CPPS POLICY FACTSHEET: Ninth Malaysia Plan

CPPS is pleased to bring to you its “CPPS Policy Fact Sheet” specially for this Mid-Term Review of the 9th Malaysia Plan. In this factsheet, we will explore key policy issues that we feel are important in presenting some background on the 9th Malaysia Plan to date.

BACKGROUND

The 9th Malaysia Plan was tabled on 31st March 2006 by Prime Minister Abdullah Badawi, the five-year developmental plan that charts strategies and programmes for Malaysia for the period of 2006 – 2010. The total budget for the 9MP is RM220,000 million, while 30% of its projects are reported to have been completed, the remaining to be achieved by 2010. Two and a half years later, Malaysia stands right at the mid-point of the 5-year plan. The Mid-Term Review document will be tabled at the Cabinet at the end of April, and presented to Parliament officially in June 2008.

While Malaysia has made significant strides in nation-building, in developing its economy and in improving the quality of life of its people, there is presently an urgent need to review policies addressing socio-economic inequalities constructively, and strengthening institutional capacity.

With recent reform measures announced by the Prime Minister to address these issues, it is necessary to critically examine how successful these policies will be. Will they achieve their objectives? Which mechanisms are redundant? Which policies reflect the principles of equality, economic progress and development, sustainability and public accountability? How well can these be implemented in the 2nd half of the 9MP? Effective implementation of quality is necessary, lest the strategic objectives outlined in the 9MP are not achieved.

5 Thrusts of the 9MP
1. To move the economy up the value chain.
2. To raise the capacity for knowledge and innovation and nurture ‘first class mentality’
3. To address persistent socio-economic inequalities constructively & productively.
4. To improve the standard and sustainability of quality of life
5. To strengthen the institutional and implementation capacity

Recently in the News

- Works Minister Datuk Mohd. Zin Mohamed said that 10% of all contracts for projects costing above RM10 million under the ministry should be distributed to Class F contractors.
- Some 30% of projects under the 9MP has been completed. While the remaining 70% have been identified and slated to complete by 2010.
- The Manpower Department will offer specialized technology courses at 7 new training centres under the 9MP to train skilled workers.
- The Health Ministry has allocated funds under the 9MP for health education and promotional activities with the aim of bringing down the incidence of heart disease risk factors such as hypertension, high cholesterol and obesity.
- The Government has approved a RM10mil allocation to improve drainage and irrigation systems to curb flash floods here. The allocation was included in the 9MP.

BASIC STATISTICS & FACTS

- The Malaysian economy grew at an average rate of 6.2 per cent per annum during the 1991-2005 period.
- Poverty in Malaysia declined substantially during the 1991-2004 period, from 22.8 per cent in 1990 to 5.7 per cent in 2004.
- The national Gini coefficient worsened from 0.442 in 1990 to 0.462 in 2004.
- Inter-ethnic income disparities improved slightly during the 1991-2004 period. The mean income ratio of Bumiputera to Chinese changed from 1:1.74 in 1990 to 1:1.64 in 2004 whereas the ratio of mean income of Bumiputera to Indian narrowed slightly from 1:1.29 in 1990 to 1:1.27 in 2004.
- Malaysian quality of life, as measured by the Malaysian Quality of Life Index (MQLI), improved during the 1990-2004 period, increasing by 10.9 points.
• 21st in the Global Competitiveness Index 2007-2008, dropping 2 ranks down from 19th a year ago. Out of all of the indicators within the subindexes, its worst performer was under “macroeconomic stability”, ranked 45th out of the 131 countries examined.


• 63rd in the Human Development Index, in the United Nations Development Program’s Human Development Report 2007/2008, categorized under “High Human Development” down from 61 in the previous year, although the index value itself increased to 0.811.

• 51st in the 2008 Index of Economic Freedom (64.5% showing moderate freedom)

• Malaysia’s reforms improved ease of doing business in “starting a business” and “paying taxes” (World Bank’s Doing Business Report 2008)

• Of the various sub-topics, we performed worst on “dealing with licenses” and better on “getting credit”. Malaysia performed poorly on costs to start a business, with 18.1% of income per capita needed to start a business compared with 0.8% in Singapore.

• Malaysia ranks 43rd in Transparency International’s Corruption Perception Index (CPI) 2007, down from 33rd in 2002.

• Transparency International’s Global Corruption Barometer 2007 (GCB) shows police, political parties and business sector perceived as most corrupt.

• 63% of Malaysian respondents felt that corruption would increase in the next three years, GCB 2007.

• 53% of Malaysian respondents felt that Government’s efforts to fight corruption are effective, 37% ineffective, GCB 2007.

