JABATAN PERDANA MENTERI

PEMANDU

PERFORMANCE MANAGEMENT AND DELIVERY UNIT

ECONOMIC TRANSFORMATION PROGRAMME

EXECUTIVE SUMMARY

1Malaysia

ECONOMIC TRANSFORMATION PROGRAMME

A ROADMAP FOR MALAYSIA

131 Entry Point Projects 92% Private Sector Investment
60 Business Opportunities 3.3 Million Jobs
RM48,000 (US$15,000) GNI per capita

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Foreword

Malaysia is at a crossroad. Whilst much has been achieved, the challenges ahead are significant. Since Merdeka, we have built a robust and resilient economy, which has sustained strong economic growth. We have almost eradicated hardcore poverty, and at the same time, have been able to provide the rakyat near universal access to basic health, education, communications and other public services. As a result, the quality of life for the vast majority of Malaysians has improved. However, achieving our bold aspirations of Vision 2020, by the year 2020, will be challenging. Malaysia needs to economically transform to join the select group of high income nations.

This is where Malaysia stands today. If we do not correct our course, we will be unable to continue improvements in education, health and quality of life. However, if we redouble our efforts to attract investment, drive productivity improvements and innovate, we can compete successfully in the global economy and achieve high-income status.

This government is committed to pursuing a strategy to achieve high-income status. We have embarked on an Economic Transformation Programme (ETP) to propel our economy to 2020. The ETP builds upon the policy directions, strategies and programmes of the 10th Malaysia Plan. It is aligned with previous efforts such as the Government Transformation Programme (GTP) and 1Malaysia People First Performance Now as well as the groundwork of the New Economic Model.

We will shift our nation's focus into areas where Malaysia has inherent competitive advantages. This means prioritising investments of public funds and policy support in a limited number of key growth engines, the 12 National Key Economic Areas (NKEAs) we announced in the 10th Malaysia Plan. This also means changing our approach to economic growth from an active player to a supporter and facilitator of private sector-led growth.

This ETP Roadmap contains concrete targets, which were developed through labs and a series of forums where the best minds in government and private sector were brought together to develop ideas into actions that will grow each of the NKEAs. The projects to drive growth in the economic areas have been chosen based on rigorous financial and economic analysis, to ensure that the people of Malaysia get the best value from the funds that government invests. Some of these cannot be achieved without specific policy and regulatory reforms that we are committed to make. As was the case with the GTP, a unit will be formed within PEMANDU to orchestrate the delivery and monitoring of this programme.

In implementing the ETP, tough decisions will need to be made. I seek the input and support of the private sector, civil society and the rakyat as we start implementing the projects and reforms to take our economy forward. As we embark on this journey together for the future of our children and the future of our country, I urge all Malaysians to join me in seizing the new opportunities arising from our chosen course. The journey will be long and arduous but we must persevere. God willing, we will succeed.

Dato' Sri Mohd Najib bin Tun Haji Abdul Razak
Prime Minister Malaysia

26 October 2010

Executive Summary

PROPELLING MALAYSIA TOWARDS BECOMING A HIGH-INCOME, DEVELOPED NATION

6% growth

The Economic Transformation Programme (ETP) is a comprehensive effort that will transform Malaysia into a high-income nation by 2020. It will lift Malaysia's gross national income (GNI) per capita from USD6,700 or RM23,700 in 2009 to more than USD15,000 or RM48,000 in 2020, propelling the nation to the level of other high-income nations. This GNI growth of 6 percent per annum will allow us to achieve the targets set under Vision 2020.

Successful implementation of the ETP will see Malaysia's economy undergo significant changes to resemble other developed nations. We will continue our shift towards a service-based economy, with the services sector contribution growing from 58 percent to 65 percent in the same period. More than 3.3 million new jobs will be created by 2020, spread across the country in urban and rural areas. The nature of these new jobs will result in a shift towards middle and high-income salary brackets. Greater Kuala Lumpur/Klang Valley will be transformed into a world-class city. Finally, growth will be achieved in a sustainable manner, without cost to future generations, through initiatives such as building alternative energy generation capacity and conserving our environment to promote eco-tourism.

The ETP is Different from Past Attempts to Grow the Economy

A bold new approach has been taken to develop the ETP. It is the first time that any effort of this kind has been undertaken in the history of Malaysia, or of any other developed nation. The programme provides strong focus on a few key growth engines: the 12 National Key Economic Areas (NKEAs). These NKEAs are expected to make substantial contributions to Malaysia's economic performance, and they will receive prioritised public investment and policy support. The ETP will be led by the private sector; the Government will primarily play the role of a facilitator. Most of the funding will come from the private sector (92 percent) with public sector investment being used as a catalyst to spark private sector participation.

The effectiveness of any transformation programme often lies in the details. The ETP presents a departure from norms because it is focused on actions—not on theoretical principles and ideas. We have identified 131 entry point projects (EPPs) that concretely outline actions required to grow the economy. The EPPs and other business opportunities identified under each NKEA are anchored to how much they contribute to GNI; they were selected based on rigorous economic and financial analysis. Any public spending will be allocated on the basis of maximising GNI per ringgit of public expenditure. Finally, the ETP was designed to be rigorous and transparent, with a new ETP Unit under PEMANDU (Performance Management and Delivery Unit within the Prime Minister's Department) being tasked to monitor and report progress to Government leaders, the business community and the *rakyat*.

Co-created by the Private and Public Sectors

From its inception, the private sector and the business community have been involved in the ETP. In May 2010, a Thousand Person Workshop was run to help identify the 12 NKEAs. The private sector continued to play a large role, when the labs began in June, with 500 of the best minds from the private sector (350 persons from 200 different companies) and the Government (150 persons from 60 different public institutions, ministries and agencies) coming together to develop plans for the 12 NKEAs.

The lab ideas and the plans that were developed were syndicated extensively throughout the eight-week lab period, with more than 600 syndication meetings with ministries, agencies, multi-national corporations, local corporations and non-governmental organisations. Important stakeholders such as the Prime Minister, Ministers and business leaders, were brought in early to visit the labs and provide feedback to the participants.

Subsequent to the labs, Open Days were conducted in Kuala Lumpur, Sabah and Sarawak, where 5,500 visitors (business community, multinational corporations, rakyat and media) visited NKEA booths and provided further input. The result of this process is a clear roadmap for Malaysia to become a high-income nation. In launching the ETP, we affirm that the EPPs listed in this roadmap are just the start, and through their execution we will learn and adapt the programme to ensure that we reach our aspirations.

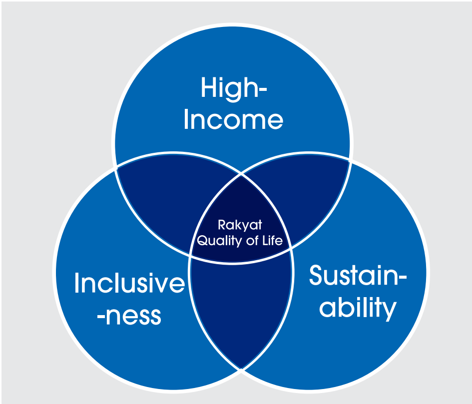
BUILDING ON STRENGTHS OF THE PAST

Malaysia has achieved significant economic and social progress over the past several decades. Sustained rapid economic growth has raised Malaysia from a low-income agricultural and commodity-based economy to become a successful middle-income economy. Our story of moving from low- to middle-income status is one of the world's success stories of the past few decades. This strong economic performance has helped improve the quality of life for Malaysians and supported widespread advances in education, health, infrastructure, housing and public amenities.

However, the world is changing and Malaysia needs a fundamentally new economic model in order to become a high-income nation. Our historical growth engines are slowing down, we face the risk of being stuck in a middle-income trap, our fiscal position is arguable unsustainable and global competition for markets, capital and talent is becoming increasingly intense. In response, the ETP represents a marked change in approach that builds on the Tenth Malaysia Plan and incorporates input from the National Economic Advisory Council.

BECOMING HIGH-INCOME ADVANCED THAT IS BOTH INCLUSIVE AND SUSTAINABLE

The Government is aiming for Malaysia to become a high-income nation that is both inclusive and sustainable by 2020. These goals will be reached jointly. The Government will not seek short-term progress on one goal at the expense of delaying progress on the others.



Achieving High-income Status by 2020

The Government defines the high-income threshold at a per capita income of about RM48,000 or USD15,000 in 2020, based on World Bank's current definition of high-income. Therefore, achieving high-income status by 2020 will require an annual real growth rate of about 6 percent in the next 10 years *(Exhibit 1)*.

USD15,000

GNI per capita 2020

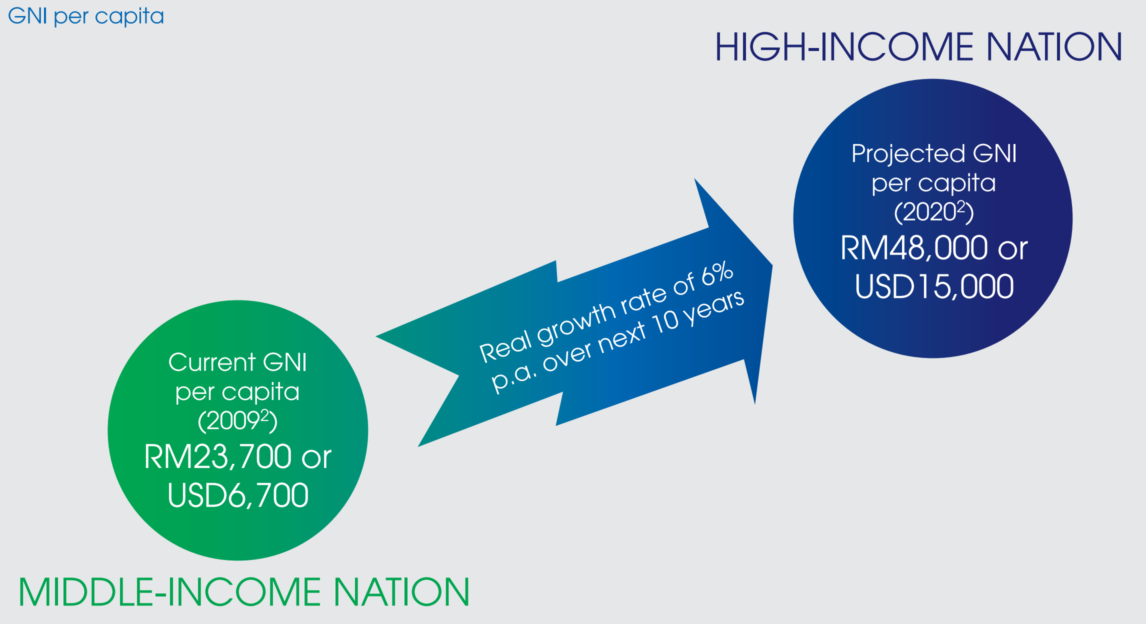
The Government's high-income objective is not just a quantitative target. It is also about Malaysia becoming an advanced, developed nation with an economy possessing the characteristics of a high-income economy, such as a thriving services sector, a balance between private consumption and investment as well as productivity levels that are similar to those of regional leaders.

Encouraging Inclusive Economic Development

The way in which Malaysia grows to achieve this high-income target will be inclusive in nature, enabling all Malaysians to share in the benefits. The Government will encourage employment-rich growth that creates 3.3 million new jobs, of which half will require diploma or vocational qualifications. The investments made in education and training will ensure that more Malaysians are able to participate in these new opportunities. In addition, specific attention will be paid to lifting the incomes of the bottom 40 percent of households, with a target of increasing the monthly mean income of this group from RM1,440 in 2009 to RM2,300 in 2015, as stated in the Tenth Malaysia Plan.

Exhibit 1

To achieve high-income status by 2020, Malaysia must grow by 6% per year to reach GNI per capita of RM48,000 or USD15,000



[1] At 2020 prices, consistent with EPU assumptions for inflation=2.8% and population growth=1%
[2] 2009 population 27.9 million, 2020 projected population 31.6 million (EPU projection)

SOURCE: World Bank, Economic Planning Unit, Department of Statistics

Ensuring Growth is Achieved Sustainably

The measures to achieve high-income status must be sustainable in both economic and environmental terms, meeting present needs without compromising those of future generations. We will achieve growth without running down Malaysia's natural resources. Additionally, we will reduce our dependence in oil and gas as the primary economic contributor. Our fiscal position will be made sustainable, with a stronger focus on private sector-led investment to avoid reliance on public funding. In environmental terms, the Government is committed to the stewardship and preservation of the natural environment and resources by ensuring that they are properly priced into the cost of development.

BUSINESS AS USUAL IS NOT ENOUGH

Malaysia is at a critical point in its economic development. There has been a loss of growth momentum over the past decade, and it has become increasingly clear that the historical drivers of growth can no longer be relied on to deliver strong economic outcomes. It is more difficult to generate high rates of economic growth in an increasingly competitive global economy. Growth can no longer be taken for granted, but needs to be earned. There are four reasons why a fundamentally new approach is required.

Historical Growth Engines are Slowing Down

Malaysia's relatively sluggish economic performance over the past several years indicates that the historical engines of Malaysia's economic growth are slowing down. A large part of the reason for this relatively poor growth performance has been slow labour productivity growth. To transform productivity, significant improvements are required in two areas. First, the level of business investment will need to be substantially increased. Achieving the 6 percent annual growth rate to 2020 will require private investment to grow by more than 12 percent over the next five years, a significant increase from the 2 percent per annum growth achieved in the past five years. Second, enhanced investments in human capital will be made to support a high-skilled, knowledge-based and innovation-intensive economy.

