



# The Plan, The Plan!

We are operating in an increasingly competitive and challenging environment. To traverse it requires a new mindset and ways of doing things. The 9<sup>th</sup> Malaysia Plan will help us do that.

SINCE the end of last year, there has been a lot of intensive discussions between the Economic Planning Unit and relevant parties as part of work to draw up the 9<sup>th</sup> Malaysia Plan (9MP). They include State Government leaders, senior ministry officials, NGOs, economists and corporate figures.

This will go on for another six months or so, to enable us to determine the right priorities and strategies to take. We have also engaged our friends in the private sector, universities and think tanks.

The Prime Minister himself has been personally involved in many of these discussions. Datuk Seri Abdullah Ahmad Badawi has emphasised the need for the 9MP to be impactful. It is not to be a mere continuation of the previous five-year development plans, but an important departure that will see new approaches and strategies to achieve the desired results.

upon by the Government;

**I Fourth**, the 9MP will pay due attention to the so-called unfinished items on the Government's agenda. These include issues that continue to be relevant today, such as the problem of poverty, unemployment, education, participation of Bumiputeras in the country's economy, developing small and medium enterprises, agriculture and the balance between rural and urban development; and **I Fifth**, the 9MP will see a higher level of collaborative efforts between the Federal and State Governments, especially with regard to improving the delivery system and implementation of development projects for the *rakyat*.

On the issue of poverty, I would like to stress the Government's intention to eradicate it in this country; a commitment we have been undertaking since 1971. We have successfully reduced the incidence of poverty from

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The 9MP is important for several reasons:

**I First**, it represents the halfway mark towards realising the objectives of Vision 2020. It covers the period 2006 to 2010;

**I Second**, we are living in challenging times, and competition, especially from our neighbours, has become more serious. We have to be ready with the strategies which will enable us to survive and enhance our competitive position. The 9MP is to prepare ourselves for these challenges;

**I Third**, after the most successful general election results for the Barisan Nasional (BN) government one year ago, we have to meet the high expectations of the *rakyat* and deliver on the promises made. The Prime Minister and Deputy Prime Minister emphasised this point during their meeting with BN representatives in Sabah on March 5. The response has been positive. The MPs provided valuable feedback which can be acted

49.3% in 1970 to 16.5% in 1990 and only 5.1% in 2002. With regard to hardcore poverty, the overall incidence was reduced from 3.9% in 1990 to 1% in 2002. By 2009, we hope to reduce hardcore poverty to a mere 0.5%.

We have conducted many studies on poverty both in the rural and urban areas. In addition, data collected from the ongoing 2005 National Agricultural Census will help in formulating more effective policies and strategies for the 9MP.

In terms of approach and implementation, poverty eradication programmes under the 9MP will be more targeted. Under the current Third Long-Term Plan 2001-2010, our programmes emphasise specific target groups such as households in remote areas, the indigenous minorities in Peninsular Malaysia, Sabah and Sarawak, and the urban poor.

Under the 9MP, focus will be given on developing human capacity and improving income-earning

opportunities. In terms of strategies, we are still in the midst of engaging with various stakeholders. It is a long process but broadly, we have to invest MORE in human capital and secondly, invest in the RIGHT kind of human capital.

The Bumiputeras have to be assisted because they still need to catch up with the others. However, we will develop our assistance programmes to make sure they can also compete more openly, and be more resilient and sustainable. This agenda will be pursued in the 9MP.

Education is still key to the advancement of the Bumiputeras. They must learn new things and acquire relevant skills to be more marketable in the economy. Today, the number of unemployed graduates with degrees, diplomas and certificates is about 80,000, many of them Bumiputeras.

One reason for the unemployment is the mismatch between supply and demand. Some of the graduates produced by our universities are not the kind or of the quality needed by our industries. As such, the current

need to produce manpower at all levels needed by industry. We do not want to create a serious mismatch between demand and supply.

Therefore, we have to make sure the curriculum of our schools, colleges and universities keep up with the times. We must be aware that the economic landscape is changing rapidly. We need an education system that is capable of responding very quickly to these new requirements.

China and India are emerging economic giants, sucking most of the foreign direct investments (FDIs) from all over the world. For Malaysia, we want FDIs of a different kind - capital intensive, and investments that will utilise more of our skilled labour. We must work harder to attract foreign investments and earn more income from outsourcing.

In the last three years or so, our Government has been carrying out fiscal consolidation. We have been stressing the need for fiscal prudence to trim the budget deficit, but this shall be done gradually and in stages.

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emphasis on the learning of English, mathematics, science, IT as well as both the hard and soft skills will help the Bumiputeras regain some lost ground.

We would like to see more professionals among the Bumiputeras. Ideally, every Bumiputera household should be able to produce two qualified professionals. We need to ensure more Bumiputera presence in urban areas and townships. Their presence there now is insignificant.

They must also have a greater spirit of entrepreneurship. This can only be achieved by exposing them to more competition and implementing a reducing scale of assistance.

