

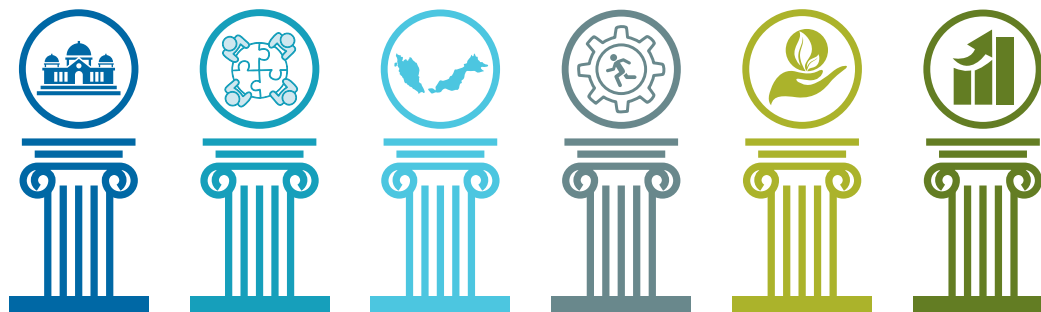
executive summary

mid-term review of the

ELEVENTH MALAYSIA PLAN

2016-2020

new priorities and emphases



executive summary

mid-term review of the
ELEVENTH MALAYSIA PLAN
2016-2020

new priorities and emphases



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

FOREWORD

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

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

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

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

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

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

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

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

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



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

PREFACE

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

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

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

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

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



MOHAMED AZMIN ALI
Minister of Economic Affairs
Putrajaya
18 October 2018

// The new Government will assure that the fruits of development will be enjoyed by all. We shall continue to strive and serve with integrity to carry out the *amanah* entrusted to us to propel our beloved nation to greater heights. //



Introduction

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

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





Part I: Past Performance, 2016-2017

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

Economic Performance

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

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

Strategic Thrusts and Game Changers

The Eleventh Plan has six strategic thrusts and six game changers to spearhead the transition towards achieving a developed and inclusive nation. These thrusts aimed to address the challenges in social, economic and environmental development as well as accelerating economic growth to meet the needs of the *rakyat*. The strategic thrusts and game changers are as shown in *Exhibit 1*.

Exhibit I
Strategic Thrusts and Game Changers



Review of Strategic Thrusts



Thrust 1

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

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



Thrust 2

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

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



Thrust 3

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

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



Thrust 4

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

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



Thrust 5

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

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



Thrust 6

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

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

Transforming Public Service for Productivity

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

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

Review of Game Changers

Uplifting B40 households towards a middle-class society.

The mean monthly households income of B40 increased from RM2,537 in 2014 to RM2,848 in 2016 while the median households income increased from RM2,629 to RM3,000. In terms of strata, B40 rural households mean monthly income increased from RM1,760 to RM1,969 while the median

monthly income rose from RM1,797 to RM2,012 during the same period. At the same time, B40 urban households mean monthly income increased from RM2,928 to RM3,262 and the median monthly income rose from RM3,095 to RM3,367. This reflects the overall success in initiatives undertaken to raise income of B40 households.

Enabling industry-led Technical and Vocational Education and Training.

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

Embarking on green growth.

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

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

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

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

The 2030 Agenda for Sustainable Development

Malaysia has continuously embraced sustainable development in the national agenda. In this regard, the commitment to the 2030 Agenda for Sustainable Development (2030 Agenda) has been mapped with the Eleventh Plan to align strategies and initiatives to support the Sustainable Development Goals (SDGs). The first phase of a roadmap is being developed to provide guidance for the smooth implementation of the 17 SDGs. The roadmap takes into account the nation's capacities and capabilities in achieving the identified goals and targets of the 2030 Agenda. The mapping of the SDGs to the Eleventh Plan strategic thrusts is as shown in *Box 1*.

Box 1

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



Part II: New Priorities and Emphases, 2018-2020

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

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

Macroeconomic Prospects

In moving forward, policy priorities will balance the objectives of fiscal consolidation and ensuring inclusive growth. The GDP is targeted to expand between 4.5% and 5.5% per annum in the remaining Plan period, 2018-2020. This growth will be spearheaded by productivity improvements and sustained domestic demand as reflected by the revised macro

multidimensional goals. These goals will be pursued together with qualitative aspects through the various respective policy pillars to ensure an inclusive growth.