Risk of Being Stuck in the Middle

Malaysia is no longer able to remain competitive with low-income countries as a high volume, low-cost producer. At the same time it has not yet moved up the value chain and become competitive with high-income countries. Other countries are more competitive than Malaysia in both low-cost production and in high-value markets. This is not a sustainable position. Strategies that were successful in driving Malaysia's transformation from a poor country, reliant on rubber and tin at Independence, into a diversified middle-income economy are not appropriate for the next stage of Malaysia's developmental journey.

An Unsustainable Fiscal Position

Malaysia has run fiscal deficits every year since 1998, with a deficit of 7 percent of GDP recorded for 2009. Moving back to fiscal sustainability and achieving the Government's commitment of a deficit of 3 percent of GDP by 2015 will require a change in direction. Investor attitudes to sovereign debt have changed significantly over the past two years, and capital markets may be less inclined to finance sovereign debt on the terms they have extended in the past. There is also increasing evidence of fiscal policy competition between countries, with governments cutting corporate tax rates to obtain a competitive edge. In order for Malaysia to offer competitive personal and corporate tax rates and invest in education, research, public services and infrastructure, it will need to strengthen its fiscal position substantially.

Increasing Global Competition for Markets, Capital and Talent

The global economy is becoming much more competitive. The emergence of new, highly competitive regional and global companies has eroded the strong position of Malaysian-based companies in the manufacturing and services sectors. In addition, companies, investors and talent have an increasing number of opportunities and location options. Malaysia, therefore, needs to demonstrate a clear value proposition in order to attract and retain them. Moreover, many other governments are aggressively positioning themselves to compete for talent and capital. The low levels of foreign direct investment (FDI) that Malaysia has attracted over the past decade are one indication of a weakening competitive position.

THE ETP IS PART OF A COMPREHENSIVE GOVERNMENT AGENDA

The ETP is the Government's economic agenda in response to these challenges. It also complements existing programmes, such as the GLC Transformation Programme, with similar objectives. There are four common foundations for the ETP:

- **1Malaysia, People First, Performance Now.** The 1Malaysia concept seeks to reinforce national unity, with respect for the values of the different communities, and is anchored on the principle of fairness and equity. In economic terms, this means that opportunities and growth will be shared equitably. People First refers to a *rakyat*-centric approach to planning and delivery, and Performance Now shows the Government's determination to have a sharp focus on delivery and results;

- **Government Transformation Programme (GTP).** The GTP was introduced in 2010 to transform the Government's effectiveness in the delivery of services and to sharpen accountability for outcomes. It incorporates six National Key Result Areas (NKRAs): reducing crime, fighting corruption, improving student outcomes, raising living standards of low-income households, improving rural basic infrastructure and improving urban public transport;

- **New Economic Model.** The Government established an independent National Economic Advisory Council (NEAC) to develop recommendations on the design of a new economic model. The council's report released in April 2010, provided a diagnosis of the challenges and opportunities facing the Malaysian economy and recommends eight strategic reform initiatives. Much of this thinking has been built into the Tenth Malaysia Plan, and the ETP; and

- **Tenth Malaysia Plan.** The Tenth Malaysia Plan outlines the Government's development plan for the next five years. It focuses on unleashing economic growth, promoting inclusive socio-economic development, developing and retaining talent, building an environment that enhances quality of life and transforming government. It identified the 12 NKEAs that will receive prioritised policy and investment focus.

THE ECONOMIC TRANSFORMATION PROGRAMME

The starting point of the ETP will be the implementation of concrete changes in specific sectors and areas of the economy. That is why the 12 NKEAs were selected. Labs were established for each of the 12 NKEAs to determine specific initiatives and projects that would drive economic transformation. The 12 labs consisted of representatives of the private sector and civil service and were facilitated by PEMANDU.

The labs provided the private sector an opportunity to work on and shape a transformative, sector-specific strategy and roadmap. Detailed plans, describing the aspirations, strategies and concrete actions, were developed for each NKEA. These plans include requirements for public funding, investment and labour.

Every initiative proposed was anchored on GNI to ensure that it contributes towards transforming Malaysia into a high-income economy. To calculate the GNI impact, each NKEA Lab identified initiatives, which were classified as either EPPs or business opportunities. EPPs are projects that should generate big results fast. They are clearly defined initiatives that have potential investors identified, a well-developed implementation plan and clearly articulated funding requirements. Business opportunities capture the potential of the sector to grow organically. Some business opportunities will be triggered by the successful execution of EPPs. The labs also identified the enablers and policy reforms required for sectoral growth.

It is important to emphasise that the ETP will be an evolving programme. The initiatives defined in the labs are not intended to be a detailed blueprint of economic activity in Malaysia for the next 10 years—they merely serve as a starting point. A number of projects will evolve, some will change quite radically and some will be discontinued. Many new initiatives and activities that have not even been thought of yet will emerge as the reforms take hold and markets develop.

12
NKEAs

Overview of the NKEAs

The 12 NKEAs are at the core of the ETP. An NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy. The 12 NKEAs selected are: Oil, Gas and Energy; Palm Oil; Financial Services; Tourism; Business Services; Electronics and Electrical; Wholesale and Retail; Education; Healthcare; Communications Content and Infrastructure; Agriculture; and Greater Kuala Lumpur/Klang Valley.

The NKEAs were selected because they are significant engines of future growth and their expected contribution to GNI in 2020 will help Malaysia achieve high-income status. In addition to the 11 industry sectors, Greater Kuala Lumpur/Klang Valley was selected as an NKEA through a separate process. Kuala Lumpur currently accounts for about one third of Malaysia's GDP. Cities are significant drivers of growth, and a thriving Kuala Lumpur is vitally important to the health and performance of the overall economy. The portfolio of NKEA sectors will evolve over time, depending on the performance of various sectors in the economy. There will be a rigorous process to remove slow-growing sectors from the NKEA portfolio as well as to identify emerging drivers of growth that may be added.

What Does it Mean to be an NKEA?

Malaysia will focus its economic growth efforts on NKEAs, which will receive prioritised Government support including funding, top talent and Prime Ministerial attention. In addition, policy reforms such as the removal of barriers to competition and market liberalisation will be targetted at the NKEAs.

The programme will involve deliberate choices and trade-offs. Prioritising investment in NKEA sectors implies reducing investment in other sectors. The designation of sectors as NKEA sectors has to have real resource implications if it is to lead towards a meaningful change. The same philosophy of prioritisation will also apply to other support provided by the Government to sectors, such as operating expenditure and sector-specific policy and regulatory change.

The NKEAs will have dedicated focus from the Prime Minister and will have fast-track mechanisms to resolve disputes or bottlenecks. The Government is committed to the ongoing support of growth in the non-NKEA sectors. However, the Government will focus its efforts on the NKEAs because of the significance of the GNI contribution that these parts of the economy can drive.

Why is Focus on the NKEAs Important?

Growth in the past was driven largely by a deliberate sectoral diversification strategy. Initially, competitiveness across multiple sectors could be supported by our low-cost base. However, an excessively diverse sectoral strategy is no longer sustainable, given that Malaysia can no longer rely on low costs as a competitive advantage.

In today's globalised economy, production networks are increasingly regional thus leading to greater regional integration. Malaysia's desire to shift towards higher value-add and knowledge-intensive activities necessitates specialisation, in terms of having a critical mass and an ecosystem of firms and talent to drive economies of scale.

There are five reasons why focusing on a relatively small number of sectors is important in generating economic benefit for Malaysia:

- **Align policies coherently.** Having a clear view on priority sectors means that it will be easier to deliver a coherent, coordinated policy agenda;

- **Avoid sub-scale investment.** To achieve substantial, sustained impact, the investment made into a particular sector needs to be meaningful;

- **Develop a clear value proposition.** Having a limited number of priority sectors contributes to having a clear national-value proposition, which can be readily communicated to local and foreign investors;

- **Provide leadership focus.** Relatively scarce government leadership time (the Prime Minister and senior officials) can be allocated in a meaningful way to priority areas; and

- **Allow for higher quality monitoring.** It will be easier to measure and monitor the performance of a limited number of sectors, increasing the likelihood of economic impact.

What Is Different About The ETP?

The ETP builds on the direction outlined in the Tenth Malaysia Plan to develop a markedly different approach to delivering Government's objectives. There are five specific aspects of the ETP that are new and distinctive, which will ensure that the ETP delivers the improved outcomes that Malaysia needs.

Focus on Key Growth Engines - 12 NKEAs

Malaysia will exploit its competitive advantages by prioritising public investment and policy support behind a limited number of key growth engines. The ETP focuses on the 12 NKEAs announced in the Tenth Malaysia Plan. These NKEAs are expected to make substantial contributions to Malaysia's economic performance.

Private Sector-led, Government Facilitated

The private sector will take the lead role in terms of making investment and employment decisions. The projects and opportunities that are identified in the ETP have been co-created by the public and private sectors. Importantly, most of the projects are mainly funded from private sources. The Government's role will be that of an active facilitator of private sector-led development through resource and policy support.

131 Concrete Entry Point Projects to Kick Start the Programme

The ETP is focused on actions and not concepts. The ETP contains well-developed and specific ideas and actions to grow each of the NKEAs, rather than broad statements of intent. These proposed ideas have been developed through collaboration between the public and private sectors, and in many cases these projects are close to being launched. The ETP also identifies a series of specific policy and regulatory reforms that are needed to drive growth in the NKEAs and Malaysia's broader economy.

Anchoring on GNI to Get Value for Money

Projects and initiatives have been selected on the basis of rigorous financial and economic analysis to ensure that they maximise the return on public sector investment, i.e. GNI per ringgit of public investment. In a challenging fiscal environment, government spending and investment will be directed only to those areas where it can be used in a highly productive manner.

PEMANDU to Ensure Strong, Transparent Delivery

The Government has established an ETP Unit in PEMANDU to deliver and monitor this programme. Clear and demanding key performance indicators will be specified for each of the individual NKEAs and for the ETP as well as for the inclusiveness and sustainability measures. Performance on all measures will be reported publicly every year.

ETP WAS CO-CREATED BY THE PRIVATE AND PUBLIC SECTORS

Thousand Person Workshop Held to Determine NKEAs

The Thousand Person Workshop convened in May 2010 was a unique opportunity for 1,000 professionals, including over 800 up-and-coming leaders of industry, non-governmental organisations, statutory bodies and over 200 leaders in the civil service to jointly determine the focus of Malaysia's economic transformation.

In breakout sessions, groups of 30 to 70 people worked together to set the aspirations for a sector, by jointly assessing Malaysia's historic performance and its potential to bridge the gap to that of best-in-class nations over the next decade.

After the 20 breakout sessions, the facilitators developed a consolidated economic picture depicting how Malaysia could achieve the GNI per capita of a high-income economy by 2020. Each participant in the workshop then voted on what they perceived should be the focus of the ETP: the NKEAs. The resulting votes were then compared to sector studies and an economic model of sectoral growth. The resulting output was endorsed by the Cabinet as the 11 key sectors and 1 geography to focus on.

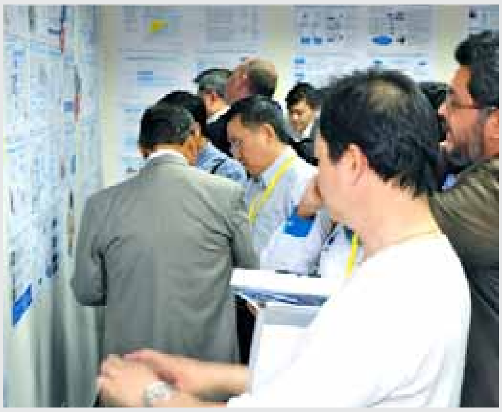
The workshop ended with a united call for commitment from the participating private sector firms and public sector agencies to dedicate their best personnel to the subsequent NKEA labs.

Labs Assembled the Best Minds from Private and Public Sectors to Chart Growth Plans

The 12 NKEA labs that began in June 2010 marked an intense private sector-led effort to determine the in-depth transformation plans needed to ensure Malaysia attains high-income nation status by 2020.

These labs brought together 500 experts, of which 350 were from 200 private corporations and the rest representatives of 60 public institutions (Ministries, agencies and universities), and all dedicated full-time to defining and detailing the ETP.

500
of the best minds



Each lab had 30 to 50 experts possessing an unparalleled depth of expertise and breadth of exposure in the sector. For example, the Oil, Gas and Energy NKEA lab participants had 470 years of collective sector experience, which spanned exploration and production, refining, oil field services, power and alternative energy forms such as nuclear and solar. Each lab was guided by a senior private sector leader to ensure that the ideas generated were innovative, yet pragmatic and rooted in sound business logic.

The overall approach was aligned by a central team of experts from the Economic Planning Unit, Ministry of Finance and Department of Statistics to ensure the lab's ideas were aligned with the design principles outlined in key national strategic plans (such as the Tenth Malaysia Plan) and would help Malaysia achieve the high-income nation target by 2020.

