mid-term review of the

ELEVENTH MALAYSIA PLAN

2016-2020

new priorities and emphases

Rukun Negara

Our nation, Malaysia, being dedicated

to achieving a greater unity of all her peoples;

to maintaining a democratic way of life;

to creating a just society in which the wealth of the nation shall be equitably shared;

to ensuring a liberal approach to her rich and diverse cultural traditions; and

to building a progressive society which shall be oriented to modern science and technology.

We, her peoples, pledge our united efforts to attain these ends guided by these principles:

BELIEF IN GOD

LOYALTY TO KING AND COUNTRY

UPHOLDING THE CONSTITUTION

RULE OF LAW

GOOD BEHAVIOUR AND MORALITY

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ELEVENTH MALAYSIA PLAN 2016-2020

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" These reforms are needed if Malaysia hopes to recover, rebuild and re-emerge as a nation proud of its achievements and ability to compete at the highest level. "

FOREWORD

The euphoria that greeted our success in taking over the Government after the historic 14th General Election on 9 May 2018 came with a caveat – sweeping reforms and accountability must be the order of the day.

These expectations define the new Government and the people it governs which will, inevitably pave the way for new policies and institutional reforms. In essence, the political transition reflects the hopes of the *rakyat* for greater transparency, fiscal accountability and socioeconomic reform.

These reforms are needed if Malaysia hopes to recover, rebuild and re-emerge as a nation proud of its achievements and ability to compete at the highest level. Lest we forget, we were once dubbed an Asian Tiger and to re-emerge as one, we will have to re-align our focus and recalibrate our strategies.

As such, reforms includes improving governance, accelerating innovation, boosting productivity, moving industries up the value chain, enhancing the wellbeing of the *rakyat*, particularly the bottom 40% of the household income group (B40), and achieving inclusive growth.

Therefore, bold reforms that respond to the people's mandate are imperative to achieve our vision to become a developed and inclusive nation.

The Mid-Term Review of the Eleventh Malaysia Plan, with **New Priorities and Emphases**, aims to reform existing policies and outline the revised socioeconomic targets for 2018-2020. The Mid-Term Review has taken into consideration the aspirations of the new Government, current economic challenges and global trends. Efforts will focus on stimulating economic growth, while ensuring greater benefits for all segments of the society.

In this regard, the principles of good governance, strong institutions as well as integrity and accountability will be reinforced throughout the administration of the new Government to prevent corruption, leakages, misappropriation and abuse of power.

The New Malaysia shall exude vigour, confidence and hope. With the mandate from the *rakyat*, the nation shall strive forward with pride, head held high, knowing what it had achieved in the past and the new heights it is going to scale in the future.

We shall then build a prosperous, harmonious and an inclusive nation.

DR. MAHATHIR BIN MOHAMAD
Prime Minister of Malaysia
Putrajaya
18 October 2018

PREFACE

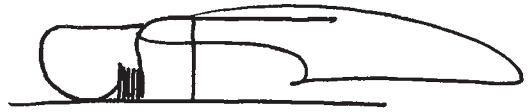
The Mid-Term Review of the Eleventh Malaysia Plan, 2016-2020: New Priorities and Emphases marks a momentous milestone in the nation's development path. The first part of the Mid-Term Review assesses the performance of the first two years of the Eleventh Malaysia Plan, 2016-2017, under the Barisan Nasional Government. More importantly, the second part of the review sets new priorities and emphases in building the nation to fulfil the hopes of the *rakyat* for the remaining Plan period of 2018-2020 under the new Pakatan Harapan Government. Premised on the principles of good governance, strong institutions and integrity, the priority areas and strategies in the Mid-Term Review reflect the aspirations of the new Government. These efforts affirm the goal of becoming a developed and inclusive nation as well as creating the path towards a better future.

The Government will balance economic growth objectives and fiscal consolidation initiatives to ensure continuous and inclusive development without impairing growth prospects. Thus, high-impact socioeconomic development projects will be continued to improve the wellbeing of the *rakyat*. In addition, the existing development gaps between states will be narrowed by giving greater emphasis to the less developed states, particularly Sabah, Sarawak, Kelantan, Terengganu, Kedah and Perlis, to ensure a more balanced regional growth. More measures will also be undertaken to raise the income and purchasing power of the *rakyat*, especially the bottom 40% of the household income group (B40).

Moving forward, we need to be vigilant about risks in the face of potential shocks and global economic uncertainties such as the build-up of financial vulnerabilities, trade protectionism and geopolitical tensions. These risks and challenges underline the importance of having flexible economic policies, strong public finance management and a sustainable fiscal position. Macroeconomic policies will need to be calibrated to be able to respond to economic shocks as well as to enhance economic resilience. Nonetheless, some temporary trade-offs on economic growth may be necessary in the short term in order to ensure a firmer foundation for a more sustainable and inclusive growth in the long term.

The Mid-Term Review outlines six pillars to support inclusive growth and sustainable development. The first pillar is to reform governance towards greater transparency and enhance efficiency of public services, followed by the second pillar to enhance inclusive development and the wellbeing of the *rakyat*. The third pillar aims to pursue balanced regional development, while the fourth pillar is to empower human capital. The fifth pillar focuses on enhancing environmental sustainability through green growth. The last pillar lays the foundation to strengthen economic growth across all sectors of the economy.

Let us, the Government, the private sector and the *rakyat* work together to ensure the successful implementation of these new priorities and emphases in the remaining Plan period. The new Government will assure that the fruits of development will be enjoyed by all. We shall continue to strive and serve with integrity to carry out the *amanah* entrusted to us to propel our beloved nation to greater heights.



MOHAMED AZMIN ALI
Minister of Economic Affairs
Putrajaya
18 October 2018

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Overview

Mid-Term Review of the Eleventh Malaysia Plan, 2016-2020

New Priorities and Emphases

Introduction

The Eleventh Malaysia Plan, 2016-2020, marks the final phase towards achieving a developed and inclusive nation in line with the Vision 2020. The Eleventh Plan, with the theme 'Anchoring Growth on People', focuses on the prosperity and wellbeing of the *rakyat*. This Mid-Term Review (MTR) of the Eleventh Plan reports the progress achieved in 2016-2017 and outlines the realignment of socioeconomic policies and strategies for 2018-2020, taking into account priorities of the new Government following the 14th General Election. The Government is committed to enhance good governance and transparency in ensuring greater wellbeing of the *rakyat.*

The MTR consists of two parts where Part I reports the performance of selected outcomes, targets, strategies and initiatives during the review period, 2016-2017. Meanwhile, Part II charts the way towards a better Malaysia in the remaining Plan period, 2018-2020. In this regard, new priorities and emphases based on six pillars will focus on reforming governance and improving public service delivery, enhancing inclusive development and wellbeing, pursuing balanced regional development, empowering human capital, ensuring environmental sustainability and strengthening economic growth.


Six Pillars of the Mid-Term Review Eleventh Malaysia Plan
PILLAR I
Reforming governance towards greater transparency and enhancing efficiency of public service
PILLAR II
Enhancing inclusive development and wellbeing
PILLAR III
Pursuing balanced regional development
PILLAR IV
Empowering human capital
PILLAR V
Enhancing environmental sustainability through green growth
PILLAR VI
Strengthening economic growth

Part I: Past Performance, 2016-2017

During the review period, the economy recorded modest growth supported by strong domestic demand despite the challenging global environment. The economic growth and various people-centric programmes have benefited and enhanced the wellbeing of the *rakyat* in terms of higher income, greater employment opportunities, better quality healthcare, more affordable housing and safer living environment. Nevertheless, socioeconomic disparities across states, high unemployment rate among youth and rising cost of living are among the few issues that make growth less felt by the *rakyat*, rendering the objective of becoming a developed and inclusive nation less meaningful.

Economic Performance

The economy recorded an average growth of 5.1% per annum during the review period, within the original target of between 5% and 6%. Despite the challenging external environment with moderate global demand and weak commodity prices in 2016, gross domestic product (GDP) recorded modest growth of 4.2% supported by strong economic fundamentals. Growth further strengthened by 5.9% in 2017 with the recovery of the global economy, driven mainly by domestic demand and broad-based growth in all economic sectors. The external sector also contributed positively to the economy through stronger expansion of global trade and recovery in commodity prices. Inflation remained manageable at an average rate of 2.9% per annum while the economy continued to be in full employment. The current account of the balance of payments remained in surplus, albeit narrowing.

Economic structural issues including dependency on factor inputs and less on productivity to drive growth, nevertheless continued to impact economic expansion. Investment was more focused on physical structures rather than machinery and equipment, which is necessary to boost the productive capacity of the economy. Furthermore, industries remained in the lower end of the production value chain and thus, unable to create more skilled jobs. In addition, the tight fiscal space constrained the Government in financing development programmes and projects.

Strategic Thrusts and Game Changers

The Eleventh Plan has six strategic thrusts and six game changers to spearhead the transition towards achieving a developed and inclusive nation. These thrusts aimed to address the challenges in social, economic and environmental development as well as accelerating economic growth to meet the needs of the *rakyat*. The strategic thrusts and game changers are as shown in *Exhibit I*.

Exhibit I
Strategic Thrusts and Game Changers

1
Enhancing **inclusiveness** towards an equitable society

Game Changer
- Uplifting B40 households towards a middle-class society

2
Improving **wellbeing** for all

3
Accelerating **human capital development** for an advanced nation

Game Changer
- Enabling industry-led Technical and Vocational Education and Training (TVET)

4
Pursuing **green growth** for sustainability and resilience

Game Changer
- Embarking on green growth

5
Strengthening **infrastructure** to support economic expansion

6
Re-engineering **economic growth** for greater prosperity

Game Changer
- Unlocking the potential of productivity
- Translating innovation to wealth
- Investing in competitive cities

Review of Strategic Thrusts

Thrust 1

Thrust 1, **enhancing inclusiveness towards an equitable society**, aimed to ensure all groups participate in the economy and benefit from the economic prosperity, regardless of gender, ethnicity, socioeconomic status and geographical location. Under the inclusive development approach, the thrust emphasised the provision of equitable opportunity for households to improve income and wellbeing, while simultaneously addressed income inequality. Specifically, the thrust focused on uplifting households in the bottom 40% household income group (B40), empowering communities, transforming rural areas, accelerating regional growth and enhancing the Bumiputera Economic Community (BEC). During the review period, overall income inequality reduced further as the B40 households enjoyed a rise in monthly incomes. The 2016 Family Wellbeing Index, which measures the wellbeing of Malaysian families, also improved moderately.

The quality of life of the rural community was elevated through the provision of basic infrastructure and services as well as enhanced economic opportunities. The efforts to reduce regional disparity have resulted in higher inflow of investment and created more job opportunities in the five regional economic corridors. Initiatives and programmes to enhance the BEC have led to higher Bumiputera participation in entrepreneurship and skilled occupations. Despite the progress, issues and challenges remained in enhancing inclusiveness of the *rakyat*. These include low-level economic participation of the B40 households, limited Bumiputera ownership of financial and non-financial assets, growing ageing population and disparities between states and regions as well as urban and rural areas.

Thrust 2

Thrust 2, **improving wellbeing for all**, targeted to raise the standard of living and quality of life of the *rakyat* irrespective of socioeconomic background and geographical location. In this regard, focus was given to improve quality healthcare, provide affordable housing, implement various crime prevention and road safety programmes as well as promote social cohesion, national unity and active lifestyle. The provision of quality healthcare at affordable cost has improved the overall health status and wellbeing of the *rakyat*. Affordable housing programmes, especially public housing, have contributed to the increase in house ownership among the poor, low- and middle-income households. Meanwhile, crime prevention measures have reduced index crime and increased perception of feeling safe. Initiatives and programmes to enhance road safety have reduced accident rates.

Various programmes were undertaken to promote greater social cohesion and national unity among the *rakyat*. In this regard, the Kuala Lumpur Southeast Asian (SEA) Games 2017 attracted more than 10,000 volunteers, unifying Malaysians from all walks of life. Additionally, extensive community participation in various sports activities as well as inspiring performance by national athletes at the international level have also propelled more Malaysians to participate in sports. Meanwhile, there are still concerns in improving the wellbeing of the *rakyat*, particularly escalating house prices, growing burden of diseases, increasing number of new drug addicts and threat of cybercrime.

Thrust 3

Thrust 3, **accelerating human capital development for an advanced nation**, aimed to produce human capital with the right knowledge, skills and attitude to succeed in a globalised economy. Malaysia continued to record full employment with improving labour productivity. Additionally, the intake of students in Technical and Vocational Education and Training (TVET) programmes has increased resulting from continuous efforts in promoting TVET through various programmes and initiatives. The harmonised accreditation system has been developed and incorporated into the revised Malaysian Qualifications Framework. The *Pembangunan Sumber Manusia Berhad* Act 2001 was amended, expanding the coverage to include more services subsectors, thus increasing the number of employees eligible for training under the Human Resources Development Fund. Meanwhile, enrolment in primary and secondary education as well as all levels of study in institutions of higher education (IHE) has increased, while more public universities were given autonomy status, totalling 17 out of 20 public universities.

Several issues and challenges continued to impede human capital development, including inadequate job creation in the skilled category, dependency on low-skilled foreign workers and underemployment among graduates. Meanwhile, the TVET landscape is fragmented as TVET programmes were offered by various institutions including agencies under different ministries, state skills development centres and private institutions. The TVET programmes offered are often similar but with two different accreditation standards and lack areas of specialisation. At the same time, performance of Malaysian students in two international assessments, Trend in International Mathematics and Science Study (TIMSS) and Programme for International Students Assessment (PISA), was still below average, raising concerns on the quality of basic education. Moreover, activities for research, development and innovation were uncoordinated and fragmented due to lack of collaboration between public IHE and research institutions as well as industry.

Thrust 4

Thrust 4, **pursuing green growth for sustainability and resilience**, focused on the importance of natural resources and environmental sustainability in ensuring continuous economic growth and resilience of the nation against climate change and disaster. Several new legislations, policies and action plans were introduced, while existing financing mechanisms were strengthened to support the uptake of green initiatives. In addition, efforts were undertaken to promote the adoption of sustainable consumption and production (SCP) concept across economic sectors, including the implementation of Government green procurement (GGP) initiative to stimulate the growth of the green market.

Measures to mitigate and adapt to climate change as well as reduce disaster risks were also undertaken. The total installed capacity of renewable energy has increased in the review period. Meanwhile, the Malaysian Carbon Reduction and Environmental Sustainability Tool was adopted to encourage construction of green buildings. The establishment of the National Disaster Management Agency has also strengthened disaster risk management. Furthermore, the National Policy on Biological Diversity, 2016-2025, was formulated to ensure conservation and sustainable use of resources. Greater terrestrial and inland water as well as coastal and marine areas were gazetted as protected areas. Nevertheless, issues and challenges remained and need to be addressed to further accelerate green growth. These include governance-related issues, limited green technology and products, degradation of natural resources as well as environment-related issues such as pollution, climate change and disaster risks.

Thrust 5

Thrust 5, **strengthening infrastructure to support economic expansion**, laid the foundation to strengthen economic expansion and provide an enabling environment to support growth. Significant investments in infrastructure aimed to ensure better access to essential services, utilities and amenities. The investments have resulted in the provision of a more integrated transport system, enhanced the efficiency of the logistics sector, improved coverage and quality of broadband services as well as increased access to clean water and electricity. Two major infrastructure projects were completed during the review period, namely the Mass Rapid Transit 1 (MRT 1) and the Light Rail Transit 2 (LRT 2).

PETRONAS floating liquefied natural gas offshore Bintulu, Sarawak was commissioned in 2016 and Regasification Terminal 2 in Pengerang, Johor was completed in 2017 to enhance energy security. However, infrastructure development continues to be affected by issues and challenges, such as lack of coordination in transport and energy sectors, financial sustainability in water services and regulatory conditions related to broadband infrastructure. Although public transport network has improved, the modal share remains low due to, among others, inadequate first- and last-mile connectivity and the reluctance to switch to public transport mode.

Thrust 6

Thrust 6, **re-engineering economic growth for greater prosperity**, outlined strategies to accelerate economic growth, driven by high-value and knowledge-intensive activities. Most sectors recorded growth, with the manufacturing sector exceeding the targeted growth rate, mainly contributed by the electrical and electronics, chemicals and chemical products as well as transport equipment subsectors. Meanwhile, growth in the services sector was mainly due to the wholesale and retail trade subsector, underpinned by better consumer sentiment and market conditions. Growth in the construction sector was driven by the implementation of large petrochemical, transport and utility projects. Productivity gains were recorded in most sectors, partly due to utilisation of new machineries and innovative technologies. However, volatility of global commodity prices as well as adverse weather conditions have caused a slower growth in the agriculture sector.

The value added growth of small and medium enterprises (SMEs) at 6.2% during the review period exceeded that of national GDP at 5.1%, mainly driven by wholesale and retail as well as food and beverages subsectors. SMEs also contributed positively to employment growth in the services, manufacturing and construction sectors. Nonetheless, the contribution of SMEs to GDP and exports remain small. Persistent challenges in the economic sectors, such as complex regulatory framework, low productivity, reliance on low-skilled foreign workers and low technology adoption remain a concern. In addition, there are still gaps in terms of special skills set required by the workforce to exploit technological advancement. Internationalisation efforts were also impeded by lack of understanding of overseas markets, limited networking and inability to compete.

Transforming Public Service for Productivity

Apart from the six strategic thrusts, various programmes and initiatives were undertaken to improve public service delivery by expanding outreach to the *rakyat*. Greater emphasis was given to transform the public sector to become more citizen-centric through a whole-of-government approach. The objective is to have a lean and agile structure, competent talent, effective project management and efficient local authorities. In this regard, the public service has embarked on creative and innovative approaches to improve the quality and effectiveness of the delivery system at all levels.

Progress was recorded in improving the public service delivery. Key highlights include consolidation of 508 licensing authorities services into a single gateway through the MalaysiaBiz portal as well as the availability of 174 government services mobile applications. Meanwhile, 252 service schemes were rationalised into 240 schemes with the purpose of rightsizing the public service. Furthermore, community expectations were embedded as one of the indicators in the *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT) to reflect efforts of local authorities in addressing the needs of the *rakyat*. Despite the progress, there were still issues related to transparency, integrity and accountability as well as higher expectation on quality of services by the *rakyat* that need to be addressed.

Review of Game Changers

Uplifting B40 households towards a middle-class society. The mean monthly households income of B40 increased from RM2,537 in 2014 to RM2,848 in 2016 while the median households income increased from RM2,629 to RM3,000. In terms of strata, B40 rural households mean monthly income increased from RM1,760 to RM1,969 while the median monthly income rose from RM1,797 to RM2,012 during the same period. At the same time, B40 urban households mean monthly income increased from RM2,928 to RM3,262 and the median monthly income rose from RM3,095 to RM3,367. This reflects the overall success in initiatives undertaken to raise income of B40 households.

Enabling industry-led Technical and Vocational Education and Training. The TVET institutions from various ministries have been collaborating with industries to drive greater collaboration in ensuring the quality of graduates. The National Dual Training System, which provides industry-oriented training place, benefitted 20,975 trainees in 2017. Harmonised accreditation system was developed to provide clear reference on the education pathway for the academic and TVET as well as established a uniform definition for TVET. In addition, TVET Malaysia was launched to streamline the management and implementation of TVET programmes by various ministries.

Embarking on green growth. The GGP initiative was implemented by all ministries and agencies in 2017 for 20 products and services. Value of GGP increased from RM137.7 million in 2016 to RM286.3 million in 2017. In addition, the first green *sukuk* was launched with an initial value of RM250 million in 2017, with an additional issuance of RM1 billion. Meanwhile, recycling rate of household waste increased from 15.7% in 2015 to 24.6% in 2017. The Roadmap for System of Environmental-Economic Accounting, 2016-2020 was also formulated to measure the effectiveness of development policies, especially in terms of natural resource utilisation. A Preliminary Study on Demand Side Management was completed in 2017 to guide the preparation of a comprehensive demand side management master plan. The master plan will cover the entire energy spectrum, including electrical and thermal energy as well as transportation sector energy use.

Unlocking the potential of productivity. The Malaysia Productivity Blueprint was launched in 2017 to boost national productivity. It contains comprehensive strategies and detailed action plans with specific targets and timelines for implementation of productivity initiatives at national, sector and enterprise levels. During the review period, multi-factor productivity contributed 37.8% to economic growth, which was lower than the target of 40% but was still an improvement compared to 23.7% in the Tenth Plan. Malaysia's labour productivity increased from RM75,634 per worker in 2015 to RM81,268 in 2017, representing an average annual growth of 3.7%. This was driven by higher capital-intensity in the economy resulting in lower employment expansion, particularly in the semi-and low-skilled categories.

Translating innovation to wealth. Various initiatives have been undertaken to promote innovation at the enterprise and societal levels. Innovation at the enterprise level focused on improving demand-driven research, primarily through industry-academia collaboration and the provision of incentives in the form of partial grants to assist local companies in enhancing innovation and competitiveness. During the review period, collaboration through various intermediaries benefitted 1,196 companies, whereas provision of the Commercialisation of Research and Development Fund and Technology Acquisition Fund benefitted 74 companies. Meanwhile, innovation at the societal level was enhanced through a whole-society approach with the implementation of 164 social innovation projects and the introduction of a social financing model.

Investing in competitive cities. The studies on City Competitiveness Master Plan undertaken for the four major cities, namely Federal Territory of Kuala Lumpur, Johor Bahru, Kuching and Kota Kinabalu are at various stages. Concurrently, several initiatives have been implemented to enhance the competitiveness of major cities, including provision of better public transportation, construction of more affordable housing, expansion of digitalisation initiatives as well as improvement of waste management. This will further increase liveability and stimulate economic growth of the cities.

The 2030 Agenda for Sustainable Development

Malaysia has continuously embraced sustainable development in the national agenda. In this regard, the commitment to the 2030 Agenda for Sustainable Development (2030 Agenda) has been mapped with the Eleventh Plan to align strategies and initiatives to support the Sustainable Development Goals (SDGs). The first phase of a roadmap is being developed to provide guidance for the smooth implementation of the 17 SDGs. The roadmap takes into account the nation's capacities and capabilities in achieving the identified goals and targets of the 2030 Agenda. The mapping of the SDGs to the Eleventh Plan strategic thrusts is as shown in *Box I*.

Box I

The Mapping of the SDGs to the Eleventh Malaysia Plan Strategic Thrusts

Part II:
New Priorities and Emphases, 2018-2020

The economy performed well at the macro level during the review period. Nevertheless, the disparity across the states and the low income level of the B40 households as well as long-standing structural economic issues continued to prevail. Although inflation was relatively low, the cost of living was rising and caused further hardship to the B40 households. The unemployment rate among the youth was relatively high, despite full employment. Structurally, most industries remained in the lower-end of the production value chain, in spite of being provided various incentives, hence limiting the creation of skilled jobs. The situation was exacerbated due to easy access to low-skilled foreign workers that deterred industries from upgrading towards capital intensive, further dampening wage growth.

These challenges, among others, have affected purchasing power and impacted the wellbeing of the *rakyat* as well as hampered efforts towards achieving a developed and inclusive nation. The situation was compounded with the revelation of improper fiscal practices, allegations of corruption and other issues on governance committed by the previous Government. In addition, the previous official data on public debt, which did not take into account contingent liabilities and commitment from financial leases, did not reflect the full financial obligations of the Federal Government. This resulted in trust deficit towards the previous Government.

Macroeconomic Prospects

In moving forward, policy priorities will balance the objectives of fiscal consolidation and ensuring inclusive growth. The GDP is targeted to expand between 4.5% and 5.5% per annum in the remaining Plan period, 2018-2020. This growth will be spearheaded by productivity improvements and sustained domestic demand as reflected by the revised macro multidimensional goals. These goals will be pursued together with qualitative aspects through the various respective policy pillars to ensure an inclusive growth.

Based on this growth target, per capita income is expected to reach RM47,720 or US$11,700 in 2020, below the estimated minimum income threshold of a high-income nation. Malaysia is anticipated to breach the threshold by 2024. However, the goal to become a developed and inclusive nation goes beyond attaining a high-income level as it must also be accompanied by higher purchasing power. At the same time, the aspiration of becoming a developed nation requires Malaysia to progress in many other dimensions, such as economics, politics, culture, psychology, spiritual and social.

Immediate fiscal and governance reforms are imperative to further strengthen fiscal position of the Government and allocate more resources to improve the socioeconomic development of the nation. Swift implementation of these reforms is necessary to ensure sustainability of the economy. Nonetheless, structural policy measures as well as high-impact development programmes and projects will continue to be implemented, albeit in a more transparent and sustainable manner.

Policy Pillars

Advancing to the future and the need to respond effectively to global challenges and meeting the aspirations of the new Government, six pillars have been identified to position the country on the right track towards this goal. The six pillars will provide a new development focus with 19 priority areas and 66 strategies which are aligned to the new direction of the Government to further boost economic growth. The six pillars are as shown in *Exhibit II*.

Exhibit II

Six Pillars of the Mid-Term Review, Eleventh Malaysia Plan

Pillar I
Reforming governance towards greater transparency and enhancing efficiency of public service
4 Priority Areas
12 Strategies

Pillar II
Enhancing inclusive development and wellbeing
2 Priority Areas
9 Strategies

Pillar III
Pursuing balanced regional development
3 Priority Areas
12 Strategies

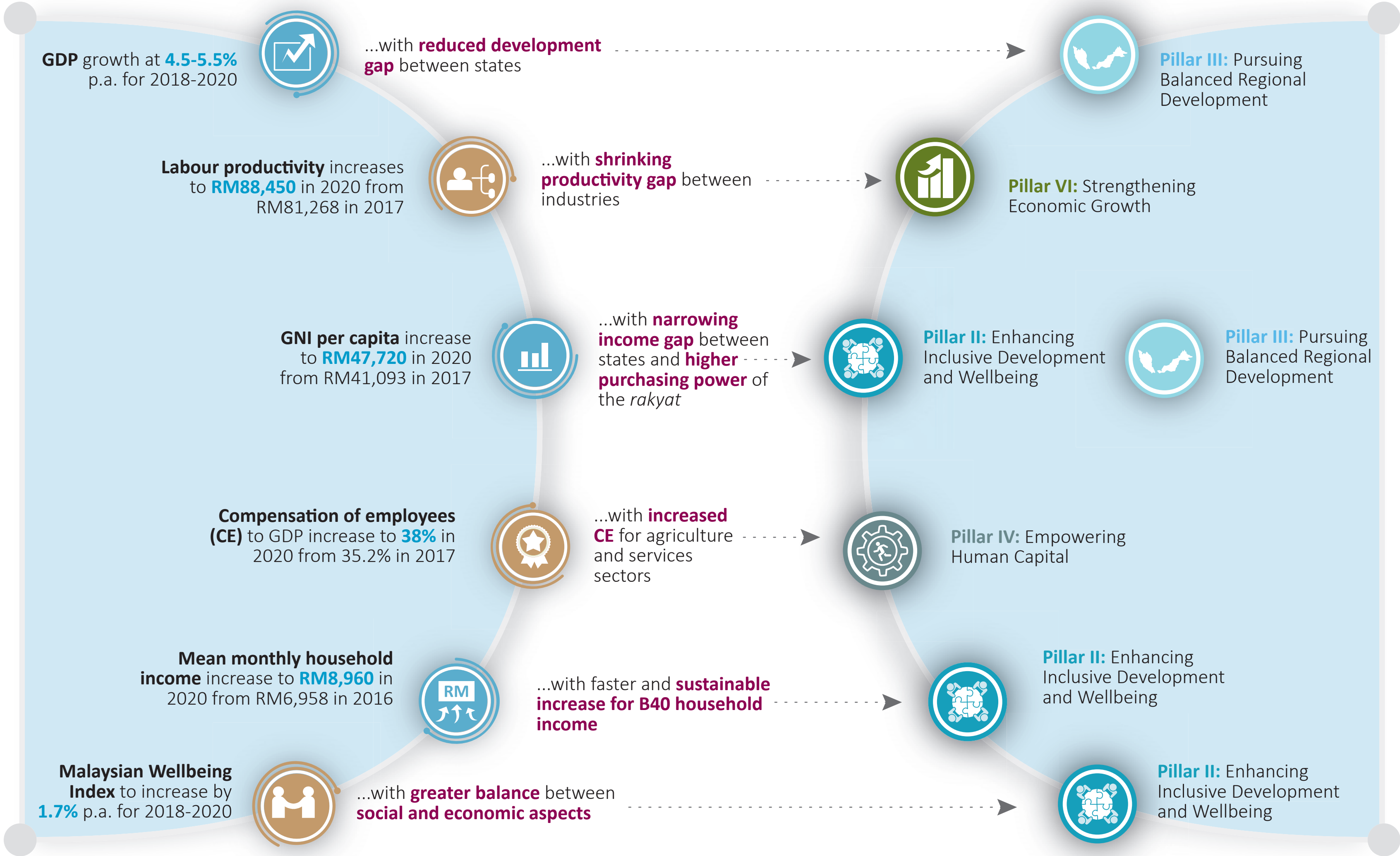
Pillar IV
Empowering human capital
4 Priority Areas
11 Strategies

Pillar V
Enhancing environmental sustainability through green growth
3 Priority Areas
9 Strategies

Pillar VI
Strengthening economic growth
3 Priority Areas
13 Strategies

Multidimensional Goals, 2018-2020: Revised Targets with New Priorities and Emphases

Targets are pursued together with qualitative aspects through the respective pillars



Summary of Macroeconomic Strategies, Eleventh Malaysia Plan, 2016-2020

The main macro strategies are adjusted to take into account new developments

Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth	Strengthen collaboration between government, industries and academia to ensure adequate supply of industry-ready talent Promote digitalisation of business operations and greater adoption of technologies to leverage the benefits of 4IR Accelerate implementation of regulatory reforms to facilitate ease of doing business Implement productivity initiatives at sector level with the establishment of nine Productivity Nexus Develop a systematic and structured firm-level intervention through productivity enterprise programmes and existing R&D intermediaries
Promoting quality investment to spearhead economic growth	Undertake a comprehensive review of investment policies including incentives and tax structure Improve the management of all existing investment incentives to optimise resources Encourage investment in Industry 4.0-related technology to reduce the gaps in the manufacturing sector
Embarking on initiatives to move up the value chain	Encourage digitalisation and innovation to boost growth Focus on knowledge-intensive services to expand the modern services sector Energise manufacturing sector to produce more complex and diverse products Modernise agriculture by accelerating adoption of farming technology and promoting a cluster-based approach through vertical integration of the supply chain for selected crops Foster sustainable practices and enhance knowledge content to transform the construction sector
Strengthening exports and managing imports to improve the balance of payments	Improve the export ecosystem Move up the value chain for export products Step up the internationalisation of services Promote higher use of local inputs in major infrastructure projects Spread out the imports of “lumpy” capital goods over a longer time period
Emphasising a fiscal consolidation path to ensure sustainability in the medium-term	Increase revenue from indirect taxes and non-tax revenue Maximise cost recovery of Government assets Optimise and rationalise expenditure to balance economic growth objectives and fiscal consolidation Improve public debt management system

Pillar I: Reforming Governance towards Greater Transparency and Enhancing Efficiency of Public Service

One of the main focus areas of the MTR is to improve governance as well as uphold accountability and transparency in the Government administration. Bold and effective measures will be implemented to drive the reform agenda towards strengthening check and balance mechanism at all levels to regain the trust and confidence of the *rakyat*. In this regard, initiatives pertaining to four priority areas, namely improving governance at all levels, elevating integrity and accountability, enforcing prudent public finance management and enhancing public service delivery will be undertaken.

Priority Areas and Strategies

Governance at all levels will be improved by strictly enforcing the doctrine of separation of powers between the executive, legislative and judiciary as stipulated in the Federal Constitution. This will be accomplished by implementing three main strategies, namely strengthening checks and balances, improving the relationship between Federal, state and local governments as well as reforming the political system. Meanwhile, integrity and accountability will be elevated at all levels, in order to restore confidence in the economy and administration. In this regard, efforts will be undertaken to enhance the anti-corruption agenda, improve transparency as well as inculcate noble values and ethical work practices.

Public finance will be further strengthened by enforcing prudent management. This priority area will be implemented by improving the budgeting system, enhancing procurement management as well as strengthening performance management, monitoring and evaluation framework. In addition, efforts towards transforming the public service to become more citizen-centric will be intensified. The main strategies identified to enhance public service delivery at all levels are reforming public sector institutions, redesigning public services and empowering local authorities. The Government will create a clean, efficient and trustworthy governance system, which is imbued with integrity, openness and highest capability to deliver the best public service for the nation.

Pillar II: Enhancing Inclusive Development and Wellbeing

The implementation of inclusive development will be enhanced to bring greater prosperity and wellbeing to all Malaysians. Underpinned by the emphasis on growth with equity, this implementation will provide an equitable opportunity for the *rakyat* to participate and benefit from the economic growth and inclusive development. Meanwhile, efforts will be intensified to improve the wellbeing of the *rakyat* through various measures. This will be achieved through two priority areas, namely enhancing inclusiveness towards an equitable society and improving wellbeing for all.

Priority Areas and Strategies

Raising the income and purchasing power of B40 households is imperative to improve quality of life and resilience as well as reduce overall income inequalities. In this regard, income generating programmes as well as the provision of basic needs will continue to be given to the poor and low-income households. Efforts also will be intensified to enhance the capacity and capability of B40 households for better employability and productivity as well as to promote entrepreneurship. The key initiatives include enhancing access to quality education and skills training at all levels, providing comprehensive and integrated entrepreneurial development programmes as well as promoting the adoption of modern technology and best practices.

The strategy to build a resilient and sustainable BEC will be pursued to uplift its economic presence. Key measures include enhancing the employability of the Bumiputera in high-paying jobs, raising Bumiputera effective control and sustainable corporate ownership, as well as developing resilient SMEs that are capable to penetrate the global market. Meanwhile, special programmes will be implemented for the Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak in the rural and remote areas as well as selected groups of the Indian and Chinese communities to develop their economic potential and eradicate poverty.

Pillar I: Reforming Governance towards Greater Transparency and Enhancing Efficiency of Public Service

Priority Area A

Improving governance at all levels

Strategy A1
Strengthening check and balance mechanism

Strategy A2
Improving relationship between Federal, state and local governments

Strategy A3
Reforming the political system

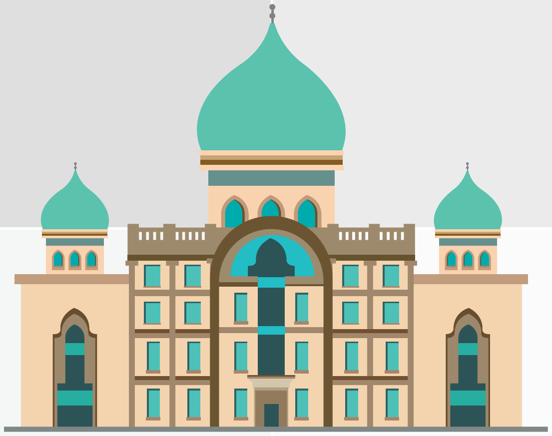
Priority Area B

Elevating integrity and accountability

Strategy B1
Enhancing anti-corruption agenda

Strategy B2
Improving transparency

Strategy B3
Inculcating noble values and ethical work practices



Priority Area C

Enforcing prudent public finance management

Strategy C1
Improving the budgeting system

Strategy C2
Enhancing procurement management

Strategy C3
Strengthening performance management, monitoring and evalution framework

Priority Area D

Enhancing public service delivery

Strategy D1
Reforming public sector institutions

Strategy D2
Redesigning public services

Strategy D3
Empowering local authorities

Pillar II: Enhancing Inclusive Development and Wellbeing

The wellbeing of the community will be improved by addressing the needs of specific target groups, namely children, youth, women, elderly, persons with disabilities (PWDs) and family. Greater focus will be given to uphold the needs and interest as well as nurture the potential of children. In addition, accessibility to leadership and skills training, as well as employment and entrepreneurship opportunities for the youth will be enhanced. Meanwhile, the provision of integrated support systems and development of conducive environment will be improved in increasing participation of women, elderly and PWDs in economic and community activities as well as ensuring the wellbeing and resilience of family.

The wellbeing of the *rakyat* remains an utmost priority in manifesting a balanced development approach. Towards this end, efforts will be focused to increase purchasing power, provide quality and affordable housing, enhance the healthcare delivery system, make the nation safer and secure as well as promote noble values and active lifestyle. Enforcement to curb supply and price manipulations will be intensified, while more avenues offering goods and services at affordable prices will be provided to address the rising cost of living. Housing programmes will be continued through the provision of quality and affordable housing for the poor, low- and middle-income households.

The healthcare delivery system will be enhanced by creating a sustainable healthcare system, optimising financial resources, strengthening population health and pursuing greater collaboration among stakeholders. Efforts will also be focused in making the nation safer and secure by strengthening enforcement and security agencies as well as intensifying crime prevention. Meanwhile, initiatives will be pursued in promoting noble values to build a progressive and united Malaysian society. In developing Malaysian identity, efforts and initiatives will be further strengthened to preserve the society's multicultural attributes. In addition, priority will be given in building a harmonious and prosperous society through enhancement of social integration and promotion of national unity. Concurrently, sports will remain as one of the platforms in promoting active lifestyle as well as uniting the *rakyat* towards improving the wellbeing of society. Meanwhile, a new whole-of-sports approach will be incorporated in the formulation of national sport roadmap to promote sporting excellence.

Pillar III: Pursuing Balanced Regional Development

Efforts will be intensified to address development imbalances among six regions, namely Northern, Eastern, Central, Southern, Sabah and Sarawak, to promote equitable growth and increase the wellbeing of the *rakyat*. Focus will be given to enhance economic activities, particularly in the less developed areas within states and regions as well as reduce the development gaps between urban and rural areas. In addition, major cities and identified growth areas will be leveraged to accelerate economic growth. Interstate collaborations will be further enhanced to ensure balanced regional development. At the same time, the ASEAN subregional cooperation will be intensified to accelerate and facilitate economic activities in the bordering areas. Thus, three priority areas have been identified to achieve a balanced regional development, namely strengthening regional economic development, bridging urban-rural development gap and accelerating development in Sabah and Sarawak.

Priority Areas and Strategies

Measures will be undertaken to accelerate economic growth as well as address inter- and intra-regional imbalances in pursuing balanced regional development. These will include strengthening and streamlining state and regional development planning to stimulate economic development in promoting balanced growth. Efforts will also be intensified to modernise and diversify the economic base for robust and dynamic economic growth. In addition, major cities will be leveraged as catalysts to attract investment and trade as well as improve connectivity with rural and suburban areas. Meanwhile, the ASEAN subregional cooperation will be further enhanced to accelerate and facilitate economic development in special economic zones as well as improve connectivity to promote tourism and trade activities.

Rural infrastructure will be enhanced to spur socioeconomic activities in bridging urban-rural gap. Urban-rural linkages will also be improved to foster greater economic integration and widen services to rural areas. In addition, local economic activities in rural areas will be created to generate income as well as to increase employment and business opportunities for the rural communities. In this regard, sustainable and integrated development in rural areas will bridge the development gap between states and regions.

The development in Sabah and Sarawak regions will continue to be a priority, focusing on strengthening inclusive and equitable development to benefit the *rakyat*. Continuous efforts to expand economic activities in Sabah and Sarawak will be carried out by leveraging the rich resources and niche areas through the implementation of various strategies. Economic growth and development planning will be intensified to accelerate development in less developed areas. Efforts will be continued to improve connectivity and access to basic infrastructure, amenities and services. Focus will also be given on increasing employment opportunities to uplift the standard of living, while the development of customary land in Sabah and Sarawak will be enhanced to generate income for the B40 households and eradicate poverty.

Pillar IV: Empowering Human Capital

Human capital development will continue to be a key priority to empower the workforce in supporting economic growth. Focus will be given to create skilful, knowledgeable and innovative human capital to meet the requirements of the industry. Human capital development initiatives will provide opportunities for quality employment as well as ensure access to quality education and training towards building a more inclusive, equitable and prosperous nation. These will be implemented through four priority areas, namely reforming the labour market, improving labour efficiency and productivity, enhancing access to quality education and training as well as fostering stronger industry-academia linkages.

Priority Areas and Strategies

The Government will intensify efforts in addressing issues of inadequate creation of skilled jobs, low wage growth, high youth unemployment rate and graduate underemployment as well as skills mismatch. Several initiatives will be undertaken to generate more skilled jobs, identify critical skills and address skills shortage as well as raising salaries and wages commensurate with productivity level. Efforts will also be undertaken to reduce dependency on foreign workers by promoting greater automation and strictly regulate the number of foreign workers by introducing multi-tiered levies. In addition, labour efficiency and productivity will be improved by strengthening workers' rights to enhance work conditions as well as increasing female participation in the labour force to expand the talent pool.

Continuous efforts will be undertaken in ensuring access to quality education and training that is inclusive and equitable. Students will be equipped with knowledge and diverse skills across all education levels to increase employability. Priority will also be given to raise the quality of education to improve student outcomes in preschool, primary and secondary education. Meanwhile, concerted efforts will be directed towards raising the quality of graduates as well as academic programmes and strengthening research capabilities. In addition, the autonomous status of public universities will be leveraged to ensure financial sustainability.

Efforts will also be intensified to improve the quality of TVET in improving employability of TVET graduates. Emphasis will be given to review TVET programme been offered, implement harmonised accreditation system and strengthen TVET as a preferred education pathway. The implementation of these initiatives will ensure the delivery of quality TVET programmes and employability of TVET graduates. In addition, greater industry collaboration will be intensified to uplift the level of education and training to produce quality talent.

Pillar V: Enhancing Environmental Sustainability through Green Growth

Green growth initiatives will be enhanced to ensure sustainability of natural resources and increase resilience against climate change and disasters while achieving higher economic growth.

Pillar III: Pursuing Balanced Regional Development

PRIORITY AREA A: Strengthening regional economic development

- **Strategy A1**: Strengthening and streamlining state and regional development planning
- **Strategy A2**: Modernising and diversifying the economic base
- **Strategy A3**: Promoting competitive cities
- **Strategy A4**: Enhancing ASEAN subregional cooperation

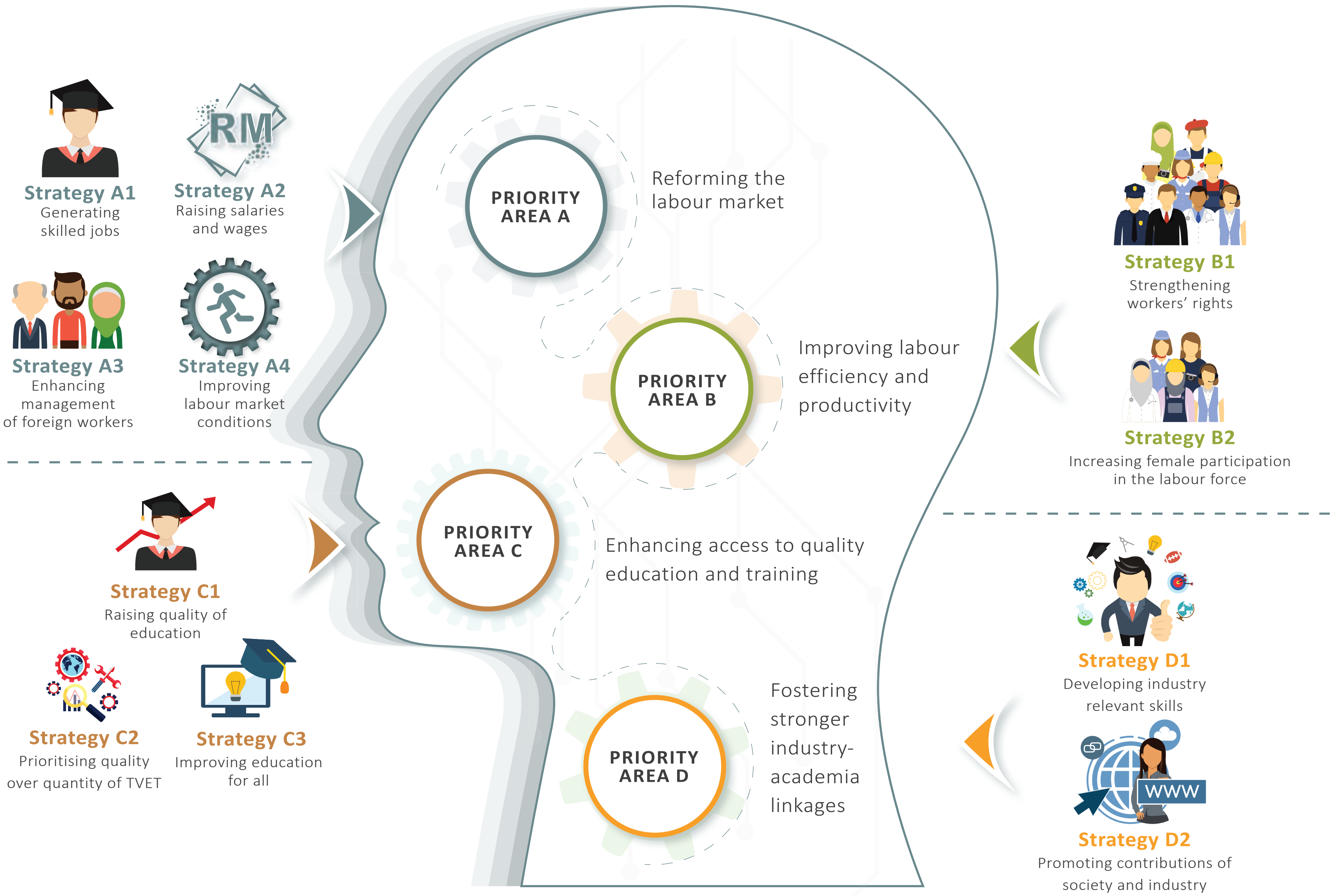
PRIORITY AREA B: Bridging urban-rural development gap

- **Strategy B1**: Enhancing rural infrastructure
- **Strategy B2**: Improving urban-rural linkages
- **Strategy B3**: Creating local economic activities in rural areas

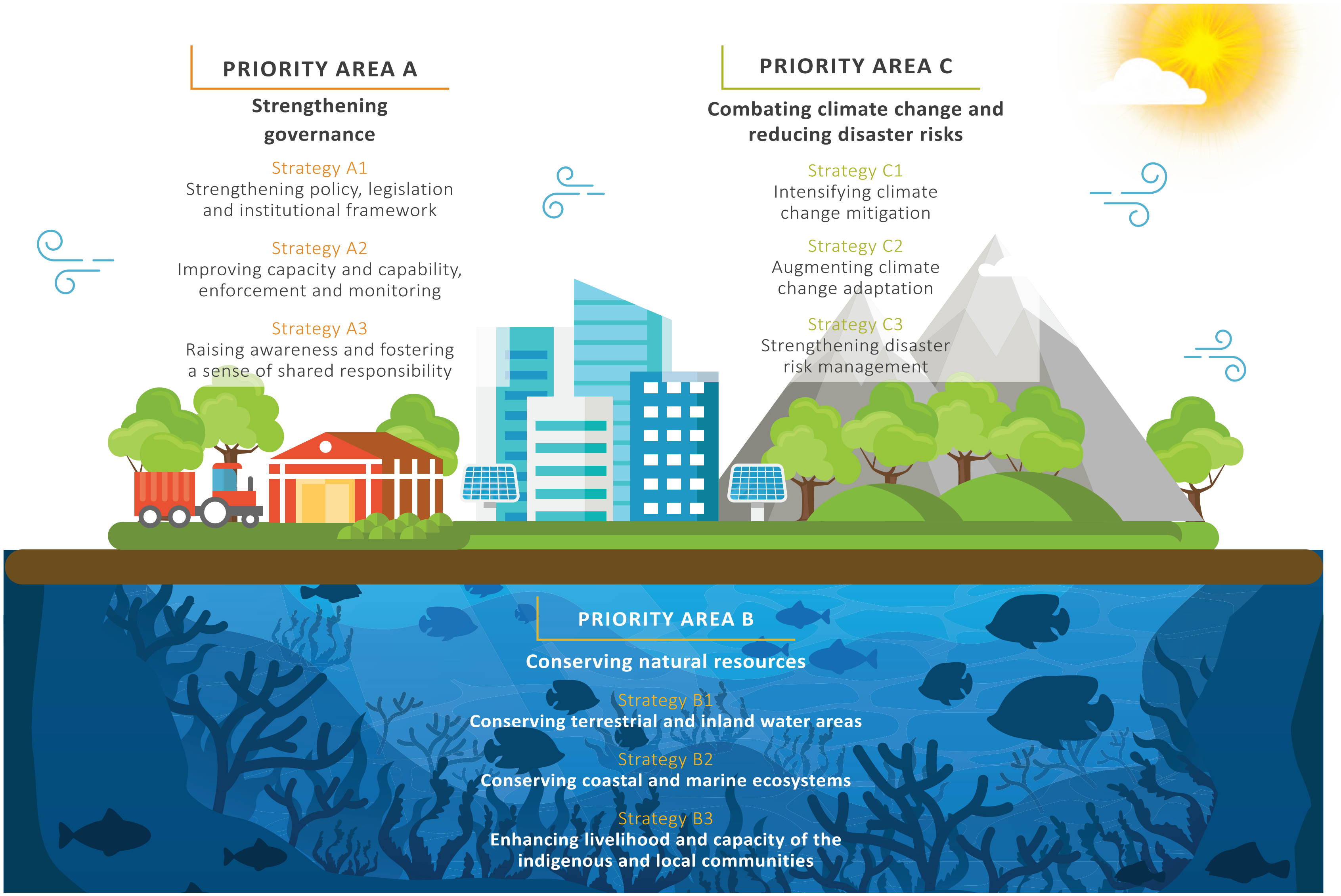
PRIORITY AREA C: Accelerating development in Sabah and Sarawak

- **Strategy C1**: Intensifying economic growth and development planning
- **Strategy C2**: Improving infrastructure for better connectivity
- **Strategy C3**: Expanding access to basic infrastructure, amenities and services
- **Strategy C4**: Increasing employment opportunities
- **Strategy C5**: Enhancing the development of customary land

Pillar IV: Empowering Human Capital



Pillar V: Enhancing Environmental Sustainability through Green Growth



Efforts towards green growth will be pursued intensely to achieve sustainable development to safeguard the natural endowment for the present and future generations. This will be achieved through three priority areas, namely strengthening governance, conserving natural resources as well as combating climate change and reducing disaster risks.

Priority Areas and Strategies

Enhanced governance structure will facilitate the shift towards green growth, and enable better resource management. Therefore, efforts to strengthen environmental governance through key strategies will be implemented in the remaining Plan period. These strategies include strengthening policy, legislation and institutional frameworks, improving capacity and capability in enforcement and monitoring as well as raising awareness and foster shared responsibility among stakeholders.

The Government will continue to ensure better conservation and management of natural resources. Efficient management and sustainable utilisation of natural resources will be given emphasis in ensuring environmental sustainability and continuous access to natural resources by the present and future generations. In this regard, key strategies will be implemented by conserving terrestrial and inland water areas as well as coastal and marine areas. In addition, the livelihood and capacity of the indigenous and local communities will be enhanced to support the conservation of natural resources.

Efforts to mitigate climate change will be intensified through reduction of greenhouse gas (GHG) emissions from the key GHG emitting sectors, mainly energy, transport and waste. Besides, efforts to harness economic value through resource efficiency practices will be intensified by expanding the implementation of SCP practices. Meanwhile, in increasing resilience of the nation against climate change impacts and natural disasters, the mitigation and adaptation as well as risk reduction measures will continue to be undertaken in vulnerable sectors such as water, energy, agriculture, public health, cities and settlements.

Pillar VI: Strengthening Economic Growth

Efforts will be undertaken to strengthen economic growth by enhancing productivity and increasing competitiveness of the industries. At the same time, measures will be intensified to enhance sectoral development and develop high value-added activities with knowledge-intensive content, supported by skilled workforce in services, manufacturing, agriculture and construction sectors. Meanwhile, infrastructure and utilities will be further enhanced to support and facilitate economic activities. Thus, three priority areas have been identified, namely strengthening sectoral growth and structural reform, accelerating innovation and technology adoption as well as providing quality infrastructure.

Priority Areas and Strategies

The strategies to strengthen sectoral growth and implement structural reforms include enhancing sectoral growth, increasing export capacity and improving market efficiency as well as facilitating ease of doing business. In this regard, measures will be undertaken to accelerate modernisation of economic sectors, increase export readiness and internationalisation, promote fair competition as well as improve regulatory and trade practices. In addition, SMEs will be encouraged to move up the value chain towards producing higher value-added goods and services. Meanwhile, in the agriculture sector, strategies will be implemented to ensure food security and safety.

Priority will also be given to accelerate innovation and technology adoption among local firms, especially SMEs, to boost productivity and compete globally. Measures to be undertaken include harnessing the potential of the Fourth Industrial Revolution (4IR) which provides new business and wealth creation opportunities. Hence, in embracing 4IR, manufacturers need to catalyse the adoption of Industry 4.0 related technologies to remain competitive in the global value chain. Furthermore, research and innovation will be aligned to priority areas to accelerate innovation-driven growth. In addition, SMEs in particular will be encouraged to continuously enhance capacity building as well as accelerate technology adoption to grow at a faster rate and expand market outreach.

Quality infrastructure and efficient utilities will be enhanced to boost economic development and ensure sustainability in meeting present and future demand. Greater emphasis will be given to further integrate different transport modes to provide seamless connectivity for people and goods. Logistics and trade facilitation will be strengthened to improve efficiency and effectiveness of services along the value chain to enhance competitiveness. Digital infrastructure will also be improved through expansion of fibre optic networks, together with commercial development of communication infrastructure, bringing connectivity to more households. In the water and sewerage sector, investment in new networks and treatment plant capacity will be continued. In addition, initiatives will be undertaken to further strengthen energy security and enhance efficiency of energy supply to meet growing demand.

Pillar VI: Strengthening Economic Growth

PRIORITY AREA A

Strengthening sectoral growth and structural reforms

Strategy A1
Enhancing sectoral growth through productivity improvements

Strategy A2
Increasing export capacity

Strategy A3
Improving market efficiency

Strategy A4
Facilitating ease of doing business

PRIORITY AREA B

Accelerating innovation and technology adoption

Strategy B1
Harnessing the Fourth Industrial Revolution

Strategy B2
Increasing technology adoption

Strategy B3
Aligning research and innovation

Strategy B4
Enhancing capacity building

PRIORITY AREA C

Providing quality infrastructure

Strategy C1
Developing an integrated transport system

Strategy C2
Strengthening logistics and trade facilitation

Strategy C3
Improving digital infastructure

Strategy C4
Improving water services

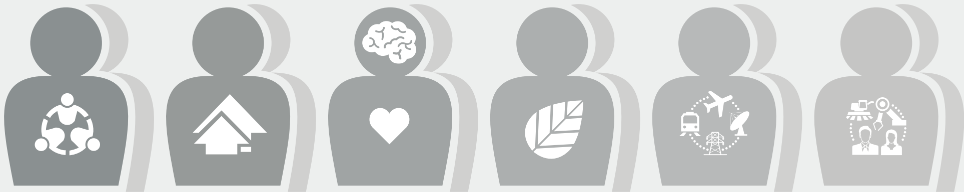
Strategy C5
Sustaining energy supply

Conclusion

The MTR of the Eleventh Plan reports the key progress, targets and challenges in 2016-2017 as well as introduces new priorities and emphases for 2018-2020 to ensure development targets will be accomplished. During the review period, the economy performed well despite facing a volatile global environment. However, a number of disparities as well as structural economic issues continued to prevail. In moving forward, the implementation of all development initiatives will need to be strengthened in order to respond effectively to domestic and global challenges. The new priorities and emphases which are aligned to the aspirations of the new Government aim to build a new Malaysia founded on trust, transparency and accountability. These will position the nation on the right track towards becoming a developed and inclusive nation.

part I

PAST PERFORMANCE 2016-2017



Part I reviews the economic performance and reports progress of the strategic thrusts and game changers for the period 2016-2017

Strengthening Macroeconomic Resilience for Sustained Growth

1

Introduction

The Malaysian economy registered a modest growth in 2016 despite a challenging external environment before rebounding strongly in 2017 with the recovery of the global economy. The gross domestic product (GDP) expanded during the review Plan period, 2016-2017, within the original target of between 5% and 6% per annum. Inflation remained low and stable while the economy continued to be in full employment[1]. The current account of the balance of payments was in surplus, albeit narrowing. In addition, the fiscal deficit of the Federal Government as percentage to GDP continued to reduce as targeted by end of 2017. In line with the economic progress, the wellbeing of the *rakyat* also improved, as measured by the Malaysian Wellbeing Index (MyWI)[2]. However, despite the strong socioeconomic performance at macro level, persistent disparities and structural issues remained.

[1] Based on the definition by the Organization for Economic Cooperation and Development (OECD), an unemployment rate below 4% of total labour force is considered as full employment.
[2] The MyWI is a composite index that measures the wellbeing of Malaysians and is made up of 68 indicators across 14 economic and social wellbeing components.

Past Performance, 2016-2017

External Economic Environment

The global economy moderated in 2016, especially due to the modest world trade expansion, significant slowdown in the economy of the United States of America (the US), further softening of the economy of the People's Republic of China (PRC) and weaker commodity prices. The global moderation has affected the overall achievement in the review period despite a sound rebound in the world economy and trade in 2017. The global economy expanded at an average annual rate of 3.5% during the review period, attributed to firmer domestic demand growth in advanced economies as well as the improved performance of the emerging markets and developing economies in 2017. Meanwhile, world trade moderated at 3.7% per annum and global inflation trend remained quite benign, averaging at 2.9% per annum due to lower oil prices and subdued wage growth.

Domestic Economy

As an open economy, Malaysia continued to face challenges related to external economic risks. These challenges include the moderation of commodity prices, the shifting of the US monetary and protectionist trade policies, economic rebalancing of the PRC and geopolitical uncertainties. Malaysia was considerably affected by the slowdown in world trade and commodity prices in 2016 but recovered in 2017 following the global economic rebound. The resilience of the domestic economy and strong economic fundamentals, supported by diversification and structural transformation policies as well as a sound banking and financial sector, have allowed the economy to withstand the volatilities and register moderate growth, within the original GDP growth target of 5-6% per annum.

Aggregate Demand

The GDP in real terms rose at an average annual rate of 5.1% during the review period, within the range of targeted growth rate corresponding to the global economic performance. Gross national income (GNI) per capita in current prices increased at an average rate of 6.7% from RM36,119 (US$9,248) in 2015 to RM41,093 (US$9,556) in 2017, as shown in *Exhibit 1-2*. In terms of purchasing power parity, Malaysia's GNI per capita reached US$28,650 as estimated by the World Bank. This positioned Malaysia in the top 25th percentile of 217 countries. Based on the minimum threshold of a high-income economy set by the World Bank at US$12,056 for 2017, there was a gap of 21% before Malaysia would graduate from its upper middle-income nation status. Given the current pace of growth parameters, the target of a high-income economy is expected to be achieved post-2020.

Private investment continued to be the driving force of the economy, contributing 67.7% of total investment of RM659 billion in current prices. Real private investment increased at an average rate of 6.8% during the review period, supported by better performance of the services sector as well as sustained growth momentum of the manufacturing and construction sectors. However, **public investment** contracted at an average rate of 0.2%, which slowed the pace of the overall gross fixed capital formation (GFCF) to 4.4%. This was due to the reprioritisation of big-scale projects by the general government[3] and slower investment by the non-financial public corporations (NFPCs), mainly as a result of declining oil prices which began in 2014 and lasted until early 2017.

[3] General government refers to Federal Government, state governments, local governments and statutory bodies.

Exhibit 1-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Real GDP growth

5-6%
2016-2020

5.1%
2016-2017

Average real GDP growth compared with world GDP growth at 3.5%

Per capita income

RM 54,100
US$ 15,690
2020

RM 41,093
US$ 9,556
2017

National per capita income in current prices

Average household income

RM 10,540
2020

RM 6,958
2016

Average monthly household income from RM6,141 in 2014

Private consumption

6.4%
2016-2020

6.5%
2016-2017

Average real private consumption growth

Private investment

RM 291 billion
2016-2020

RM 223 billion
2016-2017

Average private investment in current prices

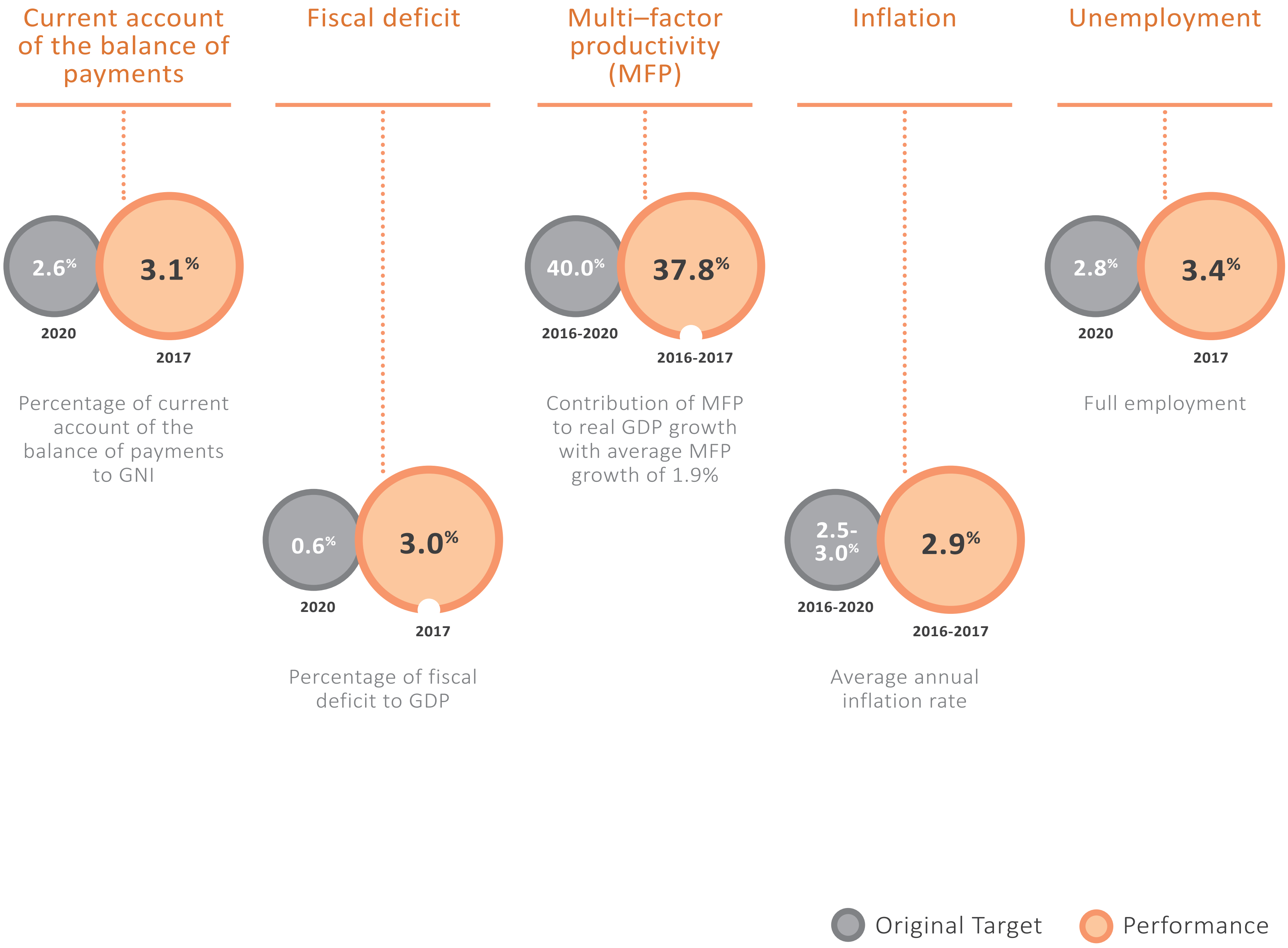
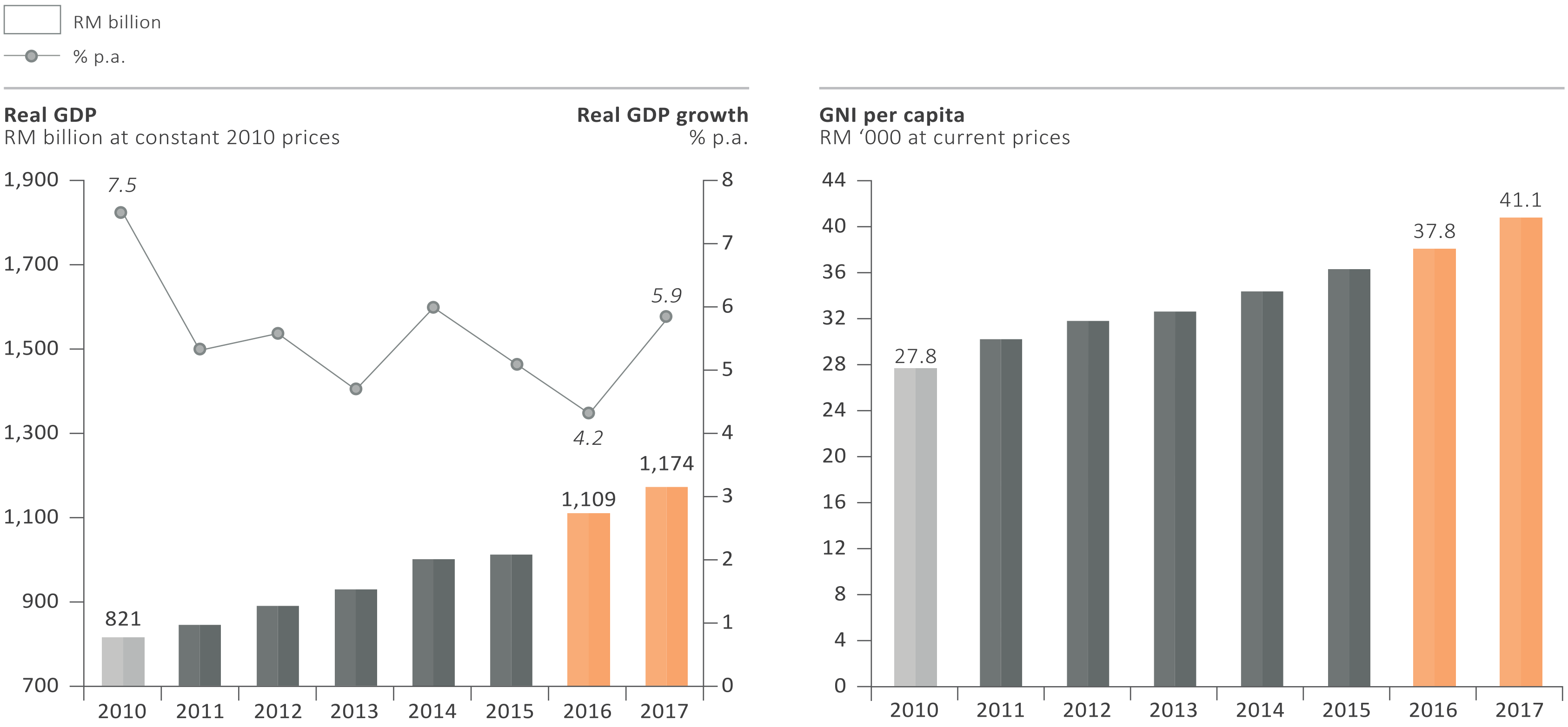

Current account of the balance of payments
2.6%
3.1%
2020
2017
Percentage of current account of the balance of payments to GNI
Fiscal deficit
0.6%
3.0%
2020
2017
Percentage of fiscal deficit to GDP
Multi–factor productivity (MFP)
40.0%
37.8%
2016-2020
2016-2017
Contribution of MFP to real GDP growth with average MFP growth of 1.9%
Inflation
2.5-3.0%
2.9%
2016-2020
2016-2017
Average annual inflation rate
Unemployment
2.8%
3.4%
2020
2017
Full employment
Original Target
Performance

Exhibit 1-2

GDP and GNI per capita, 2010-2017



Source: Department of Statistics Malaysia

Private consumption remained a mainstay of the domestic economy with an average growth of 6.5% and the share to GDP increased to 53.7% in 2017, driven by favourable labour market conditions and wage growth as well as other income-supporting measures including bigger cash transfers, double annual increment in civil servants' salaries and reduction in personal income tax. In addition, the revision of the monthly minimum wage to RM1,000 in Peninsular Malaysia and RM920 in Sabah and Sarawak had also contributed to the strong growth in private consumption. Meanwhile, **public consumption** expanded slower by 3.2% per annum, mainly due to public expenditure optimisation that led to lower spending on supplies and services.

Sectoral Output

During the review period, the economy registered growth in all sectors with the services and manufacturing sectors continued as the main contributors. The **services sector** expanded at an average annual rate of 5.9%, supported by consumption-related services subsectors, such as wholesale and retail trade, accommodation as well as food and beverages, which rose by 6.8% per annum, on account of strong recovery in the tourism-related activities. Transportation, storage, information and communication subsector also expanded at 7.4% per annum, buoyed by e-commerce activities with the launch of the Digital Free Trade Zone (DFTZ).

Similarly, the **manufacturing sector** grew by an average rate of 5.2%, mainly contributed by export-oriented industries which rose by 5.8% per annum, where the electrical and electronics (E&E) subsector experienced an upcycle since the second half of 2016. Despite the lower crude oil prices, the resource-based industries expanded by an annual rate of 4.9%, amid continued expansion of the petrochemical industry into downstream activities in the Sipitang Oil and Gas Industrial Park in Sabah. Meanwhile, the knowledge-intensive subsectors[4] grew by 5.1% per annum, with the expansion in the E&E, petrochemical and automotive manufacturing activities.

The growth of upstream sectors was subdued, particularly the **agriculture sector** at 0.8% per annum due to lower production of the industrial commodity subsector, particularly oil palm and rubber commodities as both were severely impacted by the slump in prices and the El-Nino effects in 2016. Nevertheless, the agro-food subsector recorded a growth of 2.7% per annum, increasing its contribution to the agriculture sector from 37.4% in 2015 to 38.8% in 2017. Meanwhile, growth of the **mining sector** was slow at 1.5% per annum, due to Malaysia's commitment to the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries to cut production to stabilise global oil prices. However, the natural gas subsector expanded by 3.5% with the operation of, among others, the world's first PETRONAS floating liquefied natural gas offshore Bintulu, Sarawak.

On the **construction** side, the sector recorded an average growth of 7.1% per annum, mainly contributed by large civil engineering projects, such as the Light Rail Transit 2, Mass Rapid Transit 1 and 2, Damansara-Shah Alam Highway, Sungai Besi-Ulu Kelang Highway, Pan Borneo Highway, Central Spine Road and Pengerang Integrated Petroleum Complex. Growth was also spurred by the residential subsector stemming from higher construction for affordable housing, while the development of the Tun Razak Exhange among others, supported the non-residential activities.

GDP by Income

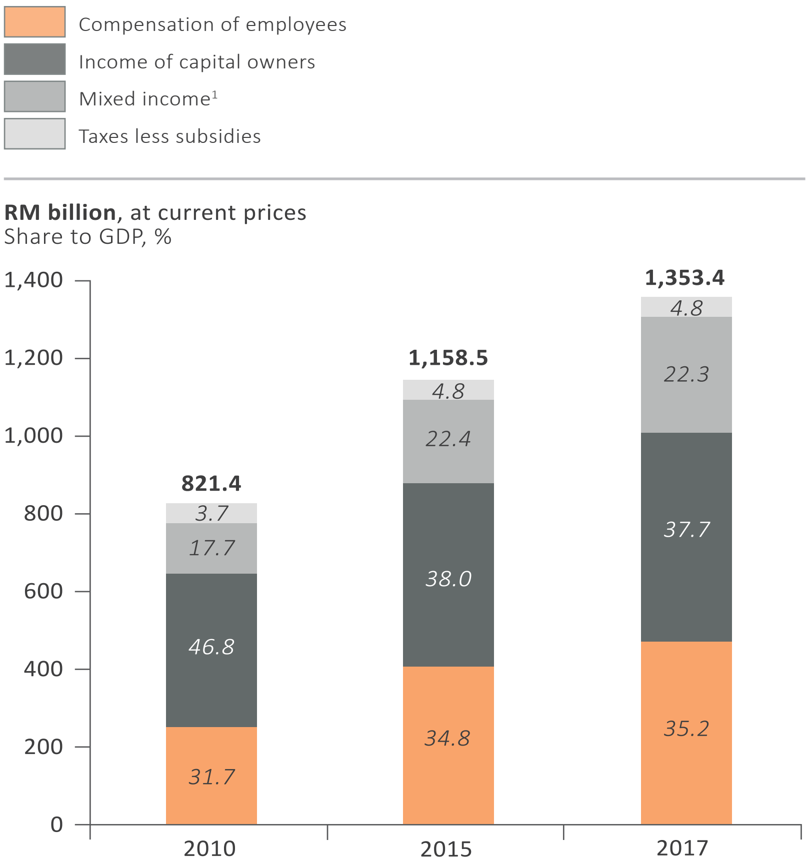
Nominal GDP expanded further by 8.1% per annum during the review period to register RM1.35 trillion in 2017 compared with RM1.16 trillion in 2015, as shown in *Exhibit 1-3*. The **compensation of employees** (CE) continued to rise by 8.6% per annum, higher than that recorded for nominal GDP. However, the share to GDP recorded a marginal improvement at 35.2% in 2017 as compared to 34.8% in 2015. This slow improvement will present a challenge in meeting the CE target of 40% to GDP in 2020. The creation of high-paying jobs remains insufficient despite the increase in the number of jobs, which translated into lower value of CE compared to target. In addition, the evolution into a services-oriented economy, led to the migration of workers to the services sector, particularly into traditional and low-paying jobs.

Gross operating surplus (GOS), which consists of income of capital owners and mixed income, rose by 7.8% per annum during the review period, after recovering from the slower growth of 0.8% in 2015. However, the share of GOS to GDP remained somewhat stagnant at 60% in 2017 compared with 60.4% in 2015. Income of capital owners improved by 7.7% per annum, with double-digit growth of 13.6% in 2017. Meanwhile, mixed income, which represents income earned by self-employed, unincorporated businesses and others expanded at a slower pace of 7.9% per annum despite the higher rate of increase in the number of the self-employed. As a result, the share of mixed income to GDP reduced slightly to 22.3% in 2017 as compared to 22.4% in 2015.

[4] Based on the Malaysia Knowledge Economy III Study 2017 by the Economic Planning Unit, knowledge-intensive subsectors include, among others, E&E products, medical devices, motor vehicles and transport equipment, refined petroleum products as well as chemicals and chemical products.

Exhibit 1-3

GDP by Income, 2010-2017



Notes: [1]Income earned by self-employed, unincorporated businesses and others.
Source: Department of Statistics Malaysia and Economic Planning Unit

GDP by State

In line with economic growth at national level during the review period, all states recorded positive growth. Selangor, Federal Territory (FT) of Kuala Lumpur[5], Sarawak and Johor were the main contributors of economic growth, constituting 57.5% of national GDP. Three federal territories and five states, namely FT Kuala Lumpur, FT Labuan, Sabah, Melaka, Selangor, Johor and Pulau Pinang, recorded higher GDP growth rates than the national average of 5.1% per annum. The growth in these states was primarily driven by the services, manufacturing and construction sectors. However, states which were more dependent on industrial commodities saw their growth affected due to the El-Nino phenomenon.

Economic disparity between states has been widening despite the increasing trend of GDP per capita in all states as a result of different economic activities among the states. In this regard, the states of Kelantan, Kedah, Perlis and Sabah, which were dominated by traditional sectors, recorded substantial gap in GDP per capita as compared to the national average of RM42,228 in 2017. Kelantan recorded the lowest GDP per capita, with a gap of 67.8% below the national average. Disparity of GDP per capita between Kelantan and FT Kuala Lumpur, the state with the highest GDP per capita, widened by 8.2 times in 2017 as compared to 7.9 times in 2015.

International Trade and Balance of Payments

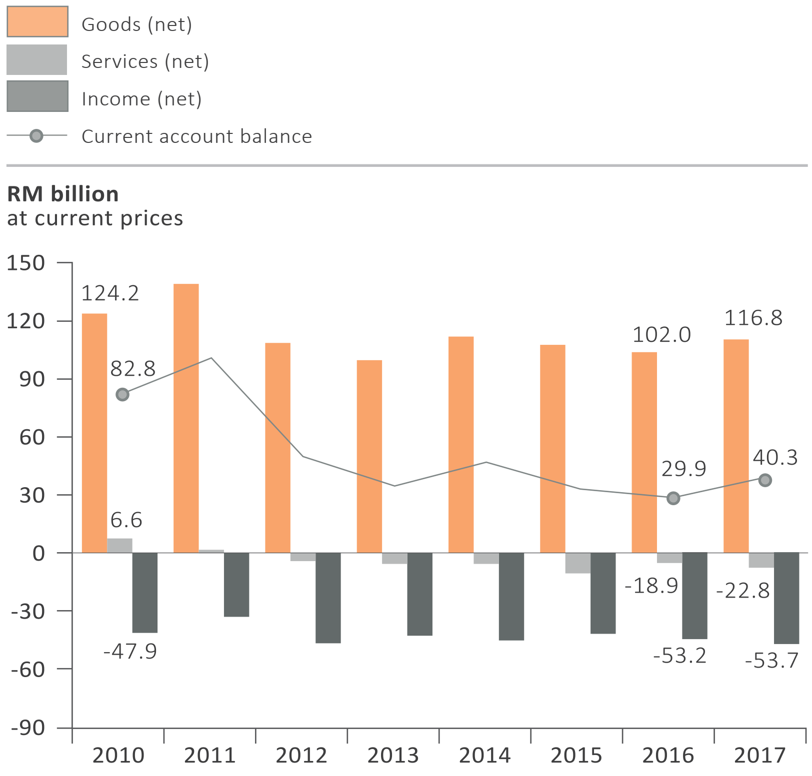
During the review period, total **trade of goods and services** increased from RM1.55 trillion or equivalent to 133.5% to GDP in 2015 to RM1.84 trillion or 135.8% to GDP in 2017, while trade balance remained in surplus at RM186.7 billion. The modest global demand and weak commodity prices in 2016 rebounded in 2017, boosting growth of gross exports at 9.7% per annum. The increase in exports was led by manufactured exports. Exports to major trading partners, such as PRC and Japan, declined by 2.9% and 12.3% respectively in 2016, mainly due to reduced exports of petroleum products, LNG and E&E. Both countries contributed 20.6% of Malaysia's gross exports. However, exports to these countries recovered in 2017 by 27.8% to PRC and 18.6% to Japan. During the review period, Malaysia's exports market diversified with greater access to non-traditional markets such as Belgium, Nigeria and Turkey. In line with strong domestic investment activities, gross imports rose by 10.4% per annum with the increase in demand for capital and intermediate goods, which made up 71.1% of total gross imports in 2017.

[5] Includes FT Putrajaya.

The current account of the **balance of payments** continued to register a surplus of RM40.3 billion or 3.1% of GNI in 2017, as shown in *Exhibit 1-4.* This was due to a sustained surplus in the goods account that offset the persistent deficits in the services and income accounts. Despite the higher receipts of traditional services and improvement in modern services, the share of services exports to total goods and services exports was lower at 16.5% in 2017 compared to 16.7% in 2015. Meanwhile, the income account deficit widened due to higher net outflows of investment income, contributed by higher repatriation of profits and dividends by foreign investors based in Malaysia.

Exhibit 1-4

Current Account of Balance of Payments, 2010-2017



Source: Department of Statistics Malaysia

Malaysia's **international reserves** position remained strong at RM414.6 billion, equivalent to US$102.4 billion as at end 2017. This was sufficient to finance 7.2 months of retained imports, above the minimum requirement set by the International Monetary Fund (IMF), and was 1.1 times the short-term external debt. The IMF recommends that international reserves be adequate to finance at least three months of retained imports and double the short-term external debt[6].

Federal Government Fiscal Position

The Federal Government fiscal position remained on the consolidation path in reducing the deficit. By end 2017, the fiscal deficit reduced to 3% to GDP from 3.2% in 2015, as shown in *Exhibit 1-5*. This fiscal consolidation was achieved despite lower revenue receipts due to volatile oil market conditions. The dependence on oil revenue continued to decline with the introduction of goods and services tax (GST) in April 2015, where the share to total revenue fell from 20.9% in 2015 to 16.1% in 2017.

A total of RM427.9 billion was expended for operating expenditure during the review period. This was lower than the initial budget of RM430 billion due to the decline in oil-related revenue. The operating expenses accounted for 98.9% of revenue, leaving a small allowance to maintain a surplus current balance and finance development expenditure. A large portion of total operating expenses was locked-in mainly for emoluments at 35.1%, debt service charges at 12.7% and pensions at 10.2%. As a result, the adjustment in operating expenditure was undertaken, particularly with regard to reductions in subsidies, transfers to statutory bodies as well as supplies and services. In addition, prioritisation measures were undertaken, enabling more capacity building programmes and providing greater social assistance to targeted groups.

During the review period, RM92 billion was allocated for development expenditure, lower than the original target in both nominal and real terms. Moreover, the disbursement recorded a shortfall, where 94.4% of total allocation or RM86.9 billion was

[6] Based on the Guidance Note on the Assessment of Reserve Adequacy and Related Considerations, IMF Staff Report, June 2016.

expended. This shortfall was mainly due to delays in securing land and finalisation of project design despite initiatives to further improve the project management process. These initiatives include the introduction of a cost-benefit index for project selection and the continuation of compulsory value management process for projects valued above RM50 million. Development expenditure continued to be financed mainly through debt, as current account balance was insufficient. Although the level of Federal Government debt rose with the continuous fiscal deficit, debt as a percentage to nominal GDP reduced from 54.5% in 2015 to 50.8% in 2017. However, this level of debt excluded contingent liabilities as well as future commitment of payments for projects carried out through public-private partnerships.

The Government has a set of fiscal sustainability guidelines to manage the fiscal account, which comprises legislation and self-imposed rules. Among others, the Local Loan Act (Amendment) 2005 limits Government domestic borrowing to not more than 55% to nominal GDP while the External Loan Act 1963 limits Government foreign borrowing at RM35 billion at any one time. In addition, Government has self-imposed fiscal rules to limit debt service charges at 15% to total revenue. In spite of the increasing debt burden, the Government continued to meet the debt obligations. Federal Government foreign borrowing stood at RM21.3 billion while the debt service charges were at 12.6% to revenue, at the end of 2017. Nevertheless, these charges continued to increase, compared with 9.8% to revenue in 2010. Despite increasing concerns about the rising debt, Malaysia continued to be rated favourably with a stable outlook by major international rating agencies, backed by strong economic fundamentals.

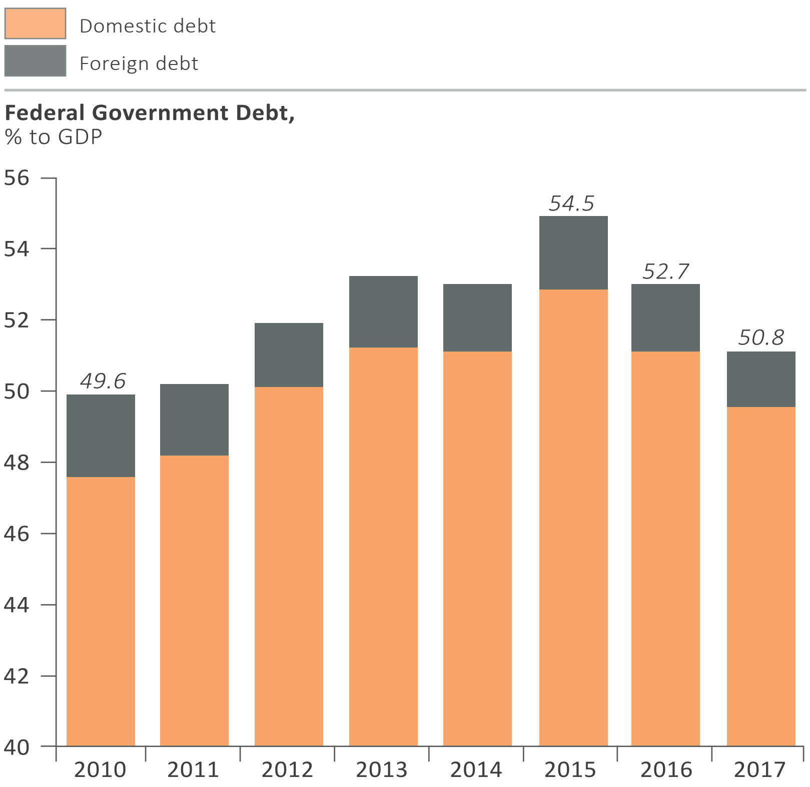
Exhibit 1-5

Federal Government Fiscal Position and Debt, 2010-2017

RM billion

Item	2010	2015	2016	2017
Revenue	159.7	219.1	212.4	220.4
Operating Expenditure	151.6	217.0	210.2	217.7
Current Account	8.0	2.1	2.2	2.7
Development Expenditure	52.8	40.8	42.0	44.9
Overall Balance				
• RM billion	**-43.3**	**-37.2**	**-38.4**	**-40.3**
• % to GDP	*-5.4*	*-3.2*	*-3.1*	*-3.0*
Total Federal Government Debt[7]				
• RM billion	407.1	630.5	648.5	686.8
• % to GDP	*49.6*	*54.5*	*52.7*	*50.8*

Source: Ministry of Finance, Malaysia



[7] Limited to borrowings and debt securities issued by the Federal Government.

Inflation and Labour Market

The price pressures in the economy remained moderate with **inflation** averaging at 2.9% (2016: 2.1%, 2017: 3.7%) amidst higher domestic fuel prices, recovery in global commodity prices and weaker exchange rate. The inflation rate was further contained with supportive monetary policy responses and administrative measures by the Government. However, increase in prices of certain items, such as food and transportation, remained as a concern. Malaysia maintained its full employment level as the **unemployment rate** remained stable at 3.4% of the labour force in 2017.

Malaysian Wellbeing Index

In line with the economic progress, the wellbeing of the *rakyat* also improved. The MyWI showed an overall increase in the wellbeing of the *rakyat*, with the index improving from 121.8 in 2015 to 122.8 in 2016. Based on the economic wellbeing sub-composite index under the MyWI, Malaysians enjoyed higher income, conducive working conditions and improved transportation infrastructure. Likewise, based on the social wellbeing sub-composite index, Malaysians' social wellbeing was enhanced through better housing, amenities and public safety as well as more leisure activities. However, there were areas of concerns which needed to be addressed, including family life, environment and health. These concerns are reflected by several indicators such as juvenile crime, non-communicable diseases, household debt and domestic violence, which show an increasing trend.

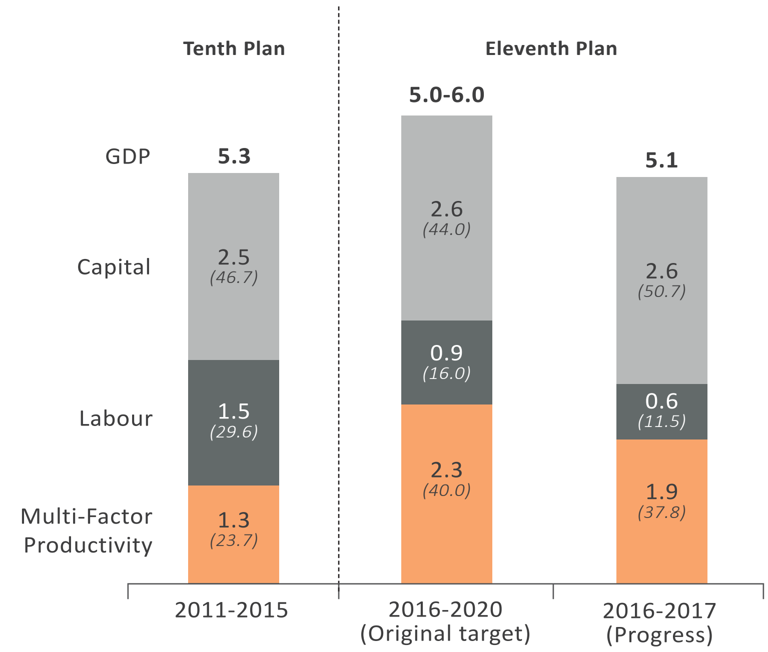
Performance of Game Changer: Unlocking the Potential of Productivity

Unlocking the potential of productivity has been underscored as a game changer in the Eleventh Plan. Hence, the Malaysia Productivity Blueprint (MPB) was launched in 2017 to boost labour productivity. During the review period, economic growth was mainly driven by the traditional factor inputs of labour and capital, contributing an average of 62.2% to the economic growth, as shown in *Exhibit 1-6*. Correspondingly, the share of multi-factor productivity (MFP) to GDP growth was at 37.8%, lower than the target of 40%, due to its slower growth at an average rate of 1.9% per annum. Nevertheless, the share of MFP improved as compared to 23.7% in the Tenth Plan.

