



EUROPEAN CLUSTER  
COLLABORATION PLATFORM

# Country factsheet

Malaysia

An initiative of the European Union





## Contents

Contents .....	2
Introduction .....	3
1. National cluster policy, programmes and initiatives .....	5
2. State of play of cluster policy .....	11
Bibliography .....	14



## Introduction



This document presents an overview of the cluster policy in Malaysia. Given its importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [OECD Economic Survey: Malaysia 2019](#).

The “Economic Surveys” present the major challenges faced by the country, evaluates the short-term outlook, and makes specific policy recommendations

02

## National cluster policy, programmes and initiatives



EUROPEAN CLUSTER  
COLLABORATION PLATFORM

Strengthening the European economy through collaboration



## 1. National cluster policy, programmes and initiatives

Policy type:	Broad policy
Policy name:	Economic Transformation Programme (ETP) 2010-2020 Regional development policy and structural change
<b>POLICY OBJECTIVES</b> 	<p><b>Strengthening cooperation between companies or industry and RTDI actors</b></p> <p><b>Increasing competitiveness and boosting scale up of SMEs</b></p> <p><b>Supporting internationalisation activities</b></p> <p><b>Fostering R&amp;D activities, technology development and implementation</b></p> <p><b>Fostering innovation and strengthening innovation ecosystems</b></p> <p><b>Promoting entrepreneurship, start-ups and spin-offs</b></p> <p><b>Promoting social and sustainable economy and other solidarity-based initiatives</b></p> <p><b>Promoting employment and upgrading skills and competences</b></p> <p>The Economic Transformation Programme 2010-2020 (ETP) outlines targets and measures for the country's twelve key economic areas (NKEAs, identified in the Tenth Malaysia Plan) with 131 Concrete Entry Point Projects (EPP). The Programme promotes 'discipline clusters' in these areas, which are defined as initiatives of partnering between academic institutions and industry players that partner to improve offerings and raise standards so as to expand their reach and recognition. The programme aims at removing barriers to competition and market through legislative liberalisation to increase competitiveness and presence in global markets, especially for SMEs and start-ups. Enhanced investments in R&amp;D, skills, innovation and knowledge in general are promoted as key drivers of sustainable economic growth. In line with the Malaysia concept "People first, performance now" the ETP sets sharp focus on inclusive growth with employment creation and special attention to the improvement for lowest-income households. The overall goal of the ETP is boosting economic growth to transit from the current middle-income classification to a high-income country with an inclusive and sustainable economy by 2020.</p>
<b>POLICY FOCUS</b> 	<p><b>Sectoral</b></p> <p>The different sectors targeted by the ETP are included in the 12 National Key Economic Areas (NKEAS):</p>



	<ol style="list-style-type: none"> <li>1) Oil, gas and energy</li> <li>2) Palm oil</li> <li>3) Financial services</li> <li>4) Tourism</li> <li>5) Business services</li> <li>6) Electronics and electrical</li> <li>7) Wholesale and retail</li> <li>8) Education</li> <li>9) Healthcare</li> <li>10) Communications content and infrastructure</li> <li>11) Agriculture</li> <li>12) Greater Kuala Lumpur /Klang Valley (an urban conglomeration that concentrates most of the country's growth)</li> </ol>
<p><b>RESPONSIBLE AUTHORITIES</b></p> 	<p><b>In charge of drafting</b></p> <p><b>In charge of implementation</b></p> <p><b>Oversees the implementation</b></p> <p>The drafting of the Economic Transformation Programme was led by the Performance Management and Delivery Unit (PEMANDU), which is part of the Prime Minister's Department. For the elaboration of different measures for the twelve key economic areas the private sector and different governmental agencies were involved. The Entry Point Projects will be overseen by corresponding agencies such as the Malaysian Industrial Development Authority or PETRONAS (state owned oil and gas company).</p>
<p><b>BENEFICIARIES</b></p> 	<p><b>SMEs</b></p> <p><b>Research organisations</b></p> <p><b>Academic institutions</b></p> <p><b>Start-ups</b></p> <p><b>Business associations</b></p>



