kebangsaan Malaysia, Bangi. The construction commenced on 1 June 2011 and is expected to be completed by December 2012. The construction of five PERMATA Children Centres (PAPN) across the country will be completed by end-October 2011 while another 28 PAPN are expected to be completed by early 2012. Currently, 1,167 students are attending pre-school classes in 47 PAPN. The operation of other PERMATA programmes, namely PERMATA Pintar, Seni, Insan and Perkasa Remaja continue to benefit more than 1,000 students. Another initiative under the 2011 Budget is the 1Malaysia TASKA, which was launched on 11 April 2011. The programme is aimed at helping children from low income families to receive quality childcare services. Currently, there are thirty 1Malaysia TASKA throughout the country, including one in Sabah and two in Sarawak. An additional 10 new 1Malaysia TASKA, including four in Sarawak will be established by year-end. Another programme financed through the Budget is Tabika KEMAS, which provides early education to children in the four to six-year age group. More than 215,000 children nationwide are currently attending the pre-school programme.

Strengthening Primary and Secondary Education

In tandem with the Government's efforts to improve educational outcomes across all communities, a total of 30 religious schools, 228 Chinese national-type schools (SJK(C)), 59 Tamil national-type schools (SJK(T)), 135 missionary schools and 580 Government-assisted schools have benefited from an allocation of RM250 million for development purposes. The Government also provided RM95 million in grants to 18 primary and 140 secondary rakyat religious schools. Efforts were also taken to enhance basic literacy and numeracy skills through various programmes, including Literacy and Numeracy Screening (LINUS) as well as 3M Recovery Programme (PROTIM), which focuses on students with difficulties in acquiring basic skills in reading, writing and arithmetic. Meanwhile, a total of 325 foreign English language teachers were appointed to improve English proficiency among students. The Government also introduced the School-Based Assessment (PBS) to Primary 1 students in January 2011. The PBS assesses each child holistically and takes into account the students' performance in both academic and non-academic fields and focuses on learning outcomes. Beginning 2016, the Primary School Assessment (UPSR) will have 60% assessment through a centralised examination while 40% will be PBS-based. The National Standard-Based Primary Schools Curriculum (KSSR) was also streamlined to include creativity and innovation, entrepreneurship as well as ICT. To further improve the delivery of the teaching profession, a total of 1,343 teachers were awarded scholarships to pursue higher education.

Strengthening Higher Education

There are 20 public and 26 private universities as well as 22 private university colleges and five branch campuses of foreign universities in Malaysia, providing tertiary education to more than 740,000 students, including 60,098 foreign students. To further enhance quality of teaching and research of public universities, the Government aspires to increase the number of Ph.D qualified lecturers to 75% in research universities and 60% in non-research universities. In this regard, the 2011 Budget allocated RM20 million for lecturers to pursue their Ph.D. To date, 251 lecturers in five research universities and 491 lecturers in non-research universities have embarked on the Ph.D programme. Currently, 92.2% of lecturers in public universities hold post-graduate degrees, including 36.4% with Ph.D. Following the implementation of measures to improve the quality of teaching and research in public universities, the employability of graduates from public universities improved to 78.7% in 2011 compared with 76.2% in 2009.

Intensifying Training and Skills Programme

To support economic transformation, the labour force needs to be equipped with higher competencies and new skills set to benefit from various employment opportunities. In this context, the Government allocated a total of RM330 million for various graduate training programmes. Of this sum, 18% was provided to State Skills Development Training Centres. A total of 101 programmes in various fields, including robotic and automation, welding inspection and creative content development technology were conducted for more than 2,400 engineering graduates. Another 66.7% was allocated to enhance the competence and employability of non-engineering graduates. Several programmes were conducted, including Professional Certification Programme, Sports Development, Entrepreneurship Development and Graduate Employability Management Scheme (GEMS), benefiting 339,223 graduates. The balance was disbursed to the Multimedia Development Corporation (MDeC) for ICT training. MDeC has organised seven programmes for 9,082 ICT graduates.

An additional sum of RM269.4 million was allocated to enhance productivity and skills of non-graduates. In this respect, a total of 166 programmes were conducted by Manpower Department Training Institutions and National Youth Training Institutes, providing 27,077 participants with various skills training, including aviation technology, instrument technology as well as multimedia, animation and printing technology.

1Malaysia Training Programme

About 62% of the labour force are less than 40 years of age while approximately 72% of them are educated only up to Sijil Pelajaran Malaysia (SPM). This scenario presents opportunities for upskilling and reskilling of the labour force to enable them to contribute significantly to nation building and benefit from the expanding economy. Towards this, the 1Malaysia Training Programme, which aims to create a pool of competent, well trained and skilled workforce was introduced in the 2011 Budget. A sum of RM200 million was allocated to 217 GIATMARA Centres, 72 Community Colleges, 28 Manpower Department Training Institutions and 20 National Youth Training Institutes. A total of 1,093 courses, including Arabic, Bahasa Melayu, English, Mandarin and Tamil languages as well as music classes were conducted nationwide, from which 9,688 participants benefited. About 8,940 skills and technical courses, including baking, tailoring, spa therapy, mechanical, electrical and welding classes were also conducted for more than 150,000 participants.

Another RM200 million was allocated to companies to fund specific training programmes for their employees. In the year to date, a total of 285,065 employees from 9,624 companies were trained under this programme. A further RM30 million will be utilised to provide loan facilities for employees to attend courses in various technical fields. In this regard, 4,024 employees are currently pursuing various technical courses, including automation, welding inspection and creative content development technology.

Enhancing Employee Productivity

Essentially, the returns to labour should commensurate with productivity. To ensure employees are fairly remunerated, on 12 July 2011, a National Wages Consultative Council Act 2011 was passed by Parliament. The Act established the National Wage Consultative Council (NWCC) and repealed the Salary Determination Council Act 1947. Among others, the Act enables the NWCC to advise the Government on all matters relating to minimum wage, including minimum wage rates and coverage in the country.

