

chapter 14
Education

Chapter 14: Transforming Education as an Engine of Growth

“In 2009, the Government developed the Education NKRA agenda to widen access to quality and affordable education, and to improve student outcomes. In line with the National Education Policy, we recognise the critical role education plays in strengthening our economic competitiveness and building 1Malaysia.

One year on, we have developed the Education NKEA agenda which focuses on the private sector as a powerful complement to the Government. We believe that the public and private sector can no longer afford to work apart. Instead, both must come together through innovative public-private-partnership models to jointly deliver Government objectives and growth targets.

The Government is committed to unleashing the full potential of the private education sector by removing barriers to entry and growth. In return, we ask that the private sector take up the challenge, step forward and work with us on the journey to drive Malaysia towards high-income nation status.”

**YAB Tan Sri Dato’ Haji Muhyiddin bin Mohd Yassin,
Deputy Prime Minister & Minister of Education**

“The education sector is critical, not just as a means of cultivating first-class human capital and creating social mobility, but also as an engine of growth in its own right. In higher education, our vision is nothing less than to develop Malaysia into a regional centre for excellence in tertiary education. We aspire to produce more researchers and scientists, more engineers and professionals, more specialists and skilled technical talent who can succeed in an increasingly competitive global market. Both private and public higher education institutions in Malaysia must rise up to this challenge.

Therefore, the Education NKEA focuses on the role of private institutions in leading innovation and driving growth in the industry. We see the private education sector as catalysts for industry transformation, and as indispensable partners in the Government’s efforts to raise quality standards and to create an international higher education brand for Malaysia. We have an exciting journey ahead of us, and I look forward to continued close collaboration with the private education sector and with industry to ensure that we achieve our ambitious aspirations.”

**YB Dato’ Seri Mohamed Khaled Nordin,
Minister of Higher Education**

Malaysia's education sector supports a lifelong learning experience spanning early child care and education through to tertiary and post-graduate education. Education is one of the most critical drivers for our transformation from a middle- to high-income nation due its impact on productivity and human capital development. It is also an engine of growth in its own right. The sector contributed approximately RM27 billion or 4 percent of Malaysia's gross national income (GNI) in 2009, of which RM23 billion comes from Government-funded education services alone. Nonetheless, with public sector spending expected to grow modestly, the focus of the National Key Economic Area (NKEA) of Education will be on strengthening the private education services sector by increasing private consumption and investments as well as expanding education exports.

The aspirations set out in this chapter are undeniably ambitious and will require unprecedented collaboration and co-ordination in terms of scale and scope among private and public sector institutions. Yet, to do or to dream of anything less would see Malaysia running the risk of falling behind, in education today and in the global economy tomorrow.

The Tenth Malaysia Plan focuses on human capital development as an economic imperative. Accordingly, the Government is completely committed to supporting the delivery of the entry point projects (EPPs) described herein and to removing unnecessary barriers to entry and growth that hinder market expansion and liberalisation. In return, the private sector will step forward as critical partners in the funding, development and execution of this exciting transformation journey.

Overall, the delivery of the Education NKEA aspirations will require five essential shifts from the circumstances in place today, specifically:

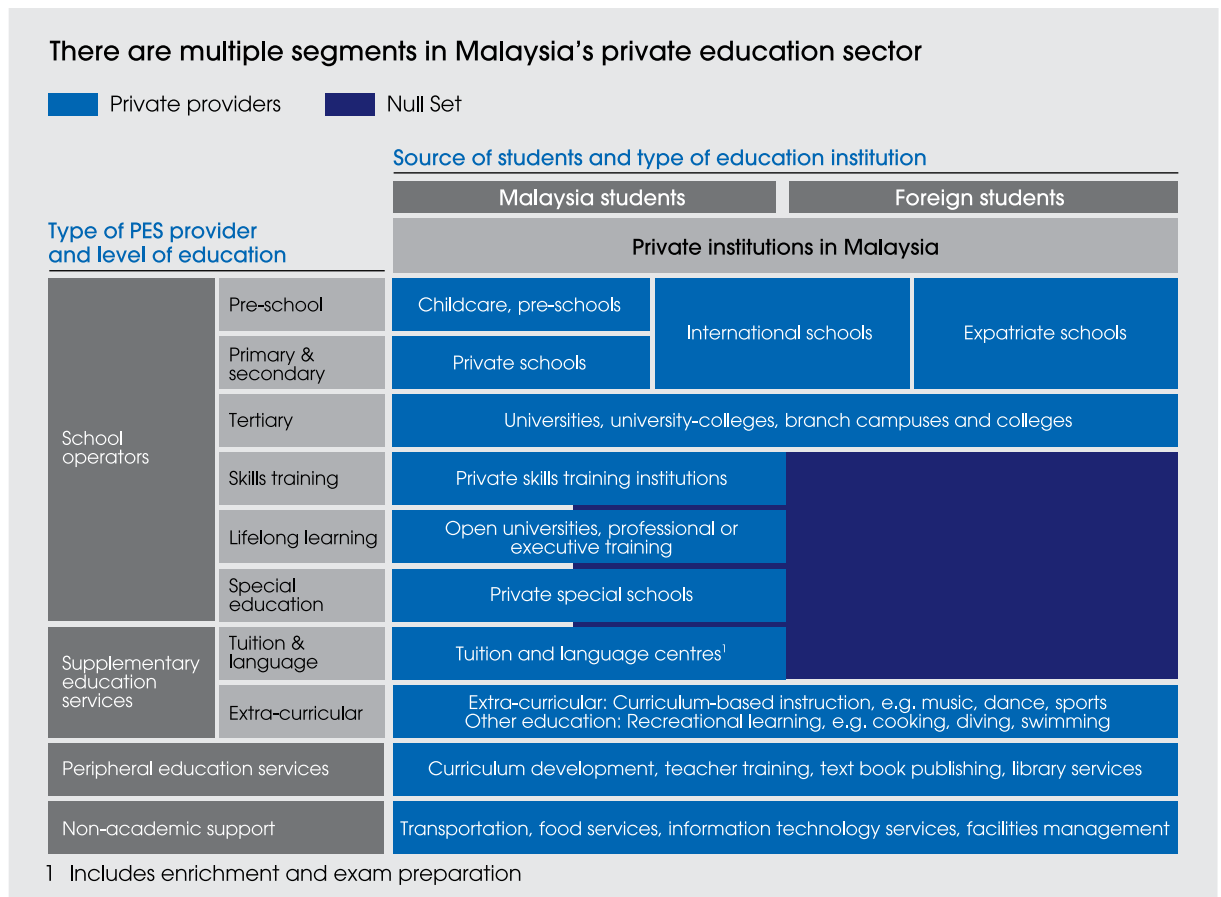
- **Industry structure:** From a fragmented sector with many sub-scale small and medium enterprises (SMEs) to one that encourages SME innovation and growth spearheaded by renowned high quality national and regional players;
- **Student base internationalisation:** From a market primarily focused on domestic students and consumption to one where education exports (e.g. attracting high quality foreign students) are major drivers of GNI and a critical part of the economy;
- **New ways of working:** From public and private sector players moving in separate spheres to a level playing field with innovative public-private partnerships that complement each sector's strengths and nurture positive competition;
- **Regulatory transformation:** From a highly regulated industry to one that emphasises greater self-regulation, industry-led quality standards and harmonised regulations across both public and private institutions; and
- **Funding shift:** From primarily supply-side funding of public institutions to (1) greater demand-side funding of students for both public and private institutions; and (2) more performance-based funding of private institutions that are better positioned to deliver outcomes.

We envision a rebranding of Malaysia – from a stopover location for education to a major education centre of choice and a pivotal hub in the global education network. We envision a 2020 where education is a big business that delivers significant, widespread and sustained GNI impact, while raising standards and widening access. Only then will Malaysia be able to develop a first-world talent base.

DEFINITION OF THE EDUCATION NKEA

The private education sector (PES) can be divided into multiple segments, as illustrated in *Exhibit 14-1* based on the nature of services provided and the age of the learner targeted. In 2009, there were approximately 10,000 providers serving over 1 million students. Most providers are SMEs that focus on a particular phase in the education value chain. However, there are a growing number of large, national players that span multiple education phases.

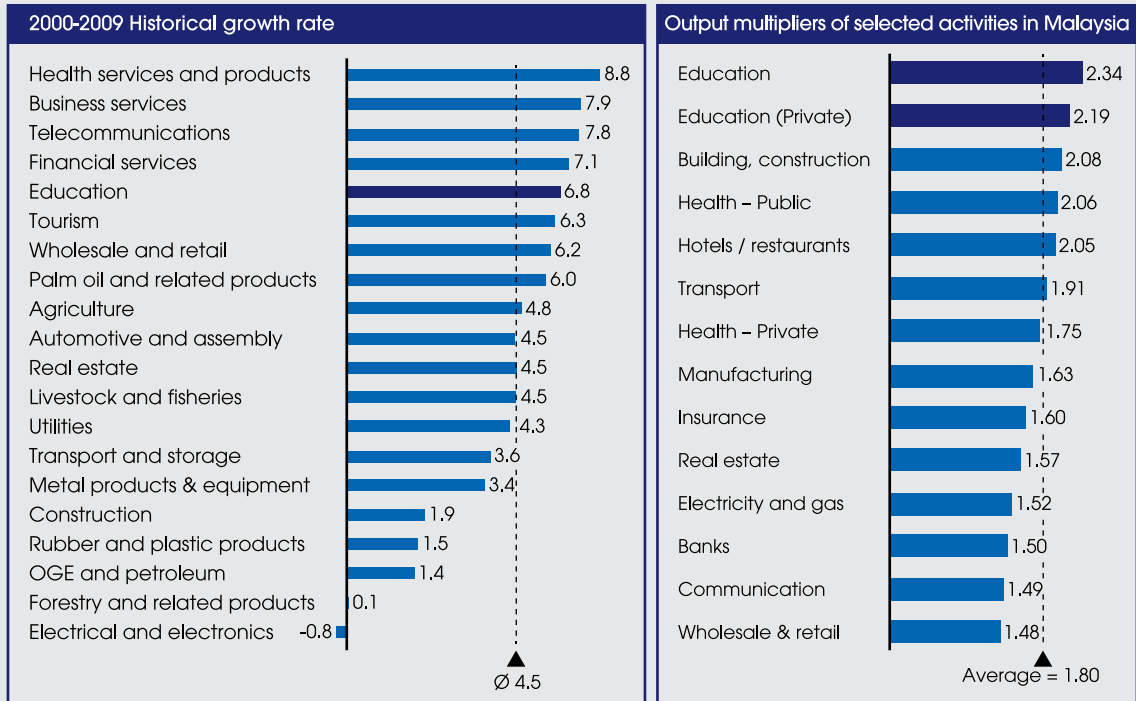
Exhibit 14-1



Despite the current moderate size of the private education sector, it boasts one of the fastest growth rates over the past decade and one of the highest output multipliers in the country – even higher than sectors where stimulus packages have been allocated (*Exhibit 14-2*). As the education sector grows, it generates growth impact on other sectors. We believe its robust trajectory will continue, supported by Malaysia’s growing middle class as well as increasing investor interest in education worldwide. As an example, the global value of private equity investments in education grew at 11 percent year-on-year from approximately RM1.7 billion in 2001 to nearly RM4.3 billion in 2009.

