

Discussion Paper

Summary of Proposals for the Ninth Malaysia Plan (2006 – 2010)

The Asian Strategy & Leadership Institute (ASLI) proposes that the government accords priority to 10 key issues in the upcoming Ninth Malaysia Plan covering the period 2006 – 2010. These proposals basically covers four priority areas that should be given greater prominence in the Ninth Malaysia Plan: **ECONOMIC COMPETITIVENESS & GROWTH; EDUCATION & HUMAN CAPITAL DEVELOPMENT; EFFECTIVE EXECUTION OF POLICIES; AND EMPLOYMENT CREATION** – The **crucial 4E's** which are crucial in the next stage of the nation's development.

1. **Enhancing Competitiveness, Strengthening Growth**

The Ninth Malaysia Plan should continue to emphasize the need to **strengthen economic growth**. It is a cause for alarm to see a dramatic decline in Malaysia's competitive position declining to 28 position from 16, and for the first time ever, Malaysia has been overtaken by Thailand in this ranking of global competitiveness. In this new era of globalization, much more needs to be done to improve Malaysia's global competitiveness. Therefore, it is imperative that the **Ninth Malaysia Plan focus on strengthening and improving the competitiveness of the Malaysian economy**.

The Ninth Malaysia Plan needs to determine the **competitive differentiator** for the Malaysian economy that will provide us with a **sustainable competitive advantage**. The case for **further liberalization** and the **acceleration of the pace of deregulation** is so important when even Indonesia has lifted restrictions in foreign ownership.

To enhance our global competitiveness would necessitate a **comprehensive review of all aspects of government policies, regulations and incentives**.

Malaysia also needs to adopt short, medium and long-term strategies to **develop specific niches in the global and regional economy** that we can excel in. Areas of focus could include **tourism, health tourism, education, Islamic banking & finance, outsourcing and shared services and resource-based industries, particularly the exploitation of biofuels**.

The country's **investment promotion strategies** also need to undergo a major change from massive road-shows to targeted one-on-one approaches for large targeted industries and companies and a sustained campaign to attract foreign SME's to invest in Malaysia. **The current tax rates and investment incentives need to be reviewed to make Malaysia a more attractive investment destination**. The costs of doing business need to be reduced. A strong focus on sustainable growth is a key priority for Public Policy to ensure social justice and redistribution to be carried out based on the accepted premise of a growing pie.

2. **Reducing Income Equalities**

Whilst efforts are concentrated on improving National Competitiveness, there must also be **equal determination to deal with the problems of the poor and the low income families**. The **UNDP Report 2004** reported that the **richest 10% controls 38.4% of the nation's wealth** compared with the **poorest 10% who only controls 1.7%**. The **widening gini coefficient** which worsened post 1997 is a cause for concern. **Intra-ethnic income inequality**, particularly within the Bumiputra community needs to be emphasized.

At the same time, the plight of **low income families**, classified as those with household incomes below RM1,500 per month needs to be looked into as they fall into a no man's land – not poor enough to benefit from poverty eradication programmes

and not rich enough to fall into the middle-class. Much more must be done to address the particularistic problems of the low income families for the benign neglect of this large number of urban Malaysians can be potentially destabilizing as they could give vent to anger and frustrations resulting in conflicts like Kampung Medan.

With the increasing oil price and the government's need to reduce the oil subsidy, consideration should be given to providing a voucher scheme whereby targeted groups can be given petrol or diesel vouchers to help them meet the impact of the rising oil and fuel prices. Direct assistance to targeted disadvantaged groups is preferable to across the board subsidies. Subsidies should be further reduced progressively over the next 2 – 3 years.

3. **Rethinking Malaysian Education**

There is a vital need for the country to embark on **bold educational reforms** to bring about a **quantum leap in Malaysian education** so that Malaysia can leapfrog into a globalized 21st Century world.

Education reforms proposed must be of two types:-

Firstly, is the need to address the **problem of student underachievement**, a perennial problem faced by the poor and low income families. This will cater for the large masses of people. **Secondly**, is the need to have **bold, imaginative new strategies to promote educational excellence**. It is therefore recommended that:-

- (i) A **Special Study be undertaken to look into the problems of underachievers** and what further assistance can be provided to turn underachievers into academic performers. In this regard, the government is urged to adopt a policy that provides **parity of esteem** for both super and under-achievers, a concept successfully carried out in United Kingdom and Singapore.
- (ii) The government immediately **liberalizes the policy on non-admission of Malaysian students into international schools**.
- (iii) The government **convert certain selected schools into Centres of Excellence and allow these schools to conduct classes in English**. These can be the old established elite English and mission schools such as Penang Free School, Anderson School, Victoria Institution, Bukit Mertajam High School, MBS, Convent Bukit Nanas, Bukit Bintang Boys School, St. Xavier's Institution, Malacca High School, etc. These selected elite schools should be converted back into English medium schools.
- (iv) A **National scholarships Board** be established to centralize the awards of scholarships and student loans on a **merit and needs approach**.
- (v) The government further **nurture university – industry partnerships through tax incentives**.
- (vi) A **comprehensive review of the school curriculum be undertaken** to ensure greater effectiveness in teaching and learning.
- (vii) Consideration should also be given to **shortening the length of time in secondary school** from 7 years to 6 years for university admission and to 4 years for school leaving i.e. a school leaving certificate after 4 years secondary education to replace SPM and an additional 2 year for university matriculation. A standard university matriculation programme should be adopted to replace STPM.