Exhibit 1-6

Factors of Production, 2011-2020

Growth, at constant 2010 prices, % p.a.
Share to growth in brackets, %



Source: Department of Statistics Malaysia and Economic Planning Unit

Malaysia's labour productivity increased from RM75,634 per worker in 2015 to RM81,268 in 2017, at an average growth rate of 3.7%, achieving the Eleventh Plan target, as shown in *Exhibit 1-7*. The productivity improvement was driven by higher capital-intensity in the economy resulting in lower employment expansion, particularly in the semi-and low-skilled categories.

At the sector level, labour productivity in almost all sectors recorded positive growth, led by mining, which expanded by an average rate of 10.9%. This was supported by higher production in natural gas coupled with the sharp contraction of employment in the sector following the prolonged low crude oil prices. This was followed by construction at 6.1%, services at 4.6% and manufacturing at 3.9%. However, labour productivity of the agriculture sector contracted by 1.8%, with lower production due to adverse weather conditions.

The MPB aims to drive the initiatives in boosting labour productivity in a holistic manner at the national, sector and enterprise levels, as shown in *Exhibit 1-8*. At the sector level, these initiatives will be mainly driven by productivity champions appointed from industries with support from the Government.

Exhibit 1-7

Labour Productivity by Economic Sector, 2010-2020

Sector	RM '000 value added per worker, at constant 2010 prices				Average Annual Growth Rate, %		
	Actual				Tenth Plan	Eleventh Plan	
					Actual	Original Target	Progress
	2010	2015	2016	2017	2011-2015	2016-2020	2016-2017
Agriculture	52.9	53.9	51.3	52.0	*0.4*	*3.6*	*-1.8*
Mining and Quarrying	2,752.3	984.9	1,133.4	1,210.8	*-18.6*	*1.1*	*10.9*
Manufacturing	87.6	102.6	106.3	110.9	*3.2*	*2.6*	*3.9*
Construction	27.5	35.7	39.3	40.2	*5.4*	*9.6*	*6.1*
Services	59.4	66.8	69.5	73.0	*2.4*	*4.1*	*4.6*
Overall	**69.0**	**75.6**	**78.3**	**81.3**	***1.8***	***3.7***	***3.7***

Source: Department of Statistics Malaysia and Economic Planning Unit

Exhibit 1-8

Game Changer: Unlocking the Potential of Productivity

Component	Issue	Progress, 2016-2017	Targeted Outcome
Approach	Fragmented productivity initiatives, typically at national level	Under the Malaysia Productivity Blueprint (MPB), strategies have been developed to boost productivity at all levels: • 10 national-level initiatives with 16 key activities (28 key performance indicators with specific milestones have been set for implementation) • 42 sector-level initiatives for 9 selected subsectors • Enterprise Productivity Diagnostic (EPD) framework at the enterprise-level	Focused and comprehensive strategies at all levels–national, sector and enterprise
Champion	Led by the Government	Implementation of MPB is spearheaded by industry champions through the Productivity Nexus with strong support from the Government: • 9 Productivity Nexus have been established in 2017 to drive the implementation of initiatives at the sector level	Spearheaded by industry champions and industry associations and supported by the Government via the National Productivity Council (NPC)
Industry focus	Focused on manufacturing sector and selected services subsectors	• The MPB covers 3 main sectors: agriculture, manufacturing and services • 9 subsectors have been identified as priority subsectors, namely retail and food & beverages; electrical and electronics; chemicals and chemical products; agro-food; professional services; tourism; information and communication technology services; machinery and equipment; and private healthcare	Covers all sectors, including agriculture, construction and the public sector
Programme design	Generic programmes without clear targets	The MPB was developed through comprehensive engagement with stakeholders in the public and private sectors: • 15 workshops, 3 roundtable sessions, 6 focus groups, online enterprise-level survey (1,107 respondents)	Programmes closely aligned with industry needs as per relevant industry master plan
	Incentives not linked to performance	Initiatives have been identified to realign key grants, incentives, soft loans and other funding mechanisms to productivity metrics and outcomes	Incentives linked to outcomes
Regulation	Absence of or little linkages between policies or regulations with productivity	• The Guillotine approach has been adopted to remove non-tariff measures (NTMs) that impede business growth • 668 out of 713 NTMs have been reviewed	Linkages established between government policies or regulations with productivity
Oversight	Oversight only at the national level	A strong governance model has been established to strengthen oversight at all levels with clear role and responsibility: • NPC, chaired by the Prime Minister, to provide strategic oversight at national level • The Delivery Management Office to coordinate, monitor and evaluate implementation of productivity strategies at sector and enterprise levels with close collaboration with the respective Productivity Nexus	Increased oversight across national, sector, and enterprise levels

Issues and Challenges

A number of long-standing structural economic issues remain unresolved affecting the pace of economic reforms towards becoming a developed and inclusive nation. Among others, the economy is more dependent on traditional factor inputs and less on productivity to drive growth. Investment is more focused on physical structures instead of machinery and equipment, of which is crucial to boost the productive capacity of the economy. Meanwhile, many industries are still in the low-end to mid-range of the value chain for products and services, creating limited number of high-income jobs. The tight fiscal space continues to constrain public sector financing for development programmes and projects.

Productivity

National productivity has recorded significant improvements in recent years. However, there are still common challenges across all sectors that impede further productivity improvements, namely related to talent, technologies, industry structure and accountability, business environment, and mind set. Among these, talent is the most important factor needed to boost productivity. Industry players are faced with skill gaps among local graduates, which is partly due to the mismatch between industry demand and the supply from the institutions of higher learning as well as technical and vocational education and training institutions. In addition, industries are largely dependent on semi- and low-skilled workers and foreign labour[8]. Semi- and low-skilled workers made up 72.5% of total employment in 2017 whereas foreign workers made up 15.5%. The overdependence on low-skilled foreign labour, has perpetuated a labour-intensive economy, suppressed wages and served as a disincentive to automation, thus impeding efforts to increase productivity.

Investment in the adoption of technology and digitalisation is still relatively limited among enterprises, despite initiatives to boost the adoption of digital innovation. Hence, Malaysia is at risk of losing out on potential productivity gains in comparison to its regional peers. The situation is exacerbated given the rapid intensification of digital technology driven by the Fourth Industrial Revolution. Despite the significant improvements in ease of doing business, burdensome regulatory measures persist across sectors including inconsistent interpretation and application of regulations, have affected enterprise productivity. In addition, the complex and lengthy licensing application processes have resulted in high costs and delays, further stifling productivity improvements.

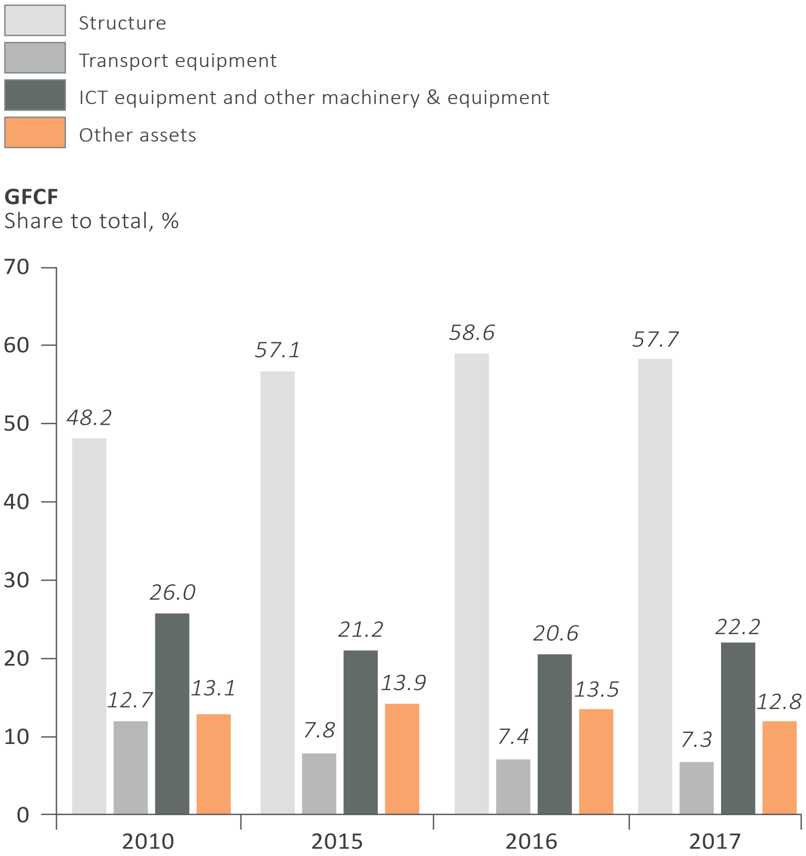
Investment

Investment as reflected by GFCF has risen over the last decade to reach 25.3% to GDP in 2017 in supporting the rapid socioeconomic development of the nation. Nevertheless, share of GFCF by type of assets showed that investment was more focused on physical structures, which increased from 48.2% in 2010 to 57.7% in 2017, as shown in *Exhibit 1-9*, while investment in information and communications technology (ICT) equipment as well as other machinery and equipment decreased from 26% to 22.2% during the same period. The lower share of investment in ICT equipment as well as other machinery and equipment in Malaysia impedes greater adoption of advanced technologies and automation by industry. This has limited improvements in production processes and productivity gains. In contrast, developed countries, such as the US and Republic of Korea (ROK) had invested more than 20% in machinery and equipment persistently over a decade at the peak of the countries' industrialisation phases.

[8] Refers to Labour Force Survey 2017, Department of Statistics Malaysia.

Exhibit 1-9

Gross Fixed Capital Formation by Type of Assets, 2010-2017



Source: Department of Statistics Malaysia

Sectoral Output

Notwithstanding broad-based growth in all sectors and approaching the economic structure of a developed nation, services and manufacturing sectors continued to dominate the economy. However, there is a need to diversify activities within the sectors from traditional economic activities. The services sector is still being dominated by the traditional services subsectors while technology-driven modern services subsectors have stagnated during the review period. Meanwhile, the manufacturing sector is often faced with lack of investment in machinery and equipment as well as innovative capacity. The sector continued to focus on the assembly of products rather than embark on high value-added design and product development. In the agriculture sector, the industrial commodity subsectors continued to be the mainstay in spite of greater emphasis given to increase agro-food production to reduce food imports bills and increase food self-sufficiency levels.

Fiscal Space

Government revenue has not kept pace with the economic growth as evident by the downward trend of tax buoyancy since 2012, dropping from 2.2 in 2011 to 0.5 in 2017. Hence tax-based revenue, which made up the major share of total revenue, fell from 13.8% to GDP in 2016 to 13.1% in 2017. This was lower than that of OECD average of 20.6%. Direct taxes, which contributed 51.6% of total revenue in 2016, remained as the main source of revenue for the Government, higher than that of Thailand at 33.9% and ROK at 20.5%. Meanwhile, the share of indirect tax at 28.1% was lower than ROK and Thailand with a contribution of 57.6% and 49.8%, respectively, highlighting the need for tax reforms. The lack of revenue impedes the ability to deliver quality services to the *rakyat*.

The fiscal consolidation efforts have been supported mainly by the enhancement in spending efficiency, despite the lagging revenue performance. Even though spending efficiency measures such as reprioritisation of programmes and projects, reduction in discretionary expenses and rationalisation of public sector administration have been undertaken, the effect was subdued by the cost of mega projects. Compounding the situation, majority of the mega projects were financed through off-budget arrangements, guaranteed by the Federal Government and reflected in rising contingent liabilities. Such financing method has contributed to the accumulated fiscal exposure of the Government. In addition, the financial commitment from the public-private partnership projects in the form of availability charges and lease payments, added further strain on Government finances. Rising debt as a result of continuing deficit, coupled with increasing liabilities from guarantees and leases, requires a comprehensive reform of public finances.

Conclusion

Malaysia's economy continued to expand, albeit at a moderate rate, during the review period as a result of slower world economic growth and modest global trade expansion in 2016. Even though the economy fully rebounded in 2017, the slowdown in the previous year has affected the medium-term growth trajectory and posed an added challenge for Malaysia to meet the developed and inclusive nation goal in line with Vision 2020. Notwithstanding the robust growth recorded during the review period, a number of long-standing disparities and structural economic issues remain unresolved, affecting the pace of economic reforms.

Enhancing Inclusiveness towards an Equitable Society

2

Introduction

The Eleventh Malaysia Plan, 2016-2020, focuses on enhancing inclusiveness by providing equitable opportunities for all Malaysians to participate and benefit from economic growth and development irrespective of gender, ethnicity, socioeconomic status and geographical location. This inclusive development approach is also in tandem with the spirit of leaving no one behind under the 2030 Agenda for Sustainable Development of the United Nations. During the review period, 2016-2017, implementation of various inclusive development initiatives contributed towards greater overall prosperity and better quality of life. This was evident from the improved median household income and income distribution. Opportunities and participation of the *rakyat* in the economic activities increased across the various ethnicities and regions, with improved support system to the targeted communities and greater access to rural infrastructure and services. However, there are several issues and challenges that need to be addressed including limited capacity and capability of the households in the bottom 40% income group (B40), low level of wealth ownership among Bumiputera, increasing cost of living as well as the need to empower the specific segments of the community. Although the five economic corridors have contributed to regional development, disparities between states and regions as well as urban-rural gap within the regions remain a concern, requiring further interventions.

Past Performance, 2016-2017

During the review period, various initiatives were implemented towards increasing income and improving the standard of living of the *rakyat*. On the back of a robust economy, these initiatives have resulted in the increase in the mean monthly household income from RM6,141 in 2014 to RM6,958 in 2016, while in the median monthly household income from RM4,585 to RM5,228 during the same period. At the same time, the income inequality reduced marginally as shown in the lower Gini coefficient from 0.401 in 2014 to 0.399 in 2016. Efforts to enhance inclusiveness towards an equitable society were undertaken through five focus areas as follows:

FOCUS AREA A
Uplifting the B40 households towards a middle-class society

FOCUS AREA B
Empowering communities for a productive and prosperous society

FOCUS AREA C
Transforming rural areas to uplift wellbeing of rural communities

FOCUS AREA D
Accelerating regional growth for better geographic balance

FOCUS AREA E
Enhancing Bumiputera Economic Community (BEC) opportunities to increase wealth ownership

Performance of Selected Outcomes

In the Eleventh Plan, 14 selected outcomes were identified, of which one outcome, namely the participation of the Bumiputera in skilled occupation category surpassed the Plan target. Seven targets were on track, while the remaining six targets recorded slow progress. The performance of the selected outcomes is as shown in *Exhibit 2-1*.

Exhibit 2-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Improving overall income inequality

0.385
2020

0.399
2016

SDG 1,2 & 10

Gini coefficient

Uplifting the B40 households towards a middle-class society

RM 5,270
2020

RM 2,848
2016

SDG 1,2 & 10

Mean monthly household income

RM 5,701
2020

RM 3,000
2016

SDG 1,2 & 10

Median monthly household income

Empowering communities for a productive and prosperous society

59.0%
2020

54.7%
2017

SDG 5

Female labour force participation rate

8 out of 10
2020

7.33 out of 10
2016

SDG 11

Average score in the Family Wellbeing Index

75.2
2020

70.3
2017

Average score in the Malaysia Youth Index

Transforming rural areas to uplift wellbeing of rural communities

SDG 6
90,000 (2016-2020) | 16,838 (2016-2017)
Additional houses supplied with clean and treated water

SDG 7
36,800 (2016-2020) | 18,190 (2016-2017)
Additional houses supplied with electricity

3,000 km (2016-2020) | 1,542 km (2016-2017)
Construction of paved roads

Accelerating regional growth for better geographic balance

SDG 10
RM 236 billion (2016-2020) | RM 107.2 billion (2016-2017)
Realised investment

SDG 10
470,000 (2016-2020) | 147,627 (2016-2017)
Job opportunities created

Enhancing Bumiputera Economic Community (BEC) opportunities to increase wealth ownership

at least 75% (2020) | 73.0% (2016)
Bumiputera households own a residential unit

at least 60% (2020) | 61.4% (2017)
Participation of Bumiputera in skilled occupation category

at least 11% (2016-2020) | 4.2% (2015)
Annual growth of Bumiputera corporate equity ownership

Original Target | Performance

Performance of Focus Area and Game Changer

Under these five focus areas, several strategies and initiatives were identified to support the deliverables of the selected outcomes. Focus Area A, uplifting the B40 households towards a middle-class society, has been identified as the game changer in the pursuit of enhancing inclusiveness. Key results by focus area are as follows:

Focus Area	Key Result, 2016-2017
A **Uplifting the B40 Households towards a Middle-Class Society** Game Changer	**Raising the income and wealth of B40 households** • In urban area, mean monthly B40 household income increased from RM2,927 in 2014 to RM3,262 in 2016 and the median monthly income rose from RM3,095 to RM3,367 • In rural area, mean monthly B40 household income increased from RM1,760 in 2014 to RM1,969 in 2016 and the median monthly income rose from RM1,797 to RM2,012 • Overall B40 income share reduced from 16.8% in 2014 to 16.4% in 2016 • School dropouts reduced from 0.34% in 2014 to 0.29% in 2017 in primary schools while those in secondary schools reduced from 2.95% to 1.36% • 86% or 132,444 of 154,086 students from B40 households graduated from the Technical and Vocational Education and Training (TVET) programmes • 76 Orang Asli entrepreneurs under the Orang Asli Entrepreneurship Development Programme recorded 30% increase in income • 3 Orang Asli ecotourism-chalet projects developed in Perak, Negeri Sembilan and Kelantan, provided new income source to 1,213 Orang Asli households • 80 social entrepreneurs developed by the Malaysian Global Creativity and Innovation Centre (MaGIC), generated total gross revenue of RM20 million • 93,222 participants of *Amanah Ikhtiar Malaysia* (AIM) benefitted from microcredit financing programmes with low rate of non-performing loans at 1.27% • 1,674 hectares of land gazetted for Orang Asli in Peninsular Malaysia, 76,366 hectares of Native Customary Rights (NCR) granted land titles for Anak Negeri Sabah and 200,037 hectares of NCR land for Bumiputera Sarawak **Addressing the increasing cost of living** • The *1Harga 1Malaysia* Programme continued to be implemented to standardise the prices of subsidised goods (rice, sugar, all-purpose flour and 1-kilogram packet of cooking palm oil) between Sabah and Sarawak, and Peninsular Malaysia

Focus Area	Key Result, 2016-2017
	• The Price Control and Anti-Profiteering Regulations (Mechanism to Determine Unreasonably High Profit for Consumer Goods) 2016 enforced beginning 1 January 2017 • Friends of KPDNKK Programme introduced to facilitate dissemination of information on consumerism • *EZ Adu,* an online application, developed as an alternative channel for the public to lodge complaints • 185 *Kedai Rakyat 1Malaysia* (KR1M) operationalised to offer selected goods at reasonable prices • 323 agro-based outlets such as *Agrobazaar Kedai Rakyat*, *Karavan Tani* and *Pasar Tani* established to offer goods at affordable prices • 7.28 million and 7.22 million of B40 households and individuals received cash transfer *Bantuan Rakyat 1Malaysia* (BR1M) in 2016 and 2017, respectively, with total disbursement of RM11.65 billion • 55,211 of B40 households received assistance in the form of construction or repair of houses • 275,420 individuals benefitted from financial counselling and debt management programmes conducted by the *Agensi Kaunseling dan Pengurusan Kredit* (AKPK) **Enhancing the delivery system of B40 household programmes** • *eKasih* database linked to myIDENTITY, *e-Bantuan* and e-BR1M databases to coordinate delivery system of assistance and target groups • Self-Employment Social Security Act 2017, provides social security for self-employed persons in the informal sector starting with self-employed taxi drivers • Employment Insurance System Act 2017, provides retrenched workers with temporary financial assistance up to six months, employment service support and re-training to increase re-employment opportunity

The B40 household income grew at a moderate pace during the period of 2015-2016 as compared to the period of 2013-2014, partly affected by low commodity prices and soft labour market conditions amidst modest economic growth. At the national level, the mean monthly B40 household income rose at an average rate of 15.9% per annum during the period of 2013-2014 compared to 5.8% during the period of 2015-2016, while median income increased at an average rate of 17.5% and 6.6% per annum, respectively. These slower income growth rates resulted in lower overall B40 income share during the period. Based on the annual average growth rates in 2015-2016, meeting the targeted B40 household income and uplifting the households towards a middle-class society[1] in 2020 will be difficult.

During the review period, various initiatives were implemented to cushion the impact of rising cost of living, especially on the purchasing power of the B40 households. Apart from consumer protection measures, cash assistance and provision of affordable goods and services through various retail outlets were made available. However, the impact of these initiatives was modest on the back of low level of consumerism. Meanwhile, implementation of social safety net (SSN) programmes by various agencies remained fragmented with poor targeting mechanism that resulted in inefficient disbursement of assistance. At the same time, the formulation of an integrated and comprehensive social protection system was still in progress.

Focus Area	Key Result, 2016-2017

Focus Area: B — **Empowering Communities for a Productive and Prosperous Society**

Key Result, 2016-2017

Strengthening the family institution

- 647,000 participants benefitted from programmes on parenting skills and family values such as Parenting@Work, *Program Ilmu Keluarga*, *SMARTBelanja* and *Kafe@ Teen*
- 850,000 participants benefitted from family support programmes including counselling and reproductive health services, mammogram subsidy and human papilloma virus (HPV) vaccination
- The Domestic Violence Act 1994, amended in 2017, further enhances protection and support for victims and family members

Nurturing the potential of youth

- 100,000 youths benefitted from leadership and entrepreneurship development programmes such as Perdana Fellow, Malaysian Youth Parliament, *eUsahawan*, *Tunas Usahawan Belia Bumiputera* (TUBE), Business on Truck Carnival and *Inkubator Usahawan Belia Tani*
- Over two million youths participated in volunteer activities through platforms such as Malaysian Youth Volunteering Programme (MyCorp), 1Malaysia for Youth (1M4U) and Kuala Lumpur Southeast Asian (SEA) Games 2017

Enhancing the role of women in development

- Female labour force participation rate increased from 54.1% in 2015 to 54.7% in 2017
- 35.6% women in top management positions in the public sector in 2017 as compared to 32.5% in 2015

[1] The middle-class society refers to the middle income households with earnings of between half and double of the national median monthly income (RM2,614-RM10,456). Based on the Household Income and Basic Amenities Survey (HIS & BA) 2016, the national median monthly income is RM5,228.

Focus Area	Key Result, 2016-2017
	Upholding the needs and interests of children • The Child Act 2001, amended in 2016, included the core principles of the Convention on the Rights of the Child (CRC) • More than 300 cases of child sexual offences registered in the Special Court for Sexual Crimes against Children since operation in June 2017 • 200 child protectors trained under the Child Care Needs and Child Protection Unit (CCNCPU) benefitted 4,800 children • More than 35,000 students from 130 schools participated in the Save and Protect Children programme **Enhancing the living environment for the elderly** • Beautiful Life for Seniors (BELFOS) programme, introduced in 2017, provides senior citizens with easy access to job opportunities and social activities • More than 46,000 elderly and persons with disabilities (PWDs) benefitted from the Home Help Service and *Pusat Aktiviti Warga Emas* (PAWE) programmes • 1,000 elderly participated in short-term courses under the University of the Third Age (U3A) programme **Empowering persons with disabilities** • 21,000 PWDs benefitted from the Community-Based Rehabilitation (CBR) programme, skills enhancement training and Job Coach Service programme • PWDs working in public service increased from 3,332 in 2015 to 3,782 in 2017 • 123 children with disabilities benefitted from 6 specialist childcare centres established in partnership with the private sector and non-governmental organisations (NGOs)

Programmes and initiatives to empower the community and address the needs of targeted groups showed moderate progress, with most targets expected to be achieved by the end of the Eleventh Plan. However, there are still concerns, particularly on the wellbeing of family, children, women, elderly and PWDs. The Family Well-Being Index 2016, which measures and reports the state of family wellbeing, registered a moderate score of 7.33 out of 10. This was contributed by various factors, particularly lack of access to facilities and basic amenities in housing areas, environmental related issues and the negative impact of communication technology on family relationship. Moreover, the prevalence of malnutrition among children, namely underweight, overweight and obesity, remains a concern. The annual growth of the female labour force participation rate was also progressing slowly towards meeting the 59% target. This was partly due to lack of commitment and resources among employers in providing better working environment, particularly flexible working arrangement and childcare services. Meanwhile, initiatives to produce more women leaders in the public sector have shown great progress with women accounting for 35.6% of top management positions in 2017 as compared to 32.5% in 2015, beyond the 30% target.

Various social support initiatives were undertaken through the *Pusat Aktiviti Warga Emas* (PAWE), Beautiful Life for Seniors (BELFOS) and Home Help Service programmes to promote independent, productive and meaningful lifestyle among the elderly. However, such initiatives were still insufficient in meeting the growing needs of the ageing population. Meanwhile, participation of PWDs in the workforce remained low, with approximately 4,500 employees in both public and private sectors. This was mainly due to the inability of employers to provide an enabling environment in the workplace and negative perception of employers towards the ability of PWDs to perform tasks. In addition, some PWDs faced difficulties in adapting to the working environment. Further neglect of these issues concerning the specific targeted groups may hamper efforts to empower communities for a productive and prosperous society.

Focus Area	Key Result, 2016-2017
C **Transforming Rural Areas to Uplift Wellbeing of Rural Communities**	**Improving wellbeing of rural communities** • Mean monthly rural household income increased by 12.1% from RM3,831 in 2014 to RM4,359 in 2016 • Incidence of absolute poverty in rural areas decreased from 1.6% in 2014 to 1% in 2016 • Urban to rural migration rate increased from 13.8% in 2015 to 15.2% in 2016 • Rural to urban migration rate decreased from 6.9% in 2015 to 4.2% in 2016 • Gini coefficient in rural areas increased from 0.355 in 2014 to 0.364 in 2016 **Extending provision of rural basic infrastructure** • 1,542 kilometres of rural paved roads, constructed and upgraded • 93.5% coverage of access of clean and treated water to rural houses benefitted 16,838 additional houses • 96.1% coverage of access of electricity to rural houses benefitted 18,190 additional houses **Encouraging more private investment in rural areas** • RM33.5 billion of total realised investment in rural areas and 52,521 jobs created **Improving rural-urban linkages** • 36 new express buses purchased by *Majlis Amanah Rakyat* (MARA), covering 27 new routes between urban and rural areas, benefitted 777,640 passengers • 39 new stage buses purchased by MARA, involving 100 new stops, benefitted 3.8 million rural passengers

Focus Area	Key Result, 2016-2017
	Expanding access to basic services • 12 Rural Transformation Centres (RTCs) and 205 Mini RTCs in operation nationwide, benefitted more than 8.2 million visitors • Mobile Community Transformation Centre (Mobile CTC) with collaboration of more than 30 agencies, undertook 400 activities, benefitted 2.6 million visitors • 5,967 *Bank Simpanan Nasional* service agents appointed to increase access to selected financial services for the rural community **Streamlining the delivery system** • 19,452 villages registered in the *Sistem Profil Kampung Peringkat Nasional* (SPKPN) to improve rural development planning and service delivery

Initiatives implemented to transform rural areas were mostly on track, recording 50% achievement of the targets in the Eleventh Plan. These include construction and upgrading of rural roads and electricity supply as well as initiatives to expand access to basic services and improve rural-urban linkages. Despite rigorous efforts undertaken, there remained pockets of the population and hinterland with limited access to basic infrastructure and socioeconomic opportunities. This was due to remote geographical as well as sparsely and scattered populated locations, which posed challenges to provide rural basic infrastructure and socioeconomic activities. Failure to comprehensively address these issues may widen urban-rural divide and regional development imbalances, affect productivity in rural areas and contribute towards rural to urban migration.

Focus Area	Key Result, 2016-2017
D **Accelerating Regional Growth for Better Geographic Balance**	**Review of regional economic corridor master plans** • Review of the Iskandar Malaysia, Northern Corridor Economic Region (NCER) and East Coast Economic Region (ECER) masterplans completed • Regional Corridor Development Authority (RECODA) and Sarawak State Government conducted various detailed studies to complement the Sarawak Corridor of Renewable Energy (SCORE) Master Plan • Sabah Economic Development and Investment Authority (SEDIA) commenced the review of Sabah Development Corridor (SDC) Blueprint

Focus Area	Key Result, 2016-2017

	Accelerating investment in regional economic corridors
	• The ECER Investment Special Taskforce (EIST), Northern Corridor Implementation Authority Investor Centre of Engagement (NICE) and Iskandar Service Centre (ISC) established as platforms to facilitate investors
	• RM107.2 billion of realised investment in 5 regional economic corridors (RECs), that is 45.4% of the Eleventh Plan target
	  – Iskandar Malaysia: RM41.8 billion
	  – ECER: RM22.5 billion
	  – NCER: RM17.3 billion
	  – SCORE: RM15.9 billion
	  – SDC: RM9.7 billion
	• 147,627 jobs created in 5 RECs, equivalent to 31.4% of the Eleventh Plan target
	  – Iskandar Malaysia: 64,288 jobs
	  – ECER: 32,032 jobs
	  – NCER: 24,200 jobs
	  – SCORE: 19,354 jobs
	  – SDC: 7,753 jobs
	• Key infrastructure projects to improve connectivity and mobility
	  – Expansion of Kuantan Port
	  – Construction of Pan Borneo Highway
	  – Construction of Mukah Airport
	  – Development of Kuala Terengganu City Centre

The overall efforts of the regional economic corridor (REC) authorities have contributed towards reducing regional imbalances through the implementation of programmes and projects that spurred economic activities. These programmes and projects undertaken in collaboration with Federal and state agencies attracted higher private investments and created spill-over effects to the surrounding areas and economic hubs. In addition, various human capital development programmes were conducted to improve the quality of workforce especially in rural areas. The RECs implemented a number of skills and entrepreneurship programmes that contributed to the creation of jobs, entrepreneurs and business opportunities, which attracted investments into the regions.

The activities of the RECs have contributed to the improvement in the living standards of local communities and narrowed the urban-rural skills gaps. The implementation of projects and programmes in the RECs has contributed to RM107.2 billion of realised investment[2] which is equivalent to 45.4% of the Eleventh Plan target. A total of 147,627 jobs were created during the review period which is equivalent to 31.4% of the Plan target. This was contributed by better facilitation of investors, supportive investment ecosystem and appropriate incentives. Despite the progress, growth of less developed regions was relatively slower compared to that of more developed regions indicating that regional imbalances continued to remain.

[2] East Coast Economic Region Development Council (ECERDC), Northern Corridor Implementation Authority (NCIA) and Regional Corridor Development Authority (RECODA) define realised investment as total value of investment that has been committed with the commencement of the project. Meanwhile, Iskandar Regional Development Authority (IRDA) and Sabah Economic Development and Investment Authority (SEDIA) define realised investment as the value invested in the project for the current year or based on work completed.

Focus Area	Key Result, 2016-2017

Enhancing Bumiputera Economic Community (BEC) Opportunities to Increase Wealth Ownership	**Empowering Bumiputera human capital**
	• Bumiputera represented 61.4% in the skilled occupation category
	• 130,000 students trained by *Majlis Amanah Rakyat* (MARA) in TVET as well as professional and managerial programmes
	• 90.6% participants trained by *Yayasan Peneraju Pendidikan Bumiputera* (YPPB) under the *Program Peneraju Skil Iltizam* employed within 6 months upon certification
	• 83.3% of 1,644 trainees of *Peneraju Skil Iltizam* received the minimum monthly salary of RM1,500 within 1 year of employment, exceeded the 70% targeted outcome of trainees earning minimum salary
	• 50.7% of 672 trainees of *Peneraju Skil* received the minimum salary of RM3,800 within 1 year of employment, yet to achieve the 70% targeted outcome of trainees earning minimum salary
	• 89% overall passing rate of 2,498 trainees under the *Program Peneraju Profesional*, exceeded the 65% targeted passing rate
	• Outstanding achievements under *Program Peneraju Profesional*:
	  ◦ 7 trainees awarded the Association of Chartered Certified Accountants (ACCA) Global Prize
	  ◦ 21 trainees awarded the Certified Accounting Technician (CAT) Global Prize
	  ◦ 20 trainees qualified as Chartered Financial Analyst (CFA)
	
	Increasing Bumiputera effective control and sustainable corporate ownership
	• RM482.6 million investment by *Ekuiti Nasional Berhad* (EKUINAS) in 9 companies involved in oil and gas; retail; manufacturing; food and beverages; fast-moving consumer goods; and service businesses
	• 2 companies listed on Bursa Malaysia under *Skim Jejak Jaya Bumiputera* with a market capitalisation of RM4.5 billion
	• RM41.5 million invested in 6 technology-based companies under A-Bio Programme in businesses such as medical device, pathology and engineering design
	• RM236.2 billion in Assets Under Management owned by Bumiputera has been invested by *Permodalan Nasional Berhad* (PNB) in various asset categories comprising public equities, private investment, real estate, cash and fixed income instruments, since 1978

Focus Area	Key Result, 2016-2017
	Enlarging the share of Bumiputera wealth ownership • 73% of Bumiputera households owned a residential unit in 2016 • 3 units of high value commercial buildings and properties, worth RM1.2 billion acquired by *Pelaburan Hartanah Berhad* (PHB) • *Amanah Hartanah Bumiputera* (AHB) fund size expanded to RM4 billion benefitted 58,000 Bumiputera unit holders • 219 units of business premises developed by MARA, worth RM20.7 million • Housing development of *Wakaf Legasi Seberang Jaya* involving 68 residential units with a total gross development value (GDV) of RM15.3 million in collaboration between UDA Holdings Berhad (UDA) and *Majlis Agama Islam Negeri Pulau Pinang* • Mixed development of *Wisma Wakaf Ar Ridzuan* involving 11 commercial units and 144 residential units with a total GDV of RM41.8 million, in collaboration between UDA and *Majlis Agama Islam dan Adat Melayu Perak* • 77 units of medium-low cost apartment (1,000 square feet) constructed on waqf land in Sungai Nibong, Pulau Pinang • 35 units of business premises worth RM58.8 million purchased by *Perbadanan Usahawan Nasional Berhad* (PUNB) to be rented by Bumiputera entrepreneurs **Empowering Bumiputera Economic Community (BEC)** • 236 companies benefitted, with more than 4,000 jobs created under the carve-out and compete policy involving 4 projects, namely the Pan Borneo Highway Sabah, Pan Borneo Highway Sarawak, Setiawangsa-Pantai Expressway (SPE) and Mass Rapid Transit (MRT) Line 2 • 231 companies benefitted, with more than 14,000 jobs created under the Facilitation Fund initiatives • 99.6% of 1,490 young entrepreneurs trained under TUBE, registered their businesses and created 2,088 jobs, with sales of RM17.2 million in 2016 • RM1 billion loan approved by *TEKUN Nasional* to 67,690 enterprises • RM176.6 million loan disbursed by MARA to 3,194 entrepreneurs and grant totalling RM9.3 million to 920 entrepreneurs • RM377.5 million loan disbursed to 865 entrepreneurs under *Program Pembiayaan Keusahawanan* PUNB

Focus Area	Key Result, 2016-2017
	Strengthening delivery effectiveness of Bumiputera-oriented programmes • TERAJU XChange (TXC) centralised database on Bumiputera entrepreneurs completed in 2016 to consolidate Bumiputera entrepreneurs information and prevent cases of double-dipping

During the review period, efforts undertaken have contributed towards achieving the Bumiputera agenda outcomes outlined under the Eleventh Plan. The Labour Force Survey, 2017 reported an increase of Bumiputera in skilled occupation category by ethnic groups from 59.4% in 2014 to 61.4% in 2017. However, a further analysis among total Bumiputera employment, only 29.4% were in the skilled occupation category. This indicates that most of the Bumiputera were employed in the low value-added industries with low-paying jobs.

The percentage of Bumiputera households owning at least one residential unit increased marginally from 72.7% in 2014 to 73% in 2016 against the target of at least 75% by 2020. However, the total transaction value of commercial and industrial properties in the primary market involving Bumiputera decreased from RM291.3 million in 2015 to RM226.1 million in 2016, a drop of 20.4%, attributed by the global economic slowdown[3]. In addition, Bumiputera corporate equity remained below the target of at least 30% of the total corporate equity ownership. These have affected the overall wealth ownership holdings of Bumiputera. Furthermore, the majority of Bumiputera entrepreneurs in the micro and small enterprises category were largely dependent on government assistance and are vulnerable to intense market competition.

Issues and Challenges

Efforts to **uplift the income and wellbeing of the B40 households** encountered a number of challenges. Majority of the B40 household heads have low education and skills levels, including the Orang Asli in Peninsular Malaysia, Anak Negeri Sabah and Bumiputera Sarawak. Most of the B40 households are self-employed, low-wage workers and involved in small-scale enterprises. Furthermore, many households have single source of income, high level of debts, low level of savings and without insurance protection, making these households vulnerable to uncertainties and shocks. Meanwhile, the B40 household entrepreneurs are mostly involved in micro enterprises. Key constraints faced by the B40 household entrepreneurs include lack of capacity and capability, low bargaining power as well as limited access to technology and financing. The lack of capacity and capability is related to over dependency on government assistance, resulting in low level of initiative, creativity and perseverance. Concurrently, the high number of foreigners involved in unregistered business activities has restrained opportunities among local B40 entrepreneurs. In addition, incomprehensive planning and silo implementation of SSN programmes as well as loose targeting of recipients by various agencies leads to less effective disbursement of assistance to the B40 households.

Rising prices of goods and services has affected the purchasing power of the B40 households against the backdrop of a slower growth in household income as compared to the expenditure. Average monthly consumption expenditure of the B40 households grew at an annual rate of 6% in the period of 2015-2016, higher than the average monthly income growth of 5.8%. The majority of B40 households were affected by the prices of food and non-alcoholic beverages which recorded the highest increase at 3.7% per annum during the review period. This was followed by the

[3] Based on the Malaysia Property Market Report 2016.

prices of food[4] away from home which grew at 3.4% as well as the prices of housing, water, electricity, gas and other fuels at 2.4%. These three categories constituted 61.9% of the total consumption of B40 households. The rising prices of goods and services impacted the B40 households in the urban areas more severely, especially the low-income segment, due to higher spending commitments and limited income-generating ability.

Challenges in **enhancing the BEC** include low participation of Bumiputera in skilled and professional occupations, particularly at the decision-making and managerial levels. The Bumiputera workforce also face difficulties in securing jobs due to several factors such as poor interpersonal skills and English language proficiency as well as mismatch of skills required by industry and the skills attained by Bumiputera graduates. Inadequate financial strength and inability to meet the requirements by financial institutions have further hindered Bumiputera capability to own financial and non-financial assets. Besides, Bumiputera lack effective control and decision-making authority due to low corporate equity ownership. Thus, the interest of the Bumiputera community has not been taken into account sufficiently. Concurrently, the potential of waqf and Malay reserve land as a mechanism to unlock and enhance Bumiputera wealth ownership has yet to be optimised due to lack of coordination and legal constraints. In addition, Bumiputera entrepreneurs lack financial strength and continue to depend on government assistance. Limited presence of Bumiputera entrepreneurs along the supply chain constraints business networking and also restricts the ability to compete effectively in the open market.

Challenges in **empowering communities** include improving the wellbeing of families and children, youth development, female labour force participation as well as raising the level of awareness on the rights and protection of women and children against violence. Work-life balance and lifestyle challenges as well as technological impact continue to affect the quality of family life. The prevalence of underweight, overweight and obesity among children due to changing lifestyle and dietary habits also pose challenges to children's development and quality of life. Despite efforts and initiatives to nurture the potential and talent of youth, there are still concerns on socioeconomic challenges faced by youth particularly regarding talent enhancement, employability as well as creation of opportunities in various fields. Meanwhile, the female labour force participation rate remains low due to high cost and lack of childcare facilities as well as limited provision of flexible working arrangements. The low participation is further compounded by other factors such as family commitment and responsibilities as well as traditional mind set of the gender role. Concurrently, reported violence cases against women such as domestic violence, incest and rape as well as child abuse are on the rise. This was mainly attributed to poor moral and religious values as well as lack of community support.

Currently, around 10% of the Malaysian population are aged 60 years and above and is expected to reach 15% by 2030. The **increasing number of elderly** would exert more pressure on the Government in providing assistance including healthcare for the elderly. In addition, there is a serious shortage of trained elderly care personnel and caregivers, with only 30 qualified geriatricians currently serving the elderly population. Meanwhile, the lack of support and apathy towards the needs of PWDs particularly in the private sector has also affected the participation of PWDs productively in socioeconomic activities. Moreover, lack of collaboration between agencies in implementing the universal design[5] for buildings and public facilities has dampened efforts to provide user-friendly physical environment for the elderly and PWDs.

In achieving **balanced regional development**, reducing development disparities between states and regions, and narrowing urban-rural gap within the regions remain a challenge. The provision of rural basic infrastructure and amenities, particularly in the remote areas of Sabah and Sarawak, remains a constraint due to wide as well as sparsely and scattered populated areas. In addition, high cost of implementation, poor accessibility and difficult terrains condition, pose a challenge in uplifting the wellbeing of rural communities. Meanwhile, RECs continue to face stiff competition in attracting foreign investments especially in high technology and knowledge-intensive industries. The RECs also experience shortage of skilled workers as well as limited access to quality broadband and logistics infrastructure. This further hampers the RECs to accelerate socioeconomic growth and balanced regional development.

[4] Food includes non-alcoholic beverages

[5] Based on Persons with Disabilities Act 2008, universal design means the design of products, environments, programmes and services to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design and shall include assistive devices for particular groups of persons with disabilities where this is needed.

Conclusion

Measures undertaken during the review period have resulted in a more inclusive and equitable society as reflected by the improved level and distribution of income as well as wellbeing of the *rakyat*. In this regard, the income of B40 households increased with the implementation of programmes in enhancing capacity and capability of these households. Concurrently, the Bumiputera Economic Community continued to be enhanced with more participation of the Bumiputera in strategic industries and skilled occupation category amidst low ownership of equity and non-financial assets. Meanwhile, the regional economic corridors continued to register growth albeit at a slower rate, contributing towards higher realised investment and more jobs. Furthermore, efforts have been made to narrow the urban-rural divide and address regional disparities with the provision of better facilities and services. Despite the progress, efforts need to be intensified to address the issues and challenges in enhancing the economic potential and wellbeing of the *rakyat* as well as bridging socioeconomic disparities. These include reviewing and identifying more effective and innovative measures in enhancing inclusiveness towards an equitable society.

Improving Wellbeing for All

3

Introduction

In the Eleventh Malaysia Plan, 2016-2020, wellbeing remains as one of the priority thrusts to ensure balanced development in tandem with the economic growth. The wellbeing of the *rakyat* is generally associated with the standard of living and quality of life which encompasses economic, social, physical and psychological aspects. During the review period, 2016-2017, improvements of the wellbeing of the *rakyat* were achieved through concerted efforts of multi stakeholders, particularly in providing quality healthcare and affordable housing. In addition, the implementation of various crime prevention and road safety programmes as well as emergency services created a safer living environment. Meanwhile, social integration and unity programmes continue to be the platform for greater interaction and engagement among the *rakyat*. Programmes and initiatives in promoting active and healthy lifestyle as well as to foster unity among Malaysians have also attracted huge participation across the country. However, several issues and challenges remain a concern including growing burden of diseases, insufficient affordable housing, ever-shifting trends in crime, unsafe behaviour of road users, social polarisation and sedentary lifestyle.

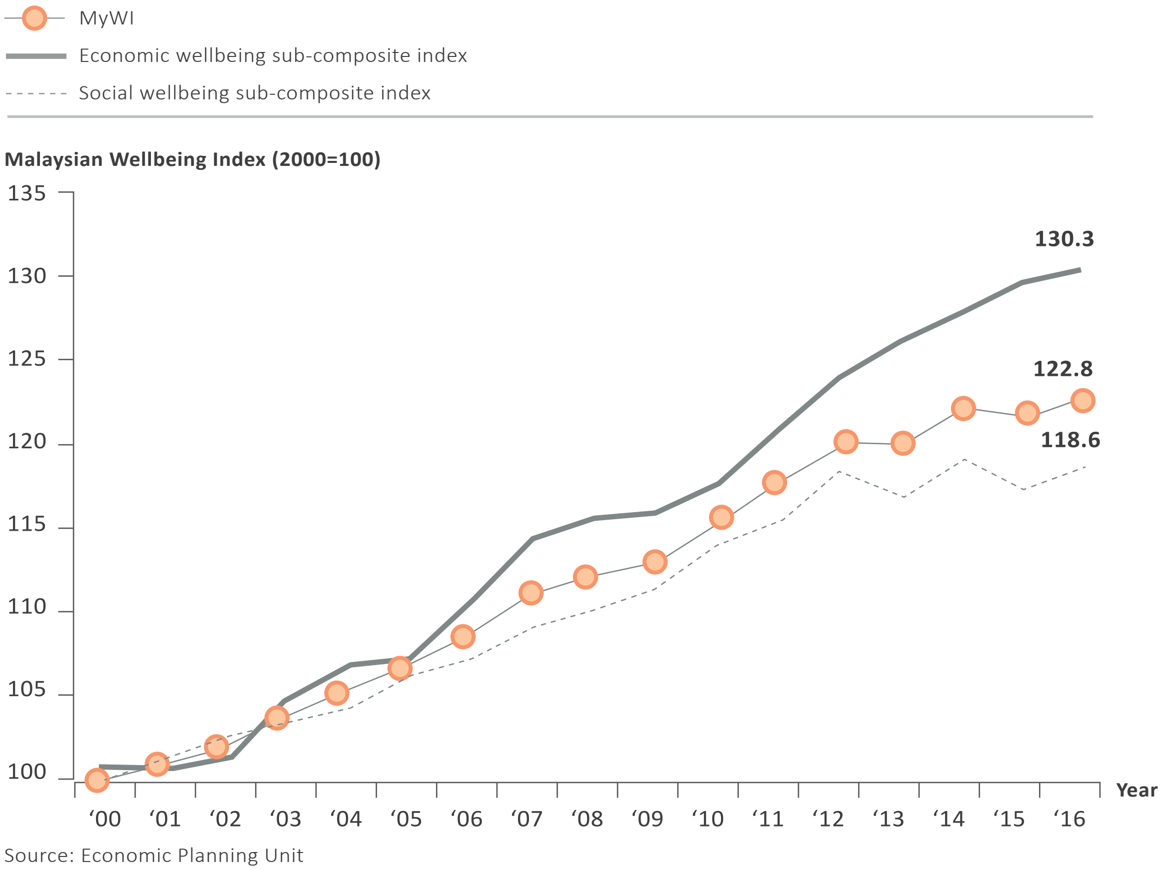
Past Performance, 2016-2017

The Malaysian Wellbeing Index (MyWI[1])improved marginally from 121.8 points in 2015 to 122.8 points in 2016, as shown in *Exhibit 3-1*. Based on the MyWI indicators, this reflects a slight improvement in both the economic and social wellbeing of Malaysians over the review period. However, a longer period of comparison between 2000 and 2016 indicated that the overall index improved by 22.8 points. The economic wellbeing sub-composite index rose faster by 30.3 points, as compared to the social wellbeing sub-composite index which improved by 18.6 points during the same period.

The economic dimension of the MyWI encompasses components such as income and distribution, transport and education, while the social dimension includes housing, health, public safety and social participation. During 2000-2016 period, the economic wellbeing sub-composite index increased faster than the social wellbeing sub-composite index, mainly contributed by improvements in the components of transport, income and distribution. While most of the components in the social wellbeing sub-composite index also showed improvement, the environment and health components only recorded a marginal increase. However, the sub-composite index for family component declined during the same period.

Exhibit 3-1

Malaysian Wellbeing Index, 2000-2016



Source: Economic Planning Unit

[1] The MyWI is a composite index that measures the wellbeing of Malaysians and is made up of 68 indicators across 14 economic and social wellbeing components.

Various initiatives were undertaken to improve wellbeing of the *rakyat* through the six focus areas as follows:

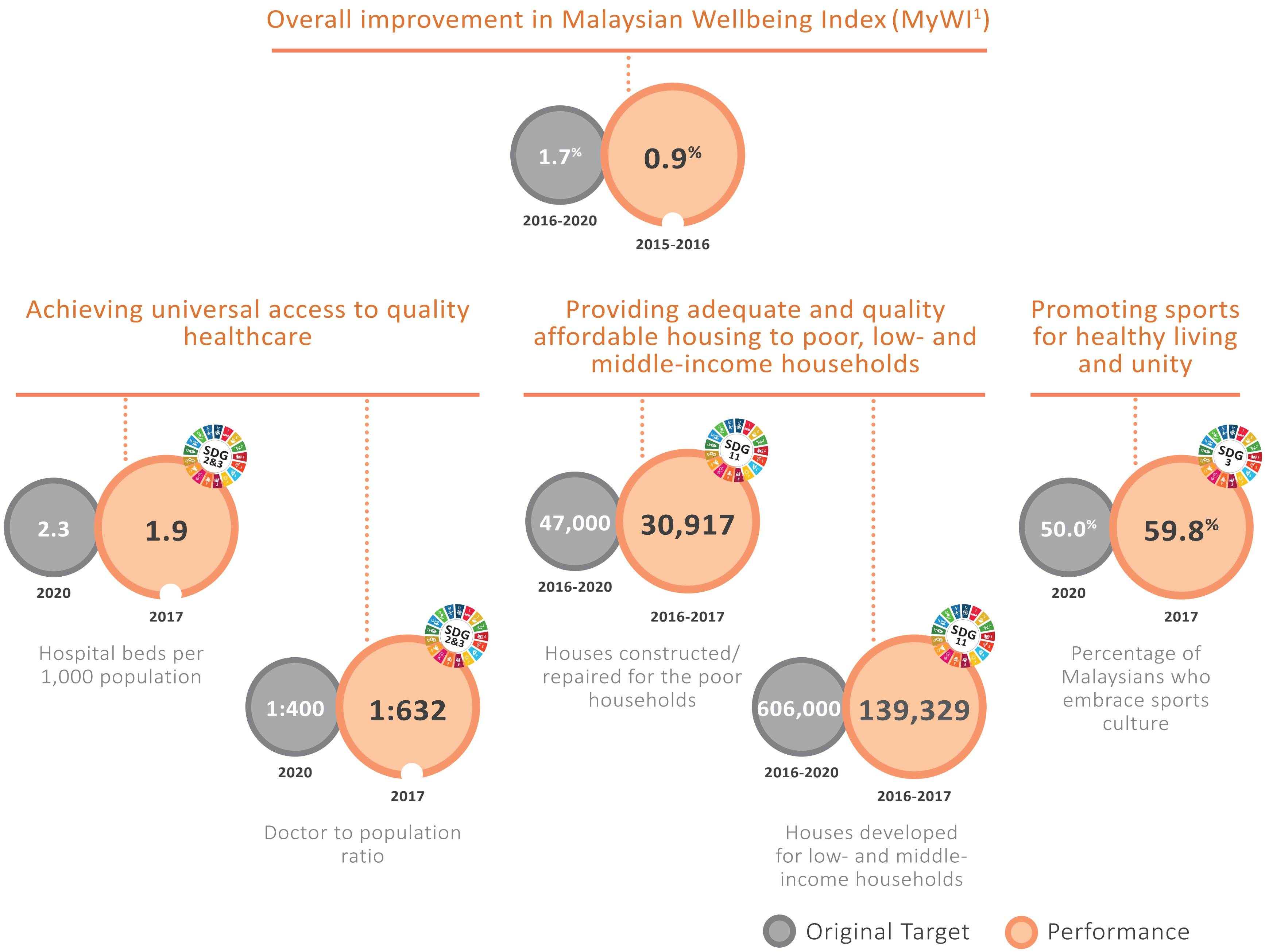
FOCUS AREA A	FOCUS AREA B	FOCUS AREA C	FOCUS AREA D	FOCUS AREA E	FOCUS AREA F
Achieving universal access to quality healthcare	Providing adequate and quality affordable housing to poor, low- and middle-income households	Creating safer living environments for thriving communities	Improving road safety and emergency services to reduce fatalities	Enculturating the spirit of 1Malaysia to foster social cohesion and national unity	Promoting sports for healthy living and unity

Performance of Selected Outcomes

During the review period, various initiatives and efforts have been carried out to improve the wellbeing of the *rakyat* in the six focus areas. Eleven selected outcomes were targeted, of which six were on track while five still face challenges. The progress of the selected outcomes for the six focus areas is as shown in *Exhibit 3-2*.

Exhibit 3-2

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance



Notes: [1] MyWI is not part of the selected outcomes.

Creating safer living environments for thriving communities

Annual reduction in index crime (SDG 16)
- 5.0% (2016-2020)
- 7.3% (2016-2017)

Perception of feeling safe (SDG 16)
- 60.0% (2020)
- 63.0% (2017)

Optimise police response time (SDG 16)
- 8 minutes (2020)
- 11 minutes (2017)

Improving road safety and emergency services to reduce fatalities

Optimise emergency response time (SDG 3&9)
- 8 minutes (2020)
- 14.5 minutes (2017)

Road fatalities index per 10,000 registered vehicles (SDG 3&9)
- 2.0 (2020)
- 2.34 (2017)

Enculturating the spirit of 1Malaysia to foster social cohesion and national unity

Number of schools with *Kelab Rukun Negara* (SDG 16)
- 6,800 (2020)
- 6,338 (2017)

Original Target / Performance

Performance of Focus Area

Under the six focus areas, several strategies and initiatives were identified to support the deliverables of the selected outcomes. The highlights of the key results by focus area are as follows:

Focus Area	Key Result, 2016-2017
A Achieving Universal Access to Quality Healthcare	**Enhancing targeted support** • 153 public hospitals and specialised medical institutions and 2,863 health clinics established as at end 2017 • 204 mobile clinics, 361 *Klinik 1Malaysia*, 11 *Klinik Bergerak 1Malaysia* (20 teams) and flying doctor services operated by 12 teams to deliver services in rural and remote areas as at end 2017 • 133 health clinics established domiciliary healthcare team in providing basic healthcare at home • 96 health clinics established the primary healthcare team **Improving delivery system for better health outcomes** • The Fees (Medical) Order 1982[1] revised and new fee structure introduced in 2017 for selected healthcare services to reduce financial burden of the Government while ensuring quality healthcare • Implementation of the National Plan of Action for Nutrition of Malaysia III, 2016-2025, National Strategic Plan for Non-Communicable Diseases, 2016-2025 and National Strategic Plan for Active Living, 2017-2025 **Expanding capacity to increase accessibility** • Introduced 14 initiatives under the Specialist Retention Package • The lean management[2] practices expanded to 36 public hospitals. For example, the waiting time to see doctor at green zone, emergency department reduced by 3 minutes from 40 minutes to 37 minutes Notes: [1] The fee for Class 1 Ward was increased by 50%, while Class 2 Ward increased by 25%. There are no fee changes for Class 3 Ward. [2] The lean management practices in public hospitals is an initiative to improve efficiency by simplifying work processes to reduce waiting time, patient flow and recurring processes in emergency department and medical wards.

Focus Area	Key Result, 2016-2017
	• The cluster hospital[3] concept expanded to 7 public hospitals **Intensify collaborations to increase health awareness** • The *Komuniti Sihat Pembina Negara* (KOSPEN) programme to promote active and healthy lifestyle covered 720,760 persons in 7,000 localities • IMFree programme rolled out in 351 public primary schools and pre-schools to create awareness among students about the danger of smoking • 5.5% of *Tabika Jabatan Kemajuan Masyarakat* (KEMAS) implemented the *Tunas Doktor Muda*[4] programme in 2016 and extended to 4.2% of pre-schools under the Ministry of Education in 2017 Notes: [3] Cluster hospital concept aims to optimise the use of health facilities and overcome the shortage of specialists in non-specialist hospitals. [4] In *Tunas Doktor Muda* programme, students were taught good health practices on personal hygiene, nutrition, physical activities as well as maintaining a healthy environment.

The provision and improvement of various primary healthcare services and facilities contributed towards a better quality of healthcare services, supported by the continuous review and formulation of related legislations and policies. Moreover, further initiatives to enhance human capital were undertaken to ensure sufficient supply of competent and skilled healthcare personnel. The National Plan of Action for Nutrition of Malaysia III, 2016-2025, highlighted the importance of nutrition in preventing and controlling diet-related non-communicable diseases (NCDs) as well as strengthening food security and nutrition. Meanwhile, the National Strategic Plan for Non-Communicable Diseases, 2016-2025, provides a roadmap to reduce preventable and avoidable burden of NCDs by year 2025. In addition, the National Strategic Plan for Active Living, 2017-2025, which consists a comprehensive set of policies, programmes and initiatives, was designed to increase and support active lifestyle of Malaysians. Nevertheless, the increasing trend of NCDs, communicable diseases (CDs) and maternal mortality ratio (MMR) per 100,000 live birth, as well as inadequate public healthcare facilities and services posed challenges to public health and healthcare service delivery.

Focus Area	Key Result, 2016-2017

B **Providing Adequate and Quality Affordable Housing to Poor, Low- and Middle-Income Households**	**Increasing access to affordable housing for targeted groups**
	• 450,610 units or 69% of the targeted 653,000 houses at various stages of implementation
	• 139,329 units or 30.9% of the 450,610 units were completed. Among the units completed under various initiatives:
	  – States Government Housing Programme: 32,862 units
	  – *Syarikat Perumahan Negara Berhad*: 31,421 units
	  – *Program Perumahan Rakyat*: 20,381 units
	  – Private developers: 13,967 units
	  – *Perbadanan PR1MA Malaysia*: 11,484 units
	  – *Program Bantuan Rumah*: 10,919 units
	• My First Home Scheme and the First House Deposit Financing Scheme benefitted 2,598 and 1,474 buyers, respectively
	• 1,432 units of houses provided for youth and young married couples under the *Rumah Transit 1Malaysia* programme
	• 2,713 poor and low-income households benefitted under the Rent-to-Own Programme
	Strengthening planning and implementation of public affordable housing
	• *Sistem Bank Data Perumahan Negara* developed by National Housing Department enable data sharing among agencies and state government and improve the coordination as well as implementation of public affordable housing programmes in suitable locations
	• 458 public affordable houses built on waqf land through smart partnership between *Jabatan Wakaf, Zakat dan Haji* and other institutions such as state Islamic religious councils, *Yayasan Waqaf Malaysia, Lembaga Tabung Haji*, private developers and financial institutions

Focus Area	Key Result, 2016-2017
	Encouraging the provision of environment-friendly facilities for enhanced liveability Implementation of *Program Penyenggaraan Perumahan* in 42 public low- and medium-cost housing projects benefitted 90,760 households Implementation of *Tabung Penyelenggaraan 1Malaysia* in 134 private low- and medium-cost housing projects benefitted 238,566 households

Various affordable housing programmes, especially public housing, have contributed to the increase in house ownership among the poor, low- and middle-income households. Home ownership of the bottom 40% of household income group (B40 households) in urban areas rose from 66.1% in 2014 to 73.2% in 2016. The affordability of B40 households to own a low-cost house has improved in almost all states in 2016, where the housing affordability indicator showed that the price of low-cost houses were less than three times the annual median income of the B40 households. Nevertheless, the situation is dire in four states namely Federal Territory of Kuala Lumpur, Pulau Pinang, Sabah and Sarawak.

Insufficient affordable housing in urban areas is still a concern among the middle 40% household income group (M40 households) due to the rising prices of houses and rentals. In general, the M40 households could afford to own low-cost houses and single-storey houses in almost all states but they face serious affordability problems if they want to upgrade to double-storey terrace houses. Existing housing programmes provided by public agencies tend to target the B40 households and less for the M40 households. Hence, the M40 households especially the bottom half of the group is stuck in the housing issue where they are neither eligible to buy the low-cost houses nor can they afford to buy other houses which prices have risen drastically.

Focus Area	Key Result, 2016-2017
Creating Safer Living Environments for Thriving Communities	**Enhancing crime prevention** • Construction of 29,400 metres of walkway and installation of 1,919 street lamps, 363 warning signboards and 61 anti-crime safety mirrors in crime prone areas under the *Pemutihan* Black Spot initiative • Malaysia's ranking improved from Tier 3 in 2014 to Tier 2 in 2017 under the United States Trafficking in Persons (USTIP) Report **Promoting crime prevention awareness** • 238 CyberSAFE awareness programmes to inculcate responsible use of internet and social media benefitted 42,938 participants • 7,478 awareness programmes by AMANITA to provide housewives with personal safety information on crime prevention • 4,314 programmes by National Anti-Drugs Agency to increase awareness on preventing drug abuse **Enhancing treatment, rehabilitation and post rehabilitation programmes** • 5,119 inmates completed training in various fields • 346 parolees employed in manufacturing and plantation sectors • 277 drug addicts employed after completion of the Cure and Care Vocational Centre training programme • Low recidivist rate for Community Rehabilitation Programme at 0.38% and Parole System at 0.42%

The implementation of various crime prevention efforts such as Omnipresence Programme, Safe City Programme and community crime watch programme resulted in a safer living environment. These efforts contributed to an average 7.3% decline annually in the index crime[2] during the review period. A public survey on the perception of feeling safe conducted in 2017 in the states of Pulau Pinang, Johor, Selangor and Federal Territory of Kuala Lumpur indicated that 63% of the public perceived safer living environment as compared to the target of 60% in 2020. However, new forms of threats such as cybercrime and terrorism need to be continuously addressed to ensure a safer living environment and public order.

[2] Index crime represents 13 types of violent and property crime, namely murder, rape, gang robbery with firearm, gang robbery without firearm, robbery with firearm, robbery without firearm, injuring, thefts, car thefts, motorcycles thefts, van/lorry/heavy vehicles thefts, snatch thefts as well as housebreaking and thefts.

Focus Area	Key Result, 2016-2017
D **Improving Road Safety and Emergency Services to Reduce Fatalities**	• Road fatalities index reduced from 2.59 per 10,000 registered vehicles in 2016 to 2.34 in 2017 • More than 20% reduction of accident rate due to road improvements at 10 black spot locations • The revised Road Safety Education Module piloted at 24 primary schools nationwide benefitted 2,448 students • Emergency response time reduced from an average of 20 minutes in 2015 to 14.5 minutes in 2017

The implementation of various initiatives and programmes during the review period has contributed towards improvement of road safety as shown in the reduction of the road fatalities index. Despite the reduction in road fatalities from 7,152 in 2016 to 6,740 in 2017, this figure is still high compared to other countries. The main contributor was the behaviour of road users and to a lesser extent, poor road conditions as well as unroadworthy vehicles.

In this regard, initiatives and programmes in addressing road safety and improving road conditions would be ineffective if the poor attitude and reckless behaviour of road users remain entrenched. In addition, efforts to improve the response time for emergency services were partly hampered by lack of civic mindedness among road users.

Focus Area	Key Result, 2016-2017
E **Enculturating the Spirit of 1Malaysia to Foster Social Cohesion and National Unity**	• 177,000 social integration and unity programmes conducted through sports, volunteerism, education, arts and culture as well as charity activities. Main programmes include FitMalaysia, *Kelab Rukun Negara, Rukun Tetangga*, Voluntary Patrol Scheme, National Service Training Programme, National Day celebration and KOSPEN • The Societal Stress Index recorded 11.5 cases per million population in 2017 compared with 9.6 cases per million in 2015 • 7,947 *Rukun Tetangga* and 6,338 *Kelab Rukun Negara* established as at end 2017

Implementation of various efforts and initiatives in strengthening social cohesion and fostering national unity have brought Malaysians from all walks of life together. This is evident through events and activities which united the *rakyat* including sports, festivals, disaster relief and charity. Nevertheless, there are still concerns on the impact of social polarisation as well as the presence of various education systems which affects national unity. In addition, the involvement of corporate sector in fostering national unity is still not encouraging. Meanwhile, the Societal Stress Index which measures the level of societal tension in the country increased to 11.5 cases per million population in 2017 compared with 9.6 cases in 2015. Despite the increase, it was still lower than the national threshold of 18 cases. This score indicated that social order was stable and portrayed a culture of tolerance among Malaysians.

Focus Area	Key Result, 2016-2017
F **Promoting Sports for Healthy Living and Unity**	• More than 10 million participants in the FitMalaysia, *Hari Sukan Negara* and *Liga Sukan untuk Semua* programmes across the country • The percentage of Malaysians embracing sports culture improved from 41% in 2016 to 59.8%[1] in 2017 • 5 million students participated in the *1Murid 1Sukan* programme • Enhancement of sport facilities, including the upgrading of Kuala Lumpur Sports City and Juara Stadium Bukit Kiara and the completion of the National Velodrome for the Kuala Lumpur Southeast Asian (SEA) Games 2017 and the Kuala Lumpur ASEAN Para Games 2017 • Malaysian athletes won 4 silver and 1 bronze medals in the Olympic Games 2016, and 3 gold and 1 bronze medals in the Paralympic Games 2016 at Rio de Janeiro, Brazil • 18 Malaysian athletes became world champions in aquatics-diving, bowling, para-athletics, para-badminton, *silat*, track cycling and wushu • Malaysia emerged as the Kuala Lumpur SEA Games 2017 champion with a haul of 145 gold medals and finished second in the Kuala Lumpur ASEAN Para Games 2017 with 90 gold medals

Notes: [1] *Kajian Budaya Bersukan Rakyat Malaysia 2017* by Intitute for Youth Research Malaysia, Ministry of Youth and Sports.

Programmes and initiatives to promote sports for healthy living and unity during the review period have exhibited positive results, with most targets expected to be met in the remaining Plan period. This was also evident by the increase in the percentage of Malaysians embracing sports culture, from 41% in 2016 to 59.8% in 2017. In fostering unity and camaraderie through sports, the Kuala Lumpur SEA Games 2017 had attracted more than 10,000 volunteers from all walks of Malaysian society.

Issues and Challenges

Malaysia still faces several issues and challenges in healthcare, housing, crime prevention, road safety, social cohesion and national unity as well as sports despite the progress to raise the wellbeing of the *rakyat* during the review period. Among the main outcomes that require further efforts include providing better healthcare services, provision of more affordable housing as well as ensuring a safer living environment. Greater efforts are also needed to foster unity and adopt a healthy lifestyle through sports among the *rakyat*.

Based on the MyWI, the **health** component index peaked at 114.8 points in 2013 and further moderated to 107.8 points in 2016. The decline was mainly due to the growing burden of NCDs as a result of sedentary lifestyle and unhealthy diet, plateauing of hospital beds to population ratio and rising of MMR per 100,000 live births from 23.8 in 2015 to 29.1 in 2016. Moreover, a number of factors have added strain to the public healthcare sector. Among others are rising demand for better healthcare services, changing diseases pattern, lack of healthcare personnel and inadequate health facilities, particularly in remote areas.

Rising **house** prices and rentals continued to be a major concern as it increases the cost of living as expenditure on housing represents the largest item of the average household. In this regard, the main challenge is inadequate supply of affordable housing as a result of higher construction and land cost. In addition, the mismatch in supply and demand of quality and affordable housing was due to lack of integrated planning and coordination among stakeholders including state governments, developers and related agencies. Moreover, the existing public housing programmes tend to focus more to the B40 households and to a lesser extent for the M40 households, whereas the affordability problem is most dire among the bottom half of the M40 households. In addition, a substantial amount of allocation is needed to subsidise the implementation of affordable housing projects such as *Program Perumahan Rakyat* which is unsustainable in the long run.

Although the index crime decreased during the review period, Malaysia continues to face challenges in **security and public safety**, from internal and external threats. Among the challenges are the ever-shifting trends in crime, enforcement issues, cybercrime, terrorism and extremism. Moreover, drug addiction also continues to be a national threat, particularly among youth. The number of new drug addicts remained high at 18,440 in 2017, mainly due to the emergence of and easy access to new synthetic drugs. Trafficking in persons remained a major concern following Malaysia's ranking downgraded to Tier 2 (Watch List) in USTIP Report 2018. In addition, 147 convicted cases recorded in 2017 compared to 100 cases in 2016.

Continuous efforts through **road safety** campaigns as well as improving road conditions in accident prone areas have reduced the number of road fatalities. Nevertheless, challenges remain in changing the mindset and behaviour of road users. Meanwhile, efforts to improve response time of emergency services also faced challenges as a result of limited resources, lack of precise information on accidents and traffic congestion.

Fostering **national unity** in Malaysia's multiracial society remains a challenge due to polarisation and various forms of socioeconomic disparities across regions and ethnicities. Furthermore, the process of social integration lacks effective engagement and interaction among communities in promoting unity and tolerance. Meanwhile, advancement in technology has enabled wider and rapid dissemination of information, particularly through social media. However, irresponsible action of certain individuals and groups in spreading seditious materials and fake news can create anxiety and disharmony among the *rakyat*. This is exacerbated when readers assume whatever information received through social media as the truth.

Inculcating **sports culture** among Malaysians remains a challenge due to sedentary lifestyle and lack of awareness on the importance of active and healthy lifestyle. This was further compounded by lack of work-life balance as well as the lack of access to sports and recreational facilities. Meanwhile, areas of concern in the development of sports include ineffective talent identification mechanism, low utilisation of sports science in athlete development, poor management of national sports associations, and slow growth of the sports industry.

Conclusion

During the review period, Malaysia experienced an overall improvement in the wellbeing of the *rakyat*. This is in relation to among others, increasing access to quality healthcare and affordable housing, and safer living environments. In addition, better sports participation, road safety and emergency services as well as stronger social cohesion and national unity contributed to the wellbeing improvement. However, issues and challenges remain in addressing areas such as growing burden of diseases, housing affordability and ever-shifting trends in crime. Moving forward, the implementation of strategies will be reinforced with the introduction of new initiatives and priorities in uplifting the wellbeing of the *rakyat*.

Accelerating Human Capital Development for an Advanced Nation

4

Introduction

The Eleventh Malaysia Plan, 2016-2020 sets out key strategies to enhance human capital development to meet the needs of an advanced nation. These strategies take into account the changing needs arising from the emergence of global megatrends such as disruptive technologies, shifts in demographics towards greater urbanisation and ageing population. These developments will significantly change the structure of future jobs, skills requirement and demand on the education system. During the review period, 2016-2017, Malaysia has maintained full employment while improving labour productivity. Achievements were also made in mainstreaming and broadening access to quality Technical and Vocational Education and Training (TVET) programmes, expanding lifelong learning programmes and improving the quality of education as well as global ranking of local universities. Despite these achievements, major challenges persist in terms of low creation of skilled jobs, slow wage growth, low female labour force participation rate as well as high youth unemployment. In addition, TVET landscape remains fragmented, while issues such as low student performance, existence of dilapidated schools and quality of graduates have raised concerns.

Past Performance, 2016-2017

During the review period, various initiatives under four focus areas have been undertaken to enhance human capital development where steady progress was recorded towards achieving the targets of the Eleventh Plan. The four focus areas are as follows:

FOCUS AREA A
Improving labour market efficiency to accelerate economic growth

FOCUS AREA B
Transforming TVET to meet industry demand

FOCUS AREA C
Strengthening lifelong learning for skills enhancement

FOCUS AREA D
Improving the quality of education for better student outcomes and institutional excellence

Performance of Selected Outcomes

Eight outcomes were identified where six outcomes were on track in achieving the target. These include labour productivity growth, intake of school leavers pursuing TVET after *Sijil Pelajaran Malaysia* (SPM) and student enrolment from preschool to secondary level. Two outcomes were below target, namely raising monthly median wage and positioning two universities in the top 100 of the QS World University Rankings. The performance of the selected outcomes is as shown in *Exhibit 4-1*.

Exhibit 4-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Improving labour market efficiency to accelerate economic growth

Labour productivity growth (SDG 8)
- Original Target: 3.7% (2016-2020)
- Performance: 3.7% (2016-2017)

Compensation of Employees to GDP (SDG 8)
- Original Target: 40.0% (2020)
- Performance: 35.2% (2017)

Monthly median wage (SDG 8)
- Original Target: RM 2,500 (2020)
- Performance: RM 1,890 (2017)

Transforming TVET to meet industry demand

Intake of SPM leavers into TVET programmes (SDG 4)
- Original Target: 225,000 (2020)
- Performance: 169,242 (2017)

Strengthening lifelong learning for skills enhancement

Increase in number of employees benefitted from expansion of the PSMB Act, 2001 (SDG 4)
- Original Target: 58.0% (2020)
- Performance: 20.7% (2017)

Improving the quality of education for better student outcomes and institutional excellence

Malaysia aims to be at least on par with the international average in TIMSS and PISA assessment (SDG 4)
- Original Target: ✓ (2020)
- Performance: National score increased but below international average (2017)

Student enrolment for preschool and secondary level (SDG 4)
- Original Target: 100% (2020)
- Performance: 90.9% (preschool) 91.3% (secondary) (2017)

2 universities in the top 100 of the QS World University Rankings (SDG 4)
- Original Target: Top 100 (2020)
- Performance: 1 university in Top 200 (2017)

Original Target   Performance

Performance of Focus Area and Game Changer

During the review period, achievements of key focus areas for human capital development have been encouraging. Malaysia made notable progress in maintaining full employment as well as improving labour productivity and wages. At the same time, the governance structure of TVET has been enhanced while the coverage of lifelong learning programmes has been expanded. The quality of education system and ranking of local universities at the global level have also improved. The key results of the focus area and game changer are as follows:

Focus Area	Key Result, 2016-2017
A **Improving Labour Market Efficiency to Accelerate Economic Growth**	• Malaysia maintained full employment at unemployment rate of 3.4% in 2017 • Composition of skilled workers increased from 26% in 2015 to 28% in 2017 • Participation of employers in the Productivity-Linked Wage System (PLWS) increased from 78,962 in 2015 to 81,057 in 2017 • Female labour force participation rate increased from 54.1% in 2015 to 54.7% in 2017 • Composition of low-skilled foreign workers to total labour force decreased from 17% in 2015 to 11% in 2017 • Critical Occupations List, 2017/2018 published as a guide to address mismatch in the labour market. This list identifies jobs that have difficulties of being filled due to shortage of qualified candidates • *Skim Latihan 1Malaysia* (SL1M) benefitted 35,240 graduates to gain on-the-job training experience and improved employability

Labour market conditions have recorded overall improvements, particularly in increasing labour productivity and maintaining low unemployment rate. However, participation of female in labour force remained low due to unattractive labour market conditions including unattractive wages, high presence of low-skilled foreign workers and skills mismatch. In the skilled category, slow growth of job creation has suppressed growth in wages and productivity as well as increased incidences of underemployment[1].

[1] Underemployment refers to the condition of employee with higher education qualification who works below the qualification level.

Focus Area	Key Result, 2016-2017
B **Transforming TVET to Meet Industry Demand** Game Changer	**TVET governance** • Harmonised accreditation system developed and incorporated into the revised Malaysian Qualifications Framework • Platform for harmonised rating system developed for both public and private TVET institutions based on Star Rating System under the Ministry of Human Resources and MyTVET Instrument under the Ministry of Education **Quality and delivery of TVET programmes** • TVET institutions offered specialised programmes in niche areas including aerospace, automotive and furniture manufacturing • TVET institutions collaborated actively with more than 100 companies benefitted more than 10,000 trainees • Flexible training approach implemented in the form of modular courses and short-term training • National Dual Training System (NDTS) benefitted 20,975 trainees including 8,054 youth under the Special NDTS in 2017 • TVET Graduate Tracer Study System developed in 2017 and rolled-out to all TVET institutions • Contestable funding programme and matching grants introduced to promote industry-based training programmes benefitted 4,760 trainees in 2017 **Quality instructors** • Instructors with Vocational Instructor Certification increased by 52% from 3,063 in 2015 to 5,868 in 2017 • eProfiling System developed to register and collect information on the skills and competencies of TVET instructors, registered more than 20,000 instructors from 700 public training institutions as of 2017 • Industrial Attachment Training Programme introduced in 2017 benefitted 217 instructors

Focus Area	Key Result, 2016-2017
	Student intake • Intake of TVET students increased from 163,269 in 2016 to 169,242 in 2017 **Rebranding TVET** • Establishment of Malaysia Board of Technologists in 2016 to recognise technologists and TVET practitioners • TVET Malaysia launched in 2017 to streamline the management and implementation of TVET programmes by various ministries

Transforming TVET by enabling an industry-led approach is crucial to produce skilled human capital that meets the industry demand and supports the migration of activities in all economic sectors towards knowledge-intensive activities. In this regard, TVET was identified as a game changer to accelerate the development of skilled human capital. Several initiatives have been implemented including the launch of TVET Malaysia in 2017 to mainstream and rebrand TVET. The Ministry of Human Resources (MoHR) was mandated to lead TVET Malaysia in formulating a comprehensive TVET master plan by 2020 and promoting TVET-related jobs as the preferred choice.

The number of school leavers pursuing TVET after SPM increased marginally by 3.7% to 169,242 in 2017. To improve the intake, ministries and agencies have been promoting TVET through various platforms and programmes. For example, SkillsMalaysia under MoHR has intensified TVET awareness through activities such as roadshows, campaigns and participation in competitions at national and international levels.

Towards the establishment of a harmonised accreditation system for academic and TVET stream, the Department of Skills Development (JPK) under the MoHR and Malaysian Qualifications Agency (MQA) under the Ministry of Education have revised and developed a more comprehensive Malaysian Qualifications Framework (MQF). The framework serves as a reference on the pathways for technical education and skills training, and establishes a uniform definition for TVET. The revised MQF adopted the Code of Practice for TVET Programme Accreditation while the Joint Technical Committee was established to oversee policies pertaining to accreditation of TVET, which include mobility of students between TVET institutions.

The involvement of the industry is crucial in developing the industry-led curriculum as well as enabling the instructors to leverage industry expertise to improve the effectiveness of teaching and learning in the TVET institution. Thus, in addressing skills gap to meet industry requirements, Industry Lead Bodies (ILBs) play a significant role to provide input in developing curriculum content. During the review period, an additional nine ILBs have been formed and 1,819 National Occupational Skills Standard (NOSS) have been developed. The Centre for Instructor and Advanced Skill Training (CIAST) has also developed the eProfiling System, which serves as a database on skills and competencies of all TVET instructors.

Focus Area	Key Result, 2016-2017
C **Strengthening Lifelong Learning for Skills Enhancement**	• Lifelong learning programme under the *Pelan Induk Pembelajaran Sepanjang Hayat Peringkat Nasional* 2011-2020 benefitted 2.3 million participants in 2016 • The coverage of the *Pembangunan Sumber Manusia Berhad* Act 2001 expanded to include more subsectors except construction and finance • The number of employees eligible for training under Human Resources Development Fund (HRDF) increased from 1.8 million in 2015 to 2.1 million in 2017 • HRDF collaborated with SME Corp to provide training to small and medium enterprises (SMEs) not covered under the PSMB Act 2001, benefitted 6,697 employees in 2016-2017

The lifelong learning programme, a collaboration of 14 ministries under *Pelan Induk Pembelajaran Sepanjang Hayat Peringkat Nasional* 2011-2020, aims to continuously upgrade and improve the skills and knowledge of Malaysians. The expansion of the *Pembangunan Sumber Manusia Berhad* (PSMB) Act 2001 has enhanced the role of Human Resources Development Fund (HRDF) as the main body in upskilling and reskilling of the workforce. The first schedule of the PSMB Act 2001 was amended in 2017 to expand its coverage to include additional services subsectors. This effort also aims to streamline the feasibility criteria for small and medium enterprises.

Focus Area	Key Result, 2016-2017
D **Improving the Quality of Education for Better Student Outcomes and Institutional Excellence**	**Basic education** • The performance of students in the TIMSS 2015[1] improved, compared with the previous cycle in 2011, with higher mean scores for mathematics and science • Performance of students in the PISA 2015[2] improved, compared with PISA 2012 • 1,321 School Improvement Specialist Coaches (SISC+) and 345 School Improvement Partners (SIPartners+) deployed to provide coaching to selected teachers and principals • Number of students enrolled in preschool was 407,785 in 2017 • Total of 2.7 million students enrolled in 7,985 primary schools and 2.2 million students in 2,835 secondary schools in 2017 Notes: [1] TIMSS is conducted by International Association for the Evaluation of Educational Achievement (IEA) once every four years since 1995. TIMSS 2015 is the latest cycle. [2] PISA is conducted by Organisation for Economic Co-operation and Development (OECD) once every three years since 2000. PISA 2015 is the latest cycle.

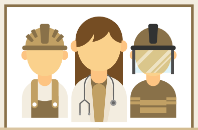
Focus Area	Key Result, 2016-2017
	Higher education • Enrolment across all levels of study in Institutions of Higher Education (IHE) increased from 1.2 million in 2015 to 1.3 million in 2017 • Enrolment of international students in IHE increased from 122,061 in 2015 to 136,293 in 2017 • Composition of academic staff with PhD qualification in public universities increased from 43.7% in 2015 to 48.5% in 2017 • Composition of students trained under structured entrepreneurial education increased from 34.6% in 2015 to 60% in 2017 • RM1.6 billion of research grants distributed to fund 12,851 projects, which produced 11,428 postgraduate students, 11,683 publications and 819 intellectual properties • Four additional public universities given autonomy status, totaling to 17 out of 20 public universities

The quality of basic education system which covers preschool, primary and secondary continuously improved by enhancing access to equitable education opportunities. The enrolment rate for preschool education remained high at 90.9%. Meanwhile, the enrolment rate for primary level continued to improve from 97.2% in 2015 to 97.9% in 2017 and continued to maintain universal enrolment[2] rate. At the secondary school level, the enrolment rate increased from 88.3% in 2015 to 91.3% in 2017. In addition, several initiatives were carried out to improve the quality of education for better student outcomes and institutional excellence. School-based assessment was implemented with strong emphasis on higher order thinking skills (HOTS). HOTS was integrated in the curriculum, assessment, pedagogy and co-curricular activities to inculcate a thinking culture. Furthermore, the science, technology, engineering and mathematics (STEM) education was improved to enhance existing curriculum in schools. The expected outcome aims to improve the performance of students to achieve at least on par with the international average score in Trends in International Mathematics and Science Study (TIMSS) and Programme for International Student Assessment (PISA).

The focus of higher education aspires to improve student outcomes, empower governance of public universities, strengthen Industry Centres of Excellence (ICoE)[3] and establish local universities of global repute. Among salient achievements in higher education during the review period include increased graduate employability rate and enrolment in public and private universities as well as better ranking of public universities in the global standing. Meanwhile, the quality of academicians in public universities has improved as reflected by the higher number of academic staff with PhD qualification. In addition, the number of publications and citations from research produced by public universities has also increased.

[2] Universal enrolment refers to enrolment rate which has reached at least 95% based on the definition by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) Institute for Statistics.
[3] The ICoE programme creates an avenue for industry players to establish laboratories and teaching facilities within the universities to provide students with exposure to the latest technologies.

Issues and Challenges



Labour Market

In order for the **labour market** to operate more efficiently and support economic growth, issues and challenges such as skilled composition of jobs, reliance on low-skilled foreign workers, youth unemployment, graduate underemployment and low female labour force participation rate need to be addressed. There is also a mismatch between demand and supply in the labour market. This is particularly evident in the skilled job category where only 112,300 jobs were created as compared to 306,808 graduates produced by IHE in 2017. The number of registered[1] foreign workers reduced from 2.1 million in 2015 to 1.8 million in 2017. However, dependency on low-skilled foreign workers was still high in several sectors, including construction at 28.3%, agriculture at 25.8%, and manufacturing at 25.7%.

Malaysia continued to attain full employment with 3.4% unemployment rate. However, the unemployment rate among youth (aged 15-24 years) increased from 10.7% in 2015 to 10.8% in 2017, which was equivalent to 283,000 youth including fresh graduates. In addition, 146,000 or 40.4% of total youth graduates in 2016 were employed in semi-skilled job category, implying underemployment. Female labour force participation rate grew strongly during the Tenth Malaysia Plan, from 46.8% in 2010 to 54.1% in 2015 but subsequently increased marginally to 54.7% in 2017. Based on the Labour Force Survey 2017, there were still 4.8 million women in the working age category outside of labour force. This number represented 67.5% of the total working age population who are outside of labour force, compared to only 32.5% who are men. This indicates underutilised potential human capital.

Notes: [1] The data of registered foreign workers is based on the amount of *Pas Lawatan Kerja Sementara* issued by the Ministry of Home Affairs.

TVET

The existence of two accreditation bodies, namely the MQA and JPK, has led to differing standards, rating systems and quality of the **TVET** programmes. TVET diploma graduates with JPK accredited programmes still have limited access to pursue higher education at degree level. This is due to the JPK curriculum which emphasises on practical components, thus perceived as less academically inclined as well as different quality assurance mechanism between MQA and JPK. On the other hand, TVET diploma graduates from MQA accredited institutions have better opportunities to pursue higher education in IHE. Due to these differences, graduates of JPK accredited programmes are perceived to be disadvantaged in terms of opportunity for further study, employment prospect and starting salary.

The TVET landscape is fragmented as TVET programmes are offered by various institutions such as agencies under different ministries, state skills development centres and private institutions. The TVET programmes offered by these institutions are often similar but with varying standards and lack areas of specialisation. Although TVET graduates and practitioners are classified as technologists, they are not fully recognised by the industry. Hence, TVET graduates are not recognised as professionals and are unable to demand higher wages. As a result, 72% of TVET graduates received a starting salary of less than RM1,500 monthly[1]. In addition, the lack of practical industry exposure among TVET instructors in public institutions affected the effectiveness of the TVET training.

Notes: [1] Based on Study on the Demand and Supply of Human Capital Requirements on TVET, 2016.

Lifelong Learning

Currently, **lifelong learning** initiatives are being implemented by various ministries and agencies for Malaysians aged 15 years and above, those who have dropped out of formal education as well as for those who are employed, unemployed and retired. However, these initiatives lack of coordination in terms of planning and implementation. This is exacerbated by the absence of an effective regulatory framework. Thus, there is a need to ensure programmes are coordinated effectively and resources are utilised optimally. There is also a lack of proper recognition by employers to incentivise employees to undertake lifelong learning. In addition, the uptake of lifelong learning programmes is hampered by the lack of information dissemination, promotion and industry involvement. Meanwhile, the PSMB Act 2001, that regulates lifelong learning programme for Malaysian workers, does not comprehensively cover all economic sectors.

Education

The enrolment rate in preschool for 2017 was below the targeted national rate, mainly due to the lack of awareness on the importance of preschool **education**. Although the enrolment rate at the lower secondary level was at 95.6%, the upper secondary level for Form 4 and Form 5 enrolment rate recorded a lower percentage at 84.8%. This implies that students are opting out from continuing their secondary education in upper secondary level.

There still remain many dilapidated schools in rural areas especially in Sabah and Sarawak despite the continuous investment in the physical infrastructure in education sector. This situation poses many challenges to both teachers and students as it affects the quality of teaching and learning. Students need to learn in a safe, hygienic and conducive environment to improve their academic performance.

Performance of students in the TIMSS and PISA has raised concerns on the quality of the education system. The achievement in TIMSS 2015 was lower than the target of 500 points despite the increase in scores compared to the previous cycle in 2011[1], with 465 points for mathematics and 471 points for science. Meanwhile, the international average for PISA 2015 was 490 for mathematics and 493 for both reading and science. Malaysia scored lower than the international average, with 446 points for mathematics, 431 points for reading and 443 points for science, despite recording improvements in all the domain subjects as compared to the previous cycle in 2012[2].

Notes: [1] The scores for TIMSS 2011 at national level were 440 for mathematics and 426 for science.
[2] The scores for PISA 2012 at national level were 421 for mathematics, 398 for reading and 420 for science.

Higher Education

Graduate employability rate for **higher education** has improved steadily over the years from 76.1% in 2015 to 79.1% in 2017. Nevertheless, feedback from industry highlighted that graduates lacked problem solving and communication skills. Moreover, the percentage of graduates employed in the semi-skilled job category increased from 28.2% in 2015 to 35.2% in 2017 implying a mismatch and underemployment.

Meanwhile, the research, development and innovation (R&D&I) activities undertaken by IHE are uncoordinated and fragmented due to lack of collaboration between academia, industry and public research institutions. In addition, industry has yet to fully leverage the capabilities and expertise in ICoE of IHE. Even though there is a marked increase in publications, intellectual properties and postgraduates, utilisation of R&D&I output by IHE remains low. In terms of governance among 17 public universities with autonomy status, challenges remain in the areas of operation, management and financial sustainability. There is also a need of a more balanced representation of professionals and industry in the governing board of universities.

Conclusion

Some progress was made during the review period, particularly in increasing labour productivity and wages, strengthening TVET, expanding lifelong learning and improving the quality of education. However, several issues and challenges need to be addressed, including the need to improve labour market efficiency, transform the TVET and education system and further strengthen lifelong learning programmes. Therefore, concerted efforts are needed to accelerate human capital development to meet the requirements of an advanced nation.

