



SHARED PROSPERITY VISION 2030



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Foreword



the middle-income category.

Now, Malaysia will adopt a new approach to strengthening our economic performance. The initiatives we will be introducing will ensure that the *rakyat* and the nation enjoy Shared Prosperity.

Over the past decade, the country's economic management has been radically entrenched towards premature liberalisation and this has led to the ambition of becoming a developed nation as envisaged in Vision 2020 not being fully realised. Nevertheless, being a high-income country does not guarantee fair and equitable distribution of wealth and income to the *rakyat*.

In reality, despite the increase in value of the gross domestic product (GDP) and the country's income, the benefit of the country's wealth cannot be enjoyed equally by all. This is due to the relatively constant increase in income without the significant increase in productivity, leading to the rising cost of goods and services, thus burdening the lower income group. As a result, the increase in the *rakyat*'s income does not increase their purchasing power.

The economic model of the last decade is more focussed on increasing the national debt for the implementation of mega projects. The Labour Force Survey Report, Malaysia, 2018 also indicates that the number of semi-skilled and low-skilled workers is 72.8 percent of the total labour force in the country. Ownership of the country's equity is increasingly turning to foreign ownership. Economic growth, however, is focussed only on some of the country's major cities, sidelining the growth, equity ownership and opportunities for the *rakyat* in the rural areas.

The situation is deteriorating with the erosion of integrity and worsening corruption. As a result, the Government's delivery to the *rakyat* is becoming less effective, resulting in widespread leakages in public spending and abuse of power. The bottom 40% of household income group (B40), which is mainly the Bumiputera community, is among the most oppressed *rakyat* as a result of the culture of leakages and abuse of power in the previous Government. All Government policies, programmes and assistance targeted at them have been unsuccessful due to these leakages, corruption and abuse of power.

We have faced many challenges and achieved many successes since independence over six decades ago. From a poor and colonised country, Malaysia has transformed into a fast-growing industrial country. The country has been regarded as an "Asian Tiger". Economic achievements, political stability and the wellbeing of the *rakyat* are often the benchmark for other developing countries.

By leveraging the resources available in our country, including the talent, skills and expertise of the *rakyat* in various fields, we have been able to drive the country's economic growth and improve the *rakyat*'s income. With rapid development of the economy over the past six decades, Malaysia has now moved its position to be in the high-income category.

Our next aspiration is to see Malaysia become a harmonious and united nation with the country's prosperity being shared in a fair and equitable manner by all regardless of ethnicities, class or regional differences. Our country cannot be forever trapped in

Now, with various institutional reforms and improvements being put in place by the Government, I am confident that efforts to help the B40 group and the Bumiputera community as a whole will bear fruit as intended. The *rakyat* are hopeful that the Government will implement a new national economic plan to boost wealth creation so that they may enjoy the prosperity in a fair and equitable manner.

Global investors and markets also have high expectations of Malaysia maintaining political stability, free from kleptocracy and fully tapping its economic potential to achieve sustainable social wellbeing.

We have taken a new approach to the country's economic and social management where development and progress must be able to produce Shared Prosperity. In this context, the *rakyat* will be able to enjoy significant increase in household income and purchasing power, as income and wealth disparities between classes, ethnic groups, regions and supply chains are being reduced.

The wellbeing of the *rakyat* can also be ensured with a more conducive, safe and sustainable environment. Ultimately, people of various ethnicities and religious groups will have a peaceful and harmonious life in a democratic and stable country.

I am confident that with proper implementation of policies and strategies, Malaysia will thrive and develop more rapidly. The real measure of the country's progress and development is that the wealth generated can be distributed and enjoyed equally and equitably by all *rakyat*. The aim of the Shared Prosperity is to provide a decent standard of living to all Malaysians.

A harmonious and unified society, free from suspicion and prejudice and celebrating the diversity of races and cultures, is fundamental to the unity of the country.

I would like to take this opportunity to express the Government's appreciation and gratitude to Institut MASA for their efforts and commitment in preparing the Shared Prosperity Vision document.

I hope this document will become a platform for all Malaysians to work together and make this noble cause a reality.



TUN DR. MAHATHIR BIN MOHAMAD

Prime Minister of Malaysia

Putrajaya

5 October 2019

Preface



What grand agenda do we need to drive post-2020? Malaysia will continue to forge ahead by focussing on restructuring the priorities of socioeconomic development based on Shared Prosperity Vision. Over the next 10 years, emphasis will be placed on improving the purchasing power of the *rakyat* and bridging the income disparities among ethnicities, regions and supply chains. Fostering unity and stability within the framework of racial and cultural diversity is paramount.

While building a sustainable economy is essential for the wellbeing of the *rakyat*, development should not only be measured by GDP growth alone, but must also consider the social indicators and inclusive economic distribution.

Development with a clear and focus direction is key towards building a bright future for Malaysia. This is the commitment of the new Government of Malaysia. In order to ensure success, the emphasis is not solely on equitability of opportunities, but also on the principle of equitable outcome.

Through this Vision, the *rakyat* will enjoy the prosperity of the country in a fair, equitable and inclusive manner. This prosperity will only be achieved through continuous and earnest efforts. Increased economic growth should be accompanied by increases in household income, skills and professionalism, wages and salaries, savings and ownership of wealth as well as participation in entrepreneurship and businesses.

In short, this Vision is a continuation of Vision 2020 in the framework of the country's long-term plans. The essence is to fulfill the aspirations of the *rakyat* in order to achieve a decent standard of living.

I urge all Malaysians to unite and fulfill these aspirations. The unity in realising Shared Prosperity Vision 2030 will boost Malaysia as a regional economic centre.

The youth are the country's hope and the dawn of our future. Their aspiration today will be the reality of tomorrow and this can only be nourished and nurtured through noble values, good education and profound character building. With an unwavering sense of national identity and a strong determination to master technology, nothing is too high to be achieved.



MOHAMED AZMIN ALI
Minister of Economic Affairs
Putrajaya
5 October 2019

Introduction

Malaysia needs a new vision to chart the direction of economic development in order to achieve rapid and sustainable economic growth, fair, equitable and inclusive economic distribution to all the *rakyat* as well as building a nation state that is peaceful, prosperous and united.

With such direction and strategic planning, Shared Prosperity Vision 2030 will place Malaysia on the right track to achieve the targets. Through this vision, new economic sectors and areas will be identified and developed to drive the economy forward and create economic opportunities and high-income jobs for the *rakyat*. This vision will reduce the economic disparities between income groups, ethnicities, regions and supply chains, and ultimately make Malaysia a developed nation.

This vision is a continuation from Vision 2020 espoused by YAB Tun Dr Mahathir, Prime Minister of Malaysia, three decades ago to propel the country's economic achievement, raise the standard of living of the *rakyat* and strengthen unity.

The main prerequisites for the success of Shared Prosperity Vision are the economic, political and social ecosystems to support rapid and sustainable economic growth. These include the implementation of policies and initiatives to encourage investment and trade in high growth sectors in order to generate income for the *rakyat* and the government, good governance based on integrity as well as social harmony to maintain peace and stability.

These factors will create a conducive environment to propel the country's continuous economic growth so that the wealth and prosperity will be distributed fairly and equitably to all *rakyat*. Various programmes and initiatives will be implemented to increase the incomes of B40 household who are in dire need of Government assistance and support. Through this vision, the *rakyat* will enjoy a decent standard of living.

I believe that when the prosperity of the country is shared with all the *rakyat*, unity will be achieved. No section of the *rakyat* should be left behind or marginalised from the mainstream development.

Institut Masa Depan Malaysia was given the honour by the Government to work with the Ministry of Economic Affairs in developing the Shared Prosperity Vision 2030. A series of research and consultative sessions with various groups of experts and stakeholders were conducted since a year ago to identify the objectives, strategic thrusts and enablers of this vision. Ultimately, this is a document that will be a blueprint for the policies and direction of the Government for the next ten years.

I would like to take this opportunity to express my appreciation to everyone who has contributed in preparing the Shared Prosperity Vision 2030 document. InshaAllah, with the commitment and efforts from all stakeholders in executing this vision, the country will march forward for a better and prosperous future for all.



A handwritten signature in black ink, appearing to read 'Muhyiddin Yassin', with a long horizontal stroke extending to the right.

MUHYIDDIN YASSIN

Founder
Institut Masa Depan Malaysia (MASA)
Bukit Damansara
5 October 2019



Table of Contents

EXECUTIVE SUMMARY

I **CHAPTER 1** 1-01 **Introduction**

Shared Prosperity Vision
Outcome-Based Approach

2 **CHAPTER 2** 2-01 **Definition of Shared Prosperity**

3 **CHAPTER 3** 3-01 **Nation State**

Fundamental of Nation State
The Pillar of Nation State

4 **CHAPTER 4** 4-01 **Situational Analysis**

Economic Restructuring
Pre-Mature Economic Liberalisation Approach and Impact
Economic Growth Potential
Regional Development Disparities
Disparity Between Income Groups
Disparity between Ethnic Groups
Economic Sabotage
Summary of Situational Analysis

5 **CHAPTER 5** 5-01 **Guiding Principles**

Introduction
GP1: Continuous Prosperity
GP2: Equitable Outcome
GP3: Equitable Growth
GP4: Distributed Economy
GP5: Inclusivity
GP6: Learning Society
GP7: Future Economy
GP8: Needs-Based Approach
Economy
GP9: Institutional Political-Economy
GP10: Integrated Social Model
GP11: Economic Centre of Asia
GP12: Democracy and Stability
GP13: Integrity and Good Governance
GP14: Unity in Diversity
GP15: Sovereignty and Sustainability

6 **CHAPTER 6** 6-01 **Strategic Thrusts**

Introduction
6-04 STRATEGIC THRUST 1
Restructuring Business and Industry Ecosystem
6-08 STRATEGIC THRUST 2
Key Economic Growth Activities (KEGA)
6-17 STRATEGIC THRUST 3
Transforming Human Capital
6-19 STRATEGIC THRUST 4
Strengthening the Labour Market and Increasing Compensation of Employees
6-22 STRATEGIC THRUST 5
Social Wellbeing
6-24 STRATEGIC THRUST 6
Regional Inclusion
6-29 STRATEGIC THRUST 7
Social Capital

7 **CHAPTER 7** 7-01

Enablers of Shared Prosperity

- 7-03** **ENABLER 1**
Fiscal Sustainability
- 7-08** **ENABLER 2**
Financial Capital
- 7-10** **ENABLER 3**
Effective Institutional Delivery
- 7-11** **ENABLER 4**
Governance and Integrity
- 7-12** **ENABLER 5**
Education and Technical and Vocational Education and Training
- 7-14** **ENABLER 6**
Big Data
- 7-16** **ENABLER 7**
Sustainability
- 7-18** **ENABLER 8**
Enlightened Society

8 **CHAPTER 8** 8-01

Targets and Measures of Shared Prosperity

9 **CHAPTER 9** 9-01

Bumiputera Outcomes

IO **CHAPTER 10** 10-01

Polarity Management

- Target Groups
- B40, Poor and Economically Vulnerable
- Community in Economic Transition
- Indigenous Community
- Bumiputera in Sabah and Sarawak
- Persons with Disabilities
- Youth
- Women
- Children
- Senior citizens

CONCLUSION 11-01

APPENDIX 12-01

- Glossary of Abbreviations
- Glossary of Terms
- Shared Prosperity Vision
- Committee Chart

SHARED PROSPERITY VISION 2030

Shared Prosperity Vision 2030 is a commitment to make Malaysia a nation that achieves sustainable growth along with fair and equitable distribution, across income groups, ethnicities, regions and supply chains. The commitment is aimed at strengthening political stability, enhancing the nation's prosperity and ensuring that the *rakyat* are united whilst celebrating ethnic and cultural diversity as the foundation of the nation state.

AIM

THE PRIMARY AIM OF THE
SHARED PROSPERITY
VISION IS TO PROVIDE A
DECENT STANDARD OF
LIVING TO ALL MALAYSIANS
BY 2030.

FRAMEWORK OF

SHARED PROSPERITY VISION 2030

15 GUIDING PRINCIPLES



Continuous Prosperity



Learning Society



Economic Centre of Asia



Equitable Outcome



Future Economy



Democracy & Stability



Equitable Growth



Needs-Based Approach Economy



Integrity & Good Governance



Distributed Economy



Institutional Political-Economy



Unity in Diversity



Inclusivity



Integrated Social Model



Sovereignty & Sustainability

8 ENABLERS



Fiscal Sustainability



Financial Capital



Effective Institutional Delivery



Governance & Integrity



Education & TVET



Big Data



Sustainability



Enlightened Society

**SHARED
PROSPERITY
VISION**
OBJECTIVES





I

DEVELOPMENT FOR ALL

Restructuring the economy to be more progressive, knowledge-based and high-valued with full community participation at all levels.

▶▶▶ Restructuring Economy

2

ADDRESSING WEALTH & INCOME DISPARITIES

Addressing economic disparities across income groups, ethnicities, regions and supply chains to protect and empower the *rakyat* in ensuring that no one is left behind.

▶▶▶ Addressing Inequalities

3

UNITED, PROSPEROUS & DIGNIFIED NATION

Building Malaysia as a united, prosperous and dignified nation and subsequently becoming an economic centre of Asia.

▶▶▶ Nation Building

E

Executive Summary

The Shared Prosperity Vision as the country's new direction was announced by the Prime Minister during the tabling of the Mid-Term Review of the Eleventh Malaysia Plan (MTR 11MP) on 18 October 2018 in Parliament. Subsequently, the Shared Prosperity Vision's basic framework was detailed by the Prime Minister in the Keynote Address of Pakatan Harapan's First Anniversary as the Government on 9 May 2019.

Shared Prosperity Vision is a commitment to make Malaysia a country that achieves sustainable economic growth along with fair, equitable and inclusive economic distribution, across all income groups, ethnicities, regions and supply chains. The emphasis is on the principle of equitable outcome rather than opportunities.

The Shared Prosperity Vision outlined three objectives, 15 guiding principles, seven strategic thrusts and eight enablers to realise the desired goals.

The aim of the Shared Prosperity Vision is to provide a decent standard of living to all Malaysians by 2030. In line with the Shared Prosperity Vision, the country needs to change its economic model and restructure the business ecosystem as well as to strengthen the existing policies and plans. The proposed changes in relation to labour market will involve workforce transformation to fulfill the need of high-paying jobs and high-value businesses. The transformation is expected to elevate the income of the *rakyat* to higher levels to remain relevant with the passage of time.

Economic strategies without social consideration will not guarantee the strength and vibrancy of the country. The strengthening of the country's pillar, national identity and dignified people narratives are fundamental to fortify the nation state. The enablers of the Shared Prosperity Vision focus on social capital development, outcome-based education and awareness in creating an enlightened society to realise social cohesion and unity in diversity.

Shared Prosperity Vision sets clear and measurable goals and targets. The indicators developed to measure national development are not solely based on gross domestic



product (GDP) growth. Nevertheless, the measurement will also encompass distribution of national wealth, increase in purchasing power and enhance wellbeing to benefit the *rakyat*. The target of the Shared Prosperity Vision is more holistic as compared to that of the New Economic Policy (NEP) in the face of complex economy and dynamic social conditions. Key Result Indicator (KRI) will be used as a guide to effectively monitor and ensure the objectives and goals of the Shared Prosperity Vision are achieved.



CHAPTER 1

Introduction

Shared Prosperity
Vision Outcome Based
Approach

CHAPTER



Introduction

In 2030, Malaysia is expected to have a population of 38 million people¹. The increase in population is a challenge for economic expansion towards fulfilling the *rakyat*'s needs and maintaining the stability of country. However, determining an appropriate economic approach will pose a challenge for the Government to ensure that the country remains peaceful and prosperous with fair and equitable economic distribution, as well as inclusive.

At present, the progress and development of the socioeconomic status of the *rakyat* are measured based on achievements of economic indicators such as per capita income, gross domestic product (GDP) growth and incidence of poverty. In this regard, the Government is launching the Shared Prosperity Vision 2030; a more holistic approach in the face of a complex economy and dynamic social conditions. The measurement of achievement will encompass the distribution of national wealth, increasing purchasing power and enhancing the wellbeing to benefit the *rakyat*. The Shared Prosperity Vision covers three primary objectives:

I Development for All

Restructuring the economy to be more progressive, knowledge-based and high-valued with full community participation at all levels;

2 Addressing Wealth and Income Disparities

Addressing economic disparities across income groups, ethnicities, regions and supply chains to protect and empower the *rakyat* in ensuring that no one is left behind; and

3 United, Prosperous and Dignified Nation

Building Malaysia as a united, prosperous and dignified nation, and subsequently becoming an economic centre of Asia.

Based on three primary objectives, Shared Prosperity Vision will be further detailed by 15 guiding principles, seven strategic thrusts and reinforced by eight enablers.

Shared Prosperity Vision gives full emphasis on economic facts and current data as sound foundation for national development, without neglecting legal, social and community aspects. In summary, Shared Prosperity Vision is a new direction in the quest for a peaceful, harmonious and united Malaysia that propels the country's position as an important economic centre of Asia in 2030.

SHARED PROSPERITY VISION OUTCOME-BASED APPROACH

Shared Prosperity Vision emphasises on an outcome-based approach in formulating its policies and strategies. The emphasis is in line with the Government's aspiration to prioritise the country's success through more effective resource management and high value investments.

Malaysia needs to reprioritise the indicators in measuring the outcome of socioeconomic development. The prioritisation of these indicators is crucial as previous measurements have been more focussed on the provision of initiatives, programmes and activities with attention on participation and publicity. The previous indicators have given prominence to output rather than outcome. Key outcome indicators cover increasing the income, creating high-paying jobs, reducing

inter-regional development disparities and improving *rakyat*'s standard of living and wellbeing.

In general, Shared Prosperity Vision encompasses all aspects of physical achievements including infrastructure, the economy and administrative system as well as social aspects such as environmental, societal values and education. The implementation, monitoring and measuring process will be undertaken through a more detailed and dynamic dashboard. The implementation will be continued periodically in the Twelfth Malaysia Plan (12MP) and Thirteenth Malaysia Plan (13MP).



CHAPTER 2

Definition Of Shared
Prosperity

Definition Of Shared Prosperity

Globally, "Shared Prosperity" is not a new term and has been used on many platforms for various purposes. The World Bank emphasised this agenda and defined the term "Shared Prosperity"¹ as:



"...two key elements, economic growth and equity, and it will seek to foster income growth among the bottom 40 percent of a country's population. Without sustained economic growth, poor people are unlikely to increase their living standards. But growth is not enough by itself. Improvement in the Shared Prosperity Indicator requires growth to be inclusive of the less well-off."

The statement on shared prosperity as articulated by Joseph E. Stiglitz² in his book *The EURO: How a Common Currency Threatens the Future of Europe*, 2016, bears analysis:



"A true growth and stability agenda interacts strongly with other elements of the reform agenda: the only sustainable prosperity is shared prosperity."

The United Nations Industrial Development Organization (UNIDO) defines "Shared Prosperity" in its development strategy as:



"...a strategy for sustained growth must ensure a form of industrialization that makes opportunities accessible to all people and broadly distributes income and non-income gains across society. The inability of countries to fully integrate solutions to social issues into targeted industrial and economic policies undermines the developmental potential of industry, thus widening income inequality gaps." ³

Definition by Jaime Saavedra-Chanduvi in the article "Shared Prosperity: A New Goal for a 1 Changing World", World Bank, 8 May 2013.

Joseph E. Stiglitz is a professor at Columbia University and Nobel Economic Prize Winner, 2001. ² Based on UNIDO Framework Inclusive and Sustainable Industrial Development (ISID). ³

The basis of these definitions are the same, which discuss imbalance development and widening economic disparity. The situation calls for various measures and strategies to address these challenges.

Shared Prosperity Vision is therefore defined by the following:



Shared Prosperity Vision 2030 is a commitment to make Malaysia a nation that achieves sustainable growth along with fair and equitable distribution, across income groups, ethnicities, regions and supply chains. The commitment is aimed at strengthening political stability, enhancing the nation's prosperity and ensuring that the rakyat are united whilst celebrating ethnic and cultural diversity as the foundation of the nation state.

The primary aim of Shared Prosperity Vision is to provide a decent standard of living to all Malaysians by 2030.

Based on this definition, some elements are further elaborated. The "Shared Prosperity" that is to be achieved through a continuous commitment will be supported by "**...a nation that achieves sustainable growth...**". Any economic achievements resulting from Shared Prosperity Vision will be retained to ensure sustainability. This definition means that the consideration of the initiatives and plans will be shaped to align with long-term goals and entails meaningful change.

Furthermore, "**...with fair and equitable distribution, across income groups...**" underlines the Government's responsibility to create an inclusive and equitable economic system. Fair economic distribution stream will reduce the income disparity between business communities and household groups.

Sociopolitical elements in Shared Prosperity Vision are reflected in "**...strengthening political stability, enhancing the nation's prosperity and ensuring that the *rakyat* are united...**". These elements are the results from realised economic prosperity, empowered democratic institutions and enhanced social bonds embedded within the Shared Prosperity Vision framework.

Furthermore, "**...celebrating ethnic and cultural diversity as the foundation of the nation state...**" is a continuous effort to build a united country while taking into account ethnic, cultural and religious differences. The strengthening of Malaysian identity as a plural society must continue to be prioritised.

The Shared Prosperity Vision also upholds the responsibility to ensure the wellbeing of Malaysians via "**The primary aim of the Shared Prosperity Vision is to provide a decent standard of living to all Malaysians by 2030.**" A decent standard of living is defined by providing three elements in the *rakyat*'s life:

- I** financially sufficient to meet basic needs;
- II** capability to participate in community, family and social activities; and
- III** ability to lead a meaningful and dignified life.

A decent standard of living will take into account the income of the *rakyat* based on expenditures, income classes and localities that differ from one another. The determination of a decent standard of living will guide each individual, worker, employer and Government to evaluate and develop programmes to improve the socioeconomic status of the *rakyat* (social mobility).

OVERVIEW OF SHARED PROSPERITY VISION 2030

- I** To ensure sustainable economic development;
- II** To achieve sustainable growth with a fair, equitable and inclusive economic distribution;
- III** To expand the economy and economic opportunities based on Key Economic Growth Activities (KEGA);
- IV** To address the widening income and wealth disparities;
- V** To eliminate poverty and manage the bottom 40% (B40) households including the vulnerable and marginalised groups;
- VI** To establish a united society free of prejudice.



CHAPTER 3

Nation State

CHAPTER

3

Nation State

The awareness and acceptance of the *rakyat* on the fundamentals that make up a country's background is a key prerequisite for building a harmonious and prosperous nation. Understanding, respect and responsibility for the history of the country can be nurtured when good governance policies are implemented including educating the *rakyat* to be aware of some of the components that make up Malaysia as a nation¹. A society that is committed to the nation's foundations is a society that understands, respects, and is responsible for ensuring that Malaysia will continue to develop in a sustainable manner with a fair, equitable and inclusive economic distribution for all.

FUNDAMENTALS OF NATION STATE

Malaysia is an independent sovereign state. It is a nation comprising a group of people united under a common banner founded on ethnic, cultural and historical sharing. As a nation state, the people are united under a single identity and will defend its political and territorial boundaries².

In the sociological context, a nation state may be viewed in several categories depending on the emphasis given to the formulation of ethnicity³. Unlike the concept of Settler-Migrant Nation, Malaysia is a Host Nation State which adopts the process of integration—not assimilation—to achieve national harmony, stability and progress⁴, and

upholds the principle of 'strength through cultural and ethnic diversity' as a national asset.

In this regard, the formation of a nation state must take into account *longue durée* or long-term historical structures⁵, particularly in identifying the form of ethnic symbolism that constitutes its pillar⁶. The *longue durée* perspective is important in understanding how the formulation of ethnicity has been taken into account in devising policies of the nation state⁶.



- 3 Convesi, D. (ed) 2002, *Ethnonationalism in the Contemporary World: Walker Connor Study of Nationalism*. New York: Routledge.
- 4 Ozkirimli, U. 2017, *Theories of Nationalism: a Critical Introduction*, London: Palgrave.
- 5 Malesevis, S. 2018, *Nationalism and Longue Duree*, *Nations and Nationalism*, 24(2):292-299.
- 6 Tang Abdullah, A. R. & Wan Hassan, W. S. *Elemen Sejarah dalam Pembentukan Negara: Kemunculan Negara Bangsa di Eropah dan Proses Kolonialisasi dan Dekolonialisasi dalam Konteks Malaysia*, *Jurnal Perspektif*. (7.1). pp 57-71.
Photographer: Larm Rmah

THE PILLAR OF NATION STATE

In Malaysia, the formation of the national pillar had taken into account native ethnic culture of the Federation of Malay States during the process of independence in 1957⁷. The pillar of the nation was embedded within the terms agreed upon in the Federation of Malay States Agreement 1948. These terms formed a basis for the formulation of the Constitution of the Federation of Malaya 1957. With the recognition given to symbolism of Malay ethnic as native in Malaysia, these terms have been these terms have been collectively

agreed upon as the *grundnorm* or basic rules of the country.

In this integration nation state, the country's administration and development is based on a process of reciprocity or power sharing between various ethnics⁸, as stated in the Federal Constitution. This power sharing consensus directly formed an independent state that embraces cultural and ethnic diversity rooted in the pillar of nation state.

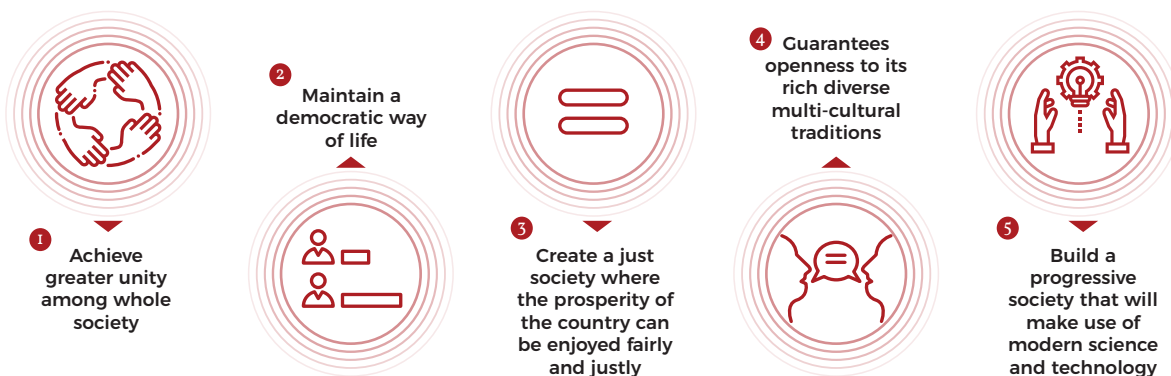
Among the *grundnorm* agreed upon in forming the platform of integration is the adoption of several fundamentals in the Federal Constitution, namely⁹:

- I** Islam is the religion of the Federation; but other religions may be practised in peace and harmony in any part of the Federation (Article 3 (1));
- II** The national language shall be the Malay language, but the native languages of other ethnicities can still be taught and used (Article 152 (1));
- III** The special status of the Malays and the natives of Sabah and Sarawak is recognised, but the interests of other communities are also protected (Article 153);
- IV** The sovereignty of the Malay Rulers (Article 181); and
- V** Citizenship rights are granted to those who are eligible under the Federal Constitution (Part III).

