

MALAYSIA – Transformation Agenda

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Ministry of Finance Malaysia

27 November 2014

Presentation Outline

Challenges

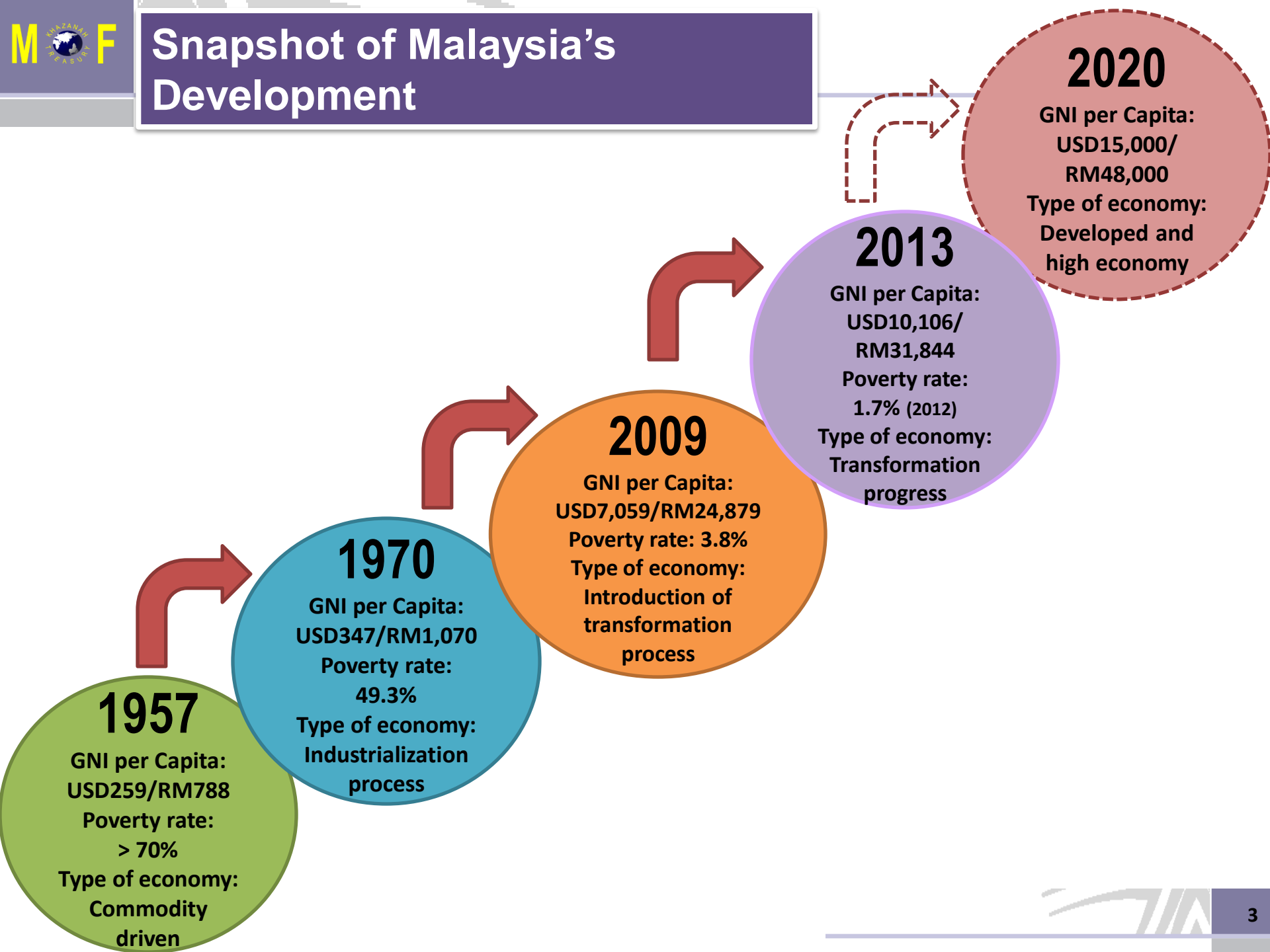
Malaysia's Transformation Journey

Progress to Date

Future Issues

Programs for Indian Community

Snapshot of Malaysia's Development



1957

GNI per Capita:
USD259/RM788
Poverty rate:
> 70%
Type of economy:
Commodity
driven

1970

GNI per Capita:
USD347/RM1,070
Poverty rate:
49.3%
Type of economy:
Industrialization
process

2009

GNI per Capita:
USD7,059/RM24,879
Poverty rate: 3.8%
Type of economy:
Introduction of
transformation
process

2013

GNI per Capita:
USD10,106/
RM31,844
Poverty rate:
1.7% (2012)
Type of economy:
Transformation
progress

