



Economic Transformation Programme Update

Malaysian Institute of Certified Public Accountants (MICPA)

By YB Senator Dato' Sri Idris Jala
Minister in the Prime Minister's Department and
CEO of Performance Management and Delivery Unit (PEMANDU)

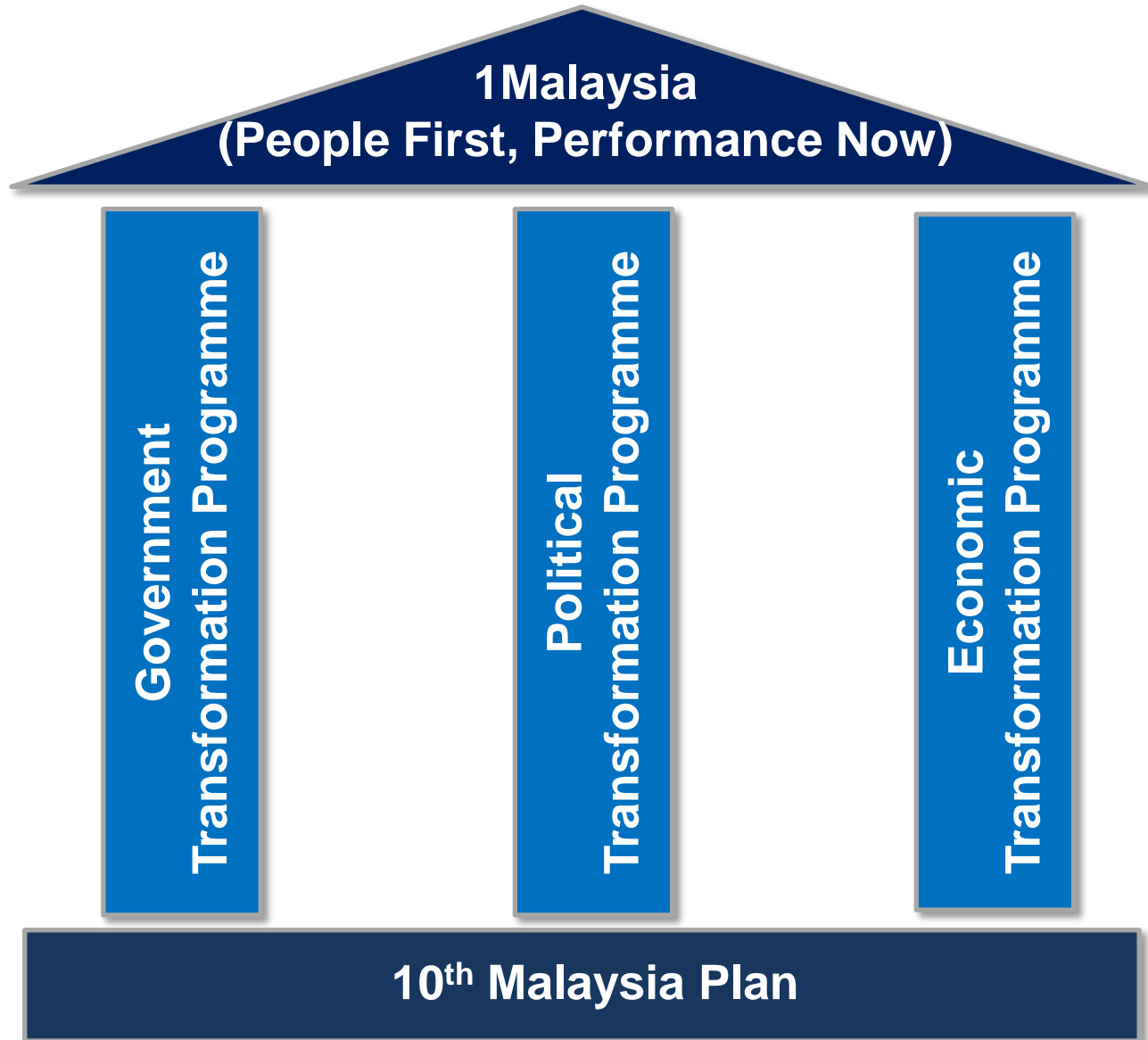
Over the years, the Government expenditure has been **rising** to accommodate the **rakyat's needs**..



We need to **grow the economy**,
increase Government revenue
through taxes..



PM introduced the **National Transformation Policy** towards achieving developed nation status



We introduced **7 NKRA**s under the **GTP** to **FOCUS** on what the **rakyat** wants









+



Continued to deliver in Year 2 (2011)



NKRA Overall Performance

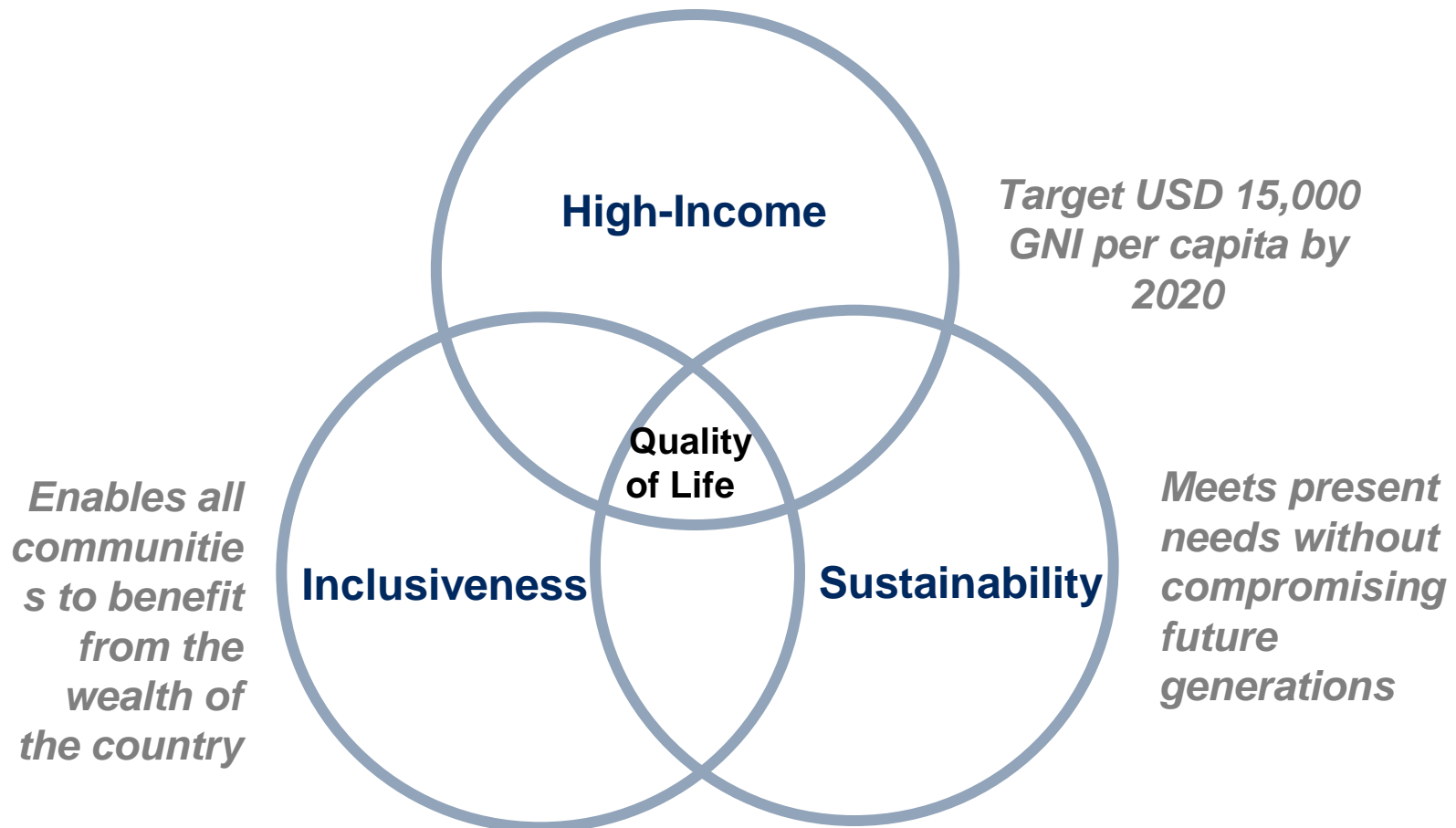
NKPIs	2010	2011
 Urban Public Transport	107%	<p>Detailed results will be announced by YAB PM on 2 April 2012</p>
 Crime	168%	
 Rural Basic Infrastructure	91%	
 Education	156%	
 Low Income Household	79%	
 Corruption	121%	
Overall Composite Scoring	121%	131%

The logo features a blue circle with a stylized Malaysian flag (red and white stripes and a blue canton with a yellow crescent and star) inside it.

**ECONOMIC
TRANSFORMATION
PROGRAMME**

NEW ECONOMIC MODEL

- Making Us A Rich Country, For
Everyone & For A Long Time



Most countries move from
low income to **middle
income status** very rapidly.
However...

..To Become A **High Income Nation**,
We require...