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

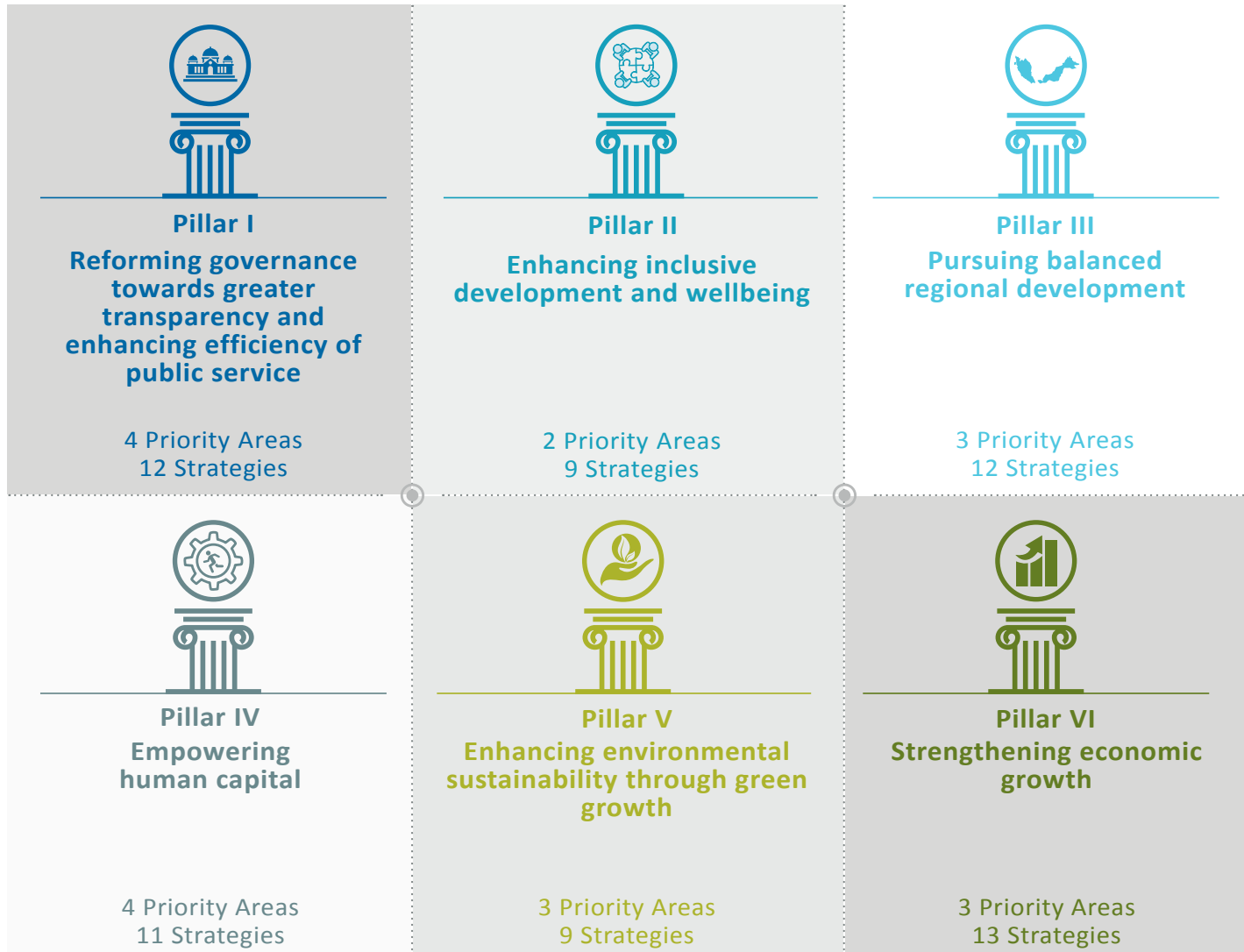
Immediate fiscal and governance reforms are imperative to further strengthen fiscal position of the Government and allocate more resources to improve the socioeconomic development of the nation. Swift implementation of these reforms is necessary to ensure sustainability of the economy. Nonetheless, structural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

Policy Pillars

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

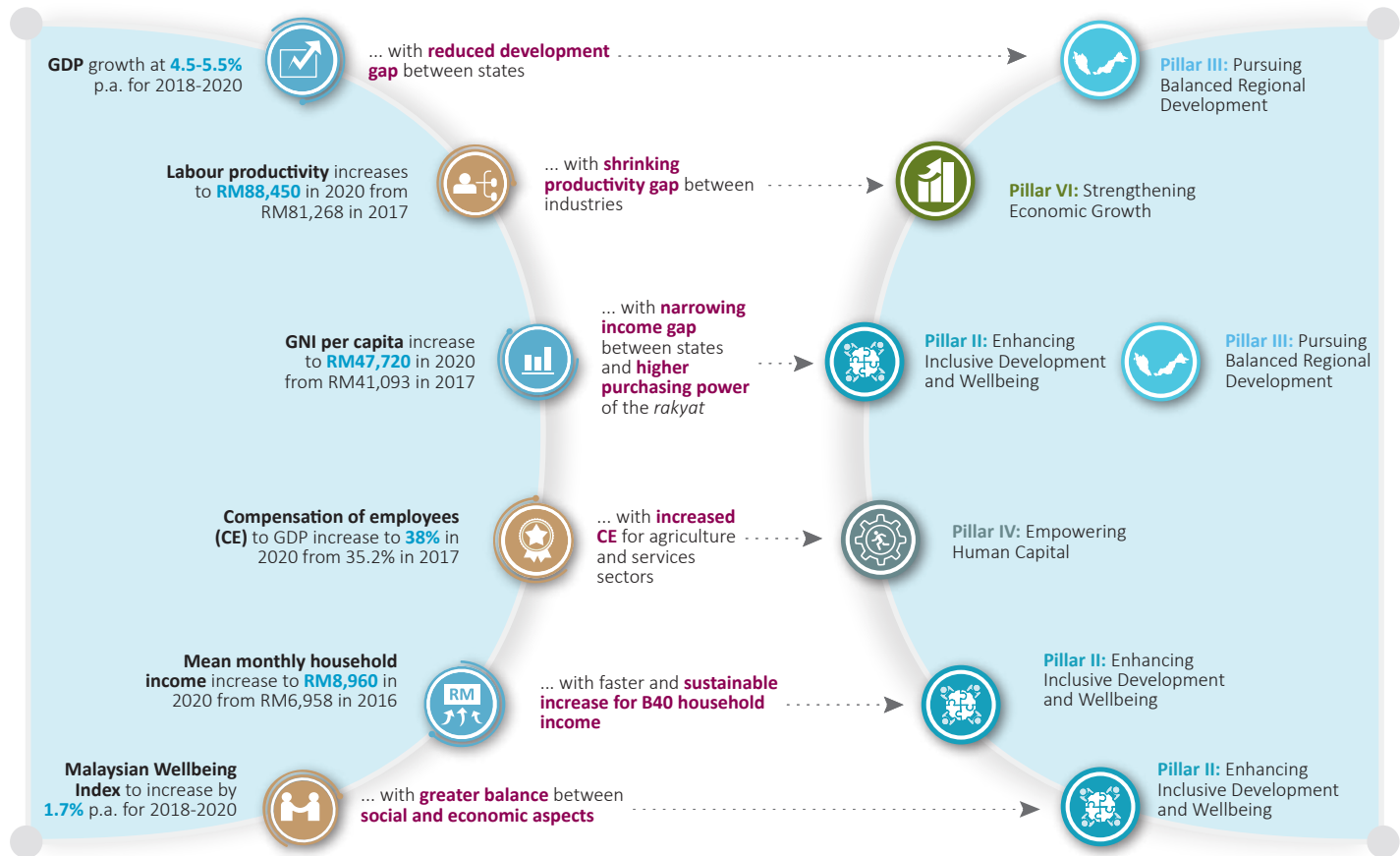
Exhibit II

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



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

Targets are pursued together with qualitative aspects through the respective pillars