2020

GNI per Capita:
USD15,000/
RM48,000
Type of economy:
Developed and
high economy



Challenges

Challenges Prior to Transformation

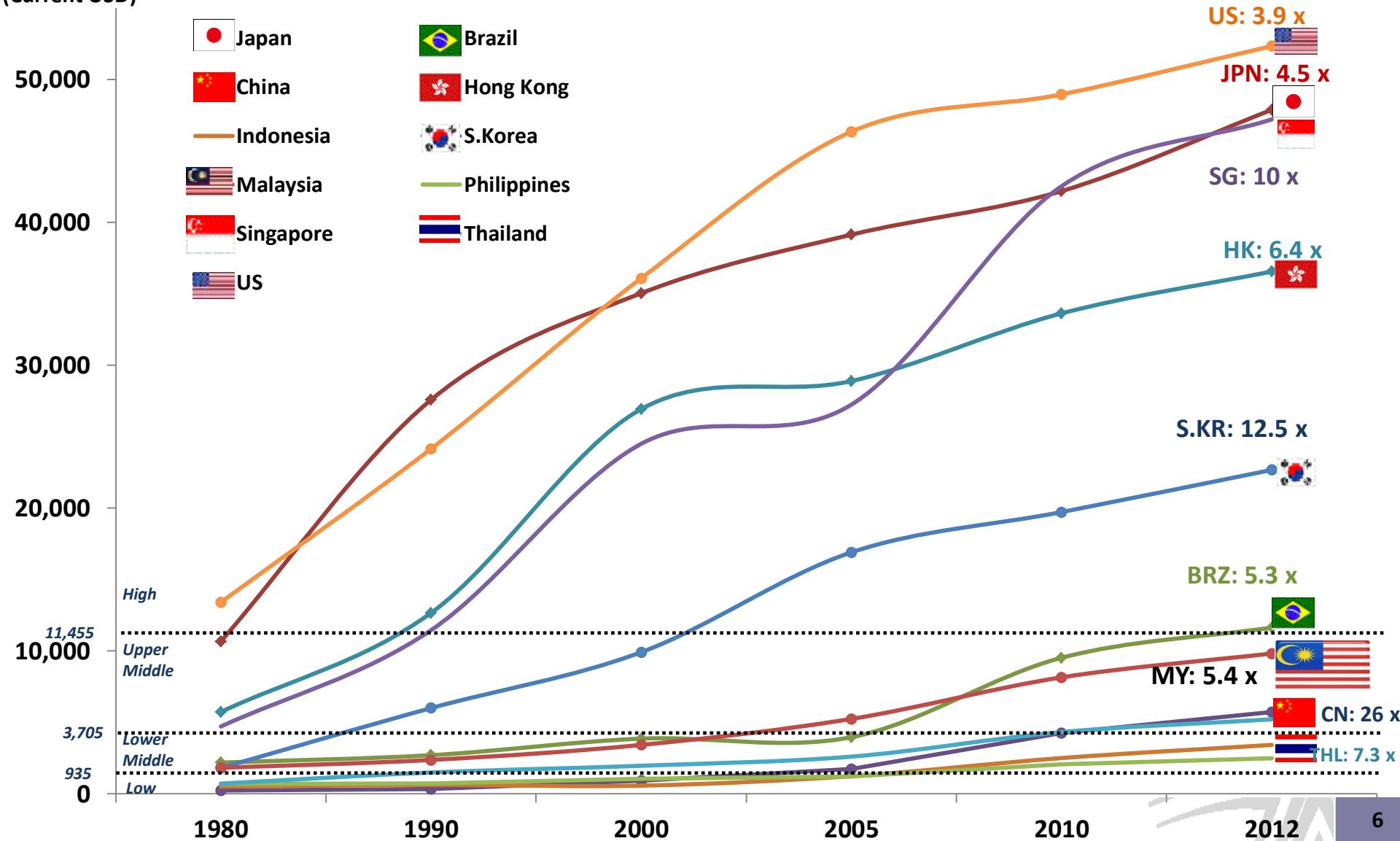
- 1 **Stuck in middle-income trap**
- 2 **Slower economic growth**
 - *Between 1990 to 1997, Malaysia's growth rate was about 9%.*
 - *Since the Asian Financial crisis, growth fell to around 4.9% between 1999 to 2009.*
- 3 **Declining private investment**
 - *From 31.8% of GDP in 1997 to 12.4% in 2010.*
- 4 **Exports not generating enough value-added**
 - *High import content in E&E exports.*
- 5 **Low-skill jobs /low wages**
 - *Low-skill jobs equal to low wages.*
 - *High dependence on low-skilled foreign labour*
 - *Graduates unemployability..*
- 6 **Slow growth in labour productivity**
 - *Malaysian labour productivity considerably lower than advanced economies.*
 - *Dependence on migrant workers*
- 7 **Lack of creativity and innovation**
 - *Low number of patents filed.*
 - *Adopter of technology vis-à-vis inventor.*
- 8 **Lack of talent / English Proficiency Deteriorating**
 - *Not developing enough skilled workers.*
 - *Compounded by brain drain.*
- 9 **Widening income disparity**
 - *Gini coefficient 1997:0.459; 2004: 0.462.*

Malaysia stuck in the middle-income economy category

For more than three decades

GNI per capita
(Current USD)

Malaysia's economic development lags behind the Newly Industrialised Economies (NIEs)



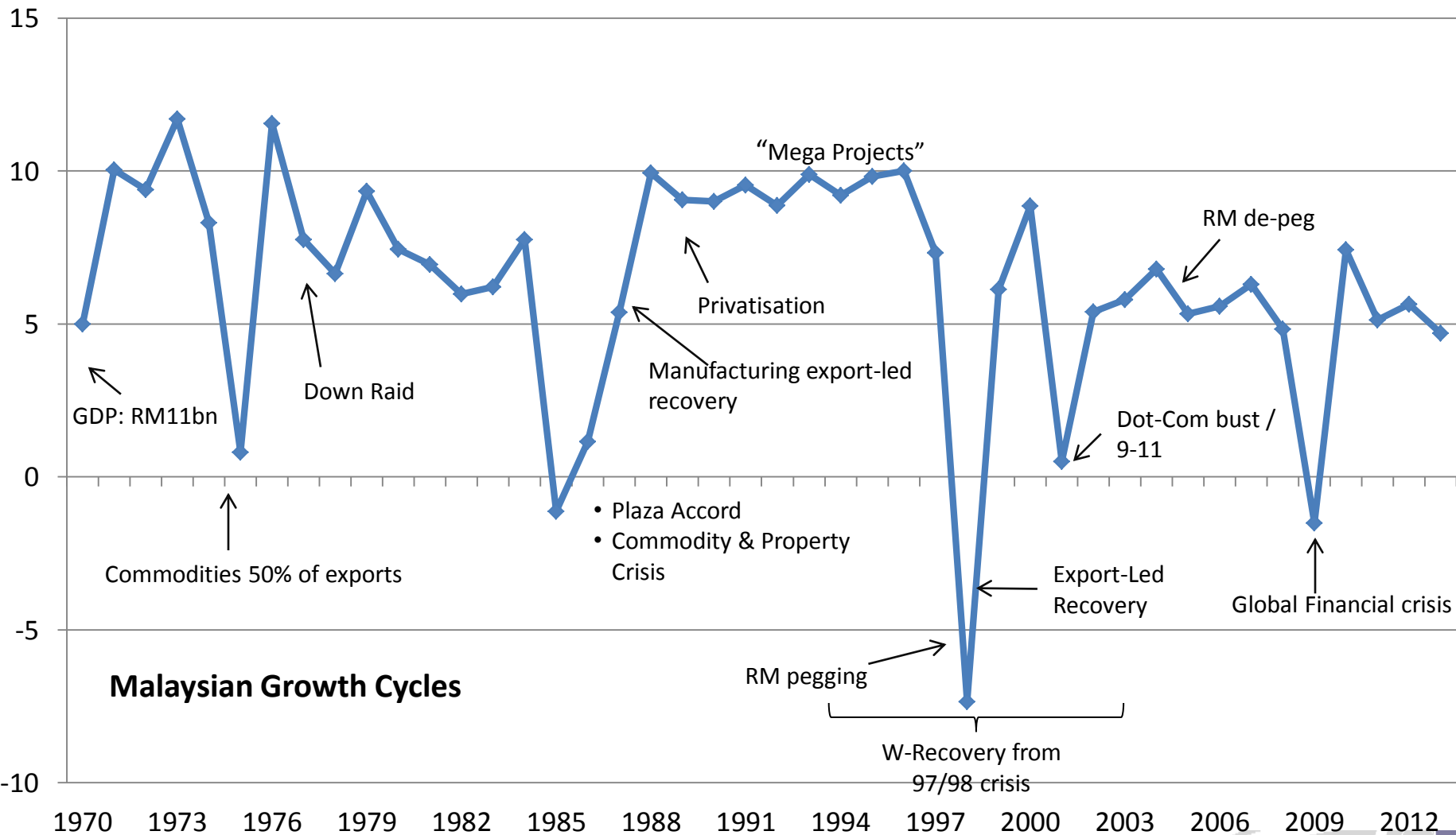
Source: World Development Indicator Database (World Bank)