Gullick, J. M. 1964, *Malaya*, London: Ernest Benn; Roff, William R. 1980, *The Origins of Malay Nationalism*, Kuala: Penerbit Universiti Malaya.
Abdul Rahman Embong. 2007, *Rethinking Ethnicity and Nation-Building: Malaysia, Sri Lanka and Fiji In Comparative Perspective*, Kuala Lumpur: Persatuan Sains Sosial Malaysia; Smith, A.D. 2009, *Ethno-Symbolism and Nationalism*. London: Routledge.
Abdul Rahman Embong. 2006, *Negara Bangsa: Proses dan Perbahasan*. Edisi Ke 2. Bangi: Universiti Kebangsaan Malaysia.

In Malaysia, apart from the provisions agreed upon through the principles of reciprocity and recognised in the Federal Constitution, citizens are also taught to respect the principles and objectives of the Rukun Negara, introduced in 1970 to promote unity and strengthen the nation state¹⁰.

The Pillars of the State set several key objectives:



The Pillars of the State principle mentions:



Since 1970, various economic policies and models have been introduced to reduce the socioeconomic disparities among the *rakyat* by instituting a more inclusive socioeconomic development platform. The Shared Prosperity Vision is a continuation of such policies and models that represent the cornerstone of national development to date as shown in Figure 3.0.

10 Abdul Aziz, A. R. *Rukun Negara dan Memperkukuhkan Ketahanan Negara. Political Managements and Policies in Malaysia.* pp. 443-457; Rustam A Sani 1994, *Melayu Baru dan Bangsa Malaysia.* Kuala Lumpur: Utusan Publication.

MALAYSIA DEVELOPMENT HISTORY

1948

Adopting the Constitution of the Federation of Malaya as a national independence document

1948-1970

**First Malaya Plan
Second Malaya Plan
First Malaysia Plan (IMP)**



1957

Malaya Independence and the Introduction of the 1957 Malay Constitution that stresses the principle of social contract



1963

The entry of Sabah and Sarawak and the formation of Malaysia through the Malaysia Agreement 1963



**2MP | 3MP
4MP | 5MP**

Growth with Equitability

1971-1990

New Economic Policy



Diversifying the National Economy

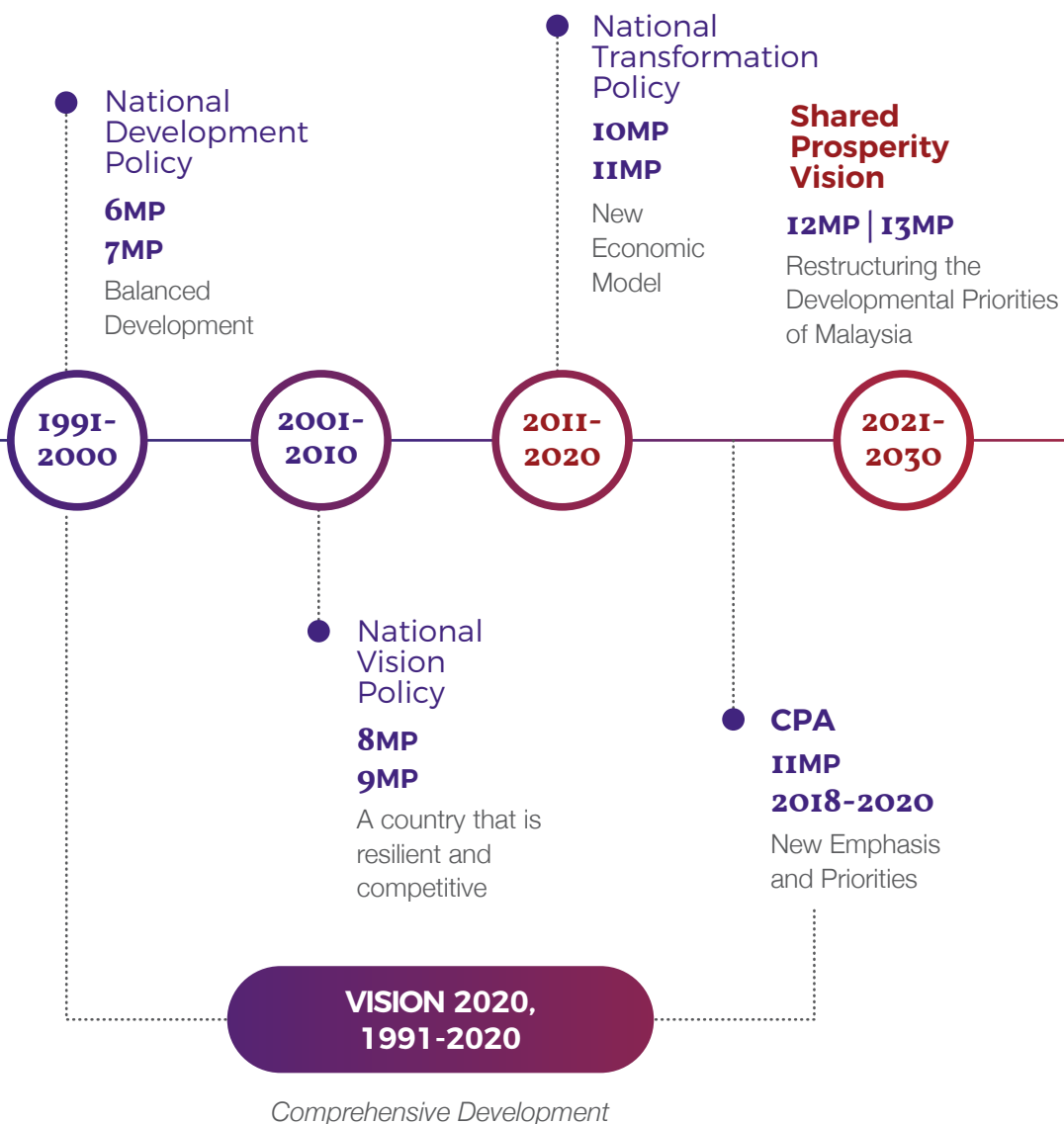
1986

National Industrial Policy



1970

The introduction of the Rukun Negara (National Pillars) and the New Economic Policy as a measure of national recovery after the events of May 13, 1969





CHAPTER 4

Situational Analysis

Economic Restructuring

Pre-Mature Economic Liberalisation
Approach and Impact

Economic Growth Potential

Regional Development Disparities

Disparity Between Income Groups

Disparity Between Ethnic Groups

Economic Sabotage

Summary of Situational Analysis

Situational Analysis

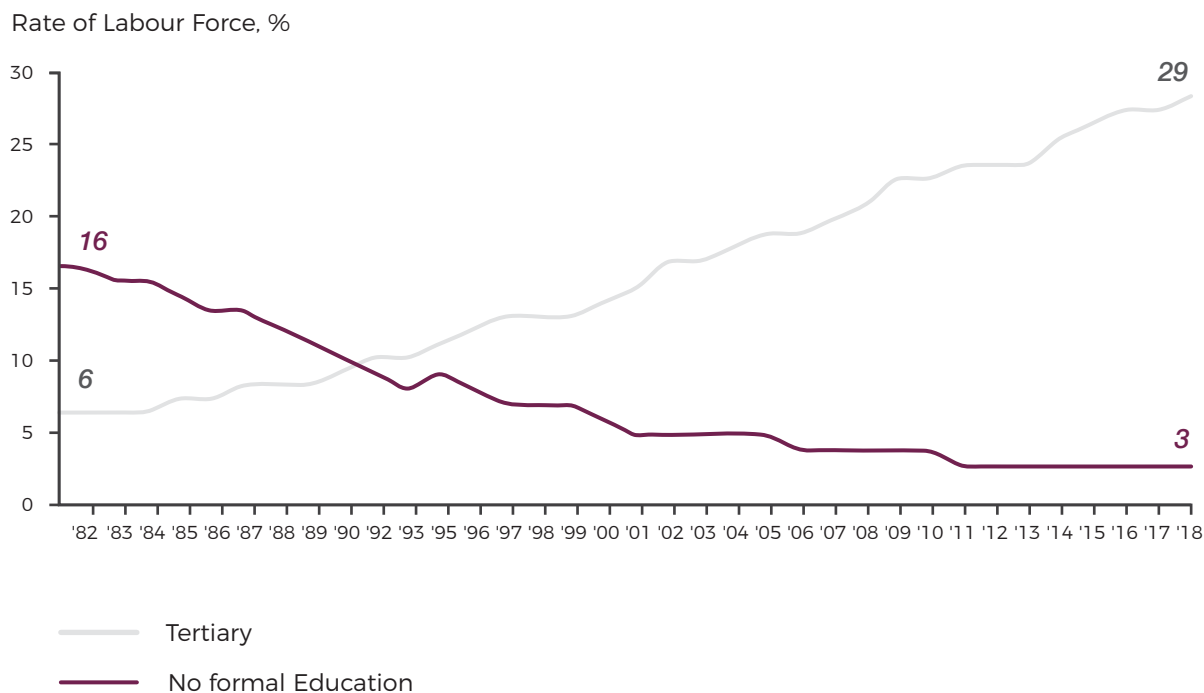
ECONOMIC RESTRUCTURING

- I** Malaysia has experienced various phases of development to reach the current level. The ethnic-based economic pattern that has been shaped since the colonial period has led to social conflicts among the *rakyat*. Subsequently, economic restructuring through the New Economic Policy (NEP) was introduced to restructure the society and continuously expand the economy so as to ensure that social conflicts do not recur.
- 2** The NEP has restored confidence and understanding among ethnic groups and created various opportunities for economic participation. Among the successes of the NEP are reducing hardcore poverty, increasing household income, restructuring of society and reducing ethnic group identification based on economic activities and enhancing political stability. Nonetheless, the target of at least 30% Bumiputera equity ownership has not been met.
- 3** The economic restructuring measures continue to be implemented in shifting the country's focus from the agricultural to the industrial sector through the implementation of the national industrial policy and the introduction of Vision 2020. Several policies have been introduced including the National Development Policy (1991-2000), the National Vision Policy (2001-2010) and the National Transformation Policy (2011-2020).
- 4** During the implementation period of the economic restructuring policy, various initiatives were executed. Among the significant achievements are:
 - 4.1** propelling Malaysia into a technological country with the establishment of the Multimedia Super Corridor (MSC) and Multimedia Development Corporation Sdn. Bhd. (MDEC), now known as Malaysia Digital Economy Corporation Sdn. Bhd.;
 - 4.2** establishing the local automotive industry through the implementation of the National Automotive Policy and the establishment of Perusahaan Otomobil Nasional (PROTON) in 1983 and Perusahaan Otomobil Kedua (PERODUA) in 1993;

4.3 shifting the nation's labour force from no formal education to tertiary education as shown in Figure 4.0;



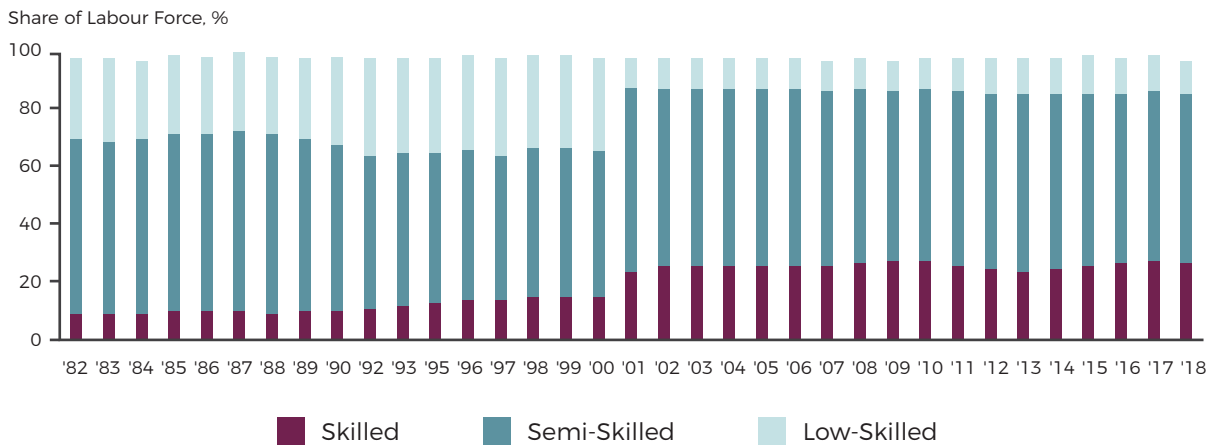
Percentage of Labour Force by Educational Attainment, 1982-2018



Source for Figure 4.0: Department of Statistics Malaysia

4.4 increasing the level of skilled labour force as shown in Figure 4.1;

4.I Percentage of Labour Force by Skill Category, 1982-2018



4.5 reducing poverty rate from 20.7% in 1984 to less than 0.4% in 2016;

4.6 increasing access to infrastructure facilities as well as transportation networks and connectivity, which support economic expansion;

4.7 accelerating the country's GDP growth rate up to the level of Newly Industrialised Countries in Asia (Asian Tigers) with an average growth rate of 9.6% per annum in the period of 1991 - 1996; and

4.8 addressing the 1997/98 Asian financial crisis through selected capital control instruments, which was later recognised by the International Monetary Fund (IMF).

5 Malaysia was also affected by regional and global economic crises such as those in 2001 and 2008, which demanded a more holistic reprioritisation in economic development. The Government will continue to undertake measures to restructure the economy towards shared prosperity.



Photographer: Ling Tang

PRE-MATURE ECONOMIC LIBERALISATION APPROACH AND IMPACT

6 Malaysia has implemented gradual economic liberalisation measures over the past three decades. Interest rate liberalisation measures were implemented during the period of 1978-1985 and 1991-1998. Malaysia also exercised capital market liberalisation in 1990 and tight monetary and fiscal policies in 1997. The liberalisation process was conducted in stages based on the country's needs.

However, over the past two decades, specifically since 2009, Malaysia had begun to liberalise the economy more broadly including moving away from the manufacturing to services sector. The Government at that time headed towards a high-income nation without taking into account the 2013 exchange rate condition, purchasing power parity and the influx of illegal immigrants.

6.1 Liberalisation measures were taken in the areas of trade and investment, services, Government procurement and state-owned enterprises (SOEs). The pre-mature liberalisation measures undertaken included the dissolution of the Foreign Investment Committee (FIC), relaxation of foreign equity ownership of up to 100% in business services, insurance, wholesale and retail as well as tariff reduction.

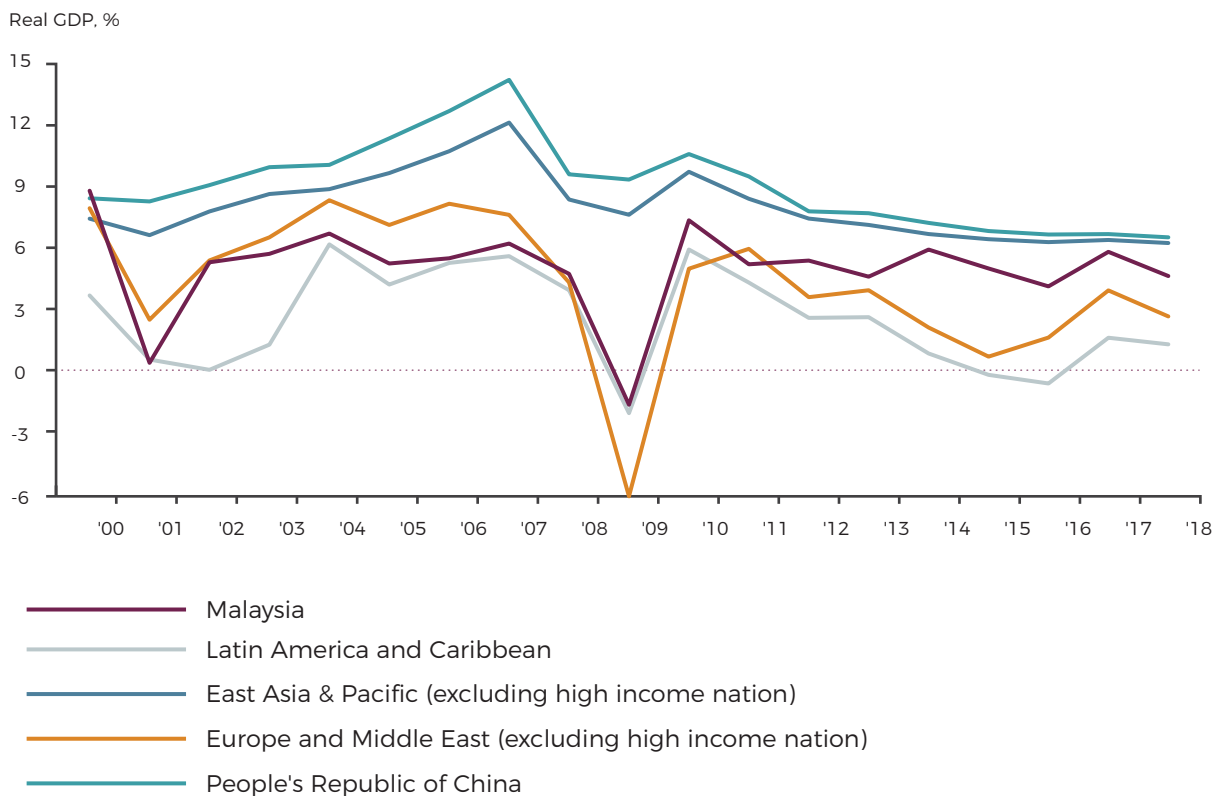
6.2 Malaysia is in the midst of reviewing the terms and conditions of the Comprehensive and Progressive Agreements for Trans-Pacific Partnerships (CPTPP). Some policies and legislations were reenacted according to the agreement. The role of SOEs and Small and Medium Enterprise (SMEs) as well as Government procurement need to be aligned to Shared Prosperity Vision. The view is that local SOEs are more competitive than foreign conglomerates and that pre-mature liberalisation measures need to be re-evaluated. There is also the concern that over reliance on huge foreign investors may run the risk of the country's potential in strategic and new industries being controlled by foreigners. Thus, re-evaluation is necessary to ensure continued growth in the local industry so that the prosperity generated will benefit the *rakyat*.

ECONOMIC GROWTH POTENTIAL

7 GDP performance. The East Asia and Pacific GDP growth remained high despite the financial crisis in 2008-2009. However, Malaysia's GDP grew moderately as compared to the East Asia and Pacific region since 2001 as shown in Figure 4.2.



GDP by Selected Countries and Regions, 2000-2018

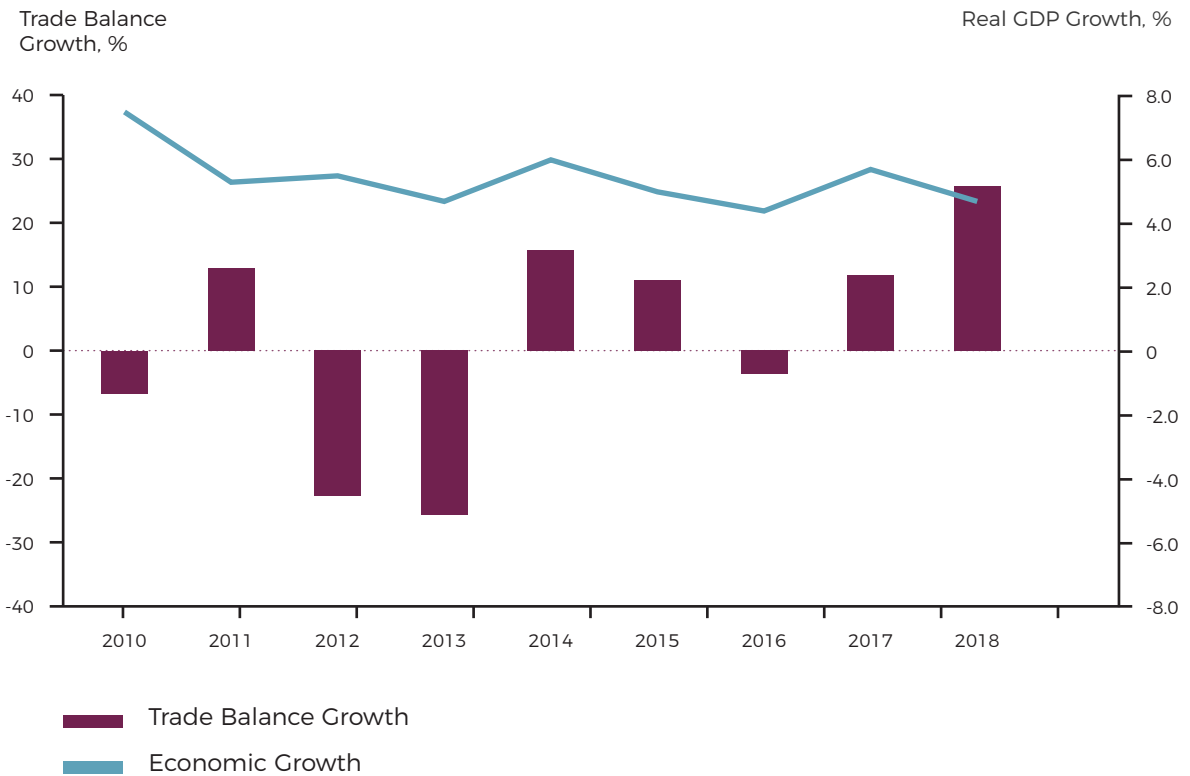


8

In spite of a generally favourable trade balance during the period of 2010-2018, the numbers achieved show that Malaysia did not fully realise its economic potential. In addition, the growth of the trade balance fluctuated as a result of the changes in the import-export value, between 20% and -25% as shown in Figure 4.3.



GDP Growth Rate and Trade Balance, 2010-2018



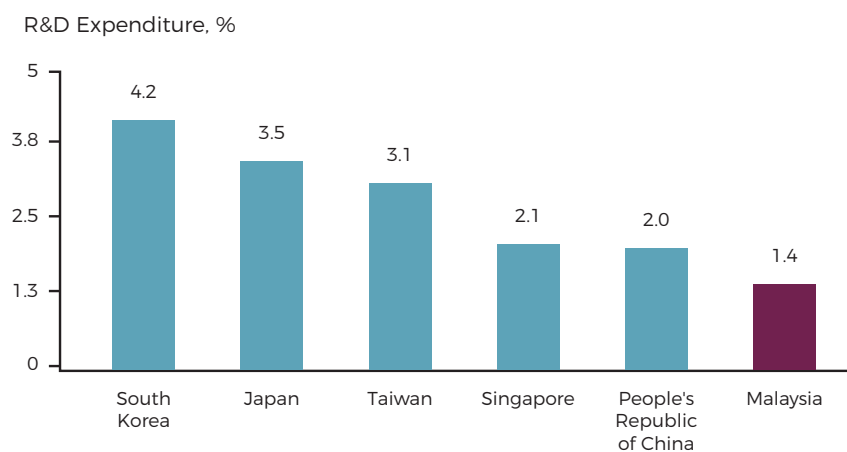
9 In terms of competitive advantage, Malaysia is no longer dependent on conventional production factors such as labour, land and natural resources but is transitioning towards a knowledge-based economy. Knowledge creation and dissemination activities have the ability to enhance the country's competitiveness in generating higher value to the economy.

Investments in Malaysia continued to register strong growth with a contribution to the GDP of almost 25% in 2018. The growth in private investment was stronger as demand for higher capital expenditure was contributed by stable Foreign Direct Investment (FDI) inflows and the implementation of new and existing projects especially in the manufacturing and services sectors. Private investment increased by an average of 7.1% per annum from RM82.2 billion in 2000 to RM235.3 billion in 2018.

Despite the encouraging investment growth, there has been a significant decline in the investment of information and communications technology equipment as well as other machinery and equipment. Investments in equipment accounted for just 20.9% of gross fixed capital formation (GFCF) growth in 2018 compared to 26% in 2010, while investment in structure increased from 48.2% to 58.6% over the same period. In addition, expenditure on research and development (R&D) to GDP was still lower than other countries as shown in Figure 4.4. This has impeded the widespread adoption of advanced technology and automation by industry as well as limited innovation and productivity improvements.



R&D Expenditure to GDP 2016

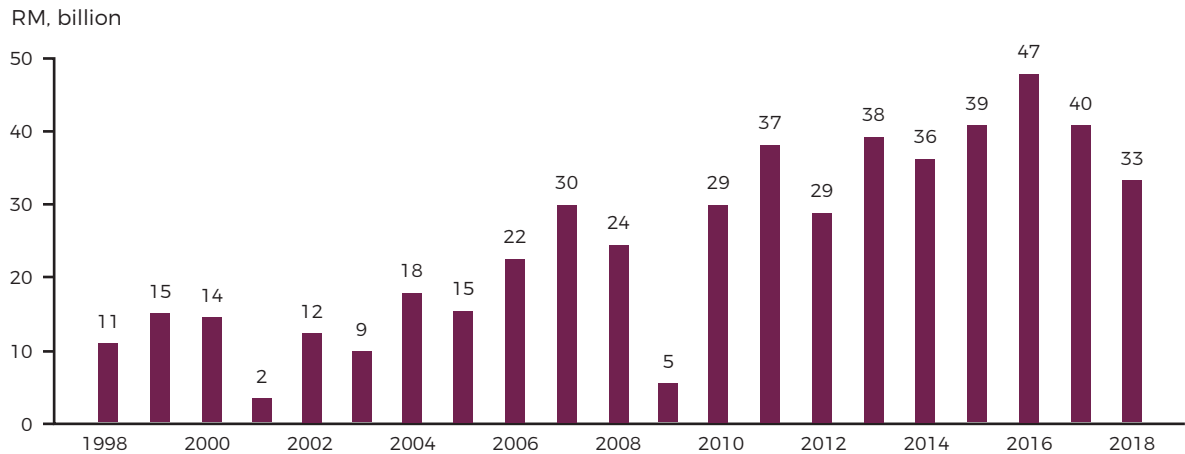


IO

Malaysia managed to attract net inflows of FDI worth RM505.6 billion for the period of 1998-2018 or RM24.1 billion a year as shown in Figure 4.5. Gross FDI net growth of just 2.9% per annum over the same period was contributed by the services, manufacturing and mining sectors.



Net Flow of Foreign Direct Investment, (RM billion)



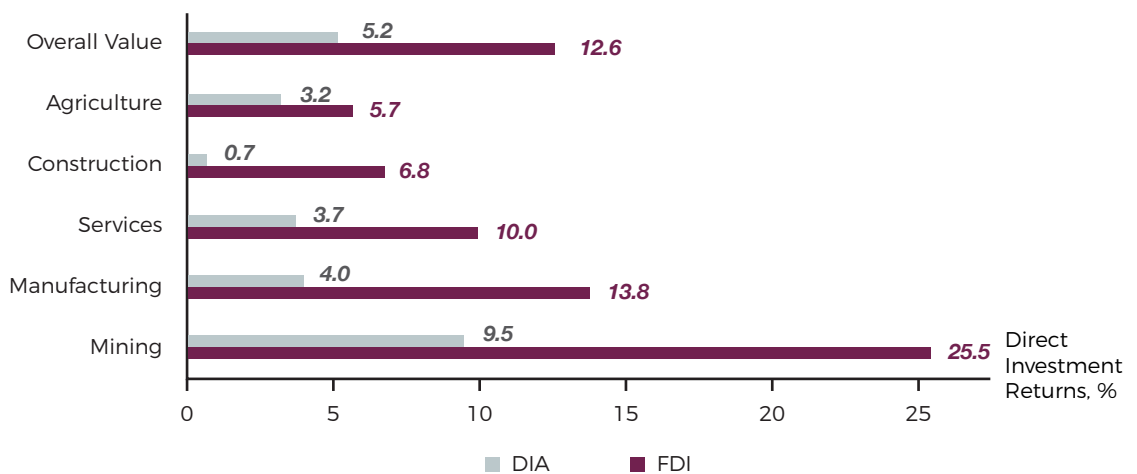
II

However, based on investment data by the Malaysian Investment Development Authority (MIDA), the approved FDI in three high-value manufacturing subsectors has decreased from 50.3% in 2010 to 27.7% in 2018. Investments in these subsectors include electrical and electronics by 18.5 % of total approvals, chemicals by 7.6% and machinery and equipment by 1.6% in 2018. These three subsectors have been identified as catalysts for growth, and are strongly linked to other manufacturing subsectors with the potential to produce more complex and high value-added products.