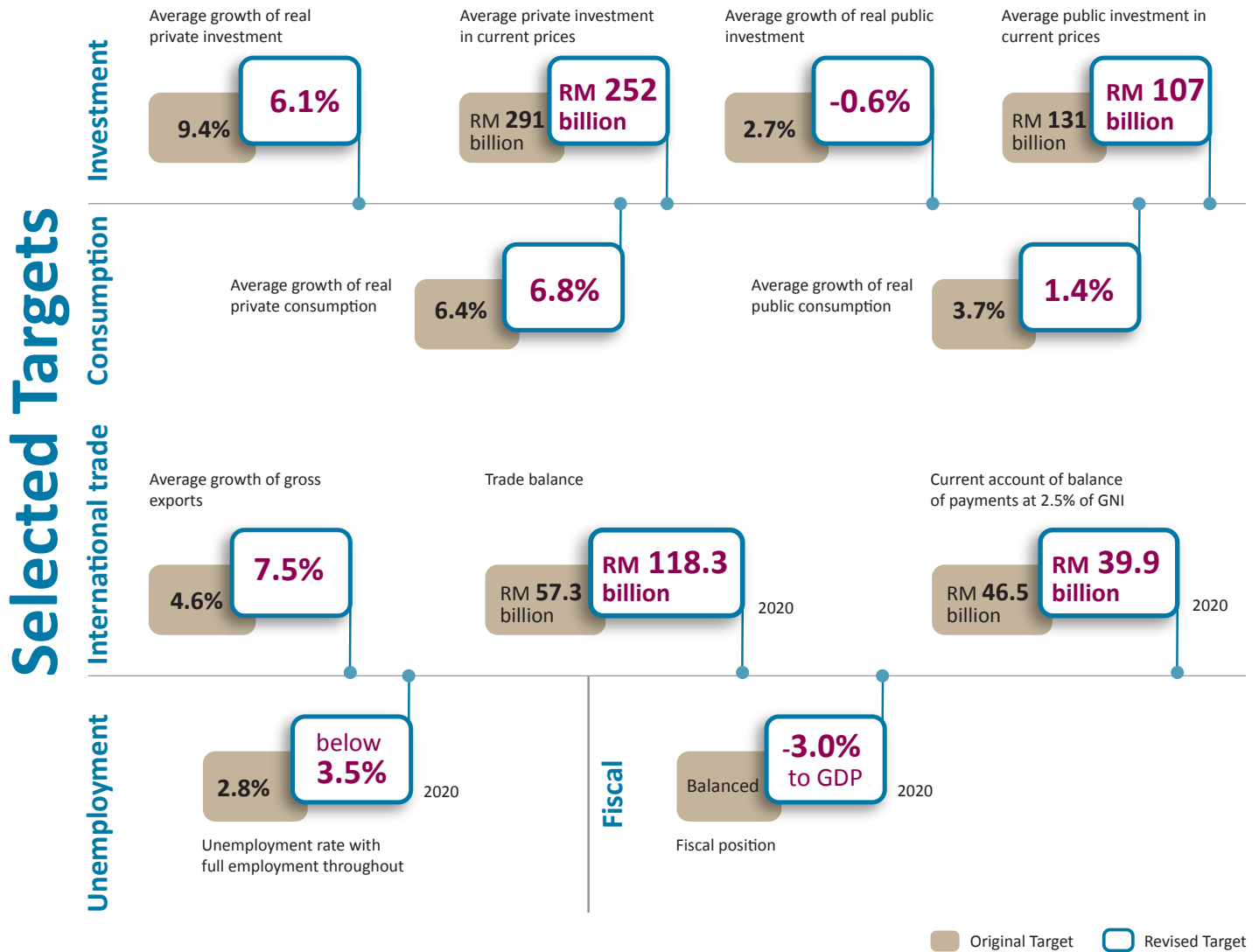


Summary of Macroeconomic Strategies, Eleventh Malaysia Plan, 2016-2020

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

<p>Driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth</p>	<ul style="list-style-type: none"> ○ 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
<p>Promoting quality investment to spearhead economic growth</p>	<ul style="list-style-type: none"> ○ 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
<p>Embarking on initiatives to move up the value chain</p>	<ul style="list-style-type: none"> ○ 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
<p>Strengthening exports and managing imports to improve the balance of payments</p>	<ul style="list-style-type: none"> ○ 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
<p>Emphasising a fiscal consolidation path to ensure sustainability in the medium-term</p>	<ul style="list-style-type: none"> ○ Increase revenue from indirect taxes and non-tax revenue ○ Maximise cost recovery of Government assets ○ Optimise and rationalise expenditure to balance economic growth objectives and fiscal consolidation ○ Improve public debt management system

Macroeconomic Prospects, 2016-2020



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

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

Priority Areas and Strategies

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

Public finance will be further strengthened by enforcing prudent management. This priority area will be implemented by improving the budgeting system, enhancing procurement management as well as strengthening performance management, monitoring and evaluation framework. In addition, efforts towards transforming the public service to

become more citizen-centric will be intensified. The main strategies identified to enhance public service delivery at all levels are reforming public sector institutions, redesigning public services and empowering local authorities. The Government will create a clean, efficient and trustworthy governance system, which is imbued with integrity, openness and highest capability to deliver the best public service for the nation.