Between 1990 to 1997, Malaysia's growth rate was about 9%

Since the Asian financial crisis, growth rate fell to about 4.9% between 1999 - 2009

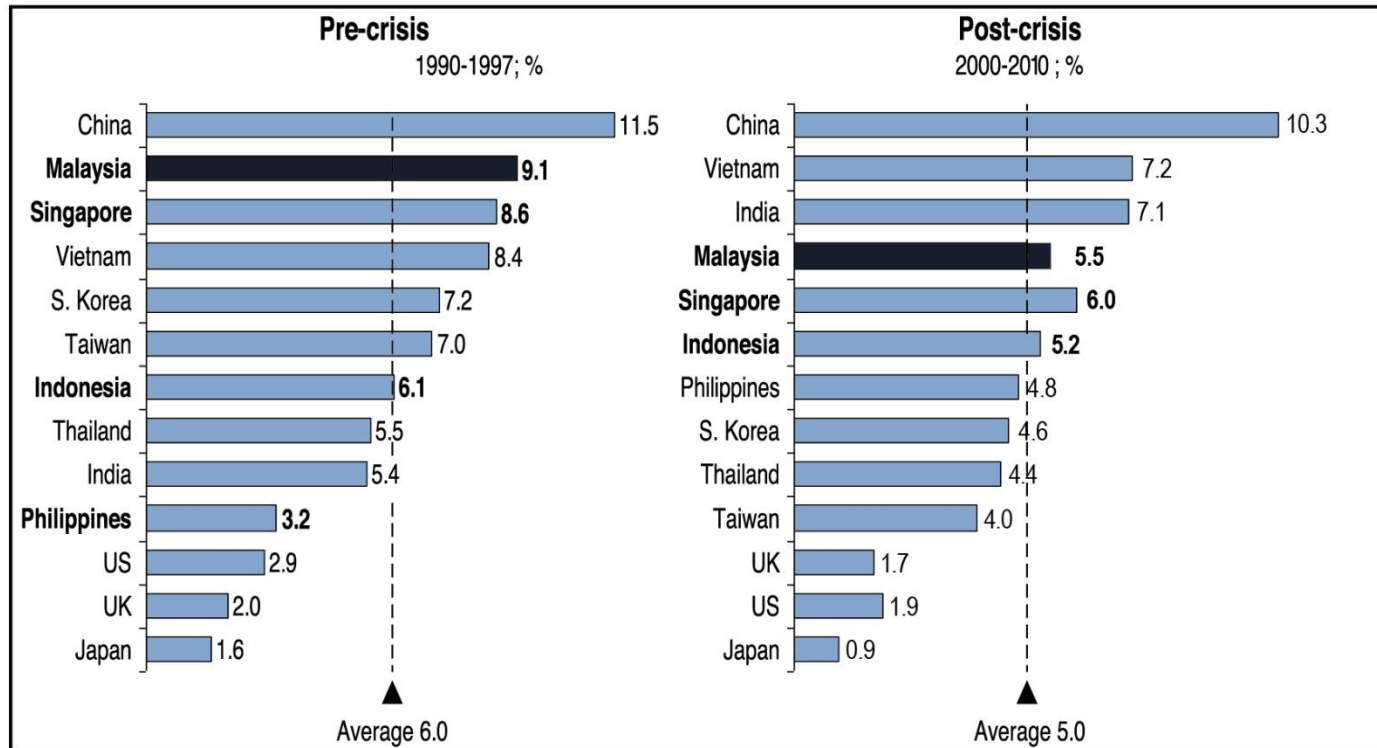
Malaysia's Historical Growth Trend



Malaysian Growth Cycles

Prior to the Crisis, Malaysia's growth rate was second only to China

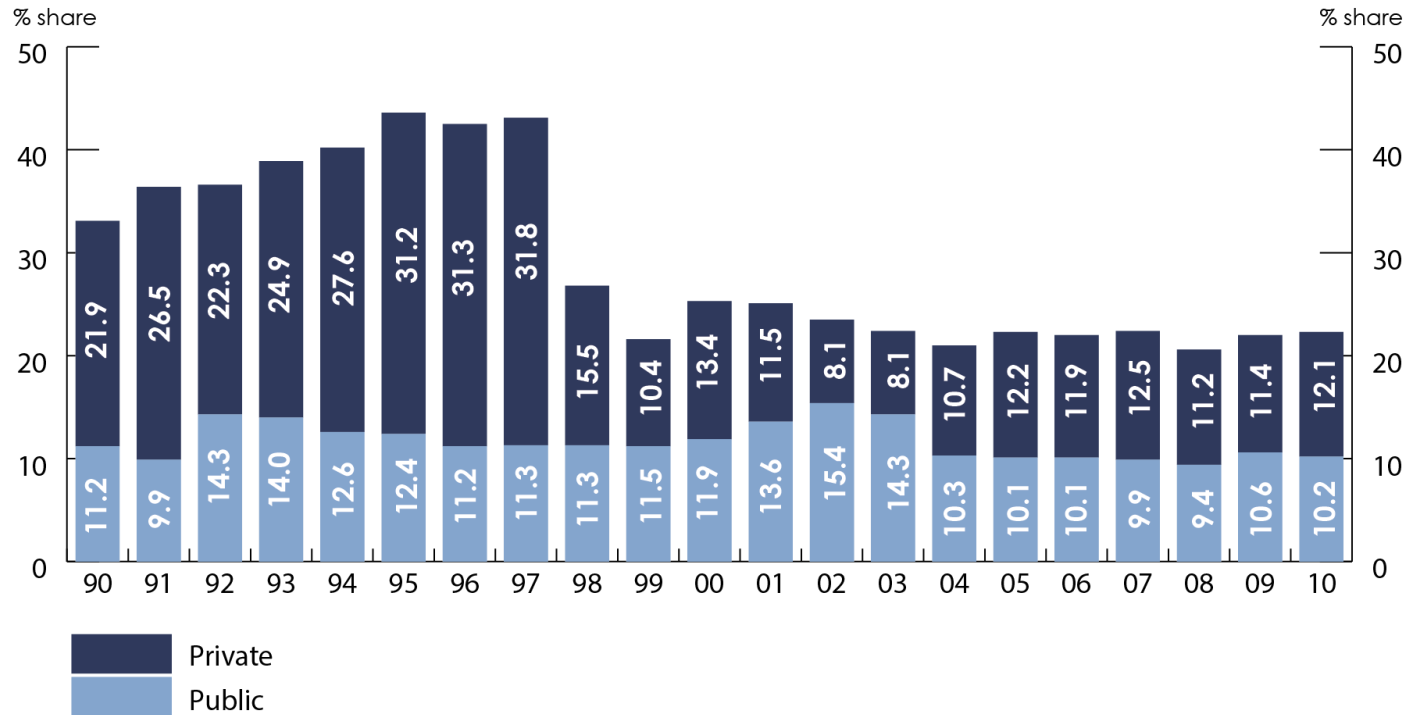
Average Annual GDP Growth



Source: MOF, IMF

Investment as a percentage of GDP has halved after the crisis

Investment as a Percentage of GDP

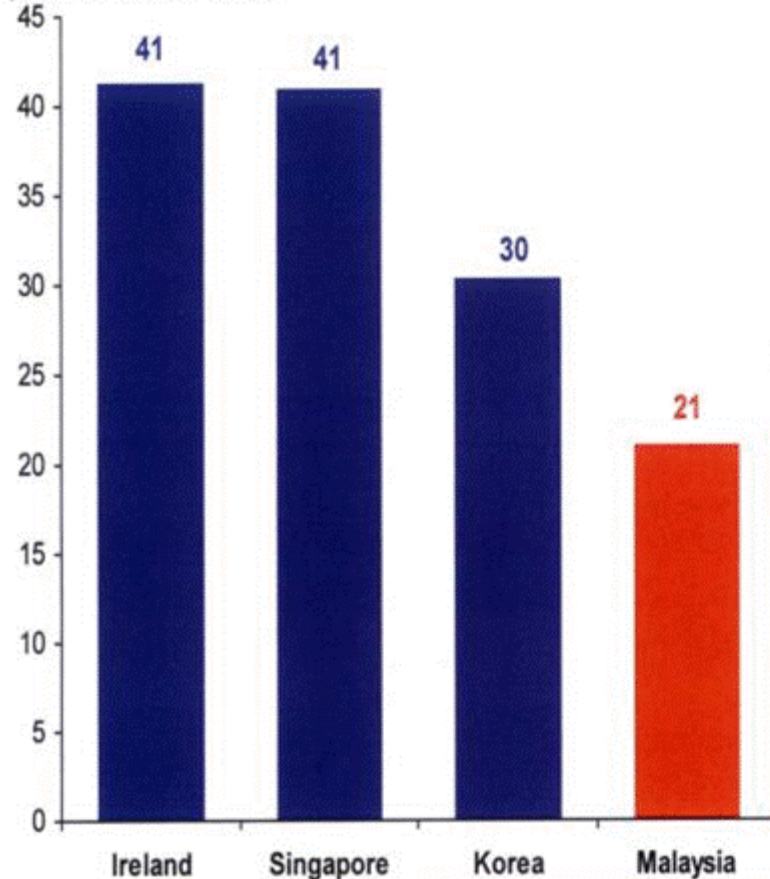


Source: Department of Statistics, Malaysia.

Low skilled labour force with low productivity

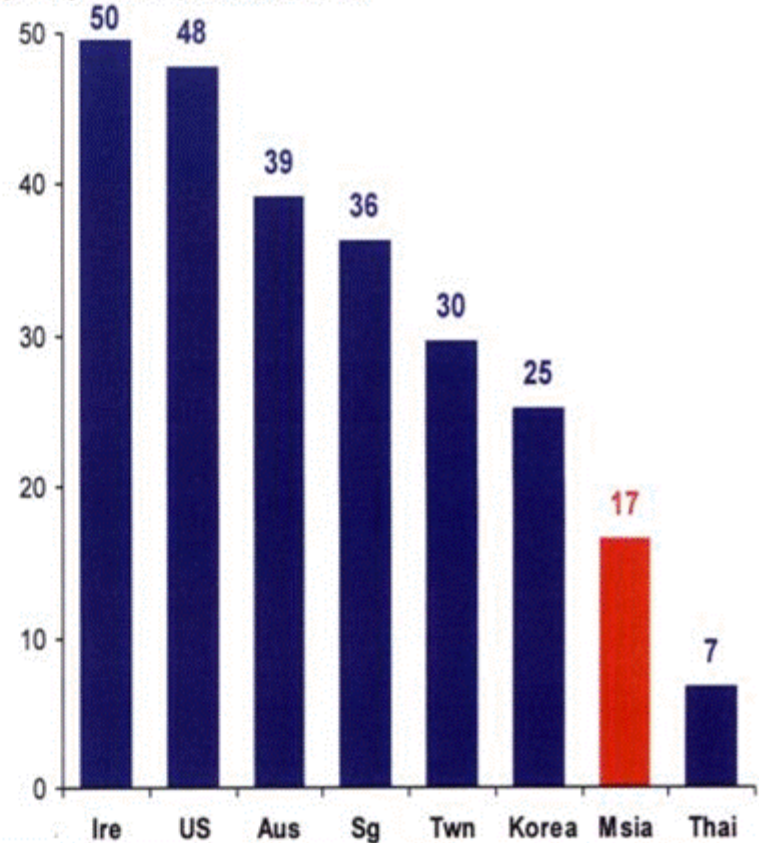
Labour force with tertiary education is low

Labour force with tertiary education
(% of total labour force)



Labour productivity considerably lower compared to the advanced economies

GDP per person employed per hour
(USD per hour (nominal), 2008)



Source: ILO, DOSM, Department of Statistics Korea, IMD (World Competitiveness Report 2009)



Malaysia's Transformation Journey

Beginning of Malaysia's Transformation Journey

The 2010 Budget was the foundation for the development of the New Economic Model and formulation of the 10MP announced during Budget Day (23 October 2009).

The transformation journey began with the 1Malaysia concept which focuses on the well-being of the *rakyat* and solidarity of the nation.

Moving towards a high-income and developed economy with inclusiveness.