As shown in Figure 4.6, for the period 2010-2017, returns on direct investment abroad (DIA) had not increased and was lower than foreign investment. Companies investing abroad only brought in about 50% DIA. Therefore, strengthening of existing programmes and outsourcing activities need to be intensified to ensure FDI and returns on DIA create a spillover effect to the development of the local supply chain.



Direct Investment Returns 2010-2017 (%) and R&D Expenditure on Output 2012 and 2014



I2

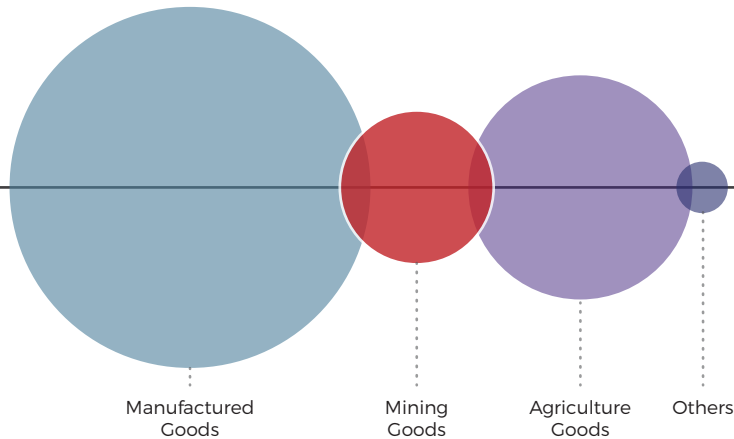
Reliance on petroleum and gas-based commodities. The reliance on petroleum and gas products may pose risks to the economy due to price volatility and may contribute to economic downturn. As Figure 4.7 shows, in 1998, the percentage of petroleum and gas products from total exports was only 6% before finally increasing to 15.5% in 2018.



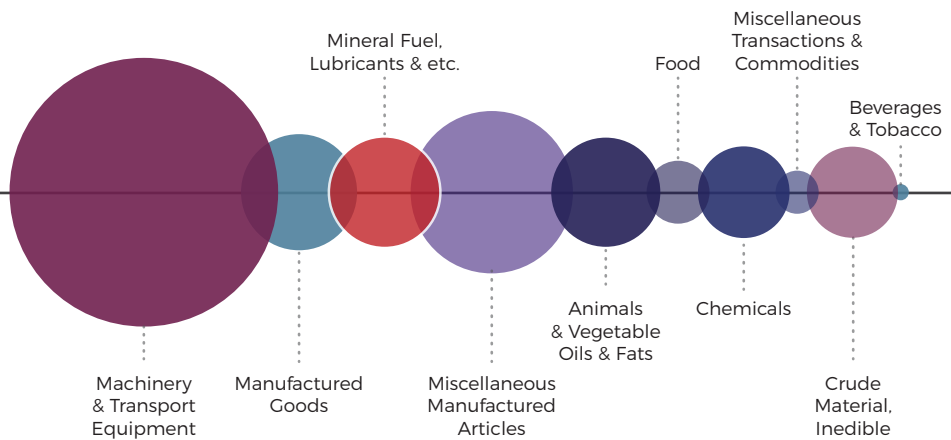


Export Values of Main Products, 1989, 1998 and 2018

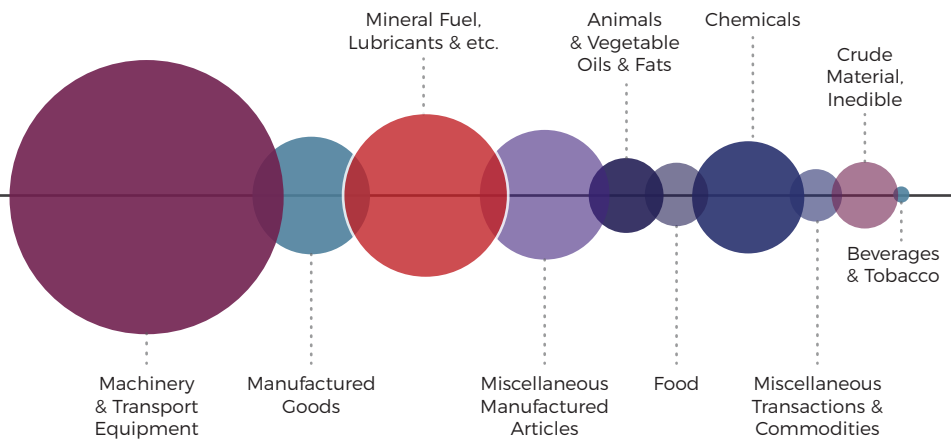
YEAR
1989



YEAR
1998



YEAR
2018



Total: ● RM
67.8
billion

● RM
286.6
billion

● RM
1,003.6
billion

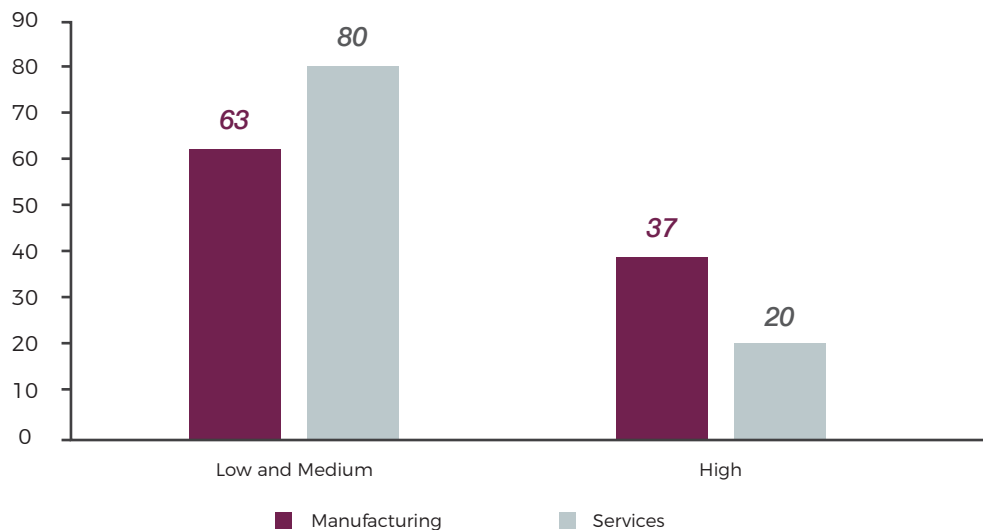
I3

Value-added and low technology industries. The conventional manufacturing industry is exposed to the risk of obsolescence due to the effects of the Fourth Industrial Revolution (4IR). Technological changes towards automation in complex manufacturing processes, development of 3D printing and artificial intelligence (AI) will reduce production costs and increase productivity. The application of high technology in manufacturing and services industries remain low at the rate of 37% and 20% respectively as shown in Figure 4.8.



Technology Application Rate in Manufacturing and Services Sector, 2018

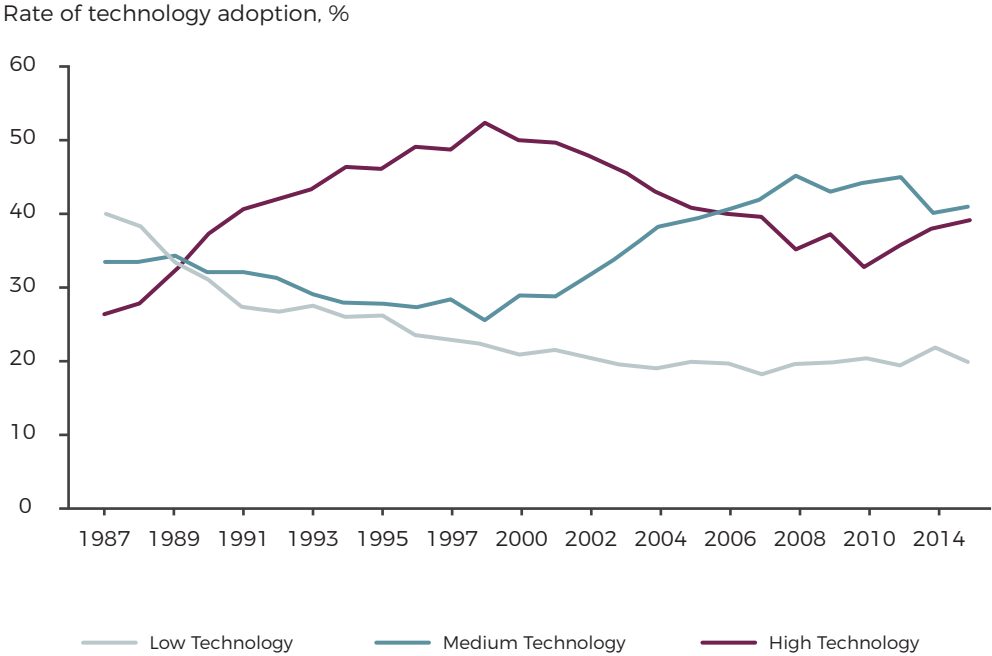
Technology Application Rate, %



I4 Premature deindustrialisation has taken place in Malaysia for the past 20 years. The rate of high technology use in the manufacturing sector reached its peak of 52% in 1999. This rate subsequently declined to 32% by 2010 as shown in Figure 4.9.



Rate of Technology Adoption in Output of Manufacturing Sector, 1987-2015



Source for Figure 4.9: Department of Statistics Malaysia, United Nations Industrial Development Organisation and analysis by MASA

I5

Compensation of employees to GDP is still low. The share of compensation of employees (CE) to GDP, which is the income earned by the employees increased from 31.7% in 2010 to 35.7% in 2018. During the same period, the gross operating surplus, which included capital owner income and mixed income decreased from 64.6% to 61.0% as shown in Figure 4.10.



Compensation of Employees to GDP, 2010-2018

Component of GDP based on income approach, %



Note : Data from 2010 to 2014 is based on 2017 publication and data from 2015 to 2018 is based on 2018 publication

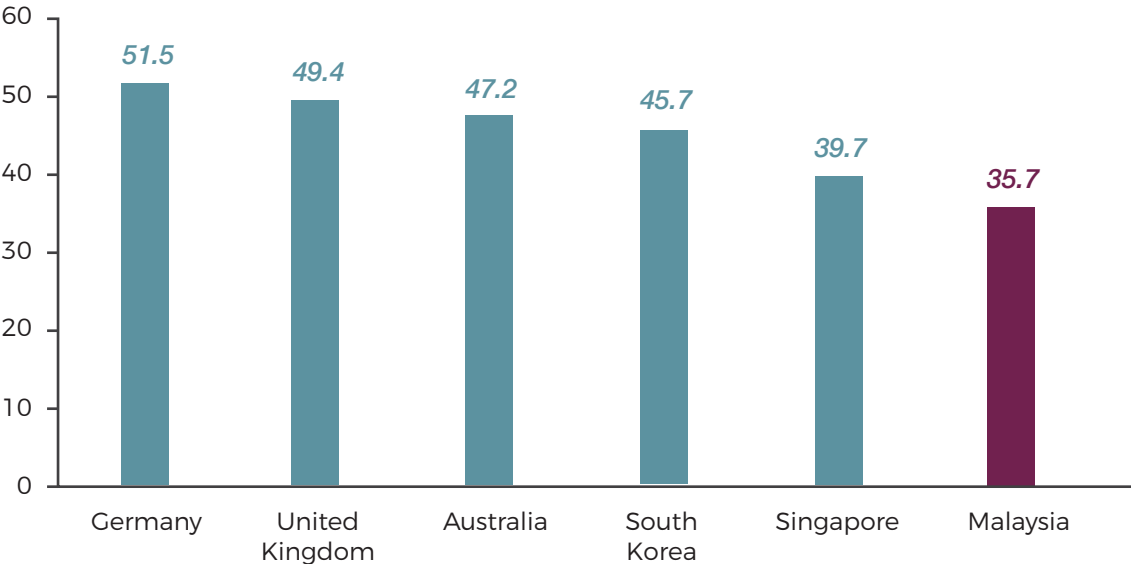
I6

As shown in Figure 4.11, Malaysia's CE to GDP remains low compared to developed countries such as Germany at 51.5%, the United Kingdom at 49.4%, Australia at 47.2%, South Korea at 45.7% and Singapore at 39.7% in 2018.



Compensation of Employees to GDP, 2018

Compensation of Employees, % (2018)



Source for Figure 4.11: Department of Statistics Malaysia, OECD, South Korea and Singapore data

I7 Based on the Bank Negara Malaysia Annual Report 2017, employee salaries in Malaysia are not commensurate with labour productivity being on average at USD340. This is much lower compared to countries such as the United States, Australia, Germany, Singapore and the United Kingdom where the average salary was USD510 for every USD1,000 of output.

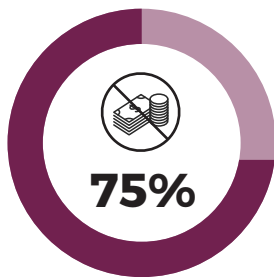
I8 Among the key factors contributing to low salaries are the continuous domination of low-skilled and semi-skilled workers in the labour market and industry structure of the country. Based on the Labour Force Survey (LFS) Malaysia 2018, Department of Statistics Malaysia (DOSM), these groups represent 72.8% of the total workforce involving four employment categories, namely, employer, employee, own account worker and unpaid family worker. However, DOSM's Income and Wages Survey Report 2017, which only measures the income and wages of full-time employees, shows that the percentage of low- and semi-skilled workers is at 63.2% from total labour force with an average salary and wage of less than RM1,947 per month.

I9 In addition, the influx of foreign workers suppressed the wage rates in the labour market. Sectors that are highly dependent on foreign labour such as agriculture, manufacturing and construction pay an average salary and wage of RM2,434 per month, compared to the services sector with the average salary and wage of RM3,024 per month in 2017.

20 The distribution of low corporate profits to employees contributes to the difficulties in managing finances and accumulating wealth among the labour force. The highly affected group is the B40 due to insufficient income to cover the cost of living as most of them are involved in low-paying jobs and small businesses. This group is more vulnerable to economic and financial crises due to inadequate savings and high indebtedness as shown in Figure 4.12.

4.12

Constraints of Vulnerable Household Groups



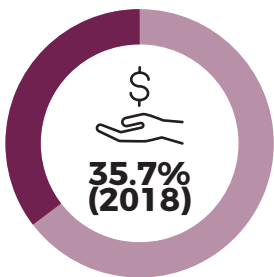
Rakyat Malaysia insufficient to provide **RM1,000 during emergencies**



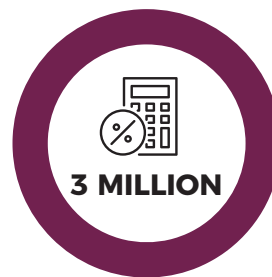
of households earning less than RM5,228 a month is proposed for a **Decent Living Wage: RM6,500** (for families of 4 in FT Kuala Lumpur)



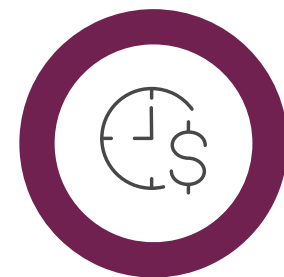
workers in Malaysia earning **below RM2,000 (2016) and RM2,160 (2017)**



the national income is from the compensation of **wages and salary** to employees



out of 14.5 million employees **have retirement money**

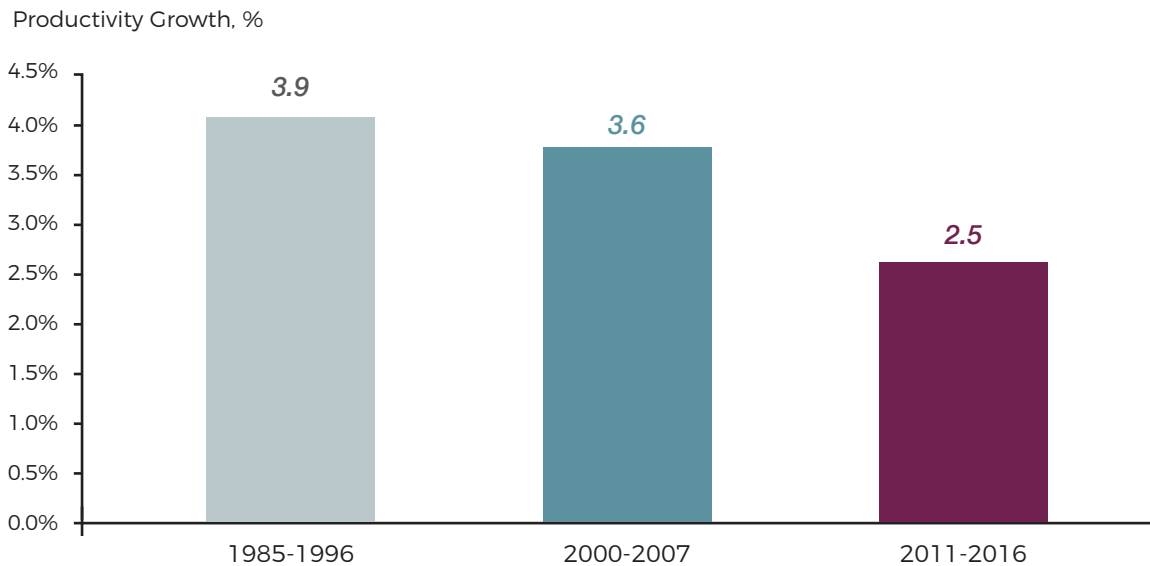


The **majority** of Malaysians will **run out of money** in a weeks time if their source of income is lost

2I As shown in Figure 4.13, Malaysia's labour market also faced issues of low labour productivity growth which registered a rate of 2.5% annually for the period of 2011-2016 compared to 3.2% for the period of 1985-1996. The slow growth was due to the rising number of workers and the low use of machinery because labour intensive industries relied more on foreign workers.



**Percentage of Labour Productivity Growth
1985-1996, 2000-2007, 2011-2016**

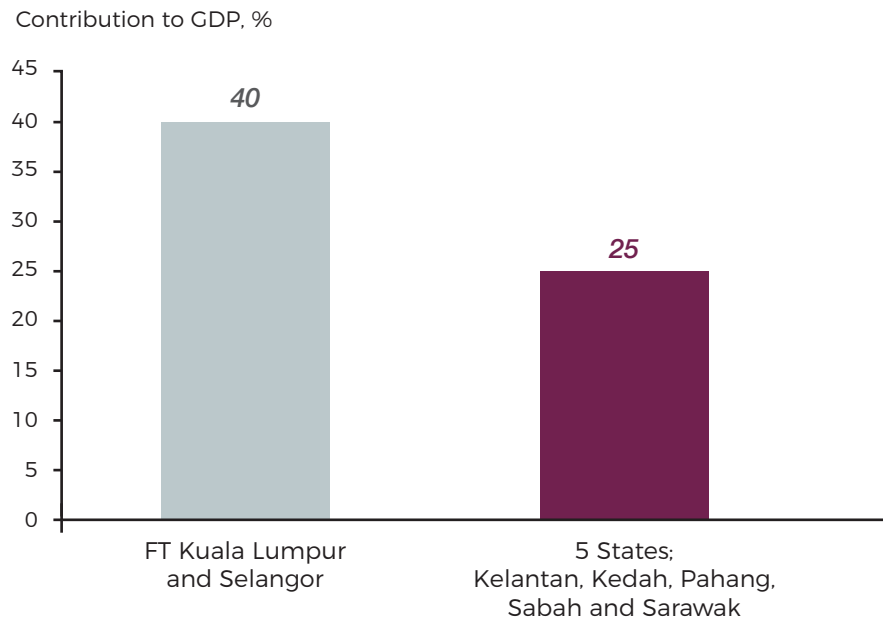


REGIONAL DEVELOPMENT DISPARITIES

22 Planning and development strategy in the country for the previous years had been concentrated in Federal Territory (FT) of Kuala Lumpur, Selangor, Johor and Pulau Pinang. In 2018, FT of Kuala Lumpur and Selangor contributed close to 40% to GDP as compared to other five states namely Kelantan (1.8%), Kedah (3.3%), Pahang (4.1%), Sabah (6.2%) and Sarawak (9.7%) as highlighted in Figure 4.14. The concentration of economic development of the FT of Kuala Lumpur and Selangor has widened the development disparities between states.



Share of States to National GDP, 2018

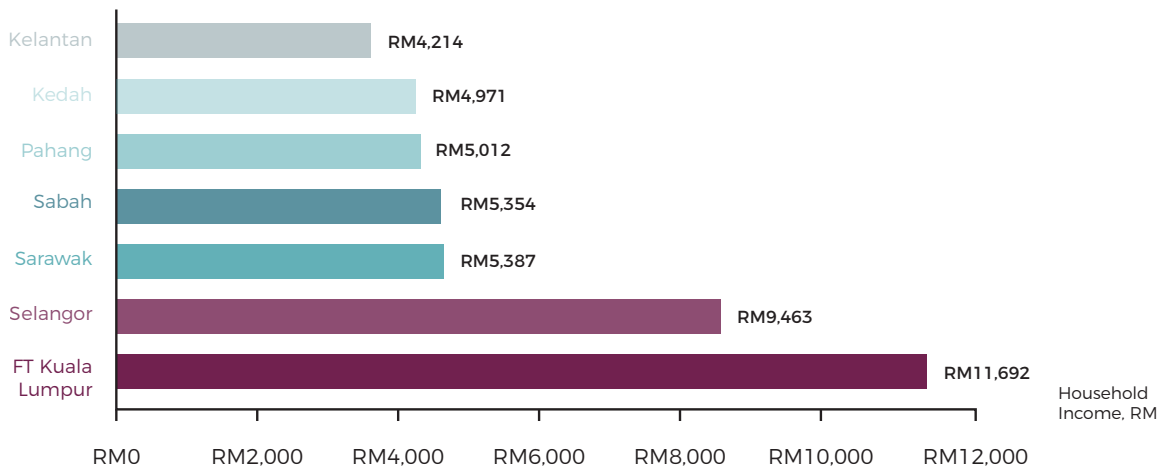


¹ Selection of states are based on the criteria of low per capita in 2018 and low average household income in 2016 as well as low GDP contribution compared to its land area in 2018
Source for Figure 4.14: Department of Statistics Malaysia

23 The average household income in FT of Kuala Lumpur and Selangor state of RM9,974 per month is higher than five states¹, namely Kedah, Kelantan, Pahang, Sabah and Sarawak, which have an average household income of less than RM5,500 per month being the lowest in Malaysia as shown in Figure 4.15. In addition, concentrated development planning has widened the median household income disparities among states in 2016.



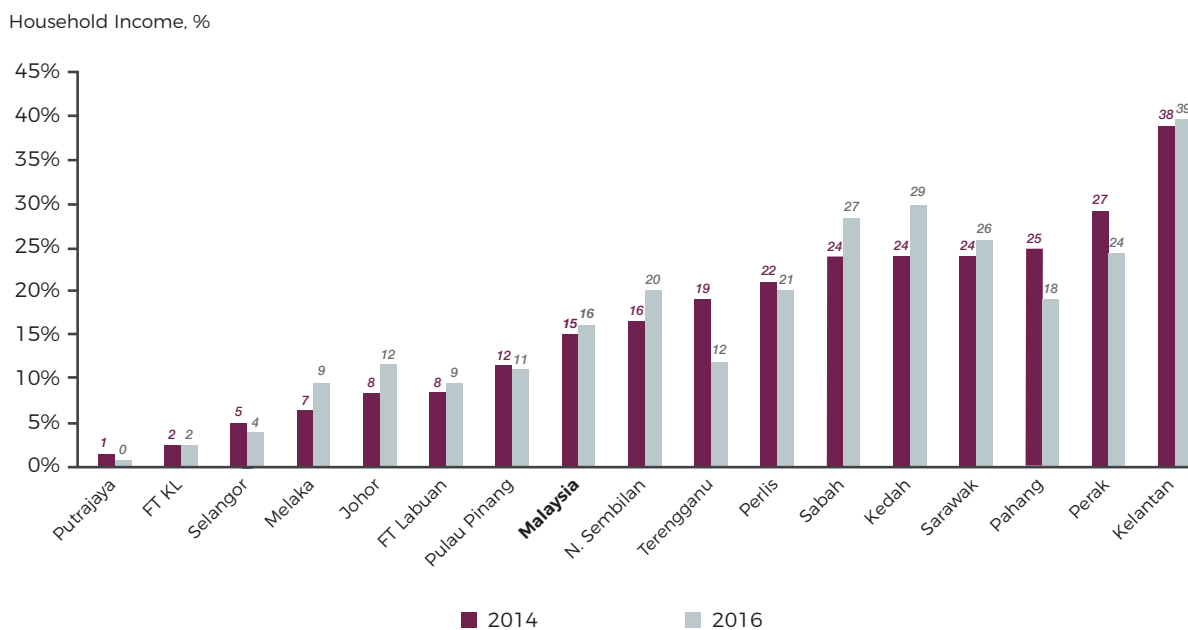
Average Household Income in Selected States, 2016



24 As indicated in Figure 4.16, Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Sabah and Sarawak as well as FT of Labuan showed an increase in percentage of household income which was less than half of the national median income, reflecting a continuous widening disparity.



Percentage Household with Income Less Than Half the Median National Income by States, 2014 and 2016



Source for Figure 4.16: Department of Statistics Malaysia and analysis by Institut MASA

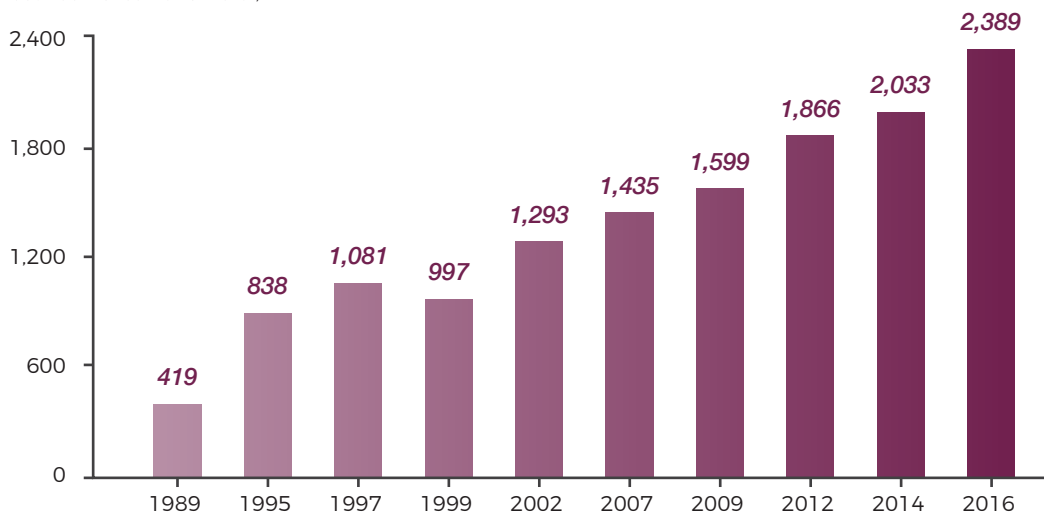
25

Development programmes that are concentrated in urban areas and undistributed economic opportunities have resulted in the widening of the urban-rural economic disparity. As shown in Figure 4.17, the disparity in household income between urban and rural areas increased from RM419 in 1998 to RM2,389 in 2016.