Over the years, the Government has implemented several measures to improve the well-being of foreign workers in the country. In this respect, on 1 January 2011, the Government introduced the Hospitalisation and Surgical Scheme as a mandatory medical coverage for all new foreign workers in the country. Furthermore, on 13 July 2011 the Government launched the 6P initiative to register and monitor legal and illegal foreign workers in the country. The 6P is a programme to register, legalise, provide amnesty, supervise, enforce and deport illegal foreign workers. A total of 1,016,908 legal and 1,269,369 illegal foreign workers were registered under this programme.

Expanding Women Participation

The Government's continuous effort in providing maternal and child healthcare, access to family planning services as well as educational opportunities have enabled women to participate and contribute significantly to the nation's socio-economic development. To date, the Government has successfully trained 2,680 women entrepreneurs nationwide while an additional 2,000 women entrepreneurs will be trained by end-2011. Furthermore, in recognition of the role of women in socio-economic development, on 25 September 2011 two women were accorded the Prime Minister's Award for Women Entrepreneur 2011 and Women Social Activist 2011.

The Government also improved the maternity leave facility by providing flexibility for civil servants to self-determine the duration of their fully-paid maternity leave of 90 days compared with 60 days previously. The leave facility is however, subject to a maximum period of 300 days during the tenure of their service. This measure which came into effect on 15 October 2010 is expected to further enhance the women labour force participation rate in the economy. The Government continues to provide opportunities for qualified women to hold top positions in the civil service. Currently, 31.5% of key positions in the public sector are held by women. To improve women's participation at the decision-making level in the corporate sector, the Government on 27 June 2011, made a policy decision to encourage the corporate sector to increase the number of women on the board of directors and top management positions to at least 30% by 2016.

Developing National Sports

Sports is effective in instilling patriotism, building comradeship as well as developing physical and mental capacity. It is in this context that the Government allocated RM365 million for the development and management of sports activities in the country. A portion of the allocation will be utilised for the construction of 527 futsal courts or Gelanggang Futsal 1Malaysia (GF1M). Currently, there are 1,100 GF1M throughout the country. Disbursements were also made for the Malaysian contingent's preparation for the 26th SEA Games in Jakarta and Palembang in November 2011 as well as the London Olympics in July 2012. The Government also allocated an additional RM20 million for the establishment of a Football Academy to produce highly skilled players. Construction work on the state-of-the-art football academy in Kuantan, Pahang commenced in August 2011 and is expected to be completed by May 2012. On completion, the academy will have the capacity to train 200 players annually.

Enhancing Quality of Life of the Rakyat

Ultimately all Government policies, strategies and programmes are aimed at enhancing the well-being of the rakyat. In particular, the Government strives to provide a conducive eco-system for all Malaysians to optimise their potential. In this regard, the 2011 Budget concentrated on various measures, including providing assistance to the less fortunate, increasing home ownership, reducing transport cost and accelerating the well-being of orang asli and pribumi.

Assisting the Less Fortunate

In 2011, the Government allocated RM1.2 billion to carry out several welfare and community programmes. Of this, RM166.6 million was allocated for the Senior Citizens Welfare Assistance Programme, which benefited more than 140,000 individuals. Another RM189.6 million was allocated for the Children Assistance Programme, in which more than 101,000 children were provided with assistance. Other initiatives include an incentive allowance for disabled workers, financial assistance for bed-ridden patients as well as disabled individuals who are unable to work. A total of RM108.1 million was allocated for these initiatives which benefited 101,496 people. The Government also established an intervention shelter for the homeless in Kuala Lumpur. The centre, which started operations on 9 April 2011, provides accommodation, counselling and other welfare aid to the homeless. A total of 280 individuals have benefited from this programme.

To assist households, the current RM5,000 maximum tax relief on expenses incurred for parents was extended to include other expenses such as day care centre, caretakers for parents and other daily needs. To further ease the burden of disabled people the excise duty exemption on national vehicles was increased to 100% from 50%, benefiting 60 disabled people.

Increasing Home Ownership

The 2011 Budget allocated RM544 million to enable the rakyat, particularly the poor and low-income group to own and rent affordable houses. A total of 13,130 units under Program Perumahan Rakyat (PPR) are under construction and will be ready for rental by 2014. Construction work on another 950 units will commence soon. Under Projek Perumahan Bandar, 134 houses will be built to provide safe and comfortable homes for the poor and vulnerable group in urban areas. In addition, Projek Bantuan Sewa Rumah, a project which provides rental assistance for the urban poor, benefited 2,650 individuals. Rumah Mesra Rakyat is another programme to provide comfortable homes for the low-income group, including fishermen, farmers and poor households. Since 2002, about 15,800 households have benefited from the programme. The Government is also expected to launch Skim Pembiayaan Perumahan Kos Rendah, a financing scheme which will enable Malaysian plantation workers to acquire affordable homes.

Another initiative is Skim Rumah Pertamaku, which enables young working adults to obtain 100% financing for the purchase of their first house. The scheme launched on 8 March 2011 has benefited 173 young working adults. Stamp duty exemption of 50% on instruments of transfer for houses not exceeding RM350,000 was also provided for first-time house buyers. The duty exemption will further assist house buyers from the middle-income group.