Pillar II: Enhancing Inclusive Development and Wellbeing

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

Priority Areas and Strategies

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

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

Priority Area A

Improving governance at all levels

Strategy A1

Strengthening check and balance mechanism

Strategy A2

Improving relationship between Federal, state and local governments

Strategy A3

Reforming the political system

Priority Area B

Elevating integrity and accountability

Strategy B1

Enhancing anti-corruption agenda

Strategy B2

Improving transparency

Strategy B3

Inculcating noble values and ethical work practices

Priority Area C

Enforcing prudent public finance management

Strategy C1

Improving the budgeting system

Strategy C2

Enhancing procurement management

Strategy C3

Strengthening performance management, monitoring and evaluation framework

Priority Area D

Enhancing public service delivery

Strategy D1

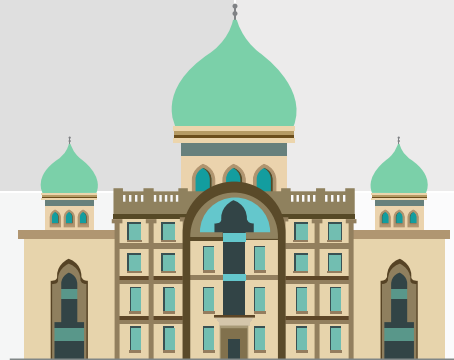
Reforming public sector institutions

Strategy D2

Redesigning public services

Strategy D3

Empowering local authorities



Selected Targets, 2020

Improving governance at all levels



Reintroduce
Parliamentary Services Act 1963

Elevating integrity and accountability



Top 30 in the
Corruption Perception Index
by the Transparency International

Enforcing prudent public finance management



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

Enhancing public service delivery



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



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



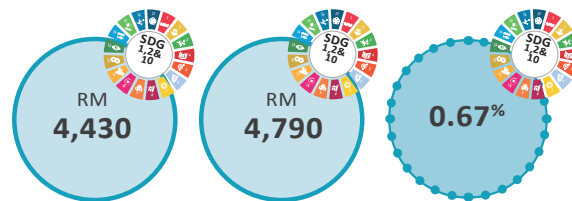
Selected Targets, 2020

Improving overall income inequality



Gini coefficient

Uplifting the B40 households towards a middle-class society

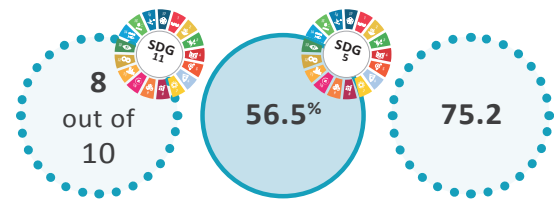


Mean monthly B40 household income

Median monthly B40 household income

Incidence of Multidimensional Poverty

Addressing the needs of specific target groups



Average score in the Family Wellbeing Index

Female labour force participation rate

Average score in the Malaysia Youth Index

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



Participation of Bumiputera in skilled occupation category



Bumiputera households own a residential unit



Annual growth of Bumiputera corporate equity ownership

 Original Target

 Revised Target

 New Target

Selected Targets, 2020

Overall Improvement in Malaysian Wellbeing Index (MyWI¹)



Providing quality and affordable housing



2018-2020

Houses developed for the poor, low-and middle-income households²

Enhancing the healthcare delivery system



Hospital beds per 1,000 population

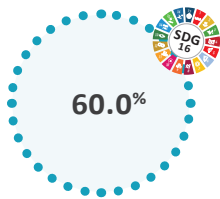


Doctor to population ratio



Optimised emergency response time

Making the nation safer and secure



Perception of feeling safe



Index crime cases per 100,000 population (threshold)



Optimised police response time

Promoting noble values and active lifestyle



Number of schools with *Kelab Rukun Negara*



Percentage of Malaysians who embrace sports culture

Original Target

Revised Target

Notes:1 MyWI is not part of the selected targets.

2 Based on Buku Harapan target to build 1 million houses in 2 terms (2018-2028).

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

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

The wellbeing of the *rakyat* remains an utmost priority in manifesting a balanced development approach. Towards this end, efforts will be focused to increase purchasing power, provide quality and affordable housing, enhance the healthcare delivery system, make the nation safer and

secure as well as promote noble values and active lifestyle. Enforcement to curb supply and price manipulations will be intensified, while more avenues offering goods and services at affordable prices will be provided to address the rising cost of living. Housing programmes will be continued through the provision of quality and affordable housing for the poor, low- and middle-income households.

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

Pillar III: Pursuing Balanced Regional Development

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

Priority Areas and Strategies

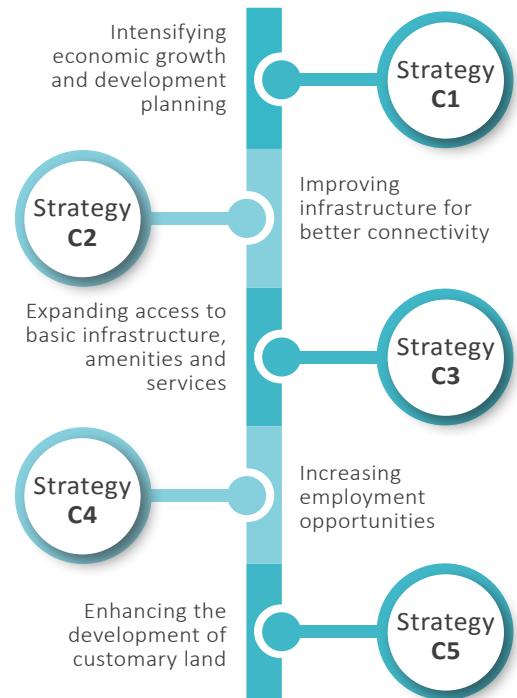
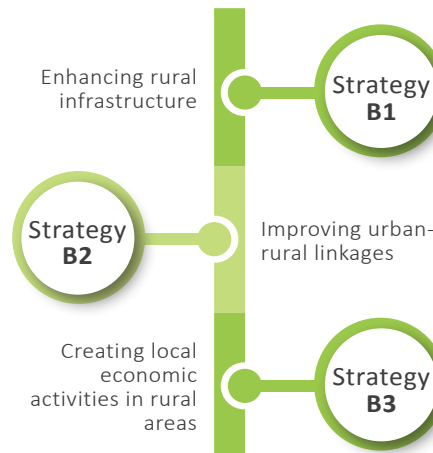
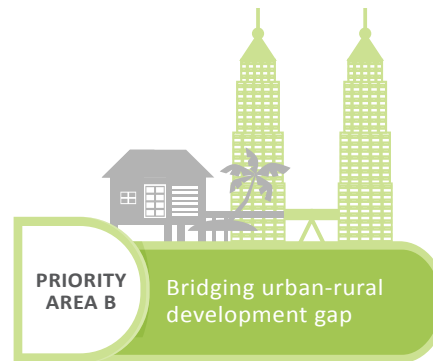
Measures will be undertaken to accelerate economic growth as well as address inter- and intra-regional imbalances in pursuing balanced regional development. These will include strengthening and streamlining state and regional development planning to stimulate economic development in promoting balanced growth. Efforts will also be intensified to modernise and diversify the economic base for robust