Median Household Income Disparities Value between Urban and Rural, 1989-2016

Median Household Income Gap between Urban and Rural, RM

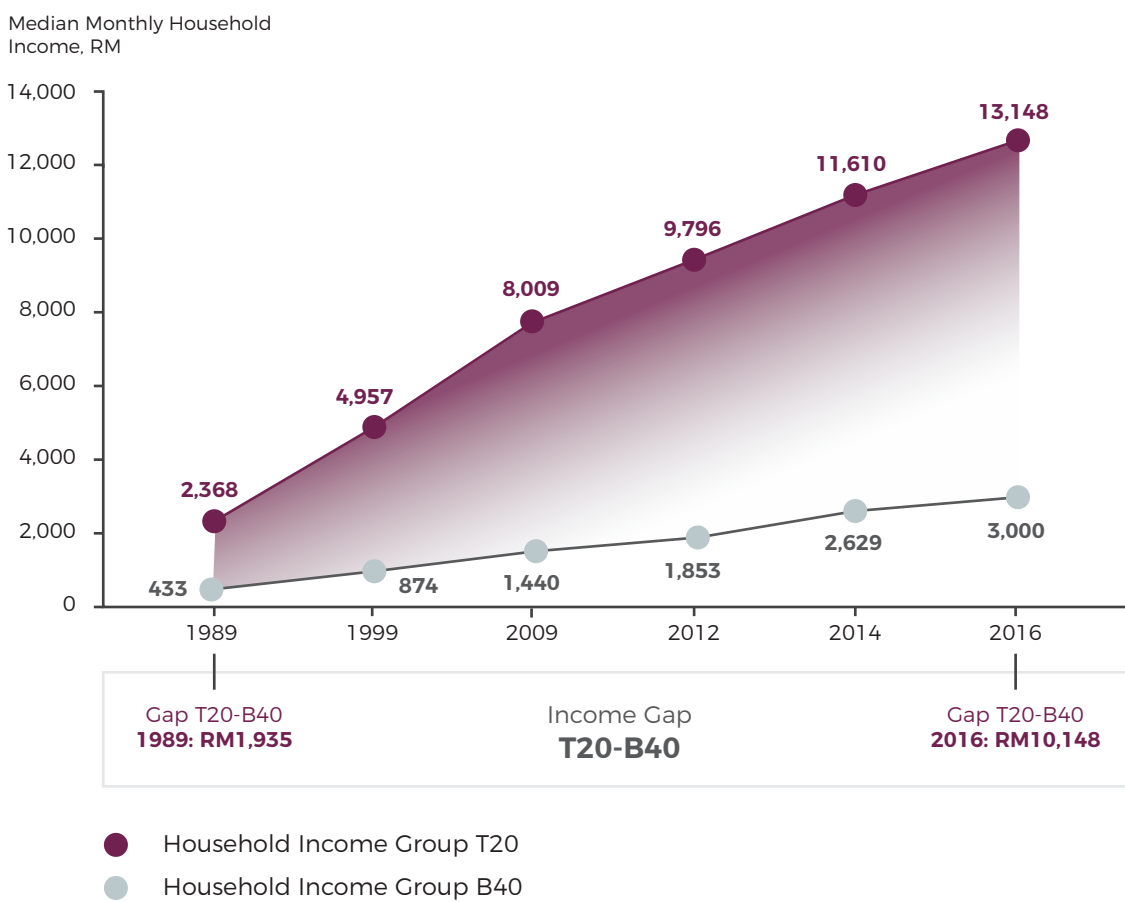


DISPARITY BETWEEN INCOME GROUPS

26 There is a significant median monthly income disparity between top 20% of household income group (T20) and B40 which has widened over the past 27 years. In 1989, the median monthly income disparity between the T20 and B40 groups amounted to RM1,935 and rose to RM10,148 in 2016 as shown in Figure 4.18.



Average Household Income Disparity between T20-B40 Groups



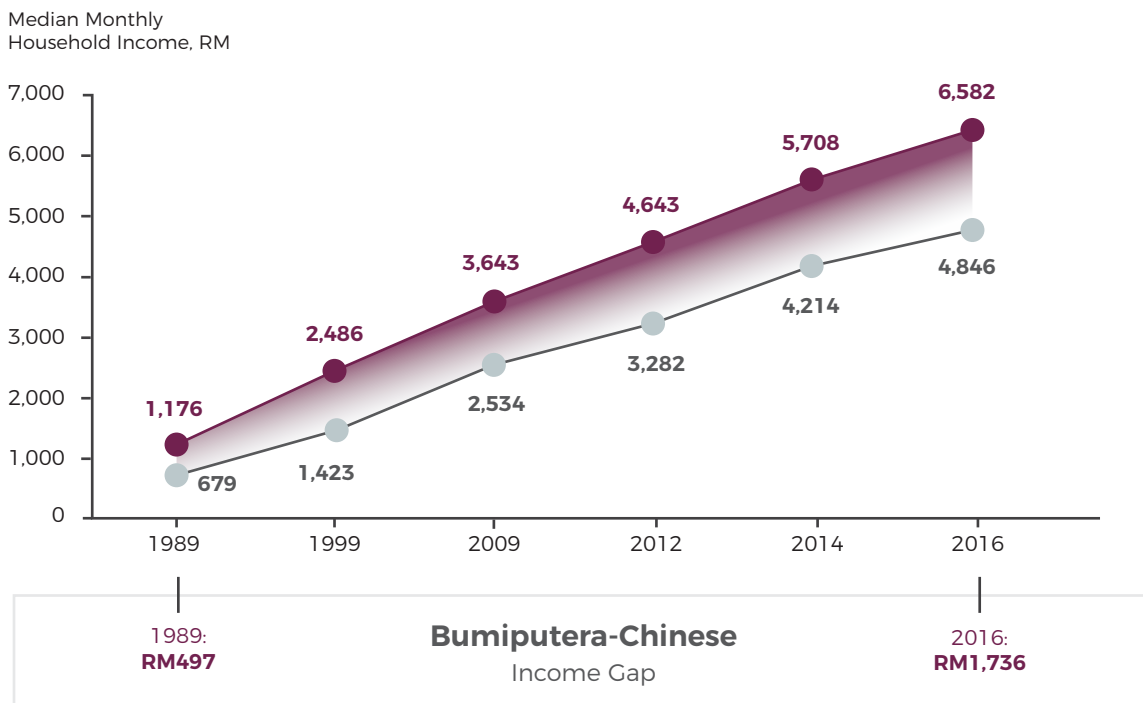
Source for Figure 4.18: Department of Statistics Malaysia and analysis by Institut MASA

DISPARITY BETWEEN ETHNIC GROUPS

27 The median monthly household income disparity between Bumiputera and Chinese ethnic groups in 1989 was RM497. In 2016, the disparity increased almost four-fold to RM1,736 as shown in Figure 4.19.



Median Income Disparity between Bumiputera and Chinese Ethnic Household Groups, 1989-2016



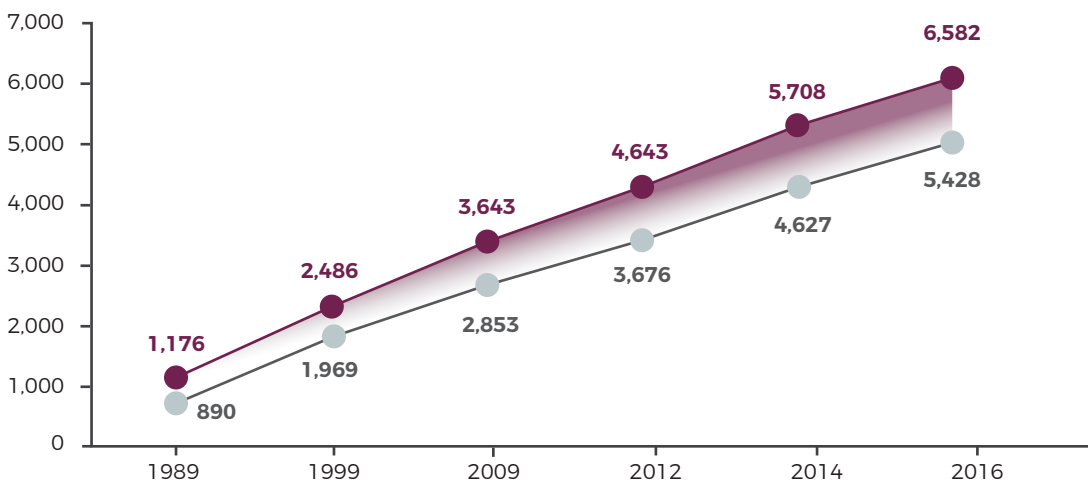
- Chinese Household Income
- Bumiputera Household Income

28 During the same period, the median monthly household income disparity between the Indians and Chinese ethnic groups also widened by four-fold from RM286 to RM1,154 as shown in Figure 4.20.



Value of median household Income Disparities by Indian and Chinese Ethnic Groups, 1989-2016

Median Monthly Household Income, RM



1989: RM286
Indian-Chinese
2016: RM1,154
 Household Income

- Chinese Household Income
- Indian Household Income

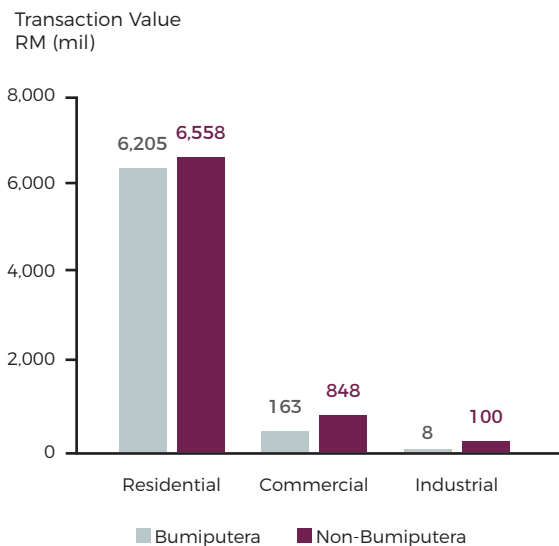
Source for Figure 4.20:
Department of Statistics
Malaysia

29 Based on the non-financial asset transaction value in the primary and secondary markets, Bumiputera focussed more on residential related businesses as compared to commercial and industrial lots. Bumiputera transacted value for residential in secondary market was RM16,846 million compared to RM32,263 million of non-Bumiputera as shown in Figure 4.21.

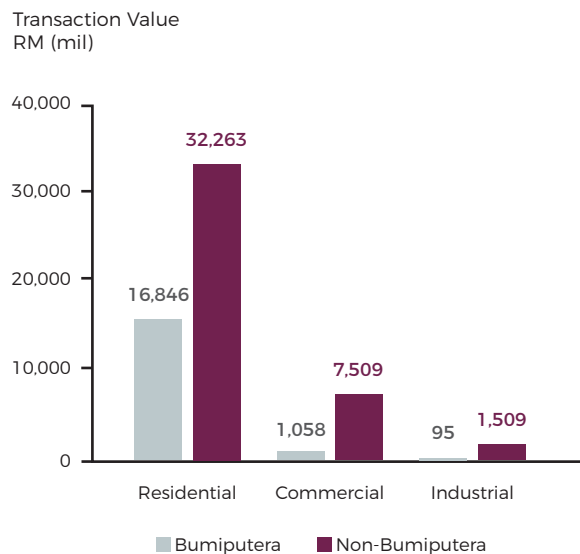


Non-Financial Asset Transaction in Primary and Secondary Market, 2018

Primary Market Transaction Value



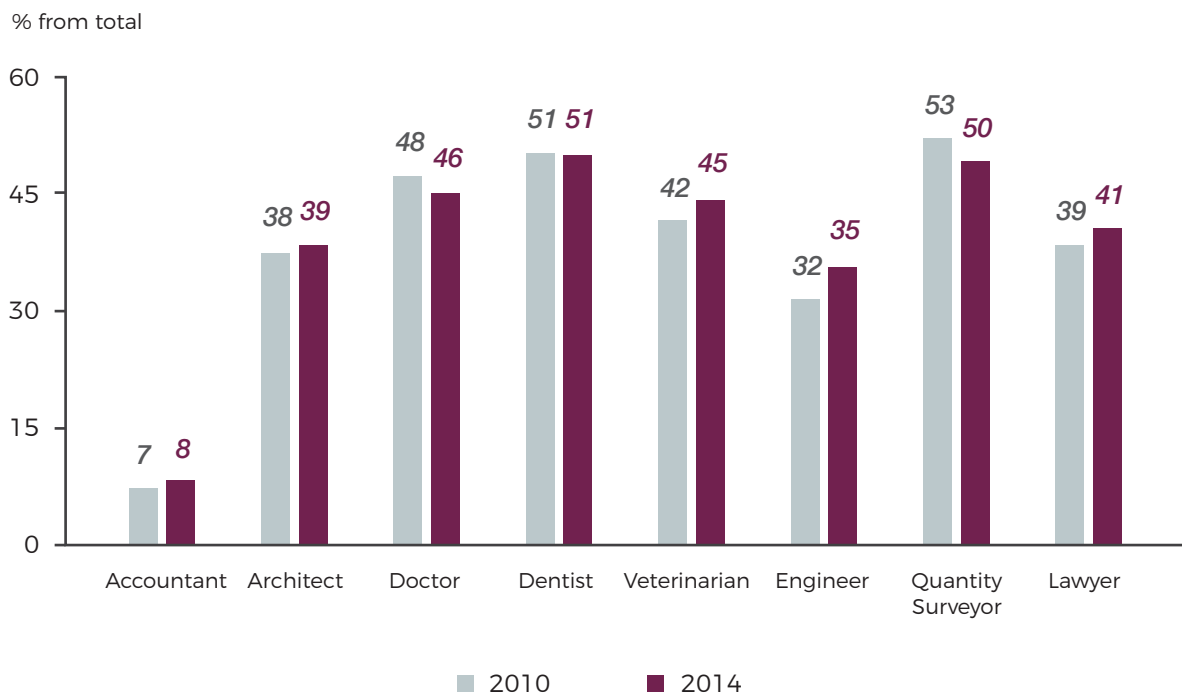
Secondary Market Transaction Value



30 Bumiputera participation in selected professions remained low and was dominated by non-Bumiputera except for dentists and surveyors as shown in Figure 4.22. This dominance was particularly evident in the accountancy profession where 92% of Malaysian registered accountants are non-Bumiputera.



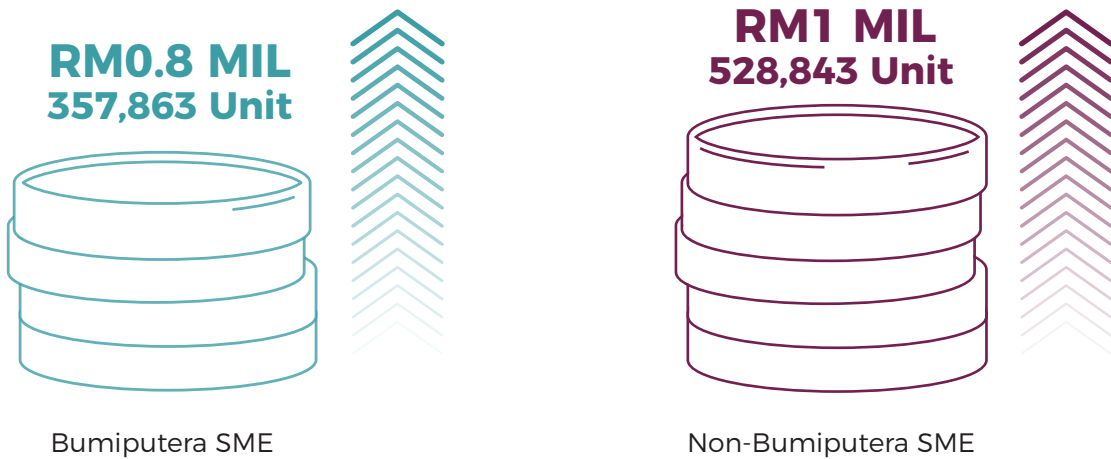
Bumiputera in Certain Registered Professional Occupations, 2010 and 2014



3I Bumiputera SMEs was not only fewer in number than non-Bumiputera but also generated low average value-added at RM0.8 million as compared to RM1.0 million by non-Bumiputera as shown in Figure 4.23.



Value-Add of Small Medium Enterprises, 2015



ECONOMIC SABOTAGE

32 Economic sabotage² has derailed the efforts to assist marginalised groups and spur economic growth. Cases of abuse of power and breach of trust still exist in the public and private sectors. The Corruption Perception Index (CPI) ranked Malaysia at 61st out of 180 countries in 2018 as compared to 39th out of 145 countries in 2004.

33 In addition, this position is supported by the findings from the Global Corruption Barometer 2017³ survey, which provides perceptions of corruption at the national level as follows:

33.1 60% of Malaysians viewed rising corruption levels;

33.2 57% of Malaysians perceived police involved in corruption;

33.3 48% of Malaysians claimed that local authorities and tax officials are involved in corruption; and

33.4 46% of Malaysians viewed corporate executives are involved in corruption.

34 **Government Procurement.** A case study conducted by the National Centre for Governance, Integrity and Anti-Corruption (GIACC) and the Malaysia Anti-Corruption Commission (MACC), shows that there are leakages in the distribution of contract values received by Bumiputera contractors as follows:

34.1 10% to 15% distributed to middlemen or lobbyists;

34.2 5% to 7% to contract owners or concessionaires;

34.3 13% to 15% to political groups and bureaucrats; and

34.4 approximately 65% of the contract value is the actual cost of the project.

² GIACC defines economic sabotage as the practice of deviating from the initial policy objective to increase the national socioeconomy and reducing economic disparity among ethnic groups, including but not limited to the act of corruption, monopoly, breach of trust, proxy arrangement, Ali Baba practice, unfair free trade agreement and data manipulation.

³ Global Corruption Barometer (GCB) by Transparency International (TI).

35 The leakages have adversely affected the achievement of economic development targets, especially Bumiputera. The project distribution has not fully benefitted the supply chain of Bumiputera contractors.

36 Based on 2015 estimates, of the RM1.1 trillion total Government revenue for 20 years, a large portion was awarded to Bumiputera contractors. Nevertheless, the contribution of Bumiputera SMEs to GDP remains less than 9% as shown in Figure 4.24.



Contribution of Bumiputera SMEs in 2015 Compared to Government Procurement for a Period of 20 Years



**RM1.1
TRILLION**

Government procurement for development, supply and service for 20 years (7 MP to 10 MP)



**50%
MORE**

Estimated budget of contract given to Bumiputera groups in 20 years duration



**9%
LESS**

Donations of SMEs Bumiputera to GDP in 2015

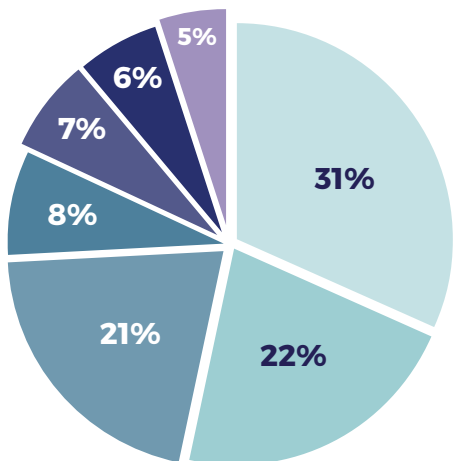
37 Implementation of the Bumiputera agenda had been unachievable on account of kleptocracy, nepotism, cronyism and corrupt practices as well as distortion in the supply chain. To date, Bumiputera achievement in the economy remains unsatisfactory.

38 **Monopolies** can cause uncontrolled pricing to take place and affect the entire supply chain. Monopoly activities are still taking place at various stages of the supply chain from the supply of basic goods to the supply of building materials for mega projects.

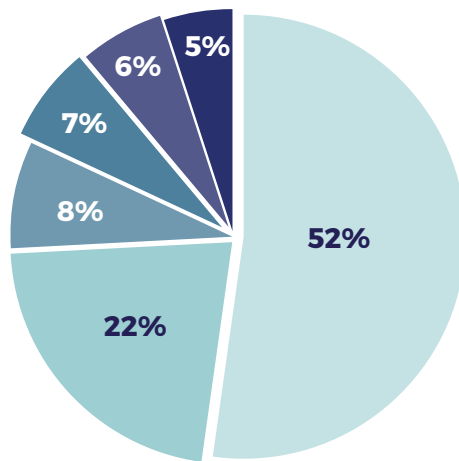
39 With reference to Figure 4.25, the report by the Malaysia Competition Commission (MyCC) shows that the three major companies accounted for 31%, 22% and 21% of the country's cement market respectively. In 2019, through acquisition activities, one of the companies acquired 52% of the market and plans to increase by another 22%.



Distribution of Cement Production in the Construction Industry, 2016 and 2019



Distribution Production **2016**



Distribution Production **2019**

- Company A
- Company B
- Company C
- Company D
- Company E
- Company F
- Company G

- Company A
- Company B
- Company C
- Company D
- Company E
- Company F

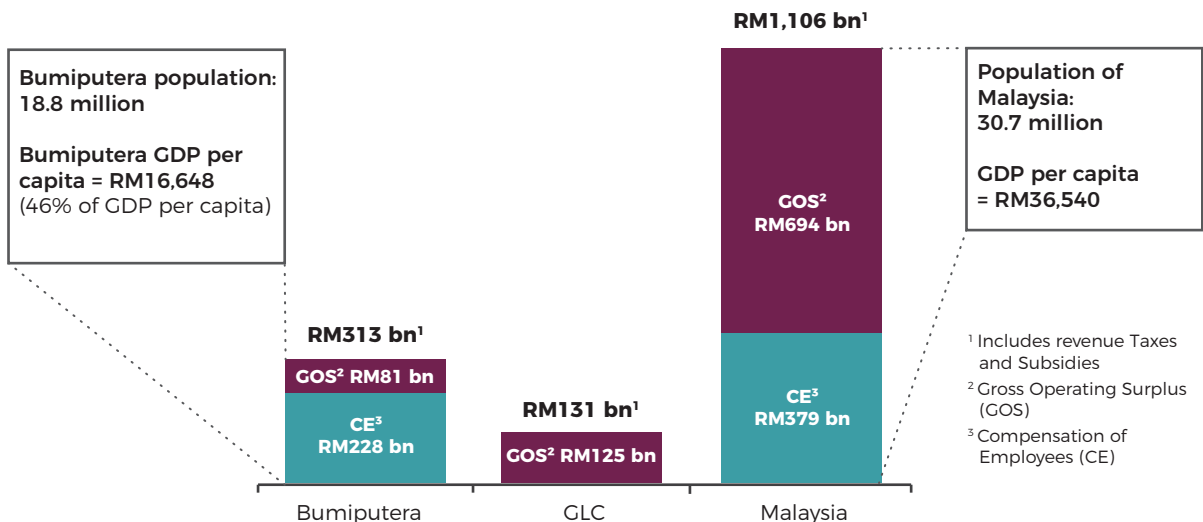
40 Profiteering. A Food Sector Market Study conducted by the MyCC found that in the fish marketing chain, key wholesalers raised prices up to six times by benefiting between 60% and 75% of each chain. This profiteering is a major cause of the high price of fish in the market. It flies in the face of the hard work of fishermen who brave the oceans in search of a decent livelihood. It also underscores the incessant manipulation by middlemen.

Source for Figure 4.25: Malaysia Competition Commission (MyCC) and analysis by Institut MASA

4I Economic sabotage affects Bumiputera economic contribution to GDP. The implementation of ineffective strategies coupled with inaccurate measures of outcomes have retarded the growth of Bumiputera economy. In 2014, Bumiputera economic contribution, accounted for 46% of Government-linked Companies (GLCs) gross operating surplus (GOS) to GDP. Of this, however, the actual contribution of Bumiputeras after deducting GLCs, GOS was only 28%. In respect of the national corporate GOS of RM727 billion, only RM81 billion can be attributed to Bumiputera companies as shown in Figure 4.26. These contributions illustrate the inherent gaps between Bumiputera and non-Bumiputera alliances, thus creating monopoly and economic gaps at alarming levels.



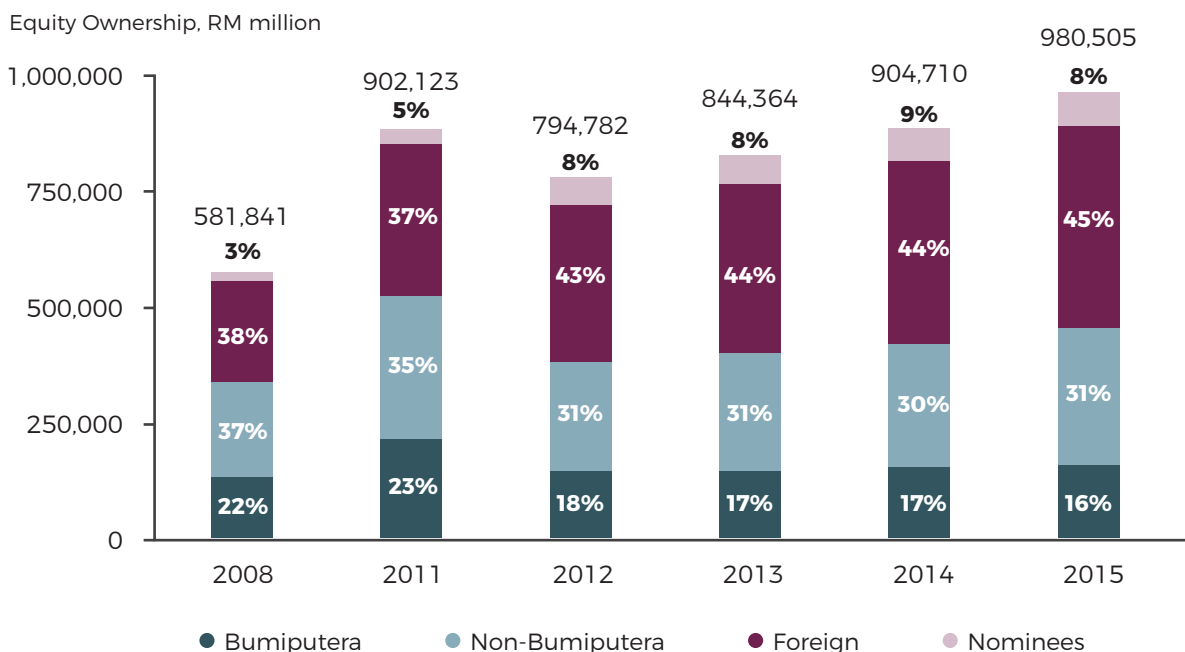
Estimated Gross Domestic Product (GDP) by Bumiputera Ethnic Group, 2014



42 Economic sabotage affects Bumiputera corporate equity ownership. The implementation of economic liberalisation policies since 2002 and the abolition of the FIC in 2009 have contributed to the increase in foreign equity ownership. The implementation of this policy has created a crowding-out effect that impedes Bumiputera ability to compete in equity ownership. According to the 2011 Corporate Equity Ownership Report by the Economic Planning Unit, Prime Minister's Department, the Bumiputera corporate equity ownership percentage was 23.4%, non-Bumiputera 34.8% and foreigners 37.2%, excluding nominee ownership. However, in 2015, Bumiputera and non-Bumiputera corporate equity ownership decreased by 16.2% and 30.7% respectively. Meanwhile, foreign equity ownership increased significantly to 45.3% during the same period as shown in Figure 4.27 and Figure 4.28. Therefore, the target of 30% of Bumiputera corporate equity ownership in the NEP is yet to be achieved.



