社会经济研究中心

SOCIO-ECONOMIC RESEARCH CENTRE

SERC

Mid-Term Review of the Eleventh Malaysia Plan, 2016-2020 (11MP)

New Priorities and Emphases: Policies, Challenges and Opportunities

19 October 2018

Key agenda

- New Priorities and Emphases
- Macroeconomic strategies to sustain growth
- Revised macroeconomic prospects
- Specific commentaries on policy thrusts
- Conclusion

Mid-Term Review of 11MP – New Priorities and Emphases

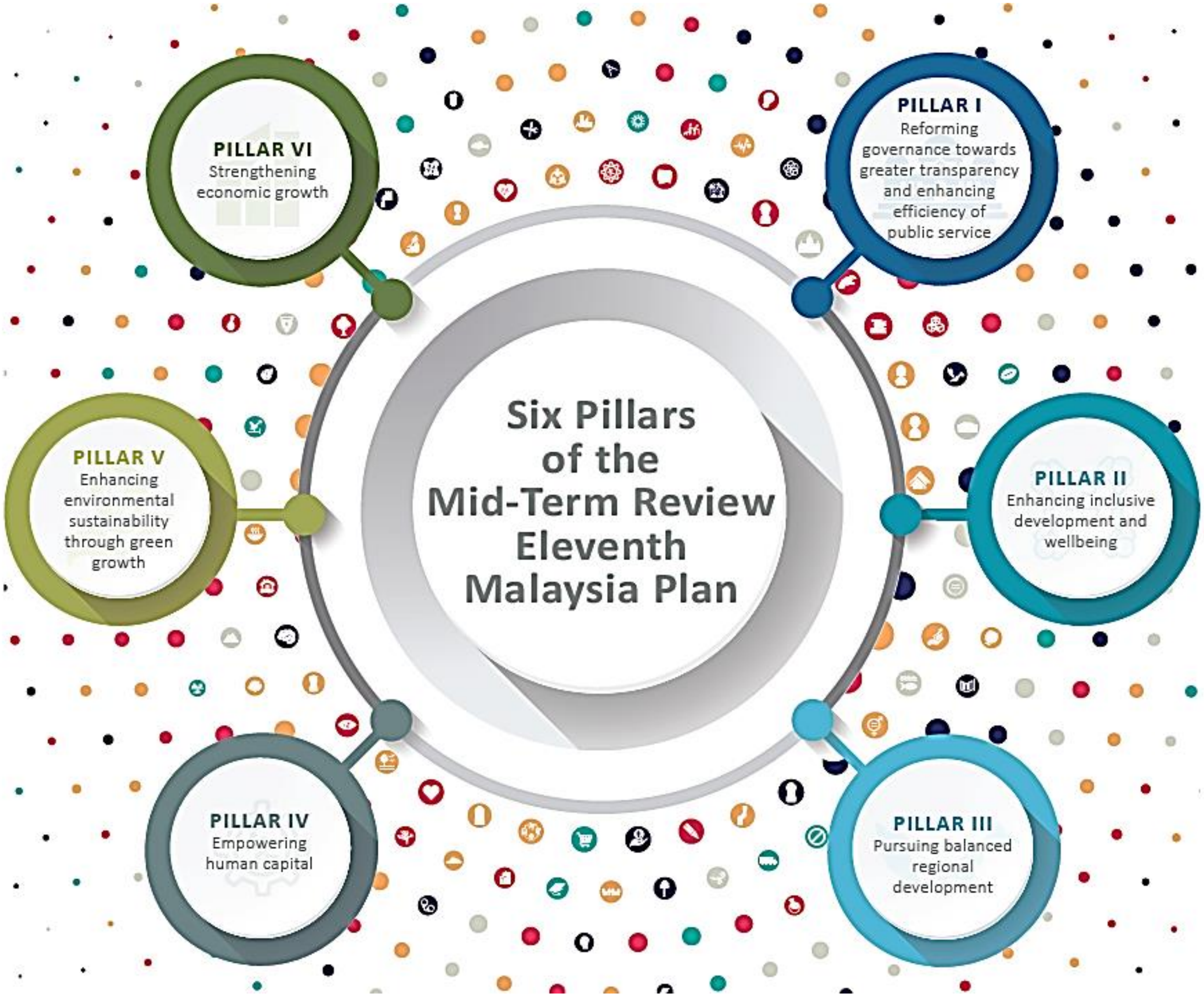
- The Eleventh Malaysia Plan (11MP), 2016-2020, which marks the final phase towards achieving a developed and inclusive nation in line with the Vision 2020 was launched in May 2015. It was formulated during the 13th General Elections, with fiscal constraints, deindustrialization and uneven global recovery shaping the development planning challenges.

- For the first time in Malaysia's political history, new Government took the responsibility to review the Mid-Term of 11MP, a 5-year development plan crafted by previous administration since the First Malaysia Plan (1966-1970).

- This Mid-Term Review (MTR) of 11MP reports the progress achieved in 2016-2017 under the previous administration and outlines the realignment of socioeconomic policies and strategies for 2018-2020, taking into account priorities of the new Government post 14th General Election.

- The MTR of the 11MP document outlines **new Priorities and Emphases** based on **six pillars** (i) **reforming governance and improving public service delivery**; (ii) enhancing **inclusive development and wellbeing**; (iii) pursuing **balanced regional development**; (iv) empowering **human capital**; (v) ensuring **environmental sustainability**; and (vi) strengthening **economic growth**.

The Six Pillars of MTR of 11MP



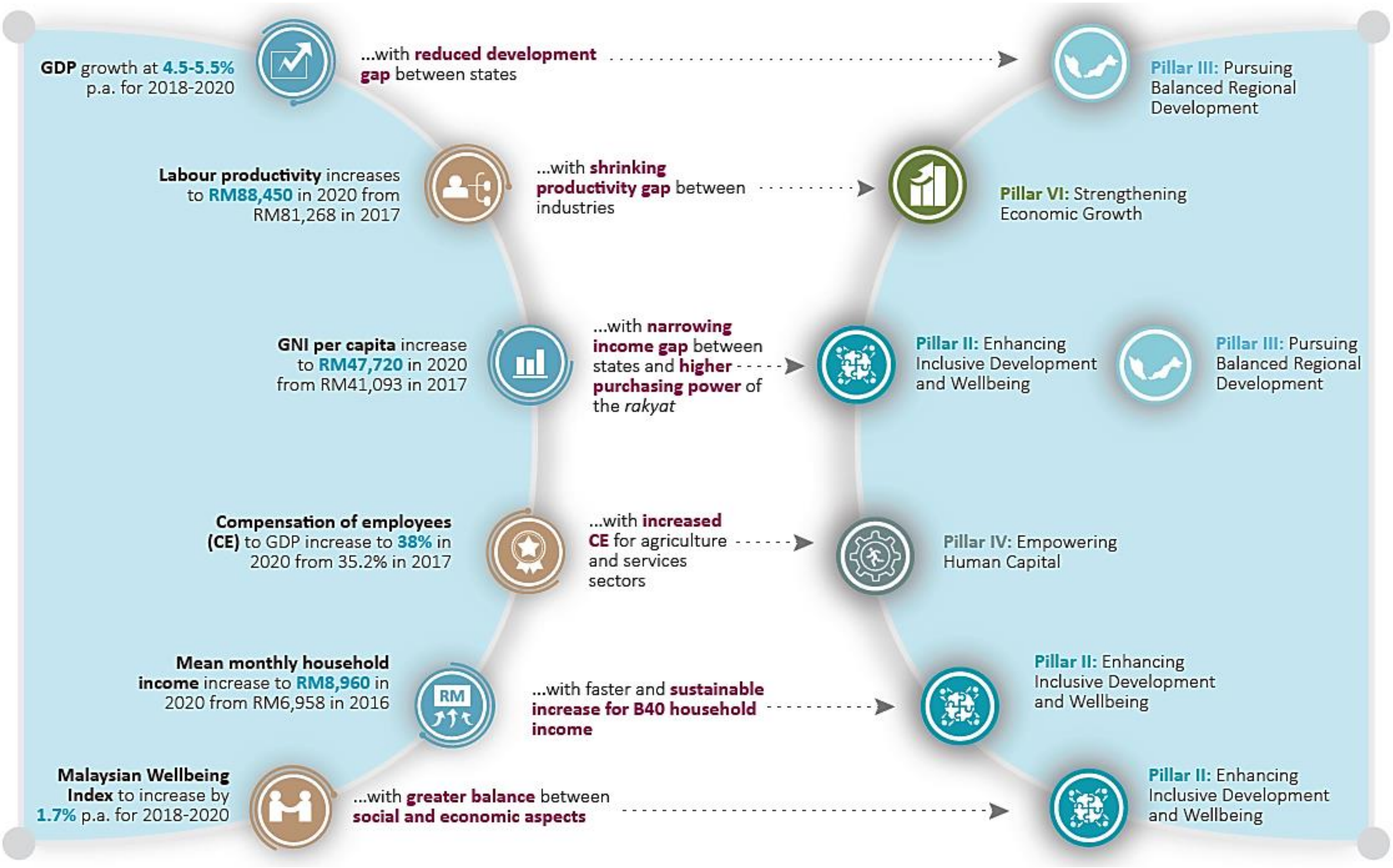
New mapping of Sustainable Development Goals (SDGs)

Pillar 1	11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Pillar 2	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Pillar 3	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Pillar 4	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
Pillar 5	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
Pillar 6	2 ZERO HUNGER; 6 CLEAN WATER AND SANITATION; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 14 LIFE BELOW WATER; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS

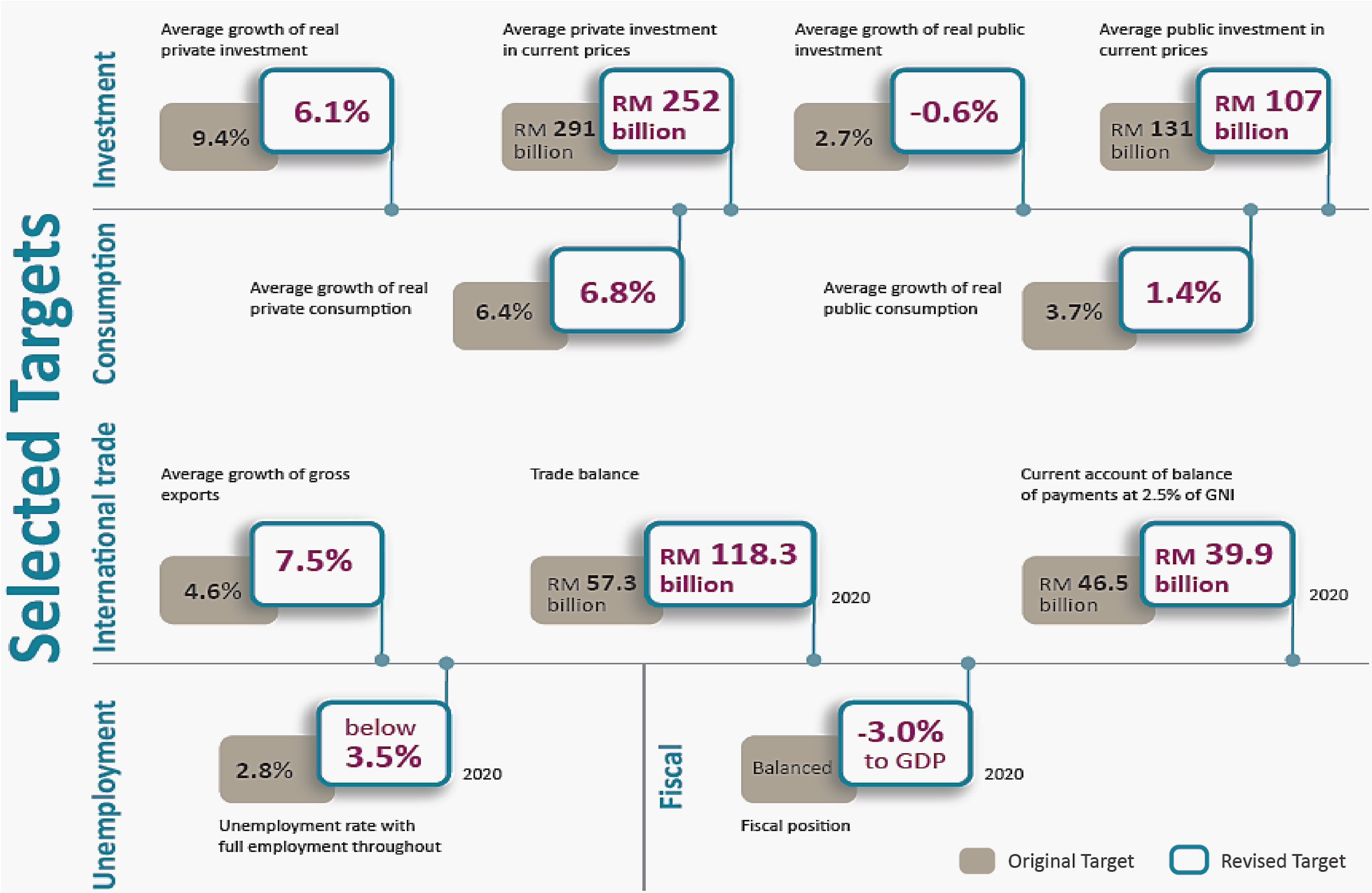
Summary of macroeconomic strategies, 11MP (2016-2020)

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

2018-2020: Revised macro targets



Macroeconomic prospects, 2016-2020



MTR of 11MP – Key takeaways

- The MTR is undertaken under a **new domestic political landscape and increasing complexity in global environment** and economic uncertainties (such as the build-up of financial vulnerabilities, trade protectionism and geopolitical tensions).

- Hence, this necessitates the policy makers' **continued vigilance and enhancement of economic resilience** through greater macro-economic and financial management flexibilities to pre-empt and counteract against any external shocks and contain our economic vulnerability.

- This calls for **reforming and recalibration of existing macro policies; strong public finance management, fiscal sustainability and socioeconomic reform.** Equally important is the **reforming of institutions and political system** to uphold good governance, high integrity as well as respect the rule of law. Efforts will focus on stimulating economic growth while ensuring greater economic dividends for all rakyat Malaysia.

- While the Government will balance economic growth objectives and fiscal consolidation initiatives, 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.

MTR of 11MP – Promise comprehensive institutional reforms

- The key observation reveals that the MTR document **places strong emphasis on introducing comprehensive reforms to strengthen the administrative capacity and improve governance so as to restore public trust and confidence** on the governing of public institutions and respect the rule of law. This goes to show that the new Government is determined to prevent corruption, leakages, misappropriation and abuse of power.

- We believe that **fundamental economic and financial reforms on their own cannot bring the desired change, unless accompanied by radical institutional reforms**.

- The priority areas and strategies for reforming governance towards greater transparency and enhancing efficiency of the public service are **strengthening check and balance mechanism**; **reforming political system** as well as **improving relationship between Federal, state and local governments** to revive the spirit of federalism.