The labs ran for a rigorous eight-week period that began with fact finding and research to identify the best practices, success stories and innovations that Malaysia could adopt. These ideas were distilled through intense collaborative sessions of brainstorming and problem solving among the lab participants and supported by detailed analysis of select ideas that would maximise GNI impact while minimising the need for public-funding support.

The NKEA labs' assumptions, approaches and outputs were also frequently syndicated with key stakeholders during the entire process. There were more than 40 syndication meetings held with the lab sponsors—the lead Ministers and Prime Minister —including an Open Day in early July when the Prime Minister visited each NKEA lab. Additionally there were over 600 syndication meetings with key Government agencies such as the Economic Planning Unit and Bank Negara as well as representatives of major domestic and foreign corporations.

The co-creative efforts of the public and private sectors defined 131 ready-to-execute EPPs with three-feet level detailed plans and 60 broader business opportunities that would help Malaysia reach its GNI targets by 2020. The NKEA labs also secured memoranda of understanding with private sector players during the eight weeks and secured the public funding necessary to kick start 70 projects in 2011. The labs then crafted a clear post-lab delivery plan for each sector to ensure the successful launch and monitoring of the ETP.

Rapid Syndication with Key Stakeholders to Ensure Ownership and Momentum Post Labs

The consolidated output of the NKEA labs as well as plans for individual EPPs and business opportunities were reviewed in detail by the entire Cabinet, which endorsed them at a special Cabinet Workshop held in August 2010. At the workshop, the Prime Minister and the Cabinet publicly pledged their support to private sector companies to develop Malaysia to its fullest potential and re-invigorate domestic and foreign investor confidence.

Following the cabinet workshop, three Open Days were held in Kuala Lumpur, Kuching and Kota Kinabalu to share the results of the NKEA labs and obtain input from the *rakyat*. The clear articulation of Malaysia's ETP was met with significant approval from the *rakyat* and business community who also provided useful insight on how to maximise impact and ensure successful delivery of the projects.

The combined wealth of expertise from the private sector, public sector, senior Government leaders and the rakyat resulted in the crafting of the ETP roadmap detailed here that positions Malaysia better than ever to deliver on the promise of transforming our lives and our community.

BECOMING A HIGH-INCOME ECONOMY

The projects and initiatives identified in the ETP will transform Malaysia into a high-income economy with a GNI of just over RM1.7 trillion in 2020 compared to RM660 billion in 2009. This means that GNI per capita will have risen from RM23,700 or USD6,700 in 2009 to beyond RM48,000 or USD15,000 by 2020. This level of GNI per capita would correspond to that of a high-income economy as currently defined by the World Bank.

Of the GNI growth, up to 31 percent is expected to be delivered by the EPPs plus a further 10 percent through multiplier effects. Business opportunities could deliver an additional 33 percent. The remaining 26 percent of incremental growth is expected from other (non-NKEA) sectors.

The four largest NKEAs (Oil, Gas and Energy, Financial Services, Palm Oil and Wholesale and Retail) are projected to generate 60 percent of the incremental GNI growth from the 11 NKEA sectors. The incremental GNI growth from the initiatives in Greater Kuala Lumpur/Klang Valley is calculated separately to avoid double-counting, as some of the income from the 11 NKEA sectors will be generated in the Greater Kuala Lumpur/Klang Valley area.

Developing the Characteristics of a High-income Economy

By 2020 Malaysia will not only have the GNI per capita of a high-income economy, it will also have a number of the key characteristics of a high-income economy. Specifically, the structure of the Malaysian economy will have changed significantly:

- **Services will account for a much greater share of the economy:** By 2020, services will account for 65 percent of GDP, up from 58 percent in 2010;

- **Domestic consumption will be a key driver of growth:** Domestic private-consumption will account for 59 percent of GDP by 2020, compared to 54 percent in 2009, bringing Malaysia in line with developed economies like Taiwan and New Zealand;

- **A more balanced economy will deliver more sustainable growth:** Through the ETP, the structure of the economy will become more balanced with less dependence on resource-intensive industries such as oil and gas; and

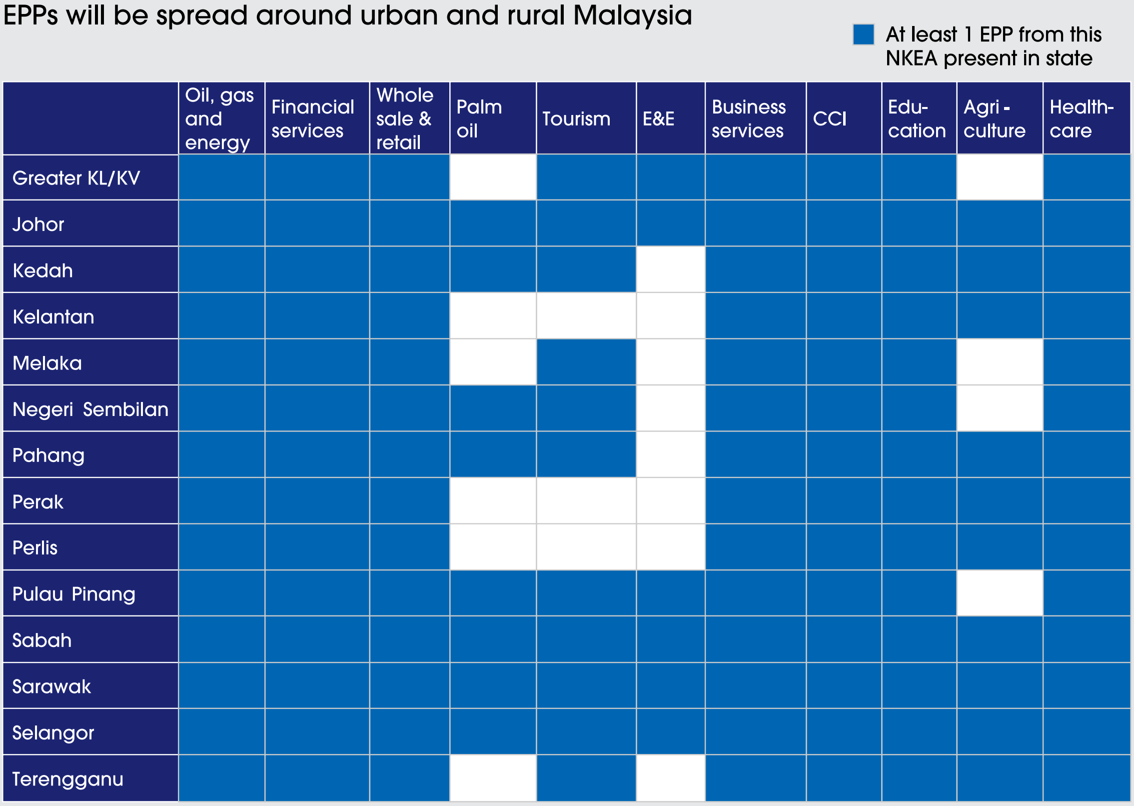
- **Malaysia will become a more urbanised country:** The share of the population living in urban areas will grow from 64 percent to 70 percent and much of this growth will be concentrated in Greater Kuala Lumpur/Klang Valley.

While Greater Kuala Lumpur/Klang Valley will be a primary engine of economic growth, there will also be growth opportunities elsewhere in the country such as the development of the solar industry in Sarawak, the development of a global biodiversity hub to attract more tourists to Sabah and the commercialisation of paddy farming and improvements in palm oil yields. In fact, every state and federal territory in Malaysia will be touched by the EPPs, as shown in *Exhibit 2*.

As the structure of the economy changes, so will the profile of the business sector. Malaysia will have grown a number of new national and regional champions by 2020. These companies will drive long-term growth in areas including financial services, business services and healthcare. In addition, SMEs will play a more significant role across the economy. For instance, in education, agriculture and electronics and electrical, SME participation will be actively encouraged through financial support, better access to research and technologies and improving infrastructure.

Exhibit 2

EPPs will be spread around urban and rural Malaysia



Innovation and Productivity-Driven Growth

This growth will be coupled by significant changes in how Malaysia does business. At the centre of many of the planned initiatives will be liberalisation measures to promote competition. These will be especially important in attracting multi-national corporations to Greater Kuala Lumpur/Klang Valley, in developing a regional financial footprint and in stimulating growth in Islamic financial services.

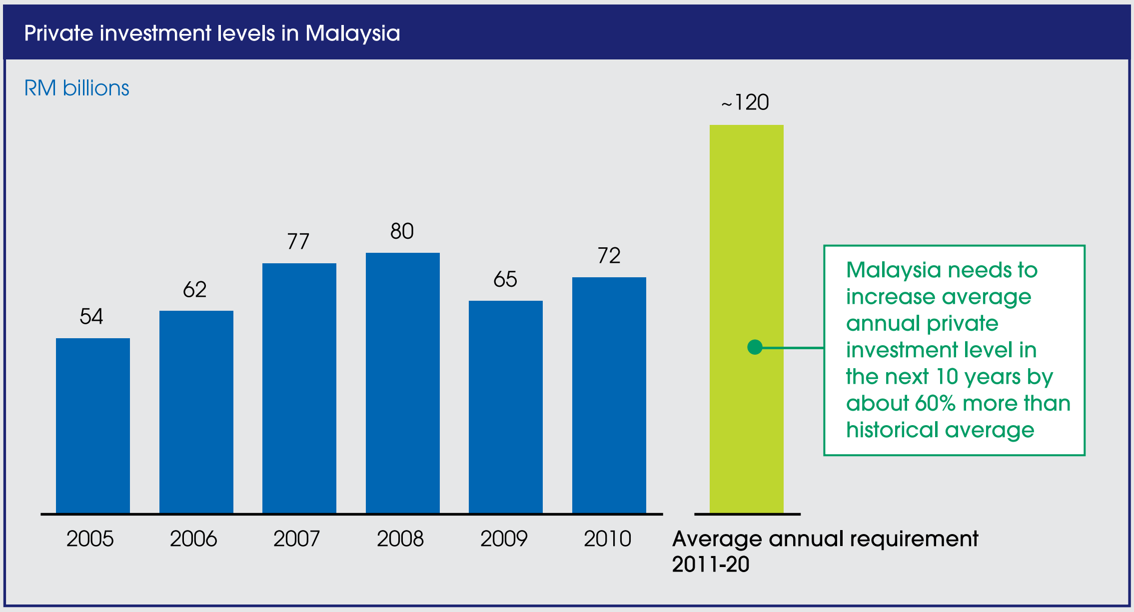
The economy will be driven by innovation and a shift to higher value-add activities, such as higher margin downstream food products for the palm oil sector. While we continue to innovate, there will also be a much greater focus on quality and on improving standards. For example, the quality of skills training will be improved through industry-led bodies that will set standards, issue guidelines on content and harmonise the skills-training curriculum across sectors. Moving towards high-income will also require a marked increase in labour productivity. Initiatives such as introducing new harvesting techniques in oil palm plantations can potentially increase labour productivity by a factor of four.

Private Investment Will Be the Catalyst for Growth

Investment in the Malaysian economy to 2020 will be driven and led by the private sector. Private investment will account for 92 percent of the RM1.4 trillion investment required for the NKEAs from 2010 to 2020 and public funding for only 8 percent. This requires an investment from the private sector of around RM120 billion per year, a significant increase from the RM72 billion in 2010 (*Exhibit 3*).

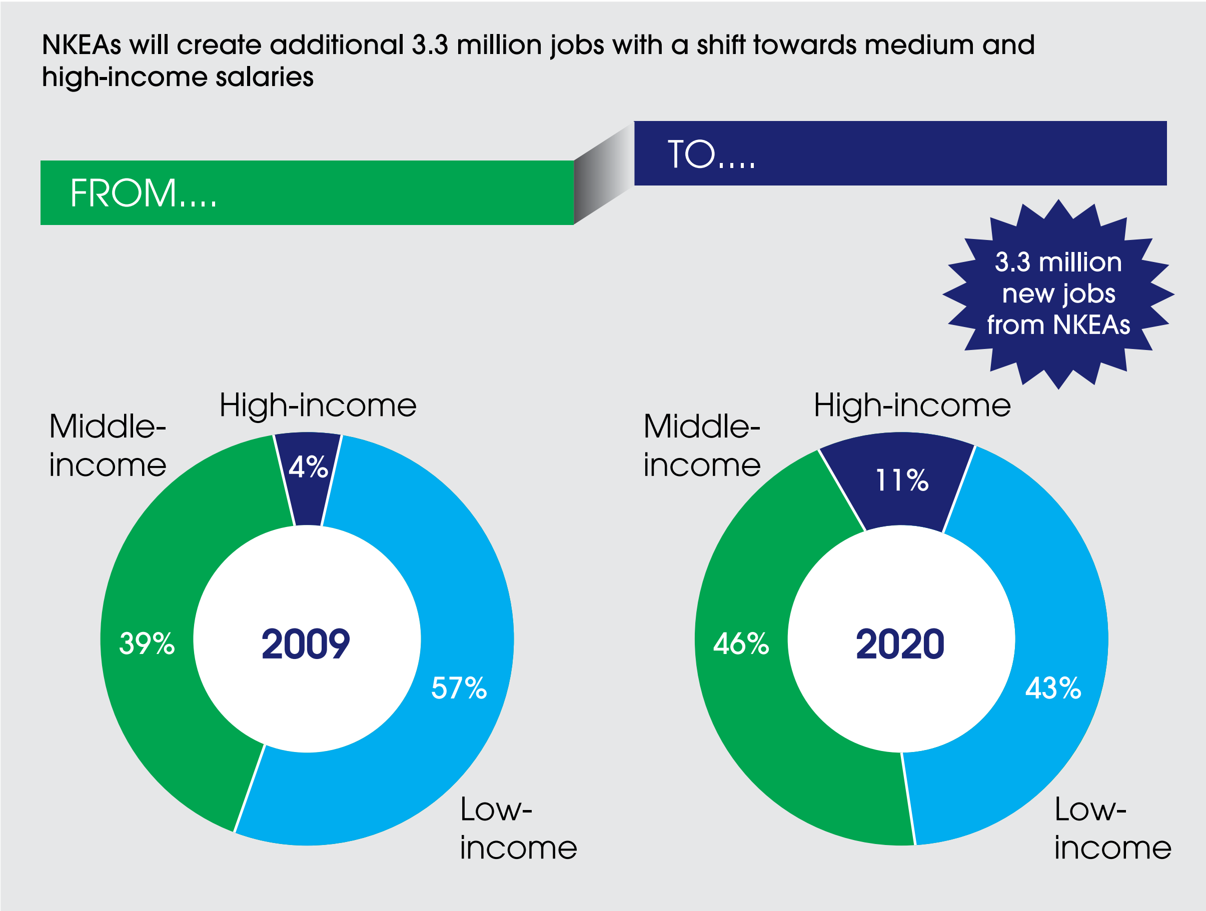
Exhibit 3

Malaysia will have to generate a significant increase in private investment to deliver the NKEAs