**VISUALS**

**TABLE 16-3**

<table>
<thead>
<tr>
<th>Ethnic Group and States</th>
<th>In Current Prices (RM)</th>
<th>Average Annual Growth Rate (%)</th>
<th>In Constant 1999 Prices (RM)</th>
<th>Average Annual Growth Rate (%)</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra</td>
<td>1,984</td>
<td>2,711</td>
<td>6.4</td>
<td>1,984</td>
<td>2,522</td>
</tr>
<tr>
<td>Chinese</td>
<td>3,456</td>
<td>4,437</td>
<td>5.1</td>
<td>3,456</td>
<td>4,127</td>
</tr>
<tr>
<td>Indians</td>
<td>2,702</td>
<td>3,456</td>
<td>5.0</td>
<td>2,702</td>
<td>3,215</td>
</tr>
<tr>
<td>Others</td>
<td>1,371</td>
<td>2,312</td>
<td>11.0</td>
<td>1,371</td>
<td>2,150</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,472</td>
<td>3,249</td>
<td>5.6</td>
<td>2,472</td>
<td>3,022</td>
</tr>
<tr>
<td>Urban</td>
<td>3,103</td>
<td>3,686</td>
<td>5.0</td>
<td>3,103</td>
<td>3,680</td>
</tr>
<tr>
<td>Rural</td>
<td>1,718</td>
<td>1,875</td>
<td>1.6</td>
<td>1,718</td>
<td>1,744</td>
</tr>
</tbody>
</table>

Source: Department of Statistics – Household Income Surveys, 1999 and 2004

**CONTRIBUTION OF FACTORS OF PRODUCTION, 1996-2010**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Achieved</th>
<th>Target BMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Contribution to GDP</td>
<td>% of GDP</td>
<td>% of Contribution to GDP</td>
</tr>
<tr>
<td>GDP</td>
<td>4.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Labour</td>
<td>1.5</td>
<td>30.8</td>
</tr>
<tr>
<td>Capital</td>
<td>2.2</td>
<td>45.2</td>
</tr>
<tr>
<td>TFP</td>
<td>1.1</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Source: Economic Planning Unit

Notes:
1. Total factor productivity (TFP) is estimated using the Cobb-Douglas production function by subtracting total factor productivity, the portion which is accounted for by increases in labour and capital.

**TABLE 16-4**

<table>
<thead>
<tr>
<th>Factor</th>
<th>BMP</th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.413</td>
<td>3.004</td>
<td></td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>1,250</td>
<td>1,536</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>756</td>
<td>814</td>
<td></td>
</tr>
<tr>
<td>R&amp;D &amp; Technology</td>
<td>324</td>
<td>406</td>
<td></td>
</tr>
<tr>
<td>Computer Infrastructure</td>
<td>83</td>
<td>246</td>
<td></td>
</tr>
</tbody>
</table>

Source: Economic Planning Unit

**Malaysia observed increasing current account balance to GDP ratios.**

**GOVERNMENT EXPENDITURES**

**Countries in SEA**

Source: World Bank Indicators 2005
After increasing significantly, growth of both exports and imports have somewhat reached a plateau. Export levels have steadily increased in recent years. After increasing significantly, growth of both exports and imports have somewhat reached a plateau. Bulk of Malaysian debt was attributed to private debt. Malaysia spent 52% of its GDP on Government Expenditures, compared with 25% in Singapore and 16% in Thailand.
**Brief Comments Made & Policies Implemented by the New State Governments & the Federal Government**

- **Penang CM YAB Lim Guan Eng** announced that the State Exco had approved an open tender system for projects exceeding RM50,000. At the local government level, implementation is announced to be transparent and accountable to the rakyat. (contrasting reply from the PM—http://www.pmo.gov.my/website/webdbase.nsf/SummaryBI/107C73150BFD0D474825741D000185BB)

- **Selangor Mentri Besar YAB Tan Sri Abdul Khalid Ibrahim** wants to make Selangor free of the Official Secrets Act (OSA) for the rakyat to know the efforts of the state administration and to ensure checks and balance.

- The proposed **Malaysian Commission on Anti-Corruption**, would report to a new parliamentary committee on corruption prevention, making it independent of the Prime Minister’s Office. The PM said that the committee would further enhance transparency and public accountability as it could seek clarification on the new body’s annual reports.

- The new ** whistle-blower’s act** would give better protection to those who come forward to testify against corrupt practices.

- Judiciary reform: Proposal to set up an **Judicial Appointments Commission** to identify and recommend candidates for the judiciary (to the Prime Minister).

**How the Budget is Allocated for Different Ministries**

- The PM’s department has a development allocation of **RM26,495 million**, approximately **13.2% of the budget**. An addition of RM3,193 million will come from private finance initiatives. The total projected expenditure is **RM29,699 million**, the highest ministerial allocation. In the 8th Malaysia Plan, the PM’s department had a total expenditure of RM7,287 million.

- The total budget for the 9 MP is **RM220,000 million**. The 8MP had a total budget of **RM170,000 million**.

- The **Ministry of International Trade & Industry and the Ministry of Entrepreneur & Cooperative Development** both have low allocations of 1.1% and 2.7% respectively, of the 9MP budget.

- The **Ministry of Rural & Regional Development, Ministry of Works, Ministry of Energy, Water & Communications, Ministry of Education, Ministry of Health, Ministry of Higher Education and Ministry of Defense** all take up **5 or more percent** of the total 9MP budget, with amounts starting at RM10,969 million and higher.

- In the 8MP, the highest expenditure went to the Ministry of Education at , a **RM24,172 million** approximately **14.2% of the total budget**. In the 9MP, the Ministry of Education doesn’t differ too far at a total allocation of RM23,198 million.

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