Focus

&

Competitiveness

We need “**Drivers**”
to ensure focus

We need “**Enablers**”
to ensure
competitiveness

NKEAs

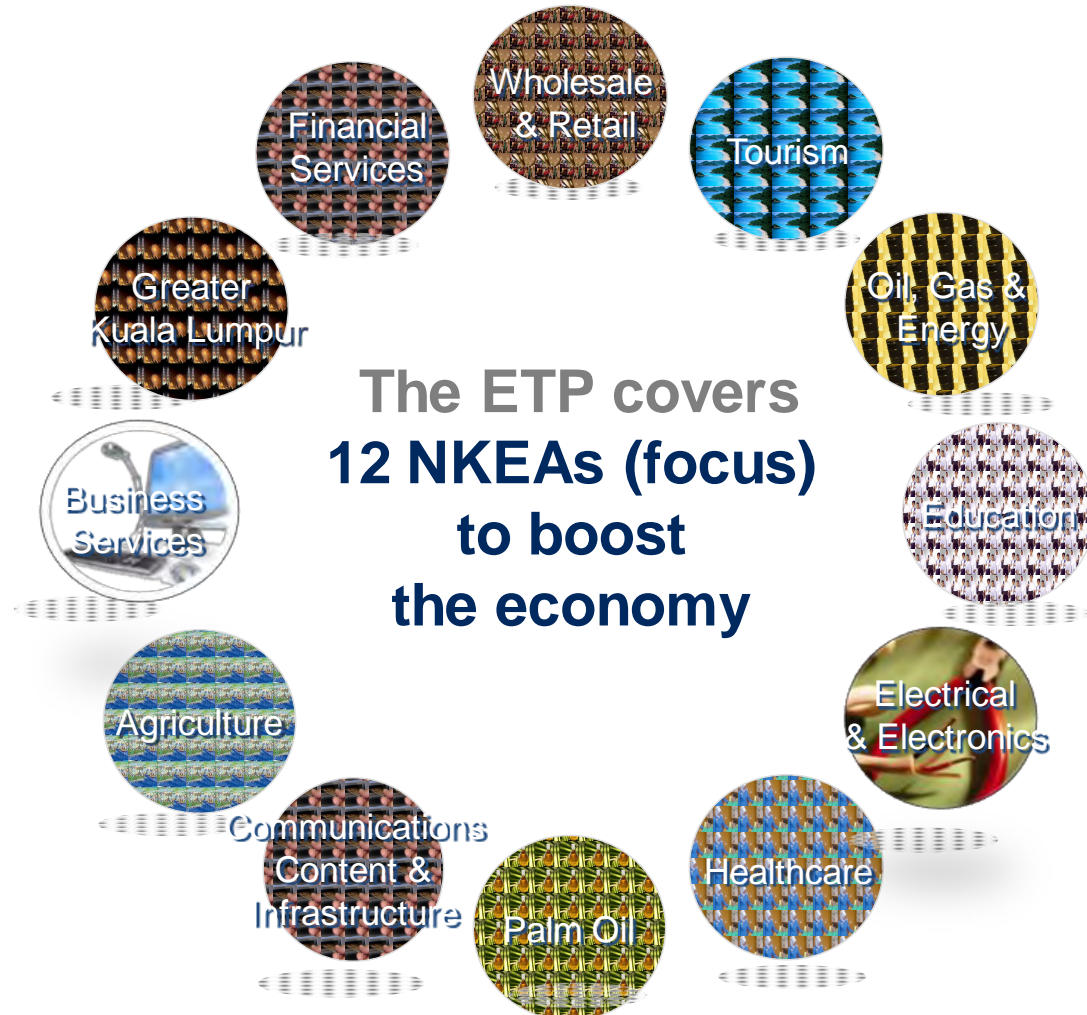
National Key Economic Areas

SRIs

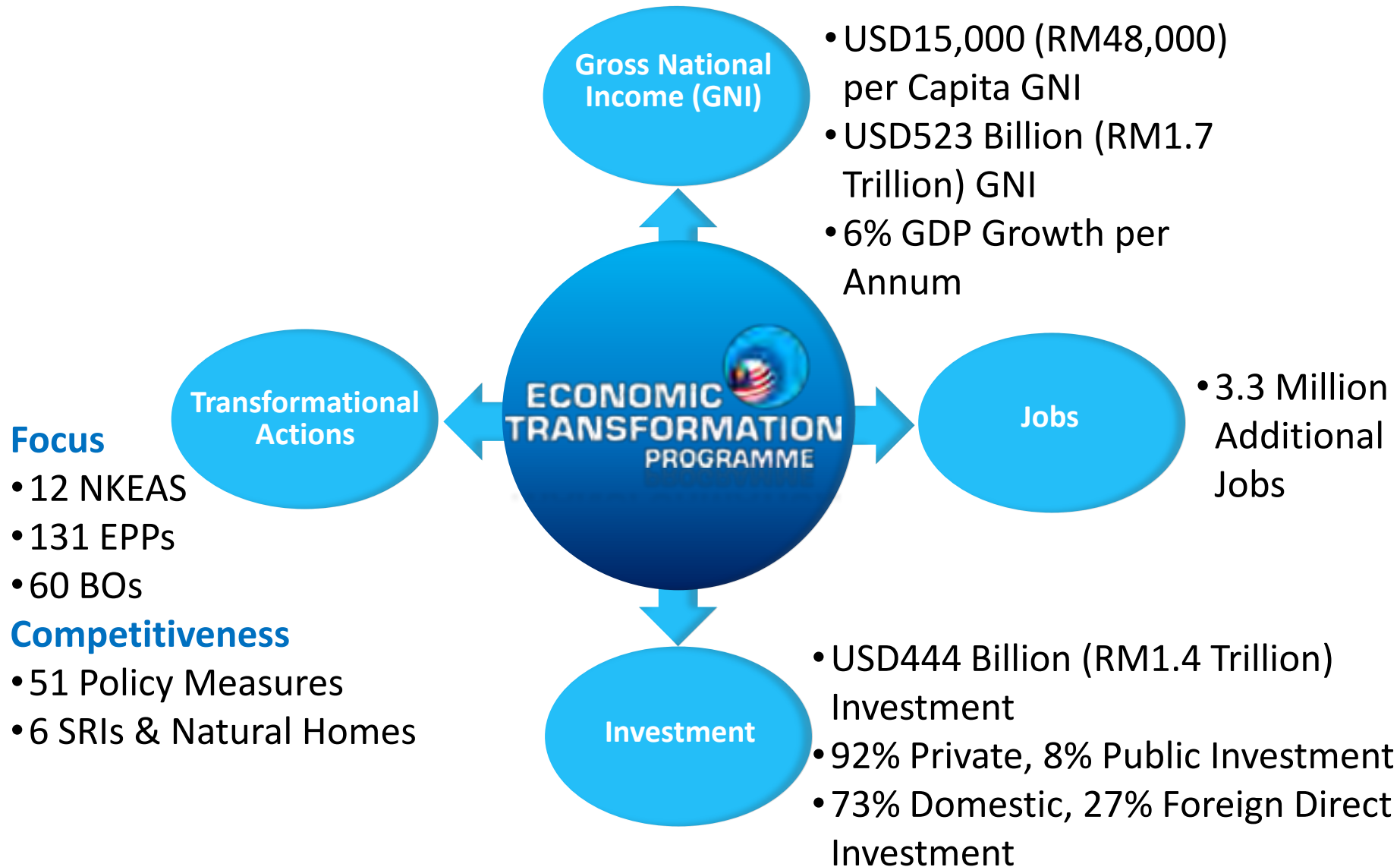
Strategic Reform Initiatives

Focus – 12 NKEAs

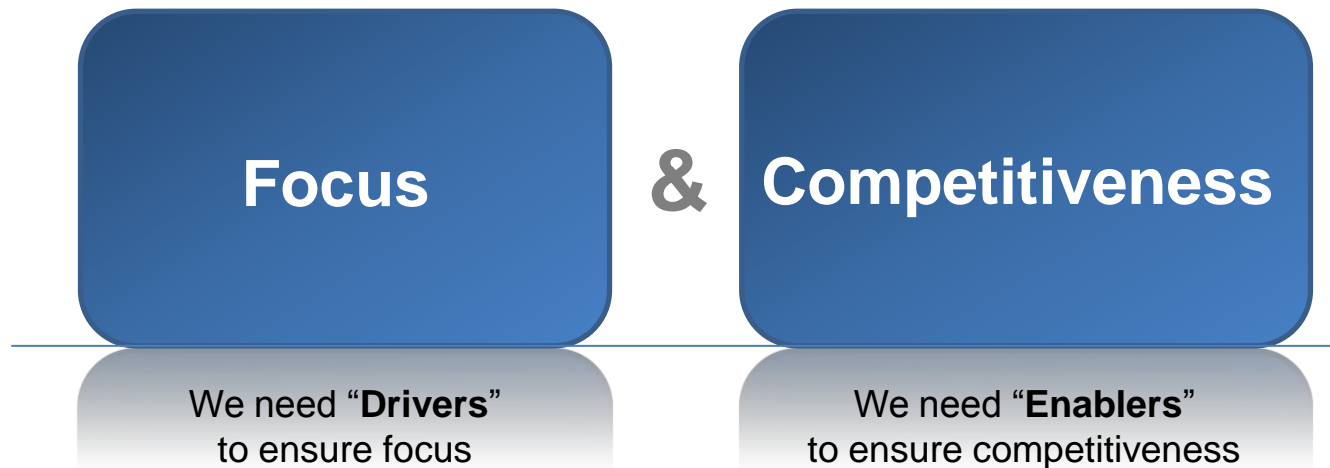
were chosen as national priority



Overview Of ETP