- Amongst these include to institutionalise the select committee system in the Dewan Rakyat and Dewan Negara and to empower Parliamentary committees to oversee the executive; commissions such as the Malaysian Anti-Corruption Commission (MACC) and Election Commission of Malaysia (SPR) will be answerable directly to the Parliament; select committees must endorse the appointment of key positions among others including in MACC, SPR, National Audit Department (JAN) and Judicial Appointments Commission.

MTR of 11MP – Revised macroeconomic targets

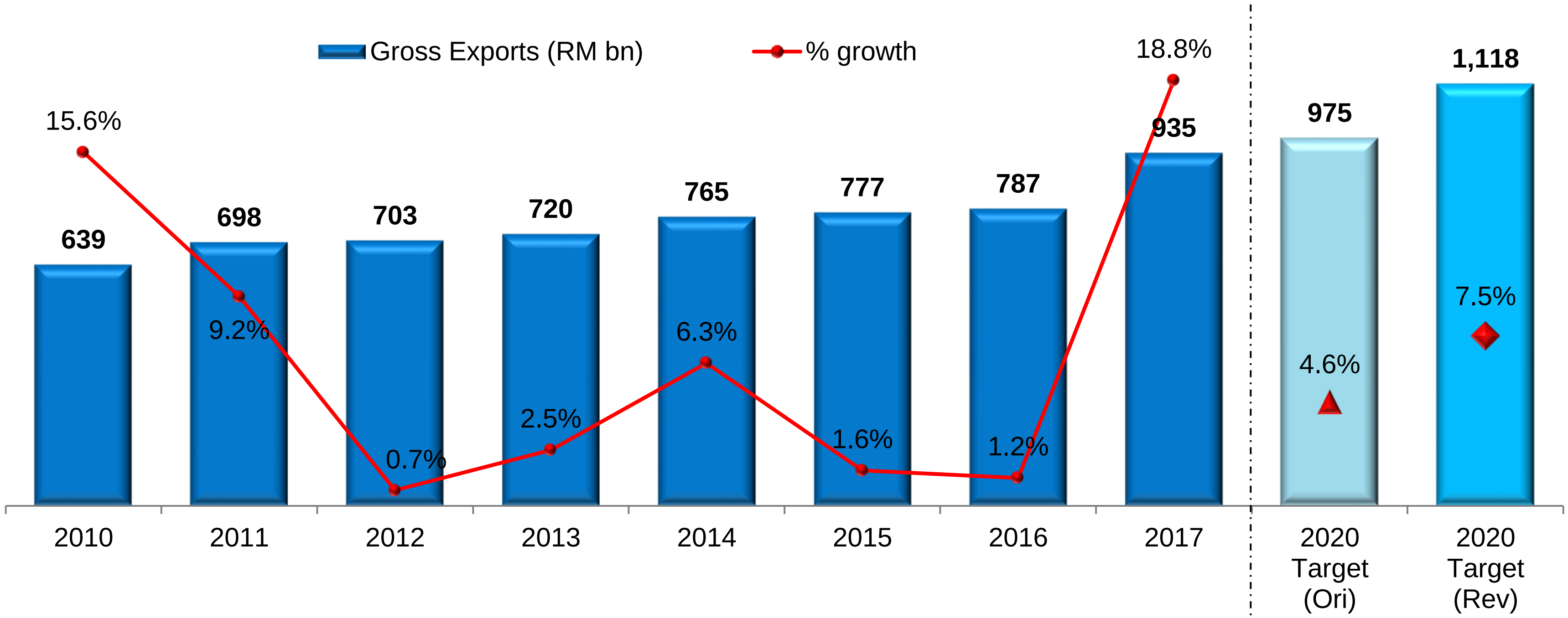
- **Targeted GDP growth revised lower**. Weighing on the projected world economic growth of 3.7% pa and world trade of 4.2% pa respectively in 2018-2020, the Malaysian economy is projected to **grow by 4.5-5.5% pa in 2018-2020** (5.1% in 2016-17), taking the revised growth target lower to **4.5-5.5% in 2016-2020** compared to 5.0-6.0% in the original 11MP.

- **Domestic demand still anchoring growth**. **Private consumption** is expected to expand by **6.8% pa in 2016-2020** (7.0% pa in 2018-2020) with its share to GDP reaching 56.9% in 2020, supported by favourable labour market conditions and continued income growth. **Private investment** to continue as the growth catalyst, with a targeted growth of **6.1% pa in 2016-2020** (5.7% pa in 2018-2020), raising its contribution to GDP from 12.3% in 2010 to 17.8% in 2020. There will be high value added and technology investment in the manufacturing and services sectors. **Public investment** is projected to contract by 0.6% pa in 2016-2020 (-0.8% pa in 2018-2020), due to the revision of major infrastructure projects such as the East Coast Rail Link and High Speed Rail.

- **Sectoral output**. The **services and manufacturing** sectors will continue to drive growth. Notable growth moderation is observed in the **construction sector** (5.4% pa in 2016-2020 vs 10.3% pa in the original target; 7.1% in 2016-17 and 4.8% in 1H18), reflecting the reprioritization of major infrastructure projects to rationalise the fiscal position of the Federal Government.

MTR of 11MP – Revised macroeconomic targets (cont.)

- **Comfortable trade surplus**. **Gross exports** are expected to be sustained at **7.5% pa in 2016-2020** (6.2% pa in 2018-2020), supported by firmer commodity prices and continued global demand. With gross imports growth estimated to rise by 6.1% pa in 2018-2020, the trade balance remains in surplus, targeted at RM118.3bn in 2020. **The current account of the balance of payments** is projected to remain in surplus at **RM39.9bn or 2.5% to GNI in 2020** (RM40.3bn or 3.1% to GNI in 2017).



Source: Bank Negara Malaysia (BNM); Economic Planning Unit (EPU)

MTR of 11MP – SERC's comments

- *The marked down GDP growth target to **4.5-5.5% pa** in the revised MTR from 5.0-6.0% pa in the original target is deemed somewhat **realistic**, taking into both domestic issues and external headwinds. Downside risks to growth remain. The Plan expects real GDP growth of 4.5-5.5% in 2018-2020 (5.1% in 2016-17), which is higher than SERC's estimates of 4.8% in 2018; 4.7% in 2019 and 4.6% in 2020.*

- *The Malaysian economy had slowed to 4.9% in 1H18 from 5.9% in 2017 (4.2% in 2016), dragged down by contractions in mining and agriculture sectors and public investment. While private consumption growth likely to remain resilient, external uncertainties and the deferment of some mega public infrastructure projects would dampen private investment growth, with the construction sector and building materials-related manufacturing industries bearing the brunt of output growth adjustment over the medium-term.*

- *The key risks would come from external sources, especially the duration and depth of the on-going trade war between the US and China; continued higher interest rates in some advanced economies, tighter global liquidity conditions and the ensuing capital flows and financial volatility on assets market and foreign exchange.*

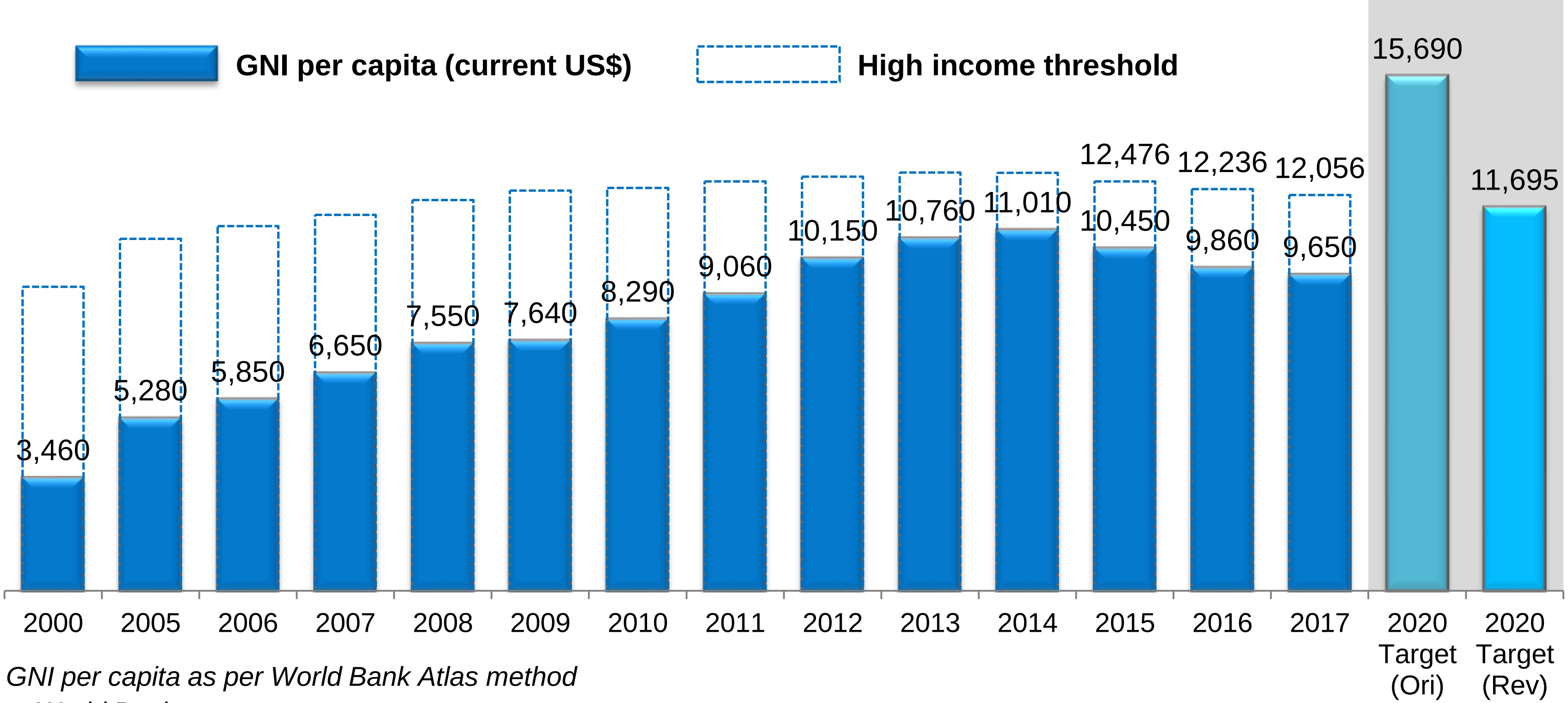
MTR of 11MP – SERC's comments (cont.)

- *The global expansion is nine years old. An ill-timed end of fiscal stimulus's effects in the US, continued monetary tightening, the implosion of corporate debt bubble and the intensification of trade war are the power fires that could most easily end the current expansion of global economy and the US economy in particular. In Asia, China economy, which has displayed signs of economic softening also pressured the authorities to implement appropriate policies to keep the economy going.*

- *On domestic front, there remain challenges and issues that would hinder our long-term growth potential. These include lagging productivity growth, low wage compensation for workers, over-dependency on foreign workers, shortage of skilled workers, the slow adoption of technology, especially by SMEs and the development of high value creation and digitalized-driven investment, high youth unemployment and limited fiscal space.*

High-income nation status derailed

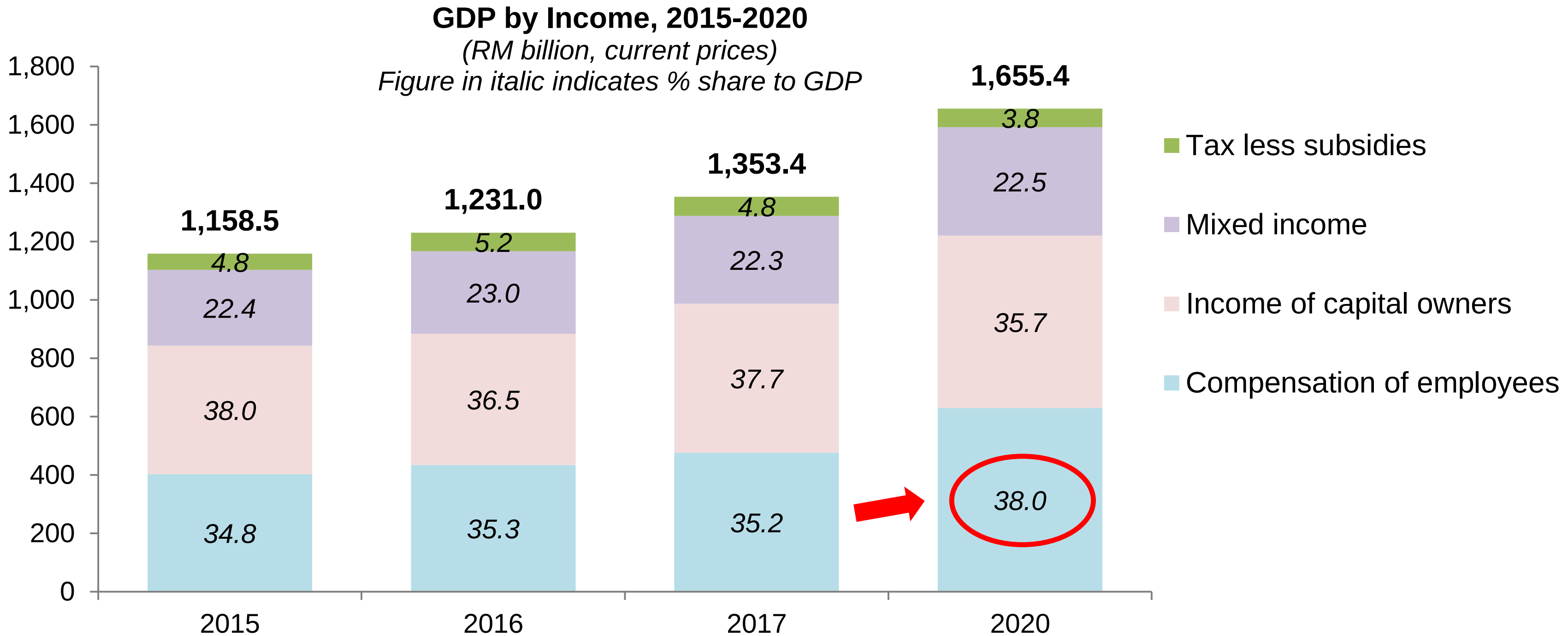
- Based on revised growth target, Malaysia's **per capita income** is expected to reach **RM47,720 or US$11,695 in 2020**, below the estimated minimum income threshold of a high-income nation. Malaysia may achieve the target to be a high-income nation by 2024 or earlier if growth conditions improve significantly.
- Malaysia must focus on inclusive growth instead of merely aiming to become a high-income nation. High income growth must also be accompanied by higher purchasing power.



