



**MID-TERM REVIEW OF THE NINTH MALAYSIA PLAN, 2006-2010**

# OVERVIEW





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The first two years of the Ninth Malaysia Plan period, 2006-2007, witnessed favourable economic performance with real GDP growth slightly surpassing the target despite a challenging global economic environment. This resulted in a higher per capita income and improved quality of life for all Malaysians. The incidence of poverty declined, and inter and intra ethnic income gaps narrowed. The quality of and accessibility to education, health care, and housing improved. Infrastructure facilities including roads, highways, airports, ports and electricity distribution networks were upgraded and expanded. The structure of the economy became knowledge-based as demonstrated by the increased knowledge readiness across all key industries and services.

The second half of the Ninth Plan period is expected to be challenging with the global economy losing its growth momentum and a new set of issues emerging in the global economic landscape. World economic growth is expected to slow down as a result of a standstill in the growth of the US economy, and its knock-on effects on western Europe and the emerging and developing economies. The possibility of the US subprime mortgage market collapse unfolding into a full blown global credit crunch, and global inflation due to protracted increase in energy, commodity and food prices further dampen the prospects of the world economy.

Despite this scenario, Malaysia's real GDP growth is expected to remain robust at 6% per annum during the

remaining Plan period. Malaysia, a very open economy, is not completely insulated from these external shocks. The nation will take proactive measures and remain alert to downside risks from the global economic slowdown and increasing stress on financial markets. The macroeconomic fundamentals remain strong and there are adequate policy levers available to cushion the effects of these external shocks on the domestic economy. Pro-business policies, including further deregulation and liberalisation, will continue to be pursued to provide a conducive environment to increase private sector participation in the economy and drive economic growth. Foreign direct investment will be promoted in high technology- and knowledge-intensive activities.

The priority during the remaining Plan period will be to focus on people-centred projects that bring tangible benefits and improve the quality of life of the people. In line with this, the following initiatives will top the agenda:

- eradicating poverty;
- providing affordable housing to the low and middle income;
- providing access to water and electricity;
- enhancing health care;
- improving the standard of living of marginalised groups;
- narrowing intra and inter ethnic income and wealth gaps;

- strengthening human capital;
- upgrading public safety;
- improving environmental management and conservation; and
- developing regional corridors and accelerating development of Sabah and Sarawak.

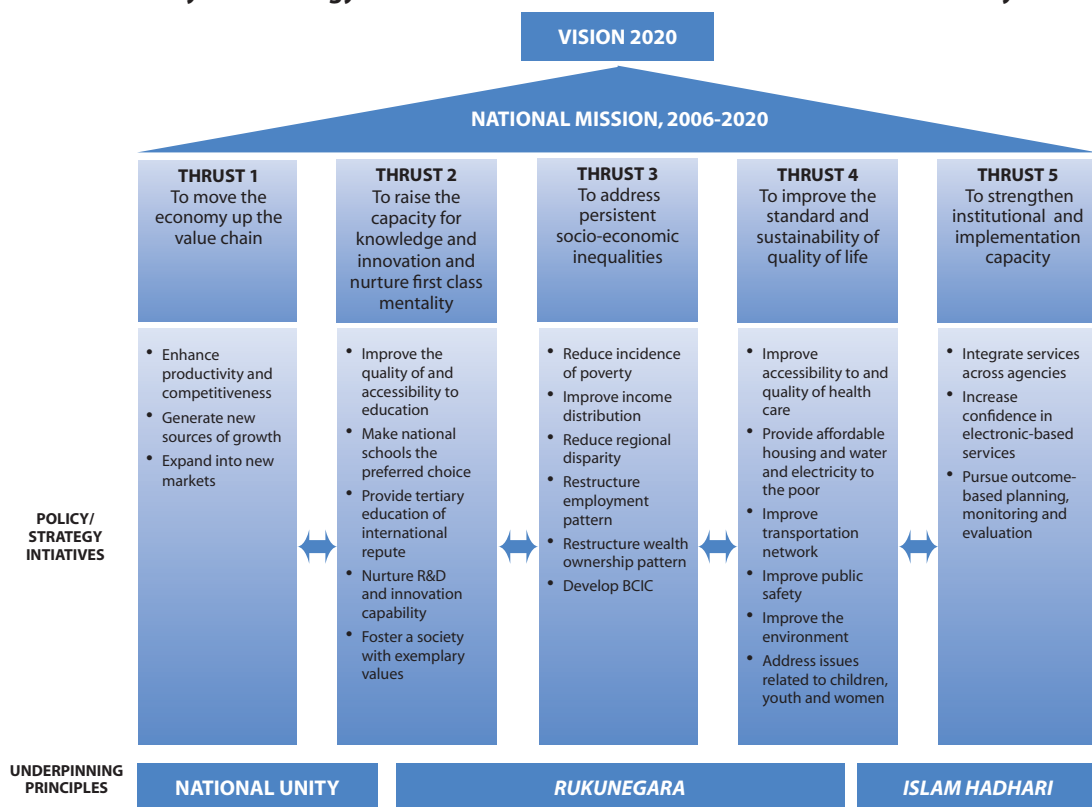
The Mid-Term Review will also provide a strong response to the protracted increase in the price of oil and food with the main aim of minimising its impact on the people, particularly the poor. While the subsidy on petroleum and gas will be systematically and gradually reduced, a social safety net will be introduced to ensure that the poor and deserving continue to receive some form of support to mitigate its impact. The restructuring of this subsidy is essential in the light of escalating oil prices and to ensure adequate resources are available to