Exhibit 14-2

The sector has seen robust growth over the past decade and has one of the highest multipliers in the economy



MARKET ASSESSMENT

Within Malaysia, the private education sector has historically played a key role in supporting the delivery of public education objectives. The drive towards increased tertiary level enrolment, for instance, would not be possible without private tertiary institutions (*Institusi Pengajian Tinggi Swasta*) (IPTs), which provide for 50 percent of all tertiary students today. Private sector participation can also spur competition in the industry, leading to improved processes, more choices for consumers and improved quality. Up to 20 percent efficiency gains have been observed in education initiatives led by the private sector, and the greater autonomies typically afforded to private providers enable increased innovation and ease in adapting to changing market demands.

More broadly, investing in education has significant long-term productivity gains. A European Union study found that a permanent one-year increase in the average education level of the labour force translates into a 0.45 percentage point increase in annual labour productivity growth. Indeed, research conducted by McKinsey & Company estimates that the economic cost of the current United States student achievement gap is up to RM7.4 trillion, a value equivalent to a permanent national recession in the USA.

Above all, our desired shift from a middle-income to high-income nation will not be possible unless we develop a first world talent base. All of the 12 NKEAs have identified the supply of skilled talent as a key success factor, making education critical, not just as a growth engine in its own right, but as an underlying enabler for the national economy.

Strengthening the Private Education Sector

Malaysia's private education sector has undergone remarkable growth since the 1980s and is recognised today in international circles as one of the most innovative and progressive in the region. Achievements include the development of innovative forms of transnational education programmes such as split degrees and our position as the 11th top exporter of education globally.

There are however a number of challenges that threaten to impede further growth, or may set the industry on a downward trajectory:

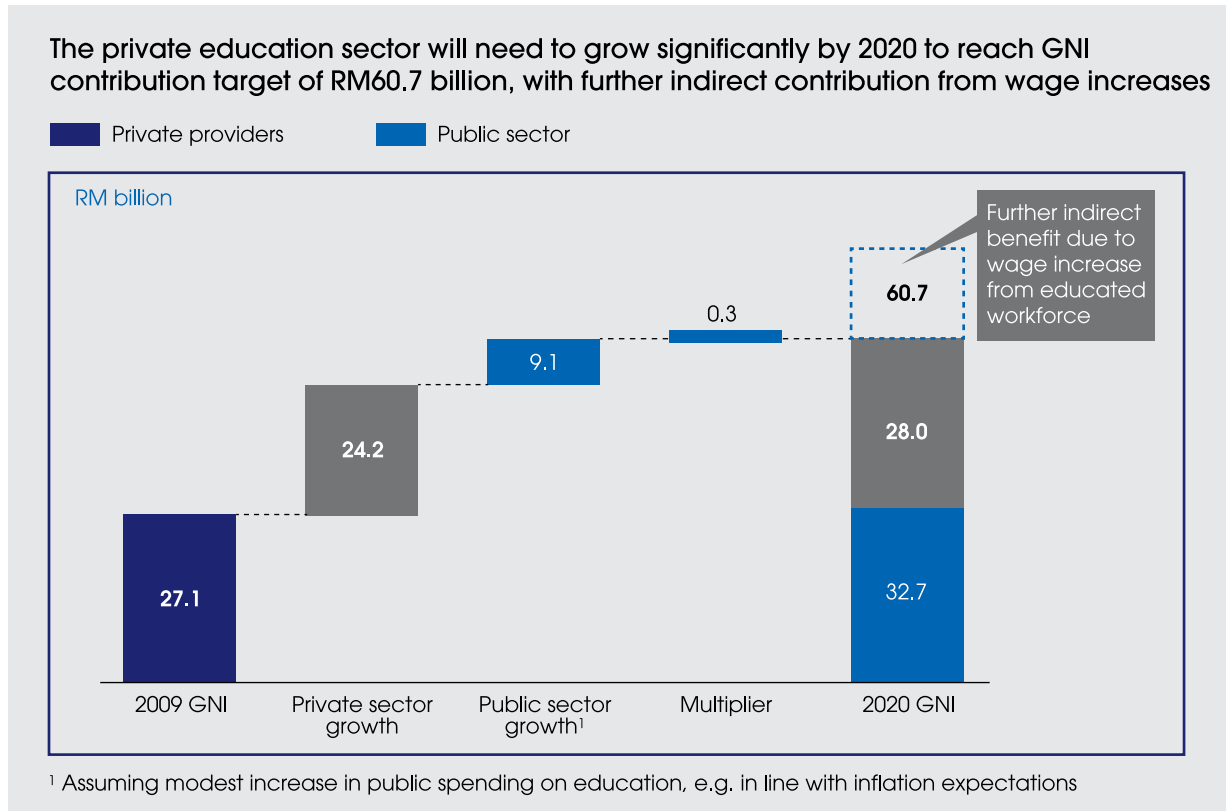
- **Wide variation in quality:** The quality and consistency of teaching and learning standards are ongoing concerns for the industry. In 2009, only one Malaysian university was among the top 200 institutions listed in the Times Global Higher Education Ranking; at present only seven are in the Top 200 Universities in Asia. Within Malaysia, the 27 percent unemployment rate after six months for students graduating from local higher education institutions in 2009 also suggests that there is a quality mismatch between what is required and what is produced. Our ability to effectively monitor and enforce quality standards has not kept pace with the rapid growth of the industry. Inconsistencies remain in standards or requirements across public and private institutions, and there are limited mechanisms for helping consumers make quality comparisons;
- **Lack of scale:** The sector is dominated by small and medium enterprises, and this fragmentation means that many providers lack the resources and expertise to scale up. This not only means that we have few national players (much less international ones), but also that it is harder to engage the industry on sector transformation;
- **Gaps and inefficiencies in regulation:** Private providers report difficulties in starting up and expanding their operations, with numerous bottlenecks identified in processes such as accreditation and financing. For example, private education providers often have difficulties accessing funding from commercial banks, and there are limited Government-aided loans in comparison to those provided to other priority sectors such as, tourism; and
- **Competition from other hubs:** Malaysia is currently the 11th largest exporter of education globally, thanks to the “value-for-money” proposition we offer and our innovation on transnational programmes (e.g. twinning degrees). However, the rise of education hubs such as China, Singapore, Thailand and Qatar, threatens our ability to maintain this position.

Despite these challenges, we have many strengths to offer. Education experts and investors have highlighted Malaysia's regulatory environment for private education as among the most open in the region. Accordingly, the sector has an increasingly international orientation, with high profile international institutions such as Monash University, Swinburne University, Curtin University and Nottingham University establishing branch campuses in Malaysia. Furthermore, the rapid growth of the industry, despite the challenges, highlights high levels of resilience and entrepreneurship that can be unleashed with further liberalisation of the market.

TARGETS AND ASPIRATIONS

The Education NKEA is targeted to raise total GNI contribution to RM60.7 billion by 2020 from RM27.1 billion in 2009. As public sector growth is expected to be limited, this goal will require the private education sector to grow significantly (*Exhibit 14-3*).

Exhibit 14-3



In achieving this, an additional 535,000 jobs will be created, with the majority of them in professional and technical fields. We also aspire to triple our foreign student enrolment from around 70,000 today to 200,000 by 2020. Beyond GNI impact, we envisage that the private education sector will have a strong impact on our nation's socio-economic development, through multiple education touchpoints (*Exhibit 14-4*). As such, we see the private education sector as playing a critical complementary role to the public sector in delivering the education outcomes and Government objectives laid out in the National Key Results Area (NKRA) on Education.

Exhibit 14-4

Entry Point Projects will expand education touchpoints by 2020

Education NKEA Entry Point Projects		Education Touchpoints (Thousands)		
		2010	Target 2015	Target 2020
Rapid Scale-Up	1. Scaling up early child care and education centres	321	553	857
	2. Improving early child care and education training	1	13	25
	3. Scaling up international schools	19	37	75
	4. Expanding private teacher training	0	3	10
	5. Scaling up private skills training provision	55	96	110
	6. Expanding international distance learning	7	46	161
Concentration	7. Building an Islamic finance and business education DC	2	12	54
	8. Building a health services discipline cluster	55	90	150
	9. Building an advanced engineering discipline cluster	0	12	34
	10. Building a hospitality and tourism discipline cluster	17	35	43
	11. Launching EduCity @ Iskandar	3	16	16
Demand Generation	12. Championing Malaysia's international education brand	77	124	200
	13. Introducing public private partnerships in basic education	0	8	13

13 EPPs to Deliver RM19.0 Billion GNI

To deliver these targets, four education segments have been prioritised based on existing market size and potential for future growth: tertiary education (both domestic and foreign students), technical education and vocational training (TEVT), basic education (primary and secondary) and early child care and education (ECCE).

A total of 13 EPPs have been developed across these four segments based on their GNI impact and potential to catalyse further business opportunities and investments. These EPPs are also expected to raise overall education standards (defined in terms of improved access, quality and equity), create transformational rather than incremental change and deliver significant results within a 10-year timeframe. These EPPs fall into three themes, as illustrated in *Exhibit 14-5*.

Theme 1: Rapid Scale-Up Initiatives

Rapid scale-up to quickly develop high quality private school chains or increase private sector participation in fragmented and immature markets.

- **EPP 1:** Scaling up early child care and education centres;
- **EPP 2:** Improving early child care and education training;
- **EPP 3:** Scaling up international schools;

- **EPP 4:** Expanding private teacher training;
- **EPP 5:** Scaling up private skills training provision; and
- **EPP 6:** Expanding international distance learning.

Theme 2: Concentration and Specialisation Initiatives

One of our challenges is the wide variation in quality, particularly at the tertiary level where industry linkages are critical. Best practice examples from countries in comparable situations suggest that a way forward lies in the development of integrated networks of institutions across one or more phases of the education value chain.

- **EPP 7:** Building an Islamic finance and business education discipline cluster;
- **EPP 8:** Building a health sciences education discipline cluster;
- **EPP 9:** Building an advanced engineering, science and innovation discipline cluster;
- **EPP 10:** Building a hospitality and tourism discipline cluster; and
- **EPP 11:** Launching Educuity@Iskandar.

Theme 3: Demand Generation Initiatives

These initiatives aim to significantly increase individual willingness to pay for high-quality course offerings as well as to export education by developing Malaysia as a regional education hub.