Note: GNI per capita as per World Bank Atlas method
Source: World Bank

Increasing the share of compensation of employees to GDP

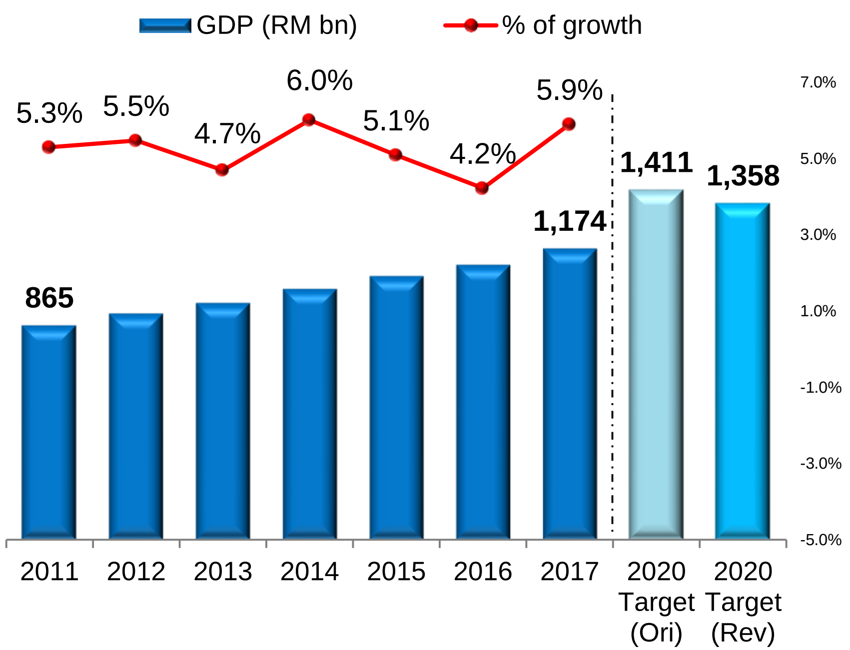
- The current **share of compensation of employees** (CE) (2017: 35.2%) is way behind the high-income countries like Australia (47.3%), South Korea (44.4%) and Singapore (42.4%).
- CE is targeted to **achieve at least 38% of the GDP by 2020** (original target is at least 40%) while the share of gross operating surplus (GOS) which comprises income of capital owners and mixed income will decline to 58.2%.



Note: Mixed income comprises income earned by self-employed, unincorporated businesses and others.
Source: DOSM; EPU

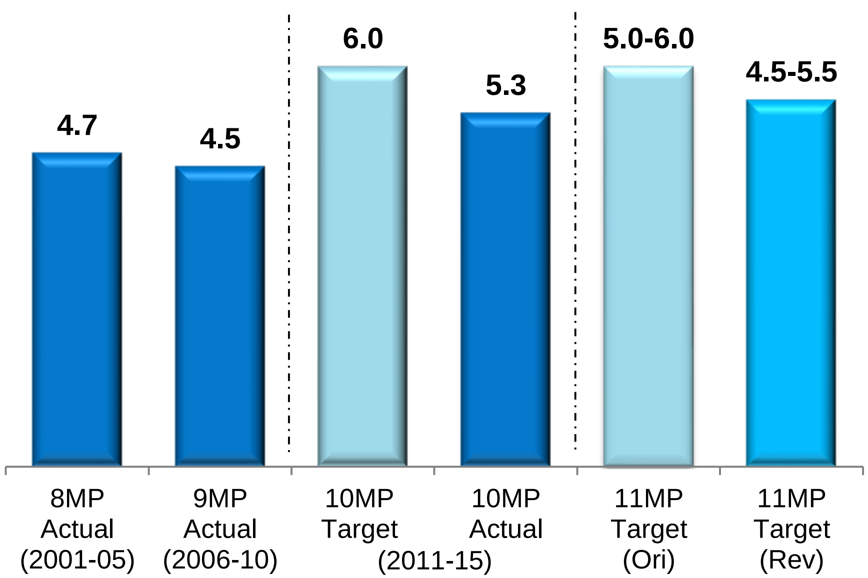
GDP growth target revised lower to 4.5-5.5% in 2016-2020

- The MTR of 11MP **revised GDP growth target lower to 4.5-5.5%** in 2016-2020 from 5.0-6.0% pa in the original target.
- The growth will be supported by continued expansion of domestic demand, with the private sector taking the driver seat while the government continues to rationalise its spending. Exports are expected to be sustained by steady growth in global economy and world trade.



Source: BNM; EPU

Average annual GDP growth rate (%)



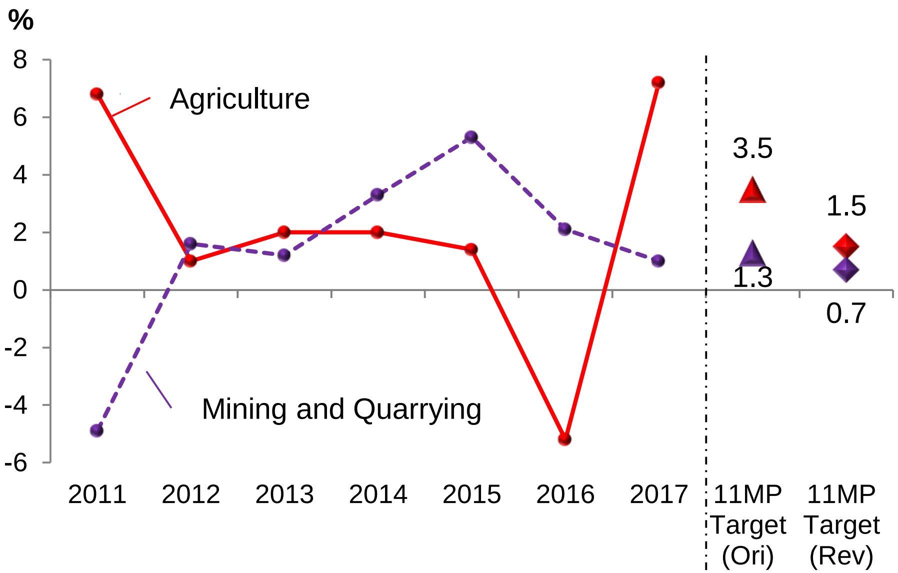
Base year = 2000 for 8MP, 9MP and 10MP (Target)
Base year = 2010 for 10MP (Actual) and 11MP

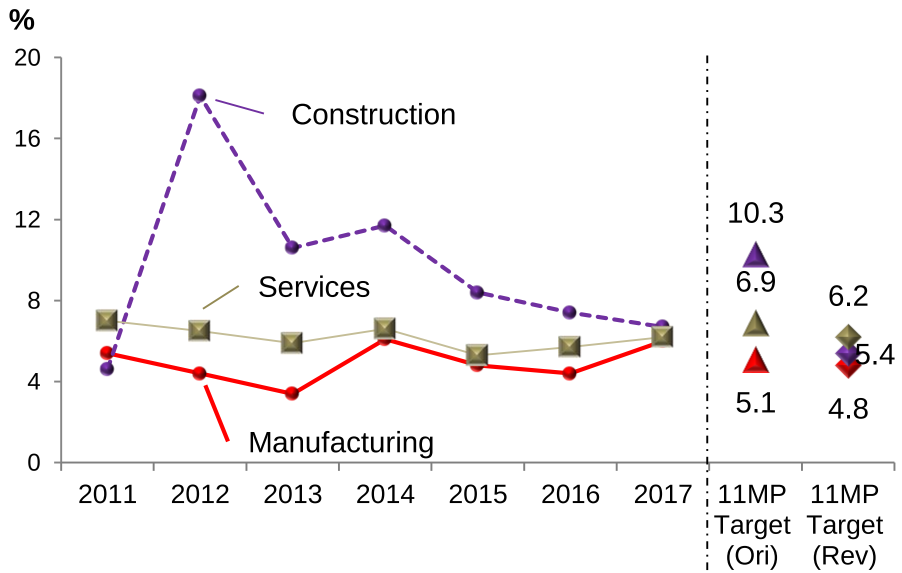
Sectoral target at a glance

- Growth in all economic sectors were revised lower from the original 11MP target. Both **services and manufacturing** sectors continued to drive overall growth.
- Of significance is the **construction sector's growth**, which scaled back more than halve to **5.4% pa in the revised target** from 10.3% pa previously, reflecting mainly the deferment of mega public infrastructure projects.

	Agriculture	Mining and Quarrying	Manufacturing	Construction	Services
10MP	2.6%	1.2%	4.8%	10.6%	6.3%
11MP (Ori)	3.5% (7.8%)	1.3% (7.1%)	5.1% (22.1%)	10.3% (5.5%)	6.9% (56.5%)
11MP (Rev)	1.5% (7.5%)	0.7% (7.3%)	4.8% (22.7%)	5.4% (4.5%)	6.2% (56.7%)

Figure in parenthesis denotes % share of target GDP in 2020.





Source: BNM; EPU

Where is the growth coming from?

Services (2018-2020F: 6.3%, 2016-17: 5.9%)
% share of GDP in 2020F: 56.7%

- Spurred by the Services Sector Blueprint, ICT as well as Digital Free Trade Zone.
- Consumption-related services (retail trade, F&B and accommodation) benefitting from improved household income and higher tourist spending.

Manufacturing (2018-2020F: 4.5%, 2016-17: 5.2%)
% share of GDP in 2020F: 22.7%

- High value-added: Electrical & electronics, machinery & equipment, chemicals & chemical products, aerospace and medical devices
- 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.

Agriculture (2018-2020F: 2.0%, 2016-17: 0.8%)
% share of GDP in 2020F: 7.5%

- Increased production of palm oil, rubber and food crops. Industrial commodities continue to dominant with the contribution targeted at 56.4% of the total value added in 2020.
- The introduction of new sources of wealth (premium-grade fruits, high-yielding coconut varieties and large scale grain corn production).

Where is the growth coming from?

Mining (2018-2020F: 0.1%, 2016-17: 1.5%)
% share of GDP in 2020F: 7.3%

- 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.
- 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.

Construction (2018-2020F: 4.3%, 2016-17: 7.1%)
% share of GDP in 2020F: 4.5%

- The civil engineering subsector is expected to be dampened by the reprioritisation of major infrastructure projects due to the rationalization of the Federal Government's spending. The 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.
- Slower growth of residential and non-residential subsectors.

GDP by expenditure approach

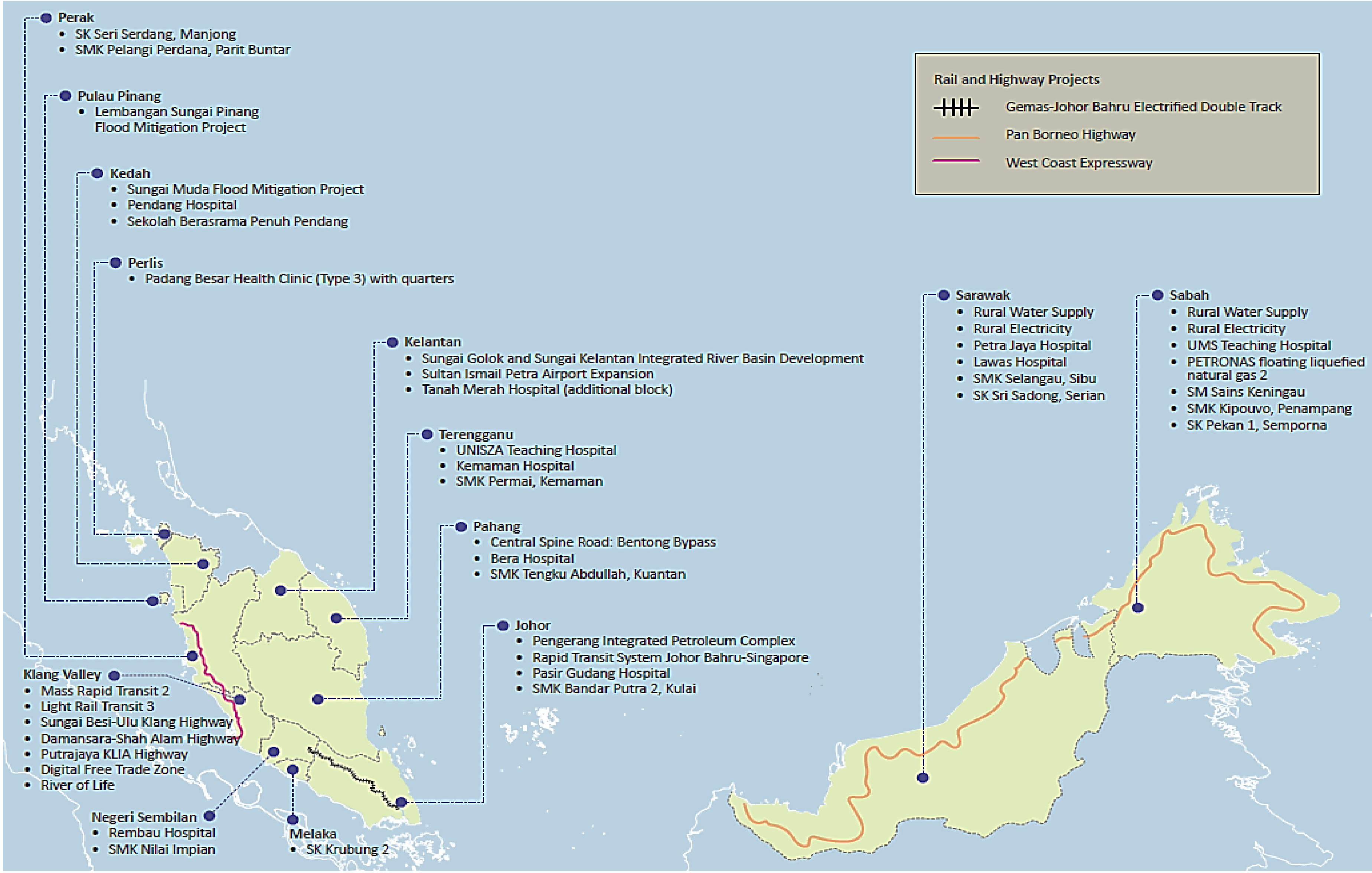
- Sustained domestic demand, especially from private sector expenditure.
- **Public investment is projected to decline by 0.6% pa** in the revised target compared to +2.7% pa previously, due to the revision of major infrastructure projects such as the East Coast Rail Link (ECRL) and High Speed Rail (HSR). High-impact projects, public school projects across the country as well as rural water and electricity supply projects in Sabah and Sarawak will be further enhanced.