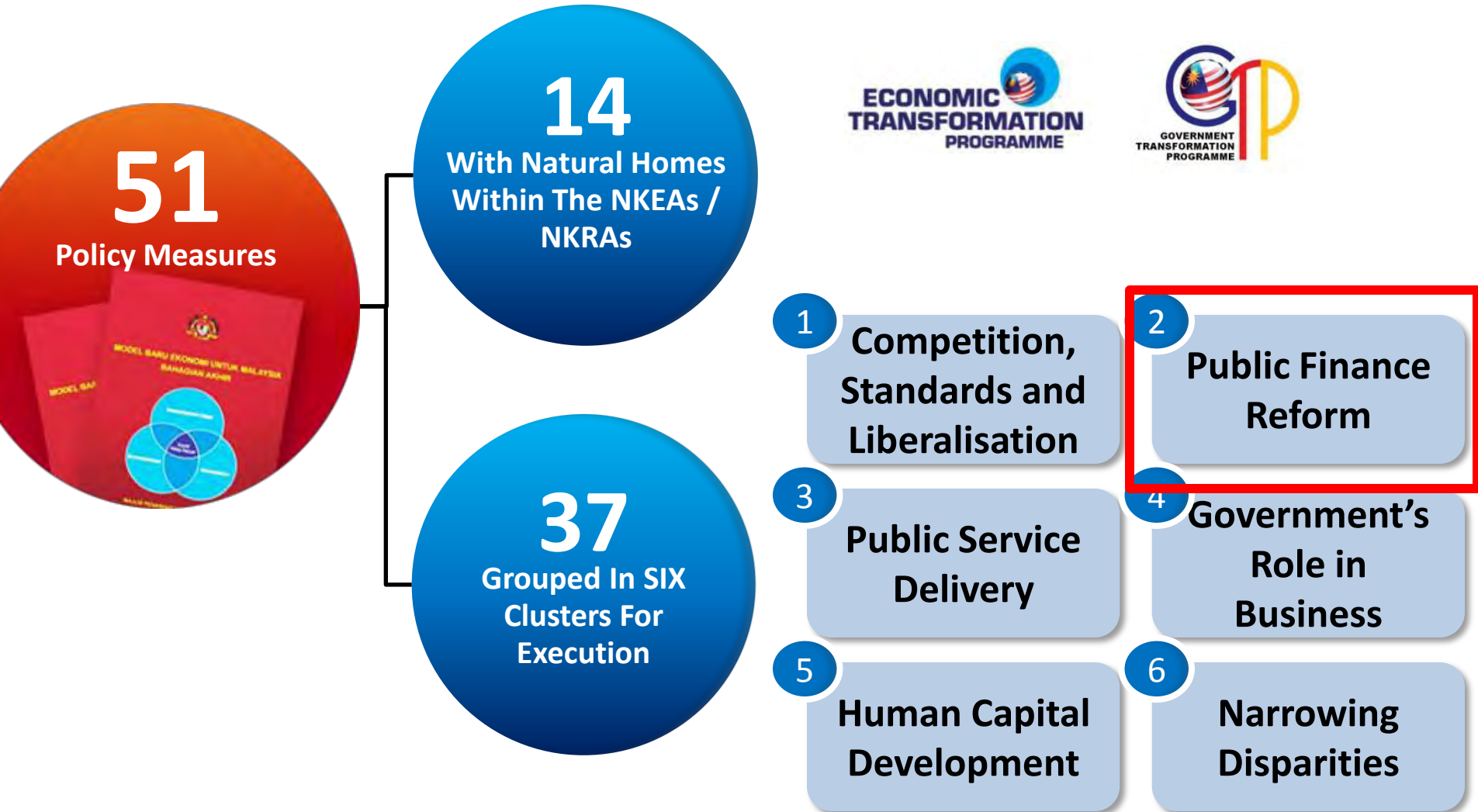
Let's Now Focus On **Competitiveness**



NKEAs



SRI's Provide The Enablers For Malaysia To Be Competitive



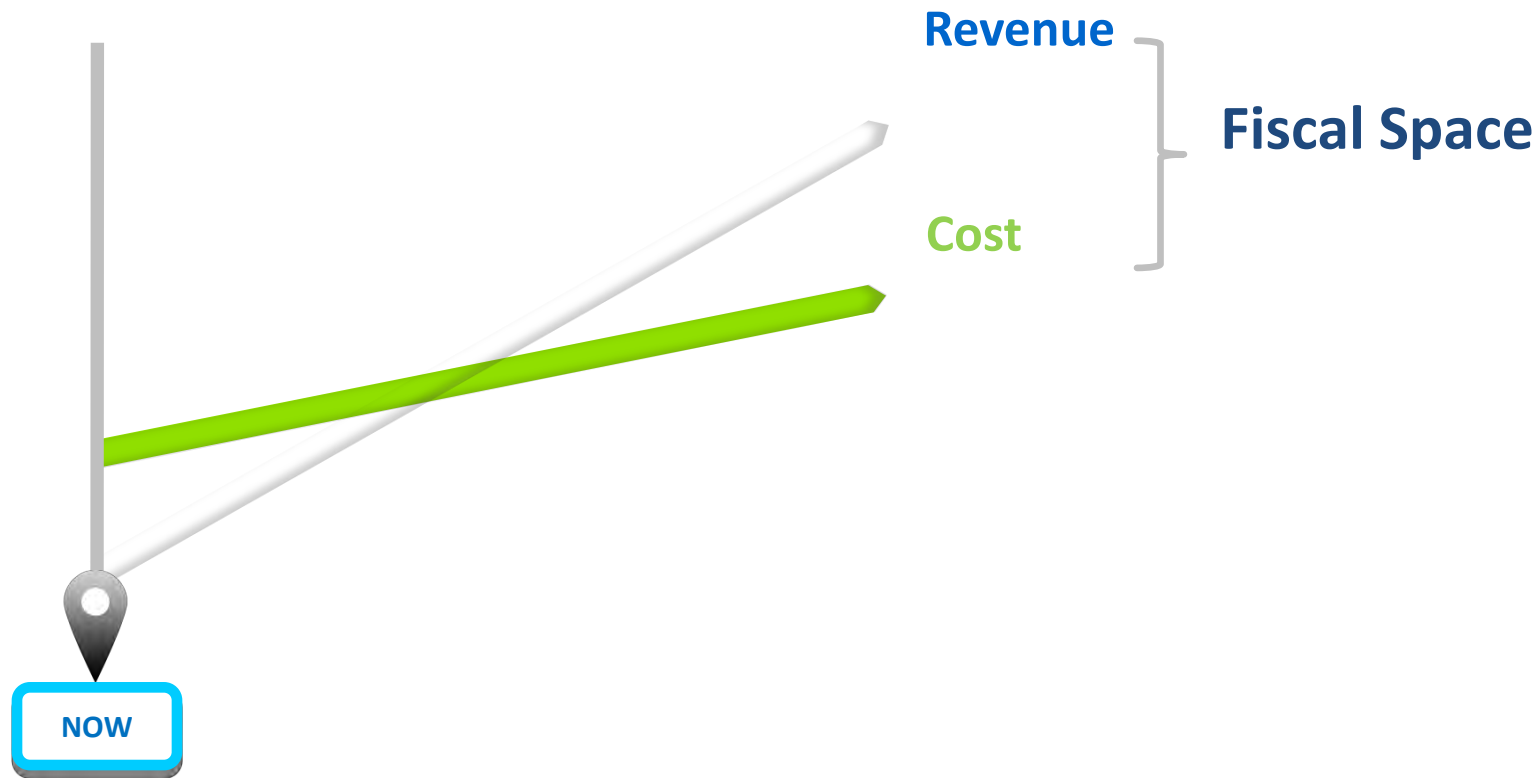
#1

Public Finance Reform



PEMANDU
PERFORMANCE MANAGEMENT AND DELIVERY UNIT

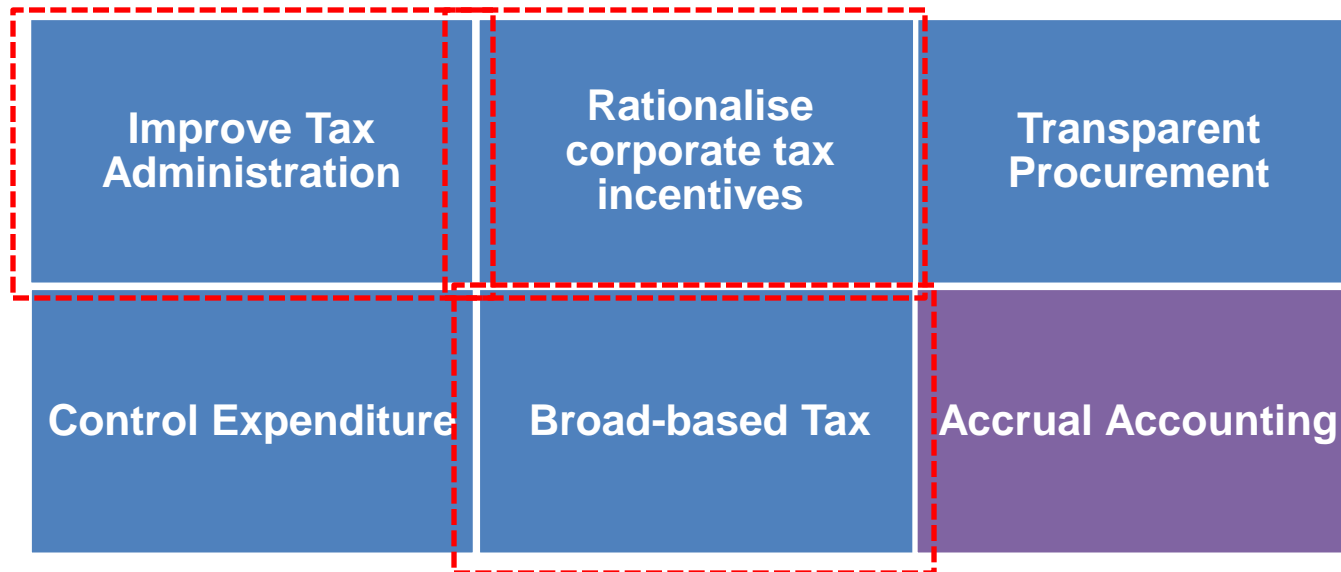
Public Finance Reform Lab Aims To Create **Fiscal Space**...