Value and Percentage of Malaysian Corporate Sector Equity Ownership, 2008, 2011 - 2015

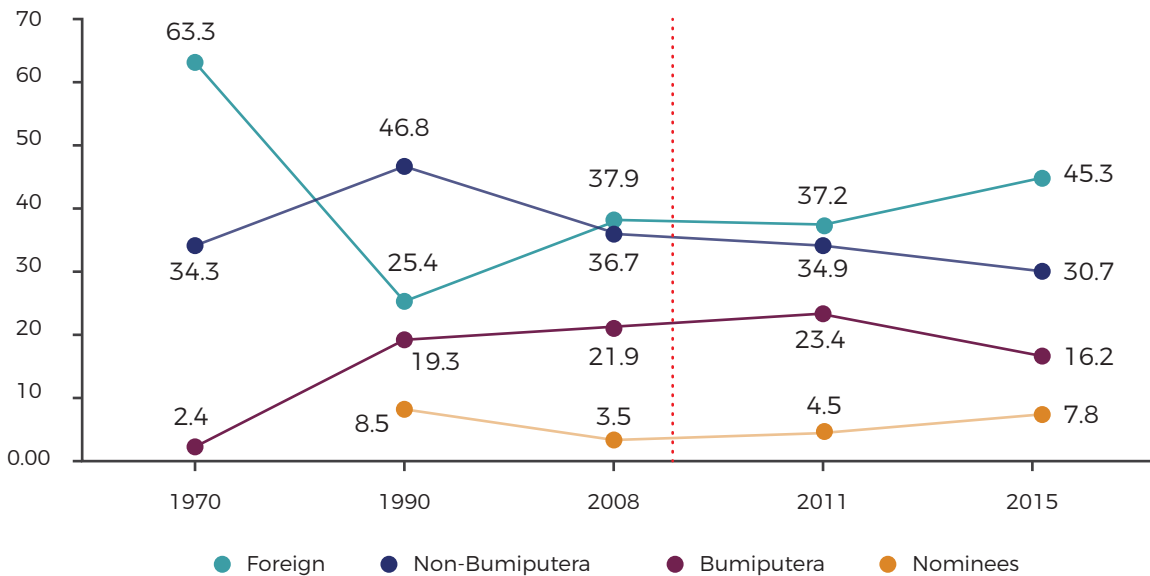


Source for Figure 4.27: Economic Planning Unit, Prime Minister's Department and Ministry of Economic Affairs



Percentage of Malaysian Corporate Sector Equity Ownership, 2008, 2011 - 2015

Equity Ownership, %



..... The red dotted line represents the time line after Malaysia's monetary liberalisation policy

SUMMARY OF SITUATIONAL ANALYSIS

43 Over the last decade, the following has happened to Malaysia's socioeconomic structure:

- 43.1** economic growth has yet to reach its full potential;
- 43.2** diversity of products and services has yet to reach an optimum level and the reliance on commodity-based exports is relatively high;
- 43.3** most industries are still in the low value added category with low technology adoption;
- 43.4** CE to GDP is still low;
- 43.5** disparity still exists between income groups, ethnic groups and regions;
- 43.6** the existence of unfair competition issues in the market as a result of monopoly and profiteering practices;
- 43.7** symptoms of corruption and abuse of power affect fair and equitable economic growth and distribution; and
- 43.8** Bumiputera economy has not grown in line with the country's development and progress.

44 Based on the wants and needs of the nation's economy, Shared Prosperity Vision has been formulated to address the above issues.



CHAPTER 5

Guiding Principles

Introduction

Continuous Prosperity

Equitable Outcome

Equitable Growth

Distributed Economy

Inclusivity

Learning Society

Future Economy

Needs-Based Approach Economy

Institutional Political-Economy

Integrated Social Model

Economic Centre of Asia

Democracy and Stability

Integrity and Good Governance

Unity in Diversity

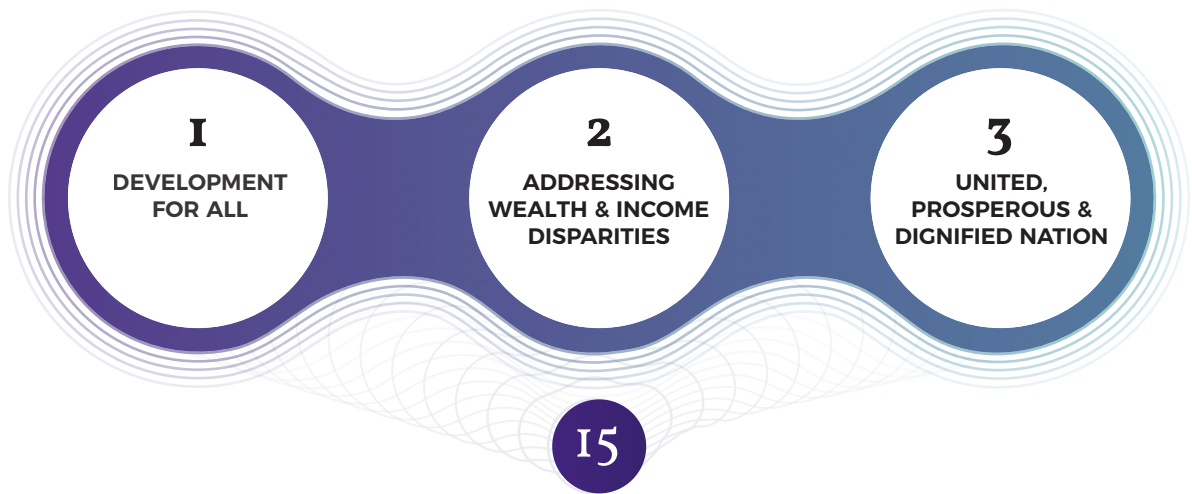
Sovereignty and Sustainability

CHAPTER

5

Introduction

Shared Prosperity Vision takes into account a wide spectrum of thoughts, views and philosophies embedded in the socio-cultural context of the unique nature of Malaysia's society. Therefore, the 15 Guiding Principles have been set as a guide for the preparation of the strategic thrusts, enablers and target achievements.



GUIDING PRINCIPLES



Continuous Prosperity



Learning Society



Economic Centre of Asia



Equitable Outcome



Future Economy



Democracy and Stability



Equitable Growth



Needs-Based Approach Economy



Integrity and Good Governance



Distributed Economy



Institutional Political-Economy



Unity in Diversity



Inclusivity



Integrated Social Model



Sovereignty and Sustainability



GUIDING PRINCIPLE 1

CONTINUOUS PROSPERITY

Continuous prosperity is defined as a sustainable and resilient economic growth, capable of absorbing volatility from commodity supply and demand shocks as well as global economic uncertainties.

In order to achieve Shared Prosperity Vision, the economy will have to expand with continuous positive growth. Although Malaysia's GDP grown positively, the economic structure has not shifted to be more productive, among others, in areas of high technology, high value add and knowledge-based industries. This shift is necessary for the economy to grow in tandem with future trends.

The main aim of this principle is to build economic resilience to be able to absorb any global market volatility that influences price, demand and supply changes. In addition, geopolitical instability that could create external shocks must be addressed without affecting economic growth.

The principles of **continuous prosperity** emphasise the following outcomes:

- 1.1** multiplying the size of the economy and increasing added value in the supply chain;
- 1.2** implementing sustainable development models including production capacity, intellectual property ownership and multiplying contribution of SMEs to the GDP;
- 1.3** participating and developing new industries especially by SMEs and start-ups;
- 1.4** multiplying value added in the supply chain of local companies especially among SMEs;
- 1.5** creating and strengthening Malaysian brands in global markets especially in the ASEAN market; and
- 1.6** creating high-paying jobs, increasing labour participation, increasing skilled workers and effective workforce.



GUIDING PRINCIPLE 2

EQUITABLE OUTCOME

Shared Prosperity Vision will focus on the Equitable Outcome approach rather than the Equitability of Opportunities. This commitment will enable the people to experience the benefits of wealth distribution and national development. According to Dr. Ha Joon Chang¹, South Korean development economist at Cambridge University:



“Equality of opportunity is the starting point for a fair society. But it’s not enough. Of course, individuals should be rewarded for better performance, but the question is whether they are actually competing under the same conditions as their competitors. ...”

“...Unless there is some equality of outcome, equal opportunities are not truly meaningful.”

The implementation of the NEP has provided opportunities for all races, including Bumiputera. However, Bumiputera achievement did not produce the desired results. The affirmative action for Bumiputera has been exploited at the expense of Bumiputera in general. At the same time, there are groups such as the poor and the marginalised and those in the rural areas who are not benefiting from the policy. This affirmative action is also seen as unfair because it disregards the merits and abilities of other groups while favouring certain groups who are out to take advantage of the policy.

Policy implementation leakages, abuse of power and corruption are major challenges in achieving **equitable outcome**. Therefore, a more comprehensive approach in attaining equitable outcome is essential in order to reach Shared Prosperity Vision targets for all income groups, ethnicities, regions and supply chains.

To achieve the equitable outcome of Shared Prosperity Vision, the targets include:

- 2.1** equal median salary ratios based on merit;
- 2.2** bridging household income disparities;
- 2.3** income equitability between capital owners and employees;
- 2.4** professional and corporate management ratios based on percentage of population by ethnic groups;
- 2.5** increasing Bumiputera SMEs contribution to GDP;
- 2.6** equitable economic distribution; and
- 2.7** positive social mobility.



GUIDING PRINCIPLE 3

EQUITABLE GROWTH

Equitable growth means the shrinking of the disparities between income groups, ethnicities, regions and supply chains as well as the elimination of economic monopoly. This principle places emphasis on a fair and equitable distribution of the economic pie according to the country's demography.

Inequitable growth has led to widening wealth and income disparities in Malaysia. In 2017, median income and wage of workforce was RM2,160 per month. Meanwhile, the difference between median household income in FT of Kuala Lumpur and Selangor state almost doubled compared to the states of Kelantan, Kedah, Pahang, Sabah and Sarawak.

Equitable growth does not mean that all parties will achieve the same results as has been shown empirically. Nevertheless, true income equality can only be achieved in accordance with compliance to anti-discrimination principles.

The principles of **equitable growth** emphasise the following outcomes:

- 3.1** introduction of legislation in the private sector especially in the context of employment and salaries;
- 3.2** narrowing the household income ratio gap;
- 3.3** fair participation in the supply chain;
- 3.4** reducing monopoly power; and
- 3.5** improvement of anti-profiteering measures.



GUIDING PRINCIPLE 4

DISTRIBUTED ECONOMY

Distributed economy refers to economic distribution that delivers beyond geographical boundaries to ensure distributive justice. Barriers to economic distribution in terms of localities, accessibilities and urban-rural development gaps must be addressed through distributed and fair economic management. This includes strengthening logistics and trade facilitation, improving internet accessibility and public infrastructure covering road networks in rural and remote areas.

High value economic activities are concentrated in the FT of Kuala Lumpur, Selangor, Johor and Pulau Pinang. In 2018, FT of Kuala Lumpur and Selangor state alone contributed almost 40% to the GDP compared to other states such as Perlis (0.4%), Kelantan (1.8%), Terengganu (2.6%) and Kedah (3.3%). Concentrated economic activities in both states (FT of Kuala Lumpur and Selangor state) led to the developmental imbalance between states and territories.

Distributed economic principles emphasise the following outcomes:

- 4.1** reducing urban-rural GINI coefficient;
- 4.2** narrowing the inter-state GDP gap;
- 4.3** reducing the value of the intermediate household income gap between states;
- 4.4** identifying and developing the state and regional economic catalysts;
- 4.5** increasing the number and added-value of SMEs for each state; and
- 4.6** reducing accessibility constraints in logistics and market.



GUIDING PRINCIPLE 5

INCLUSIVITY

Inclusivity means an economic approach focussed on efforts to ensure that marginalised groups are involved in economic and national development. These approaches include establishing an economic growth centre near the geographical area of the group, improving accessibility to assistance and comprehensive social security networks as well as implementing poverty eradication programmes.

According to the World Economic Forum Report in 2018, Malaysia has shown less favourable level of inclusion compared to some European and Eurasian countries in terms of development and inclusive growth according to GINI coefficient as shown in Table 5.0.



National Development & Growth by Level of Inclusion 2018: Five-Year Trends

COUNTRY	NETT INCOME GINI ¹	POVERTY, % (2012-2016)	WEALTH GINI (2013-2018)	MEDIAN INCOME ² , AS\$
Lithuania	0.4	-0.7	-14.9	2.2
Hungary	0.4	0.7	-18.7	0.4
Azerbaijan	2.1	2.2	-14.1	0.6
Latvia	-0.3	-2.7	-12.4	10.8
Poland	0.6	-0.1	-2.0	1.4
Malaysia	-0.9	-0.3	0.5	0.9

Notes :

1. Refers to 2016 or latest available year.

2. Refers to between 2008 and 2012 or latest available year.

Inclusivity has become a key principle in the country's development plan where no group will be marginalised. These principles represent various groups and are **not limited** to:

- I** B40 group, Poor and Economically Vulnerable;
- II** Community in Economic Transition;
- III** Indigenous Community;
- IV** Bumiputera in Sabah and Sarawak;
- V** Persons with Disabilities;
- VI** Youth;
- VII** Women;
- VIII** Children; and
- IX** Senior citizens.

The principles of **inclusivity** emphasise the following outcomes:

- 5.1** multiplying median household income;
- 5.2** increasing the number of natives in high-skill and professional occupations; and
- 5.3** improving social mobility issues in economic transition.



GUIDING PRINCIPLE 6

LEARNING SOCIETY

Learning society is a knowledgeable society that places primacy on lifelong learning. The society is also able to identify personal weaknesses as well as to change and improve the wellbeing of individuals, families and communities. This principle encompasses the needs to increase individual achievement through policies and institutional improvements based on local cultures and values.

In order to continuously facilitate knowledge advancement and learning, a more integrated Government intervention is necessary to nourish lifelong learning. Learning society is imperative in advancing the economy and can only be attained in a stable and democratic nation as well as in an open society.

The principles of **learning society** emphasise the following outcomes:

- 6.1** fostering culture of knowledge in society;
- 6.2** engaging community to actively participate in policy formulation and development planning;
- 6.3** developing generation of skilled workers based on future industry needs;
- 6.4** intensifying technology transfer and reverse engineering in the manufacturing sector; and
- 6.5** increasing local intellectual property development through policy enhancement.



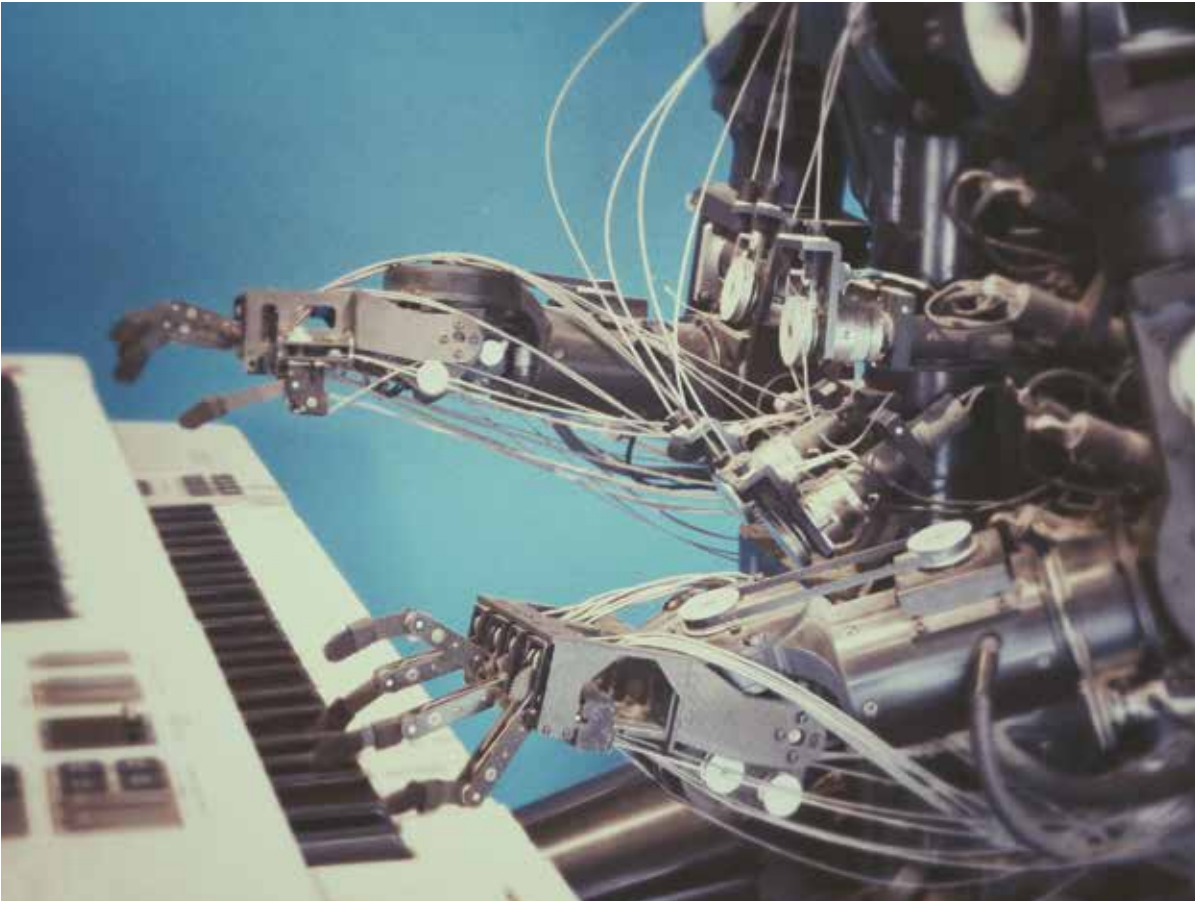
GUIDING PRINCIPLE 7

FUTURE ECONOMY

Future economy refers to the need to change in attitudes, policies, legislation, technologies, infrastructure, assets and business trends in order to stay relevant and meet future economic demands. Under this principle, exploration in new areas such as digital economy, automation, platform preparation, fintech, AI and blockchain will be given priority. Malaysia should have clear policies to raise awareness in allowing the *rakyat* to adapt to and dominate the future economy, instead of being mere consumers.

Business and marketing trends based on digital economy has created various types of jobs that use social media applications such as Facebook, Instagram and Whatsapp. The introduction of disruptive platforms such as e-hailing, e-booking and e-mall has changed marketing methods and service delivery. Furthermore, the production process has experienced radical changes including the use of drone technology, smart farming and augmented reality (AR). Besides that, financial activities have shifted to digital platform such as e-payment, e-wallet and robo-advisor for investment-related activities.

Failure to adapt to future economy, among others, will lead to domination of the country's big data by the global community through transborder digital platform. This will limit the control over corporate crime, fraud, money transaction outflows and foreign exchange stability.



The principles of **future economy** emphasise the following outcomes:

- 7.1** increasing the number of innovations;
- 7.2** creating more jobs, particularly for the B40 group; and
- 7.3** strengthening Malaysia's position as the Fintech Hub for Islamic Finance.



GUIDING PRINCIPLE 8

NEEDS-BASED APPROACH ECONOMY

The needs-based approach economy highlights the importance of a holistic demographic definition and classification. This will make policy formulation more effective in targetting groups that require Government assistance.

Hardcore poverty is almost eradicated in Malaysia. However, there is a need to revisit the definition of hardcore poverty by considering the use of Multidimensional Poverty Index (MPI) and taking into account relative poverty to assess poverty levels in Malaysia. In addition, the data of hardcore poor and the marginalised and vulnerable groups need to be reassessed.

A report by Bank Negara Malaysia (BNM) in 2016 showed that 80% of Malaysian's do not have retirement savings. The findings call for a review of existing policies and programme implementation. This is to improve economy-related policies based on needs specifically in addressing the problems of the poor and the marginalised and vulnerable groups.

The principles of a **needs-based approach economy** emphasise the following outcomes:

- 8.1** strengthening education and entrepreneurship programmes;
- 8.2** improving welfare programmes;
- 8.3** enhancing health service delivery system, developing affordable housing and increasing accessibility to transportation networks.



GUIDING PRINCIPLE 9

INSTITUTIONAL POLITICAL-ECONOMY

Institutional political-economy defines the balance that exists between the role of market and the Government in economic development. This approach harmonises the needs and desires of various parties in the economic ecosystem covering all the stakeholders including investors, manufacturers, distributors, wholesalers, traders, consumers and the Government.

The role of Government in institutional political-economy approach among others, is through the ownership of shares in SOEs, policy formulation as well as determination of priorities for business and trade sectors. The absence of policies that balance the role of the Government and market demand, as well as SOEs in the economy will cause imbalance, monopoly and widening economic disparities.

The principles of the **institutional political-economy** emphasise the following outcomes:

- 9.1** formulating contemporary and relevant policies as well as creating and expanding emerging industries;
- 9.2** diversifying investments and business models in strategic industries by SOEs; and
- 9.3** transferring and adapting technologies as well as empowering local industries.



GUIDING PRINCIPLE 10

INTEGRATED SOCIAL MODEL

Integrated social model aims to increase the level of the *rakyat*'s trust towards each other regardless of ethnicities and religions. This model emphasises intensifying participation of all segments of society in social development leading to lasting unity of the *rakyat* and harmony of the country. The role of civil society, religious organisations and community associations are important in strengthening the nation's social capital. The integrated social model will be based on the Federal Constitution and the principles of the Rukun Negara.

The Government needs to provide a substantial allocation to improve the standard of living of the most vulnerable groups. Initiatives implemented only provide short-term solutions and do not improve the standard of living of the target groups. The provision of substantial and long-term allocation can adversely affect the country's financial position. While the related programmes cannot be implemented in a sustainable manner, various initiatives by the Government agencies are also implemented in-silos despite similar target groups.

Strengthening the social support system is imperative due to a clear connection between the country's prosperity and the *rakyat*'s quality of life. In addition, the empowerment of vulnerable groups in education and training can maximise their participation in community activities. This is to enhance their social and economic capabilities.

The principles of the **integrated social model** emphasise the following outcomes:

- IO.1** increasing participation of non-governmental organisations (NGOs) in complementing Government's delivery;
- IO.2** enhancing social interactions between religious groups, ethnicities, geographic and socioeconomic levels;
- IO.3** increasing productivity that is balanced with quality of life; and
- IO.4** preserving the welfare of the vulnerable groups.



GUIDING PRINCIPLE 11

ECONOMIC CENTRE OF ASIA

The economic centre of Asia entails continuous efforts in enabling Malaysia develop its full economic potential in a holistic and sustainable manner while maintaining political stability to ultimately emerge as the ASEAN Economic Hub and an Asian Tiger.

Qualitative projections³ indicate that by 2050, economic expansion will shift from Europe to Asia, particularly in the People's Republic of China and India. Nevertheless, Malaysia has yet to capitalise on the opportunities resulting from this transition, which will enable the country to become the ASEAN Economic Hub and to achieve its goal of becoming an Asian Tiger.

In addition, ASEAN is seen as a potential global production and trading hub with the fastest growing global consumer market. ASEAN's aspiration in creating the ASEAN Economic Community is to achieve the following goals:

- I** ASEAN single market and production platform;
- II** highly competitive region;
- III** equitable economic development; and
- IV** fully integrated with global economy.

The principles of the **economic centre of Asia** emphasise the following outcomes:

- II.1** strengthening comprehensive development instruments towards the ASEAN and Asian markets;
- II.2** penetration of Malaysian brands and intellectual properties into ASEAN, Asian and global markets;
- II.3** promoting foreign investments and the development of ASEAN regional hubs in Malaysia; and
- II.4** increasing exports and production of high value-added products in the downstream industries to Asian and global markets.



GUIDING PRINCIPLE 12

DEMOCRACY AND STABILITY

Democracy and stability implies fostering democratic practices in the administration of the country, while maintaining national sovereignty as well as enhancing border control and monitoring from any threat. The country's administration is based on the principle of the rule of law that guarantees the fundamental freedoms of the *rakyat* as stated in the Federal Constitution. The security of the *rakyat* also continues to be protected through enforcement of the law in a strict and fair manner.

The strength of the country's borders and sovereignty is crucial in ensuring Malaysia remains safe, prosperous and stable. This will only be achieved whenever a new policy introduced is respected and accepted by all. In maintaining peace, prosperity and stability of the country, the policies enacted need to emphasise the following aspects:

- I** national sovereignty;
- II** national security;
- III** maturity of the *rakyat*;
- IV** ownership of shared responsibility; and
- V** balance of rights and responsibilities.

Democracy and stability do not only preserve the mandate of the Government institutions but also the rights of the *rakyat* as voters. The separation of power within the Government comprising the executive, the legislative and the judiciary should be instrumental in ensuring that the policies enacted are for the peace, prosperity and stability of the nation and the wellbeing of the *rakyat*.



The principles of **democracy and stability** emphasise the following outcomes:

- 12.1** preserving national sovereignty includes addressing subversive elements that may be detrimental to the national identity;
- 12.2** strengthening national security in all aspects;
- 12.3** maintaining a clear separation of power between executive, legislative and judiciary; and
- 12.4** fostering a sense of shared responsibility in preserving the country's stability.



GUIDING PRINCIPLE 13

INTEGRITY AND GOOD GOVERNANCE

Integrity and good governance will enhance confidence of the *rakyat* towards public and private institutions. Governance can be improved in tandem with the adoption of high integrity values. The inculcation of noble values such as trust, honesty and a sense of responsibility in carrying out obligations will prevent leakages and corrupt practices thereby eventually raising the *rakyat*'s confidence towards Government institutions.

Some of the key areas that require emphasis⁴ in instilling integrity and good governance are as follows:

- I** political governance;
- II** public sector administration;
- III** public procurement;
- IV** legal and judicial;
- V** law enforcement; and
- VI** corporate governance.

Empowerment of legislation is necessary to ensure that policy implementation is governed properly in order to prevent leakages.

The principles of **integrity and good governance** emphasise the following outcomes:

- I3.1** elevating the credibility of the legal system in tandem with social change;
- I3.2** strengthening accountability and integrity; and
- I3.3** improving the *rakyat*'s perception towards public administration.



