

**An inter-state economic corridor  
development program:**

# **The NCER in Malaysia**

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# 1. Introduction:

## What is the NCER?

- ▶ The Northern Corridor Economic Region (NCER) encompasses the four northern states of Peninsular Malaysia: Penang, Kedah, Perak and Perlis.
- ▶ NCER was initiated to “leverage on the growth momentum of the more developed regions in Penang so as to lift the growth and incomes of the poorer regions located in Perlis, Kedah and Perak”.

## 2. Penang's Core Strengths

- ▶ Global connectivity-it has the 3rd largest port, the 2<sup>nd</sup> largest airport for cargo and the third busiest airport for passenger traffic.
- ▶ Mature business eco-system (with FTZs established in the 1970s; with currently more than 300 MNEs),
- ▶ Sizeable talent pool (over 250 thousand workers directly employed by MNEs).

# 3. Profile of the NCER

- ▶ The four NCER covers 9.9% of the land area of Malaysia (or 32,559 sq. km).
- ▶ 16% of total national output of Malaysia.
- ▶ 21% of the population of 31 million
- ▶ Penang is the most industrialized (manufacturing accounts for 46% of state GDP), followed by Kedah (27% of state GDP)
- ▶ Perak and Perlis are largely agricultural states, with abundant land and natural resources
- ▶ The NCER borders Thailand & has access to the Straits of Melaka through Penang Port

## 4. The Corridor Development Challenge

- ▶ To coordinate the planning agencies of four states
- ▶ A difficult task due to jealousies about state rights and autonomy.
- ▶ The problem is compounded when one state (Penang) is controlled by a political party with different interests or priorities.

## 5. Supra-State Authority: Northern Corridor Implementation Authority (NCIA)

- ▶ The Authority draws its powers from an Act of parliament
- ▶ Consists of a Council headed by the PM and state CMs, and Federally appointed officers
- ▶ And an implementing Board run by a Federally appointed Chief Executive and staff recruited by the Authority
- ▶ Receives financial & infrastructural support from the Federal government and Federal agencies.

## 6. Functions of NCIA

- ▶ To coordinate/ oversee development
- ▶ Enable collective decision making and implementation
- ▶ Minimize state tendencies to prioritize state needs
- ▶ Foster private sector engagement in implementing the NCER programs
- ▶ Ensure the growth of the corridor as a whole

## 7 (i) Achievements: Infrastructure

- ▶ Widening of the first bridge linking Penang island to mainland
- ▶ Building the second bridge linking Penang Island to Batu Kawan Industrial Estate on mainland. Provides quicker access of cargo to the airport
- ▶ Electrified double track rail system linking Ipoh (Perak) to Padang Besar (on Thai border) going through all 4 states
- ▶ Expansion of Penang airport: facilitates exports of high value-to-weight parts from the EE sector in Penang and the Kulim High Tech Park in Kedah



## 7(ii) Achievements: New Development Areas

- ▶ Kedah (Rubber City, Science & Technology Park),
- ▶ Perlis (Chuping Valley for Solar industries, Green technology & Halal products)
- ▶ Perlis Inland Cargo Project (expected to be the largest inland dry port in the peninsula to serve the northern states and possibly Southern Thailand).
- ▶ Perak (linking existing industrial areas to form the Greater Kamunting Industrial Conurbation)

## 7 (iii) Achievements: Regional Outcomes

- ▶ Accumulated investments of RM79.92 billion (2008 - 2016)
- ▶ Generated 103,600 jobs (2008 - 2016)
- ▶ GDP of the region grew 5.8% per annum between 2010 & 2014, relative to 3.5% between 2005 & 2009 (coincided with the Global Financial crisis).
- ▶ Poverty rate declined from 2.83% in 2007 to 0.45% in 2014
- ▶ Median monthly household income increased by 8.74% pa between 2007 & 2014.

## 8. Assessment

- ▶ Difficult to assess the contribution of NCIA since areas of impact overlap with state efforts.
- ▶ Major NCIA initiatives appear to be independent of one another. No evidence yet of integrating existing advantages into a unified whole to serve the region
- ▶ Evidence of developing human resources was absent until 2019. Since then have NCIA has linked with up firms in Penang to train manpower.

## 8. Assessment..

- ▶ Congestions in the airport, despite expansion: “it’s bursting at the seams”
- ▶ Long lines (4kms.) of trucks waiting for customs clearance at Bukit Kayu Hitam (Malaysia/Thai border)
- ▶ Electric Double Track project has great potential but not yet linked adequately to operating/planned production centres
- ▶ No *direct initiatives* to uplift people in the agricultural hinterland. Hoping to raise incomes through industrial employment.

## 9(i) Insights: Critical Ingredients need to be intergrated

- ▶ Transport (logistic) infrastructure & industrial clusters of differing levels of maturity are being created or expanded in the region. These are critical.
- ▶ But these not yet fully integrated to reap the advantages of a unified whole.
- ▶ Need more efforts to strengthen the connectivity of the gateway port and airport to the planned or new growth nodes through multi-modal linkages
- ▶ Benefits of agglomeration not yet evident

## 9(ii) Supra-State Authority:

### (a) Composition/structure must reflect its role

- ▶ NCER and NCIA are Federal government initiatives, and all projects are federally funded, giving state governments little say on NCIA projects.
- ▶ The structure of NCIA must be inclusive of state actors. The top **NCIA Council** has only the CMs from the state but is headed by the PM and senior Federal officers
- ▶ The implementation arm (**NCIA Board**) also has no representatives of state planning officials.

## 9 (ii) Supra-State Authority: (a) Composition/structure must reflect its role..

- ▶ This top-down federally controlled structure appears to work well with Perak, Kedah and Perlis but not Penang.
- ▶ The former are controlled by parties in Federal government but not Penang.
- ▶ Such an eventuality was not foreseen. When NCER was conceived Penang was also ruled by the party running the Federal government.
- ▶ Better state representation on the **NCIA Board** will help increase the role of states

## 9 (ii) Supra-State Authority: (b) Functions & powers must reflect its role

- ▶ No clear delineation of projects that the states will implement and those to be implemented via the NCIA
- ▶ Ideally, the NCIA should undertake initiatives that bring direct benefits to the region as a whole rather than to any particular state.
- ▶ Finally, the NCIA was either unable or reluctant to fully exert the powers under the NCIA Act to command compliance from State actors.



# Thank you