Well-Being

High-Income and Developed Economy by 2020

Sustainable and Inclusive Economic Growth



7 National Key Result Areas (NKRAs)



National Blue Ocean Strategy - 7 initiatives



12 National Key Economic Areas (NKEAs)
6 Strategic Reform Initiatives (SRIs)



People First, Performance Now





New Economic Model

8 Strategic Reform Initiatives (SRIs)

- 1** Re-energising the private sector
- 2** Developing a quality workforce and reducing dependency on foreign labour
- 3** Creating a competitive domestic economy
- 4** Strengthening the public sector
- 5** Transparent and market-friendly affirmative action
- 6** Building the knowledge base and infrastructure
- 7** Enhancing the sources of growth
- 8** Ensuring sustainability of growth



Economic Transformation Programme

12 National Key Economic Areas (NKEAs)



Palm Oil & Rubber



Tourism



Oil, Gas & Energy



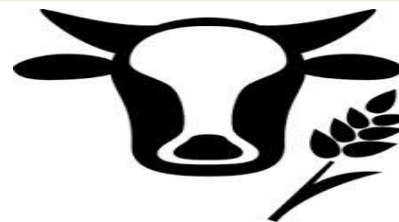
**KUALA LUMPUR
Greater KL / Klang
Valley**



**Electronics and
Electrical**



Wholesale & Retail



Agriculture



Financial Services



**Communications Content &
Infrastructure**



Business Services



Healthcare



Education



Reducing Crime



Fighting Corruption



Improving Student Outcomes



Raising Living Standards of Low-Income Households



Improving Rural Basic Infrastructure



Improving Urban Public Transport

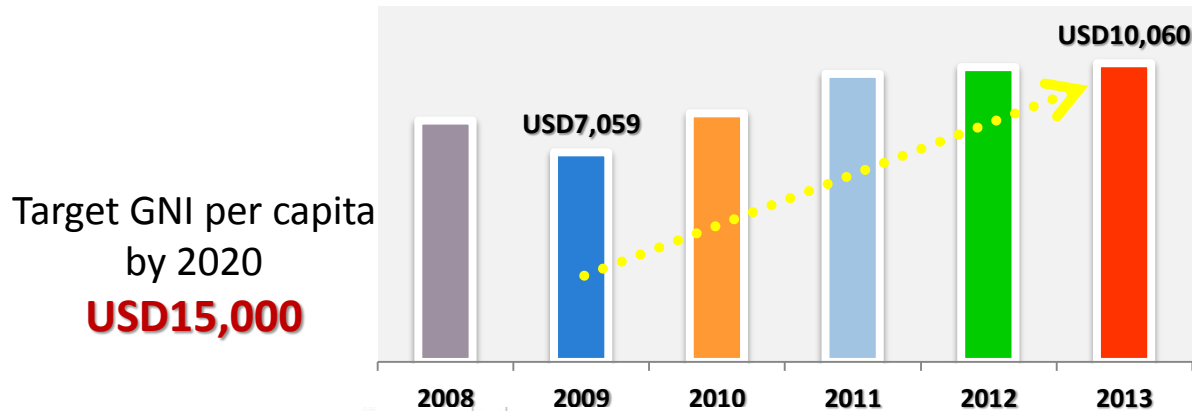


Addressing Cost of living



Progress to Date

Progress of ETP to date



With the introduction of the ETP, the GNI per capita has increased 49% between 2009 and 2013

ETP UPDATES as at 31 DECEMBER 2013



Projects
196

Investment
RM219.3 bil

Gross National Income (GNI)
RM143.5 bil

Jobs
437,816

*Committed Investment, GNI and Jobs till 2020

At least 100% of rural basic infrastructure delivery achieved



Access to basic amenities such as 24-hour electricity, clean water, paved roads and good quality homes are key economic enablers to improve the quality of life of rural Malaysians

- Achieved 120% target of rural development.
- Introduced the 21st Century Village Programme to transform villages into thriving economic centres.
- Improved rural basic infrastructure.

Expanding the scope of Bantuan Rakyat 1Malaysia



Over **6.8 million** lower-income Malaysians were provided extra assistance through the **Bantuan Rakyat 1Malaysia (BR1M)**

- BR1M 2.0 - RM500 to households and RM250 to single individuals.
- BR1M 3.0 - RM650 to households and RM300 to single individuals.
- 1Malaysia Book Voucher
- Back to School Assistance



16,102 (99.2%) public pre-schools in Malaysia have completed the National Pre-School Quality Standard (SKPK) self assessment by December 2013

- Ensuring quality pre-schools.
- Enhancing Literacy & Numeracy Screening.
- New criteria to reward principals & head teachers.
- Piloting new teacher charter assessment instrument.

Ops Cantas Khas



30%
in 52 days

Violent crime cases fell by 30% in its first 52 days of Ops Cantas Khas execution

- Clamping down on violent crime.
- Preventing house break-ins
- Improving coordination of crime prevention initiatives.

Improved the lives of low-income groups in Sabah



- Provision of community services to 128 families in Pitas
- Increased quality of life and access to education for students in Ranau

- Enhancing the role of NGOs in alleviating poverty.
- Improving the live of low-income households in Sabah & Sarawak.

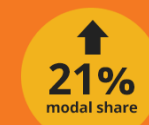
Malaysia improves its Corruption Perceptions Index in 2013



Malaysia's Corruption Perceptions Index moved up to **53rd spot** in 2013 from 54th spot the previous year in Transparency International's Corruption Perceptions Index

- Steady improvement in Corruption Perception (CPI) score.

Improvements in the public transport system



Public transport A.M. peak ridership increased to **21% modal share**, with **437,525 passengers** (surpassing target of 400,000)

- Enhancing Komuter services
- Extending LRT lines
- Expanding KL Monorail system.
- Implementing MRT project.