Pursuing Green Growth for Sustainability and Resilience

5

Introduction

Malaysia is committed to pursuing green growth and has continuously undertaken efforts to achieve a low-carbon, resource-efficient, resilient and sustainable economy in the Eleventh Malaysia Plan, 2016-2020. A green growth trajectory will safeguard the country's natural endowments for future generations, reduce greenhouse gas (GHG) emissions and improve environmental quality for better wellbeing. During the review period, 2016-2017, measures were undertaken to strengthen enabling environment for green growth, adopt sustainable consumption and production (SCP) concept, conserve natural resources and strengthen resilience against climate change and natural disaster. Nonetheless, challenges remain in improving the quality of environment and safeguarding natural resources, particularly in terms of insufficient integrated planning, coordination and enforcement; limited indigenous green technology; low awareness on environmental issues; and unsustainable development.

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

Past Performance, 2016-2017

Environmental sustainability is no longer seen as a trade-off but as a prerequisite for sustained economic growth. As such, embarking on green growth as a game changer is a shift from the conventional development path towards a more environment-friendly trajectory. During the review period, various initiatives were undertaken to pursue green growth through four focus areas as follows:

FOCUS AREA A
Strengthening the enabling environment for green growth

FOCUS AREA B
Adopting the sustainable consumption and production concept

FOCUS AREA C
Conserving natural resources for present and future generations

FOCUS AREA D
Strengthening resilience against climate change and natural disasters

Performance of Selected Outcomes

Programmes and initiatives were implemented in pursuing green growth, namely adopting SCP concept, conserving natural resources, addressing climate change and environmental pollution as well as reducing disaster risks. The Eleventh Plan identified nine outcomes, four of which have been achieved, four outcomes are on track and one has not achieved significant progress. The selected outcomes and performance are as shown in *Exhibit 5-1.*

Exhibit 5-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Adopting the sustainable consumption and production concept

SDG 13

Up to 40%
2020

26.8%
2014[1]

Reduction in GHG emissions intensity to GDP relative to the level in 2005

SDG 12

At least 20%
2020

21.0%
2017

Government green procurement of selected green products and services

SDG 7

DSM Master Plan
2020

DSM Preliminary Study
2017

Completed Demand Side Management (DSM) Preliminary Study as part of DSM Master Plan

SDG 12

22.0%
2020

24.6%
2017

Recycling rate[2] of household waste

SDG 7

2,080 MW[3]
2020

7,260 MW
2017

Renewable energy[4] installed capacity

Notes: [1] Based on data availability for analysis by the Ministry of Natural Resources and Environment. United Nations Framework Convention on Climate Change (UNFCCC) allows a maximum of four years lag for greenhouse gas (GHG) data analysis for reporting.
[2] Recycling rate is the percentage of recycled material collected or processed by recycling manufacturer over the estimated solid waste generated during the year.
[3] megawatt.
[4] The increase in the total installed capacity of renewable energy is based on the adoption of the ASEAN definition of renewable energy by Malaysia in 2016 which takes into account all types of hydro energy in the calculation without limiting their capacities.

Conserving natural resources for present and future generations

SDG 15
At least 17% (2020)
13.2% (2017)
Terrestrial and inland water areas gazzetted as protected areas

SDG 14
At least 10% (2020)
3.4% (2017)
Coastal and marine areas gazzetted as protected areas

Strengthening resilience against climate change and natural disasters

SDG 13
2 million (2020)
1.2 million (2017)
People protected through flood mitigation projects

SDG 13
Disaster Risk Management (2020)
National Disaster Management Agency (2015)
National Disaster Management Agency[5] established

Original Target
Performance

Notes: [5] National Disaster Management Agency (NADMA) was established in October 2015 (after the launching of the Eleventh Malaysia Plan in May 2015) with the objective to manage and coordinate efforts against disasters as well as in reducing disaster risks in the country.

Performance of Focus Area and Game Changer

In line with the commitment to the 2030 Agenda for Sustainable Development of the United Nations (UN), Malaysia tabled the Voluntary National Review to the UN High Level Political Forum in New York, United States of America in 2017. At the same time, the Sustainable Development Goals (SDGs) Roadmap Phase 1, 2018-2020, is being developed to align the implementation of the 17 SDGs with the Eleventh Plan. In addition, the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC) was signed and ratified in 2016 with a commitment to reduce 45% of the GHG emissions intensity to gross domestic product (GDP) by 2030 relative to the level in 2005. Subsequent to adoption of the Sendai Framework for Disaster Risk Reduction by UN member states in 2015 in Japan, Malaysia established the National Disaster Management Agency (NADMA) as a national focal point for disaster risk management.

In mitigating climate change, SCP concept were adopted across various sectors for efficient use of natural resources and reducing GHG emissions. Current focus is on creating green markets, enhancing demand side management (DSM) for energy, increasing renewable energy (RE) share in generation mix, encouraging low-carbon mobility and managing waste holistically. In increasing adaptive capacity of community against the impact of climate change, programmes to address flooding and coastal erosion as well as development of early warning systems, hazard maps and risk maps were undertaken. Meanwhile, in terms of natural resources conservation, there was an increase in the permanent reserved forests and marine protected areas gazetted as well as formulation of a new policy and legislation to strengthen governance related to the natural resource management.

The key results by focus areas for green growth as game changer are as follows:

Focus Area	Key Result, 2016-2017
Strengthening the Enabling Environment for Green Growth Game Changer	**Governance** Policy, regulatory and institutional framework • Establishment of the National Disaster Management Agency • Establishment of the National Committee on Waste Management • Establishment of the Planning and Development for Environment Statistics Committee • Establishment of 3 committees on Government green procurement • Launching of the Green Technology Master Plan, 2017-2030, in 2017 • Formulation of government green procurement long term action plan • Launching of the National Policy on Biological Diversity, 2016-2025, in 2016 • Access to Biological Resources and Benefit Sharing Act 2017 (Act 795) passed by Parliament

Focus Area	Key Result, 2016-2017
	Monitoring and evaluation mechanism - Establishment of the Green Economy Indicators Malaysia - Establishment of the Roadmap for System of Environmental-Economic Accounting (MySEEA), 2016-2020 - Completion of MySEEA Water Account and Physical Supply and Use Table for Energy in 2017 **Sustainable financing mechanism** Tax incentive for green projects approved under Promotion of Investments Act 1986 and Income Tax Act 1967 - 83 renewable energy solar projects with total investment of RM652.8 million - 6 renewable energy biomass projects with total investment of RM344 million - 11 recycling projects with total investment of RM979 million - 2 integrated waste management projects with total investment of RM382 million Financing from green *sukuk* - The first green *sukuk* launched with an initial value of RM250 million in 2017, with an additional issuance of RM1 billion Green Technology Financing Scheme (GTFS) - 94 projects received financing offer under GTFS during the review period, amounting to RM1.1 billion, in addition to 225 projects amounting to RM2.5 billion between 2010-2015 **Awareness for shared responsibility** Initiative to increase natural resources security - First National Tiger Survey is being implemented to determine tiger population in collaboration with the Department of Wildlife and National Parks (DWNP), World Wide Fund for Nature (WWF-Malaysia) and Wildlife Conservation Society (WCS). As of 2017, an area covering 22,000 square kilometre have been surveyed

Focus Area	Key Result, 2016-2017
	Initiatives to enhance awareness and preparedness against disasters • 4 Local Disaster Risk Management Plan (LDRMP) developed for local governments • 10 LDRMP developed for hospitals and health centres • 100 community-based LDRMP developed for villages and settlements • Disaster awareness programmes conducted in 500 schools • Tsunami training and awareness programme organised with selected schools in Kuala Muda, Kedah **Initiatives to enhance awareness on climate change** • Organised the annual Earth Hour City Challenge • Organised the annual climate change dialogue **Initiatives to enhance awareness on waste reduction, reuse and recycling (3R)** • Organised 3R programmes in schools and kindergartens • Establishment of teaching module to promote recycling activities in schools • Organised talks and exhibitions on 3R for college and university students, the private sector and non-governmental organisations

During the review period, the focus was on setting the foundation for the implementation of green growth initiatives through the establishment of numerous committees as well as formulation of policies, legislations and action plans. These were to enhance coordination between stakeholders, enable effective problem solving and expedite implementation. Meanwhile, NADMA was established to enhance disaster risk management, including risk reduction. This is done through collaboration with various government agencies, statutory bodies, private sector and non-governmental organisations (NGO) and communities throughout the pre-, during and post-disaster stages. Such collaboration enables effective utilisation of existing manpower and assets among various stakeholders. Focus was also given to establish green indicators to support monitoring and evaluation of green growth initiatives.

Sustainable financing mechanisms, such as the green *sukuk* was introduced to finance green projects, while Green Technology Financing Scheme (GTFS) was introduced to encourage the development of green technologies and green industries. Meanwhile, various efforts were made to enhance awareness towards creating a sense of shared responsibility among all stakeholders. Several initiatives related to natural resource security, preparedness and disaster risk reduction as well as climate change were implemented.

Focus Area	Key Result, 2016-2017
B **Adopting the Sustainable Consumption and Production Concept** **Game Changer**	See below

Creation of green market

- Government green procurement (GGP)
  - All ministries and agencies implemented GGP in 2017
  - 20 products and services endorsed for green procurement in 2017
  - GGP value of RM137.7 million in 2016 and RM286.3 million in 2017
- Green product and services
  - Green products and services registered in the MyHijau recognition scheme by GreenTech Malaysia increased from 221 in 2016 to 1,029 in 2017
  - Eco-labelling criteria developed by SIRIM for 81 types of products and 113 products certified as Ecolabel by SIRIM as of 2017
- Green buildings
  - Launching of Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST[1]) in 2016
  - 54 building projects registered for green building certification under MyCREST
  - 50 qualified professionals accredited by Construction Industry Development Board (CIDB) to monitor the construction of buildings registered for MyCREST
  - 25 qualified MyCREST assessors were accredited by CIDB
  - MyCREST portal being developed

Energy

- Enhancing Demand Side Management
  - National Energy Efficiency Action Plan (NEEAP) rolled out in 2016
  - Implementation of audit, retrofit and energy management projects under NEEAP for 13 government, 103 industrial and 84 commercial buildings
  - Completion of the Preliminary Study on Demand Side Management in 2017

Notes: [1] MyCREST (Malaysian Carbon Reduction and Environmental Sustainability Tool), a sustainability rating tool introduced by the Ministry of Works through the Public Works Department and the Construction Industry Development Board, aims to quantify and lower the carbon footprint of construction projects, by guiding the design, construction and operation of buildings in a low-carbon and sustainable manner.

Focus Area	Key Result, 2016-2017

	- Completion of the study on Combined Heat and Power Policy Framework for Malaysia in 2017
	- Establishment of the Energy Performance Contracting Fund to finance energy-efficient projects in building sector in 2017
	Low-carbon mobility
	- Energy efficient transport
	  - Completion of Light Rail Transit 2 (LRT 2) , extension of Kelana Jaya and Ampang lines in 2016
	  - Completion of Mass Rapid Transit (MRT) 1, from Sungai Buloh-Kajang in 2017
	  - Construction of the MRT 2 from Sungai Buloh-Serdang-Putrajaya commenced in 2016
	- Adoption of higher fuel standards
	  - Voluntary implementation of EURO 5 for diesel by petrol station owners in Peninsular Malaysia in 2016
	  - Continuation of B7 bio-diesel programme (blending of 7% palm methyl ester), with 351,873 tonnes of palm methyl ester utilised in 2016
	Waste management
	- Reduce, reuse and recycle of household waste
	  - Recycling rate of household waste increased from 15.7% in 2015 to 24.6% in 2017
	  - Improvement of public access to recycling facilities in stratified housing areas through provision of 2,460 recycling cages in 2016
	  - 7 sanitary landfills in operation in 2017 in addition to existing 11 sanitary landfills that contributed towards better management of waste

A proactive approach was adopted to catalyse the creation of green market by implementing Government green procurement where 21% procurement of selected 20 products and services were green in 2017 against the target of 20%. In line with the launching of MyCREST in 2016, all government building projects worth RM50 million and above are mandated to adopt the MyCREST, in a bid to reduce carbon emissions in the construction industry. These approaches show government efforts to lead by example on its commitment towards reducing GHG emissions as a whole. However, the limited availability of green products and services hampered efforts towards greening the market.

In the energy sector, focus has shifted from increasing supply to meet demand towards reducing energy consumption through the implementation of energy-efficient and conservation initiatives under the National Energy Efficiency Action Plan. In this regard, studies were also completed to guide the formulation of an energy efficiency and conservation act. Meanwhile, energy-efficient initiatives undertaken in the transport sector to encourage low-carbon mobility, among others, included the extension of LRT 2 and commissioning of MRT 1, which is to reduce dependency on private vehicles. However, measures towards making the transportation sector more environment-friendly need to be stepped up despite the rolling out of higher fuel standards on a voluntary basis since 2016 and introduction of cleaner fuels.

Enforcement of waste separation at source in 2015, partly contributed to the increase in household waste recycling rate from 15.7% in 2015 to 24.6% in 2017. However, this level is still very low despite the fact that recycling initiatives have been promoted in Malaysia since the 1990s. Malaysia is far behind compared with developed countries. A report by the European Environment Agency in 2017 revealed that municipal solid waste recycling rate in 2015 was highest in Germany (66%), followed by Austria (57%), Slovenia (54%), Switzerland (53%) and Belgium (53%). The low recycling rate in Malaysia indicates that there are still large portions of solid waste being disposed in landfills, thus giving pressure to provide more sanitary landfills.

Focus Area	Key Result, 2016-2017
Conserving Natural Resources for Present and Future Generations **Game Changer**	**Conservation of natural resources**

- Gazettement of terrestrial, inland water and marine protected areas
  - Total terrestrial and inland water areas gazetted as protected areas increased from 12.1% in 2015 to 13.2% in 2017
  - Total coastal and marine areas gazetted as protected areas increased from 1.1% in 2013 to 3.4% in 2017
    - Gazettement of 8,987 square kilometres of the Tun Mustapha Park in Sabah as a marine protected area in 2016
  - 2,697 hectares gazetted as new protected areas in addition to existing 24,211 hectares (18,866 hectares in Perak, 4,396 hectares in Kedah and 949 hectares in Pahang) under the Central Forest Spine initiative[1]
  - 210,867 hectares (127,865 hectares in Sabah and 83,002 hectares in Sarawak) gazetted as new protected areas in addition to existing 2,254,245 hectares (1,779,030 hectares in Sabah and 475,215 hectares in Sarawak) under the Heart of Borneo initiative
- Restoration, protection and reforestation
  - 11,425,356 trees planted by Forestry Department of Peninsular Malaysia and related agencies in collaboration with the private sector, non-governmental organisations, local governments as well as local communities
  - Documentation of 10,495 biodiversity specimen collections which include 6,924 floras, 1,634 fungi and insects as well as 1,915 faunas

Notes: [1] Areas of Central Forest Spine initiative include (i) Banjaran Titiwangsa-Banjaran Bintang-Banjaran Nakawan; (ii) Taman Negara-Banjaran Timur; (iii) South East Pahang wetlands, Chini Lake and Bera Lake; and (iv) Endau Rompin Park-Kluang Wildlife Reserve, covering most states in Peninsular Malaysia.

The new National Policy on Biological Diversity, 2016-2025 was launched in 2016 as a guide for a more sustainable biodiversity management. The policy provides clear targets, actions and timelines for the implementation of conservation, sustainable utilisation and the sharing of benefits from natural resources in a fair and equitable manner. It also supports the efforts to fulfill the obligation under Aichi Biodiversity Targets which requires at least 17% of terrestrial and inland water areas as well as at least 10% of coastal and marine areas to be gazetted as protected areas. However, currently only 3.4% of coastal and marine areas was gazetted as protected areas. This calls for the active involvement of all stakeholders, including state governments, as well as the establishment of appropriate financial instruments, similar to payment for ecosystem services, to fund biodiversity conservation efforts.

The total forest cover area is at risk of reduction due to conflicting priorities between conservation efforts and socioeconomic development needs. Thus, restoration and reforestation measures, namely the replanting of 1,640 hectares of trees for degraded areas is in progress. As for the marine areas, live coral cover of total coral areas decreased from 47.3% in 2015 to 44.5% in 2016. This is caused among others by climate change impacts, marine pollution, unsustainable coastal development and fisheries activities that are detrimental to marine areas. This indicates that the existing efforts are insufficient and all relevant parties need to work together to restore the increasingly degraded terrestrial, inland waters, coastal and marine areas as well as to protect other existing areas by minimising threats.

Focus Area	Key Result, 2016-2017
Strengthening Resilience Against Climate Change and Natural Disasters **Game Changer**	**Climate change adaptation** • 13 coastal erosion prevention and rehabilitation projects implemented in critical coastal areas, particularly in Johor, Pahang, Perak, Sarawak and Terengganu to address severe coastal erosion • Completion of the National Coastal Erosion Study in 2017 to assess and update coastal erosion-related data • Coastal areas planted with mangroves and other suitable species increased from 2,502 hectares in 2015 to 2,711 hectares in 2016 • Development of a National Water Balance Management System involving 18 river basins • Implementation of Peatland Fire Prevention Programme in Johor, Kelantan, Negeri Sembilan, Pahang, Sabah, Sarawak, Selangor and Terengganu to reduce the risk of peatland fires during dry season **Disaster risk management** • Publication of Malaysia National Annex to Eurocode 8: Design of structures for earthquake resistance Part 1: General rules, seismic actions and rules for buildings • Seismic Hazard Map of Malaysia published in 2017 • An integrated weather and flood forecasting as well as early warning system for flood is being developed

Focus Area	Key Result, 2016-2017
	• Development of risk maps for active faults in selected areas in Negeri Sembilan, Pahang, Perak, Sabah, Sarawak, Selangor and Terengganu • 6 flood mitigation projects completed in Negeri Sembilan, Pulau Pinang and Terengganu • 69 new flood mitigation projects approved nationwide • Development of the second phase for Flood Masterplans and Hazard Maps

Measures to increase resilience and adaptive capacity to climate change are complementary to disaster risks reduction measures. These measures aim to reduce economic and social losses as well as provide multidisciplinary approaches to combat climate change and disaster risks in a holistic manner. Among the ongoing measures include coastal erosion prevention and rehabilitation programmes, development of the National Water Balance Management System (NAWABS[1]) and implementation of the Peatland Fire Prevention Programme.

Efforts to protect and rehabilitate coastal areas from erosion include construction of coastal erosion prevention structures such as bunds, groynes and rock revetments as well as plantation of mangroves and other suitable species. The National Coastal Erosion Study that was completed in 2017 also reviewed the effectiveness of existing guidelines for erosion control and provided appropriate recommendations. NAWABS is being developed to help water managers identify and account for available water resources and enable water use optimisation based on demand and priorities. It enables water availability prediction two months ahead of a crisis. In addition, the Peatland Fire Prevention Programme is being continuously implemented as peatland is extremely flammable when dry. The programme helps in preventing the occurrence of haze and emissions of GHG, subsequently contributing towards better air quality.

Uncontrolled development and non-compliance to development guidelines have been linked to an increase in the occurrences of disasters such as flooding and landslides. The increase in the occurances of disasters which adversely affect economic activities, putting lives at risk and causing extensive damage to infrastructure, as well as public and private properties. Malaysia faced its worst flooding disaster between December 2014 to January 2015, with Kelantan, Terengganu, Pahang and Perak being the worst-hit states and affecting more than 200,000 people. In 2017, Pulau Pinang experienced severe flash floods affecting about 12,000 people, as well as a landslide in Tanjung Bungah, which claimed 11 lives. In this regard, flood mitigation programmes will continue to be prioritised and to date, 1.2 million people benefited from the programme.

An integrated weather and flood forecasting as well as early warning system for flood is being developed as part of the efforts in managing flood. In facilitating better decision making for land development, the Seismic Hazard Map of Malaysia was launched in 2017, while the risk maps for active faults, flood and landslides are being developed. In line with international standards, Malaysia National Annex to Eurocode 8: Design of structures for earthquake resistance Part 1: General rules, seismic actions and rules for buildings was published in 2017 to increase resilience of buildings against earthquakes.

[1] NAWABS is a comprehensive water resources management instrument that facilitates an integrated approach to ensure the sustainability of water resources by providing updated information on water availability, water demand, options for water transfer, water storage and allocation as well as the integration of surface water and groundwater.

Issues and Challenges

Numerous efforts were undertaken to strengthen the enabling environment for green growth. However, several issues and challenges pertaining to insufficient integrated planning, coordination and enforcement; limited indigenous green technology; low awareness on environmental issues; and unsustainable development continue to persist and needs to be addressed.

Comprehensive **policy planning and coordination** is hampered as the environmental agenda covers jurisdictions of various ministries and agencies as well as state and local governments. Inadequate and uncoordinated efforts by these stakeholders to review existing policies and legislations have contributed to ineffective planning and inability to translate national policies into action in line with the environmental agenda. In certain cases, conflicting priorities between the national and state development agenda further dampened efforts to address environmental issues and conserve natural resources.

Constraints in the **enforcement of environmental legislation** are attributed to the limited capacity and capability of enforcement agencies, including insufficient personnel and equipment. Ineffective enforcement has led to the over-exploitation of natural resources. Rare and valuable plants and wildlife in protected areas are illegally harvested or poached, traded and smuggled out of the country. These have threatened the survival of vulnerable and endangered species, resulting in the loss of valuable flora and fauna resources.

A systematic mechanism has yet to be established to **report, monitor and evaluate** the effectiveness of the implementation of environment-related policies and programmes, as well as efforts to reduce disaster risks. Currently, data collection is fragmented, undertaken on an ad hoc basis and not widely shared between agencies. Official data that is not updated, unavailable and inaccessible have led users to rely on unofficial sources of information, which resulted in inaccurate assessment of environmental conditions.

Insufficient basic and applied **research and development (R&D)** in the fields of environment, natural resource, climate change and disaster risks as well as low commercialisation of indigenous green technology have also constrained efforts towards green growth. This was attributed to the lack of interest and awareness on the need for R&D and the limited funds for R&D activities. Furthermore, financial institutions are more risk averse in financing the development or acquisition of green technology due to lack of knowledge and expertise in the evaluation of green projects.

The **level of awareness** and understanding among the public on environmental issues and the role of natural resources in providing ecosystem services[2] is still low. Environmental education in school has not been translated into habits and culture, which is imperative in changing the mindset and behaviour as well as to inculcate sustainable lifestyle amongst the younger generation. In addition, community involvement and shared responsibility are still insufficient, particularly in addressing environmental issues and cleanliness.

Climate change, environmental degradation and natural disaster are generally perceived as environmental issues, but in reality, they are mainly caused by **uncontrolled and unsustainable development** activities. Uncontrolled development and non-compliance to development guidelines resulted in difficulties to manage and curb activities that are detrimental to the environment. Unsustainable production processes are closely related to the inefficient use of resources, including raw materials, energy and water. A large number of small and medium enterprises continue to practice unsustainable production processes, mainly due to the low tariff rates of utilities as well as the absence of requirement to comply with international green standards and the lack of awareness on efficient use of resources. These unsustainable development activities have led to high emissions of GHG and other pollutants as well as substantial generation of wastes.

Fossil fuels, namely coal, natural gas and oil remain as major sources in the generation mix, despite the impact on the environment. However, coal still becomes the preferred fuel for base load operation due to lower market prices over rising natural gas prices. This situation comes as a result of the Government's strategy on gradual removal of natural gas subsidy.

[2] Based on the United Nations Environment Programme (UNEP), ecosystem services are the benefits people obtain from ecosystems. These benefits include provisioning services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services such as nutrient cycling that maintain the conditions for life on Earth.

Conclusion

Continuous efforts were undertaken to lay the foundation for a low-carbon, resource-efficient, resilient and sustainable economy during the review period. The adoption of SCP concept at all levels and across various economic sectors have led to higher environmental and economic gains by reducing inefficiencies in the management of resources. Nevertheless, challenges remain in addressing natural resources degradation, climate change and other environment-related issues, involvement from stakeholders as well as mindset and behavioural changes towards sustainable lifestyle. As such, intensified efforts are needed to further strengthen the governance of environmental management to support green growth, ensure sustainability of natural resources as well as enhance resilience against climate change and natural disasters.

Strengthening Infrastructure to Support Economic Expansion

6

Introduction

In the Eleventh Malaysia Plan, 2016-2020, infrastructure development continues to be given emphasis to support economic growth and enhance the wellbeing of the *rakyat*. During the review period, 2016-2017, greater investment in infrastructure has improved access to better road network, affordable public transport as well as adequate coverage of digital infrastructure and utilities. Despite the progress, there remain issues and challenges that need to be addressed. Limited maintenance due to inadequate financial resources has affected the quality of infrastructure. Financial constraints also hampered development of new and upgrading of infrastructure. In addition, high cost and low returns from investment on public transport development and telecommunication network made investment less attractive to service providers. Limited supply of raw water and fuel sources also pose a challenge in ensuring reliable and sustainable service delivery.

Past Performance, 2016-2017

During the review period, network expansion of essential infrastructure such as road, rail, water and electricity were undertaken to support economic growth and ensure the wellbeing of the *rakyat*. At the same time, priority was given to delivering high quality and better services such as provision of modern transport and logistic services, broadband connectivity, implementation of digital terrestrial television (DTT) and promotion of renewable energy. In this regard, various initiatives were implemented through the five focus areas as follows:

FOCUS AREA A
Building an integrated need-based transport system

FOCUS AREA B
Unleashing growth of logistics and enhancing trade facilitation

FOCUS AREA C
Improving coverage, quality and affordability of digital infrastructure

FOCUS AREA D
Continuing the transition to a new water services industry framework

FOCUS AREA E
Encouraging sustainable energy use to support growth

Performance of Selected Outcomes

In the Plan period, 13 selected outcomes were identified, of which two outcomes surpassed the Plan targets, eight were on track while three faced challenges. The performance of the selected outcomes and key results of the five focus areas is as shown in *Exhibit 6-1*.

Exhibit 6-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Building an integrated need-based transport system

40.0% 2020 | 21.0% 2017
Public transport modal share in GKL/KV

MAVCOM 2020 | Established MAVCOM 2016
Malaysia Aviation Commission (MAVCOM) as newly established regulator on 1 March 2016

Unleashing growth of logistics and enhancing trade facilitation

8.5% 2016-2020 | 6.0% 2016-2017 (SDG 9)
Growth of transport and storage subsector

Top 10 2020 | 32 2016
World Bank Logistics Performance Index ranking

Continuing the transition to a new water services industry framework

25.0% 2020 | 35.2% 2016 (SDG 6)
Non-revenue water

80.0% 2020 | 67.9% 2016 (SDG 6)
Sewerage connected services coverage, especially in main cities

99.0% 2020 | 95.7% 2016 (SDG 6)
Population served by clean and treated water

Improving coverage, quality and affordability of digital infrastructure

95.0% — 2020
92.1% — 2017
Populated areas covered by broadband infrastructure

1.0% — 2020
1.1% — 2017
GNI per capita for fixed broadband cost

46 areas — 2020
15 areas — 2017
Digital terrestrial television (DTT) roll-out

Encouraging sustainable energy use to support growth

7,626 MW[1] — 2020
3,825 MW — 2017
New power generation installed capacity in Peninsular Malaysia

300,000 BPD[2] — 2019
93% Completed — 2017
Additional oil refining capacity upon completion of plant, currently at 93%

3.5 MTPA[3] — 2020
3.5 MTPA — 2017
Additional LNG[4] import capacity through Regasification Terminal 2 in Pengerang, Johor

Original Target
Performance

Notes: [1] MW – megawatts
[2] BPD – barrels per day
[3] MTPA – million tonnes per annum
[4] LNG – liquefied natural gas

Performance of Focus Area

During the review period, achievements were made in terms of expansion of transport network, access to clean and treated water, installation of new power plants as well as increase in coverage, affordability and quality of broadband. The highlights of key results by focus area are as follows:

Focus Area	Key Result, 2016-2017
A **Building an Integrated Need-Based Transport System**	• Completion of Mass Rapid Transit 1 and Light Rail Transit 2 enabling easier movement of people and provide connectivity within Klang Valley • Upgrading of Langkawi International Airport to increase airport capacity and passenger comfort from 1.5 million passengers per annum (mppa) currently to 3 mppa in 2019 • Channel deepening and capacity expansion works at Northport, Westports and Pelabuhan Tanjung Pelepas to cater for bigger vessels with carrying capacity of 19,000 to 22,000 twenty-foot equivalent units (TEUs) • Established the Malaysian Aviation Commission in 2016 to regulate economic and commercial aviation matters • The 18 km Duta-Ulu Kelang Expressway (DUKE) Phase 2 consist of Tun Razak Link and Sri Damansara Link started operation in October 2017, catering almost 39,400 average traffic daily • 4 expressways in Klang Valley are under construction and expected to be completed by 2020 • The Central Spine Road and Kota Bharu-Kuala Krai Highway are under construction and expected to be completed by 2025 • The Pan Borneo Highway in Sabah and Sarawak are under construction and expected to be completed by 2022 and 2021, respectively

During the review period, development of highways was mainly focused in areas outside of Klang Valley such as the Central Spine Road from Bentong, Pahang to Kuala Krai, Kelantan and connected further with Kota Bharu-Kuala Krai Highway to enhance connectivity between corridors and major towns. In addition, the Pan Borneo Highway initiated in 2015 provides road connectivity from Sindumin to Tawau, in Sabah and Telok Melano to Limbang in Sarawak. Several highways are also in various stages of construction within Klang Valley, namely the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), Damansara-Shah Alam Elevated Expressway (DASH), East Klang Valley Expressway (EKVE) and Setiawangsa Pantai Expressway (SPE). These highways, once completed, will improve road connectivity and alleviate traffic movement, especially during peak hours.

Two main rail projects were successfully completed during the review period, namely Mass Rapid Transit 1 (MRT 1) and Light Rail Transit 2 (LRT 2). The MRT 1 stretches from Sungai Buloh to Kajang, involving 51 km of rail network and connecting 31 stations. The current ridership for MRT 1 is 180,000 commuters per day, which is far from the projected ridership of 400,000 commuters per day. The LRT 2 line extension from Kelana Jaya and Seri Petaling to Putra Heights, completed the loop between Kelana Jaya and Ampang lines. Despite the completion of these projects, the public transport modal share was only 21% in 2017, posing a challenge to achieve the 40% target by 2020. The low public transport modal share was attributed to several factors such as inadequate connectivity, accessibility and reliability of the public transport services.

The Malaysian Aviation Commission (MAVCOM) established in 2016, regulates national aviation industry, improves capacity of operators and manages competitions through issuance of licences and allocation of routes. MAVCOM introduced the new Passenger Service Charge (PSC) regulation with effect from 1 January 2017, to ensure pricing of PSC takes into account passenger needs and airport operator cost to reduce financial burden of the Government. In addition, the efficiency and effectiveness of the aviation industry has improved further through the upgrading of airport infrastructure and improvement of the system. The ongoing upgrading of Langkawi International Airport, Kedah is expected to enhance airport services capacity and aircraft movements once completed in 2019.

The trend in shipping line focuses on pursuing greater economies of scale to generate lower unit cost by using mega vessels with high carrying capacity of up to 22,000 TEUs. Accessibility and capacity of ports were improved by undertaking channel deepening to at least 18 meters and capacity expansion works to accommodate mega vessels. Capacity expansion works undertaken include building additional berths and wharfs at Northport and Westports in Port Klang, Selangor as well as Pelabuhan Tanjung Pelepas (PTP) in Gelang Patah, Johor.

Focus Area	Key Result, 2016-2017
B **Unleashing Growth of Logistics and Enhancing Trade Facilitation**	• Amendment of the Land Public Transport Act 2010 to include regulation and monitoring of off-dock depots • Processing time for Customs advance ruling for Harmonised Commodity Description and Coding System (HS Code) reduced from 150 to 90 days • Halal certification approval time at main ports and airports reduced from 50 to 10 days • Processing time for charter flights landing permits reduced from 7 to 3 days and number of documents reduced from 10 to 3 • Process improvement initiative under Digital Free Trade Zone (DFTZ) reduced processing time for air cargo clearance from 6 to 3 hours for the pilot project in KLIA

The transport and storage subsector, which is a component of the services sector, grew at 6.0% in 2017 compared to 5.8% in 2015. In 2017, the subsector contributed about 3.6% or RM42 billion to gross domestic product (GDP), and 6.6% to the services sector. Despite the higher growth, the share of transport and storage subsector to GDP remains unchanged from 2016 to 2017 mainly due to slow global economic growth, stiff competition from neighbouring countries as well as inefficient and complicated cargo clearance procedures. Furthermore, major cargo ship liners have upgraded to vessels with larger capacity greater than 19,000 TEUs and posed challenges to ports such as Port Klang and PTP, which currently can only handle vessels up to 12,000 TEUs. In addition, the formation of strategic alliances including mergers among shipping lines has posed challenges to Malaysian ports. In particular, a merger between two shipping lines has bypassed Port Klang and PTP as a preferred hub, due to pricing and less attractive services in terms of technology, cargo handling and clearance facilities.

The ranking for Malaysia in the World Bank Logistics Performance Index 2016 dropped from 25th in 2014 to 32nd in 2016 due to a drop in all six indicators, namely clearance process, infrastructure, logistics services, tracking and tracing, pricing and timeliness. Meanwhile, the National Logistics Task Force (NLTF) established in 2015 aimed to foster growth, meet new industry demands and provide a platform to deliberate and propose policies affecting the logistics industry. However, NLTF was ineffective in coordinating and collaborating with respective stakeholders to address crucial issues, such as on regulatory barriers, complicated cargo clearance, last mile connectivity in Port Klang and low adoption of technology.

Focus Area	Key Result, 2016-2017
C **Improving Coverage, Quality and Affordability of Digital Infrastructure**	• All states in Peninsular Malaysia except Federal Territories[1] have gazetted the amended Uniform Building By-Laws (UBBL) which requires the installation of communication infrastructure in all new commercial and residential development • 480,084 High Speed Broadband 2 (HSBB 2) ports and 366,294 Suburban Broadband (SUBB) ports deployed. The national broadband penetration rate for both fixed and mobile services increased from 99.7 per 100 inhabitants in 2015 to 117.3 in 2017 • Mandatory Standards on Access Pricing (MSAP) reviewed to reduce the fixed broadband price effective January 2018 in order to increase affordability • Mandatory Standards on Quality of Services (QoS) improved to increase quality of network services and enhance consumer protection • Digital terrestrial television (DTT) infrastructure completed in 15 new areas, extending nationwide coverage from 85.9% in 2015 to 91.2% in 2017 Notes: [1] The gazetting of amended UBBL for Federal Territories is in progress.

The international bandwidth connectivity to last mile connections improved with the completion of six submarine cables[1] coupled with the expansion of the High Speed Broadband 2 (HSBB 2), Suburban Broadband (SUBB) and wireless broadband nationwide. However, the broadband coverage remains inadequate in rural areas, primarily due to high deployment cost and low return on investment (ROI). Meanwhile, the fixed broadband cost of gross national income (GNI) per capita is competitive and comparable to other Southeast Asian countries. Nevertheless, the broadband cost is relatively higher in terms of per megabits per second in the region. As for DTT migration, the analogue switch off (ASO) was rescheduled in line with the completion of ASO within the ASEAN region in 2020, allowing stakeholders to be more prepared for digital broadcasting environment. This will offer new value added and interactive services, which includes e-Learning applications, e-Shopping, interactive and online games as well as web TV, to enhance users' experience.

Focus Area	Key Result, 2016-2017
D **Continuing the Transition to a New Water Services Industry Framework**	• Water services sector in Kelantan migrated to an asset-light business model to improve the operator's financial situation and services efficiency • Joint-billing piloted in Federal Territory of Labuan has shown improvement in collection of sewerage charges by 33.4% • Upgrading of 4 existing water treatment plants has increased the production capacity by 221 million litres per day • Implementation of holistic Non-Revenue Water Reduction Programme aimed to further reduce loss of treated water to 25% of total treated water produced by 2020 • Completion of 181 public sewerage treatment plants has improved coverage of sewerage services

Delivery of water services to the *rakyat* was continuously enhanced through improvements in the operations and services of water operators. In this regard, in 2016, Kelantan joined the six states, namely, Johor, Melaka, Negeri Sembilan, Perak, Perlis and Pulau Pinang, which have already restructured the water services. Meanwhile, Kedah and Selangor are in the process of finalising the restructuring exercise. The restructuring, among others, provides alternative financing of assets by the Pengurusan Aset Air Berhad for operators opting an asset-light business model. States that have migrated to the new water regime are also entitled to receive grants from the Federal Government for the development of water resources, such as construction of dams and reservoirs.

[1] The international submarine cable landing stations are located in Kuala Muda, Kedah; Pengkalan Balak, Melaka; Kuantan and Cherating, Pahang; Kuala Kurau, Perak; and Kota Kinabalu, Sabah; whereas the domestic submarine cable landing stations are located in Mersing, Johor; Kuching, Bintulu and Miri, Sarawak; Kota Kinabalu, Sabah; and Cherating, Pahang.

The joint-billing for water and sewerage services piloted in Federal Territory of Labuan witnessed a 33.4% increase in sewerage charges collection within the first year of implementation in 2016. In addition, a holistic Non-Revenue Water (NRW) Reduction Programme was introduced nationwide in 2017 to further reduce the level of NRW. The programme also involved the replacement of old pipes, tanks and water meters. Concurrently, the development of geographical information system was initiated to map water distribution pipes for accurate detection of pipe locations.

Efforts were also undertaken to improve the resources and services infrastructure capacity by upgrading existing or constructing new and integrated water treatment plants (WTPs). Focus was given to high density areas or areas with water reserve margin below 10%. Through these efforts, 221 million litres per day was added to the existing capacity through upgrading of four WTPs in Negeri Sembilan, Perak, Pulau Pinang and Sarawak. The population served with piped water has also increased from 95.5% in 2015 to 95.7% in 2016. In addition, alternative water supply systems such as tubewell and gravity water were provided in areas with limited access to piped water. Meanwhile, the urban sewerage coverage was improved through the completion of 181 public sewerage treatment plants (STPs), contributing to 67.9% of population equivalent (PE) coverage in 2016 as compared to 65% in 2015. The Pantai 2 STP with a design capacity of 1.4 million PE, completed in 2017, is the largest underground STP in the Asia Pacific region. This underground plant enabled 12 hectares of land to be converted into recreational and sports facilities for the local communities.

Focus Area	Key Result, 2016-2017

E
Encouraging Sustainable Energy Use to Support Growth
	• Commissioning of world's first PETRONAS floating liquefied natural gas offshore Bintulu, Sarawak and Regasification Terminal 2 in Pengerang, Johor
	• Construction of Refinery and Petrochemical Integrated Development (RAPID) with the capacity of 300,000 barrels per day in Pengerang, Johor
	• Implementation of Third Party Access (TPA) under the Gas Supply Act 1993 as amended in 2016
	• Commissioning of 6 new power plants with an additional installed capacity of 3,825 megawatts in Peninsular Malaysia
	• Reduction in the number of interruption incidences as measured by the System Average Interruption Duration Index (SAIDI) in 2017 as compared to 2015:
	  ◦ Peninsular Malaysia, 55 minutes per customer per year compared to 60 minutes per customer per year
	  ◦ Sabah, 289 minutes per customer per year compared to 424 minutes per customer per year
	  ◦ Sarawak, 110 minutes per customer per year compared to 144 minutes per customer per year

The country's energy security was further strengthened through continuous investments in the oil and gas upstream infrastructure, which increased the monetisation of the discovered resources. The extracted resources were delivered to customers via the world's first PETRONAS floating liquefied natural gas facility offshore Bintulu, Sarawak as well as the Regasification Terminal 2 and Refinery and Petrochemical Integrated Development (RAPID) projects in Pengerang, Johor. The project has attracted an equity investment of US$7 billion from a Saudi Arabia oil company, the single largest foreign investor in RAPID. The Third Party Access (TPA) regime introduced in 2016 allowed third party players to use gas supply infrastructures such as regasification terminals, transmission and distribution pipelines.

Electricity generation has been enhanced with the additional installed capacity of 3,825 megawatts (MW) through the commissioning of six new power plants in 2017. Continuous effort to strengthen generation as well as transmission and distribution network has improved performance as indicated by the reduced number of interruption incidences measured by the System Average Interruption Duration Index (SAIDI), particularly in Sabah. In September 2017, Malaysia, Lao People's Democratic Republic (Lao PDR) and Thailand concluded an agreement on the importation of 100 MW of hydropower from Lao PDR as part of the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP). This initiative is to further enhance energy security in Malaysia.

Issues and Challenges

Road maintenance are currently done on the basis of corrective maintenance instead of on a regular interval basis. This has led to poorly maintained roads which limit mobility, raise vehicle operating costs and increase accident rate. Alternatively, preventive road maintenance is being implemented on a trial basis to evaluate the effectiveness in reducing maintenance cost as compared to the conventional road maintenance practice. However, the preventive maintenance programme, which uses advanced materials and innovative technology, is costlier and should be weighed against the expected benefits. Moreover, despite improvement of road conditions and blackspots, reckless behaviour and attitude of road users contributed 81% of road fatalities. In addition, there is still unmet demand for road infrastructure among others, due to resource constraint and priorities.

Public transport modal share remains low despite the heavy investment in urban rail and bus services due to a number of factors including poor ridership, preference for own vehicles, lack of demand management measures as well as inadequate connectivity. Over estimation by operators during project planning phase led to unachievable ridership target. In addition, public mindset and reluctance to switch to public transport mode has contributed to the low usage of public transport. Meanwhile, poor provision of travel services by the operators as well as inadequate first and last mile connectivity are among the causes for low ridership.

Capacity expansion for **ports** remains a challenge as port operators are constrained by huge capital investment and lack of land bank. Limited accessibility to ports, poor hinterland connectivity and bad condition of road networks hamper the movement of cargo vehicles. In addition, the lack of an integrated port community system hinders flow of information and data exchange, which causes delays in movement of goods. These issues compounded the inefficiency of port operations.

Planning and development of the **airports** is carried out on ad-hoc basis. This is due to the absence of an overarching masterplan to set the strategic direction for airport development. Lack of clear priority for airport development and expansion has led to inefficient allocation of financial resources and difficulty in assessing proposals from state government to build and expand existing airports. In addition, there are also constraints in terms of operations and infrastructure of rural air services which may affect the safety and security of the short take-off and landing airstrips.

For the **logistics** industry, despite the growth and potential of the industry, there are crucial issues that need to be addressed, including regulatory barriers and weak collaboration among stakeholders. In addition, slow progress of the ubiquitous Customs (uCustoms[2]) system development hamper improvement of cargo clearance work processes. Although various initiatives have been implemented to improve the last mile connectivity to Port Klang, road transport remains the preferred mode of transport for goods as compared to rail, thus worsening road congestion. Furthermore, the industry lacks skilled workforce in areas such as supply chain network, integrated warehouse management and information technology applications. This was further aggravated by the outflow of locally trained and experienced talent to neighbouring countries, which offered higher salaries. Hence, the lack and outflow of skilled workforce affected the adoption of modern technology and productivity of the industry.

High cost and low ROI remains as major challenges in the deployment of **digital infrastructure**, attributing to inadequate broadband coverage, especially in rural areas. The deployment of digital infrastructure is also constrained by several issues including the issuance of the right of way and permits for communication infrastructure by the state governments and local authorities. This has led to variations in quality and cost due to the practice of some state governments imposing exclusivity in the deployment of digital infrastructure. In addition, inconsistent and complicated procedures at the local authority level have contributed to the delays in broadband roll-out.

The high level of NRW remains a major challenge in **water services** industry due to loss of treated water in distribution networks as a result of leakages in pipes and water reservoirs as well as unbilled treated water including water theft, partly contributed by lack of enforcement. This led to lower revenue collection by the water operators and subsequently affected maintenance of water assets which increased the risk of water supply disruptions. Meanwhile, ensuring accessibility of clean and safe water in rural areas, particularly in Sabah and Sarawak remains a challenge due to high cost of infrastructure. The water supply services are further constrained by insufficient supply of freshwater to the treatment plants due to pollution at water sources caused by human activities and environmental factors. In addition, the presence of multiple agencies involved in planning and management of water resources has contributed to inefficient service delivery. Water conservation efforts are also affected by low public awareness and participation. With regard to sewerage services, despite large investment in regional STPs, the reluctance and non-compliance among a large number of property owners, have resulted in low individual sewerage connectivity.

The presence of multiple agencies handling different aspects of **energy sector** such as oil and gas, electricity and regulatory matters has led to fragmented governance and coordination issues that hampered market reforms. This resulted in energy price distortion including natural gas for power and non-power sectors as well as other fuel thus incurring heavy subsidies borne by the government. Meanwhile, the issues confronting the domestic oil and gas subsector are in relation to security and reliability of supply as well as market distortions. With regard to natural gas price for Peninsular Malaysia in 2017, the regulated price was RM22.70 per million British thermal unit (MMBtu) for electricity subsector and RM24.55 per MMBtu for non-electricity subsector. These regulated prices were well below the market price of RM36 per MMBtu despite efforts to rationalise natural gas subsidies. As a result, the cumulative natural gas subsidies since the implementation of regulated gas price in May 1997 until end of 2017, amounted to RM247.8 billion.

The **electricity** subsector faced challenges in delivering reliable and affordable electricity supply to consumers. The electricity generation mix continues to rely heavily on fossil fuel, namely coal, natural gas and oil. Natural gas, being the cleanest fossil fuel, became the preferred fuel in the generation of electricity as it is heavily subsidised. However, the gradual removal of gas subsidies has made coal as the cheapest option to generate electricity and support economic growth but at a higher environmental cost. Nevertheless, the adoption of ultra-supercritical technology in coal-fired power plants has minimised carbon emission.

[2] uCustoms is a fully integrated, end-to-end customs modernisation paperless solution that delivers a single window for goods clearance. It will enable seamless movement of cargo, improve transparency, increase efficiency and reduce cost of doing business.

Conclusion

During the review period, progress was made, particularly in the provision of better road networks, more affordable and integrated public transport, wider coverage of digital infrastructure as well as reliable clean water and energy supply. However, there are challenges and issues that need to be addressed pertaining to governance structure, coverage of services and service efficiency. Efforts need to be intensified to improve various infrastructures in order to increase connectivity, efficiency and productivity as well as enhance service delivery to meet the growing demand and strengthen economic growth.

Re-engineering Economic Growth for Greater Prosperity

7

Introduction

In the Eleventh Malaysia Plan 2016-2020, the thrust on re-engineering economic growth focuses on strengthening the economic foundation to propel Malaysia from a middle-income to a high-income economy premised on innovation, creativity and high value-added activities. In this regard, strategies and initiatives are outlined to accelerate the momentum of economic growth by expanding knowledge-intensive activities, increasing productivity, propelling digital-based activities and producing complex and high value-added products as well as developing regional economic corridors and competitive cities. At the same time, the economic sectors continue to face structural challenges, complex regulatory framework as well as low innovation and technology adoption. There is also a need to upskill the workforce while reducing reliance on low-skilled workers and improve environmentally friendly measures that are sustainable.

Past Performance, 2016-2017

During the review period, 2016-2017, all sectors except agriculture sector, recorded steady progress in the areas of productivity, exports, investment and employment. With favourable income growth and stable labour market conditions, private consumption expanded, which contributed to the expansion of the domestic economy. However, there were cyclical weaknesses in export-oriented sectors, which were largely due to the challenging external environment in 2016 as world demand and trade slowed down. Subsequently in 2017, manufactured exports rebounded strongly while higher commodity prices supported the strong recovery of the agriculture sector. Meanwhile, the regional economic corridors continued to attract investments and create jobs. Various initiatives were implemented through the seven focus areas as follows:

- FOCUS AREA A: Transforming services
- FOCUS AREA B: Energising manufacturing
- FOCUS AREA C: Modernising agriculture
- FOCUS AREA D: Transforming construction
- FOCUS AREA E: Growing dynamic small and medium enterprises (SMEs)
- FOCUS AREA F: Translating innovation to wealth
- FOCUS AREA G: Investing in competitive cities and regional economic corridors

Performance of Selected Outcomes

Efforts to re-engineer economic growth were based on seven focus areas through the implementation of various strategies and initiatives, which were also aligned to meet the Sustainable Development Goals (SDGs). The progress of the selected outcomes and performance are as shown in *Exhibit 7-1*.

Exhibit 7-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Transforming services

SDG 8,9&17

6.9% 2016-2020

5.9% p.a 2016-2017

56.5% 2020

54.5% to GDP 2017

Services sector grew at 5.9% per annum in 2016-2017 and contributed 54.5% to GDP in 2017

Energising manufacturing

SDG 8&9

5.1% 2016-2020

5.2% p.a 2016-2017

22.1% 2020

23.0% to GDP 2017

Manufacturing sector grew at 5.2% per annum in 2016-2017 and contributed 23% to GDP in 2017

Modernising agriculture

SDG 2,6,8, 14&15

3.5% 2016-2020

0.8% p.a 2016-2017

7.8% 2020

8.2% to GDP 2017

Agriculture sector grew at 0.8% per annum in 2016-2017 and contributed 8.2% to GDP in 2017

Transforming construction

SDG 8&9

10.3% 2016-2020

7.1% p.a 2016-2017

5.5% 2020

4.6% to GDP 2017

Construction sector grew at 7.1% per annum in 2016-2017 and contributed 4.6% to GDP in 2017

Growing dynamic SMEs

SDG 8&9

9.3% — 2016-2020

6.2% — 2017

41.0% — 2020

37.1% to GDP — 2017

Value added of SMEs grew at 6.2% and contributed 37.1% to GDP across all sectors in 2017

Translating innovation to wealth

SDG 9

2.0% — 2020

1.4% GERD to GDP — 2016

70.0% — 2020

56.6% BERD to GERD — 2016

Gross expenditure on R&D (GERD) to GDP at 1.4% and business expenditure on R&D (BERD) to GERD at 56.6% in 2016

Investing in competitive cities and regional economic corridors

SDG 8&9

4 cities — 2016-2020

4 cities — 2016-2017

RM 236 billion — 2016-2020

RM 107.2 billion — 2016-2017

City Competitiveness Master Plan studies for the 4 major cities in progress and RM107.2 billion realised investment across 5 regional economic corridors

Original Target   Performance

Performance of Focus Area and Game Changer

Various initiatives were implemented under the strategies outlined in the seven focus areas to re-engineer economic growth for greater prosperity. The highlight of key results by respective focus areas are as follows:

Focus Area	Key Result, 2016-2017
A Transforming Services	Cumulative value added of RM1,241.8 billion Labour productivity growth of 4.6% per annum compared with the targeted growth of 4.1% per annum in the Eleventh Plan 8.8 million employed or 60.6% of the total employment in 2017 Growth of services exports of 8.1% per annum compared with the targeted growth of 6.0% per annum in the Eleventh Plan Contribution of knowledge-driven services subsectors to the total services sector value added was 31.8% in 2017 compared with 31.6% in 2015

The services sector recorded growth at 5.9% per annum during the review period, which is lower than the targeted growth of 6.9% per annum in the Eleventh Plan. The slow pace of growth was mainly due to low level of innovation and productivity improvement as well as the unfavourable oil market prices in 2016. Meanwhile, the share of the services sector to GDP increased from 53.6% in 2015 to 54.5% in 2017, which is on track to reach the target of 56.5% in 2020.

The performance of the services sector in 2017 was at 6.2% compared with 5.3% in 2015, driven by higher domestic consumption and exports of services. The wholesale and retail trade was the main contributor to the services sector value added, valued at RM211.3 billion in 2017 compared with RM185.3 billion in 2015 attributed to improved consumer sentiment and better labour market conditions. Meanwhile, the contribution of finance, insurance, real estate and business services subsector to the services sector value added, stood at RM131.6 billion in 2017 compared with RM119.4 billion in 2015. This subsector benefitted from the strong pick-up in capital market activity, particularly from initial public offerings and corporate bond fundraising. In addition, the transport, storage and communication subsector contributed RM113.1 billion in 2017 to services sector value added compared with RM98.1 billion in 2015, supported by stronger trade, land and air passenger traffic growth as well as higher demand for data communication and computer services.

Malaysia received a total of 25.9 million international tourists in 2017, recording a 0.8% increase compared to 25.7 million in 2015, amidst stiff competition from other neighbouring countries in the ASEAN region. Tourist receipts grew 19.1% to RM82.3 billion in 2017 compared with RM69.1 billion in 2015. In addition, the average length of stay in 2017 for foreign tourists increased to 5.7 nights from 5.5 nights in 2015.

Focus Area	Key Result, 2016-2017
Energising Manufacturing	Cumulative value added of RM524.3 billion Labour productivity growth of 3.9% per annum compared with the targeted growth of 2.6% per annum in the Eleventh Plan 2.4 million employed or 16.8% of the total employment in 2017 Cumulative export of manufactured goods worth RM1,411.6 billion Cumulative approved investment of RM122.2 billion Total manufacturing value added at RM269.8 billion in 2017 compared with RM243.7 billion in 2015 Trade surplus of manufactured exports at RM36.8 billion in 2017 compared with RM24.5 billion in 2015

The growth of the manufacturing sector at 5.2% per annum exceeded the targeted 5.1% per annum during the review period, supported by steady performance of exports and domestic-oriented industries. In 2017, the major contributors were the electrical and electronics (E&E) at 26.5%, chemical and chemical products 10.4% and transport equipment and other manufactures 11.8%, which collectively contributed 48.7% or RM131.4 billion of the manufacturing value added. Manufactured goods continued to register growth and dominated exports mainly as a result of stronger external demand and partly due to the depreciation of the ringgit. In addition, domestic-oriented industries also expanded steadily due to robust construction activities and strong consumer demand. Meanwhile, total approved investment in the manufacturing sector remained resilient, driven by higher demand and improved business confidence among manufacturers. Higher labour productivity was recorded due to increased utilisation of new machineries and innovative technologies as well as improvements in the quality of the workforce and production processes.

Focus Area	Key Result, 2016-2017
C **Modernising Agriculture**	Cumulative value added of RM185.5 billion Contribution of 8.4% to total exports in 2017 compared with 8.7% in 2015 Growth of labour productivity declined by 1.8% per annum compared with the targeted growth of 3.6% per annum in the Eleventh Plan Total value added of agro-based industry worth RM53.7 billion in 2017 compared with RM48.1 billion in 2015 Share of industrial commodity subsector at 60.4% and agro-food subsector at 38.8% in 2017 compared with 61.8% and 37.4%, respectively, in 2015 Food trade deficit increased to RM19 billion in 2017 compared with RM18 billion in 2015

Agriculture sector recorded a slower growth, 0.8% per annum compared with the target of 3.5% in the Eleventh Plan due to volatile commodity prices, major floods and the El-Nino phenomenon, which affected the yield and labour productivity during the review period. The share of agro-food subsector to the total agriculture value added increased marginally to 38.8% in 2017 and is unlikely to achieve the target of 42.4% in 2020. Investment in large-scale high value-added food crops was still relatively low due to the high-risk nature of investment in agriculture.

However, with the rebound of commodity prices in 2017, the average income of oil palm and rubber smallholders increased within the range of 36.9% to 87.2%, compared with 2015. In 2017, the income of commercial fishermen increased by 229.6%, largely attributed to the use of advanced technologies and bigger vessels, compared with 2015. In contrast, the income of traditional fishermen declined by 19.7% due to depleting coastal fishery resources, while the income of paddy farmers dropped by 40.1% in 2017 as a result of lower yield caused by adverse weather conditions.

Focus Area	Key Result, 2016-2017
D **Transforming Construction**	Cumulative value added of RM103.8 billion Labour productivity growth of 6.1% per annum compared with the targeted growth of 9.6% per annum in the 11th Plan 1.3 million employed or 9.2% of the total employment in 2017 Growth of construction exports of 0.4% per annum Cumulative export of construction services worth RM8.2 billion

The construction sector remained the fastest growing economic sector with a growth rate of 7.1% per annum during the review period. However, the performance was below the targeted growth of 10.3% in the Eleventh Plan. The performance of this sector was mainly driven by civil engineering, which increased by 31.8%, from RM12.9 billion in 2015 to RM17 billion in 2017, due to implementation of large petrochemical, transport and utility projects. Furthermore, residential buildings recorded an increase of 11.3%, advancing from RM12.4 billion in 2015 to RM13.8 billion in 2017, while non-residential buildings grew by 1.6%, from RM12.8 billion in 2015 to RM13 billion in 2017. The small increase was mainly due to oversupply of office space and commercial complexes. In addition, several large public infrastructure and transportation projects contributed to the growth of the sector. The value of construction works done recorded an expansion of 20.5%, amounting to RM138.4 billion in 2017 compared with RM114.9 billion in 2015.

Focus Area	Key Result, 2016-2017
Growing Dynamic SMEs	Cumulative value added of RM840.9 billion Contribution of RM167.4 billion or 17.3% to total exports in 2017 compared with RM147.8 billion or 19.0% in 2015 Contribution of 66.0% of the total employment in 2017 compared with 59.0% in 2015 Labour productivity growth of 3.7% in 2017 compared with 2.8% in 2015

The value added of SMEs recorded a moderate growth of 6.2% per annum during the review period, which remained below the targeted rate of 9.3% in the Eleventh Plan. However, the value added growth of SMEs exceeded GDP growth of 5.1%, mainly driven by wholesale and retail trade, food and beverages, as well as rubber, oil palm and livestock subsectors. In terms of exports, SMEs contributed 17.3% in 2017, which is on track to achieve the target of 23% by 2020. According to the Economic Census 2016, SMEs accounted for 98.5% of total establishments, totalling 907,065 establishments. Among these, 89.2% was in the services sector, followed by manufacturing at 5.3%, construction 4.3%, agriculture 1.1% and mining and quarrying 0.1%. Micro enterprises, which were constrained by limited financing, human capital and production capacity, contributed 18.6% to SMEs value added despite forming 76.5% of total SME establishments. Meanwhile, the services sector contributed 59.7% of the total SME contribution to value added and 8.7% of total exports in 2017. In addition, SMEs in the manufacturing sector accounted for 21.5% of the total SME contribution to value added and 8.2% of total exports. The smaller contribution of SMEs to GDP and exports during the review period calls for more efforts to grow dynamic SMEs in contributing to sustainable economic growth.

Focus Area	Key Result, 2016-2017

Translating Innovation to Wealth
 	
Game Changer
	• Malaysia ranked 37th in the Global Innovation Index in 2017 compared with 32nd in 2015
	• 74 scientists and research engineers per 10,000 labour force in 2016 compared with 62 in 2015
	• 2,519 of 14,673 patents and utility innovations filed locally by Malaysians
	• Completed the Social Progress Assessment study as part of the social financing model
	• Enterprise innovation enhanced through demand-driven research:
	  ◦ Provision of Commercialisation of Research and Development Fund and Technology Acquisition Fund benefitted 74 companies to enhance innovation and competitiveness
	  ◦ 1,196 companies benefitted from collaboration through intermediaries, namely PlaTCOM Ventures, SIRIM-Fraunhofer programme, Steinbeis Malaysia Foundation and the Public-Private Research Network
	  ◦ 40 industry-academia collaborative projects undertaken through Collaborative Research in Engineering, Science and Technology Centre
	• Social innovation promoted through the whole-society approach:
	  ◦ Relational capital in social service delivery strengthened through 8 social intervention projects under the social public-private partnership fund and the introduction of a social financing model
	  ◦ Innovation at the grassroots level encouraged through the implementation of 164 MOSTI Social Innovation projects as well as the Mainstreaming Grassroots Innovation Programme which created 10 prototypes for commercialisation

The percentage of gross expenditure on R&D (GERD) to GDP increased marginally from 1.3% in 2015 to 1.44% in 2016. A significant portion of the GERD was spent on field of research related to information, computer and communication technology at 42.2%, followed by engineering and technology 15.2% and natural sciences 9%. The marginal increase was due to the low R&D expenditure among SMEs as a result of lack of funding, skills and capacity. Furthermore, business expenditure on R&D (BERD) to GERD remained low at 56.6% in 2016. Hence, Malaysia's ranking in the Global Innovation Index fell from 32nd position in 2015 to 37th in 2017 due to lower score in the business sophistication component, especially for the indicators of BERD and research talent. In addition, the number of patents and utility innovations filed locally by Malaysians remained low at 16.5% of the total filings as compared to the Asian countries average of 90.1% in 2016. The low number of applications filed locally by Malaysians was largely due to the long duration and high cost involved in the filing of intellectual property (IP) as well as concerns on the effectiveness of IP enforcement.

Innovation at the enterprise level was focused on improving demand-driven research primarily through industry-academia collaboration and provision of incentive in the form of partial grants to assist local companies in enhancing innovation and competitiveness. These efforts included promoting the adoption of state-of-the-art technology, improving production processes and productivity levels, promoting knowledge creation as well as creating innovative and high-value products. Meanwhile, innovation at the societal level was encouraged by strengthening collaboration through a whole-society approach as well as developing a social financing model. Nevertheless, the achievement of targeted outcomes in research, development, commercialisation and innovation were limited despite the implementation of various efforts. This was due to the gap in collaboration between industry and academia, especially in the early planning stages of R&D activities. This has resulted in public-funded R&D projects that were not in line with industry demand. In addition, minimal efforts to commercialise such R&D projects contributed to the low return on investment as researchers were more focused on publishing scientific journals.

Focus Area	Key Result, 2016-2017

Focus Area:

Investing in Competitive Cities and Regional Economic Corridors

Game Changer: Investing in Competitive Cities

Key Result, 2016-2017:

Regional economic corridor development

- Contribution of RM107.2 billion of realised investment by regional economic corridors:
  - Iskandar Malaysia: RM41.8 billion
  - East Coast Economic Region: RM22.5 billion
  - Northern Corridor Economic Region: RM17.3 billion
  - Sarawak Corridor of Renewable Energy: RM15.9 billion
  - Sabah Development Corridor: RM9.7 billion
- 147,627 jobs created in regional economic corridors:
  - Iskandar Malaysia: 64,288 jobs
  - East Coast Economic Region: 32,032 jobs
  - Northern Corridor Economic Region: 24,200 jobs
  - Sarawak Corridor of Renewable Energy: 19,354 jobs
  - Sabah Development Corridor: 7,753 jobs

Competitive cities

- City Competitiveness Master Plan studies for the 4 major cities scheduled to be completed by end-2018
- Economic density
  - Optimise the built environment through dynamic planning guidelines: Kuala Lumpur Structure Plan 2020, Sabah Structure Plan 2033, Sarawak Socioeconomic Transformation Plan and *Rancangan Tempatan Daerah Johor Bahru dan Kulai 2025 (Penggantian)*

Focus Area	Key Result, 2016-2017
	Urban form • Completion of the MRT 1 and LRT 2 in Klang Valley • Development of MRT 2 • Preliminary study on the development of the Bus Rapid Transit Iskandar Malaysia and Malaysia-Singapore Rapid Transit System • Ongoing feasibility study on the Bus Rapid Transit System for Kota Kinabalu Resource usage • Launch of Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST) in 2016 for new buildings to promote the development of green buildings • Enforcement of waste separation at source in 6 states, FT Kuala Lumpur and FT Putrajaya encouraged waste recycling and supported waste to wealth initiatives Housing • 177,554 units of affordable houses constructed (FT Kuala Lumpur – 100,650 units; Johor Bahru – 54,370 units; Kuching – 12,841 units; and Kota Kinabalu – 9,693 units) Industry focus • Launch of *Tabung Ekonomi Gagasan Anak Bumiputera Sarawak* (TEGAS) Digital Innovation Hub in Kuching • Launch of Iskandar Malaysia Comprehensive Development Plan II, 2014-2025 • Establishment of shared services and outsourcing (SSO) centre in Kota Kinabalu Industrial Park, Sabah Urban services • Establishment of Urban Transformation Centres (UTCs) in 4 major cities (FT Kuala Lumpur – 3; Johor Bahru – 1; Kuching – 1; and Kota Kinabalu – 1) for better service delivery • Launch of Kota Kinabalu free wi-fi as platform to spur e-government initiatives • Launch of Sarawak Pay mobile application to promote cashless payment

During the review period, several efforts were undertaken to develop competitive cities. In improving economic density, the structure and local plans in four major cities were revised to optimise the built environment and maximise the usage of underutilised plots of land in stimulating growth. Meanwhile, the construction of major transport infrastructure such as the Mass Rapid Transit 1 (MRT 1) and Light Rail Transit 2 (LRT 2) was undertaken to enhance urban form, facilitate movement of people and improve connectivity. In addition, efforts to improve resource usage include the enforcement of waste separation at source for efficiency in waste management. Moreover, affordable and quality housing was provided to further improve liveability at the four cities.

In improving industry focus, the *Tabung Ekonomi Gagasan Anak Bumiputera Sarawak* (TEGAS) Digital Innovation Hub was launched in Kuching, which hosted incubator programmes to develop ideas for commercialisation. Meanwhile, the establishment of the shared services and outsourcing (SSO) centre in Kota Kinabalu assisted SMEs to improve business efficiency and encourage entrepreneurship in the city. In addition, urban services was improved with the launching of Kota Kinabalu free wi-fi and Sarawak Pay mobile application, which contributed towards better service delivery, improved connectivity and access to information.

Efforts to promote and maximise the contribution of the major cities as growth catalyst were intensified. In this regard, studies to develop City Competitiveness Master Plans (CCMPs) are being conducted to identify key drivers of growth in four major cities, namely Federal Territory (FT) of Kuala Lumpur, Johor Bahru, Kuching and Kota Kinabalu. The CCMPs address seven principles and are scheduled to be completed by end-2018. These principles are economic density, transit-oriented development, knowledge-based clusters, liveability, green-based development and practices and inclusivity. The last principle, digital infrastructure for smart cities was added to enhance digitalisation.

A total of RM107.2 billion of investment has been realised[1] in the regional economic corridors during the review period, which represented about 45.4% of the total RM236 billion targeted under the Eleventh Plan. The realised investment target is expected to be achieved at the end of the Plan period. The investment has contributed towards positive economic growth in the regions. The good performance of the investment was mainly contributed by better facilitation of investors, supportive investment ecosystem and appropriate incentives provided in creating a competitive business environment in the regions.

Issues and Challenges

Several issues and challenges faced by the main economic sectors continued to hamper efforts towards sustained growth and greater prosperity. The issues and challenges are mainly related to human capital, technology and innovation, financing, exports and food security and safety as well as competitiveness of cities.

The services, manufacturing, agriculture and construction sectors are affected by the shortage and mismatch of **skilled workforce**, which hindered the shift towards knowledge-intensive activities. The situation is further exacerbated with continued over-reliance on low-skilled workforce as well as foreign workers, particularly in the wholesale and retail; transportation and storage; food and beverages and accommodation; textile and apparel; and furniture industry subsectors as well as construction and agriculture sectors. At the same time, capital investment for automated machinery and equipment in the above industries remains relatively low.

The **advancement of emerging new technologies** including blockchain, autonomous vehicle, artificial intelligence, augmented reality and advanced robotics, are causing unprecedented rate of technological changes and rapid pace of innovation. As a result, industries are confronted with the constant pressure to

[1] East Coast Economic Region Development Council (ECERDC), Northern Corridor Implementation Authority (NCIA) and Regional Corridor Development Authority (RECODA) define realised investment as total value of investment that has been committed with the commencement of the project. Meanwhile, Iskandar Regional Development Authority (IRDA) and Sabah Economic Development and Investment Authority (SEDIA) define realised investment as the value invested in the project for the current year or based on work completed.

reinvest in new production processes to cope with technological advancements and meet fast-changing preferences of consumers. The current slow pace of adoption and implementation of digital technology, new business models, Industry 4.0 initiatives and cyber security measures are hampering efforts in re-engineering economic growth.

Access to financing continues to remain a challenge, particularly for SMEs and agriculture-based businesses due to the inability to comply with the terms and conditions imposed by conventional financing system. There is also a lack of alternative financing mechanisms such as angel investors and crowdfunding to support the growth and development of small businesses. As for services sector, **exports** at firm levels are constrained by lack of financial strength, multi-disciplinary expertise and awareness of regulations in host countries. Total exports by SMEs continues to be relatively small due to the low level of export capacity and readiness, limited market access, insufficient innovative products and services as well as products that are non-compliant with international standards.

The concern over **food security and safety** gives rise to the need to ensure self-sufficiency levels of major agro-food commodities. Therefore, there is a need to intensify food production capacity to reduce the food import bill while improving affordability and accessibility. Productivity improvement in the agriculture sector is still lagging owing to various factors including inefficient management of infrastructure and low adoption of modern technology as well as ageing farmers due to low participation of youth. In addition, inadequate extension and support services, ineffective programmes and implementation models, broad-based subsidies and the existence of monopoly or oligopoly in certain industries have led to low productivity and market inefficiency. Other issues that hampered growth of the sector are volatile international commodities prices, high production cost and adverse environmental effects such as major floods and the El-Nino phenomenon.

In enhancing **competitiveness of cities**, challenges faced by some of the major cities include lack of affordable housing, insufficient connectivity of public transport and traffic congestion. The rapid rate of urbanisation spurred by vibrant economic growth also poses challenges in ensuring all segments of the society enjoy greater liveability and quality of life. Meanwhile, the regional economic corridors face stiff competition in attracting foreign direct investment and shortage of skilled workers. The shortage of skilled workers to meet the industry demand will impede growth of the industry, as it creates hurdles to move up the value chain and attract large capital investment. At the same time, there are elements of duplication, such as the duplication of incentives offered by the Malaysian Investment Development Authority (MIDA) and regional economic corridor authorities in attracting foreign investments.

Conclusion

During the review period, all economic sectors recorded steady growth, contributed by robust domestic demand and supported by buoyant exports. However, the structural constraints, such as fragmentation in the services sector, concentration on low value-added activities, limited innovation and technology adoption, and continuous dependency on low-skilled workers, particularly among SMEs continued to hamper the growth potential. Meanwhile, initiatives need to be intensified to enhance the competitiveness of the four major cities and attract investment to further spur regional and national economic growth. Therefore, concerted efforts in creating an effective ecosystem and improving productivity across all economic sectors and regions are imperative to achieve an advanced nation status.

Transforming Public Service for Productivity

8

Introduction

In the Eleventh Malaysia Plan, 2016-2020, emphasis is placed on transforming the public service in becoming more citizen-centric to enhance efficiency and productivity. During the review period, 2016-2017, the public service embarked on various measures to improve service delivery through digitalisation, reduce bureaucratic processes and initiate reviews of public sector institutions. At the same time, steps were undertaken to enhance talent and project management as well as strengthen the capabilities of local authorities for better productivity. Despite these efforts, the progress during the review period have not shown significant achievements, among others due to allegations of corruption, lack of transparency and accountability, inefficient resource management as well as limited capability and capacity of the public service. These issues and challenges have undermined the integrity and effectiveness of public institutions and service delivery, resulting in trust deficit among the public. Therefore, in the remaining Plan period, 2018-2020, the new Government led by Pakatan Harapan will implement more effective and bold measures to reform the public service towards greater transparency and accountability.

11 SUSTAINABLE CITIES AND COMMUNITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Past Performance, 2016-2017

In pursuit of a world-class public service, nine selected outcomes were identified encompassing efficiency, digitalisation and integrity as shown in *Exhibit 8-1*. These outcomes reflects the commitment of the public service to benchmark performance against regional and global peers as well as introduce creative and innovative approaches to enhance service delivery. Efforts to transform the public service to increase productivity were undertaken through five focus areas as follows:

FOCUS AREA A
Enhancing service delivery with citizens at the centre

FOCUS AREA B
Rationalising public sector institutions for greater productivity and performance

FOCUS AREA C
Strengthening talent management for the public service of the future

FOCUS AREA D
Enhancing project management for better and faster outcomes

FOCUS AREA E
Capitalising on local authorities for quality services at the local level

Efforts undertaken to improve the public service delivery were premised on the following principles:

Citizen-centricity
Initiating more co-creation activities through crowdsourcing and greater engagement with the citizens at all levels to provide better services

Productivity and efficiency
Conducting various reviews on public sector institutions to identify overlapping functions and redundancies to rationalise the public service as well as strengthening performance criteria

Digital government
Providing more online services via single sign-on and expanding these services to mobile platforms to increase usage and outreach as well as leveraging big data analytics (BDA) and open data

Rapid execution of projects
Institutionalising best-in-class planning, execution, monitoring and evaluation capabilities by ensuring the completion of projects within the stipulated time, quality and cost

Integrity and transparency
Acculturating noble values among public servants by adopting positive values and attitudes

Performance of Selected Outcomes

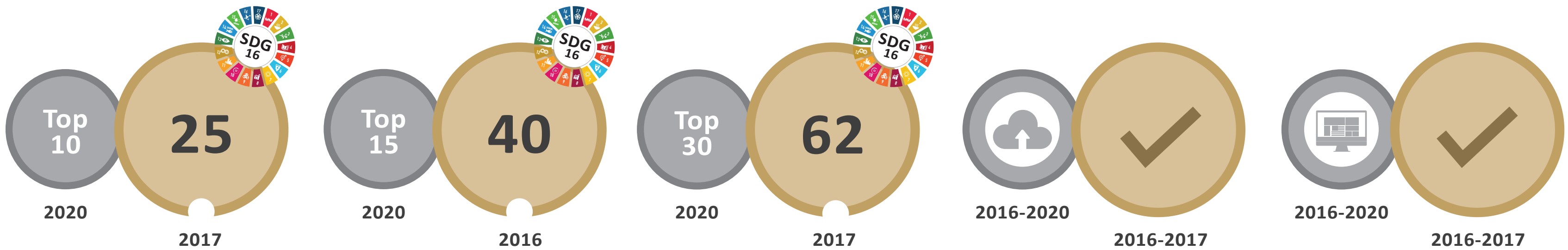
During the review period, six selected outcomes were on track to achieve the targets while the remaining three that comprise international rankings lagged behind. The rankings comprise the Government Efficiency sub-index of the World Competitiveness Yearbook (WCY), Online Service sub-index (OSI) of the United Nations e-Government Development Index (UN EGDI) and Corruption Perception Index (CPI) by the Transparency International. Nevertheless, progress was made in the respective focus areas towards realising the targets set in 2020. The performance of the selected outcomes of the five focus areas is as shown in *Exhibit 8-1*.

Exhibit 8-1

Highlights
Eleventh Malaysia Plan: Selected Outcomes and Performance

Enhancing service delivery with citizens at the centre

Top 10 in the Government Efficiency sub-index of the World Competitiveness Yearbook	Top 15 in the Online Service sub-index of the United Nations e-Government Development Index	Top 30 in the Corruption Perception Index by the Transparency International	Establishing cloud computing for consolidation and data sharing	uCustoms providing a national single window for trade facilitation



25th position out of 63 countries in the Government Efficiency sub-index of the World Competitiveness Yearbook	40th position out of 193 countries in the Online Service sub-index of the United Nations e-Government Development Index	62nd position out of 180 countries in the Corruption Perception Index by the Transparency International	1GovCloud services supporting 401 new applications	Selected modules of uCustoms piloted at identified ports and airports

Rationalising public sector institutions for greater productivity and performance

Conducting a comprehensive audit across institutions and agencies

2016-2020

2016-2017

Rationalisation audit conducted on Malaysian missions abroad in education sector

Strengthening talent management for the public service of the future

Providing flexible working arrangement schemes

2016-2020

2017

Introduce flexi working hours through Service Circular 4/2017

Enhancing project management for better and faster outcomes

Establishing a public sector comparator (PSC)

2016-2020

2017

PSC piloted in five ministries – MOE, MOH, MOT, KPKT and KKLW

Capitalising on local authorities for quality services at the local level

Embedding community expectations into local authority KPIs

SDG 11

2016-2020

2016

Embedded community expectations as an indicator in the *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT)

Original Target   Performance

Malaysia's position in the three selected international rankings in relation to public service delivery has dropped during the review period. Based on the Government Efficiency sub-index of the WCY, Malaysia ranked 25 out of 63 countries in 2017 compared with 18 out of 61 countries in 2016. The drop in the WCY ranking is due to the underperformance in all five sub-factors, namely public finance, fiscal policy, business legislation, societal framework and institutional framework. Meanwhile, Malaysia's position in the UN EGDI OSI ranking also fell to 40 out of 193 countries in 2016 from 31 out of 191 countries in 2014, attributed to lack of citizen-centric services such as e-participation, open data and accessibility to online services. Malaysia's reputation was further affected by its worst-ever position in the CPI in 2017, which worsened to 62 out of 180 countries compared with 55 out of 176 countries in 2016. Among others, the drop was due to perceived failure to resolve major corruption scandals.

Performance of Focus Area

Under the five focus areas, several strategies and initiatives were implemented to support the deliverables of the selected outcomes. These efforts include enhancing citizen-centric service delivery, addressing overlapping structures, developing competent talent, ensuring better delivery of projects as well as improving services of local authorities. The highlights of key results by respective focus areas are as follows:

Focus Area	Key Result, 2016-2017
A **Enhancing Service Delivery with Citizens at the Centre**	**Improving delivery process** • 7 existing regulations reviewed on subsectors, namely air freight services, warehousing services, courier services, export of processed food product, retail trade, maintenance, repair and overhaul in oil and gas industry as well as nursing accreditation in higher education to promote good regulatory practices and reduce bureaucracy • 508 licensing authorities services consolidated into a single gateway through the MalaysiaBiz portal, benefitting more than 40,000 visitors to obtain information and services on business registration and licensing **Enhancing digitalisation** • 1,802 new sets of data published on the Public Sector Open Data portal, bringing the total to 2,510 data sets published facilitating innovative use of government data by stakeholders • 12 agencies participated in training and coaching programmes for big data analytics (BDA) and 6 data products successfully developed, enabling participating agencies to implement evidence-based planning and provided insights on targeted interventions through data sharing and optimisation

Focus Area	Key Result, 2016-2017
	• 130 new mobile application services available on Gallery of Malaysian Government Mobile Applications (GAMMA), adding the total mobile application services to 174, providing alternative options to access government services and expanding outreach • 376 locations of educational institutions covered by 1Gov*Net.EDU upgraded with higher bandwidth speed up to 100 Mbps, enabling secure and reliable connectivity • 401 new applications utilised 1GovCloud services at Public Sector Data Centres, such as 1Malaysia Training Centre (1MTC) portal, MAMPU portal and *Jabatan Kemajuan Islam Malaysia* e-Solat portal, adding the total applications on 1GovCloud to 1,800, enabling data sharing with secured access across government agencies **Expanding outreach** • 92% customers satisfied with the services provided by 1Malaysia One Call Centre (1MOCC), exceeding the key performance indicator of 80% • 11 new Urban Transformation Centres (UTCs) established, adding the total UTCs nationwide to 21, benefitting 57 million visitors • 4 new Rural Transformation Centres (RTCs) established in Bario and Betong (Sarawak), Rembau (Negeri Sembilan) and Seberang Perai Selatan (Pulau Pinang), adding the total RTCs nationwide to 12, benefitting 38 million visitors • 400 services organised under the Mobile Community Transformation Centres (Mobile CTCs), benefitting 2.6 million citizens

During the review period, in enhancing service delivery, progress was made in areas such as improving delivery process, enhancing digitalisation and expanding outreach. In this regard, government digitalisation agenda recorded the most progress through the enhancement of the Government Online Services Gateway as well as the establishment of big data and open data frameworks. Nevertheless, the adoption of BDA and open data initiatives were limited due to operational issues and insufficient resources. In addition, integration of services, especially on the front-end of delivery and consolidation of inter-agency back-end processes requires appropriate intervention in order to provide quick and quality services to the citizens. Meanwhile, the Malaysia User Satisfaction Evaluation (MUSE) 2017 recorded 82% satisfaction level, which indicated more areas for improvement for government online services. Despite the various efforts, many areas still need to be addressed including reducing public service role in non-core functions, tackling integrity, accountability and transparency as well as fixing leakages at all levels, besides improving productivity.

Focus Area	Key Result, 2016-2017
B **Rationalising Public Sector Institutions for Greater Productivity and Performance**	**Rightsizing public service** • 252 schemes of service rationalised to 240 through Service Circular 1/2016: *Rasionalisasi Skim Perkhidmatan bagi Perkhidmatan Awam Persekutuan di bawah Sistem Saraan Malaysia* to streamline schemes of service as well as improve mobility and career advancement for public servants • 488 low-performing public servants identified through the *Laporan Nilaian Prestasi Tahunan* (LNPT) underwent observation period assessment and 70 were terminated in order to achieve a high performing and dynamic public sector. Exit policy for public servants only covers termination of underperformers and exclude disciplinary cases

During the review period, efforts to rationalise public sector institutions in enhancing focus, flexibility and performance showed limited progress as it requires strong political will. Numerous studies were conducted on public sector rationalisation, but these studies were fragmented and as such less effective to be implemented. In addition, a comprehensive audit and review across the public sector to optimise structure, scale and operating model was not undertaken. This was due to certain constraints such as resistance from stakeholders, political support and timing issues.

Focus Area	Key Result, 2016-2017
C **Strengthening Talent Management for the Public Service of the Future**	**Upgrading talent management** • 178 public training institutions offer training programmes for serving officers. The National Institute of Public Administration (INTAN) conducted 1,621 courses, benefitting 50,479 public servants • Study leave with scholarship programme for the public servants from the support group to enhance career development by pursuing Technical and Vocational Education and Training (TVET), diploma or degree programme introduced and benefitted 550 personnel • Providing additional staggered working hours through Service Circular 4/2017: *Penambahbaikan Waktu Bekerja Berperingkat (WBB) di Agensi Kerajaan Persekutuan* in order to improve work-life balance while accommodating better time management

Focus Area	Key Result, 2016-2017
	• 6 officers consisting of 2 marine officers, 2 wildlife officers and 2 hydrology engineers recognised as subject matter experts through Service Circular 7/2016: *Kemajuan Kerjaya Laluan Pakar Bidang Khusus* (Subject Matter Expert – SME) *bagi Pegawai Perkhidmatan Awam Persekutuan* to attract, retain and develop experts within specialised fields in the public service. This programme enable better promotion opportunities for subject matter experts • 16 officers identified as fast track officers and promoted to higher grade through Service Circular 8/2016: *Kemajuan Kerjaya Laluan Secara Pantas* (Fast Track) *bagi Pegawai Perkhidmatan Awam Persekutuan*. This initiative, which identifies highly potential officers through a stringent assessment process to be promoted to higher grades, is part of the public service leadership development programme

Various initiatives were undertaken to strengthen talent management including talent pipeline, work motivations as well as capability and capacity building. However, initiatives pertaining to customised performance management and addressing talent pipeline in a holistic manner have yet to be undertaken. This is due to the generic competency framework currently adopted and issues related to alignment of key performance indicators at ministerial, department and individual levels. On the other hand, certain public training institutions continue to execute operational training plan, which is not tailored to the latest learning need analysis of the organisation and changing priorities of the Government.

Focus Area	Key Result, 2016-2017
D **Enhancing Project Management for Better and Faster Outcomes**	**Enhancing efficiency** • Public sector comparator developed as a cost comparison tool between public and private sector projects and piloted in 5 ministries to improve project evaluation and selection process • 145 projects totalling RM44.8 billion successfully completed value management labs resulting in 11.9% savings and value added for the respective projects exceeding the target of 10% • 150 pre-approved plans (PAP) comprising 24 categories of buildings introduced but only 29% of public building projects utilised the PAP

Focus Area	Key Result, 2016-2017
	Improving monitoring • Treasury Circular PK 4.4: *Penubuhan dan Tanggungjawab Jawatankuasa* Contract Coordination Panel introduced to administer contract issues and disputes comprehensively • 312 officers underwent training on Integrated Public Project Management Certification, of which 178 were certified and as such expanded project management talent pool in public service

A number of initiatives were undertaken to enhance efficiency and effectiveness of project management including continuous evaluation of the programmes and projects outcome. In addition, assessment of outcome was conducted on 1,808 projects based on the revised *Surat Pekeliling Am Bilangan 1 Tahun 2012: Garis Panduan Pengukuran Pencapaian Program/Projek Pembangunan melalui Penilaian Outcome*. The implementation of the revised guideline has resulted in an overall improvement of projects outcome from 76.2% in 2011 to 88.3% in 2017. Among the projects that have significantly exceeded target in 2017 include the National Cancer Institute in Putrajaya, Belantik Immigration Depot in Kedah and product development and commercialisation fund. Meanwhile, notwithstanding existing procurement procedures, numerous projects were awarded through direct negotiations and selective tenders leading to inflated cost and leakages.

Focus Area	Key Result, 2016-2017
E **Capitalising on Local Authorities for Quality Services at the Local Level**	**Empowering local authorities** • 97 out of 151, or 64% of local authorities achieved a minimum of 4-star out of 5-star rating based on the *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT). Community expectations component was added into the SPB-PBT to increase public engagement at the local level, in addition to the original criteria, namely administration, core services and customer management **Strengthening service delivery** • 10 guidelines introduced to ensure common standards and practices which cover improvement of hygiene and cleanliness at business premises, setting up of childcare centres in stratified buildings and handling of hazardous chemicals

Focus Area	Key Result, 2016-2017
	• 968 crime hotspots in 45 local authorities installed with closed circuit monitoring system for crime prevention and safety enhancement • Mobile counter services unit established in 55 local authorities offering services such as quit rent and assessment payments as well as permit and license renewals • iKepoh mobile application services piloted in Iskandar Puteri City Council, Kota Kinabalu City Council, Labuan Corporation, Melaka Historic City Council, Putrajaya Corporation and Shah Alam City Council. Through the iKepoh, the public can lodge complaint instantaneously, which encouraged active community participation and faster response by local authorities

Several initiatives were implemented by local authorities to strengthen service delivery. More than half of the total local authorities have achieved a minimum of 4-star out of 5-star rating based on the *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT). In addition, to improve quality of life within local areas, specific guidelines and measures for crime prevention were introduced. Furthermore, the introduction of mobile counter services to widen service coverage for better outreach to the community have increased the level of convenience and improved revenue collection. Meanwhile, the use of various communication channels such as town hall sessions, live streaming programmes and Radio JKT managed by the Local Government Department have expedited and expanded the outreach of local authorities services. Albeit these achievements, good practices and current policies need to be further aligned with the reform agenda to improve the accountability of local authorities and strengthen relevant legislation.

Issues and Challenges

The transformation of the public service was undertaken to improve governance, increase accountability, enhance service delivery and become a citizen-centric government. Nevertheless, the improvements were insufficient as there were many issues related to governance, transparency, integrity and accountability. Significant changes were required to restore the trust and confidence of the citizens. In facing the issues and challenges, strategies and efforts need to be fortified to ensure that the public service support the aspiration of the Government in meeting the needs and expectations of the *rakyat*.

Inaccurate and unreliable information with regard to **processes and procedures** provided by certain government agencies have resulted in confusion and erosion of confidence among the *rakyat*. In addition, the rising awareness among citizens has led to greater demand for access to information and higher expectations on quality services from the Government. Moreover, fragmented data arising from different sources complicate the efforts to acquire data from a single source. This has compromised cross-agency collaboration for better data integration and sharing to plan, execute and monitor strategies effectively.

Efforts to address overlapping roles and functions of **public sector institutions** lack support and was not comprehensive. New agencies and entities such as company limited by guarantee and state-owned enterprises were established adding to the financial burden of the Government. In addition, lack of priority and political will hampered efforts to conduct a thorough reform of public sector institutions.

Delivering effective public service requires strategic **talent management** and transforming the mindset of public servants to think, act and respond according to the changing technological and socioeconomic landscape. Ministries and agencies face difficulty in acquiring and retaining the right person for the job as talent management remains centralised. In addition, integrity issues remain a crucial concern and need to be further addressed at all levels in collaboration with stakeholders.

Previous decisions on **public procurement** related to political interference in awarding of contracts and selection of projects have adversely affected public trust and perception towards government integrity and accountability. In addition, issues such as delays, cost escalation, wastage as well as lack of capability and competency of the relevant parties involved continue to impede the efficiency of project implementation. Meanwhile, the rising Federal Government debt and liabilities that include contingent liabilities underscore the need for further fiscal reform to ensure sustainable financial management.

Lack of capability and capacity affected **local authorities'** ability to meet overwhelming demand. Local authorities are often faced with inadequate technical capacity in delivering quality and efficient services. The inability to overcome current issues and the lack of readiness to face future challenges such as changing demographic and rapid urbanisation remain a major impediment towards building robust local authorities. Meanwhile, over dependency on federal funds continue to undermine the financial autonomy of local authorities.

Conclusion

Various efforts undertaken during the review period have contributed to the improvement in public service delivery. These include accelerating digitalisation, rationalising public sector institutions, strengthening talent management, improving project management and capitalising on local authorities for quality service delivery. Nonetheless, the transformation journey was marred by lack of transparency as well as accountability and continues to face challenges from rising expectations of the *rakyat* as well as talent gaps. As such, efforts need to be intensified to reform the public service to be more ethical, trustworthy, effective and open amidst the changing technological and socioeconomic trends.