...To Allow Us To **Manage Contingencies, Pay Off Our Debt & Invest For The Future**

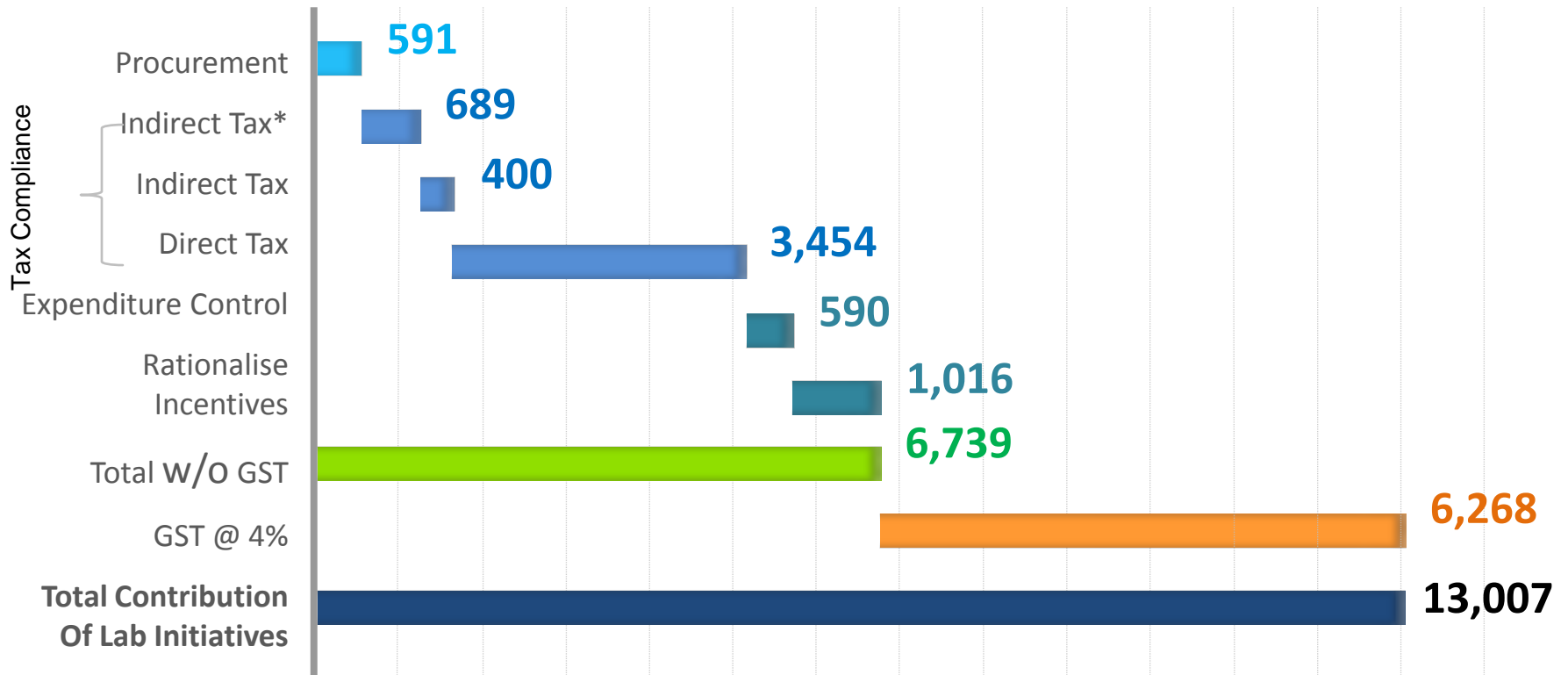


Public Finance Reform Lab Focused On Several **Key Levers** To Improve Our Fiscal Position



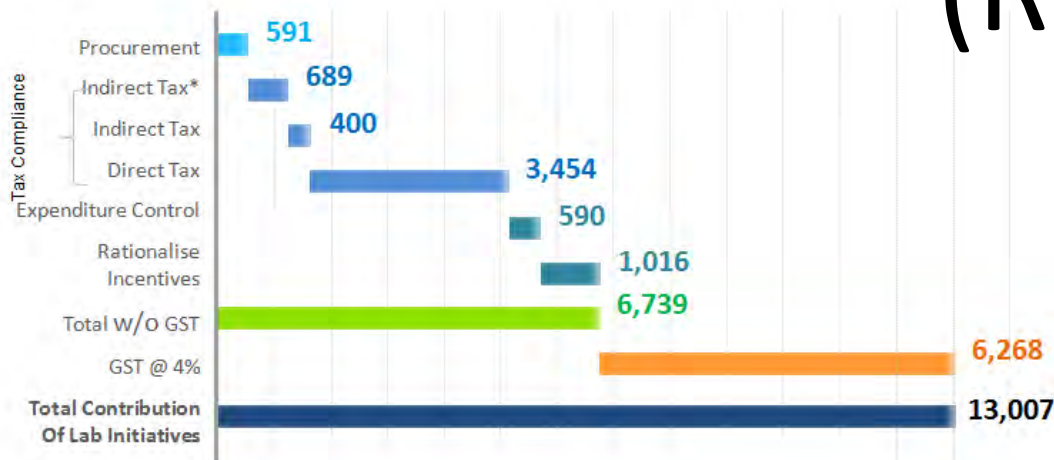
21 Recommendations Will Generate Revenue / Cost Savings Of RM13 Billion Within The First 2 Years Of Implementation

Savings / Revenue
(RM Million)

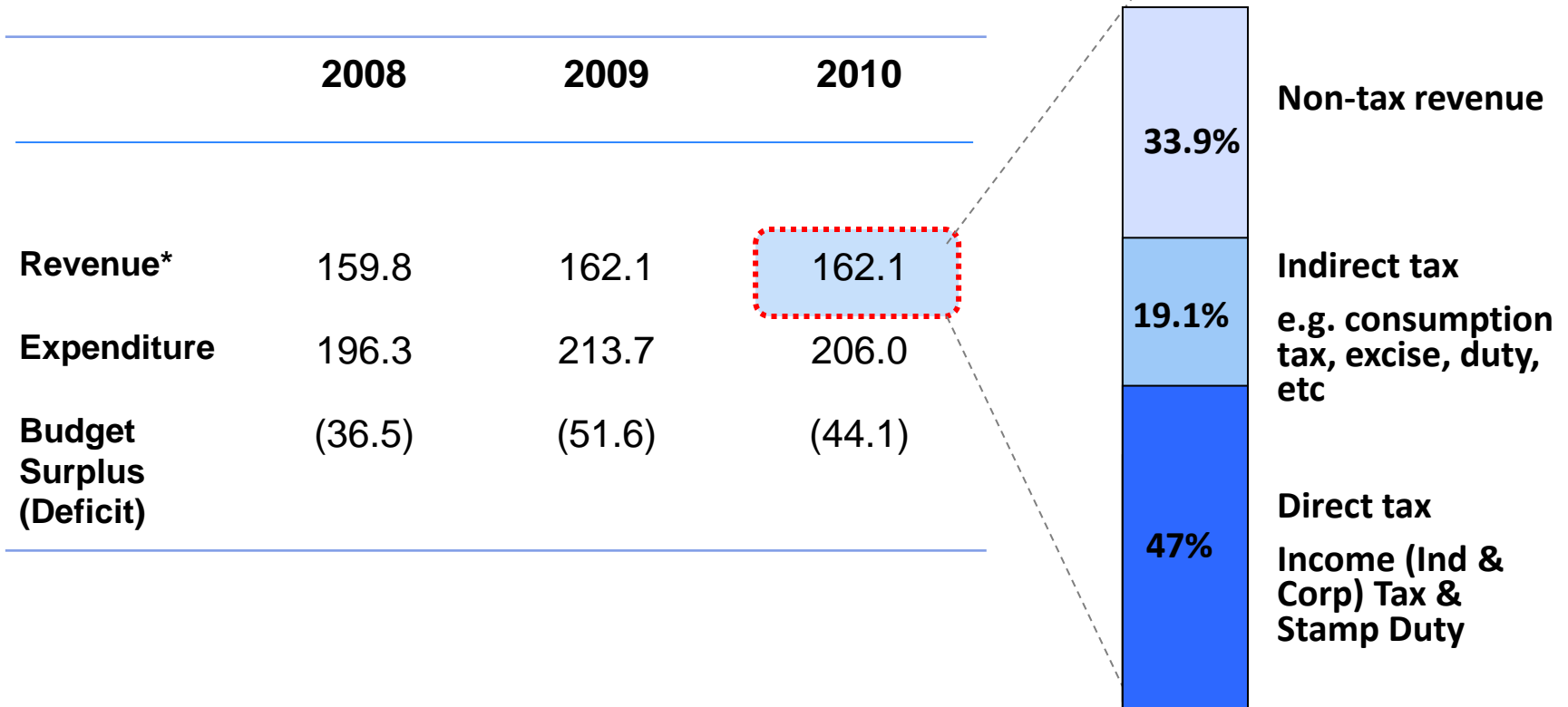


Most of the savings are contributed by **tax-related initiatives** (RM 10 billion)