Growth rate, %		**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 1H**	**10MP (2011-2015)**	**11MP Target (Ori)**	**11MP Target (Rev)**
Private	Consumption (*56.9%*)	6.9	8.3	7.2	7.0	6.0	6.0	7.0	7.4	7.1	6.4	6.8
	Investment (*17.8%*)	9.5	21.4	12.8	11.1	6.3	4.3	9.3	3.4	12.1	9.4	6.1
Public	Consumption (*11.4%*)	14.2	5.4	5.8	4.4	4.5	0.9	5.4	1.8	6.8	3.7	1.4
	Investment (*6.8%*)	2.6	15.9	1.8	-4.7	-1.1	-0.5	0.1	-5.2	2.7	2.7	-0.6
Goods and services	Exports (*67.3%*)	4.2	-1.7	0.3	5.0	0.3	1.3	9.4	2.9	1.6	2.1	3.4
	Imports (*60.2%*)	6.3	2.9	1.7	4.0	0.8	1.3	10.9	0.0*	3.1	2.3	3.7

Figure in parenthesis denotes % share of targeted GDP in 2020. ** less than 0.1% growth*

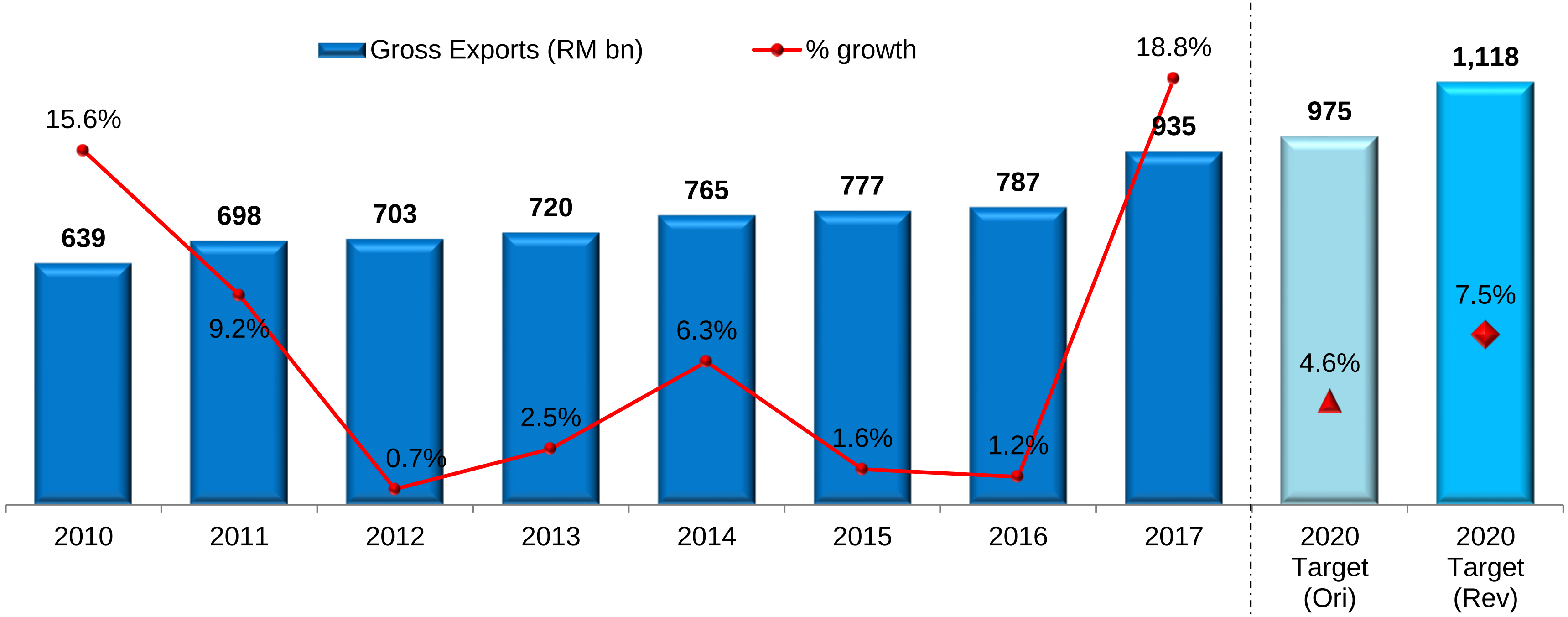
Source: BNM; EPU

Selected high-impact projects being planned or implemented, 2018-2020



Gross exports are expected to grow steadily

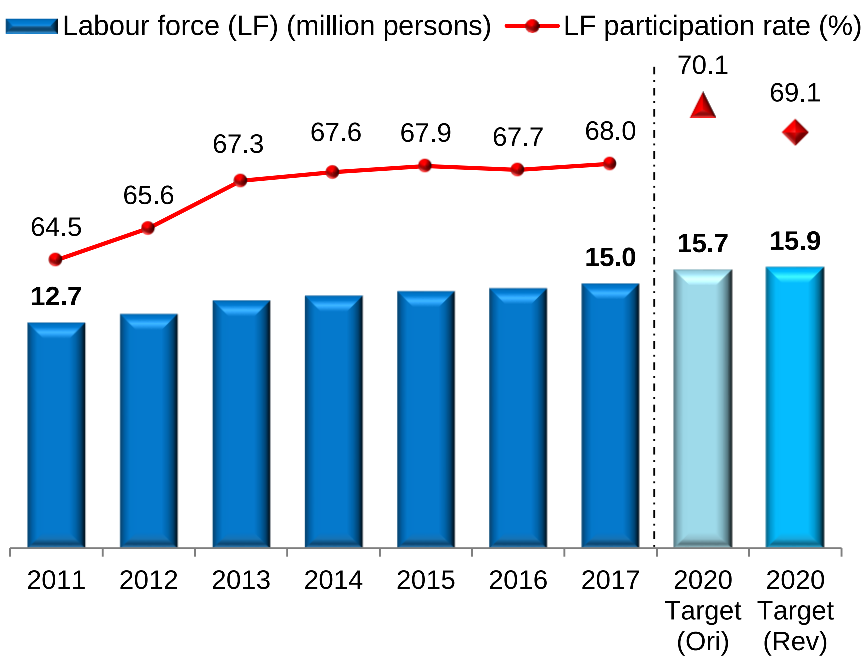
- Malaysia's gross exports are **projected to grow by 6.2% pa in 2018-2020** (9.7% pa in 2016-17), taking the 11MP target to 7.5% pa, higher than the original target of 4.6% pa. This will be supported by firmer commodity prices and continued demand from trading partners.
- With increasing trade protectionist mindset in some advanced economies, Malaysia needs to actively engage in regional trade arrangement and bilateral trade relations to have more outreach for our goods and services. Exports capacity must be enhanced via institutional supports, e-commerce and Digital Free Trade Zone (DFTZ).

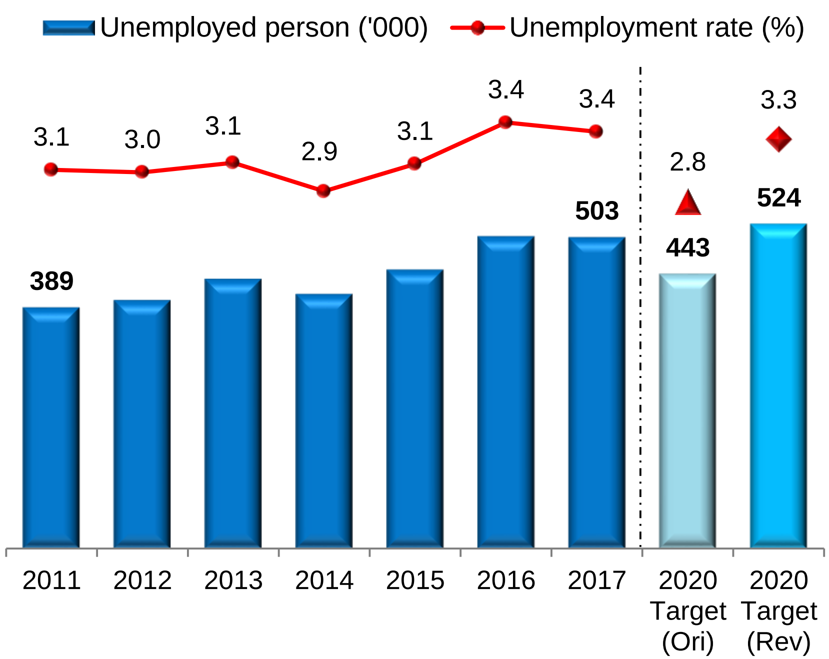


Source: BNM; EPU

Labour market conditions

- Labour market conditions are expected to remain stable, albeit an uptick in the **unemployment rate to 3.3% in 2020**, revised higher from 2.8% in the original target.
- High youth unemployment estimated 10.8% in 2017 will be addressed by reviewing labour market conditions such as better quality and high impact training programs, the revamping of Technical and Vocational Education and Training (TVET) and the Future Workers Training scheme.

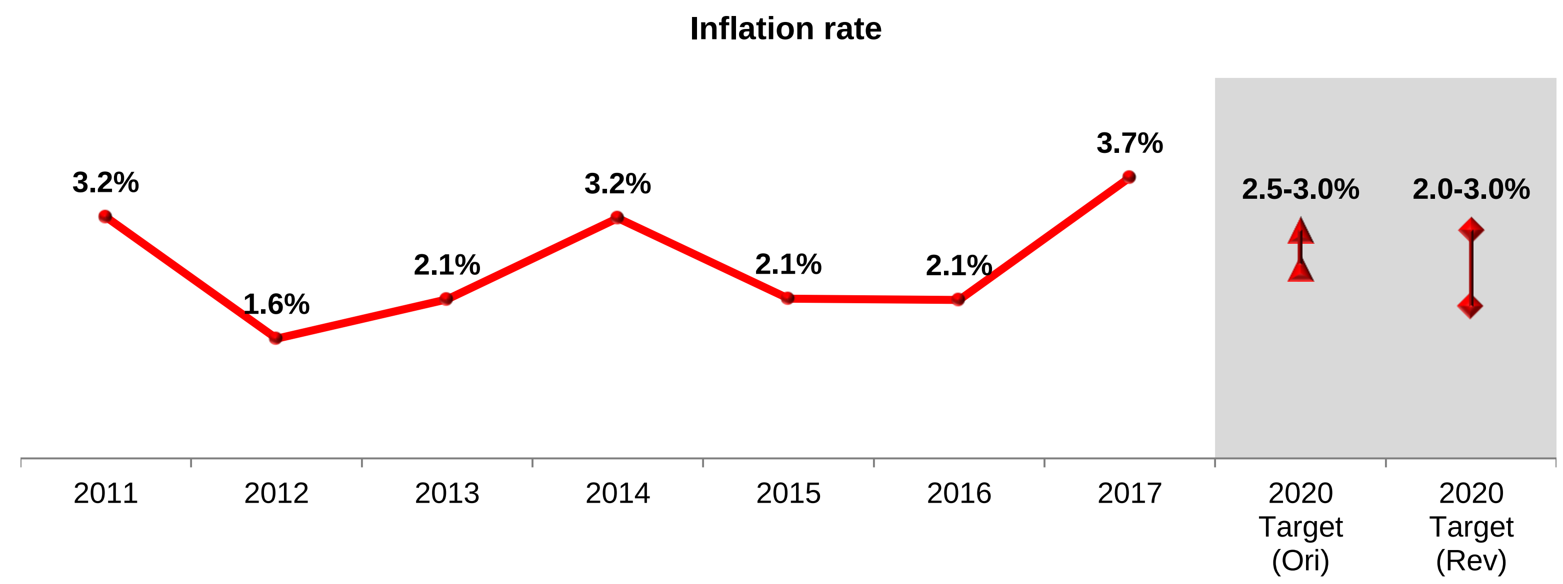




Source: BNM; EPU

Inflation pressures are expected to remain moderate

- **Inflation rate is expected to remain low**, averaging **between 2% and 3% pa in 2016-2020** (2.9% in 2016-17) despite expected moderate rise in global oil and commodity prices.
- Amongst measures to address the cost of living and purchasing power 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.



Source: BNM

MTR of 11MP – Federal government's fiscal position

- **Fiscal balance target deferred**. 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. However, fiscal targets will be flexible during the transition period without impairing growth. The **fiscal deficit is targeted to be at 3.0% to GDP in 2020**, a marked deviation from a near balanced budget of -0.6% of GDP in the original 11MP.

- **Revenue enhancement** through **imposing taxes on e-commerce and activities related to sharing economy** such as online transactions; initiatives to improve **tax compliance**; maximising the **cost recovery of Government's assets**, where more agencies will be empowered to **improve the utilisation rate of assets**.

- **Operating expenditure rationalization and reconstruction measures** include reforming Government agencies, strengthening procurement process of all supplies and services, including through open tenders as well as debt restructuring. Reprioritisation of programs to improve the effectiveness of spending, including the governance structure of project appraisal and selection, to reduce the risk of delays and cost overruns.

MTR of 11MP – Federal government's fiscal position (cont.)

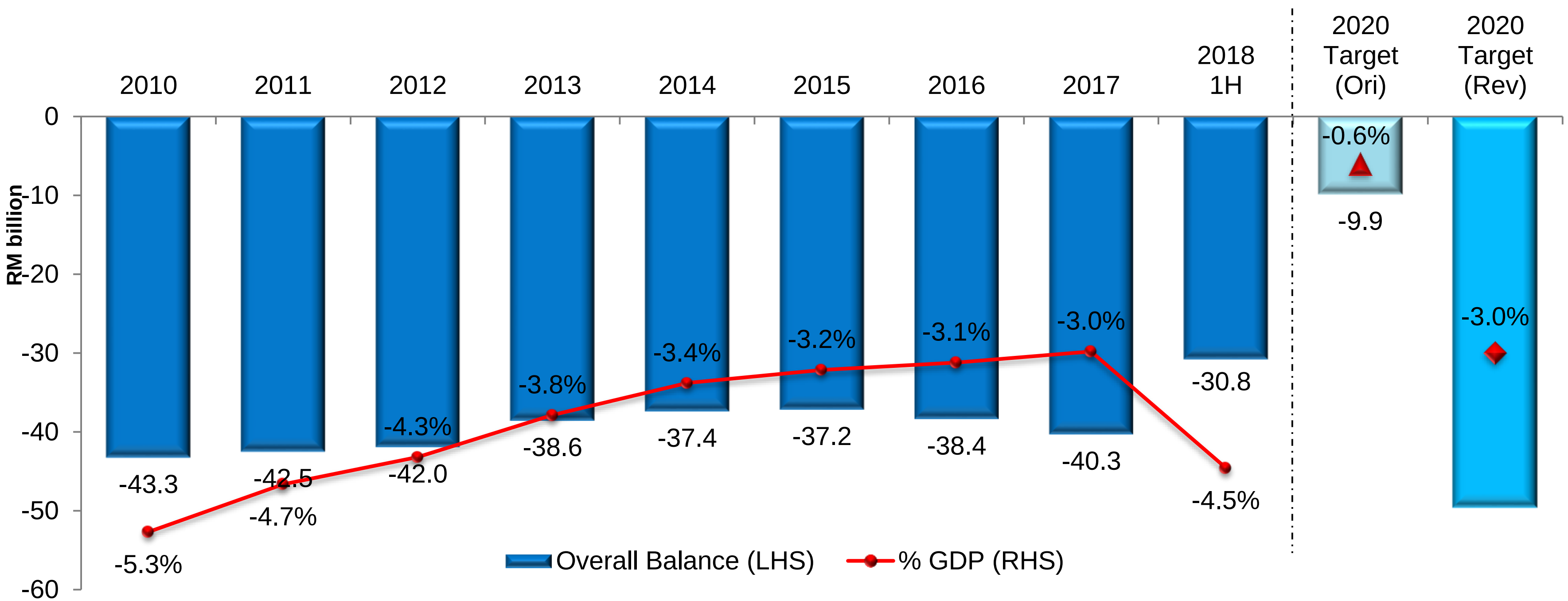
- Adopt greater transparency in public finance reporting by **accelerating the full implementation of accrual accounting**. Under this method, revenue and expenses will be recorded when earned and incurred, respectively. Obligations such as debt, contingent liabilities and financial leases, will also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

- **Development expenditure ceiling is slashed by RM40.0 billion** from **the original allocation of RM260.0 billion** to **RM220.0 billion for 11MP period** (2016-2020), to consolidate the fiscal position. The cut is deemed necessary to account for lower revenue on volatile global crude oil price and abolishment of GST in 2018. *With the revised spending ceiling of RM220.0 billion and netted off the actual spending of RM107.0 billion in 2016-1H18**, this leaves an average balance of RM113.0 billion to be spend for the period 2H18 to 2020. This means that about RM45.2 billion per year in 2019 and 2020**.*

- **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.

