

Enhancing Bumiputera Economic Community (BEC) Opportunities to Increase Wealth Ownership

Strategy Paper

3

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For further information refer to:

Director General
Economic Planning Unit
Prime Minister's Department
Block B5 & B6
Federal Government Administrative Centre
62502 Putrajaya
MALAYSIA

<http://www.epu.gov.my>

Tel.: 603-8000 8000

Fax.: 603-8888 3755

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I. INTRODUCTION

3.1 During the Tenth Malaysia Plan, 2011-2015, the objective of the Bumiputera Development Agenda was to increase the household income of Bumiputera and uplift their living standard in line with the philosophy of development with equity. Focus was on strengthening entrepreneurship, raising ownership beyond corporate equity and increasing the number of Bumiputera in high paying jobs. Although these initiatives have raised the mean monthly income from RM3,624 in 2009 to RM5,548 in 2014, socio-economic imbalances still exist. Hence, during the Eleventh Malaysia Plan, 2016-2020, focus of the Bumiputera Development Agenda will be on enhancing skills and professional training, increasing ownership of corporate equity and non-financial assets, as well as expanding entrepreneurship and business opportunities.

II. TENTH MALAYSIA PLAN, 2011-2015: PROGRESS

3.2 Various initiatives were implemented to drive Bumiputera Development Agenda. These included the setting up of *Majlis Tindakan Agenda Bumiputera* (MTAB), chaired by the Prime Minister *Unit Peneraju Agenda Bumiputera* (TERAJU) and the launching of the Bumiputera Economic Transformation Roadmap. This Roadmap embodied new policy and strategic dimensions for Bumiputera socio-economic participation. In September 2013, the *Pemeriksaan Ekonomi Bumiputera* programme was announced and MTAB was renamed *Majlis Ekonomi Bumiputera* (MEB). Five focus areas and 34 touch points were introduced, which included the establishment of a dedicated *Unit Pemeriksaan Ekonomi Bumiputera* (UPEB) in each ministry. The formation of UPEB created a new governance structure to ensure effective and sustainable Bumiputera participation in the economy.

3.3 Based on the Household Income and Expenditure Survey (HIES) 2014, mean monthly income (mean income) of Bumiputera households increased by 8.9% from RM3,624 in 2009 to RM5,548 in 2014. Median income also increased 10.7% from RM2,531 in 2009 to RM4,214 in 2014. The mean income in rural areas increased by 9% from RM2,460 to RM3,788 while in urban areas was 7.3% from RM4,458 to RM6,340. The increase in median income in rural areas of 11.8% from RM1,771 to RM3,093 is higher as compared to 8.3% increase in urban areas from RM3,271 to RM4,880.

3.4 The incidence of poverty among Bumiputera households reduced from 5.3% in 2009 to 0.8% in 2014. Meanwhile, the Bumiputera Gini coefficient index improved from 0.440 to 0.389. A lower Gini coefficient index of 0.354 in rural areas compared to 0.378 in urban areas indicated a more balanced income distribution in the rural areas. This is among others, due to the large number of bottom 40% household income (B40 household) in rural areas as well as the nature of the economic activities which is mainly agricultural-related activities.

Strengthening Bumiputera Entrepreneurship

3.5 The participation of Bumiputera entrepreneurs in the economy is still low. According to *Suruhanjaya Syarikat Malaysia*, in 2014, 27.6% or 283,200 of the total 1,026,100 registered companies were Bumiputera. According to Census of Establishment and Enterprises 2005, only 37.4% or 241,281 of the total 645,136 small and medium enterprises (SMEs) were owned by Bumiputera and 90.7% or 218,930 of Bumiputera SMEs are micro enterprises.

3.6 Efforts to strengthen Bumiputera entrepreneurship included developing entrepreneurial skills and providing financial assistance. Entrepreneurship development programmes include capacity building of entrepreneurs in areas such as product packaging, marketing and branding. Financial assistance was given according to the size of businesses and activities, from micro financing to large scale financing.

3.7 A total of 413,278 entrepreneurs in micro and small businesses benefited from loans provided by *Amanah Ikhtiar Malaysia* (AIM) and *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN) *Nasional* totalling RM8.6 billion. Under the AIM programme, entrepreneurs who earn more than RM3,500 increased from 27,770 entrepreneurs in 2010 to 128,450 in 2014. In 2013, 32.7% of entrepreneurs who received TEKUN *Nasional* loans, recorded an increase in revenue of between 50% and 150%. In addressing the needs for business space, *Majlis Amanah Rakyat* (MARA), *Perbadanan Usahawan Nasional Berhad* (PUNB) and *Yayasan Wakaf Malaysia* (YWM) have built or purchased 458 business spaces, particularly in strategic locations.

3.8 For companies in the development and growth stage, Malaysian Technology Development Corporation (MTDC), Malaysia Venture Capital Management Berhad, Malaysia Debt Venture Berhad and Multimedia Development Corporation provided a total of RM495.2 million to 760 Bumiputera SMEs. The financial assistance was in the form of grants, loans and venture capital for technology development to improve the quality of products and comply with standards. The Bumiputera Enterprises Enhancement Programme (BEEP) by SME Corporation Malaysia (SME Corp) provided financial assistance and advisory services to enhance the capacity of Bumiputera SMEs. The programme components included training, improvement of production processes, product packaging, labelling and branding, certification, market access and promotion activities. A total of RM71.4 million was allocated for 574 entrepreneurs.

3.9 The Vendor Development Programme (VDP) under the Ministry of International Trade and Industry (MITI) and government-linked companies (GLCs), continued to be implemented to strengthen Bumiputera entrepreneurship. In total, the VDP has benefited 2,923 vendors with 16 anchor companies in various industries, such as oil and gas, engineering services as well as electrical and electronics. In addition, GLCs and government-

linked investment companies (GLICs) also contributed to the Bumiputera Development Agenda by increasing Bumiputera shareholding and non-financial assets ownership as well as creating leaders in the supply chain, as shown in *Exhibit 3-1*.