undertake essential development projects. To address increasing food prices and short supply, the Government will implement the National Food Security Policy that includes creating a rice stockpile, ensuring sustained import of essential food items and opening up new land to raise food production.

The five thrusts of the National Mission will continue to govern all development efforts during the remaining Plan period to ensure that Malaysia is on track to becoming a developed nation by 2020. National unity will remain fundamental, guided by the universal principles of *Rukunegara* and *Islam Hadhari*.

The Mid-Term Review evaluates all Ninth Plan projects to ensure that their outcomes contribute to the achievement of the National Mission. The review also reprioritises projects in the light of current economic concerns.

**Policy and Strategy Framework for the Mid-Term Review of the Ninth Malaysia Plan**



To achieve Thrust One, to move the economy up the value chain, the focus will be on three key areas namely to enhance productivity and competitiveness of the nation; generate new sources of growth; and expand into new markets. Initiatives to enhance productivity and competitiveness will include ensuring adequate supply of skilled workforce to meet the needs of promoted industries, focusing research and development in selected areas and facilitating its commercialisation, improving access to financing, liberalising the institutional and regulatory framework, providing high speed broadband infrastructure, improving transportation network and availing sustainable and quality energy supply. The development of new sources of growth in high technology- and knowledge-intensive areas such as biotechnology, new agriculture, health tourism, Islamic financial services, creative multimedia, and shared services and outsourcing will be accelerated by promoting greater private sector participation. The market for Malaysian products and services will be expanded through better branding, upgrading quality of products to international standards, undertaking aggressive market promotion and increasing market access.

To realise Thrust Two, to raise the capacity for knowledge and innovation and nurture first class mentality, five key initiatives will be undertaken, that is, improving the quality of and accessibility to education; making national schools the preferred choice; providing tertiary education of international repute; nurturing R&D and innovation capability; and fostering a society with exemplary values. Improvement in the quality of and accessibility to education will be made by upgrading the quality of teachers and academic staff, providing better amenities and basic facilities to rural schools, and availing skills training opportunities to

school drop-outs. The appeal of national schools will be further improved to make it the preferred choice by expediting the roll out of the smart school programme to all 10,000 schools, moving from examinations to continuous assessments, offering Mandarin and Tamil as well as j-QAF in all primary schools, setting up specialised secondary schools for S&T and upgrading educational facilities. Among the measures that will be introduced to elevate tertiary education to match international standards are developing academic programmes similar to that provided by leading universities, improving the capability of the four designated research universities, streaming top students to local universities, and raising the quality of academic staff. R&D and innovation capability will be enhanced by focusing resources in the new growth areas, improving the intellectual property protection regime and nurturing innovation culture through the education system.