Savings / Revenue
(RM Million)

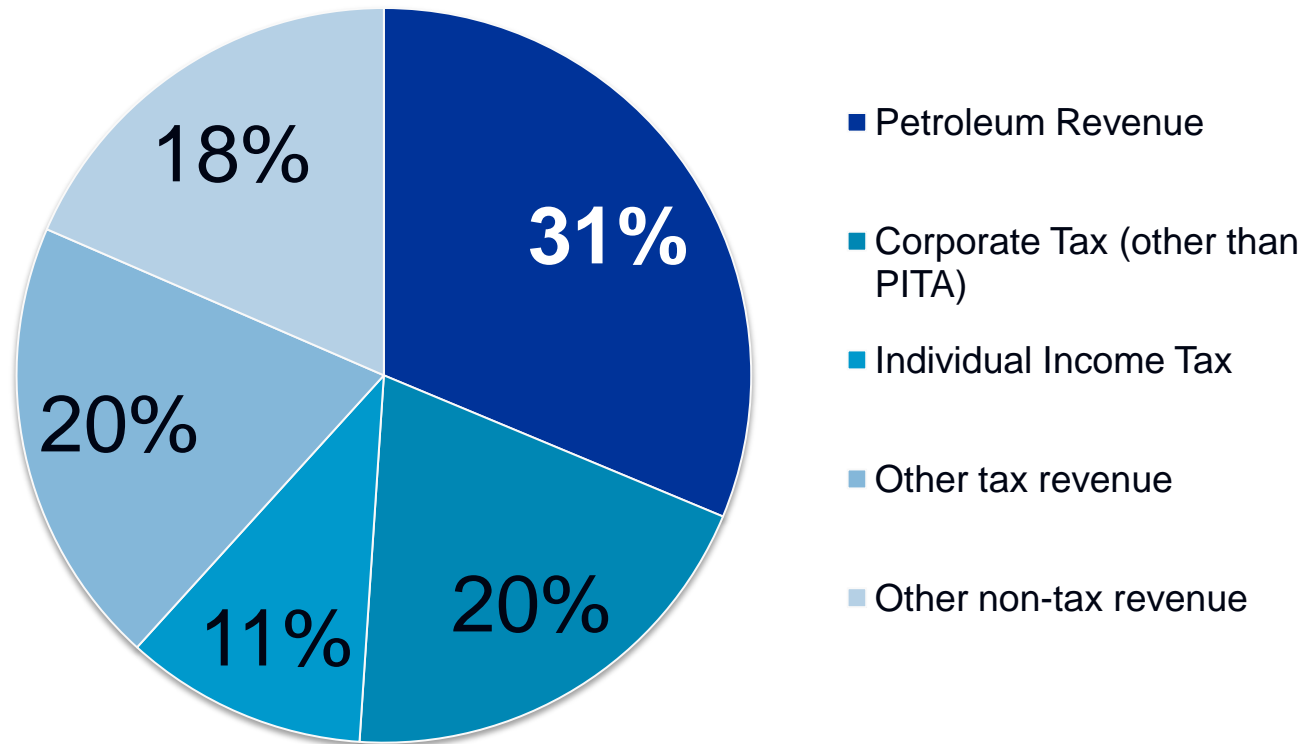


Malaysian Govt Budget / Fiscal Position

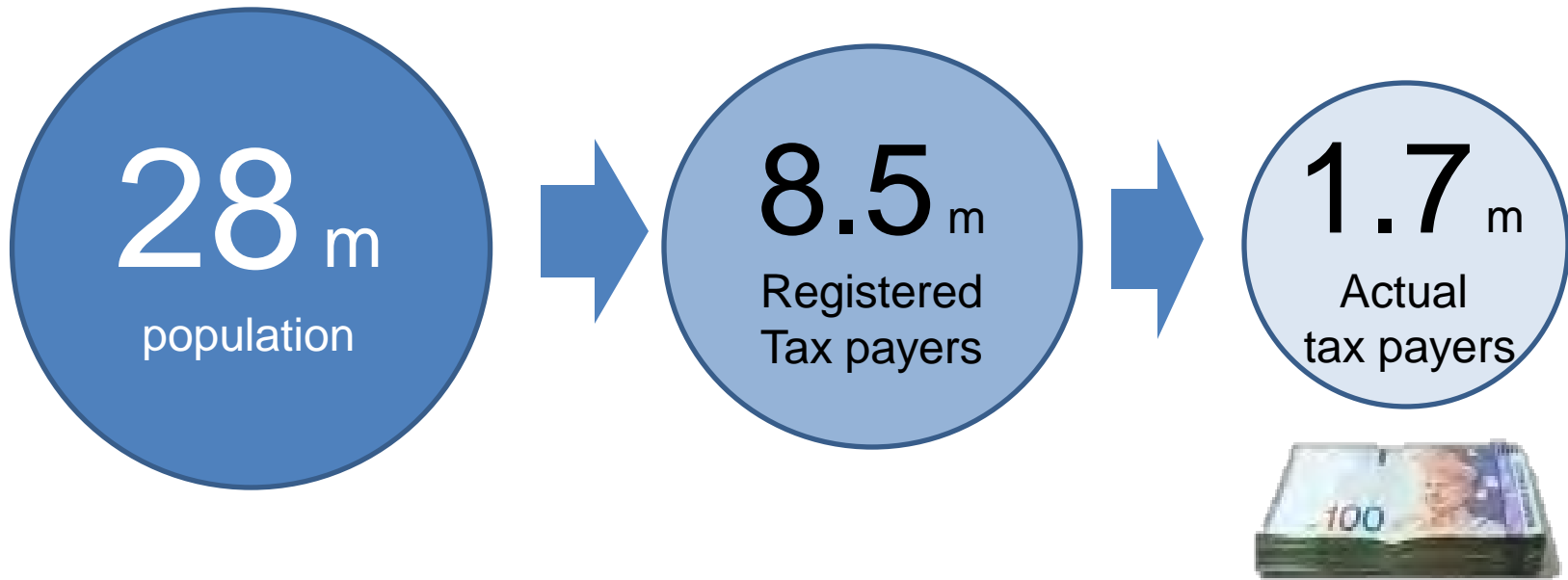


- Our direct/income tax is highly dependent on petroleum / Petronas
- Our indirect tax revenue (e.g. consumption tax) is small compared to direct tax revenue

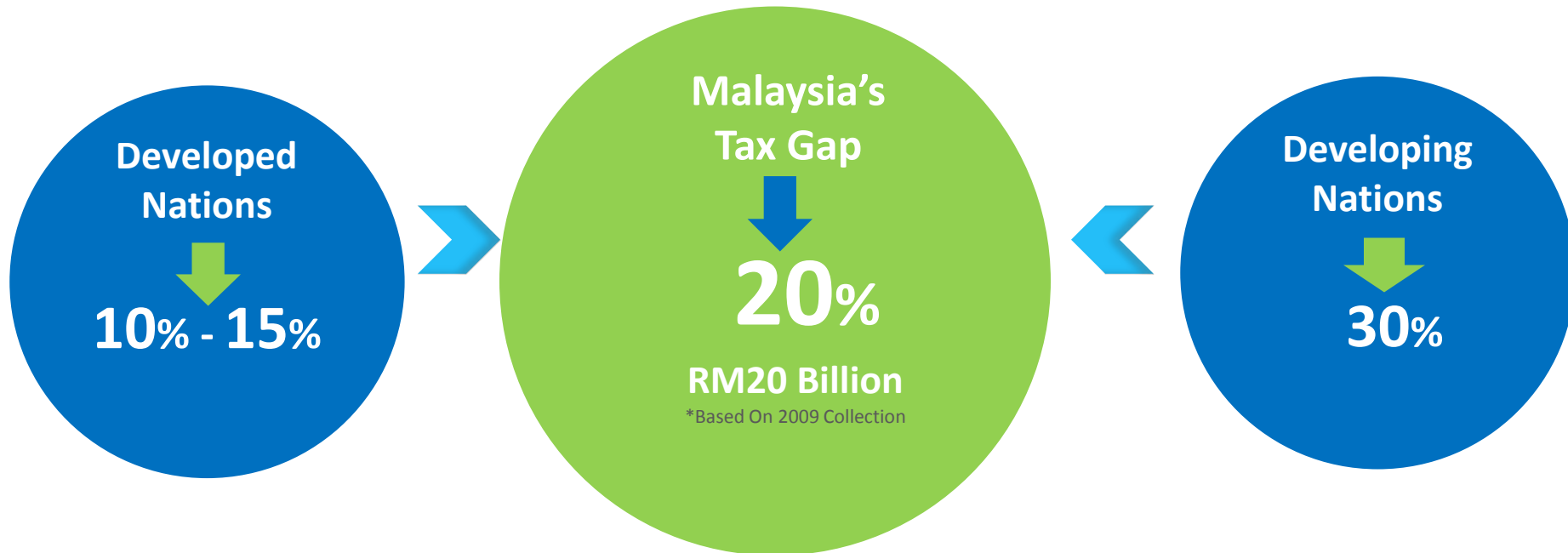
We need to also Reduce reliance on **Petroleum Revenue**



In Malaysia, only **1.7 million (6%)** people pay tax...