Exhibit 3-1

Contribution by GLCs and GLICs in Bumiputera Development Agenda

GOVERNMENT-LINKED COMPANIES (GLCs)				
				
<ul style="list-style-type: none"> • 500 active Bumiputera vendors under VDP Boustead Naval Shipyard Sdn Bhd (BNS) • 200 active Bumiputera vendors under VDP Pharmaniaga Bhd • 169 Bumiputera-owned BHPetrol Station • 37 Bumiputera graduates trained under SL1M programme and 47 under Young Engineer program Scheme (YES) 	<ul style="list-style-type: none"> • RM500 million financing facility to Bumiputera SMEs • 92% Bumiputera graduates trained under SL1M programme • 65% of the graduates offered jobs under Talent Enhancement Program • RM18 million from RM30 million scholarship funding allocated to Bumiputera students 	<ul style="list-style-type: none"> • 170 Bumiputera graduates trained under SL1M programme • 94% of the 10,317 jobs in 39 airports around the country are Bumiputera • 35% of the retail lots in KLIA2 Terminal owned by Bumiputera entrepreneurs 	<ul style="list-style-type: none"> • 57% of contracts allocated to Bumiputera companies • RM3.2 billion worth of contracts under VDP allocated to Bumiputera • 11,600 Bumiputera students received scholarships from TM Foundation • RM12.2 million education financial fund allocated to Bumiputera 	<ul style="list-style-type: none"> • 44 Bumiputera graduates trained and 11 offered jobs under GEMS program • 30 Bumiputera graduates trained under SL1M programme • 5,000 Bumiputera students participate in CCM Smart Program
GOVERNMENT-LINKED INVESTMENT COMPANIES (GLICs)				
				
<ul style="list-style-type: none"> • 275 scholarships to Bumiputera students • 90% Bumiputera recipients in Khazanah corporate responsibility initiatives worth RM335 million • The majority of the 129,000 non-executive employees in GLC are Bumiputera 	<ul style="list-style-type: none"> • 35% Bumiputera equity ownership in Kwasa Damansara with a total Gross Development Value (GDV) of RM50 billion • 23 Bumiputera developers identified for acquisition tender for the construction of 8.79 acres in mixed development 	<ul style="list-style-type: none"> • 95.2% of the 828 units of affordable houses in Taman LTAT, Kuala Lumpur were sold to Bumiputera members of ATM • RM9.7 million scholarships distributed to 15,000 beneficiaries • 44 of 49 7-Eleven franchisees consist of Bumiputera members 	<ul style="list-style-type: none"> • 8.3 million depositors with funds amounting to RM46 billion • Bonus rate of 6.0% and 2.0% of Hajj bonus in 2013 • 5,000 Bumiputera companies registered for the TH acquisition • 1.5 million students join the savings programme under TaHa Club and TaHa@U 	<ul style="list-style-type: none"> • 40% of the RM5 billion Warisan Merdeka tender contracts allocated to Bumiputera • 1.4 billion ASB2 units subscribed with a product size of 10 billion units

Source: Putrajaya Committee on GLC High Performance

3.10 TERAJU introduced special programmes to provide Bumiputera entrepreneurs with business opportunities and financing. Under *Syarikat Bumiputera Berprestasi Tinggi (TeraS)* programme, 908 high potential Bumiputera companies qualified to be given special assistance and provided with business opportunities based on merit. A special fund was created in collaboration with SME Bank, RHB Islamic Bank, Malaysian Industrial Development Finance Berhad, Agro Bank and MTDC amounting to RM3.3 billion, to provide financial assistance to these companies. By 2014, a total of RM919.9 million was approved for 265 companies.

3.11 The *Skim Usahawan Permulaan Bumiputera (SUPERB)* programme was announced in September 2013 with a three-year allocation totalling RM100 million to facilitate start-up companies that have been in operation less than three years. Grants up to RM500,000 were provided to support business ideas that were innovative and creative. By 2014, 54 entrepreneurs have benefited from the programme with a total funding of RM27 million. In addition, 211 Bumiputera companies utilised RM929.8 million under the Facilitation Fund to implement 234 private sector projects. The Carve-out and Compete Programme was introduced to provide opportunities for Bumiputera companies to participate in mega projects. These projects included Mass Rapid Transit, Bukit Bintang City Centre, *Menara Warisan Merdeka*, the development of RRI land in Sungai Buloh and Malaysia International Trade and Exhibition Centre (MITEC) with a total carve-out of RM23.5 billion.

Broadening and Increasing Bumiputera Wealth Ownership

3.12 In terms of corporate equity, Bumiputera ownership grew during Tenth Plan period. This achievement was contributed by initiatives from various GLICs. To expand the share of individual ownership, *Amanah Saham Bumiputera 2 (ASB2)* was launched by *Permodalan Nasional Berhad (PNB)* on 2 April 2014, with 10 billion units. As at 2014, a total of 1.7 billion units shares were subscribed.

3.13 During the Tenth Plan, *Ekuiti Nasional Berhad (EKUINAS)* was allocated RM3.1 billion to invest in existing medium-sized Malaysian companies with high growth potential of becoming market leaders. EKUINAS has invested RM2.4 billion in 33 companies in education, retail and leisure, oil and gas, fast moving consumer goods (FMCG), services and healthcare. Combined with private capital, EKUINAS has facilitated total economic capital deployment of RM3 billion.

3.14 *Skim Jejak Jaya Bumiputera (SJJB)* continued to provide 'last-mile' assistance to qualified Bumiputera companies to be listed on Bursa Malaysia. To date, 10 companies have successfully been listed with market capitalisation of RM4.1 billion. In 2014, the scheme was restructured through collaborative partnership between EKUINAS and TERAJU to increase its effectiveness.

3.15 *Program Pembangunan Usahawan Korporat* (The Baron) was launched by MARA in 2011 to develop corporate entrepreneurship through equity ownership in business entities. This programme provides loans and advisory services to individuals to acquire equity and participate in the management of high potential medium-sized companies. Among the industries involved were aviation, oil and gas as well as engineering services. As at 2014, RM111.3 million was allocated benefiting 32 entrepreneurs.