Federal Government Development Allocation and Expenditure, 2016-2017

Chart F-1

Federal Government Development Allocation by Strategic Thrust, 2016-2017

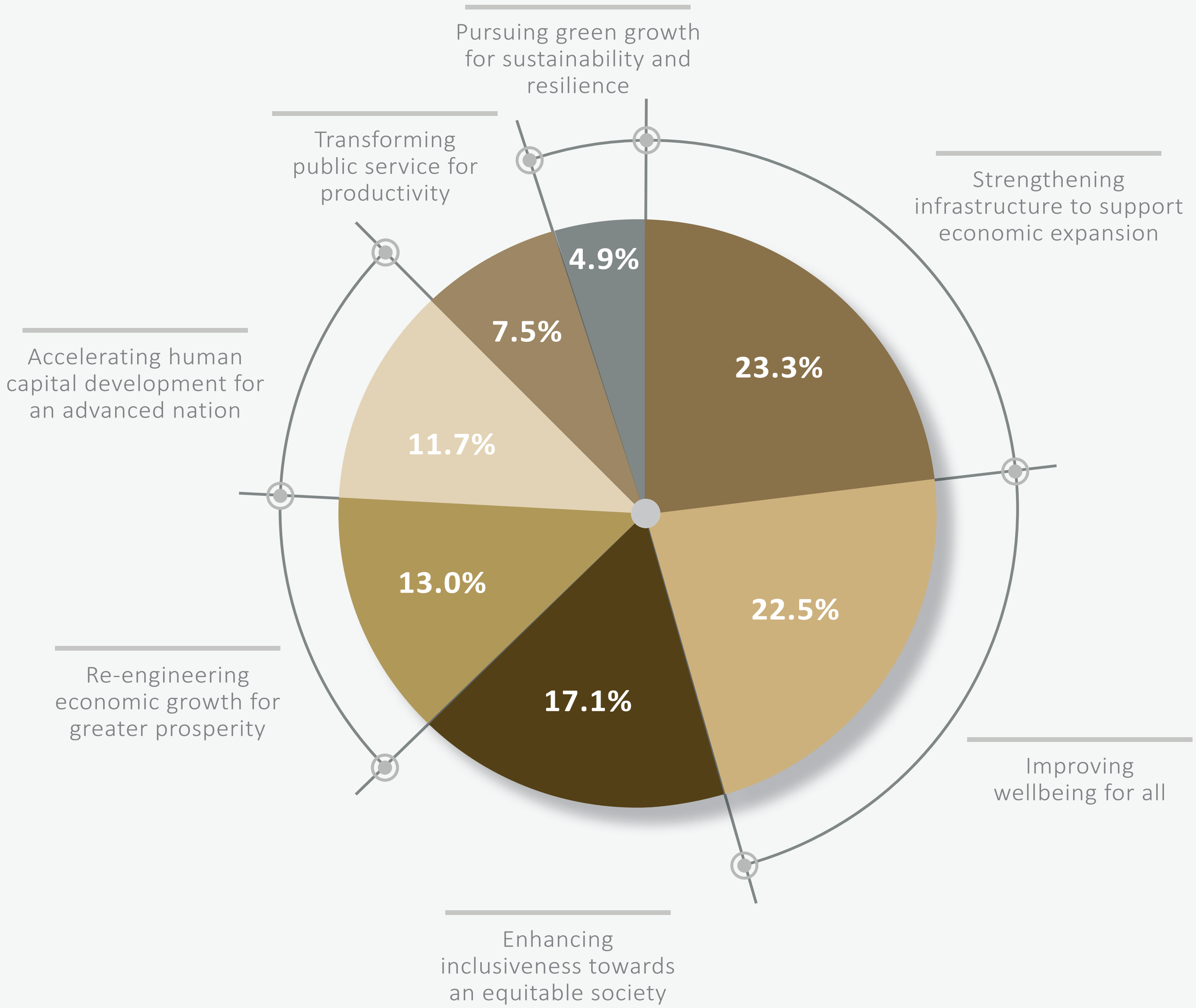


Table F-1
Federal Government Development Allocation and Expenditure by Strategic Thrust, 2016-2017

Strategic Thrust	Allocation[1]		Expenditure	
	RM million	% of Total	RM million	% of Allocation
Enhancing inclusiveness towards an equitable society	15,096	*17.1*	14,836	*98.3*
Improving wellbeing for all	19,903	*22.5*	19,618	*98.6*
Accelerating human capital development for an advanced nation	10,348	*11.7*	10,097	*97.6*
Pursuing green growth for sustainability and resilience	4,342	*4.9*	4,298	*99.0*
Strengthening infrastructure to support economic expansion	20,534	*23.3*	20,185	*98.3*
Re-engineering economic growth for greater prosperity	11,465	*13.0*	11,253	*98.2*
Transforming public service for productivity	6,632	*7.5*	6,592	*99.4*
Total	**88,320**	***100.0***	**86,879**	***98.4***

Notes: [1] Allocation refers to revised allocation.
Source: Economic Planning Unit and Implementation Coordination Unit, Prime Minister's Department

Table F-2
Federal Government Development Allocation and Expenditure by Ministry, 2016-2017

No.	Ministry	Allocation[1]		Expenditure	
		RM million	% of Total	RM million	% of Allocation
1	Prime Minister's Department	22,968	*26.0*	22,913	*99.8*
2	Ministry of Rural and Regional Development	10,238	*11.6*	10,038	*98.0*
3	Ministry of Works	9,026	*10.2*	8,870	*98.3*
4	Ministry of Defence	7,021	*7.9*	6,926	*98.6*
5	Ministry of Transport	5,460	*6.2*	5,343	*97.9*
6	Ministry of Higher Education	4,246	*4.8*	4,217	*99.3*
7	Ministry of Energy, Green Technology and Water	3,490	*4.0*	3,374	*96.7*
8	Ministry of Natural Resources and Environment	2,994	*3.4*	2,967	*99.1*
9	Ministry of Urban Wellbeing, Housing and Local Government	2,961	*3.4*	2,938	*99.2*
10	Ministry of Agriculture and Agro-Based Industry	2,922	*3.3*	2,753	*94.2*
11	Ministry of Health	2,713	*3.1*	2,614	*96.4*
12	Ministry of Education	2,491	*2.8*	2,490	*99.9*
13	Ministry of International Trade and Industry	1,770	*2.0*	1,744	*98.5*
14	Ministry of Home Affairs	1,768	*2.0*	1,730	*97.9*
15	Ministry of Federal Territories	1,884	*2.1*	1,884	*100.0*
16	Ministry of Finance	1,058	*1.2*	1,056	*99.8*
17	Ministry of Science, Technology and Innovation	1,047	*1.2*	1,009	*96.3*
18	Ministry of Human Resources	976	*1.1*	966	*99.0*
19	Ministry of Communications and Multimedia	821	*0.9*	746	*90.9*
20	Ministry of Plantation Industries and Commodities	791	*0.9*	693	*87.7*
21	Ministry of Youth and Sports	770	*0.9*	746	*96.9*
22	Ministry of Tourism and Culture	349	*0.4*	340	*97.6*
23	Ministry of Women, Family and Community Development	252	*0.3*	227	*90.1*
24	Ministry of Foreign Affairs	183	*0.2*	176	*96.4*
25	Ministry of Domestic Trade, Co-Operatives and Consumerism	121	*0.1*	119	*98.1*
	Total	**88,320**	***100.0***	**86,879**	***98.4***

Notes: [1] Allocation refers to revised allocation.
Source: Economic Planning Unit and Implementation Coordination Unit, Prime Minister's Department

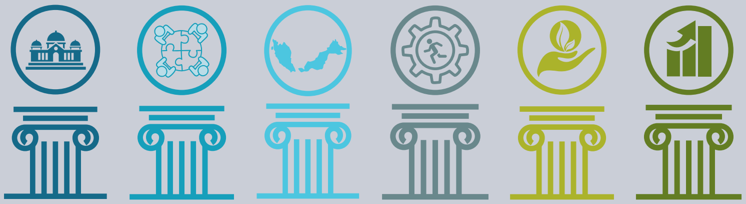
Table F-3
Federal Government Development Allocation and Expenditure by State, 2016-2017

No.	State	Allocation[1]		Expenditure	
		RM million	% of Total	RM million	% of Allocation
1	Sarawak	8,427	*9.5*	8,318	*98.7*
2	Sabah	7,704	*8.7*	7,596	*98.6*
3	Federal Territories	7,141	*8.1*	7,033	*98.5*
4	Selangor	5,200	*5.9*	5,135	*98.8*
5	Pahang	4,432	*5.0*	4,323	*97.5*
6	Johor	4,136	*4.7*	4,026	*97.3*
7	Perak	2,683	*3.0*	2,641	*98.4*
8	Kelantan	2,250	*2.6*	2,177	*96.8*
9	Kedah	2,040	*2.3*	1,992	*97.6*
10	Terengganu	1,822	*2.1*	1,779	*97.6*
11	Pulau Pinang	1,268	*1.4*	1,222	*96.4*
12	Negeri Sembilan	1,185	*1.3*	1,143	*96.5*
13	Melaka	939	*1.1*	892	*95.0*
14	Perlis	401	*0.5*	358	*89.3*
15	Multistate[2]	38,692	*43.8*	38,244	*98.8*
	Total	**88,320**	***100.0***	**86,879**	***98.4***

Notes: [1] Allocation refers to revised allocation.
[2] Multistate refers to physical and non-physical projects and programmes that are implemented across states.
Source: Economic Planning Unit and Implementation Coordination Unit, Prime Minister's Department

part II

MOVING FORWARD 2018-2020



Part II outlines the revised socioeconomic targets for 2018-2020 as well as the new priorities and emphases of the Eleventh Plan, aligned with the imperatives of the new Government which was voted into power in May 2018

9

CHAPTER

Ensuring More Meaningful Economic Growth

Introduction

The economy was still fundamentally sound by the end of 2017, backed by robust domestic demand and external trade as well as a strong banking and financial system. Inflation was contained and stable while the economy continued to be in full employment. The current account of the balance of payments remained in surplus. The economy performed well at the macro level, however a number of long-standing disparities and inequalities as well as structural economic issues continued to prevail. Among others, growth disparity existed between states, inequality persisted between income groups, unemployment rate among the youth was relatively high, the cost of living was rising and most industries remained in the lower-end of the production value chain. These challenges, among others, have affected purchasing power, prevented growth to be felt and rendered the objective of becoming a developed and inclusive nation less meaningful to the majority of the *rakyat.*

In moving forward, policy priorities will thus balance the objectives of fiscal consolidation and ensuring more inclusive economic growth. Immediate fiscal and governance reforms are imperative to further strengthen the fiscal position of the Government and allocate adequate resources to ease the hardship of the *rakyat*. Swift implementation of these difficult and crucial reforms is likely to have short-term impact on growth but the trade-off is necessary to maintain the economy on a sustainable growth path. Nevertheless, structural policy measures as well as high-impact development programmes and projects will continue to be implemented, albeit in a more transparent and financially sustainable manner, to ensure a more meaningful growth for the *rakyat.*

In the remaining Plan period, 2018-2020, the world economy is expected to strengthen and commodity prices to further stabilise. However, several downside risks remain, among others, the tightening of monetary policy in developed economies, growing trade tensions, protectionist and inward-looking policies as well as geopolitical uncertainties. Notwithstanding these risks, the macroeconomic strategies set in the Eleventh Plan will be continued with some adjustments to ensure that economic fundamentals are strengthened, sources of growth secured and structural issues managed. Strategies to address new challenges and leverage new sources of growth, including the Fourth Industrial Revolution (4IR), will also be formulated.

New Priorities and Emphases, 2018-2020

The Malaysian economy proved to be resilient amid the volatile external environment. Nevertheless, there are still challenges that need to be addressed at the macro level. These challenges include lagging productivity growth, limited fiscal space, low compensation of employees and inequality in household income. In this regard, existing macro strategies will continue to be implemented with some adjustments to also address new and emerging challenges. In addition, while the original multidimensional macro goals will remain the same, the goals are enhanced with a qualitative dimension to address the various existing inequalities and disparities as featured in subsequent chapters. Hence, the economy will sustain the growth trajectory and remain resilient as well as be even more inclusive.

External Economic Environment

Global economic growth is projected to strengthen to 3.7% per annum during the remaining Plan period, as shown in *Exhibit 9-1*. However, mixed performance is expected across regions with stronger growth in the Asia Pacific region, more balanced growth in the United States of America (US) and moderate expansion in the euro area due to the imminent exit of the United Kingdom from the European Union. Advanced economies are projected to expand moderately at an average annual rate of 2.1%, while emerging markets and developing economies are expected to grow faster at 3.8%.

World trade is expected to expand faster at 4.2% per annum, mainly attributed to exports by emerging markets and developing economies at 4.8% per annum. This momentum will provide Malaysia greater access to global markets and maximise potential growth. World inflation is also expected to rise by 3.4% per annum, on account of higher global commodity prices. Potential downside risks include waning support for global economic integration, growing trade tensions and protectionist policies adopted by major economies as well as geopolitical uncertainties.

Exhibit 9-1

World Economic Outlook, 2016-2020

Item (Growth, % p.a.)	Eleventh Plan			
	Original Estimate	Actual	Revised Estimate	
	2016-2020	2016-2017	2018-2020	2016-2020
World output	***3.9***	***3.5***	***3.7***	***3.6***
Advanced economies	*2.1*	*2.0*	*2.1*	*2.1*
Emerging markets and developing economies	*5.1*	*4.6*	*3.8*	*4.1*
World trade	***5.0***	***3.7***	***4.2***	***4.0***
Imports				
Advanced economies	*4.6*	*3.3*	*3.9*	*3.6*
Emerging markets and developing economies	*6.0*	*4.4*	*5.5*	*5.1*
Exports				
Advanced economies	*4.3*	*3.1*	*3.5*	*3.3*
Emerging markets and developing economies	*6.0*	*4.9*	*4.8*	*4.8*
World price				
Non-fuel primary commodities	*-0.7*	*2.7*	*0.8*	*1.5*
Oil (US$ per barrel)[1]	71	48	68	60
Growth (%)	*5.0*	*3.8*	*8.7*	*6.7*
World consumer prices[2]	***3.5***	***2.9***	***3.4***	***3.2***
Advanced economies	*1.9*	*1.3*	*2.0*	*1.7*
Emerging markets and developing economies	*4.6*	*4.3*	*4.9*	*4.7*

Notes: [1] Refers to simple average of three spot prices - Dated Brent, West Texas Intermediate and the Dubai Fateh.
[2] World consumer prices for 2018-2020 are from World Economic Outlook April 2018 Edition.
Source: World Economic Outlook, International Monetary Fund (April 2015; April and October 2018)

Macroeconomic Strategies

In the remaining Plan period, macroeconomic policy framework will continue to focus on enhancing the resilience of the economy to ensure the multidimensional goals are achievable. The goals are also strengthened by introducing qualitative aspects to ensure greater inclusivity as in *Exhibit 9-2*. The key macroeconomic strategies are as follows, of which the details are in *Exhibit 9-3*:

- Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth
- Promoting quality investment to spearhead economic growth
- Embarking on initiatives to move up the value chain
- Strengthening exports and managing imports to improve the balance of payments
- Emphasising a fiscal consolidation path to ensure sustainability in the medium-term

Exhibit 9-2

Multidimensional Goals, 2018-2020: Revised Targets with New Priorities and Emphases

Targets are pursued together with qualitative aspects through the respective pillars

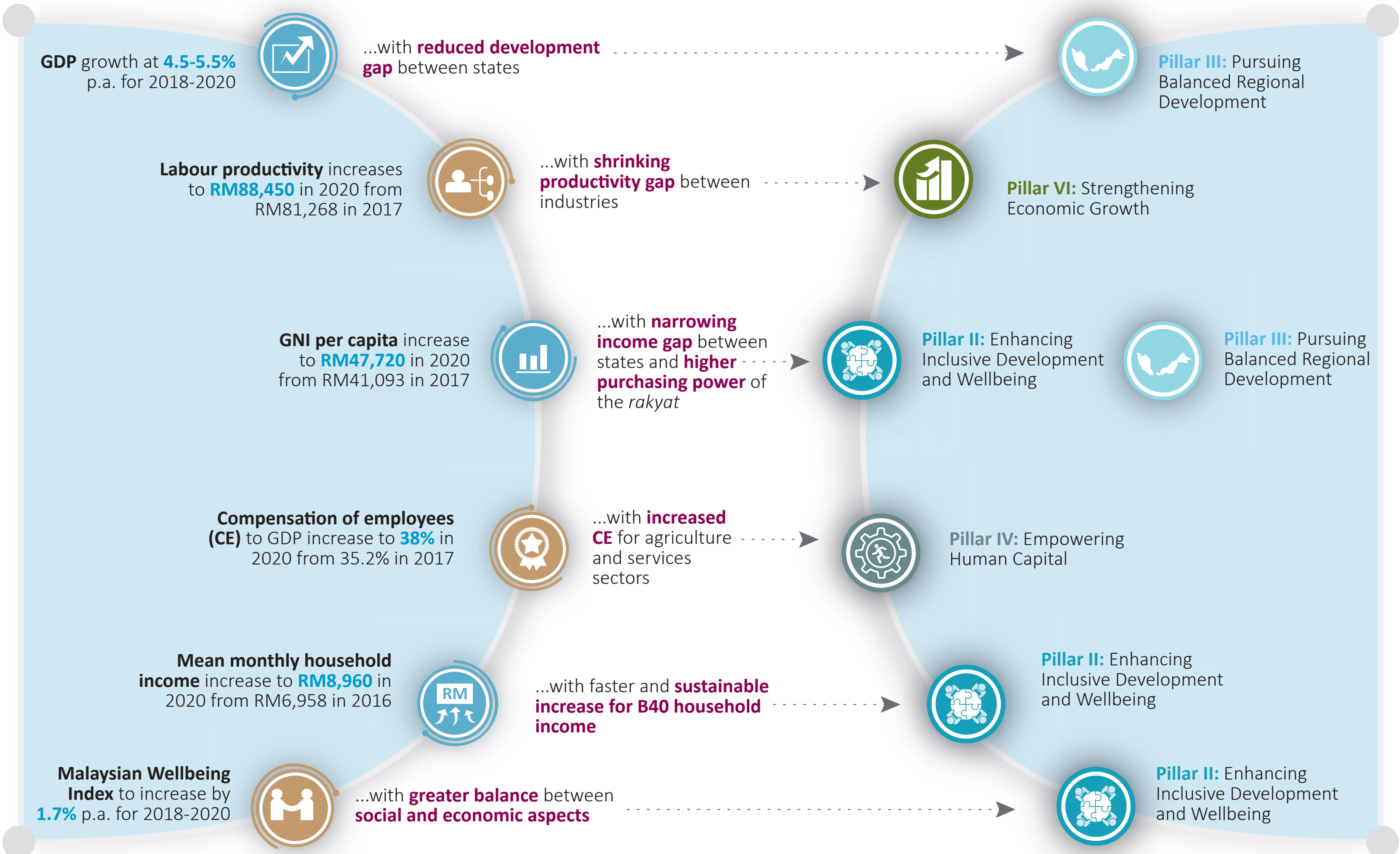


Exhibit 9-3

Summary of Macroeconomic Strategies, Eleventh Malaysia Plan, 2016-2020

The main macro strategies are adjusted to take into account new developments

Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth	Strengthen collaboration between government, industries and academia to ensure adequate supply of industry-ready talent Promote digitalisation of business operations and greater adoption of technologies to leverage the benefits of 4IR Accelerate implementation of regulatory reforms to facilitate ease of doing business Implement productivity initiatives at sector level with the establishment of nine Productivity Nexus Develop a systematic and structured firm-level intervention through productivity enterprise programmes and existing R&D intermediaries
Promoting quality investment to spearhead economic growth	Undertake a comprehensive review of investment policies including incentives and tax structure Improve the management of all existing investment incentives to optimise resources Encourage investment in Industry 4.0-related technology to reduce the gaps in the manufacturing sector
Embarking on initiatives to move up the value chain	Encourage digitalisation and innovation to boost growth Focus on knowledge-intensive services to expand the modern services sector Energise manufacturing sector to produce more complex and diverse products Modernise agriculture by accelerating adoption of farming technology and promoting a cluster-based approach through vertical integration of the supply chain for selected crops Foster sustainable practices and enhance knowledge content to transform the construction sector
Strengthening exports and managing imports to improve the balance of payments	Improve the export ecosystem Move up the value chain for export products Step up the internationalisation of services Promote higher use of local inputs in major infrastructure projects Spread out the imports of "lumpy" capital goods over a longer time period
Emphasising a fiscal consolidation path to ensure sustainability in the medium-term	Increase revenue from indirect taxes and non-tax revenue Maximise cost recovery of Government assets Optimise and rationalise expenditure to balance economic growth objectives and fiscal consolidation Improve public debt management system

Macroeconomic Prospects, 2016-2020

Selected Targets

Category	Indicator	Original Target	Revised Target	
Investment	Average growth of real private investment	9.4%	6.1%	
Investment	Average private investment in current prices	RM 291 billion	RM 252 billion	
Investment	Average growth of real public investment	2.7%	-0.6%	
Investment	Average public investment in current prices	RM 131 billion	RM 107 billion	
Consumption	Average growth of real private consumption	6.4%	6.8%	
Consumption	Average growth of real public consumption	3.7%	1.4%	
International trade	Average growth of gross exports	4.6%	7.5%	
International trade	Trade balance	RM 57.3 billion	RM 118.3 billion	2020
International trade	Current account of balance of payments at 2.5% of GNI	RM 46.5 billion	RM 39.9 billion	2020
Unemployment	Unemployment rate with full employment throughout	2.8%	below 3.5%	2020
Fiscal	Fiscal position	Balanced	-3.0% to GDP	2020

Original Target | Revised Target

Domestic Economy

Malaysia's economic resilience has ensured sustained growth during the review period, 2016-2017. However, the growth trajectory for the overall Plan period has dampened as a result of the slowdown in 2016. Thus, it is crucial that the growth momentum is accelerated to achieve the macroeconomic objectives and targets. Nevertheless, the fiscal and governance reforms undertaken beginning mid-2018 will have an impact on economic growth but is anticipated to be short-lived and manageable. The short-term growth trade-off is necessary to further strengthen the economy in ensuring more meaningful economic growth for the *rakyat*.

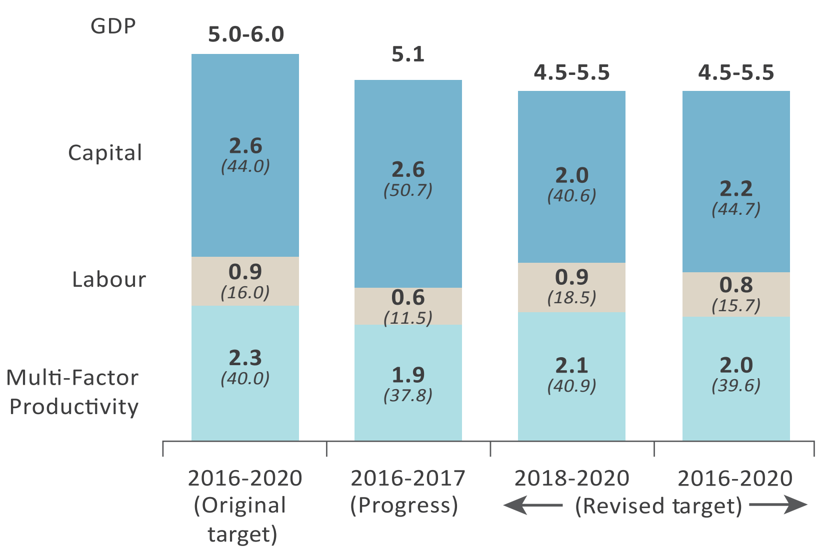
Productivity

During the remaining Plan period, 2018-2020, the multi-factor productivity is targeted to improve by 2.1% per annum and the contribution to gross domestic product (GDP) growth is expected to reach 40.9%, as shown in *Exhibit 9-4*. This is based on the targeted increase in the number of skilled and knowledge workers in the labour force as well as greater adoption of advanced technologies and automation by industries. Correspondingly, the contribution of capital and labour inputs to GDP growth is targeted at 40.6% and 18.5%, respectively. The overall labour productivity is aimed to expand at an annual average rate of 2.9%, reaching a target of RM88,450 per worker by 2020, as shown in *Exhibit 9-5*. This is attributed to improved economic activities and stable employment conditions as well as the implementation of initiatives under the Malaysia Productivity Blueprint (MPB) that aims to enhance national competitiveness and productivity.

Exhibit 9-4

Factors of Production, 2016-2020

Growth, at constant 2010 prices, % p.a.
Share to growth in brackets, %

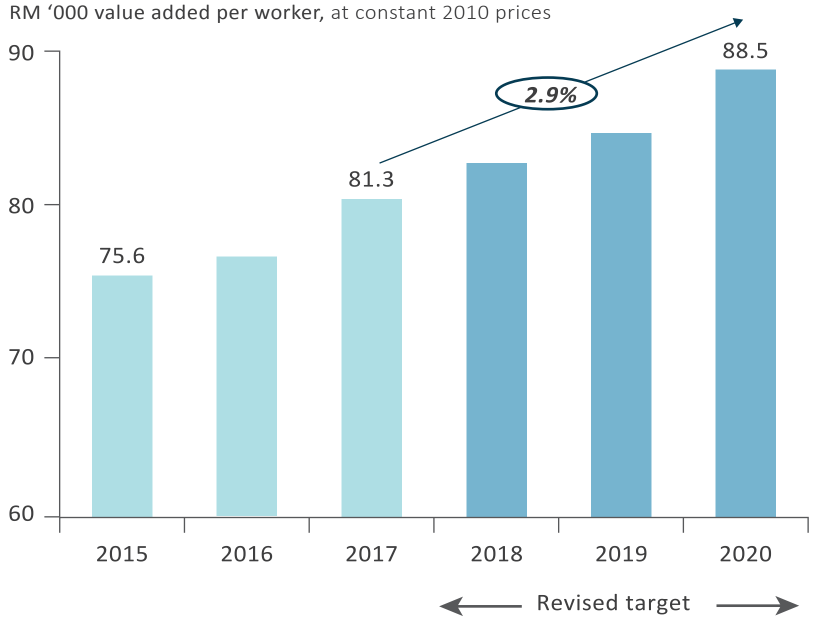


Source: Department of Statistics Malaysia and Economic Planning Unit

Exhibit 9-5

Labour Productivity, 2015-2020

Labour Productivity
RM '000 value added per worker, at constant 2010 prices



Source: Department of Statistics Malaysia and Economic Planning Unit

Aggregate Demand

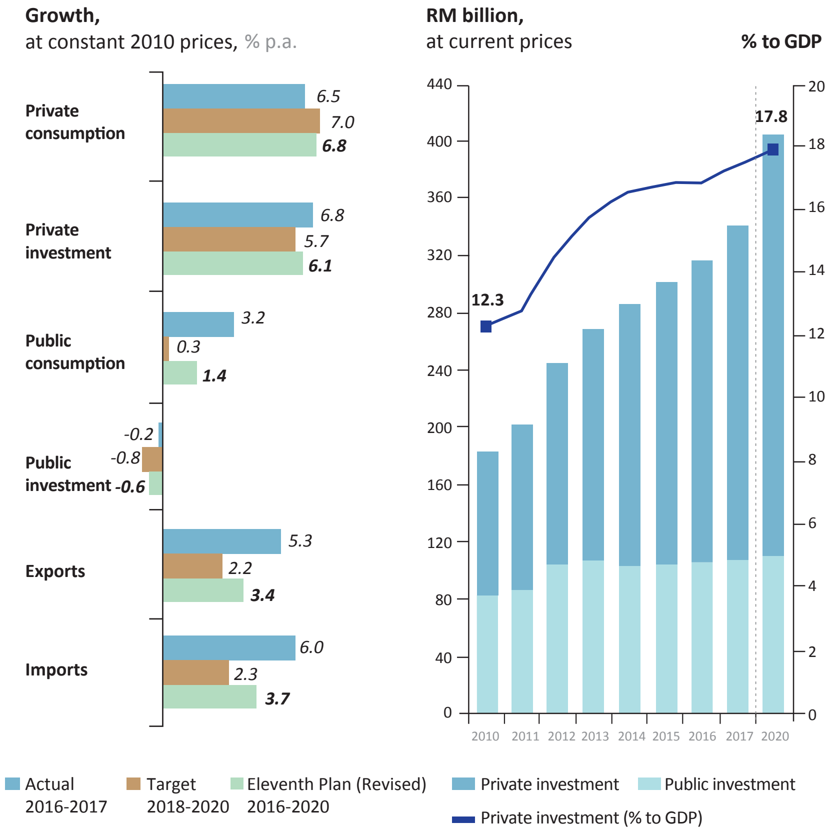
In the remaining Plan period, the original GDP growth target is revised to an average annual rate between 4.5% and 5.5% supported by sustained domestic demand, especially from private sector expenditure. Based on the growth target, gross national income (GNI) per capita is expected to reach RM47,720 or US$11,700 in 2020, in line with moderate inflation. This is about 6% below the estimated minimum income threshold[1] of a high-income nation. Malaysia is expected to achieve this income threshold by 2024. However, if growth conditions improve significantly due to a more benign external economic environment, dynamic domestic growth and a stronger ringgit, the target of achieving a high-income status may be realised earlier. Nevertheless, the goal of becoming a developed nation goes beyond merely attaining a high-income level as it must also be accompanied by higher purchasing power. At the same time, the aspiration of becoming a developed nation requires Malaysia to progress in many other dimensions, such as economics, politics, culture, psychology, spiritual and social.

Private consumption will continue to be a major source of growth and is expected to expand at an annual average rate of 7% with the share to GDP reaching 56.9% in 2020, as shown in *Exhibit 9-6*. This target is based on the expected favourable labour market conditions and continued growth of income levels. Meanwhile, **public consumption** is expected to grow moderately by 0.3% per annum, with emphasis on optimising public expenditure without affecting the quality of public service delivery.

The Government will further strengthen the ecosystem for **private investment** to continue as the growth catalyst, with a targeted growth of 5.7% per annum and the contribution to GDP increase from 12.3% in 2010 to 17.8% in 2020. The efforts will be continued to ensure quality private investment that creates more high-paying skilled jobs, particularly in the manufacturing and services sectors. Thus, measures to encourage investment in machinery and equipment, especially in automation, will be implemented to enhance capacity and productivity of enterprises. Furthermore, efforts will be undertaken to attract quality foreign direct investment in high value-added products and services, which utilise frontier technologies and promote technology transfer to local companies.

Exhibit 9-6

GDP by Expenditure, 2010-2020

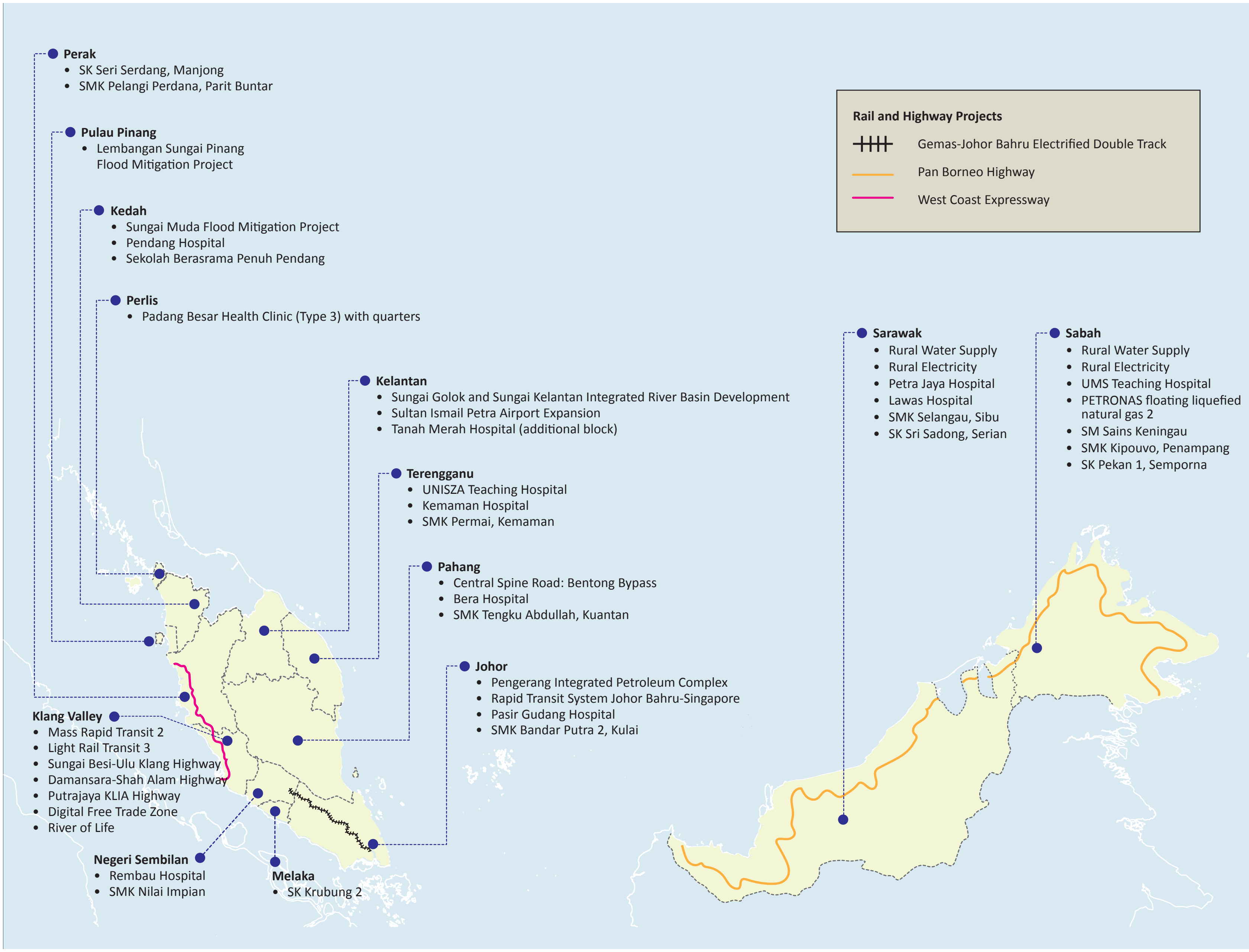


Source: Department of Statistics Malaysia and Economic Planning Unit

[1] The World Bank defines high income economies as those with a GNI per capita of US$12,056 or more in 2017.

Exhibit 9-7

Selected High-Impact Projects being Planned or Implemented, 2018-2020



Source: Economic Planning Unit

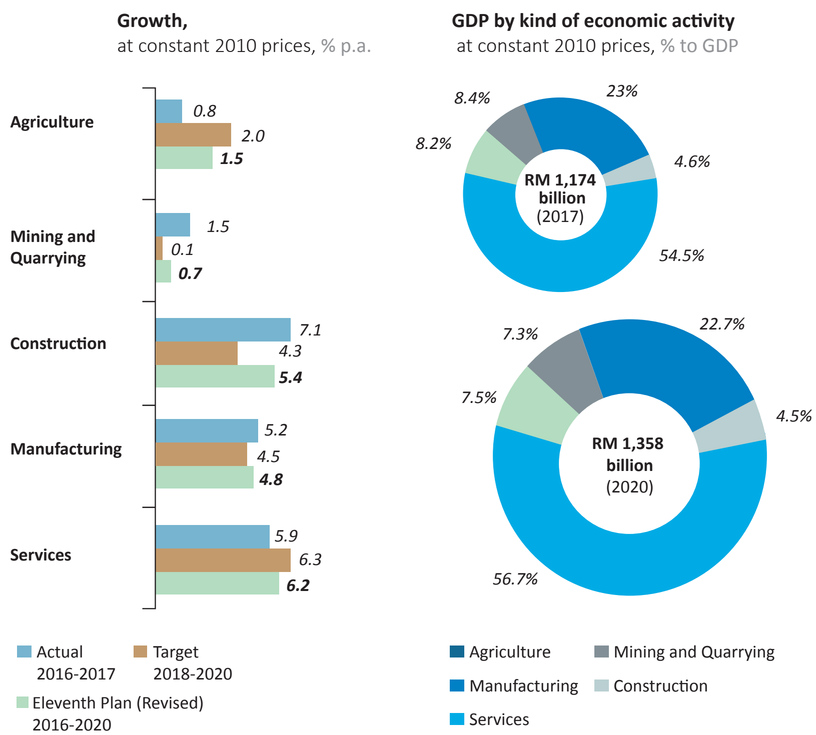
Public investment is projected to contract at 0.8% per annum, due to the revision of major infrastructure projects such as the East Coast Rail Link and High Speed Rail. However, the Government remains committed to meet the socioeconomic needs of the *rakyat* by undertaking high-impact projects, some of which are as shown in *Exhibit 9-7*. In addition, public school projects across the nation as well as rural water and electricity supply projects in Sabah and Sarawak will further enhance the wellbeing of the *rakyat*.

Sectoral Output

The services and manufacturing sectors will continue to drive growth for the remaining Plan period, as shown in *Exhibit 9-8*.

Exhibit 9-8

GDP by Economic Sector, 2016-2020



Source: Department of Statistics Malaysia and Economic Planning Unit

The **services sector** is targeted to sustain the growth momentum at an annual average rate of 6.3%, spurred by various initiatives through the Services Sector Blueprint as well as efforts in promoting Digital Free Trade Zone and productivity improvements under the MPB. The consumption-related services, namely, the retail trade, accommodation as well as food and beverage subsectors are expected to benefit from higher household income as well as greater tourist spending. The contribution of the modern services subsector is also targeted to expand further by 2020, supported by better outlook in the ICT services as well as the private education and healthcare subsectors.

The **manufacturing sector** is targeted to grow at 4.5% per annum, largely driven by the shift towards high value-added, diverse and complex products, particularly in the fields of electrical and electronics, machinery and equipment, chemicals and chemical products, aerospace and medical devices. The export-oriented industries will continue to contribute significantly to the growth of the manufacturing sector, underpinned by rising demand for cloud data centres and electronics in the automotive industry as well as emerging artificial intelligence applications for smart cities and autonomous vehicles.

The **construction sector** is targeted to moderate at an annual average rate of 4.3% due to slower growth of residential and non-residential subsectors. However, greater adoption of the industrialised building system and ongoing civil engineering projects such as the Mass Rapid Transit 2 and Pengerang Integrated Petroleum Complex in Johor are expected to contribute to the growth of the sector. Nevertheless, the overall growth momentum of the government civil engineering subsector is expected to dampen due to reprioritisation of major infrastructure projects to rationalise the fiscal position of the Federal Government.

The **agriculture sector** is targeted to register higher growth at 2% per annum, stemming from the increased production of palm oil, rubber and food crops. By and large, industrial commodities continued to be the mainstay with the contribution targeted at 56.4% of the total value added in 2020. In addition, the contribution of the agro-food subsector is targeted to increase, with emphasis on productivity improvements and modernisation as well as the introduction of new sources of wealth, such as premium-grade fruits, high-yielding coconut varieties and large-scale grain corn production.

The **mining sector** is targeted to grow marginally at 0.1% due to the extended commitment to cut production by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries as well as the disruption of natural gas supply in the Sabah-Sarawak Gas Pipeline in 2018. However, the production of natural gas is expected to surge following the construction of the PETRONAS floating liquefied natural gas 2 at the Rotan field, offshore Kota Kinabalu, Sabah. This facility is scheduled to be completed in 2020 to meet expected higher global demand for low-carbon energy.

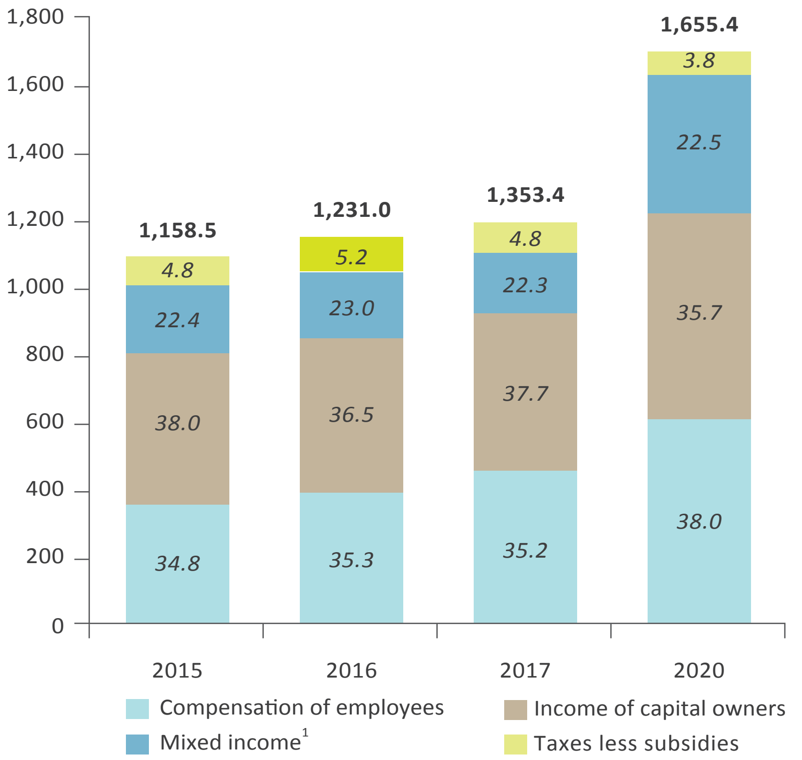
GDP by Income

Increasing the share of **compensation of employees** (CE) to GDP remains a priority of the Government, in order to reduce income disparity between capital owners and employees, as shown in *Exhibit 9-9*. **Gross operating surplus** (GOS), which is made up of the income of capital owners and mixed income, is expected to reduce to 58.2% of GDP in 2020. Meanwhile, CE is targeted to achieve at least 38% share of GDP, supported by continuous growth in salary of employees. Nevertheless, this CE target has yet to reach that of high-income countries, such as Australia at 47.3%, Republic of Korea at 44.4% and Singapore at 42.4%.

Exhibit 9-9

GDP by Income, 2015-2020

RM billion, at current prices
Share to GDP in italic, %



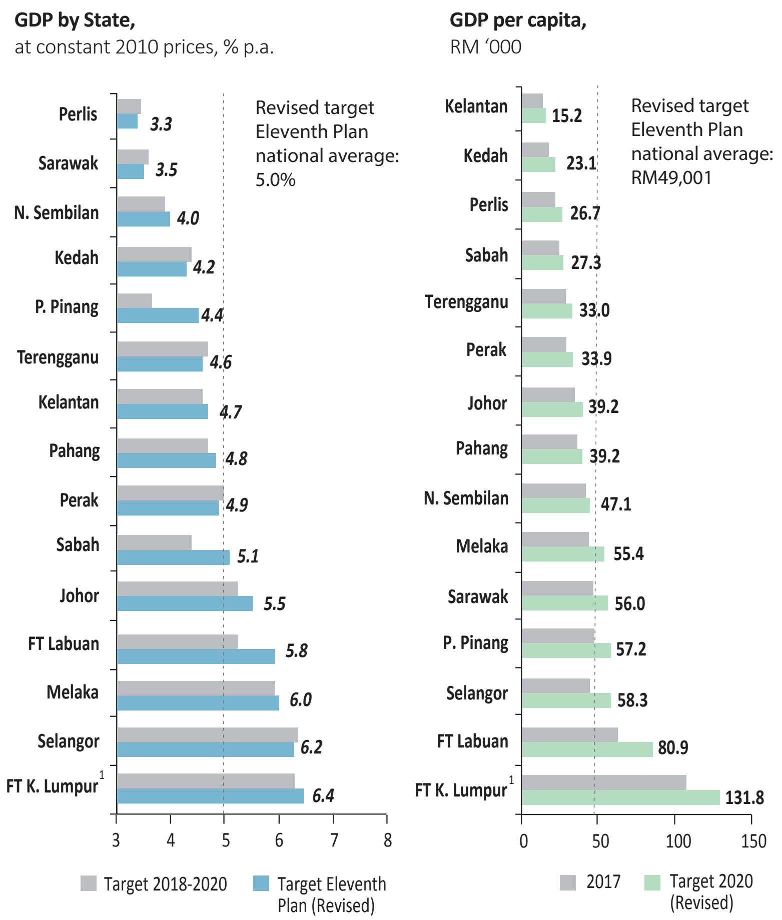
Notes: [1] Income earned by self-employed, unincorporated businesses and others.
Source: Department of Statistics Malaysia and Economic Planning Unit

GDP by State

During the remaining Plan period, most states are expected to record moderate growth rates, as shown in *Exhibit 9-10*. The services and manufacturing sectors are anticipated to remain as the main drivers of economic growth in the states with continuous efforts to attract investment in all regions. Greater emphasis will be given in ensuring a balanced regional development by further diversifying the economic base and developing knowledge-based activities to create more job opportunities and generate higher income. High-impact projects will continue to spur economic growth to address imbalances between states and among regions as well as improve inclusivity. In terms of GDP per capita, most states are expected to narrow the gap while four states and all three federal territories will exceed the national average in 2020.

Exhibit 9-10

GDP by State, 2016-2020



Notes: [1] Includes FT Putrajaya.
Source: Department of Statistics Malaysia and Economic Planning Unit

International Trade and Balance of Payments

The growth of **gross exports** in the remaining Plan period is expected to be sustained at an annual average rate of 6.2%, supported by firmer commodity prices and continued demand from trading partners. **Gross imports** are estimated to rise by 6.1% per annum, led by imports of capital and intermediate goods. Strategies and measures will be implemented to enhance exports and manage imports to ensure the trade balance remains in surplus, targeted at RM118.3 billion in 2020.

The **current account of the balance of payments** is projected to remain in surplus at RM39.9 billion or 2.5% to GNI in 2020 compared with RM40.3 billion or 3.1% to GNI in 2017. Higher surplus in the goods account amid continued deficit in the services and income accounts are expected to contribute to the increase in the current account surplus. The rise in travel receipts and the enhancement of modern services exports are targeted to lower the deficit in the services account. The income accounts are expected to remain in deficit, stemming from the continued repatriation of income by foreign investors and remittances by foreign workers in Malaysia.

Federal Government Fiscal Position

In the remaining Plan period, the Federal Government will undertake measures to strengthen its medium-term fiscal position, among others by strengthening the management of public debt and accelerating institutional reforms. These measures will be balanced with the need to sustain growth and deliver quality public services in ensuring the wellbeing of the *rakyat*. However, fiscal targets will be flexible during the transition period of the new administration to shore up growth. The economy may react to these immediate fiscal reforms in the short term but these reforms are necessary in order to lay down a firmer foundation for a more sustainable and inclusive growth.

During the transition period, the fiscal deficit is expected to temporarily be beyond the target set during the last Budget before reverting to the fiscal consolidation path. Thus, the fiscal deficit is targeted to be at 3.2% to GDP in 2020. The consolidation will be achieved through a multipronged approach towards strengthening fiscal management.

Revenue will continue to be diversified by increasing the contribution of indirect taxes and non-tax revenue such as licenses, permits, fees and rentals. The improved version of the sales and services tax (SST) has replaced the goods and services tax (GST) in September 2018. As e-commerce and activities related to sharing economy are on the rise, the Government will explore imposing tax on these online transactions. More initiatives to improve tax compliance will also be undertaken to ensure collection is maximised from both direct and indirect taxes. Meanwhile, non-tax revenue will be enhanced, among others, by maximising the cost recovery of Government assets, where more agencies will be empowered to improve the utilisation rate of assets. In this regard, the funds accrued will be used to finance operating costs, particularly for asset maintenance. These efforts will reduce Government dependency on oil-related revenue that is inherently volatile.

Operating expenditure will be further consolidated in the remaining Plan period, thus maintaining a surplus current account balance. Among the measures include reforming Government agencies, strengthening procurement process of all supplies and services including through open tenders as well as restructuring debt. In addition, programmes will be reprioritised to improve the effectiveness of Government spending. The management of development projects will also be reviewed, in particular the governance structure of project appraisal and selection, to reduce the risk of delays and cost overruns.

The Government is committed to adopt greater transparency in public finance reporting by accelerating the full implementation of accrual accounting. Under this method, revenue and expenses will be recorded when earned and incurred, respectively. Obligations such as debt, contingent liabilities and financial leases, will also be accounted for when the obligations are undertaken, enabling a more comprehensive management of public finance.

Development expenditure ceiling will be rationalised from the original allocation of RM260 billion to RM220 billion for the overall Plan period, 2016-2020, to consolidate the fiscal position. This is necessary taking into account lower Government revenue contributed by volatile global crude oil price during the review period and abolishment of GST in 2018. Nevertheless, further private sector involvement in driving the economy will alleviate the impact of the reduced investment from the public sector. Public investment will focus on strengthening public infrastructure and developing economic enablers. Over 4,000 ongoing projects will still be continued across the nation, among others, the building of affordable houses, schools, hospitals and roads.

The Federal Government **debt,** contingent liabilities and commitment made under public-private partnership projects stood at 80.3% to GDP in 2017. This level was higher than 50.8% reported as Federal Government debt. Taking into account the importance of looking at Government commitment beyond debt, initiatives will be taken to enhance the management of Government finance covering contingent liabilities and other obligations. Despite existing stringent fiscal sustainability guidelines, financial governance will be further improved to ensure institutional checks and balances. Systematic, comprehensive and transparent financing governance mechanism and debt management system, as in Indonesia and Thailand, will be established in Malaysia. Therefore, the debt position of the nation will be regularly reported to the public, strengthening financial management and credibility of the Government.

Inflation and Labour Market

The Government will continue to monitor closely the price movements as well as adopt appropriate monetary policy and strengthen administrative measures to contain inflation. As such, the **inflation** rate is expected to remain low, averaging between 2% and 3% per annum, despite expected moderate rise in global oil and commodity prices. Measures will also be undertaken to address the issue of rising cost of living to strengthen the purchasing power of the *rakyat*. Among others, these include advocating greater consumerism, enhancing enforcement of the price control regulations and provide more avenues offering affordable and competitive prices of goods and services to the *rakyat*.

Labour market conditions are expected to remain stable with full employment throughout the remaining Plan period with the unemployment rate below 3.5%. The high youth unemployment will be addressed by reviewing labour market conditions. Among others, better quality and high-impact training programmes will be provided and the Future Workers Training scheme expanded to equip job seekers with relevant skills in meeting industry demand. The functions of urban transformation centres and rural transformation centres will be expanded to include one-stop job centres to provide advisory and job matching services for job applicants. In addition, the Critical Occupation List report will be made available at the centres as reference to students and industries in order to minimise job mismatch.

Malaysian Wellbeing Index

In the remaining Plan period, efforts will continue to ensure that the wellbeing of the *rakyat* improves in parallel with economic growth. Greater focus will be given to address the various areas of concern, such as family life, health and environment. Strategies and initiatives such as strengthening the family institution, combating diseases and providing better living environment, will be intensified to ensure growth is meaningful. Thus, the Malaysian Wellbeing Index is targeted to improve by 1.7% per annum in the remaining Plan period.

Conclusion

Achieving a developed and inclusive nation status goes beyond merely attaining a high income, it must also be accompanied with higher purchasing power. In addition, this aspiration requires Malaysia to progress in many other dimensions before it can consider itself truly advanced. In this regard, the Government will endeavour to ensure quality, inclusive and sustainable growth in the long term to enable the *rakyat* to prosper and enjoy the fruits of development. While the reforms of the new administration may have a short-term impact on the nation, it is a necessary trade-off to steer the economy on a sustainable path in ensuring more meaningful growth for the *rakyat*. Growth objectives will be pursued simultaneously with social and distributional dimensions of development for Malaysia to become a developed economy and inclusive nation.

10

CHAPTER

I

PILLAR

Reforming Governance towards Greater Transparency and Enhancing Efficiency of Public Service

Introduction

The dawn of a new administration signals the need for a holistic reform of the Government with stronger democratic governance. The reform agenda necessitates the highest standards of ethics, conduct and good governance at all levels to strengthen transparency and accountability in order to regain the trust and confidence of the *rakyat.* In this regard, the values and principles of rule of law, integrity, equity and inclusiveness will be imbued across all levels and proper mechanisms will be implemented to prevent abuse of power. At the same time, the public service must deliver equitable and quality services with efficiency and effectiveness through collective efforts, dedication and creativity focusing on priorities that matter the most to the *rakyat*.

During the review period, 2016-2017, efforts were undertaken to transform public service delivery, addressing areas such as bureaucracy, digitalisation, talent and project management as well as local authority services. Despite these efforts, the impact achieved to improve public services in a comprehensive and sustainable manner was hampered by, among others allegations of corruption, lack of transparency and accountability as well as inefficient resource and financial management. These issues and challenges have undermined the credibility and worthiness of public sector institutions. Therefore, with the new Government at the helm, principles of good governance, openness and fair distribution through a transparent democratic process will be fundamental in charting new priorities in the development agenda.

In the remaining Plan period, 2018-2020, measures will be undertaken to reform the Government administration, which covers the separation of power between the executive, legislative and judiciary towards greater transparency and accountability. This is to ensure checks and balances in line with the Federal Constitution. These efforts will cover four priority areas, namely improving governance at all levels, elevating integrity and accountability, enforcing prudent public finance management and enhancing public service delivery. As such, a comprehensive reform is required to ensure a Government worthy of trust and confidence of the *rakyat*.

New Priorities and Emphases, 2018-2020

Cognisant of the issues and challenges faced by the new Government, especially concerning trust deficit on the previous Government, significant changes are required to restore the trust and confidence of the public. Therefore, the Government will introduce comprehensive reforms[1] to strengthen the administrative capacity and improve governance. The priority areas and strategies for reforming governance towards greater transparency and enhancing efficiency of the public service in the remaining Plan period are as shown in *Exhibit 10-1*.

Exhibit 10-1

Reforming Governance towards Greater Transparency and Enhancing Efficiency of Public Service

Priority Area A
Improving governance at all levels

Strategy A1
Strengthening check and balance mechanism

Strategy A2
Improving relationship between Federal, state and local governments

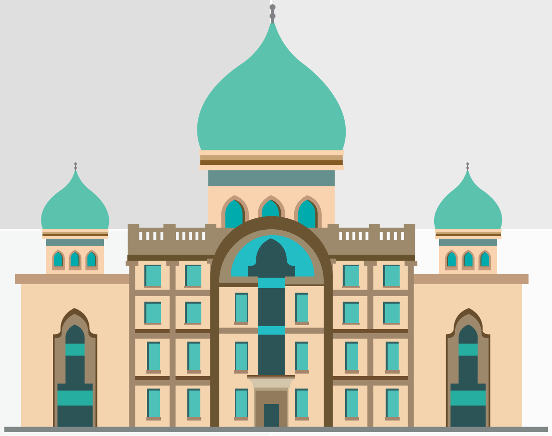
Strategy A3
Reforming the political system

Priority Area B
Elevating integrity and accountability

Strategy B1
Enhancing anti-corruption agenda

Strategy B2
Improving transparency

Strategy B3
Inculcating noble values and ethical work practices



Priority Area C
Enforcing prudent public finance management

Strategy C1
Improving the budgeting system

Strategy C2
Enhancing procurement management

Strategy C3
Strengthening performance management, monitoring and evaluation framework

Priority Area D
Enhancing public service delivery

Strategy D1
Reforming public sector institutions

Strategy D2
Redesigning public services

Strategy D3
Empowering local authorities

[1] Some of the reforms require amendments to the Federal Constitution and respective legislation.

Selected Targets, 2020

Improving governance at all levels

Reintroduce Parliamentary Services Act 1963

Elevating integrity and accountability

SDG 16

Top 30

Top 30 in the Corruption Perception Index by the Transparency International

Enforcing prudent public finance management

3.2% to GDP

Fiscal deficit at 3.2% to gross domestic product (GDP)

Enhancing public service delivery

SDG 16

Top 15

Top 15 in the Online Service sub-index of the United Nations e-Government Development Index

SDG 16

Top 10

Top 10 in the Government Efficiency sub-index of the World Competitiveness Yearbook

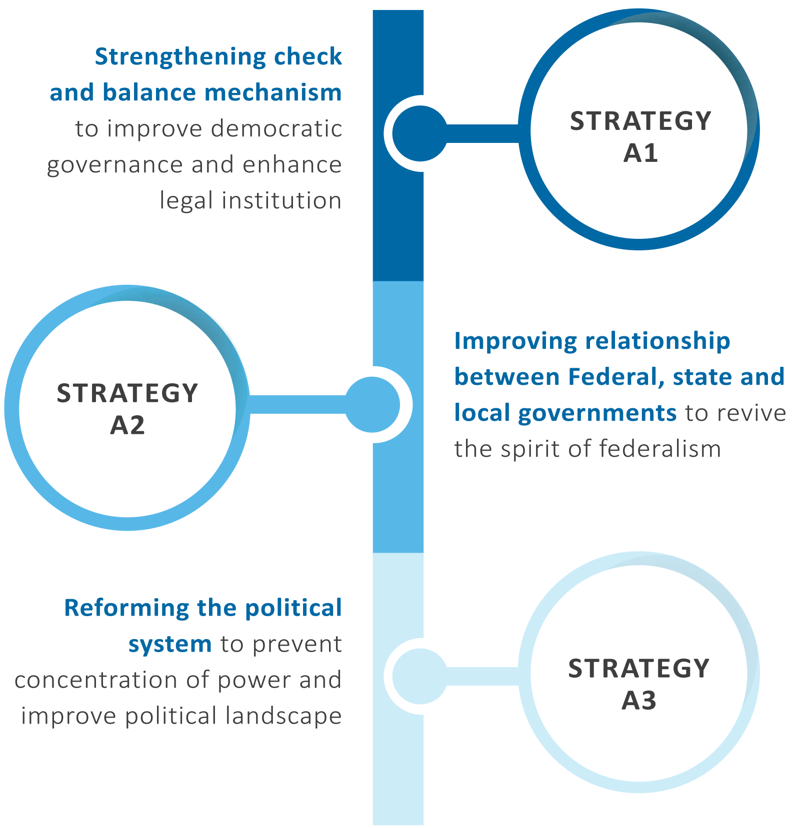
SDG 11

90% of local authorities achieve minimum 4-star out of 5-star rating based on the *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT)

Original Target New Target

Priority Area A: Improving Governance at All Levels

The current institutional set-up is inadequate to ensure checks and balances between the executive, legislative and judiciary as Malaysia embraces a new political era. Thus, the separation of powers is fundamental and must be executed effectively to prevent the concentration of power in a particular branch of government. This will ensure public sector institutions are organised and managed in line with good governance, which requires transparent and accountable execution of authority. In the remaining Plan period, three main strategies to improve governance will be implemented as follows:



Strategy A1: Strengthening Check and Balance Mechanism

In the remaining Plan period, several initiatives will be implemented to strengthen the check and balance mechanism in the Government administration. These initiatives will uphold the separation of powers in line with the fundamental component of a modern democratic government. In this regard, the authority of the Parliament will be enhanced and the role of the Office of the Attorney General will be improved to ensure better democratic governance and enhance legal administration.

Enhancing the authority of the Parliament

The Parliament is an important component of a democratic governance system. An effective Parliament contributes significantly towards enhancing state capability, accountability and responsiveness as well as to ensure executive powers is kept in check. Establishing the autonomy of the Parliament is crucial, both from the financial and operational perspectives to ensure better administration, staffing and budgeting. The Parliamentary Services Act 1963, which was repealed in 1992, will be reintroduced with improvements in line with the current socio-political and economic environment.

A strong select committee system, which comprise Members of Parliament across political parties, is essential to a well-functioning Parliament. Measures will be implemented to institutionalise the select committee system in the *Dewan Rakyat* and *Dewan Negara* and to empower Parliamentary committees to oversee the executive. This committee plays a vital role in gathering information, investigating and reporting to the Parliament on issues of public interest. Committees will be provided with appropriate resources to enable effective execution of function.

In improving transparency and accountability as well as increasing checks and balances, commissions such as the Malaysian Anti-Corruption Commission (MACC) and Election Commission of Malaysia (SPR) will be answerable directly to the Parliament.

In addition, select committees must endorse the appointment of key positions among others including in MACC, SPR, National Audit Department (JAN) and Judicial Appointments Commission. In this regard, efforts will be intensified to ensure these commitments are institutionalised.

Improving the legal administration system

In the current legal administration system, the same person represents the roles of the Attorney General and the Public Prosecutor. In upholding the spirit of separation of powers and rule of law, it is important for the two functions to be executed by different persons. The separation of representative will ensure that both duties can be conducted independently and be free from the perception of political influence. In the remaining Plan period, concerted efforts to separate the representative of these two functions will be undertaken by studying best practices globally.

Strategy A2: Improving Relationship between Federal, State and Local Governments

Malaysia's administrative system adopts a three-tiered government structure, namely Federal, state and local governments. The roles and functions of the three tiers of government are clearly defined in the Federal Constitution. However, most of the jurisdictions were, in practice, administered by the Federal Government, limiting the power of the state to undertake and monitor socioeconomic or infrastructure development activities. This in turn, limits the capability of state to generate more income. In this regard, the relationship between Federal, state and local governments will be improved to revive the spirit of federalism.

Reviving the spirit of federalism

In the remaining Plan period, the principles of federalism will be further practised, which defines a clear division of power between the Federal and state governments as outlined in the Ninth Schedule of the Federal Constitution. In this regard, state governments will be empowered to run their administrations by decentralising some functions including public transport, social services, agriculture development and environmental protection. Meanwhile, states such as Sabah, Sarawak, Kelantan, Terengganu, Kedah and Perlis will be given priority in the distribution of development allocation to promote more balanced socioeconomic development.

Strategy A3: Reforming the Political System

In ensuring a robust and democratic political system, three initiatives will be implemented in the remaining Plan period. The initiatives are limiting the term of office for the Prime Minister, Chief Minister and *Menteri Besar*, improving the electoral system and introducing legislation governing political financing. The implementation of these initiatives will improve the Malaysian political landscape and ensure better transparency and accountability.

Limiting the term of Office for the Prime Minister, Chief Minister and Menteri Besar

The excessive concentration of power in the Prime Minister before this has had a negative repercussion on the nation and has contributed to trust deficit among the *rakyat*. Realising the negative effects of power concentration, efforts will be undertaken to limit the term of office for the Prime Minister, Chief Minister and *Menteri Besar* for two terms to curb possible power abuse and corruption. This will require amendments to the Federal Constitutions and the respective State Constitutions. Meanwhile, other measures include ensuring the Prime Minister does not hold other ministerial posts simultaneously. In this regard, a comparative study will be undertaken to develop a robust system that suits the socio-political needs of the country.

Improving the electoral system

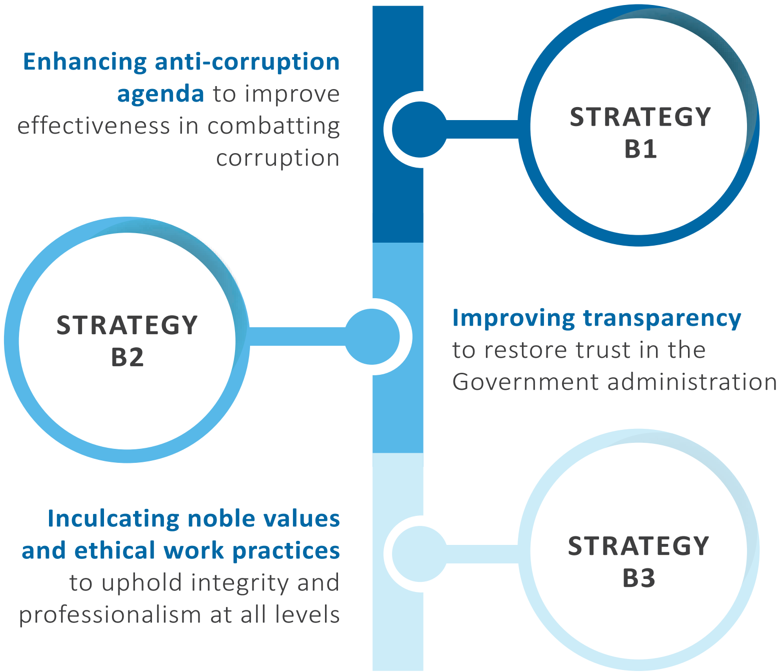
In Malaysia, the right to vote is guaranteed by the Federal Constitution where a citizen who has reached the age of 21 years, resident in a particular election constituency and has been registered as a voter, is eligible and has the right to vote. In ensuring better participation especially among youth, efforts will be undertaken to lower the minimum voting age to 18 years. In addition, comprehensive reforms, including cleaning up the electoral roll, improving postal voting and providing fair access to the media for all competing parties will be pursued.

Introducing legislation governing political financing

In order to regulate political financing, a legislation on political financing will be introduced to safeguard against the power of incumbency. The absence of a regulatory system has resulted in money politics and created an unequal playing field for political parties. The issue of political financing in Malaysia is not confined to the movement of cash to or from a political party or a politician but also includes indirect forms of financing. A proper framework will be developed to prevent unfair advantages and promote greater transparency and accountability in raising and spending funds for political purposes.

Priority Area B: Elevating Integrity and Accountability

In continuing efforts towards improving good governance and rule of law, issues related to integrity and accountability needs to be addressed comprehensively and consistently. During the review period, Malaysia's ranking in the Corruption Perception Index (CPI) dropped to 62nd out of 180 countries in 2017 compared with 55th out of 176 countries in 2016. The drop in the ranking necessitates tougher and rigorous proactive measures to reaffirm Malaysia's commitment towards fighting corruption. In the remaining Plan period, three main strategies will be implemented to elevate integrity and accountability as follows:



Strategy B1: Enhancing Anti-Corruption Agenda

In enhancing the anti-corruption agenda, institutions and legislation need to be strengthened to support a conducive and effective ecosystem. In the remaining Plan period, institutions such as MACC and Malaysian Institute of Integrity will be reformed. This is to ensure that the agencies or bodies involved in the fight against corruption assume full responsibility, do not overlap and deliver effectively. Meanwhile, current legislation and mechanism pertaining to corruption will be strengthened to improve effectiveness in combatting corruption.

Reforming Malaysia anti-corruption institutions

The MACC will be transformed into a fully independent body to empower and strengthen its role in eradicating corruption at all levels. The MACC Act 2009 will be reviewed comprehensively to ensure wider coverage of the MACC. In this regard, MACC will be able to execute efforts in fighting corruption effectively and efficiently.

In the remaining Plan period, efforts will be undertaken to improve effectiveness in combatting corruption. Therefore, the newly-established National Centre for Governance, Integrity and Anti-Corruption (GIACC) will be responsible for planning, formulating, coordinating and evaluating policies as well as strategies in embracing good governance, integrity and zero tolerance to corruption. GIACC will play an overarching role in coordinating and monitoring initiatives across various agencies holistically.

Strengthening anti-corruption legislation

Anti-corruption legislation will be continuously reviewed and strengthened to ensure its relevance with current development. As such, the Witness Protection Act 2009 and Whistleblower Protection Act 2010 will be enhanced to improve the protection of informants with regard to public interest disclosure of wrongdoings. In addition, greater engagement with all stakeholders including civil society, academia and reputable international bodies will be conducted to ensure anti-corruption legislation in Malaysia is holistic and at par with global best practices.

A comprehensive review will be undertaken to formulate suitable legislation providing tougher actions and better management of misconduct and wrongdoing among officer of a public body[2]. The new legislation will be in line with Article 19 of the United Nations Convention Against Corruption (UNCAC) on the abuse of functions or positions. In addition, the existing rules and regulations on public officials conduct and discipline will be reviewed accordingly to ensure its effectiveness.

Strategy B2: Improving Transparency

Bureaucracy must be governed by professional values and rule of law while upholding the principle of neutrality. Political interference in the bureaucracy will not be allowed to adversely affect the professionalism and breach procedures within the administration. Hence, efforts will be undertaken to rectify the weaknesses and strengthen the governance system while improving transparency and accountability. In the remaining Plan period, several initiatives will be implemented to improve transparency such as enabling open government environment and expanding cashless payments options for private and public sectors to restore trust in the Government administration.

Enabling open government environment

Malaysia is committed to embrace transparency in order to build trust by enabling an open government environment. In this regard, the Government will participate in relevant international platforms, such as the Open Government Partnership[3]. An open government will create new opportunities by allowing better data utilisation as well as interactive feedback between the Government and the public. Thus, the current National Open Data initiative will be intensified and pursued comprehensively to encourage innovative use of Government data by actions as follows:

- Review legislation and guidelines that hinder implementation of open data
- Establish an open data framework across Federal, state and local governments
- Develop an open data implementation roadmap as a guideline to agencies
- Implement a communication plan to increase awareness among agencies and the public
- Publish more key data for public consumption

[2] Under Section 3, MACC Act 2009, an officer of a public body is defined as any persons who is a member, an officer and an employee or a servant of a public body and includes Members of the Administration, Members of Parliament, Members of State Legislative Assembly, a judge of a High Court, Court of Appeal or Federal Court, and any person receiving any remuneration from public funds, and, where the public body is a corporation sole, include the person who is incorporated as such.
[3] The Open Government Partnership was launched on 20 September 2011 with eight founding governments, namely Brazil, Indonesia, Mexico, Norway, the Philippines, South Africa, the United Kingdom and the United States by endorsing the Open Government Declaration.

In the remaining Plan period, legislation to promote freedom of information will be explored, enabling the public right to access official information. Meanwhile, efforts will be undertaken to review the Official Secrets Act 1972 to ensure the Act is solely used to protect national security and sovereignty. This will also guarantee that requirements of secrecy are not over-stated and abused among public officials.

An effective asset declaration system will be developed to ensure better asset declaration and detect abuse among politicians. In addition, the Code of Ethics for declaration of assets and gifts among Members of Parliament and Members of Administration including the Prime Minister and Deputy Prime Minister will be amended to ensure greater transparency and restore public confidence. The requirement to declare assets only to the Prime Minister as practised before will now be made available to the MACC. In this regard, MACC will be mandated to verify and monitor the assets declaration. Furthermore, legal provision for a mandatory declaration of asset among this group will be inserted under the MACC Act 2009.

Expanding cashless payments platform

In view of the growing expectations about greater transparency in financial transactions, it is crucial that government departments modernise payment mechanisms to become more client centric, secure, efficient and transparent. A cashless payment transaction system would ensure transparency as well as enable tracing and tracking. In the remaining Plan period, efforts will be intensified to expand e-payment platforms especially for government transactions for good governance and reducing corruption. In addition, efforts will be undertaken to leverage the potential use of other technologies including blockchain.

Strategy B3: Inculcating Noble Values and Ethical Work Practices

In order to promote values of integrity, transparency, accountability and good corporate governance, principles of clean, efficient and trustworthiness must be instilled at all time. Thus, it is essential to ensure both public and private sector employees are free from any corrupt practices and wrongdoings towards creating a highly principled business environment. In the remaining Plan period, efforts to further inculcate noble values and ethical work practices at all levels will be intensified to uphold integrity and professionalism.

Upholding integrity at all levels

Efforts to uphold integrity and eradicate corruption, which will be undertaken continuously and comprehensively involving the public and private sectors, include the following:

- Introducing Anti-Bribery Management System (ABMS) MS ISO 37001 certification in all government agencies and to propose the certification as a requirement for private sector in order to bid for government contracts
- Expanding participation of Certified Integrity Officers (CeIO) to all state-owned enterprises[4] (SOEs) activities, which are prone to the risk of corrupt practices
- Reviewing comprehensively on the implementation of corporate integrity pledge to facilitate corruption prevention initiatives
- Establishing strategic partnerships with political associations and civil society organisations for collective engagement to execute government initiatives to create a clean country with zero tolerance for corruption

[4] State-owned enterprises refer to enterprises where the Government directly or indirectly own more than 50% of share capital or control more than 50% voting rights or has power to appoint majority of board.

- Enforcing mandatory job rotation for public servants holding sensitive posts to avoid and reduce tendency for corrupt practices
- Establishing the Independent Police Complaints and Misconduct Commission to uphold integrity and deter misconduct in the police force
- Establishing an independent Ombudsman, which reports to the Parliament, to address and investigate complaints of maladministration in the public service

Instilling noble values among public servants

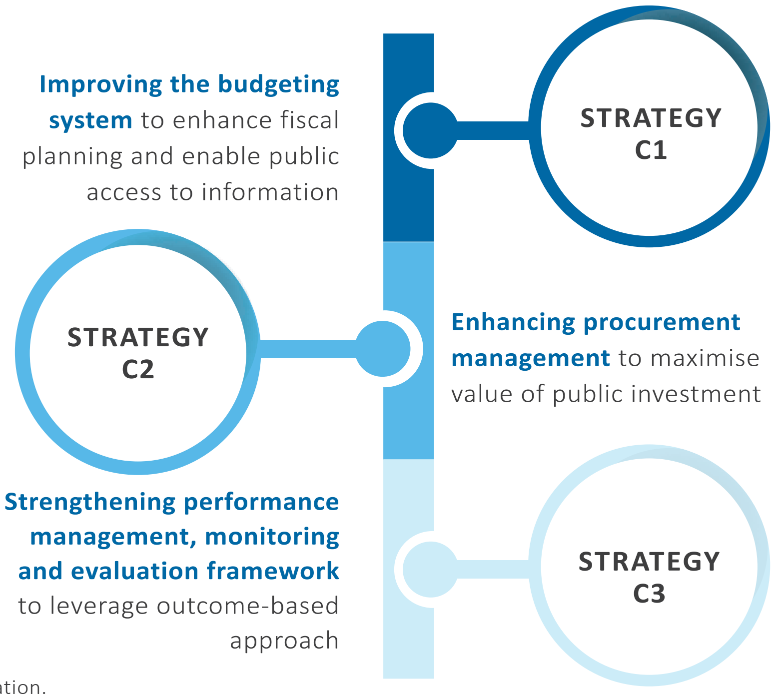
The demand for greater transparency and effectiveness in the public service delivery requires intensive efforts to instill noble values among public servants in order to boost performance and promote excellent work culture. In this regard, the Public Service Department, in collaboration with all ministries and agencies, will spearhead the efforts, among others as follows:

- Enhancing ethics and values programmes
- Evaluating the integrity level of organisations and individuals based on acceptable integrity assessment tools
- Inculcating noble values continuously through existing public service initiatives such as the 12 Pillars *(Tonggak 12)* and Code of Ethics
- Strengthening the enforcement of *Sistem Pengurusan Audit Nilai* and implementing intervention programmes accordingly

Priority Area C: Enforcing Prudent Public Finance Management

The Government is committed to be more transparent in financial administration and ensure public funds are spent prudently. This is to ensure a sustainable consolidated path with fiscal deficit targeted at 3.2% to gross domestic product (GDP) in 2020. In addition, new debt management and reporting methods, which also accounts for liabilities arising from financial leases and government guarantees, will be introduced to ensure sustainable financial management. Thus, transparency and prudent management of public funds will significantly provide best value for money and deliver better outcomes to the *rakyat*.

Comprehensive reforms will be undertaken to ensure prudent management of public finance towards a more transparent and accountable Government. Efforts will be intensified to ensure ex-ante[5] and ex-post[6] accountability principles are imbued in managing public funds. This is in line with the aspiration of upholding integrity and increasing productivity through the optimisation of resources. In this regard, prudent management of public finance will be enforced through strategies as follows:



[5] Ex-ante accountability requires the Government to match policy priorities with budget allocation.
[6] Ex-post accountability requires the Government to ensure the targeted outcomes are achieved.

Strategy C1: Improving the Budgeting System

A more responsible budget is essential to implement the Government strategy and commitments. Full disclosure of budget details will be made available to the public, which will allow scrutiny of the Government's allocation and spending. In addition, accrual accounting system will be rolled out expeditiously to improve national accounting practices. Meanwhile, recommendations from international bodies including the World Bank and International Budget Partnership (IBP) will continue to be incorporated to enhance the budgeting system and enable public access to information.

Enhancing national budget process

Malaysia scored 46/100 in the Open Budget Index[7] (OBI) 2017, which denotes that limited budget information is available to the public. The score is slightly higher than the global average of 42/100. Malaysia published only six out of the eight mandatory budget documents required by IBP, as shown in *Exhibit 10-2*. More measures will be undertaken gradually to improve Malaysia's OBI score to at least 61/100 in the 2021 budget cycle through better public engagement with stakeholders as well as oversight by the Parliament and JAN. In addition, the annual budgeting process will be re-engineered to ensure better alignment with Malaysia's five-year development plan.

Exhibit 10-2

Public Availability of Budget Documents, 2008-2017

DOCUMENT	2008	2010	2012	2015	2017
1. Pre-Budget Statement	Not produced	Not produced	Not produced	Not produced	Not produced
2. Executive's Budget Proposal	Available to the public	Available to the public	Available to the public	Available to the public	Available to the public
3. Enacted Budget	Available to the public	Available to the public	Available to the public	Available to the public	Available to the public
4. Citizens Budget	Not produced	Not produced	Not produced	Not produced	Available to the public
5. In-Year Reports	Available to the public	Available to the public	Available to the public	Available to the public	Available to the public
6. Mid-Year Review	Not produced	Not produced	Not produced	Not produced	Not produced
7. Year End Report	Available to the public	Available to the public	Available to the public	Available to the public	Available to the public
8. Audit Report	Available to the public	Available to the public	Available to the public	Available to the public	Available to the public

Source: International Budget Partnership

Not produced — Available to the public

[7] The Open Budget Index (OBI) is an index issued by the International Budget Partnership to assess the amount and timeliness of budget information made public by participating governments. Each country is given a score between 0 and 100, which determines its ranking on the OBI.

Increasing efficiency and transparency of state-owned enterprises

A review of existing legislation governing the operation of SOEs will be undertaken to address shortcomings and further improve governance practices. In addition, regular reviews of government portfolio will be conducted to assess the roles and functions of SOEs. Moreover, a single oversight authority will be established to consolidate information on assets and liabilities of SOEs as well as produce and publish a comprehensive financial report.

Expanding and expediting the implementation of accrual accounting

Efforts to implement accrual accounting through the Integrated Government Financial Management and Accounting System (iGFMAS) will be expedited in the remaining Plan period. The accrual accounting will provide comprehensive financial reporting, which includes government guarantees, contingent and future liabilities as well as other commitments. Additionally, the Government aims to consolidate financial accounts with Minister of Finance Incorporated financial statements through accrual accounting. This will add depth to the accountability and transparency of public sector funds and resources management. Furthermore, the financial provisions in the Financial Procedure Act 1957 and other relevant legislation pertaining to the changes will be reviewed and amended accordingly.

Strategy C2: Enhancing Procurement Management

Government procurement (GP) is an important instrument, constituting 15% to 20% of GDP, used to ensure the best value for money through acquisitions of works, goods and services. GP also aims to stimulate growth and achieve socioeconomic development objectives. However, issues plaguing GP are lack of transparency in the procurement processes and contract administration weaknesses due to disregard of established procedures. Therefore, strengthening procurement and public private partnership (PPP) frameworks are imperative to enhance procurement management to maximise value of public investment.

Strengthening procurement framework

In the remaining Plan period, efforts will be undertaken to introduce a comprehensive and effective legal framework of GP. A legislation on GP will be formulated to regulate GP activities, improve efficiency of resource utilisation, safeguard public and national interest as well as protect the rights of the contracting parties. In addition, detailed information on GP including procurement planning of ministries and agencies will be made available in the MyProcurement portal, enabling greater public participation in GP activities.

The ePerolehan system, which is currently applicable to GP for supply of goods and non-consultancy services will be further enhanced. In this regard, a study will be conducted to assess the requirement for an integrated procurement system for works. The enhanced system aims to include project planning, procurement process as well as implementation, monitoring and contract administration to ensure comprehensive coverage of project cycle.

The Government is committed to uphold the principle of open competition to avoid contract monopolies and maximise value for money in GP. This will be realised through the enforcement of open tenders as a main mechanism. Hence, selective tenders have been abolished and replaced by open tender pre-qualification. In addition, stringent requirements will be imposed in awarding contracts and appropriate actions will be taken in accordance with the terms and conditions in the contract to reduce rent-seeking activities. This includes termination of contract due to sub-contract of projects to another party or transfer of company's equity without prior written approval from the Government. Meanwhile, exception for direct negotiation will be reviewed in line with international standards and best practices, among others including the agreement on GP under the World Trade Organisation.

Competent human capital along the procurement value chain is essential in ensuring good governance and efficiency. In this regard, officers managing GP will undergo training under the Chartered Institute of Procurement and Supply programme to enhance capability and competency. This will ensure internationally qualified procurement experts manage GP across ministries and agencies.

In addition, continuous efforts will be undertaken to enhance the skills and capabilities of contractors through competency skills training and accreditation. The rating programme to assess the competency and capacity of contractors implementing government projects will be further strengthened. Hence, these projects will be awarded based on the rating and accreditation of the contractors.

Strengthening public private partnership framework

The Government will review the existing PPP framework for the implementation of PPP projects. In addition, total commitment of PPP projects will be determined in order to control the level of annual obligations and commitments. Limiting the annual commitment will help the Government to minimise fiscal risks. Meanwhile, forensic audits will be intensified for selected PPP projects to improve the current framework.

Strategy C3: Strengthening Performance Management, Monitoring and Evaluation Framework

Performance management, monitoring and evaluation framework is vital in prioritising expenditures to ensure the successful implementation of programmes and projects. The monitoring and evaluation components of the project management cycle are inadequate to provide insights on performance for better decision making process. In the remaining Plan period, three initiatives will be implemented, namely enhancing performance management, improving monitoring and coordination mechanism as well as strengthening project management to leverage outcome-based approach.

Enhancing performance management

In an effort to address fiscal challenges in the short term, the Government will introduce zero-based budgeting as a method to strictly control expenditure. At the same time, to ensure expenditure will achieve the desired outcome, the implementation of outcome-based budgeting (OBB) will be strengthened as an integrated budgeting performance measurement method to ensure more efficient and effective public expenditure management. The OBB will provide a platform to align national outcomes with the programmes and budget allocation of ministries as well as enhance accountability at all levels. In addition, performance of programmes and activities will be measured based on key performance indicators (KPIs) tailored to the roles and functions of ministries. In this regard, measures will be undertaken to ensure accurate and timely performance reporting, develop technical capacity as well as promote culture of using performance information.

Improving monitoring and coordination mechanism

The MyResult system, a tool for systematic and holistic performance monitoring, evaluation and reporting will be enhanced to produce comprehensive reports at national and ministry levels. Meanwhile, the Project Monitoring System II will be enhanced to holistically monitor the project management cycle. In this regard, the *Arahan No.1, 2010*: *Majlis Tindakan Negara* will be reviewed to strengthen the coordination and implementation mechanism at the Federal, state and district levels for more effective and efficient project execution. In addition, the risk management plan module will be incorporated in all government projects.

Strengthening project management

In the remaining Plan period, ministries and agencies will be required to prioritise development projects by adhering to the OBB approach. The application of pre-approved plan (PAP) and industrialised building system (IBS) will be emphasised on government projects to expedite project implementation as well as ensure best value for money. Moving forward, the application of PAP will be enhanced through the introduction of new categories and additional design options to suit the needs and requirements of ministries and agencies. Meanwhile, the IBS catalogue will be harmonised with the design library of the building information modelling to improve the accuracy of planning and collaboration among players across the construction value chain. In addition, the public sector comparator as a cost comparison tool will be extended to all ministries and agencies as part of the project evaluation and selection process.

Formative evaluation will be implemented to ensure timely intervention throughout the project cycle for successful project delivery and outcomes. In this regard, ongoing projects will be addressed through collective and coordinated efforts by ministries and agencies. The *Jawatankuasa Tindakan Pembangunan Kementerian* will be leveraged to monitor and evaluate physical progress and outcomes as well as deliverables of programmes and projects.

Priority Area D: Enhancing Public Service Delivery

The new Government will undertake extensive reforms in the overall administrative policies and practices to ensure the delivery of better and faster services to the *rakyat* and businesses. In addition, the public service must provide services that are fast and seamless, available anywhere and anytime (either through physical, mobile or online channels) and optimise people's experience at reasonable costs. The public service also needs to be more flexible, innovative and responsive to embrace future challenges. In this regard, the rationalisation of existing structures will be aggressively pursued for agility and optimisation of resources while talent management will be enhanced to provide the required talent pool. Meanwhile, ongoing initiatives to innovate and redesign public service delivery will be intensified, with emphasis to empower local authorities. Therefore, strategies have been identified to enhance public service delivery as follows:

Strategy D1: Reforming Public Sector Institutions

The public service will optimise structure, scale and operating models to enhance flexibility and performance of the institutions. In addition, intensive efforts will be undertaken to boost talent management in the public service. Therefore, in the remaining Plan period, initiatives pertaining to reforming public sector institutions will be intensified to rightsize the public service and augment talent management. These include rationalising public sector institutions, strengthening talent management, customising performance assessment, promoting career development as well as improving work-life balance of public servants.

Rationalising public sector institutions

The rationalisation of public sector institutions will be continued in the remaining Plan period by establishing a special task force to conduct a comprehensive audit and review across public sector institutions and agencies. This task force will be led by the Chief Secretary to the Government to assess the roles and functions of various entities including statutory bodies and SOEs. Public sector institutions reforms will also entail rationalisation of Malaysian missions abroad involving the review of the existing structures, posts and functions of the various Malaysian representation offices worldwide. The aim is to rightsize and increase efficiency of the public service by utilising resources optimally.

Public service entry requirements will be revised to be aligned with the public service reforms to attract the best and suitable candidates. The entry requirements will be scrutinised and strengthened to ensure those recruited are of high integrity and competency. This will support the capabilities of the public service to deliver the priorities of the new Government.

In working towards public service reforms, the Government will introduce a legislation to govern the public service. The legislation aims to enable public servants to serve the Government, Parliament and the people transparently and accountably. The legislation will also empower public servants to carry out their duties and responsibilities without fear or favour.

Strengthening talent management for public service

Public sector training policies will be reviewed and a comprehensive strategic human resource development policy (HRDP) will be developed. The new policy will enable greater empowerment of ministries and agencies to plan and implement the required human capital training needs. In this respect, capacity building will focus, among others on multi-skilling and training in new and specialised fields. The HRDP will outline basic principles and approaches in developing public service human capital to create an agile future ready workforce equipped with higher order thinking skills and digital competency. In addition, HRDP will also create opportunities for public servants to plan individual training development needs leading to future career development.

Centralised management of talent development programmes will be reduced and replaced with a bottom-up approach. In this regard, ministries and agencies will be empowered to plan and determine talent placements, and customise talent management based on needs and priorities. Thus, specific guidelines will be developed to ensure alignment of talent development programmes with national priorities.

The National Institute of Public Administration (INTAN) will review the existing curriculum to consolidate and offer courses that will focus on developing leadership skills as well as domain functions of respective ministries and agencies. In addition, INTAN will collaborate with other public training institutions (ILA) to develop sustainable and comprehensive training development plans for the various schemes of services. Concurrently, INTAN will also strengthen cooperation with local and international affiliates to uplift human capital development in the public service.

As part of the Government's initiatives to develop a digital government operating model, the Digital Government Competency and Capability Readiness (DGCCR) framework will be embedded into the public service. The DGCCR framework will be used as a structured and holistic approach to provide end-to-end talent management. In this regard, the existing Cluster for Innovative Management Technology (i-IMATEC) in INTAN will be transformed into a Digital Learning Cluster (DLC) to implement the DGCCR. The DLC will operationalise standard digital-related learning in developing digital capabilities of the public service.

There are currently 178 ILA operated by different ministries and agencies. The role of ILA will be streamlined to focus on areas of specialisation and relevant functional roles. In this regard, the Council of Public Sector Training (MLSA) will be empowered to streamline ILA and to play an important role in developing public training policies, while assessing the need for new ILA in the future.

The appointment on contractual basis to secure top talent has been implemented either through contract for service or contract of service. In the remaining Plan period, emphasis will be given to the appointment of specialised talent in critical posts such as flight operation inspector, inspector of continuing airworthiness and medical specialist officer with attractive market-based pay structure. In this regard, existing hiring policies will be reviewed to further attract and retain specialised talent.

Customising performance assessment

Efforts will be undertaken to introduce a new model for public service performance management. In this regard, ministries and agencies will be able to implement customised performance evaluation based on the respective roles and functions. The customised performance evaluation will complement the standard appraisal system, which will be further improved to enable better rewards for high performers through a decentralised performance based incentive.

Promoting career development

Talent progression and future promotions will be more transparent based on merit and performance. In addition, career paths for public servants will be chartered to provide insights into future prospects in order to attract and retain talent in the public service. Therefore, the necessary competencies and performance required to progress to the next level will be identified accordingly. In addition, measures will be undertaken to intensify the upskilling and reskilling of the support group in the public service to transform them into a more multi-skilled workforce. This will enhance career development opportunities by enabling the support group to move up to managerial and professional positions or undertake multi-tasking functions.

Improving work-life balance

Measures to consolidate and strengthen initiatives towards improving work-life balance of public servants will be intensified. Existing work arrangements will be improved for better work-life balance by providing greater flexibility, thereby improving productivity in the public service. Some of the measures under consideration are working from home, flexible working time and compressed working hours for certain types of job. Meanwhile, part time working scheme will be introduced to retain expertise, reduce attrition and minimise new recruitment.