1 Funding requirements for other sectors determined using 2010 GDP share on 2010 private investment requirements

Exhibit 4



SOURCE: NKEA Labs

There will be a better fit between the skills demanded in the labour market and the skills developed. What Malaysia needs most of all is a much larger pool of well-trained and competent individuals with the right vocational and technical training (46 percent of additional jobs). The investment in education in Malaysia is designed to deliver the increased quantity and quality of these vocational and technical qualifications.

MANAGING RISK

The ETP is a highly ambitious programme, and there are certainly risks to implementation. The most significant risk is that the required growth in private sector investment of over 12 percent per annum is not achieved. Since 92 percent of the capital required for the ETP is projected to come from private investment, if this growth in investment does not materialise, the risk is that the economy will not grow in line with the Government's target.

To mitigate this risk, the Government recognises that it has a new role to play in facilitating growth in what is a private sector-led programme of transformation. The Government will be absolutely focused on implementing the reforms identified by the NKEA labs and will target funds to the EPPs, so as to stimulate private investment. In addition, the corporatisation of Malaysian Industrial Development Authority (MIDA) will help enhance Malaysia's ability to attract foreign investment and stimulate domestic investment.

There are other risks to the programme. The global economy is unpredictable and may not grow as quickly as the 4.5 percent projected through the 10 years. There is a limit to what can be done to mitigate this risk. However, the fact that the ETP aims to balance growth across exports and domestic consumption means that Malaysia will be somewhat less exposed to changes in global economic activity than would otherwise be the case.

There is also a potential risk that the delivery of the initiatives will be delayed. This is being tackled head on by the Government. The programme is based on very concrete EPPs and actionable market-driven reforms. There will be clear accountabilities across Government for delivering the reforms and initiatives required to drive economic growth, and a new unit has been established under PEMANDU that will support the ministries, government agencies and private sector in the delivery of the ETP.

HOW WE WILL DELIVER THE ETP

Success of the ETP, is dependent upon effective implementation of the initiatives and actual delivery of the expected outcomes. This will require the public and private sectors to work in true partnership to carry out the 131 EPPs spanning 12 NKEAs.

Our Promise to the Private Sector

To successfully deliver a programme of this scale requires multiple parties to work together in a new way towards a clear common goal. The ETP will require projects to be initiated and carried out by the private sector, and the Government will be held accountable for supporting and facilitating implementation. In this spirit, the Government commits to a specific and actionable Promise to the Private Sector.

Government's Promises to the Private Sector

- Ensure the private sector owns EPPs wherever possible, shifting the public sector's role to providing support and facilitation;
- Fast-track amending regulations, removing barriers and establishing other enablers that are specifically required by EPPs;
- Avoid crowding out private sector investment and focus investment of public funds only as a catalyst;
- Award public contracts for funding EPPs using a merit-based, market-friendly, transparent and rapid process;
- Revamp MIDA to effectively attract foreign and domestic investment at the targetted EPPs;
- Regularly seek and responsively act on feedback from the private sector;
- Provide annual reports to objectively assess the impact of ETP; and
- Maintain ETP as a national priority, ensuring it is prioritised in terms of leadership attention, funding and support.

All of Government Will Come Together and Partner with the Private Sector to Ensure Delivery

To achieve success, we will have to transform EPPs into fully delivered projects. Critical to the implementation of each EPP are three areas—delivery, support and funding. In these, the Government and private sector however will have different focus areas.

The Government will be focused primarily on providing support and high-impact funding. Its role is to ensure that all the relevant enablers are put in place, while removing any hurdles and process delays. Playing a complementary role, the private sector is focused most heavily on funding and delivery. Its role is to fund EPPs with the highest return on capital in sectors where it has proven experience. Companies will also serve as the primary owners for EPP delivery, except in the few cases where it is more natural for the Government to take ownership.

While the private sector will lead the delivery of EPPs and will have responsibility for funding these projects, it will also need to highlight areas where support is required. As such all of Government will come together to ensure delivery. Here are the examples of the roles of Government agencies:

- Ministries will predominantly play a supporting role to resolve any issues that may arise in the implementation of EPPs. However, some ministries may have accountability for the delivery of selected EPPs (varies depending on the NKEA), especially where no natural private sector owner exists;

- Regulators will play a supporting role. Some EPPs may require amendments in regulations or need sector specific incentives. In addition, regulators will coordinate and bring together a group of industry players to collectively implement an EPP or part of an EPP. They will also assess ways to mitigate risks under these projects;

- The Economic Planning Unit and the Ministry of Finance will allocate and disburse the funding for EPPs where public funding is required;

- MIDA will play a supporting role for many EPPs by attracting investment, through marketing and business development activities targetting foreign and domestic investors. MIDA will also seek EPP owners, negotiate incentives where necessary and serve as a one-stop shop for investor contact.
  In some instances, MIDA may lead the first stage delivery of EPPs in the interim, especially those wholly dependent on foreign investment;

- Talent Corporation will provide support to EPPs by executing programmes to attract and retain talent. Similar to MIDA, it may be accountable for the delivery of select EPPs, especially those dependent on attracting talent;

- PEMUDAH (a special taskforce to facilitate business) and the rebranded and restructured Malaysia Productivity Corporation will provide support to NKEAs by reviewing and recommending changes to existing regulations and policy with a view to remove unnecessary rules and compliance costs and improve the speed and ease of delivery;

- UKAS (Unit Kerjasama Awam Swasta), a unit under the Prime Minister's Department to facilitate public-private partnership (PPP) will provide support to EPPs eligible for funding via the Facilitation Fund and in structuring PPPs where relevant; and

- Government-linked investment entities like Khazanah Nasional Berhad and PNB *(Permodalan Nasional Berhad)* will provide funding support by co-investing in EPPs that meet their investment criteria.

ETP Unit has been Established to Facilitate Implementation and Delivery

The size and scope of the transformation programme requires a central facilitation team to bridge together disparate units of government, provide a link to the private sector and present a platform to resolve issues that arise throughout implementation.

The programme will be driven by ETP Unit, a division of PEMANDU. ETP Unit will function as a standalone division with dedicated full-time staff, accountable to PEMANDU's Chief Executive Officer.

ETP Unit's mandate will require its involvement across many aspects of ETP delivery. Its primary role includes architecting the ETP and resolving issues that arise in implementation, mobilising investment by bringing parties together and raising the pressure to perform to accelerate delivery. Additionally, ETP Unit will continue to monitor progress of the EPPs and ensure accountability on both the project owner as well as supporting government institutions. Finally, the unit will be responsible for regular and transparent reporting across NKEAs and the overall ETP.

ETP Unit will form strong linkages and a partnership with the EPU, to ensure alignment on the allocation and disbursement of funding for the programme, which includes direct funding for EPPs as well as for the enablers. The EPU will also ensure that the funding requirements of the ETP will be incorporated in the two-year rolling plans and the Eleventh Malaysia Plan.

Performance Monitoring and Reporting of the NKEAs

The size and scale of our transformation programme requires that each one of the EPPs has clear accountability for ownership, that each of the 12 NKEA areas has robust governance structures in place and that active monitoring and reporting of progress takes place across the entire programme. While specific governance details may differ slightly across NKEAs, there are two common structural elements.

First, the EPPs will have single point accountability. This will in most cases be a natural owner from the private sector, except in cases where public sector ownership is more appropriate. Each EPP owner will be held accountable for milestones set out by the ETP lab groups.

Secondly, there will be common governance structures across NKEAs. Each NKEA will ultimately report to the Prime Minister. There will be a Steering Committee that oversees the success of overall GNI and job targets for each NKEA and works with EPP owners to ensure project milestones are met. The Steering Committee is chaired by the relevant Lead Minister who bears accountability for meeting these targets as they will be translated into KPIs for each Minister. The Steering Committee will typically include senior representatives from both the Government and private sector. The EPP owner will be tasked with executing the projects, consulting and informing ETP Unit if issues arise and reporting progress to the Steering Committees.

Allocating Funding to Achieve the Highest Impact

While the private sector is responsible for driving and funding a significant portion of the ETP, public funds will play an important role in catalysing investment in areas where additional support is needed.

We commit ourselves to safeguarding public resources by allocating funding according to our delivery principles. In this spirit, we will ensure that public funding is prioritised by GNI impact, allocated to owners that are transparently selected based on merit and disbursed according to performance that is judged against milestones and key performance indicators.

Prioritising public funding according the highest return projects

NKEAs have been carefully selected, and each has a significant material impact on the GNI of our nation. As such, we plan to concentrate our development budget on the ETP to ensure it has the funding required for success. Any public spending will be allocated on the basis of maximising GNI per public ringgit of investment.

Transparently selecting owners based on merit

An important element of the programme is ensuring that public funds are distributed through a process that is both transparent and based on merit. Many of the EPPs will not need any Government funding and are open to any company that chooses to take advantage of the opportunity. However, in cases where EPPs require public funding, the Government will conduct a transparent bidding process that complies with the transparent and merit-based assessment processes utilised by the Ministry of Finance.

Distributing funds based on performance

Steering Committees are tasked with ultimate accountability for ensuring that public funding is allocated within each NKEA in a manner that rewards performance. As such, ongoing funding will only be distributed to EPPs where performance meets the milestones defined by ETP labs. In cases where milestones are not met by the specified timeline, a Steering Committee has the responsibility to change the terms of public funding, or withdraw any future funding.

Ongoing funding and capturing future growth opportunities

Funding for the ETP as approved by the Cabinet has been secured and will be allocated in a series of ongoing tranches. The initial tranche of funds for 2011 to 2012 were approved by the Parliament in October 2010. Funds for 2013 to 2015 will be approved in 2012 during the two-year planning cycle as stated in the Tenth Malaysia Plan. Funding for the programme from 2015 to 2018 will be approved under the Eleventh Malaysia Plan. Finally funding for 2018 to 2020 will be approved in 2017.

Over time we have the flexibility to rebalance our funding for NKEAs and EPPs, while limiting the maximum number of NKEAs carried out at any given time to 12. The current set of NKEAs reflects the areas that have the highest GNI growth forecast by 2020, and it is likely that there may be significant growth in other non-NKEA sectors in the future as markets and the environment changes. Furthermore, there may also be cases where EPPs will be removed from the programme if they do not meet GNI and job targets.

To rebalance the set of NKEAs and EPPs, when it deems it appropriate, ETP Unit may recommend that a new lab process be put in place. This process will bring together participants from both the public and private sectors and will be transparently shared with the public in the spirit of the ETP.

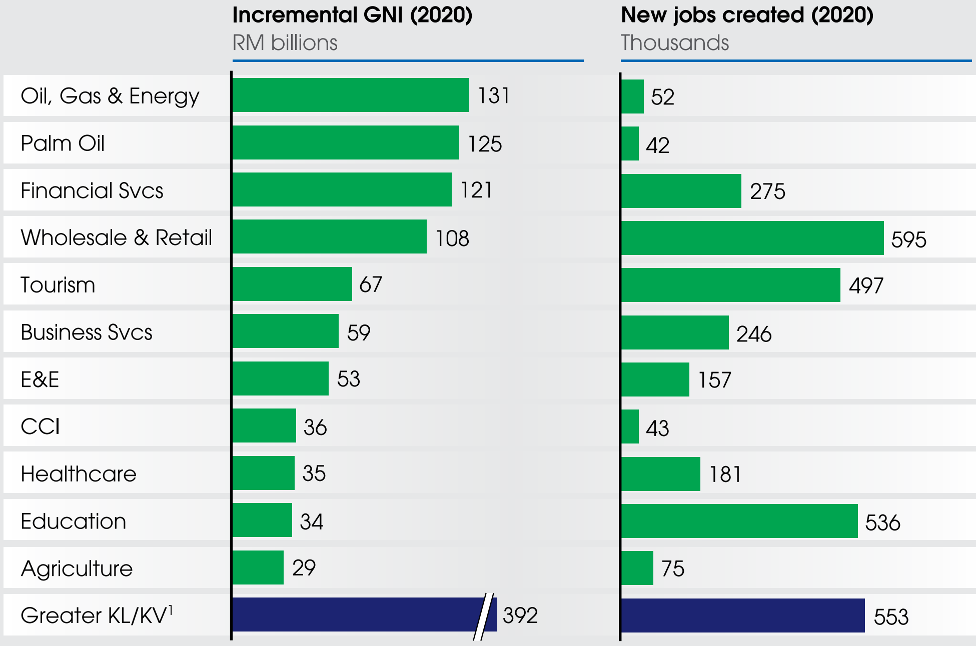
131 Concrete Entry Point Projects

RM0.8 TRILLION INCREMENTAL GNI IMPACT DELIVERED FROM EPPS, BUSINESS OPPORTUNITIES AND MULTIPLIER EFFECT

The ETP will transform the Malaysian economy and deliver the increased GNI required to become a high-income nation by 2020 (*Exhibit 5*). The following sections outline the programmes of each of the 12 NKEAs.