Enhancing Quality of Life of Rural Population

With 37% of the population living in rural areas, rural development remains an important agenda in developmental planning. A sum of RM2.8 billion was allocated to implement basic infrastructure projects such as water and electricity supply as well as rural roads. In this regard, RM723.6 million was expended to construct and upgrade several rural roads, including Jalan Bambangan, Jalan Kayul-Rimbaan and Jalan Waterworks in Sabah, Jalan Bangkit Rembai/Ijok/Suri, Jalan Nanga Mam and Jalan Spaoh in Sarawak as well as roads from Kampung Berdang to Kampung Sungai Rual in Kelantan. An allocation was also provided for water and electricity supply in rural areas of Sabah, Sarawak and Peninsular Malaysia. A total of RM181.6 million was spent in Sabah and RM254.8 million in Sarawak, which benefited 14,740 and 48,300 households, respectively. In addition, RM165.4 million was disbursed for water and electricity supply to more than 27,850 households in rural areas of Peninsular Malaysia. Another Government initiative is the housing assistance programme with an allocation of RM300 million, aimed at providing comfortable houses for the poor and extreme poor in rural areas, including Sabah and Sarawak. To date, a total of 5,145 houses were built or restored.

Easing Burden of the Rakyat

Rising food prices continues to affect the well-being of the rakyat, particularly the low and middle-income groups. Whilst the increase is partly due to expansion in demand, supply constraint have somewhat contributed to higher prices. To help farmers reduce production costs, the Budget allocated RM974 million for subsidy on padi, fertilisers and padi seeds. A total of RM623.6 million was disbursed to 411,958 farmers nationwide. To boost output, the Government allocated RM150 million for production incentives as well as increase padi yield. A sum of RM87.9 million was spent, benefiting more than 534,000 padi planters nationwide. The fishing industry was provided RM170.5 million for the Fishermen's Subsistence Allowance, Fishermen's Catch Incentive and Fishermen's Welfare Fund. In the year to date, RM119.5 million was disbursed to 65,942 fishermen.

To standardise the prices of essential goods across regions, the Distribution of Essential Goods Programme for goods such as rice, cooking oil, sugar, flour, gas, petrol and diesel was introduced in 2010. The programme was continued in 2011 with an allocation of RM200 million. To date the Distribution of Essential Goods Programme was carried out in 820 rural and remote areas in Malaysia, from which more than 1.5 million households benefited. Concurrently, the Government continues to provide rebates on electricity bill payments for monthly consumption of below RM20. The RM150 million programme provided assistance to more than 1,000,600 households from the low-income group.

The 1Malaysia Smart Consumer portal, which was established on 7 June 2011, is another Government initiative to help the rakyat keep track of price movements in almost 1,255 premises nationwide. To date, more than 24 million hits have been recorded on the portal. Meanwhile, to help urban families reduce their monthly grocery bills, the first Kedai Rakyat 1Malaysia (KR1M) thrift store was launched at Kelana Jaya LRT station in Selangor on 22 June 2011. Prices in the KR1M are 40% lower than market prices of similar essential goods. Following the overwhelming response from consumers, three KR1Ms were opened in Kuala Lumpur and Putrajaya and by year-end another 25 KR1Ms are expected to be operational throughout the nation. On 7

July 2011, the Government launched the Menu Rakyat 1Malaysia programme to help the rakyat reduce their daily expenses on food. Currently, 728 food operators nationwide are participating in this programme which offers breakfast and lunch sets with drinks at a maximum of RM2 and RM4, respectively.

To upgrade and modernise facilities as well as strengthen the wholesale and retail trade sector, the Government introduced the Retail Shop Transformation (TUKAR), Automotive Workshop Modernisation (ATOM) and Community Market (PAKAR) programmes. TUKAR, a programme to modernise retail shops, was launched on 19 February 2011, with an allocation of RM40 million for 2011. To date, 258 retailers were provided with soft loans to upgrade their premises and by year-end, facilities in another 242 shops will be improved. Likewise, ATOM was launched on 22 February 2011, with an allocation of RM30 million. Currently, five workshops are being upgraded and another 24 will be transformed by year-end. PAKAR was launched on 19 April 2011 with an allocation of RM50 million. The project aims to merge small-scale traders from various market formats into a large-scale community market. The first PAKAR project is expected to be completed by April 2012.

The Government continues to implement Projek Penyelenggaraan Infrastruktur Awam (PIA) and Projek Infrastruktur Asas (PIAS), with an allocation of RM500 million. To date, RM222.7 million has been expended on repairing and upgrading public amenities, drains, drainages, small bridges and rewiring as well as construction of agriculture and village roads. A total of 7,295 Class F contractors were engaged to implement the projects.

Appreciating Contributions of Community Leaders

Community leaders have an important role in bridging the information gap within and between communities as well as disseminating information to the rakyat. In recognition of their contributions, the monthly allowance of the Chairman of Jawatankuasa Kemajuan dan Keselamatan Kampung (JKKK) and Persekutuan (JKKP), Tok Batin, Chairman of JKKK Orang Asli and Chairman of Kampung Baru was increased from RM450 to RM800. The allowance was also extended to Ketua Kampung Baru Rangkaian and Ketua Kampung Bagan. A total of 15,619 community leaders benefited from this measure. At the same time, the meeting attendance allowance of 174,300 committee members was increased from RM30 to RM50. Imam and KAFA teachers also play an important role in community development. Effective from January 2011, the monthly allowance for Imam was increased from RM450 to RM750, while the monthly allowance for KAFA teachers was increased from RM500 to RM800. About 13,077 Imam and 31,349 KAFA teachers benefited from this initiative.

Well-being of Orang Asli and Pribumi

In line with the Government's inclusive and sustainable growth policy, RM106.1 million was allocated to implement various programmes to enhance the well-being of orang asli and pribumi. Towards this, on 14 January 2011, Jabatan Hal Ehwal Orang Asli was renamed as Jabatan Kemajuan Orang Asli. The department was also restructured and strengthened with a new vision, mission and objective, and will introduce a new approach to enhance the well-being of orang asli. Other measures include the provision of food for the poor as well as financial incentives for school-going children. Agriculture input assistance was also provided to households involved in agriculture activities. Of the sum allocated, RM60 million was spent on these activities benefiting 36,658 households.

