

The ICT agenda in the Ninth Malaysia Plan

Can it finally make a difference?

By Prathaban V and S Jai Shankar

The release of the much-anticipated Ninth Malaysian Plan (9MP) surely would have helped release plenty of nervous energy among businessmen and industry players. After months of wondering and fidgeting of what's in store for everyone, the answer has finally been released in the hefty 500 plus page plus document. To some, such as those in the construction industry, the wait would have been justified. To others it could have been a let down. In that context, how does the ICT industry feel about it?

To begin with, under the 9MP, the Government has increased its ICT expenditure when compared to the Eighth Malaysia Plan (8MP). A whopping RM12.9 billion has been allocated to ICT-related programmes, compared with RM7.9 billion under the 8MP.

In the case of PIKOM, the Association

of the Computer and Multimedia Industry of Malaysia, it says the 9th Malaysia Plan will help the local ICT industry to continue enjoy an annual double digit growth throughout the five year period encompassing the Plan. PIKOM forecasted a 12% growth for the local information and communications technology (ICT) industry in 2006. According to the Chairman of PIKOM Lee Boon Kok, the role of ICT can stretch beyond its own industry, as it can become an important enabler to key industry sectors that are being given focus in the Plan such as manufacturing, services and agriculture. More so as the general emphasis is for these industries to move up the value chain and offer higher-end products and services.

'We foresee the usage of ICT will be more encompassing in the 9th Malaysia Plan with more emphasis given to

bioinformatics, e-commerce and digital content; which will spur new growth areas and opportunities for the ICT industry. This will drive innovation and increase R&D activities,' Lee says. However, it is also notable that the biggest boost to the ICT sector is likely to come from the usual gravy train – the public sector. This is because a quick check of the budget breakdown for the ICT sector reveals that a bulk will probably go towards the computerisation programme for Government agencies to improve processes and achieve greater efficiency in the public sector. The hope is also that the computerisation programme will not only improve the execution but also improve integrity and transparency in the public sector.

The allocation for the computerisation programme involving the government sector has been increased to RM5.734 billion under the 9th Malaysia Plan. In

contrast the government had only budgeted RM2.125 billion for the same purpose under the 8th Malaysia Plan. It remains to be seen if the more than 100% increase in allocation will translate into a parallel increase in public sector efficiency. However, Lee points out that despite the huge increase in ICT-related public sector spending, the allocation is still far from being global average. Pikom reckons that the current local Government's spending on ICT is only about six per cent of total public expenditure compared to the global average Government ICT spending of 15%.

New cybercities

The other area that will prove to be decisive in shaping the local ICT sector's landscape in the next five years is the expansion programme outlined for the Multimedia Super Corridor of Malaysia (MSC) project. The expansion of number of cyber cities to include four more under the Plan will ensure that the spirit and benefit of the project will cascade to areas beyond 50 X 50km region around the Klang Valley area. The new cybercities that have been identified are in Perak, Melaka, Johor and Sarawak.

This will in turn permeate ICT uptake in parts of the country other than the Klang Valley. 'The development of human capital that was emphasised by the Prime Minister will improve our competitiveness and resolve our skills shortage especially in outsourcing and software and services,' he says.

The reason why Lee is linking the expansion plans with a probable positive impact on outsourcing and software services is not difficult to guess. At the tail-end of the last Malaysian Plan, ICT industry experienced an unexpected surprise when the local Shared Services and Outsourcing (SSO) business took off



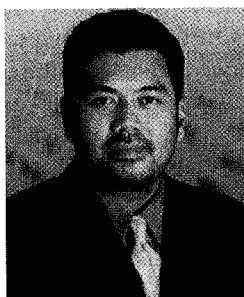
LEE: 9MP will drive more innovation and R&D activities

big time. It has in many sense of the word proven to be MSC's saviour as the project struggled to realise a significant return on investment to the huge investment that has been pumped into the project since the mid-1990s.

PIKOM expects the shared services and outsourcing industry to grow by at least 20% per annum for the next three years. And this ties in nicely with the association's goal is to make Malaysia the net exporter of ICT products and services within the 9th Malaysia Plan. If this happens, the potential impact on the local economy including the many spin-off services could prove to be immeasurable.

Multimedia Development Corporation (MDEC) chief executive officer, Badlisham Ghazali echoes similar sentiments, pointing out that the development of new cybercities under the 9MP is likely to attract more foreign investors to invest in the country's ICT sector especially the MNCs to operate in the MSC. The hope probably reflects the worry that the MSC is currently not seen as a very attractive location for foreign MSC-status companies.