and dynamic economic growth. In addition, major cities will be leveraged as catalysts to attract investment and trade as well as improve connectivity with rural and suburban areas. Meanwhile, the ASEAN subregional cooperation will be further enhanced to accelerate and facilitate economic development in special economic zones as well as improve connectivity to promote tourism and trade activities.

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

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

Pillar III: Pursuing Balanced Regional Development



Selected Targets, 2020

Strengthening regional economic development



Bridging urban-rural development gap



Telecommunication towers in rural areas nationwide

Accelerating development in Sabah and Sarawak



Telecommunication towers



Mapping of Native Customary Rights (NCR) land

Original Target Revised Target New Target

Pillar IV: Empowering Human Capital

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

Priority Areas and Strategies

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

Continuous efforts will be undertaken in ensuring access to quality education and training that is inclusive and equitable. Students will be equipped with knowledge and diverse skills

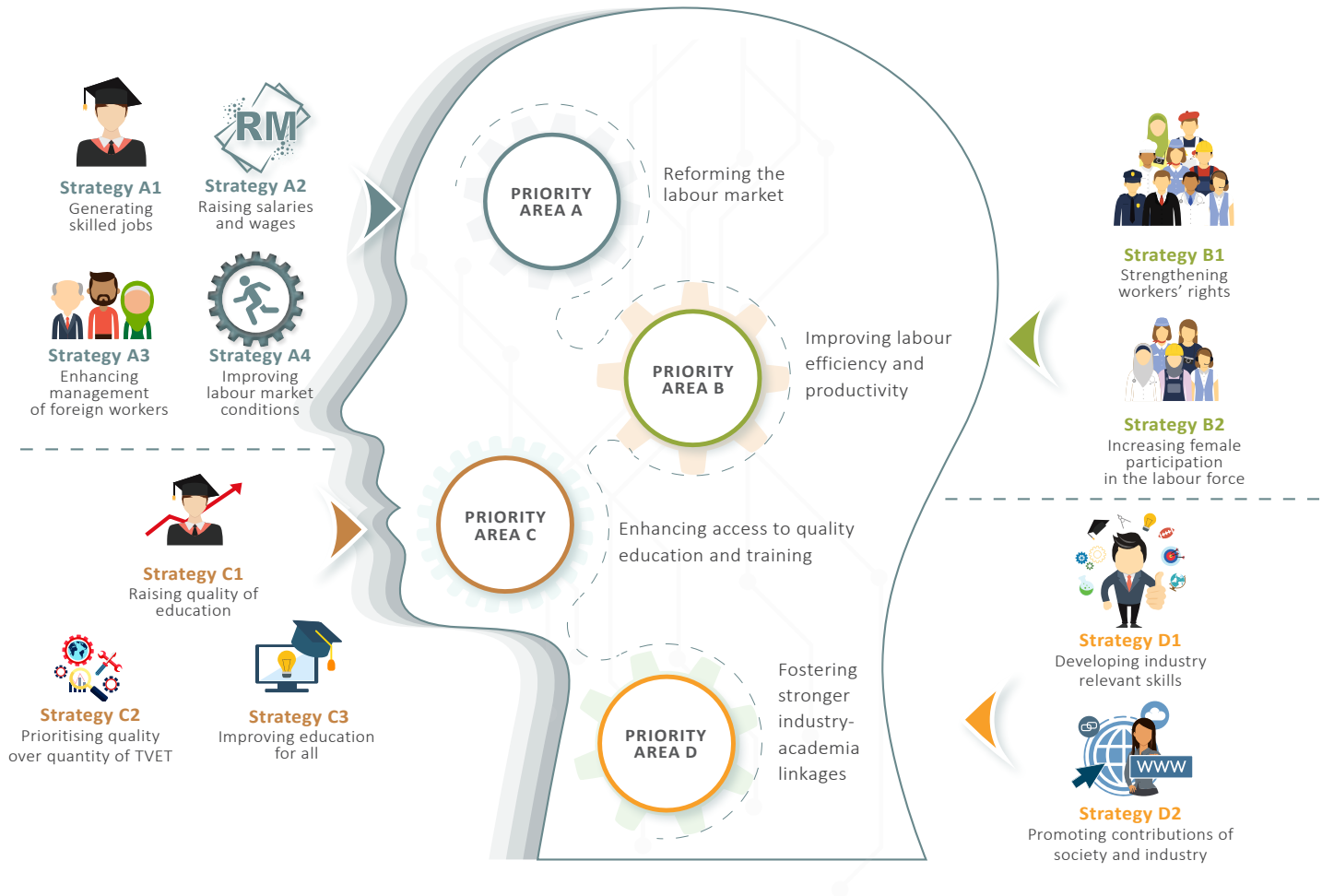
across all education levels to increase employability. Priority will also be given to raise the quality of education to improve student outcomes in preschool, primary and secondary education. Meanwhile, concerted efforts will be directed towards raising the quality of graduates as well as academic programmes and strengthening research capabilities. In addition, the autonomous status of public universities will be leveraged to ensure financial sustainability.