Reducing Transport Cost

To further ease the burden of the rakyat, particularly highway commuters, the Government made a commitment to freeze toll rate hikes for five years. The measure which took effect from 15 October 2010 involves four highways, namely Lebuhraya Butterworth–Kulim (BKE), Lebuhraya Laluan Kedua Malaysia–Singapura (LINKEDUA), Lebuhraya Utara Selatan (PLUS) and Lebuhraya Utara Selatan Hubungan Tengah (ELITE). These highways are owned and managed by PLUS Expressway Berhad. In addition, the 22 concessionaires of 24 highways provided toll discounts and rebates of between 5% and 37.5% during the Hari Raya and Merdeka Day celebrations. Toll collections in Cheras Toll Plaza were also discontinued from 16 May 2011.

Expanding Public Health Services

The rakyat's well-being is closely related to the accessibility of quality healthcare. To further improve the delivery of public healthcare services, the Budget allocated RM15.2 billion for construction and upgrading of hospitals, increasing the number of doctors and nurses as well as for supplies of medicine and equipment. While the construction of two hospitals in Johor was completed in August 2011, another 11 hospitals nationwide are expected to be completed by 2016. Meanwhile, the eighty 1Malaysia Clinics, including 27 which commenced operations in 2011 have provided services to more than 2.3 million patients. In tandem with the Government's efforts to enhance healthcare services, the number of population per doctor improved to 820 in June 2011 compared with 886 in December 2010.

Combating Crime and Securing Safety

A holistic approach to crime prevention will increase the rakyat's sense of security and enable Malaysia to remain in the ranks of safe countries for tourism and business activities. Given its importance, reducing crime was prioritised as one of the seven NKRAs. To facilitate the related NKRAs outcomes, the 2011 Budget allocated RM350 million to implement several programmes to combat crime. These programmes include Ops Lusuh (to prevent equipment and cable theft), Ops Rentap (to prevent car theft) as well as Safe City Programme and Voluntary Patrol Scheme in high-risk areas. The Government also introduced the MyDistress mobile application for crime hotspots in Selangor to shorten response time during incidences of crime. Following these initiatives, the street crime index declined 41.6% while the overall crime index of 14 types of crime declined 9.6% in the first six months of 2011. Furthermore, to expedite prosecution and reduce backlog of cases, five additional special courts, including two in Sabah and one in Sarawak were established in 2011. Following this measure, the backlog of cases were reduced to 126,578 compared with 165,283 as at end-2010.

Empowering Non-Governmental Organisations

The civil society plays a crucial role in addressing social problems. To enhance their efforts, the Government allocated RM20 million for activities involving selected non-governmental organisations (NGOs) to assist the Government in strengthening the family institution and addressing social ills such as unwanted pregnancies, abandoned babies, juvenile delinquencies, substance abuse, mat rempit and gangsterism. In this regard, the Government in partnership with NGOs introduced Keselamatan Keluarga Tanggungjawab Kita (SEKATA) programme, which aims to equip parents with parenting skills as well as adolescents and youth with reproductive health and social education. The programme is targeted for crime hotspots in Johor Bahru, Kuala Lumpur, Pulau Pinang and Selangor. To date, RM10 million was disbursed to 118 NGOs to implement the SEKATA programme with participation from more than 200,000 families.

Conservation of Environment

Environmental issues remain at the core of the nation's development planning. In the Budget, RM1.9 billion was allocated to finance several environmental conservation projects, including implementing the River of Life and Greening Greater KL/Klang Valley. The River of Life project comprising three components, namely river cleaning, river beautification and river development, aims to transform the Klang River into a vibrant and liveable waterfront with high economic value. The river cleaning component of the project was launched on 1 July 2011. The detailed design for phase one of beautification work is in progress. The Greening Greater KL/

Klang Valley project which aims to provide 14 square meters of green space per citizen by 2020 was launched on 16 April 2011. The project involves the planting of 100,000 trees in Greater KL/Klang Valley over a period of 10 years. To date, 26,907 shaded trees have been planted in Kuala Lumpur. The Government also undertook efforts to preserve marine resources and coastal areas in Pantai Pelancongan Rompin, Pahang; Pantai Sabak, Kelantan; Pantai Siring, Melaka; and Pantai Tok Jembal, Terengganu. In this regard, a total of RM1.8 million was spent on coastal erosion prevention and beach rehabilitation projects.

The Solid Waste Management and Public Cleansing 2007 Act came into effect on 1 September 2011. The Act will transform solid waste management and public cleansing activities into an integrated and efficient industry. The Act will be enforced together with the privatisation of solid waste and public cleansing services throughout Peninsular Malaysia and Federal Territories, including Putrajaya and Labuan. Recycling of household waste will be made mandatory by September 2013.

Corporate Social Responsibility

In tandem with the active involvement of domestic companies in corporate social responsibility (CSR) activities, Malaysia was ranked third among 10 countries in 2010 Asian Sustainability Ratings. In particular, GLCs are playing a prominent role in CSR activities. In this regard, Khazanah is managing ten Trust Schools in Johor and Sarawak. These public schools which have an enrolment of 7,579 students aim to close the achievement gap with the top performing schools in the system. Furthermore, 1MDB provided grants worth RM2.3 million to 50 United Examination Certificate (UEC) top scorers to pursue their tertiary studies locally and overseas. Several GLCs, including, Malayan Banking Berhad, Malaysia Airports Holdings Berhad, PETRONAS, Telekom Malaysia Berhad and Tenaga Nasional Berhad are also participating in the Skim Latihan 1Malaysia (SL1M) programme. The CSR programme aims to enhance the employability of unemployed graduates and has benefited about 3,000 individuals. FELDA allocates about RM90 million annually for education and training. Currently, about 370 students are pursuing various professional courses locally and overseas. 1MDB allocated RM20 million to the 1Malaysia Youth Fund to foster goodwill among Malaysians. To date, RM3 million was disbursed to 80 individuals to undertake community and unity projects. In addition, 1MDB donated a boat and four buses for the implementation of 1Malaysia Mobile Clinics (KB1M) in the interiors of Pahang, Perak, Selangor and Sungai Baram in Sarawak. A total of 12,890 patients, benefited from these clinics.