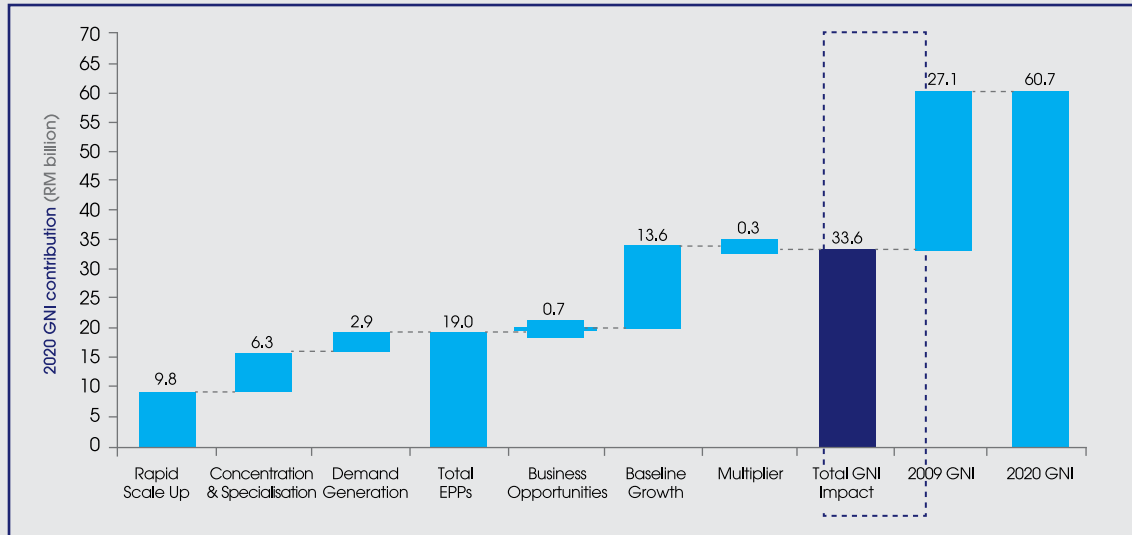
- **EPP 12:** Championing Malaysia's international education brand; and
- **EPP 13:** Introducing public-private partnerships in basic education.

Collectively, these EPPs will contribute RM19 billion in additional GNI towards the sector's targeted GNI contribution. Combined with an estimated RM14.3 billion of GNI in business opportunities and baseline growth, the sector will have an overall target of RM60.7 billion in GNI.

This also includes approximately RM0.3 billion of GNI from the multiplier effect created by EPPs from other sectors. The largest sources of this multiplier are NKEAs including Wholesale and Retail and Business Services, which are the result of increased spending in these sectors, for example, increased employee training and skill-building programmes.

Exhibit 14-5

13 EPPs, 2 business opportunities, baseline growth and multiplier effect will deliver RM33.6 billion incremental GNI impact by 2020



RAPID SCALE-UP INITIATIVES

A major challenge for the industry is fragmentation and lack of scale. Accordingly, we need to encourage existing providers to increase capacity, or make it easier for new providers to enter the market. At the same time, we need to maintain high quality standards and prevent the crowding out of existing providers.

EPP 1: Scaling Up Early Child Care and Education Centres

Rationale

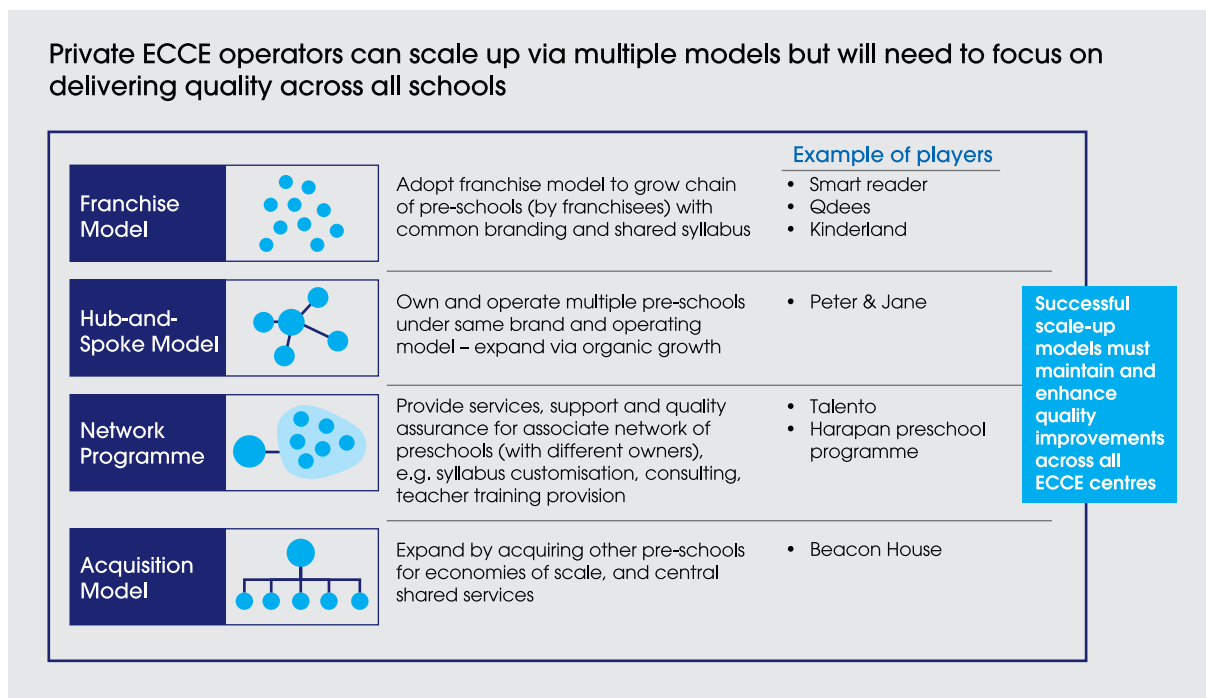
The public sector currently serves 68 percent of child care enrolment and 57 percent of pre-school enrolment. Under the NKRA agenda, the Ministry of Education (MoE) aims to increase pre-school enrolment from 67 percent in 2009 to 87 percent in 2012. We propose to invest an additional RM813 million between 2010 and 2012 towards this effort. However, we will require significant private sector support in the form of funds and the actual provision of pre-school education to meet the NKRA target.

This dependence on the private sector will increase even more if we expand our focus from pre-school to include child care, as our current enrolment rate is 4 percent compared to the OECD average of 25 percent. We know that a child's brain develops the most during the first five years of life, and quality child care improves a child's potential. Moreover, the provision of child care enables women to return to or enter the workforce.

Actions

When scaling up, private pre-school and child care providers are challenged with maintaining quality across all centres. There are four potential expansion models: franchising, growing organically via a hub-and-spoke model, network programming and acquisition. *Exhibit 14-6* illustrates each model and highlights examples of local best practice.

Exhibit 14-6



In parallel, MoE will encourage the private sector’s efforts by removing four major roadblocks faced by the private sector in entering the market or expanding. All enablers are expected to be in place by the first quarter of 2011, so that private companies can execute as rapidly as possible.

To begin, we will explore the possibility of expanding the voucher scheme for ECCE services to all low-income families (i.e. the bottom 40 percent of the national household income distribution). By allocating funds to students rather than to institutions, families will be able to choose the provider that best meets their needs, thereby generating competition and a higher quality of service. The amount of funds given to families will be on a sliding scale basis, pegged to household income, with more support going to those who need it most.

MoE and the Social Welfare Department will streamline the licensing and registration process. This will be done in collaboration with local authorities, i.e. town planning divisions, health departments and fire departments. The end goal is to enable the end-to-end licensing approvals of these three agencies to be secured within one month. This will be done by harmonising procedures across all agencies throughout the country and streamlining the vetting process. For example, we will secure agreement of local authorities to use the same application form nationally and require private providers to secure approval of the local authority’s town planning division prior to actual site acquisition.

We will also engage the Ministry of Finance (MoF) and Economic Planning Unit (EPU) to secure the designation of education as a priority sector eligible for preferential loans from Government institutions such as SME Bank. More information is provided in the section on Common Enablers.

We will establish an independent council or industry association for quality control and advocacy. Comprising members of the ECCE industry, this council will be responsible for setting standards, improving the quality of the industry and representing its interests to the public and to national or Government agencies (e.g. National Committee on Pre-schools).

Funding

The total funding required is RM3.9 billion. The private sector is expected to contribute a cumulative sum of RM482 million over the next 10 years for capital expansion. Cumulative Government funding of RM3.5 billion is required, of which RM2.4 billion comprises a shift in existing Government funding from the supply side to the demand side for pre-school and child care vouchers, RM0.7 billion is for soft loans to stimulate investment in the sector and the remaining RM0.4 billion is allocated to new funding to extend additional vouchers to child care.

Impact

The rapid scale-up of ECCE centres would generate RM3.9 billion in GNI in 2020 and create 78,000 jobs.

EPP 2: Improving Early Child Care and Education Training

Rationale

A key success factor to the development of a high standard across the sector is the quality of ECCE teachers. Roughly 93 percent of ECCE teachers in the private sector do not possess any accredited teacher training certification. The Tenth Malaysia Plan aims to change this by moving towards a minimum diploma level qualification for all ECCE teachers. Delivering on this aspiration will require both upskilling existing teachers and providing pre-service training for new teachers to raise the quality and level of professionalism in ECCE.

Actions

The private sector is expected to take the initiative in developing high quality teacher training centres that provide pre-service and in-service ECCE courses recognised by the Malaysian Qualifications Agency (MQA). The MoE will negotiate off-take agreements with qualified private teacher training centres. Likely assessment criteria will include investment in the research and development of innovative teaching and learning practices that can be commercialised via the production of teaching materials. For instance, the centres could specialise in cross-cultural teaching, as befitting Malaysia's multi-cultural and multi-lingual diversity.

MoE will also fast-track the policy recommendation that training programmes can be taught in other languages such as English, Mandarin and Tamil. Our intention is to have these enablers in place by Q1 2011.

Funding

This EPP will require a total of RM51.2 million in funding. RM19.2 million will come from the public sector, and RM32 million will come from the private sector to fund the building of new training centres or the expansion of existing ones.

Impact

The development of private ECCE centres would generate RM338 million in GNI in 2020 and create 370 jobs.

EPP 3: Scaling Up International Schools

Rationale

International schools have been growing at a rate of 10 percent over the past five years, driven by growth in the expatriate population as well the relaxation of the cap on the number of Malaysian students per school. Looking ahead, this demand is expected to further increase due to the Greater Kuala Lumpur NKEA's target of increasing the expatriate and returning diaspora population from 100,000 to 500,000 by 2020.

Increasingly, Malaysian families are sending their children abroad for primary and secondary education. Reasons for this range from business interests abroad to the higher job mobility such an education is perceived to result in. As an illustration, approximately 15,000 Malaysian students study in Singaporean schools.

Actions

To meet this demand, MoE will encourage local providers by removing the barriers to expansion of international schools. Should domestic providers not be able to meet demand, we will also identify prestigious foreign school providers and encourage them to set up locally.

We have already identified 10 providers that are willing to commit to an expansion programme starting from 2011. MoE will set up a team responsible for tracking the progress of expansion and running marketing campaigns to engage new local and international providers.

We will provide international school operators with support on the issue of land acquisition and soft loans. Both of these are common enablers that affect companies across all phases of the education value chain and will thus be discussed in greater detail in the section on Common Enablers. Finally, we will work in collaboration with the Ministry of Higher Education (MoHE), the Ministry of Human Resources (MoHR), the Ministry of Tourism (MoTour), Malaysia External Trade Development Corporation (MATRADE) and Wisma Putra on marketing Malaysia as a destination of choice for private basic education.

Funding

The capital requirement will be sourced entirely from the private sector and amounts to RM2.4 billion over 10 years.

Impact

The initiative will generate RM2.6 billion in GNI in 2020 and will create approximately 10,000 jobs. Enhancing the quality and increasing the number of international schools would also support the Greater Kuala Lumpur NKEA's objective of attracting more expatriates.