GUIDING PRINCIPLE 14

UNITY IN DIVERSITY

Unity in diversity suggests a continuous effort to make the *rakyat* more appreciative of the diverse ethnicities, religions and cultural backgrounds in Malaysia. Hence, embracing the concept of national unity that is based on recognition, acceptance and appreciation of diversity.

The recent global trend depicts the increased spread of extremism culminating in a number of political movements that have divided the unity of Malaysians. With extreme beliefs and fanatical movements spreading rapidly on a global scale, such movements will pose a serious danger to our security if left unchecked.

The absence of social interaction, movements and assimilations may lead to problems of unity in society. This principle can be achieved by taking into account the following aspects:

- I social interaction platforms;
- II national identity;
- III harmonious ideological plurality; and
- IV priorities of nation-building.

Better opportunities and conducive social interactive spaces serve as catalysts in uniting the *rakyat* beyond ethnicities, religions, localities and socioeconomic differences. The basis for this interaction is mutual respect and high tolerance among the *rakyat*. Refined policies need to be formulated in addressing ethnic and ideological polarisation as well as shaping national identity. Among the important measures to be undertaken is creating social interaction platforms accessible to all.

The principles of **unity in diversity** emphasise the following outcomes:

- I4.1** promoting social interaction among various layers of society; and
- I4.2** forming a society that recognises existing similarities and the need for solidarity.



GUIDING PRINCIPLE 15 **SOVEREIGNTY AND SUSTAINABILITY**

Sovereignty refers to efforts in building the country's capacity in order to accommodate the needs of the *rakyat* and ensure food security through resource ownership by local entities. On the other hand, sustainability is an effort to ensure that economic development is aligned with endeavours to preserve the environment and the wellbeing of the society.

Malaysia needs to increase its capacity in producing foodstuff and enhancing sustainable agriculture and plantation activities. The implementation of sustainable socioeconomic development should take into account environmental preservation and natural resources to meet the needs of present and future generations.

The country's rapid development process puts pressure on the environment and natural resources arising from land clearing for infrastructure, agriculture, plantation, industrial and housing development. Development that neglects environmental sustainability will result in fragmentation of flora and fauna habitat and the degeneration of the forest ecosystem. Rising population has resulted in higher demand on resources and increased waste production. Therefore, proper management of natural resources and the environment is required. Failure to do so will increase competition for resources, erode competitiveness, and create overdependency on external sources.

The principles of **sovereignty and sustainability** emphasise the following outcomes:

- I5.1** increasing production of local food sources;
- I5.2** more effective legislation in the agricultural sector;
- I5.3** promoting the use of technology in agricultural activities;
- I5.4** compliance to the Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA); and
- I5.5** strengthening environmental conservation and natural resources in development planning.



CHAPTER 6

Strategic Thrusts

Introduction

STRATEGIC THRUST 1

Restructuring Business and Industry Ecosystem

STRATEGIC THRUST 2

Key Economic Growth Activities (KEGA)

STRATEGIC THRUST 3

Transforming Human Capital

STRATEGIC THRUST 4

Strengthening the Labour Market and Increasing Compensation of Employees

STRATEGIC THRUST 5

Social Wellbeing

STRATEGIC THRUST 6

Regional Inclusion

STRATEGIC THRUST 7

Social Capital

CHAPTER

6

Strategic Thrusts

INTRODUCTION

The seven strategic thrusts are developed as a key to accomplish the Shared Prosperity Vision initiatives and are designed to achieve three main objectives, namely, development for all, addressing wealth and income disparities, and making Malaysia a united, prosperous and dignified nation. All thrusts are developed based on guiding principles that emphasise policy formulation and implementation of Government programmes. They are aimed at addressing issues that affect the *rakyat*, the economy and the administrative system.



STRATEGIC THRUST

I

RESTRUCTURING BUSINESS AND INDUSTRY ECOSYSTEM

Example of Targets:

- SME and micro businesses to contribute 50% of GDP
- To create 30% high technology companies from total SMEs in manufacturing and services subsectors
- At least 20% of high technology Bumiputera SMEs in each subsector
- Bumiputera SMEs to contribute 20% to GDP



STRATEGIC THRUST

2

KEY ECONOMIC GROWTH ACTIVITIES (KEGA)

Example of Targets:

- 2/5 of total investment is in machinery and equipment
- Increased contribution of high technology subsector to the following sectors:
 - Manufacturing: 50%
 - Services: 30%
- Malaysia to build resilient key new sectors as follows:
 - Islamic Finance Hub 2.0
 - Malaysia Commodities 2.0
 - Renewable Energy
 - Centres of Excellence
 - Green Economy
 - ASEAN Hub



STRATEGIC THRUST

3

TRANSFORMING HUMAN CAPITAL

Example of Targets:

- 35% of high-skilled workers in labour force
- Majority of workforce in high-skill jobs and future economic sectors will be Bumiputera
- 40% of HRDF training in skills related to 4IR
- At least 60% of SPM leavers to pursue TVET field
- Programme offerings at universities and training institutes will be tailored to the needs and requirements of industries
- Increase local and Bumiputera employees in management and professionals in MNCs



STRATEGIC THRUST

4

LABOUR MARKET & COMPENSATION OF EMPLOYEES

Example of Targets:

- Malaysian labour market is free from discrimination over age, gender, ethnicity and religion
- Average salary increment to ¾ of annual productivity value increases
- Address acts of economic sabotage and discrimination
- Increase labour productivity growth in line with quality of technology in industry by sector
- Reduce the total number of foreign workers by implementing sector-based thresholds
- Increase contribution of Bumiputera CE to GDP



STRATEGIC THRUST

5

SOCIAL WELLBEING

Example of Targets:

- Equality in merit-based median salary ratio
- Measure poverty level by using relative poverty index
- Build day care centres in every locality
- Affordable housing cost is based on 30% of monthly median household income in Malaysia



**STRATEGIC
THRUST**

6

REGIONAL INCLUSION

Example of Targets:

- Integrated urban-rural public transportation system
- 10 listed companies in each developing state, half of which are Bumiputera
- Reduce income disparity between regions by half
- Reassess quantity and quality of Malay reserve land
- Introduce new regional economic hotspots particularly outside Klang Valley areas
- Ensure the nation's Critical Infrastructure Development Plan is realised (e.g. hospitals, schools, bridges)



**STRATEGIC
THRUST**

7

SOCIAL CAPITAL

Example of Targets:

Achieve positive increase for the following indices:

- Unity Index
- Integrity and Anti-Corruption Indicator
- Religious Harmony Index
- Environmental and Climate Change Index
- Anti-Drug Index
- Crime Prevention Index
- Neighbourhood Harmony Index
- Rakyat Health Index
- Family Wellbeing Index

BUMIPUTERA OUTCOMES INCLUDED IN ALL STRATEGIC THRUSTS



STRATEGIC THRUST 1

RESTRUCTURING BUSINESS AND INDUSTRY ECOSYSTEM

Malaysia's economic growth fundamentally remains strong. Economic indicators such as GDP, GNI and poverty incidence illustrate positive trends. Nevertheless, there is room for improvement particularly in business and industry ecosystem which needs to be restructured in order to move Malaysia forward to become an advanced country.

I.I BACKGROUND

The restructuring of business and industry ecosystem is defined as a process of rebalancing the business and industry ecosystem. The restructuring involves initiatives to strengthen and enhance the competitiveness and cooperation of small and medium enterprises (SMEs) with large companies. In addition, this process involves initiatives in increasing SME capabilities in line with current market requirements.

This restructuring is imperative due to the huge gaps between SMEs and local and multinational corporations (MNCs) which appear at the level of technology adoption as well as the ability to explore new industries and increase productivity.

This strategic thrust will support the business and industry ecosystem to be more productive by increasing technology adoption and expanding SMEs investment in emerging industries. A more productive ecosystem enables SMEs to produce high value-added products and fulfilling international standards, while creating high-paying jobs and increasing income.

I.2 KEY ISSUES AND ANALYSIS OF CURRENT SITUATION

SMEs' technology adoption remains low and utilisation of computers is limited to administrative matters. A study by SME Corp¹ reveals 79.7% of SME entrepreneurs realise the importance of using digital technology for key business operations albeit at low utilisation levels. The utilisation of digital technologies such as Customer Relation Management (CRM) and Enterprise Resource Planning (ERP) is still low, at 12.5% and 10.5% respectively. The findings of the study show that SMEs using digital technology to conduct business operations increased their productivity by as much as 60%.

Large local companies and MNCs are less likely to involve SMEs in the production chain as most of the input required can be sourced through imports or other large companies. Cooperation between SMEs and large companies in an industry is still minimal despite the high demand from MNCs. Therefore, collaboration of large local companies and MNCs with SMEs will be intensified to enhance the contribution of SMEs to the economy.

The capacity of Bumiputera companies remains small. The contribution of Bumiputera SMEs to the national GDP is less than 9%, while the value added by Bumiputera SMEs is one-third of non-Bumiputera SME contributions. In addition, the number of Bumiputera SMEs is still low, which is 39% compared to 57% of non-Bumiputera SMEs². These shortcomings show that efforts to raise the capacity of Bumiputera SMEs still need to be improved. Therefore, strengthening the capacity of Bumiputera companies in the production of goods and services should be undertaken to balance and harmonise the business and industrial ecosystem in Malaysia.

I.3 STRATEGY RECOMMENDATIONS

The restructuring of the business and industry ecosystem entails 14 strategic proposals to address identified issues. The recommendations are as follows:

- I** identifying and mapping out anchor companies in high value-added business and industry supply chains to enable SMEs to venture into related downstream industries;
- II** intensifying the cooperation between large companies and SMEs through industrial cluster-based business associations by encouraging large companies to use inputs, products or services from SMEs;
- III** strengthening the supply chain and developing SME vendors to drive growth;
- IV** reviewing, rationalising and improving entrepreneurship development programmes including assisting Bumiputera companies to be more competitive;
- V** increasing the involvement of SMEs in the digital economy in producing high value-added innovation and intellectual property;
- VI** expanding high value-added manufacturing activities and services;
- VII** developing programmes that cover all levels of technology and automation in line with the Fourth Industrial Revolution (4IR) to generate new innovations;
- VIII** developing online information-sharing platforms for companies, products and services to ensure existing and new enterprises remain relevant in the market;
- IX** enhancing innovation for the creation of local-based content products, to create new opportunities and brands through collaboration and R&D with institutions of higher education and research centres;
- X** strengthening governance of public funds related to research, development, commercialisation and innovation (R&D&C&I) to ensure better returns on investment;
- XI** enhancing the implementation of knowledge sharing and technology transfer programmes;

- XII** focussing on better quality investments especially in information and communication technology and other machinery and equipment;
- XIII** reviewing incentives to be more objectives and productivity-based; and
- XIV** expanding and improving the development of local supply chain programmes.



STRATEGIC THRUST 2

KEY ECONOMIC GROWTH ACTIVITIES (KEGA)

Sectors with potential to grow faster need to be identified to drive future economic development. With these sectors in place, the Government's efforts to boost economic growth will be implemented through a centralised initiative, thus developing an ecosystem throughout the supply chain. The proposed Key Economic Growth Activities (KEGA) will not disregard the development of existing economic activities such as oil and gas, manufacturing, electrical and electronic goods and other services. A total of 15 KEGA proposals have been identified for development.

2.1 BACKGROUND

KEGA is defined as a future economic activity that demonstrates the potential for rapid growth in line with the country's aspiration to achieve high value economic development.

The country needs to focus on emerging industries. At present, business operations are still using conventional economic models that rely heavily on commodity-based trading and low-value products. Besides that, industrial diversification activities are more likely to venture into non-core business.

To overcome this, the focus on the development of new economic activities is in line with the goal of expanding the business spectrum in Malaysia. With a number of selected sectors showing potential for development in the national and regional economic environment, existing policies need to be improved in addition to the formulation of new policies to align with the goals of industry and targeted business growth.

The Strategic Thrusts will ensure economic activities shift to high value-added and knowledge-based sectors as well as create a balanced industrial and business ecosystem, and high skill human capital. Some targeted activity recommendations are:

- 2.1.1** to focus on industry development through integrated policy implementation;
- 2.1.2** to promote high value and sustainable investment;
- 2.1.3** to develop a holistic activity ecosystem; and
- 2.1.4** to improve outcomes by quality monitoring.

2.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

There are still development programmes that are incompatible, ineffective and implemented in-silos. In formulating a holistic development programme, the main challenge is to analyse the capabilities of the industry based on the available and accurate data in each industry.

In addition to the challenge of anticipating future needs and competition, the lack of data has impaired the understanding of relevant and future industries. For example, taxi services are now facing the challenge of e-hailing services that provide more efficient service at a lower cost. This has created tension among taxi operators and stakeholders as their income has been affected.

2.3 STRATEGY RECOMMENDATIONS

The selected KEGA will be a new priority with emphasis on generating significant growth and contributing to GNI in the future. KEGA activities will improve over time, depending on the performance of each activity. The evaluation process will be implemented to ensure that each selected activity is competitive and sustainable.

To date, a total of 15 KEGA activities have been selected as follows:

KEGA	CONSIDERATION BASIS
<p>KEGA 1: Islamic Finance Hub 2.0 - (Second wave / Fintech)</p>	<p>Malaysia was a leader in the first wave of Islamic banking in the 1990s, and the industry has grown rapidly, with the presence of stiff competition. Once again, Malaysia has to lead the second wave of Islamic finance, by adapting to the digital fintech world that continues to expand.</p>
<p>KEGA 2: Digital Economy (Cashless, Disruptors, platform and fintech)</p>	<p>Malaysia must take the lead in driving the digital economy encompassing ownership, production, innovation, financial support, intellectual property and deeper research.</p>
<p>KEGA 3: Fourth Industrial Revolution - (Manufacturing, Supply and Services)</p>	<p>Fourth Industrial Revolution (4IR) includes big data, artificial intelligence, augmented reality (AR) and machine learning. Malaysia needs to be fully prepared to seize all opportunities and face the challenges of 4IR. The Government will create a conducive ecosystem to bring about manufacturers, creators, suppliers and service providers particularly in the ASEAN market.</p>

<p>KEGA 4: Content Industries - (Animation, Programming, Entertainment, Culture and Digitalisation)</p>	<p>A few companies and talents in the local animation scene have successfully penetrated premier international markets. The potential can be harnessed further with facilitation, grants for capital and to create an ecosystem that is appropriate for the activities of content industries such as programming, entertainment, culture and digital media.</p>
<p>KEGA 5: ASEAN Hub</p>	<p>Malaysia has the potential to expand its goods and services markets to 600 million consumers cross the ASEAN region. To facilitate this, Malaysia should start by providing opportunities to local and foreign companies to operate as ASEAN Hubs. 12 activities with potential are to be developed as ASEAN Hubs, namely, (i) logistics (ii) fintech and Islamic fintech (iii) law and arbitration (iv) halal industry (v) high skill human capital (vi) digital platforms (vii) maritime trade (viii) ASEAN lifestyle (ix) animation and digital content industry (x) Asian tourism (xi) health tourism and (xii) gas trading market.</p>
<p>KEGA 6: Halal and Food Hubs</p>	<p>The halal industry has been a focus of development over the past two decades in Malaysia. The JAKIM halal standard is globally accepted and has a high commercial value. Malaysia is also a producer of processed food that are well-received in terms of hygiene and sanitary standards. Combined, these characteristics can boost Malaysia's halal industry. JAKIM's halal standard can be enhanced in order to align with international standards, as a way to expand the acceptance of the JAKIM certification.</p>

<p>KEGA 7: Malaysia Commodities 2.0</p>	<p>Malaysia is still dependent on commodity trade that is low value-added. Therefore, research, innovation, financing and facilitation must be provided in order to produce downstream products from traditional commodities and to generate higher returns and growth of new industries.</p>
<p>KEGA 8: Transportation, Logistics and Sustainable Mobility (TISM)</p>	<p>Providing a transportation system that is integrated, sustainable and affordable is a priority that can reduce public burden and encourage continued development. TISM integrated with the National Physical Plan and Maritime Policy has the potential of becoming a holistic and sustainable strategy. The use of green technology, low carbon and strategic traffic management will create the connectivity of logistic centres and the establishment of new economic centres in the aerospace, automotive and shipbuilding industries.</p>
<p>KEGA 9: Coastal and Maritime Economies (International Waters)</p>	<p>The coastal and maritime economy is yet to be fully developed except for high-end tourism and fisheries. Malaysia's vast and strategic coastal and maritime areas can be developed as new economic centres as well as a means to rehabilitate the natural resources of the area.</p>

<p>KEGA 10: Centres of Excellence</p>	<p>Centres of Excellence (COEs) do not provide large or immediate returns. However, the existence of COEs can leave large, indirect impact on the growth of research, development and training in new skills, technology adoption, technology exchange and the growth of a professional and skilled workforce. The development of COEs at the ASEAN level, operating to global standards, will boost investor and market confidence in Malaysia as an important investment destination in ASEAN. In addition, areas such as development of animation, technology and anti-corruption service can be pioneered in new COEs. The creation of COEs could be extended to future technologies such as nanotechnology, IR4.0 and the digital economy. The role of existing COEs such as the Penang Skills Development Centre (PSDC) and the Malaysian Industry-Government Group for High Technology (MIGHT) could also be expanded.</p>
<p>KEGA 11: Renewable Energy (RE)</p>	<p>By 2025, the target contribution of Renewable Energy (RE) to electricity generation is 20%. Malaysia has the potential to progress far in this activity, by facilitating the use of new technology, providing pilot localities and offering funding for RE generation. Among the examples are mini hydro, solar, algae, biomass, biogas and municipal solid waste.</p>
<p>KEGA 12: Green Economy</p>	<p>Green Economy is a global trend, practised by more informed societies and emphasising low-carbon activities as well as effective and</p>

	<p>inclusive sources. Green Economy encompasses activities such as green buildings, sustainable transportation and mobility, food sovereignty and security, energy and maritime, plastic substitute products, smart and sustainable cities, sustainable coastal development, environmental preservation and rehabilitation, climate adapted technology and organic farming. Green Economy also refers to the creation of a circular economy that is capable of operating without emitting waste.</p>
<p>KEGA 13: Smart and High-Value Farming</p>	<p>Smart Farming refers to the wide use and integration of high technology that is environmentally friendly in farming activities, in order to increase the quantity and quality of domestic harvests, while at the same time reducing the agriculture sector's dependence on labour. For example, drones can be used to spray insecticide and Internet of Things (IoT) sensors can analyse farmland and monitor farming produce. The effectiveness of smart farming can be strengthened with automation, precision agriculture applications and vertical farming.</p>
<p>KEGA 14: Advanced & Modern Services</p>	<p>The services sector is the largest sector in Malaysia. Therefore, modernisation and diversification of the sector must be in line with technological advancement and current market demand. Emphasis on subsectors such as environmental services, professional services and technology services will catalyse an increase in</p>

	value across the sector. In addition, providing services that are suitable for future industries will make Malaysia a top choice for investors.
<p>KEGA 15: Tourism: Malaysia Truly Asia</p>	<p>Tourism activities provide large returns to the country. Nevertheless, there is further room for improvement in these activities including integrating multiple tourism platforms such as agrotourism and ecotourism, health tourism, heritage tourism and experience-based tourism. In addition, tourism activities encourage efforts to improve local content and business, provide benefit to environmental rehabilitation and enhance health services as well as celebrate Malaysia's cultural diversity.</p>

In addition to implementing 15 KEGAs as future economic activities, the existing industries will continue to be strengthened through three key strategies. First is to diversify across sectors and geographies to ensure that the commodity, agriculture and construction sectors continue to expand across regions and states. Currently, all three sectors are facing flat and unstable growth and are in the low value-added category. The strategy will also identify areas of potential economic growth for development and facilitate development planning.



Secondly, enhancing the role of SOEs in investment to drive KEGA initiatives, thereby reducing the involvement of SOEs that compete with SMEs and other local businesses. SOEs will lead SMEs and activate the Vendor Development Programme (VDP) to attract regional and international investment.

The third strategy is to strengthen the involvement of the private sector in industrial development in Malaysia. The private sector is encouraged to play a leading role in driving industry growth including VDP operations. With this, large companies will help the expansion of SMEs, thus strengthening the business value chain and accelerate the process of transitioning to high-tech and value-added industries.

The private sector is also encouraged to provide upskilling and retraining to existing workers as well as basic skills training to prospective employees. Currently, 72.8% of the total employment is comprised of skilled and low-skilled workers.



STRATEGIC THRUST 3

TRANSFORMING HUMAN CAPITAL

Human capital transformation is an effort to enhance the workforce in Malaysia through programmes focussed on professional training and retraining. These efforts will be undertaken at every level, from school to work environment.

3.1 BACKGROUND

A knowledgeable, skilled and innovative workforce is a crucial factor in the development of the country. Recognising the importance of human capital, the strategic thrust is developed to enhance the workforce through programmes focussed on professional training, talent development and skills retraining.

Presently, the development of human capital faces the challenge of bridging the gap between knowledge, skills and attitudes of graduates with industry needs. The gap has also created a mismatch between supply and demand in the labour market. In addition, the implementation of training and skills by various public, private institutions and state skill development centres has resulted in an uncoordinated national education and training landscape.

The transformation of human capital outlined in the strategy will create more skilled workforce and thus increase national productivity. Priority will be given to improving the quality of education and training as well as strengthening collaboration between training providers, industry and professional bodies to meet market needs.

3.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

There is a gap between knowledge, skills and attitudes of graduates with the needs of the industry. This gap creates a mismatch between demand and supply in the labour market and makes it difficult for graduates to get jobs that meet their qualifications.

The imbalance also includes supply and demand in the labour market. According to the Mid-Term Review of the Eleventh Malaysia Plan, there were 112,300 job vacancies for the skilled job category compared to 306,808 graduates produced in 2017.

In addition, the educational and training landscape is not well coordinated as the programmes offered by public and private institutions as well as state skill development centres are similar. However, these programmes have different standards and lack specialisation.

3.3 STRATEGY RECOMMENDATIONS

Human capital transformation outlines four strategy proposals to address identified issues. The recommendations are as follows:

- I** strengthening and expanding partnerships between training and industry providers as well as professional bodies in setting curriculum and training courses to meet industry standards;
- II** strengthening quality control mechanisms to ensure that academic programmes comply with accreditation and quality standards;
- III** encouraging the private sector to provide upskilling to existing employees and industrial training that suits future graduates; and
- IV** cultivate student's interest through career counseling programmes to participate in identified critical fields.



STRATEGIC THRUST 4

STRENGTHENING THE LABOUR MARKET AND INCREASING COMPENSATION OF EMPLOYEES

Labour market efficiency is an important factor in ensuring the country's economic growth. Efforts to coordinate the distribution of corporate profits need to be undertaken for workers to earn wages that are commensurate with productivity. Wage restructuring is required for employees to enjoy a decent standard of living. These efforts also include reducing the industry's dependence on foreign workers and promoting the recruitment of local workers.

4.I BACKGROUND

The strengthening of the labour market and the increase in compensation of employees are defined as efforts to streamline the distribution of corporate profits or gross operating surplus to ensure workers can be compensated according to productivity. The restructuring of salary based on qualification needs to be implemented to attract locals into the workforce, thus enjoying a decent standard of living. In addition, this would reduce dependence on foreign workers.

The shift of foreign workers from the Dirty, Dangerous, Difficult (3D) category to other sectors illegally has affected local workers. Issues in labour market efficiency persist as the industry continues to maintain labour-intensive operations. In addition, higher wages abroad have forced locals to migrate to find jobs in those countries.

The strategic thrust will strengthen the labour market and increase the compensation of workers and the rights of local workers in Malaysia. Employees are also able to generate enough income to enjoy a decent standard of living.

4.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

Migrants working in 3D category jobs have switched to jobs in other sectors illegally. This has put pressure on wage and employment opportunities for low skilled local workers. Employers are more likely to hire foreign workers than local workers to minimise operating costs.

Industries are reluctant to transit from labour-intensive to technology-based operations due to high investment cost. In addition, industries are required to invest to acquire appropriate technology equipment, provide skills training programmes to employees and improve business operations.

Unattractive wages and salaries in skilled jobs in Malaysia as well as lucrative offers abroad has resulted in the brain drain of skilled talents, which in turn has affected the domestic labour market efficiency.

4.3 STRATEGY RECOMMENDATIONS

The strategic thrust of strengthening the labour market and increasing compensation of employees outlines seven strategies to address identified issues. The recommendations are as follows:

- I** reviewing minimum wage and salary policies periodically;
- II** expanding the implementation of the Productivity-Linked Wage System (PLWS);



- III** reviewing the regulation and permitted sectors on employing foreign workers including registration system;
- IV** introducing and enforcing payroll system through registered financial institutions to facilitate monitoring and management of foreign workers;
- V** improving enforcement and monitoring mechanisms to prevent foreign workers from leaving the permitted sectors and occupations;
- VI** reviewing domestic investment promotion including tax-related incentives; and
- VII** expanding investment in R&D, technology adoption in production and human capital development.



STRATEGIC THRUST 5

SOCIAL WELLBEING

Social wellbeing ensures that the welfare of all segments of society is protected, especially those categorised as economically vulnerable and B40.

5.1 BACKGROUND

Malaysia succeeded in reducing the poverty rate from 16.5% in 1989 to 0.4% in 2016. However, there are still pockets of poverty among the *rakyat* and households with insufficient savings, thus making this group economically vulnerable.

This group is also affected by lack of comprehensive social safety net coverage. In addition, uncoordinated social assistance systems have affected B40 from receiving the appropriate assistance.

Empowerment of the economically vulnerable needs to be prioritised to address poverty and social problems arising from financial constraints and pressures. The role of the Government is to ensure that the wellbeing of the *rakyat* is improved and no one is left behind from economic activities.

5.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

Poverty remains as one of the issues that need to be addressed as pockets of poverty still exist among the *rakyat*. Most of the poor households rely on single source of income, low education attainment and work in informal sectors. In addition, the national Poverty Line Income (PLI) is based on the 2005 methodology which does not reflect the current household consumption patterns, needs and demographics.

The lack of a comprehensive social safety net affects the vulnerable groups. According to BNM annual report in 2017, almost half of Malaysians could not afford to spend RM1,000 in case of emergency. This indicates that the *rakyat*, especially the B40 are not able to save money due to higher household expenditure relative to income growth.

The broad classification of B40 household income group creates difficulty for the Government to determine types of assistance required for household. In addition, database on the recipients that are provided by the various ministries and agencies are not fully integrated, resulting in inclusion and exclusion errors. This has led to the Government's assistance and incentives not reaching the intended target groups.

5.3 STRATEGY RECOMMENDATIONS

The strategic thrust on social wellbeing outlines six strategy proposals to address identified issues. The recommendations are as follows:

- I** expanding the social security system to be more integrated and comprehensive;
- II** introducing mandatory retirement contribution scheme to workers in informal sectors;
- III** reviewing the methodology of PLI to be more relevant and to reflect current situation;
- IV** promoting continuous national-scaled financial awareness programmes including financial management awareness campaigns in schools and higher education institutions (HEIs);
- V** refining information to determine more specific categories of B40 to provide better targeted assistance; and
- VI** integrating databases to ensure assistance can be provided to the targeted groups.



STRATEGIC THRUST 6 **REGIONAL INCLUSION**

Regional inclusion is the Government's strategy to ensure that economic development is not geographically-centred. This strategy involves equitable development distribution to all states. The strategies in enhancing economic activities for each location are selected based on the strength and uniqueness of the area.