Fiscal consolidation path pushed back

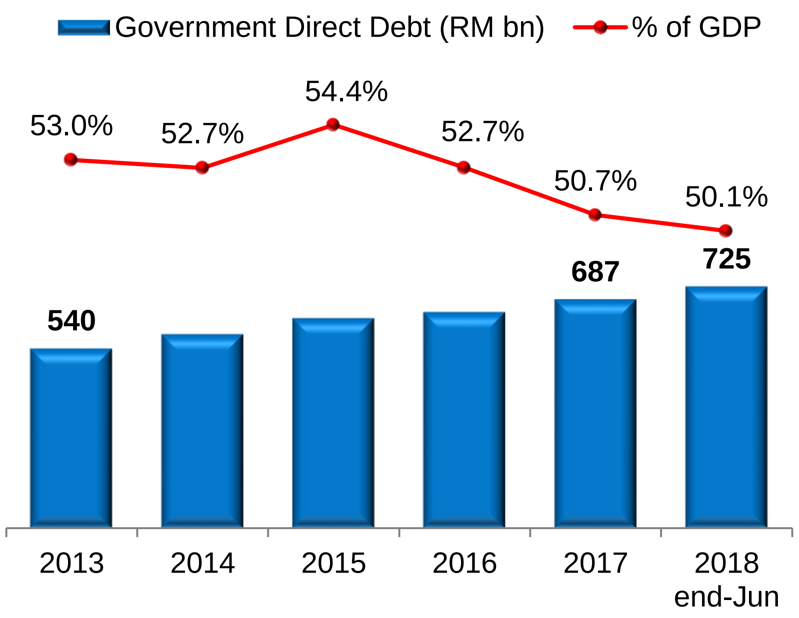
- During the transition period, the **fiscal deficit target is set at -3.0% of GDP by end-2020**, a revision from a near-balanced budget (-0.6% of GDP) in the original target.
- The push back in fiscal consolidation takes into account the balancing needs to support economic growth amid continued rationalization of spending and revenue constraints. Over time, the consolidation will be achieved through a multipronged approach towards strengthening fiscal management.

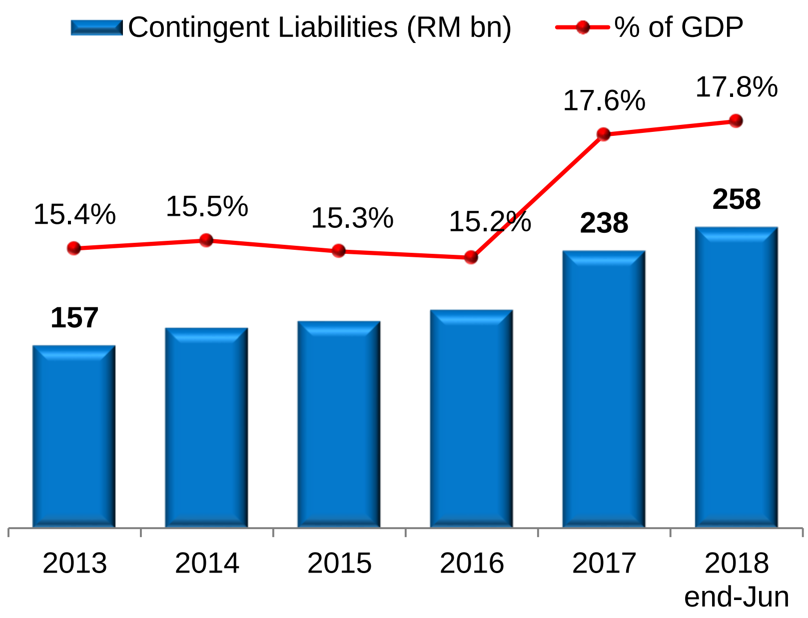


Source: Department of Statistics, Malaysia (DOSM); EPU

Mid-term review of 11MP – Government's fiscal position

- **Debt rationalization and containment initiatives** include improving financial governance to ensure institutional checks and balances. Systematic, comprehensive and transparent financing governance mechanism and debt management system will be established to regularly reporting to the public, strengthening financial management and credibility of the Government.
- The **Federal Government debt, contingent liabilities and commitment made under public-private partnership (PPP) projects** stood at **RM1.08 trillion** or **80.3% to GDP as at end-2017**.





Source: BNM

SERC's comments

- *The new Government faces up to harsh reality of fiscal consolidation as it unveils new fiscal consolidation plan, pushing back its earlier target of achieving a near-balanced estimated -0.6% of GDP in the original target 2020 to a larger deficit of 3.0% of GDP in the revised MTR.*

- *The fiscal deficit target revision highlights the bind that the nation is in as it seeks to rebuild its fiscal health. While the efforts to rationalize and contain inflating spending as well as institutionalized cost savings help to rein in fiscal deficit, there remain fiscal challenges in terms of higher committed expenses on emolument, pension and healthcare as well as social security given the nation's aging population. Yet either significantly cutting in public spending or increasing new taxes and social security premium hikes to trim the deficit would be politically challenging and portend short-term dent on economic growth.*

- *A credible timeline for fiscal consolidation. Indeed, at times of heightened global uncertainty and fiscal constraints, budgeting should have a cautious bias. A credible timetable for the budget repair must be clearly spelt out. This is the clear direction the credit rating agencies and market investors are looking forward to.*

- *The Government should ensure a sustainable fiscal and debt management to avoid the potential risk of being put on ratings watch or downgrades, which will raise the cost of borrowings.*

SERC's comments (cont.)

- *Reprioritization of spending and programs. Spending plans need to be re-evaluated in terms of priority and necessities as well as the impactful multiplier effects n the economy, socio and business communities. The reality is that public expectations on government spending and public services need to be realigned with the limited budget; some form of trade-offs are inevitable, going well beyond budget 'business as usual'.*

- *The spending rationalization and new initiatives on health and education funding, socioeconomic development, affordable housing, infrastructure and income support payments as well as new tax measures have to be realistically and rationally implemented.*

- *It is worthy to note that a special task force will be established to conduct a comprehensive audit and review across public sector institutions and agencies, including assess the roles and functions of various entities such as statutory bodies and state-owned enterprises (SOEs). The aim is to right-size and increase efficiency of the public services by utilizing resources optimally.*

SERC's comments (cont.)

- *We view the rationalization of public sector institutions a step in the right direction to help contain the operating expenditure on emoluments and pension payment, which had grown in magnitude relative to revenue collection. In 2007, total emoluments of public servants were RM32.6 billion or 26.4% of total operating expenditure (OE) but it increased by 8.4% pa to RM73.1 billion or 34.8% of total OE in 2016. In 2018 Budget, total emoluments are expected to hit RM79.1 billion or 33.8% of total operating expenses.*

- *Revamp of public sector pension. If there is a political will, it is timely to revamp the public sector pension scheme, that is shifting from defined benefits to defined contributions to ensure its solvency and sustainability in terms of self-sustaining funded pension liabilities. Such a move would wean the Government from the fiscal burden of ever-growing pension liabilities. The current civil servant pension scheme parks some RM300 billion in liabilities with the Government. The pensions or retirement charges have been growing at a rapid rate of 11.0% pa to RM21.0 billion or 9.8% of total OE in 2016 from RM8.3 billion or 6.7% of total OE in 2007. For the period 2011-15, pension and gratuities grew by 10.4% pa to RM18.8 billion in 2015 from RM13.6 billion in 2011. In 2018 Budget, pension and gratuities are expected to increase by 12.8% to RM24.6 billion or 10.5% of total OE.*

SERC's comments (cont.)

- *Reducing the government's role in non-core services will be implemented through privatization and outsourcing. The implementation of Alternative Service Delivery (ASD) will be carried out and a feasibility study will be conducted to identify services can be privatized or outsourced. The control of selected non core services will be reduced progressively to enable self-regulation or co-regulation.*

- *We believe that a smaller, less intrusive role for government, much more contained public service and a bigger role for the public-private partnerships under Malaysia Incorporated. Public sector becomes an effective facilitator and not a deterrent to private sector.*

- *The outsourcing services should be evaluated under Good Regulatory Practice Guidelines. Any company/government department deciding to outsource must be based on cost savings and more efficient. Fees should not be collected and paid to these out-sourced service providers. Outsourced companies are merely contractors of the employing agency and should be paid by the employing agency. Actually, if there is cost saving, the current fees charged by the department should be reduced and not continue to collect plus additional fees charged by the outsourced contractor.*

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

- New targets: (i) Reintroduce Parliamentary Services Act 1963; and (ii) Fiscal deficit at 3.0% to GDP in 2020.

- Guided by Pakatan Harapan Manifesto, Parliamentary Services Act 1963, which was repealed in 1992, will be reintroduced with improvements to strengthen the check and balance mechanism in order to uphold a good governance and restore the dignity of Parliament.

- State government will be empowered to handle more decentralised functions like public transport, social services, agriculture development and environmental protection to revive the spirit of federalism. The **rationalisation of public sector institution reform** will be continued in enhancing public service delivery, including the **rightsizing of public service function, manpower and funding**.

- Comprehensive reforms will be implemented to ensure sustainable fiscal management and these include:

a) Improving the budgeting system via the implementation of **accrual accounting**; establish **a single oversight authority** to consolidate information on assets and liabilities of SOEs and publish a comprehensive financial report as well as adopt **a zero-based budget approach** to strictly control expenditure;

b) **Strengthening procurement framework** as the Government procurement constitutes 15-20% of GDP to make it more transparent based on open competition to avoid contract monopolies; direct negotiation will be reviewed in line with the international standards and best practices to maximise value of public investment;

c) Reviewing of the existing **Public Private Partnership framework** aims at limiting the annual obligations and commitments to help minimizing the Government's fiscal risks; and

d) Cashless payment platform will be expanded for government transaction for good governance and reducing corruption amid enable tracing and tracking.

SERC's comments:

- *It is estimated that annually RM200-270 billion of total public spending is contracted out for supplies, services and works. While the government procurement is a strategic policy tool to achieve socioeconomic development outcomes and the delivery of public goods and services, it is a potential source of conflicts of interest and corruption.*
- *As such, this makes an effective governance of public procurement pivotal in helping to strengthen the government's management of finances whilst maximizing public resources for the best value projects. It can make a major contribution to attaining the goal of fiscal balance going forward.*
- *Careful, upfront planning of procurement is essential to maximise impact and avoid mistakes based on the principles of simplifying procurement, competitive procedures, e-procurement and procurement for innovation partnerships to achieve efficiency and optimal public spending.*

Selected targets under Pillar I

Improving governance at all levels

Reintroduce Parliamentary Services Act 1963

Elevating integrity and accountability

Top 30

Top 30 in the Corruption Perception Index by the Transparency International

Enforcing prudent public finance management

3.0% to GDP

Fiscal deficit at 3.0% to gross domestic product (GDP)

Enhancing public service delivery

Top 15

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

Top 10

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

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

Pillar II: Enhancing Inclusive Development and Wellbeing

Enhancing inclusiveness towards an equity society

- Focussing on **raising the income and purchasing power of the B40 households** through extending the **educational assistance** (e.g *Kumpulan Wang Amanah Pelajar Miskin*, and etc.), providing **early childhood care and education** (ECCE), **boosting entrepreneurship** by adopting online business, continuing **microcredit financing scheme**, **leveraging technology** to improve agriculture and fishery productivity and encouraging smallholder to merge in order to achieve economic of scale.
- **SERC's comments:** *We believe that public resources will be optimised as the government is going to redefine the eligibility of recipients receiving assistance through big-data. The recipients will be selected based on needs-based, socio-demographic and geographical factors. Besides, it helps to curb abuses, reduce leakages and also monitor the funding properly.*

Improving wellbeing for all

- To boost households' purchasing power, **subsidies on selected essential items will remain**. A special ministerial committee will be formed to **review monopolistic practices** to ensure market efficiency and fair competition. Prices of goods and services will be reduced as an increase in the number of players can offer a competitive and affordable prices i.e. ease the high cost of living in Malaysia.