3.16 The policy to reduce the role of Government in business through divestment of non-core assets provided more business opportunities and expanded the market share of genuine Bumiputera entrepreneurs. Under this policy, GLCs will divest non-core businesses to qualified Bumiputera entrepreneurs. As at 2014, five companies that have been divested by *Khazanah Nasional Berhad* (Khazanah) and PNB were STLR Sdn Bhd, TM Resorts, Celcom Childcare Sdn Bhd, Time Engineering Bhd and U-Insurance Sdn Bhd.

3.17 In the area of non-financial assets, *Pelaburan Hartanah Berhad* (PHB) was allocated RM600 million to increase Bumiputera ownership of commercial asset such as office buildings, retail malls and logistic warehouses at prime locations in major cities in the country. By 2014, PHB had acquired commercial properties worth RM3.9 billion, including *Menara 1 Sentrum*, *Peremba Square* and *Menara Prisma*. PHB was also involved in property development including the construction of Nu Sentral Retail Mall and extension of the Gleneagles Hospital in Kuala Lumpur. In addition, PHB launched the *Amanah Hartanah Bumiputera* (AHB) fund in 2010 to provide opportunities to Bumiputera investors to own prime commercial properties through the holding of units in AHB. All two billion AHB units were fully subscribed. As at 2014, total dividends paid to unit holders amounted to RM316 million.

3.18 UDA Holdings Berhad (UDA), cumulatively since 2001, sold 77% or 5,895 out of 7,697 residential units and 83% or 467 out of 560 retail spaces to Bumiputera. UDA also awarded construction contracts to 95 Bumiputera contractors valued at RM679.1 million and 201 consultancy works valued at RM65.9 million. *Syarikat Perumahan Negara Berhad* (SPNB) built 29,692 residential units for Bumiputera comprising 20,002 *Rumah Mesra Rakyat* and 9,690 *Rumah Aspirasi Rakyat*.

Preparing Bumiputera for High Paying Jobs

3.19 Measures to raise household income and uplift living standards of Bumiputera included preparing them with the necessary education and technical skills to secure high paying jobs. Towards this end, *Yayasan Peneraju Pendidikan Bumiputera* (YPPB) was established in 2011 to implement capacity building programmes to meet the demands of a high income economy. *Program Peneraju Skil* and *Program Peneraju Profesional* were implemented and 2,623 participants trained in selected fields, such as oil and gas, finance

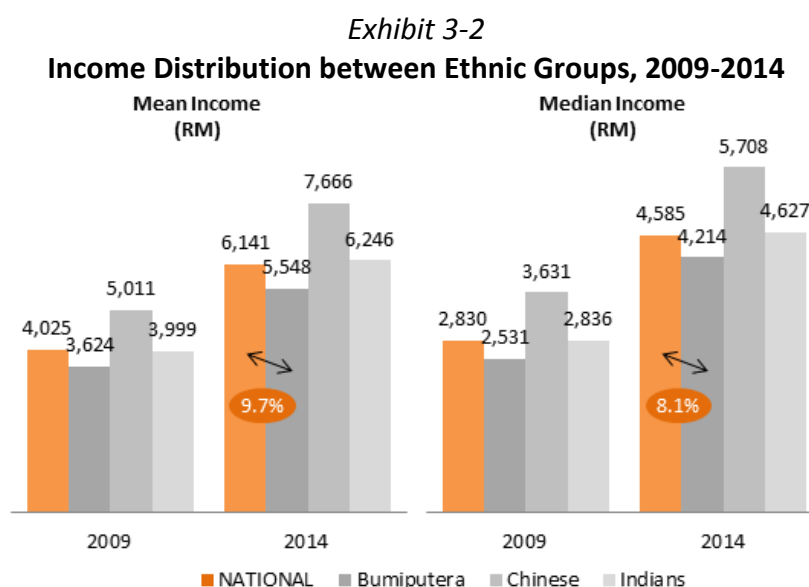
and accounting. YPPB also implemented *Program Peneraju Tunas*, which offers scholarships, tuition and mentoring at school level, particularly to those from challenging backgrounds and low-income households. As at 2014, 1,355 students were awarded scholarships.

3.20 MARA continued to play a major role in developing Bumiputera human capital through its various institutions, including Maktab Rendah Sains MARA, Kolej Kemahiran Tinggi MARA and Universiti Kuala Lumpur (UniKL). MARA also provided financial assistance for students to pursue higher education and technical training. During the Plan period, MARA provided places to 101,010 students and financial assistance to 86,446 students for their education.

3.21 The GLCs and GLICs also contributed significantly to increase the number of Bumiputera in high paying jobs. Out of the total 225,050 employed in GLCs and GLICs, 178,191 or 79% was Bumiputera with 60,358 or 34% holding executive management positions and above.

III. ISSUES AND CHALLENGES

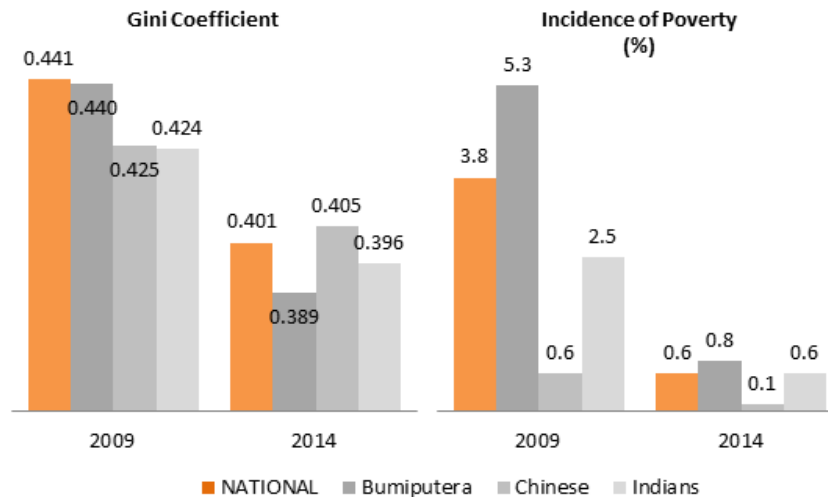
3.22 In 2014, the mean income for Bumiputera households was lower than the national level by 9.7% while the median income was lower by 8.1%, as shown in *Exhibit 3-2*. However, the mean income for Bumiputera grew at an annual rate of 8.9%, which was higher than the national rate of 8.8%.