6.1 BACKGROUND

Malaysia has developed rapidly since the implementation of the NEP. However, high value-added economic activities are largely concentrated in the FT of Kuala Lumpur and Putrajaya, Selangor, Pulau Pinang and Johor. This disproportionate economic concentration has resulted in imbalance in development among states and regions as well as between urban and rural areas.

The population pattern is concentrated in urban areas and has led to a significant increase in urban population. Meanwhile, the economic potential in rural areas is underoptimised whilst access to basic infrastructure and facilities is inadequate.

Development in Malaysia needs to be more inclusive. Regional inclusion is the Government's strategy to ensure that economic development is not confined to specific areas. Overall, this strategic thrust focusses on the distribution of equitable and inclusive development.

6.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

Internal migration shows a pattern of increase in the urban population. This impacted negatively on various socioeconomic elements in urban and rural areas, including limited employment opportunities in urban areas and shortage of labour in rural areas.

The increase in urban population has raised house prices and contributed to urban poverty. This situation has also intensified competition for employment and elevated the cost of living. Long-term negative effects on the urban poor include questions of survival and low social mobility.

The economic potential in rural areas is underoptimised. In addition, the slow pace of socioeconomic development in rural areas and less developed states discourages private sectors from investing.

Access to basic utilities, digital infrastructure and roads in rural areas is not yet comprehensive while access to basic services such as healthcare, housing and education is still inadequate.

6.3 STRATEGY RECOMMENDATIONS

The strategic thrust on regional inclusion outlines nine strategy proposals to address identified issues. The recommendations are as follows:

- I** mapping of potential economic areas for regional development planning as shown in Figure 6.0;
- II** determining measurable indicators of income growth, business progress and regional economic development in rural areas;

- III** implementing a holistic rural development action plan by taking into account ecosystem development, human resource/talent, financing, skills and entrepreneurship, logistics and communications;
- IV** developing suburban, rural areas and underutilised land to be competitive and creating more employment opportunities;
- V** developing several new pilot city models in line with the City Prosperity Index;
- VI** creating new industries in rural areas to value add existing industries and encouraging diversification of businesses apart from agricultural industry;
- VII** developing regional economic ecosystem including enhancing entrepreneurship programmes, encouraging startups and boosting rural industry competitiveness to bridge urban-rural economic disparity;
- VIII** improving access to basic facilities and infrastructure in rural areas such as hospitals, health centres, schools, roads, jetties, bridges, markets and telecommunication infrastructure; and
- IX** accelerating development of affordable housing for better livability.



PROPOSED DISTRIBUTION OF KEY ECONOMIC GROWTH ACTIVITIES, KEGA

The figure illustrates the proposed state-based economic focus area under the Strategic Thrust of Regional Inclusion.

PERLIS

- Borders and logistic economy
- Ecotourism
- High-valued agriculture
- Renewable energy

PENANG

- Logistics hub
- High technology industry
- Health tourism
- Heritage and Tourism
- Technology centres of excellence

PERAK

- Ecotourism and heritage tourism
- High technology fisheries and livestock
- Rural industries
- Creative industry economic hub

SELANGOR

- Manufacturing, automotive and MRO
- Industry 4.0 hub and hi-tech parks
- Ports and logistics
- Digital economy and disruptive technology
- Smart agriculture

FT KUALA LUMPUR

- ASIA Tourism (ASIA Gateway)
- Regional financial hub
- Islamic fintech 2.0 hub

FT PUTRAJAYA

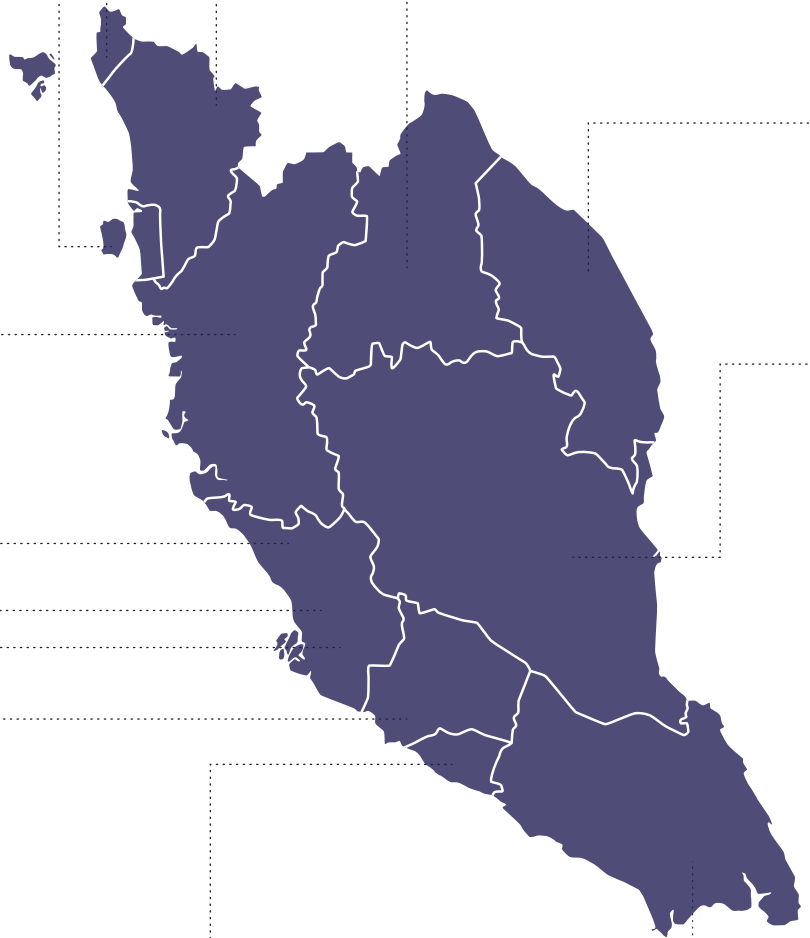
- Federal Government Administrative Centre
- Diplomatic Hub

NEGERI SEMBILAN

- Ecotourism and heritage tourism
- Malaysia Vision Valley
- Smart and high-valued agriculture

MALACCA

- Ecotourism and heritage tourism
- Halal hub
- Smart city



KEDAH

- Borders and logistics economy
- Ecotourism and heritage tourism
- Modern agriculture and livestock
- Aerospace industry

KELANTAN

- Borders and logistics economy
- Cultural and rural economy
- Heritage tourism
- Rural manufacturing industries
- Agrotourism and ecotourism

TERENGGANU

- Commodity economy and downstream products
- Island and coastal tourism
- Coastal economy and fisheries
- Secondary educational hub
- Downstream petroleum processing

PAHANG

- Ecotourism
- Commodity economy and downstream products
- Modern mining
- Transportation and logistics hub
- High technology agriculture

JOHOR

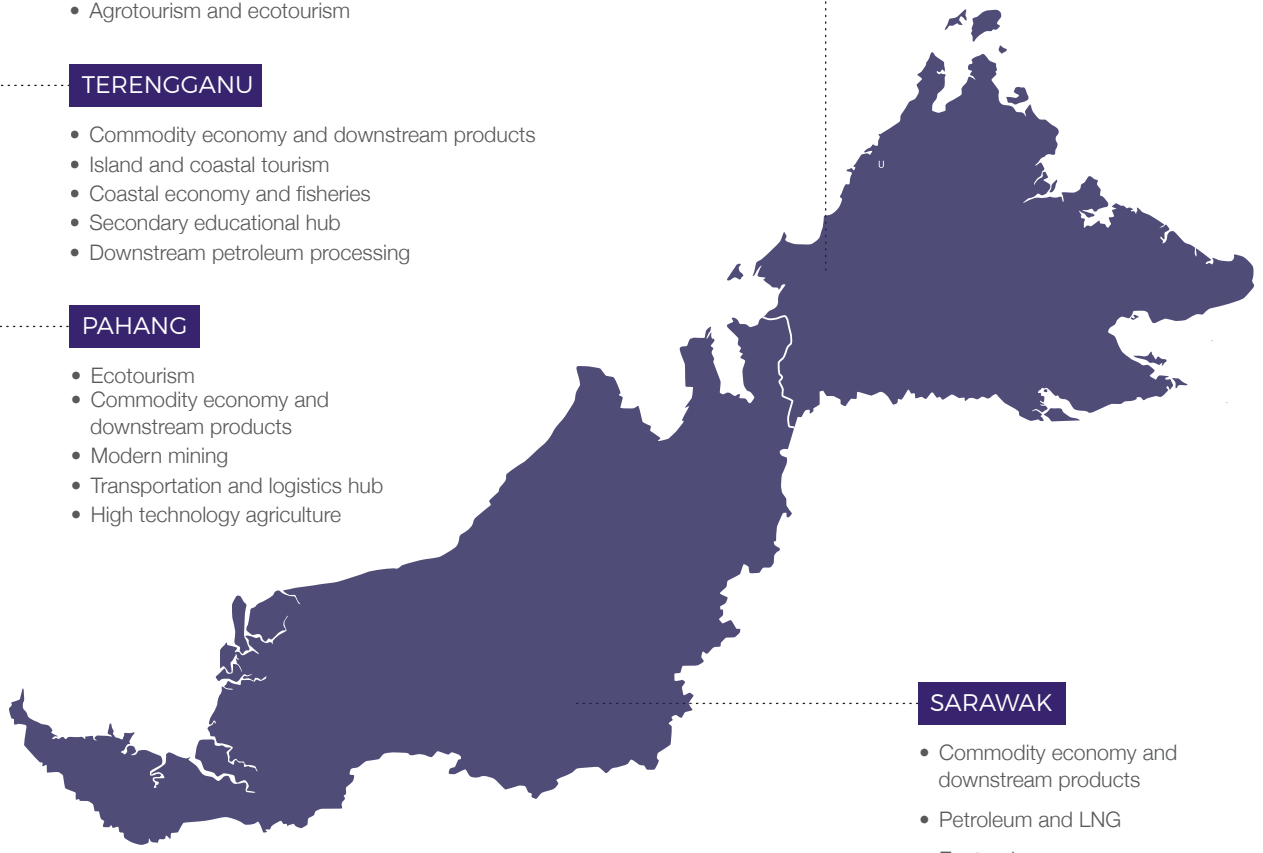
- Straits of Malacca gateway (Logistics hub and transshipment)
- Ecotourism and heritage tourism
- Southern region educational hub
- Food crop hub
- Downstream petroleum-related activities

SABAH

- Ecotourism
- Borders economy
- Downstream petroleum processing
- Commodity economy and downstream products
- Fisheries and aquaculture

SARAWAK

- Commodity economy and downstream products
- Petroleum and LNG
- Ecotourism
- High technology agriculture and livestock
- Renewable energy



Source: Institut MASA



STRATEGIC THRUST 7

SOCIAL CAPITAL

Social capital is the Government's effort to strengthen the *rakyat's* participation in societal activities that will raise the *rakyat's* confidence level and trust towards society and national institutions. In addition, social capital refers to the empowerment of youth in the society. Discussion on national and new Malay narratives as well as unity among *rakyat* of diversified races and religions constitute a part of efforts to develop solid social capital in Malaysia.

7.I BACKGROUND

The social capital thrust discusses the national narrative and the role of the community in ensuring that the target of Shared Prosperity is achieved and national unity is strengthened. The national narrative is based on the principles of the Federal Constitution and the Rukun Negara that support social contracts to unite the nation. The implementation of social capital needs to be accelerated in terms of economic, institutional and social models through Shared Prosperity Vision.

The challenges identified in this strategic thrust are related to different ideologies among the *rakyat*, lack of patriotism among the youth and differences in understanding among ethnic groups. All of these challenges have led to persistent and prolonged sensitive issues, including those related to religion, race and education that need to be addressed. Appropriate measures and mechanisms are necessary in tackling these issues to strengthen unity.

Through this social capital, the Government will increase the *rakyat's* involvement in community activities such as community-based organisations (CBOs), neighbourhood associations and volunteer activities that will enhance the people's confidence and trust in community and state institutions. Nation building involves development in all aspects including the inculcation of the spirit of diversity by celebrating values and respecting differences of opinion. This is important for the formation of a united, progressive and active community.

7.2 KEY ISSUES AND ANALYSIS OF CURRENT CONDITIONS

The differences in views among the *rakyat* should not affect the social texture towards shaping Malaysians in celebrating ethnic and cultural diversity. Involvement of youth in discourse on national issues needs to be enhanced through the provision of specific platforms. This involvement is necessary to foster the spirit of patriotism among the youth for young minds to propel Malaysia into a developed nation.

The polarity in cultural understanding between ethnic groups has led to various demands being made that do not benefit all Malaysians. A more objective view is needed in order to work towards developing an integrated and holistic socioeconomic state.

7.3 STRATEGY RECOMMENDATIONS

The strategic thrust of this social capital outlines five strategic proposals to address the identified issues. The recommendations are as follows:

- I** strengthening the role of the CBOs in balancing national issues by developing national-level platforms such as town hall, national consultation councils and the establishment of the Majlis Muafakat Ummah;
- II** fostering youth involvement in community activities such as *gotong-royong* and community service as well as local economic development;
- III** enhancing understanding and creating lasting harmony among various ethnic and religious groups in Malaysia;
- IV** fostering a sense of belonging by celebrating diversity and respecting differences of ideologies; and
- V** strengthening education policies and various unity initiatives to ensure that the unity and integration among Malaysians is maintained.



CHAPTER 7

Enablers of Shared Prosperity

Introduction

ENABLER 1
Fiscal Sustainability

ENABLER 2
Financial Capital

ENABLER 3
Effective Institutional Delivery

ENABLER 4
Governance and Integrity

ENABLER 5
Education and Technical and Vocational
Education and Training

ENABLER 6
Big Data

ENABLER 7
Sustainability

ENABLER 8
Enlightened Society

CHAPTER

7

Enablers of Shared Prosperity



INTRODUCTION

The Shared Prosperity Vision 2030 has eight enablers to accelerate the implementation process of the seven strategic thrusts in an effort to achieve the targets. These enablers are developed based on 15 Guiding Principles considering efforts to ensure the success of initiatives and programmes. The eight enablers are as follows:

CAPABILITIES, RESOURCES AND CATALYSTS CONTRIBUTING TO SUCCESS OF SHARED PROSPERITY VISION





ENABLER 1

FISCAL SUSTAINABILITY

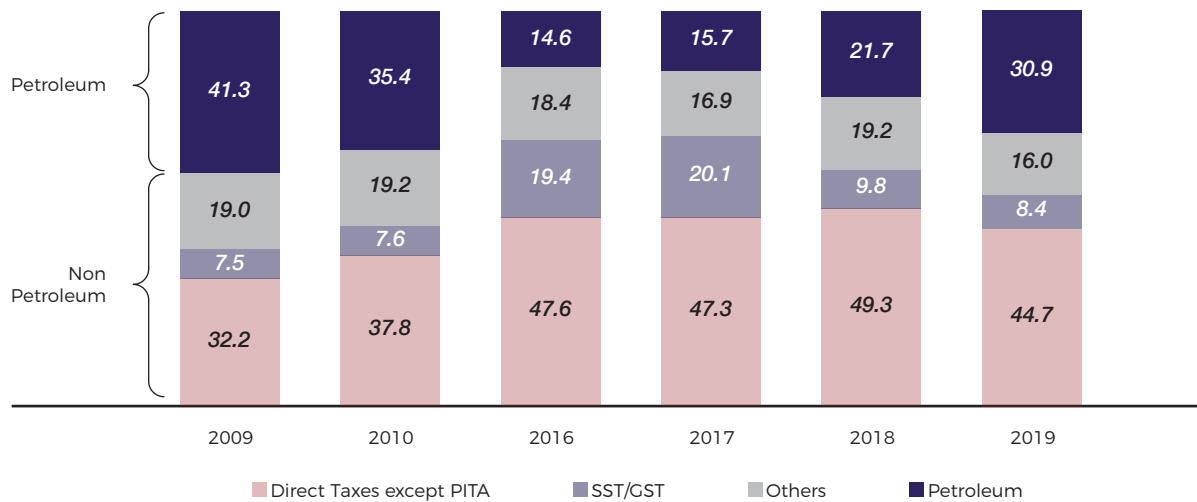
Fiscal sustainability is defined as the ability to maintain the Government's financial position in a credible manner without compromising the ability to manage its liabilities and commitments in the long run. Efficient fiscal management determines the country's rating by international agencies to build up investor and market confidence.

I.I ISSUES AND CHALLENGES

Limited fiscal space continues to restrict public sector funding for implementing development programmes and projects. Government revenue collection is still not in line with economic growth. The country's revenue structure, which still relies on direct taxes and small tax base, has limited the collection of Government revenue. The re-introduction of Sales and Service Tax (SST) to replace Goods and Services Tax (GST) has also had an impact on revenue collection. In addition, the country is still dependent on petroleum-based revenues and commodity trade which are exposed to global commodity price instability as shown in Figure 7.0. The country's fiscal resilience will continue to decline if tax restructuring is not implemented.



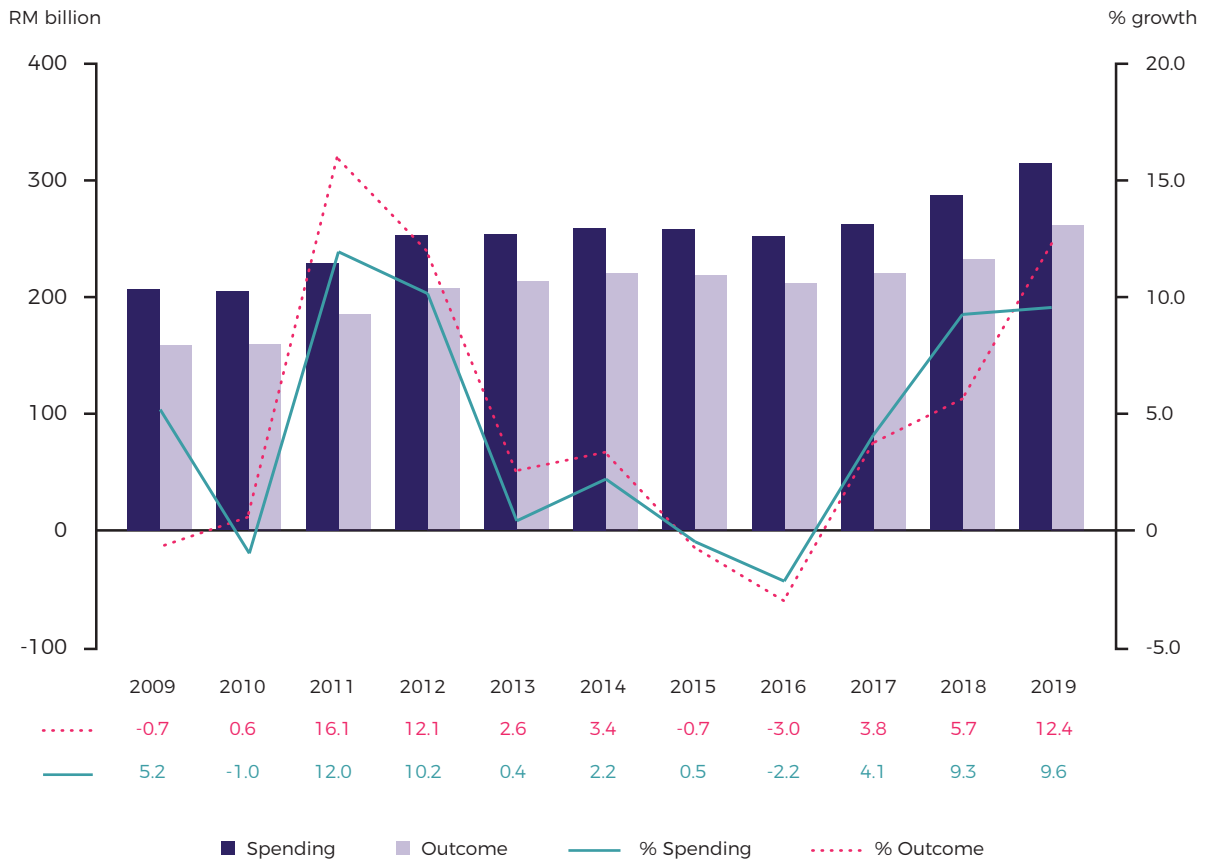
Federal Government Revenue Structure, 2009-2019 (% of total revenue)



The widening fiscal deficit is also due to increase in expenditure being higher than the increase in revenue collected on account of ineffective and imprudent spending management as shown in Figure 7.1. In addition, the implementation of off-budget mega projects funding coupled with weakness in monitoring and delay in project implementation have led to additional costs to the Government.



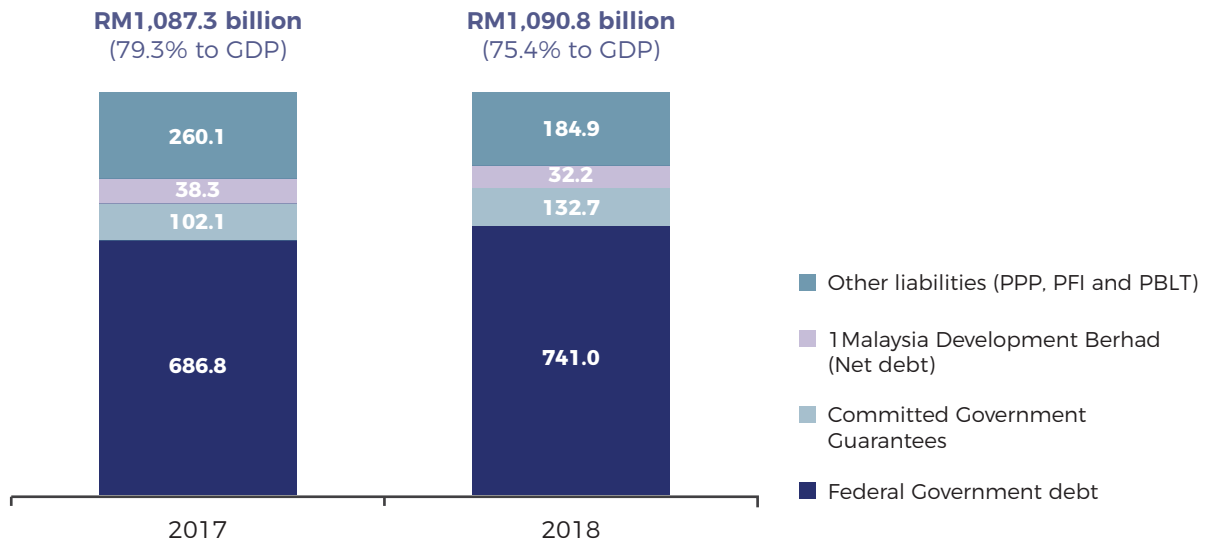
Federal Government Revenue and Expenditure, 2009-2019



Increased Government debt has also hindered the country's development plans and eroded investors' confidence. Debt increases, contingent liabilities and commitments made through the implementation of public-private partnership projects have also increased the Federal Government's debt level. In 2018, debt levels including Government guarantees remained high, amounting to RM1.1 trillion or 75.4% of GDP as shown in Figure 7.2.



Federal Government Debt and Liability



I.2 STRATEGY RECOMMENDATIONS

Fiscal reform is crucial to lay a strong foundation for more sustainable and inclusive growth. However, these reforms will be balanced by the need to sustain growth and ensure quality public service delivery for the wellbeing of the *rakyat*. Proposed strategies to ensure a sustainable fiscal position are as follows:

- I** introducing new initiatives to increase revenue and improve tax compliance and tax efficiency as well as widening tax base;
- II** strengthening Government expenditure management for better transparency, especially in determining the needs for any mega project based on a cost-benefit analysis;
- III** introducing a mechanism for budgetary management and monitoring under the purview of Parliament as the Government's budget arbitrator;
- IV** setting a threshold for operating expenditure;
- V** strengthening procurement processes for supplies and services including implementation of open tenders; and
- VI** improving public sector debt management system to ensure greater integrity and responsibility.



ENABLER 2

FINANCIAL CAPITAL

Financial capital is defined as the funds provided by certain parties to support SMEs. This enabler is introduced as an effort to reduce wealth disparities, enhance SMEs capabilities in the supply chain and encourage its involvement in business through SMEs-friendly financing systems.

2.1 ISSUES AND CHALLENGES

Most financing institutions are not inclined towards approving SMEs loan applications from sole proprietorships because of their high credit risk due to unlimited liability. According to BNM Annual Report 2016, 25.1%¹ of loan applications by SMEs were rejected. The Establishment Survey Report of 2015 by DOSM showed that 73%² of SMEs used private funding sources. Among the factors that deter SMEs from obtaining financial assistance were poor documentation system, particularly in accounting and financial management as well as commercially non-viable businesses (24%), bad credit profile (18.5%) and poor loan repayment ability (1.5%)³.

Currently, SMEs face numerous problems due to information gaps between financing agencies and applicants. The substantial information gaps are caused by outreach shortcomings in the delivery of Government programmes. The weakness of this outreach has resulted in SMEs failing to obtain accurate funding information.

SMEs are also focussed on commercial banking institutions and unaware of other financing schemes such as alternative lending schemes, which include cooperatives and agency financing programmes. The data shows utilisation of alternative funding stood at RM3.3 billion as compared to the total RM25.1 billion⁴ of SMEs funding requirements.

¹ *Financial Stability and Payment Systems Report by Bank Negara Malaysia, 2016.*

² *Economic Census Report, Department of Statistics Malaysia, 2016.*

³ *Survey by SME Corporation Malaysia.*

⁴ *Annual Report by Bank Negara Malaysia, 2016.*

Poor operational management of SMEs also contributed to the lack of success due to failure to adopt best practices and standards. A set of standards for SMEs operation and management, particularly micro businesses needs to be introduced as a benchmark for SMEs.

2.2 STRATEGY RECOMMENDATIONS

The inability of SMEs to conform to the needs of the new economy is exacerbated by their failure to adopt excellent business practices, utilise technology and create a skilled workforce. The Government's aim to create a high value economy will not be achieved if the institutions that provide capital financing are unable to address this problem. The proposed strategies to strengthen access to financial capital are as follows:

- I** introducing alternative systems for credit evaluation based on digital footprint such as online purchases, internet usage and social media;
- II** reviewing and improving policies to ensure successful capital financing for SMEs to address issues of classification of SMEs business categories;
- III** rationalising funding institutions to meet the demands of SMEs participation in new sectors and economic activities;
- IV** strengthening SMEs management support programmes with the provision of professional services at affordable fees through accounting services with resource sharing methods;
- V** encouraging accounting firms to provide accounting training to SMEs; and
- VI** encouraging the transition of industrial business to scale from micro companies to SMEs and from SMEs to large corporations by easing the criteria and funding approval conditions that facilitate their expansion.



ENABLER 3

EFFECTIVE INSTITUTIONAL DELIVERY

Effective communication and successful policy implementations are among the key determinants of initiatives undertaken by the Government. This enabler is developed to ensure successful planning and implementation as well as re-engineering of outcome-based Government programmes to warrant the success of Shared Prosperity Vision. Improvements of Government service deliveries are essential in reducing bureaucracy through simplifying and streamlining work systems as well as procedures on top of performance measurement based on key result indicators (KRIs).