Improving wellbeing for all (cont')

- To strengthen **homeownership** especially for B40 and M40, the following measures were proposed in the Plan:
  - Establish The National Affordable Housing Council
  - Build 200,000 affordable houses in 2020
  - Various public affordable housing initiatives will be rationalised
  - Improve holistic policy planning through integrated database on supply and demand of housing
  - Provide incentives for developers who build affordable housing
  - Encourage the construction industry and housing developers to adopt latest technologies e.g. Industrialised Building System (IBS)
  - Promote "Rent-to-Own" Programmes
  - More flexible and innovative financing schemes for first buyers
  - Ensure affordable housing close to transit terminals and public amenities

- **SERC's comments:** *We applaud the Government's initiatives to provide affordable housing for the first home buyers, especially B40 and M40. However, SERC believes that to build 100,000 affordable houses per year is a big challenge as land is a state matter. Hence, it is time consuming for the Federal Government to negotiate and discuss with State Government. Despite the provision of incentives to encourage the supply of affordable housing, expensive land price, high compliance and common infrastructure costs will push away developer's interest.*

Enhance the healthcare delivery system

- To provide **quality healthcare at affordable cost**, some measures were proposed
  - Introduce the **Malaysia National Health Policy** to boost the healthcare sector's development
  - Create a **National Health Financing Scheme**
  - Provide assistance for primary care treatment for B40 groups to ensure comprehensive health coverage
  - Build more hospitals and clinics and increase the hospital beds to population ratio
  - New policies and regulations to govern online healthcare products and services to ensure safety, quality, effectiveness and ethics
  - Two specialised medical institutions are expected to be build in 2022 *(Endocrine Complex in Putrajaya Hospital & Cardiology Centre in Serdang Hospital)*

SERC's comments:

- *Universal coverage and quality healthcare are very important components of social protection to support a healthy growing population. Malaysia's medical costs and expenditures are expected to grow at a faster clip over the next decade and will exert pressure on the government's budget and households' finances unless reforms of the national healthcare system are enacted to stem rising medical care costs.*

- *The crucial elements to plan for an inclusive and affordable healthcare system, backed by funding sustainability through long-term contributions and low administrative cost are: 1) Collective-oriented approach, a feasible way to raise money as everyone has a responsibility to pay for his or her future healthcare expenses; 2) A well-designed healthcare system with appropriate financing support from the Government for lower income households; 3) At least one common healthcare package, which provides a comprehensive coverage for all regardless of income levels; 4) Payment for the poor can be subsidized through government funding like in the case of Singapore's Medifund.*

Selected targets under Pillar II

Uplifting the B40 households towards a middle-class society

- RM 4,430 — Mean monthly B40 household income
- RM 4,790 — Median monthly B40 household income
- 0.67% — Incidence of Multidimensional Poverty

Addressing the needs of specific target groups

- 8 out of 10 — Average score in the Family Wellbeing Index
- 56.5% — Female labour force participation rate
- 75.2 — Average score in the Malaysia Youth Index

Improving overall income inequality

- 0.385 — Gini coefficient

Overall Improvement in Wellbeing Index (MyWI[1])

- 1.4%

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

Enhancing the healthcare delivery system

- 2.0 — Hospital beds per 1,000 population
- 1:450 — Doctor to population ratio
- 8 minutes — Optimised emergency response time

Original Target

Revised Target

New Target

Making the nation safer and secure

- 60.0% — Perception of feeling safe
- 342 cases — Index crime cases per 100,000 population (threshold)
- 8 minutes — Optimised police response time

Promoting noble values and active lifestyle

- 6,800 — Number of schools with *Kelab Rukun Negara*
- 50.0% — Percentage of Malaysians who embrace sports culture

Providing quality and affordable housing

- 200,000 (2018-2020) — Houses developed for the poor, low- and middle-income households[2]

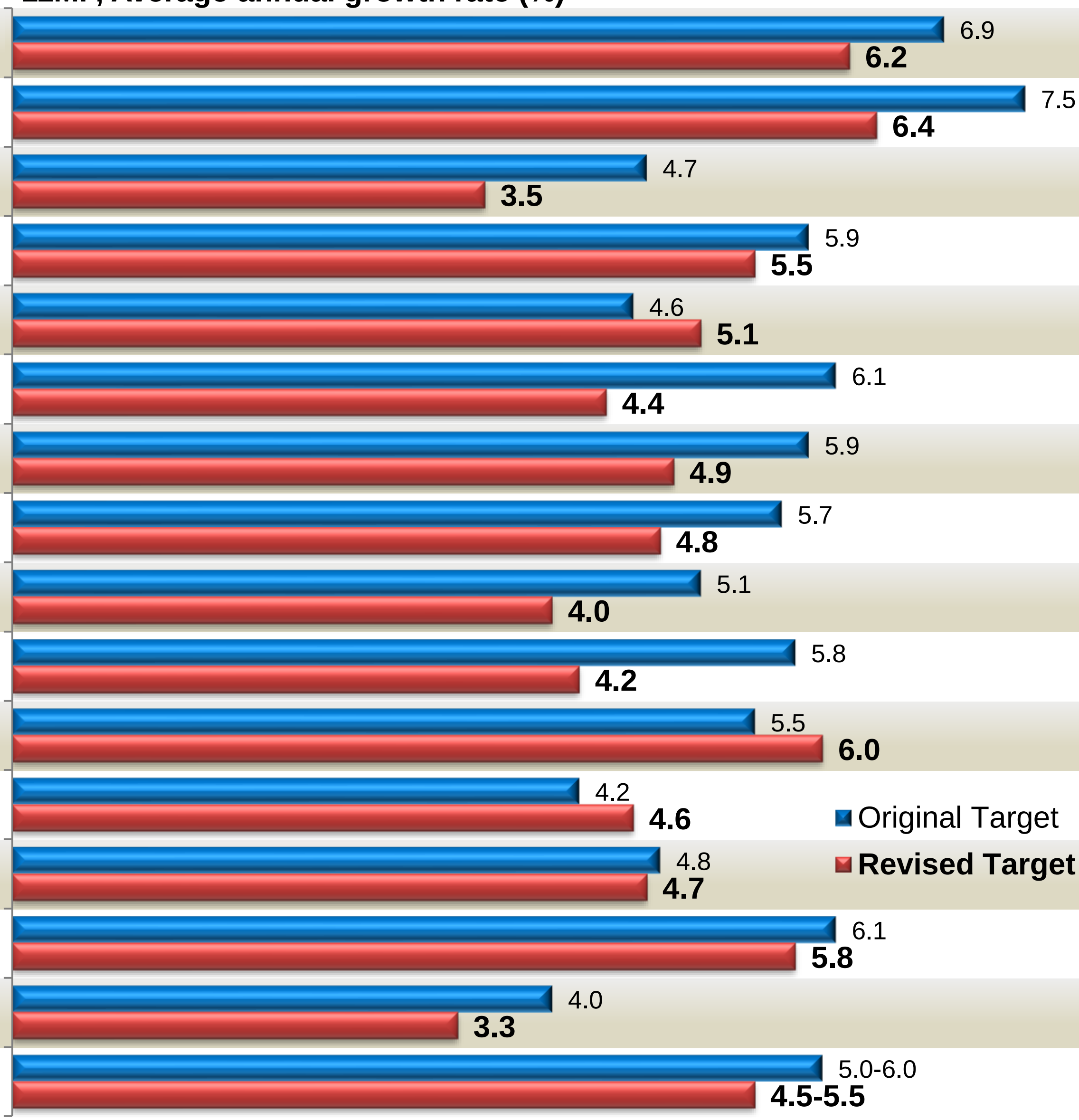
[1] MyWI is not part of the selected targets.
[2] Based on Buku Harapan target to build 1 million houses in 2 terms (2018-2028).

Pillar III: Pursuing Balanced Regional Development

- In 2018-20, Federal Government's development expenditure will focus more on **six less developed states (Sabah, Sarawak, Kelantan, Terengganu, Kedah and Perlis)** to push forward the balance of growth between states.
- The government has identified the **priority of the investments and projects** based on **regional competitive advantages**.
- **Six conurbations, 17 promoted development zones (PDZs) and 48 catalyst centres** under the National Physical Plan 3 (NPP3) have identified as upcoming investment location to stimulus the growth of urban economy.
- The Government plans to minimize **urban-rural income disparity** from 1:0.57 in 2016 to 1:0.67 in 2020 through paving roads, upgrading of existing pipes and reticulation system, increasing electricity coverage up 99% in rural area, upgrading 1,000 telecommunication towers, constructing 300 new telecommunication towers and etc.

GDP growth target by state

% share of GDP in 2017	State	11MP, Average annual growth rate (%): Original Target	11MP, Average annual growth rate (%): Revised Target
23.0	Selangor	6.9	6.2
15.6	WP Kuala Lumpur	7.5	6.4
9.7	Sarawak	4.7	3.5
9.5	Johor	5.9	5.5
6.8	Sabah	4.6	5.1
6.6	Pulau Pinang	6.1	4.4
5.4	Perak	5.9	4.9
4.3	Pahang	5.7	4.8
3.5	Negeri Sembilan	5.1	4.0
3.3	Kedah	5.8	4.2
3.1	Melaka	5.5	6.0
2.6	Terengganu	4.2	4.6
1.8	Kelantan	4.8	4.7
0.5	WP Labuan	6.1	5.8
0.4	Perlis	4.0	3.3
100.0	Malaysia	5.0-6.0	4.5-5.5



Source: DOSM; EPU

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

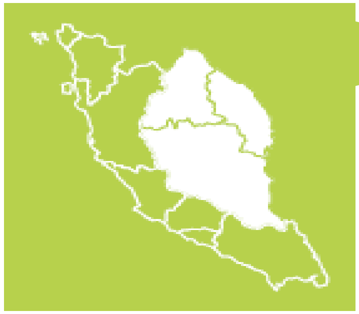
Note: [1]The development of subregions of Highland Area, Upper Rajang Area and Northern Area in Sarawak is under the purview of the Regional Corridor Development Authority (Amendment) Ordinance, 2017.

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

Focusing on niche cluster activities

NORTHERN REGION

- Manufacturing (electrical & electronics (E&E), 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)

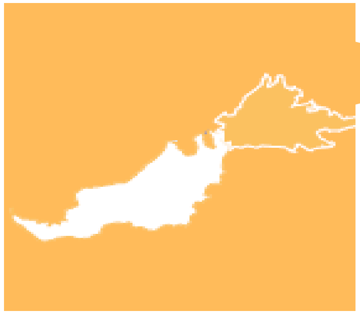
CENTRAL REGION

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

Focusing on niche cluster activities (cont.)

SOUTHERN REGION
- Manufacturing (E&E, 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

Enhancing ASEAN sub-regional cooperation

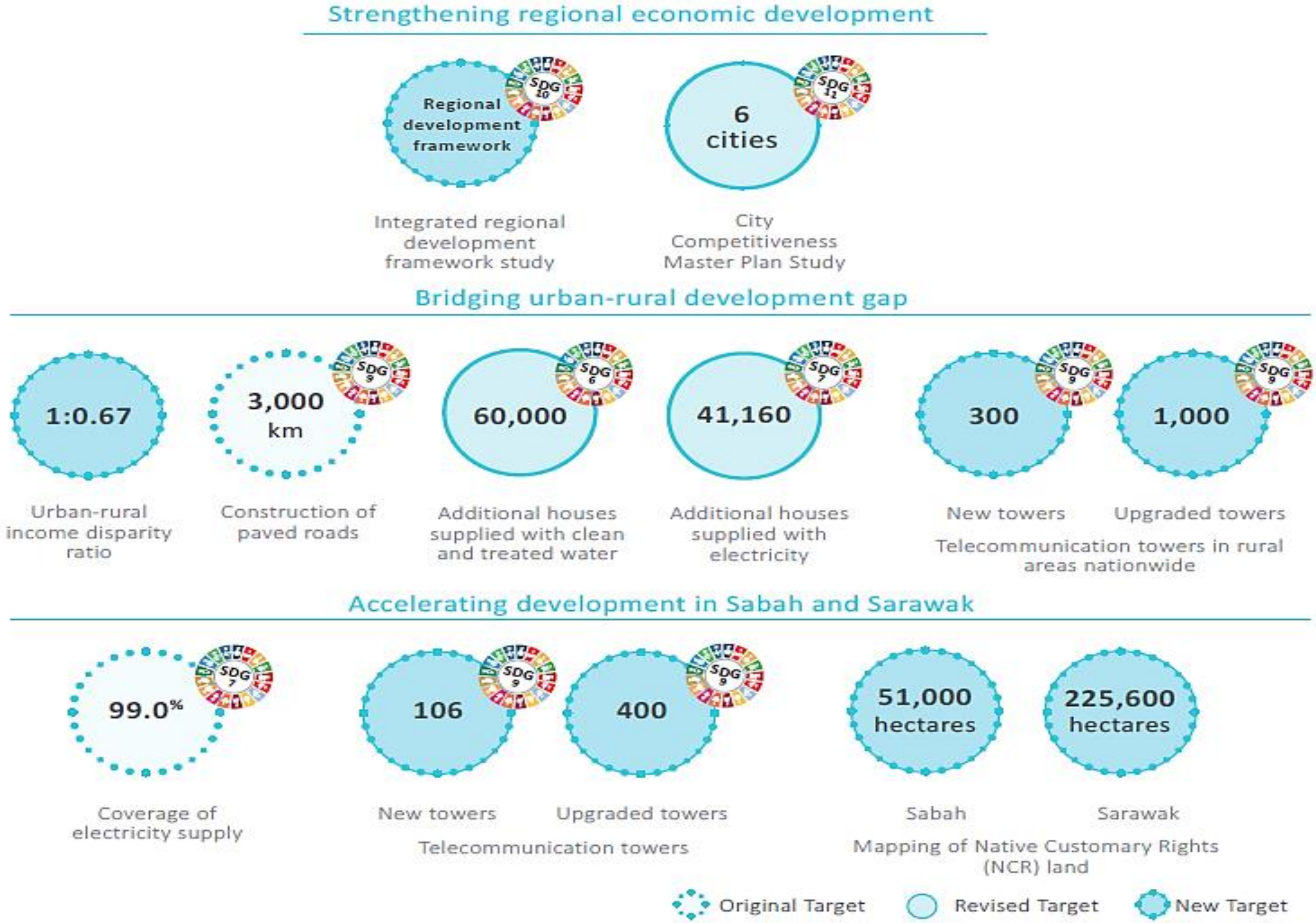
- Refocus the development in **Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA)** subregions. A number of measures were proposed as below:
  - Develop the Special Economic Zones (SEZs) in Bukit Kayu Hitam, Kedah with Songkhla, Thailand
  - New proposed SEZs in Arun, Tanjung Api-Api and Sei Mangkei, Indonesia
  - Increase cooperation with the southern Thailand provinces of Songkhla, Narathiwat, Satun and Yala
  - Upgrading Tebedu, Sarawak and Enitkong, West Kalimantan border posts into an international gateway
  - Construction of the new Immigration, Custom, Quarantine and Security Complex in Bukit Kayu Hitam, Kedah
  - Two new bridges to enhance connection from Rantau Panjang and Sungai Golok to Narathiwat

Enhancing ASEAN sub-regional cooperation (cont.)

- Establish land connection between Pengkalan Kubor, Kelantan and Tak Bai, Narathiwat
- Finalising a memorandum of understanding (MoU) on air linkages under IMT-GT
- Transform Kota Kinabalu, Sabah as subregional aviation hub
- Continue the construction of Mukah Airport in Sarawak
- Implement roll on-roll off (RO-RO) ferry service between Sabah and Pelawan
- Expansion of the Sapangar Bay Container Port in Sabah
- Continue the construction of the Pan-Borneo Highway

- **SERC's comments:** *These infrastructure projects would generate positive spin-offs on the region's economic development and Malaysia in particular given our strategic location. Plenty of job opportunities will be generated to absorb high youth unemployment in rural areas. Such sub-regional cooperation also offers alternative channels for domestic industries and companies to expand their businesses. Most importantly, it helps to enhance intra-state connectivity as well as promote human mobility within ASEAN.*

Selected targets under Pillar III



Pillar IV: Empowering Human Capital

- New targets: (i) Review labour laws: Employment Act 1955, Trade Union Act 1959 and Industrial Relations Act 1967, and (ii) 85.0% TVET graduates employed within 6 months of graduation.
- Revised target: ≥95% student enrolment for pre-school and secondary level (from 100% in previous)

Salaries and wages

- **Minimum wage will be reviewed every two years**, the **National Wage Index (NWI)** will be served as the benchmark of salary according to the qualification and skills, particularly for the starting salary.
- **Compensation of employees (CE) to GDP ratio** has been revised downward to at least 38% (from at least 40% in previous) by 2020. It remains a gap of 20.2 percentage points between the capital owner and employees.
- Targeted **mean monthly household income** is revised downward to RM8,960 in 2020 from RM10,540 previously while **monthly median wage** narrowed to RM2,400 (from RM2,500 previously).