		<p><b>NGOs</b></p> <p><b>General population</b></p> <p>SMEs and start-ups will be strengthened as engines of growth and innovation with financial support and facilitated access to research and technologies. Research and academic institutions benefit from greater investments and networking with industry. Industry associations are set to be involved in different processes such as identifying anchor institutions and in the development of relevant discipline standards and certifications. Non-governmental organisations should collaborate with the Ministries in the development of the Entry Point Project 4: Malaysia as Global Biodiversity Hub. The general population benefits from enhanced investments in human capital to create a high-skilled, knowledge-based and innovative economy.</p>
<p><b>INSTRUMENTS</b></p>	Financial	<p><b>Support to R&amp;D projects, SMEs becoming cluster members, etc.</b></p> <p><b>Subsidies to hire personnel</b></p> <p><b>Supporting market entry (e.g. testing, proof-of concept, prototyping, demonstration projects)</b></p> <p><b>Financing start-ups</b></p>
	Technical assistance	<p><b>Infrastructure: coworking spaces, offices, incubation and accelerator spaces, research centres, technology parks etc.</b></p> <p><b>Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence</b></p> <p><b>Support for soft skills development: coaching, management training, upskilling/reskilling</b></p> <p><b>Marketing activities: advertising, communication, events, fairs, and so on</b></p>
	Explanation	<p>The Economic Transformation Programme 2010-2020 (ETP) foresees financial support and better access to research, technologies and improvement of infrastructure to encourage development and competitiveness of SMEs and start-ups. Moreover, proactive international marketing and promotion campaigns will be launched. The overall framework of support foresees tax incentives, holidays and/or concessions, as well as grants for early childcare and education training centres. The Malaysian Industrial Development Authority will provide market knowledge and research support while enhancing collaboration with investors, technology providers and research centres in universities. The Ministry of Higher Education will improve domestic capabilities by launching new Master's, training and upskilling programmes while promoting employment as well. The Ministry of Home Affairs will facilitate knowledge transfer by easing restrictions on the entry of foreigners with specialised skills. The boosting of intellectual property creation will be stimulated with a solid and encouraging regulative framework, as for instance through</p>



		the revitalisation of the Intellectual Properties Court. The deployment of financial and technical support is specific to the sectors and the Entry Point Projects (EPP). R&D and training grants are foreseen mainly for the Electrical and Electronics Industry. Subsidies for rents or salaries are mentioned for the EPP 8: Accelerating and Sustaining a Significant Asset Management Industry. To meet the targets of EPP 3: Developing integrated circuit design (IC) firms, the ETP envisages facilitated setup of a prototyping lab for local IC design firms.
<b>HISTORY</b> 	<b>Period</b>	<b>Limited period</b>
	<b>Ending year</b> (for policies with limited period)	2020
	<b>Starting year</b>	2010
	<b>Explanation</b>	The Economic Transformation Programme is a broad long-term framework aiming at the country's economic development over a 10-year timeframe.
<b>BUDGET</b> 	<b>Overall</b>	The ETP forecasts investments of RM 1,4 trillion (EUR 342,2 billion) to achieve the goals laid down for the National Key Economic Areas.
	<b>Annual</b>	The budget allocation will be integrated within the framework of Malaysia's five-year planning cycle (currently: 11th Malaysia Plan 2016-2020). No detailed annual budget allocation is available, neither for the ETP nor for the 11th Malaysia Plan.
	<b>Source of funding</b>	The private sector is expected to be the main source of funding, covering 92% of the investments (i.e. RM 120 billion per year = EUR 29,3 billion). The remaining 8% will be covered by the government's budget.
<b>POLICY</b>  <b>EVALUATION</b> 	<b>Availability</b>	<b>no policy evaluation</b>
	<b>Results</b>	There is no specific overall policy evaluation mechanism foreseen for the Economic Transformation Programme 2010-2020 (ETP). However, a mid-term report of 2013 highlights the increased investments coming from the private sector, accounting for 60,9% of total investment. This development also contributed to job creation with employment increasing 17.81% from 2010 until 2013.



<b>POLICY ALIGNMENT WITH THE EU</b>		
<b>PRIORITIES</b>		<b>Green economy</b> <b>Social inclusion</b>

# 03

## State of play of cluster policy





## 2. State of play of cluster policy

The data below illustrates how the country ranks in terms of maturity of cluster policy. The maturity index is based on a combination of factors presented in Chapter 1 and which are scored based on their existence:

- **Policy scope:** whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies (existence of broader policies = 1 point; existence of targeted cluster policies = 2 points)
- **Consistency of cluster policies:** assessment of the duration and experience of the country in doing cluster policies. This dimension assesses only existing cluster policies and not broader policies (no cluster policies available = 0 points; < 10 years of experience or > 10 years (but interrupted) = 1 point; > 10 years (but with clear continuity = 2 points)
- **Evidence of performance:** the existence of monitoring and evaluation mechanisms determines the degree of policy development in the country (no evaluations = 0 points; existence of evaluations of past policies or itinere = 0.5 points; existence of ex-ante and/or ex-post evaluations = 0.5 points)
- **Instruments:** whether the policies provide any instruments to support the policy implementation, being these financial and/or technical assistance (1 point for each type of instrument available)