Exhibit 5

Incremental GNI impact and new jobs created from 12 NKEAs in 2020



[1] Greater KL/KV GNI is calculated separately to avoid double counting as some portion of the income from NKEAs will be generated in Greater KL/KV area

Greater Kuala Lumpur/Klang Valley

Where we are today

Greater KL/KV is already on the global map as one of the iconic cities of Southeast Asia. It boasts world-renowned landmarks such as the PETRONAS Twin Towers, a unique blend of diverse cultures and heritage, an extensive road network and high quality basic services such as water and electricity. However, it now faces fierce competition from neighbouring cities in attracting talent and multinational corporations. Its liveability lags many other Asian cities, public transport remains inadequate and many natural assets remain untapped.

Vision for the future

The Greater KL/KV NKEA's vision can be summarised as 20-20 by 2020—that is, to be a city that simultaneously achieves a top-20 ranking in city economic growth (as defined by city GDP growth rates) while being among the global top-20 most liveable cities by 2020.

Targets and aspirations

Our economic aspiration is to grow GNI contribution from approximately RM258 billion to RM650 billion per year. This should move GNI share from approximately 30 percent of the nation's GNI to approximately 40 percent. Growth in Greater KL/KV economic activities will increase total employment from 2.5 million in 2010 to 4.2 million by 2020. Additional aspirations include increasing per capita GNI from RM40,000 to RM70,000 per year, achieving a top-20 ranking in the EIU Liveability Index survey and growing the population from 6 to 10 million, with a focus on growing the foreign talent base from 9 percent to 20 percent of the population.

Nine EPPs along four dimensions have been identified to deliver on the Greater KL/KV aspirations.

1. **Greater KL/KV as a magnet:** Dynamic international and regional multinational companies that are emerging leaders within targetted sub-sectors will be encouraged to locate their global or regional headquarters in Greater KL/KV. This will be supported by internal and external immigration programmes to grow Greater KL/KV's population to 10 million by 2020, with a focus on higher-value jobs.

2. **Greater KL/KV connect:** Regional connectivity will be accelerated by deploying a high-speed rail system to connect Greater KL/KV and Singapore. At the same time, intra-city connectivity will be improved with a mass rapid transit system.

3. **Greater KL/KV new places:** High potential destinations within Greater KL/KV will be identified as attractions and upgraded to enhance liveability for residents and draw tourists and migrants looking to visit or relocate to Greater KL/KV. For instance, downtown KL City is blessed with two rivers and valuable waterfronts that will be exploited as retail and commercial centres. In addition, we will increase the amount of green space essential to improving the city's overall quality of life. Also, Greater KL/KV has many natural assets that can be leveraged as points of attraction (e.g. the old Pudu Jail site with its iconic gate). Strategic redevelopment with sharply defined boundaries has the potential to create more iconic places within Greater KL/KV.

4 **Greater KL/KV enhanced services:** Gaps in basic services will be addressed to ensure a well-functioning and liveable city. Pedestrian walkways within KL city are woefully inadequate and not integrated. Fixing this will enhance not only the liveability of the city, but also boost tourism and commercial potential. We will also improve provision of adequate solid waste management collection and processing.

Enabling growth

Greater KL/KV EPPs will require a cumulative funding of RM172 billion from 2010 to 2020, 34 percent of which is expected to come from the public sector.

Oil, Gas and Energy

Where we are today

The oil, gas and energy sector has been a mainstay of Malaysia's growth and contributes approximately 20 percent of national GDP. With the prospect of decreasing production from a maturing asset base, we will have to pursue sector-wide opportunities to reach the ambitious real annual-growth target and provide a sustainable energy platform.

Vision for the future

By 2020, Malaysia will have a more diversified oil, gas and energy sector that remains vital to our development, and that builds on the nation's competitive advantages. A key thrust would be to intensify exploration and enhance production from domestic reserves. We will also develop a strong regional oil field services and equipment hub and a stronger presence in the regional midstream logistics and downstream markets. Finally, Malaysia has the potential to grow alternative energy sources such as nuclear, solar and hydro to overcome the decline in domestic natural gas production.

Targets and aspirations

The Oil, Gas and Energy NKEA is targetted to raise total GNI contribution to RM241 billion by 2020 from RM110 billion in 2009. As the base case projects a natural 2 percent decline in oil and gas production, this GNI target will require the NKEA to grow at an ambitious rate of 5 percent.

In achieving this, an additional 52,300 jobs will be created. A significant proportion of these jobs will be highly-skilled jobs with an estimated 21,000 jobs for qualified professionals such as engineers and geologists, with monthly salaries in the range of RM5,000 to RM10,000.

A total of 12 entry point projects have been developed across four themes to raise the sector's output and meet energy demand over the 10-year timeframe.

1 **Sustaining oil and gas production:** Three EPPs will overcome the projected decline of 1 to 2 percent in domestic oil and gas production—capturing value from mature fields through enhanced oil recovery, using innovative solutions to develop small fields and intensifying our exploration activities.

2 **Enhancing growth in downstream:** Malaysia can capture the value created from increasing international flows of crude oil and refined products by building a regional oil-storage hub and developing a regasification terminal for imported liquefied natural gas.

3 **Making Malaysia the number one Asian hub for oil field services:** Malaysia will attract multinational corporations, consolidate domestic fabricators to increase their likelihood of winning major contracts and partner with world-class companies to establish a presence in the construction and installation portion of the value chain.

4 **Building a sustainable energy platform for growth**: Malaysia will diversify its energy sources beyond gas to fuel growth and honour our commitment to lower carbon emissions. Alternative sources such as solar and nuclear power will be developed, while at the same time energy efficiency measures will also be undertaken.

Enabling growth

Achieving our ambitious target will require RM218 billion in funding. Of this, less than 1 percent will be from the public sector. Additionally RM64 billion will be needed to offset the current decline in oil production, and the tax rebates to enhance energy efficiency will likely require RM12 billion.

Three key enablers need to be in place to ensure we achieve our target. These are providing effective investment support to ensure investors are actively courted and deals are enabled; ensuring investors can bring in the necessary expatriate talent; and introducing measures to increase the supply of graduates to staff the approximately 21,000 new jobs created at or above graduate level by 2020.

Financial Services

Where we are today

The importance of the financial services sector to the Malaysian economy has been growing over the past decade, with the financial services sector's share of GDP growing from an average of 9.9 percent of GDP between 2000 and 2005 to an average of 10.9 percent over the period 2006 to 2009. However, the sector faces critical challenges, including lack of scale, lack of liquidity and diversity in the capital markets, low levels of financial literacy and competition from regional financial centres such as Singapore, Hong Kong and increasingly Indonesia.

Vision for the future

We aim to evolve Malaysia's financial services sector to serve the needs of businesses and consumers in a high-income economy and to increase its depth and regional and global market shares in select niches.

Targets and aspirations

The Financial Services NKEA is targetted to raise total GNI contribution by RM121 billion to reach RM180 billion by 2020. In addition, through this NKEA, an additional 275,000 jobs will be created, with 56 percent of them offering an average income of above RM4,000 per month.

In order to achieve this vision, we have identified a portfolio of EPPs for the financial services sector along four strategic thrusts.

1 **Strengthen the core:** We will ensure all facets of the industry remain healthy and vibrant and are able to effectively and efficiently support the needs of businesses and consumers. This means revitalising our capital markets, deepening and broadening our bond markets, transforming developmental finance institutions and creating an integrated payments ecosystem.

2 **Serve the needs of the high-income population:** We will evolve the products and services that financial institutions offer to serve the changing needs of our citizens and residents as the nation migrates towards higher-income status. This means insuring our population, accelerating the growth of our private pensions industry and spurring the growth of our wealth management industry.

3 **Develop new growth sectors:** We will seed new sectors for growth, starting with accelerating and sustaining a significant asset management industry.

4 **Go on the offensive:** We will encourage our financial institutions to go on the offensive and tap external markets for their continued growth. This means developing regional bank champions and becoming the indisputable global hub for Islamic finance.

Enabling growth

Achieving our growth targets of growing the financial services sector by three times by 2020 will require cumulative funding of RM211 billion over the next 10 years. The public sector is expected to provide 4 percent of this investment.

Underlying all of these initiatives are industry-wide barriers that need to be addressed, some urgently and dramatically, or we will fail to deliver on these aspirations. These include devising ways to create an attractive business environment for international and long-term capital, improving our ability to attract, develop and retain talent, organising a more seamless regulatory environment, improving tax competitiveness and improving Malaysia's reputation or brand in financial services.

Wholesale and Retail

Where we are today

Malaysia's wholesale and retail sector (hereafter shortened to retail) is a significant contributor to GNI. It contributed about RM57 billion to GNI in 2009 and also contributed around 500,000 jobs. To achieve our 2020 GNI target, retail will be a key driver of domestic consumption, which in turn will lead to economic growth.

In recent years, retail seems to have gone into a decline. For instance, AT Kearney's Global Retail Development Index places the Malaysian retail sector in 17th position among 30 emerging economies in 2010, down from 10th in 2009 and 8th in 2008.

Vision for the future

We aim to increase the importance of retail as a driver of domestic consumption, hence the need to reverse the decline of the sector. We target to more than double its GNI contribution by 2020.

Targets and aspirations

We aim for the Retail NKEA to raise GNI contribution by RM108 billion to reach a total contribution of RM165 billion per annum by 2020.

The Retail NKEA EPPs will also create around 370,000 new jobs over the next 10 years. Of this, 7,800 will be senior management posts, 11,600 managerial, 19,000 professional and technical, 19,000 executive, 37,000 supervisory, 18,000 clerical and the rest operational. In addition, business opportunities will create around 225,000 jobs.

A total of 13 EPPs have been developed across five themes to deliver the GNI growth.

1. **Growing the success of large retail businesses:** We will support the expansion of large retail businesses like hypermarkets, malls and big box boulevards. In doing this, we will give special attention to large local-retail companies in their efforts to expand domestically and overseas.

2. **Modernising small- and medium-sized retail businesses:** We will mitigate the effects of large format expansion on small- and medium-sized local players by supporting the latter to transform their efficiency and service levels. This will cover small retailers (e.g. grocers), market traders, automotive workshops and food centres.

3. **Removing import duties to encourage retail expenditure:** We will make most imported retail products duty-free, making them cheaper for consumers and hence increasing consumption.

4. **Boosting retail expenditures of tourists:** We will intensify initiatives to raise local and foreign tourist expenditure on goods and services. This will be through setting up wellness resorts, organising unified sales and intensifying the transformation of KLIA into a retail hub.

5. **Expanding revenues from online retail:** We will encourage the expansion of online retail by developing a local platform. This would help local retailers to distribute their products online and match them with consumer searches.

Enabling growth

The total funding requirement for the Retail NKEA amounts to RM255 billion, of which almost 100 percent will be funded by the private sector.

Common enablers will be put in place to make it easier for retailers to do business and at the same time increase the level of competition and choice for customers. These enablers are in the areas of increasing access to finance, further liberalising the retail sector to make setup and expansion easier, upgrading transportation infrastructure and growing human capital in the sector.

Palm Oil

Where we are today

Malaysia's palm oil industry is the fourth largest contributor to the national economy and currently accounts for RM53 billion in GNI. The industry spans the value chain from upstream plantations to downstream processing. The development is mainly private sector driven and remains heavily skewed towards upstream activities. However, with limited land available to expand plantations, Malaysia will need to enhance upstream productivity and capture the full potential of existing downstream opportunities to sustain growth in this sector.

Vision for the future

Palm oil will remain a major contributor to the Malaysian economy over the next 10 years building on a core set of advantages including rising relative-demand globally versus substitutes, continued high oil-yield per hectare over substitutes, distinctive edge in yield and quality over competitor nations such as Indonesia and a conducive regulatory environment. These would be supplemented by superior productivity through mechanisation and a stronger presence in the lucrative downstream segment.

Targets and aspirations

The Palm Oil NKEA is targetted to raise total GNI contribution by RM125 billion to reach RM178 billion by 2020. In achieving this, an additional 41,000 jobs will be created, of which 40 percent will be high-skilled jobs earning average monthly incomes of RM6,000.