Real GDP growth of selected countries

Moderate economic expansion

Developed Countries	Growth (%)								
	2013	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	
United States	2.2	1.7	1.8	2.3	3.1	1.9	2.6	2.3	
Japan	1.6	0.3	1.1	2.7	2.5	3.0	-0.1	-1.2	
German	0.4	-0.3	0.5	0.3	1.1	2.2	1.3	1.2	
United Kingdom	1.8	0.7	1.8	1.8	2.7	3.0	3.2	3.0	
Asia									
Korea	3.0	2.1	2.7	3.4	3.7	3.9	3.6	3.2	
China	7.7	7.5	7.8	7.7	7.7	7.4	7.5	7.3	
ASEAN 5									
Thailand	2.9	5.4	2.9	2.7	0.6	-0.5	0.4	0.6	
Philippines	7.2	7.7	7.9	7.0	6.3	5.6	6.4	<i>n.a</i>	
Singapore	3.9	1.5	4.0	5.0	4.9	4.8	2.4	2.4	
Indonesia	5.8	6.0	5.8	5.6	5.7	5.2	5.1	5.0	
Malaysia	4.7	4.2	4.5	5.0	5.1	6.2	6.5	5.6	

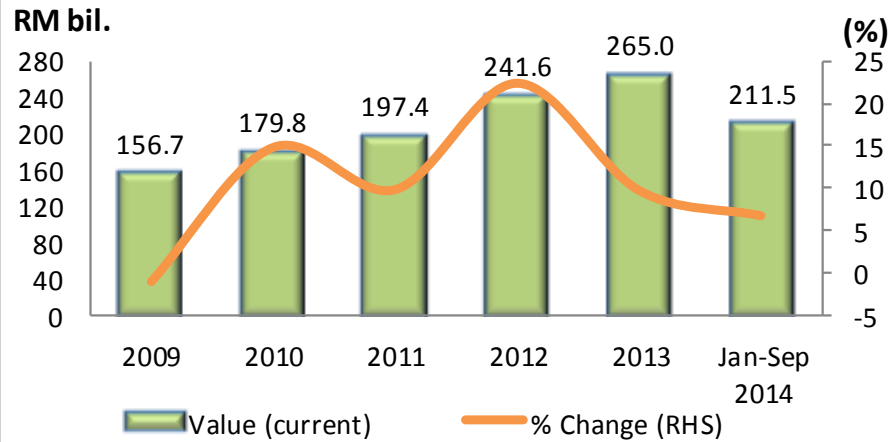
Source: Nasional Sources



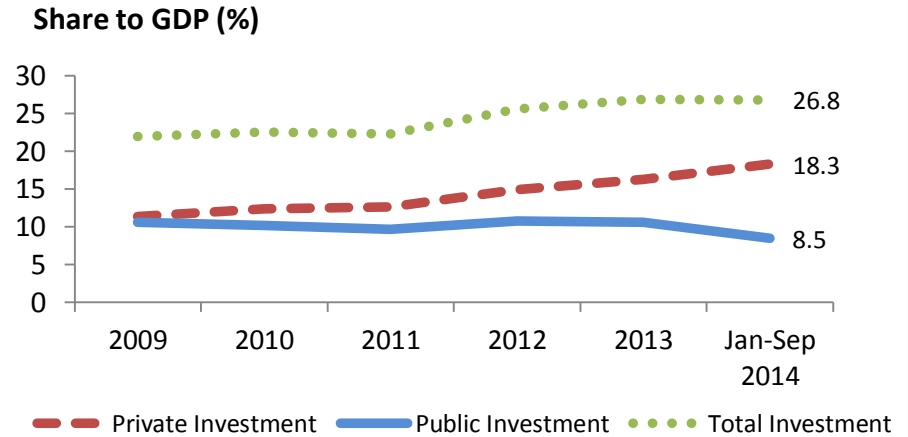
The resurgence of private investment

Private investment driven growth

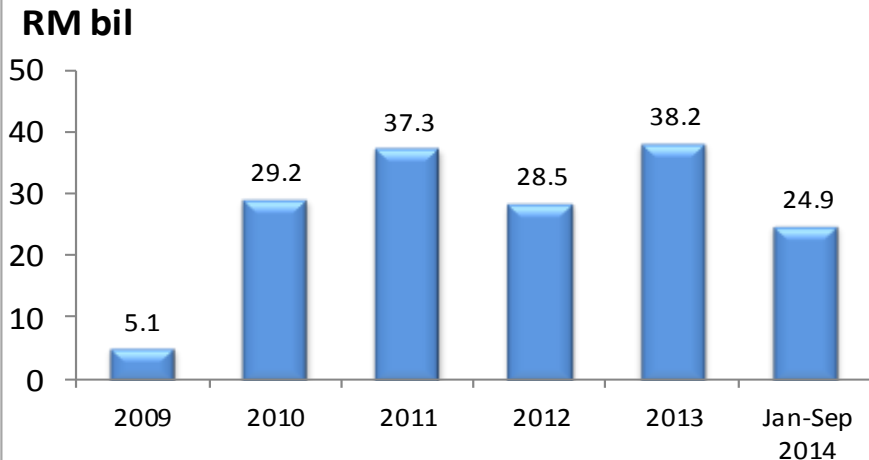
Gross fixed capital formation continues to accelerate