Strengthening Public Service Delivery

Over the years, the Government has introduced several measures to improve the quantity and quality of public services. Notable outcomes from these efforts include the myGovernment and e-KL portals, e-Filing of tax forms, one-hour passports, one-stop centre for company registration and cross-fertilisation programmes between government departments and GLCs. Building on the success of these programmes, the Government implemented several new measures to further facilitate the outcomes of the GTP and ETP.

Facilitating Engagements with Government Agencies

With the objective of facilitating private sector engagements with the Government, the Companies Commission of Malaysia (SSM) introduced the Malaysia Corporate Identity Number (MyCoID) in August 2009. The common identification number issued by SSM can be utilised at five participating agencies, namely the Inland Revenue Board (IRB), Employees Provident Fund (EPF), Human Resource Development Fund (HRDF), Social Security Organisation (SOCSO) and Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia). The development of MyCoID Gateway enables sharing of information where the public is now able to simultaneously register their company with SSM and the other five participating agencies. In addition, SSM also provides two online services, namely e-Info and e-Lodgement. e-Info provides online services for procurement of information of companies and businesses, while e-Lodgement is for the lodgement of statutory documents with SSM. To date, more than six million transactions were made through e-Info and e-Lodgement.

The Special Taskforce to Facilitate Business (PEMUDAH), which was launched on 7 February 2007 continues to embark on several initiatives in six key areas, namely public service delivery system and processes, local government related administration, tax-related matters, business licenses as well as land and immigration-related issues. PEMUDAH's effort to facilitate ease of doing business in Malaysia has resulted in improved efficiency in a substantial number of related government agencies. Under the 1-Day Incorporation, companies can now be incorporated within a day, compared with three days previously. The time taken to register a property has been substantially reduced to one day from more than 41 days previously. Through the One-Stop Centre at local councils, approvals for development projects have now been expedited to 47 days. To facilitate and improve business licensing and approval, the Business Licensing Electronic Support System (BLESS), a local centre for online applications for licences, approvals and permits, was launched on 5 September 2008. As a result, 102 licences, approvals and permits were listed under BLESS Phase 1. The time line, for tariff approvals has been reduced to three months from between 10 and 20 months, previously. With these efforts, Malaysia continues to improve its ranking in the Global Competitiveness Report and is now the 21 most competitive nation in the world, a notable improvement compared with its 26 position in 2006.

Appreciating Civil Servant's Contributions

In recognition of the contributions of civil servants in carrying out their duties, the Government provided a Special Financial Assistance of RM1,000 to all civil servants from Grade 54 and below in 2010. The assistance was to help civil servants cope with their children's schooling expenses. To further ease the burden of civil servants and pensioners as well as assist them in the preparation for Hari Raya celebration, on 15 August 2011 the Government disbursed bonus of half-month salary with a minimum payment of RM500. A special payment of RM500 was also made to pensioners. Both payments benefited 1.27 million civil servants and 617,637 Government pensioners. In addition, the service of 1,944 officers under Pegawai Khidmat Singkat (PKS) scheme was extended for another year. The Government also increased the Funeral Arrangement Assistance from RM1,000 to RM3,000 and extended this assistance to retired civil servants.

Further improvements were made to the civil servants housing loan scheme. In this regard, the Government raised the civil servants' loan eligibility from RM360,000 to RM450,000. Loans are now also provided for properties purchased from parents, siblings and children. For the Support Group II, which includes general workers, drivers of motor vehicles and guards, loans for renovation on low-cost houses were raised from RM10,000 to RM20,000. Furthermore, on 17 August 2011, the Government launched the Integrated Housing Loan Portal, the First Phase of the Integrated Housing Loan System (SPPB), which enables civil servants to apply for housing loans online and obtain conditional approval immediately compared with 14 days previously. The SPPB, a computerised housing loan management system, will be fully operational by 2013.

Economic Management – 2012

For Malaysia to achieve a developed and high-income status, the nation must be able to compete regionally and globally. This requires redoubling of efforts in attracting investment as well as driving productivity and innovation. The allocation of resources also needs to be more targeted, particularly to industries with comparative advantage and new growth areas as well as to address the needs of low and middle-income households. Furthermore, as the nation progresses, all Malaysians must be able to enhance their potentials and benefit from economic development. In addition to these challenges, there are several other related issues that needs be addressed.

Issues and Challenges

External Environment

Global economic conditions remain challenging, amid increasing uncertainties over the slow pace of recovery in advanced economies. Some of these countries continue to grapple with high unemployment, slow financial sector reforms as well as high fiscal deficits and debts. Furthermore, high global commodity prices have led to inflationary pressures in many countries. With these developments, global growth, trade and investment are projected to remain weak in 2012.

Inflation

Historically, Malaysia's inflation rate is amongst the lowest in the world. Nevertheless, the increase in general prices has trended above its average level of 2.5% since February 2011 and remains elevated at 3.3% in August 2011. This was mainly driven by higher prices in the food and non-alcoholic beverages, transport as well as housing, water, electricity, gas and other fuel groups. To mitigate the rising cost of living, the Government introduced several measures and in July 2011, addressing cost of living was included as an additional NKRA. However, domestic inflation is increasingly affected by external factors, including supply constraints. Under such circumstances, sustaining a low inflation environment domestically is more challenging than in the past and requires innovative measures.