The NKEA plans to implement eight core EPPs that span the palm oil value chain.

1. **Upstream productivity and sustainability:** These EPPs will focus on improving upstream productivity and transforming Malaysia's oil palm plantations by accelerating the replanting of aging oil palms, mechanising plantations using equipment such as Cantas™, stringently enforcing best practices to enhance fresh fruit-bunch yield, implementing strict quality control parameters to enhance oil extraction rate and developing biogas facilities at palm mills to capture the methane gas released during the milling process.

2. **Downstream expansion and sustainability:** These EPPs will target capturing the lucrative downstream segment where Malaysia has little presence today by focusing on developing finished segments that generate high value, including oleo-derivatives and selected food and health-based segments, as well as commercialising second-generation bio fuels from the resulting bio mass that is generated in the industry.

Enabling growth

Achieving our aspirations will require cumulative funding of RM124 billion over the next 10 years with 98 percent of the funding coming from the private sector. The total public funding for capital expenditure is expected to be RM2.9 billion with an additional RM2.7 billion in the form of tax incentives, soft loans and cash incentives to promote private-sector development in the downstream sector.

There are also three key sector-wide enablers that must be set up including increasing the number of university courses and graduates in chemical engineering, bio engineering and related courses to meet the demand for the nearly 80,000 skilled personnel; extending the Brain Gain Malaysia programme to Malaysian diaspora who are food scientists and fast-moving-consumer-goods marketing specialists in leading global food and non-food downstream companies; and industry companies and Government agencies such as Malaysian Palm Oil Board playing a key role in collecting information such as business intelligence and product intelligence to ensure we stay ahead of the industry.

Tourism

Where we are today

Malaysia is one of the world's top destinations, in the top 10 in arrivals and top 15 in global receipts. Tourism is our fifth largest industry, generating RM37 billion in GNI in 2009. The industry is expected to continue growing with arrivals rising from 24 million in 2009 to 36 million in 2020.

Vision for the future

Malaysia's growth in tourism has mostly relied on growth in arrivals rather than yield: 75 percent of growth has been from increased arrivals and 25 percent from increased yield. Going forward, we must focus on growing yield. To attract the higher-yield segment, we will need to both improve and upgrade our offerings and services and enhance connectivity to our key priority markets.

Targets and aspirations

The tourism industry is targetted to raise total GNI contribution by RM67 billion to reach RM104 billion by 2020. This will require the sector to triple from the starting position of RM37 billion in 2009.
This incremental increase is driven by 12 EPPs, which will deliver RM28.4 billion in incremental GNI and three business opportunities that will deliver RM28.6 billion in incremental GNI. In achieving this, an additional 497,000 jobs will be created.

A total of 12 EPPs have been developed across six themes to deliver significant results within a 10-year timeframe.

1. **Affordable luxury:** Shopping currently accounts for 28 percent of our total tourism receipts, compared to 35 percent in Singapore and 57 percent in Hong Kong. We will position ourselves as a shopping destination and aim to grow shopping receipts to 35 percent by 2020.

2. **Nature adventure:** Malaysia aims to become one of the world's best offerings of biodiversity. We target to have a recognised network of different biodiversity sites of international calibre, which will be developed and/or rehabilitated and allow for tourist participation in rehabilitation activities.

3 **Family fun:** This theme primarily targets the rapidly growing middle-class of India, China and the Middle East, which represent about 48 percent of global population but only 13 percent of global tourism departures, and offers them a destination in Southeast Asia for family entertainment.

4 **Events, entertainment, spa and sports:** Malaysia lags our neighbours in the magnitude and variety of events as well as in our nightlife offerings. Hosting more international events and promoting a vibrant nightlife is necessary to attract tourists and provide a boost to the tourism industry.

5 **Business tourism:** Business tourism represents a small part of our industry, with just 5 percent of total arrivals and 19 percent of receipts (2009), unlike Singapore, where it accounts for 30 percent of tourist arrivals and 40 percent of receipts. We believe there is potential to further grow this segment.

Cross-theme projects — Medium-haul connectivity and better quality hotels:
Two cross-theme projects will support delivery of the other projects: enhancing connectivity to priority medium-haul markets and improving the rates, mix and quality of our hotels.

Enabling growth

Achieving our aspirations will require RM204 billion in funding over the next 10 years. Of this funding, only 2 percent is expected to come from the public sector. We have identified four sector-wide enablers critical to unleashing the sector's full potential. They are increasing and focusing our marketing in priority markets; re-introducing selective visa on arrival; ensuring an adequate supply of qualified human capital; and improving the tourism environment by improving offerings and accessibility (e.g. taxi services), access to funding and quality of frontline staff.

Electronics and Electrical

Where we are today

The Electronics and Electrical sector (E&E) is an important contributor to the national economy, accounting for RM37 billion in GNI (6 percent of national GNI), 522,000 jobs and 41 percent of Malaysia's total exports in 2009. The sector has spawned successful local firms and virtually every leading global firm operates here.

Nonetheless, E&E faces significant challenges in maintaining growth in the face of competition from China, Taiwan, Singapore and other Asian countries. In the last decade, E&E's share of exports has declined. Furthermore, our focus has been on assembly, the lower value-added segment, while other countries have captured higher value-added activities in research and development, design and manufacturing.

Vision for the future

We aim to strengthen Malaysia's E&E capabilities across the value chain, particularly in higher value-added upstream activities. Our focus will also be on attracting more leading multinational companies to operate in Malaysia and creating more Malaysian champions.

Targets and aspirations

We will revitalise Malaysia's E&E sector to increase GNI by RM53 billion to reach RM90 billion by 2020 and provide an additional 157,000 jobs (both high-skilled and medium-skilled).

Our strategy is to focus on 15 EPPs across four geographic clusters (Northern Corridor, Greater Kuala Lumpur/Klang Valley, Johor and Sarawak) and five target sub-sectors.

1. **Semiconductors:** Our efforts in this important part of our E&E sector have been typically in areas with lower value-add such as test and assembly. We will follow a strategy of building on our strong foundations in mature technology semiconductor fabrication and expanding into advanced packaging and design of integrated circuits as well as supporting the growth of substrate manufacturers.

2. **Solar:** With a strong start in solar and solid experience in the similarly structured semiconductor industry, Malaysia has a promising future in a promising technology. By 2011, we will have the third largest market share in the world. A concerted effort to increase the number of silicon, wafer, cell and module producers will allow us to leap into second place of a much larger industry by 2020.

3. **Light-emitting diodes:** Malaysia has a strong lead in solid-state lighting, one of the fastest growing segments. We need to move up the value chain from packing and testing to chip and application research and development by creating a cluster of international and domestic companies.

4. **Industrial electronics:** Industrial electronics involves the manufacturing of precision equipment used in industrial and commercial settings. Test and measurement, wireless communication, transmission and distribution and automation markets are the most attractive for further development.

5. **Electrical home appliances:** Malaysia has been successful domestically with the development of strong local home appliance companies. The next step is to grow scale and build a strong international distribution network.

Enabling growth

The total cumulative funding requirement from 2010 to 2020 is RM78 billion, with 12 percent coming from the public sector, and the remaining 88 percent from the private sector.

We have also identified common enablers critical to the success of the E&E industry. The enablers are grouped into those specific to the four key regional clusters (e.g. granting MSC status) and more general cross-cutting enablers grouped by government role (e.g. removing restrictive regulations), talent (e.g. increasing training courses), infrastructure (e.g. enhancing stability of electricity supply to industrial parks) and technical ecosystem (e.g. establishing centres of excellence).

Business Services

Where we are today

Malaysia's business service sector contributes RM20 billion to GNI in 2009 or 2.9 percent, creating significant scope for growth. In other emerging markets, like China and the Philippines, the business services sector is forecasted to grow by around 11 percent over the next decade. Malaysia should aim to match or even surpass these levels, if it expects to meet its GNI growth rates.

Vision for the future

By 2020, we would like to move closer to the benchmark of developed markets like the United Kingdom, where the business services sector contributes roughly 20 percent of both GDP and employment and 14 percent of exports. We believe a vibrant business services sector will be beneficial as it is a high value-add sector, generates significant multiplier effects in the economy and raises overall productivity across the economy.

Targets and aspirations

We aim to grow the GNI contribution of the business services sector by RM59 billion to reach RM79 billion in 2020. This incremental increase is driven by six EPPs and three business opportunities that will deliver an additional 246,000 jobs by 2020.

A total of six EPPs have been developed across two themes to deliver significant results within a ten-year timeframe.

1. **Accelerate the growth of differentiated sectors:** As a small country, Malaysia's supply of talent is dwarfed by regional giants such as China and India. For example, it is estimated that China has a total pool of 1.6 million engineers, compared with just 49,000 in Malaysia. Likewise, India has a pool of around 2.3 million finance and accounting professionals, compared with Malaysia's 83,000.

   To compete, Malaysia needs to sharpen the focus of its business services sector. This means concentrating attention on the sectors in which it has an advantage and where its products and services are differentiated.

2. **Develop future growth segments:** In a world of accelerating change and increasing competition, Malaysia cannot afford to stand still. While capitalising on our current strengths, we must also look to the future and identify the industries and jobs that will drive growth in the next decade and beyond.

   There are numerous examples of forward-looking countries that have stolen a march on their rivals by investing early in nascent sectors. For example, in the early 2000s, South Korea invested heavily in broadband connectivity, resulting in the highest broadband penetration in the world. This spurred growth across a range of products and services, including smart phones, wireless technologies and home entertainment services such as video on demand.

Enabling growth

Achieving our aspirations will require RM41 billion in funding over the next 10 years, of which only 9 percent is expected to come from the public sector.

We have also identified one sector-wide enabler critical to unleashing the full potential of the sector — increasing the skill of our workforce to meet the needs of our services sector. We recommend a set of actions focused on increasing the relevance of skills education and training to industry demands, attracting global talent and increasing the participation of skilled women in the services workforce to 45 percent.

Communications Content and Infrastructure

Where we are today

The Communications Content and Infrastructure (CCI) sector spans a wide ecosystem, from content generation to networks, services and devices. In 2009, the sector contributed RM22 billion of GNI from telecommunications, TV and broadcasting as well as post and courier.

For Malaysia to transition from a middle-income to high-income economy the continued development of the communications content and infrastructure sector is fundamental. The sector should now build on the infrastructure investments of the past and shift to providing applications and content in order to enable the knowledge-based society.

Vision for the future

The CCI NKEA aims at driving continued high growth in communications and enabling the paradigm shift from infrastructure to applications and content.

Targets and aspirations

We will raise the sector's GNI contribution by RM36 billion in 2009 to reach RM58 billion by 2020. This incremental increase is driven by 10 EPPs that will deliver RM16.6 billion in incremental GNI and four business opportunities that will deliver RM11.7 billion in incremental GNI. In achieving this, an additional 43,000 jobs will be created.

A total of 10 EPPs have been developed across three themes to deliver significant results within a 10-year timeframe.

1. **Serving tomorrow:** We will address the paradigm change of shifting profit pools to content and services by strengthening Malaysia's domestic value-add in advanced applications, particularly content creation and platforms, payments and electronic commerce and connectivity applications.

2. **Pushing boundaries:** We will fully leverage communications content and infrastructure in other sectors through coordinated efforts to provide access, devices, applications and content and facilitate the shift to a knowledge-based economy, particularly in e-Learning, e-Healthcare and e-Government.

3 **Enhancing foundations:** Capitalise on next-generation infrastructure opportunities and build infrastructure to support the future growth of Malaysia, with particular focus on coverage, affordability and quality of access.

Enabling growth

Achieving our aspirations will require RM51 billion in funding over the next 10 years, of which only 2 percent is expected to come from the public sector.

One sector-wide enabler critical to unleashing the full potential of the sector is improving human capital. Having the right human capital is critical to the success of initiatives within CCI, and the positive outcome of this NKEA will be driven greatly by the level of qualification and skills that the sector attracts and develops.

Education

Where we are today

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 contributes approximately RM27 billion or 4 percent of GNI in 2009. There are several important opportunities for improvement as the current education sector is filled with sub-scale SMEs, has limited international focus and lacks harmonised regulations.

Vision for the future

The focus of the Education NKEA will be on strengthening the private education services sector by increasing private consumption and investments as well as expanding education exports. 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 the first-world talent base that it both needs and deserves.

Targets and aspirations

The Education NKEA is targetted to raise total GNI contribution by RM34 billion to reach RM61 billion by 2020. As public sector growth is expected to be limited, this goal will require the private education sector to grow six-fold.

In achieving this, an additional 536,000 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.

A total of 13 EPPs have been developed across three themes to raise overall education standards and deliver significant results within a 10-year timeframe.

1 **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 any crowding out of existing providers.

2 **Concentration and specialisation initiatives:** 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 address 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.

3 **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.

Enabling growth

Achieving our aspiration of six-fold growth will require RM20 billion in funding over the next 10 years, of which only 6 percent constitutes new public funding.

We have also identified five sector-wide enablers critical to unleashing the full potential of the private education market, ranging from improving access to supply-side financing to raising quality through regulatory reform. These enablers will help private providers meet demand opportunities, promote more public-private partnerships in the funding of education and empower students and families as paying consumers.