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

Pillar V: Enhancing Environmental Sustainability through Green Growth

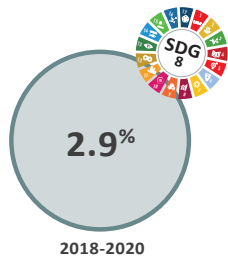
Green growth initiatives will be enhanced to ensure sustainability of natural resources and increase resilience against climate change and disasters while achieving higher economic growth. Efforts towards green growth will be pursued intensely to achieve sustainable development to safeguard the natural endowment for the present and future generations. This will be achieved through three priority areas, namely strengthening governance, conserving natural resources as well as combating climate change and reducing disaster risks.

Pillar IV: Empowering Human Capital



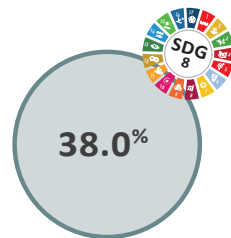
Selected Targets, 2020

Reforming the labour market



2018-2020

Labour productivity growth



Compensation of Employees to GDP



Monthly median wage

Improving labour efficiency and productivity

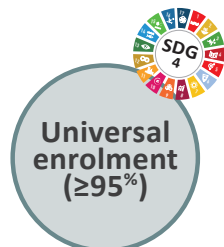


Review labour laws: Employment Act 1955, Trade Union Act 1959 and Industrial Relations Act 1967

Enhancing access to quality education & training



Malaysia aims to be at least on par with the international average in TIMSS and PISA assessment



Student enrolment for preschool and secondary level



Intake of SPM leavers into TVET programmes



2 universities in the top 100 of the QS World University Rankings



TVET graduates employed within 6 months of graduation

Fostering stronger industry-academia linkages



Original Target

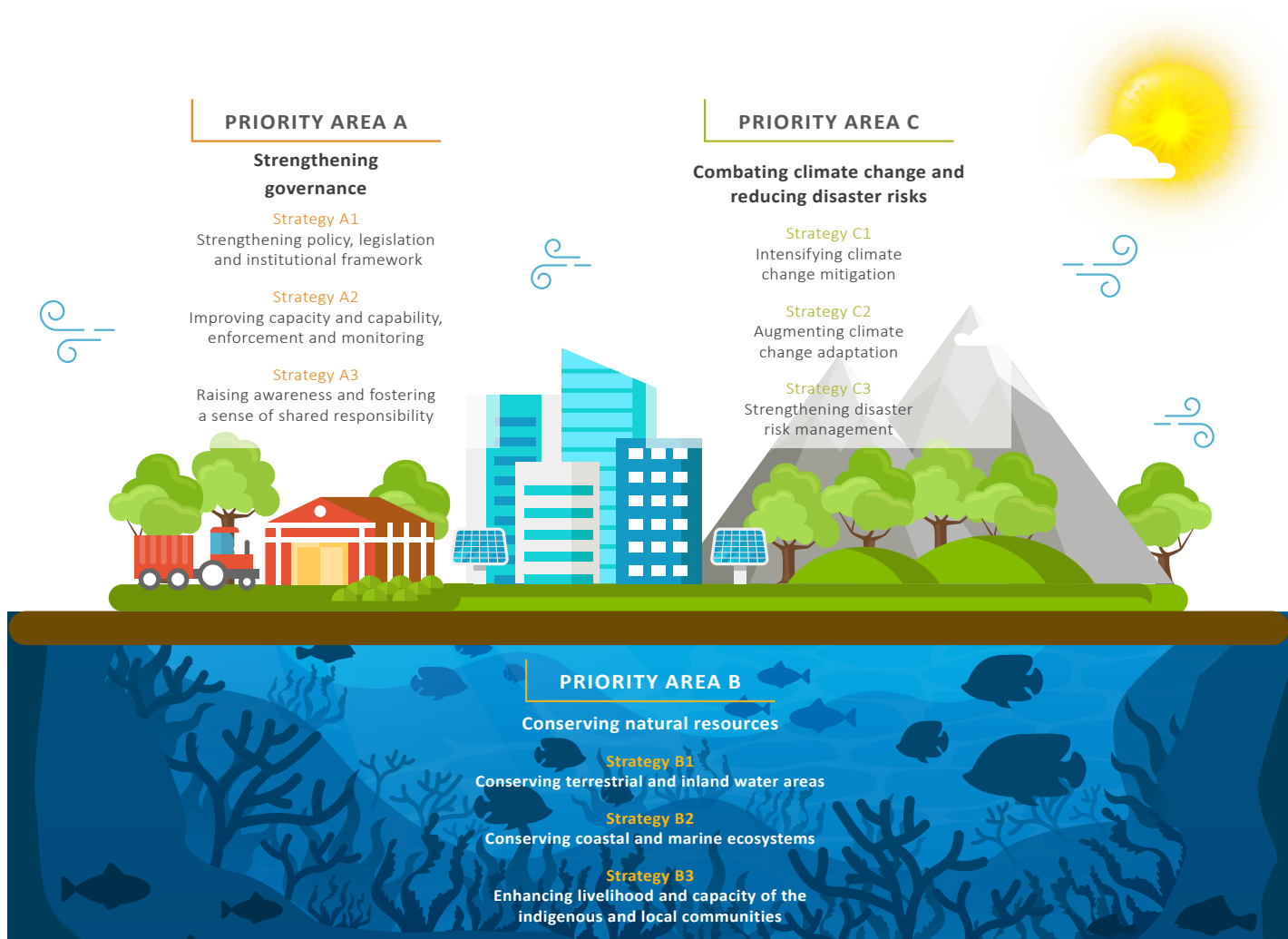


Revised Target



New Target

Pillar V: Enhancing Environmental Sustainability through Green Growth



Selected Targets, 2020

Strengthening governance



Formulation of an act to enhance environmental governance

Conserving natural resources



Coastal and marine areas gazetted as protected areas



Terrestrial and inland water areas gazetted as protected areas

 Original Target

 New Target

Selected Targets, 2020

Combating climate change and reducing disaster risks



Notes: ¹ In line with Malaysia's commitment to the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce 45% of GHG emissions intensity to gross domestic product (GDP) by 2030 relative to the level in 2005.