Well-being of the Rakyat

The Government recognises that economic growth and development must benefit all segments of the society. Over the years, several poverty eradication programmes have been implemented and with hardcore poverty practically eliminated, extreme poverty is more of an exception than a norm. With this achievement, the challenge now is to enhance the well-being of the bottom 40% of households with monthly income less than RM2,300. About 52.3% of the heads of households in this group are without school certificate.

Low-cost houses for the bottom 40% of households are currently provided by the Government and the private sector through various schemes. However, the supply of affordable medium-cost housing has not responded significantly to the increase in demand from the middle 40% of households, thus resulting in higher prices. The monthly income of this group is between RM2,300 and RM5,599.

At the same time, the impact of climate change, particularly floods, landslides and haze are being felt in Malaysia. This has resulted in loss of life, properties, revenue and productivity as well as imposes greater health and safety risk to the people.

Since the 1990s, the Government commenced a programme of massive investment in public transport infrastructure. However, like any other cities in the world, cities in Malaysia are under pressure from economic and population expansion. Coordinated efforts in improving the public transport system will have a positive impact on the daily lives of the urban population.

The nation has progressed significantly in the provision of rural basic infrastructure. During January 2010 to July 2011, an additional 1,298.7 kilometres of rural roads were built and upgraded across the country. During the same period, over 49,908 additional houses were supplied with clean water and 33,809 houses were connected with 24-hour electricity supply. Currently, about 89.7% and 93.7% of the population in rural areas have access to pipe water and electricity supply. Furthermore, the incidence of poverty in rural areas has been reduced to 8.4%. These notable achievements provide the foundation for the Government to embark on further programmes to enhance the well-being of the rural population.

Investment Activities

Several initiatives have been introduced over the last few years to enhance the investment climate, including strengthening the independence of key institutions and the establishment of the Malaysian Institute of Integrity. Despite these efforts, investment activities are still below its optimum level.

Further improvements to the investment climate are necessary to increase investment activities in the economy. Furthermore, there are ample opportunities for the private sector to generate greater economies of scale and benefit from international trade. Many countries have achieved this by joining the global supply chain. Therefore, Malaysian production and service entities must emulate these best practices to compete globally.

Innovation

Malaysia's aspiration to be a developed and high-income economy largely hinges on the ability of institutional units to conceive and acquire innovative products and processes as well as designing and adopting more effective management methods. The Government has been promoting innovation through disbursement of funds for R&D activities as well as carrying out national surveys on innovation since the mid-1990s. While the Government is able to provide a conducive ecosystem for innovation to flourish, an equally important component is the ability of the people to value openness, embrace critical thinking and encourage risk-taking and experimentation. In this regard, there is a need for a change in the mindset of the people, institutions and the private sector to commit to excellence as well as provide greater avenues for innovative ideas and activities to thrive.

Human Capital

About 72% of the nation's labour force are educated only up to SPM and new entrants into the labour force, often do not meet the skill needs of the industry. Furthermore, weak language proficiency and social networking skills is said to hinder progress in the adoption of cutting edge technology and modern team-based work environment that is required for high-value added activities. In addition, labour regulations can be further improved to reduce the cost of doing business in the country.

Public Service Delivery

As the nation progresses, there is greater expectation on the quantity and quality of services provided by the Government. To further enhance the public service delivery system, issues such as overlapping functions and weaknesses in implementation needs to be addressed. Furthermore, a public service that is lean, flexible and efficient is required to support the transformation to a developed and high-income nation. In addition, citizens expectation for involvement in the design, evaluation and implementation of policies and legislation is increasingly evident now compared to a decade ago.

Strategic Initiatives – 2012 Budget

In tandem with the 1Malaysia, People First, Performance Now concept, the Government will continue to give priority to the concerns of the rakyat, including the effects of a weak external sector on the economy, through timely implementation of the ETP, GTP and 10MP. Accordingly, Government efforts in 2012 will be focused on seven core areas, namely (i) reducing the impact of inflation; (ii) enhancing the well-being of the rakyat; (iii) accelerating rural transformation; (iv) reinvigorating investment activities; (v) innovating Malaysia; (vi) developing human capital; and (vii) improving public service delivery. Aptly, the 2012 Budget carries the theme "Transformational Budget: Welfare for the Rakyat, Well-being of the Nation".

Reducing the Impact of Inflation

To mitigate the impact of rising prices on the living standards of Malaysians, particularly the low and middle-income groups, the Government will maintain the subsidy programme, albeit in a more targeted manner. Concurrently, assistance to the low and middle-income groups will be provided to enhance their disposable income. From the supply side, the Government will initiate several measures, including expanding the KR1M and the Menu Rakyat 1Malaysia programmes to provide affordable goods and food away from home to all Malaysians. Long-term programmes will also be launched to increase the supply of agriculture produce in the country.

Enhancing the Well-being of the Rakyat

The Government is committed in ensuring that the basic needs of citizens are available at reasonable costs. In this regard, the provision of affordable and quality homes to the low and middle-income groups will remain a priority. Private sector-led schemes will be elligible for Government's assistance in the form of provision of land, facilitation fund and green lane treatment to fast track the approval process. In efforts to provide a more reliable, convenient and seamless travel, the Government will undertake further improvements to the land public transport system. To enable equitable distribution of investment, job opportunities and wealth, the Government will allocate funds for development of growth corridors across states and regions in the country.

Accelerating Rural Transformation

The Government aspires to transform rural areas as thriving economic districts with modern facilities and infrastructure. Apart from providing a better quality of life for the people, this initiative will reduce youth migration to urban areas as well as further improve the nation's value-add activities through the multiplier effect. This is in line with the Government's inclusive and sustainable growth policy, which aims to enable all Malaysians to benefit from the fruits of economic development.