Malaysia will Improve Our **Tax Collection**



Additional tax revenue collected for 2011 through improved efficiency



Direct tax: RM23.2 bil
Indirect tax: RM2.1 bil
Total: RM25.3 billion

143 Countries

Have Implemented
GST



Malaysia is one of the
few countries which have
not implemented **GST**

GST Will Have A Positive Impact On The Country's **Fiscal Position**



GST Will Have A Positive Impact On The Country's **Fiscal Position**

4%



+ RM 6.3 Billion



5%



+ RM 9.7 Billion



7%



+ RM 25.7 Billion



Note: Collection figure is for first 2 years of implementation

We Will **Ease Implementation Of GST** To **Reduce The Burden To The Rakyat** And The **Business Community**



Many **Staple**
Products Will Be
Exempted /
Zero-Rated



Reduce
Corporate /
Align
Personal Tax

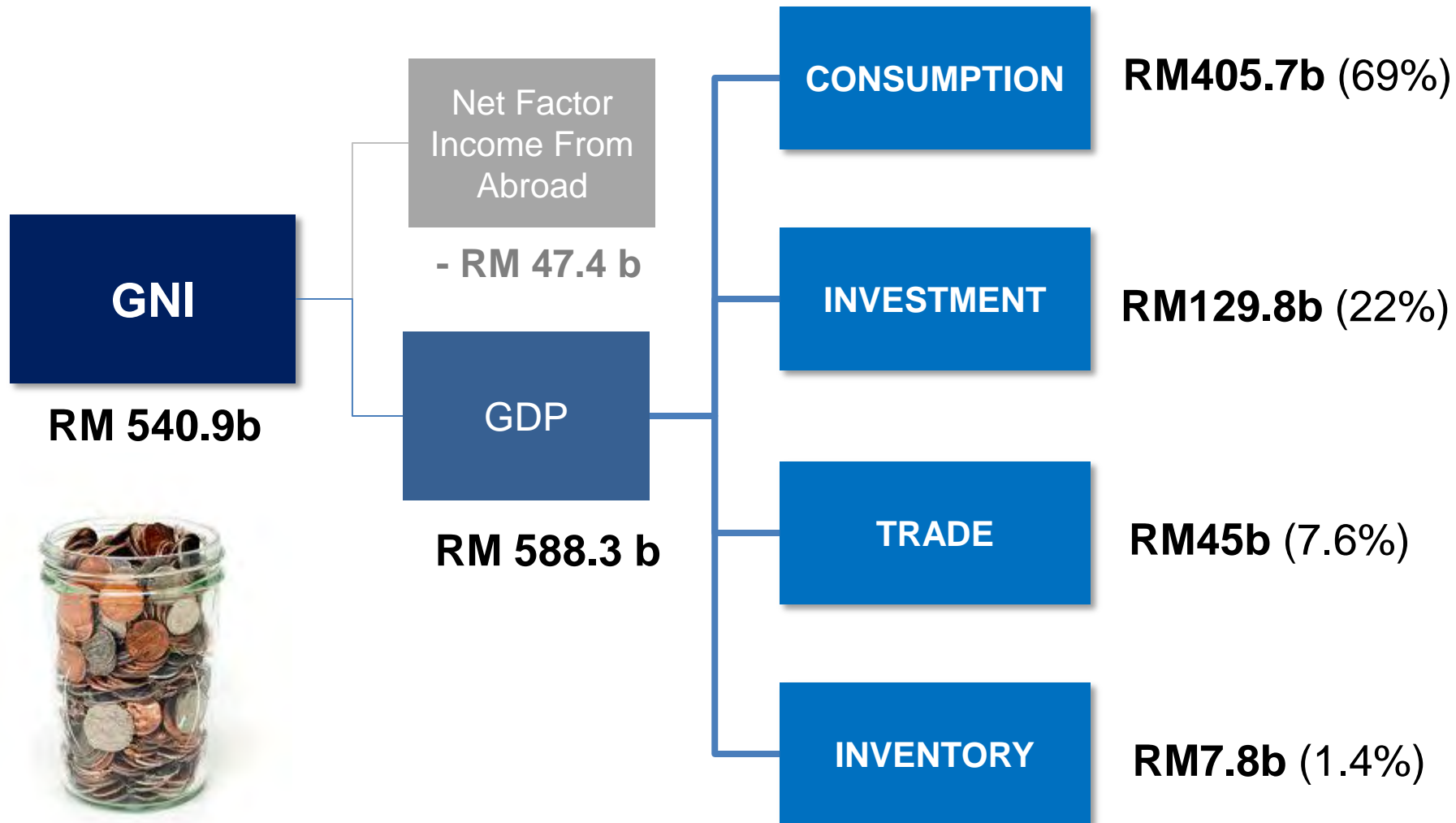


Incentives To
Support
Bottom
40% + SMEs



Removal Of
Sales
Service Tax

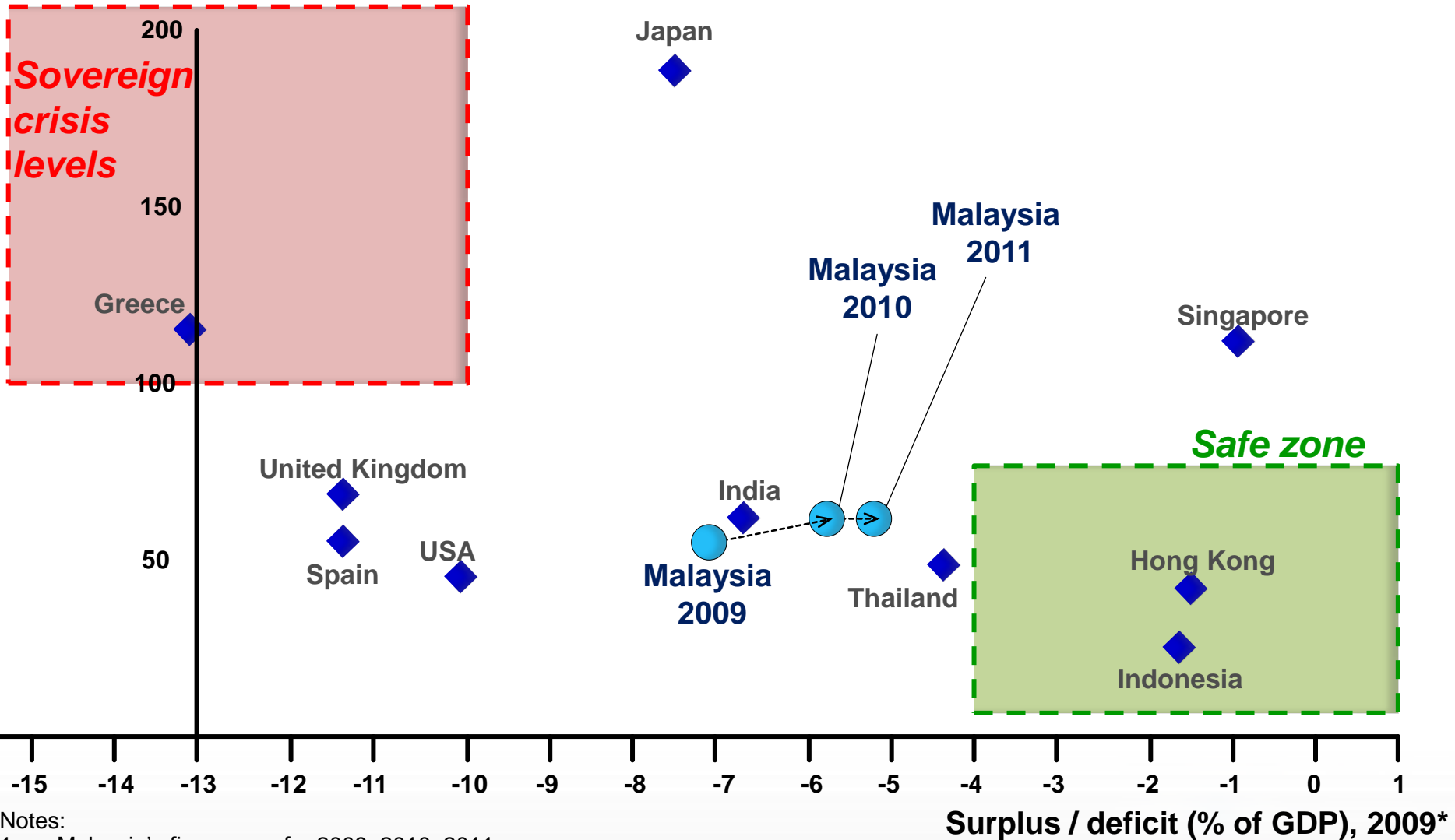
Although we face challenges in this difficult Global Economy, Malaysia's GNI / GDP is largely dependant on domestic consumption



Source : Bank Negara 2011 Figures

Malaysia is moving closer to the "Safe Zone"