Priority Areas and Strategies

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

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

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

Pillar VI: Strengthening Economic Growth

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

Priority Areas and Strategies

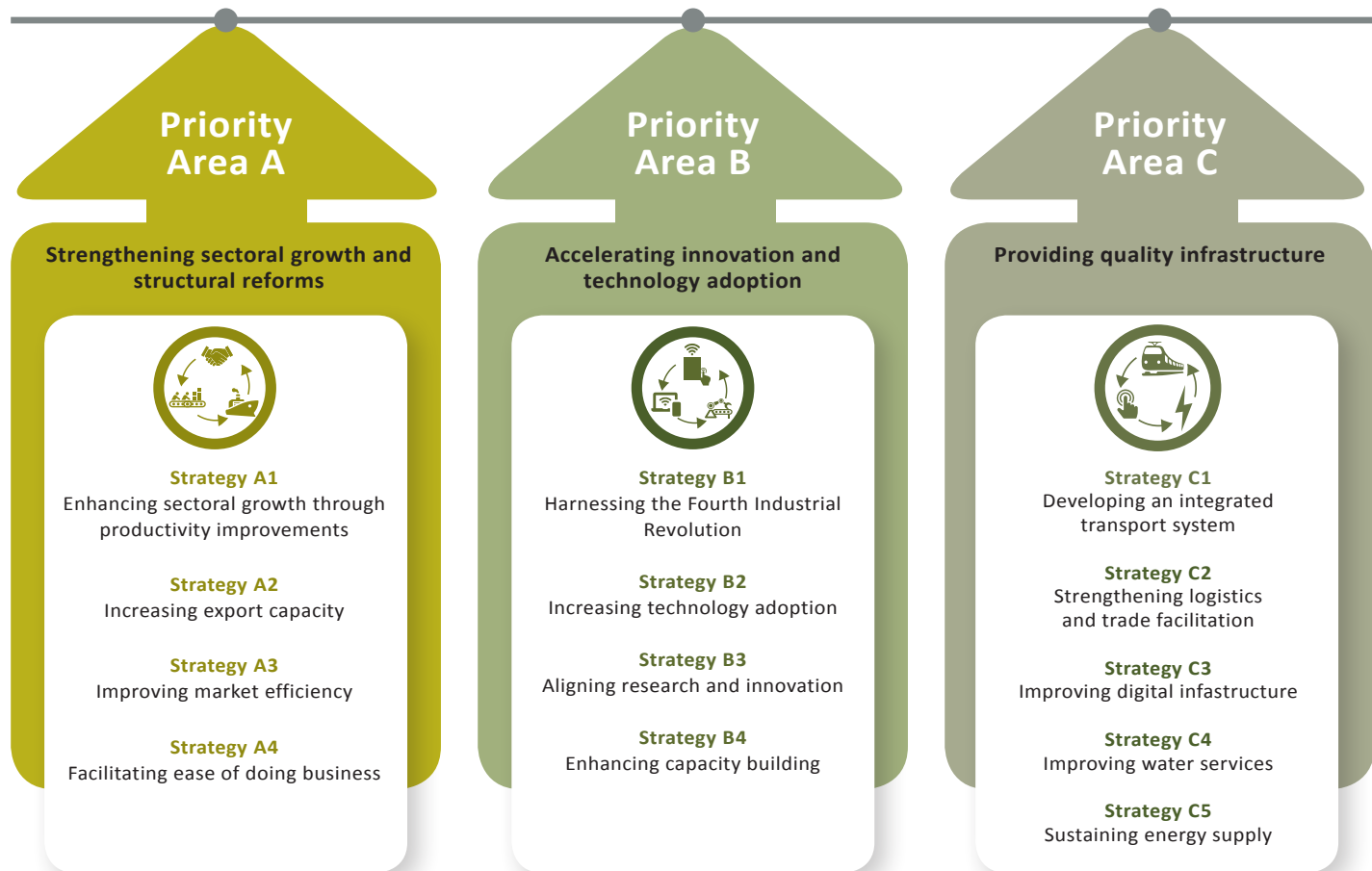
The strategies to strengthen sectoral growth and implement structural reforms include enhancing sectoral growth, increasing export capacity and improving market efficiency as well as facilitating ease of doing business. In this regard, measures will be undertaken to accelerate modernisation of economic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

Priority will also be given to accelerate innovation and technology adoption among local firms, especially SMEs, to boost productivity and compete globally. Measures to be undertaken include harnessing the potential of the Fourth

Industrial Revolution (4IR) which provides new business and wealth creation opportunities. Hence, in embracing 4IR, manufacturers need to catalyse the adoption of Industry 4.0 related technologies to remain competitive in the global value chain. Furthermore, research and innovation will be aligned to priority areas to accelerate innovation-driven growth. In addition, SMEs in particular will be encouraged to continuously enhance capacity building as well as accelerate technology adoption to grow at a faster rate and expand market outreach.