Strategy D2: Redesigning Public Services

The objective of the Government in enhancing public service delivery is to improve efficiency, reduce cost and increase customer satisfaction. The public service will reinvent itself through creative and innovative approaches to improve the quality of the delivery system. The focus will be on creating a more citizen-centric government premised on providing seamless services through a whole-of-government approach by continued public consultations and engagements. In the remaining Plan period, efforts will be undertaken to redesign public services to increase accessibility, efficiency and customer satisfaction.

Reducing bureaucracy and integrating productivity improvements

Procedures and work processes will be reviewed to eliminate redundant and bureaucratic processes, which are not in line with current needs and technological advancements. In this regard, work processes in frontline agencies including local authorities will be improvised to expedite service delivery. In addition, integration of services at the front-end and inter-agency back-end processes will be intensified to increase the efficiency of service delivery. These initiatives will support the implementation of good regulatory practices to facilitate ease of doing business and complement the productivity initiaves at sector level through the nine productivity nexus.

In the remaining Plan period, efforts will also be continued to improve efficiency and productivity in the public service. In this regard, the adaptation of the business excellence model developed by the Malaysia Productivity Corporation will be explored as a performance analysis instrument to identify improvement opportunities by ministries and agencies. Relevant yardsticks for productivity measurement will also be considered in establishing KPIs for secretary general of ministries as well as head of departments and agencies. In addition, ministries and agencies will be required to review internal work flows and processes to simplify and improve quality, reduce cost and enhance effectiveness of services.

Expanding digitalisation agenda

In the remaining Plan period, digitalisation agenda will be pursued aggressively for higher digital adoption in the public service. In this regard, digital governance in the public sector will be enhanced at the national and ministry levels to support the national digitalisation agenda. In addition, the Government Online Services Gateway will be expanded to offer access to a wider range of online government services through a single portal. At the same time, various digital tools will be utilised in undertaking the Government digitalisation agenda. Some of the measures that will be undertaken to enhance government digitalisation efforts and encourage the use of online services are as follows:

- Deploying multiple channels of delivery focusing on mobile platforms
- Strengthening cyber security protection
- Offering more services via single sign-on
- Shifting from agency-based to service- and information-based approach
- Enhancing and streamlining implementation of e-payment services
- Establishing Malaysian Digital Identity
- Expanding Government Secured Private Cloud services
- Intensifying enterprise architecture implementation

In order to enable informed decision-making and provide seamless delivery of services, data sharing across agencies continues to be a key driver. In this regard, big data analytics (BDA) will continue to be leveraged to improve planning of policies and strategies as well as execution of intervention programmes. Meanwhile, the Public Sector BDA Blueprint, which encompasses governance mechanisms, communication plan and capacity building, will be revised to further guide the implementation of BDA in the public service. In addition, to strengthen the interoperability of government services and data sharing, existing legislation on sharing of information, including personal data, will be reviewed. This is to complement the digitalising efforts for easy interaction and accessibility amongst agencies without compromising information security and privacy.

Innovating towards better quality services

The enculturation of innovative and creative thinking in the public service will be further deepened through the leveraging of initiatives such as the Civil Service IdeaConnect. The Civil Service IdeaConnect online web and mobile platform will be fully utilised to quickly engage and encourage public servants to think out of the box. This platform will encourage sharing innovative and creative high-impact ideas that can help improve the public service delivery.

Reducing government role in non-core services

In an effort to focus on the role of Government as facilitator, its role in non-core services will need to be reduced through privatisation and outsourcing. In this regard, implementation of alternative service delivery (ASD) in phases will be carried out through a pilot project on elderly care at the *Rumah Seri Kenangan Seri Iskandar* in Perak. Meanwhile, ASD on drug rehabilitation will be pursued by empowering the community to undertake rehabilitation initiatives. Moving forward, the Government will continue to explore other services that can be implemented through the ASD mechanism. In this regard, a feasibility study will be conducted to identify services that can be privatised or outsourced. At the same time, control of selected non-core services will be reduced progressively to enable self-regulation or co-regulation. This will improve service quality, allow greater flexibility and reduce costs of implementation, resulting in a leaner Government while creating opportunities for private sector businesses.

Improving and sharing of government resources

The Government will continue to provide the necessary infrastructure and facilities to accommodate operational activities and offer a conducive working environment for public servants. In this regard, existing government infrastructure[8] and facilities will be upgraded or expanded, enabling public servants to provide better services for intended stakeholders. Meanwhile, guidelines for the sharing of resources among government agencies will be developed. This includes sharing of office space, facilities and asset deployment comprising, among others office inventory and vehicles to ensure optimal use of resources. Furthermore, a uniform system for generic functions will also be pursued utilising internal expertise and optimising the Public Sector Data Centre. In addition, the standard guidelines for office space will be revamped to optimise space management.

Strategy D3: Empowering Local Authorities

Local authorities, being the third level of government and closest to the *rakyat*, need to continuously improve service delivery in line with the socioeconomic and technological advancement. However, local authorities face difficulties in delivering quality and timely services within the expectations of the *rakyat* due to financial and capacity constraints. In the remaining Plan period, efforts will be undertaken in empowering local authorities to improve speed and efficacy of service delivery for effective development outcomes.

Improving accountability of local authorities

Local authorities will continuously intensify engagement with the community and non-governmental organisations to provide check and balance in the administration and enable better community participation in decision-making. This will be done through various mechanism such as town hall sessions, public hearings and social media. Meanwhile, local authorities will step up enforcement to ensure public and private projects comply with the Environmental Impact Assessment and Social Impact Assessment. As a result, local authorities will be more transparent through these measures thereby strengthening the confidence of the *rakyat*.

Initiatives to ensure local authorities adopt and comply with all standard guidelines and operating procedures approved by the *Majlis Negara bagi Kerajaan Tempatan* will be undertaken. This is to ensure uniform application of guidelines and procedures among local authorities throughout the nation. Meanwhile, local authorities will continue to be rated based on capabilities and capacities in delivering services. The rating will be among the factors in determining fund allocation by the Federal Government to ensure sustainability.

Strengthening service delivery by local authorities

Efforts to improve service delivery by local authorities will be enhanced continuously through improvement in systems and processes. Engagement between Federal, state and local authorities as well as private sector will be intensified to ensure that national development projects are aligned and in accordance with local interests. Public engagement by the local authorities is vital to gain the feedback of the community in establishing new development projects. Enforcement through greater collaboration with relevant agencies will be continued to ensure compliance with regulations.

Service standards of local authorities will need to be improved to ensure the efficiency of service delivery. In the remaining Plan period, efforts will be undertaken to ensure alignment of local authorities services to the commitments under the 2030 Agenda for Sustainable Development of the United Nations. Meanwhile, a study will be conducted to identify other international service standards and best practices to deliver efficient services to the *rakyat*.

[8] Government buildings that houses its associated departments and employees for administrative purposes, excluding hospitals, schools, universities and other social welfare infrastructures.

The *Sistem Penarafan Bintang Pihak Berkuasa Tempatan* (SPB-PBT) will be continuously utilised as an assessment tool to evaluate the efficiency of local authority services. This will enable the local authorities to emulate and adopt good practices and innovation from other local authorities in order to strengthen service delivery. In this regard, indicators for SPB-PBT will be further strengthened to assess the effectiveness of services in all local authorities.

Efforts to improve data sharing will be enhanced to ensure data will be accessible to the *rakyat*. This will include data on public amenities, housing and business premises as well as socioeconomic data in the local authority area. In this regard, measures to empower the Department of Statistics Malaysia as a single reference point to provide data access to government agencies and the *rakyat* will be explored in the remaining Plan period. The availability of data will enable local authorities to enhance planning, implementation and monitoring capacity.

Strengthening collaboration for stimulating local economic development

Local governments will need to reinvent themselves and redesign strategies to become relevant, capable and resilient in order to attract new and retain existing residents and businesses. Collaboration between local authorities and businesses will be intensified to encourage investment and increase private sector participation in the economic development. Local authorities will step up efforts to plan, facilitate and regulate business activities. In this regard, measures will be undertaken to further improve infrastructure and utilities as well as other support services to create a conducive business environment. Meanwhile, transparency and enforcement will be enhanced to ensure local community and businesses fully benefit from the economic development. At the same time, the governance structure of the local authorities will be strengthened to ensure checks and balances and eliminate abuse of power which will reduce cost of doing business.

Conclusion

The multilevel governance reforms reflect a new brand of the Malaysian Government that will be built on trust, integrity and of the highest capability to fulfill the needs and expectations of the *rakyat*. This will be achieved by upholding the principles of transparency and accountability in providing more accessible, efficient and effective public services. In addition, the public service imbued with integrity, openness and innovation will be fortified to create a more robust, dynamic and responsive Government administration. Moving forward, a transparent and accountable Government is imperative towards ensuring the *rakyat* will be the ultimate beneficiary and enjoy the prosperity of *Malaysia Baharu.*

11

CHAPTER

II

PILLAR

Enhancing Inclusive Development and Wellbeing

Introduction

During the remaining Plan period, 2018-2020, the inclusive development approach will continue to be implemented with emphasis on growth with equity. This approach will be intensified to improve the wellbeing of all Malaysians irrespective of gender, ethnicity, socioeconomic status and geographical location. Concerted measures will be undertaken mainly in assisting the poor[1] and low income[2] households as well as other targeted segments of the society. The inclusive development approach is underpinned by several core principles, namely transparency, need- and merit-based, market-friendly, sustainable and pro-growth.

In the spirit of inclusivity, the *rakyat* will have equitable opportunities to participate and benefit from economic growth and development of the country irrespective of background. Increasing income will be a key strategy in uplifting the level of prosperity and wellbeing of the *rakyat* as well as addressing socioeconomic inequalities. In reducing the prevalent income inequalities in the society, measures will be intensified to uplift income and wellbeing of lower-middle income households[3] from the bottom 40% income group (B40). In addition, disadvantaged groups will continue to be supported to live independently with more dignity as well as enable upward social mobility. Measures will also incorporate the need to shift the mindset and values of the *rakyat*, from dependence on government assistance, to become self-reliant, innovative and industrious. Meanwhile, efforts to enhance wellbeing will include increasing purchasing power, providing quality and affordable housing, enhancing the healthcare delivery system, making the nation safer and secure as well as promoting noble values and active lifestyle.

[1] Poor households refer to households earning less than the Poverty Line Income (PLI). Based on the Household Income and Basic Amenities Survey (HIS & BA) 2016, the national PLI is RM980.
[2] Low income households refer to households earning between PLI and half of the national median monthly household income (RM980-RM2,614). Based on the HIS & BA 2016, the national median monthly income is RM5,228.
[3] Lower-middle income households refer to households earning between half of national median monthly household income and national median monthly household income (RM2,614-RM5,228).

New Priorities and Emphases, 2018-2020

Efforts to enhance inclusive development and wellbeing of the *rakyat* will be intensified during the remaining Plan period. Inclusive development measures are aimed at creating a more equitable society particularly by increasing the income and purchasing power of B40 households as well as the targeted groups to bridge the socioeconomic imbalances. Wellbeing of the *rakyat* will also be uplifted to improve the quality of life in line with economic growth. The priority areas and strategies towards enhancing inclusive development and wellbeing are as shown in *Exhibit 11-1*.

Exhibit 11-1

Enhancing Inclusive Development and Wellbeing

Selected Targets, 2020

Improving overall income inequality

- **0.385** — Gini coefficient (SDG 1&10)

Uplifting the B40 households towards a middle-class society

- **RM 4,430** — Mean monthly B40 household income (SDG 1,2& 10)
- **RM 4,790** — Median monthly B40 household income (SDG 1,2& 10)
- **0.67%** — Incidence of Multidimensional Poverty (SDG 1,2& 10)

Addressing the needs of specific target groups

- **8** out of 10 — Average score in the Family Wellbeing Index (SDG 11)
- **56.5%** — Female labour force participation rate (SDG 5)
- **75.2** — Average score in the Malaysia Youth Index

Enhancing Bumiputera Economic Community (BEC) opportunities to increase wealth ownership

- at least **60%** — Participation of Bumiputera in skilled occupation category
- at least **75%** — Bumiputera households own a residential unit
- at least **11%** — Annual growth of Bumiputera corporate equity ownership

Overall Improvement in Malaysian Wellbeing Index (MyWI[1])

1.4%

Providing quality and affordable housing

SDG 11

200,000

2018-2020

Houses developed for the poor, low- and middle-income households[2]

Enhancing the healthcare delivery system

SDG 2&3

2.0

Hospital beds per 1,000 population

SDG 2&3

1:450

Doctor to population ratio

SDG 3&9

8 minutes

Optimised emergency response time

Making the nation safer and secure

SDG 16

60.0%

Perception of feeling safe

SDG 16

342 cases

Index crime cases per 100,000 population (threshold)

SDG 16

8 minutes

Optimised police response time

Promoting noble values and active lifestyle

SDG 16

6,800

Number of schools with *Kelab Rukun Negara*

SDG 3

50.0%

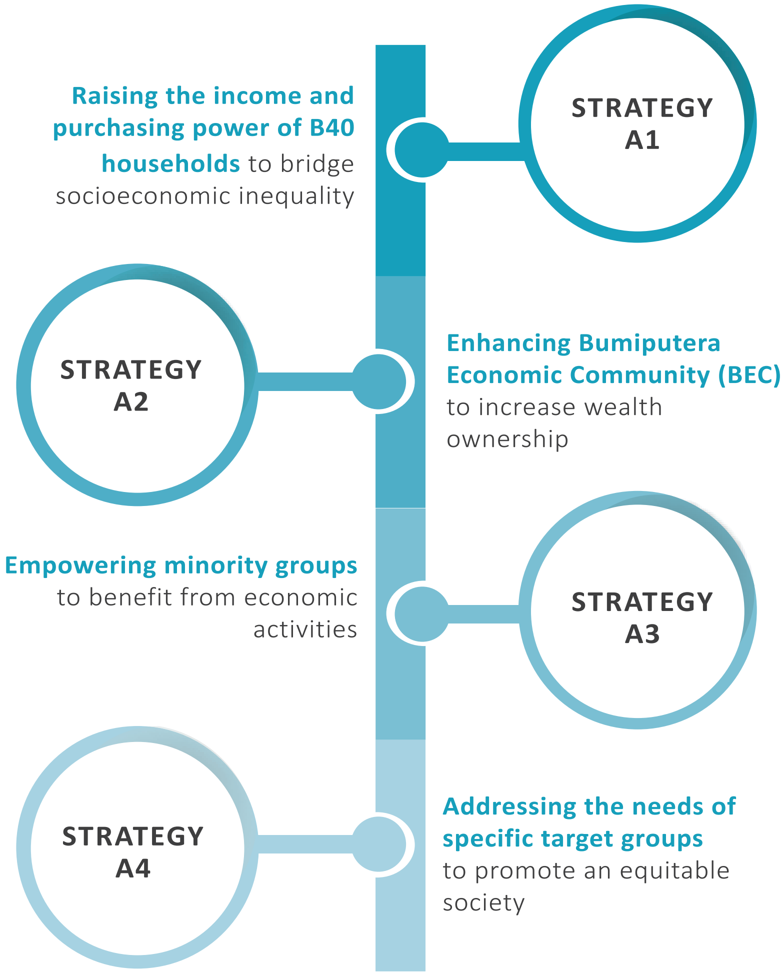
Percentage of Malaysians who embrace sports culture

Original Target | Revised Target | New Target

Notes: [1] MyWI is not part of the selected targets.
[2] Based on *Buku Harapan* target to build 1 million houses in 2 terms (2018-2028).

Priority Area A: Enhancing Inclusiveness towards an Equitable Society

The main objective of inclusive development is to address socioeconomic inequality in order to improve social integration and foster greater unity. Towards this end, the Government is committed to uplifting the income and purchasing power of the *rakyat* through measures to enable greater participation in economic activities. In addition, measures will also be undertaken to address the needs of children, youth, women, elderly, persons with disabilities (PWDs) and family. In the remaining Plan period, four main strategies to enhance inclusiveness will be implemented as follows:



Strategy A1: Raising the Income and Purchasing Power of the B40 Households

During the remaining Plan period, several initiatives will be implemented to increase income and purchasing power of the B40 households and reduce socioeconomic inequalities. These initiatives are aimed at enhancing capacity and capability of the households in order to increase employability, boost entrepreneurship as well as uplift productivity. In addition, measures to enhance social protection system will be undertaken to ensure the quality of life of these households is not affected when facing socioeconomic uncertainties. Meanwhile, adoption of the Multidimensional Poverty Index (MPI) will help complement and strengthen delivery and monitoring system of these initiatives.

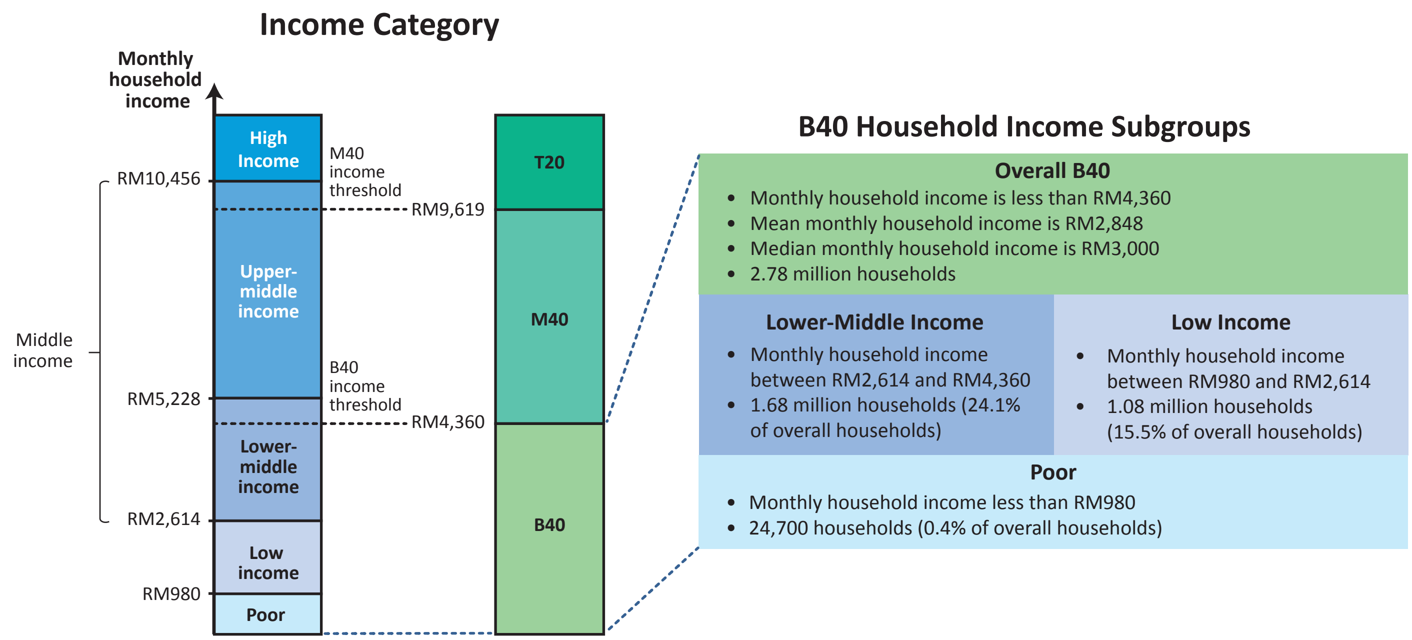
Efforts to elevate the wellbeing of the B40 households will be enhanced by taking into account the specific needs of each income subgroup. This is because each income subgroup differs in characteristics and needs. The B40 household income subgroups are as shown in *Exhibit 11-2*.

Uplifting income of poor and low income households

During the remaining Plan period, assistance will continue to be given to the poor and low income households to uplift their income, purchasing power and wellbeing. In this regard, income-generating programmes as well as the provision of basic needs encompassing housing, education and health will continue to be implemented. Access to education and skills training will be enhanced as the main initiative for upward social mobility. In addition, to ease the burden of the poor and low income households, educational assistance such as the *Kumpulan Wang Amanah Pelajar Miskin*, *Rancangan Makanan Tambahan* and *Biasiswa Kecil Persekutuan* will be extended. At the same time, microcredit financing scheme and entrepreneur hand-holding programmes will be continued to encourage the poor and low income households to take part in business.

Exhibit 11-2

Income Category and the B40 Household Income Subgroups, 2016



Notes: Based on the Household Income and Basic Amenities Survey (HIS & BA) 2016, the national median monthly household income is RM5,228.
The middle-class society refers to the middle income households with earnings of between half and double of the national median monthly household income (RM2,614-RM10,456).

Increasing employability

In enhancing the employability of the B40 households especially in high-paying jobs, priority will be given to build capacity and capability through education and skills training. In this regard, access to quality education among students from the B40 households will be enhanced at all levels, namely early education, primary, secondary and tertiary. Efforts to improve access to early education include providing more centres for early childhood care and education (ECCE) and pre-school education at affordable cost. This will help to prepare the children from B40 households to enrol into formal education.

Furthermore, students from the B40 households will also be given further priority to enrol in *Maktab Rendah Sains* MARA and *Sekolah Berasrama Penuh*, which is an improvement to the current practice that is solely based on merit, by taking into account socioeconomic background. Meanwhile, preferential entry qualification, enrolment quota and financial facility will continue to be provided to students from the B40 households who meet the minimum requirements to pursue higher education and professional courses. In addition, B40 households will be encouraged to participate in Technical and Vocational Education and Training (TVET) programmes to improve skills level.

Boosting entrepreneurship

In boosting the level of entrepreneurship, the Ministry of Entrepreneur Development (MED) has been re-established to spearhead comprehensive and integrated entrepreneurship development programmes. These programmes include special training for the B40 households to explore online business opportunities, which include the use of social media platforms and easy banking mechanisms as ways of promoting e-entrepreneurs. In addition, training on proper book keeping and documentation will be emphasised to enable B40 entrepreneurs keep better records of business transaction, which is important to secure credit from financial institutions. Mindset change will also be incorporated in all entrepreneur training programmes to build independent character and enterprising trait.

More marketing space will also be provided through one-stop centres and temporary trading venues such as *Pasar Tani*, as well as mobile facilities which include agro-caravans and food trucks. Concurrently, sharing economy[4] and social entrepreneurship[5] will be further promoted, especially in areas where job opportunities are scarce. Enforcement measures will also be stepped up to control business activities of foreigners that crowd out opportunities for the B40 entrepreneurs.

Improving productivity

In improving productivity to generate more income, adoption of technologies and best practices will be further promoted among B40 households. Households, particularly those involved in agriculture and fishery activities will be encouraged to leverage technology in improving productivity. Meanwhile, rubber and oil-palm small holders will also be encouraged to merge their activities through community-based arrangements in order to secure bulk sales, while enjoying economies of scale.

Enhancing the social protection system

In enhancing the protection and wellbeing for households, in particular the B40 households, a framework for an integrated and comprehensive social protection system will be established. The implementation of social protection programmes across different agencies will be coordinated through a central council. The council will obtain data from various databases and be guided by inputs from industry and academia. In addition, big data analytics will be deployed to generate value and insights for improving the social protection floor[6]. The targeting of recipients eligible for assistance will also be refined to be more need-based, which will include socio-demographic and geographical factors. Furthermore, mechanisms will be identified to extend social security protection to households working in the informal sector.

Improving measurement of poverty

The current Poverty Line Income (PLI) model will be reviewed to be more reflective of the current consumption pattern as well as needs and demography of households. Meanwhile, towards a more inclusive measurement of poverty in line with international practices, the MPI will be adopted to complement the PLI. Malaysian MPI model regards poverty not only from education, health and standard of living but also from the income dimension. Further details are as shown in *Box 11-1*.

[4] Sharing economy refers to an activity whereby the owner of excess goods or services, rents it out for a short period to generate income.
[5] Social entrepreneurship refers to an entity that pursues a social mission by using a sustainable business model. This entity envisions to deliver a sustainable impact to improve wellbeing of the society in the aspects of economics, social and environment.
[6] Social Wellbeing Research Centre, University of Malaya defines social protection floor as nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion.

Box 11-1

Multidimensional Poverty Index

The Multidimensional Poverty Index (MPI) will complement the Poverty Line Income (PLI) to measure and monitor poverty from multidimensional perspective. In contrast to PLI which measures absolute poverty based solely on income dimension, the MPI measures poverty in multiple dimensions. The MPI reflects both the incidence of multidimensional deprivation (the number of people who suffer deprivations in multiple aspects of life at a particular period within a given population), and its intensity (how many deprivations they experience at a particular period). This Index offers incidence- and intensity-based analysis, thus providing clear identification of the development gaps. This will enable stakeholders to develop more integrated interventions to uplift the income and wellbeing of the target groups.

Incidence and Distribution of Deprivation, 2014 and 2016 (% of households)

Dimension	Indicator	Deprivation Cut-offs	Incidence of Deprivation (%)		Distribution of Deprivation (%)			
			National		Urban		Rural	
			2014	2016	2014	2016	2014	2016
Education	Years of schooling	All household members aged 13-60 have less than 6 years of education	1.13	1.22	0.59	0.72	0.54	0.50
	School attendance	Any school-aged children (aged 6-16) not schooling	0.60	0.42	0.42	0.30	0.18	0.12
Health	Access to healthcare facility	Distance more than 5 kilometers away and no mobile health facility	5.84	6.84	1.85	3.12	3.99	3.72
	Access to clean water	Other than treated pipe water inside house and public water pipe/stand pipe	4.90	4.07	0.95	0.73	3.95	3.34
Standard of Living	Conditions of living quarters	Dilapidated or deteriorating	3.03	2.88	1.54	1.52	1.49	1.36
	Room crowdedness (number of bedrooms)	More than 2 household members in a bedroom	14.01	12.03	9.13	7.92	4.88	4.11
	Toilet facility	Other than pour or flush toilet	0.50	0.34	0.17	0.15	0.33	0.19
	Garbage collection facility	No garbage collection facility	16.15	14.95	5.07	4.78	11.08	10.17
	Transportation	All members in the household do not use private or public transport	0.34	0.46	0.19	0.26	0.15	0.20
	Basic communication tools	Does not have consistent fixed line phone or mobile phone	1.65	1.44	0.85	0.70	0.80	0.74
Income	Mean monthly household income	Mean monthly household income less than PLI	0.64	0.36	0.26	0.13	0.38	0.23
Overall			**32.57**	**30.51**	**17.10**	**16.52**	**15.47**	**13.98**

Source: Department of Statistics Malaysia

- The overall incidence of deprivation at national level improved from 32.57% in 2014 to 30.51% in 2016. In 2014 and 2016, the distribution of deprivation showed that the occurrence of deprivation was higher in urban areas as compared to rural areas
- The incidence of deprivation for most indicators improved during the period 2014-2016, except for three indicators, namely access to healthcare facility, years of schooling and transportation, indicating that poverty eradication measures were effectively undertaken based on the needs of households
- The indicators with highest incidence of deprivation in 2016 were garbage collection facility, followed by room crowdedness (number of bedrooms), access to healthcare facility and access to clean water, indicating these areas require further intervention for multidimensional poverty eradication

Incidence of the Multidimensional Poverty, Intensity of Deprivation and Multidimensional Poverty Index (MPI), 2014 and 2016

Region/Strata	Incidence of Multidimensional Poverty (H)%		Average Intensity of Deprivation of Multidimensionally Poor Households (A)%		Multidimensional Poverty Index (M)[1]	
	2014	2016	2014	2016	2014	2016
National	1.10	0.86	39.66	38.90	0.0044	0.0033
Strata						
Urban	0.19	0.13	39.02	38.64	0.0007	0.0005
Rural	4.14	3.50	39.75	38.94	0.0165	0.0136
Region						
Peninsular Malaysia	0.25	0.19	37.72	36.89	0.0010	0.0007
Sabah & F.T. Labuan	6.34	4.95	42.55	41.70	0.0270	0.0206
Sarawak	4.82	3.76	37.41	36.77	0.0180	0.0138

Notes: [1] M = H% x A%, M is an index, values between 0 to 1, with "1" being totally deprived while "0" indicates no deprivation.

- At the national level, incidence of multidimensional poverty has reduced from 1.10% in 2014 to 0.86% in 2016. The average intensity of deprivation has also reduced from 39.66% to 38.9% during the same period

- Multidimensionally poor households mostly deprived in indicators of garbage collection facility, room crowdedness (number of bedrooms) and access to healthcare facility
- MPI has reduced from 0.0044 in 2014 to 0.0033 in 2016. This indicates that poverty eradication programmes implemented between 2014 and 2016 were undertaken in an effective and multidimensional manner
- The MPI confirmed that the number of multidimensionally poor households has reduced in 2016, while the quality of life of the poor has improved as shown by the reduction in the average intensity of deprivation in various dimensions

Difference between Incidence of Absolute Poverty and Incidence of Multidimensional Poverty, 2014 and 2016

Region/Strata	Incidence of Absolute Poverty[1] %		Incidence of Multidimensional Poverty (H)[2] %	
	2014	2016	2014	2016
National	0.64	0.36	1.10	0.86
Strata				
Urban	0.34	0.17	0.19	0.13
Rural	1.65	1.04	4.14	3.50
Region				
Peninsular Malaysia	0.32	0.11	0.25	0.19
Sabah & F.T. Labuan	3.91	2.82	6.34	4.95
Sarawak	0.95	0.61	4.82	3.76

Notes: [1] Incidence of absolute poverty is measured using the PLI.
[2] A household is regarded as multidimensionally poor in the event it is deprived in at least 30% of the weighted indicators.

- The incidence of absolute poverty and incidence of multidimensional poverty have improved between 2014 and 2016
- However, the incidence of multidimensional poverty is higher than incidence of absolute poverty, as the former takes into account non-income dimensions. The only exception is in the urban area where the incidence of absolute poverty is higher than incidence of multidimensional poverty, due to better access to education, healthcare, clean water and other amenities

Strategy A2: Enhancing Bumiputera Economic Community (BEC)

Challenges in enhancing the Bumiputera Economic Community (BEC) include low participation in skilled and professional occupations, low corporate equity ownership as well as insufficient capacity and capability to compete in the open market. In this regard, the Government is committed to continuing the Bumiputera agenda at the national level through implementation of inclusive policies and initiatives, including emphasis on changing the mindset. In addition, focus will be given to inculcate good moral values and ethics such as hard work, discipline and independence in uplifting the socioeconomic status as well as ensuring success of the BEC. The Bumiputera agenda is an integral part of the national agenda to ensure inclusivity and economic wellbeing for the *rakyat*. In the remaining Plan period, efforts will be intensified to strengthen the effectiveness of Bumiputera institutions and programmes, empower human capital as well as raise effective control and sustainable corporate equity ownership. In addition, efforts will also be undertaken to increase wealth ownership and build resilient and sustainable BEC.

The *Kongres Masa Depan Bumiputera dan Negara 2018* (KBN 2018) which was held in September 2018, served as an important platform for the new Government to further reform the Bumiputera empowerment agenda. The Congress produced 63 resolutions under four focus areas, namely ethical and moral values; wealth creation and ownership; business and entrepreneurship; and education and human capital. The Government will study and refine these resolutions into short-, medium- and long-term action plans for implementation.

Strengthening effectiveness of institutions and programmes

In enhancing the governance and service delivery of Bumiputera institutions, appointment of board of directors and top management of entrepreneur development organisations (EDOs) and state-owned enterprises (SOEs) will be made based on experience, merit and qualification. Strategic roles and business models of EDOs and SOEs will also be revised, while the performance of these institutions will be measured based on mandated functions and outcome-based key performance indicators. Furthermore, the roles and functions of Bumiputera agencies, such as *Unit Peneraju Agenda Bumiputera* (TERAJU), *Ekuiti Nasional Berhad* (EKUINAS) and *Majlis Amanah Rakyat* (MARA), will be streamlined to strengthen the delivery of the Bumiputera agenda. Meanwhile, the re-establishment of the MED in 2018 will strengthen the delivery and coordination of entrepreneurship programmes nationwide, including for Bumiputera.

Bumiputera enterprises will continue to receive assistance based on merits and business considerations, hence eliminating political endorsement. Additionally, an interactive one-stop portal will be established to facilitate BEC in accessing information and services provided by the Government, particularly with regard to education and training, entrepreneurship as well as properties. This portal will also assist the Government to develop better programmes based on needs as well as avoid providing multiple benefits to a single recipient.

Empowering human capital and strengthening education

Efforts will be intensified to empower Bumiputera human capital by providing more opportunities for education and training. In this regard, access to quality education among Bumiputera students from the low income households and challenging background will be enhanced at all levels. Educational assistance programmes such as scholarships, nurturing and development as well as mentoring programmes will be continued. Meanwhile, efforts to provide more centres for ECCE and pre-school education will be intensified by focusing on children in B40 households, mainly consisting of Bumiputera. In terms of enhancing training, *Yayasan Peneraju Pendidikan Bumiputera* (YPPB) will collaborate with various stakeholders and conduct training programmes at the secondary level on science, technology, engineering and mathematics (STEM). The programmes aim to inculcate interest and enable Bumiputera students to acquire STEM related knowledge and skills, especially in the advent of the Fourth Industrial Revolution (4IR). These concerted measures will increase the participation of Bumiputera in the workforce, particularly in high-paying jobs.

In enhancing employability and creating more competitive BEC, entrepreneurship and soft skills modules will be embedded into training programmes in institutions, such as GIATMARA and *Kolej Kemahiran Tinggi MARA* (KKTM). The soft skills modules include interpersonal and communication skills as well as English language proficiency. Screening tools, which include psychometric test, will be adopted to match the interest and inclination of Bumiputera trainees with suitable training programmes. In addition, structured industrial training programmes with international certification will be offered by skills training institutions.

Emphasis will also be given towards encouraging more Bumiputera to obtain professional accreditations. In this regard, MARA and YPPB will continue to implement professional accreditation programmes to increase the number of Bumiputera professionals such as accountants, financial analysts and financial risk managers. In supporting this initiative, alternative source of funds will be explored through strategic collaborations with agencies, SOEs and the private sector. In addition, the initiative to produce technical and professional holders among *huffaz*[7] talent will be intensified. As such, Bumiputera training institutions will establish an integrated and balanced learning system based on the *Al-Quran* and *Sunnah* to prepare *huffaz* talent with required knowledge and skills to increase employability.

Raising effective control and sustainable corporate equity ownership

Bumiputera institutions will continue to play a vital role in increasing effective control and sustainable corporate equity ownership. Emphasis will be given to encourage more Bumiputera participation in strategic investments with higher returns towards achieving the target of at least 30% corporate equity ownership. In this regard, Bumiputera institutions will continue to invest in high growth companies and companies listed on Bursa Malaysia as well as venture into potential companies as a minority shareholder. Bumiputera institutions will also explore and undertake investment in the halal industry in collaboration with relevant stakeholders. In addition, the initiative to encourage Bumiputera companies to list on Bursa Malaysia will be continued. Moreover, a new financial incentive will be offered to qualified Bumiputera SMEs to list in the Leading Entrepreneur Accelerator Platform market on Bursa Malaysia.

SOEs will acquire controlling stakes in potential Bumiputera companies, particularly in high value-added and emerging industries, with a view to driving up performance as well as increasing the value of the companies and ultimately, divesting the companies to potential Bumiputera investors. In this regard, credible leadership and management team with the right mindset will be appointed in identified companies to deliver the targeted results before being divested. In supporting this initiative, financial assistance and business advisory will be provided. Meanwhile, SOEs will also continue to invest in high growth companies and listed companies on Bursa Malaysia by obtaining control. This measure will enable SOEs to implement effective initiatives and programmes that will benefit the Bumiputera. Furthermore, selected SOEs will intensify management buy-out activities to increase Bumiputera equity ownership.

Bumiputera trust agencies, such as *Permodalan Nasional Berhad* (PNB) and *Pelaburan Mara Berhad*, will identify more innovative financial products to offer attractive and higher returns to Bumiputera shareholders. In addition, PNB will continue to invest in higher return instruments as well as increase investment in private and global assets to generate sustainable and competitive returns to shareholders, particularly Bumiputera. PNB through *Amanah Saham Nasional Berhad* will also diversify the investment portfolio to include property.

Increasing wealth ownership

In expanding the share of Bumiputera wealth ownership, concerted efforts will be undertaken to increase Bumiputera non-financial assets in the form of commercial, industrial and residential properties, particularly in prime and strategic locations. In this regard, *Pelaburan Hartanah Berhad* (PHB) will expand the fund size

[7] Muslims who memorised the whole *Al-Quran*.

of *Amanah Hartanah Bumiputera* (AHB) to acquire and develop more commercial properties and mixed development projects for better investment returns to AHB investors. PHB will also develop a new business model premised on strategic partnership with financial institutions, project partners and EDOs to acquire strategic business premises, particularly in city centres. Subsequently, these premises will be rented with an option to be purchased by Bumiputera entrepreneurs.

Jabatan Wakaf, Zakat dan Haji (JAWHAR) will formulate a comprehensive framework in unlocking the development potential of waqf land through collaboration with *Yayasan Waqaf Malaysia*, state Islamic religious councils (SIRCs) and state governments. In addition, waqf in the form of cash contributions will continue to be raised through crowdfunding, while waqf certificate will be issued particularly to increase the participation of community in increasing waqf properties. Besides, guidelines on sukuk will be reviewed to facilitate fund raising for better development of waqf land.

Building resilient and sustainable Bumiputera Economic Community (BEC)

Efforts to build a more resilient and sustainable BEC include changing the mindset of Bumiputera entrepreneurs who tend to depend on Government assistance. These efforts include advocating self-reliance, enforcing exit policy, promoting high performance culture and productivity as well as providing assistance based on merits and needs. In addition, entrepreneurs will be encouraged to collaborate with other industry players for better business positioning and sustainability, locally and abroad. Partnership between Bumiputera and non-Bumiputera entrepreneurs will also be encouraged to establish genuine ventures instead of rent-seeking. Meanwhile, smart partnerships between SOEs, research and development centres and Bumiputera SMEs will also be intensified to boost the creation of innovative products and services.

Integrated entrepreneur development programmes will continue to be implemented to support the creation of resilient and sustainable BEC. In this regard, Bumiputera institutions will continue to provide assistance, which includes acquiring and developing business premises to be rented by Bumiputera entrepreneurs. Moreover, marketplace in the form of *souq* or bazaar will be developed, particularly in city centres to leverage larger market access and enhance Bumiputera participation in the business activities. This marketplace will be promoted as a new attraction centre for tourists. EDOs and SOEs will also continue to assist potential Bumiputera entrepreneurs, including youth, to venture into industries such as oil and gas, automotive, as well as aerospace and defence to promote greater Bumiputera participation in strategic and high value-added industries. In addition, waqf funds will be leveraged to increase the participation of Bumiputera entrepreneurs in business activities, including halal industry. This initiative will complement the Government in financing Bumiputera entrepreneurship programmes.

Participation of Bumiputera entrepreneurs in the digital economy will be further facilitated through capacity building and access to funds. For this purpose, more training, funding and advisory services programmes will be introduced to enhance Bumiputera participation in e-commerce. The programmes will also widen the market reach of Bumiputera entrepreneurs by leveraging online platforms. Additionally, a credible online crowdfunding platform will be explored as an alternative mechanism to finance Bumiputera businesses.

The guideline and framework of the Vendor Development Programme will be reviewed to strengthen the outcome in developing competitive, sustainable and high performing Bumiputera entrepreneurs in domestic and global markets. This review includes strengthening the selection criteria and training module as well as implementing stringent multi-tier exit policy for businesses. Meanwhile, the carve-out and compete policy on contracts will be improved to ensure effective participation of Bumiputera companies in Government big projects and along the related supply chain. In addition, stringent requirements will be imposed in awarding contracts and approved permits (APs), which include reviewing the selection process, strengthening monitoring mechanisms and introducing relevant legislations. This measure aims to ensure opportunities offered to Bumiputera are being utilised accordingly. The Government will take appropriate action, including by automatic termination, if contracts or APs awarded are sold or transferred to a third party.

Efforts will be intensified to streamline initiatives in transitioning the large number of Bumiputera micro- and small-sized enterprises to the next level. This initiative will be implemented by leveraging collaboration among EDOs to enhance capacity and capability of entrepreneurs. Appropriate incentives and assistance including business advisory and financing will be provided to potential entrepreneurs to support this initiative. Meanwhile, a second chance policy will be introduced to assist Bumiputera entrepreneurs who experienced failure due to extenuating circumstances, to resume their business activities. This assistance aims to overcome the stigma of first time failure which discourages some entrepreneurs from continuing businesses.

Strategy A3: Empowering Minority Groups

Some minority groups, particularly the Orang Asli in Peninsular Malaysia as well as Anak Negeri Sabah and Bumiputera Sarawak in the hinterland, are still living in poverty as they lag behind in terms of education, skills and entrepreneurship due to limited access to opportunities and basic amenities. Meanwhile, there are issues with the low income Indian and Chinese households in terms of access to employment opportunities and microcredit facilities for business. Therefore, several initiatives will be undertaken to empower the minority groups towards an equitable society.

Uplifting Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak

In uplifting the level of education and skills, the intake of students with potential into high performing schools will be increased for the Orang Asli community and those living in the rural and remote areas of Sabah and Sarawak. Priority will also be given to increase intake of students among Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak into skills training institutes such as KKTM and *Institut Kemahiran MARA*. Meanwhile, the entrepreneurial programmes will focus on nurturing entrepreneurial skills among the Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak. The programmes will be designed based on the intrinsic talent of the target groups and complemented with assistance such as financing, product packaging and marketing. Hence, the programmes aim to optimise utilisation of indigenous resources and uplift the economic status of the target groups. In addition, the process of granting land ownership to the Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak will continue to be expedited to enable land utilisation by these groups. This will enable the land to be utilised for economic activities with the assistance of relevant agencies.

Elevating low income Indian and Chinese households

In an effort to elevate the low income Indian and Chinese households, assistance will continue to be given under the B40 programmes. The low income Indian households will be encouraged to utilise the microcredit financing facility under the *Skim Pembangunan Usahawan Masyarakat India* to venture into business activities. More opportunities will also be provided for young Indians to pursue higher level of education and undergo TVET programme to enhance their employability. Meanwhile, for the low income Chinese households in new villages, assistance will be continued for microcredit, land premium and house upgrade schemes under the *Skim Pinjaman Khas Penduduk Kampung Baru Cina,* with more than 90% of the fund allocated for microcredit scheme.

Strategy A4: Addressing the Needs of Specific Target Groups

Various initiatives will continue to be undertaken to address the needs of the specific target groups, namely children, youth, women, elderly, PWDs and family. The initiatives aim to uphold the needs and interest of children, nurture the potential of youth, enhance the role of women in development, enhance the living environment for the elderly, empower persons with disabilities and strengthen the family institution. The implementation of these initiatives will contribute to enhance inclusiveness towards an equitable community.

Upholding the needs and interest of children

The wellbeing of children will be enhanced to provide a safer and healthier environment for their upbringing. In this regard, the Children's Wellbeing Roadmap is being formulated to address critical issues such as nutrition, education, poverty and environment which also include matters relating to childcare. The roadmap will also address issues related to children's rights and protection against violence, abuse and neglect. In addition, subsidised childcare services will be further expanded to all government agencies, while corporations will be incentivised to provide these services. Meanwhile, the ECCE curriculum will be streamlined to improve overall quality and standards, thus enhancing children's development process.

Nurturing the potential of youth

Various efforts will be undertaken to hone skills, enhance self-identity and instil noble values among youth. Youth development and empowerment programmes will be pursued by focusing on key areas such as education, leadership, patriotism and volunteerism. These efforts aim to mould youth to become more resilient, resourceful and responsible citizens. In addition, measures to address socioeconomic challenges faced by youth will be strengthened through the creation of more jobs and business opportunities, particularly through entrepreneurship activities and provision of fund.

Enhancing the role of women in development

The empowerment of women is an integral component under the inclusive development agenda, taking into account socioeconomic and cultural differences. In line with this, concerted efforts between government agencies, private sector and civil society organisations (CSOs) will be strengthened in the 13 strategic thrusts[8] under the National Policy on Women. In this regard, the rights and interests of women will continue to be protected to ensure development programmes and initiatives take into account gender equality. Female labour force participation will be increased through promotion of flexible working arrangements as well as work from home and returning to work initiatives such as flexWorkLife portal and Career Comeback programme. Furthermore, joint efforts between government agencies and civil societies will be enhanced to educate women and girls on the importance of healthcare as well as women's rights and protection against violence.

Enhancing the living environment for the elderly

In progressing towards an aged nation[9] by 2030, various measures will be undertaken to cater for the needs of the elderly. These include strengthening voluntary community development programmes and active ageing initiatives to enhance the living environment. Efforts to promote social awareness on volunteerism will be intensified to encourage participation among community members particularly youth in volunteer-based activities for the elderly. As part of wider efforts to promote active ageing[10], initiatives such as age-friendly community, lifelong learning and retirement village concept will be promoted. It will enable the elderly to contribute their knowledge and experience to the community, continuously learn and acquire knowledge and skills as well as promote independent living. In addition, measures will be implemented to promote the participation of the elderly in the workforce as well as safeguard the welfare of elderly employees. Furthermore, tertiary qualifications related to geriatric care will be promoted to produce more qualified caregivers and professionals in the field.

Empowering persons with disabilities

The development and enhancement of the quality of life and wellbeing of PWDs are vital in promoting inclusiveness in the community. In this regard, efforts to raise the level of public awareness on the needs and rights of PWDs will be intensified through education and awareness programmes. A comprehensive

[8] The 13 strategic thrusts are economy; poverty; law; violence against women; health; education and training; science and technology; media; environment; sports; religion, culture, arts and heritage; decision making and politics; and mechanisms, machinery and development institutions.

[9] Based on the *Dasar dan Pelan Tindakan Warga Emas Negara*, aged nation is defined as 15% of the total country population comprise of those aged 60 years old and above.

[10] Based on the *Dasar dan Pelan Tindakan Warga Emas Negara*, active ageing refers to the process of optimising opportunities and empowerment of the elderly in the family and community towards enhancing their wellbeing.

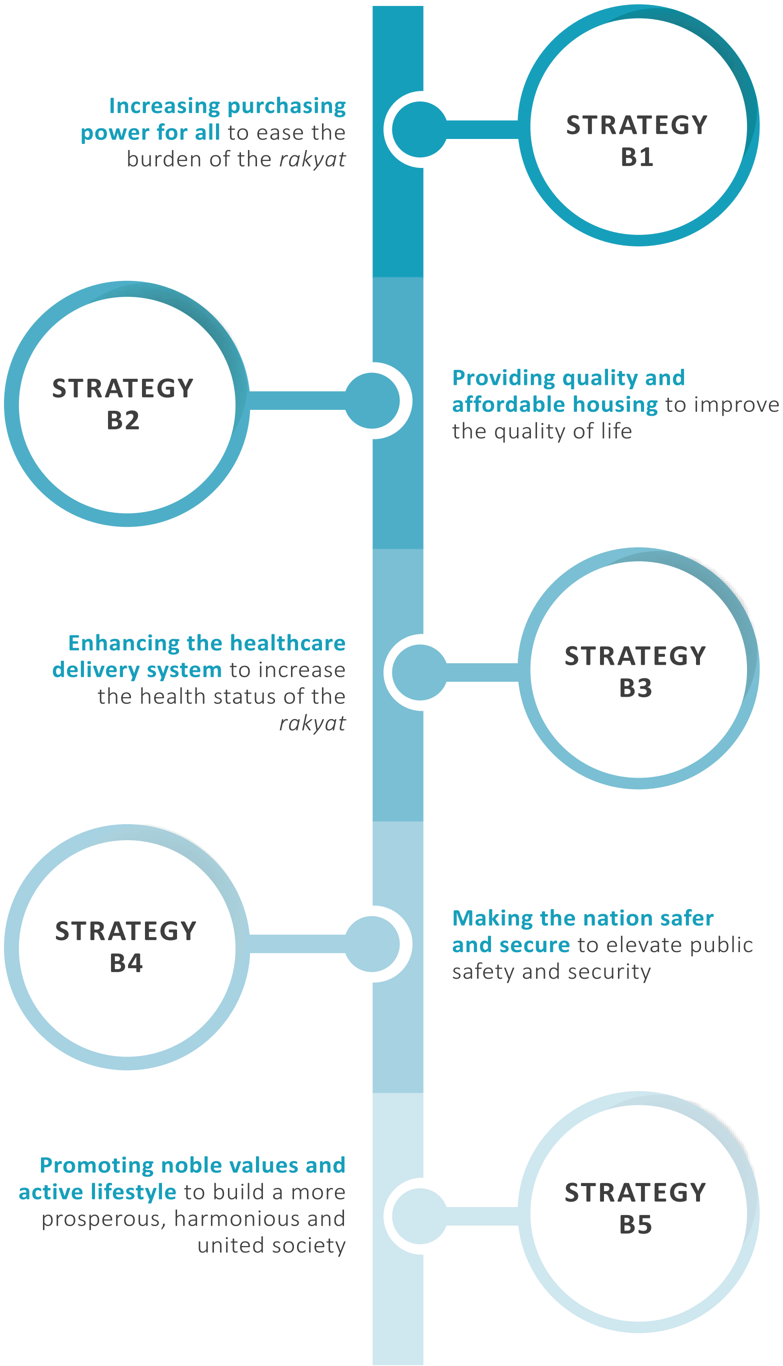
review of the policies and legislation related to PWDs including making universal design as mandatory will be undertaken through engagement and consultation with relevant stakeholders including civil societies and PWD associations. This is to ensure proper enforcement of the universal design guidelines on public and private buildings as well as infrastructure. Meanwhile, initiatives to improve access to key areas such as education, TVET, healthcare and community-based rehabilitation will also continue to be pursued. Hiring policies and job matching programmes will also be improved to further promote participation of PWDs in the workforce.

Strengthening the family institution

Greater focus will be given on strengthening the wellbeing of the family institution. In this regard, parenting development programmes in areas such as parenting skills, family planning and health as well as financial management will be strengthened to emphasise the importance of role sharing and enhance family resilience against socioeconomic challenges. Suitable tax measures will also be revised to further enhance the wellbeing of the family institution. Meanwhile, accessibility to family reproductive and health services such as mammogram screening and human papilloma virus (HPV) vaccination will be improved through wider collaborative efforts among government agencies, communities and non-governmental organisations (NGOs). In addition, efforts to enhance social and psychological development of adolescents will be initiated from early development stage of boys and girls through education on the importance of gender roles and social rights.

Priority Area B: Improving Wellbeing for All

The Government is committed to ensuring a balanced development in both economic growth and wellbeing of the *rakyat*. In this regard, efforts will be intensified to raise the standard of living of the *rakyat* for greater wellbeing through the implementation of strategies and initiatives. In the remaining Plan period, five main strategies to improve wellbeing will be implemented as follows:



Strategy B1: Increasing Purchasing Power for All

Rising prices of goods and services has contributed towards higher cost of living, affecting the purchasing power of the *rakyat*, particularly among B40 households. Against this backdrop, initiatives will be undertaken to address market distortions by promoting greater competition, resulting in more avenues offering affordable and competitive prices of goods and services, enhance enforcement of the price control regulations and advocate consumerism. In addition, subsidies will only be provided to targeted groups for selected basic goods on need-based principle. These initiatives aim to ease the burden of the *rakyat* in facing the rising cost of living.

Addressing market distortion by promoting greater competition

Competition is central to promoting dynamic and efficient markets that will foster innovation, increase productivity and strengthen economic growth. Competition will also lead to efficient market operations that heightens consumer satisfaction and wellbeing. During the remaining Plan period, efforts will be undertaken to eliminate various forms of market distortion to ensure goods and services are made available to the *rakyat* at competitive and affordable prices. In this regard, a special ministerial committee will be established to review monopolistic practices to promote fair competition and market efficiency with a view to safeguard consumer interests and lessen the burden of the *rakyat*, especially the B40 households.

Provide more avenues offering affordable and competitive prices of goods and services

Despite efforts to improve market efficiency are being undertaken, subsidies on selected essential items will remain. More avenues offering goods and services at affordable prices will be provided to reduce the burden of the *rakyat*. Besides stores operated by business entities, cooperatives will be encouraged to operate more affordable stores for the benefit of members and surrounding communities. At the same time, these cooperatives and waqf entities will offer affordable services such as primary healthcare, pharmacy and hotel. The Government is also considering various modes for implementing targeted petrol subsidies. Prices of subsidised goods between Sabah, Sarawak and Peninsular Malaysia will also continue to be standardised. Furthermore, the re-introduction of the Sales and Services Tax (SST) in place of the Goods and Services Tax (GST) aims to reduce the burden of the *rakyat*.

Enhancing enforcement of the price control regulations

Enforcement of the price control regulation under the Price Control and Anti-Profiteering Act 2011 will be continued to curtail unreasonable pricing practices. In this regard, enforcement and monitoring of prices will continue to be enhanced. Additionally, the *Skuad Tindakan Aduan dan Resolusi* as well as *Skuad Tindakan Khas* will continue to expedite and resolve complaints from the consumers. The establishment of an ombudsman will also be studied to enhance protection for consumers. Meanwhile, the National Action Council on Cost of Living (NACCOL) is established as the key body to address issues and challenges pertaining to the increasing cost of living that affect wellbeing of the *rakyat*.

Advocating consumerism

Consumers will also be encouraged to play a greater role in reporting unethical trade practices through various channels, including the consumer associations *Skuad Pengguna*, Friends of KPDNHEP and EZ *Adu* system. In addition, better awareness on consumerism will be instilled among students through *Kelab Pengguna Sekolah* and *Gerakan Pengguna Siswa*. Furthermore, the roles of consumer associations will also be strengthened to raise awareness and encourage sharing of information among the consumers to enhance consumerism. With strong consumerism, consumers will not be at the mercy of unscrupulous traders.

Strategy B2: Providing Quality and Affordable Housing

Provision of quality and affordable housing is important to improve the quality of life of the poor, low- and middle-income households. In the remaining Plan period, the Government will continue to facilitate and promote an enabling environment in developing affordable housing with greater private sector participation. Therefore, focus will be given on strengthening management of affordable housing, increasing the affordability and accessibility to housing for the low- and middle-income households as well as encouraging the provision of environment-friendly facilities for enhanced liveability.

Strengthening management of affordable housing

Efforts to increase the number of affordable houses will be intensified through better planning and implementation mechanism. The National Affordable Housing Council will be established to oversee the implementation of affordable houses nationwide. In this regard, 200,000 affordable houses are targeted to be built in the remaining Plan period, which includes programmes by federal and state government agencies as well as private developers. The cooperation of the state government and local authorities will be enhanced to contain the increase in the cost of building affordable houses including *Program Perumahan Rakyat* projects. Furthermore, the various public affordable housing initiatives[11] under several ministries and agencies will be rationalised under the Ministry of Housing and Local Government. The rationalisation exercises will enable expedited implementation of affordable housing programmes to benefit the *rakyat*.

A review of subsidies for the affordable housing programmes will be undertaken to ensure the sustainability of the programmes as well as to optimise government resources and reduce dependency on Government allocation. In addition, measures will be intensified to increase the supply of affordable housing on waqf and baitulmal land. In this regard, JAWHAR will step up collaboration through smart partnership initiatives with SIRCs, private developers and financial institutions to develop more affordable houses on waqf and baitulmal land.

Sistem Bank Data Perumahan Negara has being developed as an integrated database on supply and demand of housing in the country. The system will improve data collection by linking databases of various federal and state agencies such as the National Property Information Centre (NAPIC), Department of Statistics Malaysia and private developers. The system aims to improve holistic policy planning and monitor implementation of housing projects.

Increasing access to affordable housing for targeted groups

In line with the objective to improve the wellbeing of the *rakyat*, efforts will be intensified to provide quality and affordable housing and increase home ownership. In this regard, suitable incentives will be considered for developers who provide affordable housing, particularly to meet the demand from the low- and middle-income households. Housing developers will be encouraged to use technologies such as the industrialised building system (IBS) and adopt standard design for affordable housing in order to reduce the cost. Financial institutions will also be encouraged to provide greater accessibility for first-time homebuyers by introducing more flexible and innovative financing schemes. In addition, the existing housing financing schemes will be improved to provide sustainable solutions for low- and middle-income households to access affordable homes. In this regard, the Rent-to-Own Programme will be strengthened to increase home ownership by enabling the target group to rent and have the option to purchase a house within a stipulated rental period.

Encouraging environment-friendly facilities for enhanced liveability

Efforts will be intensified to ensure 1% of total affordable housing units developed in each public project are allocated for specific target groups, particularly the PWDs, elderly and single mothers. Private developers will also be encouraged to adopt this initiative. In creating lively and vibrant communities, housing and local area planning will be enhanced. This is to ensure affordable housing are built close to transit terminals and public amenities for better mobility and connectivity. Meanwhile, more environment-friendly facilities, such as parks and recreation spaces will be built in high density residential areas.

[11] Public affordable housing initiatives refer to the programmes under *Syarikat Perumahan Negara Berhad* (SPNB) and other programmes such as *Perumahan Rakyat 1Malaysia* (PR1MA), *Perumahan Penjawat Awam Malaysia* (formerly known as PPA1M), *Rumah Mampu Milik Wilayah Persekutuan* (RUMAWIP) and *Program Bantuan Rumah* (PBR).

Initiatives will be intensified to promote maintenance culture in ensuring the *rakyat* enjoy a comfortable and liveable environment. Major repair and maintenance works on public and private low- and medium-cost housing through existing maintenance fund[12] will be intensified subject to partial contribution by dwellers to finance the maintenance cost. Moreover, awareness programmes and campaigns will be conducted to inculcate a sense of ownership and reduce incidence of vandalism especially among public housing dwellers.

Strategy B3: Enhancing the Healthcare Delivery System

Providing quality healthcare at affordable cost is vital to improve the overall health status of the *rakyat* to enhance wellbeing. In the remaining Plan period, efforts will be enhanced to create a sustainable healthcare system, optimise financial resources for healthcare, strengthen population health and pursue greater collaboration among stakeholders. Implementation of these initiatives is important as a healthy population is essential for national development and wellbeing.

Creating a sustainable healthcare system

The Malaysia National Health Policy (MNHP) will be introduced to set the direction for the development of the healthcare sector, in line with the global aspirations of the World Health Organization (WHO), particularly Health in All Policies and Every Sector is Health Sector. The MNHP will focus on population health as well as sustainability of the healthcare system and healthcare industry. In this regard, the MNHP aims to facilitate collaboration among the Government, the *rakyat* and organisations to develop the healthcare sector.

The healthcare delivery system will be strengthened for better coordination and enforcement at national, regional and state levels. Areas that will be covered include environmental health, hygiene and sanitation as well as food safety and nutrition for better management of public health. In addition, the Government will explore a healthcare scheme that aims to create a national health financing scheme. This scheme will provide assistance for primary care treatment for the B40 households to ensure comprehensive health coverage.

Inadequate public health facilities and services, particularly in urban areas remain as a concern in meeting the healthcare needs of the population. This is partly due to the relatively higher private healthcare cost, which has resulted in more patients demanding public healthcare services. In this regard, the Government will focus on primary healthcare services and community-based services to improve the delivery of healthcare services through better stakeholder engagement. In addition, more hospitals and clinics will be built to improve access to quality healthcare and increase the hospital beds to population ratio. Existing health facilities will also be upgraded. Meanwhile, more non-specialist hospitals will provide scheduled specialist care where specialists will visit these hospitals on a regular basis. The areas of specialist services offered, among others are geriatric care, palliative care and rehabilitative services. The development of new health facilities and services will be aligned with human resource requirements.

The lack of connectivity and low frequency of mobile clinics as well as inadequate health facilities remains a challenge in delivering healthcare services in rural and remote areas. In this regard, the coverage of primary healthcare services will be further extended by providing healthcare services closer to communities, homes and individuals. The services include domiciliary healthcare, palliative care, mobile clinics, oral healthcare outreach programme and eye screening carnival. In addition, existing services such as preventive healthcare interventions comprising immunisation, nutrition, sanitation, antenatal and perinatal care will be strengthened.

Healthcare products and services sold online have proliferated in recent years and have led to some adverse effects on consumers. These products and services are not monitored or regulated in terms of safety, quality, effectiveness and ethics. Therefore, new

[12] The existing public funds for maintenance are the *Tabung Penyelenggaraan 1Malaysia* for low- and medium-cost private housing and *Program Penyenggaraan Perumahan* for low- and medium-cost public housing.

policies and regulations to govern online healthcare products and services will be formulated. The regulations aim to safeguard consumers as well as to ensure safety, quality and compliance of standards among industry players. In this regard, regulatory framework and foresight policies will be formulated to take in to account emerging technology and services such as digital healthcare services, big data analytics, blockchain and artificial intelligence.

Optimising financial resources for healthcare

In addressing the increasing financial burden of the public healthcare sector, alternative and sustainable financing mechanisms such as international funds and waqf in healthcare will be intensified. Collaboration between the Ministry of Health (MOH) and SIRCs such as providing *Pusat Pembedahan Katarak MAIWP-Hospital Selayang* and *Pusat Bersalin Berisiko Rendah MAIWP-Hospital Putrajaya* will be expanded throughout Malaysia. In addition, the private sector and NGOs will be encouraged to set up more health facilities that cater to the needs of the poor, low- and middle-income households as part of social obligation.

Strengthening population health

In response to rising incidences of communicable diseases (CDs) and non-communicable diseases (NCDs), a better health ecosystem will be developed. The ecosystem will focus on factors including healthy behaviour, physical environment, clinical care and socioeconomic. In this context, efforts to combat CDs will be intensified through various health initiatives such as research and development, immunisation, health screening and health awareness programmes. Meanwhile, measures to prevent NCDs include the *Komuniti Sihat Pembina Negara* (KOSPEN) and Communication of Behavioural Impact (COMBI) programmes will be further strengthened. Furthermore, the implementation of various policies such as the National Plan of Action for Nutrition of Malaysia III (2016-2025), Safe Water Drinking Act 2017, National Strategic Plan for Active Living (2017-2025) and Malaysia Strategy for Emerging Diseases and Public Health Emergency Work Plan (2017-2021) will be further intensified. In addition, a national centre for disease control and prevention will be established in the remaining Plan period to detect, prevent and respond to various diseases threats. Meanwhile, two specialised medical institutions, namely the Endocrine Complex in Putrajaya Hospital and the Cardiology Centre in Serdang Hospital, will be established and are expected to be completed in 2022. The Endocrine Complex will provide specialised medical and surgical services for endocrine[13] patients as well as conduct research and training. Meanwhile, the Cardiology Centre will enhance the existing cardiology services in Serdang Hospital including cardiothoracic[14] surgery. Furthermore, a new regional northern cancer centre will be built to complement the National Cancer Institute while the National Institute of Health as the focal point for health and medical research will also be restructured and empowered to enhance its role.

Mental health is a complex and complicated public health problem which has psycological, emotional, social and economic impact. Taking into account the importance of maintaining mental wellbeing, an action plan on mental health will be formulated to promote mental health awareness. This action plan will cover six main areas in mental health, namely mental healthcare and services, cross sector collaboration, human resource development, mental health promotion within communities as well as research and surveillance. In addition, efforts to improve mental health services will be intensified.

The maternal mortality ratio has worsened mainly due to obstetric embolism, postpartum haemorrhage and associated medical disorders. In this regard, efforts towards ending preventable maternal deaths will be enhanced by ensuring access to high-quality healthcare services during pregnancy and childbirth. In addition, health intervention services such as access to sexual and reproductive health services and family planning will continue to be provided.

[13] Endocrine/Endocrinology relates to medical subspecialty field dealing with endocrine system, its diseases and its specific secretions known as hormones. It involves the management of hormonal disorders of endocrine glands that include hypothalamus, pituitary gland, pineal gland, thyroid, parathyroids, pancreas, adrenal glands, testes and ovaries as well as management of metabolic disorders such as obesity and lipid disorders.

[14] Cardiothoracic relates to surgical treatment of organs inside the thorax or chest which is generally the treatment of conditions of the heart, vascular that are aorta and vena cavae as well as lung diseases.

Pursuing greater collaboration among stakeholders

Multi-sectoral efforts among ministries and agencies as well as NGOs in improving public health services, particularly during disasters and epidemic will continue to be enhanced. In this regard, inter-agency collaboration will be strengthened and improved in a more coordinated manner by mobilising the relevant government agencies and CSOs. The collaboration will focus on emergency response time improvement, epidemic prevention, disaster preparedness including response and mitigation as well as early rehabilitation.

Home care services are mainly provided by the private sector is expensive and unaffordable for majority of the *rakyat*. Therefore, the private sector and NGOs will be encouraged to set up more social services to cater to the needs of patients from the low- and middle-income households, who require long-term nursing care. In addition, the Government services such as the Domiciliary Healthcare Services and Home Help Services will be further strengthened through greater participation of the private sector, CSOs, NGOs and volunteers.

Strategy B4: Making the Nation Safer and Secure

Public safety and security is a priority to ensure better standard of living and wellbeing of the *rakyat*. In the remaining Plan period, initiatives will be focused on increasing resources and capacity for enforcement and security agencies as well as intensifying crime prevention. In complementing the efforts by the Government, the community will be encouraged to play a bigger role in elevating public safety and security.

Strengthening enforcement and security agencies

The capacity and capability of enforcement and security personnel, particularly the Malaysian Armed Forces (ATM) and Royal Malaysian Police (PDRM), will be further improved through more systematic training and advanced specialised courses such as crime analysis and investigation. In addition, the personnel will be equipped with appropriate tools for intelligence gathering, investigation, evidence analysis and prosecution. These efforts will improve the effectiveness of enforcement and security personnel as well as public perception on safety.

National security will be fortified through further enhancing border control and surveillance, particularly by utilising state-of-the-art technology and equipment to curb border intrusions. Meanwhile, control at entry and exit points in the country will be strengthened to prevent unlawful entry and illegal activities including terrorist movements. These efforts include joint operations and patrolling by various border enforcement agencies, such as the ATM, PDRM, Malaysia Border Security Agency, Royal Malaysian Customs Department, Immigration Department of Malaysia and Malaysian Maritime Enforcement Agency.

International cooperation through bilateral and multilateral arrangements with other countries and international policing bodies will be intensified to mitigate cross-border issues, cybercrime, terrorism and organised crime. These arrangements include smart partnerships, attachment of officers and sharing of information and intelligence as well as best practices. In addition, cooperation will be reinforced with global cyber emergency response agencies for early warnings against new forms of cyber threats.

Intensifying crime prevention

Measures to combat crime will be intensified by PDRM through Omnipresence Programme by redeploying more personnel for crime prevention. In this regard, efforts will be enhanced to strengthen engagement with the public and increase public participation in crime prevention. Meanwhile, the public will be encouraged to undertake self-policing practices and the installation of theft deterrent systems in homes to prevent crime. The private sector will also be further encouraged to support crime prevention as part of their corporate social responsibility, to create a safer environment.

Acculturation and awareness programmes on crime prevention will be expanded through social media, with focus on high risk groups such as children and youth. Prevention of juvenile involvement in drug addiction and crime will be carried out through counselling and education programmes. Meanwhile, an integrated approach to educate teenagers on prevention of drug addiction, premarital sex and sex-related crimes, Human Immunodeficiency Virus (HIV)/ Acquired Immune Deficiency Syndrome (AIDS) and crime will be implemented. This will involve several agencies such as PDRM, Ministry of Education, MOH and Department of Social Welfare as well as NGOs that can undertake various campaigns and programmes.

The participation of NGOs and the public will be increased in the treatment, rehabilitation and post rehabilitation programmes; identification of new cases of drug abuse; and implementation of community outreach and assistance programmes. NGOs and societies are also encouraged to assist ex-inmates and drug addicts to secure employment and reintegrate into society. In addition, the National Drug Policy 2017 which outlines the strategic measures to address drug-related issues will be implemented during the remaining Plan period. This policy covers five thrusts, namely prevention, treatment and rehabilitation, enforcement, harm reduction and international cooperation.

Measurement of index crime in the Eleventh Plan was previously based on the number of reported index crime cases with a target of 5% annual reduction. This measurement will be replaced with a new target where the number of reported index crime cases should not exceed the threshold of 342 cases per 100,000 population by 2020. The new target which sets the baseline at 352 cases per 100,000 population in 2016 will take into account population increase, in line with international practice.

Strategy B5: Promoting Noble Values and Active Lifestyle

A caring society, which is imbued with noble values and leading an active and healthy lifestyle, is a hallmark of an advanced society. Thus, in the remaining Plan period, focus will be given to promote noble values, nurture national culture, foster social cohesion and national unity as well as promote active and healthy lifestyle among the *rakyat*. These initiatives will ensure that physical development is in tandem with spiritual development so as to enhance overall wellbeing.

Promoting noble values

Strong moral and ethical values are imperative in building a progressive and united Malaysian society as aspired in Vision 2020. The virtues of the five principles in the Rukun Negara particularly religious beliefs, good behaviour and moral values will be the foundation in developing a caring and ethical society. In this regard, efforts to inculcate noble values such as honesty, courtesy, respect, patience, as well as integrity among the *rakyat* through educational programmes and awareness campaigns will be intensified.

Nurturing national culture

Efforts and initiatives will be further strengthened to preserve Malaysia's multicultural society and develop into a Malaysian identity. In this regard, the role of the family, school and community in shaping the values and building a strong foundation of the young Malaysians will be strengthened. In enhancing the understanding of nation building, initiatives to promote national heritage, cultural values and historical elements of Malaysia's multiracial society will be pursued. In addition, focus will also be given towards encouraging the arts, culture and creative industry to promote noble values and nurture national culture.

Fostering social cohesion and national unity

In positioning Malaysia globally as a country that thrives on a harmonious and prosperous society, a consultative council for harmony will be established. Policies and initiatives aimed at enhancing social integration and national unity will be enhanced for greater interaction, engagement and collaboration among Malaysians. The Government will also spearhead efforts to enact legislation on national harmony to ensure equality and eliminate discrimination. In addition, an index on national unity will be developed to serve as a monitoring instrument to measure the state of national unity and harmony. Meanwhile, unity-themed programmes using sports, volunteerism, arts and culture as well as community platforms will be further encouraged to promote moments of unity and strengthen patriotism.

Promoting active and healthy lifestyle

Despite challenges in inculcating sporting culture, sports will remain a vital element in promoting active and healthy lifestyle towards improving wellbeing of the *rakyat*. In this regard, more sports and recreational facilities will be developed and upgraded including bicycle routes and green recreation areas in cities, eco-sports infrastructure, motorcycle racetracks, as well as e-sports industry through collaboration between the Government, corporate sector and national sport associations. Meanwhile, the use of sport facilities by the public in government schools as well as public institutions of higher education and training institutions will be encouraged.

A new whole-of-sports approach will be incorporated in the formulation of national sport roadmap for Malaysia to promote healthy lifestyle as well as sporting excellence. Sporting talent development programmes will be intensified in identifying and nurturing potential athletes in schools and at tertiary level. Central to this approach is an integrated and effective national sports framework, which will be developed to enhance social inclusivity and integration, as well as build the capacity and improve the governance of various sports organisations. In addition, support for elite athletes through various high performance sport programmes will be continued for the SEA Games 2019. This will also pave the way for Malaysia's first Olympic gold medal in the Tokyo Olympic Games 2020.

Conclusion

The inclusive development approach will be intensified during the remaining Plan period to enhance the overall wellbeing of the *rakyat* in line with the economic growth. Building on the progress achieved, efforts will be stepped up to raise the income and purchasing power of the B40 households, enhance the Bumiputera Economic Community as well as empower minorities and specific target groups. Meanwhile, the quality of life of the *rakyat* will be improved through measures to increase the purchasing power, access to quality and affordable housing and healthcare as well as safety and security of the nation. Concurrently, noble values and patriotism among the *rakyat* will continue to be instilled to foster greater social cohesion and national unity, while sports and active lifestyle will be promoted to build a healthy and prosperous society. Effective implementation of the identified initiatives is key to achieving all the targeted outcomes, in line with the 2030 Agenda for Sustainable Development of the United Nations.

12

CHAPTER

III

PILLAR

Pursuing Balanced Regional Development

Introduction

Regional development aims to reduce imbalances through better spread of socioeconomic benefits among regions and across all states to promote equitable growth and increase the wellbeing of the *rakyat*. Despite efforts to reduce regional imbalances, disparities between and within states and region remain, while urban and rural divide persists. Hence, in the remaining Plan period, 2018-2020, efforts will be undertaken to reduce development gaps between urban and rural areas. Among others, the efforts will include increasing accessibility and connectivity as well as improving basic infrastructure and amenities to generate more economic activities in the less developed areas. Interstate collaboration will also be enhanced to spur economic growth, particularly in bordering areas within the region through better utilisation of resources. Major cities and growth centres in rural areas will be leveraged to accelerate economic growth towards balanced regional development.

In addition to balance regional development within national boundaries, subregional cooperation with neighbouring countries will also be intensified through the ASEAN subregional cooperation[1]. The socioeconomic development of less developed areas will be accelerated along international boundaries. This cooperation will promote synergy by optimising the underlying complementarities and comparative advantages among neighbouring countries.

[1] ASEAN subregional cooperation includes the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Malaysia-Thailand Committee on the Joint Development Strategy for Border Areas (JDS) and Malaysia-Singapore Joint Ministerial Committee for Iskandar Malaysia (JMCIM).

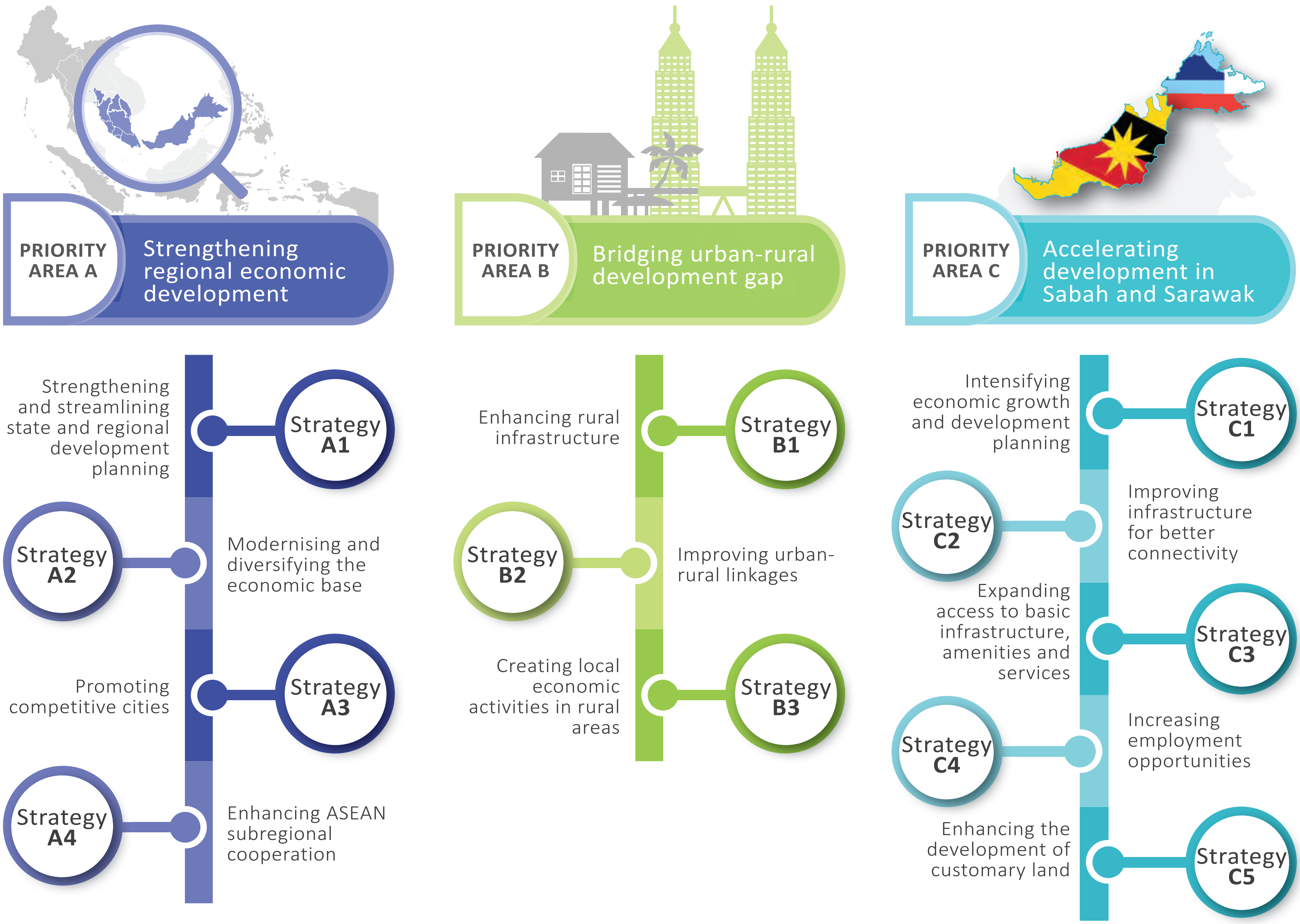
New Priorities and Emphases, 2018-2020

Efforts in addressing regional imbalances will be intensified to narrow the socioeconomic development gap between regions and states to spur economic activities and uplift the wellbeing of the *rakyat*. In addressing regional imbalances, states are clustered based on geographical boundaries as follows:

In achieving inclusive growth, measures will be undertaken to reduce development gaps between urban and rural areas. Therefore, the priority areas and strategies towards pursuing balanced regional development are as shown in *Exhibit 12-1*.

Exhibit 12-1

Pursuing Balanced Regional Development



Selected Targets, 2020

Strengthening regional economic development

Regional development framework (SDG 10)
Integrated regional development framework study

6 cities (SDG 11)
City Competitiveness Master Plan Study

Bridging urban-rural development gap

1:0.67
Urban-rural income disparity ratio

3,000 km (SDG 9)
Construction of paved roads

60,000 (SDG 6)
Additional houses supplied with clean and treated water

41,160 (SDG 7)
Additional houses supplied with electricity

300 (SDG 9)
New towers

1,000 (SDG 9)
Upgraded towers

Telecommunication towers in rural areas nationwide

Accelerating development in Sabah and Sarawak

99.0% (SDG 7)
Coverage of electricity supply

106 (SDG 9)
New towers

400 (SDG 9)
Upgraded towers

Telecommunication towers

51,000 hectares
Sabah

225,600 hectares
Sarawak

Mapping of Native Customary Rights (NCR) land

Original Target | Revised Target | New Target

Priority Area A: Strengthening Regional Economic Development

Socioeconomic disparities among regions, as illustrated in *Box 12-1*, will be addressed in the remaining Plan period to achieve balanced regional development for the benefit of the *rakyat*. In this regard, efforts will be intensified to accelerate economic growth and address inter- and intra-regional imbalances. Four strategies identified to support this priority area are as follows:

STRATEGY A1

Strengthening and streamlining state and regional development planning to stimulate economic development

STRATEGY A2

Modernising and diversifying the economic base to enable robust and dynamic economic growth

STRATEGY A3

Promoting competitive cities to spur growth of major cities

STRATEGY A4

Enhancing ASEAN subregional cooperation to accelerate economic activities in the bordering area

Box 12-1

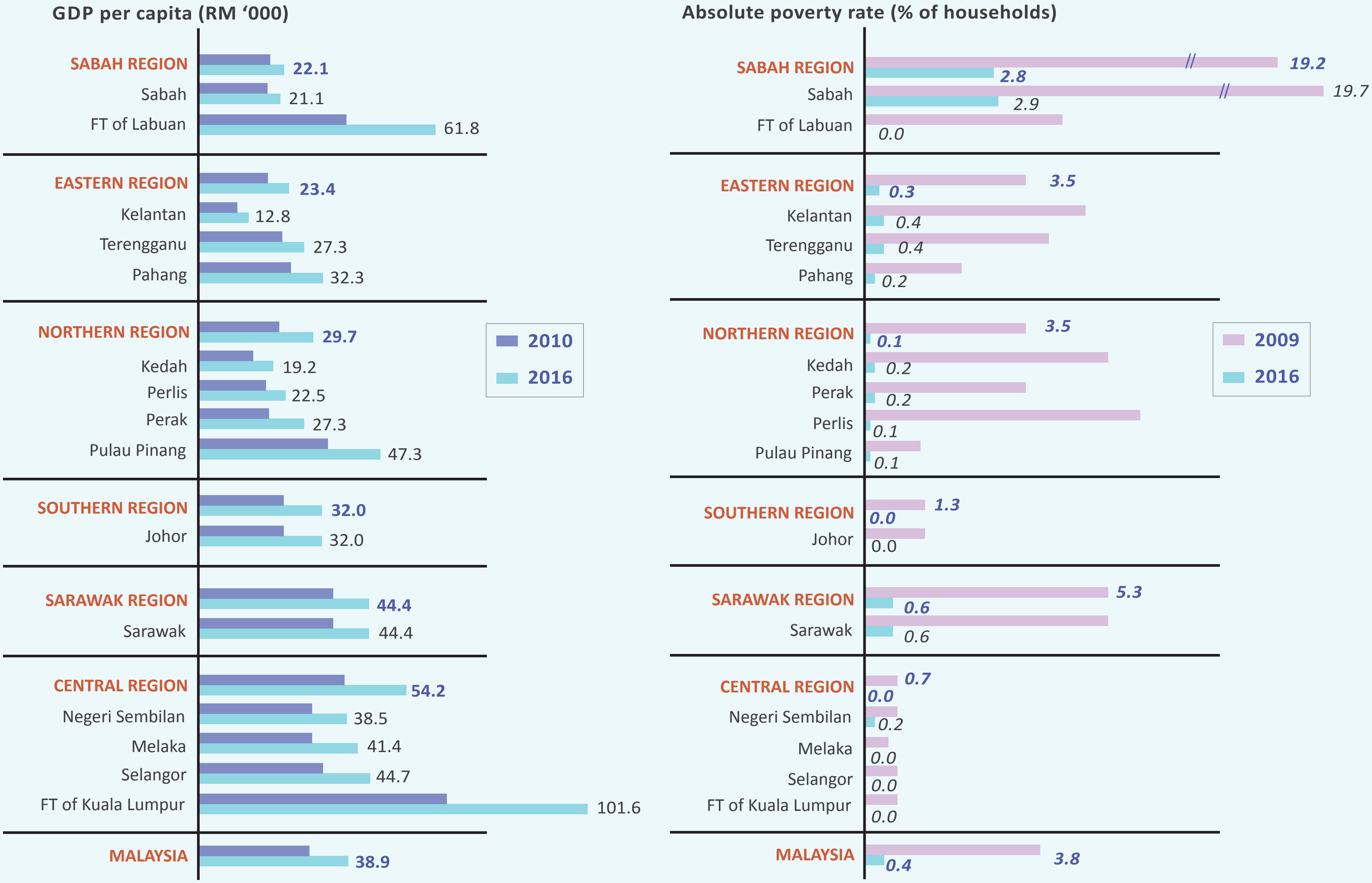
Socioeconomic Disparities among Regions

Socioeconomic disparities among regions and states as shown in *Graph A* continue to exist despite various efforts undertaken to narrow regional development gap. The uneven progress in Sabah, Eastern and Northern regions was illustrated by the relatively low gross domestic product (GDP) per capita as compared to the national average of RM38,915 in 2016. Sabah region recorded the lowest GDP per capita at RM22,098, the Eastern region at RM23,392 and the Northern region at RM29,725 in 2016. Moreover, higher poverty incidences in the Sabah and Sarawak regions also illustrate the socioeconomic imbalances. Although the absolute poverty rate in Sabah fell significantly from 19.7% in 2009 to 2.9% in 2016, it was still higher than the national average of 0.4%. At district level, there were even incidences of double-digit poverty rate in Sabah, such as in Tongod at 14.6% and Beluran at 12.1%.

As Malaysia strives to be an inclusive nation, balanced and sustainable development need to be promoted across regions. Based on regional contribution to the national economic growth as shown in *Graph B*, the growth rates of Sabah, Central and Southern regions were higher than that of national average of 5.1% for the 2016-2017 period. The Sabah region has shown a significant improvement in GDP growth from 4.2% in the Tenth Plan to 6.4% during the 2016-2017 period. Despite establishing regional economic corridors to boost economic activities, the Sarawak, Eastern and Northern regions recorded lower growth than the national average during the period of 2016-2017. These regions, which relied more on industrial commodities particularly oil palm and rubber, were affected by the El-Nino phenomenon in 2016.

Graph A

GDP per Capita, 2010 & 2016 and Absolute Poverty Rate by State, 2009 & 2016

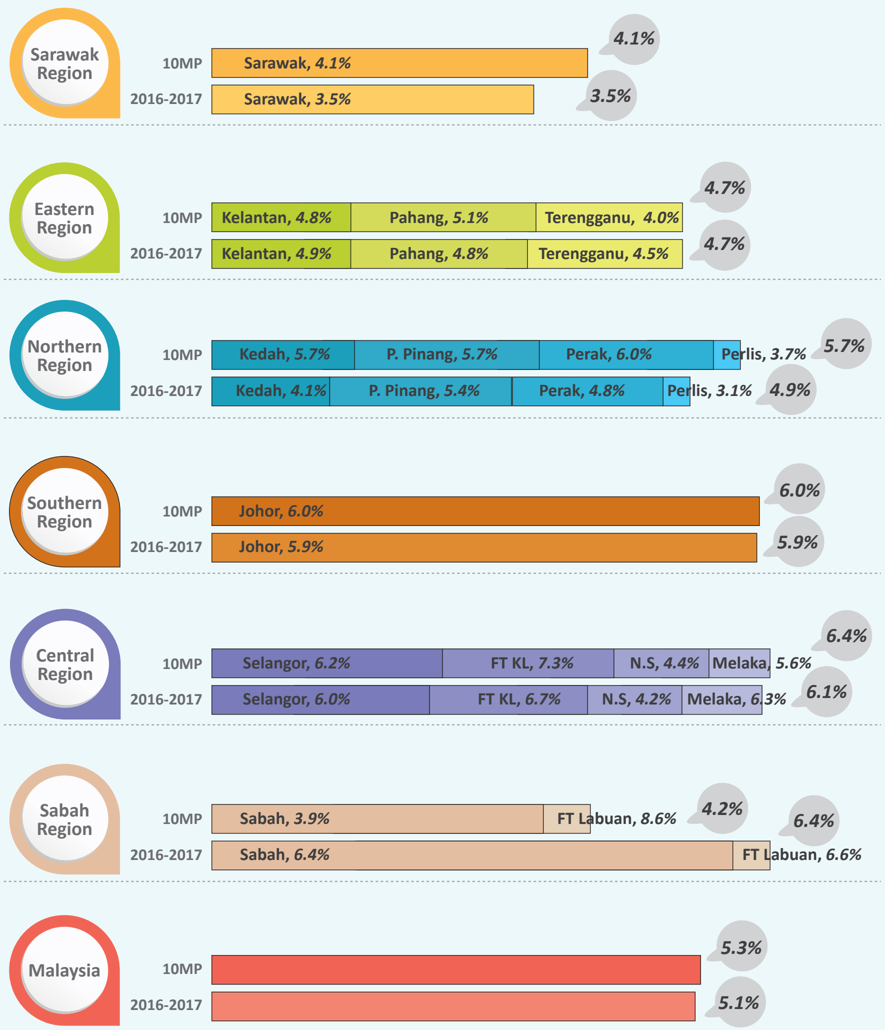


Source: Department of Statistics Malaysia

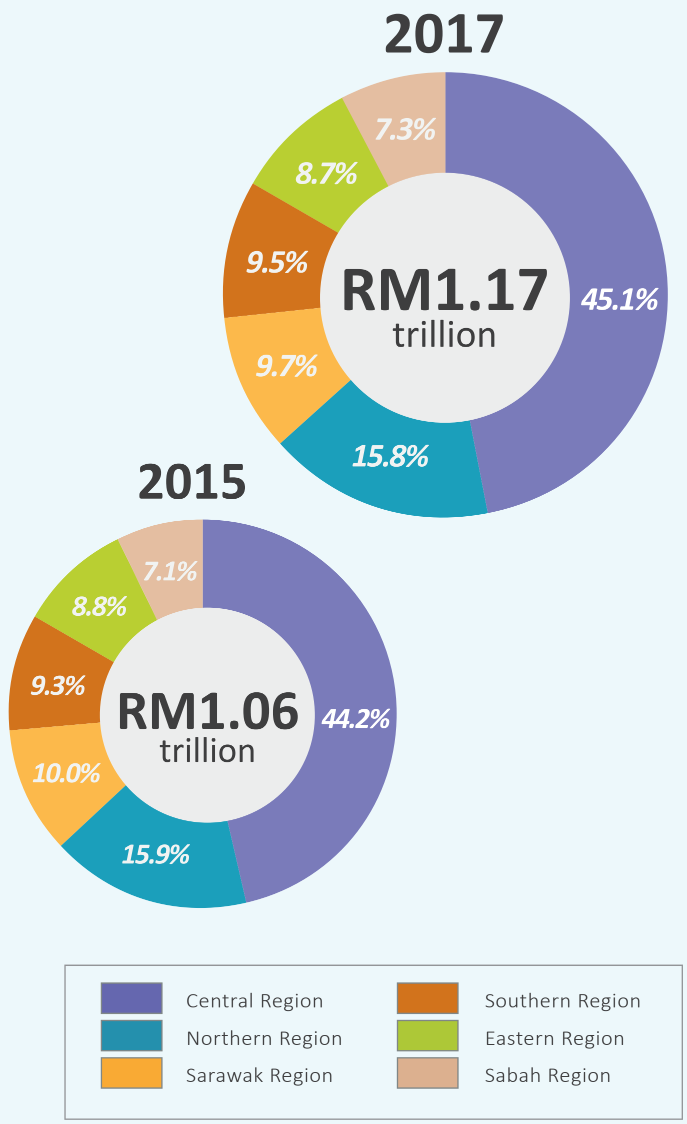
Graph B

Regional Contribution to National Economic Growth, 2015-2017

Growth to GDP by region, % p.a.
(in 2010 prices)



Share to GDP by region
(in 2010 prices)



Source: Department of Statistics Malaysia

The Central region continues to contribute the highest share of GDP, followed by the Northern, Sarawak, Southern, Eastern and Sabah regions as shown in *Graph B*. Although few regions such as the Southern and Sabah regions recorded higher growth in GDP, the growth was insufficient to keep pace with that of the Central and Northern regions.