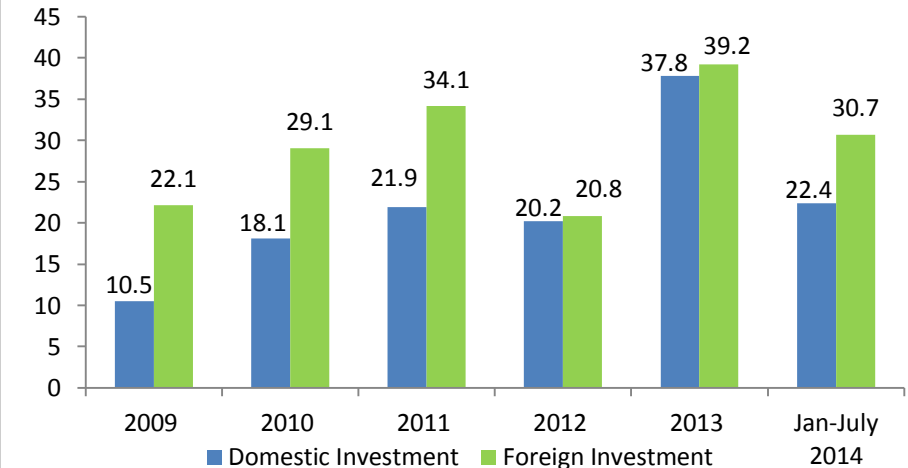
Driven by strong private investment



Robust foreign direct investment inflows



Manufacturing investment approved by MIDA



Malaysia's GDP posted strong growth

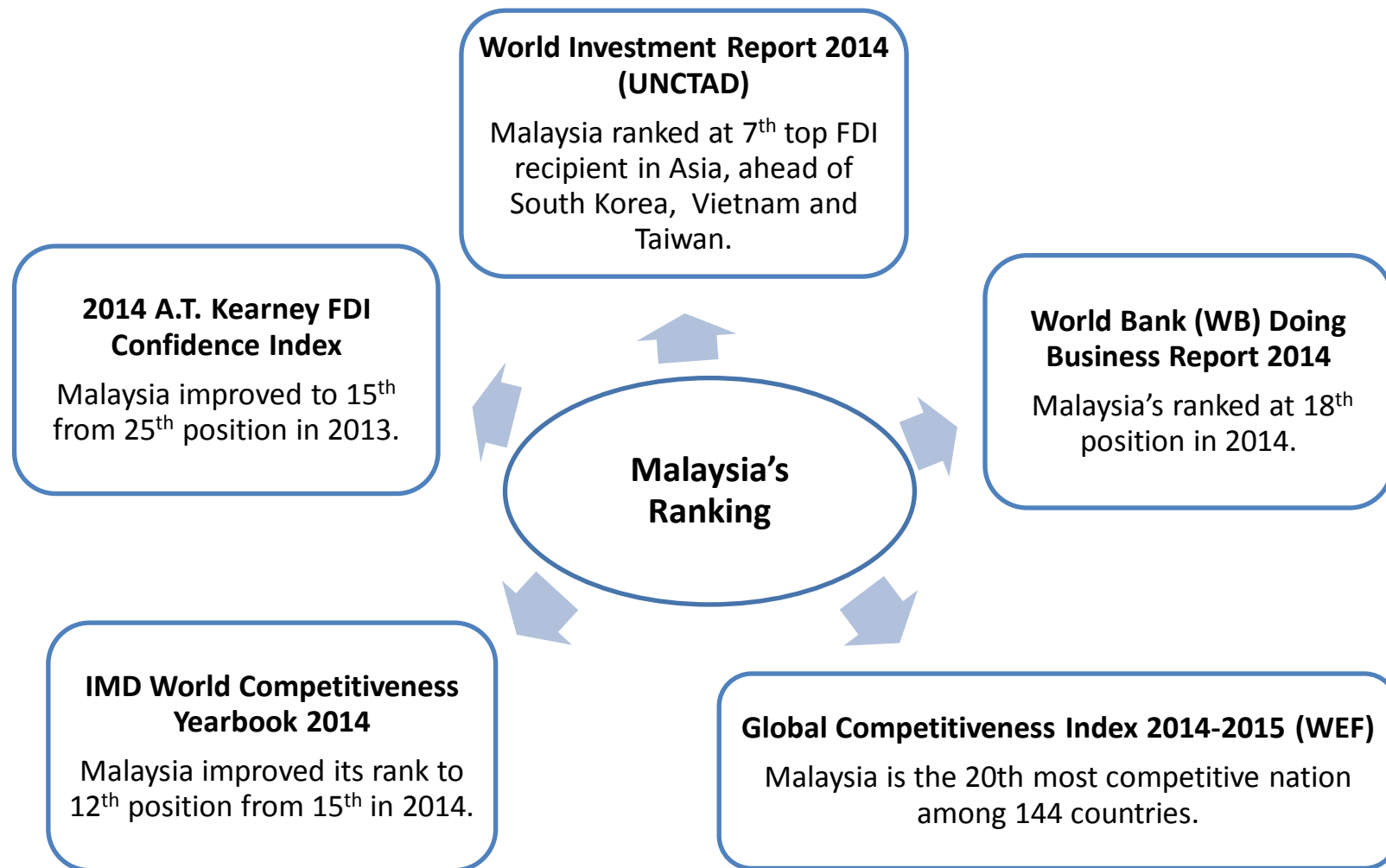
Growth supported by domestic demand

	Growth (%)								
	2009	2010	2011	2012	2013	Q1 '14	Q2 '14	H1 '14	Q3 '14
Real GDP	-1.5	7.4	5.2	5.6	4.7	6.2	6.5	6.3	5.6
Supply									
Agriculture	0.1	2.4	5.8	1.3	2.1	2.3	7.1	4.6	4.0
Mining	-6.5	-0.3	-5.4	1.0	0.7	-0.8	2.1	0.6	1.4
Manufacturing	-9.0	11.9	4.7	4.8	3.5	6.8	7.3	7.1	5.3
Construction	6.2	11.4	4.7	18.6	10.9	18.9	9.9	14.3	9.6
Services	2.9	7.4	7.1	6.4	5.9	6.6	6.2	6.4	6.1
Demand (Domestic)	0.3	7.7	8.1	10.7	7.4	7.5	5.8	6.6	4.8
Public Sector									
Public consumption	4.9	3.4	16.2	5.0	6.3	12.3	-0.5	5.3	5.3
Public Investment	2.9	4.9	2.6	14.6	2.2	-6.4	-3.3	-4.9	-8.9
Private Sector									
Private consumption	0.6	6.9	6.9	8.2	7.2	7.1	6.5	6.8	6.7
Private Investment	-7.4	18.4	9.4	22.8	13.1	14.1	12.1	13.0	6.8
Exports	-10.9	11.1	4.5	-1.8	0.6	7.9	8.8	8.3	2.8
Imports	-12.7	15.6	6.2	2.5	2.0	7.1	3.9	5.5	2.2

Source: DOSM

Malaysia's Global Ranking

Malaysia's position continues to improve



- New approach to development NBOS

**Low Cost,
High Impact,
Rapid Execution**



- **Establishment of MaGIC**
- **MOU with Stanford University and UP Global**
- **ASEAN Business Network**
- **Focus on Creativity and Innovation**
- **English compulsory pass**
- **GREAT 2014 event : 17 – 20 September 2014**





Future Issues

- 1. Subsidy Rationalisation**
- 2. GST Implementation**
- 3. Fiscal Consolidation**
- 4. Human Capital**
 - Graduate Employability**
 - Skill worker**
- 5. Creativity and Innovation**
- 6. Competitiveness and Productivity**

Balanced Development between Physical Growth and The Well-being of Rakyat

GROWTH

- **Mega Projects** (MRT, RAPID, HSR)
- **FDI 2013**
- **High Net Worth Individual**
- **Vibrant Capital Market**
- **Customise Incentives for Investment**