Reinvigorating Investment Activities

To further improve capital formation activities and technology transfer in the country, the Government will continue to implement bold measures to promote Malaysia as a choice destination for investment activities. In this regard, efforts will be taken to promote and market the nation as an ideal location for high-quality investments. Concurrently, the Government will introduce greater competition in the economy and thus enable wider choices of goods and services for consumers. The Government will encourage greater collaboration between GLCs and the private sector through the PPP programmes. Several incentives will be introduced to attract promoted investment in the country.

Innovating Malaysia

In efforts to promote innovation and creativity, funding to existing research, development and commercialisation (R&D&C) programmes will be enhanced. In addition, the Government will place greater emphasis on the requisites to internalise the culture of total innovation as a way of life in every segment of society. Towards this, new programmes will be initiated to inculcate positive behaviours and traits among Malaysians, particularly the younger generation. Measures will also be introduced to facilitate commercialisation of innovative products and services.

Developing Human Capital

Further measures will be introduced in the 2012 Budget to improve language proficiency and social networking skills by enhancing the teaching and learning processes in pre-school to university level education. The Government will further improve the labour legislation with the objective of reducing the costs of managing workforce-related issues, while ensuring effective worker protection. To facilitate the upskilling and upgrading of the workforce, particularly SPM school leavers to higher income jobs, significant allocations will be provided to relevant agencies to undertake various lifelong learning and training programmes across the country.

Improving Public Service Delivery

The Government will introduce bold reforms to create a lean and flexible civil service, which is performance-oriented to drive the new economy. Programmes will be introduced to inculcate a culture of continuous learning and self-improvement to enable civil servants to enhance their productivity and efficiency. To further strengthen the public delivery system, the Government will introduce electronic-based initiatives to facilitate citizens' interaction with the Government and participation in policy making.

Prospects for 2012

Given the strategies and programmes under the 2012 Budget, the Malaysian economy is expected to register an expansion of 5% – 6% in 2012. This will translate into a nominal Gross National Income (GNI) per capita growth of 7.4% from RM28,725 to RM30,856, or in purchasing power parity terms, from USD16,529 to USD17,445. On the demand side, growth will emanate from domestic demand, particularly private consumption and investment expenditures which are expected to expand 7.1% and 15.9%, respectively. In tandem with higher investment activities, the share of savings-investment gap to GNI is expected to decrease to 10.4% (2011: 10.9%). Despite the increase in demand, inflation will remain manageable following the expansion from the supply side. All sectors in the economy are expected to contribute to growth, with the services and manufacturing sectors spearheading the expansion. The economy will continue to operate under conditions of full employment with the unemployment rate below 4%. With the Government's commitment to enhance revenue and rein in expenditure, the fiscal deficit is expected to improve further to 4.7% of GDP. These developments will further augment the fundamentals of the economy and augurs well for a nation in transition from an upper-middle to a high-income economy.

Government Transformation Programme and Economic Transformation Programme – An Update

Transformation through GTP and ETP

The Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) were designed to support Malaysia's aspiration to become a developed and high-income nation. These programmes are developed based on the principles of 1Malaysia, People First, Performance Now which takes into account priorities that matter most to the rakyat. The GTP's objective is to transform the Government to be more effective in its delivery of services. The ETP will further spur the economy and position the private sector as the key engine of growth.

The outcomes of the GTP and ETP will ensure Malaysia becomes a high-income nation with improved standards of living by 2020. The GTP and ETP encompass all walks of life and cover all corners of the country. Projects and activities will benefit both the urban and rural rakyat. To ensure the GTP and ETP are implemented effectively, a comprehensive monitoring and reporting system has been put in place. The transformation programmes are led by the Prime Minister, supported by the Deputy Prime Minister, the Cabinet and the Chief Secretary to the Government.

Introduction to the GTP

The GTP, which was launched in January 2010, is aligned with the New Economic Model (NEM) and the Tenth Malaysia Plan (10MP) as a cohesive effort to transform Malaysia into a progressive, harmonious and high-income nation. Under the GTP, priority areas identified to be addressed are known as the National Key Result Areas (NKRAs) and Ministerial Key Result Areas. The six NKRAs are: **Reducing Crime; Fighting Corruption; Improving Student Outcomes; Raising Living Standards of Low-Income Households; Improving Rural Basic Infrastructure and Improving Urban Public Transport**. On 27 July 2011, **Tackling Cost of Living** was included as the seventh NKRA, which comprises initiatives to address the rising cost of living, a global phenomenon.

This NKRA will be the platform for the Government to develop specific and targeted programmes that will ease the financial burden of the people and tackle key concerns such as food, housing, transportation, education and healthcare. The seven NKRAs represent a combination of short-term priorities and long-term issues that require immediate attention.

Outcome of GTP

In the first half of 2011, the six NKRAs under the GTP have shown tremendous achievements.