4. **Making Speed a Competitive Advantage**

Whilst Prime Minister Dato Seri Abdullah Ahmad Badawi has made great strides in improving the Public Delivery System, there is still a **vital need to expedite execution or implementation of policies**. **Speed in decision-making** should be recognized as a key source of competitive advantage.

The government should adopt a **policy of automatic approvals** when the time-frame or deadline given in any Department's Client Statement is not met. The system of approvals should be converted into a negative list where only items listed in the negative list need approvals. The negative list should be periodically reviewed.

The process of electronic-government and e-licensing should be expedited.

5. **Effective Monitoring**

Policies are as good as their implementation. As such, there is a vital need for effective monitoring of policies. The government should establish in the Ninth Malaysia Plan an **independent monitoring mechanism comprising public-private representatives** to monitor all aspects of monitoring policy implementation, including monitoring deviations in policies.

6. **Comprehensive Strategy to Engage China and India**

The Ninth Malaysia Plan needs to spell out a **comprehensive strategy to engage China and India**. The rise of China and the emergence of India needs a bold, visionary strategy so that Malaysia will not be marginalized in the wider scheme of things. A detailed and **in-depth study on specific niches where Malaysia and Malaysian companies can meet the needs of China and India needs to be carried out**. Hitherto, Malaysia's engagement with India and China has been largely private sector-driven. More must be done by the **government to provide the leadership and strategic direction** as in the case of Singapore.

7. **Better Governance and Integrity**

The Ninth Malaysia Plan should spell out in greater detail how the National Integrity Plan is to be effectively implemented. Higher standards of **public and corporate governance** must be developed. **Public ethics** need to be enhanced. The war against corruption must be given greater emphasis. In this regard, the government is urged to **convert the Anti-Corruption Agency into an Independent Anti-Corruption Commission**.

8. **Employment Creation**

The Ninth Malaysia Plan must accord priority to **generating employment opportunities for all Malaysians irrespective of race**. With a slowdown in manufacturing FDI's and a shift towards the Services Sector, there could be a decline in employment creation. Therefore, new strategies need to be developed to generate jobs for university graduates and school leavers. Priority should be also given to turning school leavers into **mini entrepreneurs so that they can be self-employed** instead of joining the job market.

Whilst effort are being made to **increase Bumiputra employment in business**, there must also be **equal determination in generating opportunities for non-Bumiputras in the civil services and uniformed forces**.

9. **Strengthening National Unity**

The Ninth Malaysia Plan could be a timely and historic opportunity to unveil a **National Unity Policy**. We do not have yet a National Unity Policy given the crucial importance of National Unity. It will be vital for the Ninth Malaysia Plan to have a clearly defined National Unity Policy as a key component of the five-year Plan. The National Unity

Policy should put forward specific proposals to strengthen National Unity. **A National Unity Index should be developed**. Further studies can be undertaken on the causes of disunity.

10. **Meeting the Needs of the Malay Agenda**

It cannot be denied that it is important politically to help UMNO achieve and meet the Malay Agenda. New ideas and new strategies are needed to ensure that there will be no leakages in future and that any affirmative action is effectively and fairly carried out. Whilst the Malay Agenda is being addressed, the needs of other marginalized and disadvantaged groups in Malaysia also need to be adequately looked into, particularly non-Malay Bumiputras in Sabah and Sarawak, the Indians and the Orang Asli.

Consideration should be given to reviewing the basis of computing the national corporate wealth. As the proposed amendments to the Companies Act will propose that nominal value of shares be abolished, it will be timely and pertinent to **recompute ownership in the corporate sector based on market value or net asset value**.

At the same time it is also proposed that ownership by government-linked companies be apportioned according to the ethnic composition of the country.

Conclusion

The above 10 proposals are brief summaries of the pertinent issues that ought to be addressed in the Ninth Malaysia Plan. They can be the basis for further brainstorming and debate so that further details can be fleshed out.

Whilst it is admirable that the Administration of Prime Minister Dato Seri Abdullah Ahmad Badawi strives to achieve a balanced budget and to reduce the budget deficit, we should not be over-obsessed with deficit reduction as a public policy goal. This is because during the Ninth Malaysia Plan period, there could be occasions when **cautious** pump-priming measures need to be carried out as **counter-cyclical measures to sustain growth**. Maintaining the budget deficit between 3.5% and 4% of GDP is acceptable and tolerable. It is envisaged that the size of the Ninth Malaysia Plan should be between RM180 billion – RM200 billion.

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