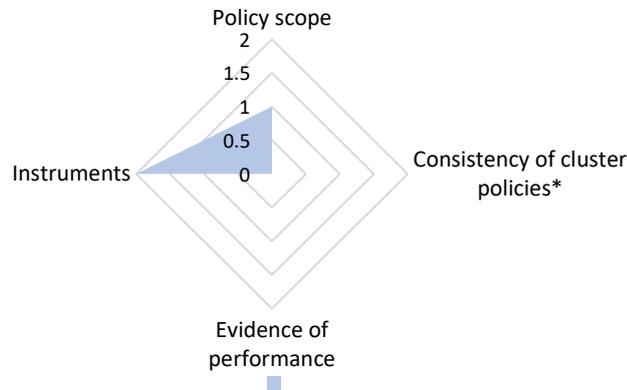
It is important to note that the maturity does not reflect the performance of a country, but only the degree of development of their cluster policy at the moment when the data was collected (2020). The maturity index illustrates how the country scores for each of these four dimensions (policy scope, consistency of cluster policies, evidence of performance and instruments) compared to the maximum score that they can reach.

	Malaysia	Maximum score
Policy scope	1	2
Consistency of cluster policies*	0	2
Evidence of performance	0	1
Instruments	2	2

\* This dimension is scored solely if the country has a dedicated cluster policy and it assesses only cluster policies



### Cluster policy maturity level



#### State of play of cluster policy in the country

<b>Policy evaluation (for terminated policies)</b>	<p><b>No policy evaluation</b></p> <p>For all the broader national policies (e.g. Industrial Master Plans, Malaysia Plan) no official evaluation is available.</p>
<b>Policy approach in the country</b>	<p><b>Specific policies to support cooperation projects</b></p> <p><b>Broad-based framework policies to support cooperation effectiveness</b></p>
<b>Continuity</b>	<p>The Malaysian government acknowledges the importance of clusters in several documents, however no national cluster policy is implemented up to date. One of the first documents emphasising the development of industrial clusters was the second Malaysia Industrial Master Plan 1996-2005. <a href="#">The third Industrial Master Plan 2006-2020</a> again highlights and promotes research-based industrial cluster development on the national and regional (ASEAN) level. The document also mentions developing clusters in the automotive, petrochemicals, furniture and textile industry. It furthermore commits to the facilitation and encouragement of the development of domestic and regional cluster, but no concrete measures are mentioned.</p>
<b>Consistency</b>	<p><b>No cluster policy available</b></p> <p>Malaysia has no national cluster policy, the development and strengthening of clusters is only mentioned in broad national industrial and/or development policies.</p>

# Bibliography



EUROPEAN CLUSTER  
COLLABORATION PLATFORM

Strengthening the European economy through collaboration



## Bibliography

- The Government of Malaysia, Performance Management and Delivery Unit. 1 Economic Transformation Programme 2010-2020. A Roadmap for Malaysia. Available at: <https://policy.asiapacificenergy.org/sites/default/files/ETP.pdf>
- The Government of Malaysia, Civil Service Delivery Unity. National Transformation Programme, Annual Report 2017. Available at: [www.myrekatech.com/main/medias/NTP\\_AR2017\\_ENG.pdf](http://www.myrekatech.com/main/medias/NTP_AR2017_ENG.pdf)
- The Government of Malaysia, Economic Planning Unit. Eleventh Malaysia Plan 2016-2020. Available at: [www.sarawakdga.org.my/wp-content/uploads/2015/09/11th\\_Malaysian\\_Plan.pdf](http://www.sarawakdga.org.my/wp-content/uploads/2015/09/11th_Malaysian_Plan.pdf)
- The Government of Malaysia. Third Industrial Master Plan 2006-2020. Available at: <https://www.miti.gov.my/index.php/pages/view/1690?mid=110>
- The Government of Malaysia. Economic Transformation Programme, Annual Report 2013. Available at: [www.pmo.gov.my/dokumenattached/NTP-Report-2013/ETP\\_2013\\_ENG.pdf](http://www.pmo.gov.my/dokumenattached/NTP-Report-2013/ETP_2013_ENG.pdf)
- OECD (2019). Economic Surveys: Malaysia, Overview, July 2019. Available at: [www.oecd.org/economy/surveys/Malaysia-2019-OECD-economic-survey-overview.pdf](http://www.oecd.org/economy/surveys/Malaysia-2019-OECD-economic-survey-overview.pdf)