- Under the **Crime NKRA**, street crimes have reduced 41.6% (2009 baseline) and index crime, 9.6% (2010 baseline). Malaysia was also ranked first both in terms of safety and security in Southeast Asia in the 2011 Global Peace Index, and first amongst 19 middle-income countries by the World Justice Project.
- Efforts in fighting corruption under the **Corruption NKRA** have resulted in the birth of the Corporate Integrity Pledge, which is a collaborative effort between the Government, supervisory and regulatory bodies and the private sector to encourage companies to play their part in fighting corruption. From April to August 2011, 13 out of the 19 (or 68%) Entry Point Project (EPP) players announced under the ETP have signed the Pledge. In addition, the Ministry of Finance has issued an Integrity Pact directive for all project tenders. Under the Pact, bidders are to refrain from offering, demanding or accepting bribes to influence procurement decisions. The MY Rapid Transit (MRT) Project is the first project to implement an enhanced Integrity Pact with the Auditor-General being part of the independent monitoring system.
- With emphasis on improving student outcomes, the **Education NKRA** has seen the delivery of the best UPSR results in four years. Under the Literacy and Numeracy Screenings (LINUS) Programme, Primary 2 students have achieved a 95% rate for literacy and 97% rate for numeracy in the second screening this year. An additional 32 schools have been identified as High-Performing Schools (HPS), which is set as a benchmark for other schools to emulate and encourage them to perform better.
- As at end-July 2011, achievements under the **Rural Basic Infrastructure NKRA** include an additional 1,298.7 kilometres of rural roads built and upgraded across the country, resulting in over 12,000 kampungs across Malaysia with enhanced road connectivity; over 49,908 additional houses are now supplied with clean or treated water as well as 33,809 additional houses were connected with 24-hour electricity supply; and a total of 20,358 were built houses for the rural poor or restored.
- As at end-2010, the **Low-Income Household NKRA** saw a 99.8% reduction of extreme poor. In 2011, efforts were taken to ensure that this group stays out of poverty. Currently, a total of 20,650 are participating in 1AZAM programme while 430 women entrepreneurs have been successfully trained.
- Efforts in improving the **Urban Public Transport NKRA** saw the opening of a new integrated transport terminal at Bandar Tasik Selatan that has diverted over 500 buses away from the Kuala Lumpur city centre. The old Puduraya terminal has also been refurbished and renamed Pudu Sentral. Other improvements include the five Bus Expressway Transit (BET) services resulting in a 16.5% increase in ridership in June 2011 compared with June 2010, and the operation of 30 new four-car trains on the Kelana Jaya LRT Line which has increased rail ridership by 15.8% for the first half of 2011 compared with the same period in 2010.

Introduction to ETP

The ETP is the Government's economic agenda in response to the challenges of achieving the status of a high-income nation that is both inclusive and sustainable. Emphasis on inclusiveness will enable all communities to benefit from the wealth of the country while sustainability is to ensure that the New Economic Model meets present needs without compromising future generations.

In order to achieve our target of a high-income nation by 2020, the ETP intends to lift Malaysia's Gross National Income (GNI) per capita from USD6,700 or RM23,700 in 2009 to more than USD15,000 or RM48,000 in 2020. Achieving this goal means ensuring that the economy grows at a rate of 6% per annum. By 2020, the ETP is expected to create 3.3 million jobs across the entire spectrum of income groups with a focus on the middle to high-income sectors. The private sector is expected to play a major role by providing some 92% of the USD444 billion investment required.

The 12 National Key Economic Areas (NKEAs) were identified and will receive policy support and investment. The NKEAs represent the key growth engines of the economy, and were selected as areas where Malaysia can be globally competitive.

The 12 NKEAs selected are: **Oil, Gas and Energy; Palm Oil; Financial Services; Tourism; Business Services; Electronics and Electrical; Wholesale and Retail; Education; Healthcare; Communications Content and Infrastructure; Agriculture; and Greater Kuala Lumpur/Klang Valley**. Each NKEA has a lead minister who is directly accountable for its successful implementation. Performance Management and Delivery Unit (PEMANDU) acts as the facilitator for the private sector in addressing roadblocks and obstacles as well as fast tracking approvals to ensure smooth implementation of initiatives.

The NKEAs are focused on delivering tangible outcomes through 131 EPPs and 60 Business Opportunities. EPPs represent catalytic initiatives that will spark investment in the related sectors, while Business Opportunities capture the potential of the sector to grow organically. In addition, the Strategic Reform Initiatives (SRIs) were introduced during the ETP Update on 5 July 2011. The SRIs provide the cross-cutting policy changes to ensure that focus of the NKEAs is complemented by competitiveness that enables Malaysia to tap into the global market. Of the 51 policy recommendation measures in the Concluding Part of the NEM, 37 have been grouped into six SRI clusters: **International Standards and Liberalisation; Government's Role in Business; Human Capital Development; Public Service Delivery; Narrowing Disparities (Bumiputera SMEs);** and **Public Finance Reform**. The remaining 14 policy measures were absorbed within the NKEAs and NKRAs.

Outcome of ETP

Since the ETP's launch on 25 October 2010, good progress has been made in all the 12 NKEAs. There have been seven rounds of progress updates, in which the Government announced new projects under the ETP.

To date, 70 EPPs have been announced. These projects have secured over RM171 billion in committed investment from a mix of domestic and multinational companies, with a projected GNI impact of over RM228 billion, creating 372,361 jobs by 2020. The ETP has recently concluded the base load investment exercise and RM50.6 billion is expected to be invested by Malaysian companies in 2011.

Conclusion

Early results of the GTP and ETP are promising. In 2010, the GTP achieved 121% of its targets in its first year while spending less than its allocated budget. Equally important, the GTP have directly or indirectly enhanced the lives of millions, achieved through the determination and commitment of the various Ministries and the entire government machinery working closely together with the private sector and the rakyat.

The ETP has secured over RM171 billion in committed investment over a ten months period, and there is evidence of multinationals re-entering the Malaysian market. The transformation initiative has received positive response from the investment community. The increase in Malaysia's weight in the Morgan Stanley Capital International Asia Pacific (ex-Japan) from 2.9% to 3.19% will raise the profile of Malaysia among international investors.

With the introduction of the SRIs, the transformation of Malaysia towards a developed and high-income nation is now progressing smoothly. Action items and project owners have been clearly identified, with a rigorous governance structure to ensure accountability in implementation. In line with this development and commitment of the Government, the implementation of the ETP and GTP will transform Malaysia towards achieving Vision 2020.