3.1 ISSUES AND CHALLENGES

Inefficiencies in public service delivery pose a challenge to the Government in dealing with perception and understanding among the *rakyat*, which may lead to public distrust. In addition, patriotism needs to be instilled within the youth. Lack of coordination between ministries and agencies due to overlapping functions and roles will result in an increase of Government spending.

3.2 STRATEGY RECOMMENDATIONS

The proposed capacity building strategies for effective institutional delivery are as follows:

- I** strengthening communication channels for the delivery of accurate and updated Government information and policies;
- II** fostering a spirit of patriotism and loyalty for the country; and
- III** streamlining the functions and roles of the Government.



ENABLER 4

GOVERNANCE AND INTEGRITY

Good governance and high integrity should be integral elements in national administration. This enabler will increase the *rakyat*'s trust in the Government to continue administering and managing the nation.

4.1 ISSUES AND CHALLENGES

Rampant corruption has led to significant public distrust of the Government. The intervention of stakeholders in the administration of the country, has affected the efficiency of public service delivery. Weaknesses in the management and monitoring of Government projects have also led to leakages in Government spending.

4.2 STRATEGY RECOMMENDATIONS

The proposed strategies for governance and integrity enabler are as follows:

- I** raising awareness on integrity and accountability aspects to curb corrupt practices;
- II** strengthening the governance system as well as increasing transparency and accountability of Government agencies;
- III** improving monitoring and enforcement mechanisms; and
- IV** formulating policies to deter stakeholders from interfering in Government administration and to prevent economic sabotage.



ENABLER 5

EDUCATION AND TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING

The Education and Technical and Vocational Education and Training (TVET) enabler is being developed to increase the number of skilled workers to meet the needs of industry. This enabler will also create a highly educated workforce and help build a community that inculcates lifelong learning.

5.1 ISSUES AND CHALLENGES

A key issue in education is the low learning outcomes of students. The quality of education in Malaysia needs to be improved to enhance the development of the country's human capital. The lack of physical and digital infrastructure as well as comprehensive online learning impedes the overall progression of education.

TVET training is currently being implemented in silos by various public and private institutions as well as state skills development centres. The situation has caused confusion among the public and stakeholders. In addition, the existence of two accreditation bodies, namely, the Malaysian Qualifications Agency (MQA) and the Department of Skills Development (JPK), has resulted in dissimilar standards, rating systems and quality of TVET programmes.

5.2 STRATEGY RECOMMENDATIONS

The proposed strategies for education and TVET enabler are as follows:



- I** improving education structures and systems, especially in terms of language proficiency and learning outcomes;
- II** strengthening physical and digital infrastructure as well as online learning platforms and modules;
- III** improving the quality and capacity of teachers so as to maximise student achievement;
- IV** encouraging student enrolment in the TVET stream; and
- V** strengthening the infrastructure and support learning system for special needs to ensure a more inclusive learning system.



ENABLER 6

BIG DATA

Big data is one of the major contributors towards changes in the method of decision-making and business transactions. Due to technological advancement, this enabler has emerged as a driver of information integration and consolidation as well as data- and empirically-based policy-making. In addition, technology readiness and usage of big data have encouraged the growth of innovation, value-added industry and improved quality of Government service delivery. This element is crucial in ensuring the development of the digital economy in tandem with the current global trend towards national economic growth.

6.1 ISSUES AND CHALLENGES

Malaysia still faces challenges in the implementation of big data due to rapid growth of technologies in developing digital infrastructure, including data centres. High investment and collaboration between the Government and industry is required to provide big data facilities. Furthermore, high-skill workers in data analytics are needed to support this initiative. At the same time, awareness of the effective and smart use of data is important in ensuring confidentiality, facilitating service delivery and supporting effective decisions.



6.2 STRATEGY RECOMMENDATIONS

The proposed strategies for big data enabler are as follows:

- I** reviewing existing legislation and formulating policies in providing a holistic digital ecosystem;
- II** preparing new business models in developing sustainable digital infrastructure including data centres;
- III** providing modules for upskilling and reskilling at training institutions and industries;
- IV** establishing collaboration between Government and industry to share expertise; and
- V** encouraging collaboration between Government, industry as well as community to implement awareness programmes on the wise and effective use of data.



ENABLER 7

SUSTAINABILITY

Sustainability harmonises socioeconomic development with the preservation of the environment and natural resources to meet the needs of the present generations without neglecting the future generations. This enabler is an effort to drive national development through green growth, which emphasises low carbon development, resource efficiency, resilience and inclusivity. The responsibility of preserving the environment and sustainability of natural resources is not entirely on the Government but also the society at large in line with Shared Prosperity Vision aspirations.

7.1 ISSUES AND CHALLENGES

The implementation of policies by ministries and agencies de-emphasises the importance of environmental preservation and efficient use of resources. This is caused by the failure to realise the significant value of the environment as compared to that in the economic and social sectors. High commitment is required in enhancing the practice of shared responsibility among stakeholders. Furthermore, while EIA is important, it is only focussed on specific projects and does not cover the impact of the ecosystem as a whole.

As a result of rapid development, the country is facing challenges to balance between population growth and the increasing demand for resources. This has resulted in unsustainable lifestyles and poor consumption habits leading to overconsumption of resources and increase in residual waste production.

7.2 STRATEGY RECOMMENDATIONS

The proposed strategies for sustainability enabler are as follows:

- I** reviewing environmental laws and legislation by taking into account current issues and future challenges;
- II** strengthening and coordinating the enforcement of environmental laws and legislation at various levels of Government;
- III** improving the methodology of EIA implementation by taking into account the impact on the ecosystem as a whole; and
- IV** maximising resource utilisation efficiency and minimising waste production through the concept of circular economy at various stages of production and consumption.



ENABLER 8

ENLIGHTENED SOCIETY

Enlightened society aims to inculcate lifelong learning and to foster continuous learning through intellectual discourse, dialogue and awareness programmes in order to enhance knowledge, experience sharing and empathy amongst Malaysians.

8.1 ISSUES AND CHALLENGES

Four challenges have been identified in ensuring an enlightened society as follows:

- I** lack of meaningful public engagement such as consultation process before a policy or project is implemented due to minimal community participation in the process of national development;
- II** there are segments of society that are unable to understand the concept of national identity and nation state. Issues of ethnicity and religions may cause conflict if left unchecked;
- III** analytical thinking among the *rakyat* needs to be improved, particularly starting in schools. Failure to do so will limit, creativity and impede intellectual discourse; and
- IV** culture of high integrity is not a norm yet and thus not entrenched among the *rakyat*.

8.2 STRATEGY RECOMMENDATIONS

The proposed strategies for enlightened society enabler are as follows:

- I** encouraging publishers and media agencies to publish educational content with the participation from civil society and artists;
- II** formulating national media-related policies to educate the mature use of media for the purpose of education, intellectual discourse, civic learning and unity;
- III** encouraging holistic societal engagement in policy or project implementation processes;
- IV** campaigns to build a narrative of nation state identity; and
- V** strengthening basic modules and syllabi to nurture students' ability to be analytical, critical and articulative in shaping social maturity.





CHAPTER 8

Targets and Measures
of Shared Prosperity

CHAPTER

8

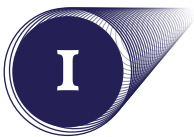
Targets and Measures of Shared Prosperity

INTRODUCTION

The Government of Malaysia has decided to develop an outcome-based national development plan. Setting clear targets and measurement indicators will be instrumental in determining the success of Shared Prosperity Vision 2030. The NEP had set targets for Bumiputera equity ownership and poverty eradication as determinants of its success. In addition, over the past decades, Malaysia has put emphasis on the growth of the GDP as a national economic achievement indicator. In light of this, there is a crucial need for Shared Prosperity Vision to set comprehensive targets and indicators that will have direct impact on the *rakyat*.

KEY ECONOMIC TARGETS

Shared Prosperity Vision is an outcome-based approach focussing on the country's achievements beyond the economy. It is a holistic vision that encompasses all aspects of development including infrastructure, economy, government delivery system, environment, societal values and education. All targets that will be used as Shared Prosperity Vision outcome-based indicators will be matched with future strategies. The process of implementing, monitoring and measuring key indicators of the vision will be undertaken through the creation of a detailed and dynamic dashboard. These will be driven by 10 key targets and over 40 outcome-based targets with 10 initial targets identified as follows:



Real GDP expands at an average of **4.7%** per annum at constant prices and is targeted to reach **RM3.4 trillion** at nominal prices;



Contribution of SMEs and micro businesses to GDP by **50%** as compared to **38.3%** in 2018;



Contribution of Bumiputera enterprises of **20%** to GDP;



Average decent living income (expenditure-based) not less than **RM5,800** per month for **B40** household group;



Monthly median wage among Bumiputera, Chinese and Indian ethnic groups is targeted at **1:1:1** ratio. The current monthly median wage ratio of Bumiputera to Chinese is **0.88:1** while that of Indian to Chinese is **0.82:1** in 2016. These ratios reflect that wage disparities among ethnic groups still persist and need to be equalised;



Monthly median household income ratio of Bumiputera, Chinese and Indian ethnic groups is targeted at **0.9:1:1**. In 2016, income disparities between Bumiputera and Chinese at the ratio of **0.74:1** and Indian to Chinese at the ratio of **0.81:1**;



The targeted ratio of financial assets per capita of Bumiputera to Chinese is **0.6:1** while Indian to Chinese is **0.8:1**. This is to address the existing wealth disparities between Bumiputera and Chinese at the ratio of **0.5:1** and Indian to Chinese at the ratio of **0.7:1**;



CE to GDP is **48%**, which is equivalent to the current high-income countries. In 2018, CE to GDP was **35.7%** indicating that wealth was not well distributed between employees and capital owners;



Addressing regional development disparity, among others, targeting regional development ratios based on GDP per capita. The ratios are measured by comparison to the central region as follows:



Current Ratio and Regional Development Targets

REGION	CURRENT	TARGET
Northern	2.1	1.6
East Coast	2.7	2.0
Central	1.0	1.0
Southern	1.7	1.4
Sabah	2.6	1.5
Sarawak	1.3	1.2

Note: Central region covers FT of Kuala Lumpur and Selangor state while the southern region comprises Johor, Melaka and Negeri Sembilan.

The setting of these 10 initial targets will become the basis of the Government's initiatives that will be facilitated by outcome-based monitoring economic growth, and improving the standard of living of the *rakyat*. The setting of targets is a shift from output-based monitoring to performance-based monitoring.



GINI coefficient value at **0.34**. This target is in tandem with Shared Prosperity Vision efforts, which focus on reducing the disparity between high and low income groups.





CHAPTER 9

Bumiputera
Outcomes

CHAPTER

9

Bumiputera Outcomes

INTRODUCTION

Shared Prosperity Vision is primarily aimed at addressing economic disparity issues that hamper Malaysians. Based on statistics, Bumiputera rank the lowest in wealth ownership and income and are therefore the most affected in terms of economic disparity. Bumiputera constitute 71.3% of the national B40 household income and most are involved

in low-value industries.

In addition, the majority of the population in less-developed states are Bumiputera. The emphasis on equitable outcome is to ensure that Bumiputera achieved equitable socioeconomic conditions with other ethnics.

CHALLENGES FOR BUMIPUTERA DEVELOPMENT

The implementation of previous Bumiputera empowerment agenda has had no holistic impact due to economic sabotage activities such as leakages in Government procurement, corruption, abuse of power and the selling of licences to third parties. This has resulted in negative perception towards Bumiputera empowerment agenda even as economic disparities affecting Bumiputera continue to widen as compared to other ethnic groups.

Among key challenges to Bumiputera outcomes are as follows:

- 1** Abuse of Bumiputera identity by some individuals and companies to reap easy profit;
- 2** Bumiputera property ownership in urban areas remains low and Bumiputera risk being marginalised from mainstream economic development due to high property prices;
- 3** Bumiputera recruitment in the private sectors remains low due to discriminatory practices in job recruiting;

- 4 Over dependence on Government procurement by most Bumiputera contractors due to minimal opportunities to compete in the private sectors; and
- 5 Monopolistic practices in the supply chain among the main causes restricting the competitiveness of Bumiputera and their enterprises.

WAY FORWARD



Various initiatives will be implemented to increase Bumiputera participation in the Government procurement process, particularly for high-value and high-impact contracts. In addition, focus will be given to create high-paying jobs for Bumiputera.

The private sectors and SOEs need to play a proactive role in ensuring equitable outcome for Bumiputera in tandem with policies,

strategies and initiatives outlined in Shared Prosperity Vision. The measures include improvement in policies and workers' recruitment processes as well as private sector procurement particularly putting an end to discriminatory practices towards Bumiputera.

Monopoly issues in the supply chain will be addressed to prevent the hindering of

Bumiputera from opportunities for healthy competition in businesses and enterprises. Development policies and strategies in urban areas must also factor in Bumiputera capability to own properties in these areas, so as not to marginalise them from the country's mainstream development. The rural economic centres need to be strengthened to boost growth and create new jobs.

In addition, economic development needs to be focussed on less-developed states which also have high population of Bumiputera such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak. Rapid development in these states will provide more economic opportunities and high-paying jobs to Bumiputera.

Bumiputera outcomes in all strategic thrusts and enablers need to be prioritised and

systematically adopted in achieving Shared Prosperity Vision targets. Bumiputera themselves must undergo major mindset and attitude change by showing firm and strong commitment to enhance their productivity. In these efforts to increase Bumiputera outcomes, integrity, leakages, corruption and economic sabotage issues must be holistically addressed without fear or favour.

In determining the achievement of Bumiputera outcomes, the implementation of policies, strategies and initiatives under Shared Prosperity Vision will be systematically monitored and evaluated. It will also be subject to a more stringent oversight in line with the protocol adopted for measuring achievements at all levels in the 12MP and 13MP.





CHAPTER 10

Polarity Management

Target Groups

B40 group, Poor and Economically Vulnerable

Community in Economic Transition

Indigenous Community

Bumiputera in Sabah and Sarawak

People with Disabilities

Youth

Women

Children

Senior citizens

CHAPTER

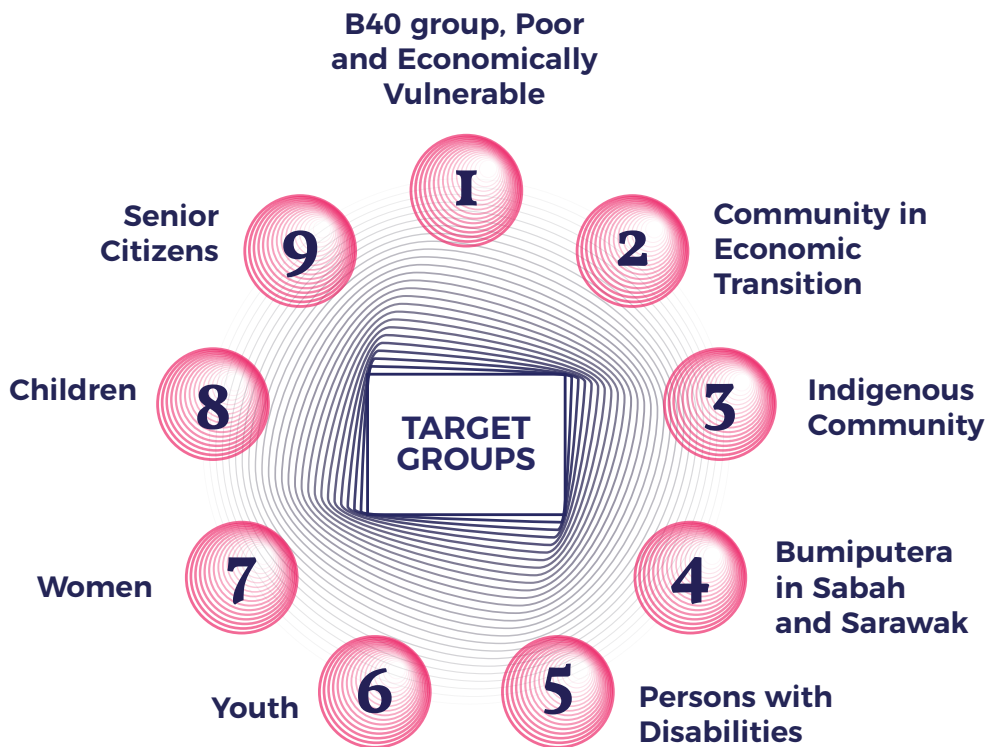
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Polarity Management

In line with the concept of equality underlying Shared Prosperity Vision 2030, certain groups will be given priority, in order to improve their socioeconomic status and to ensure that no one is left behind.

Polarity management is a model of managing issues faced by the minority and specific target groups. The management of polarities is important to ensure issues that are raised can be handled effectively without jeopardising national harmony.

In developing a polarity management model under Shared Prosperity Vision, several key target groups have been identified:





B40 group, Poor and Economically Vulnerable

The main groups that need to benefit from various forms of Government assistance, including programmes to increase income, are B40 group, poor and economically vulnerable.

In addition, access to quality education for this group must be given priority as it provides them with the opportunity to change their socioeconomic status and improve their living standards.

Targeted assistance programmes based on appropriate exit policies will be designed to promote social mobility of this group. This approach is necessary because different groups have different features and requirements. In this way, targets of providing a decent standard of living for all *rakyat* can be achieved, while reducing their dependency on Government assistance.



Community in Economic Transition

Community in economic transition involves vulnerable groups including communities that have migrated from estates, urban poor groups and squatters as well as rural people in urban and industrial settings.

Among the issues affecting these groups are home ownership, access to basic facilities and quality education. These issues need to be addressed thoroughly, so as to improve their social mobility and increase their participation in higher-income economic activities.



Indigenous Community

Government policies and initiatives relating to the wellbeing of indigenous communities must be given priority so that they can enjoy the benefits of national economic development.

A large proportion of indigenous communities are still facing poverty on account of lagging behind in education, upskilling and entrepreneurship.

Polarity management involving these communities must therefore be focussed on efforts to improve education achievement, healthcare, access to roads, infrastructure and facilities.

Granting of land title to the indigenous should also take into account their opportunity to participate in the development stream and the right to continue practising their culture and heritage. Therefore, issues on indigenous land ownership need to be given due consideration and a specific policy should be formulated to address them.



Bumiputera in Sabah & Sarawak

Government policy in managing polarities should promote the preservation of the rights of the natives of Sabah and Sarawak taking into account provisions agreed upon in the Malaysia Agreement 1963 (MA63).

Among key issues for this target group is the Native Customary Rights (NCR), particularly in ensuring that any development process does not affect the recognition of NCR.

In addition, access to high quality roads, basic infrastructure, health and quality education especially for the rural communities in Sabah and Sarawak should be given priority.



Persons with Disabilities

The Government is committed to upholding the rights of persons with disabilities through the ratification of the United Nations Convention on the Rights of Persons With Disabilities (CRPD) and the enactment of domestic law under the Persons With Disability Act 2008. Polarity management initiatives should focus on access to facilities that maintain the safety of the disabled especially in public areas, in line with universal design principles.

In addition, to ensure the survival of the disabled, improving the quality of life and wellbeing of the disabled should be encouraged through an inclusive approach in the community.

Special education schools to improve the skills of the disabled should be provided based on their needs. In this regard, education and skills training that focus on survival should be expanded to enhance self-sufficiency capability.



Youth

The Youth are an important target group in polarity management as they play a key role in determining the country's future.

A key issue that needs to be focussed is the creation of high-income employment opportunities commensurate with their qualifications, skills and talents.

Low salary levels make it difficult for the youth to achieve financial stability in life. Consequently, they are unable to own homes in spite of various government programmes to facilitate home ownership.

The youth, as the future of the nation, must be equipped with knowledge and skills and further encouraged to be involved in entrepreneurship. The youth will be further empowered to face socioeconomic challenges through the creation of more jobs and business opportunities, especially through entrepreneurship and fundraising activities.



Women

In managing polarities involving women as a target group, the Government has formulated gender-mainstreaming policy as one of the priorities to ensure effective policy implementation.

Government policies based on gender sensitivity will increase women's participation and leadership in the public and private sectors, especially at the highest management level. The participation of women in national development will optimise the use of labour resources, and contribute to economic growth.

In order to ensure women's rights are protected, the Government needs to take domestic violence cases seriously by looking at the effectiveness of laws that provide protection to victims. In addition, child care programmes should be streamlined to ensure that women's involvement in the labour market is not affected by childcare issues for married women.

Emphasis on the empowerment of housewives including single mothers as a pillar of the family institution as well as the shapers of a holistic future generation should be embedded in the formulation of Government policies, strategies and initiatives.



Children

Polarity management should emphasise specific policies for children in protecting their rights and safety because of their vulnerability in facing socioeconomic challenges. Studies show that facing these challenges will have long-term effects, including on mental growth.

The findings of a United Nations Children's Fund (UNICEF) study show children living in low-cost apartments in urban areas tend to have low levels of nutrition. Special programmes on children's nutrition are therefore essential to ensure that the country's health policy can address health problems of this group more effectively.

The implementation of Government policies should be streamlined to ensure that documentation and birth certificate issues are resolved to enable children to gain access to education and healthcare.



Senior citizens

Polarity management of senior citizens as a target group should entail the provision of space to ensure their wellbeing. The life expectancy of Malaysians is increasing and Malaysia is expected to become a country with an ageing population by 2030.

The issue of accessibility to the use of facilities for senior citizens is mainly on health and social care. Careful monitoring of senior-care homes and community centres needs to be implemented to ensure their welfare is taken care of. The Government needs to set specific policies to ensure that the elderly have sufficient savings to sustain themselves in old age.



CONCLUSION



Conclusion

Malaysia requires a change in the economic framework and direction in order to allow the country to realise its full economic potential in a sustainable manner, so that the outcome can be shared fairly and equitably by all the *rakyat*. This can only be achieved by changing and adapting the economic ecosystem to better meet market requirements and ensure sustainable economic growth. The benefits of this new economic approach should be distributed in a fairer and more equitable manner to further reduce income disparities between income groups, ethnicities, regions and supply chains. These efforts include formulating policies and implementing capacity building programmes as well as effectively facilitating SMEs, markets and business ecosystems.

A fair economic distribution should guarantee the rights and needs of the low-income, economically vulnerable and marginalised groups by focussing on enhancing their capabilities, and thereby improve their wellbeing. In addition, the Government has to strengthen governance and integrity, increase understanding of the nation's history and its narrative, strengthen social capital, and raise awareness of the bond that will unite us as Malaysians. These important elements will be developed through Shared Prosperity Vision 2030 with a firm resolve to reduce the economic disparities among income groups, ethnicities, regions and supply chains and provide a decent standard of living for the *rakyat*. This vision will ensure that Malaysia will be peaceful, harmonious and united and become an important economic centre of Asia.





GLOSSARY

Glossary Abbreviation

Methodology

Structure of Committees

Development Team

Documentation

Management Team



Glossary

GLOSSARY ABBREVIATION

3D	Dirty, Dangerous, Difficult
4IR	Fourth Industrial Revolution
12MP	Twelfth Malaysia Plan
13MP	Thirteenth Malaysia Plan
AI	Artificial Intelligence
AR	Augmented Reality
ASEAN	Association of Southeast Asian Nations
B40	Bottom 40% Household Income Group
BNM	Bank Negara Malaysia
CBOs	Community-Based Organisations
CE	Compensation of Employees
CEDAR	Centre for Entrepreneur Development and Research
COEs	Centres of Excellences
CPI	Corruption Perception Index
CPTPP	Comprehensive and Progressive Agreements for Trans-Pacific Partnerships
CRM	Customer Relation Management
CRPD	Convention on the Rights of Persons With Disabilities
DIA	Direct Investment Abroad
DOSM	Department of Statistic Malaysia
EIA	Environment Impact Assessments
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
FIC	Foreign Investment Committee
FT	Federal Territory
GCB	Global Corruption Barometer
GDP	Gross domestic product

GFCF	Gross Fixed Capital Formation
GIACC	Global Infrastructure Anti-Corruption Centre
GLCs	Government-Linked Companies
GNI	Gross National Income
GOS	Gross Operating Surplus
GST	Goods and Services Tax
HEIs	Higher Education Institutions
IMF	International Monetary Fund
ISID	Inclusive and Sustainable Industrial Development
IoT	Internet of Things
JAKIM	Jabatan Kemajuan Islam Malaysia
JPK	Department of Skills Development
KEGA	Key Economic Growth Activities
KPIs	Key Performance Indicators
KRI	Key Result Indicators
LFS	Labour Force Survey
MA63	Malaysia Agreement 1963
MACC	Malaysia Anti-Corruption Commission
MASA	Institut Masa Depan Malaysia
MDEC	Malaysia Digital Economy Corporation
MEA	Ministry of Economic Affairs
MIDA	Malaysian Investment Development Authority
MIGHT	Malaysian Industry-Government Group for High Technology
MNCs	Multinational Corporations
MSC	Multimedia Super Corridor
MTR 11MP	<i>Mid-Term Review of the Eleventh Malaysia Plan</i>
MPI	Multidimensional Poverty Index
MQA	Malaysian Qualifications Agency

MYCC	<i>Malaysia</i> Competition Commission
NAPIC	National Property Information Centre
NCR	Native Customary Rights
NEM	New Economic Model
NEP	New Economic Policy
NGOs	Non-Governmental Organisations
OECD	Organization for Economic Co-operation and Development
PERODUA	Perusahaan Otomobil Kedua
PLI	Poverty Line Income
PLWS	Productivity-Linked Wage System
PROTON	Perusahaan Otomobil Nasional
PSDC	Penang Skills Development Centre
PWD	Persons with Disabilities
R&D	Research and Development
R&D&C&I	Research, Development, Commercialisation and Innovation
RE	Renewable Energy
SIA	Social Impact Assessment
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SST	Sales and Service Tax
T20	Top 20% Household Income Group
TI	Transparency International
TLSM	Transportation, Logistics and Sustainable Mobility
TVET	Technical and Vocational Education and Training
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
VDP	Vendor Development Programme

METHODOLOGY

Shared Prosperity Vision 2030 is formed through comprehensive and consultative efforts, involving Malaysians from all walks of life. The process of developing this vision can be divided into two main phases. The first phase focussed on the assessment of socioeconomic conditions in Malaysia and the identification of priority issues for improvement. This phase was carried out by analysing domestic and international data, as well as consultative sessions held with industry experts, academicians, non-governmental organisations and stakeholders in the public and private sectors.

The second phase involved the development of a comprehensive socioeconomic development framework for 2021 to 2030, with emphasis on the concept of outcome-based policymaking. Careful study of various case studies, development models and mega trends are fundamental to the implementation of the second phase.

Shared Prosperity Vision 2030 as detailed through this document is the result of the implementation of both phases. The next phase of the implementation and improvement of this vision will be driven by feedbacks from the *rakyat* and discussions with relevant stakeholders.

STRUCTURE OF THE COMMITTEES OF SHARED PROSPERITY VISION 2030

The Shared Prosperity Vision Committees have been in existence since July 2019 with the establishment of a Project Management Team led by Institut MASA and the Project Task Force representing the Ministry of Economic Affairs (MEA) responsible for the development and preparation of the Shared Prosperity Vision documents.

SHARED PROSPERITY VISION DEVELOPMENT TEAM

Members of the task force are:

Tan Sri Muhyiddin Yassin,

*Chairman of Shared Prosperity Vision Committee
cum Chairman of Institut Masa Depan Malaysia*

Encik Mohd Nizam Mahshar

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