By and large, we have built very good and sound infrastructure, in fact First World infrastructure, under the previous plans. So now we need to focus on human capital development and issues such as building a more skilled labour force, integrity, honesty, a clean government and so on.

One dimension to human capital development is the need to train enough Malaysians to compete in this new environment. We also need to make sure they are relevant to the needs of the New Economy. Our training institutions will have to be dynamic and be able to make quick adjustments to the changing needs of the workplace.

So, there are two aspects to consider: Firstly, we need to inculcate good values to match the First World infrastructure that has been put in place. Secondly, we

We are doing a lot of work crunching the numbers but at this point, it is still early to say what kind of numbers will finally emerge. How much we can allocate will depend on the resource position of our country.

I realise that there are some worries among certain segments of the *rakyat* that the Government may reduce spending on development and this may affect the construction sector. That is not what is in store in the 9MP.

Yes, the construction sector contracted by 1.9% for the whole of 2004 but growth for manufacturing, agriculture as well as business and non-government services has been quite encouraging. Construction is important but the slack has been compensated by the sectors I have mentioned.

The situation in Malaysia is that in the decade prior to the Financial Crisis, the construction sector was doing very well. In the early and mid-1990s, the focus was on infrastructure development. Because of this, the construction companies had a good time. But there was some fiscal pump priming in 2001 till 2003. Now, they have to adjust to the new reality.

The Government acknowledges that this sector has a lot of linkages. It contributes 3% to Gross Domestic Product, and about 7-7.5% of the country's workforce. It is fairly sizeable and we need to implement strategies to rationalise this sector as well as encourage Malaysians to go abroad for construction with linkages to the local

economy.

Based on our experience in the last few decades, one lesson we have learnt is that we have to emphasise on content, not form. For whatever project that we undertake, we must ensure there is value for money.

In many developed countries, what they have are basic buildings. You can go to the top universities in the world and find that they don't spend too much on physical infrastructure. Some universities are in the centre of towns - very crowded and congested - yet are among the finest in the world.

I believe there has to be a radical change in our mindset. We must learn from the past. We have to increase efficiency of implementation and ensure that expenditure yields much higher returns. The important thing is that we have to be thorough in examining the various expenditure proposals. After all, it is the people's money.

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## **A major thrust of the 9MP will be to look for new sources of growth. Tourism has lots of potential. We need to invest more in tourism infrastructure because the returns are quick and in terms of employment generation, it is also fast.**

sources of growth. Tourism has lots of potential. We need to invest more in tourism infrastructure because the returns are quick and in terms of employment generation, it is also fast. Whatever investment you put in, the gestation period is short. We need to be more aggressive in promoting tourism overseas and gain a bigger share of the tourism market in some countries.

Another area is education. This is quite challenging. Malaysia was among the first countries to start attracting foreign universities, either to start twinning programmes or set up branch campuses. But in recent months, our neighbours have been equally, if not more, aggressive.

We had a lead in this, and we have to maintain this lead. But this is not going to be easy. We need to find out what our niches are, as well as identify the problems and issues. The Government has done a lot in the last few months to cut down red tape and improve immigration procedures and all that hassle.

We have to continue making those improvements. We need to make Malaysia the best destination for foreign students. The potential is big, and we have all the facilities and infrastructure. We must buck up.

Health tourism is another area of potential. We have many very good doctors, and some of the very best facilities in the region. What is required is very aggressive promotion. This is going to be a growing market. We know that India, for example, has emerged very strongly in this area in the last few years.

So here again, the bottomline is competitiveness. We have to make sure our service is of the highest quality, that we possess the necessary soft skills in this sector.

We have to work harder to enhance the contribution of the services sector. But at the same time, we are strengthening the Old Economy, which is still relevant. Manufacturing is still important and we need to look into ways to improve productivity while attracting new investments.

Another area is manufacturing-related services, shared services and outsourcing. We need to be aggressive as there is a lot of manufacturing-related services and shared services that we can capitalise on. In all this, what we need is to focus, reduce hassle and red tape, enhance our soft skills, improve efficiency and be more aggressive in marketing.

Besides that, we have our ports, airports and highways. There is a lot of potential in Port Klang, Penang Port, Port of Tanjung Pelepas and our ports in Sabah and

Sarawak. We should work harder at making the KL International Airport (KLIA) the major hub in Asia.

Regionally, the Government has been spending a lot on infrastructure development in Johor and returns from these investments have got to be forthcoming. We also need to enhance regional development in Sabah and Sarawak as well as the northern region of Peninsular Malaysia, including along the border with Thailand.

Our Deputy Prime Minister is working on a number of initiatives to revitalise FELDA settlements throughout the country. The FELDA schemes have not only been successful but are an important component of the country's economy.

But we need to keep up with the times, and the second and third generations need to be given better hope for the future. There is a lot of potential in developing these schemes into new growth centres, which will transform the rural economy.

In recent weeks, a few political parties and business organisations have held seminars on the 9MP. The Government welcomes this and hopes to obtain more inputs from all sectors of the economy. This would help in our process of drafting a sound and comprehensive plan which will make a significant contribution towards achieving the objectives of Vision 2020. **mb**

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