Source: Department of Statistics, Malaysia

3.23 The income disparity ratio between Bumiputera and Chinese in 2014 was 1:1.38, similar to 2009. However, income disparity ratio between Bumiputera and Indians increased from 1:1.10 to 1:1.13 while for Indians and Chinese reduced from 1:1.25 to 1:1.23. Nevertheless, the income inequality as shown by the Gini coefficient index improved from 0.441 in 2009 to 0.401 in 2014, as shown in *Exhibit 3-3*.

Exhibit 3-3
Gini Coefficient and Incidence of Poverty between Ethnic Groups, 2009-2014

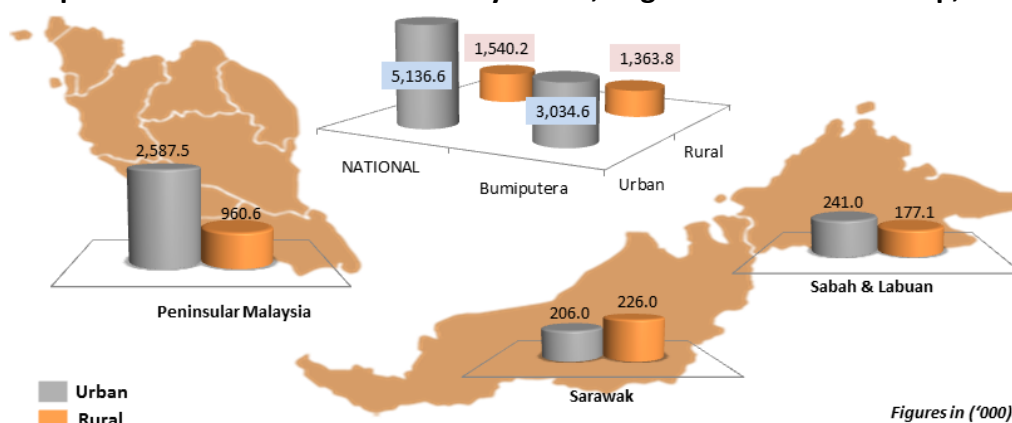


Source: Department of Statistics, Malaysia

3.24 In 2014, the incidence of poverty among Bumiputera at 0.8% was higher than the national rate at 0.6% as well as Chinese at 0.1% and Indians at 0.6%, as shown in *Figure 3-3*. The incidence of poverty among Bumiputera in rural areas was 1.8% while for the urban areas was 0.4%.

3.25 The implementation of the Bumiputera Development Agenda remains important as Bumiputera constitutes about 68.2% or 19.2 million of the total estimated 28.1 million citizens in 2015. Of this total, 78% live in Peninsular Malaysia, 12.1% in Sabah and Labuan, and 9.9% in Sarawak. 12.9 million or 67.2% Bumiputera live in urban areas while 6.3 million or 32.8% in rural areas. Distribution of Bumiputera households by strata, region and income category are as shown in *Exhibit 3-4*.

Exhibit 3-4
Bumiputera Household Distribution by Strata, Region and Income Group, 2014



Income Group	Urban		Rural		Total	
	('000)	%	('000)	%	('000)	%
B40	1,082.6	35.7	883.5	64.8	1,966.1	44.7
%	55.1		44.9		100.0	
M40	1,320.7	43.5	392.9	28.8	1,713.6	39.0
%	77.1		22.9		100.0	
T20	631.3	20.8	87.4	6.4	718.6	16.3
%	87.9		12.2		100.0	
Total	3,034.6	100.0	1,363.8	100.0	4,398.4	100.0

Source: Department of Statistics, Malaysia

3.26 The Government has continuously implemented programmes and initiatives under the Bumiputera Development Agenda to enhance the socio-economic status of Bumiputera. However, there are still issues and challenges that need to be addressed. The key issues are low participation in professional and highly skilled occupations with high wages; wealth ownership is still below target; low capacity to own non-financial asset; development of Bumiputera Economic Community (BEC) is still lagging; and lack of coordination in the public service delivery system.

Low Participation in Professional and High-Skilled Occupations

3.27 Low skills and educational attainment of Bumiputera labour force has limited the possibilities to secure high paying jobs in the labour market. Based on the Labour Force Survey (LFS) 2014, the share of Bumiputera labour force having educational attainment at secondary level and below was at 69.8%. In the age cohort of 15 to 24 years, 72% of Bumiputera has only completed secondary education and below. While only 38.1% of those in the age cohort of 25 to 40 years attained tertiary education, as shown in *Exhibit 3-5*.

Exhibit 3-5

Educational Attainment of Bumiputera Labour Force by Age Cohort, 2014

Educational Attainment/ Age Cohort	15-24 years old		25-40 years old		41-64 years old		Total	
	('000)	%	('000)	%	('000)	%	('000)	%
No formal education	11.0 6.6	0.8	24.5 14.6	0.6	132.2 78.8	4.8	167.7 100.0	2.1
Primary	68.6 8.0	4.7	222.8 26.1	5.9	563.7 65.9	20.3	855.1 100.0	10.6
Secondary	972.6 21.2	66.5	2,104.7 45.8	55.4	1,516.6 33.0	54.5	4,593.9 100.0	57.1
Tertiary	410.2 16.9	28.0	1,446.2 59.6	38.1	570.4 23.5	20.5	2,426.8 100.0	30.2
Total	1,462.4	100.0	3,798.2	100.0	2,782.9	100.0	8,043.6	100.0

Source: Department of Statistics, Malaysia

3.28 In 2014, 65.3% of Bumiputera were employed in semi-skilled occupations and 9.3% in low-skilled occupations. In terms of age cohort, 87.7% of Bumiputera between 15 and 24 years were employed in semi-skilled and low-skilled occupations. In contrast, only 30.8% of Bumiputera in the age cohort of 25 to 40 years were skilled workers, as shown in *Exhibit 3-6*. Based on the Informal Sector Workforce Survey Report Malaysia 2013, 74.8% of the 1.2 million total workforces in the informal sector were Bumiputera, with 46.8% of them in the rural areas.