Agriculture

Where we are today

The agriculture sector plays an important role in Malaysia's economic development—providing rural employment, uplifting rural incomes and ensuring national food security. Excluding industrial crops such as palm oil and rubber, the agriculture sector contributed RM20 billion or 4 percent of Malaysia's GNI in 2009. Traditionally labelled as the poor man's sector, the face of agriculture is slowly changing as entrepreneurs in diverse businesses like swiftlet nest-ranching and large-scale paddy (rice) farmers are able to move up to Malaysia's high-income group.

Vision for the future

By 2020 agriculture will be transformed into agribusiness, moving towards a model that is inclusive but simultaneously anchored on market needs, economies of scale and value chain integration. Malaysia will focus on large global markets with high growth potential such as aquaculture and premium processed foods, while maintaining a strong presence in strategic sub-sectors such as paddy and livestock to ensure national food security. To do so, we will need to capitalise on natural resources while enhancing productivity and adopting a truly demand-driven approach.

Targets and aspirations

The Agriculture NKEA is targetted to raise total GNI contribution by RM34 billion to reach RM49 billion by 2020. The NKEA will create an additional 75,000 jobs, mostly in rural areas, where we target to increase the incomes of farmers participating in our initiatives by two to four times.

The NKEA plans to bridge this gap through 16 EPPs that catalyse the establishment of market-driven, industrial scale and integrated agriculture-related businesses along four themes.

1. **Capitalising on Malaysia's competitive advantage:** We aim to unlock value from Malaysia's biodiversity, including developing our diverse natural herbs into premium herbal products, commercialising our unique native seaweed varieties, expanding swiftlet nest-production, farming through integrated cage aquaculture systems and rearing cattle in oil palm estates.

2. **Tapping premium markets:** We will focus efforts on expanding production of premium grade fruit and vegetables and certified shrimps for export as well as developing premium processed foods and introducing a fragrant rice variety for non-irrigated areas.

3. **Ensuring food security objectives are consistent with increasing GNI:** The Government will ensure that food security objectives are met. As the population continues to grow, these EPPs will scale up and strengthen productivity of paddy farming and cattle ranching as well as establish local dairy clusters with the help of foreign players to help meet increasing demand.

4. **Expanding participation in the regional value chain:** We aim to expand our participation in the region by acquiring foreign firms, undertaking contract farming activities overseas and providing regional services in niche areas such as molecular marker discovery and validation for breeding.

Enabling growth

Achieving our aspirations will require cumulative funding of RM22 billion over the next 10 years with 62 percent coming from the private sector. Of the total public funding for capital, half will go towards upgrading irrigation in granary areas and the rest to develop critical infrastructure such as water intakes, roads and jetties.

In addition, five key enablers are required to support the implementation of the EPPs and business opportunities ranging from providing incentives for anchor companies (to transform from small-scale production-centric activities to a large-scale, market-centric approach) to strengthening adoption of good agricultural practices, making regulatory changes, strengthening logistics and ensuring a sufficient pipeline of human capital.

Healthcare

Where we are today

The healthcare industry has become a powerful engine of economic growth, due to demographic shifts such as extended longevity and a rise in lifestyle diseases such as hypertension and cardiovascular ailments and diabetes. Malaysia's spending on healthcare, at 5 percent of GDP, is above our regional peers, and public spending is a disproportionate contributor to healthcare costs. Currently, the sector contributes to RM15 billion in GNI.

Vision for the future

We aim to grow three sub-sectors within healthcare: pharmaceuticals, health travel and medical technology products. There is significant opportunity to move from a net importer to a significant player in the RM422 billion prescription and pharmaceutical drug industry. Malaysia will also develop the more profitable medical technology sub-sectors such as medical devices, diagnostic equipment and healthcare information technology. Finally, we are aiming to bounce back in the attractive health travel sector to match the growth of our neighbours Singapore and Thailand. Our goal is to migrate from primarily a lower-value product strategy to a more comprehensive product, services and asset strategy that better leverages our competencies.

Targets and aspirations

We aspire to generate RM35 billion incremental GNI contribution to reach RM50 billion by 2020. The Healthcare NKEA is also targetting to welcome 1 million health travellers and conduct 1,000 clinical trials, all of which will result in approximately 181,000 new jobs.

These projects represent an aggressive export campaign, an upgraded services platform and a commitment to better healthcare for Malaysians. The six EPPs are categorised into three themes.

1. **Quick wins:** These are initiatives that can be implemented immediately in 2010 as they are already being debated within the public sector and require low to moderate levels of private sector support to enable successful execution. Under this theme, we are looking to mandate health insurance for foreign workers and create an eco-system to support clinical trials.

2. **Strategic opportunities:** The two strategic opportunities for healthcare, pursuing exports in generic drugs and reinvigorating our health travel segment, are transformational and hence will require significant change in how we think about our industry and how the public and private sectors work together. They will move Malaysia up the healthcare value chain.

3. **Longer term bets:** We believe that we must tackle more difficult issues in order to gain a strong position early in new technologies, such as telemedicine, and to establish Malaysia as a source of significant medical innovation. The two EPPs will require government to work hard to gain the support, commitment and energy of a variety of public and private sector partners.

Enabling growth

Given our ambitious target to grow the healthcare sector and treble its contribution to GNI, a significant amount of investment will be needed. The healthcare sector will require RM23 billion cumulatively from 2011 to 2020 to fund growth. Notably, we estimate that only 1 percent of this sum will be public funds, while the remaining 99 percent will be funded by the private sector.

There are five key enablers that need to be in place to ensure that the Healthcare GNI targets can be met. These include securing the right human capital, utilising our existing infrastructure more effectively, changing regulations and policy, creating cross-border alliance and co-ordinating more targetted and aggressive marketing.

ENABLING THE SUCCESS OF THE ETP

Much of the GNI impact of the NKEAs will be achieved through private sector investment and action. However, delivery of many of the EPPs requires government action including policy and regulatory change, funding and investment in areas such as education or infrastructure. Only about 15 percent of the EPPs do not request specific government funding or policy support.

About 70 percent of these required government enabling actions are specific to the individual EPPs. In addition, there are a series of required government actions that are common across multiple EPPs and across multiple NKEAs. It will be more effective and efficient to coordinate these cross-cutting actions than solve them on an individual basis as they arise.

In addition, these enabling actions will also support GNI growth resulting from the business opportunities in the NKEAs and in the non-NKEA sectors. This is important because the business opportunities in the NKEAs comprise 33 percent of the incremental GNI required to achieve the 2020 GNI target and the non-NKEA sectors account for an additional 26 percent. Without these broader policy enablers, it is unlikely that the GNI growth required will be delivered.

Four categories of enablers are required: promoting private investment, growing human capital, improving the business environment and investing in infrastructure.

Promoting Private Investment

Private investment is at the core of the ETP. In many cases, delivering this investment will require some enabling support from the Government. Some 66 of the 131 EPPs made a formal request for government assistance to promote private investment. These requests fall into two broad categories; more aggressive investment attraction to obtain both domestic and foreign investment and various forms of fiscal incentives.

Investor attraction. The Government has already taken significant steps recently to attract both FDI and DDI, notably through the plans to revamp MIDA that were announced in the Tenth Malaysia Plan and to expand MIDA's mandate to include attracting domestic investment. The specific requests from the various EPPs will provide focus to these reform efforts.

There are two categories of investor attraction: targetted outreach to potential investors and broader marketing campaigns. The targetted outreach activities include identifying and negotiating with specific investors to participate in identified projects. MIDA will be responsible for working with industry to lead these investor outreach activities and will act to achieve the key milestones for the EPPs. In addition to these targetted activities, MIDA will also undertake broader marketing campaigns in relevant NKEAs in order to promote Malaysia as an attractive investment location to foreign investors.

Fiscal incentives. Many of the EPPs require government financial support in the form of general tax credits and holidays, tax incentives that are directly aimed at increasing specific investment or other forms of non-tax fiscal support such as grants or soft loans. Rather than a blanket change to the tax code, the Government will empower MIDA, and other agencies as appropriate, to negotiate the requested incentives with the investors on a case-by-case basis. However, the Ministry of Finance will establish a common approach and framework to provide the basis for conducting these negotiations.

Growing Human Capital

Human capital is critical to the success of the ETP. About 32 percent of the EPPs, representing RM120 billion of GNI contribution, require direct investments in human capital. In addition, almost all other EPPs will require human capital investments indirectly, as the majority of the 3.3 million jobs created are in middle and high-income categories. A review of skills requirements in the NKEAs show that, on current trajectory, there could be up to 1 million vacancies in 2020 that will be difficult to fill, ranging from relatively lower-skilled sales assistants to highly skilled positions, e.g. medical practitioners. To address the human capital needs of the various EPPs and business opportunities, the Government will take action to build the capabilities of existing talent in Malaysia, attract foreign talent to work in Malaysia and ease immigration rules to facilitate the entry of foreign talent.

Building domestic capabilities. The Government will deliver a coordinated approach to deliver the right level of training and education required by the NKEAs. The Ministry of Higher Education and the Ministry of Human Resources will coordinate with the relevant NKEA Lead Ministries to assess skills gaps and devise and deliver appropriate courses. Another important requirement for the success of the ETP is development of management and leadership talent for the NKEAs. In this regard, Talent Corporation, which is being established under the Prime Minister's Department, will be involved in building the capabilities of the top talent most needed for the NKEAs, such as pivotal leaders and specialised talent to lead the EPPs.

Attracting talent from overseas. The Government will act to attract Malaysians currently living and working in other countries to return to Malaysia as well as non-Malaysians to build their careers in Malaysia. The actions that will be taken include designing and implementing attractive expatriate packages (e.g. personal income tax incentives), designing and implementing marketing efforts (e.g. roadshows, targetted outreach) and assisting expatriates with applications to work in Malaysia (e.g. assistance with visas, work permits). Talent Corporation will lead these initiatives to attract, motivate and retain the required talent.

Removing restrictive immigration regulations. The Government will act to simplify immigration procedures and increase the ease of entry for skilled workers. In addition, a revamp of selected immigration policies is needed by some NKEAs to implement their EPPs. For example, for the Education NKEA, to raise the number of foreign students in Malaysia, the application process for foreign student passes needs to be accelerated and the ability for these students to work to fulfil practical training requirements will be reviewed. These will be negotiated on a case-by-case basis between the individual sector representations, their respective NKEA lead ministries and the Ministry of Home Affairs.

Improving the Business Environment

The general business environment in Malaysia is a source of substantial competitive disadvantage for Malaysia. Consistent feedback from private sector investors indicates that the business environment is still a key factor constraining investment. Too often, Malaysian firms face a tangle of regulations that have accumulated over the years and now constrain growth. In light of the complexities the EPPs are facing, many of them have requested enablers that will improve the business environment, including liberalising their sectors and making it easier to do business.

Beyond just the EPPs, improving the business environment is an important way in which to achieve the substantial increase in private investment in business opportunities and non-NKEA sectors required to achieve the 2020 GNI targets. Specific ideas contained in the Tenth Malaysia Plan include a comprehensive review of regulations (led by the restructured Malaysia Productivity Corporation), further liberalisation of the services sector, regulatory exemptions for SMEs and streamlining government-to-business interfaces.

Building Infrastructure

Substantial additional infrastructure investments are required to support the economic growth that will be delivered through the ETP. Our focus will not be on providing infrastructure in a reactive manner. Rather, we will put in place forward-looking infrastructure development plans with a view to future-proof the Malaysian economy. Two types of infrastructure will receive particular attention due to their central role in driving GNI.

Broadband. The Government's objective is to raise Malaysia's broadband penetration rate to 75 percent of households by the end of 2015 (from around 40 percent currently). This is being achieved through a combination of high speed broadband (up to 100 Mbps) in high economic impact areas (such as Greater Kuala Lumpur/Klang Valley) and broadband to the general population (below 5 Mbps) in semi-urban and rural areas. The Malaysian Communications and Multimedia Commission and Ministry of Information, Communications and the Arts will continue to work with telecommunications companies to widen network coverage, increase network speeds and further increase broadband affordability. The Government will also amend the Uniform Building By-Law 1984 to mandate developers to incorporate broadband facilities in residential and commercial areas.

Logistics. To support the success of the ETP, we will upgrade existing infrastructure such as roads, ports and airports and construct new logistics infrastructure if there is a sufficient business case in order to facilitate the efficient movement of people and goods.

Improving logistical infrastructure will have far-reaching impact for the country beyond the NKEAs. For this reason, the Government has already committed to enhancing access and connectivity under the Tenth Malaysia Plan. Specifically, the Government has committed to building and improving roads (e.g. the East Coast Highway linking Kuantan and Kuala Terengganu), developing the rail network (e.g. extending the north–south electrified double-track railway line to Johor Bahru), upgrading maritime infrastructure (e.g. expanding capacity at Westport of Port Klang) and improving airports (e.g. building a new low-cost carrier terminal at Kuala Lumpur International Airport). The EPU will coordinate this programme of infrastructure investment.