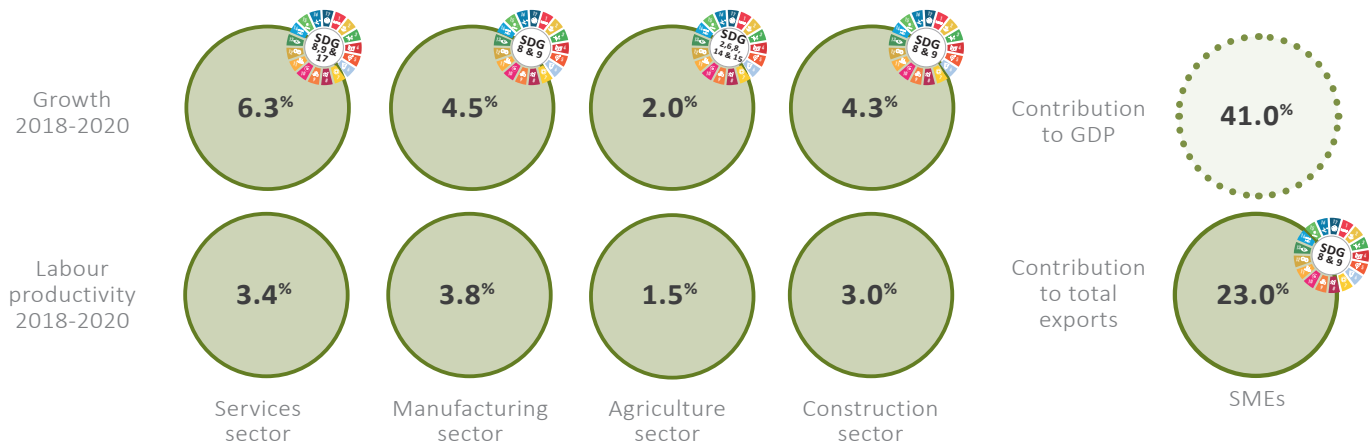
Quality infrastructure and efficient utilities will be enhanced to boost economic development and ensure sustainability in meeting present and future demand. Greater emphasis will be given to further integrate different transport modes to provide seamless connectivity for people and goods. Logistics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

Pillar VI: Strengthening Economic Growth



Selected Targets, 2020

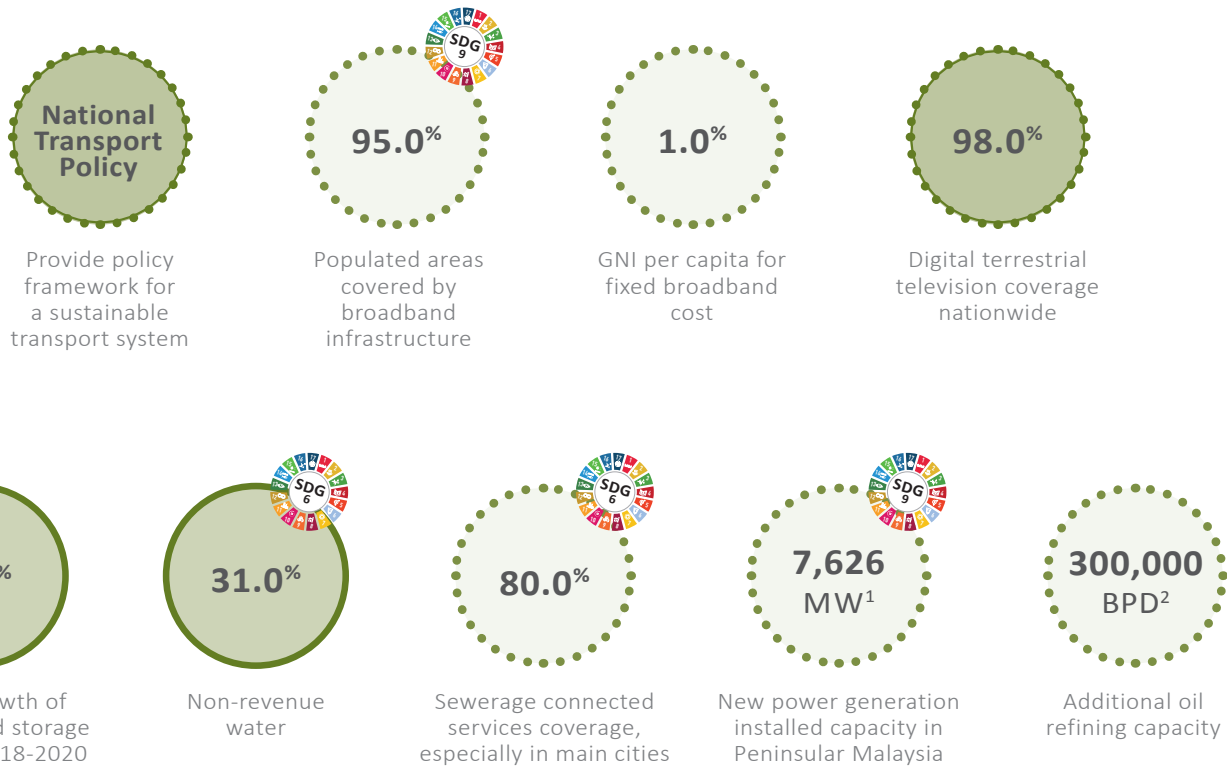
Strengthening sectoral growth and structural reforms



Accelerating innovation and technology adoption



Providing quality infrastructure



Notes: ¹ MW-megawatts
² BPD-barrels per day

Original Target Revised Target New Target

Conclusion

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



For further information refer to:

Secretary General
Ministry of Economic Affairs
Block B5 & B6
Federal Government Administrative Centre
62502 Putrajaya
MALAYSIA

Publisher's Copyright ©

All rights reserved. No part of this publication may be reproduced, copied, stored in any retrieval system or transmitted in any form or by any means—electronic, mechanical, photocopying, recording or otherwise, without prior permission of Economic Planning Unit, Ministry of Economic Affairs, Malaysia.

Printed by



PNMB

Percetakan Nasional Malaysia Berhad
Kuala Lumpur, 2018
Website: www.printnasional.com.my
Emel: cservice@printnasional.com.my
Tel.: 603–9236 6895
Faks: 603–9222 4773