Exhibit 3-6

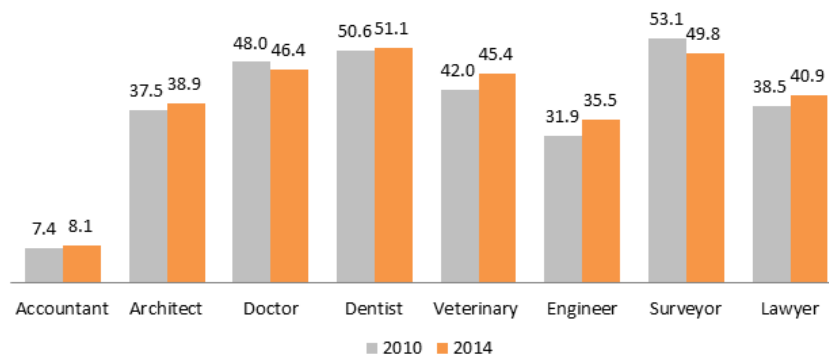
Employment of Bumiputera by Skills Category and Age Cohort, 2014

Skills Category / Age Cohort	15-24 years old		25-40 years old		41-64 years old		Total	
	('000)	%	('000)	%	('000)	%	('000)	%
Skilled	158.3 8.0	12.3	1,143.5 57.9	30.8	671.9 34.0	24.3	1,973.6 100.0	25.4
Semi-skilled	972.9 19.2	75.5	2,279.3 44.9	61.3	1,822.3 35.9	65.8	5,074.5 100.0	65.3
Low-skilled	156.7 21.6	12.2	294.5 40.5	7.9	275.6 37.9	10.0	726.8 100.0	9.3
Total	1,287.9	100.0	3,717.3	100.0	2,769.8	100.0	7,774.9	100.0

Source: Department of Statistics, Malaysia

3.29 The education and training policies implemented were successful in producing qualified Bumiputera workforce. However, the LFS 2014 indicated that Bumiputera accounted for only 25.4% in the managerial and professional occupations category. In addition, the proportion of Bumiputera in selected registered professionals is 36.1%. Bumiputera accounted for 8.1% of accountants, 35.5% engineers and 38.9% architects, as shown in *Exhibit 3-7*.

Exhibit 3-7
Selected Registered Professional of Bumiputera, 2010 and 2014



Source: Registered Professional Institutions

Wealth Ownership is Still below Target

3.30 Bumiputera corporate equity ownership in terms of par value has increased during the Tenth Plan period. However, this is still below the target of at least 30% corporate equity ownership at the macro level. Wealth ownership within Bumiputera community is also not equitable. As an example, 71.5% of the *Amanah Saham Bumiputera* (ASB) holders have less than RM5,000 in their unit accounts while the top 9.3% own 77.8% of total units. In addition, ownership through Bumiputera institutions lacks trickle-down effect to the Bumiputera community. In terms of market value¹, Bumiputera Public Listed Companies (PLCs) accounted for only 16.1% in 2011 and grew to 16.8% in 2014, reflecting lack of effective control and influence on corporate decision.

Low Capacity to Own Non-Financial Assets

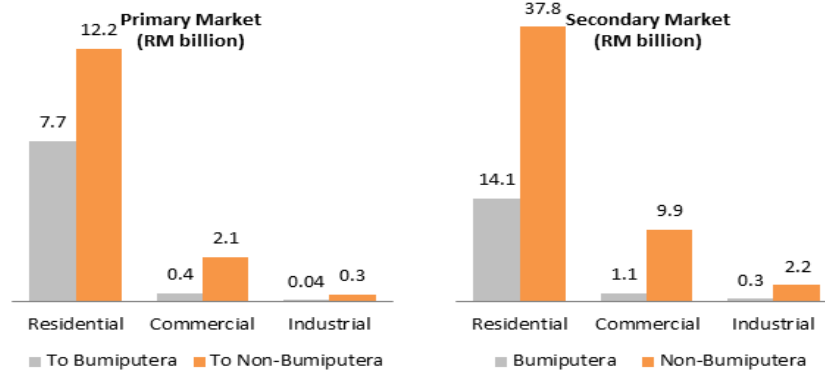
3.31 Based on the Malaysian Population and Housing Census 2010, about 21.2% of Bumiputera did not own any residential property. According to the National Property Market Report, 2014 the number and value of transactions in 2014 by Bumiputera as a new owner is low, as shown in *Exhibit 3-8*. In the primary market, Bumiputera recorded 26,839 transactions valued at RM7.7 billion out of 55,165 transactions valued at RM21.6 billion of new residential units. There were only 711 transactions of new commercial units valued at

¹ The methodology used by EKUINAS to calculate the total Bumiputera market capitalisation is based on the market value of the entire Bumiputera-controlled PLC as per the following criteria:

- (i) The PLC has at least 35% voting power being held in aggregate by up to 2 or 3 identifiable Bumiputera group, company or institutions.
- (ii) There is also no other identifiable non-Bumiputera group, company or institution holding more voting power than the identifiable Bumiputera group, company or institution.
- (iii) Includes PLCs with voting power held by Bumiputera-related trust agencies and institutional funds such as PNB, MARA, Lembaga Tabung Haji, Federal Land Development Authority (FELDA) and Lembaga Tabung Angkatan Tentera.

RM422.6 million out of 5,313 transactions valued at RM4.7 billion. In terms of new industrial units, 39 transactions worth RM35.6 million owned by Bumiputera out of 1,103 transactions valued at RM1.4 billion. In the secondary market, Bumiputera transactions were also low.

Exhibit 3-8
Value of Transaction for Non-Financial Asset in Primary and Secondary Market, 2014



Source: National Property Information Centre (NAPIC)

Development of Bumiputera Economic Community is Still Lagging

3.32 One of the major issues in BEC development is the lack of capital and accessibility to financial facilities. Bumiputera SMEs were not able to meet the commercially-oriented requirements imposed by financial institutions, particularly because the majority were micro enterprises and informal sectors as well as low-value added economic activities.

3.33 Another issue faced by BEC is that their products and services are less competitive resulting limited access to domestic and global markets. For example, the exports by Bumiputera in the furniture industry is only 0.4% or RM25.2 million out of the total RM6.3 billion in 2014. The lack of capacity to conduct research and development (R&D) has also limited the development of new and innovative products as well as compliance to standards. Limited supply chain and distribution networks hampered the ability of BEC to compete.