Labour skills and education

- On the issue of mismatching in the labour market, a **Critical Occupation List** (COL) has been developed and will be updated continuously to identify the shortage of worker/skill that will affect the economy. With that, the Government will reprioritise the field of studies and leverage the Malaysian diaspora.

- In terms of technical and vocational skill-related job, more emphases will be given on the review of **Technical and Vocational Education and Training** (TVET) program offerings, implement **harmonized accreditation system** and strengthen TVET as preferred education pathway.

- Revised **Malaysian Qualification Framework** (MQF) will allow mobility of students among all TVET institutions, including Malaysian Technical University Network (MTUN). The MTUN will align the courses to cater for demand in TVET. Hence, MTUN bachelor’s degree program in engineering technology is expected to increase from 50% to 75% by 2020.

- MTR also set a **85% target for TVET graduates** to **be employed within 6 months** of graduation, with a stronger industry-academia collaboration in place.

Foreign worker (FW) issue

- A **progressive multi-tiered levy system** will be implemented to reduce the dependency of low-skilled FW.
- **SERC's comments:** *It is suggested that the tiered-levy model to come into effect in 2021 so as to allow the industry to adjust their cost structure. This is due to the implementation of Employer Mandatory Commitment (EMC) in January 2018, which the employers are no longer allowed to deduct the levy from wages of their foreign workers. The EMC has added burden to the employers amid higher minimum wages. Alternatively, the model can be implemented earlier for levy amount up to Tier 2 at the initial stage (from 2020) and subsequently move to Tier 3 from 2021 onwards.*

  The levy model should be reviewed periodically every 3 to 5 years according to the economic and business environment as well as labour market conditions. The tiered-levy model must be mutually acceptable market-based mechanism by both Malaysian Manpower Council and Joint Consultative Committee.

- The **Employment Act 1955 will be amended** to cater for payment of salary to FW must through banking system to monitor remittance by FW. However, this *would cause inconvenience for the FW who worked in the remote areas such as plantation and under-developing construction area. The Government should have separate scheme in handling this implementation*.
- *The MTR of 11MP did not highlight any measure to tackle the illegal FW issue*.

Labour law amendments

- Several acts including **Employment Act 1955, Trade Union Act 1959 and Industrial Relations Act 1967 will be amended** to ratify the International Labour Organisation (ILO) Conventions. The amendments are mainly to promote principles and rights such as the freedom of association, right to collective bargaining, elimination of forced labour and elimination of discrimination in respect of employment.

- **SERC's comments:** *Owing to the large presence of foreign workers in Malaysia and the practice of non-discrimination as governed by ILO, the proposed amendments must be thoroughly assessed to avoid future industrial relations disharmony.*

- **Female labour force participation is very low at 54.7%** compared to male at 80.1% in 2017. The Government plans to **increase maternity leave to 90 days from current's 60 days** and review the **regulations on childcare facilities** for the private sector. With that, the female participation rate is expected to tick higher to 56.5% by 2020.

- **SERC's comments:** *Despite these initiatives may encourage female participation in labour force, but employer may disfavour to hire female employee compared to male employee. Hence, the Government should provide assistance such as tax incentives to encourage the hiring of female employees.*

Selected Targets under Pillar IV

Reforming the labour market

- **2.9%** (2018-2020) — Labour productivity growth
- **38.0%** — Compensation of Employees to GDP
- **RM 2,400** — Monthly median wage

Improving labour efficiency and productivity

- **At par with international standards** — 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** — Malaysia aims to be at least on par with the international average in TIMSS and PISA assessment
- **Universal enrolment (≥95%)** — Student enrolment for preschool and secondary level
- **225,000** — Intake of SPM leavers into TVET programmes
- **2 in Top 100** — 2 universities in the top 100 of the QS World University Rankings

Fostering stronger industry-academia linkages

- **85.0%** — TVET graduates employed within 6 months of graduation

Original Target · Revised Target · New Target

Pillar V: Enhancing Environmental Sustainability through Green Growth

- **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** such as strengthening policy, legislation and institutional framework 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 greenhouse gas (GHG) emissions, pollution and waste as well as enhance water, food and energy security. Moreover, conservation of the marine and terrestrial habitats will ensure continuous ecosystem services for the present and future generations.

- Intensified mitigation and adaptation as well as disaster risk reduction (DRR) measures will increase resilience of the nation against climate change impacts and natural disasters. In addition, **a sense of ownership** among all levels of society is imperative in nurturing shared responsibility in sustaining the national natural endowment.

Selected targets under Pillar V

Strengthening governance

Environmental Protection Act

Formulation of an act to enhance environmental governance

Conserving natural resources

SDG 14 — **At least 10%**

Coastal and marine areas gazetted as protected areas

SDG 15 — **At least 17%**

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.

Strengthening sectoral growth and structural reforms

- Malaysia's momentum of economic growth throughout the remaining Plan period will be accelerated by stimulating activities to move up the value chain and promote high value creation private investment.
- These initiatives comprise accelerating services sector transformation, re-energising manufacturing sector, developing modern and productive agriculture sector, enhancing exports capacity, improving market efficiency as well as facilitating ease of doing business. It is envisaged that sectoral growth will be enhanced by improving productivity, increasing technology adoption and digitalisation as well as strengthening the business ecosystem.

Accelerating services sector transformation

- Guided by various services subsector blueprints, including the Services Sector Blueprint.
- Focusing on knowledge-intensive services and improving productivity.
- Developing skilled human capital and create more high-paying jobs.

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 • 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

Accelerating services sector transformation (cont.)

Private healthcare services	• Attract healthcare travelers 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 internationalization
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

Re-energising the manufacturing sector

- Priority and catalytic subsectors are the **electrical and electronics (E&E), machinery and equipment (M&E)** as well as **chemicals** and **chemical products**.

- **High potential growth** subsectors are **aerospace** and **medical devices**.

- **Accelerating automation** and **innovation**, undertaking **research and development** (R&D), implementing sustainable production practices and leveraging industry associations in sharing best practices.

- Provide incentives such as **grants and soft loans to promote automation**, **technological adoption** and exports based on specific milestones and outcomes.

- The adoption of **eco-industrial parks (EIP) concept**, which supports sustainable consumption and production (SCP) to ensure existing and new industrial parks are more sustainable and competitive.

Developing modern and productive agriculture sector

- The **share of agro-food** is targeted to reach **42.8% in 2020** (37.4% in 2015).
- Industrial commodity subsector will focus on expanding downstream activities along the value chain to tap a growing market for higher value-added products.
- To **rationalize roles and functions of agro-food agencies** to increase efficiency and optimize resources.
- Promote **large scale production of premium grade fruits** including durian, pineapple and jackfruit; high yielding coconut varieties; and grain corn for animal feed as new sources of wealth.
- Provide necessary **incentives and support, including infrastructure, farming technology, market information** and **access to financing** for farmers and smallholders.
- Encourage **youth participation in modern agriculture activities**, particularly through cooperatives to enable better pooling of resources as well as bargaining power and achieving economies of scale.
- Promote **potential new sources of wealth** 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.

Creating more dynamic SMEs

- Small and medium enterprises (SMEs) are an integral part of the economy in terms of production, employment generation and income.
- In Malaysia, SMEs constitute **907,065 or 98.5% of the total establishments**: services sector (89.2% of total SME establishments), followed by manufacturing (5.3%), construction (4.3%), agriculture (1.1%) as well as mining and quarrying (0.1%). In terms of size, the majority of SMEs were microenterprises (76.5% of total SME establishments), followed by small-sized SMEs (21.3%) and the medium-sized SMEs (2.3%).
- SME establishments were a major source of employment which accounted for **66% of total employment** in 2017.
- SMEs' **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.
- A new long-term plan will be formulated during the remaining Plan period, to chart SMEs development beyond 2020.
- The proposed new masterplan will identify new opportunities and challenges to be addressed by taking into account the changing demographics, economic and business landscape. It will also explore new business models arising from the Industrial Revolution 4.0, emerging financial technology, inclusive business, sharing economy and circular economy.

Increasing export capacity

- SMEs will be encouraged to **leverage free trade agreements and mutual recognition arrangements** as well as various initiatives under regional cooperation.
- SMEs will be incentivized to obtain **appropriate certification and accreditation** to enable locally produced goods penetrate international markets.
- **Expand the scope of the Services Export Fund** to include **halal industry** as well as provide more incentives to exporters through the Services Sector Guarantee Scheme.
- The formation of consortia in providing multi-disciplinary services will be further encouraged through collaboration among associations to bid for projects abroad.
- To facilitate international market penetration, **market intelligence be made available** to service providers for better understanding of domestic regulations of the targeted export markets.
- **Digital platforms and Digital Free Trade Zone** (DFTZ) will provide greater access to local players in penetrating the global market through e-commerce activities.

Increasing export capacity (cont.)

- **Develop comprehensive halal standards** based on **syariah principles** and industry requirements such as hygiene, sanitation and safety along the supply chain.
- The **National Standards Compliance Program** will facilitate halal industry players to comply with Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Points (HACCP) as well as other international standards through the provision of technical expertise and capacity building.
- 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.
- 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.

Improving market efficiency

Streamlining the role of state-owned enterprises (SOEs) and monopoly entities

- There is a crucial need to **streamline the overlapping functions role of SOEs** and other monopoly entities to **promote market efficiency** and **protect consumer interest** and adopts best international practices on the governance of SOEs.

- A special ministerial committee will **review policies and concessions with regard to monopolistic arrangements** of these entities to ensure greater market efficiency.

- A **national policy and governance framework will be formulated** to align SOEs and other monopoly entities with the broader national development agenda.

SERC's comments: *The issue of maintaining competitive neutrality (a "level" playing field") between private and publicly-owned businesses (GLCs and SOEs) need to be rationally and critically reviewed to enhance efficiency throughout the economy. GLCs and SOEs tend to be concentrated in sectors where natural or legal monopoly is commonplace and should operate in a purely commercial fashion should compete on an equal basis with other companies. However, in practice many were given some form of state interventions or subsidies given their blurry lines or competing objectives between performing commercial and non-commercial* (social) functions.

Facilitating ease of doing business

Improving regulatory and trade practices

- Intensify the implementation of **Good Regulatory Practice** (GRP) in addressing the complex regulatory framework, modernise business regulations and create a more favourable business climate.
- Review the **content, quality, administration and enforcement of regulations** to minimise regulatory burden and facilitate ease of doing business.
- Ministries and agencies to conduct **regulatory impact analysis and consultations with stakeholders** to acquire feedback on new and impending changes to the regulations.
- The application of the **National Policy on the Development and Implementation of Regulations**, which serves as a guideline on parameters and principles of Good Regulatory Practices (GRP), will **be extended to state government and local authorities**.
- Continued efforts at **modernising business licensing, eliminating unnecessary regulatory burdens** on business and **reducing bureaucratic processes** to lower compliance costs.
- **Launch a unified public consultation portal** as a platform for public to provide feedback on proposed regulatory changes.
- **Streamline non-tariff measures (NTMs) at customs entry points** 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.

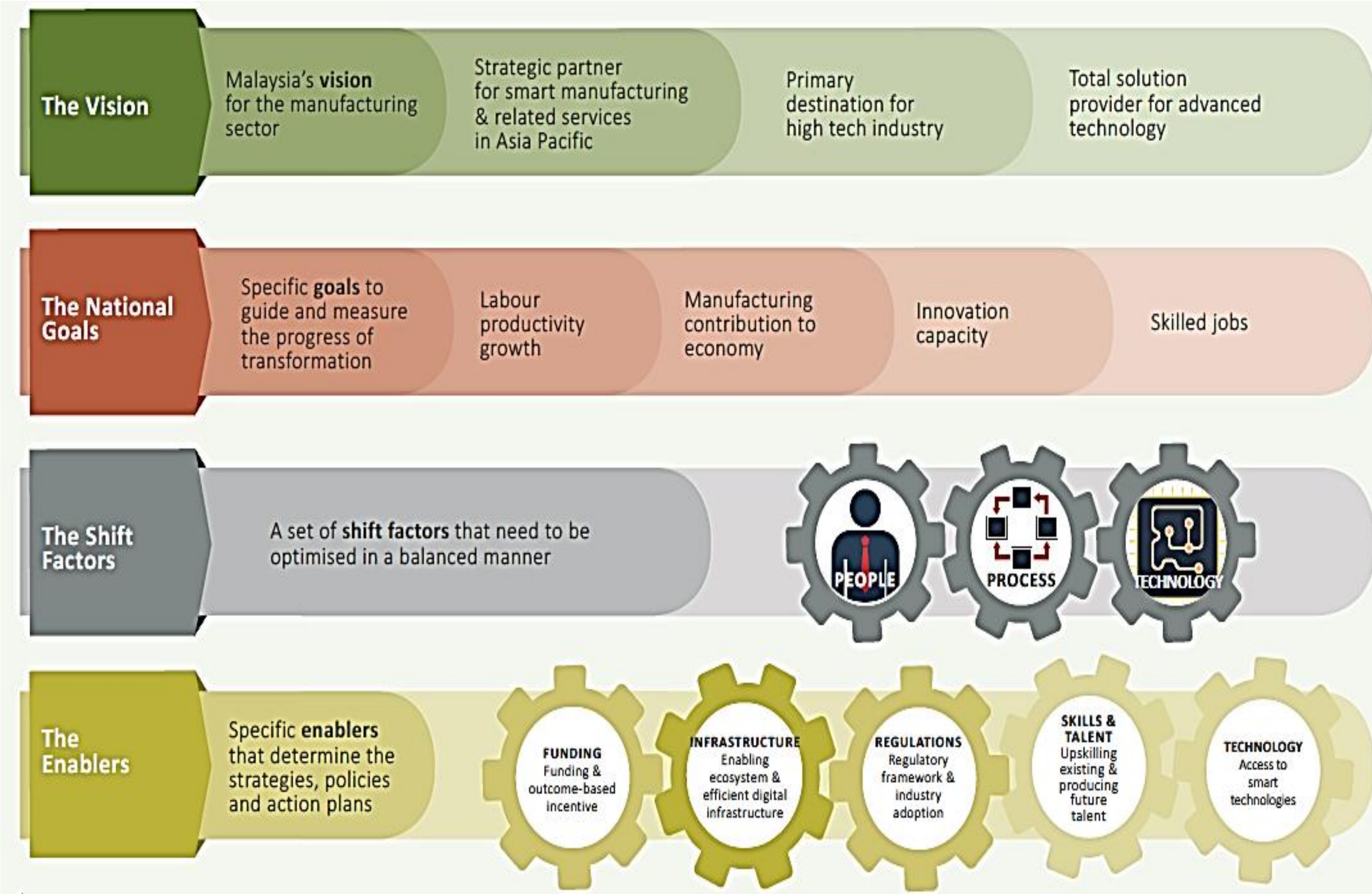
Harnessing the Fourth Industrial Revolution through a National Policy Framework on 4IR

- During the remaining Plan period, the national policy framework on the 4IR will be formulated, with 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.