EPP 4: Expanding Private Teacher Training

Rationale

MoE has an aggressive plan to train new teachers and upskill existing teachers, particularly in subjects such as English where there are shortages in quantity and quality. The former is according to the policy "Upholding the Malay language, and strengthening the English language", which will require about 5,000 new teachers per annum, while the latter is driven by the fact that almost 50 percent of the 35,000 current English teachers were trained to teach subjects other than English (non-optionists).

Current projections suggest that public institutes do not have sufficient capacity to meet this demand. Rather than investing heavily in capacity expansion of Teacher Education Institutions, the NKRA Teacher Quality Lab approved the liberalisation of the market to include private providers for increased competition. This EPP supports the delivery of that initiative.

Actions

We will allow private providers to provide pre-service and in-service training for primary and secondary school teachers. Private providers will be responsible for determining the subject areas they wish to specialise in (e.g. English or special education), as well as what business model they will use (e.g. face-to-face, e-learning, or blended models). They must, however, comply with the quality standards set by MoE and MQA for teacher training and must source their own capital investment and staff.

MoE will open hiring of public sector teachers to graduates of these institutions, regardless of whether they were sponsored by the Government. As with the ECCE training centres, we will also negotiate off-take agreements based on a compelling, value-for-money proposal for training of our teachers. These providers will be selected via a request for proposal process, the first of which will be launched by the end of 2010.

Funding

A total of RM500 million funding is required, of which approximately RM50 million is required from the public sector and RM450 million from the private sector for infrastructure development. In addition, approximately RM25 million will be required by the Government to cover total operating expenditures (e.g. supplies like books, chalkboards and classroom equipment).

Impact

Building these private teacher training centres will generate an additional RM434 million in GNI by 2020 and create 430 jobs.

EPP 5: Scaling Up Private Skill Training Provision

Rationale

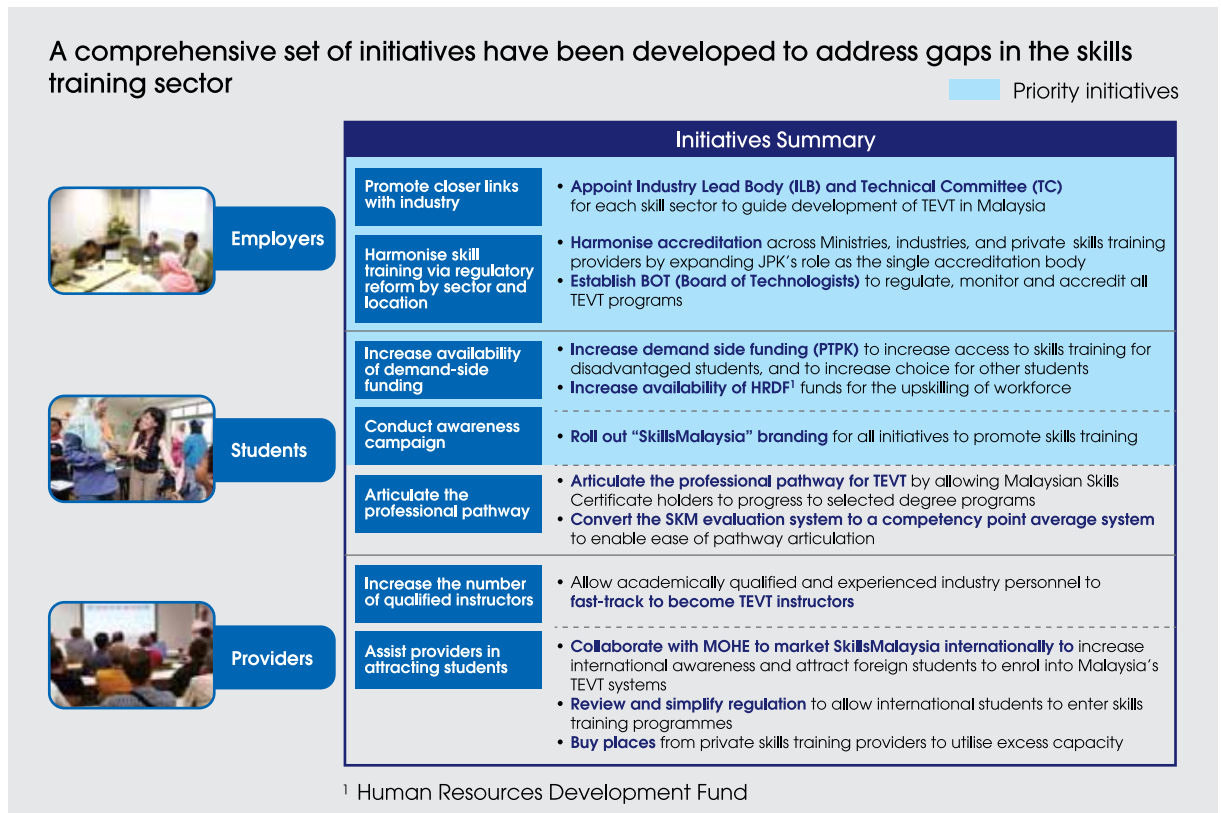
The Tenth Malaysia Plan has set a target for a 50 percent skilled workforce by 2020. At our current pace, however, we are unlikely to meet this target. To illustrate, the number of Malaysian Skills Certificates awarded has levelled off in the last five years, and there is low private sector investment. The challenge is not a lack of potential students. Annually, approximately 130,000 dropouts and Malaysian Certificate of Education leavers enter the workforce directly. There are also around 8.4 million existing unskilled and semi-skilled workers and 6.3 million unemployed or stay-at-home citizens that would benefit from access to skill training.

This stagnation stems from other reasons. There is a weak link between industry needs and curriculum development and modes of delivery. The involvement of multiple ministries for funding, delivery and accreditation results in a lack of central oversight and discrepancies in policy implementation. Skill training is perceived as an unattractive career path; it is usually the fall back option for school dropouts and poor performers. Demand side funding to stimulate private sector involvement and inclusiveness via the Skills Development Fund Corporation (*Perbadanan Tabung Pembangunan Kemahiran* or PTPK) is limited to RM100 million per annum for pre-service students, which can only support approximately 12,200 students yet there are 40,000 applicants annually for skill training.

Actions

Private skill training institutions are well-placed to respond to these challenges as they tend to have closer ties to industry, are able to adapt more quickly to changing market demands and have excess capacity. The Department of Skills Development (*Jabatan Pembangunan Kemahiran* or JPK) under the MoHR will work with MoE and the MoHE to support this expansion through a set of initiatives targeting employers, students and private providers (*Exhibit 14-7*).

Exhibit 14-7



JPK will accelerate the appointment of industry-lead bodies (ILBs) for each sector, beginning with the NKEA strategic sectors. ILBs will be the designated link between industry members, JPK and the private skills training sector. Their main function is to ensure the relevance of national standards to industry needs and identify gaps in supply and demand of human capital. In addition, they will promote skill training amongst members and perform research on future needs of the industry. It is envisioned that existing associations representing a majority of their industry will be appointed as ILBs. The concept has already received endorsement from 22 potential candidates, and it is envisioned that 4 ILBs will be appointed this year, with a further 16 to be appointed in 2011.

We will expand JPK's role as the single accreditation agency for all skills training programmes to harmonise the fragmented skills training landscape. JPK will work with the various ministries, industry sectors and private skills training providers to set a national professional standard by December 2011. To further assist in this, we will establish a Board of Technologists to monitor and regulate professional conduct of technologists. Its mandate will be similar to that of the Board of Engineers, and it will report into the Ministry of Works. Progress towards full recognition of the importance of skills training has already been demonstrated, with the Public Service Department recognising the Malaysian Skills Certificate, Malaysian Skills Diploma, and Malaysian Skills Advanced Diploma for civil servants.

We will increase the funding for PTPK from RM100 million in 2010 to RM500 million for pre-service students, which will benefit 60,000 to 70,000 students per annum. While this is an increase in cost, this sum is still significantly lower than the amount disbursed by the National Higher Education Fund Corporation (*Perbadanan Tabung Pengajian Tinggi Nasional* or PTPTN), which is the primary source of tertiary education funding. It disburses RM3 billion annually, which supports 200,000 students. We will also move towards a performance-based approach for disbursement of PTPK funds, where institutes rated highly for employability of their graduates will receive more funds for students. It is envisioned that tracer studies will be implemented to monitor this key performance indicator.

We will also launch a national awareness campaign in 2011 to engender a shift in public mindset. Promotions of initiatives will be unified under the brand SkillsMalaysia and will begin with a national media campaign in 2011. The key messages will emphasise tangible benefits for students, e.g. high salary multiple, high probability of employment and the possibility of furthering their studies in advanced courses as well as highlighting priority sectors with a shortage of skilled labour. Messages from the media campaign will be reinforced by school counsellors, who will provide comprehensive career guidance to students.

Other initiatives to encourage the private provision of skills training include marketing vocational training to international students (see EPP 12) and collaborating with MoE in a public-private partnership, whereby vocational courses in secondary schools (during Forms 4 and 5) will have their practical component at the private skills training institute. To enable the latter, statutory revision of the Education Act may be necessary to regulate the interaction with industry.

Funding

This initiative requires a total of RM8 billion in funding, of which approximately RM3.4 billion is sourced from the private sector and RM4.6 billion in cumulative public funding is required. Of this latter amount, RM154 million in cumulative public funding is required to support the appointment of ILBs, carry out marketing campaigns and upskill TEVT instructors. The remaining RM4.5 billion constitutes a shift from supply side to demand side funding (PTPK) to reach the goals of the Tenth Malaysia Plan.

Impact

Scaling up private skill training providers will result in a RM2.1 billion increase in GNI in 2020, with significant indirect contribution from increased wages. It will also create approximately 12,400 jobs.

EPP 6: Expanding International Distance Learning

Rationale

Distance learning, particularly online diplomas and tertiary degrees, is a globally booming market. Asia alone has seen an average growth rate of 12 percent per year over the past 10 years and this trend is expected to continue as countries push to raise enrolment at the post-secondary level. Multiple national players have been established to address this demand in India, Indonesia and Malaysia. However, as of 2010, no university in the region had succeeded at building an international presence.

If we were able to step into this vacuum and become the leading regional player in Asia, we stand to gain up to RM351 million in incremental GNI by 2020. Indeed, we are already well-placed to do so, with 31 government-to-government agreements concerning education across Asia. Our efforts thus far, however, have been hampered by a lack of collaboration among key stakeholders and unfavourable regulations.

Actions

MoHE will facilitate a discussion between the three existing online universities (*Box 13-1*) to determine which institution or network of institutions will act as the gateway for all Malaysian universities that want to market their content online. This gateway university will concentrate on developing e-learning expertise and work closely with other universities to transform their total content into distance learning material, supported by revenue-sharing agreements. The gateway university will also be responsible for building partnerships with local universities in target countries to push offerings into foreign markets. This separation of the delivery and content development functions will allow the gateway university to ramp up quickly and cost-effectively. To guard against the attempted expansion of international competitors into Asia, we intend to offer content in local languages as well (e.g. Mandarin and Bahasa Indonesia).

This push to expand our distance learning presence will occur in two waves. The first wave will target China and India due to their size, as well as Indonesia, Vietnam and Thailand due to their cultural fit. Central Asian, African and Middle Eastern countries will be targeted in the second stage.