Public debt (% of GDP), 2009*



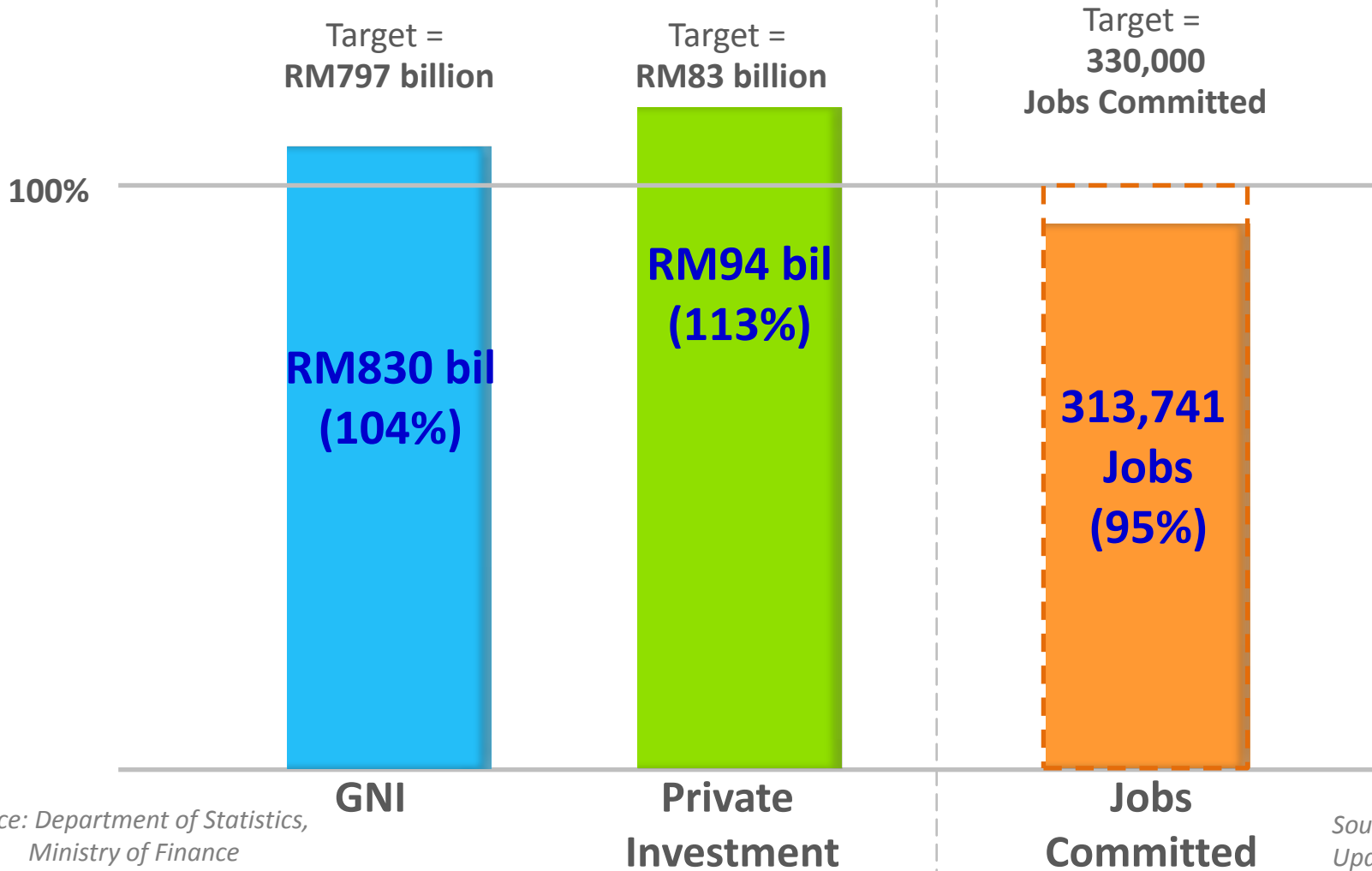
Notes:

1. Malaysia's figures are for 2009, 2010, 2011
2. Position of other countries in 2010 and 2011 will move, but not shown in the chart above

First year ETP results are equivalent to a vertical takeoff



2011 Results Benchmarked Against Targets



2011 GDP Growth: 5.1%

GTP, ETP 2011 Results Endorsed By An International Panel & Audit Firm



Sir Michael Barber
Partner, McKinsey UK &
ex-Head of PM's Delivery
Unit of Tony Blair's
administration



Michael Hershman
President, Fairfax Group &
co-founder of
Transparency International



Kwak Seung-Jun
Chairman, Presidential
Council for Future & Vision,
Korea



Dr Yukon Huang
Senior Advisor, Carnegie
Asia Programme & former
World Bank country
director for China



Dr Homi J Kharas
Senior Fellow & Deputy
Director, Brookings
Institution & former World
Bank chief economist for
East Asia & Pacific



Stephen Sedgwick,
Australian Public Service
Commissioner



HK Yong
Advisor on Public-Private
Partnership,
Commonwealth Secretariat



Dr Ravi Balakrishnan
Resident Representative,
International Monetary
Fund



Key Takeaways from International Panel (February 2012)

A great start:

- Innovative
- Exciting
- High impact
- Speedy
- Transformation process is gathering global recognition

Keep it going!



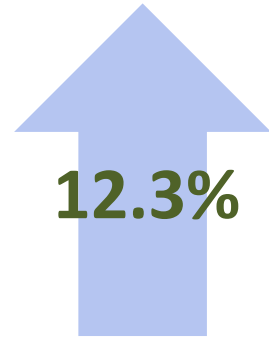
Private Investment, Trade Grew Strongly in 2011



FDI

RM32.9b

FY 2011



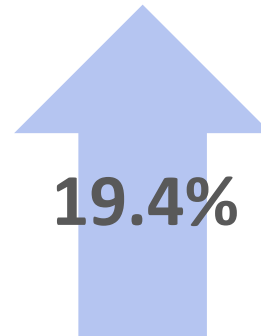
RM29.3b

FY 2010

Private Investment

RM94 b

FY 2011



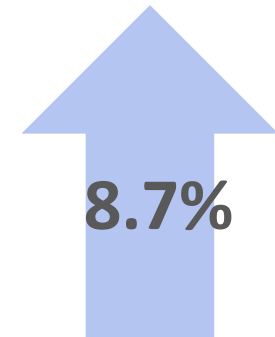
RM78.7b

FY 2010

Trade

RM1.27 tril

FY 2011



RM1.17 tril

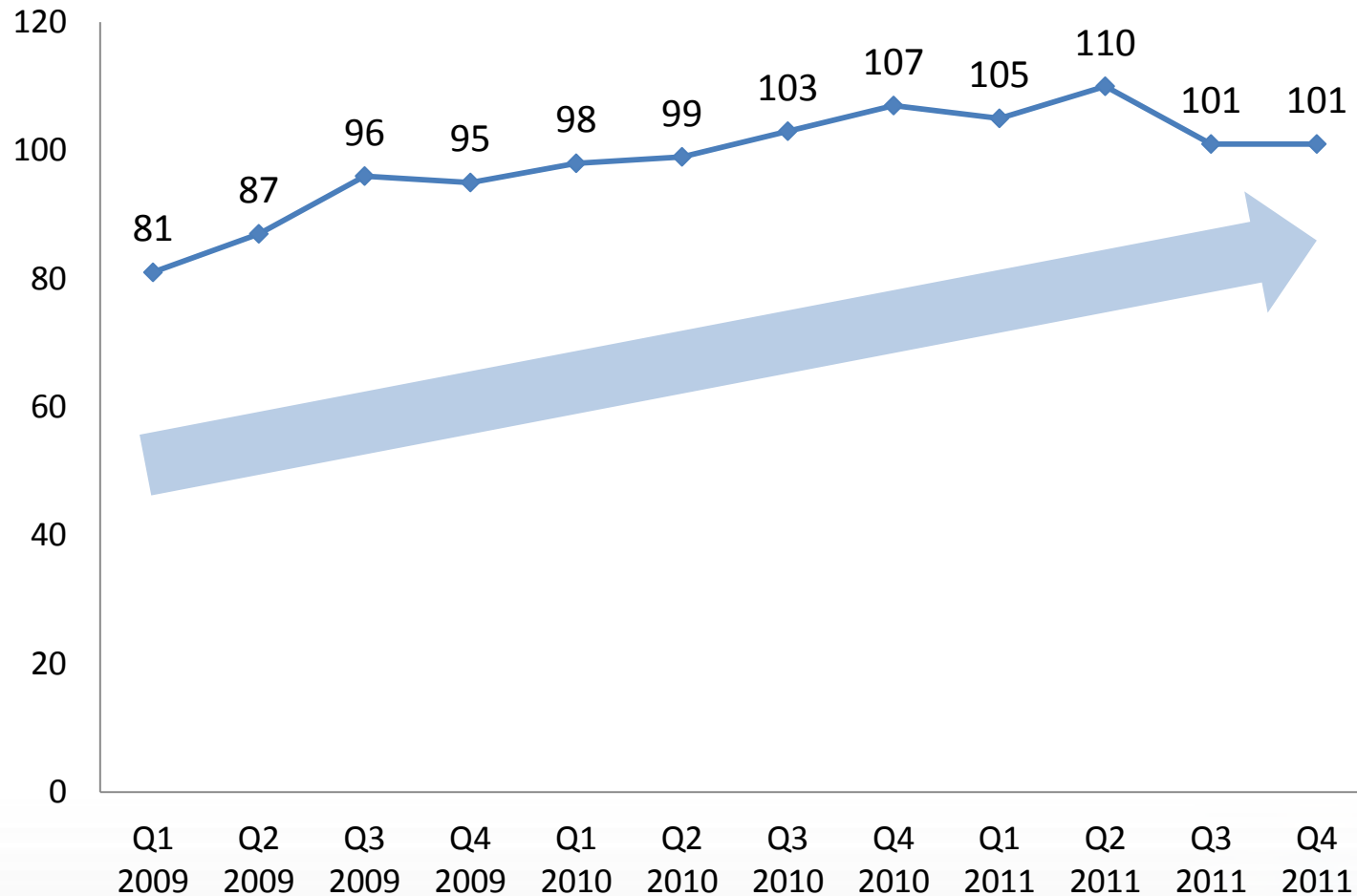
FY 2010

Source: Department of Statistics

Source: Department of Statistics

Source: MITI

Consumer Remains **Optimistic**...