3.34 Over dependency of Bumiputera micro enterprises on the government, GLCs and GLICs as well as rent-seeking and spurious-front practices have affected the ability of Bumiputera entrepreneurs to compete in the open market. Without significant Bumiputera participation and share in the open market, the target of achieving Bumiputera Development Agenda will not be realised.

Lack of Coordination in the Delivery System

3.35 Although TERAJU was formed to lead, coordinate and drive Bumiputera economic participation, there is still room for improvement in the coordination of Bumiputera Development Agenda initiatives among agencies. The lack of a comprehensive and integrated database has resulted in duplication and affected implementation of programmes.

IV. ELEVENTH MALAYSIA PLAN, 2016-2020: WAY FORWARD

3.36 The philosophy of growth with equity will continue to be adopted in the Eleventh Plan with inclusive development as the underlying approach. In this context, Bumiputera Development Agenda will continue to be a national agenda based on the principles of market-friendly, needs-based, merit and transparent as well as pro-growth and sustainability. Priority will be given to enhancing education opportunities and skills training, providing high paying jobs, increasing ownership including corporate equity and non-financial assets as well as promoting business and entrepreneurship.

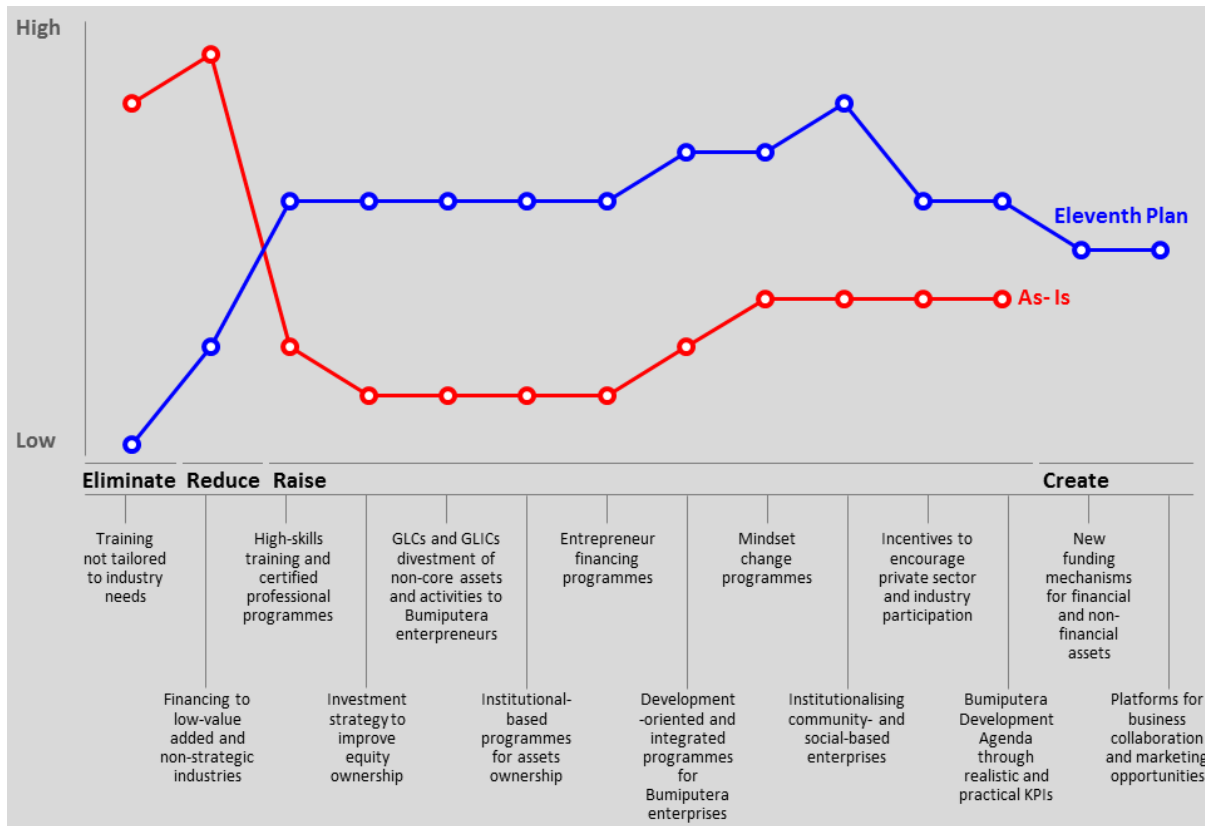
3.37 The increase in the number of skilled Bumiputera workforce and registered professionals will increase participation of Bumiputera in high paying jobs. In this regards, Bumiputera will constitute at least 60% of skilled occupation category. The target of corporate equity ownership will be expanded to at least 30% equity ownership with effective control. Wealth ownership will be further expanded by gradually moving towards at least 90% Bumiputera own a residential unit and at least 30% own commercial and industrial property. In terms of entrepreneurship, 30 national Champions, 10 regional Champions and 5 international Champions will be created. To achieve these targets, five main strategies to be implemented are as follows:

- Empowering Bumiputera human capital
- Increasing Bumiputera effective control and sustainable corporate ownership
- Enlarging the share of Bumiputera wealth ownership
- Empowering Bumiputera Economic Community
- Strengthening delivery effectiveness of Bumiputera-oriented programmes

To implement these strategies, 14 initiatives are identified as shown in *Exhibit 3-9*.

Exhibit 3-9

Strategy Canvas for Enhancing Bumiputera Economic Community Opportunities to Increase Wealth Ownership



Empowering Bumiputera Human Capital

Tailoring Training to Industry Needs

3.38 A more structured industry insertion and entrepreneur development programmes will be implemented to develop competency and capability across all sectors. Bumiputera workforce will be equipped with capability to secure high paying jobs and entrepreneurship opportunities in the domestic and global market. In this context, training institutions that conduct low-skills training courses such as Institut Kemahiran MARA (IKM) and GIATMARA will be transformed to provide comprehensive skills training modules.