We will support the efforts to expand online distance learning by contracting additional government-to-government agreements and ensuring that countries comply with existing agreements. We will also review existing regulations that hamper the expansion of online distance learning and help facilitate cross-Ministry discussions as well as improve the set of incentives for local universities, particularly public tertiary institutions (*Institusi Pengajian Tinggi Awam* or IPTAs), to have their content digitised and rolled out online.

Funding

The private sector will provide RM71.3 million in cumulative funding for capital expansion. No public funding is required.

Impact

Building one or more strong regional players in distance learning will result in incremental GNI of RM351 million by 2020 and 3,900 new jobs. This does not include the indirect impact of foreign students who choose blended learning formats that require them to spend part of their studies in Malaysia.

Box 13-1

Delivering a regional online university

Malaysia currently has three major players in the online education space: Asia e-university, Wawasan University and Open University. This provides us with a strong starting base to develop our “gateway” into the regional market.

Asia e-University was established in 2007 with the explicit goal of becoming the e-learning hub for Asia. It has secured local accreditation in all Asia Cooperation Dialogue (ACD) countries, and collaborative agreements in 14 countries. Accordingly, 70 percent of its 3,500 students are from other countries.

Open University was established in 2000 by a consortium of 11 public universities. It aims to provide flexible education solutions so that all Malaysians can have access to tertiary education. It has over 80,000 students, of which 30 percent are foreign students.

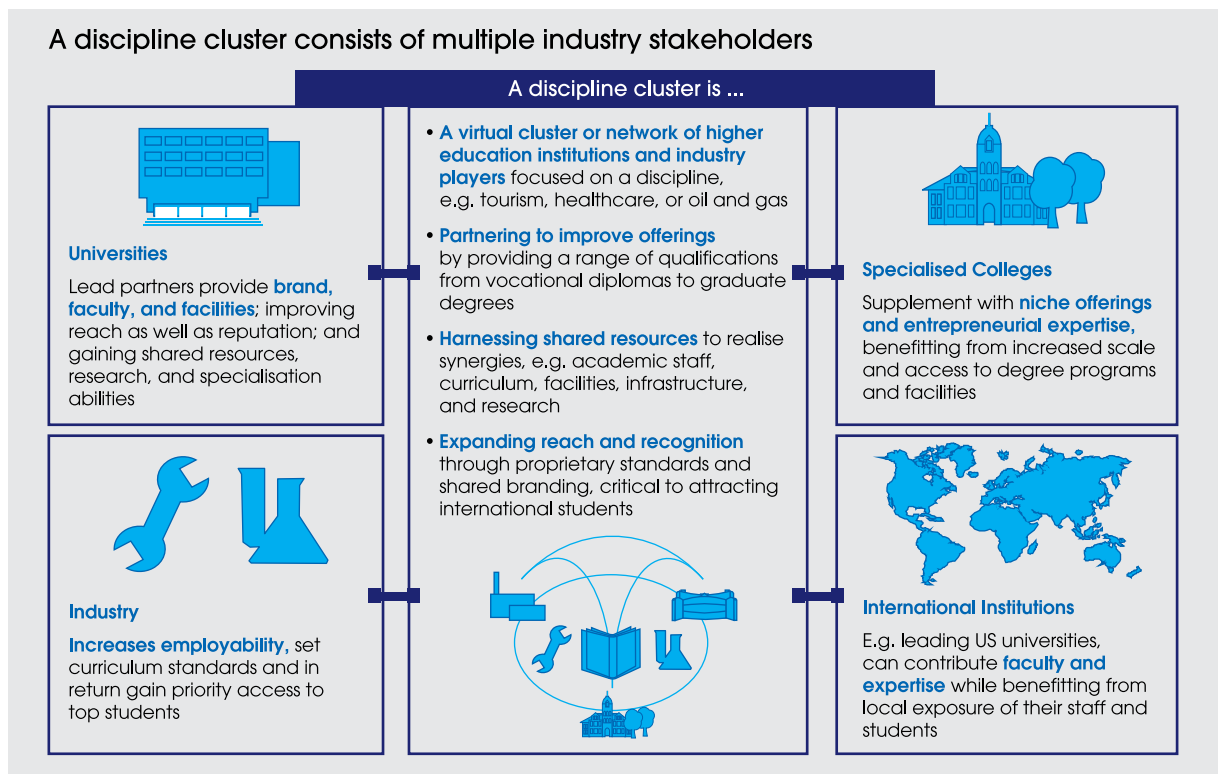
Wawasan University was established in 2007 and specialises in Adult Learning degrees and certification in management science in technology. It has 5,000 students, 20 percent of which are foreign students.

CONCENTRATION AND SPECIALISATION INITIATIVES

As *Exhibit 14-8* illustrates, a discipline cluster is a network of academic institutions and industry players that partner to improve offerings and raise standards so as to expand their reach and recognition. Such clustering will enable Malaysian institutions to overcome the challenges of scale and quality that beset the industry by allowing them to leverage shared resources, jointly mitigate risks and develop proprietary quality standards in coordination with industry.

Multiple discipline clusters can be developed to meet the human capital pipeline needs of each NKEA sector (*Exhibit 14-8*).

Exhibit 14-8



EPP 7: Building an Islamic Finance and Business Education Discipline Cluster

Rationale

In terms of Islamic banking assets, Malaysia is currently ranked fifth globally after the United Arab Emirates, Saudi Arabia, Kuwait and Qatar with around RM3.2 trillion. In the fast growing sub-field of Sukuk, commonly referred to as the Islamic equivalent of bonds, Malaysia is the top issuer in the world with a 67 percent market share.

Despite this strong position, we currently supply less than 3 percent of the global Islamic finance talent pool. One reason is the lack of national consensus on a standard curriculum for an education in Islamic finance and business. This disagreement makes it difficult for us to develop an internationally-recognised professional certification, critical in major markets like the Middle East. We have also yet to systemically brand Malaysia as a hub in this field.

Actions

The Association of Chartered Islamic Finance Professionals (ACIFP), will take the lead in developing a harmonised undergraduate and post-graduate curriculum that is endorsed by the International Shari'ah Research Academy for Islamic Finance. Both of these organisations are under the purview of Bank Negara Malaysia (BNM).

This curriculum will build off existing ACIFP modules and other successful curricula run by partner institutions such as the International Centre for Education in Islamic Finance, the International Institute of Islamic Business and Finance, the International Islamic University Malaysia and the Islamic Science University of Malaysia. It will become the national standard for the industry and consist of a comprehensive education in Islamic and Syariah principles, followed by a specialisation in Islamic finance, business or law.

Once the standardisation and innovation of the curriculum is complete, ACIFP and its partner institutions will launch a marketing campaign to build international recognition among potential students. ACIFP will also bring in foreign institutions as partners, and leverage the Central Bank's strong international network to build global acceptance among leading financial institutions. Both initiatives will target the Middle East.

Funding

This EPP will be funded entirely by the private sector. In total, RM144 million will be required to cover the cost of ACIFP's administrative build-up, international marketing campaigns and curriculum development.

Impact

The EPP will produce an incremental 2020 GNI impact of RM1.2 billion, and approximately 4,300 jobs at local universities and research centres.

EPP 8: Building a Health Sciences Education Discipline Cluster

Rationale

Southeast Asia currently suffers from an undersupply of 1.2 million healthcare professionals, and this is projected to rise to 1.8 million by 2020. Of this shortage, nurses account for 67 percent. Malaysia too is struggling with a shortage of healthcare professionals, particularly in rural areas. Malaysia had a shortfall of around 86,000 practitioners in 2010 and this figure is expected to increase slightly to 95,000 by 2020.

With over 150 health services education institutions and a respectable market reputation, Malaysia has the ability to take a leading role in addressing this shortage. However, we have thus far failed to do so due to a lack of scale and industry linkages – both for crucial practicum placements as well as for the development of industry-relevant curriculum. These challenges are particularly apparent in the private sector, where employability rates of graduates three months after graduation (80 percent) are significantly lower than that of public institutions (nearly 100 percent).

Actions

The cluster is to be driven by anchor institutions from the education sector and allied health industry. During the first phase these anchor institutions will be responsible for building partnerships with smaller training colleges and developing a portfolio of joint programme offerings from diplomas to postgraduate degrees. This sharing of basic curricula will free up space for member institutions to pursue specialities in niche areas, thereby enhancing the overall portfolio of the cluster. We expect the cluster to provide programmes in all health sciences education. As part of this process, the cluster will engage industry players (e.g. hospitals and clinics) to develop an industry-recognised quality standard.

The anchor institutions are also responsible for setting up joint investment vehicles that will pool private investments to develop critical infrastructure like clinical labs and teaching hospitals. An integrated teacher training process, shouldered by all cluster participants, will also help to address the shortage of lecturers. During the second phase, from 2012 to the end of 2013, the cluster will be broadened to welcome any institute that meets the quality standard. This may well include international partners from educational institutions to health service providers.

The Ministry of Health and MoHE will support the growth of the cluster through a number of incentives. We will facilitate the export of health care professionals through government-to-government agreements that guarantee the acceptance of Malaysian diplomas and degrees in other countries. Where reasonable and relevant, we will allow the increased usage of human-patient-simulators as a partial (20 percent) substitute for clinical postings. We will also restructure the approval process for student quotas so that institutions with good track records can be approved for increases in student numbers based on planned capital expenditure instead of finished infrastructure. This will increase utilisation and planning security for private investors.

Funding

Total funding required is RM1.4 billion. The private sector will fund all capital expenditure renewals, estimated at RM0.2 billion. The public sector will fund approximately RM1.2 billion. Of this amount, RM0.3 billion will help increase quality through the purchase of an international curriculum and the upskilling of instructors. An additional RM0.9 billion will be used to support this initiative by shifting public hospitals in the pipeline to the private sector to operate as teaching hospitals.

Impact

We expect to create an incremental GNI contribution of RM2.87 billion and create 11,800 jobs by 2020.

EPP 9: Building an Advanced Engineering, Science and Innovation Discipline Cluster

Rationale

To move the NKEA sectors up the value chain, we will require access to world-class research that is interdisciplinary, commercialisation-focused and industry-linked. Such research creates a high demand for advanced and postgraduate science and technology students – both as researchers and employees.

In 2009, however, the advanced engineering, science and innovation sector produced 35,000 private students of which only 1,300 were postgraduates. Current projections across the NKEA sectors, particularly for Oil, Gas and Energy, Business Services and Healthcare, suggest that we will need an additional 20,000 specialised graduates per year by 2020, of which 5,000 must be postgraduates. Further, due to high market fragmentation and academic silos, interdisciplinary collaboration is rare, cutting-edge facilities are scarce, resources and industry linkages with the goal of commercialisation almost non-existent. Accordingly, profit from the commercialisation of research across the sector is valued at less than RM50 million, with the average university income from research pegged at less than 1 percent of total revenue.

Actions

As scientific collaboration requires sufficient facilities and benefits enormously from the close interaction of researchers, industry and investors, we recommend that this cluster be physically collocated with industry. The ideal anchor institution is thus a science or technology park that draws researchers and industry from multiple growth sectors, possessing the necessary cutting-edge equipment and laboratories and providing professional commercialisation support.