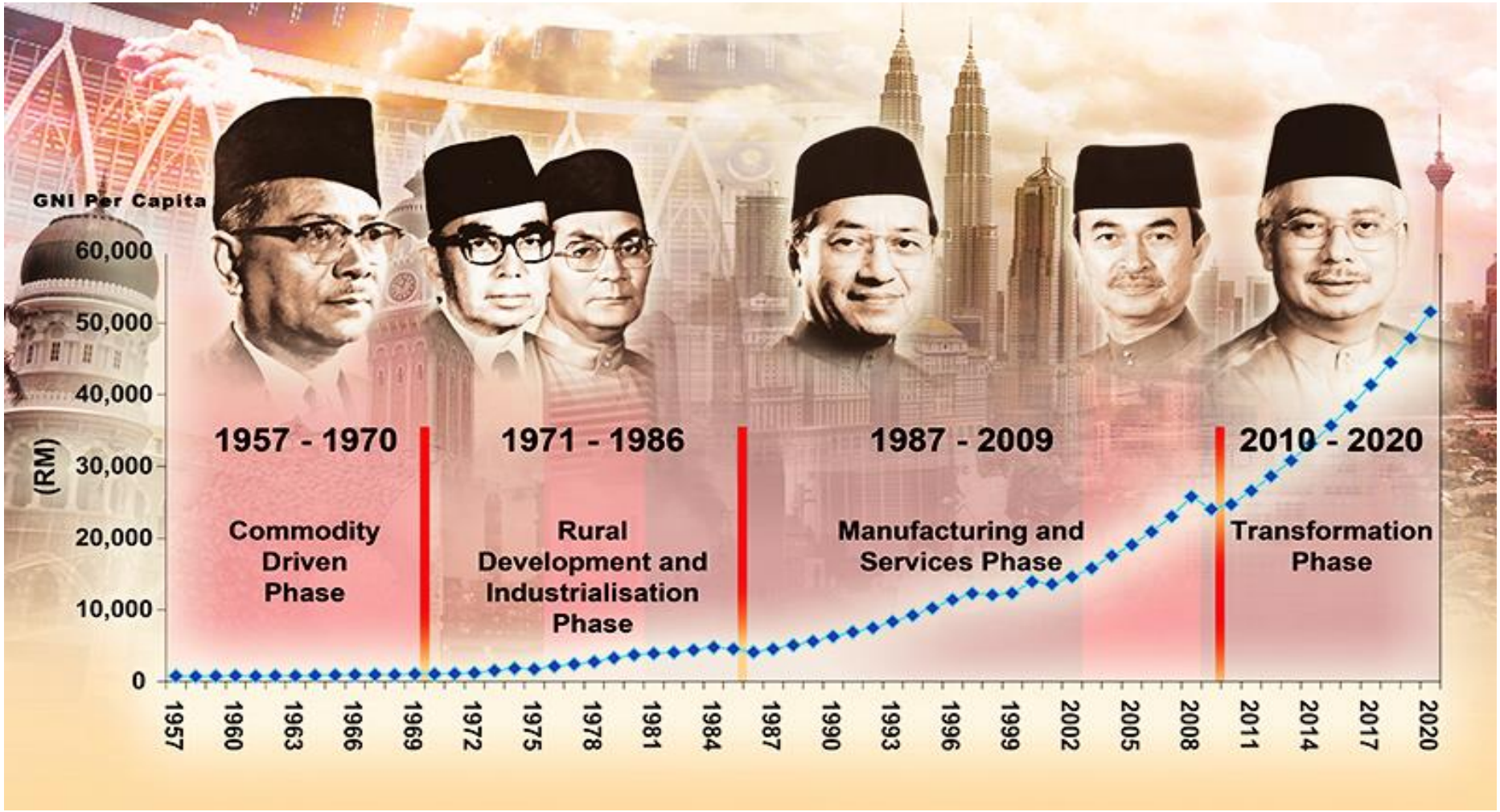


WELL-BEING

- **Improvement Gini Coefficient**
- **Social Projects** - Hospital, Schools, Rural Roads, Farmers, Fishermen
- **Social Safety Net** - BR1M, Welfare Assistance
- **Housing** (JPN, PR1MA, SPNB)
- **Workers share to GDP - 33% (2013)**



Phases of Economic Development





Programs for Indian Community

Cabinet Committee on Indian Community

1

Ensuring loan facilities and other resources are accessible to Indian entrepreneurs and small businesses.

2

Increasing provision of Government licenses and permits, Government controlled franchises and Government contracts at Federal, State and Local level.

3

Building 15 community halls and crematorium in places that have high Indian population density.

4

Ensuring disbursement of RM50 million, each under Budget 2014 and 2015 through TEKUN. In addition, RM30 million will be provided in 2015 under AIM for Indian women entrepreneurs.

5

Addressing challenges faced by Indian places of worship, crematoriums, and burial grounds & Conducting a detailed audit on Hindu temples, shrines and burial grounds throughout Malaysia & Developing a proposal to eliminate problems surrounding the locations of Hindu temples and burial grounds.

Cabinet Committee on Indian Community

6

Reserving 7.5% of all jobs created and/or required by the Civil Service and Statutory Bodies for Qualified Indians & Reserving 7.5% of all jobs created and/or required by GLCs for Qualified Indians.

7

Reserving at least 7.5% of JPA as well as other Federal and State Scholarship for Indians.

8

Integrating the housing needs for low-income Indian households with National and State Level Housing programs.

9

Providing and improving housing facilities for current estate workers through government – estate partnership.

10

Identifying and Addressing documentation issues amongst the Indian community.



Cabinet Committee on Indian Community

11

Achieving 7.5% of places in Government Skills Training Institute for Indians. In addition, RM30 million will be provided in 2015 for technical training and education assistance for low income family.

12

Implementing attractive and practical programs to rebuild the lives of at risk and other Indian youths.

13

Developing the economic capacity of Indian youths through agricultural and other activities.

14

Increasing intake into IPTA and other public tertiary institution to 7.5%.

15

Filling the 10% of places in Government Polytechnics reserved for Indian students.



Cabinet Committee on Indian Community

16

Filling the 1500 places in government matriculation courses reserved for Indian student.

17

Achieve optimum intake of Indian students into existing Residential Schools based on a new assessment of demand for places in this regard.

18

Allocating adequate funding to upgrade, relocate and build new facilities for Tamil schools, mainly fully-aided schools

19

Ensuring transparent and quick disbursement of RM50 million, each under Budget 2014 and Budget 2015 to upgrade and expand partially aided Tamil schools (SJKT).

20

Setting up ICT Labs in all Tamil schools that require them.



Cabinet Committee on Indian Community

21

Converting SJKTs that wish to convert from Partially-Aided to being Fully aided schools.

22

Expanding pre-school education to all SJKTs.

23

Relocating of under-enrolled SJKTs to places that have high Indian population density.

24

Setting up of a Trust Fund for SJKTs to complement the efforts of the Government for in ensuring comprehensive and sustainable development of SJKTs.

25

Providing training for teachers in SJKTs to enhance their teaching skills in subjects such as Mathematics and Science.

26

Expediting the formation of School Boards (LPS) in SJKTs.



THANK YOU