Expanding High-Skills Training and Certified Professional Programmes

3.39 Successful employment insertion programmes such as the *Program Pengeraju Skill* under YPPB will be expanded to improve skills of Bumiputera. Industry players in high impact sectors will be offered appropriate incentives to encourage stronger collaboration with the relevant skills training institutions in tailoring their modules to industry needs. This will provide better job opportunities and ensure employment for graduates. In addition,

Program Pengeraju Profesional conducted by YPPB and other similar programmes will be expanded to increase Bumiputera participation in professional occupations such as accountant, financial analyst and engineer. The target is to increase Bumiputera participation in skilled occupation categories from 25.4% in 2014 to at least 60% in 2020.

Increasing Bumiputera Effective Control and Sustainable Corporate Ownership

Broadening Investment Strategy to Improve Equity Ownership

3.40 Corporate equity enhancement programmes will be continued to increase Bumiputera equity ownership with effective control. EKUINAS will continue to invest in high growth companies to promote equitable and sustainable Bumiputera economic participation. EKUINAS will exit once these companies become matured and ready to compete in the open market. Through this approach, EKUINAS is expected to increase Bumiputera equity ownership by RM10 billion or two times of invested capital.

3.41 TERAJU will cooperate with EKUINAS to strengthen and expand the SJB Programme to increase the listing of potential Bumiputera companies in *Bursa Malaysia*. In addition, MARA will review the Baron Programme to ensure Bumiputera effective control and sustainable ownership in companies. PNB will further diversify the ASB portfolio of investment into property to maximise returns to unit holders. Other Bumiputera agencies and institutions such as *Pelaburan MARA Berhad*, *Tabung Haji* and *Lembaga Tabung Angkatan Tentera* will focus on the acquisition of high potential companies and profitable PLCs.

Increasing Government-Linked Companies and Government-Linked Investment Companies Divestment of Non-core Assets and Activities to Bumiputera Entrepreneurs

3.42 Divestment of profitable non-core GLCs and GLICs assets and activities to genuine Bumiputera entrepreneurs will continue to be implemented to increase Bumiputera effective direct individual ownership. Handholding will take place until Bumiputera enterprises are able to independently operate these businesses. Financial institutions will facilitate the Bumiputera enterprises in terms of liquidity in the process of taking over businesses from the GLCs and GLICs. An appropriate divestment arrangement will be developed and monitored by TERAJU to ensure the success of this initiative.

Introducing New Funding Mechanisms for Financial Assets

3.43 Bumiputera individual equity ownership will be expanded by allowing withdrawal from Account 1 of the Employee Provident Fund to purchase ASB2 units, which provide competitive long-term returns at minimal risk. In addition, a waqf investment fund and private equity for investment will also be created through crowd funding to invest in profitable and high potential companies.

Enlarging the Share of Bumiputera Wealth Ownership

Strengthening Institutional-based Programmes for Assets Ownership

3.44 The Bumiputera Real Estate Investment Trusts will continue to be strengthened to enhance Bumiputera ownership of commercial and residential properties in strategic locations. In this regard, AHB Fund under PHB will be utilised to acquire or develop strategic commercial properties and mixed development projects in strategic urban areas, especially in the Klang Valley, Pulau Pinang and Johor Bahru.

3.45 Bumiputera-based assets such as Malay reserve and waqf land will be developed to provide affordable housing for Bumiputera. YWM, state Islamic religious councils and other Bumiputera-based institutions will collaborate to develop the land to unlock the value while retaining Bumiputera ownership.

3.46 A mechanism to enable Bumiputera institutions to purchase unsold Bumiputera lots in new property developments will be introduced. These institutions will own the property and receive rental income until the property is acquired by interested Bumiputera. In addition, entrepreneurship development organisations (EDOs) such as MARA, TEKUN Nasional and PUNB will continue to acquire strategic business spaces or shop lots to be rented to Bumiputera entrepreneurs.

Introducing New Funding Mechanisms for Non-Financial Assets

3.47 In order to assist Bumiputera to own residential properties, more affordable houses will be developed by utilising fund including a claw-back funding mechanism. This mechanism collects contributions from property developers when they are unable to comply with Bumiputera quota policy in their property development. The contribution is equivalent to the total cost of discount from the units forgone to non-Bumiputera.

3.48 A Bumiputera Commercial Property Revolving Fund will be established to assist entrepreneurs to acquire commercial properties. This initiative will enable Bumiputera entrepreneurs to shift from renting to owning properties. PHB will be appointed as the lead agency, supported by EDOs to co-purchase commercial properties. These properties will be leased to entrepreneurs who will own them at the end of the lease period. YWM will also use waqf funds to undertake commercial property development on waqf land.

Empowering Bumiputera Economic Community

Reducing Financing to Low-Value Added and Non-Strategic Industries

3.49 AIM and TEKUN Nasional will continue to provide financing to micro businesses. However, financing to low-value added industries will be discouraged. PUNB, SME Corp and MARA will assist SMEs in high-value added industries with the potential to grow and move to the next business cycle where Bumiputera participation is still low.

Intensifying Entrepreneur Financing Programmes

3.50 Entrepreneur financing programmes will be intensified to support the implementation of an effective and integrated entrepreneur development programme. Focus will be on industries with large Bumiputera participation including automotive, construction, aerospace and defence, business services, education, healthcare as well as oil and gas. Current funding programmes such as PROSPER, TeraS and BEEP will be continued. For those entrepreneurs who face problems in their businesses, a second chance policy will be introduced to assist potential Bumiputera entrepreneurs to resume their business activities.

3.51 The waqf fund as well as Islamic banking and financing will be utilised to create more Bumiputera entrepreneurs in strategic sectors, particularly in the Halal industry. Income generated from waqf activities will be ploughed back to the waqf fund to further entrepreneurship activities in addition to philanthropic and ibadah activities. This will reduce dependence on Government funding for Bumiputera entrepreneurship programmes. The operation of waqf fund will be fully syariah compliant.

Enhancing Development-Oriented and Integrated Programmes for Bumiputera Enterprises

3.52 The VDP will be revised with clear graduation criteria to ensure sustainability of the entrepreneurs. GLCs and GLICs will spearhead the marketing of Bumiputera SMEs products.