In the business model, universities would commit research projects to be fully or partly located at the host, and have their professors serve as experts in the host network (e.g. hold periodic, specialised knowledge seminars). The host would provide free basic support functions (e.g. funding mapping, business plan support) and facilities (office space, wireless communications network, libraries and databases), while advanced offerings and facilities (e.g. grant proposal support or tailored laboratories) would be accessible at a discounted rate. Additionally, participating universities would get access to the host's network of start-up and mature companies, experts and other researchers.

We anticipate that the process of starting up this cluster and signing the relevant memoranda of understanding to be completed by the end of 2010.

Funding

The total funding requirement is approximately RM372 million. The private sector will provide RM240 million for infrastructure renewal and capacity build-up. However, additional public funding of approximately RM132 million is requested for infrastructure and facilities renewal.

Impact

We project an incremental annual GNI impact of RM636 million by 2020 as well as the creation of 4,300 jobs in the higher education sector.

Box 13-2

Delivering an Advanced Engineering, Science and Innovation Cluster

Technology Park Malaysia (TPM), Monash University, University Tenaga Nasional (UniTen) and Multimedia University are working together to develop an advanced engineering, science and innovation cluster hosted at TPM.

As a host site, TPM offers university partners cutting-edge office and lab facilities, commercialisation support along the value chain and an interdisciplinary ecosystem with 124 companies across the fields of ICT, biotech and engineering. These companies encompass local and foreign firms, major and promising start-ups to provide a rich mix of industry linkages.

In return, the university partners have committed to pooling resources for capital investment, hosting research projects at the site and having staff act as experts for the TPM network. Any research developed will be shared by the cluster members.

EPP 10: Building a Hospitality and Tourism Discipline Cluster

Rationale

As described in the Tourism NKEA chapter, Malaysia aspires to grow the tourism sector threefold by 2020. To meet this aspiration, we will need to increase our annual output of hospitality personnel from 20,000 in 2009 to 50,000 students by 2020, and the share of graduates with diplomas or degrees will have to increase from 13 percent to 50 percent in the same timeframe.

The primary challenge is that approximately 85 percent of all hospitality and tourism education providers are small in size and only provide basic skills training. This means that only one in every eight employees has a diploma or degree in hospitality and tourism, putting Malaysia at the lower end of its direct Asian competitors (e.g. Thailand and Bali) and limiting opportunities for upward progression. Accordingly, salaries are generally low: a starting worker earns between RM1,000 and RM1,500 a month, and this rises to just RM2,000 per month after five years – the lowest pay increase of any sector. Unsurprisingly, job attractiveness is low, and the industry struggles to recruit talent.

Actions

Each cluster will link one or more universities or university colleges with neighbouring skill training institutions to deliver an integrated set of curricula, from skill training diplomas to academic degrees that build on one another to outline a clear career ladder. Small providers will be instrumental in channelling their students to practical classes held at the college for a fee, or through a voucher system, payable by the student at the end of the session. Pure skill training facilities would gain reputation and quality, while university colleges would get access to a network of feeder institutions, producing a win-win situation.

MoTour will support this initiative by providing clusters with access to underutilised facilities (e.g. conference centres and hotels) so as to minimise the need for upfront capital investment. Private hospitality and tourism companies may also wish to play this role.

Funding

The private sector will fund the capital requirements for this EPP, amounting to RM59 million. The Government will provide an underutilised, Government-owned hospitality facility as a training ground, free of charge, to the first pilot cluster.

Impact

This initiative will create an incremental GNI of RM618 million by 2020 and 2,300 jobs.

EPP 11: Launching EduCity@Iskandar

Rationale

Iskandar aims to become Southern Peninsular Malaysia's most developed region, seamlessly integrating living, entertainment, environment and business into a vibrant metropolis. For this to happen, Iskandar will require high quality education institutions, both to supply the planned economic pillars of Iskandar with talent as well as to help attract top local and foreign talent.

Actions

EduCity@Iskandar is a 305-acre fully integrated education hub comprising universities and institutions of higher education, research and development centres, accommodation and recreational facilities. This multi-varsity campus environment is intended to contribute to the MoHE's and MoE's strategic blueprint in positioning Malaysia as a regional hub in the global education network. It will also provide Malaysians with the opportunity to study at renowned institutions from around the globe, at a cost that is significantly lower than studying at the home campus.

Thus far, EduCity@Iskandar has secured investments from Newcastle University Medicine Malaysia, Netherlands Maritime institute of Technology, Raffles University Iskandar, Management Development Institute of Singapore and Marlborough College.

Funding

EduCity@Iskandar is entirely privately funded and requires RM1.2 billion of investment.

Impact

EduCity@Iskandar is expected to generate RM1.0 billion in GNI impact in 2020 and will create 1,100 new jobs.

DEMAND GENERATION INITIATIVES

There are significant opportunities across the education sector to substantially increase individual willingness to pay for high-quality course offerings as well as to export education by developing Malaysia as a regional education hub.

EPP 12: Championing Malaysia's International Education Brand

Rationale

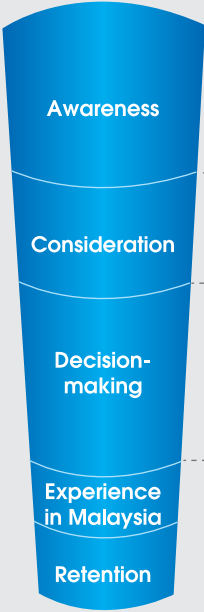
Globally, international student mobility is expected to increase to about 6 million by 2020, of which 70 percent are expected to come from Asia Pacific. While Malaysia currently has a strong market position (as the 11th largest exporter of education in 2009), the rise of neighbouring education hubs in China, Singapore and Thailand threatens our continued dominance. Our aspiration is thus to increase foreign student enrolment at the tertiary level to 200,000 by 2020 and differentiate fees for locals and internationals by up to 50 percent. We also aspire to increase our student intake in international schools from 16,000 currently to 74,000.

Actions

As *Exhibit 14-9* illustrates, positioning Malaysia as a regional hub of choice in the global education network will require actions that address each phase of the recruitment of foreign students.

Exhibit 14-9

MoHE will take the lead as brand champion for Malaysian international education and co-ordinate with other agencies

Marketing Funnel	Roles needed	Who is responsible?	Proposed initiatives
 <p>Awareness</p>	<ul style="list-style-type: none"> Brand Champion for MY Education - Clear value proposition - Diverse products 	<p>MEPC¹</p> <p>Supported by Tourism and MATRADE, MoE, MoHR</p>	<ul style="list-style-type: none"> Integrate My Education in all Tourism campaigns Share physical facilities with Tourism or MATRADE Bulk buy advertising time for MY Education and IPTs
<p>Consideration</p>	<ul style="list-style-type: none"> Marketing strategy by country Info availability and channel management 	<p>MEPC</p> <p>Supported by MoE, MoHR, Tourism, MATRADE</p>	<ul style="list-style-type: none"> Focus marketing efforts on high priority countries Develop IPT-driven marketing and placement body
<p>Decision-making</p>	<ul style="list-style-type: none"> Placement to institutions 	<p>MoHE, MQA</p>	<ul style="list-style-type: none"> Streamline foundation programmes Differentiate fees for locals and internationals across all IPTs Limit the number of foreign students based on quality rating of institution
<p>Experience in Malaysia</p> <p>Retention</p>	<ul style="list-style-type: none"> Advocacy and streamlining e.g., - Immigration visa - Media management - Branding to locals - Student safety 	<p>MoHE, MoE, MoHR, Immigration, KDN², IPTs</p>	<ul style="list-style-type: none"> Streamline visa application process by Immigration Allow students to work during and after graduation under specific conditions Create green-lane student pass application process

¹ Malaysian Education Promotion Centre ² Ministry of the Interior (*Kementerian Dalam Negeri*)

To begin, the Malaysian education brand requires greater international awareness and national cohesion. While all three core Ministries (MoHE, MoE and MoHR) aim to bring in foreign students, MoHE (as the Ministry with the largest number of foreign students, and the focus of this EPP), will take the lead in developing and championing a consistent brand. We will engage with MoTour, MATRADE, Malaysia Investment Development Authority (MIDA) and Wisma Putra to explore ways of sharing international offices. This is to ensure that we can rapidly increase the number of Malaysian Education Promotion Centres (MEPC) from 4 offices today to 10 by the beginning of 2012.

MoHE will move from an ad hoc marketing campaign across 50 different countries to one that targets 10 countries with high potential. These 10 top countries were selected based on historical and projected outbound student numbers, government-to-government relationships and demand and supply matching (i.e. they have a shortage of graduates in a discipline we have excess capacity for). To improve cost-effectiveness, we will work with MoTour to explore the bulk purchase of advertising space in shared target countries. MoHE will also facilitate the set-up of a tertiary institution (IPT)-driven marketing and placement body, to complement the efforts of the Malaysian Education Promotion Centres.

MQA will streamline the various foundation programmes on offer to create two common Malaysian Foundation Programmes — one for science and another for arts. These will be the single local foundation programme accepted by all local higher education institutions for degree programmes. We anticipate that it will take three years to develop and pilot the Malaysian Foundation Programme, following which we can export it to support the branding of the Malaysian curriculum.

A comparison of fees at competitor hubs suggests that we can increase our fees for international students by up to 100 percent and still be competitive, due in large part to our low living costs. MoHE will thus encourage all institutions, public and private, to differentiate their fees for local and international students by up to 50 percent. MoHE will also ensure that all IPTAs first charge market level fees for foreign students, so as to create a level playing field with IPTSs.

Finally, we will need to address various immigration challenges that have been raised by foreign students, from the slow application process for a student pass, to their ability to work during term time and on completion of post-graduate studies. Further details are provided in the section on Common Enablers.

Funding

Total funding requirements excluding operational expenditures are approximately RM1.2 billion. Government funding of RM310 million is required for increased marketing expenditure and infrastructure to accommodate the capacity increase, assuming that a fraction of foreign students will attend IPTAs. In addition, the initiative requires the Government to fund operational expenditures of approximately RM146 million per annum on average for operating costs related to students who subsequently attend public higher educational institutions (e.g. books, classroom supplies and related items, excluding salaries). The private sector fund comprises approximately RM890 million.

Impact

The EPP will generate an incremental GNI increase of RM2.8 billion in 2020 and 153,000 jobs.

EPP 13: Introducing Public-Private Partnerships in Basic Education

Rationale

Currently, MoE runs approximately 10,000 schools across Malaysia and has an additional 70 schools in its pipeline for 2011. On average, the Government spends RM4,000 on each student in a public school (in terms of tuition as well as other costs). As the number of schools increases, the challenges of managing them all at a high standard becomes increasingly complex.

Governments in similar situations worldwide are increasingly separating the role of funder and regulator from that of provider. The public-private partnership (PPP) model, that this split enables, offers several benefits. First, it provides greater choice to families through a broader portfolio of school types at an affordable price and leverages the private sector as a partner in meeting national objectives. Second, the resulting competition raises overall standards across both public and private schools. Third, private providers find it easier to expand their business or to enter the market as they do not have to invest heavily in capital expenditure.

Actions

We have developed a PPP model wherein the public sector provides the investment for building new schools, while the private sector operates them on a private school licence. MoE will secure a certain number of seats for students from low-income families from the surrounding catchment area. For these students, MoE will pay no more than the average per student cost of a public school. The private sector will not be allowed to charge these students any top-up fee. The private school provider will be responsible for recruiting the remaining students and may set their own fee levels for these students.