LIST OF 131 ENTRY POINT PROJECTS

No.	EPP	2020 GNI (RM Milliions)	Jobs
	Agriculture		
1	Expanding the production of swiftlet nests	4,541.2	20,800
2	Unlocking value from Malaysia's biodiversity through herbal products	2,213.9	1,822
3	Upgrading capabilities to produce premium fruit and vegetables	1,571.5	9,075
4	Venturing into commercial scale seaweed farming in Sabah	1,410.6	12,700
5	Farming through integrated cage aquaculture systems	1,383.0	10,072
6	Scaling up and strengthening of paddy farming in other irrigated areas	1,370.3	(9,618)
7	Replicating integrated aquaculture model (iZAQs)	1,273.2	11,890
8	Scaling up and strengthening paddy farming in Muda area	1,033.6	(14,880)
9	Securing foreign direct investment in agriculture biotechnology	819.9	1,208
10	Strengthening the export capability of the processed food industry	884.3	4,928
11	Establishing a leadership position in regional breeding services	466.6	5,390
12	Establishing dairy clusters in Malaysia	326.3	761
13	Strengthening current anchor companies in cattle feedlots	182.9	2,000
14	Rearing cattle in oil palm estates	150.0	3,600
15	Investing in foreign cattle farming	116.5	NA
16	Introducing fragrant rice variety for non-irrigated areas	100.1	NA
	Business Services		
17	Growing aviation maintenance, repair and overhaul services	13,350.5	20,720
18	Building globally-competitive outsourcers • Government outsourcing	6,863.8	43,330
19	• GLC outsourcing		
20	• Foreign outsourcing		
21	Positioning Malaysia as a world-class data centre hub	2,462.4	13,290
22	Jump-starting a vibrant green technology industry	7,236.3	47,590
23	Growing large pure play engineering services	3,495.2	11,550
24	Developing a global Islamic financial services advisory hub	3,140.1	2,010
	Education		
25	Scaling up early childcare and education centres	3,891.6	129,956
26	Improving early childcare and education training	338.3	370
27	Scaling up international schools	2,644.2	10,371
28	Expanding private teacher training	433.9	434

No.	EPP	2020 GNI (RM Milliions)	Jobs
29	Scaling up private skills-training provision	2,110.8	5,528
30	Expanding international distance learning	350.5	3,920
31	Building an Islamic finance and business education discipline cluster	1,189.9	4,365
32	Building a health sciences education discipline cluster	2,869.9	11,854
33	Building an advanced engineering, science and innovation discipline cluster	635.9	4,308
34	Building a hospitality and tourism discipline cluster	617.9	2,314
35	Launching EduCity@ Iskandar	1,015.7	1,164
36	Championing Malaysia's international education brand	2,787.7	152,672
37	Introducing public-private partnerships in basic education	160.2	1,010
	Electronics and Electrical		
38	Growing radio frequency identification (RFID)	1,448.7	3,948
39	Solid state lighting • Developing a world-class SSL cluster	5,186.7	13,843
	• Creating local SSL champions		
40	Building a test and measurement hub	1,365.7	7,468
41	Incorporating Agilent Labs		
42	Expanding radio communications providers	373.4	400
43	Growing automation equipment manufacturing	125.5	1,200
44	Building transmission and distribution companies	350.5	426
45	Building a home appliance manufacturing hub and international distribution network	1,078.3	17,993
46	Semiconductors: • Executing a smart follower strategy for mature technology semiconductor fabrication plants	11,022.4	13,011
	• Developing assembly and test using advanced packaging technology		
	• Developing integrated circuit design firms		
	• Supporting the growth of substrate manufacturers and related industries		
47	Solar: • Increasing the number of silicon producers	14,194.6	57,344
	• Growing wafer and cell producers		
	• Increasing module producers		
48	Cross-cutting and regional enabler funding	NA	NA

No.	EPP	2020 GNI (RM Milliions)	Jobs
	Financial Services		
49	Revitalising Malaysia's capital markets	3,325.2	8,598
50	Deepening and broadening bond markets	183.2	1,429
51	Transforming or rationalising developmental financial institutions	1,790.5	NA
52	Creating an integrated payment eco-system	2,647.7	7,765
53	Insuring most, if not all, of our population	1,544.0	8,659
54	Accelerating growth of the private pension industry	2,061.1	2,208
55	Spurring the growth of a nascent wealth management industry	2,096.0	6,147
56	Accelerating and sustaining a significant asset management industry	2,396.7	7,430
57	Developing regional banking champions	5,564.3	(8,524)
58	Becoming the indisputable global hub for Islamic finance	7,242.4	11,644
	Healthcare		
59	Mandating private insurance for foreign workers	171.3	NA
60	Creating a supportive ecosystem to grow clinical research	578.4	905
61	Pursing generics export opportunities	13,853.7	12,440
62	Reinvigorating health travel through better customer experience, proactive alliances and niche marketing	4,294.4	5,295
63	Creating a diagnostic services nexus to achieve scale in telemedicine for eventual international outsourcing	355.9	281
64	Developing a health metropolis: A world-class campus for healthcare and bioscience	986.2	4,436
	Greater Kuala Lumpur/Klang Valley		
65	Attracting the right mix of internal and external talent	118,212.1	560
66	Building an integrated urban mass rapid transit system	21,266.1	20,000
67	Connecting to Singapore via a high-speed rail system	6,223.8	28,700
68	Attracting 100 of the world's most dynamic firms within priority sectors	41,440.5	234,001
69	Revitalising the Klang River into a heritage and commercial district	4,280.5	17,041
70	Greening Greater KL/KV to ensure residents enjoy sufficient green space	991.5	2,817
71	Creating a comprehensive pedestrian network	6.4	279
72	Creating iconic places and attractions	464.4	13,481
73	Developing an efficient solid waste management ecosystem	156.5	NA
74	Sewerage - Non River	(91.7)	NA
	Oil, Gas and Energy		
75	Deploying nuclear energy for power generation	212.3	2,637

No.	EPP	2020 GNI (RM Milliions)	Jobs
76	Building up solar power capacity	457.5	1,906
77	Attracting MNCs to bring their global oil-field service and equipment operations to Malaysia	6,124.8	20,000
78	Consolidating the domestic fabricators	4,108.8	5,000
79	Developing engineering, procurement and installation capabilities and capacity through strategic partnerships and joint ventures	4,028.8	15,000
80	Building a regional oil storage and trading hub	1,625.7	790
81	Unlocking premium gas demand in Peninsular Malaysia	2,404.1	NA
82	Improving energy efficiency	13,925.7	NA
83	Tapping Malaysia's hydroelectricity potential	5,693.9	590
84	Rejuvenating existing fields through enhanced oil recovery	8,469.7	411
85	Developing small fields through innovative solutions		
86	Intensifying exploration activities		
Palm Oil			
87	Accelerate the replanting of oil palm	4,612.0	NA
88	Improve fresh fruit bunch yield	10,172.7	1,600
89	Improving worker productivity	1,692.4	(82,500)
90	Increasing the oil extraction rate	13,711.1	10,000
91	Developing biogas facilities at palm oil mills	2,934.0	2,000
92	Developing oleo derivatives	5,813.5	5,858
93	Commercialising second generation biofuels	3,261.5	1,044
94	Expediting growth of food and health-based downstream segments	4,924.7	74,942
Communication, Content and Infrastructure			
95	Ensuring broadband for all	2,160.5	7,155
96	Extending reach	2,688.5	3,135
97	Offering a smart network	1,665.7	4,186
98	Extending the regional network	2,289.8	1,220
99	Connecting 1Malaysia	1,783.1	2,056
100	Deploying 1Malaysia payments	1,005.9	1,478
101	Nurturing Malaysia's creative content	3,081.9	10,326
102	Launching e-Healthcare	1,402.5	250
103	Establishing e-Learning for students and workers	1,487.3	800
104	Deepening e-Government	1,100.1	1,000

No.	EPP	2020 GNI (RM Milliions)	Jobs
	Tourism		
105	Developing the world's first eco-nature integrated resort in Sabah	706.6	7,733
106	Designating KLCC-Bukit Bintang as a vibrant shopping precinct	1,159.2	14,546
107	Establishing three new premium outlets in Malaysia	875.2	1,500
108	Declaring Malaysia as a global biodiversity hub	1,486.9	2,919
109	Positioning Malaysia as a duty free shopping destination for tourist goods	7,838.3	64,294
110	Creating a straits Riviera	1,758.2	9,713
111	Targetting more international events	426.7	8,036
112	Establishing dedicated entertainment zones	740.4	5,614
113	Developing local expertise and better regulating the spa industry	666.2	5,644
114	Establishing Malaysia as a leading business tourism destination	3,947.0	16,720
115	Improving rates, mix and quality of hotels	5,528.7	64,424
116	Enhancing connectivity to priority medium-haul markets	3,310.5	13,402
	Wholesale and Retail		
117	Developing 1Malaysia malls	2,226.8	3,777
118	Developing big box boulevards	1,222.5	9,609
119	Setting up wellness resorts	2,674.9	21,545
120	Making Malaysia duty-free	3,258.3	31,145
121	Developing a virtual mall	823.0	6,629
122	Modernising via the Small Retailer Transformation Programme (TUKAR)	5,577.0	51,544
123	Organising unified Malaysia sales	1,776.9	14,312
124	Developing makan bazaars	226.5	4,205
125	Transforming automotive workshops	1,139.1	9,117
126	Transforming KLIA into a retail hub	958.2	7,716
127	Increasing number of large format stores	8,514.2	68,574
128	Developing pasar komuniti	8,827.6	140,947
129	Facilitating local businesses to acquire stakes in foreign retail businesses	1,031.0	415
130	White Lab EPP by Company 1	104.3	NA
131	White Lab EPP by Company 2	2,028.2	NA

LIST OF 60 BUSINESS OPPORTUNITIES

No.	EPP	2020 GNI (RM Milliions)	Jobs
	Agriculture		
1	Transformation of domestic snack industry	258.7	4,928
2	Ornamental fish	196.9	100
3	Aqua feed mill	133.4	342
4	Foreign herbal products distributor acquisition	191.1	15
5	Nutraceuticals from other herbs	80.8	390
6	FDI for tropical herbs	51.9	310
7	Free range chicken (village chicken)	62.5	6,000
8	Mushroom project	57.0	1,293
9	SFI/Country food facilities move to Malaysia	47.0	635
10	Aqua export centre (for live fish and chilled aqua products)	35.5	92
11	Packaged fruit production such as jackfruit	16.7	767
	Business Services		
12	Develop multi-disciplinary practice professional services firms in the construction industry	62.6	138
13	Creative multimedia content (CMC)	1,137.0	3,630
14	Organic growth of construction professional services	2,190.5	13,762
15	Organic growth of engineering services	57.4	217
16	Organic growth of aviation maintenance, repair and overhaul	283.9	12,059
17	Organic growth of foreign outsourcing	791.1	25,192
18	Increasing skilled resources in the services sector	717.8	42,999
19	Organic growth of data centre hubs	509.1	7,059
20	Strengthening the accounting sector	329.4	2,003
	Education		
21	Other discipline clusters	184.3	186
22	Organic growth of government provision of public education	2,846.5	159,024
23	Organic growth of non-prioritised segments	1,417.2	92,930
24	International house	24.8	118

No.	EPP	2020 GNI (RM Milliions)	Jobs
Electronics and Electrical			
25	Industries supporting fabrication plants, bump and sort companies and substrate companies	1,021.6	24,664
26	LED applications for medical devices, automotive industry, signal and display signboards and aerospace and defence industry	729.2	5,040
27	Radio frequency identification application projects	51.5	229
28	Solar upstream development business opportunities	2,499.9	11,500
Financial Services			
29	Organic growth of commercial banking	9,239.7	70,879
30	Organic growth of investment banking	1,628.6	14,554
31	Organic growth of Islamic banking	3,483.6	39,623
32	Organic growth of insurance and takaful	4,096.8	46,098
33	Organic growth of asset management and wealth management	592.6	4,744
34	Organic growth of DFIs and others	3,446.7	53,412
Healthcare			
35	Pharmaceutical sector organic growth	148.0	0
36	Medical technology sector organic growth	694.2	2,492
37	Health service sector organic growth	3,396.8	142,585
38	Assisted living	317.5	11,400
39	In-vitro diagnostic contract manufacturing	22.5	1,170
Greater Kuala Lumpur/Klang Valley			
40	Property development market	62,078.4	235,834
Oil, Gas and Energy			
41	International exploration and production projects	1,848.2	195
42	Increase in volumes for primary logistics (pipelines and depots)	1.6	0
43	Increase of petrochemical output through process improvement	1,073.1	0
44	Increase in distribution and marketing of petroleum products	458.1	3,245
45	Increased electricity consumption driven by GDP growth	3,516.2	2,520
46	Increased electricity transmission and distribution volumes and capacity	1,758.1	0
47	MESI - Malaysia Energy Supply Industry	470.0	0

No.	EPP	2020 GNI (RM Milliions)	Jobs
Palm Oil			
48	Upstream developments (organic growth)	13,986.0	0
49	Downstream investments (organic growth)	3,496.0	26,489
50	Biodiesel expansion (organic growth)	493.1	2,131
51	Organic growth (inflation effect)	5,324.0	0
Communication, Content and Infrastructure			
52	Mobile services development	1,128.5	5,788
53	Fixed services development	541.3	3,250
54	Courier, post and broadcast services development	500.9	7,563
55	Net regional transfer services development	1,480.6	664
Tourism			
56	Organised tours	293.8	7,447
57	Food and beverage outlets	1,114.7	9,608
58	Taxi industry	222.9	44,994
59	Baseline growth	7,297.7	220,610
Wholesale and Retail			
60	Organic growth	14,125.0	225,481

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ISBN 978-967-10026-5-0