MDEC reckons currently less than 20% of MSC status companies are foreign owned. The number would be even smaller if the business process outsourcing players are removed from the list. As such, he agrees that the Government intention to expand the geographical spread of the MSC area might improve matters. The fact that many foreign ICT companies are reluctant to put all their eggs in one basket and is constantly sourcing new locations for decentralisation plans could work to Malaysia's benefit. Elaborating, he says many foreign ICT companies are usually sourcing new locations to expand, as they do not want to have 20,000 to 30,000 people working at any one location. The target is to bring in 250 additional global



BADLISHAM: MDEC is targetting 4,000 MSC-status companies by 2010

multinational companies to operate in Malaysia.

Badlisham also believes that the development of new cybercities would also encourage establishment of new local MSC-status companies in the future, which is in line with the to aim create 4,000 MSC companies by 2010. Presently there are approximately 1,421 MSC status companies.

The other area which has could stand to benefit from the Government's push to make ICT more relevant across the nation is the battle to reduce the digital divide in the country. Apart from establishing new cybercities, which will generate job opportunities in the ICT, sector nationwide, the Plan has also indicated the need for the setting up of more telecentres in rural areas will help to reduce the digital divide. Budget to bridge the digital divide also takes centre stage in the 9MP. In terms of quantum, Digital Divide programmes are to receive the second biggest allocation, after public sector computerisation programmes.

Digital divide budget increased by almost 60% compared to 8MP. In the 9MP, RM3.7 billion has been set aside to reduce the disparity between the haves and the have-nots.

Badlisham however says implementation of projects needs to be relevant and holistic. For example, in the case of using ICT within the agriculture sector, the move is not only about acquisition of personal computers by the farmers or fishermen but also initiating the requisite infrastructure for pertinent



SRIVATSAN:
The 9MP will complete Malaysia's transition into a knowledge-based economy

information to be relayed to them via the installation PCs at strategic locations.

As such, ICT could also help agro-based producers to plan their planting or harvesting and even marketing or branding. In short, the RM12.9 billion allocation in the 9MP ICT development will not only create more local opportunities and enhance the country's attractiveness as an investment location but also help bridge the digital divide.

Implementation issues are cause for concern

However, projects are only as good as its implementation. On that level, industry players could be wary if all these well-aimed projects can achieve its stated objectives. For example, the 9MP has very little information if some of the projects implemented during the 8MP came good. For example, there was a passing reference to the Demonstrator Application Grant Scheme (DAGS), which disbursed RM79.7 million to 51 projects. But the fact that none of these projects had proved to be very

successful was glossed over.

Also noteworthy is the fact that the 9MP reduced its allocation for the Smart School and funding for telehealth. The two were originally key flagship under the MSC project. However, poor implementation led to some smart school construction woes. These smart schools were said to have been poorly constructed. The telehealth project too was in shambles after the companies, which were supposed to rollout the project, sailed into troubled waters.

While the Government has not given up on the two flagships, the allocation was reduced. Smart school were to receive RM60 million and while the telehealth project allocation was slashed. Telehealth has been allocated a mere RM60 million, which is negligible when taking the RM12.9 billion total ICT allocation into consideration. In the 8MP, telehealth project expenditure amounted to RM91.8 million

Has the policy makers accepted that such failures could be symptomatic to any poorly implemented socio-economic related ICT projects? It is unclear if the past inefficiencies in project implementation have been taken into account when new projects were outlined. New funds need to be more accountable and transparent in its approach. Accounts must be shown how these funds were disbursed to ensure that the full impact of the objectives are not blunted at the preliminary stage especially when decisions to choose the projects and the vendors to run it are made.

Overall, the extra allocation is a reason to smile for the local ICT industry, ensuring the path towards knowledge-based economy to be made firm. 'The 9MP is a comprehensive plan that will complete Malaysia's transition from a produce-based economy into a knowledge-based one. Meeting all the targets of the 9MP will put us in good stead to achieve 'Developed Nation' status by 2020. it is therefore every citizen's prerogative to rally and support it,' says VR Srivatsan, managing director of Oracle Corp Malaysia. **mb-e**

WHAT THE 9MP PROVIDES FOR ICT PROGRAMMES, 2006-2010 (RM MILLION)

PROGRAMMES	8MP EXPENDITURE	9MP ALLOCATION
Computerisation of Government Agencies	\$2,125.0	\$5,734.2
Bridging the Digital Divide	\$2,433.1	\$3,710.2
School	\$2,145.1	\$3,279.2
Communications Infrastructure Service Provision Programme	\$254.0	\$150.0
Telecentres	\$18.1	\$101.0
ICT Training/Services	\$15.9	\$180.0
ICT Funding	\$1,125.6	\$1,493.0
MSC Multimedia Applications	\$1,153.1	\$1,100.5
e-Government	\$537.7	\$572.7
Smart School	\$363.9	\$169.8
Telehealth	\$91.8	\$60.0
Government Multipurpose Card	\$159.7	\$298.0
MSC Development	\$320.8	\$377.0
ICT Research & Development	\$727.5	\$474.0
Total	\$7,885.1	\$12,888.9

Source: Economic Planning Unit