To get the programme up and running quickly, new public schools in the pipeline will be put up for bid as PPP schools. We aim to have at least 10 schools set up in 2011. MoE will evaluate private school providers based on criteria such as their historical track record on financial management and student outcomes, commitment to national development and required facilities.

Funding

This programme will require a total of RM400 million in funding, which is already provided for by the Government. The private sector will provide RM300 million in operational funding.

Impact

This EPP will generate RM160 million in GNI contribution by 2020 and create 1,000 jobs.

BUSINESS OPPORTUNITIES

Beyond the EPPs identified, there are additional business opportunities that will support the growth of the industry. These business opportunities include projects already planned and baseline growth in areas beyond the four education segments highlighted above. Overall, these business opportunities as well as the baseline growth of the sector is estimated to contribute a further RM14.3 billion of GNI in 2020 and generate over 252,000 incremental jobs.

Business Opportunity 1: Discipline Clusters to Support NKEAs

Over the next 10 years, the development of each NKEA will require an intensive pipeline of human capital and skilled workers. This represents exciting opportunities for collaboration between industry and education institutions, both local and foreign. For example, other NKEA sectors could benefit from leading private companies and Government Linked Companies (GLCs) partnering with anchor education institutions to develop focused discipline clusters around oil, gas and energy services, or around agro-technology and food sciences. This opportunity is expected to contribute approximately RM590 million GNI in 2020 and generate 180 jobs.

Business Opportunity 2: Centre for Excellence in Language Learning

Malaysia is uniquely positioned as a multi-cultural and multi-lingual environment that can offer native-level instruction across multiple languages. As a leading tourist destination, these opportunities are highly complementary to the Tourism NKEA. Malaysia will offer unique value propositions tailored to a wide array of international student segments, including as a hub for immersive multi-language studies, language tourism packages or modular short intensive language programmes in English, Arabic, Mandarin or Bahasa Malaysia to regional students. This opportunity is expected to contribute approximately RM80 million GNI in 2020 and generate over 100 jobs.

Baseline Growth

The baseline growth across the sector is expected to contribute approximately RM13.6 billion to GNI in 2020 and generate approximately 252,000 jobs, which reflects the increasingly important role and profile of the private education sector in driving the education objectives for the country. Accordingly, the baseline growth from public education services is expected to be lower going forward at RM9.1 billion.

We expect to see continued robust growth in private schools and private tertiary institutions in Malaysia given the strong characteristics of the sector and the existence of many high-quality schools and institutions. In parallel to the EPPs identified, the Government will continue to support strongly the development of private entrepreneurs and businesses in the private education sector.

In addition, the expansion in EPPs across the sector is expected to catalyse opportunities and generate significant demand in services and products such as curriculum development, book publishing, education software provision, library services, extra-curricular services and enrichment classes as well as non-academic services such as facilities management and information technology support services.

COMMON ENABLERS

Beyond the specific enablers for each EPP, we have identified five sector-wide enablers critical to unleashing the full potential of the private education market. These enablers will help private providers meet demand opportunities, promote more PPPs in the funding of education and empower students and families as paying consumers.

Raise Quality through Regulatory Reform

Overview

Underpinning all of the EPPs is the need for larger regulatory reforms aimed at raising the profile, branding and quality of the sector as a whole. In the tertiary sector, for instance, approximately 36 percent of the 440 registered active private higher education institutions in December 2009 had a student population of less than 300 students. While some of these colleges are boutique institutions with lucrative niche markets, most are struggling financially.

Actions




The MoHE is launching a college rating system akin to SETARA for universities and university colleges. The process will begin in November 2010 and be implemented by mid 2011, and once the results are out, any college that only receives a one-star or two-star rating will be put on a strict three-year improvement cycle. During this period, underperforming colleges are expected to either improve on their own or seek mergers to help them attain the key performance indicators expected by the Ministry. If they are not able to do so, they will not have their licence renewed and will be closed down.

Concurrently, the Ministry will actively encourage the harmonisation of IPTAs and IPTSs via bilateral partnerships, credit transfer arrangements and seat buy-ins. The latter refers to the purchasing of seats in IPTSs rather than continuously expanding the capacity of public institutions. A pilot model is being developed between Sunway University College, in affiliation with the University of Lancaster and University of Malaya, for Sunway’s School of Business and University of Malaya’s Faculty of Business and Accounting.

MoHE will also link SETARA and the forthcoming college rating system to various incentives so as to reinforce the role of these ratings as the industry gold standard. *Exhibit 14-10* outlines the planned linkages, all of which will begin from January 2011 for universities and university colleges and from January 2012 for colleges.

Exhibit 14-10

MoHE will link SETARA and the forthcoming college rating system to eligibility for various benefits

A minimum ¹ of ...	Benefit
 <p>Three stars</p>	<ul style="list-style-type: none"> Limited access to PTPTN student loans
 <p>Four stars</p>	<ul style="list-style-type: none"> Full access to PTPTN student loans Tax exemption on the value of increased exports, if at least 40% of the institution’s student population are international students² Consideration for self-accreditation by school or faculty
 <p>Five stars</p>	<ul style="list-style-type: none"> Receive a 10-year institutional licence instead of 5-year licence Consideration for self-accreditation by institution Ability to vet student pass applications

¹ A comparable rating will be set for the college rating instrument once it is launched at the end of 2010
² Exact details are being negotiated

Finally, MoHE has also committed to improving the functionality of MQA. For instance, to reduce turnaround times on the approval and accreditation of programmes, MQA will negotiate one-on-one with each IPT, starting with the six-star institutions and working downwards to those with four stars, to secure academic staff as members of its panel of assessors. MQA is also negotiating with professional and industry bodies to empower these entities to accredit programmes in their own fields.

Improve Access to Supply-side Financing

Overview

Education providers have difficulties in securing debt financing or doing so at affordable rates. Local commercial banks typically decline loan applications, and Government-aided loans are limited. For instance, SME Bank currently has only RM20 million set aside for higher education companies. This sum represents the balance from the Ninth Malaysia Plan funding allocation; no allocation has yet been made under the Tenth Malaysia Plan.

Actions

MoE will engage MoF and the Economic Planning Unit to secure the designation of education as a priority sector eligible for Government-aided loans from institutions such as the SME Bank and Bank Pembangunan. There are two elements to the request: a preferential interest rate and dedicated funds for all education companies regardless of phase. We seek to secure this designation by January 2011.

We will also work towards reducing the cost base for private companies by addressing the high cost of acquiring land. In 2010, local authorities charged a premium ranging from 15 to 30 percent of the land's value to convert it (e.g. from residential or agricultural designation to commercial designation). MoE will take the lead in working with selected local authorities throughout 2011 to pilot potential solutions. Therefore, actions may include reducing the premium charged by state governments for converting the land designation, creating a land designation specifically for private education institutions and designating more land for mixed-use purposes.

Shift to Demand-Side and Performance-Based Financing

Overview

We devote a sizeable portion of our Government budget each year to fund education services (e.g. 23 percent in 2010). The majority of this funding is termed supply-side funding (funds provided directly to school providers) and is provided regardless of the quality of the institution. The challenge with such funding schemes is that there is very little incentive for school providers to reduce their costs or raise their quality. There is also little incentive for households to take ownership of and contribute to the cost of the education their family members receive.

Actions

We aim to increase the amount of demand-side financing through the expansion of the NKRA voucher scheme for pre-schools and the introduction of a comparable scheme for child care and basic education. MoE is also expanding the use of PPP off-take arrangements and frameworks, such as the ones described in the EPPs for training ECCE and basic education teachers and new build PPP schools. Finally, we will ensure that the expansion of technical education and vocational training as promised in the Tenth Malaysian Plan involves sufficient demand side funding. All of these initiatives should be in place by the 2012 school year.

On performance-based funding, MoHE will start in 2011 by linking the SETARA rating of universities and university colleges to their eligibility for research grants and PTPTN student loans. This initiative will be extended to colleges in 2012 once the college rating system has been implemented. Over the next five years, we will also explore the possibility of expanding the system of performance-based funding to other types of grants (e.g. the operating block grants that IPTAs receive).

Box 12-4

Transforming the National Higher Education Fund Corporation

MoHE is taking steps to accelerate and widen reforms for the National Higher Education Fund Corporation, which is the primary source of funding for 82 percent of domestic IPTA students and 55 percent of domestic IPTS students. We will do so by getting tougher on recovery, to bump up our recovery rates from 40 percent in 2009 to 90 percent by 2020. In the short term, we will employ debt recovery specialists to recover bad debt amounting to RM72 million. In the long term, the Ministry has already agreed to transfer its recovery function to the Inland Revenue Board by requiring all loan recipients from 2011 to register with Internal Revenue Board. PTPTN is also deploying targeted recovery teams to work through a backlog of more than 60,000 cases that need to be issued letters of demand or summons and submitted for judicial processing.

We will also improve our disbursement policies. Here the main initiative is to provide a capped level of tuition fees to all successful applicants, instead of both tuition fees and living allowances as was previously the case. Students from low-income households may then appeal to request living allowance support as well. This policy change will begin in 2013.

Finally, we are also going to encourage more families to save via the National Education Savings Scheme (*Skim Simpanan Pendidikan Nasional* or SSPN). We will do so by reinstating the requirement for students to have a SSPN account before they can qualify for a loan, with an exemption for extremely poor families. We will also target secondary schools in our marketing campaign for SSPN to encourage parents to start saving for their children's education as early as possible.

Remove Barriers to Entry for Foreign Students

Overview

Foreign students frequently cite bureaucratic immigration processes as a discouraging factor in coming to Malaysia. To illustrate, the process for applying for a student pass takes up to three months on average as the MoHE or MoE first vets every application before sending it on to the Department of Immigration for processing. Another example is the fact that not all Government agencies recognise the International Student Card issued to foreign students as a valid form of identification.

We have also historically imposed tight regulations on foreign students. For instance, we do not currently allow foreign students to work during term time, or to automatically stay on following graduation. Internationally mobile students increasingly prioritise such work-opportunity incentives when choosing where to study, and it is notable that most major export countries (e.g. United States of America and Australia) have loosened their restrictions in this regard.

Actions

MoHE will create a green-lane facility for student pass applications wherein some IPTs will not need verification from the Ministry. This facility will start from January 2011 and be open to all IPTs that receive a minimum SETARA rating of five stars. A comparable benchmark will be set for colleges once the college rating instrument is implemented by mid 2011. To discourage abuse, the Ministry will conduct periodic spot checks on institutions, with stringent fines imposed in case of fraud.

To address the challenges of the immigration process, MoHE will spearhead discussions with the Cabinet Committee on Foreigners on three proposals:

- Extending the planned single-tier visa system for tourists to foreign students;
- Including students in the planned biometric tracking programme for all foreign workers; and
- Allowing high performing graduates to work in Malaysia if they meet stringent quality criteria.

For instance, the proposal is for postgraduates to be allowed to work for up to five years if they have a minimum CGPA of 3.5 and come from institutions with a minimum SETARA rating of four stars. The proposal is to allow them to work for up to three years if they score a first class degree, have had a minimum student pass of three years and graduated from an institution of at least four stars. These discussions are ongoing, and we expect a resolution on these issues to be secured by the end of 2011 at the latest.