To achieve Thrust Three, to address persistent socio-economic inequalities, the focus will be on further reducing the incidence of poverty, improving distribution of income, reducing regional disparities, restructuring employment and wealth ownership, and developing Bumiputera Commercial and Industrial Community (BCIC). Hardcore poverty will be eradicated and incidence of general poverty reduced in line with the Ninth Plan target. Poverty eradication programmes will be tailored to suit the needs of the different target groups namely the rural poor, urban poor, minority groups and unproductive poor, and will include availing housing and basic amenities, creating income generating activities, and providing education and skills training to ensure sustainability. Income distribution will be improved by further reducing income disparities between rural and urban households, between and among

ethnic groups and income strata as well as increasing the income share of the bottom 40% of households. The regional corridor development projects will serve as an important means for this purpose. To achieve more equitable ownership of wealth, initiatives will be introduced to raise Bumiputera equity ownership to 20-25% by 2010 and increase their ownership of non-financial assets such as residential and business premises. The share of equity ownership of the Indian community and Bumiputera of Sabah and Sarawak will also be raised. The private sector will drive BCIC development through the cluster approach, franchise and vendor programmes, and by facilitating Bumiputera entrepreneur participation in the regional corridors and new growth areas.

To accomplish Thrust Four, to improve the standard and sustainability of quality of life, accessibility to and quality of health care and other social amenities will be enhanced and environmental management improved. Health care delivery will be strengthened at the primary, secondary and tertiary levels, and the issues of changing disease patterns and urban-rural disparity in health care services will be addressed. The provision of adequate, affordable and quality housing as well as water and electricity to the poor including in the urban areas as well as in Sabah and Sarawak will be a priority. The network of transport facilities will be expanded to integrate the urban and rural areas to provide access to the rural people to markets and urban services. Integrated public transport systems will be expanded to address traffic congestion in major cities and urban centres. Public safety will be improved by increasing the capacity and capability of the police force, use of modern technology and the greater involvement of the local community and NGOs in crime prevention and reduction.

Environmental considerations will be mainstreamed in the implementation of all development activities. Air and water quality will be improved and sustainable forest management practices intensified to conserve natural resources and protect biodiversity. Implementation of flood mitigation measures will be given priority.

To attain Thrust Five, to strengthen the institutional and implementation capacity, a customer-focused approach will be adopted by integrating services, increasing confidence in electronic-based services and pursuing outcome-based planning, monitoring and evaluation. Integration of services is aimed at designing services around the citizen and business and will involve re-engineering and streamlining processes across agencies, providing easier access through the creation of virtual one stop centres, promoting the sharing of data among agencies, liberalising the legal and regulatory environment, and moving towards self-regulation. The governance structure will also be improved to achieve greater integrity, transparency and accountability. Increasing confidence in electronic-based services has become crucial to promote the use of ICT to deliver and access services. Towards this end, greater awareness will be created among providers of service and the public, adherence to security standards will be imposed, and a supportive legal and regulatory environment will be promoted. An outcome-based planning, monitoring and evaluation approach will be adopted to maximise gains from Government projects. For this purpose, the organisational structure of ministries and agencies will be adapted, competency in this area will be improved, global best practices will be taken into account and KPI-based rating system will be introduced to assess performance. PEMUDAH, a high level task force to facilitate all aspects of

doing business, will continue to further improve work processes, procedures, policies and regulations to improve service delivery and enhance efficiency.

The development expenditure ceiling will be raised to RM230 billion from RM200 billion that was approved under the Ninth Plan. The increased allocation will mainly go towards financing priority projects including the food security programme, construction of rural roads and provision of low cost housing as well as to meet the escalation in cost of building materials for approved infrastructure projects. It will be accompanied by measures to reduce expenditure on subsidies and improve efficiency in expenditure. At this level of expenditure, the Government's fiscal position will continue to remain healthy.

The Government will improve its governance structure to ensure that

it gets maximum value for the money spent. For this purpose, projects and procurement will be carried out through an open tender process. Implementation and project management capability will be enhanced to improve efficiency, ensure timely delivery of projects and minimise wastage. The emphasis will be on providing good quality functional facilities and services with the required capacity that achieves the set policy outcomes.

In essence, the Mid-Term Review of the Ninth Plan streamlines policies, strategies and programmes, where necessary, to respond to the emerging trends in the global economic environment while ensuring that the National Mission Thrusts are attained so that Malaysia is on track to become a developed nation by 2020. Towards this end, the private sector will spearhead economic growth while the Government will provide a supportive environment.