- A more **knowledge-intensive and skilled workforce** is 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.

- 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



Source: Ministry of International Trade and Industry (MITI)

Increasing technology adoption

Upgrading capacity and capability of SMEs

- 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 program** to assist SMEs in inculcating innovation culture. The **Technology Commercialisation Platform** will provide funds to enable SMEs commercialise innovative products.

- 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. 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 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.

Increasing technology adoption (cont.)

Encouraging digitalisation among SMEs

- 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**.
- **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

- 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.
- 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.
- 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.

Increasing technology adoption (cont.)

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.

Increasing technology adoption (cont.)

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.
- 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**.
- **Demand-driven research** will be increased and transfer of R&D output from lab to market will be improved.

- **SERC's comments:** *While the Government and relevant agencies have created many initiatives and programs to nurture, develop and advance STI, they were weakened by insufficient coordination, duplications and governance weaknesses that are in need for an extensive review and complete overhaul of existing fiscal and financial incentives, particularly for small and medium-sized enterprises (SMEs) to make them more effective and accessible. In this regard, it is essential to establish a clear, streamlined and coordinated governance structure to improve the orientation and implementation of STI policy.*

Providing quality infrastructure

- The provision of quality infrastructure remains an issue in terms of integration, coverage and connectivity as well as affordability and sustainability.

- 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.

- **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.

Developing an integrated transport system

- An integrated transport system that facilitates business and enables seamless travel is vital for economic growth.
- 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 e**fficiency 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.
- 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**.

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 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.
- 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 water services

- Efficient and quality water services are fundamental for economic growth and uplifting wellbeing of the rakyat.
- 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.
- Initiatives that will be undertaken for water supply services include the **implementation of Tariff Setting Mechanism and restructuring of water services industry**.

Sustaining energy supply

- The provision of reliable and sustainable energy supply is fundamental to strengthen energy security and enhance efficiency.

- 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.

- 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.

- 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.

Selected targets under Pillar VI

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

Conclusion – A good Strategy is important, Execution is critical

- Overall, the Mid-Term Review of the Eleventh Malaysia Plan (MTR of 11MP) document set a strong statement of intent, outlining bold New Priorities and Emphases to steer the country and Malaysians in the right direction on its quest to become a high-income developed nation going forward.
- The new Government faces the reality that the journey ahead is full of tribulations and obstacles and hence, bold and radical reforms as well as reconstruction measures are imperative to correct the structural impediments. New dimensional growth strategies are critical to drive higher quality domestic and foreign investments. Our workforce must be equipped with the skillset, soft skill and creative thinking mindset to fit into the future workplace.
- Though the fiscal consolidation target is pushed back to reach a fiscal deficit target of 3.0% of GDP in 2020 from a near balanced of -0.6% pf GDP previously, the Government is committed to implement comprehensive reforms to ensure sustainable fiscal management, making the financial administration more transparent and accountable to ensure that public funds are spent prudently for the best value projects and services.
- We believe that a smaller, less intrusive role for government, much more contained public service and a bigger role for the public-private partnerships under Malaysia Incorporated. Public sector becomes an effective facilitator and not a deterrent to private sector.

Appendix

	Priority Area	Strategy	Initiative
PILLAR I	Improving Governance at All Levels	Strengthening Check and Balance Mechanism	• Enhancing the authority of the Parliament • Improving the legal administration system
		Improving Relationship between Federal, State and Local Governments	• Reviving the spirit of federalism
		Reforming the Political System	• Limiting the term of Office for the Prime Minister, Chief Minister and Menteri Besar • Improving the electoral system • Introducing legislation governing political financing
	Elevating Integrity and Accountability	Enhancing Anti-Corruption Agenda	• Reforming Malaysia anti-corruption institutions • Strengthening anti-corruption legislation
		Improving Transparency	• Enabling open government environment • Expanding cashless payments platform
		Inculcating Noble Values and Ethical Work Practices	• Upholding integrity at all levels • Instilling noble values among public servants
	Enforcing Prudent Public Finance	Improving the Budgeting System	• Enhancing national budget process • Increasing efficiency and transparency of state-owned enterprises • Expanding and expediting the implementation of accrual accounting
		Enhancing Procurement Management	• Strengthening procurement framework • Strengthening public private partnership framework
		Strengthening Performance Management, Monitoring and Evaluation Framework	• Enhancing performance management • Improving monitoring and coordination mechanism • Strengthening project management

	Priority Area	Strategy	Initiative
PILLAR I	Enhancing Public Service Delivery	Reforming Public Sector Institutions	• Rationalising public sector institutions • Strengthening talent management for public service • Customising performance assessment • Promoting career development • Improving work-life balance
		Redesigning Public Services	• Reducing bureaucracy and integrating productivity improvements • Expanding digitalisation agenda • Innovating towards better quality services • Reducing government role in non-core services • Improving and sharing of government resources
		Empowering Local Authorities	• Improving accountability of local authorities • Strengthening service delivery by local authorities • Strengthening collaboration for stimulating local economic development
PILLAR II	Enhancing Inclusiveness towards an Equitable Society	Raising the income and purchasing power of B40 households	• Uplifting income of poor and low income households • Increasing employability • Boosting entrepreneurship • Improving productivity • Enhancing the social protection system • Improving measurement of poverty
		Enhancing Bumiputera Economic Community (BEC)	• Strengthening effectiveness of institutions and programmes • Empowering human capital and strengthening education • Raising effective control and sustainable corporate equity ownership • Increasing wealth ownership • Building resilient and sustainable Bumiputera Economic Community (BEC)
		Empowering minority groups	• Uplifting Orang Asli, Anak Negeri Sabah and Bumiputera Sarawak • Elevating low income Indian and Chinese households
		Addressing the needs of specific target groups	• Upholding the needs and interest of children • Nurturing the potential of youth • Enhancing the role of women in development • Enhancing the living environment for the elderly • Empowering persons with disabilities • Strengthening the family institution

	Priority Area	Strategy	Initiative
PILLAR II	Improving Wellbeing for All	Increasing purchasing power for all	• Addressing market distortion by promoting greater competition • Provide more avenues offering affordable and competitive prices of goods and services • Enhancing enforcement of the price control regulations • Advocating consumerism
		Providing quality and affordable housing	• Strengthening management of affordable housing • Increasing access to affordable housing for targeted groups • Encouraging environment-friendly facilities for enhanced liveability
		Enhancing the healthcare delivery system	• Creating a sustainable healthcare system • Optimising financial resources for healthcare • Strengthening population health • Pursuing greater collaboration among stakeholders
		Making the nation safer and secure	• Strengthening enforcement and security agencies • Intensifying crime prevention
		Promoting noble values and active lifestyle	• Promoting noble values • Nurturing national culture • Fostering social cohesion and national unity • Promoting active and healthy lifestyle
	Strengthening regional economic Development	Strengthening and streamlining state and regional development planning	• Providing an integrated regional development framework • Ensuring better allocation of development expenditure to less developed states • Enhancing the role of state economic development corporations • Promoting interstate coordination in infrastructure provision
		Modernising and diversifying the economic Base	• Strengthening the ecosystem for economic activities • Focusing on niche cluster activities • Intensifying skills and human capital development
		Promoting competitive cities	• Improving potential of major cities to accelerate regional economic growth • Enhancing urban competitiveness for better living and connectivity • Accelerating development in identified growth areas
		Enhancing ASEAN subregional cooperation	• Accelerating development in Special Economic Zones • Enhancing connectivity in the IMT-GT and BIMP-EAGA subregions

	Priority Area	Strategy	Initiative
PILLAR III	Bridging Urban-Rural Development Gap	Enhancing Rural Infrastructure	• Increasing provision of road network • Expanding coverage of water supply • Increasing coverage of electricity supply • Improving digital infrastructure
		Improving urban-rural linkages	• Improving connectivity and mobility to strengthen rural economy • Expanding access to basic services
		Creating local economic activities in rural areas	• Encouraging more private investment • Promoting sustainable rural economic activities • Widening the implementation of initiatives under the Prosperous Village of the 21st Century concept • Embracing digital economy • Enhancing knowledge and skill for better employability
	Accelerating Development in Sabah and Sarawak	Intensifying economic growth and development planning	• Enhancing the role of development agencies in Sabah and Sarawak • Developing niche economic sectors • Providing fair distribution of petroleum revenue • Improving power supply services
		Improving infrastructure for better connectivity	• Improving road coverage and connectivity • Increasing the capacity and efficiency of airports and ports
		Expanding access to basic infrastructure, amenities and services	• Upgrading access to water and electricity supply • Increasing broadband coverage • Providing better access to affordable housing as well as education and healthcare services
		Increasing employment Opportunities	• Upskilling and reskilling of human capital • Enhancing skills in specific industries
		Enhancing the development of customary land	• Intensifying land surveying and mapping activities • Accelerating the development of NCR land

	Priority Area	Strategy	Initiative
PILLAR IV	Reforming the labour market	Generating Skilled Jobs	• Encouraging automation and innovation • Identifying critical skills required by industry • Addressing skills shortage
		Raising Salaries and Wages	• Reviewing minimum wage policy continuously • Establishing National Wage Index • Improving labour productivity
		Enhancing Management of Foreign Workers	• Reducing dependency on low-skilled foreign workers • Improving management of foreign workers
		Improving Labour Market Conditions	• Establishing one-stop job centres • Enhancing labour market database
	Improving Labour Efficiency and Productivity	Strengthening the Rights of Workers	• Reviewing labour laws • Implementing Employment Insurance System comprehensively
		Increasing Female Participation in the Labour Force	• Implementing flexible working arrangements • Expanding minimum maternity leave and increasing the role of women in leadership
	Enhancing Access to Quality Education and Training	Raising Quality of Education	Basic Education • Enhancing science, technology, engineering and mathematics education" • Raising English language proficiency • Intensifying higher order thinking skills in teaching and learning • Promoting virtual learning environment • Intensifying continuous professional development for teachers Higher Education • Raising quality of graduates and academic programmes" • Attaining excellence in the governance of Institutions of Higher Education
		Prioritising Quality over Quantity of TVET	• Reviewing TVET programme offerings • Implementing harmonised accreditation system • Strengthening TVET as the preferred education pathway
		Improving Education for All	• Strengthening efforts to boost school performance • Improving school infrastructure for better student learning • Reducing the rate of dropouts • Improving education for students with special education needs

	Priority Area	Strategy	Initiative
PILLAR IV	Fostering Stronger Industry- Academia Linkages	Developing Industry-Relevant Skills	• Enhancing industry-based programmes • Increasing employability of TVET graduates • Recognising technologists as professionals • Intensifying industry-academia collaboration • Expanding the Future Workers Training scheme
		Promoting Contributions of Society and Industry	• Strengthening community support for education • Expanding public-private collaboration • Leveraging endowments and developing sustainable waqf
PILLAR V	Strengthening Governance	Strengthening policy, legislation and institutional framework	• Enhancing environment-related policies and legislations • Strengthening institutional framework
		Improving capacity and capability, enforcement and monitoring	• Enhancing capacity and capability • Intensifying enforcement and compliance • Improving environment-related data for reporting, monitoring and evaluation
		Raising awareness and fostering a sense of shared responsibility	• Enhancing communications, education and public awareness • Encouraging stakeholder involvement
	Conserving Natural Resources	Conserving Terrestrial and Inland Water Areas	• Protecting terrestrial and inland water areas • Conserving and rehabilitating strategic national endowment • Reducing human-wildlife conflict
		Conserving coastal and marine ecosystems	• Strengthening coastal and marine ecosystems governance • Protecting and conserving coastal and marine ecosystems
		Enhancing livelihood and capacity of the indigenous and local communities	• Promoting alternative livelihood for indigenous and local communities • Promoting conservation of natural resources among the indigenous and local communities

	Priority Area	Strategy	Initiative
PILLAR V	Combating Climate Change and Reducing Disaster Risk	Intensifying climate change mitigation	• Increasing contribution of renewable energy in power generation • Optimising energy use through demand side management practices • Encouraging low-carbon mobility • Promoting green buildings • Strengthening waste management • Expanding green market • Intensifying sustainable agriculture, forestry and other land use
		Augmenting climate change Adaptation	• Enhancing adaptation measures
		Strengthening disaster risk management	• Enhancing integration of disaster risk reduction • Enhancing disaster preparedness • Increasing capacity in disaster response
PILLAR VI	Strengthening Sectoral Growth and Structural Reforms	Enhancing sectoral growth through productivity improvements	• Accelerating services sector transformation • Re-energising the manufacturing sector • Developing modern and productive agriculture sector • Creating more dynamic SMEs
		Increasing export capacity	• Enhancing export readiness of SMEs • Improving international market compliance
		Improving market efficiency	• Streamlining the role of state-owned enterprises and monopoly entities
		Facilitating ease of doing business	• Improving regulatory and trade practices

	Priority Area	Strategy	Initiative
PILLAR VI	Accelerating Innovation and Technology Adoption	Harnessing the Fourth Industrial Revolution	• Embracing the Fourth Industrial Revolution • Catalysing Industry 4.0
		Increasing technology Adoption	• Upgrading capacity and capability of SMEs • Encouraging digitalisation among SMEs • Accelerating technology adoption in the construction sector • Enhancing technology adoption in agriculture sector
		Aligning research and Innovation	• Prioritising science, technology and innovation • Strengthening management of research by public research institutions • Enhancing collaboration through intermediary • Increasing demand-driven research • Improving the transfer of research and development output from lab to market
		Enhancing capacity building	• Strengthening skills training programme • Enhancing collaboration between training institutions and industry
	Providing Quality Infrastructure	Developing an integrated transport system	• Streamlining initiatives through national transport policy • Enhancing connectivity across regions • Integrating different modes of transport • Upgrading airport system and infrastructure • Improving ports accessibility and capacity • Optimising transport infrastructure
		Strengthening logistics and trade facilitation	• Improving efficiency in the logistics services • Digitalising logistics services
		Improving digital Infrastructure	• Improving broadband connectivity • Improving broadband affordability and quality • Migrating to digital terrestrial television
		Improving water services	• Increasing efficiency and productivity of water supply and sewerage services • Expanding network and increasing treatment plant capacity • Optimising usage of water
		Sustaining energy supply	• Strengthening oil and gas security of supply • Ensuring energy security through better management of resources • Enhancing efficiency in energy sector

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