Income disparity between the regions remains a concern despite the continuous increase in the national median monthly household income at RM5,228 in 2016. The Central and Southern regions continued to record notable achievement at RM6,616 and RM5,652 respectively. The Eastern region recorded the smallest median monthly household income at RM3,917, where Kelantan registered the lowest among states at RM3,079. Kedah in the Northern region was the second lowest, at RM3,811.

The regional disparity remains a challenge despite various efforts undertaken to reduce the imbalances. Thus, comprehensive regional development strategies to focus on narrowing the gap are crucial, particularly for less developed regions. Effective implementation of the specific measures to address socioeconomic disparities among regions is vital to attain balanced regional development.

Strategy A1: Strengthening and Streamlining State and Regional Development Planning

The lack of coordination in socioeconomic planning at various levels poses challenges in implementing integrated and sustainable regional development. Hence, greater efforts are needed to streamline development planning at the national, regional and state levels. In the remaining Plan period, regional and interstate collaborations will be strengthened to build synergies in promoting balanced growth. Meanwhile, state government agencies will have to play a bigger role in fostering economic development in the states. In this regard, several initiatives will be undertaken to provide an integrated regional development framework, ensure better allocation of development expenditure to less developed states, enhance the role of state economic development corporations (SEDCs) and promote interstate coordination in infrastructure provision.

Providing an integrated regional development framework

Development planning will capitalise on the strengths and resources within each region to harness growth potential in niche areas. Simultaneously, the strength between regions will be leveraged to complement and create synergies for further development. New sources of growth within the industry clusters will also be explored to further stimulate economic development in the regions. In this regard, a study on integrated regional development framework will be undertaken to streamline policies, master plans and strategies with the national spatial planning. This framework will also ensure better inter- and intra-states coordination in development planning and implementation.

Ensuring better allocation of development expenditure to less developed states

Allocation of Federal Government development expenditure will be better distributed where priority will be given to the six less developed states during the remaining Plan period. These states are Sabah, Sarawak, Kelantan, Terengganu, Kedah and Perlis. This is to ensure a more balanced growth between states.

Enhancing the role of state economic development corporations

SEDCs have an important role in state economic development. In this regard, the role of SEDCs will be further enhanced to facilitate economic activities at the state and regional levels. The introduction of *Program Transformasi Perbadanan Kemajuan Ekonomi Negeri* in 2017 will enable the reform of SEDCs in strengthening corporate governance and implementing sustainable business models. This will enhance the viability and competitiveness of the SEDCs in the long term. In addition, SEDCs will collaborate with other relevant regional government agencies and private sector in a more coordinated and integrated manner to spur regional growth. Such collaboration will contribute towards equitable growth, investment and employment opportunities, particularly in the less developed regions.

Promoting interstate coordination in infrastructure provision

Greater connectivity and provision of better infrastructure will enhance the movement of people, goods and services as well as improve quality of life. In this regard, coordination and cooperation in interstate projects will be strengthened to enhance regional networks in facilitating economic activities. In this regard, a high level committee will be established to enhance Federal-state planning coordination. Interstate projects such as roads, utilities and flood mitigation infrastructure, require close coordination among states to ensure optimal utilisation of resources as well as foster economic activities in the regions.

Strategy A2: Modernising and Diversifying the Economic Base

Regional competitiveness and ability to attract investors are affected by lack of a supporting ecosystem to promote and sustain economic activities based on specialisation and cluster of each region. In addition, inadequate skills set and education attainment of the locals have resulted in low participation in high value-added and knowledge intensive industries. As such, more efforts to strengthen the ecosystem will be undertaken to promote high value-added activities that enable technology transfer and promote innovation. Efforts will also be intensified to promote specific economic activities that leverage the resources available in the regions. Hence, in the remaining Plan period, initiatives will be implemented to strengthen the ecosystem for economic activities, focus on niche cluster activities as well as intensify skills and human capital development.

Strengthening the ecosystem for economic activities

Efforts will be intensified to strengthen the ecosystem and elevate the entire value chain of economic clusters. These include enhancing human capital development, improving infrastructure, utilities and logistics facilities as well as enhancing the supply chain network. The provision of good infrastructure and utilities, including improving broadband coverage, will ensure better connectivity and increase economic growth. Meanwhile, efficient logistics services are crucial to enable speedy movement of goods and resources. Strengthening the supply chain network will also include efforts to increase linkages between investors and local suppliers, as well as to provide institutional support, particularly investment facilitation. In addition, measures will be intensified to attract quality investment, focusing on high value-added, advanced technology, knowledge intensive and innovation based industries. A strong ecosystem will stimulate growth and enhance economic competitiveness.

Focusing on niche cluster activities

Efforts will be encouraged to attract more investment, particularly for high impact programmes and projects in the identified niche cluster activities, based on the six regional competitive advantages. In addition, collaboration will be intensified to create synergies and raise mutual economic benefit between states and among regions. The states will need to adopt a region-centric approach to complement and leverage the strengths, uniqueness and resources available for economic growth. In this regard, each region is encouraged to undertake key focus areas as follows:

NORTHERN REGION

- Manufacturing (electrical & electronics, machinery & equipment, bio-industries, aerospace and medical devices)
- Logistics (transportation and storage)
- Tourism (arts, entertainment and recreation)
- Agriculture (paddy and fisheries)

EASTERN REGION

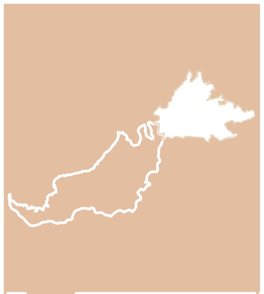
- Mining and quarrying (oil & gas)
- Agriculture (forestry and fisheries)
- Manufacturing (petrochemical)
- Logistics (transportation and storage)
- Tourism (arts, entertainment and recreation)

CENTRAL REGION

- Wholesale & retail trade
- Accommodation and food & beverages
- Finance & insurance
- Tourism (arts, entertainment and recreation)
- Real estate & business services
- Manufacturing (aerospace)

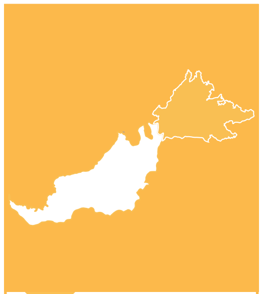
SOUTHERN REGION

- Manufacturing (electrical & electronics, petrochemical, agro-based processing)
- Mining and quarrying (oil & gas)
- Tourism (arts, entertainment and recreation)
- Logistics (transportation and storage)
- Real estate
- Education
- Agriculture (food crops)



SABAH REGION

- Agriculture (forestry, fisheries and oil palm)
- Mining and quarrying (oil & gas)
- Logistics (transportation and storage)
- Tourism (arts, entertainment and recreation)
- Education



SARAWAK REGION

- Agriculture (forestry, fisheries and oil palm)
- Manufacturing (aluminium, glass, steel, timber-based, marine products)
- Mining and quarrying (oil & gas)
- Information and communication technology

Regions will be encouraged to modernise and diversify the economic base to boost high value-added activities and spur higher growth, in particular regions which are highly dependent on agriculture. Efforts to modernise agriculture sector will be intensified including by expanding downstream activities to encourage higher value-added products with the use of modern technology. For instance, the development of the Kedah Rubber City in the Northern region, which focuses on rubber industries such as specialised latex and rubber products as well as precision engineered rubber products, will enable the production of high value-added products. Meanwhile, the Palm Oil Industrial Cluster (POIC) in Sandakan and Lahad Datu in the Sabah region will be leveraged to boost investment in higher value-added downstream processing activities. These will stimulate socioeconomic activities including the creation of new jobs for locals, reducing regional imbalances.

Intensifying skills and human capital development

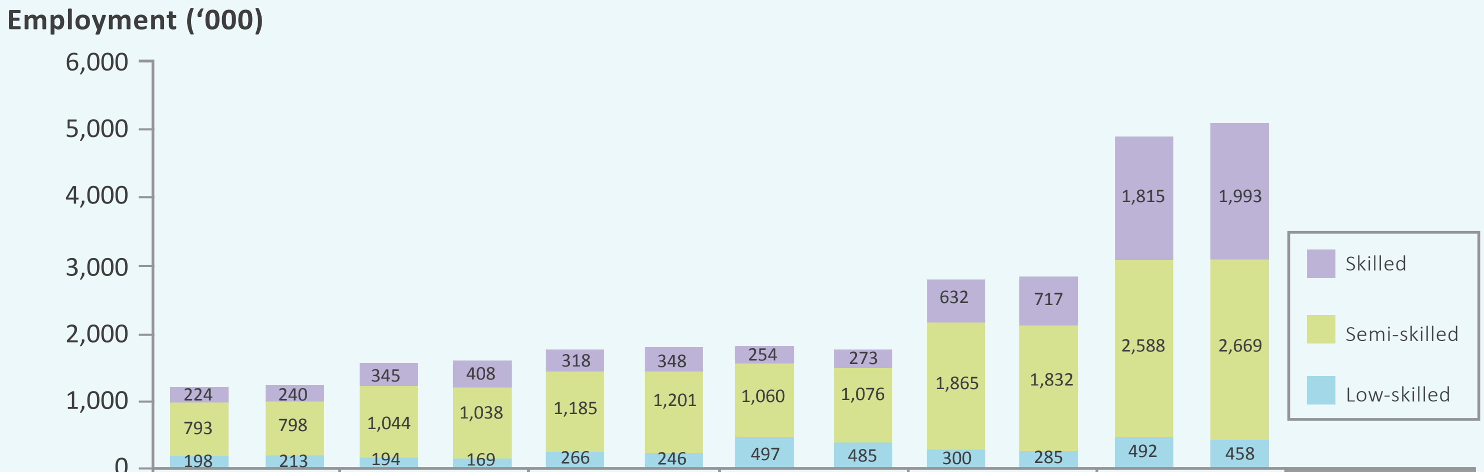
Skilled worker is vital to facilitate investment and promote upgrading of economic activities in the regions. The number of skilled workers is very much concentrated in the Central and Northern regions as illustrated in *Box 12-2*. This reflects imbalances among regions in creating skilled jobs. Therefore, regions will develop targeted strategies to attract investment which will create skilled jobs based on the requirement of the industry.

Box 12-2

Employment by Skills Category and Region

The total employment comprising skilled, semi-and low-skilled categories increased in all regions between 2015 and 2017. The share of skilled workers to total employment in all regions showed an improvement in 2017. The Central region recorded the highest share at 39% of workers in the region. However, the share of skilled workers in other regions remained below the national average of 28%. Meanwhile, at national level, the share of semi-skilled workers continues to dominate, accounting for 60% of total employment. The share of semi-skilled workers in four regions exceeded the national average with the Eastern region accounting for 67% of workers in the region, Northern region at 65%, and both Sarawak and Southern regions at 64%. Conversely, share of semi-skilled workers in the Central region accounted for 52% of workers in the region, while the Sabah region accounted for 59%. As for the low-skilled category, the Sabah region accounted for 26% of workers in the region, followed by Sarawak region at 17%, and Eastern region at 14%. The dependency on low-skilled workers in these regions is reflective of the reliance on labour intensive activities, particularly in the agriculture sector. This underscores the need for all regions to intensify efforts in enhancing skills set and also to attract quality investment which will create higher skilled jobs.

Employment by Skills Category and Region, 2015 and 2017



Skills category by region, % share	Sarawak Region		Southern Region		Eastern Region		Sabah Region		Northern Region		Central Region		Malaysia	
	2015	2017	2015	2017	2015	2017	2015	2017	2015	2017	2015	2017	2015	2017
Skilled	19	19	22	25	18	19	14	15	22	25	37	39	26	28
Semi-skilled	65	64	66	64	67	67	59	59	67	65	53	52	60	60
Low-skilled	16	17	12	11	15	14	27	26	11	10	10	9	14	12
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Department of Statistics Malaysia

Private investment will be leveraged to create skilled jobs and upgrade human capital in less developed regions in line with the measures to modernise and diversify the economic base. In this regard, efforts to meet industry demand include upskilling and reskilling the current workforce through embracing innovation and increasing the use of information technology. These efforts will be implemented through specialised training programmes in collaboration between local training institutions and the industry. The upgrading will enhance competitiveness and accelerate growth across regions in order to promote balanced regional development.

Strategy A3: Promoting Competitive Cities

Rapid urbanisation poses challenges in ensuring all segments of society enjoy greater liveability and quality of life. Despite the vibrant economic growth in cities, low density, lack of affordable housing, inadequate public healthcare services, insufficient connectivity of public transport and traffic congestion continue to affect cities competitiveness. Dynamic urban and rural growth is an indispensable requirement in reducing urban-rural divide and ensuring a balanced regional development. As such, cities are major catalysts in providing opportunities for investment and trade as well as improving the connectivity with rural and suburban areas in the region. In the remaining Plan period, several initiatives will be undertaken to improve the potential of major cities to accelerate regional economic growth, enhance urban competitiveness and accelerate development in identified growth areas.

Improving potential of major cities to accelerate regional economic growth

The global competition for investment and talent continue to increase between cities. Therefore, the Government will continue to leverage on the four major cities identified, namely Federal Territory (FT) of Kuala Lumpur, Johor Bahru, Kuching and Kota Kinabalu to accelerate economic growth. These major cities will be developed to be more vibrant, productive and liveable to attract and retain talent and firms, while at the same time enhance urban-rural linkages and access. Priorities will be given for the implementation of programmes and initiatives identified in the City Competitiveness Master Plan (CCMP) for the four major cities, by emphasising on key focus areas. These areas, among others, include urban planning and development, provision of public transport and affordable housing as well as improvement in digital connectivity. During the remaining Plan period, CCMP studies for the cities of Georgetown and Kuantan will be undertaken.

Enhancing urban competitiveness for better living and connectivity

Cities are focal points of population and economic growth, which necessitates an efficient urban service that meets the expectations of the *rakyat*. Efforts will be intensified to overcome issues such as increasing urban sprawl, poor urban mobility and connectivity as well as high dependency on private vehicles and traffic congestion. This includes improvements in the city planning guidelines, which will focus on optimising resources. In addition, focus will be given to enhance the liveability and inclusiveness among city dwellers, particularly the bottom 40% income group (B40) households by uplifting the quality of life. In this regard, city dwellers will be able to have better access to economic opportunities, efficient public transport, affordable housing, improved health facilities and services as well as more green and open spaces. The Government will continue to focus on improving urban services through the development of Urban Transformation Centres (UTCs) to provide centralised government and private sector services to urban communities. Three new UTCs will be launched in Pulau Pinang, Bintulu in Sarawak and Sandakan in Sabah.

Accelerating development in identified growth areas

Apart from the major cities, efforts will also focus on accelerating development in identified growth areas, which include conurbations[2], promoted development zones (PDZs) and catalyst centres, as shown in *Exhibit 12-2*. These growth areas will be the catalyst hubs for economic growth by providing selected business and employment opportunities in the respective regions. Under the National Physical Plan 3 (NPP3), six conurbations, 17 PDZs and 48 catalyst centres will be further leveraged to create investment opportunities to spur the urban economy. The development of the identified growth areas will contribute to balanced regional development.

[2] Conurbation refers to economic urban growth area encompassing cities, major urban areas and physically connected urban areas, having economic relationship and experiencing population growth to form a continuous developed built-up area.

In Sarawak, focus will be given to accelerate development in specific areas with high economic potential, which are lagging in terms of socioeconomic progress. In addressing regional development imbalances in Sarawak, three subregions have been identified, namely Highland Area, Upper Rajang Area and Northern Area. Development strategies will be formulated for these subregions to optimise the economic potential and generate employment opportunities for the locals.

Exhibit 12-2

Identified Growth Areas

Conurbations	Promoted Development Zones (PDZs)	Catalyst Centres	
4 conurbations in Peninsular Malaysia 1 conurbation in Sabah 1 conurbation in Sarawak	12 PDZs in Peninsular Malaysia 5 PDZs in Sabah and Labuan 3 subregions in Sarawak	37 Catalyst Centres in Peninsular Malaysia 11 Catalyst Centres in Sabah	
Peninsular Malaysia 1. National Conurbation (FT of Kuala Lumpur, FT of Putrajaya and part of State of Selangor including districts of Klang, Petaling, Gombak, Hulu Langat, Kuala Langat and Sepang) 2. Southern Conurbation (around Johor Bahru including Iskandar Puteri, Senai, Kulai, Skudai, Pasir Gudang, Tanjung Pelepas, Pontian, Kota Tinggi, Desaru and Pengerang) 3. Northern Conurbation (Pulau Pinang and part of Seberang Perai) 4. Eastern Conurbation (around Kuantan, Pekan and Gambang) **Sabah** 1. Kota Kinabalu Conurbation (around Kota Kinabalu City, Tuaran, Putatan and Papar) **Sarawak** 1. Kuching Conurbation (around Kuching City)	**Peninsular Malaysia** 1. Padang Besar-Chuping Valley 2. Kangar-Arau-Kuala Perlis 3. Alor Setar-Jitra 4. Sungai Petani 5. Ipoh 6. Lumut-Sitiawan-Seri Manjung 7. Kota Bharu 8. Kuala Terengganu 9. Seremban-Nilai-Port Dickson 10. Historical City of Melaka 11. Royal Town of Bandar Maharani 12. Penggaram-Kluang Town **Sabah and Labuan** 1. Keningau 2. Sandakan 3. Lahad Datu 4. Tawau 5. Labuan **Sarawak**[1] 1. Highland Area-Bario and Mulu 2. Upper Rajang Area-Belaga, Bukit Mabong, Murum, Bakun, Kapit, Song and Kanowit 3. Northern Area-Limbang, Lawas and Bakelalan	**Peninsular Malaysia** 1. Kaki Bukit-Wang Kelian 2. Beseri 3. Pauh Putra 4. Kuah 5. Bukit Kayu Hitam 6. Kulim 7. Parit Buntar 8. Kamunting-Taiping 9. Gerik 10. Lenggong 11. Teluk Intan 12. Tanjung Malim 13. Tumpat 14. Rantau Panjang 15. Tok Bali 16. Jeli 17. Machang 18. Gua Musang 19. Jerteh 20. Kerteh 21. Chukai 22. Jerantut 23. Bandar Tun Abdul Razak (Jengka) 24. Bentong 25. Bandar Muadzam Shah 26. Temerloh-Mentakab 27. Sungai Besar 28. Kuala Selangor	29. Kuala Kubu Bharu 30. Seri Jempol 31. Gemas 32. Tampin 33. Pulau Sebang 34. Kuala Linggi 35. Sungai Rambai 36. Segamat 37. Mersing **Sabah** 1. Kudat 2. Kota Belud 3. Kota Marudu 4. Ranau 5. Kimanis 6. Beaufort 7. Tenom 8. Sipitang 9. Kota Kinabatangan 10. Tongod 11. Semporna

Notes: [1] The development of subregions of Highland Area, Upper Rajang Area and Northern Area in Sarawak is under the purview of the Regional Corridor Development Authority (Amendment) Ordinance, 2017.

Source: Federal Department of Town and Country Planning (National Physical Plan 3) and Sarawak State Planning Unit

Strategy A4: Enhancing ASEAN Subregional Cooperation

The ASEAN subregional cooperation platforms have not been fully utilised to accelerate and facilitate economic development, particularly in bordering areas. Furthermore, people-to-people connectivity and economic activities to expedite development are still lacking. This presents both challenges and opportunities for the Government, businesses and *rakyat*. In the remaining Plan period, initiatives will be undertaken to accelerate development in the Special Economic Zones (SEZs) as well as enhance connectivity in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) subregions.

Accelerating development in Special Economic Zones

Cooperation in the IMT-GT will be enhanced to accelerate development of SEZs in Bukit Kayu Hitam, Kedah with Songkhla, Thailand and the new proposed SEZs in Arun, Tanjung Api-Api and Sei Mangkei, Indonesia. Initiatives undertaken through the IMT-GT will further increase cooperation with the southern Thailand provinces of Songkhla, Narathiwat, Satun and Yala. These initiatives aim to enhance trade activities, improve local businesses and create employment in border areas of Perlis, Kedah, Perak and Kelantan. Efforts will also be undertaken through BIMP-EAGA to enhance the development of border trade, namely the upgrading of Tebedu, Sarawak and Entikong, West Kalimantan border posts into an international gateway.

Enhancing connectivity in the IMT-GT and BIMP-EAGA subregions

Efforts to enhance connectivity in the IMT-GT and BIMP-EAGA subregions will continue to be undertaken to promote mobility and spur economic growth in the less developed states and regions. Nine infrastructure projects were identified as the IMT-GT Physical Connectivity Projects to facilitate bordering trade activities and improve connectivity. These includes the construction of the new Immigration, Custom, Quarantine and Security Complex in Bukit Kayu Hitam, Kedah, as well as two new bridges, which will enhance connection between Rantau Panjang, Kelantan and Sungai Golok, Narathiwat as well as establish land connection between Pengkalan Kubor, Kelantan and Tak Bai, Narathiwat. In addition, IMT-GT member countries are finalising a memorandum of understanding on air linkages that will enable better connectivity for the subregional areas.

Malaysia will focus on seven BIMP-EAGA Priority Infrastructure Projects to increase trade and connectivity with member countries. Among others, Kota Kinabalu, Sabah has been identified as the subregional aviation hub to cater for the increase in passengers and freight services, while the construction of Mukah Airport in Sarawak is in progress for a seamless air connectivity. Meanwhile, the roll on-roll off ferry service between Sabah and Palawan in the Philippines will be launched to improve sea connectivity, boost tourism and strengthen border trade activities. In addition, the expansion of the Sapangar Bay Container Port in Sabah will also help to boost the logistics industry in the area. In terms of land transport connectivity, the construction of the Pan-Borneo Highway will boost development in Sabah and Sarawak.

Priority Area B: Bridging Urban-Rural Development Gap

Achieving balanced urban-rural development will continue to remain as a priority area in reducing imbalances among regions. Measures will be undertaken to reduce disparities in development between urban and rural areas within the states and regions. Emphasis will also be given to develop rural growth centres by creating income-generating activities to improve urban-rural income disparity from 1:0.57 in 2016 to 1:0.67 in 2020. This will improve urban-rural development gaps and enhance the wellbeing of the *rakyat*. Three strategies to support this priority area are as follows:

Strategy B1: Enhancing Rural Infrastructure

Rural areas cover almost 75% of total land area in Malaysia. Despite rigorous efforts undertaken, access to basic infrastructure such as rural roads, treated water and electricity supply in rural areas is still limited, especially in hinterlands. This is due to higher cost of development owing to difficult terrain, which restricts access to the project sites as well as increases cost of transportation and materials. Nevertheless, investment in the provision of quality rural basic infrastructure, utilities and services is still required to improve accessibility and narrow urban-rural divide. In the remaining Plan period, initiatives will be undertaken to increase the provision of road network, access to water and electricity supply as well as improve digital infrastructure.

Increasing provision of road network

Coverage of rural roads will be expanded to enhance accessibility of rural communities, including Orang Asli, in order to provide wider socioeconomic opportunities. Although most of rural areas are connected by roads, not all are paved and in good condition. Therefore, the construction and upgrading of the remaining 1,458 kilometres of paved roads in rural areas mostly in Sabah and Sarawak will be continued to achieve the targeted 3,000 kilometres in 2020. Nevertheless, due to a huge number of rural roads that need to be upgraded and constructed, implementation timeline will be planned accordingly, taking into account state priorities and government financial position. Meanwhile, the durability and safety of existing rural roads will be ensured through continuous maintenance of rural roads. The provision of rural roads will improve connectivity and mobility of people and goods, thus spurring economic activities within and between regions. This will contribute to narrow the development gap between regions.

Expanding coverage of water supply

Access to clean and treated water supply in rural areas remains a challenge. Compared with other states, which have achieved more than 90% access to clean and treated water supply in 2016, Kelantan recorded the lowest at 67.7%[3] followed by Sabah at 79% and Sarawak at 80.4%. In this regard, efforts to improve access to clean and treated water supply will be intensified through the upgrading of existing pipes and reticulation system. Meanwhile, more than 30% of rural households in Kelantan opted for alternative water supply sources, such as water wells, tube wells and gravity feed system. Therefore, alternative water supply sources will be continuously expanded to cater for rural households. This is to ensure that the target of 99% coverage of clean water supply in rural areas is achieved.

Increasing coverage of electricity supply

Access to rural electricity supply continued to be the lowest for Sarawak at 85.4% while Sabah was at 92.4% in 2017. Hence, the focus of rural electrification will be continued with the off-grid generation for remote and isolated areas. The development of

[3] The percentage coverage in Kelantan is low because other alternative sources are used although there is accessibility to clean and treated water supply.

alternative systems such as solar hybrid as well as micro and pico hydro will support the off-grid network to enable a wider coverage. The provision of electricity supply to an additional 41,160 houses in rural areas will ensure the target of 99% coverage for rural electrification is achieved. The wider access to rural electricity supply will help to improve urban-rural development gap.

Improving digital infrastructure

Information and communications technology (ICT) will be leveraged as one of the strategic tools for rural community socioeconomic empowerment to bridge development gaps between urban and rural areas. In the remaining Plan period, the digital infrastructure such as 1,000 telecommunication towers will be upgraded and 300 new towers will be constructed to increase coverage and quality of broadband services in rural areas. In addition, telecentre facilities and services will be optimised to empower communities towards digital transformation. These initiatives will bridge development gap on digital economy between urban and rural areas.

Strategy B2: Improving Urban-Rural Linkages

Most rural areas have not maximised the benefits from the surrounding urban centres due to poor urban-rural linkages. This has resulted in high rate of rural to urban migration, which has affected the economic activities, productivity and income of rural community. In this regard, linkages between urban and rural areas will be strengthened to foster greater economic integration and widen services to rural areas. In the remaining Plan period, initiatives will be undertaken to improve connectivity and mobility to strengthen rural economy as well as expand access to basic services.

Improving connectivity and mobility to strengthen rural economy

Public transportation will be improved to provide better connectivity between urban, small towns and rural areas within the states and regions. Additional buses will be provided to ply routes in rural areas to improve connectivity with urban centres. At the same time, community-based public transport systems will be explored to further improve transport service in rural areas. These efforts will improve efficiency, affordability and safety of public transport services to link rural areas and urban centres.

Expanding access to basic services

The coverage and accessibility to various social facilities and basic amenities will be enhanced in the rural areas through the improvement of basic services such as education, primary healthcare as well as quality and affordable housing. In addition, the one-stop multi-service and business centres in rural areas, namely Rural Transformation Centres (RTCs) and mini RTCs will provide economic opportunities for rural entrepreneurs to promote and market products. The centres will be rebranded, where the functions and locations of RTCs will be reviewed and the role of mini RTCs be enhanced. This will ensure better provision of services for rural communities through the optimisation of space and reduction of overlapping functions between agencies. Furthermore, options to encourage courier service providers to expand services to rural areas will be explored.

Strategy B3: Creating Local Economic Activities in Rural Areas

Private sector participation in terms of investment and championing economic activities in rural areas remains relatively low. In addition, poor capitalisation of ICT for business development and socioeconomic opportunities as well as low education attainment and lack of skills, have positioned rural communities at a disadvantage. In the remaining Plan period, several initiatives will be undertaken to encourage more private investment, promote rural economic activities, widen the implementation of initiatives under the prosperous village concept, embrace digital economy as well as enhance employability.

Encouraging more private investment

Private sector participation in rural areas will be promoted to attract higher value investment as well as undertake corporate social responsibility (CSR) programmes to further develop rural entrepreneurs. In this regard, several private investors have successfully undertaken business activities with the participation of rural entrepreneurs. Hence, competent anchor companies will be further encouraged to take the lead for the entire value chain, which include providing skills training for the rural entrepreneurs. This will provide jobs and entrepreneurial opportunities for the locals and will benefit the B40 households.

Promoting sustainable rural economic activities

Sustainable rural economic activities such as agro-based industries and ecotourism will be promoted to narrow the income gap. Other activities in manufacturing and agriculture sectors will be intensified through the development of resource-based industries, leveraging the location advantage. Micro entrepreneurs and local small medium enterprises (SMEs) will be supported to undertake businesses in the rural areas. The diversification of economic activities and provision of necessary support will stimulate the economy of the less developed states and narrow development disparities among regions.

Widening the implementation of initiatives under the Prosperous Village of the 21st Century concept

The Prosperous Village of the 21st Century initiative will be strengthened through strategic partnership programmes with private and government subsidiary companies. This initiative aims to establish and assist the business development of 200 village cooperatives by 2020. The implementation of the prosperous village initiative across regions will boost economic growth and reduce income gap particularly among the B40 households. Partnerships in rural development between social enterprises and relevant agencies will be strengthened to develop expertise of the micro entrepreneurs and SMEs in business decision-making, enhance capacity building and promote awareness on product quality. Meanwhile, SMEs in rural areas will be assisted in commercialising innovative products and getting access to financing particularly at the initial business stage. This includes enhancing rural tourism activities such as homestay, ecotourism and agro-tourism to generate additional income and create business opportunities for rural communities.

Embracing digital economy

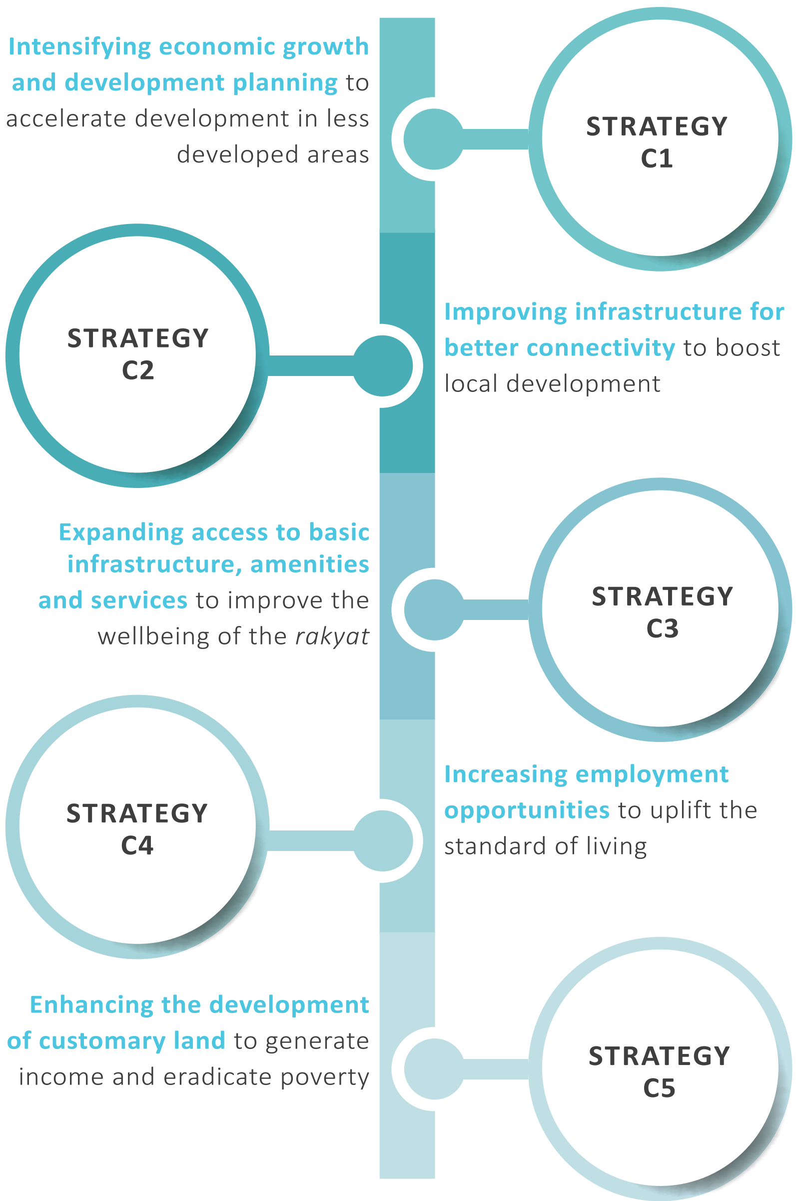
The digital economy will be capitalised for the expansion and sustainability of businesses in rural areas to increase competitiveness and capacity of rural entrepreneurs as well as to narrow the urban-rural digital divide. In this regard, ICT infusion will be increased by expanding digital adoption, utilising cloud services, enabling e-payment, accelerating trade through e-commerce and encouraging the use of fulfilment hubs. In addition, efforts will be undertaken to ensure initiatives in the National e-Commerce Strategic Roadmap (NeSR) are implemented. The NeSR provides end-to-end capability development programmes to effectively promote and encourage businesses, especially SMEs to go online as well as to enable access to a wider market. These initiatives will assist rural entrepreneurs to boost business capacity to overcome the differences of services offered between regions.

Enhancing knowledge and skill for better employability

In enhancing human capital capabilities of the rural communities, efforts will be intensified through knowledge enhancement and skills training to increase employability. Structured training programmes will be further enhanced to develop entrepreneurial and management skills to assist rural entrepreneurs. In addition, training institutions will be equipped with adequate facilities to support skills enhancement of rural youth.

Priority Area C: Accelerating Development in Sabah and Sarawak

Inclusive and equitable development will be strengthened in Sabah and Sarawak regions to benefit the *rakyat*. In this regard, measures will be undertaken to accelerate growth and reduce development gaps with other regions. Economic development will leverage the rich resources and niche areas in both regions. In the remaining Plan period, identified strategies under this priority area are as follows:



Strategy C1: Intensifying Economic Growth and Development Planning

Sabah and Sarawak offer tremendous opportunities for economic growth as both regions will be able to capitalise abundant natural resources. Nevertheless, these resources are yet to be optimised due to the challenging geographical conditions and scattered population. In the remaining Plan period, several initiatives will be undertaken to enhance the role of development agencies in Sabah and Sarawak, develop niche economic sectors, provide fair distribution of petroleum revenue and improve power supply services.

Enhancing the role of development agencies in Sabah and Sarawak

Sabah aims to intensify economic growth and reduce poverty rate with the formulation of the Sabah Long Term Strategic Action Plan (Sabah LEAP), 2016-2035. Through the action plan, various development strategies have been outlined to promote growth of key sectors and improve the quality of life, especially for rural communities. These strategies include enhancing social wellbeing and environmental sustainability to encourage balanced development. Furthermore, efforts will be strengthened to facilitate and encourage investment, particularly to support local entrepreneurs.

In Sarawak, the role of development agencies will be strengthened to spearhead economic development efforts through a comprehensive planning framework to intensify growth. The three newly established development agencies, namely the Highland Development Agency, Upper Rajang Development Agency and Northern Region Development Agency, will accelerate development in the rural areas. These development agencies will harness growth potential and boost rural transformation in the Baram areas[4] in Sarawak highlands, Kapit Division and Kanowit District in Upper Rajang as well as Limbang Division in northern Sarawak. The focus of development in these areas will be on improving infrastructure including roads, water and broadband connectivity. Leveraging the rich resources in these areas, specific focus clusters, particularly in commercial agriculture and tourism sectors, will be intensified to boost the economic development.

[4] Baram area includes Marudi, Mulu, Bario, Telang Usan and Long Lama.

Developing niche economic sectors

Leveraging the rich resources that Sabah and Sarawak have to offer in increasing economic potential, niche economic sectors will be further developed. In Sabah, oil palm-based industry remains as the anchor industry, while tourism-related services and agro-based industries have also been identified as significant contributors to the state gross domestic product. In addition, emphasis will be given to enhance safety and security in the east coast of Sabah, to ensure the tourism industry continues to grow. Meanwhile, Sarawak will leverage industrial parks, namely Samalaju Industrial Park in Bintulu and Matadeng Industrial Park in Mukah as well as Tunoh new township in Kapit to attract more investment. Investment in these areas will enable socioeconomic progress of the locals through the creation of more jobs and business opportunities, particularly in the less developed areas.

Providing fair distribution of petroleum revenue

In ensuring the prosperity of the people of Sabah and Sarawak, the Government will provide a fair share of oil and gas revenues in accordance with prevailing laws. At the same time, a special cabinet committee will be established to review and monitor the fair implementation of the Malaysia Agreement 1963. This will enable a transparent and inclusive solution to the two states, particularly to recurring issues in the oil and gas sector.

Improving power supply services

Sabah will be encouraged to establish a holistic power planning strategy, particularly to enhance security of supply, re-evaluate tariff structure and improve quality of service. The strategy aims to create a vibrant electricity industry in the state by ensuring a resilient power grid and financial viability. In this regard, Sabah Electricity Sendirian Berhad (SESB) needs to undertake appropriate reforms, including tariff structure, to become financially sustainable. Meanwhile, efforts will be intensified to address electricity supply deficit in the east coast of Sabah, particularly through the reinforcement of the existing grid. In addition, the Southern Link will be constructed to provide a complete transmission loop within the state grid. The enhanced grid will boost stability and enable surplus generation in the west to be exported to the east coast Sabah.

Strategy C2: Improving Infrastructure for Better Connectivity

Rural and remote areas of Sabah and Sarawak continue to have limited access to basic infrastructure, which is fundamental for development. Hence, living standards have not been improving significantly while business activities have been stunted due to limited connectivity and mobility of people, goods and services. In the remaining Plan period, several initiatives will be implemented to improve road coverage and connectivity. At the same time, to improve state wide connectivity, efforts will be undertaken to increase capacity and efficiency of airports and ports. In addition, other modes of transport will be explored in areas where road connectivity is limited or not possible.

Improving road coverage and connectivity

The coverage and connectivity of roads in linking all major cities, towns and villages in Sabah and Sarawak regions are still inadequate. In this regard, efforts will be intensified to expand road networks including the construction of rural roads and roads to hydro dams as well as the upgrading of former logging roads. Meanwhile, the ongoing construction of Pan Borneo highway will further improve connectivity and mobility across Sabah and Sarawak regions. Improved road connectivity will connect rural settlements as well as spur local economic activities, particularly in commercial farming. This will enhance the socioeconomic status of the *rakyat* as well as reduce the development gaps in the regions.

Increasing the capacity and efficiency of airports and ports

Efforts will be undertaken to increase the capacity and efficiency of airports and ports to enhance inter- and intra-state connectivity as well as increase competitiveness of the states in the regional business environment. In this regard, the construction of a new airport in Mukah will help enhance connectivity and mobility to the coastal areas of Sarawak. In Sabah, the Sapangar Bay Container Port will be expanded to become a transhipment hub in the BIMP-EAGA subregion. The improved capacity and efficiency of airports and ports will reduce travel time and transportation costs, thus further facilitating trade in the regions.

Strategy C3: Expanding Access to Basic Infrastructure, Amenities and Services

The expansion of basic infrastructure such as water and electricity supply as well as access to affordable housing and services including education and healthcare, is vital in accelerating development and enhancing the wellbeing of *rakyat*. Despite rigorous efforts undertaken, access to basic infrastructure and services is still limited due to the challenging geographical conditions and scattered population, especially in rural and remote areas. In the remaining Plan period, several initiatives will be implemented to upgrade access to water and electricity supply, increase broadband coverage and provide better access to affordable housing as well as education and healthcare services.

Upgrading access to water and electricity supply

The coverage of water and electricity supply in Sabah and Sarawak continues to remain relatively lower than other states despite the marginal improvement achieved in 2016. The coverage of water supply in Sabah increased from 87.9% in 2015 to 89.4% in 2016, while the coverage in Sarawak increased from 94.2% in 2015 to 94.5% in 2016. In terms of electricity supply, the coverage in Sabah has improved from 91.7% in 2016 to 92.4% in 2017, while the coverage in Sarawak increased from 83.8% in 2016 to 85.4% in 2017. Therefore, more efforts will be undertaken to enhance the provision of water and electricity supply.

Efforts to improve access to water supply will include encouraging more private companies and non-government organisations to assist in providing clean water through CSR programmes as well as exploring alternative water supply sources in remote areas. Meanwhile, the Sabah and Sarawak electricity supply system will be strengthened through the construction and upgrading of the generation, transmission and distribution networks, thus improving operational flexibility. In addition, utilisation of renewable energy such as solar, micro- and pico-hydro and biomass will be encouraged, particularly in remote areas. The implementation of these programmes aims to increase coverage of electricity supply to 99% by 2020 in Sabah and Sarawak.

Increasing broadband coverage

Efforts will be continued to improve nationwide broadband coverage and capacity to support economic growth. In 2017, the broadband penetration in Sabah was 64.5 per 100 inhabitants[5] and Sarawak at 106.5, both recorded lower than the national average of 117.3. This is a result of limited private investment and complicated local authority procedures. In this regard, efforts will be intensified to increase collaboration between Malaysian Communications and Multimedia Commission and state goverments as well as local authorities for efficient planning and deployment of broadband infrastructure. In addition, 106 communication towers will be constructed and 400 will be upgraded in Sabah and Sarawak to improve the broadband services. At the same time, participation of the private sector in the development of digital infrastructure will also be encouraged.

Providing better access to affordable housing as well as education and healthcare services

The provision of better access to affordable housing as well as education and healthcare services will continue to be a priority for Sabah and Sarawak. Continuous efforts will be undertaken to provide quality education facilities in order to uplift human capital development. Emphasis will be given to upgrade dilapidated schools based on the needs and requirements. In addition, facilities such as internet access and electricity supply will also be improved in many schools, especially in rural areas, to provide a conducive learning environment.

The provision of affordable housing in Sabah and Sarawak will be part of the 200,000 affordable houses targeted to be constructed during the remaining Plan period. The National Affordable Housing Council will monitor the implementation of this initiative. The Federal Government will continue implementing the existing housing programmes in collaboration with the state governments.

[5] The rate is calculated by dividing the sum of fixed and mobile-broadband subscriptions by total population and multiplied by 100.

These programmes will take into account the rationalisation of various public affordable housing initiatives and the revision of housing subsidies. In addition, the state governments will be encouraged to expedite the implementation of affordable housing programmes and to ensure private housing developers comply with the affordable housing quota.

In terms of healthcare services, efforts will be undertaken to improve the coverage of primary healthcare such as clinics and rural clinics, as well as upgrade health facilities. Three existing hospitals in Papar, Miri and Lawas will also be upgraded. Healthcare services such as the flying doctor services and mobile clinics will be continued to improve the accessibility to healthcare in the remote areas. Such initiatives will reduce development gaps with other regions in Malaysia and improve the wellbeing of the *rakyat*.

Strategy C4: Increasing Employment Opportunities

The demand for skilled workers continues to increase as economic activities become more complex, particularly with the advent of new technologies. The number of skilled workers with specific skills and expertise remains inadequate, especially in Sabah and Sarawak. In this regard, efforts will be undertaken to ensure the creation of new job opportunities through upskilling and reskilling of human capital as well as enhancing skills in specific industries.

Upskilling and reskilling of human capital

In order to meet industry demand, focus will be given to upskill and reskill local workers by providing training on soft- and hard-skills to boost the quality of workers. In this regard, the 52 public Technical and Vocational Education and Training (TVET) institutions in Sabah and 54 in Sarawak will be enhanced to provide necessary training programmes based on the industry needs. The skills acquired will promote marketability and raise the income level of the workers, thereby increasing productivity.

Enhancing skills in specific industries

Efforts to enhance skills set for the local community will be intensified to cater for specific economic clusters. In the tourism industry as an example, selected hospitality and management skills will continue to be strengthened. Training will include basic language and tour guiding skills to provide better services to tourists as well as market local products. Homestay owners and local communities will be trained to leverage shared platforms to expand marketing coverage to international tourists. These efforts will increase employment prospects and nurture small entrepreneurs, particularly B40 households, to stimulate economic growth in both states and narrow income disparities.

Strategy C5: Enhancing the Development of Customary Land

The development of customary land is vital to create economic activities and generate income for the local communities in Sabah and Sarawak. Collaboration between State Governments, relevant agencies, land owners and investors will uplift the wellbeing of the *rakyat*, particularly B40 households, in both states. In the remaining Plan period, initiatives will be undertaken to intensify land surveying and mapping activities as well as accelerate the development of Native Customary Rights (NCR) land.

Intensifying land surveying and mapping activities

The surveying and mapping of customary land to demarcate boundaries for NCR land will be expedited. During the review period, a total of 30,702 hectares of NCR land in Sabah and 95,796 hectares in Sarawak have been surveyed. In the remaining Plan period, the mapping of NCR land will cover an additional of 51,000 hectares in Sabah and 225,600 hectares in Sarawak. Completion of perimeter surveys of the NCR land is important to enable the commencement of land development and improve the economic viability.

Accelerating the development of NCR land

Most of the NCR land in Sabah and Sarawak will continue to be developed commercially for agricultural activities through various mechanisms. These include joint ventures with private investors, leasing, contract farming and individual farming, which will provide opportunities for local communities in optimising the land for economic purposes. Through these initiatives, economic growth in both states will be strengthened while urban-rural disparities will be reduced.

Conclusion

Comprehensive strategies and initiatives will continue to be pursued in the remaining Plan period to ensure more balanced regional development that will contribute to national growth. The development of less developed states and regions will be accelerated to further reduce regional disparities. In addition, the linkages between urban and rural areas will be strengthened to spur economic activities and transform rural areas to uplift the wellbeing of the local communities. Cities will also be leveraged to accelerate regional and national economic growth. At the same time, the development in Sabah and Sarawak regions will continue to be a priority to reduce the gaps with other regions. The implementation of various regional development strategies, which is in line with the 2030 Agenda for Sustainable Development of the United Nations, where no one is left behind, will contribute towards providing employment opportunities and achieving inclusive growth.

13

CHAPTER

IV

PILLAR

Empowering Human Capital

Introduction

Knowledgeable and innovative human capital is an important factor to support economic growth. As such, accelerating human capital development will continue to be a priority in the remaining Plan period, 2018-2020. Efforts on human capital development will enhance access to quality education and training as well as provide opportunities for quality employment towards building a more inclusive, equitable and prosperous nation.

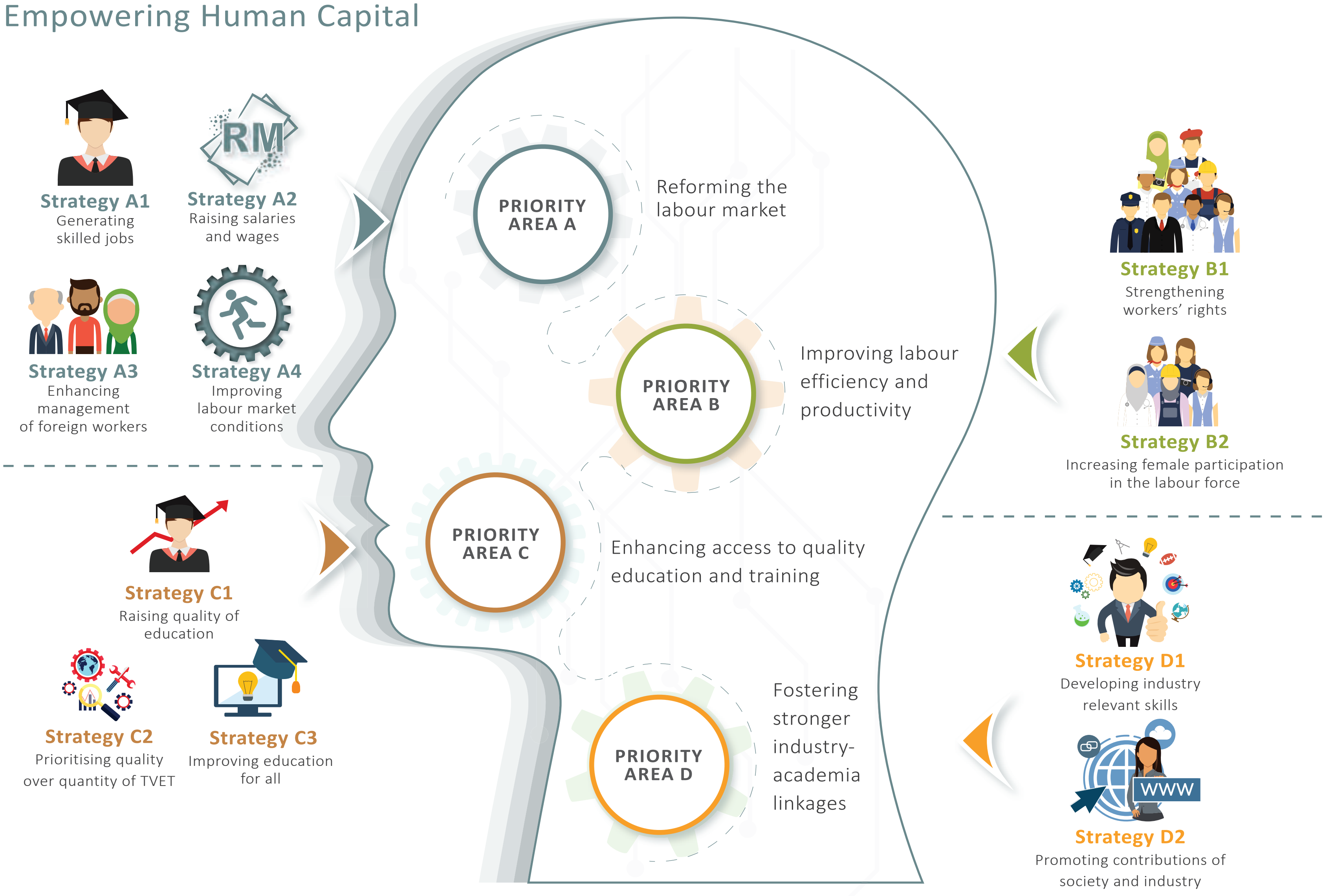
Initiatives will be intensified to enhance access to quality education as well as improve training. At the same time, the labour market will be reformed to ensure quality employment that offers high salary and wages as well as better work terms and conditions. Efforts will be undertaken to create a more conducive working environment to increase labour efficiency and productivity. These measures will ensure future employees are equipped with relevant skills for quality employment.

New Priorities and Emphases, 2018-2020

Focus will be given on reforming the labour market to produce competent and skilled workforce towards supporting the economic growth. This reform is needed to address job mismatch which resulted in graduate underemployment, high youth unemployment and slow wage growth as well as over-reliance on low-skilled foreign workers. Efforts will be undertaken to ensure more skilled jobs be created and provide Malaysians with opportunities to earn high salary and wages under better working conditions. In addition, student outcomes and industry involvement will be improved to develop world class talent. The priority areas and strategies towards empowering human capital are as shown in *Exhibit 4-1*.

Exhibit 4-1

Empowering Human Capital



Selected Targets, 2020

Reforming the labour market

2.9% (SDG 8)
2018-2020
Labour productivity growth

38.0% (SDG 8)
Compensation of Employees to GDP

RM 2,400 (SDG 8)
Monthly median wage

Improving labour efficiency and productivity

At par with international standards (SDG 8)
Review labour laws: Employment Act 1955, Trade Union Act 1959 and Industrial Relations Act 1967

Enhancing access to quality education & training

At par with international average (SDG 4)
Malaysia aims to be at least on par with the international average in TIMSS and PISA assessment

Universal enrolment (≥95%) (SDG 4)
Student enrolment for preschool and secondary level

225,000 (SDG 4)
Intake of SPM leavers into TVET programmes

2 in Top 100 (SDG 4)
2 universities in the top 100 of the QS World University Rankings

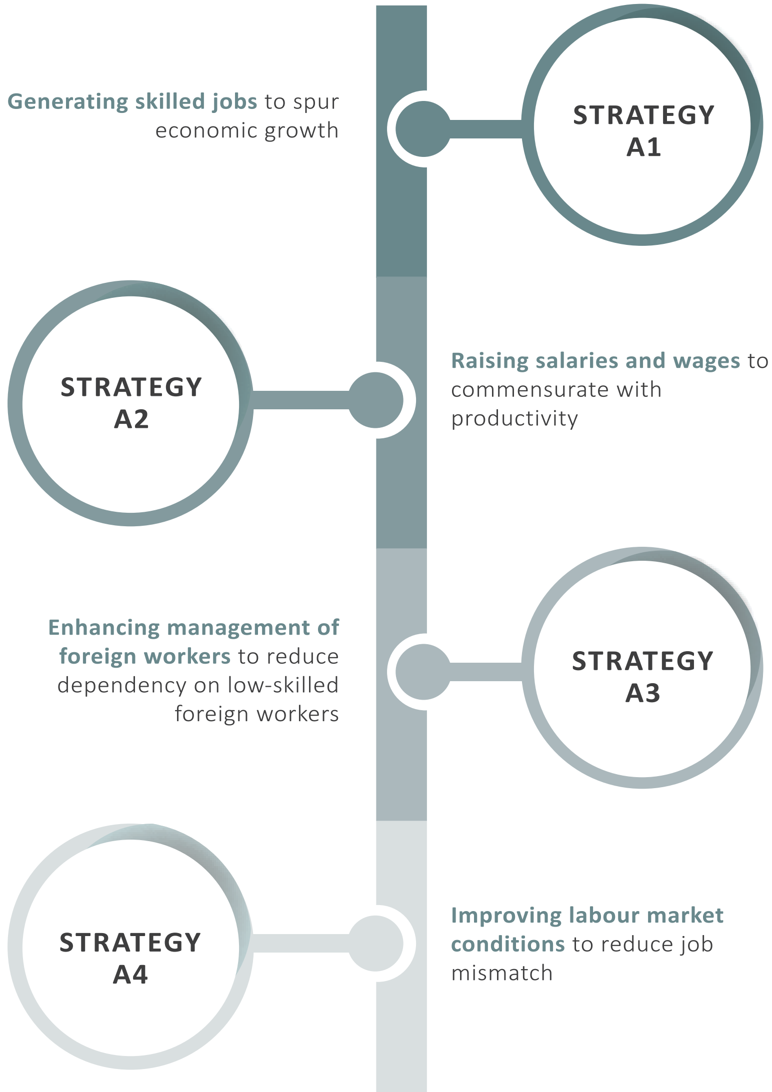
Fostering stronger industry-academia linkages

85.0% (SDG 4)
TVET graduates employed within 6 months of graduation

Original Target · Revised Target · New Target

Priority Area A: Reforming the Labour Market

Labour market efficiency is a vital contributor to boost economic growth. Hence, reforming the labour market is necessary especially in ensuring quality employment, high salary and wages as well as providing a more conducive working environment. In the remaining Plan period, four main strategies to reform the labour market will be implemented as follows:



Strategy A1: Generating Skilled Jobs

The composition of jobs in Malaysia is mainly concentrated in semi- and low-skilled categories. Various initiatives will be undertaken to generate skilled jobs which focus on encouraging automation and innovation, identifying critical skills as well as addressing skills shortage in the remaining Plan period. The implementation of these initiatives will spur economic growth towards achieving advanced nation status.

Encouraging automation and innovation

In order to generate skilled jobs with higher salary and wages, efforts will be undertaken to encourage innovation, automation, adoption of new technology and commercialisation of intellectual property. In this regard, high quality investment will be given priority in order to create more skilled jobs in the economy. The list of industries that qualify for incentives under the Promotion of Investments Act 1986 will be revised in order to attract high quality investments.

Identifying critical skills required by industry

The Industry Skills Committee (ISC) identifies critical skills required by the industry and facilitates policy interventions to address critical skills shortage. In this regard, a Critical Occupations List (COL) has been developed by the Critical Skills Gap Committee under the ISC to address skills imbalances and job mismatch. The COL report will be continuously updated to identify shortages of workers in critical occupations that will have an impact on the economy. The Government will intervene based on the report by reprioritising the field of studies and leveraging the Malaysian diaspora.

Addressing skills shortage

Critical skills shortage will be addressed through upskilling and reskilling programmes to equip graduates with specific industry-required skills. In order to address skills shortage on a more sustainable basis, the Technical and Vocational Education and Training (TVET) and higher education curriculum will be continuously revised to keep pace with the dynamic requirements and demands of the industry. This is imperative especially in embracing the Fourth Industrial Revolution (4IR) where skills demanded by the labour market are rapidly evolving.

Strategy A2: Raising Salaries and Wages

A study[1] conducted in 2016 showed that a majority of TVET graduates earned below RM1,500 per month, while based on Graduate Tracer Study in 2017 showed that almost half of the total graduates earned less than RM2,000 per month. Thus, the Government is committed to address this issue through initiatives such as continuous review of minimum wage policy and establishment of National Wage Index (NWI). In addition, expansion of Productivity-Linked Wage System (PLWS) and implementation of comprehensive upskilling and reskilling programmes will be intensified to improve labour productivity towards raising salaries and wages.

Reviewing minimum wage policy continously

The Government is committed towards reviewing the minimum wage policy once in every two years and addressing the issue of differential in the minimum wage level between Peninsular Malaysia, Sabah and Sarawak. In this regard, effective from 1 January 2019, the monthly minimum wage will be standardised at RM1,050 nationwide. Enforcement will be enhanced to ensure compliance.

Establishing National Wage Index

Besides the minimum wage, there is also concern about the starting salary for employees, which do not commensurate with the level of qualification, especially those with tertiary education. As such, the Government will launch the NWI by 2019 as a guide and benchmark for employers in determining the right wage level for employees in accordance with their qualifications and skills level. The NWI will be developed by consolidating wages data from multiple sources for better representation.

Improving labour productivity

Concerted efforts will be undertaken to broaden the implementation of the PLWS to ensure that wages commensurate with higher productivity. In addition, the Human Resources Development Fund (HRDF) will continue to focus on upskilling and reskilling programmes. The HRDF will also expand the coverage of sectors to qualify for funding to enable more employees to be trained. These training programmes aim to create skilled employees with higher productivity and earn higher wages.

Strategy A3: Enhancing Management of Foreign Workers

A number of sectors continue to employ a high proportion of low-skilled foreign workers despite the overall reduction in the number of registered foreign workers. These sectors include construction, agriculture as well as manufacturing. In the remaining Plan period, measures undertaken will include reducing dependency and improving management of low-skilled foreign workers.

Reducing dependency on low-skilled foreign workers

Efforts to reduce dependency on low-skilled foreign workers will be intensified, among others, by encouraging automation and mechanisation, particularly in the manufacturing and agriculture sectors. As for the construction sector, the adoption of Industrialised Building System (IBS) will be further promoted with the intention to reduce the number of low-skilled foreign workers. A progressive multi-tiered levy system that is based on the proportion of foreign workers employed will be implemented to strictly reduce and regulate the number of foreign workers. In addition, a study will be undertaken to analyse the socio-economic impact of employing low-skilled foreign workers.

Improving management of foreign workers

The Employer Undertaking initiative will be enforced to enable better management and safeguard welfare of foreign workers. The initiative, among others, will require employers to be responsible for the payment of levy, provision of housing and basic amenities as well as ensuring foreign workers return home upon completion of employment contract. Furthermore, the Employment Act 1955 will be amended to impose mandatory requirement for employers to credit salaries of foreign workers through the banking system to enable better management such as to prevent exploitation as well as monitor remittance by foreign workers.

[1] Based on Study on the Demand and Supply of Human Capital Requirements on TVET, 2016.

Strategy A4: Improving Labour Market Conditions

Malaysia has maintained full employment since 1992. However, the unemployment rate among youth aged 15 to 24, particularly those with tertiary educational attainment remains high. This is partly due to the mismatch between the skills acquired by graduates and those required by the industry. In the remaining Plan period, there is a need to improve labour market conditions through the establishment of one-stop job centres and enhancement of labour market database.

Establishing one-stop job centres

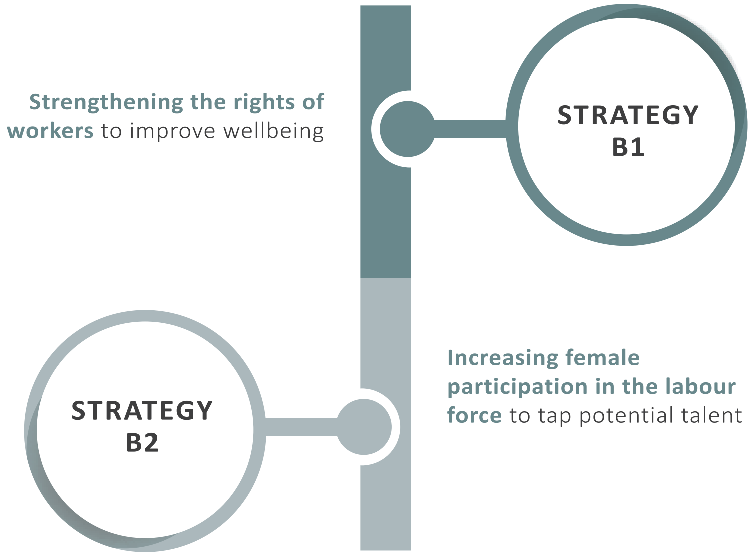
In response to labour market mismatch, the functions of urban transformation centres and rural transformation centres will be expanded as one-stop centres for job seekers, incorporating training and job matching services. These one-stop job centres will also provide advisory services and information on training and job opportunities. In addition, the COL report will be made available at one-stop job centres as reference to students and the industries in order to minimise job mismatch.

Enhancing labour market database

Measures will be undertaken to provide comprehensive and timely labour market data to identify and understand labour market issues, determine future direction and make informed decisions on national policies. The Malaysian Bureau of Labour Statistics database will be strengthened, integrating data from various Government agencies to facilitate evidence-based decision making and policy assessment. The data will be collated from the Department of Statistics Malaysia, Ministry of Human Resources, Employees Provident Fund and Public Service Department.

Priority Area B: Improving Labour Efficiency and Productivity

A conducive working environment is essential to ensure quality employment that will contribute to greater efficiency and productivity. In this regard, measures to improve working conditions include efforts to ensure workers have rights and adequate representation in engaging with employers. At the same time, women participation in the labour market will be increased to tap the potential skilled talent and increase inclusivity in the workforce. In the remaining Plan period, priority will be given to implement the following strategies:



Strategy B1: Strengthening the Rights of Workers

Compensation of Employees (CE) is low in Malaysia which indicates incommensurable of employee compensation compared to labour productivity gains as reflected by the marginal increase in share of CE to Gross Domestic Product (GDP) from 33.6% in 2013 to 35.2% in 2017. Moreover, Malaysia's CE to GDP is relatively lower compared to Singapore and Republic of Korea. The lower level of CE in Malaysia has been partly attributed to the weaker bargaining position of employees. In the remaining Plan period, the rights of workers will be strengthened through revision of labour laws and comprehensive implementation of Employment Insurance System (EIS).

Reviewing labour laws

The Government will continue to uphold the rights of workers, to be on par with international standards and enhance compliance to International Labour Organization (ILO) standards. In this regard, Malaysia will promote principles and rights in several areas, such as freedom of association, right to collective bargaining, elimination of forced labour and elimination of discrimination in respect of employment. These measures also aim to create a conducive working environment in respect of minimum wages, working hours as well as occupational safety and health. Towards this, several legislations will be reviewed, including the Employment Act 1955, Trade Union Act 1959 and Industrial Relations Act 1967.

Implementing Employment Insurance System comprehensively

The Government will take a comprehensive approach to strengthen the social protection system for workers, particularly in the face of future challenges. With the advent of 4IR, it is envisaged that the speed of technological change may lead to lay-offs. In this regard, the implementation of the EIS beginning 1 January 2018 provides a safety net for all local employees in the private sector in the event of unanticipated loss of employment. The insured employees will receive benefits encompassing, among others, job search allowance, training, job placement and career counselling. The introduction of EIS reflects the fundamental change in approach from protecting jobs to protecting workers. In the remaining Plan period, focus will be given to the efficient and effective implementation of EIS and improve fund management.

Strategy B2: Increasing Female Participation in the Labour Force

The female labour force participation rate (FLFPR) has been significantly lower than the male, despite the higher enrolment of females in public universities. The FLFPR in Malaysia was also lower than other countries in the region such as Singapore, Thailand and Vietnam. In the remaining Plan period, measures will focus on improving FLFPR through the implementation of flexible working arrangements as well as expansion of minimum maternity leave and providing better childcare facilities.

Implementing flexible working arrangements

A study[2] in 2014 found that the lower FLFPR was attributed to difficulty in balancing home and work commitments. In this regard, several private sector employers have embraced flexible working arrangements to better attract and retain female talent. The Employment Act 1955 and respective Labour Ordinances of Sabah and Sarawak allow the implementation of flexible working arrangements, subject to mutual agreement between employees and employers. Hence, the implementation of flexible working arrangements will be further encouraged in both the private and public sectors.

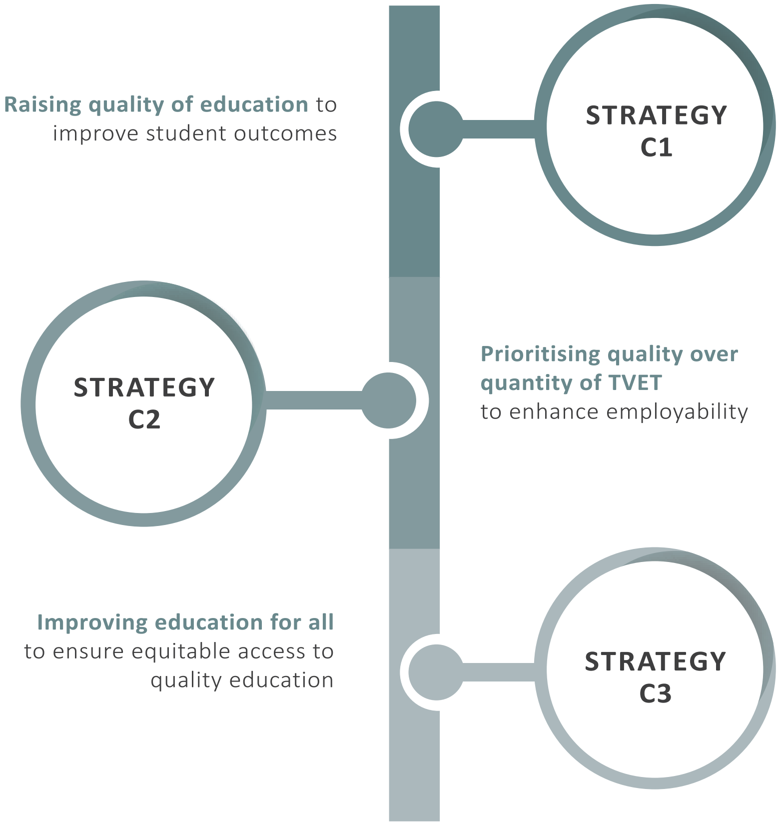
Expanding minimum maternity leave and increasing the role of women in leadership

The Employment Act 1955 will be amended to increase the minimum maternity leave from 60 to 90 days in the private sector to further support working mothers. In addition, regulations on childcare facilities will be reviewed to better facilitate employers to establish childcare centres at the workplace or within the vicinity of the workplace. Meanwhile, all Government agencies will be required to provide childcare facilities, beginning January 2019. In addition, to increase the role of women in leadership and policy-making, efforts will be continued to achieve the target of at least 30% participation of women in the board of directors of State Owned Enterprises (SOEs), statutory bodies and public listed companies by 2020.

[2] Based on Study to Support the Development of National Policies and Programmes to Increase and Retain the Participation of Women in the Malaysian Labour Force: Key Findings and Recommendations by Ministry of Women, Family and Community Development and United Nations Development Programme (2014).

Priority Area C: Enhancing Access to Quality Education and Training

Efforts to endow human capital to ensure equitable access to quality education and training for the *rakyat* will be intensified. Students will be equipped with robust knowledge and diverse skills across all education levels to increase employment opportunities and promote economic growth. In the remaining Plan period, priority will be given to implement the following three strategies:



Strategy C1: Raising Quality of Education

In line with the Malaysia Education Blueprint (MEB) 2013-2025 (Preschool to Post-Secondary Education) and MEB 2015-2025 (Higher Education), transformation of the education system emphasises quality, equity, access, unity, efficiency and inclusivity. Hence, to raise the quality of basic education, which covers preschool, primary and secondary education, the initiatives will focus on enhancing science, technology, engineering and mathematics (STEM) education as well as raising English language proficiency. Other initiatives will also include intensifying higher order thinking skills (HOTS) in teaching and learning, promoting virtual learning environment and intensifying continuous professional development for teachers. Meanwhile, the higher education will emphasise raising quality of graduates and academic programmes as well as attaining excellence in the governance of Institutions of Higher Education (IHE). Nevertheless, the Government will review both the MEBs to further enhance the educational ecosystem to meet the present and future challenges. The review will focus on strategies to make public schools as the preferred choice of the people and to empower IHE for continuous improvement. Besides ensuring a higher standard of education, this measure will also inculcate good values and positive work culture as practised in Japan.

Basic Education

Enhancing science, technology, engineering and mathematics education

One of the priorities to strengthen the quality of basic education is to further enhance STEM learning based on real-life concept and hands-on activities. The National STEM Centre will develop the latest teaching and learning methods to train teachers to become STEM specialists. These methods will incorporate inquiry, logical reasoning, collaboration and exploration components to develop abilities for students in applying knowledge and skills. Practical science will be revived to provide students with hands-on experience and better understanding of STEM education.

Raising English language proficiency

In order to raise English language proficiency in schools, the modular-based curriculum will be given greater emphasis to inculcate positive behaviour towards the learning and usage of the English language. In addition, English language mastery and teaching skills among teachers will be intensified. Meanwhile, more schools will be encouraged to implement the Dual Language Programme (DLP) through the teaching of mathematics and science subjects in English. The DLP provides options for parents in determining the language preferred for education of the children.

Intensifying higher order thinking skills in teaching and learning

Teaching and learning will emphasise HOTS and adopt more innovative approaches to develop 21st century skills such as collaborative skills, digital literacy, critical thinking as well as problem-solving skills. In this regard, the school-based assessments will increasingly incorporate HOTS questions. The questions pertaining to HOTS that require analytical thinking and knowledge application will be gradually increased from 20% to 40% in the *Ujian Penilaian Sekolah Rendah* and *Sijil Pelajaran Malaysia* (SPM) by 2020.

Promoting virtual learning environment

The virtual learning environment in schools will be enhanced with the development of better e-learning materials in collaboration with IHE, Government agencies and private institutions. In this regard, Information and Communication Technology modules in schools will be continuously reviewed to keep abreast with the latest technological advancements. In addition, awareness on cyber security and safety will be incorporated into the school curriculum. Teachers will also be trained with sufficient skills and knowledge to design and develop e-learning materials which will be contextualised to the learning needs of the schools.

Intensifying continuous professional development for teachers

Efforts to enhance competency of caregivers in early childhood care and education (ECCE) centres and teachers at all school levels will be undertaken through the provision of specialised and professional training programmes. In addition, public and private preschool teachers must be at least diploma holders in ECCE by 2020. Competency-based professional development programmes will also be conducted for in-service teachers to enhance their managerial, pedagogical and soft skills. Meanwhile, the National Professional Qualification for Educational Leaders course for potential headmasters and principals will be continued to improve their leadership skills.

Higher Education

Raising quality of graduates and academic programmes

In line with the MEB 2015-2025 (Higher Education), concerted efforts will be directed towards raising the quality of graduates and academic programmes as well as strengthening research capabilities. The Blueprint aims to uplift the quality of graduates based on six primary attributes, namely ethics and spirituality, leadership skills, national identity, language proficiency, thinking skills as well as knowledge. This will be achieved through various approaches which include enhancing soft skills, expanding entrepreneurship education, intensifying industry involvement in curriculum development and practical training as well as strengthening Massive Open Online Courses (MOOC)[3]. Core initiatives to further strengthen and raise the quality of graduates and academic programmes include realigning and eliminating low impact programmes, intensifying involvement of industry players in learning and teaching as well as implementing the Integrated Graduate Employability Structured Programme (i-GESP). In addition, efforts will be directed towards enhancing the implementation of

[3] The MOOC initiative is intended to encourage online and lifelong learning pursuits among Malaysians through diversification of classroom experience and unlimited open access participation via the internet. Accredited MOOC do not necessarily originate from Malaysia but can also be accredited by international MOOC providers.

internship programme and industrial certification for graduates. These initiatives will equip university students with necessary skills to build resilience and improve employability. In addition, the inculcation of entrepreneurial skills will be intensified to transform graduates mindset from being job seekers to becoming job creators. Moreover, initiatives to strengthen research capabilities in IHE will be undertaken to enhance the functions of Higher Institution Centre of Excellence (HICoE)[4], increasing commercialisation of research, development and innovation (R&D&I) output and ensuring demand-driven research.

In ensuring future human capital meet the needs as well as embrace the challenges posed and opportunities created by the 4IR, a comprehensive framework for higher education, namely Framing Malaysian Higher Education 4.0: Future-Proof Talents has been introduced. The aim of this framework is to produce ethically and morally upright citizens who are spiritually grounded to cope with the demands of the 4IR. It also focuses on a more flexible and dynamic curriculum mode which can be adapted taking into account the changing needs of the industry. In this respect, IHE will be allowed to offer 30% of the curriculum in this mode. Concurrently, transformative learning and teaching delivery that include student self-directed learning, peer-oriented learning, virtual-based learning and experiential learning will be introduced.

Attaining excellence in the governance of Institutions of Higher Education

Public universities have demonstrated significant progress in international rankings, particularly in Quacquarelli Symonds (QS) World University Rankings 2018/2019. All research universities recorded a remarkable improvement in the global standings. The University of Malaya has made it to the top 100 universities in the world, ranked at the 87th place. Meanwhile, the Universiti Kebangsaan Malaysia joined the world's top 200 universities, ranked at 184th.

Moving forward, public universities will be encouraged to leverage their autonomous status and become financially sustainable. Initiatives to diversify sources of income include measures such as establishing endowment funds and providing consultancy services. A performance-based funding mechanism anchored on outcomes, national priorities and innovation will be introduced. This will ensure better optimisation of resources towards prioritising student outcomes and raising the excellence of the universities. The funding allocation will be determined by four main components, namely per-student funding, key performance indicator-linked incentive, special initiative incentive and innovation incentive. Meanwhile, the *Akta Universiti dan Kolej Universiti 1971* will be reviewed with the intention to repeal and replace with a comprehensive and better law. This is to guarantee better quality of higher education and more academic liberty as well as freedom of speech and association. Student unions will also be empowered to operate independently without intervention, in accordance with the practice in developed countries.

Strategy C2: Prioritising Quality over Quantity of TVET

There is a mismatch between the industry demand for technical and vocational skills and the skills acquired by the students from TVET institutions. In the remaining Plan period, emphasis will be given to review TVET programme offerings, implement harmonised accreditation system and strengthen TVET as the preferred education pathway. The implementation of these initiatives will ensure the delivery of quality TVET programmes, hence improving its attractiveness.

[4] HICoE status is given to centres of excellence with high potential and capabilities in term of expertise, infrastructure and output produced to further expand the designated research niche areas of HICoE.

Reviewing TVET programme offerings

Public TVET institutions will continuously review existing programmes by eliminating low impact programmes, focusing on high employability programmes and specialising in niche areas. As such, focus will be given in upgrading equipment and machineries instead of building new institutions. Centres of excellence will also be established whereby industry players will collaborate and share equipment, consumables and other facilities as well as jointly develop customised training programmes together to meet industry demand. Comprehensive efforts will be intensified to enable industry collaboration, particularly in curriculum design and delivery of training programmes, to ensure TVET graduates are more hands-on and industry ready. Moving forward, concerted efforts will be undertaken to rationalise TVET including optimising existing TVET institutions capacities.

Implementing harmonised accreditation system

The harmonised accreditation system and quality assurance will be implemented through the adoption of the Code of Practice for TVET Programme Accreditation under the revised Malaysian Qualifications Framework (MQF). The revised MQF will focus on three major components, namely the entry requirement to tertiary level, industry involvement as well as curriculum design and delivery which will allow mobility of students among all TVET institutions, including the Malaysian Technical University Network (MTUN). Therefore, the implementation of the harmonised accreditation system will provide opportunities for TVET graduates to pursue further studies as well as transition from TVET into the academic stream. In addition, individuals with working experience but lack formal academic qualification will have the opportunity to pursue further studies. Meanwhile, the harmonisation of various rating systems across public and private TVET institutions will be strengthened to enhance comparability. The system will assess the quality of institutions and programmes based on outcome indicators such as industry engagement, graduate employability and salary earned.

Strengthening TVET as the preferred education pathway

Greater collaboration between public and private sectors is required to uplift the perception towards TVET as a preferred choice. In this regard, impactful promotional activities will be intensified to increase the attractiveness of technical and vocational related jobs especially among young Malaysians. Promising career opportunities and showcases of success stories will be highlighted to boost the image of TVET. Furthermore, the industry will be involved in student recruitment and job placement to secure employment for graduates. The TVET stream will also be enhanced to provide students with better pathways to pursue higher education. The MTUN institutions will align the courses to cater for demand in TVET. Towards this end, the number of MTUN bachelor's degree programmes in engineering technology will be increased from 50% to 75% by 2020, providing greater opportunities for TVET diploma graduates to further studies.

Strategy C3: Improving Education for All

Malaysia is making progress in providing basic education for the *rakyat*, where primary education has achieved the universal enrolment[5] rate. However, continuous efforts are essential to improve access to quality education for every child, particularly for the less privileged and those with specific education needs. In the remaining Plan period, emphasis will be given towards strengthening efforts to boost school performance and improving school infrastructure including in rural as well as remote areas for better student learning. In addition, focus will be given to reduce the rate of dropouts and improve education for student with special education needs.

Strengthening efforts to boost school performance

Initiatives to improve student outcomes especially in rural and remote areas will include the deployment of qualified School Improvement Specialist Coaches+ (SISC+) and School

[5] Universal enrolment refers to enrolment which has reached 95% based on definition by the United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute of Statistics.

Improvement Partners+ (SIPartners+). The SISC+ will assist teachers in improving teaching and learning methods to deliver 21st century pedagogy whereby teachers will be facilitating students in active learning. Meanwhile, SIPartners+ will enhance the managerial skills of school heads to ensure every school has high quality leaders and a competent and supportive leadership team to boost school performance.

Improving school infrastructure for better student learning

In ensuring a safe and conducive learning environment for all students, about 400 dilapidated schools in rural areas mainly in Sabah and Sarawak have been identified to be repaired or upgraded in the remaining Plan period. In addition, dilapidated religious schools will be identified and registered as *Sekolah Agama Bantuan Kerajaan*, enabling the schools to receive assistance and enhancing the quality of education. This will ensure emphasis is given to improve the infrastructure of existing schools, as opposed to continuously focusing on building new schools.

Reducing the rate of dropouts

A collaborative approach with local authorities and community leaders will be undertaken to assist schools in reducing dropouts rate and identifying school-going age children who have never attended school. Intervention programmes will be carried out to bring dropouts back to schools. In addition, students who are at risk of dropping out will also be identified and initiatives will be taken to retain them in the school system. Efforts will also be enhanced to raise parental awareness on the benefits of sending children for six years compulsory schooling as stated under Education Act 1996 for all Malaysian children. Meanwhile, the pedagogy of Islamic Education and Moral Education will be continuously enhanced to inculcate good value and reinforce positive attitudes, integrity and accountability among students. School programmes, such as weekly assemblies and co-curricular activities, will emphasise social responsibilities as well as community services to foster friendship and stronger ties among students and communities.

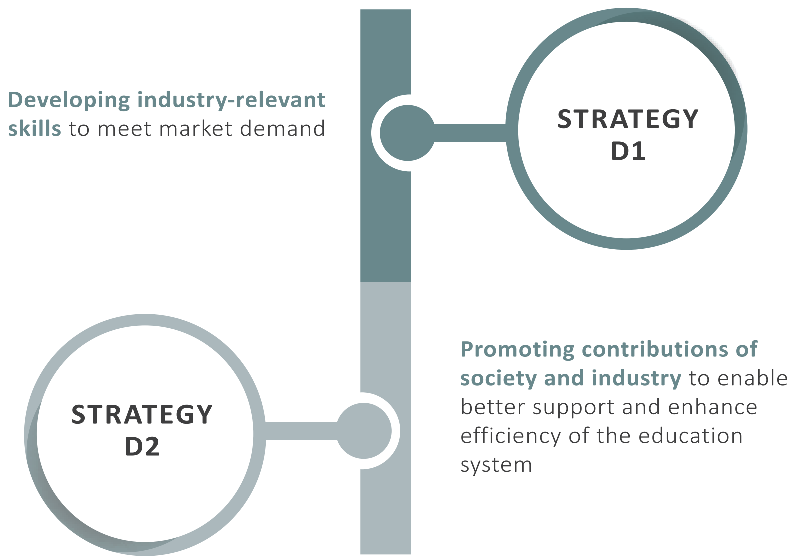
Improving education for students with special education needs

Focus will be given to expand the capacity in educating students with special education needs[6] in special education schools, integrated special education programmes and inclusive education programmes. The Government will also assess the adequacy of existing facilities to enable students with special education needs to receive appropriate education based on the learning needs. In addition, efforts to enhance special education will also include early interventions, training for teachers and provision of classroom equipment.

Priority Area D: Fostering Stronger Industry-Academia Linkages

Greater industry and academia collaboration is needed to uplift the standard of education and training to produce quality human capital. This collaboration will assist in matching the demand and supply to ensure efficiency in the labour market. Towards this end, priority will be given to implement the following strategies:

[6] Ministry of Education provides three schooling options for students with special education needs:
i) Special education schools are for students with special education needs consisting of those hearing, seeing and learning disabilities;
ii) Integrated special education programmes for students with special education needs in mainstream schools; and
iii) Inclusive education programmes for students with special education needs, whereby students are placed in regular classes in mainstream schools, together with the mainstream (typical) students.



Strategy D1: Developing Industry-Relevant Skills

Efforts will be undertaken to ensure graduates are equipped with industry-relevant skills to produce quality human capital that meets industry demand. In the remaining Plan period, various initiatives will be undertaken to enhance industry-based programmes, increase employability of graduates and recognise technologists as professionals for TVET sector. In addition, IHE will focus on intensifying industry-academia collaboration, while HRDF will expand the Future Workers Training (FWT) scheme.

Enhancing industry-based programmes

Training programmes will be implemented based on modular and short-term training courses, especially professional certifications recognised by the industry. Bridging programmes will be continued to provide graduates with on-the-job training in equipping graduates with necessary experience and skills to increase employability. More campaigns promoting bridging programmes will be carried out to further encourage industry and graduates participation. Public TVET institutions will be encouraged to actively engage industry in the implementation of modular courses and flexible training programmes through contestable funds and matching grants. The National Dual Training System will be expanded to more public TVET institutions in driving greater collaboration with the industry. Moreover, TVET institutions will be encouraged to learn and adopt the best practices from Japan, particularly by incorporating knowledge and skills of latest technologies in the teaching and learning. In addition, the Government will continue to encourage the industry to provide more apprenticeship programmes for TVET students, towards producing industry-ready TVET graduates.

Increasing employability of TVET graduates

The quality of TVET graduates have yet to meet the industry requirements despite strong demand for skilled workers. The TVET Graduate Tracer Study System will be utilised to capture, among others, data on graduate employability, salary trends and occupational preferences. The result will assist in the development of TVET-related policies as well as determine the distribution of allocation. In this regard, a target of 85% graduate employability will be set to measure the quality and performance of public TVET institutions in producing skilled graduates. In addition, equipping TVET students with essential soft-skills and positive working attitude are imperative to improve employability. Furthermore, entrepreneurial components will be embedded as part of the learning modules to prepare TVET graduates with the necessary knowledge and skills to become job creators.

The ISC and state skills development centres will identify relevant and highly demanded competencies through continuous collaboration with the industry, particularly in the design and delivery of the TVET curriculum to reduce skills mismatch and prepare future talent. In addition, the Industrial Attachment Training programme introduced in 2017 for TVET instructors will be expanded to create a larger pool of dynamic instructors with industry exposure. The programme will further increase the competencies of TVET instructors.

Recognising technologists as professionals

The Malaysia Board of Technologists (MBOT) will continue to upgrade the competencies of TVET practitioners especially TVET instructors through recognised professional certifications. The MBOT will intensify efforts to promote educational and professional training in technology- and technical-related fields. The MBOT will also serve as a networking platform that encourages collaboration and partnership among members. In addition, the Technology Expert Panel under the MBOT will be empowered to encourage industry involvement in technology consultations and promote talent mobility through stronger international collaboration.

Intensifying industry-academia collaboration

The higher education sector will also intensify industry-academia collaborations in line with the quadruple helix model, representing a partnership between universities, industry, Government and community. Industry-academia collaborations will be pursued, especially in enhancing graduate employability, research and development, community outreach and financial sustainability of universities. In this regard, public universities will continue to expand programmes such as Industry Centres of Excellence (ICoE)[7] and Public-Private Research Network (PPRN). The PPRN programme will focus on linking the small and medium enterprises (SMEs) with selected IHE or potential supply chain vendors to improve their products and services for market expansion. Therefore, upscaling of the SMEs will provide new job opportunities for graduates. In addition, the collaboration will simplify processes to enable SMEs to utilise IHE in obtaining solutions through R&D&I.

Expanding the Future Workers Training scheme

The FWT scheme under the HRDF will be expanded to promote pre-employment training, focusing on emerging technologies related to the 4IR. Hence, HRDF will collaborate with the industry to equip future workers with relevant skills to meet industry demand. Special focus will be given to digitalisation, automation and mechanisation training programmes.

Strategy D2: Promoting Contributions of Society and Industry

Efforts will be undertaken to engage parents, the community and the private sector as partners in education. The focus will be to harness the competitive advantage of the different parties to deliver quality education in an integrated, effective and efficient manner. In the remaining Plan period, measures will be directed to scale-up private sector involvement to complement and support Government initiatives. These include strengthening community support for education, expanding public-private collaboration as well as leveraging endowments and developing sustainable *waqf* for IHE.

Strengthening community support for education

The Government will foster greater collaboration with the private sector, including social enterprises and civil society in line with national objectives and priorities particularly through corporate social responsibility (CSR). The CSR activities will continue to be promoted to support enrichment programmes and extra-curricular activities such as motivational and team building workshops as well as environmental awareness. In addition, participation of parent-teacher association and school alumni will enhance the effectiveness of school programmes in terms of funding, volunteer work and engaging experts.

Expanding public-private collaboration

The Trust School programme, a public-private collaboration, aims to transform the education ecosystem to enhance the governance as well as teaching and learning methods. This programme will be expanded to at least 90 schools by 2020 to

[7] The ICoE programme creates an avenue for industry players to establish laboratories and teaching facilities within the universities to provide students with exposure to the latest technologies.

improve performance of students. The Trust School programme will also be adapted in public schools through the *Transformasi Sekolah 2025* (TS25) programme. The Government aims to expand the TS25 programme to 1,000 schools by 2020 and all schools by 2025.

Leveraging endowments and developing sustainable waqf

In strengthening financial sustainability, public universities will be encouraged to continue reaching out to industry and alumni to leverage endowments for research chairs and develop *waqf*. Approaches such as providing naming rights to buildings and matching grants will be expanded to further incentivise contributions to IHE. In addition, efforts to develop sustainable *waqf* which is able to generate income to partially finance public universities will be intensified, guided by the University Transformation Programme: Enhancing University Income Generation, Endowment and *Waqf* (UniTP Purple Book). The UniTP Purple Book provides steps in implementing *waqf* and proposes models of *waqf* governance at public universities.

Conclusion

During the remaining Plan period, efforts will be intensified to promote quality employment by reforming the labour market and improving labour efficiency and productivity. These efforts will involve several strategies including generating skilled jobs, raising salaries and wages, enhancing management of foreign workers, improving labour market conditions and increasing female participation in the labour force. Meanwhile, emphasis will be given to enhance access to quality education and training, raise the quality of TVET and foster greater industry-academia linkages. These strategies aim to empower human capital as well as produce competitive and resilient human capital to support the national aspiration to become an inclusive and developed nation.