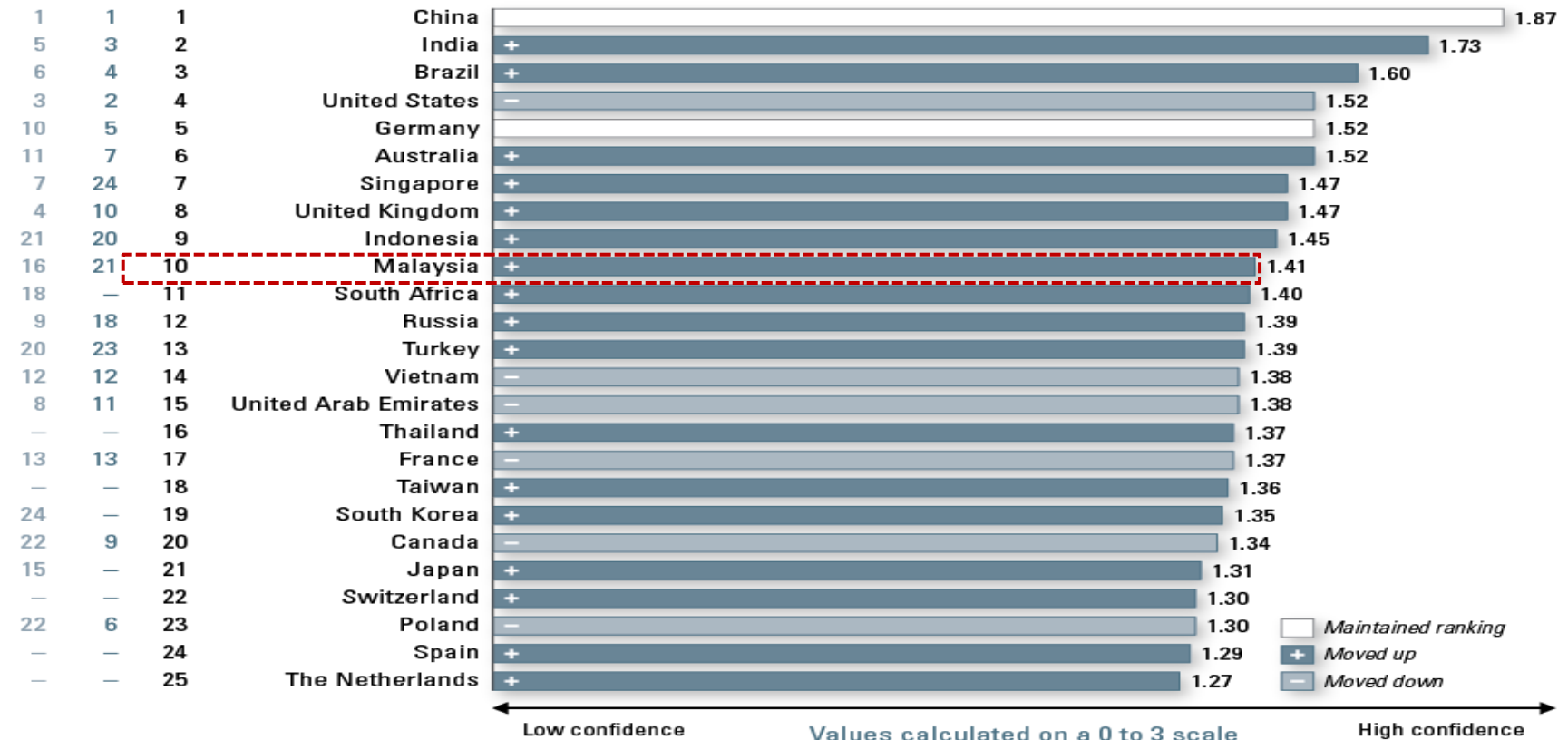
Source: Nielsen Consumer Confidence Index

FDI Confidence Rising

Figure 1
2012 FDI Confidence Index®

Ranking

2007 2010 2012



Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2012

Ease of Doing Business



Starting a business

Merging company, tax, social security & employment fund registrations at one-stop shop & same day registration



Paying taxes

Reintroduced RPGT – but improved electronic system



Enforcing contracts

Computerisation of courts to enable electronic complaint filing



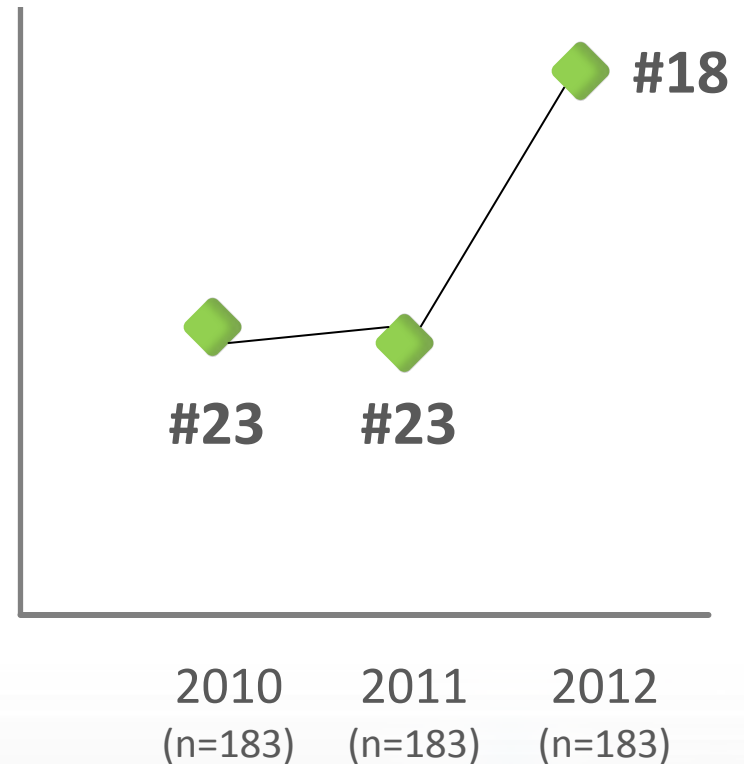
Resolving insolvency

Set up dedicated commercial courts to handle foreclosure proceedings



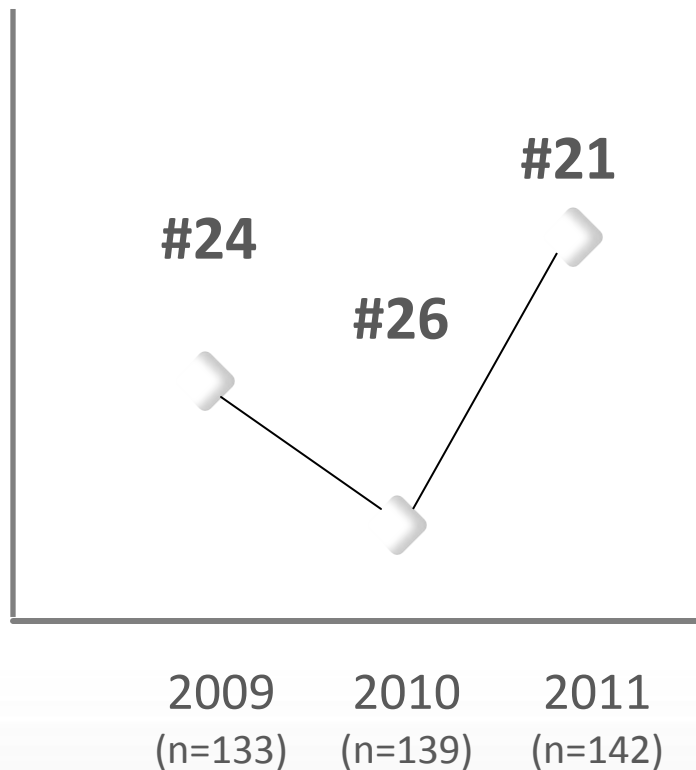
Ahead of **Germany, Japan, Taiwan, Switzerland, Belgium & France**

World Bank Doing Business Report 2012



Becoming More Competitive

World Economic Forum Global Competitiveness Report 2011



#21 out of 142 countries globally



#6 amongst Asia Pacific countries



#2 in ASEAN



Malaysia scored **5.08 points** out of a maximum of **7**, compared to 4.88 last year



Overtook **UAE, New Zealand, South Korea, Luxembourg & Israel**

Concluding Remarks...

We need both GTP & ETP to achieve better **quality of life**



- Grow the economy
- **Increase** revenue
- Increase job / income

- **Spend** the revenue based on rakyat needs
- **Distribute** the revenue (RBI & LIH)

National Accounts has a significant role to play...

- 1 **To reduce reliance on petroleum revenue** - and improve our revenue mix
- 2 **To be fair to others** - We need the taxable people to pay tax – only 1.7m pays tax in Malaysia
- 3 **To increase and diversify our country's revenue** – in line with our vision to be a high-income nation (eg: 143 countries have implemented GST)
- 4 **To grow our revenue and reduce the deficit levels**



We Have **Concrete Programmes** To
Weather The Challenges...



... And We've Made **Great Strides** In
A **Short Space Of Time**

THANK YOU

- + pemandu.gov.my
- + etp.pemandu.gov.my
- + www.facebook.com/etpmalaysia

Widen the discourse, follow us on Twitter
+ [@etp_roadmap](https://twitter.com/etp_roadmap) & [@gtp_roadmap](https://twitter.com/gtp_roadmap)

Sign up for more updates on the ETP
+ http://etp.pemandu.gov.my/form_how_to_participate.aspx