Improve Ease of Doing Business

Overview

The large number of government agencies involved in the education sector unfortunately lends itself to a bewildering array of regulations. For instance, just setting up a private education institution involves over 10 government or government-related agencies. This process is further complicated by the fact that licensing requirements and application forms may differ by local authority.

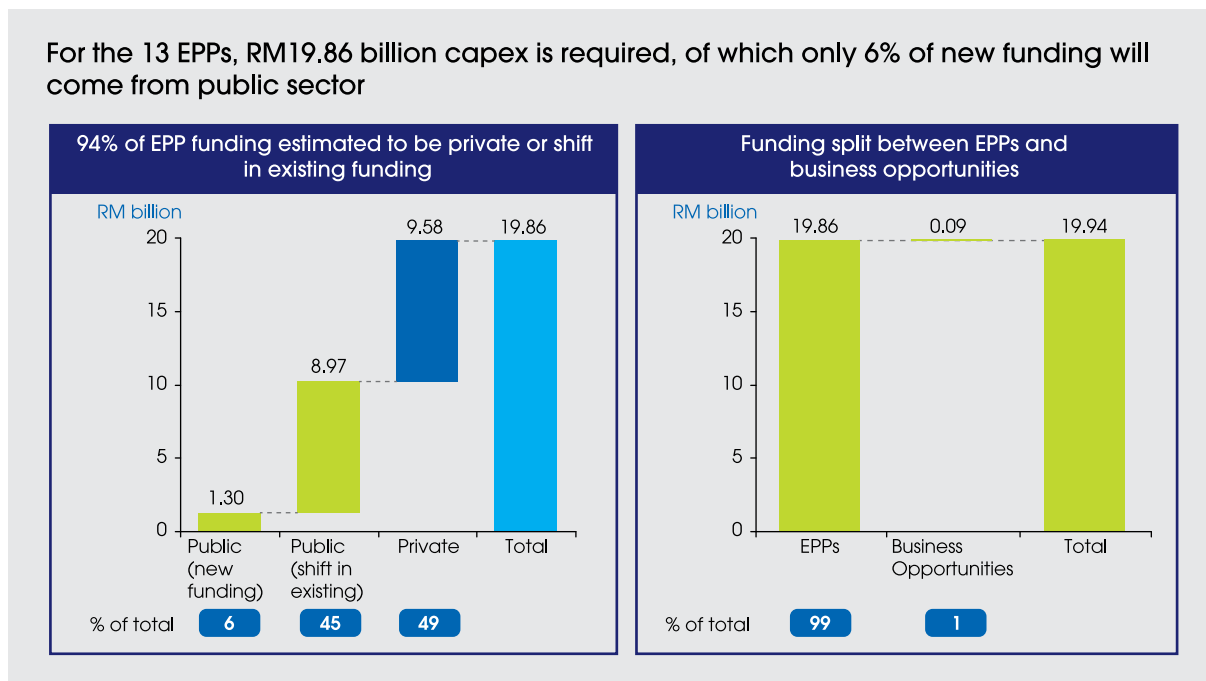
Actions

MoE will spearhead engagements with other government bodies (e.g. Ministry of Housing, local and state governments) to streamline the processes and forms involved in setting up or expanding a private education institution. This may include establishing a virtual one-stop shop for registering institutions. To do so, we will develop an automated database of all private providers at different levels and automate processes so that private providers may submit their registration documents, receive progress updates and perform other transactions online.

FUNDING

As *Exhibit 14-11* illustrates, achieving our growth aspirations will require RM19.86 billion in funding over the next 10 years for our 13 EPPs, of which new funding provided by the Government comprises only 6 percent of total funding requirements.

Exhibit 14-11



Of the RM10.27 billion in total public funding required, about 12 percent (RM1.30 billion) constitutes a request for new funding. The remaining 88 percent of funds required (RM8.97 billion) is a reallocation of spending from supply to demand-side funding. Shifting from supply-side funding to performance-based demand-side funding is in line with Tenth Malaysia Plan policy and will result in cost savings for the public sector. For instance, the pre-school voucher programme shifts funds we would have previously spent on publicly-run educational institutions to privately-run institutions, thus encouraging the private sector to invest. The financial impact on the public sector is either net neutral, or we will save money through improved cost efficiencies.

GOVERNANCE AND DELIVERY

The successful implementation of the Education EPPs will require concerted coordination and planning across multiple ministries, agencies, local authorities and private sector companies. At the same time, each EPP requires clear lines of accountability. As such, each EPP has a public sector owner that will be responsible for regulating and delivering the relevant enablers. There are also private sector stakeholders who will be responsible for delivering the actual projects. *Table 14-1* summarises these owners and stakeholders, as well as selected milestones in the delivery journey.

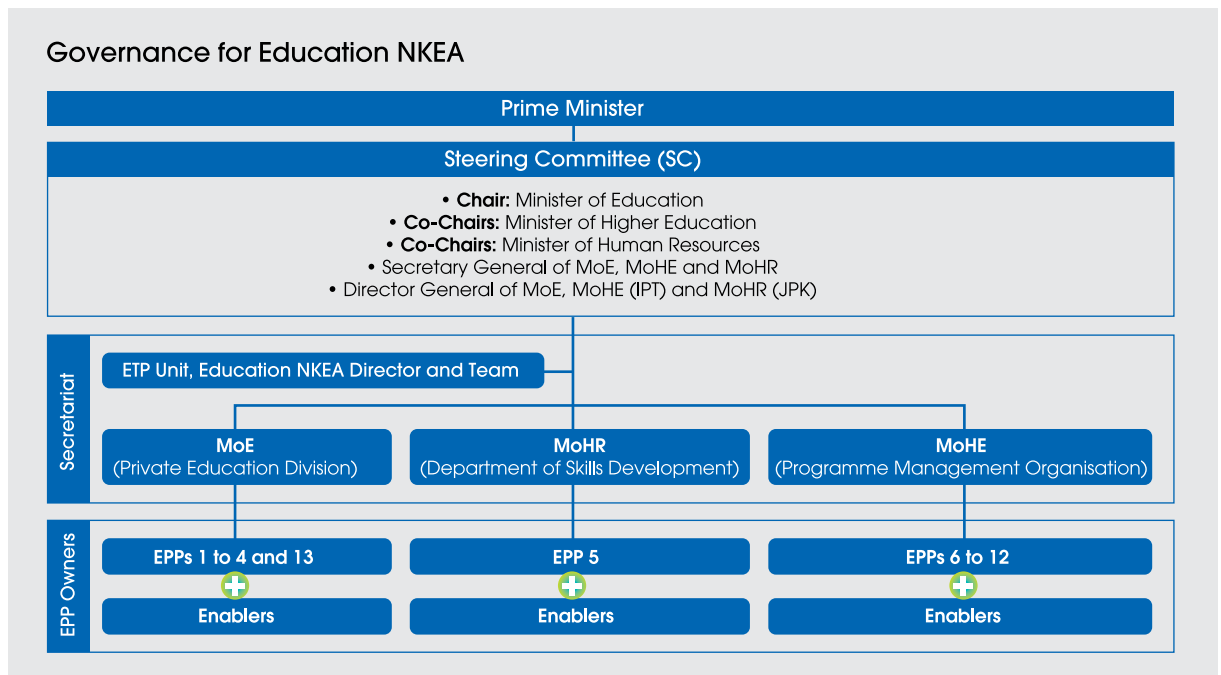
Table 14-1

EPP	Lead initiative owner	Other key agencies, companies and organisations
Scaling up early child care and education centres	Private Education Division, Ministry of Education and Welfare Department, MoWFCD	Ministry of Women, Family and Community Development (MoWFCD)
Improving early child care and education training	Private Education Division and Teacher Education Division, Ministry of Education	Private early education and child care training centres, Ministry of Women, Family and Community Development
Scaling up international schools	Private Education Division, Ministry of Education	International schools, Malaysian Education Promotion Centres
Expanding private teacher training	Private Education Division and Teacher Education Division, Ministry of Education	Private teacher training institutions
Scaling up private skills training provision	Department of Skills Development, Ministry of Human Resources	Industry-led bodies, Ministry of Higher Education
Expanding international distance learning	Program Management Office, Ministry of Higher Education	Asia e-University, Wawasan Open University, Open University
Building an Islamic finance and business education discipline cluster	Program Management Office, Ministry of Higher Education	International Centre for Education in Islamic Finance, Association of Chartered Islamic Finance Professionals, Bank Negara, Higher Education Institutes (e.g. International Islamic University Malaysia, UniRazak)
Building a health sciences education discipline cluster	Program Management Office, Ministry of Higher Education	Ministry of Health, Higher Education Institutes (e.g. Masterskills, SEGI)
Building an advanced engineering, science and innovation discipline cluster	Program Management Office at Ministry of Higher Education Ministry of Science, Technology and Innovation	Private companies, e.g. Technology Park Malaysia, Monash University, Multimedia University (MMU), Universiti Tenaga Nasional (UiTEN)
Building a hospitality and tourism discipline cluster	Program Management Office, Ministry of Higher Education	Private companies, e.g. UCSI University
Launching EduCity@Iskandar	Program Management Office, Ministry of Higher Education Private Education Division of the Ministry of Education	Iskandar Investment Berhad, Khazanah Nasional Berhad, Ministry of Education
Championing Malaysia's international education brand	Marketing Division, Ministry of Higher Education Private Education Division, Ministry of Education	Ministry of Education, Ministry of Human Resources, Ministry of Tourism, MATRADE
Introducing public-private partnerships in basic education	Policy and planning unit, Private Education Division, Ministry of Education	Private school operators, Economic Planning Unit

A broader governance structure will also be required to ensure clear mechanisms for inter-agency coordination and private sector collaboration, as well as to provide overall strategic leadership. As *Exhibit 14-12* illustrates, we have set up a Steering Committee that brings together the senior leadership of our three core Ministries: MoE, MoHE and MoHR. They will meet every month to approve decisions for all ongoing initiatives, resolve inter-agency issues and provide direction on the overall progress of the NKEA agenda. The Steering Committee will also provide updates to the Prime Minister every quarter.

Day-to-day execution will be overseen by a team composed of ETP Unit staff and ministry-level Delivery Management Offices (DMO). ETP Unit will be responsible for facilitating private sector engagement, coordinating inter-DMO activities and monitoring overall progress across all three ministries. Ministry DMOs will provide line management leadership for their dedicated EPPs. Each Ministry has committed to enhancing the functionality of pre-existing units rather than adding to the existing bureaucracy by creating new ones, and the three DMOs will be housed in the Private Education Division in MoE, the Programme Management Office in MoHE and the Department of Skills Development in MoHR.

Exhibit 14-12



Summary of Education NKEA

• **Incremental GNI impact in 2020**

RM33.6 billion

• **Additional jobs in 2020**

535,000

• **Critical targets and milestones within 6 to 12 months**

- Off-take agreements with ECCE training centres signed
- 1,000 additional seats in international schools created
- Gateway distance education university with first intake of students established
- Discipline clusters with first intake of students for Islamic finance and business education, health services, advanced engineering and hospitality and tourism established
- Two new institutions in EduCity@Iskandar opened
- Five new international offices for international marketing established