14

CHAPTER

V

PILLAR

Enhancing Environmental Sustainability through Green Growth

Introduction

Sustainable development is the overarching principle underpinned by green growth initiatives to enhance environmental sustainability, while achieving higher economic growth and increasing resilience of the nation against climate change and disasters. Green growth will continue to be pursued to achieve a resilient, low-carbon and resource-efficient economy. The green growth initiatives will be intensified to safeguard natural endowment for present and future generations, reduce greenhouse gas (GHG) emissions and improve environmental quality for better wellbeing. Despite various initiatives undertaken during the review period, there are issues and challenges that still need to be addressed. These among others, include fragmented governance, limited green technology and products, degradation of natural resources and environment-related issues such as pollution, climate change and disaster risks.

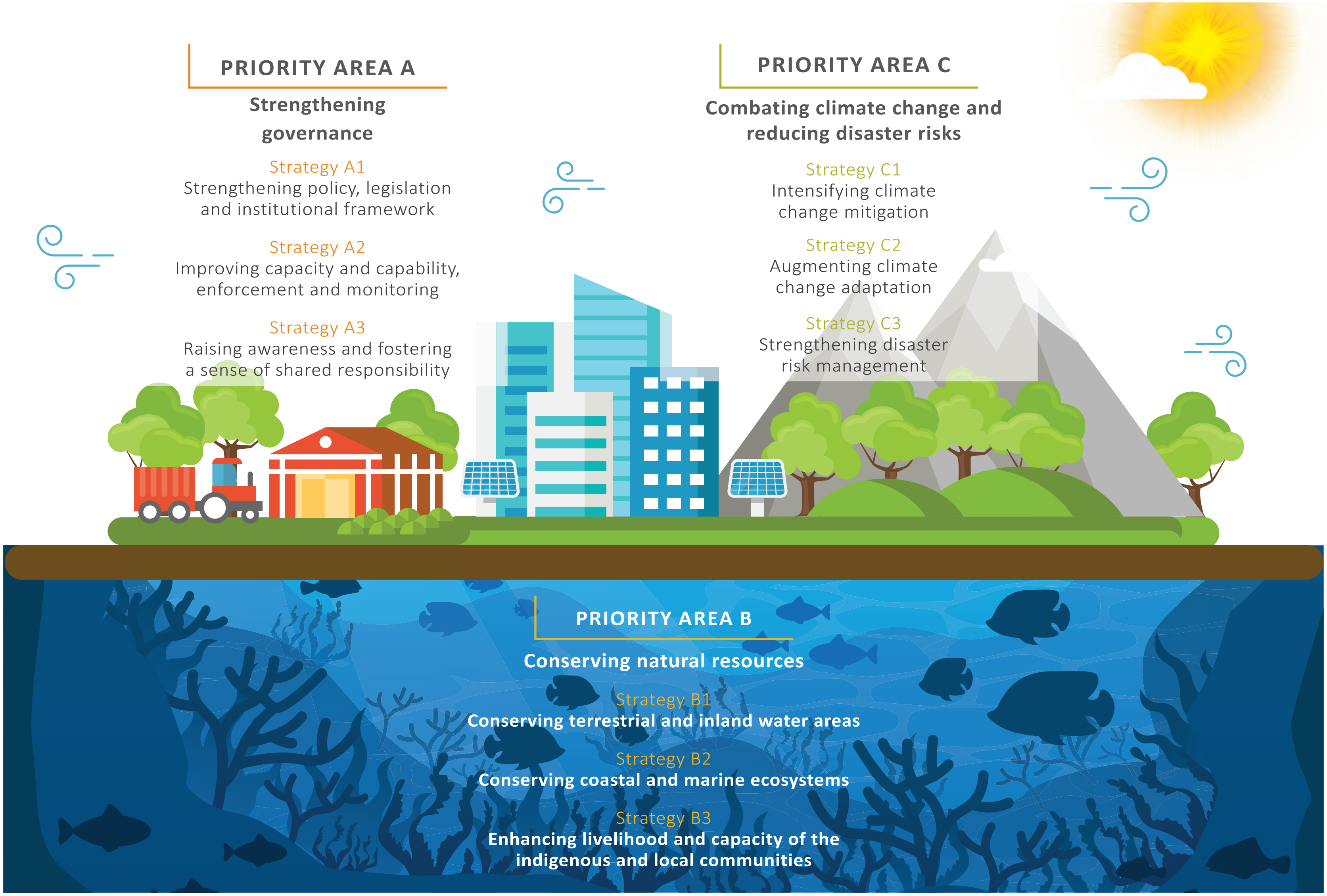
In the remaining Plan period, 2018-2020, measures to advance green growth will be undertaken by strengthening governance, improving conservation of natural resources and biodiversity as well as enhancing resilience against climate change and natural disasters. In this regard, policies and legislations will be reviewed accordingly, while institutional capability is enhanced to ensure greater compliance and better enforcement. In addition, more focus will be given to conserve existing protected areas and rehabilitate degraded ecosystems as well as enhance the livelihood of indigenous and local communities (ILCs). Meanwhile, priority will be given on climate change mitigation and adaptation actions as well as disaster risk reduction (DRR). These measures are in line with the various multilateral environmental agreements ratified by Malaysia, which reflects commitment in addressing environmental issues while pursuing development objectives.

New Priorities and Emphases, 2018-2020

Efforts towards green growth will continue to be pursued to enhance environmental sustainability. In this regard, economic growth will be harmonised with environmental sustainability, including improving resource efficiency and minimising pollution. In the remaining Plan period, the priority areas and strategies towards enhancing environmental sustainability through green growth are as shown in *Exhibit 14-1*.

Exhibit 14-1

Enhancing Environmental Sustainability through Green Growth



Selected Targets, 2020

Strengthening governance

Environmental Protection Act

Formulation of an act to enhance environmental governance

Conserving natural resources

At least **10%** SDG 14

Coastal and marine areas gazetted as protected areas

At least **17%** SDG 15

Terrestrial and inland water areas gazetted as protected areas

Combating climate change and reducing disaster risks

SDG 13

45.0%

Reduction in GHG emissions intensity to GDP by 2030[1] relative to the level in 2005

SDG 7

DSM Master Plan

Formulation of a comprehensive energy demand side management (DSM) master plan

SDG 7

8,885 MW

Renewable energy installed capacity

SDG 12

At least **20%**

Government green procurement of selected green products and services

SDG 12

30.0%

Recycling rate of household waste

SDG 13

Integrated weather and flood forecasting and early warning system for flood

Development of an integrated system to strengthen disaster risk management

SDG 13

2 million

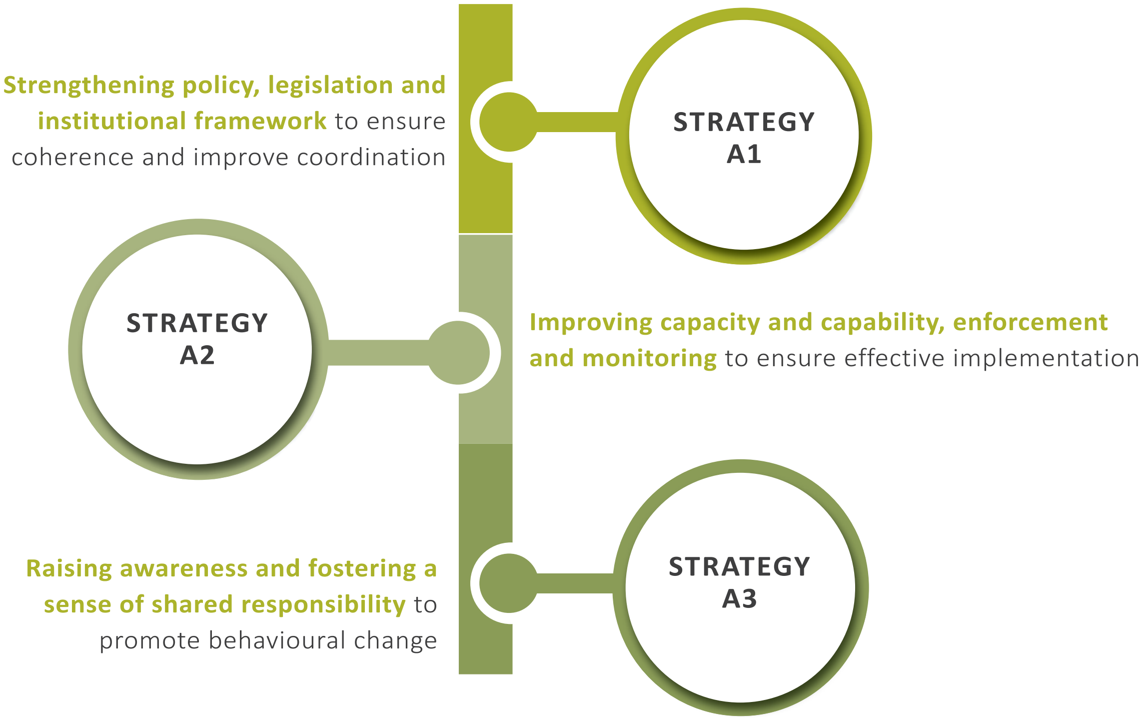
People protected through flood mitigation projects

Original Target · Revised Target · New Target

Notes: [1] In line with Malaysia's commitment to the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce 45% of GHG emissions intensity to gross domestic product (GDP) by 2030 relative to the level in 2005.

Priority Area A: Strengthening Governance

The current environmental governance is fragmented and lacks coordination, thus hindering efforts to achieve sustainable development. Towards this end, the Government is committed to facilitate the shift towards green growth and enable better resource management. In the remaining Plan period, three main strategies to strengthen environmental governance will be implemented as follows:



Strategy A1: Strengthening Policy, Legislation and Institutional Framework

The implementation of national environment-related policies as well as international environment goals and treaty obligations is contingent upon effective governance. Matters pertaining to environmental management is under the purview of various ministries and agencies, resulting in uncoordinated planning and ineffective implementation. In the remaining Plan period, focus will be given to enhance environment-related policies and legislations as well as strengthen institutional framework to ensure policy coherence and better coordination.

Enhancing environment-related policies and legislations

The review of existing policies, legislations, standards and guidelines will be continuously undertaken and benchmarked against international standards and best practices to align with latest development and future needs. Meanwhile, new policies, legislations, regulations, guidelines and action plans will be formulated to enable a comprehensive management of the environment, natural resources and disaster risks. This will include the review and formulation of the following:

Review of Policy and Legislation	Formulation of Policy and Legislation
National Forestry Policy 1978 (Revised 1992) and National Forestry Act 1984 to include protection of forest resources for the preservation of biodiversity and environmental stability **National Policy on the Environment 2002 to include a comprehensive action plan, covering emerging environmental issues** **National Water Resources Policy 2012 to streamline and strengthen water resources management**	Policy on geospatial information management Policy on coastal zone development Policy on disaster risk management Legislation on environmental protection to replace existing Environmental Quality Act 1974 Legislation on sustainable marine parks management Regulation on scheduled electrical and electronic equipment waste Regulation on land pollution control Regulations on enforcement of solid waste and public cleansing management: - Construction waste - Commercial, industrial and institutional waste - Licensing for provision of collection services for construction waste - Licensing for provision of collection services for commercial, industrial and institutional waste Guidelines on end of life strategy for scheduled waste management on abandoned vehicles Guidelines on collection and recycling of scheduled electrical and electronic equipment waste Guidelines in accordance to the Environmental Quality (Prescribed Activities) Order 2015 to enhance the Environmental Impact Assessment (EIA) Action plans on climate change mitigation and adaptation

Strengthening institutional framework

Institutional framework will be strengthened to improve coordination on the management of environment and natural resources at the Federal, state and local levels. In this regard, the Ministry of Energy, Science, Technology, Environment and Climate Change was established to ensure better coordination of energy, environment, climate change and green technology-related matters. In addition, the structure and functions of the National Green Technology and Climate Change Council will be reviewed to improve coordination on climate change actions at all levels. Meanwhile, establishment of the Ministry of Water, Land and Natural Resources will ensure a more comprehensive management of natural resources and water-related matters. The structure and functions of the National Water Resources Council will also be reviewed and state level councils will be established to ensure a more integrated approach to water resources and river basin management. The review will also look into ways to optimise water-related infrastructure, which will be supported by spatial water services database.

Strategy A2: Improving Capacity and Capability, Enforcement and Monitoring

Limited capacity and capability of agencies has constrained efforts to enable a more efficient and effective environmental management. In the remaining Plan period, focus will be given to enhance capacity and capability, intensify enforcement and compliance as well as improve monitoring, evaluation and reporting. These initiatives will improve environmental quality through effective implementation in pursuit of green growth.

Enhancing capacity and capability

The effectiveness of institutions will be strengthened by developing competencies, research and technical expertise as well as new and scientific knowledge in environment-related areas. These areas include, among others, climate and water resource modelling and forecasting; disaster risk management; sustainable natural resource management; environmental assessment; and spatial information of water catchments and river systems. Expertise in these areas is critical in ensuring a more holistic approach in planning and implementation of initiatives towards achieving sustainable development. Meanwhile, capacity and capability of institutions will also be enhanced through transfer of knowledge and skills among agencies to empower personnel at all levels as well as optimise resources in ensuring effective implementation of the national agenda. Furthermore, collaboration with international agencies will be strengthened to foster capacity building in relevant areas including sustainable consumption and production (SCP), disaster risk management as well as chemical substances and waste management.

Intensifying enforcement and compliance

Enforcement efforts will be intensified to ensure compliance with legislation and regulations. Joint enforcement efforts between environmental agencies and other relevant authorities will be further strengthened to ensure effective enforcement as well as to address issues of limited manpower and equipment. In addition, guided self-regulation among industries will be expanded to other areas such as noise and land pollution, apart from the existing air, water and hazardous waste pollution to ensure wider compliance to environmental standards. In this regard, related penalty and tariff mechanisms will be reviewed to provide an effective deterrent against environmental offences.

Improving environment-related data for reporting, monitoring and evaluation

Reporting, monitoring and evaluation will be improved with the development of appropriate mechanisms as well as enhancement of relevant indicators. The availability of data will enable better monitoring and evaluation of initiatives, subsequently enhancing decision-making on matters related to the environment. In this regard, a centralised data repository on natural resources, environment, disaster and Sustainable Development Goals (SDGs) will be established to improve data availability and accessibility. Thus, all relevant agencies and authorities will be required to regularly update and share data. Meanwhile, country specific GHG emission factors for the key emission sectors will be developed to improve GHG inventory estimations.

Strategy A3: Raising Awareness and Fostering a Sense of Shared Responsibility

Efforts towards increasing awareness regarding environmental conservation and subsequently, translating awareness into action will be further intensified. Community involvement and a sense of shared responsibility towards the environment is still lacking despite the implementation of various awareness programmes. In the remaining Plan period, measures will be undertaken to enhance communications, education and public awareness (CEPA) as well as stakeholder involvement in promoting behavioural changes towards environmental preservation.

Enhancing communications, education and public awareness

Programmes on CEPA will be intensified to increase awareness on natural resources, environment-related issues and natural disasters among the various stakeholders. Awareness programmes will also educate the public on the preservation of the environment, especially in natural areas such as waterfalls, beaches and forests. Meanwhile, education on sustainable development will continue to be implemented in schools, institutions of higher education and teacher training centres to promote better understanding on environmental issues towards inculcating sustainable lifestyle.

Encouraging stakeholder involvement

Stakeholder involvement plays an important role in disaster risk management as well as environmental planning and governance. Greater involvement of private sector, academia, civil society and local communities will lead to better decision-making and increased support for effective project implementation. In this regard, collaborative efforts in monitoring and reporting detrimental activities on the environment will be undertaken more efficiently and effectively. Meanwhile, mechanisms to encourage active stakeholder involvement, particularly in resource management will be explored.

Priority Area B: Conserving Natural Resources

Natural resources conservation aims to protect, preserve, manage and restore natural resources to ensure the sustainability of ecosystem services[1]. This conservation is also important to ensure current and future generations continue to have access to the natural resources. In the remaining Plan period, three strategies to conserve natural resources will be implemented as follows:

Strategy B1: Conserving Terrestrial and Inland Water Areas

Contradictory priorities between socioeconomic development and environmental protection have led to degradation of natural resources and human-wildlife conflict. Environmental protection requires sustainable funding and innovative mechanisms to

[1] Based on the United Nations Environment Programme (UNEP), ecosystem services are the benefits people obtain from ecosystems. These benefits include provisioning services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services such as nutrient cycling that maintain the conditions for life on Earth.

meet the increasing cost of conserving natural resources. In the remaining Plan period, initiatives will be undertaken to protect terrestrial and inland water areas, conserve and rehabilitate strategic national endowment as well as reduce human-wildlife conflict to ensure sustainability of ecosystem services.

Protecting terrestrial and inland water areas

In safeguarding terrestrial and inland water areas for conservation and sustainable utilisation of natural resources, the government will gazette more areas as protected areas. The expansion of protected areas is as recommended in the National Physical Plan for Peninsular Malaysia, Sabah Structure Plan, Sabah Biodiversity Strategy and Sarawak Wildlife Master Plan. The protected areas will include buffer zones, dams, rivers, aquifers and water catchments throughout the country. In addition, efforts will be undertaken to strengthen cooperation with Brunei and Indonesia as well as establishing cooperation with Thailand on transboundary terrestrial protected areas. Meanwhile, action plans will be formulated in strengthening the network of national protected areas, particularly wetlands and environmentally sensitive areas.

Enforcement through the Malaysia Biodiversity Enforcement Operation Network (MBEON[2])programme will be intensified to curb encroachment and poaching in protected areas. In this regard, legislations will be streamlined to enable resources from related agencies are mobilised in the enforcement activity. In addition, environmental forensics investigation, site remediation, legal support and resources will be strengthened to ensure successful convictions against illegal activities.

Sustainable financing mechanisms for terrestrial and inland water protected areas will be explored to fund biodiversity conservation. Preliminary findings from the biodiversity financing initiative study estimated a total of RM19 billion required for the implementation of the National Policy on Biological Diversity, 2016-2025 for the period of 2018 to 2025. In this regard, a financial resource mobilisation plan will be developed to identify suitable financing mechanisms for biodiversity conservation. Meanwhile, the payment mechanisms for ecosystem services will be enhanced and expanded nationwide to recognise the natural resources as an asset to the state. In this regard, state government will be encouraged to adopt the mechanism that involves payment for the utilisation of natural resources, for instance, payment by utility provider[3] to the state government in micro hydro project for conservation.

Charges and fees associated with the utilisation of natural resources such as entrance fees to national parks will be reviewed for better conservation and management of natural resources and ecosystem services. This initiative is also expected to heighten public appreciation for the environment. Meanwhile, programmes and activities under the National Conservation Trust Fund will be repackaged based on the interests of the donors to attract more contributions.

Conserving and rehabilitating strategic national endowment

Reforestation efforts will be expanded to rehabilitate degraded forest areas, among others, through 1,640 hectares of tree plantation programme. In addition, forest enrichment programmes will be pursued in ecological corridors[4] to increase and improve the connection of wildlife passages in the Central Forest Spine and Heart of Borneo projects. Wild flora and fauna will continue to be protected by increasing conservation efforts in the natural habitat (*in situ*) and outside the natural habitat (*ex situ*). These conservation efforts will be implemented, among others, through forest enrichment programmes as well as breeding and restocking of selected endangered species[5] for flora and fauna. Meanwhile, appropriate technology such as advanced reproductive technology to better manage wildlife population will be utilised. In addition, the national red list index for endangered species as well as wildlife database will continue to be updated.

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[2] The MBEON programme adopts a cost optimisation approach through the collaboration and sharing of resources to conduct joint patrols in national parks to control poaching of wildlife and preserve biodiversity. The ministries and agencies involved include the Ministry of Water, Land and Natural Resources, the Forestry Department Peninsular Malaysia, the Malaysia Armed Forces, the Malaysia Civil Defence Force, the Johor National Parks Corporation and the Perak State Parks Corporation.
[3] Tenaga Nasional Berhad pays the state government of Perak for the use of water in micro hydro projects to finance conservation efforts in that area.
[4] Ecological corridor is an area of habitat connecting wildlife populations separated by human activities or logging or structures such as roads and development.
[5] Selected endangered species of flora include *keruing layang, asam batu* and slipper orchid, whereas fauna include elephant, tiger and gaur.

Sustainable forest management will be intensified by strengthening capacity building on forestry certification, as well as quality management system and standards. In addition, advanced technologies will be adopted to increase effectiveness of monitoring and enforcement to reduce illegal logging. Furthermore, engagements between Federal and state governments will also be intensified to enhance adherence to the logging quota set by the National Land Council.

Collaboration between related parties will be enhanced to promote more natural parks to be listed as the World Heritage Sites under the United Nations Educational, Scientific and Cultural Organization (UNESCO). Meanwhile, efforts will be undertaken to increase conservation and restoration of water catchment through Integrated Water Resources Management and Integrated River Basin Management initiatives to better manage water resources and river basins. Additionally, the design of water infrastructures such as dams, barrages and flood mitigation structures as well as water and sewerage treatment plants will be revised to optimise benefits to related sectors.

Reducing human-wildlife conflict

Forest fragmentation[6] creates potential human-wildlife conflict due to encroachment into natural habitat of the wildlife. In this regard, species conflict management plans will be formulated to provide a holistic framework for the related agencies. Meanwhile, more wildlife sanctuaries will be established and *in situ* forest enrichment programmes to increase food resources will be implemented towards conserving wildlife in natural habitats. In addition, more ecological corridors will be established to ensure protected areas are well connected, forming integrated contiguous areas. Other measures to mitigate human-wildlife conflict include securing animal passages, such as adjusting road alignment and constructing viaduct or tunnel. Furthermore, the management of transboundary forest, advisory services and awareness campaigns as well as community-based wildlife translocation and electric fencing programmes, will be improved.

Strategy B2: Conserving Coastal and Marine Ecosystems

Coastal and marine ecosystems have contributed to the socioeconomic development and provided environmental security as natural buffer against coastal erosion, big wave and rising sea level. However, unsustainable practices, insufficient enforcement and uncontrolled development activities over the years have resulted in the degradation of coastal and marine ecosystems. In the remaining Plan period, efforts will be undertaken to strengthen governance as well as protect and conserve coastal and marine ecosystems to ensure sustainable utilisation of ocean resources.

Strengthening coastal and marine ecosystems governance

Sustainable management of coastal and marine ecosystems requires an integrated approach in development planning and decision-making between ministries and agencies, as well as state and local governments. Stakeholder engagement programmes will be intensified to facilitate and coordinate all ocean-related issues. In addition, a national ocean policy to ensure the conservation of sustainable ocean resources will be explored. Meanwhile, the development of a marine spatial plan will also be explored to take into account the development needs of various sectors comprehensively in ensuring sustainable marine resources usage.

An assessment on the carrying capacity of selected resort islands and marine parks, such as Pulau Tenggol in Terengganu, Pulau Besar in Melaka and Pulau Payar in Kedah will be implemented to ensure sustainable development of the islands. In addition, enforcement activities will be strengthened through intensifying joint programmes among relevant agencies as well as improving capacity and capability of the enforcement personnel. Penalties will be reviewed to reduce illegal and detrimental activities that will endanger coastal and marine areas. Furthermore, awareness campaigns will be intensified to educate tourists and local communities on the importance of conserving coastal and marine ecosystems.

[6] Forest fragmentation is the breaking of large and contiguous forested areas into smaller parts due to roads, agriculture, utility corridors, subdivisions or other developments.

Protecting and conserving coastal and marine ecosystems

Efforts to gazette marine protected areas (MPAs) will be intensified through continuous consultations with state governments. Management plans for fisheries prohibited areas and new MPAs will be formulated to ensure sustainable population growth of targeted species. Meanwhile, ecosystem-based approach for fisheries management will be promoted to ensure sustainability of fish stock. Research and development (R&D) on marine life will also be intensified to increase the yield of marine biodiversity. In addition, migratory pathways of selected marine life will be identified, mapped and protected to ensure survival of the species. In this regard, an action plan will be formulated to strengthen the network of MPAs focusing on expanding the under-represented ecosystems such as coral reefs, seagrass beds and turtle nesting beaches. Meanwhile, implementation of Coral Triangle Initiative (CTI) will be intensified to strengthen transboundary MPAs cooperation with participating countries[7].

Strategy B3: Enhancing Livelihood and Capacity of the Indigenous and Local Communities

Most of the ILCs that live near the forest, water catchments, rivers and marine areas are highly dependent on natural resources for the livelihood, exerting pressure on these resources. Meanwhile, ILCs who are actively involved in the conservation of natural resources, need support from the public, private and international organisations. In the remaining Plan period, initiatives will be implemented to promote alternative livelihood for ILCs to reduce dependency on natural resources as well as encourage conservation efforts among the ILCs.

Promoting alternative livelihood for indigenous and local communities

Alternative livelihood for the ILCs will be promoted to reduce dependency on natural resources by providing new sources of income. As part of the efforts to empower ILCs in generating additional income, the ongoing nature tourist guide course and the entrepreneur cooperative development programmes will be expanded to involve more ILCs. In addition, the enforcement of the Access to Biological Resources and Benefit Sharing Act 2017[8] will be strengthened to ensure profits generated from commercialisation of natural resources and traditional knowledge are shared with ILCs.

Promoting conservation of natural resources among the indigenous and local communities

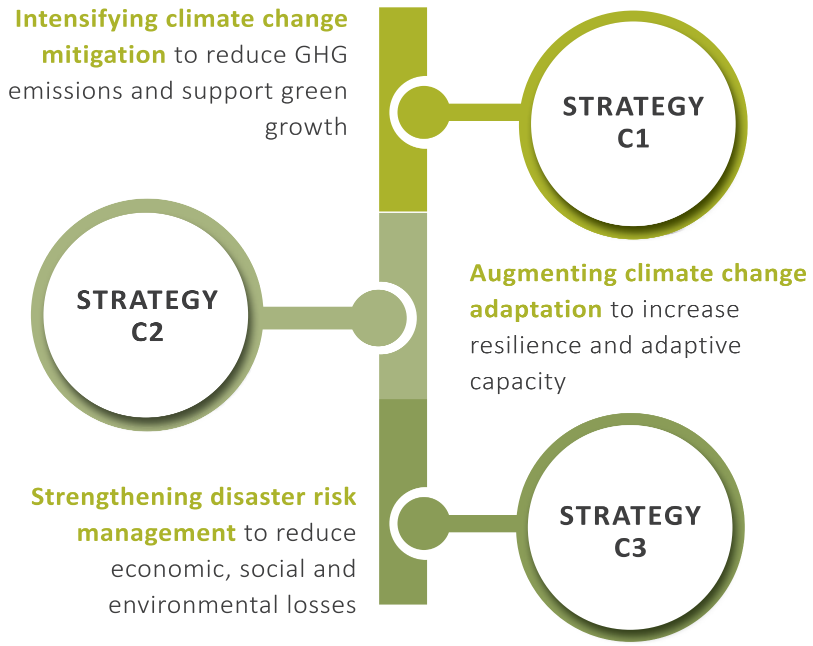
Capacity building and awareness programmes by public, private and international organisations will be further encouraged to support ILCs who are actively involved in the conservation of natural resources. In addition, local champions within ILCs will be identified to spearhead conservation efforts. Meanwhile, ILCs will also act as informers, appointed as honorary wildlife wardens and rangers to complement enforcement efforts in protecting wild flora and fauna. Furthermore, awards to recognise the contributions of ILCs in protecting the wild flora and fauna species will be explored.

Priority Area C: Combating Climate Change and Reducing Disaster Risk

Malaysia continues to place great emphasis on actions to mitigate and adapt to climate change. Malaysia commits to reduce GHG emissions intensity to gross domestic product (GDP) by 45% by 2030 relative to the level in 2005 with the ratification of the Paris Agreement under the United Nations Framework Convention on Climate Change. Additionally, the Sendai Framework for Disaster Risk Reduction, 2015-2030 (Sendai Framework) under the United Nations, which was ratified, will be adopted as a strategic guidance for disaster risk management. Meanwhile, measures to increase resilience and adaptive capacity to climate change will complement measures to reduce disaster risks. Implementation of these measures will reduce economic and social losses as well as provide multidisciplinary approaches to combat climate change and reduce disaster risks holistically. In the remaining Plan period, three key strategies will be undertaken as follows:

[7] The participating countries are Indonesia, Papua New Guinea, Philippines, Solomon Islands and Timor Leste.

[8] Under the Access to Biological Resources and Benefit Sharing Act 2017, a permit is required to access biological resources or traditional knowledge associated with biological resources for the purpose of research and development. If the biological resource or traditional knowledge is used for commercial purpose, a benefit sharing agreement must be signed between the resource provider and resource user.



Strategy C1: Intensifying Climate Change Mitigation

In the remaining Plan period, mitigation measures to address climate change will be further intensified through reduction of GHG emissions in the key emitting sectors, namely energy, transport, waste, industrial processes and product use as well as agriculture, forestry and other land use (AFOLU). These measures will include greater use of renewable energy (RE), optimise demand side management (DSM) for energy, encourage low-carbon mobility and promote construction of green buildings. The adoption of SCP concept in expanding green market and better waste management towards circular economy[9] will contribute to the reduction of GHG emissions. In ensuring a more coordinated implementation of mitigation actions across various sectors, a national mitigation action plan will be developed.

Increasing contribution of renewable energy in power generation

The electricity subsector relies heavily on fossil fuel sources, particularly coal and gas, resulting in over 50% of carbon emission in the national GHG emissions profile. In this regard, new RE sources will be explored to reduce the dependency on fossil fuels, apart from current sources, namely biomass, biogas, mini hydro and solar photovoltaic (PV). The exploration will include study on technical viability and potential commercial application of new RE technologies such as micro grids and energy storage.

The implementation of large scale solar and net energy metering programmes will be continued to increase RE contribution in the grid system. Meanwhile, efforts will be undertaken to promote the generation of electricity from biomass and biogas, especially from oil palm waste and municipal solid waste. The emphasis on RE is in tandem with the national commitment to reduce GHG emissions intensity to GDP by 45% by 2030.

Competent and skilled workers are imperative to support the growth of the RE industry. In this regard, efforts will be geared towards enhancing collaboration between public and private training institutions to produce 28,000 skilled and semi-skilled workers by the end of 2020. In addition, the Government will continue to provide training to more than 1,000 personnel that will produce experts in the field of biomass, biogas, mini hydro and solar PV. The participants will be from industry, such as RE project developers, financial institutions and potential service providers.

Optimising energy use through demand side management practices

A comprehensive energy DSM master plan, which covers the entire energy spectrum including electrical and thermal energy as well as transport sector energy use will be formulated. The master plan will include the legislation on energy efficiency and conservation to efficiently manage the use of energy resources. This legislation is currently being drafted and scheduled to be completed in 2019. In addition, existing DSM programmes for buildings, industries and commercials will be continued. Initiatives to improve energy efficiency in buildings will include promoting the implementation of energy performance contracting to reduce energy consumption. Meanwhile, the adoption of energy-efficient designs will be made mandatory for all Government buildings that will be built. At the

[9] In a circular economy, the value of products and materials is maintained for as long as possible. Waste and resource use are minimised, and when a product reaches the end of its life, it is used again to create further value.

same time, state governments will be encouraged to incorporate the Malaysian Standard: Code of Practice on Energy Efficiency and Renewable Energy for Non-Residential Buildings (MS1525) as part of into the respective state Uniform Building By-Law (UBBL).

The implementation of the Enhanced Time of Use (EToU) tariff for industry will be continued to substitute the Special Industrial Tariff (SIT[10]), which will be gradually reduced at 2% per annum and abolished in 2020. The EToU offers competitive tariffs for three time zones, namely peak, mid-peak and off-peak as an option to the medium voltage commercial users and high voltage industrial users. Meanwhile, the enforcement of Minimum Energy Performance Standard and energy labelling of electrical appliances for households will be strengthened.

Encouraging low-carbon mobility

In encouraging low-carbon mobility, efforts will focus on improving public transport system across the nation to reduce air pollution, GHG emission and traffic congestion. In reducing pollution, the usage of energy-efficient transport such as hybrid and electric buses will be encouraged, apart from enhancing public transport efficiency. Measures to promote non-motorised mobility, such as cycling and walking will be intensified through provision of safer pedestrian and cycling lanes. Simultaneously, transit-oriented development will be further encouraged to reduce urban sprawl and traffic congestion as well as facilitate connectivity and mobility.

Measures to increase air quality will be continued with the enforcement of better fuel standards for the transport sector. The EURO 5 standard for diesel is scheduled to be rolled out in 2020. This will enable tailpipe emissions to contain not more than 10 parts per million (ppm) sulphur content, which is in line with the Environmental Quality (Control of Petrol and Diesel Properties) (Amendment) Regulations, 2015. Meanwhile, the current utilisation of bio-diesel based on B7, consisting of 7% palm-based methyl ester with 93% diesel, will be enhanced through migration to B10, consisting of 10% palm-based methyl ester with 90% diesel, by 2020. These initiatives will provide a more sustainable and environment-friendly source of energy.

Promoting green buildings

Construction of green buildings through adoption of the Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST) for new buildings including residential and commercial buildings will be further encouraged to support green city development. These new buildings will be constructed with green features and designs as well as using green materials. The performance of these buildings will be monitored to account for the GHG emissions as well as electricity and water consumption savings. Meanwhile, the establishment of green lungs and conservation of urban forests will continue to be encouraged to support green city development.

Strengthening waste management

The implementation of reduce, reuse and recycle (3R) programme and enforcement of waste separation at source will be intensified to reduce waste at source and to prevent indiscriminate waste disposal. This programme includes reduction in the utilisation of single-use plastics such as plastic bags, food packaging and straws. These measures will ensure pollution-free land, rivers and seas as well as scale-up waste-to-wealth and waste-to-energy initiatives. These efforts will support the achievement of the household waste recycling target, which is set at 30% in 2020.

The research, development, commercialisation and innovation (R&D&C&I) for recyclable products will be increased to support expansion of the recyclable market. Moreover, the private sector will be encouraged to reduce, reuse and recycle wastes through enforcement of regulation for commercial, industrial and institutional as well as regulation for solid waste from construction activities. The location of recycling facilities and source of waste generation will also be mapped to provide information on feedstock availability. Meanwhile, implementation of financing instruments, which supports waste management, such as extended producer responsibility[11] and take-back system as well as user-pay and polluter-pay principles will be expanded.

[10] SIT was introduced by the Energy Commission in 1996 for industries. Any company that consumes electricity more than 5% of the annual operating costs will be eligible for a lower electricity tariff rate.

[11] Based on the Organisation for Economic Co-operation and Development (OECD), extended producer responsibility is a policy approach under which producers are given a significant responsibility, financial and/or physical, for the treatment or disposal of post-consumer products.

Recycling of bio-sludge, bio-effluent and biogas from sewerage treatment plants, as part of waste-to-wealth initiative, will be further promoted as a non-tariff revenue sources for the operators. For instance, treated wastewater can be used in non-food related industry, sewage sludge for RE generation and as fertilisers, and biogas for electricity source. The waste-to-wealth initiative will create business opportunities across the water supply chain and resource recovery avenue as well as encourage R&D activities.

A mechanism and new guidelines pertaining to scheduled electrical and electronic equipment wastes (e-waste) from household will be developed to enhance the management of e-waste. This will institutionalise a complete and environmentally sound management system that comprises collection, reporting, recycling and disposal of e-waste. A regulation on household e-waste will be formulated to enable a proper and comprehensive implementation of e-waste management in reducing risks to human health and environment. Meanwhile, to enhance public health and safety, existing clinical waste treatment technology will be improved with new technology that is able to inactivate infectious microorganisms.

Expanding green market

In the remaining Plan period, Government green procurement (GGP) initiative at the Federal level will be continued to spur the green market. In this regard, environmental criteria and life-cycle costing analysis will be emphasised in the procurement process. The GGP of selected green products and services is targeted at 20% by 2020. The initiative will be expanded to state and local governments as well as state-owned enterprises in line with the GGP long term action plan that is being formulated. Meanwhile, the number of selected green products and services for GGP will be increased in stages.

Green standards and rating systems that are aligned to international standards will be strengthened to support the green market and facilitate the penetration of local industries into the global market. In addition, the MyHijau portal will be upgraded as a platform for both suppliers and customers to register interest and needs towards green products and services. Furthermore, industries will be encouraged to undertake energy audit and measure GHG emissions as well as carbon and water footprints.

A wider selection of green technology in the market will encourage greater utilisation of green technology, subsequently driving the shift of industries towards cleaner production and green growth. Thus, the development of indigenous green technology will be intensified by undertaking more R&D&C&I. This effort is supported by the Green Technology Master Plan (GTMP), which facilitates the mainstreaming of green technology development into six key sectors, namely energy, manufacturing, transport, building, waste and water. A green technology action plan will be developed to support the implementation of GTMP.

Financing mechanisms to support development of green projects, green technologies and green industries will continue to be enhanced. The green *sukuk* financing will be further encouraged as an innovative way to fund development of green projects. The Green Technology Financing Scheme (GTFS) 2.0 will be continued to provide financing for development of green technologies and green industries.

Intensifying sustainable agriculture, forestry and other land use

In the remaining Plan period, efforts will be continued to reduce GHG emissions from AFOLU activities. This will be done by, among others, improving nitrogenous fertiliser management, developing agricultural low-carbon system for crops and livestock as well as analysing carbon sequestration of crops. In addition, the approach on reducing emissions from deforestation and forest degradation and enhance the role of conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) will be implemented. These efforts will contribute towards a sustainable AFOLU activities, thus combating climate change.

Strategy C2: Augmenting Climate Change Adaptation

Over the last decade, more extreme weather had been experienced in Malaysia. Major floods occurred in 2010, 2012, 2014 and 2017, with the 2014 northeast monsoon floods being one of the worst in history. In addition, the impact of the 2016 El-Nino has resulted in prolonged dry periods and heat waves. In this regard, adaptation measures, especially in vulnerable sectors, will be enhanced and expanded to increase resilience against climate change impacts and minimise the damages.

Enhancing adaptation measures

Adaptation measures will be undertaken in the vulnerable sectors, such as water, agriculture, infrastructure, cities and settlements, as well as public health, to enhance the resilience and adaptive capacity to climate change impacts. In this regard, R&D activities will continue to be undertaken to identify suitable mechanisms that are able to enhance the resilience and adaptive capacity of these sectors. Meanwhile, the development of predicted coastal and inland flood inundation maps as well as predicted seasonal dry spells and precipitation maps will facilitate efforts in coping with future climate change impacts.

Alternative sources of water, such as recycled water, groundwater, lake and reservoir, will be explored through the National Water Balance Management System. In addition, R&D for utilising rainwater, storm water runoff and wastewater will be intensified. These efforts contribute in enhancing resilience and sustainability of the water sector. Concurrently, a national adaptation action plan will be developed to guide planning and coordination of adaptation measures, while an adaptation index will be established to measure vulnerability levels of the country against climate change impacts.

Strategy C3: Strengthening Disaster Risk Management

Incomplete information and lack of knowledge on disaster risks have hampered efforts to identify the vulnerability of the nation against various disasters. In this regard, less emphasis has been given to pre-disaster measures as compared to post-disaster, even though measures to increase resilience and protect development gains are more important. Therefore, disaster risk management, including risk reduction efforts, will be intensified by enhancing the integration of DRR initiatives, strengthening disaster preparedness and increasing capacity in disaster response in the remaining Plan period.

Enhancing integration of disaster risk reduction

Communities will be better protected from natural hazards through measures that minimise disaster risks. In order to enhance pre-disaster efforts, DRR elements will continue to be integrated within development planning, design and implementation across all sectors. Building standards and codes will also be reviewed to enable risk reduction to be accounted for in future development. In addition, a policy will be formulated as a guidance to support and strengthen disaster risk management, including risk reduction, towards ensuring a disaster resilient nation. In facilitating decision-making and national reporting on disaster management, disaster-related indicators will be developed based on the indicators adopted under the Sendai Framework. Meanwhile, the National Platform on DRR will be strengthened as a multi-sectoral coordination committee in monitoring, reviewing and updating the implementation of the Sendai Framework.

Enhancing disaster preparedness

An integrated weather and flood forecasting and early warning system is being developed. Meanwhile, the early warning system for tsunami and earthquake monitoring will be enhanced. These systems will enable dissemination of information in a more systematic and timely manner to disaster-related agencies and affected people. In addition, disaster risk profiling will be prepared to identify disaster-prone areas. This profile will enable the risks reduction and adaptation programmes to be better designed, more targeted and localised.

Hazard and risk mapping for disaster-prone areas will continue to be undertaken to facilitate decision-making for future development. A seasonal climate forecasting system will be established to generate long-term weather forecasts for one to six months in advance. Furthermore, DRR measures will incorporate a balanced approach between physical structural measures, such as construction of retention walls and dams, and non-physical structural measures, such as development of flood hazard maps and early warnings. In terms of managing storm water runoff for control at source and peak flow control, the implementation of sustainable drainage systems will be enhanced in line with the *Manual Saliran Mesra Alam* (MSMA).

Increasing capacity in disaster response

In strengthening disaster risk management at community levels, regular disaster drills and other community-based disaster risk management exercises will be conducted for the people living in disaster-prone areas. These exercises will empower affected communities to undertake initial response when disaster strikes. Meanwhile, in enhancing the response capability of the local disaster-related personnel, tabletop exercises and field training exercises on flood, landslide, earthquake and tsunami will be continued through simulations with national, regional and international responders. In addition, existing standard operating procedures for natural disaster management, namely drought, earthquake, flood, haze and tsunami will be reviewed to improve response measures for disasters.

Conclusion

Green growth will not only ensure achievement of sustainable development objectives but also sustain economic growth, enhance environmental sustainability and promote better wellbeing. Stronger governance will allow the expansion of green growth in all economic sectors, including green market. A resource- and energy-efficient economy will be able to minimise GHG emissions, pollution and waste as well as enhance water, food and energy security. Moreover, conservation of the marine and terrestrial habitats guarantees continuous ecosystem services for the present and future generations. Meanwhile, intensified mitigation and adaptation as well as DRR measures will increase resilience of the nation against climate change impacts and natural disasters. Additionally, a sense of ownership among all levels of society is imperative in nurturing shared responsibility in sustaining the national natural endowment.

15

CHAPTER

VI
PILLAR

Strengthening Economic Growth

Introduction

The performance of the Malaysian economy during the review period, 2016-2017, has been resilient, underpinned by strong domestic demand and increased investment. The economic expansion was supported by growth in the services and manufacturing sectors. Growth was further supported by the improved external sector with higher export of the manufactured goods. Other economic sectors recorded moderate expansion, except for agriculture, which registered a slower growth. Despite steady and broad-based growth, economic sectors continue to face structural challenges such as fragmentation in the services sector, low value-added activities among the small and medium enterprises (SMEs) and dependency on low skilled workers. In addition, low innovation and technology adoption, inadequate infrastructure as well as complex regulatory framework continue to impede economic performance.

In the remaining Plan period, 2018-2020, measures to support economic expansion will focus on strengthening sectoral growth and structural reforms, accelerating innovation and technology adoption as well as providing quality infrastructure. In this regard, efforts will be intensified to promote greater innovation and modernisation as well as develop knowledge-intensive and skilled workforce, particularly in the manufacturing and services sectors. Focus will also be given to develop a modern and productive agriculture sector. Meanwhile, the provision of quality infrastructure will be improved to support and facilitate economic activities. Moreover, efforts will be undertaken to improve the business climate as well as address inadequate physical and digital infrastructure. Priority will be given to accelerate adoption of technology and innovation to increase productivity and competitiveness, particularly among the SMEs. As such, all economic sectors are expected to contribute to the expansion of the domestic economy through increase in quality investment and improvement in productivity.

New Priorities and Emphases, 2018-2020

In the remaining Plan period, the momentum of economic growth will be accelerated by stimulating activities to move up the value chain and promote private investment. Focus will be given on strengthening the foundation of the economy to propel Malaysia into a developed and inclusive nation premised on innovation, creativity and high value-added activities to drive productivity. The priority areas and strategies to strengthen growth are as shown in *Exhibit 15-1*.

Exhibit 15-1

Strengthening Economic Growth

PRIORITY AREA A

Strengthening sectoral growth and structural reforms

Strategy A1
Enhancing sectoral growth through productivity improvements

Strategy A2
Increasing export capacity

Strategy A3
Improving market efficiency

Strategy A4
Facilitating ease of doing business

PRIORITY AREA B

Accelerating innovation and technology adoption

Strategy B1
Harnessing the Fourth Industrial Revolution

Strategy B2
Increasing technology adoption

Strategy B3
Aligning research and innovation

Strategy B4
Enhancing capacity building

PRIORITY AREA C

Providing quality infrastructure

Strategy C1
Developing an integrated transport system

Strategy C2
Strengthening logistics and trade facilitation

Strategy C3
Improving digital infastructure

Strategy C4
Improving water services

Strategy C5
Sustaining energy supply

Selected Targets, 2020

Strengthening sectoral growth and structural reforms

	Services sector	Manufacturing sector	Agriculture sector	Construction sector
Growth 2018-2020	6.3% (SDG 8,9&17)	4.5% (SDG 8&9)	2.0% (SDG 2,6,8, 14&15)	4.3% (SDG 8&9)
Labour productivity 2018-2020	3.4%	3.8%	1.5%	3.0%

	SMEs
Contribution to GDP	41.0%
Contribution to total exports	23.0% (SDG 8&9)

Accelerating innovation and technology adoption

Catalysing Industry 4.0	Gross expenditure on R&D (GERD) to GDP	Business expediture on R&D (BERD) to GERD
National Industry 4.0 Policy Framework 2018-2025	2.0% (SDG 9)	70.0%

Original Target Revised Target New Target

Providing quality infrastructure

National Transport Policy
Provide policy framework for a sustainable transport system

95.0% (SDG 9)
Populated areas covered by broadband infrastructure

1.0%
GNI per capita for fixed broadband cost

98.0%
Digital terrestrial television coverage nationwide

7.3%
Annual growth of transport and storage subsector 2018-2020

31.0% (SDG 6)
Non-revenue water

80.0% (SDG 6)
Sewerage connected services coverage, especially in main cities

7,626 MW[1] (SDG 9)
New power generation installed capacity in Peninsular Malaysia

300,000 BPD[2]
Additional oil refining capacity

Original Target | Revised Target | New Target

Notes: [1] MW-megawatts
[2] BPD-barrels per day

Priority Area A: Strengthening Sectoral Growth and Structural Reforms

Current industry activities, particularly among the local firms, are focused on low value-added products and services. In addition, the contribution of SMEs to gross domestic product (GDP) is relatively low, despite the high number of establishments. A large number of SMEs have limited capacity in achieving economies of scale and increasing capital deepening. Thus, focus will be given on strengthening sectoral growth and structural reforms, including SMEs, through the four key strategies as follows:

Strategy A1: Enhancing Sectoral Growth through Productivity Improvements

In the remaining Plan period, initiatives will be implemented to drive the sectoral growth. These initiatives comprise accelerating services sector transformation, re-energising manufacturing sector as well as developing modern and productive agriculture sector. Sectoral growth will be enhanced by improving productivity, increasing technology adoption and digitalisation as well as strengthening the business ecosystem.

Accelerating services sector transformation

The services sector will continue to be the primary driver of economic growth, guided by various services subsector blueprints, including the Services Sector Blueprint. In this regard, the initiatives will be directed towards enhancing the competitiveness and productive capacity of the services sector as well as creating high-paying jobs. Hence, efforts will continue to be intensified by focusing on knowledge-intensive services and improving productivity.

A critical factor that determines the performance of the services sector is the human resource capacity. Hence, efforts in promoting knowledge-intensive services will be strengthened by developing skilled human capital. Measures include improving industry readiness of new graduates and encouraging SMEs to provide training for employees, thus eliminating labour market mismatch. This will enable the sector to maximise contribution to productivity growth and create more high-paying jobs.

Focus will be given to transform the industry from supply- to demand-driven, user to producer as well as low to high knowledge-intensive and value-added activities. This will enable the services sector to move up the value chain and provide strong linkages with other sectors. The initiatives according to subsectors are as follows:

Information and communications technology (ICT) services

- Adopt emerging technologies such as artificial intelligence (AI), big data analytics (BDA), financial technology (fintech) and internet of things (IoT)
- Strengthen self-reliance in cyber security and develop home-grown products and services as well as nurture start-ups companies to be competitive
- Improve ICT research, development, commercialisation and innovation (R&D&C&I) by strengthening partnership between public research institutes, institutions of higher education and industries to deliver commercial solutions

Creative industry

- Develop comprehensive plans to leverage culture, arts and craft to ensure sustainability
- Promote animation, electronic games and music industry as well as create innovative entrepreneurs
- Review existing incentive and funding mechanisms to enhance transparency and promote the industry

Financial services

- Promote greater use of digital technologies and provide regulatory support towards creating a cashless society, lowering cost of transaction and widening access to underserved customers
- Enhance development of Islamic finance through the adoption of a value-based intermediation[1]
- Position Malaysia as a regional sustainable and responsible investment (SRI) centre and promote green financing as a new asset class
- Facilitate channeling of private investments into companies with growth potential through measures to spur venture capital and private equity industry as well as alternative investments

Notes: [1] Value-based intermediation aims to deliver the intended outcomes of *syariah* through banking practices, conduct and offerings that generate positive and sustainable impacts to the economy, community and environment.

Private healthcare services

- Attract healthcare travellers by focusing on cardiology and fertility
- Encourage further investment in the private healthcare facilities to complement public healthcare services
- Improve traditional and complementary medicine services

Oil and gas services and equipment (OGSE) industry

- Develop capacity and expand business operations abroad including growing local OGSE companies by encouraging mergers and acquisitions
- Enhance technical expertise and intensify promotion for internationalisation

Tourism industry

- Rebrand Malaysia as a leading tourist destination and capitalise ecotourism products
- Leverage digital platform to further promote tourism products and services
- Increase accessibility to and within Malaysia and improve quality of services
- Improve infrastructure and facilities as well as instil maintenance culture

Retail trade

- Leverage technology and e-commerce to increase convenience, uplift productivity and reduce retail prices
- Promote modernisation, particularly among traditional retailers to increase competitiveness

Halal industry

- Develop a dynamic ecosystem by creating a bigger market space, establishing larger pool of halal experts and producing more home-grown halal champions
- Strengthen halal authentication and traceability through scientific methods
- Produce more premium halal products and services

In improving productivity, five productivity nexus for the services sector under the Malaysia Productivity Blueprint (MPB) have been established, namely ICT, private healthcare, professional services, retail and tourism. These nexus provide platforms for public and private sectors to plan, implement and monitor initiatives and programmes at sector and enterprise levels to improve productivity. Industry champions will lead these nexus by undertaking various initiatives and replicating industry best practices to expedite productivity improvement.

Re-energising the manufacturing sector

The manufacturing sector will continue to be transformed towards producing more high value-added, diverse and complex products. The catalytic subsectors, namely the electrical and electronics (E&E), machinery and equipment (M&E) as well as chemicals and chemical products will remain as priority subsectors. The high potential growth subsectors, namely aerospace and medical devices will continue to be prioritised. Enterprises will be encouraged to increase productivity by accelerating automation and innovation, undertaking research and development (R&D), implementing sustainable production practices and leveraging industry associations in sharing best practices.

The establishment of three productivity nexus for the manufacturing sector under the MPB, namely E&E, M&E as well as chemicals and chemical products aims to improve productivity significantly. These nexus provide platforms for the collaboration of public and private sectors to plan, implement and monitor initiatives and programmes at sector and enterprise levels in uplifting productivity. In this regard, incentives, such as grants and soft loans to promote automation, technological adoption and exports, will be provided based on specific milestones and outcomes to ensure impactful and optimal allocation of resources.

The adoption of eco-industrial parks (EIP) concept, which supports sustainable consumption and production (SCP), will be promoted in ensuring existing and new industrial parks are more sustainable and competitive. EIP will be encouraged to promote cooperation among businesses and industries in a more collective way through the exchange of materials, energy, water or by-products. The EIP will also enable new value creation, thus benefitting all parties collectively. Hence, EIP aims to significantly reduce industrial waste and promote optimisation of resources while maximising economic returns.

Developing modern and productive agriculture sector

Modernisation efforts will be continued in the agriculture sector by reforming the agro-food subsector and enlarging the share of the subsector to total agriculture value added. With these efforts, the share of agro-food is targeted to reach 42.8% in 2020 as compared to 37.4% in 2015. At the same time, industrial commodity subsector will focus on expanding downstream activities along the value chain to tap a growing market for higher value-added products. Studies will be undertaken to reform ministries and agencies related to agriculture in order to enhance service delivery towards modernising the sector. These will include rationalising roles and functions of agro-food agencies to increase efficiency and optimise resources.

Several initiatives will be implemented for the agro-food subsector, among others, managing demand and supply of food as well as developing alternative inputs and new sources of wealth to reduce reliance on food imports. Efforts will be intensified to achieve higher productivity and better income for farmers, fishermen and livestock rearers as well as improve food trade balance. In this regard, large scale production of premium grade fruits including durian, pineapple and jackfruit; high yielding coconut varieties; and grain corn for animal feed will be promoted as new sources of wealth. Towards this end, programmes will be tailored to increase agricultural productivity and sustainability by providing necessary incentives and support, including infrastructure, farming technology, market information and access to financing for farmers and smallholders.

Strategic initiatives will be undertaken to address national food security while ensuring higher productivity and income to farmers. These include revising the self-sufficiency level targets of agro-food products, strengthening distribution and marketing channels to improve accessibility and affordability of agriculture produce as well as introducing high value-added agricultural activities, including in agro-based industry. Meanwhile, the shift in demand pattern for food towards a healthier lifestyle raises a greater expectation over food safety and quality. In this regard, efforts will be undertaken to strengthen biosecurity measures and intensify quality assurance programmes for agriculture produce. Certification programmes such as the Malaysian Good Agriculture Practices (myGAP), Malaysian Organic (myOrganic), Good Manufacturing Practice (GMP), Hazard Analysis and Critical Control Point (HACCP) and halal certification will be further promoted.

Greater collaboration among all relevant agencies will be encouraged to optimise existing logistics assets and facilities, particularly collection and distribution centres, cold chain facilities as well as machineries and transport equipment. These efforts will provide greater market access and wider distribution as well as reduce dependency on middlemen and post-harvest loss. The optimisation of assets and facilities will improve efficiency and ultimately contribute to growth of the sector.

The establishment of the agro-food productivity nexus under the MPB is expected to accelerate high value-added activities along the value chain. The nexus provides a platform for the government agencies, farmer associations and cooperatives to plan, implement and monitor initiatives and programmes in uplifting productivity. The capacity and capability of area farmers' organisation and cooperatives will be enhanced in management, finance, investment and marketing. Meanwhile, youth participation in modern agriculture activities will be encouraged, particularly through cooperatives to enable better pooling of resources as well as bargaining power and achieving economies of scale. In addition, a study will be undertaken to formulate a new policy to drive the modernisation of the agro-food subsector. Among others, this study will identify strategies to accelerate the modernisation process, realign investment for infrastructure, human capital and R&D&C&I, as well as strengthen institutional structure of agricultural agencies.

Strategic initiatives will be introduced to strengthen the industrial commodity subsector. These initiatives will focus on programmes for industrial crops that have potential to boost Malaysia as a global player by expanding higher value-added downstream activities. Several industrial commodity subsectors will be further strengthened to cover a wider range of high value-added activities in both upstream and downstream segments. This effort is to ensure a more sustainable income for smallholders while enhancing competitiveness of the commodities. In addition, potential new sources of wealth will be promoted to diversify the usage of industrial crops. These include the use of oil palm trunks as an alternative to timber, kenaf fibre as seat cushion material in the automotive industry as well as premium cocoa beans as a high-end product for niche markets. A study will be undertaken to identify a suitable financial mechanism to support upstream activities, particularly in replanting and new planting of industrial crops. This is to ensure sustainability of upstream activities as well as to reduce dependency on government financial assistance.

Creating more dynamic SMEs

The development of SMEs is important to achieve inclusive and balanced growth. In the remaining Plan period, efforts to create resilient and sustainable SMEs will be continued to boost the growth of SMEs across all sectors. Various programmes and initiatives to support SMEs development are as detailed in *Box 15-1*.

Box 15-1

SMEs Development Programmes

Small and medium enterprises (SMEs) are an integral part of the economy in terms of production, employment generation and facilitating equitable distribution of income. In Malaysia, SMEs constitute 907,065 or 98.5% of the total establishments[1] with the majority of the businesses in the services sector, which accounted for 89.2% of total SME establishments, followed by manufacturing at 5.3%, construction at 4.3%, agriculture at 1.1% as well as mining and quarrying at 0.1%. In terms of size, the majority of SMEs were microenterprises, constituting 76.5% of total SME establishments, followed by small-sized SMEs at 21.3% and the medium-sized SMEs at 2.3%. These establishments were a major source of employment, which accounted for 66% of total employment in 2017.

The Government will continue to focus on the development of SMEs with the goal of increasing contribution to GDP from 37.1% in 2017 to 41% in 2020 and expanding export share from 17.3% in 2017 to 23% in 2020. In this regard, 32 initiatives, which include six High Impact Programmes (HIPs) under the SME Masterplan, 2012-2020 will be intensified to develop resilient and sustainable SMEs. Efforts will be reinforced to increase productivity, empower human capital, increase the adoption of technology and innovation, enhance ease of doing business as well as improve access to financing.

Other programmes such as the Business Accelerator Programme will continuously assist SMEs to build capacity and capability through better capital investment and technology adoption. Meanwhile, the *Tunas Usahawan Belia Bumiputera* (TUBE) Programme and Bumiputera Enterprise Enhancement Programme (BEEP) will further strengthen entrepreneurship skills among the Bumiputera community. In addition, *Program Pembangunan Usahawan Mikro* will promote the growth and productivity of microenterprises by providing necessary support in establishing businesses. Furthermore, SMEs will be encouraged to leverage new technologies and innovation particularly through e-commerce to grow at a faster rate and expand market outreach. As such, the National eCommerce Strategic Roadmap will assist all e-commerce traders to increase their contribution to the overall GDP to reach RM211 billion by 2020.

Government financing mechanisms are available in the form of grants and soft loans to support all categories of SMEs. Various ministries and agencies are involved in SMEs development ecosystem to form a partnership and support the aspiration of creating successful entrepreneurs. In this regard, programmes under TEKUN Nasional and Amanah Ikhtiar Malaysia will continue to provide financial assistance for microenterprises, mainly to assist targeted groups such as women as well as poor and low-income households.

Financing facilities are also available for small and medium-sized SMEs, such as Soft Loan Scheme for Automation and Modernisation, Financing Programme for SME and Vendor Financing Scheme. In addition, Bank Negara Malaysia continues to provide fund for SMEs through the financial system to cater for microenterprises, start-ups and firms venturing into new growth areas. Moving forward, the access to financing for SMEs will be re-shaped by shifting towards the development of more non-traditional financing avenues and platforms. These include crowdfunding, peer-to-peer financing, Leading Entrepreneur Accelerator Platform (LEAP) Market[2], Investment Account Platform (IAP), venture capital and angel investors.

A new long-term plan will be formulated during the remaining Plan period, to chart SME development beyond 2020, building on the achievements of the existing SME Masterplan. The proposed new masterplan will chart policy directions, strategies, action plans and programmes to uplift SMEs to be at par with SMEs in developed countries. The masterplan will identify new opportunities and challenges to be addressed by taking into account the changing demographics, economic and business landscape. In addition, it aims to equip SMEs with the necessary technology and knowledge in line with megatrends, particularly in the advent of the Fourth Industrial Revolution. It will also explore new business models arising from emerging financial technology, inclusive business, sharing economy and circular economy.

The successful implementation of these initiatives and the proposed new masterplan will accelerate the growth of SMEs. These efforts are in line with the objective of creating more dynamic SMEs and the aspiration to become a developed and inclusive nation.

Notes: [1] Based on the Economic Census 2016 by Department of Statistics Malaysia.
[2] The LEAP Market is a new listed market in Bursa Malaysia positioned to provide SMEs greater access to the capital market and broaden the funding options available to SMEs that are unable to meet listing requirements on the Main Market or Access, Certainty, Efficiency (ACE) Market.

Strategy A2: Increasing Export Capacity

Efforts will focus on increasing the number of exporters and exploring new markets to strengthen the capacity of industries. In this regard, measures aimed at increasing the internationalisation of Malaysian firms, particularly SMEs, will be implemented through various initiatives. In the remaining Plan period, programmes will be undertaken to enhance export readiness of SMEs and improve international market compliance.

Enhancing export readiness of SMEs

Emphasis will be given to enhance export capabilities of local SMEs, explore new regional markets and embark on new export promotion strategies. In this regard, SMEs will be encouraged to leverage free trade agreements and mutual recognition arrangements as well as various initiatives under regional cooperation. SMEs will be incentivised to obtain appropriate certification and accreditation to enable locally produced goods penetrate international markets. Meanwhile, the scope of the Services Export Fund will be expanded to include halal industry as well as provide more incentives to exporters through the Services Sector Guarantee Scheme. In addition, the Go Export Programme, which has been expanded to include market immersion activities, will further assist SMEs in penetrating new export markets.

The formation of consortia in providing multi-disciplinary services will be further encouraged through collaboration among associations to bid for projects abroad. In addition, to facilitate international market penetration, market intelligence would be made available to service providers for better understanding of domestic regulations of the targeted export market.

Furthermore, digital platforms and Digital Free Trade Zone (DFTZ) will provide greater access to local players in penetrating the global market through e-commerce activities. Export programmes under various ministries and agencies will also be coordinated and monitored to ensure the effectiveness of these programmes.

Improving international market compliance

Malaysia will continue to develop comprehensive halal standards based on *syariah* principles and industry requirements such as hygiene, sanitation and safety along the supply chain. In this regard, the National Standards Compliance Programme will facilitate halal industry players to comply with GMP and HACCP as well as other international standards through the provision of technical expertise and capacity building. This will further strengthen Malaysian halal certification towards global recognition as well as provide better market access for halal products and services.

The changing global demand and market requirements for green and sustainable agriculture produce compel Malaysia to undertake concerted efforts to meet the increasing demand. Efforts will be enhanced towards reducing the greenhouse gas (GHG) emissions by promoting sustainable farm and forest management, including aquaculture, fishing practices and industrial commodities. Meanwhile, the adoption of the Malaysian Sustainable Palm Oil (MSPO) certification will be made mandatory among industry players to mitigate adverse campaigns on local palm oil. In addition, the capacity and capability of relevant authorities responsible for food safety and biosecurity will be strengthened to support businesses in complying with export market requirements of agriculture produce.

Strategy A3: Improving Market Efficiency

Market inefficiency and unhealthy competition are threats to economic growth and sustainable development. In this regard, market distortion and unfair practices will be addressed to promote market efficiency and healthy competition in the economy. In the remaining Plan period, focus will be given in reviewing and streamlining the role of state-owned enterprises (SOEs) and monopoly entities to meet the objectives of enhancing market efficiency and fair competition.

Streamlining the role of state-owned enterprises and monopoly entities

The SOEs were established to play specific strategic roles in the national development agenda and address socioeconomic issues. In this regard, there is a crucial need to address the role of SOEs due to overlapping functions, change in the development agenda and current best practices at the international level on the governance of SOEs. Measures will be undertaken to streamline the role of SOEs and other monopoly entities to promote market efficiency and protect consumer interest. A special ministerial committee will review policies and concessions with regard to monopolistic arrangements of these entities to ensure greater market efficiency. Meanwhile, a national policy and governance framework will be formulated to align SOEs and other monopoly entities with the broader national development agenda. These entities will be encouraged to promote innovation and technology adoption in line with the 4IR to boost productivity as well as create greater market opportunities for domestic industries through export-driven and global growth strategies.

Strategy A4: Facilitating Ease of Doing Business

A more comprehensive, coordinated and strategic approach to governance reforms will further reduce regulatory costs and enhance business competitiveness. Meanwhile, the implementation of suitable regulatory and trade practices will facilitate ease of doing business and reduce cost of businesses that will ultimately benefit the *rakyat*. In this regard, Good Regulatory Practices (GRP) will be intensified to improve processes and procedures in increasing productivity and competitiveness. In addition, trade practices including non-tariff measures (NTMs) will be streamlined to facilitate trade.

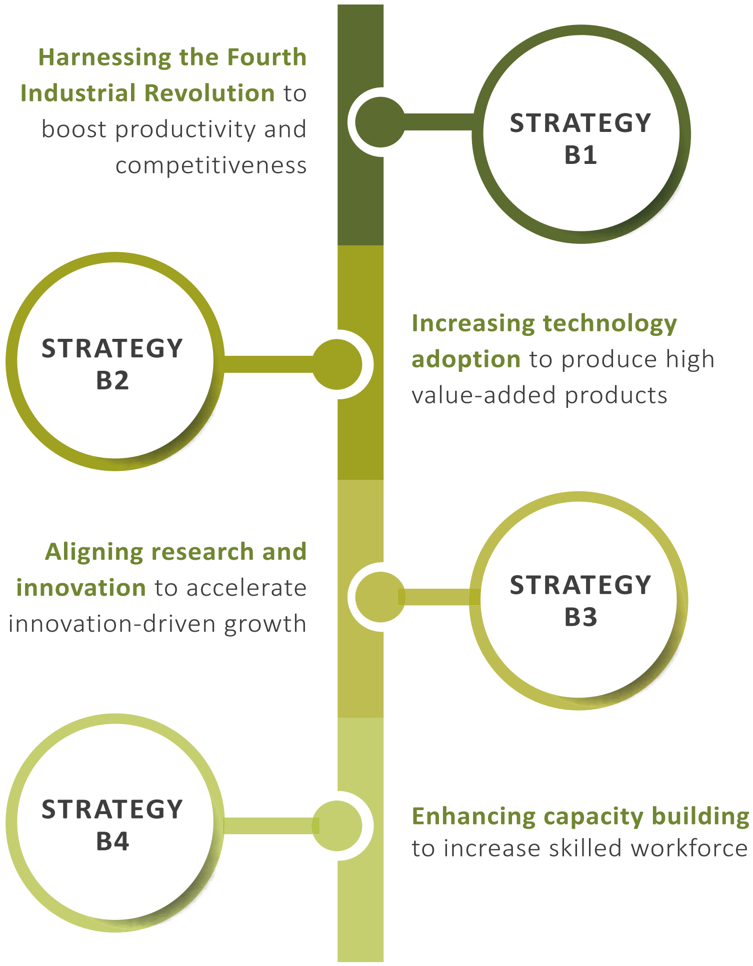
Improving regulatory and trade practices

Efforts to implement GRP will be intensified to address the complex regulatory framework, modernise business regulations and create a more favourable business climate. These effort will also review the content, quality, administration and enforcement of regulations to minimise regulatory burden and facilitate ease of doing business. The GRP requires ministries and agencies to conduct regulatory impact analysis and consultations with stakeholders to acquire feedback on new and impending changes to the regulations. This will enhance the transparency and credibility as well as ensure sustainability of regulatory changes. In addition, the application of the National Policy on the Development and Implementation of Regulations, which serves as a guideline on parameters and principles of GRP, will be extended to state government and local authorities.

Existing efforts such as modernising business licensing, eliminating unnecessary regulatory burdens on business and reducing bureaucratic processes will be continued to lower compliance costs. Moving forward, a unified public consultation portal will be launched as a platform for public to provide feedback on proposed regulatory changes. In addition, NTMs at customs entry points will be streamlined to eliminate unnecessary trade practices and improve flow of imports and exports as well as reduce cost of doing business for importers, exporters and logistics players.

Priority Area B: Accelerating Innovation and Technology Adoption

Local firms, especially SMEs, continued to face issues, among others, related to innovation and technology adoption, coordination among agencies as well as investment in high-end R&D and talent in frontier technology. Initiatives will be undertaken to encourage local firms, especially SMEs, to move up the value chain and become globally competitive, particularly in the advent of the 4IR. These initiatives aim to boost innovation and promote adoption of latest technology to accelerate economic growth. In this regard, four key strategies will be implemented as follows:



Strategy B1: Harnessing the Fourth Industrial Revolution

The advent of the 4IR through emerging technologies such as advanced robotics, AI and blockchain, is driving unprecedented change across the world at a rapid pace. New opportunities and wealth will be created with the changing landscape, while competition between different global centres for production and services will be heightened. Efforts will be undertaken to encourage local firms in embracing the 4IR as well as intensify the adoption of Industry 4.0 in the manufacturing sector.

Embracing the Fourth Industrial Revolution

Malaysia needs to proliferate the culture of innovation by expanding the current capacity and capability to benefit from the 4IR. A national policy framework on the 4IR will be formulated to promote innovation, creativity and competitiveness in embracing the intensification of the digital revolution. Existing policies and programmes will be reviewed to identify gaps and design appropriate intervention. A brief description of the 4IR is as shown in *Box 15-2*.

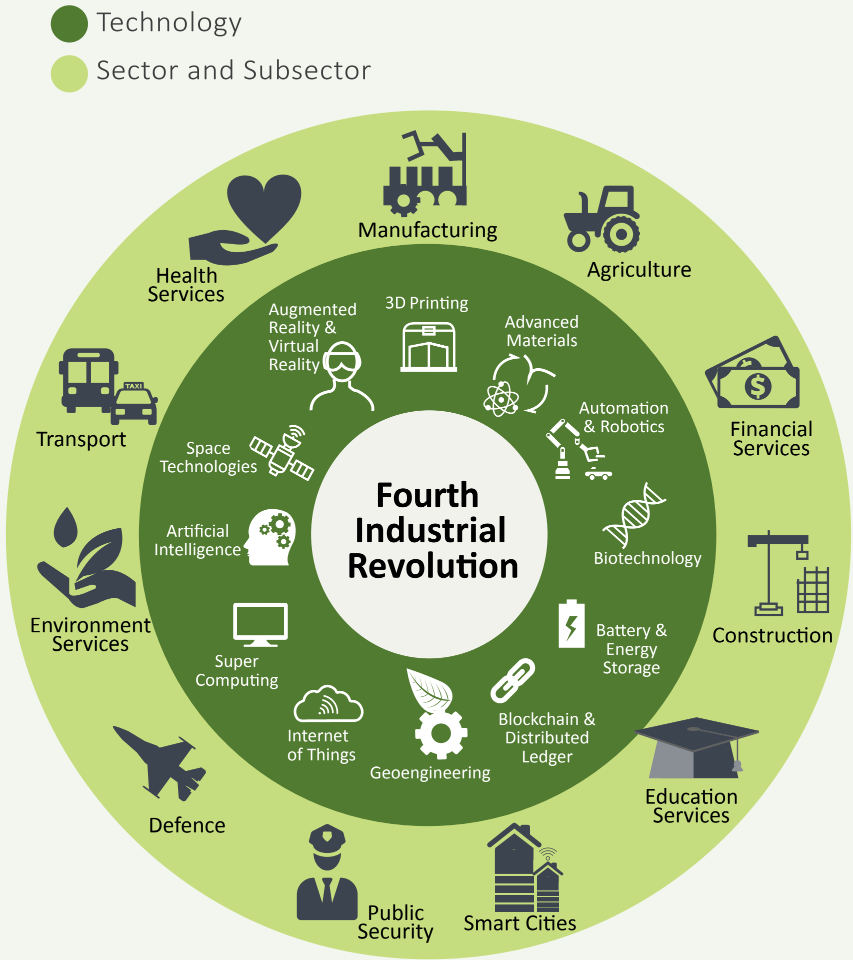
Box 15-2

Fourth Industrial Revolution

The Fourth Industrial Revolution (4IR) refers to the intensification of digital revolution permeating across cyber, physical and biological spheres covering a wide spectrum of the economic sectors and all aspects of society[1]. Among the technological megatrends underpinning 4IR include the miniaturisation of super computers as well as the rise of advanced robotics, artificial intelligence, internet of things (IoT), blockchain and 3D printing. The concept of 4IR originated from *Industrie 4.0* in Germany. *Industrie 4.0* refers to the smart production systems within the manufacturing sector. In the Malaysian context, the term Industry 4.0 also refers to the smart production systems within the manufacturing sector and forms part of the larger framework of 4IR. Numerous possible applications of 4IR technologies can be applied in various sectors and subsectors, as shown in the diagram.

The rapid advancement in digital economy and the convergence of technologies including disruptive technologies have impacted governments, businesses and individuals in areas ranging from economic competitiveness to daily lifestyle. The creative use of 4IR technology, real-time connectivity and better utilisation of assets in the context of sharing economy altered business model and the way services and products are being offered and traded. The emergence of disruptive technology such as e-hailing services of Uber and Grab transformed human mobility in an unprecedented manner, blurring the distinction between public and private transport and present a challenge to the regulatory framework.

Given the speed of technological change and the need for legal framework to facilitate innovation, the Government has introduced the national regulatory sandbox initiative, which allows innovators to test their ideas in a real environment.



Source: Adapted from World Economic Forum

Areas identified under the sandbox initiative, among others, include agriculture, biotechnology, education, energy, finance, healthcare, telecommunication, transportation, tourism, smart cities, green technology and waste management.

The impact of 4IR need to be comprehensively evaluated taking into consideration the speed, depth and extensive impact of 4IR on the society. Among the gains and challenges of the 4IR are as follows:

Notes: [1] Fourth Industrial Revolution as defined by the World Economic Forum.

Gains

- Heightens connectivity with the interconnectedness of devices and IoT
- Improves productivity and reduces cost through real-time global value chain
- Accelerates innovation and mass customisation through smart manufacturing
- Creates new types of services utilising big data analytics

Challenges

- Shifts foreign direct investment towards high-technology countries
- Rise in cyber security threats and erosion of personal data privacy
- Shifts in the labour market as new jobs are created, others become obsolete
- Dehumanises communication as a result of over reliance on devices

The rapid technological development necessitates Malaysia to have a paradigm shift from being a mere user to become a co-creator of technology. In order to drive this shift, talent requirements will need to be addressed comprehensively. This includes reskilling and upskilling of the current workforce as well as developing the required talent for the future. Towards this end, greater collaboration among academia and research institutes as well as technical training institutions and the industry will need to be intensified.

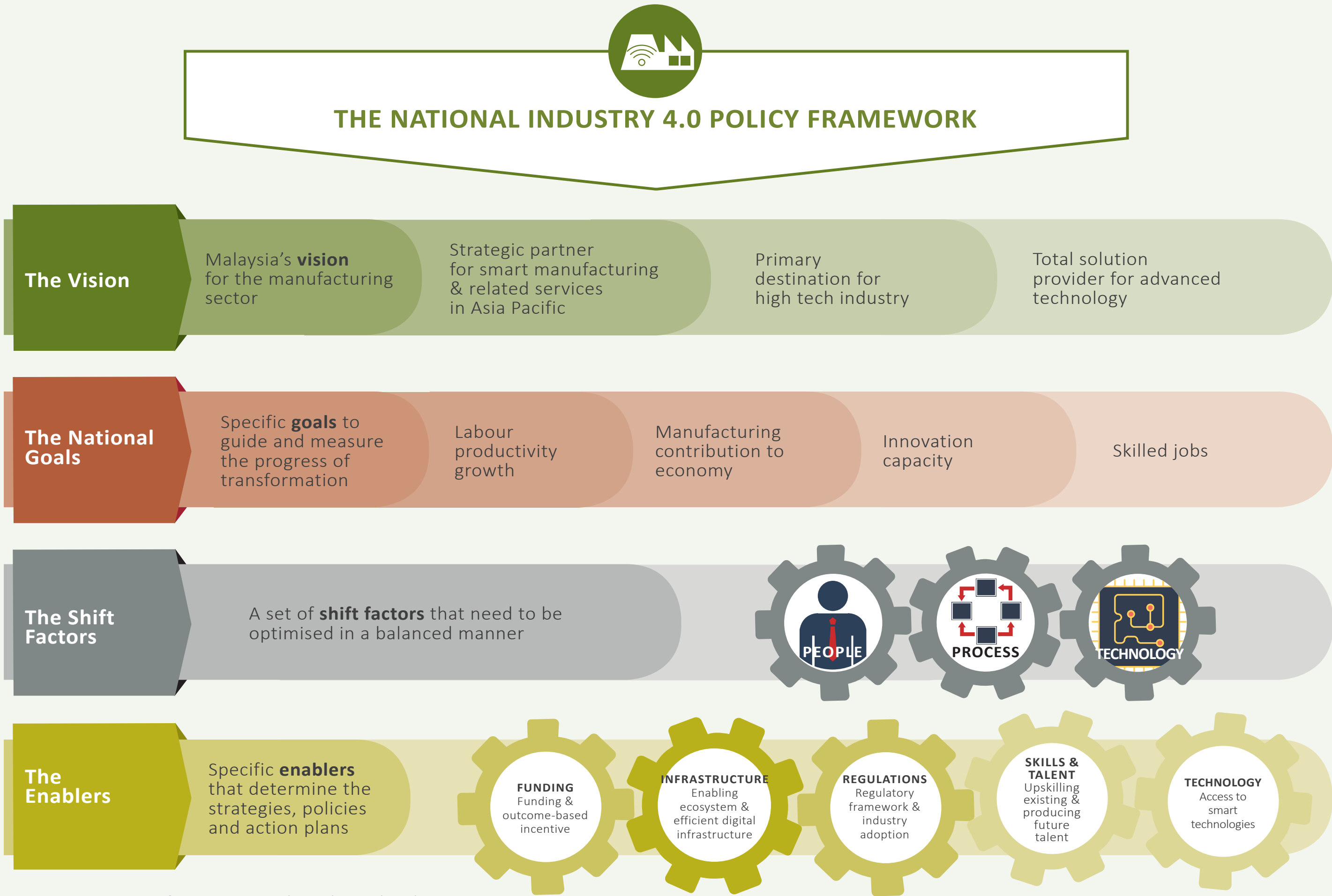
Catalysing Industry 4.0

The emergence of new technologies, such as IoT, big data analytics and advanced robotics, may disrupt business models and production processes. Therefore, firms, particularly the SMEs, will have to increase adoption of technologies to boost productivity and be globally competitive. In this regard, the adoption of Industry 4.0 related technologies will be intensified with the launch of the National Industry 4.0 Policy, 2018-2025. The policy provides the action plan in catalysing the adoption of Industry 4.0 related technologies to increase productivity and competitiveness of the manufacturing sector. In this respect, a conformity assessment on the readiness of selected firms will be carried out to determine the types of intervention and level of technical assistance required. The National Industry 4.0 Policy Framework is as shown in *Box 15-3*.

Box 15-3

The National Industry 4.0 Policy Framework, 2018-2025

The National Industry 4.0 Policy Framework serves as a strategic guide to enable the transformation of manufacturing sector and accelerate the adoption of the Industry 4.0 related technologies in response to the Fourth Industrial Revolution.



Source: Ministry of International Trade and Industry

The framework outlines broad strategies and action plan covering financing, infrastructure, regulations, skills and technology to be implemented by ministries and agencies in collaboration with industry. The strategies and action plan will contribute towards higher adoption of the Industry 4.0 related technologies, particularly among SMEs. The policy framework also embraces the broader ecosystem approach that leverages technology clusters and partners in the private sector. The ecosystem will support local companies to evolve into technology and solutions providers and improve competitiveness of manufacturers in the global market.

Strategy B2: Increasing Technology Adoption

SMEs contribution to the GDP remained low at 37.1% in 2017 despite being the largest source of employment. The majority of SMEs are still relying on low technology and engaging in low value-added activities. In this regard, initiatives will continue to be undertaken to create dynamic SMEs, which are globally competitive and able to produce high value-added goods and services. In the remaining Plan period, the initiatives include upgrading capacity and capability of SMEs, encouraging digitalisation among SMEs as well as accelerating the application of technology in the construction and agriculture sectors.

Upgrading capacity and capability of SMEs

Industry players are encouraged to produce high value-added products and services to move up to the global value chain. In this regard, SMEs will be supported in strategic areas through provision of funds and collaborative initiatives to embrace technology, particularly elements of Industry 4.0. Funding measures include the Inclusive Innovation Programme to assist SMEs in inculcating innovation culture. The Technology Commercialisation Platform will provide funds to enable SMEs commercialise innovative products. At the same time, the sectoral development initiatives under the Catalyst Programme will continue to build the capacity of SMEs to participate in the global supply chain. In addition, the Soft Loan Scheme for Automation and Modernisation will provide financing to automate the production line. Meanwhile, the process of approval for funds and grants for SMEs will be reviewed to enhance transparency, improve targeting and link with productivity-based outcomes as outlined in the MPB.

The criteria of the High Impact Fund will be reviewed to encourage multinational companies collaborate with SMEs in producing high-value products and services. The review will enable SMEs achieve productivity gains and remain globally competitive. Professional service providers will be encouraged to build capability and scale in niche areas through partnership with larger corporations or form multi-disciplinary consortia when bidding for projects domestically or internationally. In this regard, the Government will review its procurement policy to facilitate capacity building by giving preference to consortia. This will enable professional service providers to leverage the trust, network, synergy, and shared technical know-how that are established when venturing abroad.

Encouraging digitalisation among SMEs

Digitalisation has great potential to elevate SMEs outreach to the global market, reduce cost of doing business and create more skilled jobs. In this regard, efforts will be intensified in promoting greater application of digital technology including IoT, AI, virtual reality and robotics. Training programmes will also be enhanced to utilise ICT, particularly in the area of logistics, finance and insurance. In addition, digital marketing platforms will be leveraged to capitalise ecotourism products, unique culture and historical sites for tourism. Attention will also be given to online advisory and reviews as part of efforts to improve service quality to increase tourist arrivals.

Accelerating technology adoption in the construction sector

Efforts will be intensified to accelerate technology adoption in the construction sector to increase productivity and enhance the contribution of the sector to growth. In this regard, the implementation of the Construction Industry Transformation Programme (CITP) will be expanded to enhance the competitiveness of the industry. The CITP aims to improve quality, safety and professionalism; ensure environmental sustainability; increase productivity; and improve internationalisation. Meanwhile, greater focus will be given to encourage the adoption of Industrialised Building System (IBS) and Building Information Modelling (BIM) technology in improving the design, construction and maintenance of buildings. These will further improve the efficiency, productivity and quality of construction processes. In addition, the newly established MyBIM Library will serve as a central repository for BIM objects and IBS components to facilitate the development of BIM models at nominal cost to users.

Enhancing technology adoption in agriculture sector

The implementation of initiatives in encouraging technology adoption will be intensified in modernising the agriculture sector. Among the initiatives include adoption of precision-farming technology, utilisation of mobile applications in production processes and expansion of mechanisation and automation. Enabling factors including financing, training, support and extension services as well as incentives such as matching grants will be provided. A wider adoption of modern technology is expected to attract more youth participation in the sector.

Strategy B3: Aligning Research and Innovation

Efforts are needed to address the lack of coordination in R&D&C&I activities and low commercialisation of R&D output. In this regard, several initiatives will be undertaken in improving the alignment of R&D&C&I to priority sectors for effective and efficient implementation, thus optimising resource utilisation and maximising return on investment. In the remaining Plan period, efforts will focus on prioritising areas of science, technology and innovation (STI), strengthening the management of research by public research institutions and enhancing collaboration through intermediaries. In addition, demand-driven research will be increased and transfer of R&D output from lab to market will be improved.

Prioritising science, technology and innovation

The National Policy on Science, Technology and Innovation (NPSTI), 2013-2020, will be reviewed to provide new strategic direction for the development of STI in line with the advancement of the 4IR. In this regard, an action plan will be developed to guide the implementation of the strategies formulated in the revised NPSTI. Focus will be given to priority areas, such as biotechnology, nanotechnology, digital technology, green technology and neuro technology, which will be leveraged to boost STI advancement.

Strengthening management of research by public research institutions

The Government will periodically review and strengthen the prioritisation of R&D&C&I areas across and within sectors, taking into consideration national resources, competitive advantage and expertise. This review will create greater synergistic interlinkages across and within sectors, thus promoting demand-driven research. In addition, there is an urgent need to restructure public research institutions to ensure efficiency and effectiveness. In this regard, the governance of R&D&C&I activities will be improved with the establishment of a centralised research management agency (RMA). The RMA will act as a national management house to centrally coordinate public R&D&C&I implementation as well as resource sharing and utilisation. In addition, inter-ministry collective decision making committee will be institutionalised to promote shared responsibility and accountability. Subject matter experts from academia, industry and civil society will also be leveraged to facilitate market alignment and scientific rigorous assessment.

Enhancing collaboration through intermediary

Initiatives will be implemented to accelerate innovative activities, thus providing impetus for innovation-driven growth through R&D&C&I. In this regard, intermediaries such as the Public-Private Research Network, Steinbeis Malaysia Foundation and SIRIM-Fraunhofer programme will continue to encourage companies to innovate as well as improve competitiveness and productivity. The quadruple helix model of Collaborative Research in Engineering, Science and Technology (CREST), involves government-industry-academia-civil society, focuses on E&E subsector has shown success and thus, can be emulated by other sectors to ensure better targeting of R&D.

Increasing demand-driven research

Research, development and commercialisation (R&D&C) activities will be directed towards supporting the growth of local SMEs. In this regard, a fund for small business innovation research will be explored to promote research among SMEs. The proposed fund will be offered to SMEs through a competitive process to finance R&D&C activities carried out primarily in Malaysia. The proposed fund will be made available for SMEs to engage Malaysian researchers or foreign talent involved in collaborative research with locals, to ensure the R&D&C activities benefit the country. Meanwhile, collaboration between ministries, research institutions and institutions of higher education will be intensified to streamline research activities based on industry needs and priorities.

Improving the transfer of research and development output from lab to market

Efforts to improve the transfer of R&D output from lab to market will be intensified through collaboration, partnership and technology transfer among industries and researchers. In addition, the Malaysia Commercialisation Year programme will be continued to leverage the collaboration and sharing of resources by various ministries and agencies that conduct R&D activities and further increase the commercialisation of local R&D

outputs. The programme aims to build a resilient and effective commercialisation ecosystem in order to raise the contribution of R&D to the economic development of the nation. Furthermore, the provision of incentives in the form of grants and soft loans such as Facilitation Fund, Commercialisation of R&D Fund and Biotechnology Commercialisation Fund will continue to facilitate the commercialisation of R&D output from lab to market.

Strategy B4: Enhancing Capacity Building

Insufficient skilled and quality human capital in specific skills hampered the shift towards advanced and high knowledge-intensive economic activities. In addressing this issue, capacity building efforts will have to be intensified to create more efficient and skilled workforce in meeting industry demand. In the remaining Plan period, initiatives to enhance capacity building include strengthening skills training programmes as well as enhancing collaboration between training institutions and industry.

Strengthening skills training programme

Efforts will be focused on enhancing capacity building to increase the quality as well as the number of skilled workforce to support innovation, modernisation and adoption of new technology associated with 4IR. Greater collaboration among stakeholders through various initiatives such as internship programmes and skills training for workers will be continued to meet the industry specific talent requirements. The industries will be encouraged to invest in human capital development through reskilling and upskilling programmes in the areas of ICT services, software outsourcing, logistics, finance and insurance as well as tourism to embrace and adopt the technological advancement. Initiatives will be continued to attract foreign direct investment in knowledge-intensive industries and adopt best practices, aligned with the development of the 4IR.

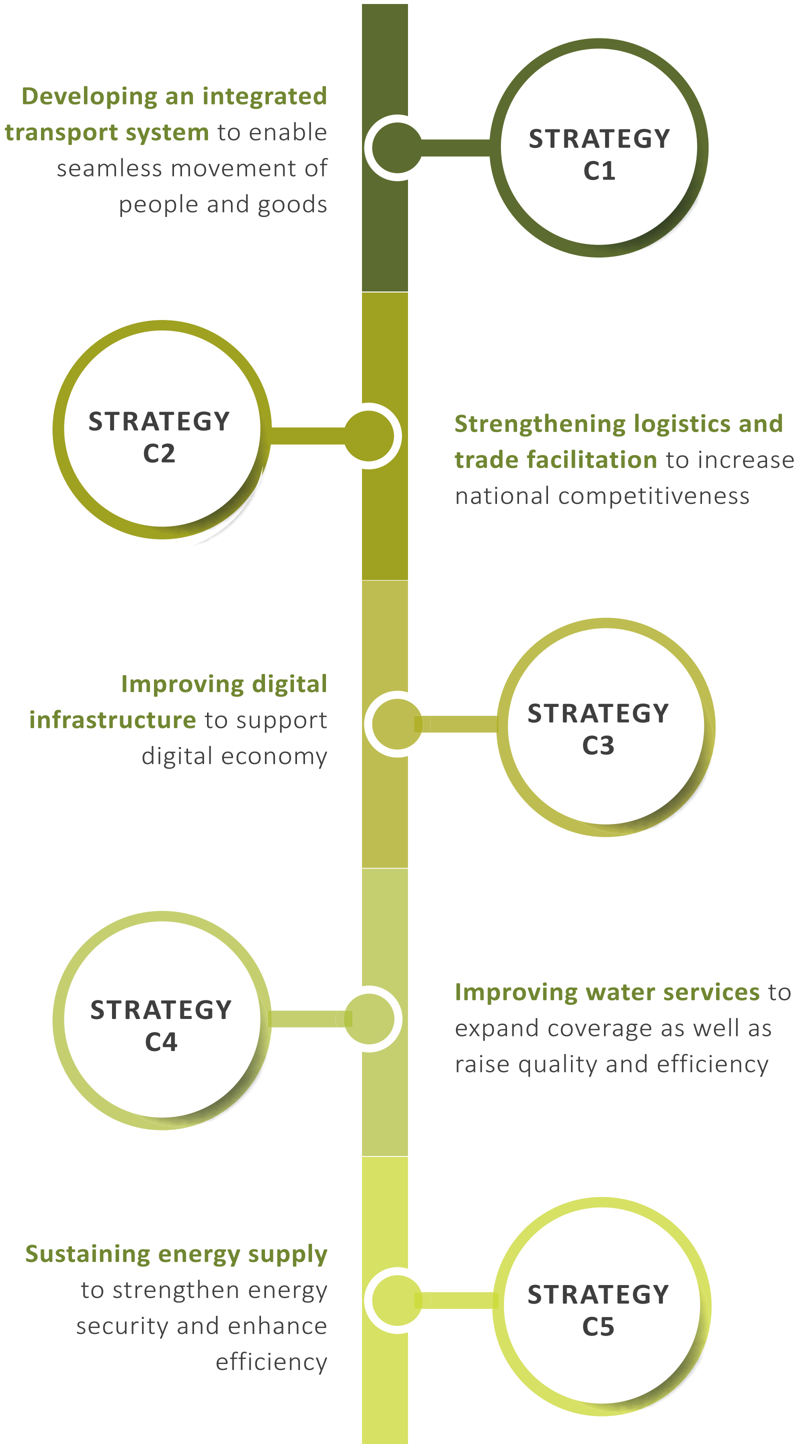
Enhancing collaboration between training institutions and industry

Collaboration between training institutions and industries will be intensified in the remaining Plan period to produce skilled workforce in meeting industry demand. The Industry Skills Committee, a joint public-private platform, will develop new syllabi specific to emerging industry requirements through identification of areas and profiling of human capital. In order to address skills mismatch, the Critical Occupations List (COL) initiative will be used to identify and forecast jobs in the long term. As for the E&E subsector, programmes will be implemented through joint partnership with the private sector to retrain more engineers in the areas of integrated circuit design and embedded system towards high value-added activities.