Meanwhile, other high impact programmes including Groom Big and Incubator GIATMARA will also continue to be implemented.

3.53 Government procurement and contracts will continue to be an important instrument to develop Bumiputera entrepreneurs. However, the instrument will be restructured to ensure capable, qualified and genuine Bumiputera are chosen through appropriate selection exercises based on meritocracy and competition to minimise rent-seeking and spurious-front activities. A condition will also be imposed on the selected entrepreneurs to employ at least 60% Bumiputera employees. An appropriate graduation and exit policy will also be formulated to reduce continuous dependence on Government procurement and contracts.

3.54 R&D activities would also be given priority to enable Bumiputera SMEs to enhance product quality and standard. A smart partnership will be developed between R&D centres and Bumiputera SMEs to ensure creation of innovative products and services. For example, *Universiti Teknologi MARA (UiTM)* will be designated as the incubation centre for nurturing innovative Bumiputera SMEs to develop ICT products and applications. A soft loan for R&D will be provided to Bumiputera SMEs in high-value added, high technology and innovation-based industries to enable them to comply with international standards and certifications.

3.55 The carve-out policy on contracts worth RM500 million and above will continue to be implemented. In addition, outsourced work will continue to be given to Bumiputera entrepreneurs.

3.56 The Bumiputera Business Chambers will be streamlined and rebranded towards creation of a genuine entity that will champion the supply chain “farm to table” network of Bumiputera entrepreneurs. A pool of high potential Bumiputera entrepreneurs among industry champions will be identified to form consortiums along the supply chain network, thus providing a supportive business ecosystem. Special provisions including funding and easier access to market will strengthen these consortiums. The ecosystem will create a competitive environment for Bumiputera in the market, thus addressing current challenges in competing within the ecosystem.

Enhancing Mindset Change Programmes

3.57 Entrepreneurship development will include an orientation programme to develop more independent Bumiputera entrepreneurs to bring a mind-set change to reduce dependency on Government assistance and eliminate rent-seeking and spurious-front activities. This programme is also designed to boost the confidence level of Bumiputera entrepreneurs to become more resilient and competitive in the local and global market.

Institutionalising Community- and Social-based Enterprises

3.58 Community- and social-based enterprises are organisations that have a social cause as their primary mission, such as poverty reduction and preserving the environment, and use a private sector business model to sustain themselves. The institutionalisation of community- and social-based enterprises will be supported in strengthening Bumiputera enterprises. This initiative will involve the merging of small enterprises as well as amalgamation of agriculture smallholdings to gain from economies of scale. The use of modern technology and optimisation of resources will increase productivity, which will lead to income growth and sustainability. The Government will provide appropriate infrastructure and facilities as well as leadership and management training to build the capability of the community and social-based enterprises, which will be set up based on the cooperative model. The enterprises will be encouraged to develop partnership with established companies to expand their activities.

Providing Incentives to Encourage Private Sector and Industry Participation

3.59 Financial and non-financial incentives will be continued to encourage private sector and industry to contribute to Bumiputera entrepreneurship development. The incentives include, among others, tax relief and double deduction. This initiative will enable Bumiputera entrepreneurs to penetrate the market through business openings and employment opportunities provided by the private sector.

Establishing Platform for Business Collaboration and Marketing Opportunities

3.60 Bumiputera enterprises will be effectively supported through programmes to enable promotion of SMEs to become a PLC or large non-listed companies. Bridging Programme will be introduced to pool credible Bumiputera entrepreneurs to elevate them to the next level of enterprise. Institutions that support micro and small-scale enterprise such as AIM and TEKUN Nasional will identify and select potential entrepreneur to be uplifted to larger scale and be supported continuously by relevant agencies such as MARA, SME Corp, PUNB and TERAJU. These agencies will strengthen collaboration among them to develop successful and competitive entrepreneurs.

3.61 A Business Development Voucher Programme will be introduced to provide matching grants to assist entrepreneur to modernise their facilities, explore new markets and improve their business processes. This programme will create an innovative ecosystem which will lead to higher productivity and profitability.

3.62 An International Distribution Centre (IDC) will be established to enable Bumiputera entrepreneurs to gain access to foreign markets to ensure business viability. IDC will enable exporting SMEs to outsource business functions such as product labelling, packaging, distribution, storage and services. To enhance international market access, IDC will be managed by the private sector or cooperative supported by Government to Government initiatives. In addition, MITI and Malaysia External Trade Development Corporation (MATRADE) will provide end to end export promotion services including in the preparation of international business plans.

Strengthening Delivery Effectiveness of Bumiputera-Oriented Programmes

Enhancing Bumiputera Development Agenda through Realistic and Practical Key Performance Indicators

3.63 A comprehensive approach will be implemented through the creation of realistic and practical Key Performance Indicators (KPIs) to enhance the Bumiputera Development Agenda. An integrated database that comprises statistics from various ministries and agencies on Bumiputera socio-economic status, especially education, employment, wealth ownership and entrepreneurship will be developed. A KPI dashboard will be developed to monitor the implementation and progress of Bumiputera development programmes. The MEB will review the progress semi-annually.

3.64 The roles and functions of Bumiputera-based EDOs will be reviewed and restructured to transform these organisations to increase their effectiveness in service delivery. UPEB in each ministry and agency will be strengthened through appropriate human capital redeployment and resources allocation to accelerate the implementation of strategic Bumiputera development programmes. Government procedures will also be simplified to reduce the cost of doing business for Bumiputera entrepreneurs. Public agencies, GLCs and GLICs, Bumiputera non-governmental organisations as well as relevant business associations will collaborate in a symbiotic relationship to develop BEC.

V. CONCLUSION

3.65 During the Eleventh Plan, the Bumiputera Development Agenda will remain a critical component to achieve the vision of becoming an advanced and inclusiveness by 2020. Through inclusive development, equality of opportunity will be provided to Bumiputera to participate in the socio-economic development. These initiatives will be undertaken by empowering Bumiputera human capital, increasing effective control and sustainable corporate ownership, enlarging the share of wealth ownership, empowering the BEC and strengthening delivery effectiveness of Bumiputera-oriented programmes to drive the Bumiputera Development Agenda.