In the agriculture sector, initiatives will be undertaken to strengthen the collaborative efforts in the designing and customisation of training programmes to increase employability of graduates in agro-food subsector. The training programmes will be customised and widened to include agronomy, soil science, diseases and entomology, bioengineering, food technology and nutraceuticals. School leavers will be encouraged to enrol in agricultural-based Technical and Vocational Education and Training (TVET) programmes to increase the supply of skilled workforce in the agriculture sector. The availability of skilled workers will enable adoption of modern agriculture practices and increase productivity of the sector.

Priority Area C: Providing Quality Infrastructure

The provision of quality infrastructure remains an issue in terms of integration, coverage and connectivity as well as affordability and sustainability. In this regard, greater emphasis will be given to transport integration in enabling seamless movement of people and goods. Logistics and trade facilitation initiatives will focus on improving efficiency and effectiveness of services along the value chain to enhance competitiveness. Meanwhile, digital infrastructure will be improved to increase broadband coverage and capacity to cater for the demand of the digital economy. In addition, efforts to enhance the efficiency and reliability of water services and energy supply will be undertaken. In the remaining Plan period, five key strategies in providing quality infrastructure for economic expansion are as follows:



Strategy C1: Developing an Integrated Transport System

An integrated transport system that facilitates business and enables seamless travel is vital for economic growth. In this regard, existing initiatives to improve public transport services, address road congestion and expand road networks especially in underserved areas will be intensified. Measures will also be undertaken to increase the efficiency of port operations and upgrade facilities at selected airports. Quality investment will be prioritised in the development of transport related projects, taking into account actual demand and feasibility, to ensure the infrastructure are optimised. In the remaining Plan period, efforts will focus on streamlining initiatives through national transport policy, enhancing connectivity across regions, integrating different modes of transport, upgrading airport infrastructure, improving ports accessibility and capacity as well as optimising transport infrastructure.

Streamlining initiatives through national transport policy

A policy on national transport that sets the principles of sustainable transport and provides framework for ministries and agencies will be launched. This policy aims to create a conducive ecosystem for the transport industry to enhance productivity and competitiveness at national, regional and global levels. In addition, it intends to facilitate seamless movement of goods to boost trading activities. It will also provide mobility that meets the needs of *rakyat* and promotes inclusivity as well as delivers an intelligent, safe and secure transport system. Strategies and action items have been outlined to guide relevant ministries and agencies including local authorities to develop and streamline transport initiatives towards a common goal. This will result in effective and efficient use of resources and minimise environmental pollution as well as enhances the wellbeing of the *rakyat* in line with an advanced nation status.

Enhancing connectivity across regions

The connectivity across regions particularly in the underserved areas will be given priority. The completion of various phases of the Central Spine Road will strengthen connectivity between states in the east coast of Peninsular Malaysia whereas the Pan Borneo

Highway will improve accessibility within Sabah and Sarawak. These highways are expected to open up new areas and boost economic activities. In addition, to achieve greater balanced regional development, construction of highways outside the Klang Valley will continue to be given priority. In terms of improving railway services, the completion of the double tracking project from Gemas to Johor Bahru in 2021 is envisaged to reduce travel time between northern and southern regions as well as enhance quality and comfort. Meanwhile, rural air services that benefit the local community in the remote areas of Sabah and Sarawak, will be rationalised to ensure sustainable operations.

Integrating different modes of transport

Efforts will be undertaken to facilitate modal shift for transportation of cargo, especially hazardous and dangerous goods, from road to rail. In this regard, tighter regulations will be imposed while greater connectivity between these two modes will be improved. These measures aim to mitigate the high usage of roads at 98.4%, to transport goods, which has led to traffic congestion and high number of accidents. At the same time, an upgrading of double tracking in Klang Valley will facilitate faster movement of intercity passenger train, Komuter train and cargo train. In addition, integration between different modes of transport, particularly at entry points such as ports and airports, will be strengthened to facilitate seamless movement of goods.

Upgrading airport system and infrastructure

Expansion of terminals, extension of runways and enhancement of airport facilities will be undertaken in selected airports such as the Sultan Ismail Petra Airport, Kota Bharu and Penang International Airport to increase capacity and efficiency. The completion of upgrading works at the Langkawi International Airport by end of 2018 will reduce congestion and improve comfort for air travellers. Meanwhile, aviation safety will be further strengthened through the upgrading of air traffic management system which consists of communication, navigation and surveillance systems to improve efficiency of air navigation services. In this regard, the Kuala Lumpur Air Traffic Control Centre once completed by 2020 will increase aircraft movements from 68 movements per hour to 108 movements to strengthen Kuala Lumpur International Airport as the main gateway.

Improving ports accessibility and capacity

Increasing capacity and efficiency of port operations is vital in supporting trade. In this regard, port operators are encouraged to improve the services in enhancing competitiveness. Among others, initiatives will be undertaken to improve the ranking of the main hubs, namely Port Klang and Pelabuhan Tanjung Pelepas (PTP) in the world’s top 20 container ports. The role of other existing ports will be streamlined to complement and support the main hubs in line with the National Port Strategy study in 2016. Given the underutilised capacity of existing ports, proposals for the construction of new ports will not be considered. In addition, strategies will also be undertaken to improve land connectivity through road and rail networks and enhance capacity of ports through the construction of additional berths and wharves. Meanwhile, port operators will be encouraged to digitalise and automate port operations extensively.

Optimising transport infrastructure

Efforts will be intensified to address road accidents and service interruptions for Komuter train and cargo services by improving the use of existing assets and infrastructure. In this regard, preventive maintenance of existing transport infrastructure will be undertaken to ensure all assets and facilities operate at optimal levels. Meanwhile, prior to the implementation of new infrastructure projects, a comprehensive analysis and feasibility study will be carried out to establish the need and viability of these projects. The analysis aims to ensure that only projects with strong economic and social benefits are executed.

Strategy C2: Strengthening Logistics and Trade Facilitation

The logistics industry in Malaysia remains fragmented and less competitive due to factors such as inadequate connectivity, low adoption of technology and innovation as well as burdensome regulations that impede trade. Initiatives on strengthening logistics and trade facilitation will be continued to increase the efficiency of the industry and promote trade activities. In the remaining Plan period, initiatives to further unleash the growth of logistics and enhance trade facilitation, will focus on improving efficiency along the value chain and digitalising logistics services.

Improving efficiency in the logistics services

Efforts will be focused on improving efficiency and effectiveness of logistics services along the value chain to enhance competitiveness and create economy-wide development impact. The National Logistics Task Force (NLTF) led by the Ministry of Transport (MOT) will continue to spearhead and coordinate the implementation of policies and strategies as well as drive change in the logistics industry. The NLTF will actively engage industry players and relevant stakeholders to further align strategies and initiatives to increase competitiveness of the industry.

The provision of efficient and quality warehouse services is pertinent in ensuring seamless movement of goods in the logistics supply chain. This will require developing standards and specifications, identifying suitable locations, improving processes for approval, establishing a comprehensive national warehouse database as well as implementing effective monitoring mechanisms. These measures will provide opportunities for Malaysia to be a distribution centre for the ASEAN region, particularly for goods purchased online and courier services. In this regard, MOT will collaborate with the Ministry of Housing and Local Government to ensure the successful implementation of these initiatives.

Collaboration between permit issuing agencies and the Royal Malaysian Customs Department is vital to expedite cargo clearance processing time and reduce cost of doing business. In this regard, a centralised examination area for goods in major entry points as implemented in Port Klang will be replicated to enhance collaboration. Furthermore, the uCustoms initiative, a single window gateway that provides end-to-end solutions for cargo clearance, will be fully implemented in early 2019. The implementation of the uCustoms will increase efficiency and productivity and boost the competitiveness of the Malaysian logistics industry players.

The economic growth through trade and exports will necessitate greater capacity and efficiency of port infrastructure. Ports that are reaching capacity limits will be encouraged to seek alternative funding to invest in upgrading port infrastructure to handle larger vessels and provide efficient cargo handling facilities through greater adoption of technology. In addition, greater collaboration among relevant ministries is required to develop a plan in upgrading connectivity to gateways, dispersing economic growth across different regions.

Digitalising logistics services

ICT will be leveraged to provide seamless movement of goods and services as well as encourage e-commerce activities. The private sector will take the lead to establish and promote virtual selling platforms as well as develop fulfilment centres and urban logistics. These activities will transform the traditional supply chain towards a smart supply chain ecosystem. In this regard, the Government will provide a favourable environment through simplified rules and regulations to accelerate the adoption of ICT in the logistics industry. Meanwhile, efforts will be intensified to encourage greater collaboration between the various stakeholders in leveraging the DFTZ initiative and creating a conducive ecosystem to further expand the e-commerce activities.

Strategy C3: Improving Digital Infrastructure

The deployment of digital infrastructure is constrained by high cost and low return on investment particularly in rural areas, resulting in inadequate broadband coverage. Several other issues including the issuance of the right of way and permits for communication infrastructure continue to hinder the deployment of digital infrastructure. In this regard, the capacity and coverage of the digital infrastructure will be further improved to support the development of digital economy as well as increase efficiency and productivity. In the remaining Plan period, measures to improve broadband will be undertaken to increase connectivity, affordability and quality. In addition, efforts will be undertaken to complete the migration to digital terrestrial television (DTT).

Improving broadband connectivity

Efforts will be intensified to improve broadband coverage and capacity through the National Fiberisation and Connectivity Plan to keep pace with the development of digital economy. This will involve the expansion of fibre networks, together with commercial deployment of communications infrastructure towards achieving the target of 95% broadband coverage in populated areas. In addition, enforcement of the amended Uniform Building By-Laws will be strengthened to ensure installation of communications infrastructure in all new commercial and residential development. Meanwhile, relevant laws will be streamlined to ensure communications infrastructure is provided as one of the public utilities. Persistent issues such as the right of way and complicated procedures related to deployment of digital infrastructure will be resolved, through more integrated and coherent collaboration amongst Federal and state governments as well as local authorities.

Improving broadband affordability and quality

The implementation of Mandatory Standard of Access Pricing and Quality of Services will be continuously monitored to provide better consumer protection and assure affordability of the fixed broadband cost. Efforts will be intensified to reduce the price and double the speed of fixed broadband. In addition, active engagement with the relevant stakeholders will be further intensified to improve the General Consumer Code, which provides model procedures for service providers to endeavour in meeting consumer requirements. This will ensure industry is more customer-centric and consumer rights are protected. In addition, the competition provisions in the Communication and Multimedia Act 1998 will also be reviewed to ensure the market is more competitive, hence offering better pricing for consumers and businesses.

Migrating to digital terrestrial television

In the aspect of migrating to the DTT, the service is targeted to achieve 98% coverage upon completion of the analogue switch off by first quarter of 2019. Ultimately, the DTT will offer new value-added and interactive services to enhance user experience through television. The new value-added services include e-Learning applications, e-Shopping, interactive and online games as well as web TV.

Strategy C4: Improving Water Services

Efficient and quality water services are fundamental for economic growth and uplifting wellbeing of the *rakyat*. In this regard, the coverage of water services will be expanded to meet the growing demand. In the remaining Plan period, initiatives will focus on increasing efficiency and productivity of water supply and sewerage services, expanding network and treatment plant capacity as well as optimising usage of water.

Increasing efficiency and productivity of water supply and sewerage services

Efforts will continue to focus on improving coverage, quality and efficiency of water services to domestic and non-domestic users. Initiatives that will be undertaken for water supply services include the implementation of Tariff Setting Mechanism and restructuring of water services industry. In addition, the initiative for sewerage services includes the rationalisation of small and inefficient sewerage treatment plants (STPs), shifting to regional or centralised STPs. These initiatives will contribute to increasing revenue while reducing operating costs of service operators, thus ultimately improving efficiency and productivity of water supply and sewerage services.

The implementation of holistic Non-Revenue Water (NRW) Reduction Programme to reduce treated water loss will be intensified. The Government will continue to focus on developing a comprehensive district metering zone to monitor leakages, installing new and replacing old water meters, pipes and tanks as well as implementing measures to improve water pressure control. Furthermore, the Government will incentivise water services operators that achieve the NRW reduction targets through partial reimbursement of the capital investment.

Expanding network and increasing treatment plant capacity

The capacity of treatment plants will also be increased by upgrading existing or constructing new water treatment plants and STPs, particularly to cater for increasing demand in high density areas. In this regard, priority will be given to upgrade and construct water treatment plants in states such as Kedah and Selangor, which have recorded low reserve margins, while regional and centralised STPs will be constructed in main cities such as Alor Setar, Kuantan and Taiping. Meanwhile, the issue of sustainable supply of freshwater for plant operations will be addressed by using cost-effective alternatives such as off-river storage to tap and retain surplus run-off water from rivers.

Optimising usage of water

In the remaining Plan period, optimal usage of water resources across sectors will be given greater emphasis. In this regard, a comprehensive water demand management master plan will be formulated to facilitate a structured shift from supply-driven to demand-driven management to promote efficient and prudent use of water. In addition, a national sewerage master plan will be developed to provide an integrated and holistic long-term policy direction to strengthen the sewerage services industry as well as minimise environmental impacts.

Efficient management of water and related infrastructure for agriculture sector is also important as this sector is the biggest user of water resources in the country. This is crucial in ensuring sustainability in the agriculture sector. Programmes to instil responsible water usage among farmers will be expanded while irrigation and drainage infrastructure will be upgraded and maintained. In addition, the application of Good Agriculture Practice such as myGAP, myOrganic and MSPO as well as precision farming practices will further promote efficient water usage in the sector.

Strategy C5: Sustaining Energy Supply

The provision of reliable and sustainable energy supply is fundamental to strengthen energy security and enhance efficiency. In this regard, the provision and efficiency of energy supply will be improved to meet growing demand. In the remaining Plan period, initiatives will focus on strengthening oil and gas security of supply, ensuring energy security through better management of resources and enhancing efficiency in energy sector.

Strengthening oil and gas security of supply

Concerted efforts to increase security and reliability of oil and gas supply will be continued through the construction of new additional pipelines and other infrastructure. This construction includes PETRONAS floating liquefied natural gas 2, with a capacity of 1.5 million tonne per annum offshore Sabah, expected to be commissioned in July 2020 and the gas pipeline networks from Ayer Tawar to Lembah Kinta, Perak. Meanwhile, the commencement of the Refinery and Petrochemical Integrated Development (RAPID) operations will increase the combined domestic oil refining capacity beyond 900,000 barrels per day by 2019. In addition, storage capacity of crude oil and petroleum products in Pengerang Integrated Petroleum Complex will be expanded from 1.3 million cubic meters to 3.2 million by 2020. These efforts will enable Malaysia to increase production of higher value-added petroleum products to leverage domestic and export markets. Furthermore, the application of enhanced oil recovery technology in mature oil fields to obtain stranded oil will further increase crude oil production from these fields.

Ensuring energy security through better management of resources

Electricity generation that is heavily reliant on imported coal and gas exposes a nation to significant security of supply and price fluctuation risks. In this regard, Malaysia recorded a value of 0.44 in 2016 in the Herfindahl-Hirschman Index (HHI)[1], which indicates a fairly diverse level of fuel mix. The Government aspires to continuously maintain a balanced fuel mix by intensifying the utilisation of renewable energy. Therefore, the HHI will be maintained below 0.5 to ensure diversification of fuel mix.

Efforts to increase the share of electricity generated from renewable energy as well as explore the use of new sources will be intensified. These efforts aim to further reduce the dependency on fossil fuels for electricity generation, particularly the use of coal that has impact on the environment. Meanwhile, the utilisation of renewable sources such as solar, micro hydro and biogas will be intensified to ensure a wider coverage in remote areas and achieve 99% coverage of electricity supply nationwide.

Enhancing efficiency in energy sector

Efforts to improve efficiency and reliability of electricity supply in Peninsular Malaysia are currently being undertaken through the implementation of the second phase of the Incentive Based Regulation (IBR), from 2018 to 2020. The IBR mechanism is used to determine electricity tariff, taking into account costs related to fuel, generation, transmission and distribution, to enhance transparency in driving efficiency and improving service levels. The implementation of IBR will be extended to Sabah during the remaining Plan period. Meanwhile, efforts to ensure security of electricity supply will be continued with the construction of new power plants through competitive bidding for greater transparency and healthy competition among industry players. In addition, extension of existing power plants period will be reviewed. These measures will result in more competitive tariffs and benefit consumers.

[1] HHI measures the dependency on the type of fuel used in the generation mix. The HHI value reflects the diversity level of a grid system, where the value exceeding 0.5 indicates over-dependency on the particular type of fuel.

Conclusion

During the remaining Plan period, strengthened sectoral growth and structural reforms as well as accelerated innovation and technology adoption, particularly among SMEs, are anticipated to bolster economic growth. In addition, a more knowledge-intensive and skilled workforce will be integral to support the economic sectors in moving up the value chain. Leveraging 4IR will also be vital to ensure Malaysia benefits from the rapid technological advancement to increase competitiveness and market efficiency. Meanwhile, the provision of quality infrastructure in terms of improving connectivity, efficiency and reliability will further support economic activities. These concerted efforts will enhance productivity and ensure Malaysia remains on track to become a developed and inclusive nation.

Appendix

Tables and Charts

Glossary

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Organisational Chart of Ministry of Economic Affairs

Table 1

Gross Domestic Product by Expenditure Category, 2010-2020 (at constant 2010 prices)

Item	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Private Expenditure	**496,536**	**735,772**	**776,688**	**835,256**	**1,014,014**	***8.2***	***7.2***	***6.5***	***6.7***	***6.6***
Consumption	395,245	556,632	589,774	630,988	772,983	*7.1*	*6.4*	*6.5*	*7.0*	*6.8*
Investment	101,291	179,140	186,914	204,268	241,031	*12.1*	*9.4*	*6.8*	*5.7*	*6.1*
Public Expenditure	**186,347**	**238,226**	**239,031**	**246,972**	**246,183**	***5.0***	***3.3***	***1.8***	***-0.1***	***0.7***
Consumption	103,346	143,577	144,877	152,769	154,180	*6.8*	*3.7*	*3.2*	*0.3*	*1.4*
Investment	83,001	94,649	94,154	94,203	92,003	*2.7*	*2.7*	*-0.2*	*-0.8*	*-0.6*
Net Export	**130,738**	**91,212**	**92,757**	**90,958**	**95,684**	***-6.9***	***0.4***	***-0.1***	***1.7***	***1.0***
Exports of Goods and Services	714,075	771,739	781,939	855,196	913,285	*1.6*	*2.1*	*5.3*	*2.2*	*3.4*
Imports of Goods and Services	583,337	680,527	689,182	764,238	817,601	*3.1*	*2.3*	*6.0*	*2.3*	*3.7*
Gross Domestic Product	**821,434**	**1,063,998**	**1,108,935**	**1,174,329**	**1,357,520**	***5.3***	***5.0-6.0***	***5.1***	***4.5-5.5***	***4.5-5.5***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 2

Gross Domestic Product by Expenditure Category, 2010-2020 (at current prices)

Item	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Private Expenditure	**496,536**	**825,020**	**886,261**	**983,681**	**1,269,774**	***10.7***	***10.2***	***9.2***	***8.9***	***9.0***
Consumption	395,245	626,372	674,964	748,857	975,664	*9.6*	*9.5*	*9.3*	*9.2*	*9.3*
Investment	101,291	198,648	211,297	234,824	294,110	*14.4*	*12.3*	*8.7*	*7.8*	*8.2*
Public Expenditure	**186,347**	**256,398**	**260,440**	**272,066**	**280,605**	***6.6***	***5.6***	***3.0***	***1.0***	***1.8***
Consumption	103,346	152,338	154,905	164,671	171,539	*8.1*	*5.9*	*4.0*	*1.4*	*2.4*
Investment	83,001	104,060	105,535	107,395	109,066	*4.6*	*5.2*	*1.6*	*0.5*	*0.9*
Net Export	**130,738**	**88,592**	**83,128**	**93,951**	**101,770**	***-7.5***	***3.0***	***3.0***	***2.7***	***2.8***
Exports of Goods and Services	714,075	817,370	834,491	966,174	1,082,330	*2.7*	*4.3*	*8.7*	*3.9*	*5.8*
Imports of Goods and Services	583,337	728,778	751,363	872,223	980,561	*4.6*	*4.4*	*9.4*	*4.0*	*6.1*
Gross Domestic Product	**821,434**	**1,158,513**	**1,231,020**	**1,353,380**	**1,655,387**	***7.1***	***8.8***	***8.1***	***6.9***	***7.4***
Gross National Income	**795,303**	**1,126,401**	**1,196,428**	**1,317,027**	**1,611,964**	***7.2***	***9.2***	***8.1***	***7.0***	***7.4***
Gross National Income per capita										
RM	27,819	36,119	37,822	41,093	47,716	...	...	...	...	...
US$	8,636	9,248	9,117	9,556	11,695	...	...	...	...	...
Inflation, % p.a.	***1.7***	***2.1***	***2.1***	***3.7***	***...***	***2.4***	***2.8***	***2.9***	***2.0-3.0***	***2.0-3.0***
						Percentage point change, %				
Unemployment, % p.a., end period	***3.3***	***3.1***	***3.4***	***3.4***	***<3.5***	***-0.2***	***-0.3***	***0.3***	***-0.1***	***0.2***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 3

Gross Domestic Product by Kind of Economic Activity, 2010-2020 (at constant 2010 prices)

Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Agriculture	**82,882**	**94,396**	**89,509**	**95,968**	**101,902**	***2.6***	***3.5***	***0.8***	***2.0***	***1.5***
Mining and Quarrying	**89,793**	**95,508**	**97,468**	**98,436**	**98,877**	***1.2***	***1.3***	***1.5***	***0.1***	***0.7***
Manufacturing	**192,493**	**243,703**	**254,472**	**269,804**	**308,128**	***4.8***	***5.1***	***5.2***	***4.5***	***4.8***
Construction	**28,213**	**46,719**	**50,197**	**53,574**	**60,750**	***10.6***	***10.3***	***7.1***	***4.3***	***5.4***
Services	**420,382**	**569,865**	**602,261**	**639,568**	**769,066**	***6.3***	***6.9***	***5.9***	***6.3***	***6.2***
Electricity, Gas and Water	22,173	27,161	28,618	29,437	32,573	*4.1*	*3.9*	*4.1*	*3.4*	*3.7*
Wholesale & Retail Trade, Accommodation and Restaurants	134,634	185,260	197,167	211,258	259,783	*6.6*	*5.9*	*6.8*	*7.1*	*7.0*
Transport, Storage and Communications	68,511	98,062	105,120	113,107	143,563	*7.4*	*8.8*	*7.4*	*8.3*	*7.9*
Finance, Insurance, Real Estate and Business Services	93,939	119,399	124,470	131,565	155,440	*4.9*	*6.8*	*5.0*	*5.7*	*5.4*
Government Services	64,359	93,208	97,818	102,623	116,214	*7.7*	*6.3*	*4.9*	*4.2*	*4.5*
Other Services	36,766	46,776	49,068	51,578	61,492	*4.9*	*9.4*	*5.0*	*6.0*	*5.6*
Plus: Import Duties	**7,672**	**13,808**	**15,030**	**16,980**	**18,797**	***12.5***	***1.4***	***10.9***	***3.4***	***6.4***
Gross Domestic Product	**821,434**	**1,063,998**	**1,108,935**	**1,174,329**	**1,357,520**	***5.3***	***5.0-6.0***	***5.1***	***4.5-5.5***	***4.5-5.5***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 4

Gross Domestic Product by Income Components, 2010-2020 (at current prices)

Item	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Compensation of Employees	**260,682**	**403,161**	**434,005**	**475,726**	**628,219**	***9.1***	***12.0***	***8.6***	***9.7***	***9.3***
Gross Operating Surplus	**530,574**	**699,699**	**732,617**	**812,952**	**964,569**	***5.7***	***6.8***	***7.8***	***5.9***	***6.6***
Income of Capital Owners	384,806	439,894	449,184	510,295	591,489	*2.7*	*3.4*	*7.7*	*5.0*	*6.1*
Mixed Income	145,767	259,805	283,432	302,656	373,080	*12.3*	*12.2*	*7.9*	*7.2*	*7.5*
Taxes less Subsidies	**30,179**	**55,653**	**64,399**	**64,703**	**62,598**	***13.0***	***7.6***	***7.8***	***-1.1***	***2.4***
Gross Domestic Product	**821,434**	**1,158,513**	**1,231,020**	**1,353,380**	**1,655,387**	***7.1***	***8.8***	***8.1***	***6.9***	***7.4***
Share to GDP, %										
Compensation of Employees	***31.7***	***34.8***	***35.3***	***35.2***	***38.0***					
Gross Operating Surplus	***64.6***	***60.4***	***59.5***	***60.0***	***58.2***					
Income of Capital Owners	*46.8*	*38.0*	*36.5*	*37.7*	*35.7*					
Mixed Income	*17.7*	*22.4*	*23.0*	*22.3*	*22.5*					
Taxes less Subsidies	***3.7***	***4.8***	***5.2***	***4.8***	***3.8***					

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 5

Gross Domestic Product by State and Kind of Economic Activity, 2010-2020 (at constant 2010 prices)

State/Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
JOHOR										
Agriculture	12,501	14,744	14,034	15,274	17,274	*3.4*	*2.7*	*1.8*	*4.2*	*3.2*
Mining and Quarrying	228	405	483	556	707	*12.2*	*-1.6*	*17.2*	*8.3*	*11.8*
Construction	2,707	5,761	7,141	6,673	6,610	*16.3*	*9.7*	*7.6*	*-0.3*	*2.8*
Manufacturing	23,532	30,335	31,991	34,182	39,953	*5.2*	*5.7*	*6.2*	*5.3*	*5.7*
Services	34,440	46,588	49,401	52,686	63,105	*6.2*	*6.6*	*6.3*	*6.2*	*6.3*
GDP	**74,102**	**98,959**	**104,622**	**111,084**	**129,455**	***6.0***	***5.9***	***5.9***	***5.2***	***5.5***
GDP per capita (RM at current prices)	22,035	29,579	32,005	34,362	39,166					
KEDAH										
Agriculture	4,428	5,456	4,983	5,338	6,089	*4.3*	*4.1*	*-1.1*	*4.5*	*2.2*
Mining and Quarrying	56	103	118	135	170	*13.1*	*-1.9*	*14.7*	*7.9*	*10.6*
Construction	593	662	767	713	700	*2.2*	*3.8*	*3.8*	*-0.6*	*1.1*
Manufacturing	7,959	10,262	10,722	11,178	12,032	*5.2*	*4.1*	*4.4*	*2.5*	*3.2*
Services	14,190	19,255	20,284	21,374	24,935	*6.3*	*7.1*	*5.4*	*5.3*	*5.3*
GDP	**27,356**	**36,014**	**37,184**	**39,032**	**44,224**	***5.7***	***5.8***	***4.1***	***4.3***	***4.2***
GDP per capita (RM at current prices)	14,034	18,262	19,161	20,327	23,086					
KELANTAN										
Agriculture	4,498	4,929	5,065	5,305	5,397	*1.8*	*3.6*	*3.7*	*0.6*	*1.8*
Mining and Quarrying	125	223	249	291	355	*12.3*	*-1.5*	*14.4*	*6.8*	*9.8*
Construction	316	359	466	423	412	*2.6*	*3.7*	*8.5*	*-0.9*	*2.8*
Manufacturing	987	1,087	1,111	1,212	1,508	*1.9*	*3.5*	*5.6*	*7.6*	*6.8*
Services	9,643	13,091	13,742	14,429	17,137	*6.3*	*5.4*	*5.0*	*5.9*	*5.5*
GDP	**15,591**	**19,717**	**20,656**	**21,684**	**24,835**	***4.8***	***4.8***	***4.9***	***4.6***	***4.7***
GDP per capita (RM at current prices)	9,806	12,088	12,813	13,593	15,177					

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 5

Gross Domestic Product by State and Kind of Economic Activity, 2010-2020 (at constant 2010 prices)—cont.

State/Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
MELAKA										
Agriculture	2,562	3,409	3,529	3,770	3,947	*5.9*	*3.7*	*5.2*	*1.5*	*3.0*
Mining and Quarrying	25	44	53	57	69	*12.1*	*-0.7*	*13.4*	*6.5*	*9.2*
Construction	651	770	813	1,401	1,789	*3.4*	*3.9*	*34.9*	*8.5*	*18.4*
Manufacturing	10,213	12,966	13,492	14,399	17,149	*4.9*	*3.7*	*5.4*	*6.0*	*5.8*
Services	10,728	14,476	15,213	16,059	19,302	*6.2*	*7.4*	*5.3*	*6.3*	*5.9*
GDP	**24,187**	**31,727**	**33,163**	**35,865**	**42,534**	***5.6***	***5.5***	***6.3***	***5.8***	***6.0***
GDP per capita (RM at current prices)	29,366	39,864	41,379	46,015	55,433					
NEGERI SEMBILAN										
Agriculture	3,380	3,980	3,702	3,999	3,979	*3.3*	*3.9*	*0.2*	*-0.2*	*0.0*
Mining and Quarrying	52	87	103	114	145	*10.7*	*-1.2*	*14.4*	*8.5*	*10.8*
Construction	860	1,136	1,247	1,457	1,807	*5.7*	*3.8*	*13.3*	*7.4*	*9.7*
Manufacturing	13,187	15,211	15,669	16,162	17,788	*2.9*	*4.8*	*3.1*	*3.2*	*3.2*
Services	12,521	16,307	17,196	18,031	20,972	*5.4*	*6.0*	*5.2*	*5.2*	*5.2*
GDP	**30,229**	**37,506**	**38,821**	**40,717**	**45,717**	***4.4***	***5.1***	***4.2***	***3.9***	***4.0***
GDP per capita (RM at current prices)	29,363	36,694	38,545	41,615	47,136					
PAHANG										
Agriculture	10,068	11,689	10,968	12,287	12,213	*3.0*	*4.2*	*2.5*	*-0.2*	*0.9*
Mining and Quarrying	387	1,100	733	592	542	*23.2*	*-1.2*	*-26.6*	*-2.9*	*-13.2*
Construction	943	1,355	1,757	2,079	2,612	*7.5*	*3.8*	*23.9*	*7.9*	*14.0*
Manufacturing	8,147	9,937	10,326	11,001	13,194	*4.1*	*5.9*	*5.2*	*6.2*	*5.8*
Services	16,315	21,770	22,946	24,357	29,091	*5.9*	*6.6*	*5.8*	*6.1*	*6.0*
GDP	**35,871**	**45,910**	**46,805**	**50,448**	**57,933**	***5.1***	***5.7***	***4.8***	***4.7***	***4.8***
GDP per capita (RM at current prices)	23,883	30,358	32,251	35,352	39,191					

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 5

Gross Domestic Product by State and Kind of Economic Activity, 2010-2020 (at constant 2010 prices)—cont.

State/Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
PULAU PINANG										
Agriculture	1,280	1,551	1,507	1,540	1,470	*3.9*	*2.2*	*-0.3*	*-1.5*	*-1.1*
Mining and Quarrying	33	54	59	63	73	*10.3*	*-0.5*	*7.5*	*5.0*	*6.0*
Construction	1,486	2,060	2,273	2,045	1,985	*6.8*	*3.9*	*-0.4*	*-1.0*	*-0.7*
Manufacturing	24,299	31,181	32,870	34,759	36,286	*5.1*	*6.5*	*5.6*	*1.4*	*3.1*
Services	25,569	34,344	36,297	38,312	45,400	*6.1*	*6.1*	*5.6*	*5.8*	*5.7*
GDP	**52,946**	**69,835**	**73,739**	**77,641**	**86,571**	***5.7***	***6.1***	***5.4***	***3.7***	***4.4***
GDP per capita (RM at current prices)	33,597	44,844	47,345	49,873	57,179					
PERAK										
Agriculture	8,599	10,095	9,734	10,672	11,386	*3.3*	*1.9*	*2.8*	*2.2*	*2.4*
Mining and Quarrying	234	250	291	308	358	*1.3*	*0.6*	*11.2*	*5.1*	*7.5*
Construction	1,236	2,204	2,386	1,808	1,762	*12.3*	*3.8*	*-9.4*	*-0.9*	*-4.4*
Manufacturing	7,568	10,607	11,151	12,048	13,822	*7.0*	*5.1*	*6.6*	*4.7*	*5.4*
Services	25,661	34,877	36,822	38,866	46,371	*6.3*	*7.1*	*5.6*	*6.1*	*5.9*
GDP	**43,313**	**58,097**	**60,468**	**63,814**	**73,852**	***6.0***	***5.9***	***4.8***	***5.0***	***4.9***
GDP per capita (RM at current prices)	18,207	25,487	27,285	29,226	33,912					
PERLIS										
Agriculture	1,122	1,072	1,103	1,141	1,242	*-0.9*	*5.2*	*3.2*	*2.9*	*3.0*
Mining and Quarrying	31	41	37	40	49	*5.7*	*-1.8*	*-1.7*	*7.5*	*3.7*
Construction	161	157	172	99	101	*-0.5*	*4.4*	*-20.6*	*0.6*	*-8.5*
Manufacturing	321	425	415	425	465	*5.7*	*3.0*	*0.0*	*3.0*	*1.8*
Services	2,396	3,135	3,287	3,417	3,789	*5.5*	*3.8*	*4.4*	*3.5*	*3.9*
GDP	**4,105**	**4,920**	**5,112**	**5,230**	**5,785**	***3.7***	***4.0***	***3.1***	***3.4***	***3.3***
GDP per capita (RM at current prices)	17,410	21,415	22,482	23,372	26,704					

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 5

Gross Domestic Product by State and Kind of Economic Activity, 2010-2020 (at constant 2010 prices)—cont.

State/Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
SELANGOR										
Agriculture	3,910	3,768	3,525	3,988	4,601	*-0.7*	*3.6*	*2.9*	*4.9*	*4.1*
Mining and Quarrying	328	513	660	710	819	*9.4*	*-1.2*	*17.6*	*4.9*	*9.8*
Construction	8,943	14,855	14,550	15,722	18,467	*10.7*	*12.9*	*2.9*	*5.5*	*4.4*
Manufacturing	54,869	70,417	73,410	79,239	93,933	*5.1*	*5.4*	*6.1*	*5.8*	*5.9*
Services	104,993	142,943	151,562	161,793	197,509	*6.4*	*7.1*	*6.4*	*6.9*	*6.7*
GDP	**177,718**	**240,182**	**251,812**	**269,684**	**323,993**	***6.2***	***6.9***	***6.0***	***6.3***	***6.2***
GDP per capita (RM at current prices)	32,300	42,651	44,652	48,091	58,315					
TERENGGANU										
Agriculture	2,633	2,533	2,378	2,645	2,969	*-0.8*	*4.3*	*2.2*	*3.9*	*3.2*
Mining and Quarrying	35	56	61	67	80	*10.2*	*-1.2*	*9.1*	*6.0*	*7.2*
Construction	813	764	779	1,081	1,414	*-1.2*	*3.8*	*19.0*	*9.4*	*13.1*
Manufacturing	8,256	10,200	10,944	11,363	12,696	*4.3*	*1.3*	*5.5*	*3.8*	*4.5*
Services	11,019	14,128	14,368	15,002	17,317	*5.1*	*5.8*	*3.0*	*4.9*	*4.2*
GDP	**22,769**	**27,729**	**28,579**	**30,261**	**34,740**	***4.0***	***4.2***	***4.5***	***4.7***	***4.6***
GDP per capita (RM at current prices)	21,573	26,540	27,272	29,347	32,990					
SABAH										
Agriculture	15,889	15,906	14,122	14,933	16,192	*0.0*	*3.9*	*-3.1*	*2.7*	*0.4*
Mining and Quarrying	14,092	18,087	21,786	25,025	26,808	*5.1*	*1.1*	*17.6*	*2.3*	*8.2*
Construction	1,870	2,004	1,940	1,908	2,277	*1.4*	*10.5*	*-2.4*	*6.1*	*2.6*
Manufacturing	4,823	5,740	5,526	5,822	6,720	*3.5*	*4.4*	*0.7*	*4.9*	*3.2*
Services	21,259	28,542	30,180	31,860	38,184	*6.1*	*6.2*	*5.7*	*6.2*	*6.0*
GDP	**58,127**	**70,536**	**73,825**	**79,864**	**90,560**	***3.9***	***4.6***	***6.4***	***4.3***	***5.1***
GDP per capita (RM at current prices)	17,831	19,778	21,086	23,979	27,300					

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 5

Gross Domestic Product by State and Kind of Economic Activity, 2010-2020 (at constant 2010 prices)—cont.

State/Sector	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
SARAWAK										
Agriculture	11,864	15,183	14,778	14,992	15,052	*5.1*	*3.6*	*-0.6*	*0.1*	*-0.2*
Mining and Quarrying	22,586	23,778	23,150	23,935	23,767	*1.0*	*1.6*	*0.3*	*-0.2*	*0.0*
Construction	2,282	3,155	2,993	3,593	4,339	*6.7*	*10.5*	*6.7*	*6.5*	*6.6*
Manufacturing	24,121	28,816	30,097	31,164	35,288	*3.6*	*4.1*	*4.0*	*4.2*	*4.1*
Services	25,976	35,113	37,480	39,823	47,536	*6.2*	*6.8*	*6.5*	*6.1*	*6.2*
GDP	**87,131**	**106,415**	**108,905**	**113,982**	**126,623**	***4.1***	***4.7***	***3.5***	***3.6***	***3.5***
GDP per capita (RM at current prices)	35,034	44,141	44,379	49,327	56,026					
FT KUALA LUMPUR[1]										
Agriculture	1	1	1	1	1	*5.0*	*1.3*	*-11.3*	*-7.5*	*-9.0*
Mining and Quarrying	76	128	140	158	207	*11.1*	*-0.8*	*11.2*	*9.4*	*10.1*
Construction	5,280	11,359	12,815	14,464	16,350	*16.6*	*11.3*	*12.8*	*4.2*	*7.6*
Manufacturing	3,456	5,535	5,690	5,760	6,091	*9.9*	*5.4*	*2.0*	*1.9*	*1.9*
Services	103,276	141,430	149,300	159,154	193,267	*6.5*	*7.3*	*6.1*	*6.7*	*6.4*
GDP	**113,095**	**160,695**	**170,212**	**182,815**	**219,192**	***7.3***	***7.5***	***6.7***	***6.2***	***6.4***
GDP per capita (RM at current prices)	64,693	94,964	101,576	111,321	131,808					
FT LABUAN										
Agriculture	148	82	79	82	89	*-11.0*	*1.0*	*-0.1*	*2.9*	*1.7*
Mining and Quarrying	...	...	...	...	...	...	...	...	...	...
Construction	73	118	96	108	126	*10.1*	*4.0*	*-4.1*	*5.1*	*1.3*
Manufacturing	756	983	1,058	1,091	1,203	*5.4*	*4.8*	*5.3*	*3.3*	*4.1*
Services	2,394	3,867	4,182	4,403	5,149	*10.1*	*6.8*	*6.7*	*5.4*	*5.9*
GDP	**3,389**	**5,119**	**5,487**	**5,820**	**6,778**	***8.6***	***6.1***	***6.6***	***5.2***	***5.8***
GDP per capita (RM at current prices)	38,445	58,559	61,843	65,949	80,914					

Notes: The added total may differ due to rounding.
[1] Includes FT Putrajaya.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 6
Merchandise Trade, 2010-2020

Item	RM million					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Gross Exports	**638,822**	**777,355**	**786,964**	**934,927**	**1,118,366**	***4.0***	***4.6***	***9.7***	***6.2***	***7.5***
Agriculture	71,351	67,247	70,424	78,072	80,289	*-1.2*	*2.3*	*7.7*	*0.9*	*3.6*
Mining	73,830	80,194	65,056	81,836	98,025	*1.7*	*3.2*	*1.0*	*6.2*	*4.1*
Manufacturing	489,611	625,429	645,768	765,858	928,344	*5.0*	*5.0*	*10.7*	*6.6*	*8.2*
Others	4,030	4,485	5,717	9,161	11,708	*2.2*	*2.1*	*42.9*	*8.5*	*21.2*
Gross Imports	**528,828**	**685,778**	**698,819**	**836,422**	**1,000,023**	***5.3***	***4.8***	***10.4***	***6.1***	***7.8***
Retained Imports	**493,170**	**582,594**	**584,851**	**693,622**	**760,663**	***3.4***	***4.4***	***9.1***	***3.1***	***5.5***
Capital Goods	73,769	95,551	100,245	115,567	131,453	*5.3*	*6.4*	*10.0*	*4.4*	*6.6*
Intermediate Goods	365,681	399,526	399,033	478,932	515,100	*1.8*	*3.3*	*9.5*	*2.5*	*5.2*
Consumption Goods	34,477	62,430	66,977	71,036	82,966	*12.6*	*8.5*	*6.7*	*5.3*	*5.9*
Others[1]	19,242	25,087	18,596	28,087	31,143	*5.4*	*4.2*	*5.8*	*3.5*	*4.4*
Imports for Re-exports	**35,658**	**103,184**	**113,968**	**142,800**	**239,360**	***23.7***	***7.3***	***17.6***	***18.8***	***18.3***
Total Trade	**1,167,651**	**1,463,134**	**1,485,783**	**1,771,349**	**2,118,389**	***4.6***	***4.7***	***10.0***	***6.1***	***7.7***
Share to GDP, %	***142.1***	***126.3***	***120.7***	***130.9***	***128.0***					
Trade Balance	**109,994**	**91,577**	**88,145**	**98,505**	**118,343**					

Notes: [1] Dual use goods, goods not elsewhere stated and transactions below RM5,000.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 7
Balance of Payments, 2010-2020

Item	RM million				
	Actual				Revised Target
	2010	2015	2016	2017	2020
Goods and Services, net	**130,738**	**88,592**	**83,128**	**93,951**	**101,789**
Goods, net	**124,182**	**109,224**	**102,046**	**116,766**	**121,495**
Exports	602,609	681,275	686,896	807,012	897,921
Imports	478,427	572,051	584,850	690,246	776,427
Services, net	**6,556**	**-20,632**	**-18,917**	**-22,815**	**-19,705**
Transportation	-17,168	-24,565	-23,459	-29,561	-31,434
Travel	31,617	26,941	31,515	32,882	37,153
Other Services	-7,392	-22,405	-26,309	-24,738	-24,278
Government Transaction n.i.e.[1]	-502	-603	-665	-1,399	-1,147
Primary Income, net	**-26,132**	**-32,112**	**-34,592**	**-36,354**	**-43,423**
Compensation of Employees	-2,082	-5,595	-5,606	-4,773	-6,043
Investment Income	-24,050	-26,517	-28,986	-31,581	-37,381
Secondary Income, net	**-21,792**	**-21,325**	**-18,629**	**-17,322**	**-18,442**
Current Account Balance	**82,814**	**35,155**	**29,907**	**40,275**	**39,924**
% to GNI	*10.4*	*3.1*	*2.5*	*3.1*	*2.5*
Capital Account, net	**-111**	**-1,136**	**102**	**-27**	
Capital Transfers	-16	-8	-5	-23	
Non-Produced Non-Financial Assets	-95	-1,127	107	-4	
Financial Account, net	**-19,945**	**-55,350**	**-249**	**3,800**	
Direct Investment	-13,976	-1,810	13,792	16,134	
Abroad	-43,160	-41,187	-33,052	-26,826	
In Malaysia	29,183	39,377	47,182	39,183	
Portfolio Investment	48,467	-26,122	-14,203	-12,316	
Other Investment	-53,738	-26,755	964	92	
Official Sector	119	-1,878	-3,033	-614	
Private Sector	-53,856	-24,877	3,997	706	
Balance on Capital and Financial Account	-20,056	-56,486	-148	3,773	
Errors and Omissions	-32,746	-32,222	-23,899	-27,639	
Overall Balance	**-30,014**	**-53,553**	**5,860**	**16,409**	
BNM International Reserves, net	**328,649**	**409,096**	**423,874**	**414,591**	
Months of Retained Imports	**8.6**	**8.5**	**8.8**	**7.2**	

Notes: Numbers are calculated according to Balance of Payments Manual 6 (BPM6).
[1] n.i.e. - not included elsewhere.
Source: Bank Negara Malaysia, Department of Statistics Malaysia and Economic Planning Unit

Table 8

Malaysian Wellbeing Index, 2010-2020

Component	Index					Annual Average Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Economy Wellbeing	**117.7**	**129.7**	**130.3**	**131.9**	**139.6**	***2.0***	***1.8***	***0.9***	***1.9***	***1.5***
Transport	118.8	134.2	135.3	138.4	148.6	*2.5*	*2.2*	*1.6*	*2.4*	*2.1*
Communication	112.7	130.3	130.3	132.1	141.3	*2.9*	*2.7*	*0.7*	*2.3*	*1.6*
Education	121.3	129.6	127.9	127.8	141.2	*1.3*	*1.8*	*-0.7*	*3.4*	*1.7*
Income and Distribution	116.2	133.0	134.2	135.3	139.5	*2.7*	*1.2*	*0.9*	*1.0*	*1.0*
Working Life	119.5	121.3	123.8	126.2	127.5	*0.3*	*1.2*	*2.0*	*0.4*	*1.0*
Social Wellbeing	**114.2**	**117.4**	**118.6**	**119.7**	**125.4**	***0.6***	***1.7***	***1.0***	***1.6***	***1.3***
Housing	127.7	136.7	137.4	142.1	144.6	*1.4*	*2.0*	*1.9*	*0.6*	*1.1*
Leisure	121.3	131.4	132.4	134.7	143.8	*1.6*	*3.0*	*1.3*	*2.2*	*1.8*
Public Safety	113.2	132.1	131.3	128.5	139.5	*3.1*	*1.0*	*-1.4*	*2.8*	*1.1*
Governance	118.8	122.7	124.2	127.0	132.9	*0.6*	*2.2*	*1.7*	*1.5*	*1.6*
Social Participation	111.3	118.5	125.3	121.7	129.1	*1.3*	*2.4*	*1.4*	*2.0*	*1.7*
Culture	119.8	110.6	109.3	110.4	116.8	*-1.6*	*2.2*	*-0.1*	*1.9*	*1.1*
Health	105.6	108.0	107.8	110.0	115.9	*0.5*	*1.5*	*0.9*	*1.8*	*1.4*
Environment	106.6	99.3	102.1	105.7	109.1	*-1.4*	*0.8*	*3.2*	*1.1*	*1.9*
Family	103.4	97.5	97.4	97.1	97.1	*-1.2*	*-0.3*	*-0.2*	*0.0*	*-0.1*
Malaysian Wellbeing Index	**115.5**	**121.8**	**122.8**	**124.1**	**130.5**	***1.1***	***1.7***	***0.9***	***1.7***	***1.4***

Source: Economic Planning Unit

Table 9

Labour Productivity by Kind of Economic Activity, 2010-2020 (at constant 2010 prices)

Sector	RM Value Added per Worker					Average Annual Growth Rate, %				
	Actual				Revised Target	Tenth Plan	Eleventh Plan			
						Actual	Original Target	Progress	Revised Target	
	2010	2015	2016	2017	2020	2011-2015	2016-2020	2016-2017	2018-2020	2016-2020
Agriculture	52,887	53,908	51,289	51,988	54,330	*0.4*	*3.6*	*-1.8*	*1.5*	*0.2*
Mining and Quarrying	2,752,305	984,885	1,133,372	1,210,832	1,212,690	*-18.6*	*1.1*	*10.9*	*0.1*	*4.2*
Manufacturing	87,627	102,633	106,307	110,858	123,970	*3.2*	*2.6*	*3.9*	*3.8*	*3.9*
Construction	27,466	35,723	39,298	40,242	44,020	*5.4*	*9.6*	*6.1*	*3.0*	*4.3*
Services	59,412	66,750	69,534	73,030	80,740	*2.4*	*4.1*	*4.6*	*3.4*	*3.9*
Overall	**69,031**	**75,634**	**78,294**	**81,268**	**88,450**	***1.8***	***3.7***	***3.7***	***2.9***	***3.2***

Source: Department of Statistics Malaysia and Economic Planning Unit

Table 10
Employment by Skill and State, 2011-2017

State/Skill	2011		2015		2017	
	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Total*
JOHOR						
Skilled	338.9	*23.2*	345.2	*21.8*	407.7	*25.2*
Semi-skilled	992.2	*67.9*	1043.8	*66.0*	1038.2	*64.3*
Low-skilled	130.9	*9.0*	193.6	*12.2*	168.9	*10.5*
Total	**1,461.9**	***100.0***	**1,582.6**	***100.0***	**1,614.7**	***100.0***
KEDAH						
Skilled	152.0	*20.4*	160.8	*18.2*	185.7	*20.5*
Semi-skilled	506.2	*68.1*	616.0	*69.9*	622.4	*68.8*
Low-skilled	85.1	*11.4*	104.8	*11.9*	96.2	*10.6*
Total	**743.4**	***100.0***	**881.6**	***100.0***	**904.4**	***100.0***
KELANTAN						
Skilled	98.9	*18.2*	109.4	*16.8*	114.4	*17.1*
Semi-skilled	391.6	*71.9*	453.9	*69.6*	473.7	*70.7*
Low-skilled	54.1	*9.9*	88.7	*13.6*	81.9	*12.2*
Total	**544.6**	***100.0***	**652.1**	***100.0***	**670.0**	***100.0***
MELAKA						
Skilled	88.8	*26.1*	109.4	*27.5*	131.8	*32.5*
Semi-skilled	215.2	*63.1*	256.1	*64.3*	236.5	*58.3*
Low-skilled	36.8	*10.8*	32.9	*8.3*	37.2	*9.2*
Total	**340.8**	***100.0***	**398.3**	***100.0***	**405.4**	***100.0***
NEGERI SEMBILAN						
Skilled	103.4	*24.8*	113.9	*24.3*	146.7	*30.8*
Semi-skilled	262.0	*63.0*	290.1	*61.9*	267.2	*56.0*
Low-skilled	50.7	*12.2*	64.8	*13.8*	62.9	*13.2*
Total	**416.1**	***100.0***	**468.7**	***100.0***	**476.8**	***100.0***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 10
Employment by Skill and State, 2011-2017—cont.

State/Skill	2011		2015		2017	
	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Total*
PAHANG						
Skilled	97.5	*16.0*	121.3	*17.4*	133.6	*19.4*
Semi-skilled	407.1	*66.9*	446.3	*64.0*	434.7	*63.0*
Low-skilled	103.7	*17.0*	129.9	*18.6*	121.4	*17.6*
Total	**608.4**	***100.0***	**697.5**	***100.0***	**689.8**	***100.0***
PULAU PINANG						
Skilled	229.3	*29.7*	243.2	*29.2*	274.4	*33.4*
Semi-skilled	473.0	*61.2*	513.6	*61.6*	488.4	*59.4*
Low-skilled	70.6	*9.1*	77.3	*9.3*	59.5	*7.2*
Total	**772.8**	***100.0***	**834.2**	***100.0***	**822.2**	***100.0***
PERAK						
Skilled	204.3	*22.2*	208.8	*21.3*	233.4	*23.1*
Semi-skilled	602.0	*65.5*	664.9	*67.7*	656.2	*65.0*
Low-skilled	113.4	*12.3*	108.2	*11.0*	119.7	*11.9*
Total	**919.7**	***100.0***	**981.8**	***100.0***	**1,009.3**	***100.0***
PERLIS						
Skilled	19.8	*23.8*	18.9	*19.2*	23.6	*24.1*
Semi-skilled	54.1	*64.9*	70.0	*71.3*	65.1	*66.5*
Low-skilled	9.3	*11.2*	9.2	*9.4*	9.2	*9.4*
Total	**83.3**	***100.0***	**98.2**	***100.0***	**97.9**	***100.0***
SELANGOR						
Skilled	1,027.9	*38.9*	1,232.0	*39.3*	1,346.3	*48.1*
Semi-skilled	1,371.2	*51.8*	1,598.3	*51.0*	1,737.3	*51.7*
Low-skilled	246.2	*9.3*	304.6	*9.7*	275.8	*8.2*
Total	**2,645.2**	***100.0***	**3,135.0**	***100.0***	**3,359.5**	***100.0***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 10

Employment by Skill and State, 2011-2017—cont.

State/Skill	2011		2015		2017	
	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Total*
TERENGGANU						
Skilled	88.2	*22.6*	87.6	*20.8*	99.9	*22.9*
Semi-skilled	259.1	*66.4*	285.2	*67.8*	293.0	*67.2*
Low-skilled	42.8	*11.0*	47.5	*11.3*	43.0	*9.9*
Total	**390.3**	***100.0***	**420.5**	***100.0***	**435.9**	***100.0***
SABAH						
Skilled	236.1	*16.0*	243.6	*13.8*	261.5	*14.6*
Semi-skilled	919.7	*62.4*	1,034.8	*58.4*	1,054.8	*58.7*
Low-skilled	318.5	*21.6*	492.9	*27.8*	479.6	*26.7*
Total	**1,474.4**	***100.0***	**1,771.1**	***100.0***	**1,795.9**	***100.0***
SARAWAK						
Skilled	197.0	*18.6*	223.8	*18.4*	240.3	*19.2*
Semi-skilled	701.8	*66.3*	793.4	*65.3*	798.3	*63.8*
Low-skilled	159.4	*15.1*	197.6	*16.3*	213.3	*17.0*
Total	**1,058.1**	***100.0***	**1,214.8**	***100.0***	**1,251.8**	***100.0***
FT KUALA LUMPUR						
Skilled	305.5	*37.6*	340.2	*39.9*	349.2	*41.5*
Semi-skilled	415.5	*51.1*	426.7	*50.0*	412.8	*49.1*
Low-skilled	91.7	*11.3*	86.5	*10.1*	79.0	*9.4*
Total	**812.5**	***100.0***	**853.4**	***100.0***	**840.9**	***100.0***
FT LABUAN						
Skilled	11.7	*30.3*	10.3	*26.1*	11.5	*30.1*
Semi-skilled	22.9	*59.3*	24.7	*62.5*	21.5	*56.3*
Low-skilled	4.1	*10.6*	4.5	*11.4*	5.1	*13.4*
Total	**38.6**	***100.0***	**39.5**	***100.0***	**38.2**	***100.0***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 10
Employment by Skill and State, 2011-2017—cont.

State/Skill	2011		2015		2017	
	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Total*
FT PUTRAJAYA						
Skilled	20.3	*49.0*	19.0	*49.4*	19.4	*52.2*
Semi-skilled	18.1	*43.7*	16.7	*43.4*	15.1	*40.6*
Low-skilled	3.0	*7.2*	2.8	*7.3*	2.7	*7.3*
Total	**41.4**	***100.0***	**38.5**	***100.0***	**37.2**	***100.0***
MALAYSIA						
Skilled	3,219.7	*26.1*	3,587.5	*25.5*	3,979.5	*27.5*
Semi-skilled	7,611.3	*61.6*	8,534.3	*60.7*	8,615.3	*59.6*
Low-skilled	1,520.4	*12.3*	1,945.9	*13.8*	1,855.3	*12.8*
TOTAL	**12,351.5**	***100.0***	**14,067.7**	***100.0***	**14,450.0**	***100.0***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 11

Median Monthly Household Gross Income by State, 2009-2016 (RM)

State	2009	2012	2014	2016
JOHOR	2,958	3,650	5,197	5,652
KEDAH	1,966	2,633	3,451	3,811
KELANTAN	1,713	2,276	2,716	3,079
MELAKA	3,005	3,923	5,029	5,588
NEGERI SEMBILAN	2,711	3,575	4,128	4,579
PAHANG	2,479	3,067	3,389	3,979
PULAU PINANG	3,200	4,039	4,702	5,409
PERAK	2,094	2,665	3,451	4,006
PERLIS	1,832	2,387	3,500	4,204
SELANGOR	4,306	5,353	6,214	7,225
TERENGGANU	2,096	3,034	3,777	4,694
SABAH	2,066	2,860	3,745	4,110
SARAWAK	2,394	3,047	3,778	4,163
FT KUALA LUMPUR	4,409	5,847	7,620	9,073
FT LABUAN	3,498	5,063	5,684	5,928
FT PUTRAJAYA	5,450	6,486	7,512	8,275
MALAYSIA	**2,841**	**3,626**	**4,585**	**5,228**

Note: Data is based on Malaysian Citizens
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 12

Population by Age, Ethnic and Strata, 2010-2020

	2010		2015[2]		2017[2]		2020[3]		Average Annual Growth Rate, %	
	Million	*% to Total*	Million	*% to Total*	Million	*% to Total*	Million	*% to Total*	Tenth Plan	Eleventh Plan
Total population	**28.6**	***100.0***	**31.2**	***100.0***	**32.0**	***100.0***	**33.8**	***100.0***	***1.8***	***1.6***
Age structure										
0-14	7.8	*27.4*	7.8	*24.9*	7.7	*24.1*	7.9	*23.4*	*0.0*	*0.3*
15-64	19.3	*67.6*	21.6	*69.2*	22.3	*69.6*	23.4	*69.4*	*2.3*	*1.6*
65 and above	1.4	*5.0*	1.8	*5.9*	2.0	*6.3*	2.4	*7.2*	*5.2*	*5.9*
Ethnicity										
Citizens	26.3	*92.0*	28.1	*90.0*	28.7	*89.7*	30.5	*90.2*	*1.3*	*1.7*
Malay	14.3	*54.6*	15.5	*55.4*	16.0	*55.8*	17.1	*56.1*	*1.6*	*2.0*
Other Bumiputera	3.4	*13.0*	3.6	*12.9*	3.7	*13.0*	4.0	*13.0*	*1.1*	*2.1*
Chinese	6.4	*24.4*	6.6	*23.6*	6.7	*23.2*	6.9	*22.8*	*0.6*	*0.9*
Indian	1.9	*7.3*	2.0	*7.1*	2.0	*7.0*	2.1	*7.0*	*1.0*	*1.0*
Others	0.2	*0.8*	0.3	*1.0*	0.3	*1.0*	0.3	*1.1*	*8.4*	*0.0*
Non-Citizens[1]	2.3	*8.0*	3.1	*10.0*	3.3	*10.3*	3.3	*9.8*	*6.2*	*1.3*
Strata										
Urban	20.3	*71.0*	23.2	*74.4*	24.1	*75.2*	25.9	*76.6*	*2.7*	*2.2*
Rural	8.3	*29.0*	8.0	*25.6*	7.9	*24.8*	7.9	*23.4*	*-0.7*	*-0.3*
Total Fertility Rate	**2.2**		**2.0**							
Median Age (years)	**26.3**		**27.8**		**28.3**		**30.9**			
Dependency Ratio, %	***47.8***		***44.5***		***43.6***		***44.2***			

Notes: The added total may differ due to rounding.
[1] This includes permanent residents, foreign workers with work permits, expatriates and foreign students.
[2] Based on the adjusted Population and Housing Census of Malaysia 2010.
[3] Based on the Population and Housing Census of Malaysia 2010.
Source: Department of Statistics Malaysia

Table 13
Labour Force, Employment and Job Creation, 2010-2020

Industry	Labour Force and Employment								Average Annual Growth Rate, %		Net Job Creation			
	2010		2015		2017		2020				Tenth Plan		Eleventh Plan	
	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Total*	'000 Person	*% to Totall*	Tenth Plan	Eleventh Plan	'000 Person	*% to Total*	'000 Person	*% to Total*
Agriculture, Forestry, Livestock and Fishing	1,567.2	*13.2*	1,751.1	*12.4*	1,845.9	*12.8*	1,875.8	*12.2*	*2.2*	*1.4*	183.9	*8.5*	124.7	*9.7*
Mining and Quarrying	32.6	*0.3*	97.0	*0.7*	81.3	*0.6*	81.5	*0.5*	*24.4*	*-3.4*	64.4	*3.0*	-15.5	*-1.2*
Manufacturing	2,196.7	*18.4*	2,374.5	*16.9*	2,433.8	*16.8*	2,485.5	*16.2*	*1.6*	*0.9*	177.8	*8.2*	111.0	*8.7*
Construction	1,027.2	*8.6*	1,307.8	*9.3*	1,331.3	*9.2*	1,379.9	*9.0*	*4.9*	*1.1*	280.6	*12.9*	72.1	*5.6*
Services	7,075.8	*59.5*	8,537.3	*60.7*	8,757.7	*60.6*	9,524.8	*62.1*	*3.8*	*2.2*	1,461.5	*67.4*	987.5	*77.2*
Total Employment	**11,899.5**	***100.0***	**14,067.7**	***100.0***	**14,450.0**	***100.0***	**15,347.5**	***100.0***	***3.4***	***1.8***	**2,168.2**	***100.0***	**1,279.8**	***100.0***
Total Labour Force	**12,303.9**		**14,518.0**		**14,952.6**		**15,871.3**		***3.4***	***1.8***				
Unemployed	**404.4**		**450.3**		**502.6**		**523.8**							
Unemployment rate, %	*3.3*		*3.1*		*3.4*		*3.3*							
Labour Force Participation, %	***63.7***		***67.9***		***68.0***		***69.1***							
Male	*79.3*		*80.6*		*80.1*		*80.5*							
Female	*46.8*		*54.1*		*54.7*		*56.5*							

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

Table 14
Employment by Major Occupational Group, 2010-2020

Occupational Group	Employment by Major Occupation Group								Average Annual Growth Rate, %	
	2010		2015		2017		2020			
	'000 persons	***% to Total***	**'000 persons**	***% to Total***	**'000 persons**	***% to Total***	**'000 persons**	***% to Total***	**Tenth Plan**	**Eleventh Plan**
Skilled										
Managers	856.7	*7.2*	718.6	*5.1*	689.5	*4.8*	689.3	*4.5*	*-3.5*	*-0.8*
Professionals	737.4	*6.2*	1,462.0	*10.4*	1,769.1	*12.2*	2,190.3	*14.3*	*14.7*	*8.4*
Technicians and Associate Professionals	1,695.8	*14.3*	1,406.9	*10.0*	1,520.9	*10.5*	1,739.9	*11.3*	*-3.7*	*4.3*
Semi Skilled										
Clerical Support Workers	1,183.2	*9.9*	1,241.1	*8.8*	1,234.8	*8.5*	1,273.2	*8.3*	*1.0*	*0.5*
Service Workers and Shop and Market Sales Workers	1,959.6	*16.5*	3,188.9	*22.7*	3,206.1	*22.2*	3,449.9	*22.5*	*10.2*	*1.6*
Skilled Agricultural, Forestry and Fishery Workers	1,382.0	*11.6*	940.3	*6.7*	897.0	*6.2*	804.8	*5.2*	*-7.4*	*-3.1*
Craft and Related Trade Workers	1,228.3	*10.3*	1,578.8	*11.2*	1,513.9	*10.5*	1,514.6	*9.9*	*5.1*	*-0.8*
Plan and Machine Operators and Assemblers	1,502.8	*12.6*	1,585.2	*11.3*	1,763.5	*12.2*	1,798.5	*11.7*	*1.1*	*2.6*
Low-Skilled										
Elementary Occupations	1,353.7	*11.4*	1,945.9	*13.8*	1,855.3	*12.8*	1,887.0	*12.3*	*7.5*	*-0.6*
Total Employment	**11,899.5**	***100.0***	**14,067.7**	***100.0***	**14,450.0**	***100.0***	**15,347.5**	***100.0***	***3.4***	***1.8***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

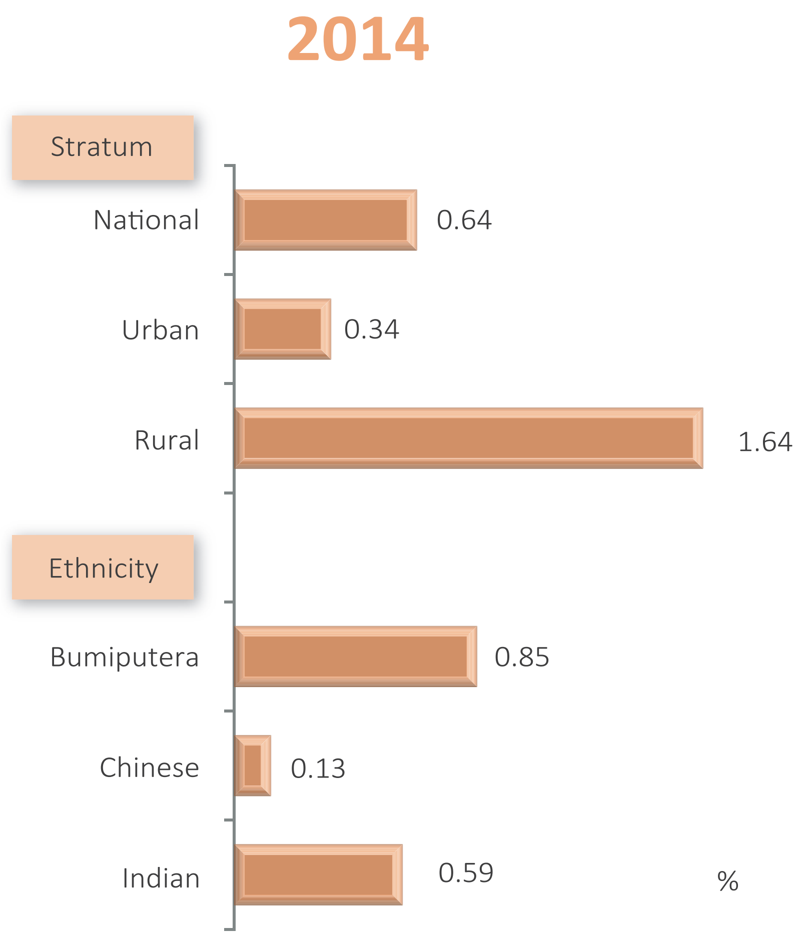
Table 15
Employment by Skill Category, 2010-2020

Skills Category	Employment by Skills Category								Average Annual Growth Rate, %	
	2010		2015		2017		2020			
	'000 persons	***% to Total***	**'000 persons**	***% to Total***	**'000 persons**	***% to Total***	**'000 persons**	***% to Total***	**Tenth Plan**	**Eleventh Plan**
Skilled	3,290.0	*27.6*	3,587.5	*25.5*	3,979.5	*27.5*	4,619.6	*30.1*	*1.7*	*5.2*
Semi-Skilled	7,255.8	*61.0*	8,534.2	*60.7*	8,615.3	*59.6*	8,840.9	*57.6*	*3.3*	*0.7*
Low-Skilled	1,353.7	*11.4*	1,945.9	*13.8*	1,855.3	*12.8*	1,887.0	*12.3*	*7.5*	*-0.6*
Total Employment	**11,899.5**	***100.0***	**14,067.7**	***100.0***	**14,450.0**	***100.0***	**15,347.5**	***100.0***	***3.4***	***1.8***

Notes: The added total may differ due to rounding.
Source: Department of Statistics Malaysia and Economic Planning Unit

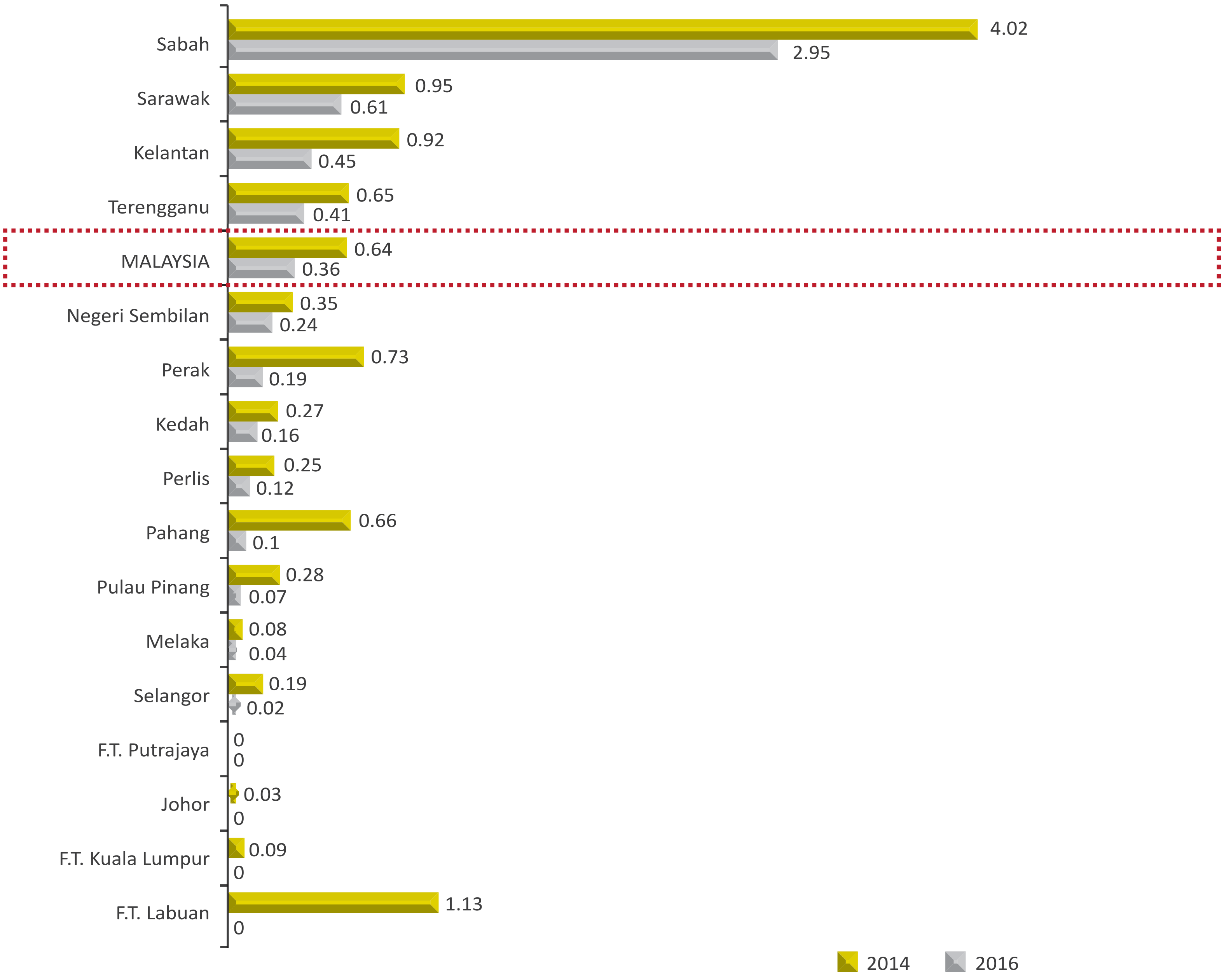
Chart 1

Incidence of Absolute Poverty, by Stratum and Ethnicity, 2014 and 2016



Source: Household Income and Basic Amenities Survey 2014 and 2016, Department of Statistics Malaysia

Chart 2
Incidence of Absolute Poverty by State, 2014 and 2016



Source: Household Income and Basic Amenities Survey 2014 and 2016, Department of Statistics Malaysia

Glossary

1MOCC	1Malaysia One Call Centre
1MTC	1Malaysia Training Centre
3R	reduce, reuse and recycle
4IR	Fourth Industrial Revolution
ABMS	Anti-Bribery Management System
ACCA	Association of Chartered Certified Accountants
ACE	Access, Certainty, Efficiency
AFOLU	Agriculture, Forestry and Other Land Use
AHB	Amanah Hartanah Bumiputera
AI	artificial intelligence
AIDS	Acquired Immune Deficiency Syndrome
AIM	Amanah Ikhtiar Malaysia
AKPK	Agensi Kaunseling dan Pengurusan Kredit
APs	approved permits
ASD	alternative service delivery
ASEAN	Association of Southeast Asian Nations
ASO	analogue switch off
ATM	Malaysian Armed Forces
B7 bio-diesel	blending of 7% palm-based menthyl ester
B10 bio-diesel	blending of 10% palm-based menthyl ester
B40	bottom 40% household income group
BDA	big data analytics
BEC	Bumiputera Economic Community
BEEP	Bumiputera Enterprise Enhancement Programme
BELFOS	Beautiful Life for Seniors
BERD	business expenditure on research and development
BIM	Building Information Modelling
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
bpd	barrels per day

BR1M	Bantuan Rakyat 1Malaysia
CAT	Certified Accounting Technician
CBR	community-based rehabilitation
CCMPs	City Competitiveness Master Plans
CCNCPU	Child Care Needs and Child Protection Unit
CDs	communicable diseases
CE	compensation of employees
CeIO	Certified Integrity Officers
CEPA	communications, education and public awareness
CFA	Chartered Financial Analyst
CIAST	Centre for Instructor and Advanced Skill Training
CIDB	Construction Industry Development Board
CITP	Construction Industry Transformation Programme
COL	Critical Occupations List
COMBI	Communication of Behavioural Impact
CPI	Corruption Perceptions Index
CRC	Convention on the Rights of the Child
CREST	Collaborative Research in Engineering, Science and Technology
CSOs	civil society organisations
CSR	corporate social responsibility
CTI	Coral Triangle Initiative
DASH	Damansara-Shah Alam Expressway
DFTZ	Digital Free Trade Zone
DGCCR	Digital Government Competency and Capability Readiness
DLC	Digital Learning Cluster
DLP	Dual Language Programme
DRR	disaster risk reduction
DSM	demand side management
DTT	digital terrestrial television
DUKE	Duta-Ulu Kelang Expressway
DWNP	Department of Wildlife and National Parks
E&E	electrical and electronics

ECCE	early childhood care and education
ECER	East Coast Economic Region
ECERDC	East Coast Economic Region Development Council
EDO	entrepreneur development organisation
EIA	Environmental Impact Assessment
EIP	eco-industrial parks
EIS	Employment Insurance System
EIST	East Coast Economic Region Investment Special Taskforce
EKUINAS	Ekuiti Nasional Berhad
EKVE	East Klang Valley Expressway
EPD	Enterprise Productivity Diagnostic
EToU	Enhanced Time of Use
EURO 4M	Malaysian Emission Standards equivalent to European Emission Standards 4
EURO 5	European Emission Standards 5
e-waste	electrical and electronic equipment waste
FDI	foreign direct investment
fintech	financial technology
FLFPR	Female Labour Force Participation Rate
FT	Federal Territory
FWT	future workers training
GAMMA	Gallery of Malaysian Government Mobile Applications
GDP	gross domestic product
GDV	gross development value
GERD	gross expenditure on research and development
GFCF	gross fixed capital formation
GGP	Government green procurement
GHG	greenhouse gas
GIACC	National Centre for Governance, Integrity and Anti-Corruption
GMP	Good Manufacturing Practice
GNI	gross national income
GOS	gross operating surplus
GP	Government Procurement

GRP	Good Regulatory Practices
GST	goods and services tax
GTFS	Green Technology Financing Scheme
GTMP	Green Technology Master Plan
HACCP	Hazard Analysis and Critical Control Points
HHI	Herfindahl-Hirschman Index
HICoE	Higher Institution Centers of Excellence
HIPs	High Impact Programmes
HIS & BA	Household Income and Basic Amenities Survey
HIV	Human Immunodeficiency Virus
HOTS	higher order thinking skills
HPV	Human Papilloma Virus
HRDF	Human Resources Development Fund
HRDP	Human Resource Development Policy
HSBB2	High Speed Broadband 2
IAP	Investment Account Platform
IBP	International Budget Partnership
IBR	Incentive Based Regulation
IBS	Industrialised Building System
ICoE	Industry Centres of Excellence
ICT	information and communication technology
i-GESP	Integrated Graduate Employability Structured Programme
iGFMAS	Integrated Government Financial Management and Accounting System
IHE	Institutions of Higher Education
i-IMATEC	Cluster for Innovative Management Technology
ILA	Public Training Institutions
ILB	Industry Lead Body
ILCs	indigenous and local communities
ILO	International Labour Organization
IMF	International Monetary Fund
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
INTAN	National Institute of Public Administration

IoT	internet of things
IP	intellectual property
IRDA	Iskandar Regional Corridor Development Authority
ISC	Industry Skills Committee
JAN	National Audit Department
JAWHAR	Jabatan Wakaf, Zakat dan Haji
JDS	Joint Development Strategy for Border Areas
JMCIM	Malaysia-Singapore Joint Ministerial Committee for Iskandar Malaysia
JPA	Public Service Department
JPK	Department of Skills Development
KBN 2018	Kongres Masa Depan Bumiputera dan Negara 2018
KEMAS	Jabatan Kemajuan Masyarakat
KKLW	Kementerian Kemajuan Luar Bandar dan Wilayah
KKTM	Kolej Kemahiran Teknikal MARA
KOSPEN	Komuniti Sihat Pembina Negara
KPI	key performance indicators
KPKT	Kementerian Perumahan dan Kerajaan Tempatan
KR1M	Kedai Rakyat 1Malaysia
Lao PDR	Lao People’s Democratic Republic
LDRMP	Local Disaster Risk Management Plan
LEAP	Leading Enterpreneur Accelarator Platform
LNG	liquefied natural gas
LNPT	Laporan Nilaian Prestasi Tahunan
LRT 2	Light Rail Transit 2
LTMS-PIP	Lao PDR-Thailand-Malaysia-Singapore Power Integration Project
M40	middle 40% household income group
M&E	machinery and equipment
MACC	Malaysian Anti-Corruption Commission
MaGIC	Malaysian Global Creativity and Innovation Centre
MAIWP	Majlis Agama Islam Wilayah Persekutuan
MARA	Majlis Amanah Rakyat
MAVCOM	Malaysian Aviation Commission

MBEON	Malaysia Biodiversity Enforcement Operation Network
MBOT	Malaysia Board of Technologists
MEB	Malaysia Education Blueprint
MED	Ministry of Entrepreneur Development
MFP	multi-factor productivity
MIDA	Malaysian Investment Development Authority
MLSA	Council of Public Sector Training
MMBTu	million British thermal unit
MMR	maternal mortality ratio
MNHP	Malaysia National Health Policy
Mobile CTC	Mobile Community Transformation Centre
MOH	Ministry of Health
MoHR	Ministry of Human Resources
MOOC	Massive Open Online Courses
MOT	Ministry of Transport
MPAs	marine protected areas
MPB	Malaysia Productivity Blueprint
MPI	Multidimensional Poverty Index
mppa	million passengers per annum
MQA	Malaysian Qualifications Agency
MQF	Malaysian Qualifications Framework
MRT	Mass Rapid Transit
MRT 1	Mass Rapid Transit 1
MS1525	Malaysian Standards: Code of Practice on Energy Efficiency and Renewable Energy for Non-Residental Buildings
MSAP	Mandatory Standards on Access Pricing
MSMA	Manual Saliran Mesra Alam
MSPO	Malaysian Sustainable Palm Oil
MTPA	Million Tons Per Annum
MTR	Mid-Term Review
MTUN	Malaysian Technical University Network
MUSE	Malaysia User Satisfaction Evaluation

MW	megawatts
MyCREST	Malaysian Carbon Reduction and Environmental Sustainability Tool
myGAP	Malaysian Good Agriculture Practices
myOrganic	Malaysian Organic
MySEEA	System of Environmental-Economic Accounting
MyWI	Malaysian Wellbeing Index
NACCOL	National Action Council on Cost of Living
NADMA	National Disaster Management Agency
NAPIC	National Property Information Centre
NAWABS	National Water Balance Management System
NCDs	non-communicable diseases
NCER	Northern Corridor Economic Region
NCIA	Northern Corridor Implementation Authority
NCR	Native Customary Rights
NDTS	National Dual Training System
NEEAP	National Energy Efficiency Action Plan
NeSR	National e-Commerce Strategic Roadmap
NFPCs	Non-Financial Public Corporations
NGOs	non-governmental organisations
NICE	Northern Corridor Economic Region Investor Centre of Engagement
NLTF	National Logistics Task Force
NOSS	National Occupational Skills Standard
NPC	National Productivity Council
NPP3	National Physical Plan 3
NPSTI	National Policy on Science, Technology and Innovation
NRW	Non-Revenue Water
NTMs	non-tariff measures
NWI	National Wage Index
OBB	Outcome-Based Budgeting
OBI	Open Budget Index
OECD	Organization for Economic Cooperation and Development
OGP	Open Government Partnership

OGSE	oil and gas services and equipment
OPEC	Organization of the Petroleum Exporting Countries
OSI	online service sub-index
PAP	pre-approved plan
PAWE	Pusat Aktiviti Warga Emas
PBR	Program Bantuan Rumah
PCF	product development and commercialisation fund
PDRM	Royal Malaysian Police
PDZs	promoted development zones
PE	population equivalent
PETRONAS	Petroliam Nasional Berhad
PHB	Pelaburan Hartanah Berhad
PISA	Programme for International Students Assessment
PLI	Poverty Line Income
PLWS	Productivity-Linked Wage System
PNB	Permodalan Nasional Berhad
PPA1M	Perumahan Penjawat Awam 1Malaysia
ppm	parts per million
PPP	Public Private Partnership
PPRN	Public-Private Research Network
PR1MA	Perumahan Rakyat 1Malaysia
PRC	People's Republic of China
PSC	passenger service charge
PSC	public sector comparator
PSMB	Pembangunan Sumber Manusia Berhad
PTP	Pelabuhan Tanjung Pelepas
PUNB	Perbadanan Usahawan Nasional Berhad
PV	photovoltaic
PWDs	persons with disabilities
QoS	Quality of Services
QS	Quacquarelli Symonds
R&D	research and development

R&D&C	research, development and commercialisation
R&D&C&I	research, development, commercialisation and innovation
R&D&I	research, development and innovation
RAPID	Refinery and Petrochemical Integrated Development
RE	renewable energy
RECODA	Regional Corridor Development Authority
RECs	regional economic corridors
REDD+	reducing emissions from deforestation and forest degradation and enhance the role of conservation, sustainable management of forests and enhancement of forest carbon stocks
RMA	research management agency
ROI	return on investment
ROK	Republic of Korea
RTC	Rural Transformation Centre
RUMAWIP	Rumah Mampu Milik Wilayah Persekutuan
Sabah LEAP	Sabah Long Term Strategic Action Plan
SAIDI	System Average Interruption Duration Index
SCORE	Sarawak Corridor of Renewable Energy
SCP	sustainable consumption and production
SDC	Sabah Development Corridor
SDGs	Sustainable Development Goals
SEA	Southeast Asia
SEDCs	State Economic Development Corporations
SEDIA	Sabah Economic Development and Investment Authority
SESB	Sabah Electricity Sendirian Berhad
SEZs	Special Economic Zones
SIpartners+	School Improvement Partners+
SIRCs	state Islamic religious councils
SISC+	School Improvement Specialist Coaches+
SIT	Special Industrial Tariff
SMEs	small and medium enterprises
SOEs	state-owned enterprises
SPB-PBT	Sistem Penarafan Bintang Pihak Berkuasa Tempatan

SPE	Setiawangsa-Pantai Expressway
SPKPN	Sistem Profil Kampung Peringkat Nasional
SPM	Sijil Pelajaran Malaysia
SPNB	Syarikat Perumahan Negara Berhad
SPR	Election Commission of Malaysia
SRI	sustainable and responsible investment
SSN	social safety net
SSO	shared services and outsourcing
SST	sales and services tax
STEM	science, technology, engineering and mathematics
STI	science, technology and innovation
STPs	sewerage treatment plants
SUBB	Suburban Broadband
SUKE	Sungai Besi-Ulu Kelang Expressway
TEGAS	Tabung Ekonomi Gagasan Anak Bumiputera Sarawak
TERAJU	Unit Peneraju Agenda Bumiputera
TEUs	twenty-foot equivalent units
TIMSS	Trend in International Mathematics and Science Study
TPA	Third Party Access
TS25	Transformasi Sekolah 2025
TUBE	Tunas Usahawan Belia Bumiputera
TVET	Technical and Vocational Education and Training
TXC	TERAJU XChange
U3A	University of the Third Age
UBBL	Uniform Building By-Laws
uCustoms	ubiquitous Customs
UDA	UDA Holdings Berhad
UN	United Nations
UN EGDI	United Nation e-Government Development Index
UNCAC	UN Convention Against Corruption
UNEP	United Nations Environment Programme

UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UniTP	University Transformation Programme
US	United States of America
USTIP	United States Trafficking in Persons
UTCs	Urban Transformation Centres
VM	value management
WBB	waktu bekerja berperingkat
WCS	Wildlife Conservation Society
WCY	World Competitiveness Yearbook
WHO	World Health Organization
WTPs	water treatment plants
WWF	World Wide Fund for Nature
YPPB	Yayasan Peneraju Pendidikan Bumiputera

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ORGANISATION CHART OF MINISTRY OF ECONOMIC AFFAIRS

(As of 5 October 2018)

- **MINISTER** — YB Dato' Seri Mohamed Azmin bin Ali
  - **DEPUTY MINISTER** — YB Senator Dr. Mohd Radzi bin Md Jidin
    - **SECRETARY GENERAL** — Dato' Nik Azman Nik Abdul Majid
      - **ECONOMIC PLANNING UNIT**
        - **Deputy Director General (Sectoral)** — Datuk 'Allauddin bin Haji Anuar
          - **Director, Infrastructure & Public Utilities Section** — Azhar bin Noraini
          - **Director, Agriculture Section** — Dr. Zunika binti Mohamed
          - **Director, Value Management Section** — Dato' Haji Jamilol Nasir bin Saad
          - **Director, Energy Section** — Dr. Mohd Shaharin bin Umar
          - **Director, Environmental & Natural Resource Economics Section** — Ahmad Kamal bin Wasis
          - **Director, Security & Public Order Section** — Ahmad bin Ali
        - **Deputy Director General (Macro)** — (Vacant)
          - **Director, Macroeconomics Section** — Zakiah binti Jaafar
          - **Director, Services Industry Section** — Muhamad bin Idris
          - **Director, Manufacturing Industry, Science & Technology Section** — Dato' V. Valluvan a/l Veloo
          - **Director, Development Budget Section** — Dato' Adam bin Sulong
          - **Director, Knowledge Economy Section** — Mohd Sukri bin Mat Jusoh
          - **Head, Statistics Unit** — Shahriman bin Haron
        - **Deputy Director General (Policy)** — Dato' Saiful Anuar bin Lebai Hussen
          - **Director, Equity Development Section** — Dato' Dr. Noor Zari bin Hamat
          - **Director, Social Services Section** — Dato' Ramlan bin Harun
          - **Director, Regional Development Section** — Ahmad Zamri bin Khairuddin
          - **Director, Human Capital Development Section** — Dr. Maziah binti Che Yusoff
          - **Director, International Cooperation Section** — Ashikin binti Abdul Razak
          - **Head, NDPC, Policy & Bumiputera Empowerment Unit** — Wan Muhammad Najib bin Wan Ab Karim
        - **Director, Management Services Section** — Boniface Anak Edwin Manung
        - **Director, Information Management Section** — Amran bin Hamzah
        - **Head, Corporate Communication Unit** — Dr. Haniff bin Hassan
        - **Head, Legal Services Section** — Camellia Roseriana binti Amu
        - **Head, Graduate Training Programme** — Norashikin binti Datuk Haji Ismail
        - **Head, Integrity Unit** — (Vacant)
      - **Departments, statutory bodies, agencies and companies under Ministry of Economic Affairs**